

OP Year 2017

On a journey of change lead by our customers



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Review by the Supervisory Board

In 2017, OP continued its journey of transformation with customers at the core. We took several major steps forward in the implementation of our strategy that was published in 2016. The strong financial performance and capital adequacy made it possible to invest in service development as planned.

Customers at the core

Our journey of change with customers at the core started as early as 1902, when the first cooperatives were established to provide services for their community. Since then the justification for our existence has been based on customer needs. We have implemented our mission by promoting the prosperity and wellbeing of our customers and our operating region.

The financial sector is undergoing a transformation where customers have more options, their expectations are changing and boundaries between industries are blurring. The change in customer behaviour that is underway guides OP Financial Group's transformation. OP's service packages under construction are a response to this change. Product and service ranges are being revamped and improved based on customer needs.

Investments in implementing the strategy

2017 was a good year in terms of financial performance, and as it met our expectations, it was possible to resource the transformation of our business operations. The implementation of our strategy proceeded as planned. We invested a record amount in the development of services, over 450 million euros. The majority of investments was targeted towards developing our traditional business operations. We launched

several new products, both in traditional and new business lines. Our development work aims for a better customer experience, so we involved our customers in a more versatile, comprehensive manner in the development of services.

Our customer satisfaction and company image improved during 2017. The number of our owner-customers increased to over 1.8 million. The implementation of the efficiency-enhancement programme, as laid out in the strategy, did not entirely proceed according to the schedule, so the cost target of the programme was revised during 2017. Reaching our goal will still require active measures.

Changes in the operating environment and the substantial reinvention of our business require new competencies, while digitalisation and robotisation are transforming existing duties. In addition to developing systems, we are making heavy investments in modernising competencies. This modernisation is a challenge that not only applies to the financial sector but to society as a whole. We respond to this challenge with an operating model for competence reform, which we are building together with our personnel.

Economic growth as a source of delight

2017 brought with it an optimistic outlook and stronger, extensive growth in the Finnish economy. Exports picked up at a fast pace and

companies increased their fixed investments, as consumer confidence boosted consumer spending. Favourable economic development is expected to continue, both in Finland and the rest of the euro area. In spite of increased economic activity, we must ensure the efficiency and cost-effectiveness of our functions now and in the coming years.

Common good

The year 2017 was also historical, because it was the centennial year of Finland's independence. OP's gift to the 100-year-old Finland – altogether 274 person years of volunteering together with personnel, customers, administration and partners – reflects our values and our mission as part of the Finnish society. Hiiop100.fi, a meeting place for volunteering, will continue to combine tasks and their performers this year too. We are active in promoting prosperity in our operating region, sense of community, responsibility and cooperation based on a people-first approach throughout Finland, through different actions and initiatives.

Boldly onwards together

OP's strategy, published in 2016, is based on a future vision where the key driver of change is the change in customer behaviour that stems

from digitalisation. In 2017 we updated this future vision and we are continuously monitoring the changes in customer behaviour and our operating environment.

We want to be a forerunner in our sector. For that we will need continuous and intense dialogue and co-operation with our customers, administration and personnel. Changes in the operating environment, competitive field and customer behaviour are also going to challenge us in the future. We need to make sure that we are heading in the right direction. At OP, customers lead the way, which means we are going to monitor our customers' wishes even more closely. Our goal is to further improve customer experience and grow at above the market average rate.

During Executive Chairman Reijo Karhinen's term of office, we took several bold steps of reinvention. In 2018 we will continue our journey of transformation, led by our new President and Group Executive Chairman Timo Ritakallio. It gives me great pleasure to thank our former President and Group Executive Chairman for his exceptionally extensive career for the benefit of OP and I wish the new Executive Chairman all the best and success – together with the entire OP Financial Group!

Jaakko Pehkonen
Supervisory Board Chair

2017 in brief

Earnings before tax over one billion euros for the third year in a row, strong growth in business

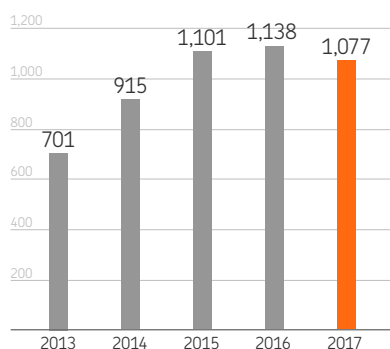
- Earnings before tax amounted to 1,077 million euros (1,138), being 5% lower than the record earnings a year ago.
- Income increased by a total of 4%. Net interest income increased by 3%, net commissions and fees by 8% and net investment income by 27%. Net insurance income decreased by 14%.
- Expenses rose by 13%. The rise in expenses stemmed mainly from higher development investments related to the modernisation of the present-day business and from an increase in other expenses related to strategy implementation.
- Impairment loss on receivables, 48 million euros (77), were low, accounting only for 0.06% of loans and receivables.
- CET1 ratio was 20.1%, or at the previous year-end level.
- Banking: The loan portfolio increased by 5% and deposits by 6%. Both net interest income and net commissions and fees increased by 4%. Supported by strong growth in income, earnings before tax increased by 16%.
- Non-life insurance: Insurance premiums from private customers increased by 2%, while those from corporate customers decreased slightly. Earnings before tax decreased by 14%. The earnings were eroded by a reduction of the discount rate to 1.5% in September and more unfavourable claims development than a year ago.
- Wealth Management: Assets under management increased by 5%. Earnings before tax increased by 9%, aided by strong improvement in net commissions and fees.

- Other Operations: Earnings were weakened by higher investments in the development of services and other strategy implementation.
- Earnings before tax for 2018 are expected to be at about the same level as or lower than in 2017.

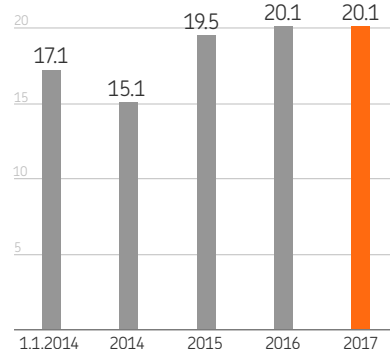
Business development and sense of community for the benefit of owner-customers

- In 2017, development investments worth around 450 million euros focused on ensuring compliance with requirements set by the authorities and legislative requirements, improving operational efficiency and smoothness as well as developing business.
- In 2017, OP Financial Group opened Pohjola Hospitals in Oulu and Kuopio. The construction of a hospital in Turku is progressing as planned.
- In the financial year, the number of OP cooperative banks' owner-customers increased by 86,000 to over 1.8 million and that of OP Financial Group's joint banking and insurance customers by 40,000 to almost 1.8 million.
- In November, OP held the biggest electronic voting in Finland. Almost 2,400 owner-customers were elected to Representative Assemblies in 81 OP cooperative banks for the next four years.
- OP Financial Group had the objective of donating 100 person-years of volunteering in honour of the centenary of Finland's independence. Volunteer work performed with partners totalled 274 years.
- OP bonuses increased by 6% to 220 million euros (208).

Earnings before tax, € million



Common Equity Tier 1 ratio (CET1), %



> [Download OP Financial Group's Report by the Executive Board and Financial Statements 2017 here.](#)

> [Information about non-financial indicators can be found under Corporate Social Responsibility and GRI.](#)

OP Financial Group's key figures and ratios	Q1-4/2017	Q1-4/2016	Change, %
EBT, € million	1,077	1,138	-5.4
Banking	666	574	16.0
Non-life Insurance	210	244	-13.9
Wealth Management	247	226	9.2
Other Operations	-45	95	
New OP bonuses accrued to owner-customers	220	208	5.7
	31 Dec. 2017	31 Dec. 2016	Change, %
CET1 ratio, %	20.1	20.1	0.0*
Return on economic capital, % **	21.3	22.7	-1.4*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % ***	148	170	-22*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.06	0.09	0.0*
Owner-customers (1,000)	1,833	1,747	4.9

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2016. Unless otherwise specified, balance sheet and other cross-sectional figures on 31 December 2016 are used as comparatives.

* Change in ratio

** 12-month rolling

*** The FiCo ratio has been calculated for insurance companies using transition provisions included in solvency regulation.

Highlights

Redesign of OP eServices together with customers

First opened as a beta version to customers in autumn 2016, the redesigned OP eServices and online bank op.fi was then further developed based on customer feedback. In 2017, the new op.fi began providing banking and insurance services on a large scale for private and corporate customers. OP is among the rare financial industry players to have opened up an early beta access to its service. From the very beginning, OP has developed the new service together with its customers and is still collecting customer feedback that will guide further development.

Easier payments and more options

In April, we adopted the Siirto service developed by Automatia, jointly owned by Finnish banks. Siirto enables its user to make a real-time payment to a friend simply with a phone number. Online and mobile payments became easier with our Pivo app's new feature which enables the user to pay purchases conveniently with Pivo, without key codes. OP also developed and launched its first payment bots for Facebook Messenger.

OP's Mobility Services diversify

OP Kulku, OP's first mobility service launched in 2016, offers electric cars as a service. In 2017, OP also introduced DriveNow car sharing charged by the minute in Helsinki and OP Flexible Car providing rental cars for a month or a longer period offered nationwide. In May, OP also announced it will build with Fortum almost 100 charging stations in Finland.

Hiiop: OP Financial Group's gift to the 100-year-old Finland

To join Finland's 100-year celebrations, OP Financial Group wanted to lower the threshold for participating in voluntary work. Inviting everyone in Finland to do voluntary work together, OP created a volunteer work exchange site at Hiiop100.fi. The website enables both announcing and searching for volunteer opportunities. During the jubilee year, OP Financial Group's personnel and administration did over 274 person years of volunteering work together with partners and other people.

Pohjola Hospital network expands

In 2017, the Pohjola Hospital network was expanded by two new hospitals as the first Pohjola Hospital, located in Helsinki, and the

Tampere hospital opened in 2016 were complemented by the Oulu hospital in May and the Kuopio hospital in August. All four Pohjola Hospitals provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis.

The biggest electronic voting in Finland

In November, OP Financial Group's 81 cooperative banks held the election of the Representative Assemblies electronically, where owner-customers elected from among them the Representative Assembly for their own bank for four years. A total of almost 2,400 members were elected to the Assemblies. The number of candidates totalled over 5,600.

Motor Liability Insurance Act gives rise to a new type of motor liability insurance

Together with its customers, OP developed a new motor liability insurance offering the market's highest initial bonus for new drivers, quicker bonus accumulation for drivers without claims, high maximum bonus and bonus cover for those driving a long time without claims. Already almost one-third of OP's motor liability insurance policies, or over 250,000, are currently compliant with new legislation.

Strong IPO year

OP was involved in arranging initial public offerings of Finnish companies and was the only party to take part in all IPOs on the main list this year – Kamux, Silmäasema, Rovio and Terveystalo. In Finland, 2017 marks the best IPO year so far in terms of euros, as the total value of IPOs attained some 1.7 billion euros.

Success for OP's first crowdfunding project

OP Crowdfunding's first investment project involved the ice cream factory Suominen's Milk Ltd which sought capital for growth and to start exporting its organic ice cream, Jymy. The crowdfunding round was a success, as its minimum target of 200,000 euros was raised in two weeks and Jymy received the targeted number of new shareholders. The final amount raised was over 400,000 euros. OP's second crowdfunding project began in December, with the Nokia-based clothing manufacturer Papu Design, reaching the target already by the end of the year.

Updated CSR programme targets becoming carbon positive

OP's updated corporate social responsibility (CSR) programme sets ambitious targets for the future. One of them is to make OP carbon positive by 2025. The main themes of OP's CSR programme are promoting sustainable economy, supporting regional vitality, people-first and participative approach and the promotion of health, safety and wellbeing.



OP Financial Group in brief

OP Financial Group is Finland's largest financial services group and fully owned by its customers.

OP has three main business segments: Banking, Non-life Insurance and Wealth Management. We provide our customers with the most extensive and diversified range of banking, investment and insurance services and the best loyalty benefits in the country.

OP's strategic aim is to gradually change from a plain financial services provider to a diversified services company of the digital era. While financial expertise remains our cornerstone, we are gradually expanding our business into new areas, including Health and Wellbeing Services, Housing-related Services and Mobility Services.

OP employs over 12,000 people. We have some 1.8 million owner-customers and 445,000 corporate customers. The number of our private customers is around 4 million.

Performance determined by success in two roles

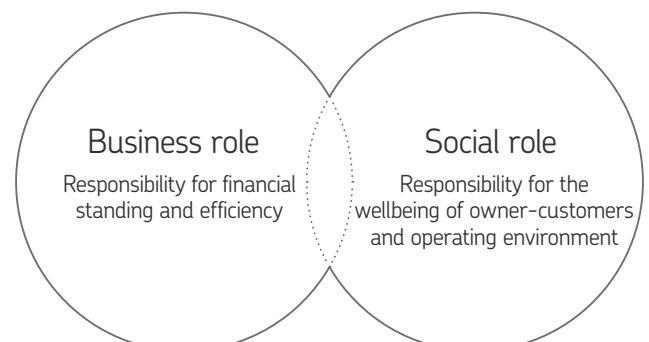
OP's operations are based on the cooperative principle: cooperation and sharing the fruits of success with our customers. Based on our mission, we create sustainable prosperity, security and wellbeing for our owner-customers and in our operating region by means of our strong capital base and efficiency.

We follow our mission through a dual role typical of a cooperative society. In our business role, we see to our efficiency and capital base. In our social role, we promote the long-term success and prosperity of the community by representing a positive driver in the operating region. The social role involves impactful actions for the benefit of the

community at both local and national level – digitally and physically. The combination of these two roles makes us particularly capable of developing new services and reinventing ourselves as our owners and operating environment change. Succeeding in both roles is a measure of OP Financial Group's success.

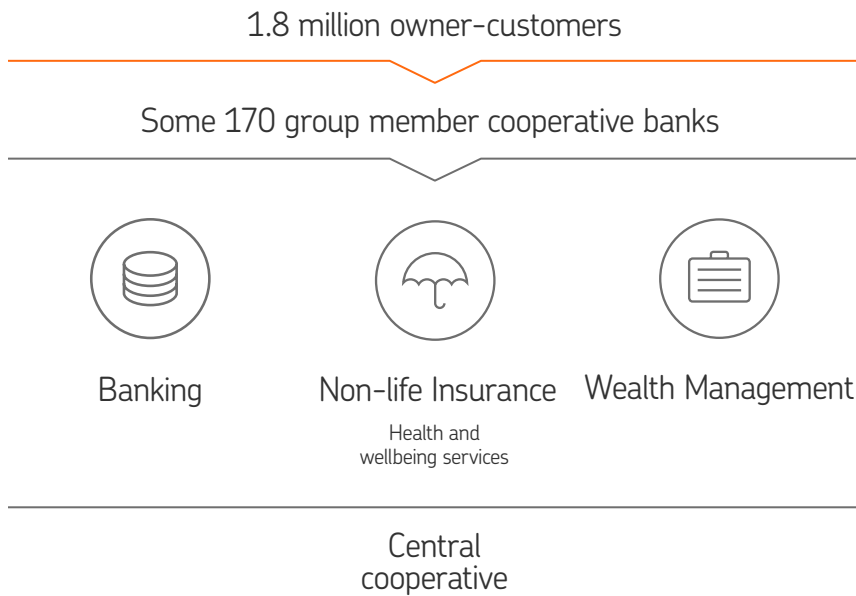
In accordance with social principles based on the cooperative system, we always act in the best interests of our broader-based community and will therefore refrain from pursuing any targets of OP or individual players that conflict with the long-term targets of our operating region.

Our cooperative corporate form enables our dual role, which is also the foundation for our unique identity



OP Financial Group structure

OP Financial Group is made up of some 170 independent OP cooperative banks and OP Cooperative which they own, including its subsidiaries and closely related companies.

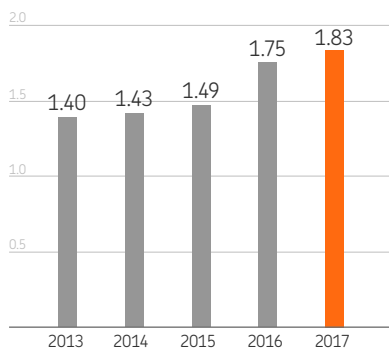


Owner-customer interests guide our operations

OP is owned by some 1.8 million owner-customers. In accordance with our mission we, owned by our customers, create prosperity and wellbeing for our owner-customers and our operating region. Owner-customers are therefore at the core of our business.

Everyone can become an owner-customer by paying a cooperative contribution to one's own OP cooperative bank. Such contribution entitles owner-customers to a diverse range of benefits and gives them the right to vote in the election of the bank's Representative Assembly. It is a one-time contribution – no other payments or charges exist. Since 2014, our owner-customers have been able to make additional investments in their own OP cooperative banks by means of Profit Shares. An OP cooperative bank will pay annual interest on Profit Shares on the basis of its financial performance, thus channelling part of its good performance for the benefit of its owner-customers. OP anticipates paying interest of 3.25% (3.25) on Profit Shares for 2017.

Owner-customers, million customers



Benefits and OP bonuses for owner-customers

A significant part of business performance is returned to owner-customers in terms of OP bonuses that come from banking, non-life and wealth management services and that are used to pay service charges and insurance bills. Owner-customers also get discounts on their insurance policies.

Moreover, owner-customers have access to specific owner-customer service packages, such as daily banking services, a new long-term fixed rate home loan and the OP investment partner service. Owner-customers can also buy, sell and switch the majority of OP funds' units with no transaction costs.

A total of 103 million euros (101) of bonuses were used to pay for banking and wealth management services and 114 million euros (107) to pay non-life insurance premiums in 2017. Since 1999, we have granted over 1.9 billion euros in OP bonuses. In 2017, our owner-customers earned a total of 220 million euros (208) in OP bonuses. Non-life Insurance loyalty discounts granted totalled 70 million euros (67). Not having to pay most transaction charges related to mutual funds saved our owner-customers 5 million euros.

Owner-customers influence in various ways

In accordance with cooperative principles, owner-customers can, if they so wish, have an impact on the bank's decision-making and development of operations. Through their representatives in the bank's governing body, owner-customers can promote business and prosperity in the region.

Owner-customers can have an influence on the bank's activities, for example, in the following ways:

- In the OP cooperative bank's governing body: The Representative Assembly is the highest decision-making body of the bank with owner-customers acting as its members. An owner-customer can run as a candidate for the Representative Assembly election and if elected, he/she can contribute to the bank's activities. Every owner-customer has the opportunity to vote in the election of the Representative Assembly of the bank he/she owns.
- In digital communities: As a new channel of influence, many banks have introduced an owner-customer community, a digital forum where the bank regularly requests owner-customer opinions and feedback on various matters. Through the community, owner-customers can influence, for example, where the bank donates funds for charitable purposes.
- In product and service development: Customers can participate in OP's product and service development in OP Helsinki's Vallila branch and online on our OP Lab website and our customer community Paja.

The biggest electronic voting in Finland thus far

In the autumn of 2017, OP Financial Group's 81 OP cooperative banks held an electronic election of the Representative Assembly. The nomination of candidates, using the voting advice application and the act of voting itself was possible online. Owner-customers elected from among them a Representative Assembly to their bank for the next four years. The election results were published in early December 2017.

Election of Representative Assemblies at OP:

- 81 OP cooperative banks organising their election simultaneously
- 1.5 million electors, of which 1.2 million had the opportunity to vote electronically
- 5,600 candidates, with almost 2,400 elected to a Representative Assembly
- Over 300,000 voters, with a 26% turnout
- 66% of votes cast electronically, 34% by postal voting.

Supporting corporate customers' fundamentals

OP provides its corporate customers with versatile **banking, non-life insurance** and **wealth management services** and **health and wellbeing services**. These include, for example, financing, payment transaction and cash management services, investment services, expert services related to business development, risk management, employee wellbeing and internationalisation. We aim at creating total customer relationships on a long-term basis, by tailoring solutions according to the customer's needs.

A variety of choices and options are involved in the establishment of a business and the various stages of growth. OP provides support for all business stages. In 2017, OP began piloting of OP Self-employed, a service designed to make starting a business easier for beginner entrepreneurs.

International operations backed by our broad-based partner network and Baltic branches

We support companies' business not only in Finland but also abroad through our extensive range of international services and a network of trusted partners.

As a corporate partner, we wish to promote the success and internationalisation of Finnish business. International service capabilities

being high on the agenda, we establish, for example, well-thought-out international partnerships based on the needs of our customers. In late 2017, we opened a representative office in Shanghai, China in a bid to support Finnish companies' growth and internationalisation in the Asian market.

OP Financial Group also has branches in Estonia, Latvia and Lithuania. Baltic Banking offers a comprehensive range of banking services for corporate customers. In December 2017, OP announced it would sell all share capital of its Baltic-based non-life insurance company Seesam Insurance As (Seesam), including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). Established in 1991, Seesam became part of OP Financial Group in 2006. The completion of the sale is conditional on obtaining the regulatory approval of the authorities.

Alongside our own branches and representative offices, we provide international services in cooperation with our global partner network. OP cooperates with foreign banks which have established a firm foothold in their markets, boast the best expertise in local business and banking and have the best opportunities to provide corporate customers with services meeting the market needs. This cooperation ranges from payment transfers all the way to strategic partnerships. In non-life insurance, OP cooperates with RSA, a leading global non-life insurer operating in over 100 countries through its network.

Local impact of cooperate banks

A cooperative business form and the cooperative ideology add to continuity and community spirit in OP's operating environment.

OP is strongly committed to its customers and operating environment. Thanks to our long-term knowledge of our local operating environment, we can finance households and companies – even during challenging times. Financing of local businesses is, indeed, one of the key prerequisites of regional prosperity in the long term. OP has a local impact across Finland, since OP Financial Group's branch and service network including some 400 branches is the most extensive and has the best coverage in the country.

Support to local communities

OP pursues its mission not only through its business role but also through its social role. This means fostering the livelihood and prosperity of the operating environment as well as support to non-profit organisations, donations and sponsorship. OP cooperative banks can make independent decisions to support, for instance, local cultural life and the physical education of children and young people provided by local sports clubs.

In 2017, 40 cooperative banks around Finland offered a total of over 1,000 summer jobs to young people aged from 15 to 17 in local non-profit organisations. This "Kesäduuni OPn piikkiin" campaign aimed at helping young people gain work experience by offering local non-profit organisations and clubs the opportunity to employ a young person for two weeks while an OP cooperative bank would pay their wages.

In honour of the Finland 100 jubilee year, OP wanted to lower the threshold for participating in voluntary work. Inviting everyone in Finland to do voluntary work together to attain 100 person years of volunteering, OP created a volunteer work exchange site at Hiiop100.fi. During the jubilee year, OP Financial Group's personnel and administration did over 274 person years of volunteering work together with partners and other people.

In the Taloustaito project for improving young people's financial literacy, OP cooperative banks' and OP Financial Group's employees participate by giving financial skills training to a group of young people reached through youth work. Some bank volunteers also act as personal financial mentors to individual young people. The project coordinated by Helsinki Deaconess Institute aims to reach particularly young people struggling with their personal finance. In 2017, a total of 130 OP employees volunteered in the project.

Employment support for young people through NGOs

In 2016–2017, the bank annually supported the employment of an average 46 adolescents of the age 15–17 in local organisations for three weeks, adding up to 700 person-days.

the youngsters scored the usefulness of the project

4.7/5



The bank's support to the organisations was

500 euros per youngster

it was the first job for half of the youngsters

half

Remote meetings

OP's target is to develop the best remote meeting services in the world and to be there for its customers in the digital revolution. In 2017, managing banking affairs online or over the phone saved time and reduced greenhouse emissions.

15

tonnes less greenhouse emissions



7,000 saved working hours

OP Pohjois-Karjala OP cooperative bank



The employment impact of corporate financing

The bank finances companies in its operating region, thereby promoting the region's economic vitality. Regional companies play a significant role as employers and engines for the regional economy.

300

million euros in paid salaries



The bank's market share of corporate loans is approximately two thirds in its operating region



8,000 person-years

Supporting local sports, culture and volunteering

In 2017, the bank offered financial support to local sports clubs, culture, entertainment and recreational activities. The supported organisations provide activities especially for children and adolescents.

13,000

members in these NGOs



45%

of the NGOs would be forced to stop all or some of their operations without the support.

OP also supported Finnish universities with large-scale donations. During the 2015–2017 donation period, OP cooperative banks and OP Cooperative donated a total of 6.3 million euros to Finnish universities. These donations to universities represent our contribution to safeguard the long-term success of university-level education and research and Finland as a whole.

OP cooperative banks are major employers and taxpayers

A large part of OP's economic impacts also involves indirect impacts on local and regional economic vitality. For example, OP is a major employer in many municipalities. At the end of 2017, the Group had 12,269 employees (12,227). Of these, 94 (93) % were permanently employed and 6 (7) per cent were fixed-term employees. Of Group employees, 11,847 were based in Finland, 180 in Estonia, 111 in Latvia, and 131 in Lithuania. OP had a total of 439 (492) summer employees and trainees during 2017.

In several municipalities, OP cooperative banks are among the largest taxpayers, and at Group level, OP is one of the biggest taxpayers in Finland. OP Financial Group's current tax for the financial year 2017 totalled 223 million euros (223).

[See our tax footprint.](#)

In 2017, three OP cooperative banks – OP Helsinki, OP Lounaismaa and OP Pohjois-Karjala – conducted surveys measuring the banks' regional and social impacts. The surveys aimed at identifying the key regional impacts of the OP cooperative banks and expressing the operations' impacts using tangible indicators. Based on the survey results, the banks will be able to describe their operations' effectiveness to outsiders, including owner-customers and other stakeholders. These surveys provide banks with a tool they can use to better develop their regional and social effectiveness.

Employing top professionals

OP Financial Group’s journey towards becoming a diversified services company, as defined in our strategy, means a major change process also for the personnel. In HR matters, we focus on the renewal and development of our competencies, management and corporate culture.

The industry disruption challenges the organisation’s reinvention ability and tightens skill requirements in terms of administration, management and personnel. Cooperation, efficiency, reinvention and excellent change management capacity are at the core of management and leadership. OP’s culture is based on strong values and the spirit of continuous reinvention and reform. Highly skilled and motivated employees are a success factor, enabling OP to meet the challenges of the changing operating environment and digitalisation.

Various ways to develop and enhance competencies

OP Financial Group offers all employee groups a variety of ways to develop their competencies. The basis for development is to understand OP’s strategy and how OP’s strategic transformation will affect one’s own work, activities and competence needs.

During 2017, OP Financial Group has been building an operating model to update employee competencies. Such a model is being built since digitisation and automation will destroy some of the existing jobs in the financial sector. Meanwhile, digitisation and automation also create new jobs which require new competencies. The operating model aims to encourage and steer employees to keep their own labour market value up to date. OP seeks to provide support, in terms of education, training and in finding a new type of job, for those employees whose job will either cease to exist or drastically change in the future. The first actions within this model will be started in 2018, and some have already been piloted.

OP Financial Group’s strategy and annual plan are being put into practice through annual performance and career development reviews covering all OP employees in Finland and abroad. The number of hours used for education and training totalled 15 h per employee in OP Financial Group in 2017.

In order to develop the competencies of the members of OP cooperative banks’ Boards of Directors and Supervisory Boards, we have created comprehensive competence development packages consisting of online courses and training days. Board work and competence development aim to help the members successfully perform their duties in OP cooperative banks’ governance, thereby supporting the reinvention of the entire OP Financial Group.

Contributing to work ability with personnel surveys and wellbeing questionnaire

OP Financial Group has two types of organisation-wide personnel surveys: an extensive Personnel Survey and a more fast-paced Personnel Pulse. The results of the 2017 Personnel Survey were good. According to the survey, OP’s key success factors are customer focus, confidence in the future and value-based performance.

The operating models of employee wellbeing, occupational healthcare and occupational safety practices increasingly contribute to safeguarding employees’ work ability throughout their careers. The health and wellbeing questionnaire annually sent to employees enables us to identify priorities and needs for our employee wellbeing activities from the employee perspective.

Workforce by personnel group and gender, %



OP is an attractive employer

In employer image surveys conducted by Universum in 2017, among business/commerce or IT professionals OP was the most attractive employer in the financial sector, ranking 7th among all sectors. In the corresponding survey for students, OP improved its rank among business students from 4th to 3rd with all employer sectors included. In the IT sector, OP was awarded as the year’s highest climber as its rank rose from 31st to 15th.

We seek to constantly develop OP’s national employer image among students and professionals through versatile cooperation, visibility and diversified career opportunities. Our cooperation with educational institutions included, for instance, various projects, recruitment events, expert lectures and student visits.

In the summer of 2017, OP Financial Group provided jobs for 439 summer employees. In addition, the OP KiiTORATA trainee programme launched within Development and Technologies, aroused intense

interest among university students. Based on the excellent results and experience from the pilot, the trainee programme was extended into other organisational units, too.

Stakeholders

Stakeholder engagement forms a key part of OP’s cooperative business model. Dialogue with stakeholders is a prerequisite for OP to succeed in its social role. By listening to our stakeholders, we can understand their expectations and then find ways to promote wellbeing in our operating environment. Through listening and discussion, we want to learn and understand how we, as a company, could take our efforts in seeking solutions to social challenges and contributing to our country’s reform to the next level.

Stakeholder engagement aims to identify development targets in OP’s corporate social responsibility, describe OP’s transformation into a diversified services company of the digital era to stakeholders and make our dialogue with stakeholders even more effective. These efforts are underpinned by our Public Affairs unit created in 2017. The OP forum for stakeholders continued its regular meetings. The members of the forum include representatives of labour market organisations, think tanks, political parties, universities and non-governmental organisations.

We assess stakeholder views and engagement through various surveys and feedback requests. OP’s own media channels, such as our Chydenius publication with a strong voice and mission, have been revamped to strengthen our dialogue with stakeholders, particularly among decision-makers.

OP’s stakeholder groups and channels

Channel / stakeholder group	Personnel	Owner-customers and customers	Investors	Representative Assembly and administration	Local and regional communities	Media	Schools, universities and the scientific community	Non-governmental organisations	Industry associations and labour market organisations	Decision-makers and authorities
Customer contacts		x								
Meetings, in person or virtual	x	x	x	x	x	x	x	x	x	x
Task groups, lobbying	x	x			x				x	x
Stakeholder and partner forums		x			x		x	x	x	x
Surveys, studies and interviews	x	x	x	x	x		x	x	x	x
Cooperative Meeting		x		x						
Meetings of governing bodies	x			x						
OP’s events	x	x	x	x	x	x	x	x	x	x
Participation in events organised by stakeholders			x		x		x	x	x	x
OP’s website and media	x	x	x	x	x	x	x	x	x	x
Intranet	x			x						
Social media	x	x	x	x	x	x	x	x	x	x

Stakeholder groups	Examples of our cooperation and meeting of stakeholder expectations
Personnel	OP Financial Group's entire personnel in Finland and abroad is covered by performance and career development reviews. The Group wants to provide equal working opportunities for everyone. We listen to our employees with regular personnel surveys.
Owner-customers and customers	OP Financial Group, owned by its customers, aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. We want to offer the sector's best loyalty benefits. Through participation in governing bodies, our owner-customers have a strong representation in OP Financial Group's decision-making. In addition, our customers are at the core of all our product and service development.
Investors	Investors OP Financial Group's investors include holders of Profit Shares issued by OP cooperative banks and holders of debt instruments issued by Group companies. OP conducts its financial reporting to the same extent as listed companies, while the IR function is responsible for maintaining relations with debt investors.
Representative Assembly and administration	In November 2017, OP Financial Group's 81 cooperative banks held the election of the Representative Assembly where owner-customers elected from among them the Representative Assembly for their own bank for four years. A total of almost 2,400 members were elected to the Assemblies. The number of candidates totalled over 5,600.
Local and regional communities	OP cooperative banks organise a variety of events for different stakeholder groups, including school visits to promote financial literacy, lectures, customer events and traditional Hippon sports competitions for children. Many OP cooperative banks also support local sports clubs, cultural events, charity causes and entrepreneurship. OP is taking part in banks' joint project to improve young people's financial literacy. In honour of the 100-year-old Finland, OP Financial Group's personnel and administration did over 274 person years of volunteering work together with partners and other people.
Media	OP executives and experts meet media representatives, answer questions and initiate discussions in various channels. OP has an active social media presence. Mainly present on Facebook and Twitter, OP also continues to develop its own media, including op.media launched in 2017 and Chydenius, OP's revamped publication with a strong voice and mission.
Schools, universities and the scientific community	OP participates in several cooperation and recruitment events of universities and universities of applied sciences throughout Finland. In 2017, we provided numerous practical training and summer job positions and thesis opportunities for students. OP supports educational innovations through the HundrED project as one of its main partners. Moreover, OP cooperative banks and OP Cooperative donated a total of 6.3 million euros to Finnish universities during the 2015–2017 donation period.
Non-governmental organisations	OP is seeking to maintain active CSR communications and to respond to information and discussion requests. OP's Customer Experience and Communications function reports stakeholder concerns, if necessary, to the senior management. OP offers NGOs a new volunteer work exchange site at Hiio100.fi
Industry associations and labour market organisations	In line with its strategy, OP is transforming from a financial services group into a diversified services company and is, as an employer, a member of Service Sector Employees Palta. OP also has an active role in international industry associations, such as the European Association of Co-operative Banks (EACB).
Decision-makers and authorities	OP Financial Group actively conducts dialogues and cooperates with Finnish authorities, ministries and government officials regarding topical legislative projects. OP Financial Group's Legal Services and Public Affairs unit is responsible for supervising the Group's interests in legislative projects and it meets and informs members of the European and Finnish Parliaments concerning the effect of legislative projects on the Finnish financial sector. In its social role, OP aims to identify influencing methods generating positive effects on Finnish society and economy, too.



Financial sector in the face of major transformation

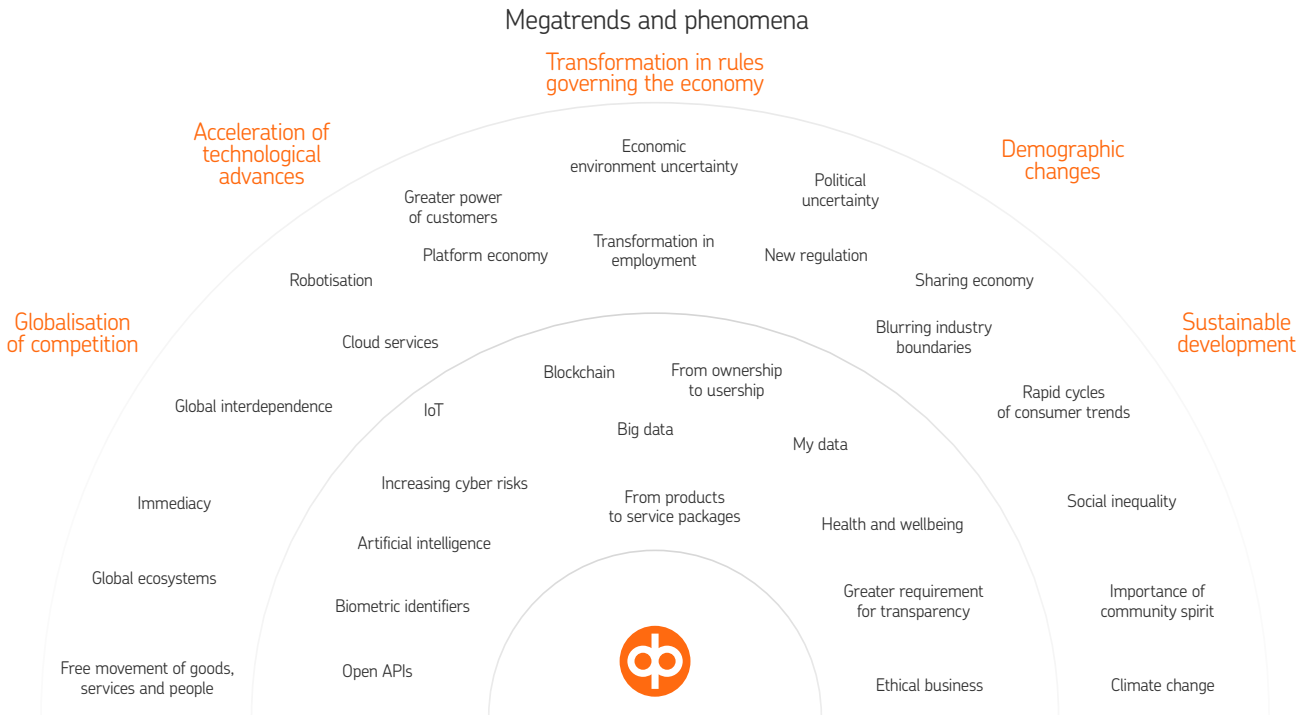
The financial sector is facing a major and fast digital transformation. In 2018, regulation will result in ever-increasing competition and open up banks' customer data to third parties. New competitors from non-financial industries are entering the sector.

With intensifying and globalising competition, customers are demanding from Finnish players as smooth and easy service experience as they are accustomed when using the services provided by the best-of-breed international firms. OP no longer competes with traditional banks and insurance companies; financial services are also being provided by international technology giants and new players in the sector.

As customers are faced with a growing number of options and switching a service provider is easy, they require financially smarter and more proactive service – 24/7. Customers and other stakeholder groups also expect companies to demonstrate more transparency and responsibility by emphasising their own values in making choices.

The financial sector is also challenged by large-scale social changes in the operating environment, which involves, for example, ageing population and transformation in the employment landscape. Transition from ownership to the right of possession is challenging a number of traditional practices in the financial sector. The financial sector has potential in finding new sources of growth in a role of safeguarding prosperity, providing healthcare services and creating new economic activity.

The underlying megatrends and phenomena are intertwined in a diverse way. OP monitors proactively changes in the operating environment and seeks growth opportunities in the transforming financial landscape according to its strategy. We aim to rise to the challenges presented by the operating environment and to seize the opportunities it provides.



OP Financial Group's strategy – reinventing business for the benefit of customers

OP Financial Group's strategy is based on utilising the potential provided by the transformation in the operating environment to boldly modernise business and services for the benefit of our owners and customers. Our aim is to gradually change from a financial services group to a diversified services company of a digital era with strong financial services expertise.

We create value for our owners by modernising our existing businesses and by developing brand new customer-focused service packages and new innovative services. We will branch out into businesses that we find natural and where it enhances customer experience while creating significant synergies relative to our existing businesses.

We will innovate and develop services together with our customers and the best partners in the world. We will exploit the latest technologies, customer insight based on extensive research data and close interaction as well as the best development and design expertise in the sector. At the same time, we will in an exemplary manner bear responsibility for the reliability of our basic services and their nationwide availability as well as for the stability of the financing system and the functioning of the insurance system.

Customer ownership guides our operations

Based on our mission, we create sustainable prosperity, security and wellbeing for our owner-customers and in our operating region by means of our strong capital base and efficiency. A People-first Approach, Responsibility, and Prospering Together form the basis of our operations. Based on our customer promise "We exist to serve our customers", customer interests guide all we do. Our customers own us and can have their say in our decisions and the development of our activities. Moreover, a considerable part of business earnings are returned to our owner-customers.

In our development activities, we specifically focus on areas that create significant, new customer value and benefit for the society around us. We can also flexibly move from a producer to a service integrator if this is how we can reach the targeted benefits for customers faster and more securely.

Financial services to be modernised through large-scale projects

We provide our customers with the most diversified package of service channels available in the market that involves the most extensive

branch network in Finland, flexible telephone services, advanced online and mobile services and an extensive network of external partners. In addition, we are also building completely new digital business models and services for Banking, Non-life Insurance and Wealth Management to respond to greater demand and the threat of new competition.

OP Financial Group annually invests more than 400 million euros in the development of new products and services and in technology modernisation. Currently, roughly 95% of this goes to the further development of the existing businesses, or financial services, and about 5% to new businesses.

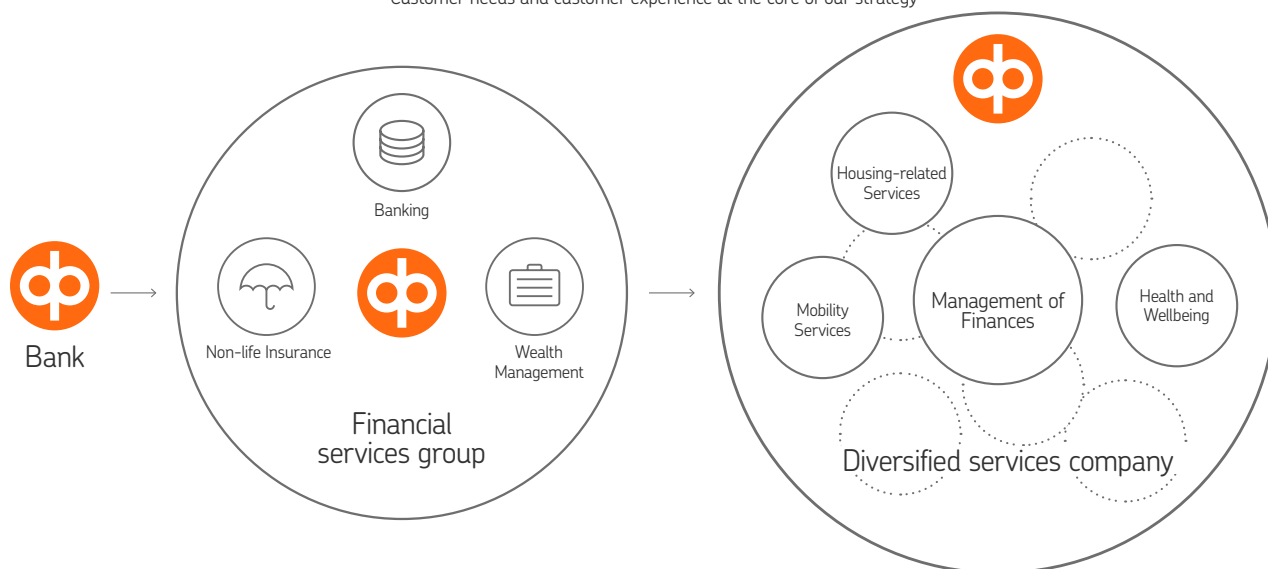
The 2017 highlights in financial services modernisation included developing digital services, digitising and automating business processes, making service processes faster and smoother as well as upgrading a number of key technology platforms and basic systems.

Customer-focused service packages represent a breakaway from the conventional approach

As customer behaviour changes at an accelerating pace, financial-sector solutions do not meet customers' true needs in all respects. This means that the risk of losing customer trust and loyalty is apparent. Transition from a traditional product-focused philosophy to a customer-focused design approach is at the core of OP Financial Group's strategic renewal, where in-depth customer insight and ongoing operational improvement in close dialogue with customers form the basis for all development work.

The new philosophy at the strategic level is crystallised in customer-focused service packages that the Group has defined to be four thus far: Housing-related Services, Mobility Services, Health and Wellbeing, and Management of Finances. The purpose of the service packages is to help identify new potential growth areas while directing the development of the existing businesses that pleases customers and coordinating development to enable synergies. Among the above service concepts involving areas new to OP, the most advanced are Health and Wellbeing, and Mobility Services.

We are transforming from a financial services group towards a diversified services company
Customer needs and customer experience at the core of our strategy



Good strategy implementation on a wide front

The greatest achievements made so far during the strategy period include strong financial performance, strongly improved corporate image and customer experience, numerous new and significant initiatives by businesses and the early-stage success of hospital business, strong growth in the use of mobile services and success of back-office centralisation.

Meanwhile, the greatest challenges are associated with the implementation of the efficiency programme schedule, delays in some major basic information projects, development work agility

and productivity, as well as competence update required for business transformation.

When reviewing strategy implementation through strategic indicators (see table below), OP Financial Group has lagged behind several key strategic targets but strategic achievements have proved good considering the wide scope of the strategy. The greatest deviations relate to the strategy period targets set for cost development and the number of owner-customers.

OP Financial Group's strategic targets	31 Dec. 2017	Target 2019
Customer experience, NPS (-100→+100)		
Brand	21.5	25
Service	58	70, over time 90
CET1 ratio, %	20.1	22
Return on economic capital, % (12-month rolling)	21.3	22
Expenses of present-day business (12-month rolling), € million	1,661	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	1.8	2.1 (2019)

Dedicated and proactive efforts to update competencies

OP Financial Group has recognised that the financial sector now amid transformation and the Group's own business reinvention will require enormous competence updates promptly in the next few years. In response to this, the Group has started to create an unparalleled proactive Competence update model with a view to preparing for transformation in employment ahead of us. With the operating model, we want to act responsibly based on our values, to enhance the labour

market value of an individual employee and to find new, unconventional models for creating job opportunities and updating competencies. The model will particularly be used to support employees whose job will change considerably or be automated. Through personal support, we aim to find training opportunities and new jobs for people either within the Group or outside of the Group.

Core values

People-first approach

OP Financial Group is for people. A genuine concern for people – both customers and co-workers – is the basis of our operations. We are easy and agreeable to approach. Each person is treated as a dignified and equal individual. Human respect is visible in all of our operations.

Responsibility

We operate locally, regionally and nationally as an exemplary and ethically responsible company. We build long-term customer relationships based on mutual trust. Bolstered by our strong professional skills, we bear responsibility for the high quality, expertise and reliability of our services.

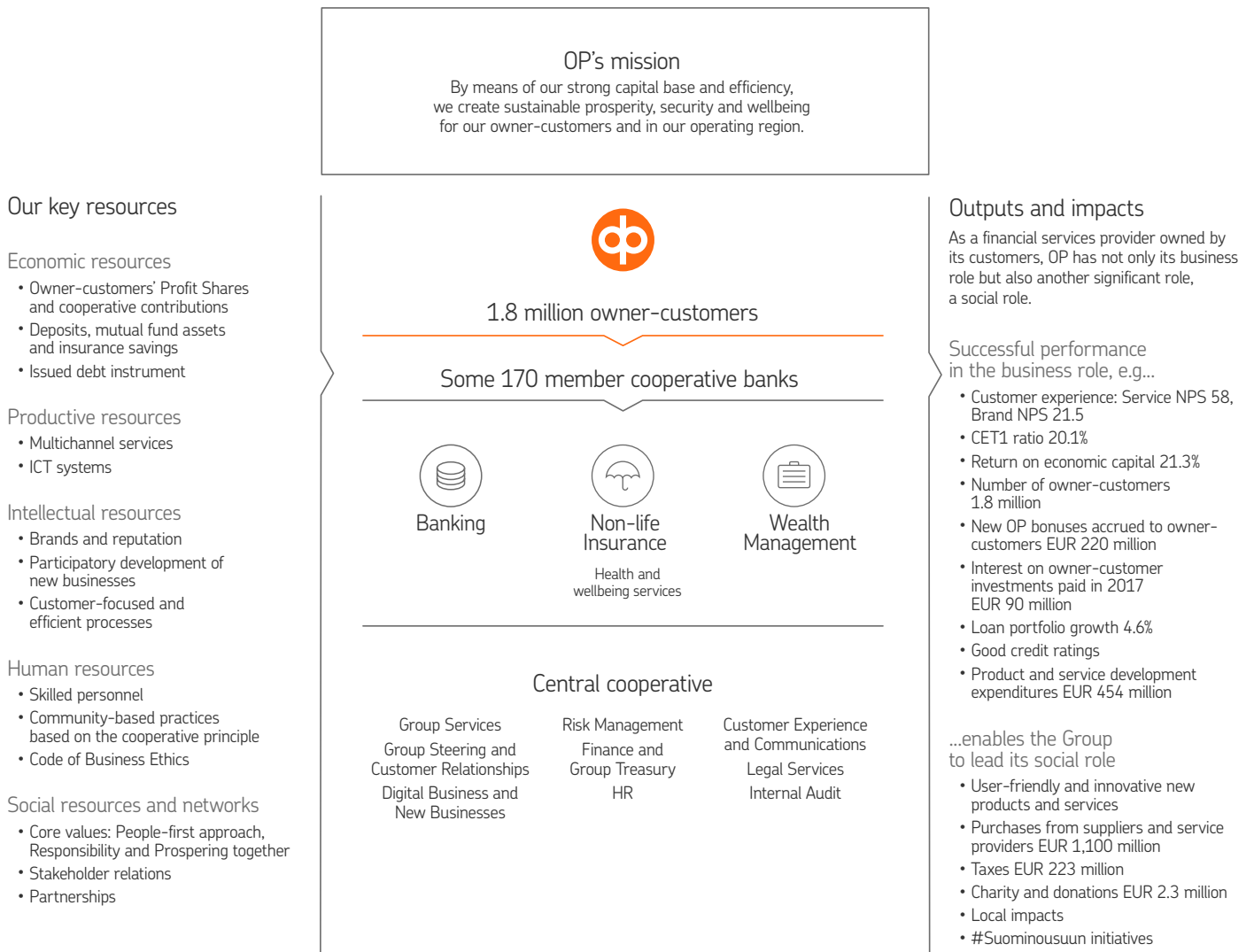
Prospering together

Prospering together with our customers: this idea both points the way and sets the pace for the development of our operations and services. Operating as a unified group gives our customers greater security and improves our service capabilities. The winning spirit, shared by our administration and employees, creates continuous success – the basis of our strong reputation.

Value creation

As a cooperative Group, our operations have a wide effect on various stakeholder groups in Finland, both on a local and nationwide basis. Our operations are guided by our dual role – business role and social

role. Our overall success is measured against how we succeed in both roles.



Value chain – OP as part of society

OP influences society on a wide front through its operations. The financial sector plays a key role in economic prosperity both directly and indirectly. We provide necessary basic services and business opportunities for citizens, companies and organisations.

In the social role, we promote the long-term success and prosperity of the community by representing a positive driver in the operating region. The social role involves impactful actions for the benefit of the community at both local and national level.

We seek superior customer experience that we provide in all service encounters – in both face to face and digitally. Customer experience and its ongoing improvement is one of our most important targets, which is measured using a customer experience indicator. We seek to provide the best multichannel customer experience in the sector by creating ongoing and relevant encounters in all channels.

We take account of risk management, data security and responsibility aspects at all stages of our value chain. OP's centralised procurement

is in charge of procuring the most important products and services within the Group. We expect product suppliers and service providers to conform with OP's Corporate Social Responsibility supplier requirements, OP Financial Group's General Procurement Terms and Conditions, Code of Business Ethics and any applicable legislation and international agreements.

OP is strongly committed to its customers and operating environment. We foster a sustainable economy, for example, by providing local business with financing. OP has a local impact across Finland, as the Group's branch and service network is the most extensive and has the best coverage in Finland. Moreover, OP's economic impacts also involves indirect impacts on local and regional economic vitality.





OP's main business segments

OP has three main business segments: Banking, Non-life Insurance and Wealth Management. We provide our customers with the most extensive and diversified range of banking, investment and insurance services and the best loyalty benefits in the country.

Banking is OP's biggest business segment, and OP is Finland's leading provider of home and corporate loans. For private customers, OP's Banking services and products include daily banking and payment services, loans, savings and investments. We provide corporate customers with financing, payment transaction and cash management services, investment services, and expert services related to business development.

OP is also Finland's leading non-life insurer. We provide our private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. Through our new type of service concepts, digital solutions, high-quality network of partners and process efficiency, we are continuously enhancing our claims services' customer experience while creating competitive advantage. Non-life Insurance consists of OP Insurance Ltd, A-Insurance Ltd and Eurooppalainen Insurance Company Ltd.

OP's Wealth Management has Finland's most extensive service network for saving and investing. We provide the best digital wealth management services for the saving and investing needs of private and corporate clients with a client-driven approach, and a unique Private Banking experience. We provide a diverse range of services and products in unit-linked insurance, mutual funds, and discretionary and advisory mandates.

Towards customer-focused service concepts

OP's strategic aim is to gradually change from a plain financial services provider to a diversified services company of the digital era. Increasing customer expectations and change in customer behaviour encourage us to create comprehensive solutions beyond industry boundaries. We will gradually shift the development focus from individual products towards customer-driven service concepts, which thus far number four: Housing-related Services, Mobility Services, Health and Wellbeing, and Management of Finances. Among the above service concepts involving areas new to OP, the most advanced are Health and Wellbeing, and Mobility Services.

OP took its first step in branching out into health and wellbeing services already in 2013 when the first Pohjola Hospital was established in Helsinki. By now, OP also has hospitals in Tampere, Oulu and Kuopio. The hospital network will be completed in May 2018 when the Turku hospital opens its doors. All Pohjola Hospitals provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis. The range of specialties has been gradually broadened and, in the next phase, OP will establish a nationwide network of medical centres and grow its occupational healthcare business.

OP Kulku, OP's first mobility service launched in 2016, offers electric cars as a service. In 2017, we also introduced DriveNow car sharing charged by the minute in Helsinki and OP Flexible Car providing rental cars for a month or a longer period offered nationwide. We also announced that we would build with Fortum almost 100 charging

stations for electric cars in Finland. Continuing the active development of Mobility Services, we are determined to introduce new concepts revolutionising the mobility field in Finland.

Product and service development at OP Financial Group

OP's product and service development aims to create products and services which are innovative, user-friendly and relevant to customers and which offer a smooth customer experience.

Despite the rapid digitisation of services, OP is also further developing face-to-face encounters to better meet future needs. For private customers, OP's development seeks to pay heed to the needs of customers of different ages living in different areas and to ensure that products are understandable in particular. For corporate customers, the development of products and services aims at promoting a company's success, for example, by improving operational flexibility and productivity.

Major investments in development

Intense and fast digital disruption in the financial sector is continuously attracting new market entrants and speeding up product and service development. Succeeding in the changing operating environment necessitates offering the best possible customer experience irrespective of time, place and service channel. In OP's view, the winning customer experience will be increasingly founded on a collaboration effort between humans and technology – personalised service will be enriched through the introduction of data, analytics and artificial intelligence.

Following its strategy, OP has increased its development expenditure to some 400 million euros. During the strategy period, the development expenditure will total up to 2 billion euros. These development

investments will be allocated to the modernisation of basic financial services and the creation of new product and service packages.

OP engages in product and service development based on the agile development model. Agile development at OP means an iterative development model that gathers ongoing customer feedback. OP has stepwise switched to the agile development model, which has required the creation of new types of operating models and roles and employee training on a long-term basis. The model is characterised by the launch of products and services with limited functionality (beta) and their improvement based on testing and customer feedback.

Enhanced customer focus through service design pioneership

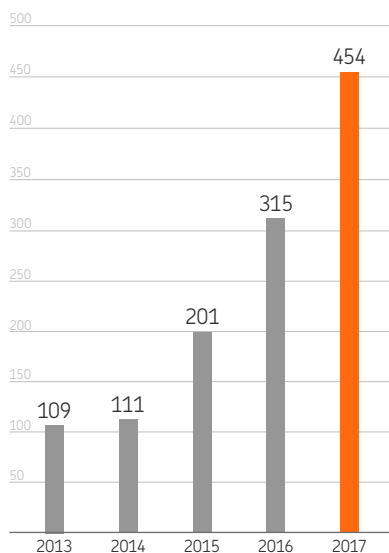
Customer needs form the bedrock of all development at OP and, thus, customer engagement is a natural and important part of product and service development. For several years now, OP has enhanced customer focus in product and service development by means of service design methods. Today OP can be counted among the pioneering service design companies in Finland, and its unit of over 45 service designers is comparable with a design agency in terms of expertise and size.

Service design means the innovation, development and design of services using design methodologies – in cooperation with customers. Service design starts from understanding user needs and troubles identified in user experience and finishes with the tangible implementation of user experience, with a view to creating products and services that are simpler, easier to use and better meeting customer needs and thereby improving customer experience.

Our customers have the opportunity to participate in the development of OP's products and services by various means. OP Helsinki's Vallila branch acts as OP's test laboratory for new operating models and tools. At the branch, customers can test and explore existing and prospective products and services by various means: touchscreens, videos, animation and demos.

On the web, customers may openly participate in product development on the OP Lab website, where the digital services of the future are demonstrated, customer feedback is collected, and services piloted jointly with the customers. In addition to the OP Lab, customers can register for the Paja customer community on the web. On Paja, quick surveys are implemented, ideas assessed and feedback collected both online and at various events.

Product and service development expenditures, € million



Service designers also annually hold a significant number of face-to-face interviews with customers across Finland and generate ideas with customers in various workshops.

Read more on the [OP Lab site](#)

Redesign of OP eServices together with customers

OP's redesigned online service and online bank [op.fi](#) is one example of applying the method of agile development and customer engagement to product and service development. The beta version of the new service was opened for all customers in the autumn of 2016 and, at the moment, the new [op.fi](#) provides both private and corporate customers with banking and insurance services.

From the very beginning, customers of different ages have contributed to the planning and development of the new service through, for example, interviews, group discussions and usability tests as well as by testing the service. We are still collecting customer feedback to guide the development.

Read more about products and services launched in 2017:

Management of Finances

- [Using our Pivo app to pay online or pay your friend](#)
- [Use Siirto payment with our apps OP-mobile or Pivo](#)
- [OP Crowdfunding](#)
- [OP Public Services Real Estate Fund](#)
- [OP Nano Insurance](#)
- [Smart Order Routing \(SOR\) for equity brokerage](#)

Mobility Services

- [New motor liability insurance](#)
- [OP Flexible Car](#)
- [DriveNow car sharing](#)

Housing-related Services

- [OP Home website](#)
- [Interest rate protection for a housing company loan](#)

Companies

- [OP Self-employed](#)
- [New billing features in OP Business mobile](#)
- [Cyber-insurance for SMEs](#)
- [OP Cash Pool Account](#)

Health and Wellbeing

- [Smart Cast pilot to support rehabilitation](#)

Channels

- [The Hiiop100.fi volunteering portal](#)
- [Broad-based adoption of electronic signature](#)
- [Introducing online meeting into OP-mobile and OP Business mobile](#)
- [First version of developer site for external developers](#)
- [New voting advice application and voting system in the election of Representative Assemblies at OP](#)

Banking

OP is Finland's leading provider of home and corporate loans. OP's market share of home loans stood at 39.3% at the end of 2017. The market share of corporate loans rose to 38.9% as the corporate loan portfolio grew strongly.

Banking is OP's largest business segment providing customers with an extensive and comprehensive range of products and services. For private customers, OP's Banking services and products include daily banking and payment services, loans, savings, investments and housing-related services – not to mention the versatile benefits offered to our owner-customers. We seek to secure prosperity for our private customers and to promote their personal financial management and success. We want to offer our customers comprehensive banking services that are flexible and accommodating their various life situations.

We provide corporate customers with financing, payment transaction and cash management services, investment services, and expert services related to business development. OP's corporate customers range from SMEs to large corporations and institutions. We aim for long-term and total customer relationships across the board. When we know customers well and are in close interaction with them, we can customise solutions for them.

As a corporate partner, we wish to promote the success and internationalisation of Finnish business. International service capabilities being high on the agenda, we establish, for example, well-thought-out international partnerships based on the needs of our customers. In late 2017, we opened a representative office in Shanghai, China in a bid to support Finnish companies' growth and internationalisation in the Asian market.

Read more about Banking products and services at op.fi.

Based on its strategy, OP is making heavy investments in the development of digital Banking services. Our aim is to create the best financial planning and management services in the market in terms of user experience. As part of its drive to become a diversified services company, OP is developing new digital service for living too. OP's vision is to provide a comprehensive housing-related ecosystem that will serve customers in housing-related needs from buying and selling a home to renovation and daily life. In the summer of 2017, we took the first step towards this ecosystem by launching the OP Home website.

Take a look at the service at op-koti.fi.

First crowdfunding, support for large caps, security for loan repayment and new payment solutions

OP Crowdfunding's first investment project involved the small ice cream factory Suominen's Milk Ltd which sought capital for growth and to start exporting its organic ice cream, Jymy. The crowdfunding round was a success, as its minimum target of 200,000 euros was raised in two weeks and Jymy received the targeted number of new shareholders. The final amount raised was over 400,000 euros. OP's second crowdfunding project began in December, with the Nokia-based clothing manufacturer Papu Design, reaching the target already by the end of the year.

With the European Investment Bank (EIB), we signed an agreement on a risk-sharing guarantee facility for large and mid-sized companies. Following the agreement, we made a 300-million euro financing package available to mid-sized Finnish companies. This risk-sharing guarantee will be allocated to OP Corporate Bank's eligible mid-cap financing projects. Within two other ongoing guarantee programmes, SME InnovFin and SME Initiative, OP has already provided a total of over 180 million euros of financing for SMEs. Thanks to these programmes, we are in a strong position to support our customers' investments and growth.

Expectations of rising interest rates and concerns about securing one's finances made many of our private and corporate customers take action. Indeed, the number of interest rate protection products relative to home loans almost quadrupled from a year ago.

Additionally, 2017 was a brisk year for payment services. In the spring, we introduced the Siirto service in our OP-mobile and Pivo apps, which markedly increased phone number based payments among our customers. By now over 333,000 OP customers have registered for Siirto payments. Online and mobile payments became easier with Pivo's new feature which enables the user to pay purchases conveniently with Pivo, without key codes. In the same vein, we began a phased introduction of the Mobile key into OP-mobile.

During the year, we earned many recognitions for our products and services and were selected number one in Finland by Global Finance in its awards for the World's Best Banks.

Responsibility assessment in lending is part of risk management

OP always assesses lending to customers on a holistic basis. Financing is guided by ethical principles and guidelines for lending. Regulations related to good lending practices and the recommendations of the Financial Supervisory Authority are observed in lending and related instructions.

When it comes to private customers, responsible lending is based on a thorough analysis of the customer's debt-servicing capacity, determining the appropriate loan size and explaining the risks to the

customer in an intelligible manner. In corporate customer financing, recognising and analysing the environmental impacts of financed projects is also important from the perspective of risk management, and forms part of the normal creditworthiness analysis, in addition to the assessment of financial matters. In addition to its own analysis, OP may consult an independent analyst that assesses environmental risks associated with an individual customer or a project in need for financing.

Non-life Insurance

OP is Finland's leading non-life insurer. OP provides its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. Through our new type of service concepts, digital solutions, high-quality network of partners and process efficiency, we are continuously enhancing our claims services' customer experience while creating competitive advantage.

OP's health and wellbeing services are, for the time being, included in Non-life Insurance, but the aim is to make the health and wellbeing business an independent business segment. We want to ensure that our customers have a versatile and comprehensive insurance cover. The key insurance lines for private customers include motor vehicle, home and other property policies as well as personal insurance, such as accident, health and travel policies, both for home life and travelling.

For corporate customers, we seek to safeguard their business continuity, support employees' work ability and help to create a safe working environment. We provide our customers with extensive and diversified risk management services, which enable them to better ensure trouble-free and secure business operations in the case of problems. The entrepreneur himself/herself, company staff, the company's fixed and current assets, cargo, vehicles and the business itself are the key insured objects or persons in the field of business insurance. OP also offers cyber-insurance against data damage and occupational healthcare service that can be included in the personnel's personal insurance contracts.

In claims services, OP has partnership agreements with firms representing over 20 industries, such as healthcare services providers, car repair shops, building renovation firms and household appliance retailers. Through partnerships, OP ensures excellent customer experience, cost-efficient and even-quality claims settlement services and their easy availability. New digital services, such as vahinkoapu.op.fi (Claim Help) and OP-mobile's Insurances section provide customers with a smooth way of managing claims. The Claim Help service offers instructions for customers in the case of loss or damage and information on what each insurance covers. Claim Help is also available on OP-mobile and OP Business mobile. On OP-mobile for private customers, a policyholder can then also file a loss report. Personal customers file approximately 68% and corporate customers 43% of their loss reports either online or through mobile.

Read more about Non-life Insurance products and services at op.fi.

According to OP's strategy, Non-life Insurance will be redesigned, for example, through development of claims services and product range. Non-life Insurance aims to be the most innovative player in the sector and modernise the Finnish non-life business.

Management models for vehicle and mobile device claims represent novel service concepts

According to its strategy, OP aims to shift the development focus from individual products towards customer-driven service concepts. Non-life Insurance has already taken steps toward this aim, for example, in the service models for vehicle and mobile device claims that seek to facilitate a customer's daily life and thus provide a superior customer experience.

Our new type of vehicle claim service model launched in 2015, the Repair coordinator service, was extended into a nationwide service during 2017 and it is now available in 12 localities and 22 outlets.

In this service, the customer suffering motor vehicle damage is directed straight to the partner repair shop where OP's repair coordinator is on the spot. The purpose of the model is to facilitate vehicle damage management and claims in such a way that the customer can have his/her car repaired and manage claims at the same time and thus get back to normal faster.

Correspondingly, our new service model for mobile device claims enables the customer to have their mobile device repaired quickly at an OP partner repair shop with no separate loss report. The service is available in 30 outlets and by post in the whole country. OP annually compensates for damage to some 30,000 mobile devices. Thanks to the new service model, our customers can manage the claims related to their mobile device damage considerably more easily than before.

For both services, customer satisfaction is excellent.

Responsibility in Non-life Insurance means protecting customers against risks and encouraging pro-environmental action

In terms of responsibility, OP is in charge of promoting the customer's risk management and safety and loss prevention. Mapping potential risks and security issues together with the customer, we optimise insurance solutions individually for each customer. We ensure that our customer is sufficiently aware of his/her risks and the loss or damage that he/she may suffer will not cause insuperable financial difficulties to him/her.

In 2017, OP Insurance took part in the traffic safety promotion project Vuosisadan liikenneteko (Traffic act of the century). Among its project activities, OP organised a virtual reality tour in 40 localities challenging people to look at traffic as a small child sees it.

Climate change is affecting the lives of our policyholders and the business environment of our corporate customers. OP wants to make its insurance business even more sustainable. Our aim is that our insurance solutions cover all policy-eligible risks as extensively as possible in changing circumstances as well. OP requires that its claims partners pay attention to the principles of sustainable development and act accordingly.

We promote sustainable development not only by developing our own business but also by encouraging others to perform on a more environmentally sound basis. We provide support for our customers and partners on operations curbing climate change. We offer information about the risks of climate change and help in adapting to it. Our goal is to foster responsibility among people and corporations while contributing to developments in legislation and official regulations on climate change.

Stepwise expansion of health and wellbeing services

In 2017, Pohjola Health Ltd expanded its hospital network by two new Pohjola Hospitals as the first Pohjola Hospital located in Helsinki and the Tampere hospital opened in 2016 were complemented by the Oulu hospital in May and the Kuopio hospital in August. All four Pohjola Hospitals provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis.

The hospital network will be completed in May 2018 when the Turku hospital opens its doors. In the coming years, the business is to be expanded through, for instance, the construction of a nationwide medical centre network. Another priority is to focus on the development of digital health and wellbeing services.

Each Pohjola Hospital collects feedback from its customers through the NPS (Net Promoter Score). The NPS among surgery patients has been high since the first hospital's opening, attaining 97 in 2017 (NPS range -100-+100).

Expanding health and wellbeing services is well-suited to OP's responsible mission of promoting the success and prosperity of its owner-customers and operating region. Pohjola Hospital has succeeded in shortening a patient's stay on the clinical pathway significantly, which benefits all parties involved: employees, employers, society and non-life and pension insurers through shorter absences and lower costs, claims paid and loss of income.

Wealth Management

OP ranks among the top wealth management services providers in Finland. Wealth Management responds to the saving and investing needs of private and corporate clients with a client-driven approach and offers the best digital wealth management services and a unique Private Banking experience.

OP provides private clients with an extensive range of savings and investment services. The range of mutual funds covers funds that invest in various asset classes and market areas. Responsibility for the portfolio management of these funds rests partly with OP Financial Group's own investment organisation and partly with its international partners. The product range of life policies consists of pension policies, endowment and unit-linked policies and pure risk policies.

For institutional and corporate clients, OP provides not only discretionary investment management and advisory investment management but also modern risk reporting, portfolio analyses and liquidity management solutions for corporate customers. The service range for institutional investors includes an opportunity to invest in alternative investments alongside OP's pension and insurance companies.

OP boasts Finland's largest Private Banking network which provides both private individuals and corporate and institutional clients with contractual, personalised and comprehensive investment management services. Private Banking service involves the range of products and services offered by OP and external partners. The service models include discretionary investment management and advisory investment management.

Moreover, an extensive range of securities brokerage, custody and analysis services is available to private, corporate and institutional clients. OP's award-winning equity analyst team tracks over 80 listed Finnish companies, prepares forecasts and recommendations on a company- and sector-specific basis and produces diverse analysis reports on macroeconomics, stock markets and industries.

Read more about Wealth Management products and services at op.fi.

Extended product range and improved services

As a services provider owned by its customers, OP promotes the success and prosperity of its customers. In 2017, we extended our product range and improved our services in various ways.

Enhancing our savings and investment services, we adopted an entirely new operating model and tools for investment sales. We also carried out an extensive reform of our saver and investor customers' agreements leading to savings and investments service packages with a transparent structure and clear pricing. The EU-wide MiFID II regulation in force from the beginning of 2018 that improves investor protection was behind making the new agreements. OP has prepared

for the changes caused by this regulation through changes in its services and contract terms.

Our passive investment offering was also expanded. We lowered all our index fund management fees to 0.39% and launched the new OP-World Index Fund. Through our set of index fund products, our customers have the opportunity to make cost-efficient investments in various global markets.

We also launched the new OP Public Services Real Estate Fund (non-UCITS) in parallel with the existing OP-Rental Yield. The story behind OP Public Services Real Estate is based on the provision of services vital to society and needed by Finnish citizens in the course of their lives. The fund spreads its investments widely across real estate utilised in education, social services, physical culture and sports, and healthcare services provided by society.

In equity brokerage, in April we adopted Smart Order Routing (SOR) enabling the use of alternative trading facilities for equity orders beside traditional stock exchanges. SOR gives investors the opportunity to always seek the best possible liquidity and price for their equity trades.

Read more about the [SOR-service](#).

Strongly involved as an arranger of initial public offerings of Finnish companies, OP was the only party to take part in all IPOs on the Nasdaq Helsinki main list this year: Kamux, Silmäasema, Rovio and Terveystalo. In Finland, 2017 marks the best IPO year of the millennium so far in terms of euros, as the total value of IPOs attained some 1.7 billion euros.

Morningstar selected OP-Finland Small Cap Fund as the best equity fund in Finland. The selection was based on a comparison of return and risk over the past five calendar years. OP-Finland Small Cap invests in the equities of small and medium-sized enterprises (usually with a market capitalisation below 1.5 billion euros) operating in Finland.

OP aims to talk about investing and asset management with customers in an understandable way and to lower threshold for investment. In 2017, we increased the number of our customer webinars dealing with various types of investments in plain Finnish.

Sustainable investment

OP aims to lead the way in sustainable investment in the sector on a global basis. OP's responsible investment involves the consideration

of environmental, social and governance (ESG) issues in investment decision-making, compliance with international standards, active ownership and engagement, negative screening and positive thematic investment.

OP Wealth Management's investment operations comply with the UN Principles for Responsible Investment. We expect our investment vehicles to conform with international standards such as the Global Compact and the OECD Guidelines for Multinational Enterprises. In keeping up with international standards, we make use of an independent partner (GES Investment Service) which produces continuous analyses of the fulfilment of international standards by investment vehicles, for use by investors. The partner checks all of OP's asset management and fund management companies' investments twice a year for violations. Screening includes direct and active equity and corporate bond investments and all OP funds making the abovementioned investments, but excludes, for example, index-linked products and mutual funds managed by external portfolio managers.

During 2017, we made more ESG information of funds available to our customers. Published quarterly, our fund-specific ESG reports include information about each fund's carbon footprint, its portfolio companies' ESG ratings and positive environmental impacts. We also began attending AGMs of investee companies outside of Finland in 2017. Going forward, OP funds will attend a considerable number of investee company AGMs abroad. To help us in this, we use a service provider

which produces AGM analyses to us and is in charge of delivering our voting guidelines to the AGMs.

Read more in the [RI Transparency Report](#).

OP Property Management is also committed to the principles of responsible investment and observes responsible investment principles in its real estate asset management. It manages property investments of the real estate funds it administers and direct property investments made by its customers. In the maintenance of its directly owned properties and in its new investments, the company places an emphasis on energy efficiency, lower consumption and waste management. When it comes to indirect property investments, the company is active in exercising influence on the underlying funds' and investee companies' boards of directors and investment committees so that sustainability issues are taken into consideration.

OP Property Management is developing sustainable activities in the real estate sector on an ongoing basis. The company has signed a national energy efficiency agreement and is involved in developing CSR reporting in the real estate sector. Moreover, the company has created its own environmental programme aimed at continuing to reduce environmental impacts caused by operations.

Read more in [OP Property Management's environmental report](#).



Corporate Governance

In their decision-making and corporate governance, OP Financial Group and its central cooperative, OP Cooperative, comply with the laws of Finland and standards issued by virtue of them.

OP Financial Group's operations are specifically governed by the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä), the Act on Cooperative Banks and Other Cooperative Institutions, the Act on Credit Institutions, the Insurance Companies Act and the Co-operatives Act.

Taking into account the specific characteristics of the cooperative system, OP Financial Group's Corporate Governance conforms, whenever applicable, with the Finnish Corporate Governance Code approved by the Securities Market Association in October 2015.

In addition, OP Financial Group follows the Code of Business Ethics in its operations.

The Corporate Governance principles describe the structure and tasks of OP Financial Group and its key functions and units, the duties and responsibilities of key administrative bodies, Group and corporate steering principles, as well as internal control and financial reporting. Corporate Governance enables OP Financial Group to ensure that its operations are open and transparent.

Corporate Governance is available on [OP's website](#).

Download OP Financial Group's Corporate Governance Statement 2017 [here](#).

Supervisory Board

OP Cooperative supervisory Board Members by Federation of Cooperative Banks as of 21 March 2017

(members elected on the basis of capital adequacy and whose term is marked with parentheses)

* All managerial duties in OP Financial Group and its entities are counted in the number of managerial positions, including those listed in this table and the tables below.

**The column with the person's full-time position lists the number of managerial positions outside OP Financial Group.

Name, year of birth and place of residence	Federation of Cooperative Banks and member's term of office	Position on OP Cooperative's Supervisory Board (number of managerial positions within the Group in parentheses) *	Full-time position, job title, education/degree(s) (number of managerial positions outside the Group in parentheses)**	Position of the person with an administrative staff background at a cooperative bank
Arvio Kalle, 1964, Siikajoki	Pohjois-Pohjanmaa, 2015–(2018)	Member (3)	Managing Director, Ruukin Osuuspankki, Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree (-)	
Bäckman Tiina, 1959, Oulu	Other member (elected without following the regional principle) 2017–2020	Member (2)	Rautaruukki Pension Fund, Chair of the Board of Directors (3)	
Eklund Ola, 1952, Raasepori	Sydakusten, 2016–2019	Member (3)	Managing Director, Wintem-Agency Oy, M. Eng.(1)	Chair of the Board of Directors, Andelsbanken Raseborg
Enberg Leif, 1954, Korsnäs	Österbotten, 2016–2019	Member (5)	Entrepreneur, Mapromec Ab, M. Sc. (Econ. & Bus. Adm.) (1)	Chair of the Board of Directors, Korsnäs Andelsbank
Eskola Tapani, 1953, Kotka	Kaakkois-Suomi, 2015–(2018)	Member (3)	M.Sc. (Tech.) (1)	Chair of the Board of Directors, Kymmenlaakson Osuuspankki
Harju Anne, 1969, Salla	Lappi, 2016–(2018)	Member (3)	Managing Director, Sallan Osuus, M.Sc. (Agriculture and Forestry) (-)	
Heinonen Jarna, 1965, Kaarina	Varsinais-Suomi, 2015–(2018)	Member (3)	Professor in Entrepreneurship, Turku School of Economics, University of Turku, D.Sc. (Econ. & Bus. Adm.) (-)	Chair of the Board of Directors, Turun Seudun Osuuspankki
Hinkkanen Mervi, 1954, Kontiolahti	Pohjois-Karjala, 2017–2020	Member (2)	Coordinator, Karelia University of Applied Sciences, Bachelor of Hospitality Management, MBA (-)	Chair of the Board of Directors, Pohjois-Karjalan Osuuspankki
Hyrskyluoto Jorma, 1950, Tampere	Pirkanmaa, 2015–(2018)	Member (3)	M.Sc. (Econ.) (-)	Chair of the Board of Directors, Tampereen Seudun Osuuspankki
Hällfors Terttu, 1955, Ulvila	Satakunta, 2017–2020	Member (2)	Health Centre Physician, Ulvila Health Centre, Lic. Med. (-)	Chair of the Board of Directors, Länsi-Suomen Osuuspankki
Jurmu Taija, 1976, Rovaniemi	Lappi, 2016–2019	Member (4)	Lawyer, Asianajotoimisto Jurmu, Master of Laws, Degree of Bar, ABM Chair (-)	Vice Chair of the Board of Directors, Pohjolan Osuuspankki
Järvi Ulla, 1952, Kokkola	Keski-Pohjanmaa, 2015–(2018)	Member (2)	Certified public accountant, M.Sc. (Econ. & Bus. Adm.) (-)	Supervisory Board Chair, Kokkolan Osuuspankki
Kaakko Marja-Liisa, 1965, Kalajoki	Keski-Pohjanmaa, 2016–2019	Member (2)	Senior Lecturer, Centria University of Applied Sciences, M.Sc. (Econ.), M.Sc. (Econ. & Bus. Adm.) (-)	Member of the Board of Directors, Kalajoen Osuuspankki
Kiander Jaakko, 1963, Helsinki	Other member (elected without following the regional principle) 2015–2018	Member (2)	Director, Ilmarinen Mutual Pension Insurance Company, Dr.Soc.Sc. (1)	

Name, year of birth and place of residence	Federation of Cooperative Banks and member's term of office	Position on OP Cooperative's Supervisory Board (number of managerial positions within the Group in parentheses) *	Full-time position, job title, education/degree(s) (number of managerial positions outside the Group in parentheses)**	Position of the person with an administrative staff background at a cooperative bank
Kietäväinen Seppo, 1959, Juva	Suur-Savo, 2015–2018	Member (3)	M.Sc.(Agric.)	Chair of the Board of Directors, Suur-Savon Osuuspankki
Kiiskinen Juha, 1956, Sulkava	Suur-Savo, 2015–(2018)	Member (2)	BA (-)	Chair of the Board of Directors, Sulkavan Osuuspankki
Koivula Olli, 1955, Kitee	Pohjois-Karjala, 2017–(2018)	Member (2)	Managing Director, Kiteen Seudun Osuuspankki, M.Sc. (Econ. & Bus. Adm.), M.Sc.(Agric.) (-)	
Korkonen Jaakko, 1966, Seinäjoki	Etelä-Pohjanmaa, 2015–2018	Member (2)	Lecturer, Seinäjoki Joint Municipal Authority for Education / Vocational Adult Education Sedu, M. Eng., certificate in educational administration (-)	Chair of the Board of Directors, Peräseinäjoen Osuuspankki
Krohns Petri, 1964, Lappeenranta	Kaakkois-Suomi, 2015–2018	Member (3)	Managing Director Etelä-Karjalan Osuuspankki, LL.M, Trained on the bench, MBA (-)	Hallituksen puheenjohtaja, Orimattilan Osuuspankki
Kuosa-Kaartti Katja-Riina, 1973, Orimattila	Etelä-Suomi, 2016–(2018)	Member (3)	Authorised public accountant, Tilintarkastus Kuosa-Kaartti Oy, M.Sc. (Econ. & Bus. Adm.) (1)	Chair of the Board of Directors, Orimattilan Osuuspankki
Kupsala Tuomas, 1967, Korpilahti	Keski-Suomi, 2015–(2018)	Member (3)	Managing Director, Korpilahden Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA (-)	
Kääriäinen Jukka, 1953, Iisalmi	Pohjois-Savo, 2015–2018	Member (2)	Planner, Social Insurance Institution of Finland, M.Soc.Sc. (-)	Supervisory Board Chair, Pohjois-Savon Osuuspankki
Laine Timo, 1959, Lahti	Etelä-Suomi, 2017–2020	Member (4)	Managing Director, kauppaneuvos (Finnish honorary title) Päijät-Hämeen Osuuspankki, LL.M, Trained on the bench, eMBA (-)	
Luomala Juha, 1963, Valkeakoski	Pirkanmaa, 2017–2020	Member (3)	Managing Director, Valkeakosken Osuuspankki, M.Sc. (Econ. & Bus. Adm.), LKV (authorised real estate agent) (-)	
Mikkola Ari, 1955, Tammela	Varsinais-Suomi, 2015–(2018)	Member (2)	Unit Director, Häme University of Applied Sciences Oy, Bachelor of Agriculture (-)	Vice Chair of the Board of Directors, Lounaismaan Osuuspankki
Mäkelä Anssi, 1961, Urjala	Pirkanmaa, 2017–(2018)	Member (2)	Senior Manager, Valmet Technologies Oy, M.Sc. (Tech.) (1)	Chair of the Board of Directors, Urjalan Osuuspankki
Nikola Annukka, 1960, Kirkkonummi	Etelä-Suomi, 2015–(2018)	Member (4)	Director, Administration, Konehuone Oy, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.) (1)	Chair of the Supervisory Board, Länsi-Uudenmaan Osuuspankki
Näsi Olli, 1963, Huittinen	Satakunta, 2016–(2018)	Member (3)	Managing Director, Satakunnan Osuuspankki, LL.M, Trained on the bench, eMBA (1)	
Palomäki Riitta, 1957, Helsinki	Other member (elected without following the regional principle) 2017–2020	Member (2)	M.Sc. (Econ. & Bus. Adm.) (-)	
Pehkonen Jaakko, 1960, Jyväskylä	Keski-Suomi, 2017–2020	Chair of the Supervisory Board (5)	Professor of Economics, University of Jyväskylä, D.Sc. (Econ. & Bus. Adm.) (-)	Chair of the Board of Directors, Keski-Suomen Osuuspankki
Pullinen Juha, 1963, Pöytyä	Varsinais-Suomi, 2015–2018	Member (3)	Managing Director, Loimaan Seudun Osuuspankki, M.Sc. (Agriculture & Forestry), M.Sc. (Forestry) (-)	

Name, year of birth and place of residence	Federation of Cooperative Banks and member's term of office	Position on OP Cooperative's Supervisory Board (number of managerial positions within the Group in parentheses) *	Full-time position, job title, education/degree(s) (number of managerial positions outside the Group in parentheses)**	Position of the person with an administrative staff background at a cooperative bank
Sahlström Petri, 1971, Oulu	Pohjois-Pohjanmaa, 2016–2019	Member (3)	Dean, University of Oulu, Oulu Business School, D.Sc. (Econ. & Bus. Adm.) (-)	Vice Chair of the Board of Directors, Oulun Osuuspankki
Tarkkanen Olli, 1962, Seinäjoki	Etelä-Pohjanmaa, 2015–(2018)	Second Vice Chair of the Supervisory Board (4)	Managing Director, Etelä-Pohjanmaan Osuuspankki, LL.M, Trained on the bench, eMBA (-)	
Väisänen Mervi, 1963, Sotkamo	Kainuu, 2016–2019	First Vice Chair of the Supervisory Board (7)	Lecturer, marketing, Kajaani University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.) (-)	Vice Chair of the Board of Directors, Kainuun Osuuspankki
Väänänen Ari, 1973, Maaninka	Pohjois-Savo, 2015–(2018)	Member (3)	Managing Director, Maaningan Osuuspankki, LL.M, Trained on the bench (-)	
Ylimartimo Arto, 1959, Oulunsalo	Other member (elected without following the regional principle) 2017–2020	Member (2)	Proventia Group Oy, Chair of the Board M.Sc. (Econ. & Bus. Adm.), Authorised public accountant (2)	

Members of Supervisory Board Working Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.) M.Sc. (Econ.)	Senior lecturer in marketing, Kajaani University of Applied Sciences
Olli Tarkkanen, 1962	Member	LL.M, Trained on the bench, eMBA	Managing Director, Etelä-Pohjanmaan Osuuspankki
Kalle Arvio, 1964	Member	Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	Managing Director, Ruukin Osuuspankki
Leif Enberg, 1954	Member	M.Sc. (Econ. & Bus. Adm.)	Entrepreneur, Oy Mapromec Ab
Tapani Eskola, 1953	Member	M.Sc. (Tech.)	
Jorma Hyrskyluoto, 1950	Member	M.Sc. (Econ.)	
Timo Laine, 1959	Member	LL.M, Trained on the bench, eMBA	Managing Director, kauppaneuvos (Finnish honorary title), Päijät-Hämeen Osuuspankki
Juha Pullinen, 1963	Member	M.Sc. (Agriculture & Forestry), M.Sc. (Forestry)	Managing Director, Loimaan Seudun Osuuspankki

Members are annually elected at the regrouping meeting of the Supervisory Board following the Annual Cooperative Meeting.

Members of Supervisory Board Audit Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jarna Heinonen, 1965	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor in Entrepreneurship, Turku School of Economics, University of Turku
Riitta Palomäki, 1957	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	
Jaakko Kiander, 1963	Member	Dr.Soc.Sc.	Director, Ilmarinen Mutual Pension Insurance Company
Katja Kuosa-Kaartti, 1973	Member	M.Sc. (Econ. & Bus. Adm.)	Authorised public accountant, Tilintarkastus Kuosa-Kaartti Oy
Anne Harju, 1969	Expert member (2017–2018)	M.Sc. (Agriculture and Forestry)	Managing Director, Sallan Osuuspankki
Petri Krohns, 1964	Expert member (2017–2018)	LL.M, Trained on the bench, MBA	Managing Director, Etelä-Karjalan Osuuspankki
Ari Väänänen, 1973	Expert member (2016–2018)	LL.M, Trained on the bench	Managing Director, Maaningan Osuuspankki

Members are annually elected at the regrouping meeting of the Supervisory Board following the Annual Cooperative Meeting; the term of the expert member is three years or until the end of the term of the Supervisory Board (term in parentheses).

Members of Supervisory Board Risk Management Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Ola Eklund, 1952	Chair	M. Eng.	Managing Director, Wintem-Agency Oy
Arto Ylimartimo, 1959	Vice Chair	M.Sc. (Econ. & Bus. Adm.), Authorised public accountant	Proventia Group Oy, Chair of the Board
Tiina Bäckman, 1959	Member	Senior Lawyer	Rautaruukki Pension Fund, Chair of the Board of Directors
Petri Sahlström, 1971	Member	D.Sc. (Econ. & Bus. Adm.)	Dean, University of Oulu, Oulu Business School
Tuomas Kupsala, 1967	Expert member (2017–2018)	M.Sc. (Econ. & Bus. Adm.), eMBA	Managing Director, Korpilahden Osuuspankki
Juha Luomala, 1963	Expert member (2017–2020)	M.Sc. (Econ. & Bus. Adm.), LKV (authorised real estate agent)	Managing Director, Valkeakosken Osuuspankki
Olli Näsi, 1963	Expert member (2017–2018)	LL.M., Trained on the bench, eMBA	Managing Director, Satakunnan Osuuspankki

Members are annually elected at the regrouping meeting of the Supervisory Board following the Annual Cooperative Meeting; the term of the expert member is three years or until the end of the term of the Supervisory Board (term in parentheses).

Members of OP Financial Group Remuneration Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	Senior lecturer in marketing, Kajaani University of Applied Sciences
Taija Jurmu, 1976	Member	Master of Laws, Degree of Bar	Deputy Director, Lapland Chamber of Commerce
Annukka Nikola, 1960	Member	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Director, Administration, Konehuone Oy
Seppo Kietäväinen, 1959	Member	M.Sc.(Agric.)	

Members are annually elected at the regrouping meeting of the Supervisory Board following the Annual Cooperative Meeting.

Members of the central cooperative consolidated management Nomination Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	Senior lecturer in marketing, Kajaani University of Applied Sciences
Taija Jurmu, 1976	Member	Master of Laws, Degree of Bar	Deputy Director, Lapland Chamber of Commerce
Annukka Nikola, 1960	Member	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Director, Administration, Konehuone Oy

Members are annually elected at the regrouping meeting of the Supervisory Board following the Annual Cooperative Meeting.

Executive Board

Reijo Karhinen, OP Financial Group's President and Executive Chairman since 2007, retired at the end of January 2018, based on his executive contract. On 20 September 2017, the Supervisory Board of OP Financial Group's central cooperative appointed Timo Ritakallio, 55, OP Financial Group's new President and Group Executive Chairman. He will take up his new duties on 1 March 2018. Tony Vepsäläinen, Deputy to President and Group Executive Chairman and Chair of the Executive Board, will act as President and Group Executive Chairman between the time when Karhinen retires and the time when Timo Ritakallio takes up his duties as the new President and Group Executive Chairman.



Tony Vepsäläinen, b. 1959

Executive Vice President, Operations, deputy to President and Group Executive Chairman
Chair
Member of the Executive Board since 2006
LL.M, eMBA

Relevant previous experience:

OP-Pohjola Group Central Cooperative: Chief Business Development Officer 2011–2014



Karri Alameri, b. 1963

Executive Vice President, Wealth Management
Member of the Executive Board since 2015
M.Sc. (Econ. & Bus. Adm.), CEFA

Relevant previous experience:

OP Cooperative: Executive Vice President, Wealth Management, Investment
Pohjola Asset Management Ltd: President 2012–2014
OP-Pohjola Group Central Cooperative: Executive Vice President, Wealth Management 2013–2014

OP-Pohjola Group Central Cooperative: Managing Director 2007–2010
Tampereen Seudun Osuuspankki: Managing Director 1998–2006
Turun Seudun Osuuspankki: Deputy Managing Director 1996–1998
Kuopion Osuuspankki: Bank Manager 1993–1996
Suomen Säästöpankki SSP Oy, Deputy to Area Manager 1992–1993
Pohjois-Savon Säästöpankki: managerial duties 1985–1992

Other relevant positions:

Service Sector Employers Palta: Member of the Board and its Executive Committee
Automatia Pankkiautomaatit Oy: Chair of the Board of Directors
Housing Fair Finland Co-op: Member of the Supervisory Board

OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–2012
Danske Capital, Sampo Bank plc: Deputy CEO 2007–2008
Mandatum Asset Management Ltd: Deputy CEO 2004–2006
Carnegie Asset Management Finland Ltd: Chief Investment Officer 1997–2003

Other relevant positions:

Access Capital Partners Group SA: Board member
Cinia Group Ltd: Member of the Board of Directors



Carina Geber-Teir, b. 1972

Executive Vice President, Customer Experience and Communications
Member of the Executive Board since 2009
M.Soc.Sc.

Relevant previous experience:

Varma Mutual Pension Insurance Company: Communications Director 2002–2009

Other relevant positions:

Yle, Finnish Broadcasting Company: Member of the Board of Directors
Unico Banking Group: Member of the Communication Committee



Jari Himanen, b. 1962

Executive Vice President, Group Steering and Customer Relationships
Member of the Executive Board since 2014
Diploma in Business and Administration, eMBA

Relevant previous experience:

Etelä-Karjalan Osuuspankki: Managing Director 2009–2014
OP-Pohjola Group Central Cooperative: Bank Manager, Sales channels and sales support 2007–2009

OP-Pohjola Group Central Cooperative: Bank Manager, Member bank steering 2002–2006

Kuusamon Osuuspankki: Managing Director 1997–2001

Pohjolan Osuuspankki: Bank Manager 1994–1997

Iisalmen Osuuspankki: Bank Manager 1989–1994

Etelä-Savon Osuuspankki: Bank Manager 1986–1989

Koillis-Savon Osuuspankki: Credit Manager 1985–1986

Other relevant positions:

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Olli Lehtilä, b. 1962

Executive Vice President, Non-life Insurance
Member of the Executive Board since 2014
M.Sc. (Agr. & For.), eMBA

Relevant previous experience:

Helsinki OP Bank Plc: Managing Director 2011–2014
Tampereen Seudun Osuuspankki: Managing Director 2006–2010, deputy Managing Director 1999–2006
Päijät-Hämeen Osuuspankki: Bank Manager, Corporate Banking 1997–1998

Postipankki Oy: various managerial and expert duties 1993–1997

Suomen Säästöpankki - SSP Oy: various managerial duties 1992–1993

Sp-Palvelu Oy: Management Trainee 1990–1992

Other relevant positions:

Helsinki Region Chamber of Commerce: Member of the Delegation
Ilmarinen Mutual Pension Insurance Company: Member of the Board of Directors

Pellervo Economic Research PTT: Member of the Board of Directors
Unico Banking Group: Member of the Bancassurance Committee



Harri Luhtala, b. 1965

Chief Financial Officer
Member of the Executive Board since 2007
M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

OP-Pohjola Group: various expert and managerial duties 1989–2007

Other relevant positions:

VTS Fund: Chair of the Board of Directors
Financial Stability Fund: Member of the Board of Directors
Confederation of Finnish Industries (EK): Member of Finance and Tax Commission



Harri Nummela, b. 1968

Executive Vice President, Digital Business and New Businesses
Member of the Executive Board since 2014, and previously between 2007 and 2010
LL.M, eMBA

Relevant previous experience:

OP Cooperative: Executive Vice President, Wealth Management 2014–2015

OP-Services Ltd: Chief Executive Officer 2011–2014

OP-Pohjola Group Central Cooperative: Member of the Executive Board; Executive Vice President, Banking and Investment Business 2007–2010; Department Manager 1998–2006

OP Fund Management Company Ltd: Managing Director 1997–2006

Tampereen Seudun Osuuspankki: Department Manager 1992–1997

Other relevant positions:

Service Sector Employers Palta: Member of the Economic Policy Committee
Finnish Ice Hockey Association: Chair



Erik Palmén, b. 1959

Chief Risk Officer
Member of the Executive Board since 2010
M.Sc. (Econ. & Bus. Adm.), M.Sc. (Eng.)

Relevant previous experience:

Nordea Bank Finland Plc: various expert and managerial duties 1987–2009

Other relevant positions:

VTS Fund: Vice Chair of the Delegation
Investors' Compensation Fund: Chair
Unico Banking Group: Member of the Country Risks Managers Committee



Jouko Pölönen, b. 1970

Executive Vice President, Banking
Member of the Executive Board since 2014
M.Sc. (Econ. & Bus. Adm.), eMBA

OP Yrityspankki Oyj (ent. Pohjola Pankki Oyj): toimitusjohtaja 2013–
Helsinki Area Cooperative Bank (formerly Helsinki OP Bank plc):
Managing Director since 2014

OP Corporate Bank plc (formerly Pohjola Bank plc): President and CEO
since 2013

Pohjola Insurance Ltd: President 2010–2014
CFO 2009–2010 and CRO 2001–2008

PricewaterhouseCoopers: Authorised Public Accountant 1999–2001
and auditor 1993–1999

Other relevant positions:

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Outi Taivainen, b. 1968

Executive Vice President, Human Resources
Member of the Executive Board since 2015
M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

Kone Corporation: Head of HR, Central and North Europe 2012–2015
HR House Oy: Managing Director 2009–2011

Nokia Corporation: Various executive and expert duties 1993–2008

Other relevant positions:

Confederation of Finnish Industries EK: Member of the Skilled
Workforce Committee

Service Sector Employers Palta: Member of the Labour Market
Committee

Unico Banking Group: Member of the HR Committee



Leena Kallasvuo, b. 1956

Chief Audit Executive
Attending Executive Board meetings since 2010
M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

Financial Supervisory Authority (Financial Supervision Authority),
various expert and managerial duties 2005–2010
Trema Finland Oy: Project Manager 2000–2005

Aktia Savings Bank: Head of Department 1997–2000

Säästöpankkien Keskus-Osake-Pankki: various expert and managerial
duties 1983–1996

Other relevant positions:

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Risk Management

OP Financial Group’s operations are based on cooperative values, a strong capital base and capable risk management. OP Financial Group’s mission and core values as well as strategic and financial targets form the basis for risk management.

Risk management helps to achieve the targets set in the strategy by controlling that risks are proportional to risk capacity. In the long term within moderate risk-taking, the Group seeks above-market-average growth. This requires controlled risk-taking relying on strong risk management.

Integral part of daily business and corporate culture

Risk management is part and parcel of daily business and its management. Risk awareness and a moderate risk-taking approach are reflected in every business decision and form an integral part of corporate culture. OP manages customer relationships on a long-term basis and responsibly from the perspective of risk management.

An example of the role of risk management in Banking is that a borrower’s repayment capacity is a key prerequisite for loan approval. Robust risk management is in the interests of both customers and OP Financial Group.

A major player faces a variety of risks

Risks associated with OP Financial Group’s business segments differ in terms of weight. Credit risks, structural interest rate and funding risks

and funding liquidity risks play a major role in Banking. Meanwhile, interest rate and other market risks are highlighted in Non-life Insurance and life insurance market risks in Wealth Management. As services go digital, operational risks and the resulting escalating reputational risks are highlighted in all businesses, including new businesses. With regulation becoming more complex and supervision tightening, compliance risk management is highlighted in all business segments.

The extent of OP Financial Group provides significant risk diversification benefits. Meanwhile, however, the role of various concentration risks will increase.

According to its strategy, OP will invest in creating new types of service packages and business models in the years to come. Before the company launches any products or services or adopts new operating models or systems, it assesses their risks using procedures as laid down by the central cooperative’s Risk Management. OP Financial Group offers only products to customers and applies business models that have been approved at Group level.

The significant business risks affecting OP Financial Group and their most common management tools are detailed in the table below.

	Risk description	Risk management tool
Strategic risks	Risk caused by changes in the competitive environment, slow reaction to changes in the business environment or customer behaviour, poor choice of strategy or poor strategy implementation.	The Group assesses strategic risks as part of the strategy process while identifying related control measures and assessing their effects, for example, on the Group’s overall risk exposure and economic capital requirement. The Group takes account of risks associated with its operating environment by implementing proactive risk management and systematically monitoring its operating and competitive environment. Strategic risk is reduced by regular planning, based on analyses and forecasts of customer future needs, developments in different sectors and market areas, and of competition.
Operational risks	Risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor. Operational risks also include ICT, security, data security, procedural and model risks.	The key area of operational risk management involves identifying and assessing risks and assessing the effectiveness and adequacy of risk control and management tools. Risks that may disrupt business continuity are prepared against by means of business continuity planning in key business divisions.

	Risk description	Risk management tool
Compliance risk	Risks caused by non-compliance with external regulation, internal policies, appropriate procedures or ethical principles governing customer relationships.	Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Compliance risk management tools include monitoring legislative developments, providing the organisation concerned with guidelines, training and consultation in respect of observing practices based on regulation as well as supervising the regulatory compliance with procedures applied within the organisation.
Reputational risk	Risk of deterioration of reputation or trust caused by negative publicity or realisation of some other risk.	The Group manages reputational risk proactively and on a long-term basis by complying with regulation, good practices in the financial sector and OP's principles of good business practice and by highlighting the transparency of operations and communication. OP adheres to international financial, social and environmental responsibility principles and international commitments.
Credit risks	The Group manages reputational risk proactively and on a long-term basis by complying with regulation, good practices in the financial sector and OP's principles of good business practice and by highlighting the transparency of operations and communication.	Credit risk management in banking is based on active customer relationship management, good knowledge of customers, strong professional skills and comprehensive documentation. The day-to-day credit approval process and its effectiveness play a key role in the management of credit risks. OP Financial Group mitigates credit risks by using collateral, financial covenants, central counterparty clearing, netting agreements and exchange-traded products.
Market risks	Risk of loss resulting from interest rate, price, volatility and market liquidity changes in the financial market. Market risks consist of structural market risk associated with the balance sheet (market risks associated with the banking book and insurance liabilities) and market risks associated with trading and long-term investment.	Banking interest rate risk is managed by reducing the difference between floating rate receivables and liabilities as well as through limits and control limits. Moreover, derivatives may be used for hedging purposes. Managing investment risks is based on diversification through effective allocation. Risks are managed through limits (e.g. VaR limits, allocation, credit rating and country risk limits) and investment plans. Insurance companies manage market risks associated with investment and insurance liabilities by means of various investment instruments and derivative contracts.
Liquidity risks	Liquidity risk comprises funding liquidity risk, structural funding risk and funding concentration risk. Funding liquidity risk refers to the risk that OP Financial Group will not be able to meet its current and future cash flows and collateral needs, both expected and unexpected, without affecting its daily operations or overall financial position. Structural funding risk refers to uncertainty related to long-term lending, arising from the refinancing risk due to the structure of funding. Funding concentration risk refers to the risk that funding becomes more difficult due, for example, to a transaction related to an individual counterparty, currency, instrument or maturity band.	OP Financial Group manages its liquidity position through the proactive planning of the funding structure, target levels, the monitoring of the liquidity status and a well-balanced liquidity buffer, planning and management of daily liquidity, the business continuity and contingency plan based on emergency preparedness, as well as the effective and ongoing control of the Group's liquidity status.
Non-life Insurance risks	Non-life Insurance risks comprise risk of loss or damage, and provision risk. Risk of loss or damage occurs when there are an above-average number of losses or they are exceptionally large. Provision risk arises when the claims incurred due to already-occurred losses are higher than anticipated on the balance sheet date.	Risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance liabilities are highlighted in underwriting risk management.

	Risk description	Risk management tool
Life Insurance risks	<p>Life Insurance risks comprise biometric risks, cost risk and customer behaviour risks.</p> <p>Biometric risks occur when claims paid out are higher than expected or for a longer period than expected. Customer behaviour risk means early termination of insurance premium payment or the insurance contract or its change on the basis of the option included in the contract. Expense risk refers to a situation in which incurred insurance contract management expenses differ from those estimated in rating.</p>	<p>Life Insurance underwriting risk management tools include prudent premium rating, careful selection of exposure and reinsurance. Diversifying insurance between different insurance types also reduces risks. Life Insurance reinsures, when necessary, any major individual risks and risk concentrations.</p> <p>Customer behaviour risk is managed by means of a competitive product range, suitable product structures and incentives and sanctions in the insurance terms and conditions</p>
Concentration risks	<p>Risks that may arise of a business's excessive concentration on individual customers, products, lines of business, maturity periods or geographical areas.</p>	<p>The management of concentration risks is closely integrated with other risk management, with the related tools including limits, maximum allocations, diversification and economic capital requirement.</p>

In-depth customer knowledge as the core of risk management

OP Financial Group's risk management is based on three lines of defence. The first line consists of risk management integrated into business and other operations. It controls risk decisions and monitors risk exposure. Customer knowledge acquired through active customer relationship management ensures that risk-taking is moderate and guarantees the prerequisites for successful risk management.

The second line of defence consists of risk management independent of operational business organisations. In charge of general risks

management conditions within OP Financial Group, it controls, supports and supervises the implementation of the risk management principles, confirmed by the Supervisory Board, at OP Financial Group and its entities.

The third line of defence involves centralised Internal Audit, which audits and assesses risk management performed by both the central cooperative and member entities.

Three defence lines of risk management





Review by the director in charge of corporate social responsibility

A sustainable society requires companies to take action

OP's aim to operate in a sustainable manner is based on our cooperative values and our mission that obliges us to promote sustainable prosperity, security and wellbeing for our owner-customers and operating regions. This mission has remained almost unchanged throughout our history that goes back over 100 years. Alongside our business role, our social role guides us to operate for the benefit of our owner-customers and operating regions and set an example for others. Sustainability is not limited to our social role – it encompasses all our operations. Our aim is to be a pioneer in corporate social responsibility in the financial sector. Responsibility is not measured by words, but by actions.

In 2017, we revised our CSR Programme – Positive driver of change through responsibility – which is based on four main themes: We foster a sustainable economy, We support local vitality, We act with a people-first approach and through engagement and We foster health, security and wellbeing. In this Programme, we set ambitious targets for the future. With regard to our own operations, we want to be carbon positive by 2025. We have already taken the first steps towards this goal in the Vallila campus by transferring to electricity that has been generated entirely by wind power, and by building a solar power station on the roof of the Vallila campus. We have also built solar power stations on the roofs of Pohjola Hospitals and in connection with several property investments. In support of these actions, we also prepared OP's climate principles – the first in our history – that are binding on the whole OP Financial Group.

We also want to encourage sustainable choices among our customers. OP's mobility services provide an alternative for owning a car. The OP



Crowdfunding platform enables participation in financing the growth of Finnish companies. Fund-specific responsibility analyses (ESG analyses) support our customers' decision-making by providing information on the funds' carbon footprint and positive environmental impact.

In honour of the centenary of Finland's independence, we launched Hiiop.fi, a new volunteer work exchange site, and challenged people in Finland to engage in 100 person years of voluntary activities. During the jubilee year, OP Financial Group's personnel and administration did over 274 person years of volunteering together with partners and other people. This involved, for example, helping families and schoolchildren living on limited means, contributing to prevention of loneliness among elderly people, improving young people's financial literacy, promoting nature values and participating in various fundraising projects. We believe that voluntary activities will increase teamwork in general. This will in turn build trust among people in Finland and increase their wellbeing.

Responsibility ultimately comes down to daily actions in our business. You can learn more about other aspects of CSR in our business operations in the annual report. Take part in discussion on social media with hashtag #OPVuosi2017.

Tuuli Kousa

Corporate social responsibility highlights 2017

We updated our corporate social responsibility programme

The main themes of OP's corporate social responsibility programme are fostering sustainable economy, supporting regional vitality, people-first and participative approach and the foster of health, safety and wellbeing. The programme defines goals and targets for a broad range of activities and for all areas. One of them is to make OP carbon positive by 2025. Read more from our corporate [social responsibility programme](#).



Hiiop – 100 years of volunteering

OP Financial Group's gift to the 100-year-old Finland: 274 person-years of volunteering. In honour of the Finland 100 jubilee year, OP wanted to lower the threshold for participating in voluntary work. Inviting everyone in Finland to do voluntary work together to attain 100 person years of volunteering, OP created a volunteer work exchange site at [Hiiop100.fi](#). The website enables both announcing and searching for volunteer opportunities.

During the jubilee year, OP Financial Group's personnel and administration did over 274 person years of volunteering together with partners and other people. This involved, for example, helping families and schoolchildren living on limited means, contributing to prevention of loneliness among elderly people, improving young people's financial literacy, promoting nature values and participating in various fundraising projects.

During 2017, more than 3,000 voluntary tasks around Finland were posted on [Hiiop100.fi](#), an exchange service for volunteer work. Volunteer work during the jubilee year has deepened OP's social role and substantially expanded our relations with the third sector.

As part of its corporate social responsibility, OP will continue to maintain and further develop the [Hiiop100.fi](#) service and enable its employees to do voluntary work during working hours also after the jubilee year.

Read more about opportunities for volunteer work at [Hiiop100.fi](#).



OP joined the FIBS Diversity Network

OP joined the FIBS Diversity Network in autumn 2017. On joining, members sign a Diversity Charter by which they engage themselves in developing their management and service practices through diversity principles of the Charter. Read more about the [FIBS Diversity Network](#).



Solar power from rooftops

The building of solar power stations is a concrete example of OP's corporate social responsibility programme updated this year. OP will build on the roof of the Vallila campus a solar power station, which will probably also be the largest installed into an office property in Finland. Solar panels are already creating energy in Kuopio and Oulu on the roofs of Pohjola Hospitals. The hospital under construction in Turku will also have solar panels. Solar power has also been used in buildings developed by OP Property Management Ltd. OP is currently looking into the viability of having solar power stations installed in the roofs of member cooperative banks around Finland.



The biggest electronic voting in Finland

In November, OP Financial Group's 81 cooperative banks held the election of the Representative Assembly where owner-customers elected from among them the Representative Assembly for their own bank for four years. A total of almost 2,400 members were elected to the Assemblies. The number of candidates totalled over 5,600.



OP joined the Commitment 2050 programme

OP joined the national commitment on sustainable development, "The Finland We Want by 2050". The purpose of this commitment is to promote sustainable development everywhere in our society. OP is committed to promoting competence development in Finland as the country is undergoing a transformation of employment.



OP launched the OP Crowdfunding service

OP Crowdfunding's first investment project involved the small ice cream factory Suominen's Milk Ltd which sought capital for growth and to start exporting its organic ice cream, Jymy. OP's second crowdfunding project with the Nokia-based clothing manufacturer Papu Design began in December 2017.



New ownership policy and engagement

OP Fund Management Company revised its ownership policy concerning Finnish and foreign companies in autumn 2017. The new policy will take better into account responsibility viewpoints, such as preparation for climate change and sustainability. As a result of the new policy, OP funds will also attend the AGMs of global companies. The first OP funds began to vote in AGMs outside Finland in autumn 2017. OP funds are committed to increasing their voting activity within three years with the aim of participating in thousands of AGMs abroad every year. OP Fund Management Company's ownership policy defines how OP funds exercise influence in AGMs.



New mobility services

Mobility services increased as OP introduced DriveNow car sharing charged by the minute, in Helsinki, and OP Flexible Car providing rental cars for a month or a longer period, offered nationwide. In May 2017, OP also announced it will build with Fortum almost 100 charging stations for electric cars in Finland.



Thematic engagement projects on carbon, water and tax risks

In the first half of 2017, OP launched thematic engagement projects on carbon, water and tax risks. Furthermore, in the second half of the year, we joined Climate Action 100+, a global five-year engagement initiative for investors. OP Wealth Management joined three thematic corporate engagement projects.



The first fund-specific ESG analyses were published

In July 2017, we began to publish fund-specific environmental, social and governance (ESG) analyses. In future, we will publish these analyses on a quarterly basis. The analyses include responsibility ratings for companies in the funds' portfolios. The analyses comprise environmental (E), social (S) and governance-related (G) issues. The fund-specific analyses also include information on the companies' carbon footprints and positive environmental impact.

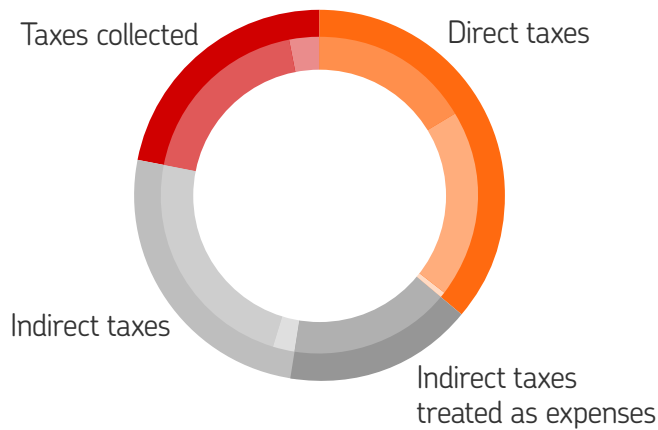
Tax footprint

OP's taxes consist of indirect and direct taxes and taxes collected. Indirect taxes include income tax, real estate tax and fiscal charges paid directly by OP. Indirect taxes include the value added tax and the insurance premium tax. Taxes collected include taxes collected by OP as the remittance payer and forwarded to the state, such as tax withheld from payroll and tax at source withheld from interests.

The mediation and sales of financial services is free of VAT. Thus, it does not generate the obligation to pay VAT, nor does it entitle to make VAT deductions on purchases. However, OP Financial Group member cooperative banks and other companies are liable to pay VAT on their other business.

Taxes included in the tax footprint were calculated on an accrual basis.

Tax footprint



Direct taxes

- Social security and pension contributions 160 million euro
- Income tax/FPM 188 million euros
- Real estate tax 4 million euros

Indirect taxes treated as expenses

- Value added tax 158 million euros

Indirect taxes

- Insurance premium tax 226 million euros
- Value added tax 21 million euros

Taxes collected

- PAYE tax 181 million euros
- Tax at source 29 million euros

Corporate social responsibility management at OP

Corporate social responsibility (CSR) is an integral part of OP's business and strategy. CSR is based on our mission and joint values, supported by our customer-owned business model.

Our business must promote the prosperity of our customers and our operating environment. Our social role directs us to set an example for others. We develop products and services which encourage our customers to act in a responsible and environment-friendly manner. OP aims to be a pioneer in CSR in the financial sector. The Code of Business Ethics, which was updated in December 2017, contains OP Financial Group's CSR principles which all those employed by OP Financial Group, whatever their role, position or location, must observe. The Code of Business Ethics also includes the Group's environmental principles. The Code is supplemented by more detailed rules and guidelines.

OP Financial Group's corporate governance practices mostly cover actions related to CSR management. The main management approaches are defined in OP Financial Group's Corporate Governance Principles. Our operations are guided by good banking and insurance practices. We comply with laws, standards and regulations and adhere to the principles of honest and fair operations. The Operational Risk and Compliance function oversees risks and compliance related to CSR, and it also bears overall responsibility for providing advice on CSR principles. The function operates independently of the business areas.

OP's CSR actions and targets are guided and coordinated by the Corporate Social Responsibility Programme, which was updated in 2017.

As reporting principles, OP follows the GRI Standards and the UN Global Compact and is developing its reporting in the direction of the IIRC framework. OP Financial Group's sustainability reporting is mainly performed within the same boundaries as the Group's financial reporting. Any deviations or limitations in the boundary are reported next to the applicable data.

Organisation of responsibility issues

CSR policies and guidelines are approved by the Supervisory Board. Strategic CSR management is the responsibility of the Executive Board of OP Cooperative, which also makes strategic decisions on CSR matters. On the OP Cooperative Executive Board, CSR comes under the Chief Communications Officer's remit. CSR issues are discussed regularly, not only in the Executive Board but also in business divisions' executive boards. Day-to-day work concerning CSR and the implementation of the CSR Programme is carried out by CSR working groups in the business divisions.

Assessment of management

Leadership methods will be assessed as part of general leadership practices. Targets and operating principles will be updated should there be any changes in the operating environment, for example.

International commitments and participation in organisations

"We support the UN Global Compact initiative and promote human rights, labour standards, environmental protection and anti-corruption."
Jaakko Pehkonen, Chair of the Supervisory Board



In addition to laws and regulations, OP undertakes to comply with international commitments that guide operations. OP signed the Global Compact initiative in 2011, becoming committed to the Initiative's ten principles on human rights, labour standards, environment and anti-corruption. The Global Compact principles have been integrated into OP's new supplier contracts. The principles of Global Compact have also been taken into account in online training for personnel concerning the Code of Business Ethics and corporate social responsibility.

OP was among Finland's first asset management companies to sign the UN Principles for Responsible Investment in 2009. Since then, the Group has developed responsible investment practices with even greater determination, and participated in wider development efforts in the sector. OP is also one of the founding members of Finland's Sustainable Investment Forum (FINSIF). OP is also involved in the Global Compact Nordic Network, the corporate responsibility network Finnish Business & Society (FIBS), the Corporate Social Responsibility and Co-operative Affairs Working Group of the European Association of Co-operative Banks (EACB) and the CSR working group of the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE).

We actively follow the development of guidelines intended for the financial sector as part of the OECD Guidelines for Multinational Enterprises. The OECD guidelines comprise voluntary CSR principles and standards, as well as instructions for applying legislation to international business operations.

OP has signed the Equator Principles initiative in order to ensure the responsibility of its project financing.

As in previous years, OP responded to the CDP survey, which gathers information from large corporations on the effect of climate change

on their business and any actions they have taken to combat climate change and reduce greenhouse gases. In 2017, OP achieved score B+ on a four-step scale from A to D. Score B means that the Company has taken actions to address environmental issues beyond initial screenings or assessments.

In its role as an investor, OP Wealth Management has signed CDP's climate change and water initiatives and the deforestation initiative.

Key CSR guidelines and principles

- OP Financial Group's Corporate Governance
- OP Financial Group's CSR Policies
- UN Global Compact principles

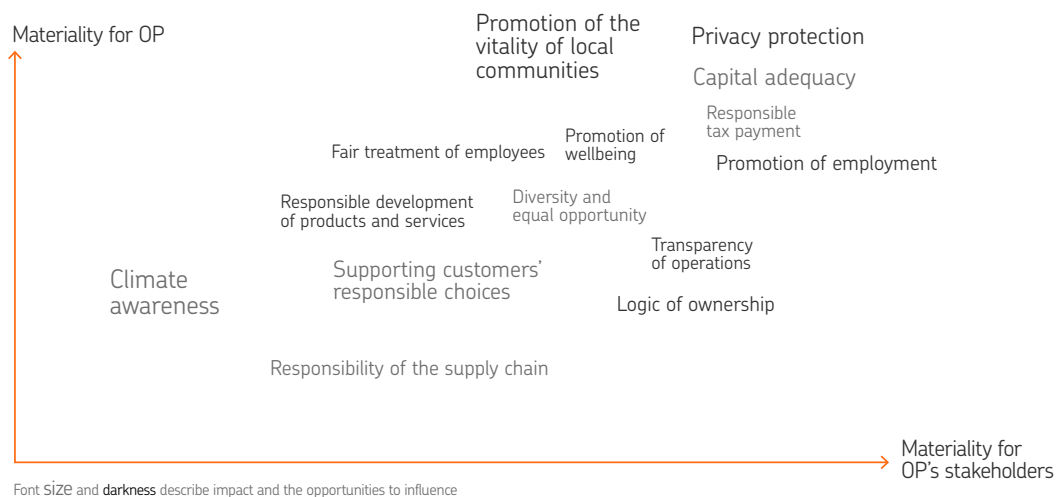
- Code of Business Ethics
- OP Financial Group's Corporate Social Responsibility Programme

Materiality

The purpose of the CSR materiality analysis is to identify the aspects of CSR that are the most central to OP and its stakeholders.

The CSR materiality analysis was carried out in late 2016. Stakeholders' opinions were collected with two stakeholder surveys in which the respondents were asked to evaluate, for example, the materiality of responsibility-related aspects and OP's role in this work. This materiality analysis guides the updating of and goal setting for the CSR programme.

Materiality matrix



Risks and control

No products, services, business models and systems will be introduced before they have been assessed for potential risks and changes. Major new products, services and operating models or significant changes to existing ones are, when necessary, assessed by OP Cooperative's Executive Board, which ultimately decides on whether they should be adopted. The Executive Board is informed of significant realised risks as a part of monthly risk reviews. Risk maps, updated annually, are used to identify the critical risks affecting operations, including environmental, social and corporate governance (ESG) risks. These maps are used to conduct an analysis on the basis of which the executive management are informed of critical phenomena. The effectiveness of the risk and solvency management efforts of OP and its organisations is evaluated on an annual basis. Internal audits are conducted each year to examine the state of internal controls and capital adequacy management.

Internal controls cover all operations, involving all OP Financial Group entities and sites. The nature and extent of operations and, whenever necessary, special characteristics related to international operations are taken into consideration in specifying internal controls. Internal control covers all organisational levels. Internal control in its most extensive

form primarily takes place at the operational level, characterised by continuous processes and forming part of daily routines. Internal control is complemented by the opportunity of anyone employed by OP Financial Group to report through an independent channel if they suspect that rules or regulations have been violated (whistle blowing).

OP Financial Group as a credit institution is supervised by the European Central Bank (ECB). The Finnish Financial Supervisory Authority oversees OP Financial Group's investment firms and insurance companies in Finland as prescribed in legislation governing financial and insurance markets. OP Financial Group's operations in Estonia, Latvia and Lithuania are supervised to an applicable extent by the national regulators.

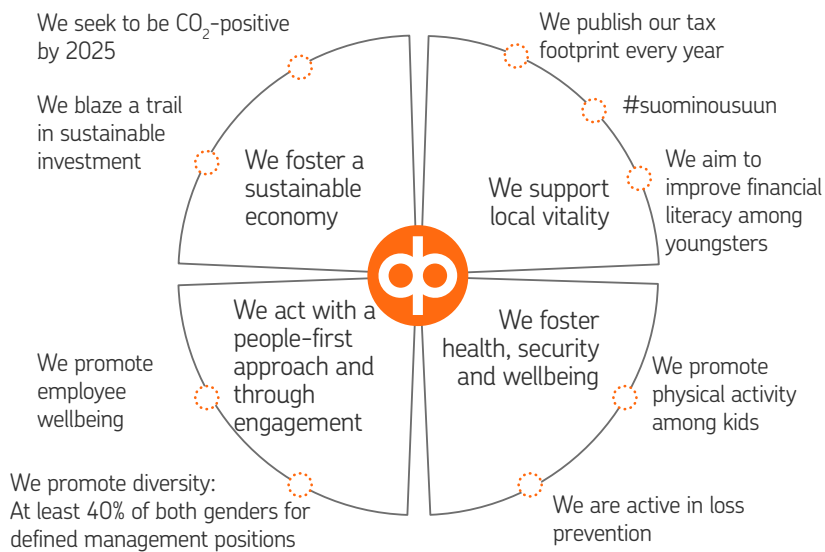
OP's suppliers are mainly based in Finland, and they produce services mainly in Finland. Therefore, OP can manage the CSR risk level related to procurement through transparent and well-managed supplier cooperation. OP's CSR requirements for suppliers have been incorporated in purchase agreements. Suppliers' CSR performance is monitored as part of OP's supplier management model.

Corporate social responsibility programme

OP's CSR targets are guided and coordinated by the Corporate Social Responsibility Programme. The programme was updated in 2017 under the umbrella theme "Positive driver of change through responsibility". The programme is built around four main themes: 1)

We foster a sustainable economy, 2) We support local vitality, 3) We act with a people-first approach and through engagement and 4) We foster health, security and wellbeing.

OP's CSR Programme



KPIs of the CSR Programme	2017	2016 (if available)
Own CO ₂ emission, tn CO ₂ e	20,964	18,559
Renewable energy, %	13	
Charitable donations, € million	2.3	6
Diversity objective, %	21	
Recommendation / NPS	58	53

Promotion of the CSR Programme targets in 2017

1. We foster a sustainable economy

- We revised our Code of Business Ethics by adding our key environmental and climate principles in it.
- We increased the use of renewable energy in our offices. For example, we built a solar power station at the OP Vallila campus in Helsinki and at the Pohjola Hospitals in Kuopio and Oulu.
- The new Pohjola Hospitals were LEED certified: The Kuopio unit reached the LEED Platinum level, which means that the building is excellent in terms of the environment and energy efficiency.
- We revised our principles for responsible investment and ownership policy and began to vote also in the general meetings of foreign companies.
- We published the first fund-specific responsibility analyses (ESG analyses) that cover areas such as the funds' positive environmental impacts.
- We joined the Climate Action 100+ initiative in which investors engage together in projects under shared themes.

2. We support local vitality

- We donated a total of EUR 6.3 million to Finnish universities during the 2015–2017 donation period. In 2017, we donated approximately EUR 800,000.
- We continued to calculate our tax footprint.
- Hiiop: In the "100 years of volunteering" project, we cooperated with more than 100 third-sector partners.
- In 2017, 130 OP employees were involved in a financial literacy project by giving financial advice to young people at risk of becoming marginalised.
- We participated in the HundrED project as one of the main partners.

3. We act with a people-first approach and through engagement

- We organised the biggest electronic voting in Finland in which a new Representative Assembly was elected for 81 Group cooperative banks.
- Each employee was allowed to do one day of paid volunteer work as a gift to the 100-year-old Finland. OP employees donated a total of 100 years of volunteering as part of the Hiiop 100 project.
- We performed a wide range of work with stakeholders and invited customers to join the various stages of our product development efforts.
- Through the "Summer jobs paid for by OP" project, more than 1,000 young persons got a summer job with a non-profit organisation, paid for by the local OP Group cooperative bank.

4. We foster health, security and wellbeing

- Our sports masters provided training to sports clubs' coaches in order to prevent sports accidents.
- We promoted traffic safety through the "Traffic act of the century" project.
- We introduced new services that make our customers' daily lives easier, such as the OP Flexible Car, the Siirto payments and the fully digital travel insurance.

More CSR actions [Corporate social responsibility highlights](#).



Economic impacts

OP as a whole has major direct and indirect economic impacts on both Finnish society as a whole and on local households. OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency. In its business role, the Group provides its customers with competitive products and services while ensuring its profitability.

Such indirect financial impacts are created through contributions to local and regional economic vitality, as well as social contributions. Examples of indirect financial impacts include hiring of new employees, purchases, investments, financing and tax payments. The role as a financier and insurer and responsibility for customers are emphasised during difficult economic times in particular.

OP Financial Group is one of the largest tax payers in Finland measured by tax on profits. All of the 167 independent OP cooperative banks pay their corporate tax locally in their operating region. By paying taxes in Finland, the Group is contributing to prosperity in the whole of Finland.

In the financial sector, the major social impacts are related to active fighting of financial crime and abuses, including corruption, and removal of anti-competitive behaviour. We are strictly against any anti-competitive behaviour. OP is very serious about conformance to laws and the Code of Business Ethics. OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates.

Targets

OP Financial Group, with a cooperative foundation, aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. A considerable part of business earnings are returned to the owner-customers. What remains of the earnings is used to strengthen the Group's balance sheet and to ensure our ability to provide credit. We must operate efficiently and competitively while being profitable and having a strong capital base. We must produce the services our customers need at a competitive price.

Financial targets.

Policies and commitments

External reporting is based, for example, on the International Financial Reporting Standards, the Finnish Limited Liability Companies Act, the Act on Credit Institutions, the Insurance Companies Act, the Accounting Act, and the standards and regulations issued by the Financial Supervisory Authority. OP Financial Group's shared principles are applied in the accounting, financial statements and consolidated financial statements of OP Financial Group companies. Responsibility for the interpretation of, guidelines on and advice on standards, other laws governing the preparation of financial statements and official accounting requirements as well as the preparation of and compliance with common accounting policies rests with OP Cooperative, OP Financial Group's central cooperative. Whenever necessary, OP Cooperative turns to auditors who give a statement of the selected principles and interpretations.

We are strictly against any corruption and bribery. OP is very serious about conformance to laws and the Code of Business Ethics. OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates. The Code of Business Ethics document ratified by the Supervisory Board of OP Cooperative specifies that employees shall avoid any situation that may put them or OP Financial Group under suspicion of bribery. Our fight against money laundering and terrorism is guided by national legislation, official regulations, national practices and the anti-money laundering and prevention of financing of terrorism operating model approved by the senior management.

Management approach

OP Financial Group uses Group-wide financial reporting and risk reporting to monitor the achievement of its business goals and financial targets, and these reports are regularly reviewed at executive management and OP Cooperative's Executive Board meetings. The very same principles apply to the monthly financial performance and risk report prepared by the management. When preparing and examining the report, the management ascertains the accuracy and correctness of the financial results and reporting by analysing the performance and risk exposure and any deviations from targets.

OP Cooperative's Executive Board is the highest decision-making body in matters associated with business control. The Executive Board must ensure that supervision of accounting and treasury is duly organised. It decides on reporting, procedures and qualitative and quantitative indicators used to assess operational efficiency and performance, discusses and approves the consolidated financial statements and interim reports.

The Supervisory Board's Audit Committee is tasked with assisting the Supervisory Board to ensure firstly that the central cooperative and OP Financial Group have in place an adequate and well-functioning control system to cover all operations and secondly that the OP Cooperative's accounting and treasury control is organised appropriately.

As provided by law, auditors shall assess the accuracy of financial reporting.

A compulsory online course for all employees of the Group was implemented to ensure familiarisation with the Code at all levels. The guideline for Handling Conflicts of Interest in OP Financial Group is intended to prevent cases of corruption. All of the Group's member organisations are responsible for applying the guidelines internally. Each and every executive and employee within the institutions must know the guidelines. Every manager is in charge of supervising compliance with the guidelines, with the CEO and board of each organisation

having ultimate responsibility. The guidelines concerning conflicts of interests must be handled by each organisation and its employees on a regular basis, and whenever a new person receives job orientation. OP has a security staff designated for the prevention of abuses, dealing with abuses originating from both within the Group and from outside it. Incidents that fulfil the criteria for crime are always reported to the authorities, to be investigated, and any abuses are reported to the relevant authority, such as the Financial Supervisory Authority, and internally to OP's Executive Board. As prescribed in the Act on Preventing and Clearing Money Laundering and Terrorist Financing, we have put in place customer due diligence systems, ongoing customer due diligence methods and staff training, guidelines and protection. Any suspicious incidents will be reported to the Money Laundering Clearing House as required by law.

Programmes, projects and initiatives

Our approaches are guided by the UN Global Compact initiative and the OECD Guidelines for Multinational Enterprises, among others.

Appeal systems

Any grievances should be discussed primarily with the supervisor. Incidents that fulfil the criteria for crime are always reported to the policy to be investigated, and any abuses are reported to the relevant authority.

201 Economic Performance

GRI 201-1 Direct economic value generated and distributed

It follows naturally from OP Financial Group's dual role, brought about by customer ownership, that business profits and added value are channelled, via customer relationships, to its members and customers. Member cooperative banks use their profits for the benefit of their customers by providing loyalty benefits and other financial benefits and by maintaining and developing their service capabilities. In 2017, new OP bonuses totalled over EUR 220 million, up by 6% year on year. Furthermore a significant part of OP's economic impacts also involves indirect impacts on local and regional economic vitality. Examples of indirect economic impacts are:

- Employment (creation of new jobs, work placements, summer jobs)
- Procurement (purchases from local suppliers and service providers)
- Investments (properties, maintenance, local infrastructure and building projects)
- Financing (financing for start-ups, local financing, ethical lending criteria by sector)

Economic value generated and distributed by stakeholder groups:

Finland	2013	2014	2015	2016	2017
Direct economic added value created	77,716	73,400	72,050	70,635	
a) Income	2,450	2,657	2,808	2,910	3,062
Breakdown of economic value added	6,946	7,060	3,780	4,700	
b) Operating expenses	619	661	574	640	767
c) Personnel costs	791	741	781	762	758
d) Returns to owner-customers	193	195	195	206	217
e) Income tax	36	308	249	223	223
f) Donations and other community investments	3	4	3	6	2,3
For strengthening capital base and developing business	807	749	1,007	1,073	1,095

The member banks are often some of the largest taxpayers in their local municipalities, and OP as a whole is one of the biggest taxpayers in Finland. OP Financial Group's income taxes for the financial year 2017 totalled 223 million euros (223). The effective tax rate was 20.7% (19.6).

Tax footprint.

GRI 201-2 Financial implications and other risks and opportunities due to climate change

Climate change has extensive effects and it causes notable uncertainty for society. Together with our customers, we will build sustainable economy and support mitigating climate change and adapting to it. OP's direct impact on climate change is minor. Environmental risks, on the other hand, including climate risks, can have direct impacts on OP's operations, as well as indirect impacts through effects on customers and stakeholders. In emissions and energy intensive sectors, climate change and related regulation may have significant financial effects. Indirect effects on climate change are created through OP financing and investments.

Extreme weather is also an operational risk included in OP's own contingency planning. Concerns related to climate change may pose reputation risks if any conflicts with climate change prevention efforts should be identified in the operations of OP or even those of its partners or customers.

On the other hand, the general improvement in environmental awareness is bringing new business opportunities, for example in the form of investment products that emphasise environmental responsibility, and diverse property insurances. Our non-life insurance business continuously monitors the development of risks posed by climate change from the viewpoint of our existing and future insurance products. Our aim is to cover all insurable risks as extensively as

possible, also in constantly changing circumstances. OP assesses the financial implications of climate change risks in its annual response to the CDP survey.

203 Indirect economic impacts

GRI 203-1 Infrastructure investments and services supported

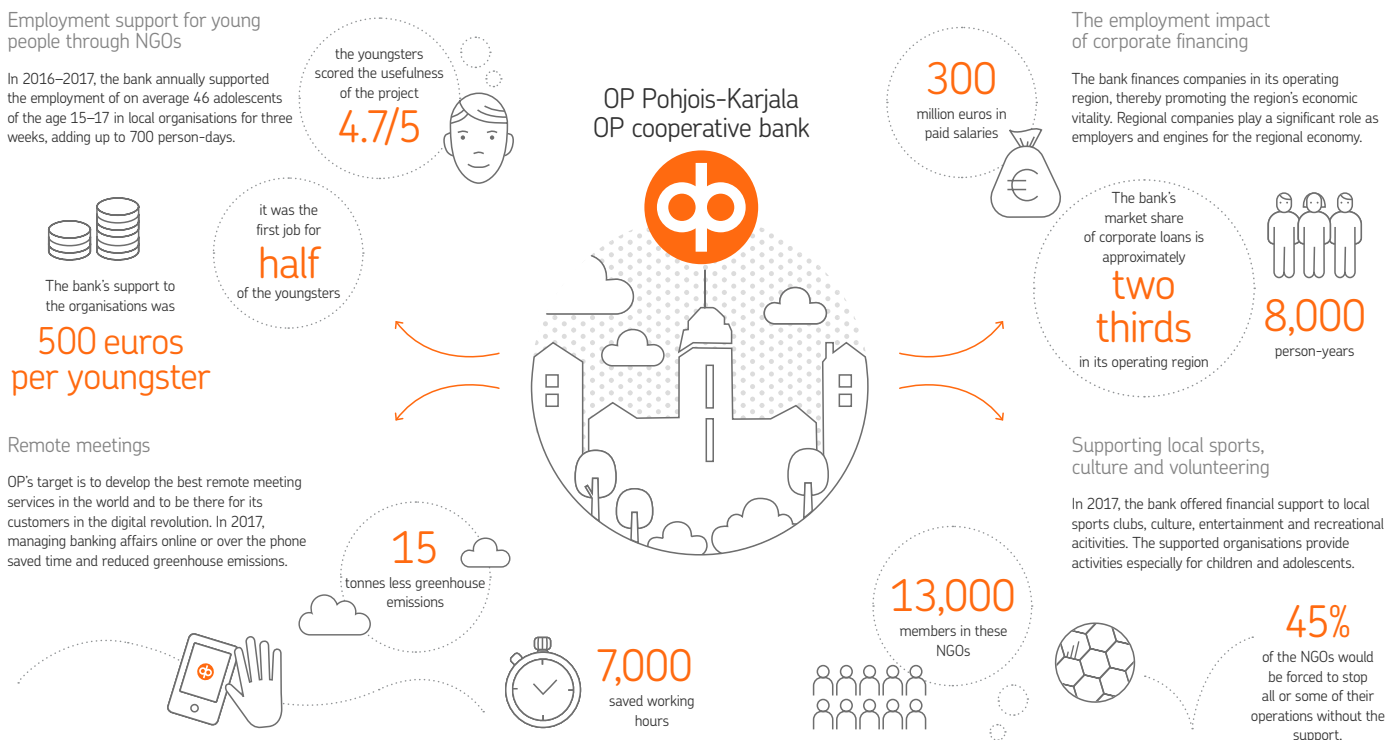
OP's nationwide network of banking and non-life insurance services seeks to ensure that customers have equal opportunities to carry out transactions. The service network covers both digital service channels (op.fi, OP-mobile and Pivo), telephone services and the network of branch offices. We are further developing our services by listening to our customers and their changing needs.

Pohjola Health Ltd has four Pohjola Hospitals that provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis. The hospital network will be completed in May 2018 when a Pohjola Hospital unit opens its doors in Turku.

GRI 203-2 Significant indirect economic impacts

To read more about indirect economic impacts and assessment of social and local impacts, go to the [Local impact of cooperate banks section](#).

In 2017, the combined purchase volume of products, services, rights and the claims service partner network was approximately 1,700 million euros, provided by over 20,000 suppliers. Apart from this, the Group's functions look after their own fundraising and investment-related acquisitions. OP is also a significant purchaser of goods and services.



205 Anti-corruption

205-1 Operations assessed for risks related to corruption

The organisations of OP Financial Group apply a guideline entitled Procedures for Managing Operational Risk. In 2017, the central cooperative drew up a risk assessment plan by process. If necessary, the entities to be analysed can be agreed with the Group's member organisations. OP Financial Group annually carries out risk assessments which also cover risks related to corruption.

The Group's member organisations update their operational risk analyses annually based on the procedural guidelines. The risk analyses are based on the organisations' self-evaluations concerning operational risks and their management. In line with the analysis process, each organisation identifies and evaluates the most important risks affecting its operations. To assist in identification, the Group has a shared risk library which lists diverse risks subdivided into seven risk categories. The Internal Abuse category includes the risk 'Giving and Receiving Bribes'. Bribery has not been a significant risk in any of the risk assessments.

205-2 Communication and training about anti-corruption policies and procedures

The Code of Business Ethics document ratified by the Supervisory Board of OP Cooperative specifies that employees shall avoid any

situation that may put them or OP Financial Group under suspicion of bribery. A compulsory online course for all employees of the Group was implemented to ensure familiarisation with the Code at all levels. By the end of 2017, the course had been taken by 89% (100) of the personnel in Finland.

The guideline for Handling Conflicts of Interest in OP Financial Group is intended to prevent cases of corruption. All of the Group's member organisations are responsible for applying the guidelines internally. Each and every executive and employee within the institutions must know the guidelines. Every manager is in charge of supervising compliance with the guidelines, with the CEO and board of each organisation having ultimate responsibility. The guidelines concerning conflicts of interests must be handled by each organisation and its employees on a regular basis, and whenever a new person receives job orientation.

In supplying services or goods to OP Financial Group, suppliers must comply with CSR supplier requirements, OP Financial Group's General Procurement Terms and Conditions and Code of Business Ethics as well as applicable laws and international agreements.

206 Anti-competitive behaviour

206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

On 7 March 2017, the Finnish Financial Supervisory Authority issued a public warning to, and imposed a penalty payment of 400,000 euros on OP Helsinki due to shortcomings in investment advice related to the obligation to obtain information. The reason for sanctions was that OP Helsinki's investment advice service had not made any adequate analysis of customers' investment objectives, financial standing and investment experience before providing customers with investment advice. Furthermore, the bank had not documented and stored information on the investment advice given to customers so that such information could have been used to verify the courses of events afterwards. Corrective measures have been implemented at Group level: systems used in selling investment products have been further developed to ensure documentation and procedures complying with regulation. Furthermore, the Group's investment advice guidelines were updated and additional training was provided to personnel.

Late in 2015, OP was requested to respond to allegations that it was engaged in monopoly practices. According to a competitor, OP has a monopoly position in retail banking services and is abusing this position by combining retail banking services with non-life insurance services. OP has also been claimed to offer non-life insurance services below production costs. This case is still under investigation, and OP wants to cooperate with the Finnish Competition and Consumer Authority and provide them with any information they may need.

Procurement

Target

The goal of OP's procurement function is to ensure that any products, services or rights that are acquired are on the whole cost-effective, of high quality and reliable and ethical and that suppliers are managed professionally to the benefit of OP Financial Group and its customers.

Policies and commitments

OP's purchases and orders are based on Group-level framework agreements negotiated by OP Procurement or on OP Financial Group's General Procurement Terms and Conditions. These agreements require

that suppliers comply not only with OP's CSR requirements for suppliers but also with OP's Code of Business Ethics and with the Global Compact initiative, as well as with all the applicable laws and regulations.

Management approach

Suppliers evaluate themselves in terms of corporate social responsibility for the first time when they take part in competitive tendering, and thereafter during cooperation with OP on a regular basis in accordance with the operating model agreed with OP Procurement. OP audits suppliers in accordance the annual CSR auditing plan.

Continuous follow-up of CSR audits forms part of OP's supplier and CSR management model. This includes regular meetings with designated purchasing managers. OP's CSR requirements for suppliers have been incorporated in purchase agreements since 2015. OP's suppliers are mainly based in Finland, and they produce services mainly in Finland. Therefore, OP can manage the CSR risk level related to procurement through transparent and well-managed supplier cooperation.

Programmes, projects and initiatives

UN Global Compact

Appeal systems

Any suspected breach of rules or regulations by suppliers can be reported to the Vice President responsible for purchasing or to the responsible procurement manager. Such a report may also concern actions that are against OP Financial Group's core values.

204-1 Proportion of spending on local suppliers

OP Financial Groups' s most significant locations of operation are in Finland. In 2017, about 90 % of procurement is spent locally in Finland.

Environmental impacts

Climate change has extensive effects and it causes notable uncertainty for society. Together with our customers, we will build sustainable economy and support mitigating climate change and adapting to it. We will develop products and services which will encourage our customers to act in a responsible and environment-friendly manner and take into account the effects of our operations on the diversity of nature. We will reduce our climatic stress and help our customers carry out actions to support the environment. We wish to reduce the risk caused by climate change to our customers. We will provide information on climate change and offer solutions to its negative effects.

We take environmental and climatic effects into account in our operations. We promote a circular economy as well as resource and energy efficiency in our business. We develop low-emission premises, generate and utilise renewable energy and promote low-emission mobility. We take environmental aspects into account when making purchases. OP's own operations result in greenhouse gas emissions.

OP also has indirect impacts through its operating environment, causing greenhouse gas emissions. OP provides investors with a carbon risk indicator to support them in selecting a mutual fund by publishing the carbon intensity figures of OP equity funds. Furthermore, OP equity funds publish quarterly fund-specific ESG analyses that cover areas such as the fund's positive environmental impact. OP Wealth Management provides three environmentally themed mutual funds: OP-Low-carbon World, OP-Clean Water and OP-Climate.

With respect to waste, OP's primary objectives are to prevent waste creation, recycle waste, convert waste into energy by burning it, and only if no other alternative is available, take waste to a landfill site.

Targets

The mitigation of climate change requires personal commitment and actions from each and every one of us. We will reduce our climatic stress and help our customers carry out actions to support the environment. We wish to reduce the risk caused by climate change to our customers. We will provide information on climate change and offer solutions to its negative effects.

We take environmental and climatic effects into account in our operations. Our aim is to make the central cooperative carbon positive by 2025.

Policies and commitments

The Code of Business Ethics defines OP's key environmental commitments. OP reports on its greenhouse gas emissions as CO2 equivalents in accordance with the Greenhouse Gas Protocol (GHG). OP's operations are not involved in emissions trading. OP Wealth Management is committed to the Montreal Pledge.

Management approach

OP has in place the WWF's Green Office system. Green Office is applied at the Vallila campus and three banks. Our target is to expand Green Office into more banks. Green Office is one way of increasing our employees' environmental consciousness. As practical tools, our operating premises are also equipped with energy monitoring system, waste reporting, and environmental certification for buildings (LEED). OP has carried out an energy audit, recommended for large enterprises, in accordance with the Energy Efficiency Directive.

Programmes, projects and initiatives

The UN Global Compact, the Montreal Pledge, the Climate Action 100+ engagement programme.

Appeal systems

We welcome feedback through our customer service channels.

302 Energy

302-1 Energy consumption within the organisation and
302-3 Energy intensity

The total energy consumption covers OP Financial Group's heat, electricity and fuel consumption in all countries where the Group operates. In 2017, the total energy consumption was 142 585 (138,230) MWh, up by 3.1 % from the previous year. Consumption on sites not covered by consumption monitoring has been calculated on the basis of specific consumption by type of real property. These sites account for approximately half of the consumption. The electrical energy for the Vallila campus and the data centres is generated entirely through wind power.

In 2017, the energy intensity, or total energy consumption per employee, of OP Financial Group offices increased to 11.6 (11.3) MWh/year/person.

Energy consumption

	2014	2015	2016	2017
District heating	77,716	73,400	72,050	70,635
District cooling	2,868	2,670	5,360	5,140
Fuels (Heating and reserve power)	6,946	7,060	3,780	4,700
Electricity	80,311	59,230	57,040	62,110
Total (MWh)	167,841	142,360	138,230	142,585

In 2017, renewable electricity consumption accounted for 18,800 MWh, or 13%, of all energy consumption. Fuel conversion is based on the Ecoinvent 3.3 multipliers.

305 Emissions

305-1 Direct (Scope 1) GHG emissions, 305-2 Energy indirect (Scope 2) GHG emissions and 305-4 GHG emissions intensity

Direct (scope 1) greenhouse gas emissions are created by fuel consumed by standby generators for OP's own premises. Energy indirect (scope 2) greenhouse gas emissions are the result of electricity and heating energy consumption in the premises. In 2017, electricity for the Vallila campus was generated entirely by renewable energy forms.

The energy emission factors used in emission calculations are based on the 2016 Electricity generation statistics by Statistics Finland, the 2016 District Heating Statistics, the IEA district heating and electricity data for 2015 (excluding Finland), the Ecoinvent 3.3 database and, with respect to green electricity, data provided by the Finnish Green Building Council (FIGBC).

Scope 1 and 2 emissions tonnes CO₂e

	2014	2015	2016	2017
Scope 1	1,800	5	3	48
Scope 2, market-based	37,114	23,446	18,556	20,918
Scope 2, location-based	-	27,178	26,088	25,259
Intensity, CO ₂ e-tonnes/person	3	1.93	1.52	1.70

Intensity = Scope 1 + Scope 2 (market-based) / OP Financial Group employees.

305-3 Other indirect (Scope 3) GHG emissions

Scope 3 emissions (tonnes CO₂e)

	2014	2015	2016	2017
Purchased products and services	2,266	2,508	2,612	2,034
Waste from operations	598	609	129	298
Business travel	2,408	2,622	3,841	3,712
Employee commuting			951	1,142

Purchased products and services include emissions generated by office stationery, mail transport services, external data centres and customer magazines.

With respect to indirect emissions, we also calculate emissions generated by equity funds.

[Read more](#)

305-5 Reduction of GHG emissions

According to OP's Corporate Social Responsibility Programme, our aim is to become carbon positive by 2025. The direct greenhouse gas emissions from OP's own operations (Scopes 1 + 2) totalled 20,964 CO₂e-tonnes (18,559), or 1.7 tonnes (1.52) per person. These emissions (Scopes 1 + 2) have decreased by approximately 40% from 2011 (comparative 2011: 34,847 tonnes of CO₂e). The main reason for this was the removal to new, energy-efficient offices and the increase in the use of renewable energy. In 2017, the electricity consumed by the Vallila premises was generated entirely by wind power.

The CO₂ emission limit for the OP central cooperative's company cars is 120 g/km. At the end of 2017, the average CO₂ emissions of company cars equalled 122 g/km (125). Business travel in 2017 resulted in 3,712 tons of CO₂ emissions (3,841). OP uses video and online conferencing technology to reduce business travel. Its travel guidelines state that trains or buses must be favoured for travel within Finland. OP Cooperative employees have access to travel cards to encourage the use of public transport for commuting.

OP is an indirect opinion leader in encouraging customers to take environmental impacts into account when making financing, insurance and investment decisions, and in recommending the use of e-services and electronic documents.

306 Effluents and waste

306-2 Waste by type and disposal method

In 2017, the OP offices managed by OP-Services in the Helsinki Metropolitan Area generated a total of 713 tonnes waste (289).

With respect to non-hazardous waste (708 tn), 94 tons was reused as raw material, 575 tons was recycled and 39 tons was converted into energy by burning it. The amount of hazardous waste was 4.3 tons, 3.2 tons of which was recycled and the remaining 1.1 tons was disposed in accordance with the requirements concerning hazardous waste.

Social impacts

Impacts on labour practices and decent work are considerable because OP Financial Group is a major employer in Finland.

Target

OP aims to be the most attractive employer in the financial sector and among the most highly regarded large employers in Finland. In HR matters, we focus on the renewal and development of our competencies, management and corporate culture. Highly skilled and motivated employees are a success factor, enabling OP to meet the challenges of the changing operating environment and digitalisation. OP considers diversity as an asset and guarantees equal opportunities, rights and treatment to all.

Policies and commitments

Impacts related to labour practices and decent work are led through strategic HR alignments and OP Financial Group's HR Policy. Cooperation between personnel and the employer is based on local legislation. Responsibility for occupational safety lies specifically with the employer. Occupational safety is based on prevention and planned ways of working.

Management approach

Employees are treated equally in areas such as remuneration, recruitment and career advancement. We monitor on an annual basis the distribution of personnel in various task groups by factors such as gender, pay and age. We take safety and security into account in all of our operations related to personnel and working conditions.

The Group's practical management tools include OP Financial Group's Good Business Practices, OP Financial Group's Principles of Good Leadership, the remuneration system and policy, OP Financial Group's Equality and Non-discrimination Framework Plan, competence development models, personnel surveys, and the Procurement Policy and Supplier Requirements for OP Financial Group's suppliers.

Group-level procedures have been agreed for threatening situations, to be applied locally. Procedures and reporting procedures have been agreed for bank robberies. Procedures have been agreed for serious threats in terms of aftercare arrangements and protecting personnel.

Customer service personnel must go through the procedures as part of the induction, with annual refresher training. Realised threat situations are entered in the operational risk management system and reported to the Executive Board at regular intervals. The staff's experiences of threatening customer service situations are also monitored by means of personnel surveys. Serious threats are reported to the police. Bank robberies are reported to the Executive Board in real time and entered in the operational risk management system.

Programmes, projects and initiatives

Global Compact, Diversity Charter Finland and its Charter.

Appeal systems

Any grievances should be discussed primarily with the supervisor, HR, the shop steward or the occupational health and safety officer.

102-8 Information on employees and other workers

OP Financial Group has 11,847 (11,787) employees in Finland, of whom 5,998 (5,319) work in the central cooperative consolidated, 5,120 (5,755) at member cooperative banks and 729 (713) at OP-Kiinteistökeskus. In addition, the OP Financial Group has 422 (440) employees outside Finland, in Estonia, Latvia and Lithuania. In addition to its own staff, OP Financial Group had 1,511 (1,089) temporary agency workers at the end of 2017. As a result of business transfers related to consolidation arrangements, a total of 314 persons transferred from member cooperative banks to the central cooperative. These worked in the Central Cooperative Consolidated, mainly in development and service provision tasks. During the summer of 2017, OP Financial Group employed a total of 439 (492) summer employees and trainees whose average age was 25.4 (24.4) years. 55% (56) of the summer employees were women.

OP Financial Group maintains its personnel data in a centralised information system. This provides data that supports our human resources management. The system covers the companies included in the Group's consolidated financial statements, excluding five companies that have a total of 160 employees. The data is combined into comprehensive personnel statistics for the Group's CSR Report.

Employees

Number of personnel by type of employment	Men	Women	Total
Permanent full-time employees	3,351	7,392	10,743
Permanent part-time employees	67	691	758
Fixed-term full-time employees	167	384	551
Fixed-term part-time employees	82	135	217
Total	3,667	8,602	12,269

Number of employees by country	Men	Women	Permanently employed	Employed for fixed term	Total
Finland	3,549	8,298	11,098	749	11,847
Estonia	44	136	178	2	180
Latvia	28	83	108	3	111
Lithuania	46	85	117	14	131
Total	3,667	8,602	11,501	768	12,269

401 Employment

401-1 New employee hires and employee turnover

In 2017, OP Financial Group recruited 1,345 new employees (1,236). The annual turnover of permanent employees was 8.7% (7.9). Voluntary staff turnover was 4.8% (3.7). During the year, a total of 59 (42) employment relationships ended, 21 (14) for production-related reasons and 38 (28) through voluntary arrangements. In 2017, a total

of 357 (388) employees retired at an average age of 62.1 years (61.7). As a result of business transfers related to consolidation arrangements, a total of 314 persons transferred from member cooperative banks to the central cooperative. Business transfers resulted in the transfer of 5 employees to non-Group companies.

New first-time employment relationships by age group, gender and country.

Finland	Men	Women	Total	Men	Women	Total
Under 30 years	287	377	664	56%	37%	44%
30–39 years	143	159	302	13%	7%	9%
40–49 years	107	131	238	13%	8%	10%
Yli 49 years	42	50	92	4%	1%	2%
Total	579	717	1,296	16%	9%	11%

Estonia	Men	Women	Total	Men	Women	Total
Under 30 years	1	4	5	25%	27%	26%
30–39 years	0	0	0	0%	0%	0%
40–49 years	0	0	0	0%	0%	0%
Yli 49 years	0	1	1	0%	2%	2%
Total	1	5	6	2%	4%	3%

Latvia	Men	Women	Total	Men	Women	Total
Under 30 years	3	7	10	75%	30%	37%
30–39 years	2	1	3	15%	3%	6%
40–49 years	0	1	1	0%	5%	4%
Yli 49 years	0	0	0	0%	0%	0%
Total	5	9	14	18%	11%	13%

Lithuania	Men	Women	Total	Men	Women	Total
Under 30 years	7	12	19	54%	52%	53%
30–39 years	0	6	6	0%	14%	9%
40–49 years	1	1	2	25%	13%	17%
Yli 49 years	2	0	2	67%	0%	14%
Total	10	19	29	22%	22%	22%

Terminated employment contracts by age group, gender and country.

Finland	Men	Women	Total	Men	Women	Total
Under 30 years	333	442	775	66%	44%	51%
30–39 years	114	183	297	10%	8%	9%
40–49 years	52	117	169	6%	7%	7%
Yli 49 years	145	416	561	13%	12%	13%
Total	644	1,158	1,802	18%	14%	15%

Estonia	Men	Women	Total	Men	Women	Total
Under 30 years	2	5	7	50%	33%	37%
30–39 years	0	3	3	0%	7%	6%
40–49 years	0	4	4	0%	12%	8%
Yli 49 years	1	2	3	11%	4%	5%
Total	3	14	17	7%	10%	9%

Latvia	Men	Women	Total	Men	Women	Total
Under 30 years	4	3	7	100%	13%	26%
30–39 years	1	6	7	8%	17%	14%
40–49 years	0	3	3	0%	15%	11%
Yli 49 years	0	1	1	0%	25%	13%
Total	5	13	18	18%	16%	16%

Lithuania	Men	Women	Total	Men	Women	Total
Under 30 years	4	15	19	31%	65%	53%
30–39 years	5	7	12	19%	16%	17%
40–49 years	1	1	2	25%	13%	17%
Yli 49 years	1	0	1	33%	0%	7%
Total	11	23	34	24%	27%	26%

Workforce by personnel group and gender, %



401-3 Parental leave

In 2017, a total of 1,018 (1,089) people were on family leave, 718 (793) of whom were women and 300 (296) men. 279 of the men (275) and 315 of the women (354) whose family leave ended in 2017 returned to work. The return rate was 100% (99) for men and 90% (93) for women. Of those who had returned to work from family leave in 2016, 247 (257) men and 333 (299) women continued to work after 12 months from their return. The retention rate was 90% (92) for men and 94% (94) for women. The figures are for Finland, excluding the personnel of OP-Kiinteistökeskus.

402 Labour/management relations

402-1 Minimum notice periods regarding operational changes

OP Financial Group abides by local legislation in all its operations. In Finland, the main regulations concerning corporate reorganisations are found in the Act on Co-operation within Undertakings. According to the Act, in cases of business transfer, staff representatives must be given one week's notice. Written proposals for personnel negotiations must be submitted to staff representatives five days prior to the start of negotiations.

403 Occupational health and safety

403-1 Workers representation in formal joint management-worker health and safety committees

The following cooperation groups operate at OP Financial Group level and in OP's central cooperative: OP Financial Group's cooperation team, OP central cooperative's cooperation committee, and OP central cooperative's employer/employee cooperation team. The purpose of these teams and committees is to develop the companies' operations and working conditions and to improve the opportunities of personnel to contribute to the decision-making that affects them, in accordance with the Finnish Act on Co-operation within Undertakings.

At OP Financial Group, the percentage of the total workforce represented in health and safety committees is 89% (88) of the entire Group personnel. The central cooperative has its own health and safety committee, and so do all banks with more than 20 employees.

At OP Financial Group, staff representation in the administrative bodies of companies that belong to the central cooperative has been arranged by nominating staff representatives to OP Cooperative's Supervisory Board, each for a term of three years.

403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

The aim of OP Financial Group's operating model for the management of employee wellbeing is to increasingly ensure, through close and well-organised management of occupational safety and health and wellbeing at work, the work ability and labour market competency of

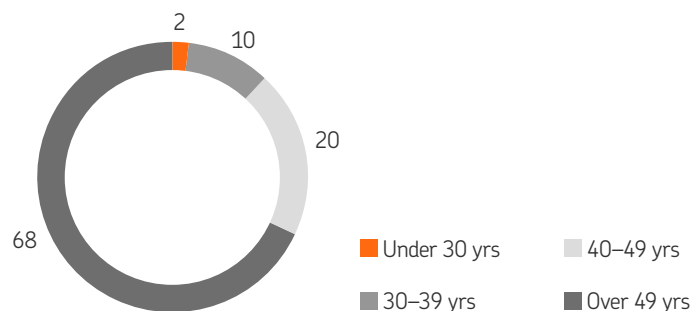
older employees and those at risk of work disability. Key employee wellbeing elements include the early support model, occupational health care, rehabilitation, flexibility at work and diversity management, among others. The health and wellbeing questionnaire annually sent to employees enables us to identify priorities and needs for our employee wellbeing activities from the employee perspective.

In 2017, OP Financial Group recorded 10 occupational accidents causing a sick leave. These led to a total of 237 lost calendar days. The accident rate (LTA1) was 0.6. There were no work-related deaths or accidents leading to disability. OP applies a systematic procedure for the reporting of occupational accidents and hazardous situations. Any occupational accidents are reported to the immediate supervisor without delay. After immediate corrective measures, the supervisor files an accident report. Based on the accident reports, the occupational health and safety committee monitors the number and type of occupational accidents and the resulting costs on a regular basis.

In 2017, sickness absences accounted for 3.3% of regular working hours (3.5). For men, the proportion of sick leaves was 1.8% (1.8) and for women 4.0% (4.1). Sickness absences have remained at the same level throughout the 2010s. The figures are for Finland, excluding the personnel of OP-Kiinteistökeskus.

Group-level procedures have been agreed for threatening situations, to be applied locally. Procedures and reporting procedures have been agreed for bank robberies. Procedures have been agreed for serious threats in terms of aftercare arrangements and protecting personnel. Customer service personnel must go through the procedures as part of the induction, with annual refresher training. Realised threat situations are entered in the operational risk management system and reported to the Executive Board at regular intervals. The staff's experiences of threatening customer service situations are also monitored by means of personnel surveys. Serious threats are reported to the police. Bank robberies are reported to the Executive Board in real time and entered in the operational risk management system.

Governing bodies by age group, %



404 Training and education

404-2 Programs for upgrading employee skills and transition assistance programs and

404-3 Percentage of employees receiving regular performance and career development reviews

OP offers all employee groups a variety of ways to develop their competencies. The basis for development is to understand OP's strategy and how OP's strategic transformation will affect one's own work, activities and competence needs. During 2017, OP Financial Group has been building an operating model to update employee competencies. Such a model is being built since digitisation and automation will destroy some of the existing jobs in the financial sector. Meanwhile, digitisation and automation also create new jobs which require new competencies. The operating model for updating competencies aims to encourage and steer employees to keep their own labour market value up to date.

OP Financial Group implements its strategy and annual plan through annual employee performance reviews. They are an integral part of performance management and include the goal-setting review, performance review and competence and follow-up review. The first review of the year includes an assessment of the employee's performance during the past period and setting targets for the coming period. The second review focuses on competencies and includes the drawing up of a development plan on the key areas in need of improvement. Furthermore, the realisation of targets in the current period is discussed. The entire OP personnel in Finland and abroad have annual performance and career development reviews. Furthermore, in accordance with the Finnish Act on Co-operation within Undertakings, personnel and training plans are drawn up in those companies of OP Financial Group that regularly have more than 20 employees. The training plan must include an estimate of the professional competencies of the whole personnel, any changes in the competence requirements and the background for this and, based on these estimates, an annual plan by employee group or in another appropriate manner.

In 2017, OP Financial Group used an average of 15 hours per person for training.

OP Financial Group implements its strategy and annual plan through regular employee performance reviews. They are an integral part of performance management and include the goal-setting review, performance review and competence and follow-up review. The first review of the year includes an assessment of the employee's performance during the past period and setting targets for the coming period. The second review deals with competencies and the realisation of targets in the current period. The purpose of the competence review is to draw up a development plan on the key areas in need of improvement.

According to the OP Financial Group's remuneration principles, all employees are covered by a performance-based bonus system, and each employee has performance and goal-setting reviews.

OP Financial Group has two types of organisation-wide personnel surveys: an extensive Personnel Survey and a more fast-paced Personnel Pulse. The Personnel Survey is carried out every two years; the next survey will take place in 2019. The results of the 2017 Personnel Survey were good. According to the survey, OP's key success factors are customer focus, confidence in the future and value-based performance.

405 Diversity and equal opportunity

405-1 Diversity of governance bodies and employees

OP wants to provide equal opportunities to all employees. At the end of 2017, 70% (71) of personnel was women and 30% (29) men. The average age of personnel was 43.4 years (43.6) with an average employment time of 13.4 years (14). Of the members of OP Financial Group's governing bodies, 63% (64) were men and 37% (36) women. At the end of 2017, the average age of these persons was 53.8 years (52.8). 32% (31) of the members of the governing bodies were under 50 years old.

OP Financial Group by personnel group and gender

Personnel group	Men	Women
Management	77%	23%
Supervisor	4%	59%
Expert	48%	52%
Employee	16%	84%
Total	30%	70%

OP Financial Group by personnel group and age group

	Under 30 years	30-49 years	Over 49 years
Management	0%	34%	57%
Supervisor	2%	56%	42%
Expert	7%	59%	34%
Employee	19%	44%	38%
Total	13%	50%	37%

OP Financial Group's administrative bodies by age group and gender

	Men	Women
Under 30 years	48%	52%
30-49 years	55%	45%
Over 49 years	66%	34%
Total	63%	37%

In June 2017, OP Financial Group set a diversity target based on the principles of good corporate governance. According to the said target, persons in the Group's executive positions have a wide range of knowledge, skills and experience. A balanced representation of genders and age groups is required in such a manner that both genders are represented in proportion of 60/40. The indicator applied is the proportion of each gender in executive positions. In 2017, the share of women in executive positions was 21% and that of men 79%. The gender distribution in executive positions in the central cooperative is 30% women and 70% men, in member cooperative banks 14% women and 86% men. Furthermore, we aim and monitor that OP Financial Group personnel's knowledge, skills and experience in each gender and age group is sufficiently diverse to meet the strategic goals and requirements of business operations.

405-2 Ratio of basic salary and remuneration of women to men

We aim and monitor that OP Financial Group administration, management and personnel's knowledge, skills and experience in each gender and age group are sufficiently diverse to meet the strategic goals and requirements of business operations. Diversity is taken into account in HR planning, and its materialisation is monitored through HR reporting.

OP Financial Group has drawn up an equality and non-discrimination plan in collaboration with employee representatives. The plan is revised every two years, and the implementation of measures based on the plan is monitored regularly through various indicators and statistics. The Group monitors areas such as the equality of remuneration between age groups and gender, on the basis of job grades. For example, within comparable job grades, the average pay of women is 90–105% of the average pay of men. However, the purpose of monitoring and measures taken is not only remuneration, but also management, leadership, employee wellbeing, career development and training opportunities, which all contribute to the achievement of OP Financial Group's diversity and non-discrimination targets.

Non-discrimination, Freedom of association and collective agreements, Child and forced labour

These principles, which apply to the whole OP Financial Group and its administration, are firmly based on our basic mission and values and form an important part of the responsibility of our operations. OP's own operations do not involve any direct human rights risks or impacts of significance. Indirectly, such impacts may arise from the supply chain or from the operations of investees and financed parties.

Target

OP aims to prevent discrimination in all its activities. OP seeks to prevent human rights violations and support the elimination of child labour and forced labour throughout its business operations and supply chain.

Policies and commitments

OP's operations are controlled by good banking and insurance practices and financial sector regulations as well as OP's Code of Business Ethics. OP Procurement's supplier requirements define the CSR requirements for suppliers. Prevention of discrimination and protection of human rights are referred to in, for example, the UN Global Compact, UN PRI and ILO's Declaration on Fundamental Principles and Rights at Work.

Management approach

The Group's practical management tools include OP Financial Group's Good Business Practices, OP Financial Group's Principles of Good Leadership, the remuneration system and policy, OP Financial Group's Equality and Non-discrimination Framework Plan, the Procurement Policy, and Supplier Requirements for OP Financial Group's suppliers. According to the supplier requirements, suppliers have to manage the issues described in OP Financial Group's CSR requirements for suppliers in an active and goal-oriented manner and to ensure that their own suppliers also comply with these requirements. OP audits suppliers in accordance with the annual CSR auditing plan. Suppliers must report the practical realisation of the ethical principles they apply to OP. Continuous follow-up of CSR audits forms part of OP's supplier and CSR management model. This includes regular meetings with designated purchasing managers.

Programmes, projects and initiatives

Global Compact, Diversity Charter Finland

Appeal systems

Personnel may report any suspected cases of discrimination to the Audit function. Any deviations from the Code of Business Ethics should be raised with HR, your immediate supervisor or Compliance. You can also make an anonymous report on a suspected breach of rules and regulations to OP Financial Group's Chief Audit Executive through the so-called whistle blowing channel. Such a report may also concern actions that are against OP Financial Group's core values. Any suspected breach of rules or regulations by suppliers can also be reported to the Vice President responsible for purchasing or to the responsible procurement manager. Any cases of discrimination reported by customers reach us primarily through requests for clarification sent to us by the authorities. OP expects product suppliers and service providers to conform with OP's Corporate Social Responsibility supplier requirements, Code of Business Ethics and any applicable legislation and international agreements.

406 Non-discrimination

406-1 Incidents of discrimination and corrective actions taken

One notification of gender discrimination was filed with OP Financial Group in 2017. The case was investigated in accordance with the Act on Equality Between Women and Men and a report was drawn up and submitted to the Ombudsman for Equality.

407 Freedom of association and collective agreements

OP Financial Group is a unionised employer. The Group companies apply three collective labour agreements: the collective agreement for the finance industry in banking operations, the collective agreement for the insurance industry in insurance operations, and the collective agreement for the medical services industry at Pohjola Hospital. These agreements contain regulations on, for example, the implementation of cooperation in occupational safety and health matters and the status of industrial safety delegates and ensuring their operating conditions. As a large-scale employer, OP Financial Group plays a major role in developing the industry.

OP Financial Group performs all cooperation procedures in compliance with the Act on Co-operation within Undertakings and other local legislation governing such procedures. OP Financial Group has arranged cooperation with employees through a cooperation group that convenes on a quarterly basis. The group discusses OP Financial Group's finances and performance, along with other current matters concerning the entire Group. All Group companies have arranged their own cooperation procedures in accordance with legislation.

Society

OP carries out its mission in two roles: business role and social role. In our business role, we bear responsibility for our capital adequacy and operational efficiency. In our social role, we have responsibility for the long-term wellbeing of our owner-customers and operating environment. We have a wide-ranging presence in Finland both digitally and physically and we participate in promoting local success, welfare and security wherever we operate.

Target

OP promotes regional vitality in line with its mission and its Corporate Social Responsibility Programme.

Policies and commitments

OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates. The Code of Business Ethics document ratified by the Supervisory Board of OP Cooperative guides all our operations.

Management approach

OP manages its social role alongside its business role. A compulsory online course for all employees of the Group has been implemented to ensure familiarisation with the Code of Business Ethics at all levels.

Programmes, projects and initiatives

Our approaches are guided by the UN Global Compact initiative and the OECD Guidelines for Multinational Enterprises, among others.

Appeal systems

Customer feedback channels and customer communities.

Local communities

FS13 Access points in low-populated or economically disadvantaged areas by type

OP Financial Group's service network comprises branch, online, telephone and mobile services. The Group provides personal customer service both at branches and digitally. OP has Finland's largest network of banking and non-life insurance services. This network seeks to ensure that customers have equal opportunities to carry out transactions. Our cooperative banks and their offices across Finland enable effective interaction with customers and the local community. At the end of 2017, the Group's member banks had approximately 407 (469) branches as well as some 1,340 Otto ATMs (shared between Finland's banks) around the country. OP-mobile is the main channel for customers' daily banking, with visits totalling over 18 million during one month. The number of visits to op.fi amounted to almost 9 million.

FS14 Initiatives to improve access to financial services for disadvantaged people

We provide comprehensive services in Finnish and Swedish, but among corporate customers as well as in growth centres and the Helsinki Metropolitan Area in particular, there is a great demand for services in English. For our English-speaking customers, we provide electronic services (op.fi, OP-mobile and Pivo) for carrying out their daily transactions for banking and insurance. With respect to other services, we develop our service capabilities in English in line with customer needs. Some OP-Kiinteistökeskus branches also offer service in Russian. In the Baltic countries, our branches serve customers in local languages, while our electronic services are available in English.

The text version of op.fi website (pda.op.fi) is widely used by people with vision impairments, enabling the use of disability aids such as a speech synthesizer. Customers can log in to OP-mobile using fingerprint authentication. Furthermore, OP provides key code lists in Braille, enabling the use of the eService.

415 Public policy

415-1 Political contributions

OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates.

Product liability

OP's salaried employees and members of governance bodies are bound to confidentiality by law in terms of all customer data. We respect bank and insurance secrecy, the confidentiality of customer and patient data, and secrecy obligations of agreements in all of our operations. Our practices guide us to take data protection comprehensively into account in all personal data processing. Through our data protection practices, we protect the personal data of our customers, personnel, partners and other parties interacting with OP. OP is committed to responsible marketing and advertising. By law, customers have to be told certain conditions, properties or risks related to a product or service.

Target

Customer-related information is processed with due care as required by the relevant legislation. We ensure data protection proactively and comprehensively in all our business processes, information systems and product and service development throughout the life cycle of a piece of personal data. We maintain the customer's rights by communicating in an open and intelligible manner.

OP aims to provide all information on products and services that may be of importance to customers when making decisions. OP encourages its customers to improve their financial literacy. Marketing directed at children and young people is highly restricted. OP takes account of this group's general inexperience and limited capacity to act.

Policies and commitments

In accordance with the obligation to disclose information, our communications are governed by legislation, decrees and other binding regulations as well as guidelines issued by authorities and marketplaces. In this respect, we provide the market with a true, reliable and fair view of OP Financial Group's status and operations. We will not use incorrect or misleading information in our marketing communications. We follow the marketing guidelines defined by the International Chamber of Commerce, the good marketing practice and marketing guidelines within our sectors. We take pride in the quality of health care and patient security and we process patient data with absolute confidentiality.

Instructions have been provided for conflicts of interest in the Code of Business Ethics and in the Group-level guidelines "Managing Conflicts of Interest at OP Financial Group". The Act on Credit Institutions

defines obligations regarding bank secrecy, encompassing the secrecy obligation concerning a Group customer or personal data in connection with other activities. OP's salaried employees and members of governance bodies are bound to confidentiality by law; bank and insurance secrecy guarantees the confidential processing of all customer data. Employees may process customer information only to the extent required by their duties.

OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates.

Management approach

OP complies with industry regulations, good banking and insurance practices, good stock market practices and good data processing practices. In addition, OP adheres to several acts, as well as regulations and guidelines issued by supervisory authorities. The Code of Business Ethics provides an ethical foundation for all those employed by OP, whatever their role, position or location. Principles are followed as part of normal processes. The principles are updated whenever necessary. OP Financial Group's risk and capital adequacy principles are confirmed by the Supervisory Board.

OP is taking part in a nationwide project to improve young people's financial literacy. The purpose of this is to prevent serious financial problems among young people and to support their financial management. In 2016, the number of payment default entries reached a record-high level. The right kind of support helps to prevent financial problems and payment defaults. Local banks give lessons at schools to teach financial skills.

Programmes, projects and initiatives

UN Global Compact; the EU General Data Protection Regulation whose application will begin on 25 May 2018. The regulation will apply to the processing of personal data in all EU member states. Its aim is to create a uniform level of protection of personal data throughout the European Union. The regulation will bring openness and transparency to the processing of personal data and give private individuals more control over their personal data. A data protection project is underway at OP to ensure that we will meet the requirements of the new regulation and, in this way, to further improve our services.

Appeal systems

In 2017, OP Financial Group appointed a Group-level data protection officer whose role is in line with the EU Data Protection Regulation. Data subjects may contact the data protection officer with regard to all issues related to processing of their personal data and to the exercise of their rights under the regulation. Employees should discuss any grievances primarily with their immediate supervisor. Furthermore, OP Financial Group has an electronic notification channel for internal use, through which any suspected breaches can be reported.

417 Marketing and labelling

417-1 Requirements for product and service information and labelling

OP Financial Group complies with legislation which requires that customers be informed of certain terms, properties or risks related to a product or service.

417-3 Incidents of non-compliance concerning marketing communications

On 7 March 2017, the Finnish Financial Supervisory Authority issued a public warning to, and imposed a penalty payment of EUR 400,000 on OP Helsinki due to shortcomings in investment advice.

418 Customer privacy

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

In 2017, OP Financial Group received 26 substantiated customer complaints concerning the processing of personal data or breaches of customer privacy. In calculating the total amount of complaints, the complaints related to one and the same event (for example, a mailing error), were considered as one complaint. In two individual cases, the data protection authority issued written instructions to OP Financial Group. In 2017, OP Financial Group identified in its operations a total of 72 cases in which customers' privacy was compromised in some way (e.g. leakage, theft or loss of personal data, or accidental or illegal access to personal data).

419 Socioeconomic compliance

419-1 Non-compliance with laws and regulations in the social and economic area

Sustainable investment and ownership

OP manages customers' assets worth in excess of EUR 78.0 (74.5) billion. OP follows the principles for responsible investment in its asset management.

Targets

OP observes the principles for responsible investment by taking into account relevant responsibility issues in its investment decisions and operations. OP also takes the role of active owner, encourages its target companies and cooperation partners to do business responsibly, and promotes responsible investment in the sector.

Policies and commitments

OP Wealth Management has signed the UN Principles for Responsible Investment (UNPRI). We expect our active investment targets to

conform with generally accepted international standards such as the Global Compact and OECD's guidelines for multinational companies.

OP Fund Management Company exercises the voting rights of the mutual funds managed by it, in accordance with the ownership policy approved by the company's Board of Directors. With respect to companies listed in Finland, the Group does its best to discuss grievances directly with the companies prior to AGMs, so that, as a general rule, it will be possible to support the Board's proposal if it comes to voting. OP Fund Management Company increasingly exercises voting rights in the AGMs of companies listed outside Finland through proxy voting.

Management approach

The main policies of responsible investment are approved by the executive committee of OP Wealth Management. Decisions in line with these policies are made by the ESG unit and the Committee for Responsible Investment, which is chaired by the head of the security investment department. The actual implementation of the ESG strategies is carried out on a case-by-case basis by fixed-income investments, equity investments, real estate investments or the ESG unit or, alternatively, through collaboration between the ESG unit and the said functions.

Sustainable investment activities are carried out through various strategies for sustainable investment. These strategies include the consideration of sustainability issues in investment decision-making, keeping up with international standards, active ownership and engagement, negative screening and positive thematic investment. OP Fund Management implements its ownership policy by actively participating in the general meetings of companies listed in Finland. One of the most important ways for OP to obtain information on and assess the responsibility of companies to invest in, are meetings with the companies' executives. Systematic monitoring and supervision of ESG criteria of potential and existing investments is carried out through an international partner. If their active investments include companies with violations of international standards or other operations which are not responsible or in line with the investor's long-term interests, we will address the situation to correct it. If this does not produce the desired effect, the Committee for Responsible Investment may decide to sell the investment.

Programmes, projects and initiatives

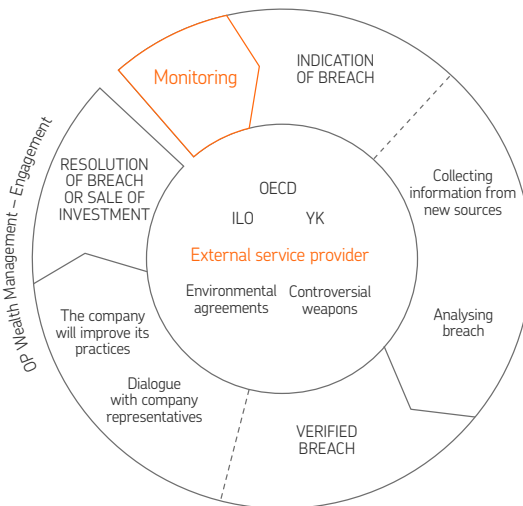
OP has signed the Montreal Pledge initiative that encourages investors to report the carbon footprint of their investments. OP Wealth Management is involved in CDP's climate change, water and deforestation initiatives. OP Wealth Management has also signed the UN Principles for Responsible Investment (UNPRI). At the end of 2017, OP Wealth Management joined the international Climate Action 100+ initiative. The signatories to this initiative engage with the world's largest corporate greenhouse gas emitters.

Appeal systems

Opinions on OP's principles for responsible investment and ownership policy may be given at branches and to OP Fund Management

Company. Unitholders may also give their opinions at the unitholder meeting of OP Fund Management Company.

Process description: Monitoring international standards and engagement



FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues

OP Fund Management implements its ownership policy by actively participating in the general meetings of companies listed in Finland, in particular. One of the most important ways for OP to obtain information on and assess the responsibility of companies to invest in, are meetings with the companies' executives. At year-end 2017, the OP funds managed by OP Asset Management contained shares from 67 companies listed in Finland. OP Asset Management discussed environmental and social responsibility issues with 21% of these during the year.

OP also has other ways of influencing companies. If their active investments include companies with violations of international standards or other operations which are not responsible or in line with the investor's long-term interests, OP will influence them to address the situation. If this does not produce the desired effect, the Committee for Responsible Investment may decide to sell the investment.

FS11 Percentage of assets subject to positive and negative environmental or social screening

Positive screening

OP Financial Group encourages its investees and partners to operate responsibly and in line with international standards. Primarily, the most attractive investment targets in any fund are issuers whose operations are irreproachable in relation to international ethical standards. Positive screening is particularly visible in the OP Climate, OP Clean Water and OP Low-carbon World funds. The OP Climate Fund portfolio includes companies whose business benefits from preparedness to climate change. OP Clean Water, in turn, invests particularly in companies that focus on solutions safeguarding the sufficiency of clean water. OP

Low-carbon World Fund invests in companies which stand out from the competition on the basis of lower carbon intensity. At the end of 2017, the total value of these funds was EUR 368.4 million or 4.5% of OP Fund Management's equity fund capital.

Negative screening

OP actively monitors the fulfilment of international standards by investment targets in line with OP Asset Management's Principles for Responsible Investment, both when making the investment decision and during the time of ownership. Investment vehicles are screened for violations of international standards. Furthermore, OP ensures that its portfolios do not include manufacturers, sellers or marketers of weapons (anti-personnel mines, cluster and nuclear weapons) banned by certain treaties. This screening is performed biannually by an external analysis company. The screening applies to all active OP equity funds and corporate bond funds that make direct investments as well as discretionary client portfolios that make the above-mentioned investments. Furthermore, OP has excluded dozens of high-carbon companies from the above-mentioned funds and client portfolios. This applies to, for example, coal mining companies that make more than 25% or their net sales from energy coal production, and to electricity producers that use plenty of coal to produce electricity. A high-carbon company can avoid exclusion if it takes measures or has a plan in place to considerably reduce its coal dependency. A list of the excluded companies is available on OP's website.

In 2016, OP Fund Management introduced the OP-Sustainable World balanced fund. The fund applies negative screening to various products and functions. For example, the fund does not invest in tobacco or alcohol manufacturers. At the end of 2017, capital invested in the fund totalled EUR 43.6 million.

GRI content index

All standards: version 2016

Disclosure Number	Disclosure Title	Location	Omissions	Global Compact
Yleinen sisältö				
102-1	Name of the organization	Financial Statements, Note 1: General		
102-2	Activities, brands, products, and services	OP Year 2017: OP business segments		
102-3	Location of headquarters	Helsinki		
102-4	Location of operations	Financial Statements, Note 49		
102-5	Ownership and legal form	Financial Statements, Note 49		
102-6	Markets served	OP Year 2017: OP business segments		
102-7	Scale of the organization	OP Year 2017: Key figures and ratios; OP Year 2017: Personnel		
102-8	Information on employees and other workers	GRI information, Social impacts		X
102-9	Supply chain	OP Year 2017: Value chain; GRI: Economic impacts		
102-10	Significant changes to the organization and its supply chain	Financial Statements, Report by the Executive Board: Changes in OP Financial Group's structure		
102-11	Precautionary Principle or approach	Financial Statements, Note 2: OP Financial Group's risk and capital adequacy management principles		
102-12	External initiatives	GRI information, Corporate social responsibility management		
102-13	Membership of associations	GRI information, Corporate social responsibility management		
102-14	Statement from senior decision-maker	OP Year 2017: Review by the Supervisory Board; OP Year 2017: Review by the director in charge of corporate social responsibility		
102-16	Values, principles, standards, and norms of behavior	OP Year 2017: Strategy		X
102-18	Governance structure	Corporate Governance: Supervisory Board and its committees		
102-40	List of stakeholder groups	OP Year 2017: Stakeholders		
102-41	Collective bargaining agreements	In Finland, 91% of OP Financial Group personnel are covered by universally binding collective labour agreements. No binding collective agreements exist in the sector in the Baltic region.		X
102-42	Identifying and selecting stakeholders	Corporate social responsibility management at OP, OP Year 2017: Stakeholders		
102-43	Approach to stakeholder engagement	OP Year 2017: Stakeholders		
102-44	Key topics and concerns raised	OP Year 2017: Stakeholders		
102-45	Entities included in the consolidated financial statements	Financial Statements, Note 49		
102-46	Defining report content and topic Boundaries	GRI information, Corporate social responsibility management		
102-47	List of material topics	GRI information, Materiality		
102-48	Restatements of information	No restatements		
102-49	Changes in reporting	No restatements		
102-50	Reporting period	1 Jan 2017–31 Dec 2017		

Disclosure Number	Disclosure Title	Location	Omissions	Global Compact
102-51	Date of most recent report	28 Feb 2017		
102-52	Reporting cycle	Annual		
102-53	Contact point for questions regarding the report	https://uusi.op.fi/op-financial-group/corporate-responsibility/contact-information		
102-54	Claims of reporting in accordance with the GRI Standards	GRI information, GRI content index		
102-55	GRI content index	GRI information, GRI content index		
102-56	External assurance	Independent assurance report		
Management approach				
103-1	Explanation of the material topic and its Boundary	Corporate social responsibility management at OP, GRI		
103-2	The management approach and its components	Corporate social responsibility management at OP, GRI		X
103-3	Evaluation of the management approach	Corporate social responsibility management at OP, GRI		
Topic specific content				
Topic specific content is reported regarding aspects identified as material.				
Economic impacts				
201	Economic Performance			
201-1	Direct economic value generated and distributed	Economic impacts		
201-2	Financial implications and other risks and opportunities due to climate change	Economic impacts	Information unavailable about economic impacts or costs. OP investigates the possibility to report it in the future.	X
201-3	Defined benefit plan obligations and other retirement plans	Financial Statements, Note 33		
201-4	Financial assistance received from government	OP Financial Group received no significant financial assistance from the government in 2017.		
203	Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Economic impacts		
203-2	Significant indirect economic impacts	Economic impacts, OP Year 2017: Local impact of cooperate banks, Tax footprint		
204	Procurement Practices			
204-1	Proportion of spending on local suppliers	Economic impacts		
205	Korruptionvastaisuus			
205-1	Operations assessed for risks related to corruption	Economic impacts	X	
05-2	Communication and training about anti-corruption policies and procedures	Economic impacts	Information unavailable in part. OP investigates the possibility to report it in the future.	X
206	Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Economic impacts		

Disclosure Number	Disclosure Title	Location	Omissions	Global Compact
Environmental impacts				
302	Energy			
302-1	Energy consumption within the organization	Environmental impacts		X
302-3	Energy intensity	Environmental impacts		X
305	Emissions			
305-1	Direct (Scope 1) GHG emissions	Environmental impacts		X
305-2	Energy indirect (Scope 2) GHG emissions	Environmental impacts		X
305-3	Other indirect (Scope 3) GHG emissions	Environmental impacts		X
305-4	GHG emissions intensity	Environmental impacts		X
305-5	Reduction of GHG emissions	Environmental impacts		X
306	Waste			
306-2	Waste by type and disposal method	Environmental impacts	Data available only on the Helsinki premises.	X
Social impacts				
401	Employment			
401-1	New employee hires and employee turnover	Social impacts		X
401-3	Parental leave	Social impacts	Information unavailable about the number of men entitled to parental leave. OP investigates the possibility to report it in the future.	X
402	Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Social impacts		X
403	Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	Social impacts		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Social impacts	Information unavailable about more detailed breakdown. OP investigates the possibility to report it in the future.	
404	Training and Education			
404-2	Programs for upgrading employee skills and transition assistance programs	Social impacts		X
404-3	Percentage of employees receiving regular performance and career development reviews	Social impacts		X
405	Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Social impacts		
405-2	Ratio of basic salary and remuneration of women to men	Social impacts	Information unavailable about more detailed breakdown. OP investigates the possibility to report it in the future.	X

Disclosure Number	Disclosure Title	Location	Omissions	Global Compact
406	Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Social impacts		X
	Local communities			
FS13	Access points in low-populated or economically disadvantaged areas by type	Social impacts	Reported at Finland's level only.	
FS14	Initiatives to improve access to financial services for disadvantaged people	Social impacts		
415	Public Policy			
415-1	Political contributions	Social impacts		X
417	Marketing and labelling			
417-2	Incidents of non-compliance concerning product and service information and labeling	No cases in 2017.		
417-3	Incidents of non-compliance concerning marketing communications	Social impacts		
418	Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social impacts		
419	Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	No cases in 2017.		
Active ownership				
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Social impacts		
FS11	Percentage of assets subject to positive and negative environmental or social screening	Social impacts		

Independent Assurance Report

This document is an English translation of the Finnish report

To the Management of OP Cooperative

We have been engaged by the Management of OP Cooperative to provide limited assurance on the OP Financial Group's corporate social responsibility information from the reporting period 1.1.–31.12.2017. Corporate social responsibility information has been presented in the OP Financial Group's annual report OP Year 2017, in the "Corporate Social Responsibility and GRI" section's GRI Index (hereafter Corporate Social Responsibility Information).

The Management of OP Cooperative is responsible for the preparation and presentation of the Corporate Social Responsibility Information in accordance with the GRI Sustainability Reporting Standards.

Our responsibility is to carry out an engagement to express an independent conclusion on the information subject to the assurance based on the work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised). We are independent from the corporation according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted. We apply the International Standard on Quality Control 1 (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We do not accept or assume responsibility to anyone other than OP Cooperative for our work, for this assurance report, or for the conclusions we have reached.

The evaluation criteria used for our assurance are the GRI Sustainability Reporting Standards.

Limitations of the engagement

Data and information related to corporate responsibility are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Corporate Social Responsibility Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by OP Financial Group. Our assurance report is not intended for use on its own in evaluating OP Financial Group's performance in executing the corporate social responsibility principles OP Financial Group has defined. To assess the financial state and performance of OP Financial Group, OP's audited Financial Statement for the year ended 31 December 2017 is to be consulted.

The work performed in the engagement and our conclusion

Our assurance procedures are designed to obtain limited assurance on whether the Corporate Social Responsibility Information is presented in accordance with the GRI Sustainability Reporting Standards in all

material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Corporate Social Responsibility Information, and applying analytical and other evidence gathering procedures, as appropriate.

In our engagement we have performed the following procedures:

- Interviews with members of the Management of OP Cooperative to reassert our understanding of the connection between OP Financial Group's corporate social responsibility procedures and OP Financial Group's business strategy and operations as well as corporate social responsibility objectives;
- An assessment of the Corporate Social Responsibility Information's conformity with the principles of the GRI Sustainability Reporting Standards for defining content and reporting quality;
- An assessment of coverage of the material aspects selected for the Corporate Social Responsibility Information and the definition of reporting boundaries in the context of OP Financial Group's business operations and sector;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Corporate Social Responsibility Information, and a review of OP Financial Group's related internal documents;
- Comparison of the presented Corporate Social Responsibility Information to underlying rules of procedure, management and reporting systems as well as documentation;
- A review of the performance data and assertions presented in the Corporate Social Responsibility Information, and an assessment of information quality and reporting boundary definitions;
- Testing of data accuracy and completeness through samples from OP Financial Group's information systems and original numerical information received from the Group's member institutions;

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the limited assurance engagement is not, in all material respects, prepared in accordance with the reporting criteria GRI Sustainability Reporting Standards.

Helsinki, 23 February 2018

KPMG OY AB

(signed)
Raija-Leena Hankonen
APA

(signed)
Niina Turri
Senior Manager, Advisory