



OP Financial Group's Corporate Governance Statement 2020

OP Financial Group



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OP Financial Group's Corporate Governance Statement 2020

1 CORPORATE GOVERNANCE STATEMENT

1.1 Introduction

OP Financial Group's corporate governance is comprehensive and proportionate with respect to the nature, scope and diversity of its operations to ensure the efficient management of the Group in accordance with prudential business principles, and so that the Group's governing bodies can effectively supervise its management.

This Statement describes corporate governance at OP Financial Group. By law, a credit institution and a securities issuer shall present its Corporate Governance Statement. This OP Financial Group statement applies to OP Cooperative and credit institutions within the central cooperative consolidated, excluding OP Financial Group's issuers, OP Corporate Bank plc and OP Mortgage Bank (OP MB), which prepare their own Corporate Governance Statements. Their statements substantially follow that of OP Financial Group. In addition, OP cooperative banks publish their own corporate governance statements on their websites.

This Statement has been prepared in accordance with the Act on Credit Institutions, the Capital Requirements Regulation (CRD4/CRR), the Securities Markets Act, and the Finnish Corporate Governance Code (2020) where applicable. Section 1.2 provides more detailed information on compliance with the Finnish Corporate Governance Code at OP Cooperative (the central cooperative).

Up-to-date key information on OP Financial Group's governance is available on the Group website at www.op.fi > OP Financial Group > About us > Corporate Governance. OP Corporate Bank plc's Corporate Governance Statement is available at www.op.fi > OP Financial Group > To the media > Publications > [OP Corporate Bank publications](#). OP Mortgage Bank's Corporate Governance Statement is available at www.op.fi > OP Financial Group > To the media > Publications > [OP Mortgage Bank's financial reports](#).

OP Cooperative's Board of Directors discussed this Corporate Governance Statement at its meeting on 9 February 2021. In addition, the Audit Committee of OP Cooperative's Board of Directors has discussed this Statement.

This Statement has been issued separately from the Report by the Board of Directors. KPMG Oy Ab, OP Financial Group's auditor, has verified that the Statement has been issued and that the description it contains covering the main features of internal control and risk management systems related to the financial reporting process is consistent with the financial statements.

This Statement plus OP Financial Group's Financial Statements, Report by the Board of Directors, Auditor's Report, Remuneration Policy and Remuneration Report for Governing Bodies along with Annual Review are available on OP's website at www.op.fi > OP Financial Group > To the media > Publications > [OP Financial Group publications](#).

A statement of remuneration at OP Financial Group, which complies with the Act on Credit Institutions and the Finnish Corporate Governance Code (insofar as applicable), is available on OP Financial Group's website at www.op.fi > OP Financial Group > About us > Corporate Governance > [Remuneration](#).

The Finnish Corporate Governance Code 2020 for Finnish listed companies, issued by the Securities Market Association, is available on the Association's website at www.cgfinland.fi.

1.2 Compliance with the Finnish Corporate Governance Code, and deviations from recommendations

In 2020, OP Cooperative complied with the Finnish Corporate Governance Code (2020) for Finnish listed companies insofar as it applies to a cooperative entity that belongs to a financial services group. The key rationale for deviating from the Code includes special legislation applicable to the operations of OP Financial Group, in particular regulation concerning credit institution activities, as well as OP Cooperative's three-tier governance structure and the restricted body of members (137 member cooperative banks). More information on the central cooperative's governance structure is available in section 4.

Deviations from the recommendations of the Finnish Corporate Governance Code, and rationale for such deviations

Recommendation	Deviations	Rationale
1, 2 and 4	<p>A notice of Cooperative Meeting, including appendices, is sent to members through OP Financial Group's internal communication channels.</p> <p>The minutes of the Cooperative Meeting are published on the op.fi website. Other meeting material is distributed to members through OP Financial Group's internal communication channels.</p>	Since OP Cooperative's membership is restricted, the notice of meeting, including appendices, can be delivered directly to all members.
1, 5, 6 and 22	<p>The Cooperative Meeting elects members to the Supervisory Council and decides on their remuneration. The notice of Cooperative Meeting explains how candidates to the Supervisory Council can be nominated.</p> <p>The Supervisory Council appoints the Board members and decides on their remuneration.</p>	OP Cooperative has a three-tier governance structure in which the Cooperative Meeting elects members to the Supervisory Council.
3	Normally, the Supervisory Council members and candidates attend the Cooperative Meeting. As regards the Board of Directors, at least the Chair of the Board and the CEO of OP Cooperative (President and Group Chief Executive Officer) attend the meeting. In 2020, meeting arrangements were exceptional due to the Covid-19 pandemic, and the majority of participants attended through a videoconference.	The Cooperative Meeting elects members to the Supervisory Council, and the Supervisory Council elects members to the Board of Directors. The right to ask questions is ensured through the attendance of the Chair of the Board of Directors and the President and Group Chief Executive Officer.
20	The Supervisory Council approves the executive contract of the President and Group Chief Executive Officer and their deputy.	The decision-making order complies with the three-tier governance model.
23	The remuneration of members of the Board of Directors and Board committees in the form of shares is not allowed.	Due to the corporate form and/or ownership structure of OP Financial Group entities, share-based remuneration is not possible.
27	OP Cooperative's Board of Directors approves the guidelines for related party lending, which comply with the Act on Credit Institutions. Related party transactions are reported in the Notes to the financial statements as required by IAS24.	Binding regulations are observed in the management of related party transactions.

Reporting requirements	OP Cooperative complies with the reporting requirements stated in the Finnish Corporate Governance Code insofar as they apply to a cooperative entity that belongs to a financial services group.	The deviations concern information that is not available with respect to OP Cooperative, or which is irrelevant due to the corporate form and governance structure of OP Cooperative (such as share-based remuneration). See above for more detailed rationale concerning deviations from certain recommendations of the Finnish Corporate Governance Code.
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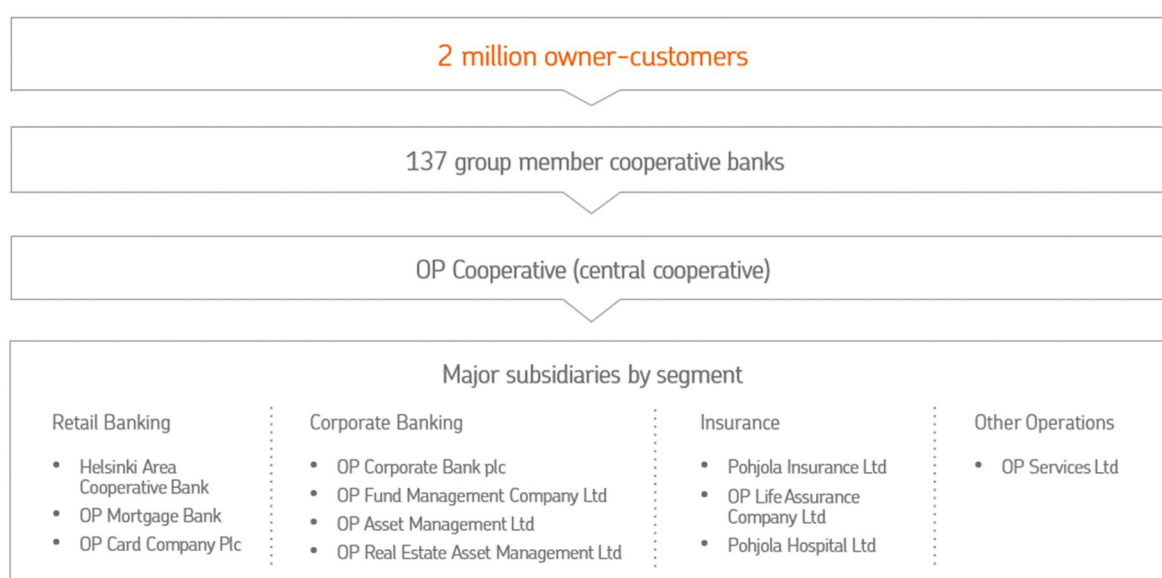
2 STRUCTURE OF OP FINANCIAL GROUP

2.1 OP Financial Group

Established in 1902, OP Financial Group is a cooperative financial services group formed by independent OP cooperative banks and the Group's central cooperative with its subsidiaries. OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and operating region. The Group's operations are based on the cooperative principle – cooperation and sharing the fruits of success with everyone. Being a Finnish Group is an important part of its identity.

As at 31 December 2020, OP Financial Group consists of 137 member cooperative banks and their central cooperative, OP Cooperative, with its subsidiaries and affiliates. OP Financial Group's operations are governed by legislation such as the Act on the Amalgamation of Deposit Banks, the Act on Cooperative Banks and Other Cooperative Institutions, the Act on Credit Institutions, the Insurance Companies Act, the Act on Investment Services, the Co-operatives Act and the Limited Liability Companies Act.

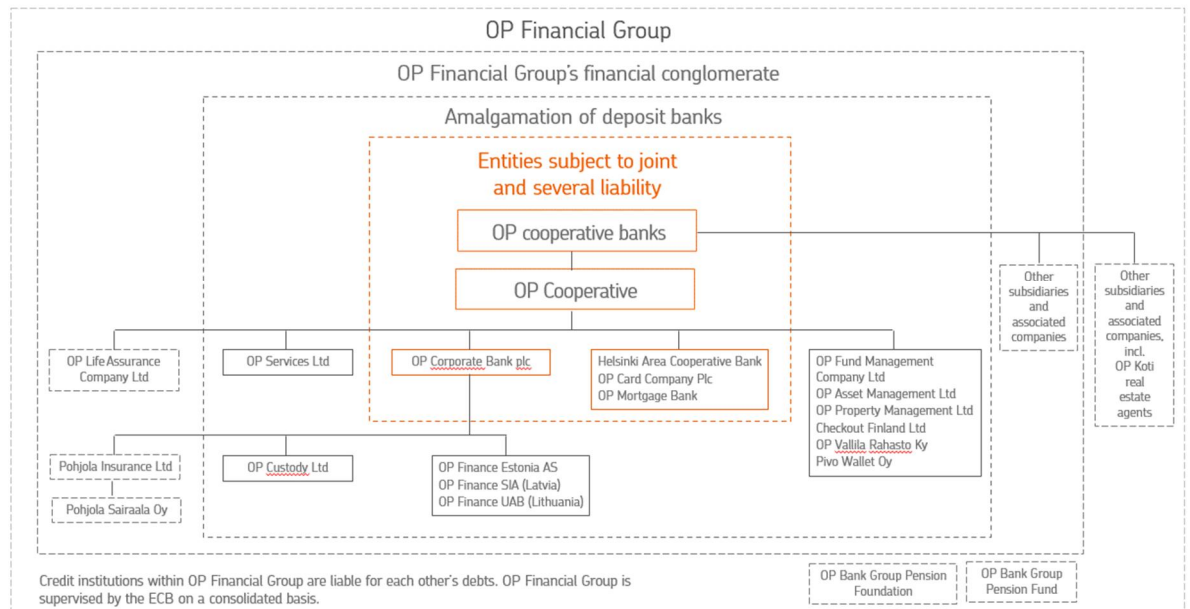
OP Financial Group's business structure



OP Financial Group consists of the following two parts:

1. An amalgamation in accordance with the Act on the Amalgamation of Deposit Banks
2. Other entities and organisations of OP Financial Group.

OP Financial Group's amalgamation structure



The amalgamation comprises:

- OP Cooperative (the amalgamation's central cooperative)
- companies belonging to the central cooperative's consolidation group
- the central cooperative's member credit institutions
- companies belonging to the member credit institutions' consolidation groups
- credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights.

According to the Act on the Amalgamation of Deposit Banks, the central cooperative is obliged to support its member credit institution in order to prevent it from being placed into liquidation and is liable for its member credit institution's debts which cannot be paid using the member credit institution's capital. Each member credit institution, for its part, is liable to pay a proportion of the amount which the central cooperative has paid to another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue. In the case of the central cooperative's default, a member credit institution has unlimited refinancing liability for the central cooperative's debts.

OP Financial Group comprises:

- the amalgamation and
- those non-amalgamation entities of which entities belonging to the amalgamation hold more than half of the total votes.

The extent of OP Financial Group differs from that of the amalgamation in that OP Financial Group subsumes entities other than credit and financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation and Pohjola Hospital Ltd, which provides special healthcare services, form a financial conglomerate.

More detailed information on the legal structure of OP Financial Group and its amalgamation can be found in the Financial Statements of OP Financial Group, which is available at www.op.fi > OP Financial Group > To the media > Publications > [OP Financial](#)

Group publications. Neither OP Financial Group nor the amalgamation forms a corporate group as referred to in the Accounting Act, or a consolidation group as referred to in the Act on Credit Institutions. The central cooperative prepares consolidated financial statements of the amalgamation as referred to in the Act on the Amalgamation of Deposit Banks, including entities over which the amalgamation's member entities have control.

OP Financial Group has three business segments:

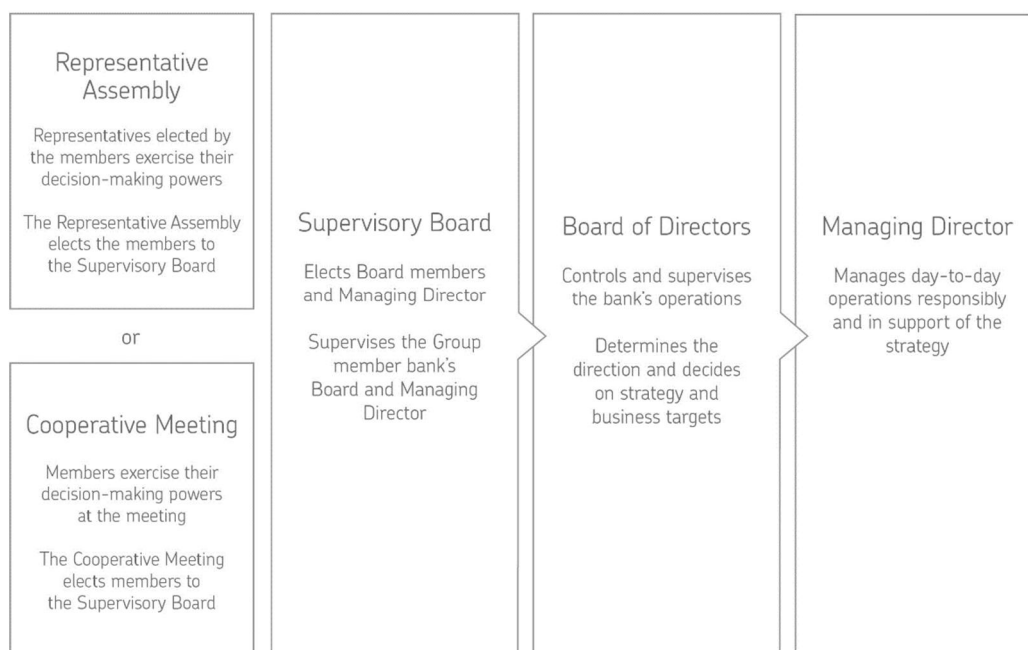
- Retail Banking (Banking Private and SME Customers)
- Corporate Banking (Banking Corporate and Institutional Customers), and
- Insurance (Insurance Customers).

2.1.1 OP cooperative banks

OP cooperative banks are independent, local deposit banks engaged in retail banking. They are OP Cooperative's member credit institutions. OP cooperative banks provide modern and competitive banking services to private customers, SMEs, agricultural and forestry customers and public-sector entities. Helsinki Area Cooperative Bank, which belongs to the central cooperative consolidated and whose governance model differs from that of other OP cooperative banks, engages in retail banking in the Helsinki Metropolitan Area.

In terms of their organisation type, OP cooperative banks are cooperatives whose decision-making grounds include the one member, one vote principle. Within the OP cooperative banks, the members, i.e. the owner-customers' decision-making power is exercised by the Representative Assembly or the cooperative meeting comprising owner-customers, and the supervisory council and the board of directors, all members of which are owner-customers.

OP Cooperative banks' governance structure



2.1.2 Federations of Cooperative Banks

There are six Federations of Cooperative Banks, which are regional cooperation bodies for the member cooperative banks. The federations ensure cooperation and interaction between OP cooperative banks, and maintain and promote Group spirit and unity. In addition, a federation's member banks cooperate with each other in projects related to e.g.

corporate responsibility or training provided to the members of the member banks' governing bodies.

The federations nominate their regions' candidates for OP Cooperative's Supervisory Council and for other bodies of OP Financial Group to which they are entitled to nominate candidates.

The meeting of a Federation of Cooperative Banks, which comprises representatives of its member cooperative banks, elects the board of directors to represent the federation and attend to its affairs.

2.1.3 OP Cooperative, or the central cooperative

OP Cooperative is the central cooperative of OP Financial Group, and it is domiciled in Helsinki. The central cooperative's members may include credit institutions, as referred to in the Act on the Amalgamation of Deposit Banks, whose bylaws or articles of association have been approved by the central cooperative. The central cooperative's Supervisory Council decides on admitting new members.

The purpose of the central cooperative as the central cooperative of the amalgamation and as the company heading the financial conglomerate formed by OP Financial Group is to equitably contribute to and support the development of, and cooperation between, its member credit institutions, other OP Financial Group companies and entities and the entire Group. To that end, the central cooperative controls the Group's centralised services, develops the Group's business, manages the Group's strategic control and lobbying and manages control and supervision duties belonging to the central cooperative of the amalgamation and the company heading the financial conglomerate. Furthermore, the central cooperative acts as OP Financial Group's strategic owner institution.

Within the central cooperative, member cooperative banks exercise their decision-making powers at the Cooperative Meeting and in the Supervisory Council elected by it.

3 OP FINANCIAL GROUP'S RESPONSIBLE OPERATIONS AND GOOD CORPORATE GOVERNANCE

3.1 Core values and responsible operations

OP Financial Group has defined core values that guide its operations and support its mission. The Group's core values are people first, responsibility, and succeeding together.

In its operations, OP Financial Group applies its Code of Business Ethics, which includes the key principles for corporate responsibility and environmental impact that all employees and members of governing bodies of OP Financial Group must observe. The Group is committed to complying with international principles that guide operational responsibility. The most important of these are the principles of the United Nations Global Compact initiative. In 2019, OP Financial Group became a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI). In addition, the Group's fund and asset management companies have committed to the UN Principles for Responsible Investment (UN PRI).

Corporate responsibility is an integral part of OP Financial Group's business and strategy. OP Cooperative's Supervisory Council has approved OP Financial Group's Corporate Responsibility Programme, which can be viewed on OP's website at www.op.fi > OP Financial Group > Corporate responsibility > [Corporate Responsibility Programme](#). OP Financial Group reports regularly on its corporate responsibility issues according to the Global Reporting Initiative (GRI) guidelines.

3.2 Principles of Good Corporate Governance

OP Cooperative's Board of Directors and, with respect to the diversity of governance, the Supervisory Council, has confirmed the Principles of Good Corporate Governance for OP Financial Group. These Principles cover all OP Financial Group entities as applicable. The Group entities may, if necessary, draw up their own guidelines expanding on the Group-wide guidelines.

Good corporate governance means that OP Financial Group as a whole and its entities have the following regime in place:

- They have documented their organisational structure with well-defined powers, responsibilities and reporting relationships.
- They have diverse governing bodies; their members have versatile skills and experience, the governing bodies have balanced representation of genders and age groups and have comprehensive representation of various regions.
- The governing bodies assess their performance on a regular basis.
- Members of senior and executive management are reliable, fit and proper and professional.
- They manage conflicts of interest.
- They have organised risk management, compliance and internal audit so that these functions are independent of business lines/divisions.
- The remuneration principles support the achievement of targets and do not encourage risk-taking above the defined risk-taking level or acting contrary to the conflict of interest policy, and do not lead to actions against the customer's best interests.
- They operate transparently and openly and disclose relevant information from the perspective of reliability.
- They ensure that corporate security, data protection and data security are an essential and inseparable part of operations.
- When functions are outsourced, they ensure that risk management and control related to the outsourced operations are organised appropriately.
- Personnel has the opportunity to report violations they have observed using an independent channel.

3.3 Governance diversity

OP Financial Group has a long-term approach to planning the composition of administrative bodies. Effective work in administrative bodies requires that their members have sufficiently diverse expertise, skills and experience.

In preparing the selection of members of the administrative bodies, attention is paid to the person's added value to the body's composition in terms of, for example, fostering adequate diversity. Diversity is fostered by ensuring that candidates have a wide range of knowledge, skills and experience, and that various regions, genders and age groups are represented on OP's governing bodies.

The aim is that the central cooperative's and member cooperative banks' supervisory councils and boards of directors are represented by both genders in proportion of 60/40. To that end, the Group seeks to ensure on a long-term basis that where any candidates have equal strengths in terms of skills and experience, the person who represents a gender that is in minority on the management body is appointed a member of the management body.

In 2020, men made up 61% and women 39% of the members of the Supervisory Council of OP Cooperative, the central cooperative of OP Financial Group (2019: 64% and 36%, respectively). In the Board of Directors, 64% were men and 36% women. (In 2019, the

central cooperative's Executive Board, which consisted of management executives, acted as the board of directors. 62% of the Executive Board members were men and 38% women.)

Information on the members of OP cooperative banks' governing bodies is available on the banks' own websites at www.op.fi > OP Financial Group > About us > Group member cooperative banks > [Group member bank websites](#).

4 GOVERNANCE OF OP COOPERATIVE IN 2020

Central cooperative's governance structure



OP Cooperative's Annual Cooperative Meeting of 20 March 2019 decided to alter OP Cooperative's bylaws. As a result of the alteration, OP Cooperative adopted a new governance structure as of 1 January 2020. Before the alteration, operational decision-making powers were exercised by the Executive Board acting as the board of directors elected by the Supervisory Board. The Executive Board was made up of management executives. In the new governance structure, OP Cooperative has a Supervisory Council, a Board of Directors and President and Group Chief Executive Officer. The Board of Directors controls and supervises the operations of the central cooperative and the whole OP Financial Group. Without prejudice to the supervisory obligation of the Board of Directors, the general duties of the Supervisory Council include supervising the governance of the central cooperative which is managed by and the responsibility of the Board of Directors and the President and Group Chief Executive Officer acting as the CEO. The President and Group Chief Executive Officer is responsible for the central cooperative's daily management. The central cooperative's Executive Management Team assists the President and Group Chief Executive Officer in the management of the central cooperative at operational level.

4.1 OP Cooperative's Cooperative Meeting

The Cooperative Meeting is OP Cooperative's highest decision-making body. The Annual Cooperative Meeting confirms the financial statements, elects the members of the Supervisory Council and the auditor and approves alterations of the bylaws, if any. A cooperative's bylaws is a document that corresponds to the articles of association.

The members of the cooperative, i.e. the representatives of the central cooperative's member cooperative banks, exercise decision-making power at the Cooperative Meeting.

OP Cooperative held its Annual Cooperative Meeting on 19 March 2020. The minutes of the meeting are available in Finnish at www.op.fi > OP Financial Group > About us > Corporate governance > [Cooperative Meeting](#).

4.2 OP Financial Group's Nomination Committee

The tasks of OP Financial Group's Nomination Committee include assisting the Supervisory Council in matters related to the nomination and appointment of Supervisory Council members, especially in respect of the following matters:

- Defining the collective knowledge, skills, experience and diversity of the Supervisory Council and the time commitment expected of its members, and identifying and assessing candidates for vacancies
- Promoting the diversity and the equal representation of genders on the Supervisory Council
- Assessing the sufficiency of the composition, collective knowledge and skills and performance of the Supervisory Council on an annual basis
- Preparing a proposal on the Chairs of the Supervisory Council and on the emoluments payable to the members of the Supervisory Council.

The Committee members include the Chair, First Vice Chair and Second Vice Chair of the Board of Directors of each Federation of Cooperative Banks. The members of the Committee specifically appointed by the Supervisory Council act as the Committee Chair and Vice Chair who must be Chairs of the board of directors of the Federations of Cooperative Banks.

Members of the Nomination Committee in 2020 (listed by Federation of Cooperative Banks as follows: Chair, First Vice Chair, and Second Vice Chair):

Etelä-Suomi: Markus Johansson, M.Sc. (Agric.), farmer; Jarmo Partanen, Professor of Electrical Engineering; and Juha Korhonen, Managing Director

Itä-Suomi: Matti Niiranen, talousneuvos (Finnish honorary title); Pasi Korhonen,

entrepreneur; and Kari Mäkelä, Managing Director

Länsi-Suomi–Sydkusten: Mauri Kontu, entrepreneur; Eero Hettula, Managing Director; and Matti Kiuru, Managing Director

Pohjanmaa–Österbotten: Jouko Perälä, M.Sc. (Agr. & For.); Hannu Simi, Coordinator; and Ulf Nylund, Managing Director

Pohjois-Suomi: Mauri Kauppi, Vice President, Development; Kari Raappana, Managing Director; and Antto Joutsiniemi, Managing Director

Sisä-Suomi: Janne Ruohonen, Professor; Kalle Hankamäki, farmer; and Marja-Leena Siuro, Managing Director

The Nomination Committee had one meeting in 2020.

4.3 OP Cooperative's Supervisory Council

The Supervisory Council is tasked with the following, among other things:

- under the Co-operatives Act, supervising the governance of the central cooperative within the remit of the Board of Directors and the President and Group Chief Executive Officer, notwithstanding the supervisory obligation of the Board of Directors
- promoting owner-customers' interests, OP Financial Group's competitiveness, development and cooperation as well as Group unity
- electing members of the Board of Directors and deciding on their emoluments
- appointing the President and Group Chief Executive Officer acting as the CEO and their deputy, and deciding on their remuneration and pension benefits

- electing the Chair and Vice Chair for OP Financial Group's Nomination Committee and for the Supervisory Council's Nomination Committee
- issuing to the Annual Cooperative Meeting an opinion on the financial statements of the central cooperative and OP Financial Group
- deciding on admitting to membership of a central cooperative, on a warning, referred to in §5, and on presenting a proposal to the Cooperative Meeting to expel a member
- regularly assessing the implementation of cooperative values in OP Financial Group's operations, and the development in owner-customer membership
- regularly assessing OP Financial Group's corporate responsibility programme and its implementation
- approving OP Financial Group's operating principles aimed at promoting diversity in the composition of governing bodies and having the objective of equal gender representation in the governing bodies and drawing up the principles applied to achieve and maintain the objective.

In addition, the Supervisory Council confirms decisions made by the Board of Directors that are far-reaching, financially significant or significant in principle from the perspective of OP Financial Group. These include at least Board decisions concerning:

- OP Financial Group's risk appetite, strategy and strategic goals
- a significant reduction or expansion of the activities of OP Financial Group, the central cooperative or the central cooperative consolidated or a substantial change in their organisation
- the bases for the supervision fees charged by the central cooperative from OP Financial Group companies
- the principles governing OP Financial Group's remuneration schemes
- the principles of bank-specific control required by joint and several liability
- the principles related to owner-customer benefits
- strategically significant arrangements related to the ownership of the central cooperative's subsidiaries that are in charge of managing shared services for OP Financial Group, such as the disposal of shares to shareholders outside OP Financial Group
- giving consent, based on the member bank's bylaws, to the transfer of the member bank's business or to similar corporate transactions
- submitting a proposal to the Cooperative Meeting for amending the central cooperative bylaws.

If the Supervisory Council does not confirm the decision by the Board of Directors referred to above, it must return the matter to the Board of Directors for a new preparation.

OP Cooperative's Cooperative Meeting elects members to the Supervisory Council. On 19 March 2020, OP Cooperative's Bylaws were altered with respect to the composition of the Supervisory Council. The Supervisory Council previously had a minimum of 32 and a maximum of 36 members. After the alteration of the Bylaws, it has 36 members. The members are elected from the regions of the Federations of Cooperative Banks in such a way that six members are elected from each Federation, four of whom are members of the governing bodies of the Federation's member banks and two are managing directors.

A person known as honest and reliable is an eligible Supervisory Council member who, based on their professional experience, can be assessed to be qualified to work efficiently on the Supervisory Council and who fulfils the requirements set in the charter for OP Financial Group's Nomination Committee and in other internal guidelines.

The term of office of the Supervisory Council governing body members is four years and that of managing director members two years, beginning upon closing of the Annual Cooperative Meeting and terminating upon closing of the Annual Cooperative Meeting. The Annual Cooperative Meeting of 19 March 2020 decided that all members of the Supervisory Council will resign from their position in the Annual Cooperative Meeting of 2021 due to the transitional provision related to the alteration of Bylaws, after which they can be re-elected for terms specified in the new Bylaws.

The Supervisory Council elects from among its members the Chair and two Vice Chairs. The Supervisory Council Chair and at least one of the Vice Chairs must be a person who is not the managing director of an OP Financial Group entity nor has an employment contract with such an entity.

4.3.1 Supervisory Council members, based on the decision by the Cooperative Meeting of 19 March 2020, and meetings in 2020

*In brackets, the number of managerial positions relevant for the assessment of time required by these positions as specified in the Act on Credit Institutions

Name, year of birth and place of residence	Federation of Cooperative Banks and member's term of office	Position on OP Cooperative's Supervisory Council*	Full-time position, job title, education/degree(s)	Position of the person with a governing body background at an OP cooperative bank
Alho Timo , 1964, Lappeenranta	Etelä-Suomi, 2018–2021	Member (4)	Executive Director, Lappeenranta University of Technology Support Foundation, M.Sc. (Econ.), Diploma in Business and Administration	Chair of the Board of Directors, Etelä-Karjalan Osuuspankki Membership ended on 30 November 2020
Arvio Kalle , 1964, Siikajoki	Pohjois-Suomi, 2018–2021	Member (3)	Managing Director, Ruukin Osuuspankki, Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	
Hakasuo Päivi , 1971, Huitinen	Länsi-Suomi–Sydkusten, 2020–2021	Member (2)	Sourcing Manager, Apetit Ruoka Oy, M.Sc.	Chair of the Board of Directors, Ala-Satakunnan Osuuspankki
Harju Anne , 1969, Salla	Pohjois-Suomi, 2018–2021	Member (3)	Managing Director, Sallan Osuuspankki, M.Sc. (Agr. & For.)	
Helin Mika , 1965, Hämeenlinna	Etelä-Suomi, 2020–2021	Member	Managing Director, Etelä-Hämeen Osuuspankki	
Hinkkanen Mervi , 1954, Kontiolahti	Itä-Suomi, 2020–2021	Member (2)	Coordinator, Karelia University of Applied Sciences, Bachelor of Hospitality Management, MBA	Chair of the Board of Directors, Pohjois-Karjalan Osuuspankki
Junttila Juha , 1965, Liminka	Pohjois-Suomi, 2020–2021	Member (2)	Professor, University of Jyväskylä, D.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Limingan Osuuspankki

Jurmu Taija, 1976, Rovaniemi	Pohjois-Suomi, 2019–2021	Member (4)	Lawyer, Asianajotoimisto Jurmu, LL.M., Bar Examination, Certified Board Member & Chair	Chair of the Board of Directors, Pohjolan Osuuspankki
Kaakko Marja- Liisa, 1965, Kalajoki	Pohjanmaa– Österbotten, 2019–2021	Member (2)	Senior Lecturer, Centria University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Kalajoen Osuuspankki
Kietäväinen Seppo, 1959, Juva	Itä-Suomi, 2018–2021	Member (3)	Agrologist	Chair of the Board of Directors, Suur-Savon Osuuspankki
Koivula Olli, 1955, Kitee	Itä-Suomi, 2018–2021	Member (2)	Managing Director, Kiteen Seudun Osuuspankki, M.Sc. (Econ. & Bus. Adm.), Agrologist	Membership ended on 31 July 2020
Korkonen Jaakko, 1966, Seinäjoki	Pohjanmaa– Österbotten, 2018–2021	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
Kujala Päivi, 1965, Alavus	Pohjanmaa– Österbotten, 2020–2021	Member (2)	D.Sc. (Agr. & For.), post-graduate in administrative sciences	Chair of the Supervisory Council, Alavuden Seudun Osuuspankki
Kuosa-Kaartti Katja-Riina, 1973, Orimattila	Etelä-Suomi, 2018–2021	Member (3)	Authorised Public Accountant, Tilintarkastus Kuosa- Kaartti Oy, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Orimattilan Osuuspankki
Kääriäinen Jukka, 1953, Iisalmi	Itä-Suomi, 2018–2021	Member (2)	Planner, Social Insurance Institution of Finland, M.Soc.Sc.	Chair of the Supervisory Council, Pohjois-Savon Osuuspankki
Lehtonen Pekka, 1969, Kangasala	Sisä-Suomi, 2020–2021	Member (2)	Managing Director, Kangasalan Lämpö Oy, Automation Engineer, Certified Board Member	Chair of the Board of Directors, Kangasalan Seudun Osuuspankki
Leppäkoski Sirpa, 1976, Iittala	Sisä-Suomi, 2020–2021	Member (2)	Managing Director, Luopioisten Osuus- pankki, LL.M. Trained on the bench	
Metsä-Tokila Timo, 1968, Naantali	Länsi-Suomi– Sydkusten, 2018–2021	Member (2)	Director, Centre for Economic Development, Transport and the Environment for Southwest Finland	Vice Chair of the Board of Directors, Auranmaan Osuuspankki
Myller Kyösti, 1957, Ilomantsi	Sisä-Suomi, 2018–2021	Member (2)	Managing Director, Jämsän Seudun Osuuspankki, Diploma in Business and Administration, MBA	Membership ended on 30 November 2020

Mäkelä Anssi, 1961, Urjala	Sisä-Suomi, 2020–2021	Member (2)	Senior Manager, Valmet Technologies Oy, M.Sc. (Eng.)	Chair of the Board of Directors, Etelä-Pirkanmaan Osuuspankki
Nieminen Juha- Pekka, 1955, Uusikaupunki	Länsi-Suomi– Sydkusten, 2018–2021	Member (2)	Managing Director, Lounaisrannikon Osuuspankki, M.Sc. (Econ.), eMBA	
Nikola Annukka, 1960, Kirkkonummi	Etelä-Suomi, 2018–2021	Member (4)	Director, Administration, Konehuone Oy, M.Sc. (Econ. & Bus. Adm.)	Chair of the Supervisory Council, Uudenmaan Osuuspankki
Niskanen Yrjö, 1957, Rantasalmi	Itä-Suomi, 2018–2021	Member (2)	D.Sc. (Agr. & For.)	Vice Chair of the Board of Directors, OP Rantasalmi, Board Member, Suur-Savon OP-liitto
Nylund Ulf, 1965, Vaasa	Pohjanmaa- Österbotten, 2020–2021	Member (3)	Managing Director, Vaasan Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA, Certified Board Member	Vice Chair, Pohjanmaa- Österbotten OP-liitto
Näsi Olli, 1963, Huittinen	Länsi-Suomi– Sydkusten, 2018–2021	Member (3)	Managing Director, Satakunnan Osuus- pankki, LL.M, Trained on the bench, eMBA	
Pättiniemi Johanna, 1974, Humppila	Länsi-Suomi– Sydkusten, 2020–2021	Member (3)	Farmer, D.Sc. (Agr. & For.), Agronomist	Chair of the Board of Directors, Humppilan Osuuspankki, Member of the Representative Assembly, Helsinki Area Cooperative Bank
Rajala Tiina, 1963, Kempele	Pohjois-Suomi, 2020–2021	Member (3)	Development Director, Council of Oulu Region, M.Sc. (Admin.), eMBA, Certified Board Member	Chair of the Supervisory Council, Oulun Osuuspankki
Rosas Salla, 1962 Elimäki	Etelä-Suomi 2019–2021	Member	Managing Director, Länsi-Kymen Osuuspankki	
Sahlström Petri, 1971, Oulu	Pohjois-Suomi, 2019–2021	Member (3)	Dean, University of Oulu, Oulu Business School, D.Sc. (Econ. & Bus. Adm.)	Vice Chair of the Board of Directors, Oulun Osuuspankki
Sandell Carolina, 1978, Maarian- hamina	Länsi-Suomi– Sydkusten, 2019–2021	Member	Entrepreneur, Lina Sandell Ab	Board Member, Andelsbanken för Åland
Saukkonen Timo, 1963, Simpele	Etelä-Suomi, 2019–2021	Member	M.Sc. (Agr. & For.), agriculture and forestry entrepreneur	Member of the Board of Directors, Etelä-Karjalan Osuuspankki
Sotarauta Markku, 1963, Ylöjärvi	Sisä-Suomi, 2018–2021	Member (2)	Professor, University of Tampere, D.Sc. (Admin.)	Chair of the Board of Directors, Tampereen Seudun Osuuspankki

Suhonen Timo, 1959, Nivala	Pohjanmaa– Österbotten, 2018–2021	Member (2)	Managing Director, Suomenselän Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA, LKV (authorised real estate agent)	
Syrjälä Timo, 1980, Yli-Lesti	Pohjanmaa– Österbotten 2020–2021	Member (2)	Entrepreneur, Forestry Specialist, Forestry Engineer	Chair of the Board of Directors, Toholammin Osuuspankki
Takala Pauliina, 1969, Liestuore	Sisä-Suomi, 2020–2021	Member (3)	Managing Director, Jyväskylän sota- invalidien asuntosäätiö, M.Soc.Sc., vocational qualification in property management	Chair of the Supervisory Council, Keski-Suomen Osuuspankki, Board Member, Sisä-Suomen OP- Liitto
Väänänen Ari, 1973, Maaninka	Itä-Suomi, 2018–2021	Member (3)	Managing Director, Maaningan Osuuspankki, LL.M, Trained on the bench	

OP Cooperative's Annual Cooperative Meeting of 19 March 2020 re-elected Mika Helin and Mervi Hinkkanen, who were due to resign, as members of the Supervisory Council. On 19 March 2020, the following persons were elected as new members of the Supervisory Council: Päivi Hakasuo, Juha-Pekka Junttila, Päivi Kujala, Pekka Lehtonen, Sirpa Leppäkoski, Anssi Mäkelä, Ulf Nylund, Johanna Pättiniemi, Tiina Rajala, Timo Syrjälä and Pauliina Takala.

The membership of Tiina Bäckman, Terttu Hällfors, Jaakko Kiander, Juha Luomala ja Arto Ylimartimo ended on 19 March 2020. Employee representatives have the right to be present and speak at the meetings of the Supervisory Council. In 2020, employee representatives were as follows: Miia Korvenoja, Suvi Kostamovaara, Jussi Kulmala, Eija Laurila and Eero Pulkkinen.

In 2020, the Supervisory Council had seven meetings. The average attendance rate of its members stood at 98%. For more detailed information on members' attendance at meetings, read OP Financial Group's Remuneration Report for Governing Bodies at www.op.fi > OP Financial Group > To the media > Publications > [OP Financial Group's publications](#).

4.4 Supervisory Council's preparatory units

The Supervisory Council has three preparatory units: the Strategy Unit, the Remuneration Unit and the Cooperative Unit. These units assist the Supervisory Council in matters falling within their duties.

Every year, the Supervisory Council appoints, from among its members, the Vice Chairs and members of the units, and confirms their charters. The unit charters contain specific provisions on unit Chairs. The Strategy Unit is chaired by the Chair of the Supervisory Council. The Remuneration Unit is chaired by the First Vice Chair of the Supervisory Council. The Cooperative Unit is chaired by the Second Vice Chair of the Supervisory Council.

4.4.1 Strategy Unit

The Strategy Unit prepares matters to be discussed by the Supervisory Council that concern OP Financial Group's risk appetite, strategy and the achievement of strategic goals, or a significant reduction or expansion of the activities of OP Financial Group or the central cooperative, or a substantial change in the organisation, or strategically significant arrangements related to the ownership of the central cooperative's subsidiaries that are in charge of managing shared services for OP Financial Group.

Strategy Unit's composition and meetings in 2020

Annukka Nikola, Chair
Taija Jurmu, Vice Chair
Kalle Arvio
Mika Helin
Seppo Kietäväinen
Jukka Kääriäinen
Timo Metsä-Tokila
Jukka-Pekka Nieminen
Olli Näsi
Saila Rosas
Petri Sahlström
Timo Suhonen

In 2020, the Strategy Unit had five meetings. The average attendance rate of its members stood at 97%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.4.2 Remuneration Unit

The Remuneration Unit monitors the achievement of the targets of OP Financial Group's remuneration scheme and prepares matters to be discussed by the Supervisory Council regarding the general principles of the remuneration scheme.

Remuneration Unit's composition and meetings in 2020

Markku Sotarauta, Chair
Katja Kuosa-Kaartti, Vice Chair
Timo Alho (until 30 November 2020)
Päivi Hakasuo
Juha Junttila
Marja-Liisa Kaakko
Päivi Kujala
Pekka Lehtonen
Anssi Mäkelä
Tiina Rajala
Timo Saukkonen
Timo Syrjälä

In 2020, the Remuneration Unit had one meeting. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.4.3 Cooperative Unit

The Cooperative Unit assist the Supervisory Council in discussing decisions made by the Board of Directors concerning the main policy lines of the owner-customer membership programme and the total benefits gained by owner-customers. In addition, the Cooperative Unit assesses and promotes the implementation of cooperative values and bases at OP Financial Group and assesses the Group's corporate responsibility programme and monitors its implementation.

Cooperative Unit's composition and meetings in 2020

Ari Väänänen, Chair
Jaakko Korkonen, Vice Chair
Anne Harju
Mervi Hinkkanen
Olli Koivula (until 31 July 2020)
Sirpa Leppäkoski
Kyösti Myller (until 30 November 2020)
Yrjö Niskanen
Ulf Nylund
Johanna Pättiniemi
Christina Sandell
Pauliina Takala

In 2020, the Cooperative Unit had two meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.4.4 Supervisory Council Nomination Committee

The Supervisory Council has a Nomination Committee which acts as a nomination committee referred to in the Act on Credit Institutions. Its statutory duty is to assist the Supervisory Council in matters related to the nomination of candidates and appointment of members of the Board of Directors and the nomination of candidates and appointment of the President and Group Chief Executive Officer and their deputy, particularly in the following matters:

- assessing the collective knowledge, skills and experience necessary for the work performed by the Board of Directors and President and Group Chief Executive Officer as well as the diversity of the Board of Directors and the time commitment expected of its members, assessing the number of members required for the Board of Directors, defining the job descriptions and the required capabilities of the new members of the Board of Directors and the President and Group Chief Executive Officer, mapping out and assessing candidate members for the Board of Directors and candidates for the position of President and Group Chief Executive Officer, submitting a proposal to the Supervisory Council concerning the number of members to be appointed to the Board of Directors and the persons to be appointed as members of the Board of Directors, as well as appointing the President and Group Chief Executive Officer and their deputy
- assessing the composition and performance of the Board of Directors and the performance of its individual members and the President and Group Chief Executive Officer
- promoting the diversity and the equal representation of genders on the Board of Directors.

Members of the Nomination Committee include the Chair and the First Vice Chair of the Supervisory Council, the Chair and Vice Chair of the Board of Directors and the Chair and Vice Chair of OP Financial Group's Nomination Committee. The Supervisory Council elects the Chair and Vice Chair of the Nomination Committee and confirms its charter.

Supervisory Council Nomination Committee's composition and meetings in 2020

Annukka Nikola, Chair
Markku Sotara, Vice Chair
Jarna Heinonen
Mauri Kontu
Matti Niiranen
Jaakko Pehkonen

In 2020, the Nomination Committee had two meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.5 OP Cooperative's Chairs

The Chairs comprise the Chair and Vice Chairs of the Supervisory Council, the Chair and Vice Chair of the Board of Directors, and President and Group Chief Executive Officer. The duties of the Chairs include preparing the agendas of the Supervisory Council in cooperation with the Board of Directors, and preparing proposals to the Supervisory Council regarding the recipients of OP Financial Group's Gebhard Medals and golden badges of honour. The Chair of the Supervisory Council acts as the Chair of OP Cooperative's Chairs. The First Vice Chair of the Supervisory Council acts as the Vice Chair of OP Cooperative's Chairs.

Composition and meetings of the Chairs in 2020

Annukka Nikola, Chair
Markku Sotara, Vice Chair
Jarna Heinonen
Jaakko Pehkonen
Timo Ritakallio
Ari Väänänen

In 2020, the Chairs had six meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.6 OP Cooperative's Board of Directors

Based on OP Cooperative's Bylaws, the Board of Directors is tasked with:

- controlling the operations of the central cooperative, the central cooperative consolidated, the amalgamation and the entire OP Financial Group in accordance with the Supervisory Council instructions and managing the administration and due organisation of the operations of the central cooperative in accordance with the Co-operatives Act, the Act on Credit Institutions, the Act on the Amalgamation of Deposit Banks and other legislation and with official instructions and decisions, and being responsible for ensuring that supervision of the central cooperative's accounting and financial management is duly organised (administrative duty)
- supervising that the central cooperative, the central cooperative consolidated, the amalgamation and the entire OP Financial Group are managed reliably, efficiently

and in compliance with prudent business principles, and supervising that the central cooperative, its subsidiaries and other companies within the amalgamation act on the laws applied to them, on orders and decisions issued by the relevant authorities, on their bylaws or articles of association and on the principles and instructions confirmed by the Supervisory Council and the Board of Directors (supervisory duty)

- appointing the central cooperative's Chief Audit Executive, Chief Risk Officer, Chief Compliance Officer and other directors reporting directly to the President and Group Chief Executive Officer (excluding the Deputy to the President and Group Chief Executive Officer)
- confirming a charter for itself and for each of its committees and other preparatory bodies it may set up, and appointing a chair, vice chair and members to them
- deciding on issuing supplementary shares and on the types of supplementary shares as specified in greater detail in §26 of the Bylaws, and on refusing the refund of ordinary and supplementary cooperative contributions and cancelling said refusal as specified in greater detail in §27 of the Bylaws
- deciding on donations and other similar contributions to the public good unless a decision on the matter concerned resides with the Cooperative Meeting, in accordance with §30 of the Bylaws
- deciding on convening the Cooperative Meeting, and submitting proposals to the Cooperative Meeting concerning the alteration of Bylaws, the allocation of surplus shown on the balance sheet and other matters to be decided by the Cooperative Meeting.

In addition, it is the duty of the Board of Directors to monitor developments in OP Financial Group's operating environment and changes in relevant legislation applicable to OP Financial Group and their effects on OP Financial Group's operations. A detailed description of duties is in the charter approved by the Board of Directors.






Based on the Bylaws, the Board of Directors comprises the incumbent President and Group Chief Executive Officer and 9–13 other members appointed by the Supervisory Council. The Bylaws require that a minimum of four members of the Board of Directors must be independent of the central cooperative and other OP Financial Group companies. In the assessment of independence, the Group complies with regulations that are binding on credit institutions.

Members of the Board of Directors must have the skills and knowledge required to perform their duties and sufficient knowledge of the financial industry. The Chair of the Board of Directors must have at least ten years of experience in demanding business executive duties, and other members must have at least five years of experience in similar duties or demanding expert duties related to those required of the members of the Board of Directors. The charter of the Supervisory Council Nomination Committee specifies the eligibility criteria applied to the members of the Board of Directors.

The term of office of members of the Board of Directors other than the President and Group Chief Executive Officer is one year; it begins upon closing the election meeting and ends upon closing the next Supervisory Council meeting which appoints the Board of Directors. As of 1 January 2021, the term of office of members of the Board of Directors is one calendar year.

Every year, the Board of Directors elects from among its members a Chair and Vice Chair. The President and Group Chief Executive Officer, or another person with an employment or executive contract with the central cooperative may not be appointed Chair or Vice Chair of the Board of Directors.

4.6.1 Composition and meetings of the Board of Directors in 2020

	Name, year of birth and place of residence	Position on OP Cooperative's Board of Directors	Full-time position, job title, education/degree(s)	Independence of OP Cooperative and OP Financial Group
	Jaakko Pehkonen, 1960, Jyväskylä	Chair as of 1 January 2020	Professor of Economics, University of Jyväskylä, D.Sc. (Econ. & Bus. Adm.)	
	Jarna Heinonen 1965, Turku	Vice Chair/ Member as of 1 January 2020	Professor in Entrepreneurship, University of Turku, School of Economics, D.Sc. (Econ. & Bus. Adm.)	
	Leif Enberg, 1954, Korsnäs	Member as of 1 January 2020	Chair of the Board of Directors, Mapromec Ab; M.Sc. (Econ. & Bus. Adm.), Certified Board Member & Chair	
	Jari Himanen, 1962, Mikkeli	Member as of 1 January 2020	Managing Director, OP Suur-Savo; Diploma in Business and Administration, eMBA	
	Kati Levoranta, 1970, Espoo	Member as of 1 January 2020	CEO, Rovio Entertainment Corporation; LL.M., MBA	Independent of the Group

	Pekka Loikkanen, 1959, Kuopio	Member as of 1 January 2020	Board professional; M.Sc. (Econ. & Bus. Adm.)	Independent of the Group
	Tero Ojanperä, 1966, Espoo	Member as of 1 July 2020	Entrepreneur, Board professional; M.Sc. (Eng.); D.Sc. (Tech.)	Independent of the Group
	Riitta Palomäki, 1957, Helsinki	Member as of 1 January 2020	Board professional; M.Sc. (Econ. & Bus. Adm.)	Independent of the Group
	Timo Ritakallio, 1962, Helsinki	Member as of 1 January 2020	President and Group CEO, OP Financial Group; CEO, OP Cooperative; D.Sc. (Tech.), LL.M, MBA	
	Olli Tarkkanen, 1962, Seinäjoki	Member as of 1 January 2020	Managing Director, Etelä-Pohjanmaan Osuuspankki, LL.M, eMBA	
	Mervi Väisänen, 1963, Sotkamo	Member as of 1 January 2020	Senior Lecturer in Marketing, Kajaani University of Applied Sciences; M.Sc. (Econ. & Bus. Adm.), Certified Board Member & Chair	

In 2020, the Board of Directors had 20 meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, read OP Financial Group's Remuneration Report for Governing Bodies at

www.op.fi > OP Financial Group > To the media > Publications > [OP Financial Group's publications](#).

4.7 Committees of the Board of Directors

Based on the Act on Credit Institutions, the Board of Directors has the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee, whose composition and duties are prescribed in the central cooperative Bylaws and whose duties in greater detail are prescribed in each committee's charter approved by the Board of Directors.

These Committees assist the Board of Directors in matters falling within their duties.

Each Committee comprises a Chair and at least two other members elected by the Board of Directors from among its members, of whom the Chair and the majority of the members, the Chair included, must be independent of OP Financial Group companies. President and Group Chief Executive Officer may not be selected as a member of the committees.

4.7.1 Audit Committee

As its statutory duties, the Audit Committee assists the Board of Directors in monitoring and evaluating the effectiveness of the financial reporting system, internal control, internal audit and risk management systems, in ensuring the independence of the audit and the Auditor and in the preparation of the appointment of an Auditor.

To carry out its duties, the Committee, among other things:

- supervises the reliability and compliance of the financial statements, other information disclosed on the financial position and governance, and of internal and regulatory reporting related to the financial position
- supervises the adequacy, operational efficiency and reliability of internal audit and compliance with the Internal Audit Charter
- assesses the adequacy, operational efficiency and reliability of other internal control, and compliance with principles governing these operations, from the perspective of the sufficiency and reliability of information on financial position and of compliance with the related regulation
- discusses OP Financial Group's accounting policies, the principles of capital adequacy measurement and the Internal Audit Charter, to be submitted to the Board of Directors for decision
- prepares a draft resolution regarding the election of an auditor.

Audit Committee's composition and meetings in 2020

Riitta Palomäki, Chair
Jarna Heinonen, Vice Chair
Pekka Loikkanen (until 30 June 2020)
Tero Ojanperä (as of 1 July 2020)

In 2020, the Audit Committee had five meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.7.2 Risk Committee

As its statutory duties, the Risk Committee assists the Board of Directors in ensuring that OP Financial Group has a sufficient risk management process in place and that no exposure is so large that it can jeopardise business continuity, capital adequacy, liquidity and strategy implementation.

In practice, the Risk Committee, among other things:

- assists the Board of Directors in matters relating to the central cooperative's and the entire OP Financial Group's risk strategy and risk-taking, and in supervising compliance with the risk strategy
- assesses whether the prices charged for services that tie the capital of OP Financial Group companies are in line with the company's business model and risk tolerances and, if this is not the case, draws up a plan to make corrections which is to be submitted for approval by the Board of Directors
- assists the Remuneration Committee in establishing sound remuneration schemes, and assesses whether the remuneration schemes promote taking into account the company's risks and capital and liquidity requirements, as well as revenue allocation and probability
- supervises the adequacy, operational efficiency and reliability of the business's internal control, independent Risk Management and Compliance, and compliance with principles governing these operations.

Risk Committee's composition and meetings in 2020

Pekka Loikkanen, Chair
Leif Enberg, Vice Chair
Kati Levoranta

In 2020, the Risk Committee had 11 meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.7.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee's statutory duty is to assist the Board of Directors in decisions related to the management and control of the remuneration schemes. The Nomination and Remuneration Committee provides a framework for, controls and supervises the development of overall remuneration applied to employees within the entire OP Financial Group. The Committee also issues annually a recommendation on the remuneration applied to OP cooperative banks' senior management and members of governing bodies. If needed, the Committee prepares to the Board of Directors a proposal for changing or postponing remuneration due to, for example, an exceptional change in the operating environment.

Furthermore, the Committee's statutory duty is to assist the Board of Directors in the appointment of the Chief Audit Executive, Chief Risk Officer, Chief Compliance Officer and directors directly reporting to the President and Group Chief Executive Officer (excluding the Deputy to the President and Group Chief Executive Officer).

Nomination and Remuneration Committee's composition and meetings in 2020

Jaakko Pehkonen, Chair
Mervi Väisänen, Vice Chair
Kati Levoranta
Riitta Palomäki (until 30 June 2020)
Tero Ojanperä (as of 1 July 2020)

In 2020, the Nomination and Remuneration Committee had seven meetings. The average attendance rate of its members stood at 100%. For more detailed information on members' attendance at meetings, see OP Financial Group's Remuneration Report for Governing Bodies.

4.8 OP Financial Group's President and Group Chief Executive Officer

The President and Group Chief Executive Officer, who acts as the CEO of OP Cooperative, is responsible for managing OP Financial Group, the central cooperative and the central cooperative consolidated and is in charge of controlling them in accordance with the strategy confirmed by the Supervisory Council and instructions issued by the Board of Directors. The President and Group Chief Executive Officer is also responsible for Group unity and managing and developing the Executive Management Team's work.

The Supervisory Council appoints the President and Group Chief Executive Officer and decides on the terms and conditions of their executive contract. Deputy to the President and Group Chief Executive Officer is appointed in the same order as the President and Group Chief Executive Officer. The President and Group Chief Executive Officer sits on the central cooperative's Board of Directors.

Timo Ritakallio, D.Sc. (Tech.), LL.M., MBA, took up his duties as OP Financial Group's President and Group Chief Executive Officer on 1 March 2018. Olli Lehtilä, M.Sc. (Agr. & For.), eMBA, Executive Vice President, has acted as Deputy to the President and Group Chief Executive Officer as of 1 January 2020.

4.9 OP Cooperative's Executive Management Team

The Executive Management Team acts as the central cooperative's Management team and supports the President and Group Chief Executive Officer in managing the central cooperative and its consolidation group, preparing strategic policies, preparing and implementing any operational issues of great significance or principal in nature and ensuring effective internal control, compliance and independent risk management.

It takes charge of the overall control of the central cooperative and its consolidation group in such a way that profit and other targets are achieved while following strategies and policies. The Executive Management Team also acts as an informing and coordination body for the management of different functions and business segments.

To carry out its duties, the Executive Management Team discusses matters such as OP Financial Group's strategy and annual plans and related targets and metrics, major investments and corporate transactions in the central cooperative consolidated, development and dependency management priorities (the QBR process) and matters to be presented to the Board of Directors.

By decision of the President and Group Chief Executive Officer, the Executive Management Team may set up committees and confirm committee charters that define the committees' duties and their members or authorisations to appoint members. By decision of the President and Group Chief Executive Officer, the Executive Management Team has set up

the Steering and Compliance Committee, the Risk Management Committee, the Banking ALM Committee and the Corporate Responsibility Committee.

4.9.1 Executive Management Team's composition and meetings in 2020



Timo Ritakallio, b. 1962
President and Group Chief Executive Officer, CEO of OP Cooperative
Chair
On the Executive Management Team since 2018
D.Sc. (Tech.), LL.M, MBA



Olli Lehtilä, b. 1962
Executive Vice President, Insurance Customers;
Deputy to the President and Group Chief Executive Officer
On the Executive Management Team since 2014
M.Sc. (Agr. & For.), eMBA



Vesa Aho, b. 1974
Chief Financial Officer (CFO)
On the Executive Management Team since 2018
M.Sc. (Econ. & Bus. Adm.)



Katja Keitaanniemi, b. 1973
Executive Vice President, Banking, Corporate and Institutional Customers
On the Executive Management Team since 2018
Lic.Sc. (Tech.)



Hannakaisa Länsisalmi, b. 1970
Chief Human Resources Officer
On the Executive Management Team since 2020
Ph.D. (Psych.)



Juho Malmberg, b. 1962
Executive Vice President, Development and Technologies
On the Executive Management Team since 2018
M.Sc. (Eng.)



Harri Nummela, b. 1968
Executive Vice President, Banking Private and SME Customers
On the Executive Management Team since 2014,
and previously from 2007 until 2010
LL.M., eMBA



Tiia Tuovinen, b. 1964
Chief Legal Officer (CLO) and Group General Counsel (Legal Services, Compliance, Financial Crime Prevention, Debt Collection and Credit Control)
On the Executive Management Team since 2018
Master of Laws, LL.M. Eur.

In addition, the following persons in charge of other key functions attended the meetings of the Executive Management Team as needed:

Tuuli Kousa, Chief Communications and Corporate Responsibility Officer
Sakari Lehtinen, Chief Audit Executive
Markku Pehkonen, Chief Risk Officer
Pekka Puustinen, Chief Strategy Officer (CSO until 31 August 2020)

The relevant previous experience and other relevant positions of members of the Executive Management Team are presented on OP Financial Group's website at www.op.fi > OP Financial Group > About us > Corporate governance > [Group Chief Executive Officer and Executive Management Team](#).

In 2020, the Executive Management Team had 54 meetings. The average attendance rate of members stood at 94%.

4.10 Subsidiaries of the central cooperative consolidated

In each subsidiary of the central cooperative consolidated, the board of directors is responsible for due organisation of the subsidiary's governance and operations. When performing their duties, the boards of directors take account of OP Financial Group's strategic statements and other policy lines, confirmed principles and guidelines issued and confirmed by OP Cooperative's Supervisory Council, Board of Directors and President and Group Chief Executive Officer concerning matters where the central cooperative is obliged or has the right to issue policy lines and guidelines regarding the entire Group.

OP Cooperative's Board of Directors prepares proposals for the central cooperative's candidates for the subsidiaries' boards of directors. The Supervisory Council makes

proposals for members representing member cooperative banks on the boards of directors of significant subsidiaries. After this, the subsidiary's board of directors is elected in a manner specified in the Articles of Association and the laws in force. As part of shareholder engagement, OP Cooperative's Board of Directors also prepares proposals for the managing directors of subsidiaries before their appointment. The Group's guidelines on the management of conflicts of interest are taken into account in the selections.

The charters of the subsidiaries' boards of directors describe the duties of each board of directors. The boards of directors annually draw up an action plan showing a meeting schedule and the most important items on each meeting's agenda.

The major subsidiaries by segment are described in section 2.1.

The members of the boards of directors and the Managing Directors/Presidents of major subsidiaries engaged in business in 2020:

Company	Board of Directors	Managing Director/President
OP Corporate Bank plc	Ritakallio Timo, Chair Aho Vesa Saario Olli-Pekka Sorri Pasi Viitanen Jarmo	President and CEO: Keitaanniemi Katja Deputy President and CEO: Jaatinen Hannu (until 31 July 2020), Jaulimo Jari (as of 1 August 2020)
Helsinki Area Cooperative Bank	Ritakallio Timo, Chair (until 17 March 2020) Nummela Harri, Chair (as of 18 March 2020) Bäckman Tiina (as of 11 June 2020) Heinonen Sari (as of 11 June 2020) Hulkkonen Jukka Leppäluoto Sirpa (as of 11 June 2020) Liukas Linda	Managing Director: Viitanen Jarmo Deputy Managing Director: Mäkelä Tiina
OP Mortgage Bank	Aho Vesa, Chair Christie Kaisu Iloniemi Lauri	Managing Director: Eriksson Sanna Deputy Managing Director: Moisio Pekka (until 30 June 2020), Ruotsalainen Tuomas (as of 1 July 2020)
OP Card Company Plc	Nummela Harri, Chair Aho Vesa Keitaanniemi Katja Nikula Leena Posio Keijo	Managing Director: Huhta Anssi (until 12 May 2020), Peura Masa (as of 21 September 2020) Deputy Managing Director: Jaulimo Jari (until 20 September 2020), Peltola Heikki (as of 21 September 2020)

Pohjola Insurance Ltd	Ritakallio Timo, Chair Aho Vesa Länsisalmi Hannakaisa (as of 17 September 2020) Puustinen Pekka (until 31 August 2020) Reimasto-Heiskanen Jaana Vilpponen Jani	Lehtilä Olli
OP Asset Management Ltd	Keitaanniemi Katja, Chair Aho Vesa Kivimäki Mika Kuvaja Jussi Nummela Harri	Virtala Tuomas
OP Life Assurance Company Ltd	Lehtilä Olli, Chair Aho Vesa Hyvönen Raili Puustinen Pekka Ruuhela Jussi	Huttunen Jussi (until 30 June 2020), Hartikainen Hanna (1 July–2 November 2020) Deputy Managing Director: Jormalainen Sami (as of 1 December 2020)
OP Fund Management Company Ltd	Nummela Harri, Chair Saariaho Kalle Vanha-Honko Vesa-Matti	Takala Juha

5 INTERNAL AND EXTERNAL CONTROL

5.1 Internal control

Internal control is a continuous process implemented by the management and other personnel with the aim of providing reasonable assurance of the achievement of targets related to functions, reporting and compliance. It consists of continuous advance guidance and retrospective assurance tasks and functions, which seek to ensure high-quality operations and compliance with guidelines and regulations. These actions apply to all operations, including outsourced services.

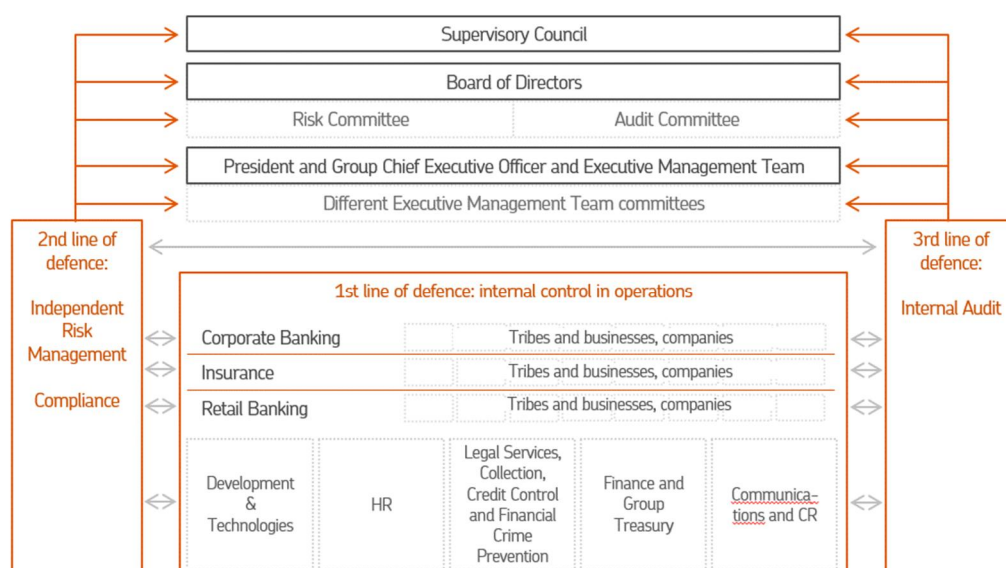
At OP Financial Group, OP Cooperative's Board of Directors confirms the Group-level principles of internal control that all OP Financial Group entities follow.

The aim of internal control at OP Financial Group is to promote and ensure that the key functions:

- implement the strategy and achieve the goals
- manage risks and capital adequacy
- operate effectively and reliably
- have reliable financial and other reporting
- comply with instructions and regulations.

Internal control involves all of the internal guidance exercised to ensure that OP Financial Group's operations are directed towards its targets. It includes all of the operating methods intended to ensure high-quality leadership, risk prevention and management, operational

development, the assessment of profitability, accurate reporting and regulatory compliance in operations. Internal control seeks to ensure that the management lays the foundations for high-quality operations.



The roles and responsibilities related to internal control and risk management are arranged into three lines of defence. The first line of defence, the business and centralised functions, are the risk owners. Therefore, they are responsible for compliance with the principles of the confirmed risk management framework – the risk limits and moderate risk appetite – as well as the principles of internal control.

The business is primarily responsible for implementing and monitoring internal control in the processes it owns. The business must perform internal control on an ongoing basis as part of its daily routines, with the aim of ensuring that its operations are in line with the objectives. The business is responsible for ensuring that the reported information is correct and sufficient.

The second line of defence, the functions independent of the business, is responsible for maintaining the internal control framework and for monitoring the implementation of the related policies and procedures. The central cooperative's Risk Management is responsible for OP Financial Group's risk management framework, assessment, monitoring and reporting. The central cooperative's Compliance is responsible for monitoring and ensuring compliance with internal and external rules throughout the organisation, as well as the process for managing compliance risks.

The third line of defence, the central cooperative's Internal Audit, which is independent of the business and the second line of defence, performs independent internal audit activities directed at governance, risk management and control processes and reports to the Group entities' boards of directors and other management. Furthermore, external auditors ensure the effectiveness of internal control.

Every line of defence is responsible for the organisation, adequacy and implementation of the internal control of its own activities.

In the central cooperative's governance, the Audit Committee of the Board of Directors, in particular, has a major role in ensuring that internal control performs effectively and in compliance with regulation. Internal control observations, recommendations given to the

business line/division concerned and the progress of the implementation of such recommendations are reported to the Committee on a regular basis.

The board of directors of each OP Financial Group entity is tasked with ensuring that each entity's internal control is duly organised, taking account of the Group-level internal control principles and the supplementary central cooperative guidelines. Each entity's managing director and senior management are responsible for ensuring internal control in practice and that duties are duly segregated.

Internal control is complemented by the opportunity of anyone employed by an OP Financial Group entity to report through an independent channel if they suspect that rules or regulations have been violated (whistleblowing).

5.2 Compliance

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. Responsibility for regulatory compliance and its supervision within OP Financial Group entities rests with the senior and executive management and all supervisors and managers. In addition, everyone employed by OP Financial Group is responsible for their part for regulatory compliance.

The Compliance function assists senior and executive management and business lines/divisions in the management of risks associated with regulatory non-compliance, supervises regulatory compliance and, for its part, develops internal control further. Guidelines, advice and support concerning compliance within OP Financial Group are the responsibility of the central cooperative's Compliance organisation that is independent of business lines/divisions. Compliance ensures that regulations are complied with and implemented mainly by performing compliance supervision, by drawing up compliance risk assessments and by participating in the risk assessment of operating models related to new products and services. OP cooperative banks have their own designated compliance officers. In order to ensure that their operations comply with regulations, OP cooperative banks receive support from the central cooperative's Retail Banking Steering, which is part of the first line of defence. In addition, the central cooperative's Compliance organisation controls and supports OP cooperative banks' compliance measures. In part of the business segments, the first line of defence includes a Risk & Compliance Lead organisation that supports regulatory compliance and internal control.

Any observations made within compliance are reported regularly to the business segments, to OP Cooperative's Executive Management Team and its Steering and Compliance Committee, and to the Risk Committee and Audit Committee of the Board of Directors. In addition, the Compliance function reports compliance matters required by regulation to the boards of directors of the central cooperative consolidated's major subsidiaries on a quarterly basis, including its key compliance observations, compliance recommendations and the progress in implementing such recommendations.

In 2020, OP Financial Group continued to strengthen its risk management and compliance culture at all levels. This included an update of the Group's compliance risk assessment, which is a key tool in the risk-based targeting of compliance supervision and compliance support provided to business divisions. The Group continued to develop its compliance operating models and expanded the use of data analytics as part of compliance supervision. The Group also introduced a new whistleblowing channel and process to support the regulatory compliance of its operations. Ensuring compliance with KYC regulation, legislation and regulatory guidelines related to the provision of investment services and the related Group-level instructions, in addition to the performance of processes, remained as key focus areas.

5.3 Risk management

At OP Financial Group, OP Cooperative's Board of Directors is the most important decision-making body for duties related to risk management. OP Cooperative's Supervisory Council confirms the decisions by the Board of Directors that apply to OP Financial Group's risk appetite. The Risk Committee of the Board of Directors assists the Board of Directors in performing duties related to risk-taking and risk management (for further information, see section 4.7.2). Based on the decision by the President and Group Chief Executive Officer, the Executive Management Team has set up a Risk Management Committee, Steering and Compliance Committee and Banking ALM Committee that approve instructions and policy descriptions specifying the Risk Appetite Statement and the Risk Appetite Framework.

The bases for the arrangement of OP Financial Group's risk management prepared by OP Cooperative's senior management and set by the Board of Directors are as follows:

- Senior management prepares business divisions' strategic choices that, in terms of risk-taking, are based on OP Financial Group's Risk Appetite Statement (RAS) document, confirmed by OP Cooperative's Supervisory Council. The Risk Appetite Statement outlines and gives grounds for what risks each business unit is ready to take and to what extent. The business units are obliged to operate within the limits of these restrictions.
- Senior management decides on the division of responsibilities as regards risk-taking. The Group defines what risks different earnings logics (product and service packages) can take and any potential elaborations on what risks legal entities and various functions can take within the earnings logics when serving customers.
- The governance structure provides the basis for the fact that the key principles guiding operations and the related policies and operating instructions have been prepared and resolved appropriately and that each activity is assessed and supervised in appropriate manner in view of quality, extent and complexity by expert parties that are independent of business, in addition to monitoring performed by the business concerned.
- OP Financial Group's remuneration schemes are in line with the Group's mission, core values and targets. Remuneration may not encourage unnecessary risk-taking or actions that are against the customer's best interest. Compliance and Risk Management are involved in the preparation of the remuneration principles, remuneration policy and remuneration schemes and in the determination of supervisory practices related to remuneration processes.
- The principles of corporate governance as required by joint and several liability define and determine the bank-specific corporate governance of the central cooperative and its member cooperative banks, as required under joint and several liability.
- In addition, the principles of internal control, good corporate governance, good business practices and corporate security set preconditions for practices.

Key areas of development in 2020

- Risk management processes have been organised by revenue logic because this clarifies the connection of risk-taking to customer value creation as part of a specific product or service package. This has also promoted the identification of critical success factors as well as the categorisation of risks into earnings risks and consequential risks.

- OP Financial Group has revised its Risk Appetite Statement, Risk Appetite Framework and the Principles of corporate governance as required under joint and several liability, and has initiated efforts to make sure that revenue logic-specific policies and operating instructions guiding risk-taking and risk management provide a clear continuum for these principles. This will ensure that risk management efforts are integrated in all business operations of OP Financial Group and that the Group establishes the mindset of continuous improvement.
- OP Financial Group has clarified the roles of the various bodies involved in risk-taking, including the provision of instructions, management and control. This helps in determining clear responsibilities in achieving risk management objectives while adhering to the model of three lines of defence.
- OP Financial Group has and continues to finetune operational roles contributing to the various lines of defence so that they keep pace with any changes in corporate governance. The aim is to make sure that the Group takes full advantage of the competencies of its personnel and that the division of duties is clear.

Other key areas of development have included the development of capital and liquidity adequacy assessment and risk assessment and various qualitative matters related to risk management.

5.4 Internal Audit

Internal audit constitutes independent and objective assessment, verification and consulting activities with a view to generating added value to OP Financial Group and improving its operations. The central cooperative's Internal Audit is responsible for the performance of Group-level, risk-based internal audit in all OP Financial Group entities. Internal Audit is headed by the Chief Audit Executive appointed by OP Cooperative's Supervisory Council. The Chief Audit Executive reports on the audit activities to the President and Group Chief Executive Officer in administrative terms and to the Audit Committee of OP Cooperative's Board of Directors in operational terms.

Internal Audit annually draws up an action plan based on the Internal Audit assessment of current risks and significant future risks associated with OP Financial Group's operations. The action plan and its changes, if any, are discussed by OP Cooperative's Executive Management Team and the Audit Committee of the Board of Directors and approved by OP Cooperative's Board of Directors.

In its operations, Internal Audit complies with the Internal Audit Charter confirmed by OP Cooperative's Board of Directors in April 2020, and the International Standards for the Professional Practice of Internal Auditing confirmed by the Institute of Internal Auditors (IIA). Internal audit performance is subject to external quality assessment about every five years. The external quality assessment carried out in autumn 2019 concluded that the operations of Internal Audit comply with the standards for professional practice and the code of ethics.

In 2020, Internal Audit introduced a risk categorisation of audit observations, which is based on OP Financial Group's joint risk taxonomy, and improved the risk-based targeting of audits by implementing a quarterly risk scoring of the audit universe. During the year, Internal Audit continued to develop agile audit procedures and the use of data analytics in audit planning and execution.

In 2020, internal audits were targeted at both the central cooperative consolidated and OP cooperative banks. The audits were prioritised and targeted on a risk basis by taking account of OP Financial Group's strategic targets, regulatory requirements and Internal Audit priorities. The audits focused on assessing whether the various business and support

processes, outsourced operations and operational development, including their risk management, compliance, controls and other internal control are adequate and effective.

5.5 External control

5.5.1 Audit

OP Cooperative has one auditor, which must be a firm of authorised public accountants certified by the Finnish Patent and Registration Office. The auditor also audits the consolidated financial statements as referred to in section 9 of the Act on the Amalgamation of Deposit Banks, i.e. the OP Financial Group's financial statements. The Cooperative Meeting elects the auditor.

The term of office of the auditor expires upon the closing of the Annual Cooperative Meeting following its election. The Audit Committee of OP Cooperative's Board of Directors puts audit services out to tender at some five years' interval (last time in 2018 by the then Audit Committee of the Supervisory Board), on the basis of which it makes a recommendation to the Board of Directors on the auditor to be appointed. The Board of Directors makes a proposal to the Cooperative Meeting regarding the appointment of an auditor.

The audit firm's auditors are tasked with auditing the accounting, internal control, accounting policies, management accounting judgements, presentation and structure of the financial statements of OP Financial Group, its entities and sub-groups in order to obtain assurance that the financial statements of the Group and its entities have been prepared in compliance with the rules and regulations in force governing the preparation of financial statements, and that they give OP Cooperative's members and other stakeholders a true and fair view of the financial position, financial performance and cash flows of the Group. In addition, the auditors regularly issue other statements on the basis of specific regulation applicable to the sector.

The Audit Committee of the Board of Directors deals with and assess matters related to audit and auditors:

- by regularly consulting the auditor
- by discussing and assessing the audit plan, auditor's reports and other relevant reports issued by the auditor
- by monitoring and assessing audits
- by assessing the auditor's independence of mind
- by assessing the provision of non-audit (ancillary) services and monitoring their use
- by approving special assignments given to the auditor that exceed the limits set separately by the Committee.

KPMG Oy Ab, an audit firm, has acted as OP Cooperative's auditor since 2002, with authorised public accountant Juha-Pekka Mylén as the Chief Auditor since 2019. KPMG Oy Ab acts as the auditor of entities belonging to OP Cooperative Consolidated, or the central cooperative consolidated, with auditors appointed by KPMG Oy Ab acting as chief auditors. Auditors acting as OP Financial Group member cooperative banks' auditors also include other audit firms and authorised public accountants, in addition to KPMG Oy Ab.

OP Cooperative Consolidated has used KPMG Oy Ab's advisory services related mainly to the comfort letters of bond programmes, ISAE 3402 verifications from the centralised services, the application of upcoming IFRSs as well as tax services and counselling.

Audit fees for statutory audit are based on an annual plan.

In 2020, audit fees paid to auditors totalled EUR 3.2 million (2.6), whereas assignments as referred to in chapter 1, section 1(1)(2) of the Auditing Act totalled 0.2 million (0.1), fees for tax advisory services EUR 0.1 million (0.2) and fees for other services EUR 0.5 million (0.6). Non-audit services provided by KPMG Oy Ab to OP Financial Group entities totalled EUR 0.5 million (0.3) (excl. VAT). The corresponding figures for 2019 are shown in brackets.

5.5.2 Control within the amalgamation of deposit banks

The amalgamation comprises OP Cooperative as the central cooperative together with its member credit institutions and financial institutions and service companies over which they exercise control. OP Cooperative controls the amalgamation's operations and provides the companies within the amalgamation with guidelines for risk management, good corporate governance and internal control with the aim of safeguarding their liquidity and capital adequacy. The central cooperative may also confirm general principles to be followed by the member credit institutions in operations relevant to the amalgamation.

In addition, OP Cooperative supervises the amalgamation entities in the manner referred to in the Act on the Amalgamation of Deposit Banks.

5.5.3 Regulatory supervision

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.

6 FINANCIAL REPORTING PROCESS

The different financial management units subordinate to OP Financial Group's CFO take charge of not only the preparation of interim reports, half-year financial reports, financial statements bulletins and annual financial statements for OP Financial Group and Group entities, as required by financial accounting, but also of the production of management accounting reports, such as monthly reports on business performance. The Controller function within OP Financial Group also produces earnings forecasts, analyses the actual outcome in comparison with the forecasts, and reports on any deviations.

Group-level financial information correctly consolidated using sub-ledger accounting and OP Financial Group entities' information forms the basis of reliable financial reporting.

OP Financial Group uses Group-wide financial reporting and risk reporting to monitor the achievement of business goals and financial targets, and these reports are regularly reviewed at the meetings of senior management and OP Cooperative's Board of Directors. The management compares financial information in financial reports with related plans, and analyses any differences. In addition, the management assess the earnings outlook for the current year and for a longer period of time. The same principles apply to the management's monthly financial performance and risk reports. 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.

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 entities. 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, the entity turns to auditors who give a statement of the selected principles and interpretations.

6.1 Organisation of financial reporting

OP Cooperative's Board of Directors is the highest decision-making body in matters associated with business control. The Board of Directors 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. The Board of Directors discusses and approves OP Financial Group's consolidated financial statements and interim reports (including half-year financial reports and financial statements bulletins).

As part of its statutory and regulatory duties, the Audit Committee of the Board of Directors assists the Board of Directors in monitoring and controlling the financial reporting system. To carry out its duties, the Committee supervises the reliability and compliance of the financial statements, other information disclosed on the financial position and governance, and of internal and regulatory reporting related to the financial position by

- discussing OP Financial Group's financial statements, half-year financial reports and interim reports as well as other information disclosed on OP Financial Group's financial position, and the financial statements of the central cooperative consolidated
- assessing the Corporate Governance Statement issued annually
- assessing significant or exceptional transactions and the related management judgement
- assessing the appropriateness and efficiency of the processes for preparing financial statements, half-year financial reports and interim reports and the processes for internal and regulatory reporting concerning the financial position as well as the sufficiency and reliability of data used in these processes
- regularly consulting the Chief Compliance Officer
- familiarising itself with audit reports issued by the authorities supervising OP Financial Group and with other reports, and by assessing any measures such reports require
- assessing how OP Financial Group complies with laws, statutes, official regulations and instructions and regulatory requirements
- monitoring regulatory developments
- supervising the management's response to any shortcomings discovered in the effectiveness of internal control, to non-compliance observations and to recommendations issued by Internal Audit.

The CEO must ensure, in accordance with the Co-operatives Act, that the company's accounting is in compliance with applicable laws and that treasury has been organised in a reliable manner. The OP Cooperative Finance and Group Treasury function is in charge of OP Financial Group's financial reporting.

The Group has centralised the preparation of financial statements and interim reports (including half-year financial reports and financial statements bulletins) so that they are prepared independently of business lines/divisions. OP Financial Group's shared systems are primarily used in reporting. Operational duties related to financial and management accounting have also been centralised at central cooperative consolidated level.

6.2 Independent assessment of financial reporting

As provided by law, auditors assess the accuracy of financial reporting. The auditors are tasked with auditing the accounting, financial statements and governance of the company and its consolidation group in order to obtain assurance that the financial statements have been prepared in compliance with the rules and regulations in force and that they give owners and other stakeholders a true and fair view of the financial position of the company and its consolidation group and its financial performance and cash flows.

In its process audits, Internal Audit also assesses, when applicable, the effectiveness and adequacy of financial reporting, and reports these audits to the senior management and the Audit Committee of the Board of Directors.

As part of the independent financial reporting assessment, auditors supplement the actual audit by inspecting the planning and effectiveness of controls within centralised functions according to ISAE 3402. Auditors report separately on this specific audit in accordance with this standard.

OP Financial Group's financial statements were prepared in accordance with IFRS, applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2020.

In 2020, OP Financial Group adopted the following standards and interpretations:

- OP Financial Group adopted the European Banking Authority's (EBA) guidelines on the application of the definition of default (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013: EBA/GL/2016/07 and EBA/RTS/2016/06). The Guidelines harmonise the definition of default applied by European banks to their customers.
- Amendments to IFRS 3, IAS 1 and IAS 8 took effect on 1 January 2020.
- An amendment to IFRS 16 related to changes in leases and rent concessions granted to lessees that directly result from the Covid-19 pandemic and apply to lease payments that would have become payable no later than 30 June 2021. Applying only to lessees, this amendment became effective on 1 June 2020. As lessee, OP Financial Group has not applied for rent concessions related to its leases.

7 INSIDER MANAGEMENT AND PUBLIC ACCESS TO INSIDER REGISTERS AND LISTS

Entities providing OP Financial Group's investment service, such as member credit institutions of the amalgamation of deposit banks, have the Guidelines for Insiders and Insider Trading as part of OP Financial Group's Guidelines for Insiders and Insider Trading. The Guidelines contain regulations governing inside information, prohibition against abuse and improper disclosure of inside information, disclosure of inside information, public insider registers, non-public lists of insiders, lists of executives as well as reporting and disclosure of transactions, trading restrictions applicable to insiders as well as insider management. The Guidelines also cover restrictions imposed on relevant persons and the organisation of supervision of compliance with the restrictions.

In addition, OP Corporate Bank plc and OP Mortgage Bank as OP Financial Group's issuers of securities have separate guidelines for insiders and insider trading, which they apply in their role as issuers. These companies have a list of the executive insiders of the issuer. In addition, those who are considered to have ongoing access to all inside information on securities issued by OP Corporate Bank plc are included in the permanent non-public insider list of OP Corporate Bank plc.

The Insider Guidelines and Guidelines for Insider Trading are based on laws governing securities markets, such as the Market Abuse Regulation, regulations issued by the Finnish Financial Supervisory Authority, Guidelines for Insiders of Listed Companies issued by Nasdaq Helsinki, and Trading Instructions for FFI Member Organisations.

The Guidelines are aimed at fostering stock market players' trust in OP Financial Group, OP Corporate Bank plc and OP Mortgage Bank.

OP Financial Group's Legal Services maintains public insider registers of the Group entities, registers of relevant persons and, in respect of OP Corporate Bank plc and OP Mortgage Bank as issuers of securities, the lists of executives and, in respect of OP Corporate Bank plc, the list of company-specific permanent insiders. Such maintenance is organised through the SIRE system maintained by Euroclear Finland Ltd and through OP Financial Group's SIPI system.

Whenever necessary, OP Financial Group companies keep project-specific insider lists.

As credit institutions, OP Financial Group's member bank operations include participation in securities trades performed by clients or in other transactions related to securities. In connection with financing arrangements or as part of the bank's other ordinary operations, member banks and their executives and salaried employees may also receive inside information on client companies. For the abovementioned reasons, among other things, member banks and their executives and salaried employees are subject to insider regulation as referred to in the applicable law.

Training in insider issues is available on a regular basis. Such training will particularly take place at times following changes in insider guidelines.

Anyone has the right to access the public register of insider holdings and receive extracts and copies of the information in the register against a charge. However, a natural person's personal ID code and address and the name of a natural person other than the insider are not publicly available. Information included in the register of the relevant persons, the list of permanent insiders or the list of project-specific insiders is not publicly available, unlike that included in public insider registers. Extracts from and copies of the public register of insider holdings can be ordered from OP Legal Services, Legal Services for Wealth Management Private and SME Customers. Written requests for such information specifically describing the information should be submitted to:

OP Legal Services
Legal Services for Wealth Management Private and SME Customers
P.O. Box 1068
00013 OP

OP Financial Group observes regulations governing related party transactions as provided by the Act on Credit Institutions, the Limited Liability Companies Act and IAS 24 (including the decree of the Ministry of Finance on the financial statements and consolidated financial statements and the report by the board of directors, and the Accounting Ordinance).

OP Cooperative's Board of Directors has approved the principles for OP Financial Group related party lending and investments in the related party of a Group entity, which are observed by the following OP Financial Group entities: OP Corporate Bank plc, OP Mortgage Bank, OP Card Company Plc, OP Asset Management Ltd and OP cooperative banks.

OP Financial Group has defined related parties and related party transactions as stipulated in the Act on Credit Institutions and the Limited Liability Companies Act as well as in the reference provision included in the decree of the Ministry of Finance and the Accounting Ordinance as required by IAS24. Information on persons and entities included in related parties is registered in a separate register which contains the identification details of these persons and entities, as well as the reason for them being included in related parties. Related party transactions are recorded, and there is a defined decision-making procedure for related party lending and investments. In connection with the guidelines for related party lending and investments, OP Financial Group companies' boards of directors have confirmed the decision-making powers associated with such lending and investments. Related party lending and investments are approved either by the board of directors or by a separately defined decision-making body authorised by the board of directors. A board decision is always required if a related party loan or investment is not granted under normal loan terms.

Related party lending and investments are regularly reported to OP Financial Group companies and controlled on an annual basis as part of compliance supervision. Persons responsible for compliance activities in credit institutions report any observations concerning related party lending and investments to the credit institutions' boards of directors on an annual basis. In addition, any observations are reported to the central cooperative's Compliance organisation.

OP Financial Group entities report related party transactions in the notes to the accounts as specified in IAS24.

9

DISCLOSURE POLICY

OP Cooperative's subsidiaries OP Corporate Bank plc and OP Mortgage Bank (OP MB) are in charge of OP Financial Group's funding from money and capital markets. Securities issued by OP Financial Group entities are traded on Euronext Dublin, London Stock Exchange, SIX Swiss Exchange or other stock exchanges, in addition to or in place of Nasdaq Helsinki. OP Corporate Bank plc has also issued unlisted bonds and/or certificates of deposit on the Finnish, UK and Japanese markets.

In their disclosure policy, OP Financial Group, OP Corporate Bank plc and OP MB comply with legislation, decrees and other binding regulations and the rules of Nasdaq Helsinki and, to the appropriate extent, those of other stock exchanges and the regulations and guidelines issued by the Finnish Financial Supervisory Authority and the European Securities and Markets Authority (ESMA). OP Financial Group's Communications takes into account not only the above but also the Corporate Governance Recommendations and the Code of Business Ethics.

The disclosure policy approved by OP Cooperative's Executive Board on 11 February 2019, by the Board of Directors of OP Corporate Bank plc on 12 February 2019 and the Board of Directors of OP MB on 13 February 2019 applies to the disclosure principles and practices of bond issuers (OP Corporate Bank plc and OP MB) and OP Financial Group.

It is the duty of OP Cooperative to ensure that OP Corporate Bank plc and OP MB too disclose, distribute and make available information on matters covered by the disclosure obligation as prescribed by law. The subsidiaries report and publish their own interim reports, financial statements and reports by the board of directors. OP Cooperative discloses for and on behalf of its subsidiaries other information that falls under its disclosure obligation. In practice, the central cooperative issues bulletins and releases in the name of OP Financial Group or the issuer. Communication with regard to securities issued by OP Corporate Bank plc and OP MB is decided upon on a case-by-case basis with the issuer. Responsibility for the issuer's disclosure obligation rests with each issuer.

The disclosure policy describes the key principles and policies followed by OP Financial Group and issuers in their communication with capital market participants and other stakeholders. In addition, the policy describes the disclosure, dissemination and storage of the information within the scope of the disclosure obligation as prescribed by law. OP Financial Group assesses its disclosure policy's consistency, suitability and sufficiency on a regular basis, at least once a year.

OP Financial Group's communications are tasked with promoting the Group's business by providing all stakeholders with accurate information on the Group's goals, targets and operations. External and internal communications aim to support the Group's strategic and business goals and enhance and maintain the Group's strong corporate image while fostering cooperation within the Group. Both external and internal communications are based on facts and provide a true picture of the state of affairs.

The disclosure policy is available at www.op.fi > OP Financial Group > To the media > [Communications and disclosure policy](#).