

# OP Year 2016

In a new direction with a bold approach



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# OP Financial Group in brief

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

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

In line with our new strategy, OP's aim is to gradually change from a plain financial services provider to a diversified services company of the digital era. With financial expertise remaining our cornerstone, we will gradually expand OP's business into new areas, such as Health and Wellbeing Services, Housing-related Services and Mobility Services.

OP employs over 12,000 people. We have some 3.9 million private customers and 440,000 corporate customers. The number of our owner-customers is around 1.7 million.

## Performance determined by success in two roles

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

We follow our mission through a dual role typical of a cooperative society. In the business role, OP provides its customers with the best possible products and services while ensuring its profitability. Success in our business role and financial performance enable us to execute our mission also through community actions, such as our #Suominousuun (Putting Finland on a new growth path) initiatives. Our business role and our social role need to be balanced in our operations, since succeeding in both roles is a measure of OP's success.

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

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



Business role

Social role

## OP Financial Group structure

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



## Owner-customers

OP Financial Group is owned by its customers, and the Group's 1.7 million owner-customers own the OP cooperative banks.

## OP cooperative banks

OP cooperative banks are independent, local deposit banks engaged in retail banking on a regional basis. In terms of the type of business organisation, they are cooperatives where each owner-customer has one, equal vote. Rather than focusing on short-term profits, OP cooperative banks aim at prospering together with their customers. The banks' operating profit is used for the benefit of owner-customers: for the development of products, services and benefits.

## Businesses

OP Financial Group has three business segments: Banking, Non-life Insurance, and Wealth Management. Banking is the largest of the Group's business segments. For the time being, OP's health and wellbeing services are included in the Non-life Insurance segment.

## The central cooperative

OP Cooperative is the central cooperative of the amalgamation of cooperative banks. It is a cooperative society whose members are deposit banks and other credit institutions belonging to the amalgamation. The mission of OP Cooperative is to provide foundations for OP Financial Group's unity and success. It controls the Group's centralised services, develops the Group's business, manages the Group's strategic control and regulatory and public affairs, and manages the control and supervision duties which belong to the central cooperative of the amalgamation and the company heading the financial and insurance conglomerate. Furthermore, OP Cooperative acts as OP Financial Group's strategic owner institution. OP Cooperative also analyses the operating environment and gathers information on changes in the industry and on markets. It is in charge of the Group's corporate image, reputation, identity and brands.



## Review by the President, Group Executive Chairman

In 2016, OP continued its good financial performance by recording all-time-high earnings before tax as business grew at a rate above the market average. Our huge transformation process that we started remains, however, uppermost in my mind when it comes to the bygone year. Why should a successful company reinvent itself?

In early 2016, we completed one of OP's most extensive operating environment analysis ever carried out. Its message cannot be ignored. The financial sector is faced with the most drastic change in its history.

We will respond to the change through our strategy adopted in summer 2016. We want to lead it at the forefront and reinvent ourselves with customer experience being our priority.

As a company owned by customers, we want to be a trusted partner in the daily lives of our customers. We are branching out into businesses where we have had some presence previously through financial products, such as mobility, housing, and health and wellbeing.

A journey towards diversification is a long and multi-stage process, which does not happen overnight as it should not either. Traditional banking and insurance services will remain our business cornerstone well into the future.

OP will reinvent itself led by customer interests in a way that takes both the present and future customer generations into consideration.



## Competitive edge through investments

Business reinvention takes tangible form when we invest in new technology, products, services and competencies. When we published our strategy, we announced our investment programme worth some 2 billion euros for the next five years. In addition to blazing a new trail for our business, we will further develop our existing one and digital capabilities. Ensuring our price competitiveness and operational agility will require efforts to improve our operational efficiency. The wide variety of jobs and skill requirements will diversify at OP.

## Action in our social role

Alongside our business development, we have implemented our mission through our social role too. We have continued the series of campaigns under our #Suominousuun initiative by, for example, donating over 6 million euros to universities.

As a gift to Finland celebrating 100 years of independence, we are making a volunteering contribution biggest ever made in our country. All of the over 12,000 OP employees throughout Finland may spend one working day doing volunteer work for a cause of their choice, and we have also encouraged our administrative staff, owner-customers and stakeholder groups to take on this challenge. Our volunteer work exchange site open to anyone can be found at [www.hiio100.fi](http://www.hiio100.fi). >

## Increasing expectations

Expectations of our stakeholder groups have increased higher than ever following the new strategy, good financial performance and actions performed in our social role. Positive energy created through our value-based reinvention has spread from our employees to our administration and customers.

In 2016, OP received almost 260,000 new owner-customers. With customer experience showing favourable development, OP cooperative banks across Finland work to be present in the daily lives of owner-customers, not only physically, but also digitally.

We aim to meet the expectations set for us in both the business and social role and to represent a positive driver all over Finland.

## OP encourages society to reform itself

Finland has been stuck in stagnation that has continued for a decade now. What if Finland updated its strategy with the same determination as OP?

The year 2017 has begun with a brighter economic outlook. The centenary of Finland's independence has every chance of becoming a landmark year in our country's history. Now is the time to let boldness spread through the entire society.

While reinvention creates investments and new jobs, investments bring competitiveness. Finland can become a bigger actor in the digitising world economy than what its size suggests, but that will require drastic reforms and measures to build on our strengths.

I would like to take this opportunity to express my thanks to OP's owner-customers, customers and partners as well as administrative staff and personnel for the successful year. OP's success will continue to be linked to the success of the Finnish people. We encourage everyone to go through the digital transformation with their head held high and we promise to do our share on this journey.

# Owner-customer interests guide our operations

OP being owned by its customers creates prosperity and wellbeing for its owner-customers and in its operating regions, in accordance with its mission. This is why owner-customer is at the core of our operations.

Everyone can become an owner-customer by paying a cooperative contribution. It is a one-time contribution – no other payments exist. Owner-customers' rights come in two types: Owner-customers have the right to attend, and vote at, their OP cooperative bank's annual cooperative meeting or in the Representative Assembly elections. They can also run as candidates for their OP cooperative bank's Representative Assembly and vote in its election. In addition, an owner-customer is entitled to OP's owner-customer benefits valid from time to time.

Since 2014, our owner-customers have been able to invest in their own OP cooperative bank by means of Profit Shares. An OP cooperative bank will pay annual interest on Profit Shares on the basis of its financial performance, thus channelling part of its prosperity for the benefit of its owner-customers. OP anticipates paying interest of 3,25% on Profit Shares for 2016 (3.25% in 2015).

In 2016, the number of OP Financial Group's owner-customers increased by 256,000 to over 1.7 million. The year 2016 was the second full operating year after Pohjola Bank was delisted and OP went back to its roots as a financial services group wholly owned by its customers. As part of building the new OP Financial Group fully owned by its customers, the previously limited liability company OP Helsinki operating in the Helsinki Metropolitan Area was converted into a cooperative bank.

## Owner-customers can have their say in cooperative bank administration

In accordance with cooperative principles, our administration system enables owner-customers to have an impact on decision-making and development of our operations. The owner-customers elect from amongst their number their own bank's administrative staff. This ensures that the local bank's operations are developed by taking its customers' needs into consideration. Through their representatives in administrative bodies, owner-customers can promote businesses and prosperity in the region.

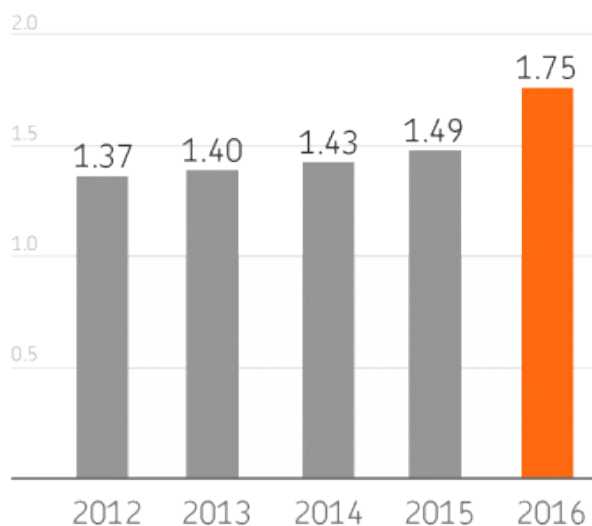
[Read more about OP cooperative banks' local influence. >](#)

In terms of the type of their business organisation, OP cooperative banks are cooperatives whose basic values underlying decision-making include the one member,

one vote principle. The members, or owner-customers, elect from amongst them a Representative Assembly for the bank by voting in the assembly election. The Representative Assembly exercises the decision-making powers of the cooperative bank's members in matters laid down in the Co-operatives Act and the bank's Bylaws. Where an OP cooperative bank has no elected Representative Assembly, the bank's supreme decision-making body is its annual Cooperative Meeting.

Many OP Financial Group cooperative banks will organise their Representative Assembly elections in 2017. Those who have become owner-customers by the end of June 2017 can vote, or stand as a candidate, in the election.

## Owner-customers million customer



## Digital customer communities forming new channels of influence

Going forward, owner-customers will be able to influence the operations of the bank in their ownership in a variety of ways.

In the autumn of 2016, the OP cooperative banks of Sastamala, Ruukki, Oulainen and Kainuu piloted a new digital customer community as a channel of influence for their owner-customers. An owner-customer community gives owner-customers an opportunity to have their say by answering surveys and by participating in discussions.

In the pilot, owner-customers were asked to propose charity causes for their own bank and then vote for their favourite from amongst the suggestions received. In each bank, owner-customers selected a cause for supporting families with children living on limited means. The pilot will be expanded in 2017. OP cooperative banks will start using owner-customer communities in their respective schedules and will then invite their owner-customers to join the community.

Owner-customers can also influence OP's [service and product design](#). >

## Benefits and OP bonuses for owner-customers

In line with the cooperative principle, owner-customers benefit from OP's operations and success. A considerable part of business earnings are returned to the owner-customers

in the form of OP bonuses and various benefits and discounts. The more an owner-customer uses OP's services, the more he/she benefits.

OP's loyalty benefit programme consists of OP bonuses – generated in proportion to the person's transactions with OP – as well as benefits and discounts related to OP's banking, non-life insurance and wealth management products and services. Furthermore, some service packages are only available to owner-customers.

OP bonuses are the most significant owner-customer benefit and they are generated from almost all customer transactions. OP bonuses are widely applicable to OP Financial Group's banking charges, non-life insurance premiums and wealth management fees as well as OP Kiinteistökeskus real estate agent commissions. A total of 101 million (100) euros of OP bonuses were used to pay for banking and wealth management services and 107 million (101) euros to pay non-life insurance premiums. Since 1999, we have granted over 1.9 billion euros in OP bonuses. In 2016, our owner-customers earned a total of 208 million (197) euros in OP bonuses. Discounts given related to non-life insurance totalled 86 million (79) euros. OP bonuses were used to pay 2,200,000 insurance bills (2,023,000), with 297,000 (273,000) of them paid in full using bonuses.

We are continuously improving our owner-customer benefits. The new mutual fund benefit was launched in June 2016 and it enabled owner-customers to buy, sell and switch the majority of OP funds' units with no transaction costs. We also introduced new services exclusively for our owner-customers, including the OP Investment Partner service package designed to support owner-customers in their investment decisions and the new fixed-term home loan, enabling our customers to tie, for the first time in Finland, their whole home loan to a fixed interest rate for the entire loan period, up to 25 years.



## Owner-customer benefits



### Banking

- Daily banking services 45% off
- Long-term fixed rate home loan



### Insurance

- Most insurance policies 10% off
- Comprehensive motor vehicle insurance with bonuses 18% off
- Home insurance deductible €0 in certain damage/loss cases

Owner-customers with a policy from three lines of insurance are entitled to an insurance loyal customer bonus



### Wealth management

- Subscription, redemption and switch of units of almost all funds €0
- OP Investment Partner

## OP bonuses

An owner-customer's loans, savings, investments and insurance premiums generate OP bonuses (0.25% of monthly transactions) that are used to pay service charges and insurance bills.

In addition, numerous benefits from and discounts on OP Financial Group's products and services.

# Supporting corporate customers' operating fundamentals

The business sector plays a vital role in the Finnish economy and OP wants to be involved in supporting the operating fundamentals of Finnish companies. Broad-based development of corporate services forms an important part of development programmes that put OP's new strategy into practice.

OP provides its corporate customers with versatile [banking >](#), [non-life insurance >](#) and [wealth management services >](#) and [health and wellbeing services >](#). Our services cover for example financing, payment transfers, cash management, risk management, employee wellbeing and internationalisation. We aim at creating total customer relationships on a long-term basis, by tailoring solutions according to the customer's needs.

A variety of choices and options are involved in the establishment of a business and the various stages of growth. OP provides support for all business stages.

## Services for companies for various life cycle stages



In 2016, we launched a number of [new services >](#) for corporate customers, including the digital services OP Business mobile and Pivo Cashier helping entrepreneurs in their daily routines. We also increased the availability of SME funding by the agreements signed with the European Investment Fund (EIF) and the Finnish government.

## Support for international operations from our Baltic branches and broad-based partner network

We support companies' business in Finland and abroad through our extensive range of international

services and a network of trusted partners. The Baltic countries belong to OP's home market with branches in Estonia, Latvia and Lithuania. Baltic Banking offers a comprehensive range of banking services for corporate customers. Non-life insurance services in the Baltic countries are offered by Seesam Insurance owned by OP.

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

## Local impact of OP cooperative banks

A cooperative as a type of business organisation and the cooperative ideology add to continuity and community spirit in OP's operating environment. OP is strongly committed to its customers and operating environment. Thanks to our long-term knowledge of our local operating environment, we can finance households and companies – even during challenging times. Financing of local businesses is, indeed, one of the key prerequisites of regional prosperity in the long term. OP has a local impact across Finland, as with its 440 or so branches, the Group's branch and service network is the most extensive and has the best coverage.

### Support to local communities

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

In 2016, 30 cooperative banks offered a total of around 900 summer jobs to young people aged from 15 to 17 in local non-profit organisations. As an example, to celebrate its 110th anniversary, OP Etelä-Karjala offered a summer job for 110 young people in some 60 associations at OP's expense. The bank's support to employers was 360 euros per summer employee.

In October 2016, we announced large-scale donations to Finnish universities. OP cooperative banks and the central cooperative donate a total of 6.3 million euros to universities. These donations to universities are our contribution to safeguard the success of university-level education and research and Finland as a whole.

OP also participates in the Taloustaito project, launched by the President of the Republic, by donating the working time of its experts to help young people who have trouble with payments and debt. In 2016, 14 regional OP cooperative banks took part in the Taloustaito project.

### OP cooperative banks are major employers and taxpayers

A large part of OP's economic impacts also involves indirect impacts on local and regional economic vitality. For example, OP is a major employer in many municipalities. At the end of 2016, OP employed 12,227 people (12,130). Of these, 93 per cent (93) were in permanent employment, while 7 per cent (7) had temporary contracts. A total of 11,787 employees were based in Finland, 191 in Estonia, 113 in Latvia, 134 in Lithuania and two in Russia. OP employed a total of 492 (483) summer employees and trainees during the year.

In several municipalities, OP cooperative banks are among the largest taxpayers, and at Group level, OP is one of the biggest taxpayers in Finland. OP Financial Group's current tax for the financial year 2016 totalled 223 million (251) euros.

[See our tax footprint. >](#)

A pilot project involving three OP cooperative banks has been initiated in order to study the regional impacts OP cooperative banks have when playing their business and social roles. The purpose of the project is to identify measures enabling OP cooperative banks and their stakeholders to better assess to what extent the bank's mission has been accomplished.

## Employing top professionals

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

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

### Diverse opportunities for competence development

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

Competence development involves the use of all applicable learning methods and opportunities as part of the employee's work, either by providing new challenges and learning opportunities in their present work or by offering versatile career opportunities within the Group. New skills are learned primarily through knowledge sharing and by deepening one's understanding through various interactive situations and networks. In addition to these, OP invested approximately 7 million euros in local employee training sessions and in video and online study solutions in 2016. The entire OP personnel in Finland and abroad have annual performance and career development reviews.

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

### Ensuring work ability with personnel surveys and new employee wellbeing practices

OP Financial Group has two types of organisation-wide personnel surveys: an extensive Personnel Survey and a more fast-paced Personnel Pulse. The Personnel Survey is carried out every two years; the next survey will take place in 2017. The results of the 2015 Personnel Survey were good. According to the survey, OP's key success factors are community spirit, value-based performance and customer focus.

OP updated its operating models for employee wellbeing management in 2016. The operating models of employee wellbeing, occupational health care and occupational safety practices will increasingly help in safeguarding each employee's work ability throughout their career.

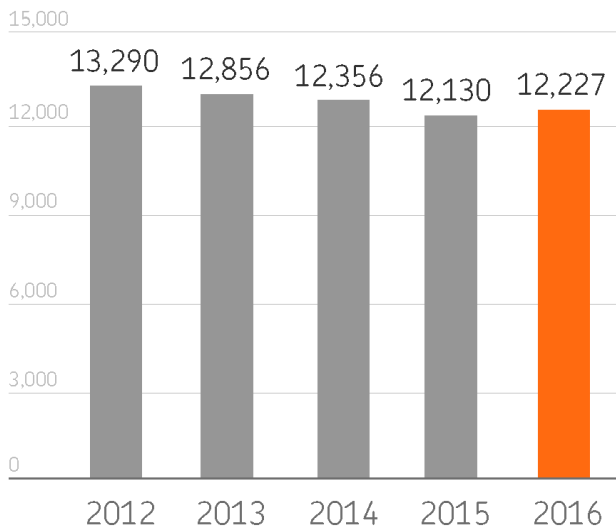
### OP is an attractive employer

In employer image surveys conducted by Universum in 2016, OP was the most attractive financial-sector employer among young professionals with a business education background. All sectors included, OP improved its ranking from 6th to 5th this year. In the corresponding survey among students, OP rose from 6th to 4th place.

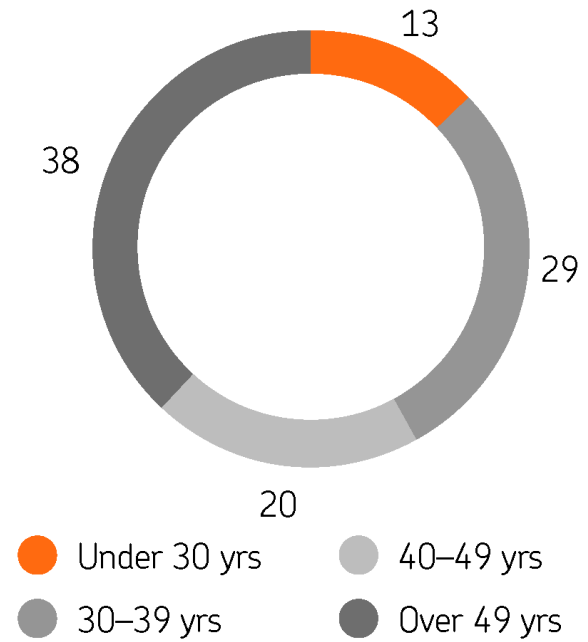
We have engaged in diverse cooperation with educational institutions, including various projects, competitions and student visits. OP Financial Group also builds its employer image among various target groups by taking part in diverse events and recruitment fairs. At the Slush event, we announced our trainee programme (OP Kiitorata) designed for students at an advanced stage in their studies leading to a higher university degree.



Number of personnel



Workforce by age group, %



## Key figures and ratios

	Q1-4/2016	Q1-4/2015	Change, %
Earnings before tax, € million	1,138	1,101	3.3
Banking	596	642	-7.3
Non-life Insurance	230	259	-11.1
Wealth Management	232	213	8.8
New OP bonuses accrued to owner-customers	208	197	5.3
	31 Dec. 2016	31 Dec. 2015	Change, %
CET1 ratio, %	20.1	19.5	0.6*
Return on economic capital, % **	22.7	21.5	1.2*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % ***	170	191	-21*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.10	0.0*
Owner-customers (1,000)	1,747	1,491	17.2
	Q1-4/2016	Q1-4/2015	Change, %
Number of employees	12,227	12,130	0.8
In permanent employment	10,609	10,606	0
Average age of employees	43.6	43.8	-0.5
Women in managerial duties, %	36	36	0

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2015. Unless otherwise specified, balance sheet and other cross-sectional figures on 31 December 2015 are used as comparatives.

\* Change in ratio

\*\* 12-month rolling, change in percentage

\*\*\* The FiCo ratio has been calculated under Solvency II transitional provisions and the comparatives have been adjusted.

## Highlights

### Invest in Finland initiative brought many new shareholders to listed Finnish companies

In the #SijoitaSuomeen (Invest in Finland) initiative, OP stopped charging transaction costs related to Finnish equities listed on the Nasdaq Helsinki and provided free access to equity research information during the initiative. The initiative ended in March 2016 and brought plenty of new shareholders to listed Finnish companies, increased trading activity considerably on the Nasdaq Helsinki and increased interest in professionally produced investor information.

### EIF financing supports growth and employment

In March, OP signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. SMEs have shown great interest in such financing and dozens of firms have already made use of it. In October, OP filed an application for the role of a financial intermediary related to the joint SME initiative of the Finnish government, the EIB Group and the European Commission. This agreement was signed in January 2017 and it enables OP to provide financing also worth EUR 150 million to SMEs employing less than 250 people.

### Mobile beats online in banking

Mobile banking became the most popular banking channel as the number of transactions in OP-mobile beat the number of transactions in op.fi for the first time in March. On average, OP-mobile had 11.4 million visits per month in 2016, while op.fi had 10 million visits.

### Mobile services at the core of development

By launching contactless payment with Pivo, OP was the first bank in Finland to enable contactless mobile payment. OP also introduced two services for corporate customers, Pivo Cashier and OP Business mobile, as well as Pivo Junior designed for children and young people.

### Addition to the Family initiative supports new life

In April, OP announced the #Perheenlisä (Addition to the family) initiative which provides families with a baby with products and services to ease the daily life of a new family, including free-of-charge insurance and a loan repayment holiday.

### Towards a diversified services company

In June, the Supervisory Board of OP Financial Group's central cooperative confirmed OP Financial Group's strategy and Group-level strategic goals. OP aims to gradually change from a plain financial services provider to a diversified services company of the digital era with strong financial services expertise. The strategy highlights customer experience enhancement by digitising services and processes.

### Excluding 60 high-carbon companies from investments

In late 2015, OP announced its intention to exclude high-carbon companies from active investments. As a result of its analysis of high-carbon companies completed in July 2016, OP excluded 60 companies from its investee companies. This means that active, direct investments in OP's mutual funds may no longer include equities or fixed-income instruments of such companies.

### Expansion in Health and Wellbeing Services

OP Financial Group opened its second hospital unit, in Tampere. At the opening, Omasairaala Oy was renamed Pohjola Health Ltd. During 2017–2018, new Pohjola Hospitals will be opened in Oulu, Turku and Kuopio.

### From FFS to Palta

On 28 September 2016, OP Cooperative's Supervisory Board decided on OP Financial Group's withdrawal from the Federation of Finnish Financial Services (FFS)

activities. OP became member of Service Sector Employees Palta on 1 January 2017. OP also enhances its in-house regulatory and public affairs expertise.

## Record-high donations to universities

OP wants to contribute to securing Finland's long-term prosperity by participating in the funding campaign for universities with a donation package worth the record-high amount of 6.3 million euros. The total amount consists of donations from OP cooperative banks and the Group's central cooperative.

## First step in Mobility Services

OP sped up its journey from a plain financial services provider towards becoming a diversified service provider by launching OP Kulku, OP's first step in Mobility Services.

OP Kulku lowers the threshold to use electric cars by providing consumers and small firms in the Helsinki Metropolitan Area with the opportunity to use an electric car with a monthly fee, without having to worry about ownership matters, putting in a major initial investment or value reduction of the vehicle.

## 100 person-years of volunteering

OP is continuing the series of its #Suominousuun initiatives through a major volunteering project in honour of the centenary of Finland's independence. OP's gift to the 100-year-old Finland is 100 person-years of volunteering. All 12,000 OP employees may do voluntary work for one day during their working hours. OP is inviting people to be involved in voluntary activities on a wide front. Hiiop100.fi, a new volunteer work exchange site launched by OP in January 2017, brings together those in need of help and volunteers.

# Many megatrends and phenomena reshaping the financial sector

The financial sector is undergoing a drastic and rapid digital transformation, which is continuously bringing new competition to the sector beyond industry boundaries. Regulation will result in ever-increasing competition and open up banks' customer data to third parties. With intensifying and globalising competition, customers are demanding as smooth and easy of a service experience from Finnish players, as they are accustomed to when using the services of the best international firms. OP no longer competes with mere financial services providers in providing a customer experience.

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

The financial sector is also challenged by large-scale social changes in the operating environment, which involves, for example, ageing population, increasing inequality between population groups as well as slow economic growth. Service providers must be able to respond to the needs of a variety of customer segments where the customers are. The financial sector has potential in finding new sources of growth in a role of safeguarding prosperity, providing healthcare services and services for senior citizens.

The underlying megatrends and phenomena are intertwined in a diverse way. OP proactively monitors changes in the operating environment and with a bold approach is seeking growth opportunities in the transforming financial landscape. Our [new strategy](#) > is aimed at rising to the challenges presented by the operating environment and seizing the opportunities it provides.

## Megatrends and phenomena





# OP 2016 strategy – towards a diversified service company

OP Financial Group published its new long-term strategy in June. According to the new strategy, we aim to gradually change from a plain financial services provider to a diversified services company of the digital era with strong financial services expertise.

The strategy highlights customer experience enhancement by digitising services and processes. In the years to come, we will build fully digital businesses in Banking, Non-life Insurance and Wealth Management. Although we will speed up the digitisation of services, we will also invest in enhancing face-to-face service encounters that meet future needs. In our view, the winning customer experience will be increasingly founded on a collaboration effort between humans and technology.

Customers' increasing expectations and change in customer behaviour encourage us to create total solutions beyond industry boundaries. We will gradually shift the development focus from individual products towards customer-driven

service packages. We will develop business models that will reshape markets in, for example, the field of housing, healthcare and wellbeing, mobility, commerce, financial management and security.

At the first stage, business diversification involves expanding, for example, the health and wellbeing business. In the years to come, we will make health and wellbeing services our fourth business line.

OP of tomorrow will be built around the needs of customers.



## Customer ownership guides our operations

Based on our mission, we create sustainable prosperity, security and wellbeing for our owner-customers and in our operating region by means of our strong capital base and efficiency. A People-first Approach, Responsibility, and Prospering Together form the basis of our operations. Based on our customer promise “We exist to serve our customers”, customer interests guide all we do. Customers

own us and can have their say in our decisions and the development of our activities. A substantial amount of earnings return to owner-customers.

As a services provider owned by customers, we have a dual role through which we carry out our mission. In our business role, we provide our customers with the best possible products and services while ensuring our profitability. Success in our business role and financial performance enable us to execute our mission also through community actions, such as our #Suominousuun (Putting Finland on a new growth path) initiatives.

### Core values

#### People-first approach

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

#### Responsibility

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

#### Prospering together

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

## Large-scale development programme is putting our strategy into practice

We have initiated a large-scale development programme to speed up OP’s reinvention. Annual development expenditure will increase to 300–400 million euros in the next few years, i.e. the amount for the next five years will total up to two billion euros.

We will put the strategy into practice through strategic development initiatives. The initiatives involve the development of our present-day business, new business development and the development of new capabilities as well as the promotion of OP’s social role. Development of present-day business

For example,

- Modernising service channels
- Digitising and automating services
- Revamping and simplifying the product portfolio
- Reforming the basic systems and the ICT architecture
- Further developing the owner-customer loyalty programme

### Creating new business

For example,

- Building fully digital businesses
- Developing new, customer-driven business models; relating in the first stage to housing, mobility and electronic commerce in particular
- Extending the health and wellbeing business to form the fourth business line
- Developing SME service offerings

### Developing new capabilities

For example,

- Enhancing competencies, management and corporate culture
- Building capabilities related to analytics and artificial intelligence required by digital business
- Enhancing innovation

Highlighting our social role

For example,

- Well-defined goals and metrics for the social role
- Socially responsible openings like those under the #Suominousuun initiative

## New customer experience indicator alongside financial targets

When publishing our new strategy, we also set new numerical targets for our capital adequacy (CET1), profitability (return on economic capital), efficiency (expenses of present-day business) and growth in the number of owner-customers.

We put customer experience and its continuous improvement among our key targets when we adopted a new customer experience metric in the autumn of 2016. The new metric is based on the Net Promoter Score (NPS) measuring how likely customers recommend a service. The customer experience metric has two parts, consisting of the NPS target (25) for the brand and the NPS target (70, over time 90) for service. The NPS for the brand is used to measure customers' experience of OP as a whole. The NPS for service measures what kind of customer experience OP manages to create in individual service encounters in all channels.

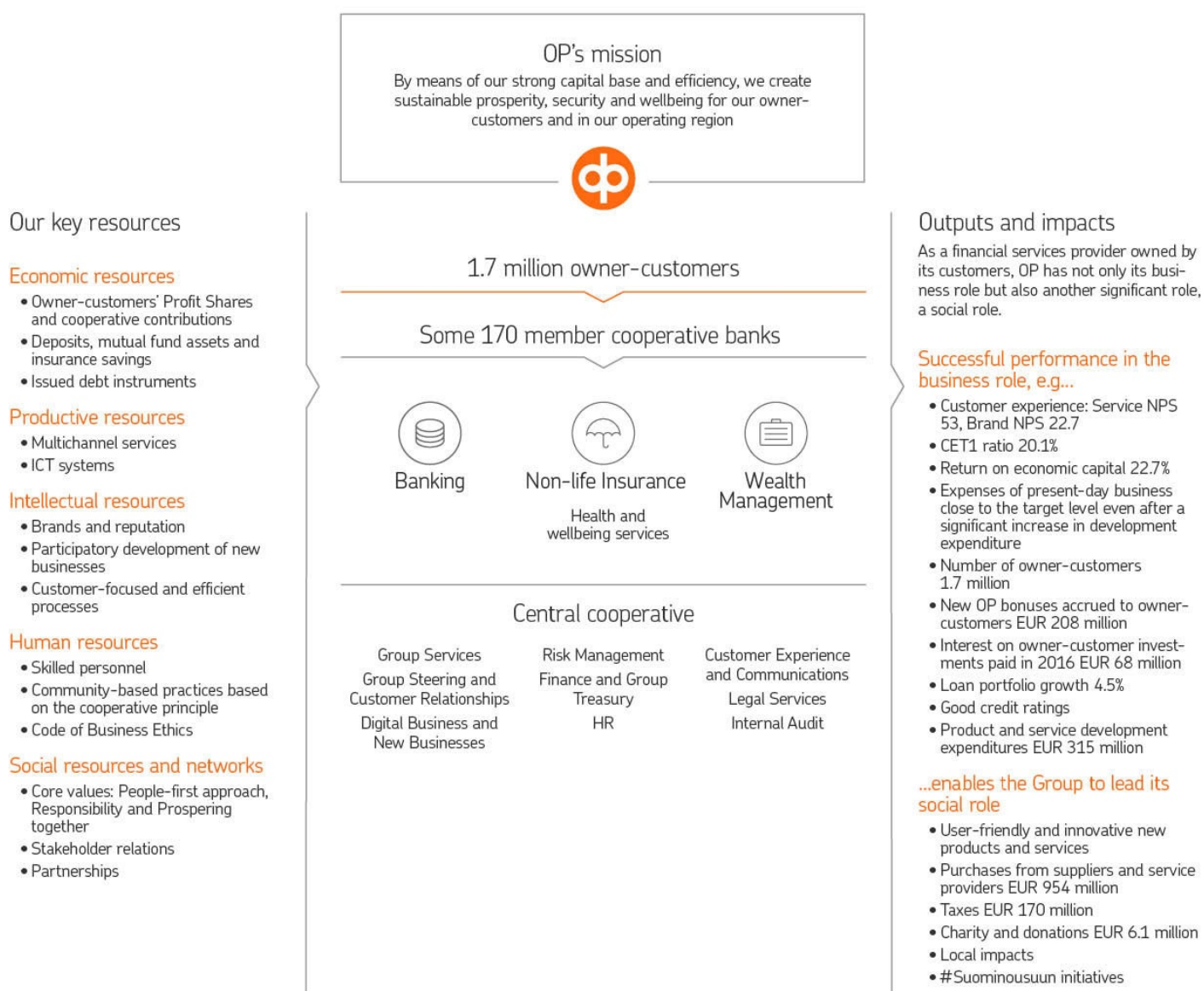
OP Financial Group's strategic targets

	Target	31 Dec. 2016
Customer experience, NPS (-100–+100)		
Brand	25	22.7
Service	70, over time 90	53
CET1 ratio, %	22	20.1
Return on economic capital, % (12-month rolling)	22	22.7
Expenses of present-day business (12-month rolling), € million	Expenses in 2019 lower than in 2015 (1,500)	1,538
Owner-customers, million	2.1	1.7

# Value creation model

As a cooperative Group, our operations have a wide effect on various stakeholder groups in Finland, both on a local and nationwide basis. Our operations are guided by our dual role – business role and social role. Our overall success is measured against how we succeed in both roles.

## Value creation model



The figures describe the situation at the end of 2016.

## Value chain

The financial sector plays a key role in economic prosperity and in providing fundamental services and opportunities for citizens, companies and organisations, both directly and indirectly. Indirect impacts arise in the supply chain from investing, financing and non-life insurance claims services.

We take account of risk management, data security and responsibility aspects at all stages of our value chain. OP's centralised procurement is in charge of procuring the most important products and services within the Group. We expect product suppliers and service providers to conform with OP's Corporate Social Responsibility supplier requirements, OP Financial Group's General Procurement Terms and Conditions, Code of Business Ethics and any applicable legislation and international agreements.

In addition to the financial sector, OP is also engaged in the health and wellbeing business. The health and wellbeing business is not described in this value chain.





# Banking

OP is Finland's leading provider of home and corporate loans. During 2016, its market share of home loans and corporate loans increased to 39.4% and 37.8%, respectively. Banking is OP's largest business segment providing customers with an extensive and comprehensive range of products and services.

For private customers, OP's Banking services and products include daily banking, loans, savings and investments, and housing-related services. We seek to secure prosperity for our private customers and to promote their personal financial management and success. We want to offer our customers comprehensive banking services that are flexible accommodating their various life situations.

We provide corporate customers with financing, payment transaction and cash management services, investment services, and expert services related to business development. OP's corporate customers range from SMEs to large corporations and institutions. We aim for long-term and total customer relationships across the board. When we know customers well and are in close interaction with them, we can customise solutions for them. As a corporate partner, we wish to promote the success and internationalisation of Finnish business. International service capabilities being high on the agenda, we establish, for example, well-thought-out international partnerships based on the needs of our customers.

[Read more about Banking products and services at uusi.op.fi](http://uusi.op.fi) >

Based on its new strategy, OP is making heavy investments in the development of digital Banking services, with a view to creating the best financial planning and management services in the market in terms of user experience. As part of its drive to become a diversified services company, OP is also developing a new digital service for living. OP's vision is to provide a comprehensive housing-related ecosystem that will serve customers in housing-related needs from buying and selling a home to renovation and daily life.

## Loans and deposits billion €



## New financing models and digital services for corporate customers, security and smoothly-running services for private customers in their daily lives

The business sector plays a vital role in the Finnish economy and OP wants to be involved in supporting the operating fundamentals of Finnish companies. Broad-based development of corporate services forms an important part of development programmes that put OP's new strategy into practice.

In March, OP signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. Under the agreement, OP may grant innovative SMEs new loans that will have a 50% risk-sharing guarantee provided by the EIF. This new financing model has sparked interest among SMEs, and over 50 million euros of loans of the 150-million euro programme were already granted towards the end of 2016.

OP also acts as an intermediary bank for SME Initiative financing. The guarantee facility model is being carried out together with the Finnish state and the European Investment Fund. By providing financing to SMEs with growth potential, OP wants to be involved in supporting future economic growth and employment.

In May, OP launched two digital services designed for small corporate customers: OP Business mobile and Pivo Cashier. OP Business mobile enables an entrepreneur to manage not only basic banking services but also, for example, invoicing and monitoring receivables while on the move when, say, paying a visit to the customer. Pivo Cashier is a cashier service for small businesses, providing all that is necessary for payment transactions and sales by both a brick-and-mortar shop and webshop. It enables a small business to establish a webshop within only a few minutes. With products like OP Business mobile and Pivo Cashier, OP wants to bring entrepreneurs opportunities offered by digitisation for developing business and enhancing basic business routines.

For giving protection for the finances of private customers, OP launched a Long-term Fixed Rate product which enables borrowers for the first time to tie their home loan interest rate to a fixed rate for up to 25 years. This product is the first of its kind in Finland. Interest charges for a home loan with a fixed rate for the entire loan term are already known to the borrower when he/she takes out the loan. The advantage of the new product is that the borrower can repay the loan early, with no charges and take a repayment holiday according to normal procedures. The product is designed for OP's owner-customers.

Moreover, a new payment method became available to private customers, as OP introduced a contactless mobile payment to its popular Pivo mobile application. OP was the first bank in Finland and among the first banks in Europe that introduced the contactless mobile payment to mobile phones. With Pivo's contactless payment facility, OP seeks to facilitate a customer's daily life, as he/she can pay for purchases with his/her phone in the pocket with no need to carry a wallet.

## Responsibility assessment in lending is part of risk management

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

When it comes to private customers, responsible lending is based on a thorough analysis of the customer's debt-servicing capacity, determining the appropriate loan size and explaining the risks to the customer in an intelligible manner. In corporate customer financing, recognising and analysing the social and environmental impacts of financed projects is also important from the perspective of risk management, and forms part of the normal creditworthiness analysis, in addition to the assessment of financial matters. In addition to its own analysis, OP may consult an independent analyst that assesses environmental risks associated with an individual customer or a project in need for financing.

In 2016, OP decided to adopt Equator Principles (EP) which is a voluntary commitment applied in project finance to manage risks related to environmental issues and social responsibility. Although OP annually participates in only a couple of EP-based project finance cases, committing to key international responsibility frameworks forms an important part of OP's corporate social responsibility actions.

# Non-life Insurance

OP is Finland's leading non-life insurer. OP provides its private customers and corporate and institutional customers with a diverse range of comprehensive insurance solutions. Through our new type of service concepts, digital solutions, high-quality network of partners and process efficiency, we are continuously enhancing our claims services' customer experience while creating competitive advantage. OP's health and wellbeing services are, for the time being, included in Non-life Insurance. The aim is to make the health and wellbeing business an independent business division.

Insurance for private customers is aimed at ensuring that they have a diverse range of comprehensive insurance solutions. The key insurance lines include motor vehicle, home and other property policies as well as personal insurance, such as accident, health and travel policies.

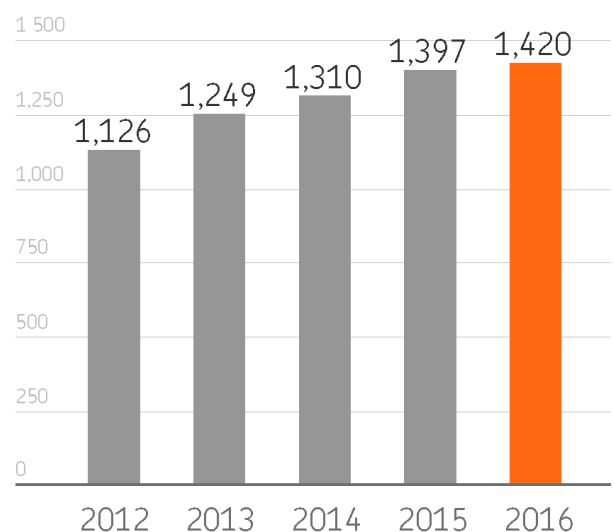
For corporate customers, we seek to safeguard their business continuity, support employees' working ability and help to create a safe working environment. We provide our customers with extensive and diversified risk management services, which enable them to better ensure trouble-free and secure business operations in the case of problems. The entrepreneur himself/herself, company staff, the company's fixed and current assets, cargo, vehicles and the business itself are the key insured objects or persons in the field of business insurance. OP has expanded its offering for companies through cyber-insurance and an occupational healthcare service that can be included in personal insurance. In the EPSI Rating Vakuutus 2016 customer satisfaction and loyalty survey, OP ranked number one among insurance services for corporate customers.

In claims services, OP has partnership agreements with firms representing over 20 industries, such as healthcare services providers, car repair shops, building renovation firms and house-hold appliance retailers. Through partnerships, OP ensures excellent customer experience, cost-efficient and even-quality claims settlement services and their easy availability. New digital services, such as vahinkoapu.op.fi (Claims Help) and the OP-mobile Insurance section provide customers with a smooth way of managing claims. The Vahinkoapu service offers instructions in the case of loss or damage, and information on what each insurance covers. The service is also available on OP-mobile and OP Business mobile. On OP-mobile for private customers, policy-holder can file a loss reports at the same time. 70% of loss reports are already filed online or mobile by private customers.

[Read more about Non-life Insurance products and services at uusi.op.fi.](http://uusi.op.fi) >

OP's new strategy provides an updated framework for Non-life Insurance in terms of, for example, development of claims services and product range. Non-life Insurance aims to be the most innovative player in the sector and modernise the Finnish non-life insurance business.

## Non-life Insurance premium revenue million €



## Management models for vehicle and mobile device claims represents novel service concepts

According to the new strategy, OP aims to shift the development focus from individual products towards customer-driven service packages. Non-life Insurance has already taken steps toward this aim, for example, in the

service models for vehicle and mobile device claims that seek to facilitate a customer's daily life and thus provide a superior customer experience.

A popular pilot of a novel service model for motor claims launched in late 2015 was followed by a concept launched in late 2016 when the Repair Coordinator service was introduced in the Helsinki Metropolitan Area and in the Tampere and Turku regions. In this service, the customer suffering motor vehicle damage is directed straight to the partner repair shop where OP's repair coordinator is on the spot. The purpose of the model is to facilitate managing vehicle damage and claims in such a way, that the customer can have his/her car repaired and manage claims at the same time and get back to normal faster. OP intends to expand the service during 2017–2018 to cover several partner repair shops and places.

When it comes to mobile device claims, OP launched a novel service model in late 2016 where customers can have their mobile devices repaired quickly at an OP partner repair shop with no separate loss report. OP annually compensates for damage to some 30,000 mobile devices. Thanks to the new service model, our customers can manage the claims related to their mobile device damage considerably more easily than before.

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

In terms of responsibility in Non-life Insurance, OP is in charge of promoting the customer's risk management and safety and loss prevention. OP maps potential risks and security issues together with the customer, optimising insurance solutions individually for each customer. OP ensures that its customer is sufficiently aware of his/her risks and the loss or damage that he/she may suffer will not cause insuperable financial difficulties to him/her.

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

We support sustainable development not only by developing our own business but also by encouraging others to perform on a more environmentally sound basis. We aim to advise our customers and partners on operations preventing climate change. We also increase risk awareness

and advise on the adaptation to climate change. Our goal is to foster responsibility among people and corporations, while contributing to developments in legislation and official regulations on climate change.

## Stepwise expansion of health and wellbeing services

Expanding health and wellbeing services is OP's first step towards becoming a diversified services company. For the time being, OP's health and wellbeing services are included in the Non-life Insurance segment.

OP branched out into health and wellbeing services in early 2013 when it opened its wholly-owned Omasairaala hospital in Helsinki. The hospital seeks to offer the shortest possible stay on the clinical pathway and a great customer experience. The hospital network expanded in August 2016 when OP opened its second hospital in Tampere. When the Tampere hospital unit was opened, Omasairaala Oy was renamed Pohjola Health Ltd and the hospitals were renamed Pohjola Hospitals. During 2017 and 2018, OP will open Pohjola Hospitals in Oulu, Kuopio and Turku too. In addition to serving private customers, Pohjola Hospitals provide corporate customers with occupational healthcare services.

Pohjola Hospital collects feedback from its customers through the NPS (Net Promoter Score). The NPS has been high since the opening of the first hospital, 96 in 2016 (NPS range -100–+100).

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

The results of the JYVÄ research project published by the Aalto University in spring 2016 showed that Pohjola Hospital, in comparison with OP Insurance's partners, shortened an injured patient's stay on the clinical pathway by 15% and total costs per patient decreased by roughly 2,000 euros. The survey revealed that the periods of incapacity for work shortened by some 20 days per patient and 98% of the patients recommended Pohjola Hospital to others. The JYVÄ survey data is OP Insurance's comparative data from 2013–2014, comparing private-sector service providers.

# Wealth Management

OP ranks among the top wealth management services providers in Finland. Wealth Management aims to respond to the saving and investing needs of private and corporate customers with a customer-driven approach and to offer the best digital wealth management services and a unique Private Banking experience.

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

For institutional and corporate customers, OP provides not only discretionary investment management and advisory investment management but also modern risk reporting, portfolio analyses and liquidity management solutions for corporate customers. In 2016, OP expanded its service range for institutional investors by making it possible for them to invest in alternative investments alongside OP's pension and insurance companies.

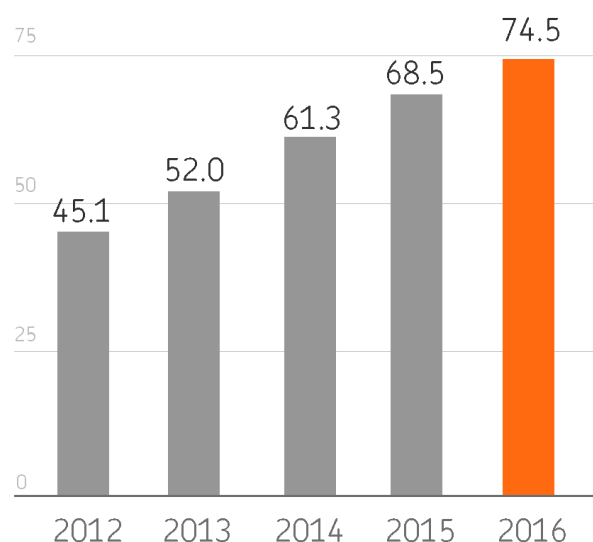
OP boasts Finland's largest Private banking network which provides both private individuals and corporate and institutional customers with contractual personalised and comprehensive investment management services. Private banking service involves the range of products and services offered by OP and external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

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

[Read more about Wealth Management products and services at uus.op.fi.](#) >

As part of its new strategy, OP is modernising Wealth Management by investing in digital service models in particular and developing new types of mobile services. Change in customer behaviour and a switch to digital channels is already witnessed by the fact that 73% of mutual fund subscriptions were performed in digital channels in December 2016. As specified in the strategy, Wealth Management will build completely new digital services. For instance, customers can already easily subscribe for mutual fund units and trade in stocks mobile without a key code list.

## Assets under management billion €



## Encouraging customers to begin investing

As a services provider owned by its customers, OP is tasked with promoting the success and prosperity of its customers. Considering the current low interest rates, making money grow using traditional deposit options is challenging. We therefore encourage our customers to begin investing through various initiatives.

During OP's Invest in Finland initiative underway at the beginning of the spring 2016, OP stopped charging transaction costs related to Finnish equities listed on the Nasdaq Helsinki and provided free access to equity research. As a result, Finnish public companies attracted over 25,000 new shareholders and trading activity on the Nasdaq Helsinki increased significantly.



The Invest in Finland initiative, which ended in late March, was followed by a reduction in OP's electronic equity trading charges in the spring of 2016. We also provide all our equity investment customers with Finland's most extensive equity research service as part of our overall range of services. At the beginning of June, we stopped permanently charging our owner-customers transaction costs related to mutual funds. Owner-customers can buy, sell and switch the majority of OP funds' units with no transaction costs.

OP aims to talk about investing and asset management with customers in an intelligible way and to lower threshold for investment. During 2016, we arranged, for example, online events and webinars for customers dealing with investment in plain Finnish.

## Sustainable investment

OP aims to be a forerunner in sustainable investment in the sector on a global basis. In spring 2016, we established an environmental, social and governance (ESG) unit for sustainable investing with the purpose of deepening and broadening ESG activity and utilise more ESG information in investment decision-making. OP's responsible investment involves the consideration of sustainability issues in investment decision-making, active ownership, positive and negative screening, the monitoring process of compliance with international standards and engagement. According to the results of the survey conducted annually by Scandinavian Financial Research Ltd (SFR), institutional investors ranked OP Finland's best asset manager in the field of responsible investment in 2016.

Of the international principles, OP's investment activities are guided by, for example, the UN Principles for Responsible Investment (UNPRI), Global Compact and the OECD Guidelines. In keeping up with international standards, we make use of an independent partner (GES Investment Service) which produces continuous analyses of the fulfilment of international standards by investment vehicles, for use by investors. The partner checks all of OP's asset and fund management companies' investments twice a year in the case of violations. Screening includes direct and active equity and corporate bond investments and all OP mutual funds making the above-mentioned investments, but excludes, for example, index-linked products and mutual funds managed by external portfolio managers.

In accordance with the Group-level responsible investment policies, OP does not actively invest in companies that produce controversial weapons or that continuously violate international standards. As part of climate change prevention efforts, OP has excluded from its active investments high-carbon companies that cannot present a credible plan to reduce their impacts on climate. This approach involves direct investments in mining companies where a significant part of business originates from mining of coal used for energy production, or where the amount of produced coal is large and the company has no plans to change the situation.

The exclusion also applies to certain coal-using energy companies. A list of excluded companies is available on OP's website. Carbon footprints of OP's equity and bond funds are also available on the website. We were the first Finnish fund management company to publish carbon footprints in 2015. Furthermore, in accordance with the policies, OP primarily uses other investment solutions than those registered in offshore countries. Any investments in these countries always require a separate risk management procedure.

OP Property Management is also committed to the principles of responsible investment and observes responsible investment principles in its real estate asset management. It manages property investments of the real estate funds it administers and direct property investments made by its customers. In the maintenance of its directly owned properties and in its new investments, the company places an emphasis on energy efficiency, lower consumption and waste management. When it comes to indirect property investments, the company is active in exercising influence on the underlying funds' and investee companies' boards of directors and investment committees so that sustainability issues are taken into consideration. OP Property Management is developing sustainable activities in the real estate sector on an ongoing basis. The company has signed a national energy efficiency agreement and is involved in developing CSR reporting in the real estate sector. Moreover, the company has created its own environmental programme aimed at continuing to reduce environmental impacts caused by operations.

# OP Financial Group's product and service development

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

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

## Major investments in development

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

According to its strategy, OP will increase its annual development expenditure to around 300–400 million euros, i.e. development expenditure for the next five years will come to up to two billion euros. These development investments will be allocated to the modernisation of basic financial services and the creation of new product and service packages.

The greater role of development is also reflected in the recruitment of new talent. In 2016, OP's product and service development hired over 100 new employees. At the end of the year, we informed that we would modernise our development organisation and operating model to speed up strategy implementation. The modernisation is aimed at improving the quality, speed and transparency of development, producing new product and service packages and safeguarding the performance reliability of our existing services. The new development organisation is in charge of the product development of all OP's business segments and the multichannel development of service channels, as well as of ensuring that OP pioneers in leveraging digitisation.

OP engages in product and service development based on the agile development model. Agile development at OP means an iterative development model that gathers ongoing customer

feedback. OP has stepwise switched to the agile development model, which has required the creation of new types of operating models and roles and employee training on a long-term basis. The new development organisation was built around the agile development model. The model is characterised by the launch of products and services with limited functionality (beta) and their improvement based on testing and customer feedback.

## Enhanced customer focus through service design pioneership

Customer needs form the bedrock of all development at OP and, thus, customer engagement is a natural and important part of product and service development. For several years now, OP has enhanced customer focus in product and service development by means of service design methods. Today OP can be counted among the pioneering service design companies in Finland, and its unit of over 30 service designers is comparable with a design agency in terms of expertise and size.

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

Our customers have the opportunity to participate in the development of OP's products and services by various different means. OP Helsinki's Vallila branch acts as OP's test laboratory for new operating models and tools. At the branch, customers can test and explore existing and prospective products and services by various means: touchscreens, videos, animation and demos. A development organisation representative is always present at the Vallila branch so that customers' valuable observations and feedback can be utilised in the best possible way.

On the web, customers may openly participate in product development on the OP Lab website, where the digital services of the future are demonstrated,

customer feedback is collected and services piloted jointly with customers. In addition to the OP Lab, customers can register for the Paja customer community on the web. On Paja, quick surveys are implemented, ideas assessed and feedback collected both online and at various events.

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

looking for startups no longer in their embryonic stage which have the capacity to directly start building new business together with OP's experts.

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

## Redesigned op.fi available to customers for beta testing

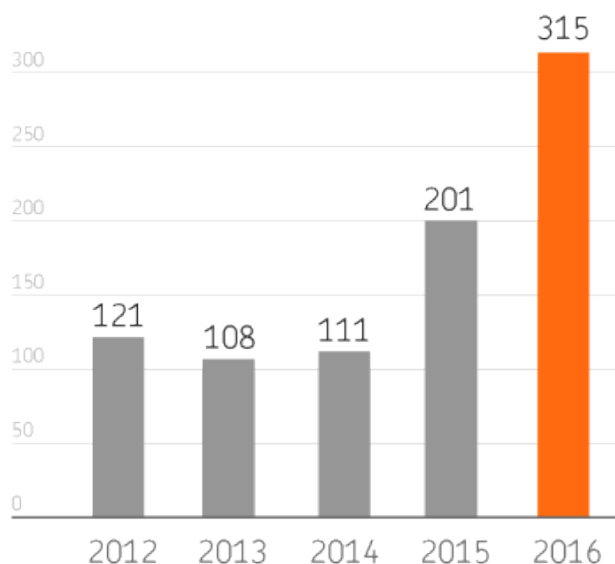
OPs online service and online bank op.fi that is being redesigned is one example of applying the method of agile development and customer engagement to product and service development. The beta version of the new service, [uusi.op.fi](#), > was made available to all customers for testing in autumn 2016. OP is collecting feedback on their user experiences that guides development further.

Beta testing for banking services is not yet very common, and OP is actually one of the few players in the financial sector that has opened its service in the beta stage. From the very beginning, customers of different ages have contributed to the planning and development of the new service through, for example, interviews, group discussions and usability tests as well as by testing the service.

Read more about other products and services launched in 2016:

- [OP Business mobile](#) >
- [Pivo Cashier Service](#) >
- [Pivo Junior](#) >
- [Repair coordinator service](#) >
- [OP Kulku](#) >

## Product and service development expenditures million €



## Cooperation with startups

Based on our strategy, we will speed up reinvention, supplement our range of products and services and reinforce innovation by, for example, partnering with startups.

In November 2016, we announced a new startup programme aimed at creating the best possible services for OP's customers in cooperation with Finnish and international startups. We are looking for startup partners not only in the financial sector but also in the field of health technology, mobility and housing. OP's startup programme differs from similar conventional programmes in terms of its needs-driven approach, because the programme is specifically

# OP Financial Group's Corporate Governance Statement 2016

Download OP Financial Group's Corporate Governance Statement 2016 here. > This is a description of OP Financial Group's Corporate Governance Statement. By law, a credit institution and a securities issuer shall present its corporate governance system. OP Financial Group's issuers (OP Corporate Bank plc and OP Mortgage Bank) prepare their own Corporate Governance Statements which substantially follow that of OP Financial Group. This OP Financial Group statement applies to credit institutions within the central cooperative consolidated, such as OP Process Services Ltd and OP Card Company Plc, excluding the abovementioned issuers. OP Financial Group member cooperative banks will publish their own corporate governance statements.

## Corporate governance and management

This Corporate Governance Statement of OP Financial Group has been prepared in accordance with the Act on Credit Institutions (CRD IV/CRR) and Chapter 7, Section 7 of the Finnish Securities Markets Act, and Recommendation 54 of the Finnish Corporate Governance Code (2015) where applicable.

The Statement has been issued separately from the Report by the Board of Directors. This Statement also covers some other key governance issues and the related, up-to-date information is available on [OP's website](#) >.

OP Financial Group's Executive Board discussed this Corporate Governance Statement on 31 January 2017. The Audit Committee of OP Financial Group's Supervisory Board also assessed the Statement at its meeting. KPMG Oy Ab, the 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 Executive Board, Auditor's Report and Annual Review are available on [OP's website](#) >.

In their decision-making and corporate governance, OP Financial Group and its central cooperative, OP Cooperative, Financial Group, comply with the laws of Finland and standards issued by virtue of them. OP Financial Group's operations are specifically governed by the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä), the Act on Cooperative Banks and Other Cooperative Institutions, the Act on Credit Institutions, the Insurance Companies Act and the Co-operatives Act.

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

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

## Structure of OP Financial Group and administrative bodies

### Group structure

#### OP Financial Group

Established in 1902, OP Financial Group is a cooperative financial services group formed by independent cooperative banks and the Group's central cooperative with its subsidiaries operating under the principle of joint and several liability. OP Financial Group's success

lies in a strong foundation of promoting the prosperity, well-being and security of its owner-members, customers and business partners. Being a Finnish Group is an important part of its identity.

OP Financial Group consists of 173 independent member cooperative banks as of 31 December 2016 and the central cooperative they own, OP Cooperative, with its subsidiaries and affiliates. The Group's operations are based on the cooperative principle – cooperation and sharing the fruits of success with everyone. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency.

OP Financial Group has three business segments: Banking, Non-life Insurance and Wealth Management.

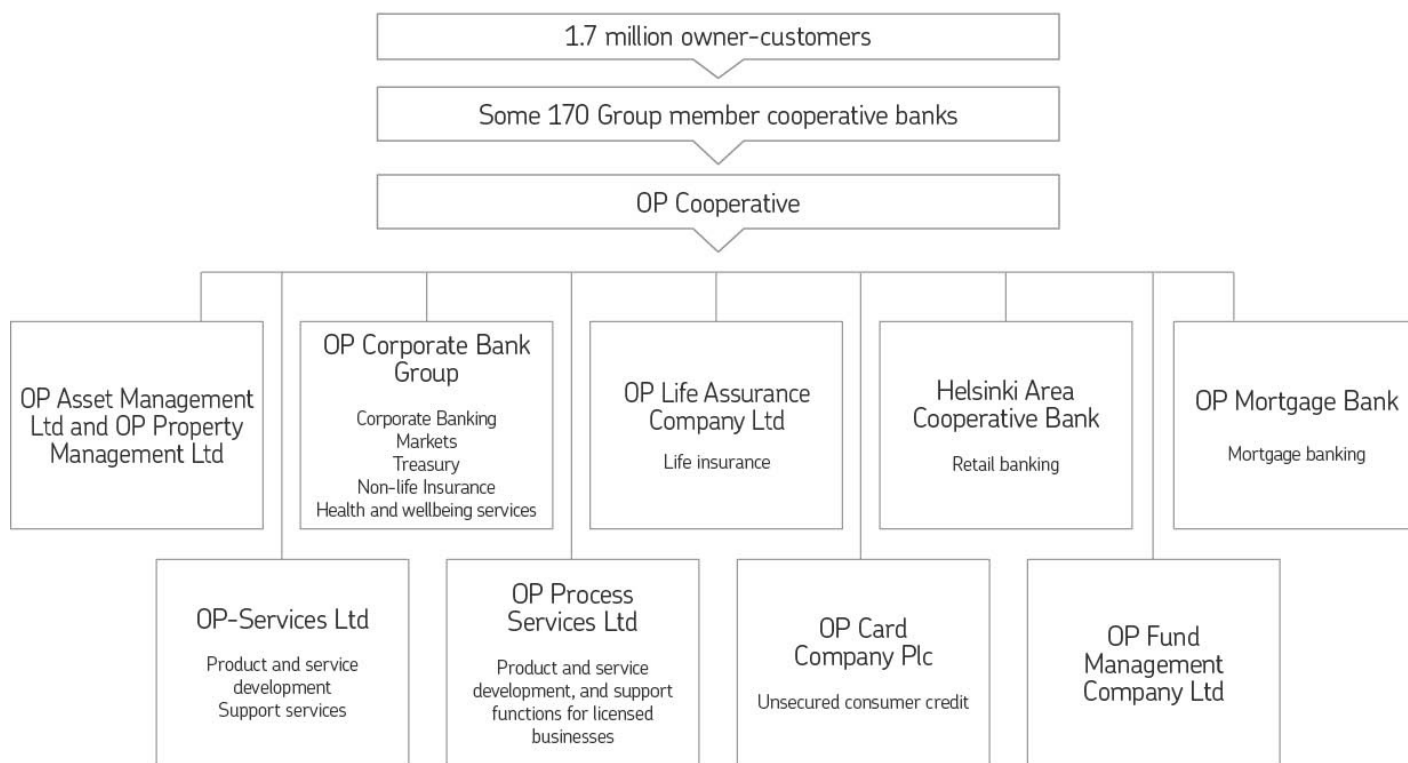


OP Financial Group consists of the following two parts:

1. The amalgamation of the cooperative banks

2. Other entities and organisations of OP Financial Group

## Structure of OP Financial Group



Credit institutions within OP Financial Group are liable for each other's debts. OP Financial Group is supervised by the ECB on a consolidated basis.

The amalgamation of OP Financial Group member cooperative banks is formed by OP Cooperative (central cooperative), companies belonging to its consolidation group, the central cooperative's member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights form the amalgamation.

OP Financial Group is comprised of the amalgamation of the member cooperative banks 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 of the member cooperative banks in that OP Financial Group subsumes companies other than credit and financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate. In addition, Pohjola Health Ltd, a hospital, belongs to OP Financial Group.

More detailed information on the legal structure of OP Financial Group and the amalgamation of the member cooperative banks can be found in the Financial Statements of OP Financial Group. The amalgamation of the member cooperative banks does not form 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 of the amalgamation prepares consolidated financial statements as referred to in Section 9 of the Act on the Amalgamation of Deposit Banks.

## OP cooperative banks

Group member cooperative banks are independent, local deposit banks engaged in retail banking. They provide modern and competitive banking services to households, SMEs, agricultural and forestry customers and public-sector entities. Helsinki Area Cooperative Bank, which began to operate as a cooperative deposit bank on 1 April 2016, is engaged in corresponding retail banking in the Helsinki Metropolitan Area.

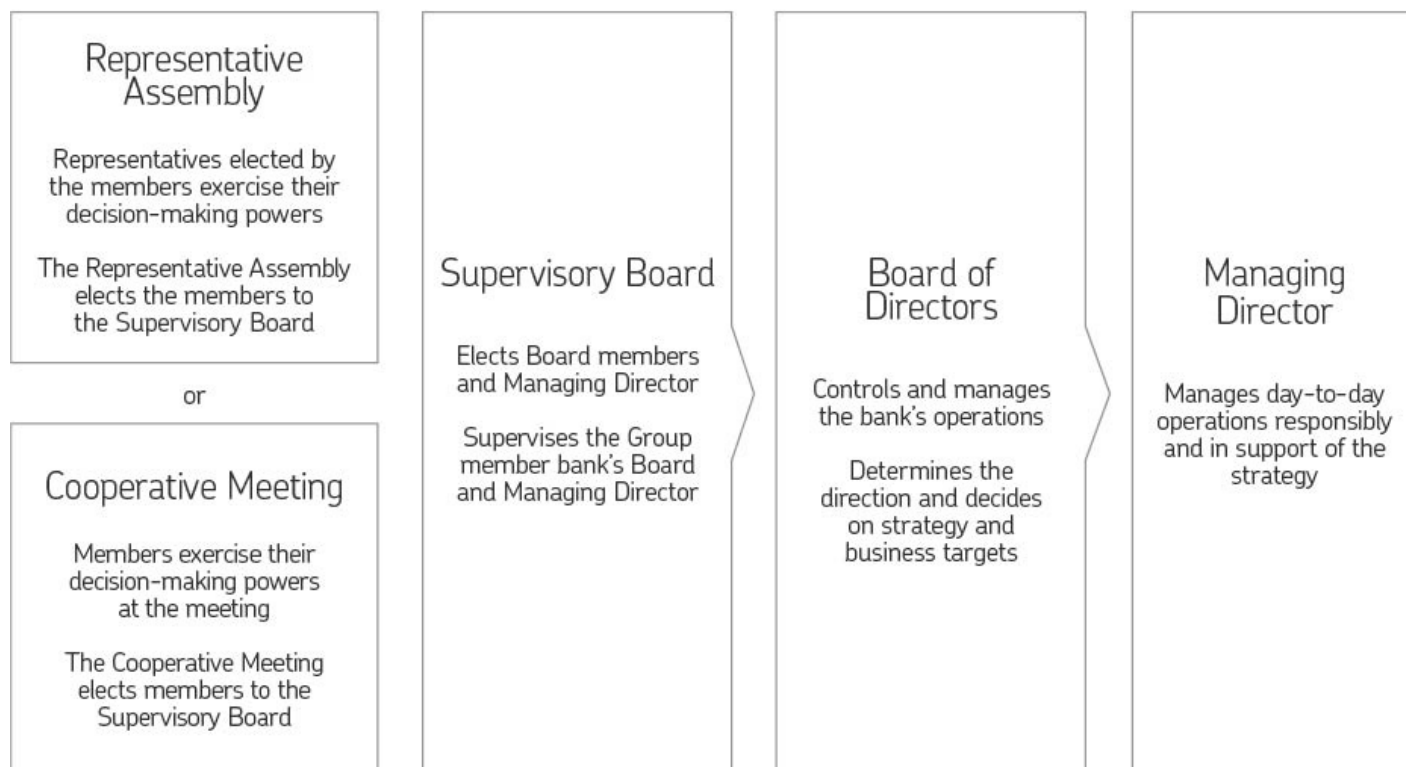
In terms of the type of their business organisation, the member cooperative banks are cooperatives whose basic values underlying decision-making include the one member, one vote principle. Within the member cooperative banks, the highest decision-making body is the assembly comprising owner-members or the cooperative meeting, which elects a Supervisory Board for the bank. The Supervisory Board in turn elects an Executive Board for the bank.



The central cooperative's Supervisory Board has confirmed the Principles of Good Corporate Governance for the Group, covering, for example, a cooperative bank's administrative

bodies and executive management, internal control and remuneration.

## Decision-making at a Group Decision-making at a Group member cooperative bank



## Cooperative bank federations

The cooperative bank federations are regional cooperation bodies for the member cooperative banks. Finland is divided into 16 federations of cooperative banks and the boundaries of the federations essentially follow those of provinces.

The federations nominate candidates in their region for the OP Cooperative Supervisory Board. In addition, the cooperative bank federations cooperate, for example, in projects related to marketing, corporate social responsibility and internal training.

The meeting of a cooperative bank federation comprising member cooperative banks shall elect the Executive Board to represent the federation and attend to its affairs. According to corporate governance recommendations, the Executive Board consists of a minimum of three (3) and a maximum of nine (9) members elected annually.

## OP Cooperative and its responsibilities

The central cooperative of OP Financial Group is OP Cooperative and OP Andelslag in Swedish and is domiciled in Helsinki.

Within the central cooperative, the highest decision-making powers rest with the Cooperative Meeting and the Supervisory Board elected by it and operational decision-making powers are exercised by the Executive Board elected by the Supervisory Board and being made up of management executives. The central cooperative's member banks own OP Cooperative.

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 Supervisory Board takes decisions on admitting new members.

The purpose of the central cooperative as the central cooperative of the amalgamation and as the company heading the financial and insurance 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 OP 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 and insurance conglomerate. Furthermore, the central cooperative acts as OP Financial Group's strategic owner institution.

## 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, for example, of fostering adequate diversity. Diversity is fostered by ensuring that the candidates have a wide range of knowledge, skills and experience, as well as the comprehensive representation of various regions and the balanced representation of genders and age groups on the administrative bodies.

The aim is that the central cooperative's Supervisory Board and member cooperative banks' supervisory boards 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 of the candidates with equal strengths in terms of skills and experience are nominated a member of an administrative body who represents a gender that is minority on the administrative body.

## Changes in OP Financial Group's structure in 2016

OP Financial Group's consolidated financial statements at the end of 2016 included the accounts of 173 member cooperative banks (178) including Group companies, OP Cooperative Consolidated and OVY Insurance Ltd.

During 2016, the mergers of member cooperative banks reduced the number of OP cooperative banks while the conversion of Helsinki OP Bank Ltd's legal form into a cooperative bank registered on 1 April 2016 increased the number. The bank's new business name is Helsinki Area Cooperative Bank (OP Helsinki). OP Helsinki as subsidiary is part of OP Financial Group central cooperative consolidated. The central cooperative will continue to have a major role in capitalising the new bank, which is why OP Cooperative exercises control over OP Helsinki, according to OP Helsinki's Bylaws.

On 30 November 2016, OVY Insurance Ltd transferred a banking special insurance portfolio to OP Insurance Ltd, consisting of special banking insurance policies issued as general liability and crime insurance as well as legal expenses insurance for OVY Insurance Ltd's senior management and administrative staff.

Östra Korsholms Andelsbank merged into Vasa Andelsbank on 29 February 2016.

On 31 October 2016, Keiteleen Osuuspankki merged into Pielaveden Osuuspankki, changing its name to Nilakan Seudun Osuuspankki.

On 31 December 2016, Enon Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki merged into Ilomantsin Osuuspankki, changing its name to Vaara-Karjalan Osuuspankki.

On 31 December 2016, Puolangan Osuuspankki merged into Suomussalmen Osuuspankki, changing its name to Ylä-Kainuun Osuuspankki.

Pielisen Osuuspankki and Pohjois-Karjalan Osuuspankki accepted a merger plan on 10 October 2016, according to which the former will merge into the latter. The planned date for registration of the merger is 31 March 2017.

Karjalan Osuuspankki and Mynämäen-Nousiaisten Osuuspankki accepted a merger plan on 15 December 2016, according to which the former will merge into the latter. The planned date for registration of the merger is 30 April 2017.

Vetelin Osuuspankki and Kaustisen Osuuspankki accepted a merger plan on 21 November 2016, according to which the former will merge into latter. At the same time, Kaustisen Osuuspankki will be renamed Perhonjokilaakson Osuuspankki. The planned date for registration of the merger is 31 May 2017.

Vetelin Ylipään Osuuspankki and Halsuan Osuuspankki accepted a merger plan on 28 November and 29 November 2016, according to which the former will merge into the latter. At the same time, Halsuan Osuuspankki will be renamed Halsua-Ylipään Osuuspankki. The planned date for registration of the merger is 30 June 2017.

Oriveden Seudun Osuuspankki and Mäntän Seudun Osuuspankki accepted a merger plan on 29 December 2016, according to which the former will merge into latter. At the same time, Mäntän Seudun Osuuspankki will be renamed Pohjois-Hämeen Osuuspankki. The planned date for registration of the merger is 30 June 2017.

The business names of OP Financial Group companies have been changed to begin with OP, effective as of 4 April 2016:

- Pohjola Bank plc became OP Corporate Bank plc
- Pohjola Insurance Ltd became OP Insurance Ltd
- Pohjola Asset Management Ltd became OP Asset Management Ltd
- Pohjola Property Management Ltd became OP Property Management Ltd
- Pohjola Asset Management Execution Services Ltd became OP Asset Management Execution Services Ltd

The business names of companies based in the Baltic countries have also been changed to begin with OP, as follows:

- Pohjola Bank plc Eesti filiaal became OP Corporate Bank plc Eesti filiaal
- Pohjola Bank plc filiāle Latvijā became OP Corporate Bank plc filiāle Latvijā
- Pohjola Bank plc Lietuvos filialas became OP Corporate Bank plc Lietuvos filialas
- Pohjola Finance Estonia AS became OP Finance AS
- "Pohjola Finance" SIA became "OP Finance" SIA
- UAB "Pohjola Finance" became UAB "OP Finance"

Omasairaala Oy was renamed Pohjola Health Ltd when the Tampere hospital unit was opened on 1 August 2016.

## Central cooperative's Annual Cooperative Meeting

The Cooperative Meeting is OP Cooperative's highest decision-making body.

### Meeting duties and items on the agenda

The Annual Cooperative Meeting deals with issues mentioned in Section 7 of the central cooperative's Bylaws, such as the adoption of the parent and consolidated income statement and balance sheet for the previous financial year, and the election of members of the Supervisory Board and an auditor.

### Notice of Meeting and attendants

Held in OP Cooperative's registered office in Helsinki before the end of May (in practice in March), the Annual Cooperative Meeting shall be convened by the Supervisory Board. An Extraordinary Cooperative Meeting shall be held whenever the Supervisory Board deems it appropriate or whenever it must be held by law.

The Meeting is attended by the representatives of the central cooperative's member banks.

Notice of the Cooperative Meeting shall be brought to the attention of members in writing or using an electronic communication channel no earlier than two months and no later than one week prior to the final registration date.

## Decision-making at the Meeting

In calculating the votes cast at the Meeting, members exercise their voting rights, based on cooperative contributions, equalling their shares in the central cooperative.

Member cooperative banks with a good financial standing have additional votes as stipulated in greater detail in the central cooperative's Bylaws. However, no single member may cast more than two per cent of the votes represented at the Meeting. At the Annual Cooperative Meeting, a member has only one vote if, due to its own financial difficulties, it has received financial support based on a resolution passed by OP Cooperative, which fulfils the characteristics specified in Section 8 of the central cooperative's Bylaws.

## Annual Cooperative Meeting in 2016

OP Cooperative held its Annual Cooperative Meeting in Helsinki on 15 March 2016. The Meeting adopted the financial statements for 2015, discharged those accountable from liability and elected persons as required. Furthermore, the Meeting decided to alter the cooperative's Bylaws and the cooperative's donations.

## OP Financial Group's Nomination Committee

The Committee is tasked with preparing and discussing proposals to the central cooperative's Cooperative Meeting on the Chair of the Cooperative Meeting, remuneration payable to the Supervisory Board Chair, deputy Chairs, the number of Supervisory Board members, new candidates for Supervisory Board members presented to the Cooperative Meeting as well as on the election of an auditor and its remuneration. In addition, the Nomination Committee proposes to the Supervisory Board on member nominees to the Representative Assembly of Helsinki Area Cooperative Bank representing the central cooperative.

The Committee has 16–32 members and each Federation of Cooperative Banks is represented by one or two members in the Committee.

In the composition of the Supervisory Board and its members' competence requirements, OP ensures that the members have adequate experience and professional skills to perform their duties professionally and carefully. Supervisory Board members must have adequate knowledge of the financial sector. In the competence requirements, OP also ensures that the Supervisory Board is diverse and has adequate corporate social responsibility knowledge.

## Supervisory Board and its committees

### OP Cooperative's Supervisory Board

## Election, members and term of the Supervisory Board

In accordance with the Bylaws, the central cooperative's Supervisory Board has a minimum of 32 and a maximum of 36 members elected by the Cooperative Meeting. A minimum of 16 and a maximum of 20 members shall be elected to the Supervisory Board in such a way that the Supervisory Board has at least one member from each of the 16 cooperative bank federation regions. These members' term of office is three years, and of these members the number closest to one third resigns each year. Another 16 members come from areas covered by the Federation of Cooperative Banks with the number of members from the member banks involved determined on the basis of their capital adequacy. The term of office of these members is three years unless the term of office ends prior to this date due to a change in the allotment of the seats among the federations. The Supervisory Board comprised 34 members on 31 December 2016.

An administrative officer or salaried employee may not be elected to the Supervisory Board from a member bank which, pursuant to Section 8 of OP Cooperative's Bylaws, has only one vote at Cooperative Meetings, i.e. which has received financial support referred to in said section. A person who is 68 years of age or older is not eligible for Supervisory Board membership. However, a member who turns 68 years of age during his membership may sit on the Supervisory Board until the closing of the next Cooperative Meeting.

## Responsibilities of the Supervisory Board

Under OP Cooperative's Bylaws, the Supervisory Board shall supervise the central cooperative's corporate governance, managed by the Executive Board and the CEO, and ensure that the central cooperative's operations are managed in a professional and prudent manner in accordance with the Cooperatives Act and in the best interests of the central cooperative and OP Financial Group.

In addition, the Supervisory Board shall, for example, confirm OP Financial Group's strategy and other shared goals and policies, the central cooperative's operational and financial targets, appoint and discharge the President and Group Executive Chairman acting as the CEO of the central cooperative and other Executive Board members and deputy members and the Chief Audit Executive.

According to the rules of procedure confirmed by the Supervisory Board, its responsibilities also include as follows:

- Confirm the general policies as specified in the Act on the Amalgamation of Deposit Banks;
- Confirm the principles of OP Financial Group's capital plan;
- Confirm risk limits regarding risk-bearing capacity and risk types for OP Financial Group and the risk categorisation principles for member banks and regularly follow the progress of the business, risk-bearing capacity and risk exposure of OP Financial Group and the central cooperative consolidated;
- Confirm OP Financial Group's annual plan;
- Monitor the progress of the implementation of OP Financial Group's strategy valid from time to time;
- Name OP Financial Group's regional banks;
- Adopt the principles and policies concerning OP Financial Group's remuneration development and decide on the Group's long-term remuneration schemes; and
- Discuss and decide on the appointment of the Group-level working groups of strategic significance.

## Supervisory Board Chair and Vice Chairs (presiding officers)

At its first meeting after the Annual Cooperative Meeting, the Supervisory Board shall elect from among its members a Chair and two Vice Chairs until the closing of the next Annual Cooperative Meeting.

The presiding officers of the Supervisory Board comprise the Chair and both Vice Chairs of the Supervisory Board. Holding their meeting whenever necessary, the presiding officers communicate to the Executive Board Chair and Vice Chair in respect of important and far-reaching strategic issues relevant to OP Financial Group and the central cooperative consolidated as well as to OP Financial Group's HR directors in HR issues in which the Executive Board is disqualified.

## Supervisory Board's meeting and decision-making procedures

Convened by the Chair or, whenever he is prevented, the Vice Chair, the Supervisory Board meeting is primarily held 6–7 times a year. The Supervisory Board meeting has a quorum when more than half of its members are present. Items

on the meeting agenda are primarily prepared by OP Cooperative's Executive Board and primarily presented by the Chair or Vice Chair of the Executive Board. Items on the Supervisory Board meeting agenda are also in the first place discussed in advance by the Supervisory Board Working Committee or by other Supervisory Board committees.

Members and deputy members of OP Cooperative's Executive Board, the Chief Audit Executive and four separately appointed employee representatives and their deputies, if any, have also the right to be present and speak at Supervisory Board meetings.

The Supervisory Board has adopted, for example, the following rules of procedure and instructions:

- The rules of procedure for the Supervisory Board
- The rules of procedure for the Supervisory Board presiding officers
- The rules of procedure for OP Financial Group's Nomination Committee
- The rules of procedure for OP Financial Group's Remuneration Committee
- The rules of procedure for the Supervisory Board's Working Committee
- The rules of procedure for the Supervisory Board's Audit Committee
- The rules of procedure for the Supervisory Board's Remuneration Committee
- The rules of procedure for the Supervisory Board's Risk Management Committee
- Rules of Procedure for the Supervisory Board's Nomination Committee of the central cooperative consolidated Executive Board
- The rules of procedure for the Executive Board
- Principles of good corporate governance
- Principles of internal control
- Risk-taking and risk tolerance system
- Accounting policies and the principles of capital adequacy measurement
- OP Financial Group's Fit & Proper assessment guidelines

In addition, the Supervisory Board confirms operating principles regarding OP Financial Group.

[OP Financial Group Supervisory Board members by the federation of cooperative banks as of 15 March 2016 >](#)

## Supervisory Board work in 2016

The Supervisory Board had seven meetings in 2016. Jaakko Pehkonen acted as its Chair and Mervi Väisänen and Olli Tarkkanen as its Vice Chairs. The average attendance rate of members stood at 95%.

In 2016, the Supervisory Board dealt, for example, with the following matters:

- Discussed the progress of strategy work at its meetings in the early part of the year, adopted the OP 2016 strategy in June and discussed the initiation of strategy implementation at its meetings during the rest of the year;
- Confirmed OP Financial Group's risk-taking and risk tolerance system, internal control principles, OP Financial Group's Fit & Proper assessment guidelines, financial statements and capital adequacy measurement principles as well as the principles of good corporate governance of OP Financial Group member cooperative banks;
- Confirmed OP Financial Group's Recovery Plan;
- Confirmed the long-term management remuneration scheme for 2017–2019;
- Confirmed OP Financial Group's and the central cooperative consolidated's annual plan;
- Discussed OP Financial Group's organisation in terms of regulatory and public affairs.

## Supervisory Board committees

At its spring 2016 regrouping meeting, the Supervisory Board elected, from among its members, members for a one-year term to the following five committees: Working Committee, Audit Committee, Remuneration Committee and Risk Management Committee as well as the Nomination Committee of the central cooperative consolidated Executive Board. In addition, the presiding officers have a status comparable with a committee. Acting as bodies supporting the Supervisory Board, as a rule the committees have no independent decision-making powers.

The Supervisory Board also appoints, from among its members, members of the committees reporting to it and the Chair and Vice Chairs of the Audit Committee and the Risk Management Committee, and confirms the rules of procedure for the committees.



## Working Committee

The Working Committee comprises the Supervisory Board's Chair and Vice Chairs and six other Supervisory Board members annually appointed from among Supervisory Board members. Chaired by the Supervisory Board's Chair, the Working Committee is tasked with assisting the Supervisory Board in the preparation of OP Financial Group's strategy and in the monitoring of its implementation, participating in the preparation of significant projects and initiatives in the pipeline within the Group and taking charge of their monitoring. The Working Committee also considers major issues related to cooperation within the Group and the implementation of the Group's operating principles.

In addition, the Working Committee is tasked, for instance, with:

- Preparing significant issues coming out at a Supervisory Board meeting and monitoring the execution of Supervisory Board decisions;
- Acting as a discussion forum for OP Financial Group management in the strategic and other major issues of the Group;
- Acting as a link between the Supervisory Board and the Executive Board, for example, to ensure information flow;
- Discussing organisational changes related to the central cooperative's senior management;
- Issuing recommendations and statements to the Executive Board in matters between Group member cooperative banks and central cooperative consolidated companies related to pricing, if desired;
- Issuing recommendations to the Executive Board in strategic matters relating to OP Financial Group, if desired.

Convened by its Chair, the Working Committee meets 8–11 times a year. The central cooperative's Executive Board prepares the meeting agenda.

Working Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Senior lecturer in marketing, Kajaani University of Applied Sciences
Olli Tarkkanen, 1962	Member	LL.M, Trained on the bench, eMBA	Managing Director, Etelä-Pohjanmaan Osuuspankki
Kalle Arvio, 1964	Member	Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	Managing Director, Ruukin Osuuspankki
Tapani Eskola, 1953	Member	M.Sc. (Tech.)	-
Leif Enberg, 1954	Member	M.Sc. (Econ. & Bus. Adm.)	Entrepreneur, Oy Mapromec Ab
Jorma Hyrskyluoto, 1950	Member	M.Sc. (Econ.)	-
Esko Mononen, 1957	Member	M.Sc. (Agriculture and Forestry)	Managing Director, Pohjois-Karjalan Osuuspankki
Juha Pullinen, 1963	Member	M.Sc. (Agriculture & Forestry), M.Sc. (Forestry)	Managing Director, Loimaan Seudun Osuuspankki

## Working Committee work in 2016

The Working Committee had eight meetings in 2016. The average attendance rate of members stood at 97%.

In addition to the Committee members, the Working Committee meetings were attended by the Chair and Vice Chair of the Executive Board and the secretary of the Supervisory Board acted as the meeting secretary. The meetings prepared matters to be discussed at Supervisory Board meetings and examined other important preparatory issues applying to the Group.

## Audit Committee

During its regrouping meeting, the Supervisory Board elects, from among its members, four members to the Audit Committee for a one-year term and appoints from amongst them a Chair, Vice Chair and three managing directors of OP cooperative banks to act as permanent expert members for a term of three years or until the end of the term of the Supervisory Board. An Audit Committee member with an employment or executive contract with the Group

may not be involved in the daily management of a credit institution whose affairs belong to the Committee's duties. At least one Committee member who has adequate expertise in accounting or audit must be outside of OP Financial Group.

The Audit Committee must have adequate expertise in accounting, book-keeping, financial reporting and accounting practices as well as internal audit. The Chair of the Committee must have special knowledge and experience in the application of accounting policies and internal control processes.

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

The Committee is also tasked with monitoring that the central cooperative consolidated's and OP Financial Group's activities and internal control are organised in accordance with the requirements of the laws and regulations and the principles of good corporate governance, in addition to supervising the performance of internal audit.

The Audit Committee also helps the Supervisory Board in ensuring that the central cooperative consolidated is managed in an expert and prudent manner that promotes the competitiveness and success of OP Financial Group.

In addition, the Audit Committee is tasked, for example, with:

- Discussing the Group's accounting policies and capital adequacy measurement principles to be submitted to the Supervisory Board for adoption;
- Supervising for its part financial reporting;
- Supervising for its part compliance with laws, regulations and other provisions;
- Supervising compliance with the Code of Business Ethics;
- Supervising the performance and effectiveness of internal audit;
- Assessing the adequacy and functionality and effectiveness of internal control;
- Dealing for its part with issues related to regulatory supervision;
- Dealing with and assess matters related to auditing and auditors.

The Audit Committee has mainly four meetings a year.

Audit Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jarna Heinonen, 1965	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor in Entrepreneurship, Turku School of Economics, University of Turku
Timo Parmasuo, 1950	Vice Chair	Graduate in engineering	Teollisuusneuvos (Finnish honorary title), Board member, Meconet Oy
Katja Kuosa-Kaartti, 1973	Member	M.Sc. (Econ. & Bus. Adm.)	Authorised public accountant, Tilintarkastus Kuosa-Kaartti Oy
Seppo Laaninen, 1950	Member	M.A.	-
Ari Kakkori, 1955	Expert member	Bachelor of Agriculture	Managing Director, Virtain Osuuspankki
Petri Krohns, 1964	Expert member	LL.M, Trained on the bench, MBA	Managing Director, Etelä-Karjalan Osuuspankki
Ari Väänänen, 1973	Expert member	LL.M, Trained on the bench	Managing Director, Maaningan Osuuspankki

## Audit Committee work in 2016

The Audit Committee had six meetings, with the average attendance rate of members standing at 92%.

In addition to members and expert members, the meetings were attended by the auditor representatives and the Chair of OP Cooperative's Executive Board, Executive Board member in charge of finance and the Chief Audit Executive.

## Remuneration Committee

The Remuneration Committee comprises the Supervisory Board Chair, Vice Chair as his first deputy and a maximum of other three members annually appointed by the Supervisory Board. A person included in the Supervisory Board, who has no employment or executive contract with an OP Financial Group company, may be a Committee member.

The Remuneration Committee is tasked, for example, with controlling and supervising the development of management and employee remuneration within OP Financial Group, assessing the performance of remuneration schemes in order to ensure that remuneration is in line with the Group's core values, strategy, objectives, risk policies and control system, and assessing incentives under the remuneration schemes and other effects on the management of risks, capital and liquidity. In addition, the Committee confirms, for instance, the performance metrics for OP Financial Group's personnel fund and their outcome, and confirms those included in the Group's long-term management remuneration scheme and the amount of earned bonuses.

Furthermore, the Remuneration Committee, for example:

- Provides an overall, OP Financial Group level assessment of the fulfilment of conditions for remuneration in terms of the consolidation group's earnings and earnings performance, capital adequacy, credit rating and financial and other factors before the payout of bonuses for each year and of deferred amounts;

- Confirms structural and other changes related to the development of remuneration;
- Confirms the general terms and conditions of OP Financial Group's remuneration schemes in terms of, for instance, updates caused by changes in regulation, law and agreements;
- Confirms annually the bases for the pay scale and for the assessment of job grades within OP Financial Group;
- Confirms risk-taker jobs whose holders may have an impact on the risk profile of the Group, company or Group member cooperative bank;
- Exercises oversight to ensure that the rules and regulations governing remuneration and incentive schemes are followed throughout OP Financial Group;
- Supervises the overall remuneration for people in charge of OP Financial Group's risk management and business-independent control functions;
- Prepares proposals to the central cooperative's Supervisory Board on, for example, the general remuneration principles applied by OP Financial Group;
- Issues recommendations on principles related to the management remuneration and incentives for Group member cooperative banks and OP-Kiinteistökeskus real estate agencies; and
- Confirms annually recommendations for management and administration remuneration.

Remuneration Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Senior lecturer in marketing, Kajaani University of Applied Sciences
Ilmo Aronen, 1958	Member	D.Sc. (Agriculture and Forestry)	R&D Director, Raisioagro Ltd
Annikka Nikola, 1960	Member	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Director, Administration, Konehuone Oy
Seppo Kietäväinen, 1959	Member	M.Sc.(Agric.)	-

## Remuneration Committee work in 2016

The Remuneration Committee had 12 meetings in 2016. The average attendance rate of members stood at 98%.

Committee members included the Supervisory Board Chair, Vice Chair as his first deputy and Annukka Nikola, Ilmo Aronen and Seppo Kietäväinen. In addition to the Remuneration Committee members, OP Financial Group's Executive Vice President of Human Resources participated in Committee meetings.

## Risk Management Committee

The Supervisory Board elects from among its members four Risk Management Committee members for a one-year term, who have the required expertise related to the credit institution's and OP Financial Group's risk-bearing capacity and the Group's risk policies based on the strategy, and appoints from among the Committee members a Chair and Vice Chair as well as three separately appointed member cooperative banks' managing directors as permanent expert members from among Supervisory Board members. At least one of the Committee members must be outside of OP Financial Group.

The Risk Management Committee assists the Supervisory Board in matters related to the central cooperative consolidated's and Group's risk-taking and risk management, as well as risk-based supervision, in order to ensure that the executive management conforms to the risk-taking policy laid out in the Group strategy and the risk limits decided by the Supervisory Board.

The Risk Management Committee assists the Supervisory Board in ensuring that an adequate risk management system is in place and that no exposure is so

large that it can jeopardise business continuity, capital adequacy, liquidity and strategy implementation.

The Committee must assess whether the prices charged for services that tie the capital of the central cooperative and its consolidation group are in line with their business model and strategic risk policies and, if this is not the case, draw up a plan to make corrections. The Committee must assist the Supervisory Board's Remuneration Committee in creating sound remuneration schemes.

To carry out its duties, the Committee, for example:

- Considers the Group's risk-taking and risk tolerance system to be submitted to the Supervisory Board for approval, the principles of the control system required by joint and several liability, the Group's risk limits and capital plan;
- Supervises compliance of the risk policy with the Group strategy and risk limits, the amount and quality of capital held by the Group and its entities, profit performance, risk exposure and compliance with the risk policy, risk limits and control limits;
- Assesses the adequacy of the Group's risk limit system, the Group's risk exposure on the basis of risk analyses and the quality and sufficiency of the Group's risk management and capital adequacy management on the basis of various reports;
- Monitors Group member cooperative banks' risk categories, the performance of the Executive Board's ALM and Risk Management Committee, risk assessments issued by the regulator, the development of the regulatory framework related to the Group in respect of risk management.

Risk Management Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Ola Eklund, 1952	Chair	M. Eng.Managing	Director, Wintem-Agency Oy
Ulla Järvi, 1952	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	Certified public accountant
Jaakko Kiander, 1963	Member	Dr.Soc.Sc.	Director, Ilmarinen Mutual Pension Insurance Company
Petri Sahlström, 1971	Member	D.Sc. (Econ. & Bus. Adm.)	Dean, University of Oulu, Oulu Business School
Tuomas Kupsala, 1967	Expert member	M.Sc. (Econ. & Bus. Adm.), eMBA	Managing Director, Korpilahden Osuuspankki
Timo Laine, 1959	Expert member	LL.M, Trained on the bench, eMBA	Managing Director, kauppaneuvos (Finnish honorary title), Päijät-Hämeen Osuuspankki
Olli Näsi, 1963	Expert member	LL.M, Trained on the bench, eMBA	Managing Director, Satakunnan Osuuspankki

## Risk Management Committee work in 2016

The Risk Management Committee had six meetings in 2016. The average attendance rate of members stood at 97%.

In addition to members and the secretary, the Committee meetings have been attended by the Chairman of OP Cooperative's Executive Board, Executive Board member in charge of risk management and Executive Board member in charge of finance.

## The central cooperative consolidated management Nomination Committee

The central cooperative consolidated management Nomination Committee comprises the Supervisory Board's Chair, the first Vice Chair and, based on the Supervisory Board's decision, one or more Supervisory Board members.

The Committee prepares proposals to the Supervisory Board on the nomination of the central cooperative's Executive Board members, the Chief Audit Executive and Compliance Officer, including the job descriptions, as well as the related checks and terminations. Furthermore, the Committee decides on the revision of the salaries and emoluments of the Executive Board members and the Chief Audit Executive as well as on remuneration.

The Nomination Committee assesses the fitness and propriety of Executive Board members, Chief Audit Executive and Chief Compliance Officer and deals with the succession plans of Executive Board members and the Chief Audit Executive. The committee assists the Supervisory Board, for example, in the assessment of the collective knowledge, skills, experience and diversity of the Executive Board and the time commitment expected of its members, in the assessment of the composition, work and an individual member of the Executive Board as well as in the assessment of the selection criteria and procedures applied to the executive management.



Members of the central cooperative consolidated management Nomination Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Senior lecturer in marketing, Kajaani University of Applied Sciences
Ilmo Aronen, 1958	Member	D.Sc. (Agriculture and Forestry)	R&D Director, Raisioagro Ltd
Annukka Nikola, 1960	Member	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Director, Administration, Konehuone Oy

The central cooperative consolidated management Nomination Committee work in 2016

The management Nomination Committee had three meetings in 2016. The attendance rate of members stood at 100%.

## OP Financial Group's President, Group Executive Chairman, and OP Cooperative's CEO and Executive Board

### OP Financial Group's President and Group Executive Chairman

The Chairman (President and Group Executive Chairman) of the central cooperative's Executive Board is responsible for managing OP Financial Group, the central cooperative and the central cooperative consolidated and is in charge of their strategic control in accordance with the strategic intent confirmed by the Supervisory Board. He is also tasked with presiding over Executive Board meetings and ensuring that the Executive Board works effectively and sees to it that it performs all duties within its remit.

The President and Group Executive Chairman also chairs the boards of directors of central cooperative consolidated credit institutions engaged in corporate banking as well as in the Helsinki Metropolitan Area in retail banking, non-life insurance company and asset management company as well as OP-Services Ltd and OP Process Services Ltd.

As the central cooperative's CEO, he has statutory responsibility for the central cooperative's management at operational level according to the instructions and regulations issued by the Supervisory Board and the Executive Board.

The Supervisory Board appoints the President and Group Executive Chairman, acting as the central cooperative's CEO, and decides on the terms and conditions of his executive contract.

Specifically approved by the Supervisory Board, the job description of the President and Group Executive Chairman defines his main responsibilities.

Reijo Karhinen, M.Sc. (Econ. & Bus. Adm.) and vuorineuvos (Finnish honorary title), acts as the President and Group Executive Chairman of OP Financial Group. He has held that position since 2007. Information on the remuneration payable to the President and Group Executive Chairman can be found in the section covering remuneration below.

## Executive Board of OP Cooperative

### Appointment, composition and term of the Executive Board

The central cooperative's Executive Board acting as the board of directors comprises a Chairman acting as CEO and known as President, Group Executive Chairman; his deputy who acts as Vice Chairman of the Executive Board; and a minimum of four and a maximum of nine other members and a maximum of four deputy members, depending on the Supervisory Board's decision.

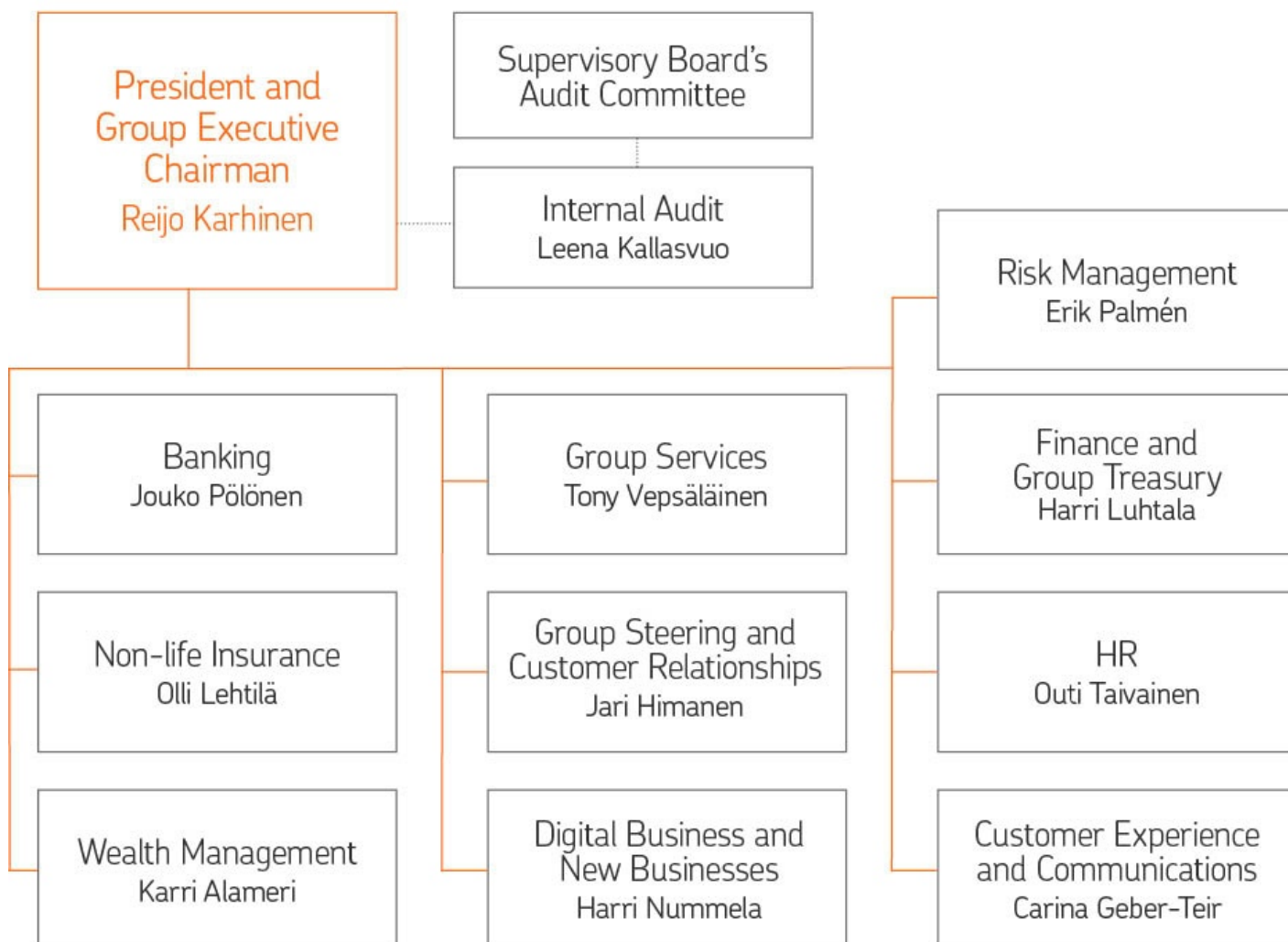
An Executive Board member and deputy member must have adequate knowledge of the financial sector, financial matters and general knowledge of the business of the central cooperative and consolidation group and OP Financial Group and other qualifications required for the position.

#### Executive Board members >

The President and Group Executive Chairman and other Executive Board members and deputy members as well as the Chief Audit Executive shall be appointed and discharged by the Supervisory Board, which shall also decide on the division of responsibilities between the members.

The term of office of an Executive Board member or deputy member and the Chief Audit Executive is for the time being, but for a maximum period up to the member's retirement age in accordance with OP Financial Group's pension scheme. The term of office may end prior to this date if the member or deputy member requests to resign or is dismissed from membership.

OP Cooperative



## Responsibilities of the Executive Board

The Executive Board is responsible for managing the central cooperative's and its consolidation group's operations in accordance with the Co-operatives Act, other laws, official regulations and the central cooperative Bylaws. The Executive Board must be careful in promoting the interests of OP Financial Group, its central cooperative and its consolidation group.

The Executive Board duties, according to its role, cover those related to OP Financial Group's steering, the management of the central cooperative consolidated and the management and administration of the parent entity (central cooperative) of the central cooperative consolidated.

The Executive Board responsibilities in respect of Group steering include:

- Controlling the amalgamation's operations and issuing instructions to the member credit institutions within the amalgamation on risk management, good corporate governance and internal control to secure their liquidity and capital adequacy, as well as on compliance with standardised accounting policies in the preparation of the amalgamation's consolidated financial statements;
- Supervising the companies within the amalgamation so that they operate in accordance with the laws and decrees governing their financial position, regulations issued by the relevant authorities, their own bylaws or articles of association, and instructions issued by the central cooperative;

- Giving approvals, as referred to in Chapter 4 of the Act on the Amalgamation of Deposit Banks, that it is possible not to apply to a member credit institution the provisions stated in greater detail in the Act governing the minimum capital base, customer risks, requirements for liquidity, disclosure of information on credit risk and the qualitative management of risks, unless the Executive Board has, within the limits it has determined, delegated these duties to the bodies or employees it has assigned;

- Steering OP Financial Group and implementing the Group strategy in line with the principles issued by the Supervisory Board;

- Making a proposal to the Supervisory Board on OP Financial Group's strategy and operational and financial targets;

- Preparing an annual plan and submitting it to the Supervisory Board for approval;

- Preparing the consolidated financial statements as referred to in the Act on the Amalgamation of Deposit Banks;

- Deciding on major investments unless the Executive Board has, within the limits it has determined, delegated these decisions to be made by employees or bodies it has assigned;

- Confirming the rules of procedure of OP Financial Group's Risk Management Committee and Credit Risk Committee and appointing their members.

For the management of the central cooperative consolidated, the Executive Board in its capacity as the consolidation group's board of directors defines issues specified in the rules of procedure of the subsidiaries' boards of directors. The Executive Board has operational responsibility for the management of the entire central cooperative consolidated. In respect of the management of the central cooperative consolidated, the Executive Board is tasked, for example, with the following:

Discussing and defining

- The consolidation group's risk policy and risk and capital adequacy management and ALM policies and related key guidelines;
- The consolidation group's policies relating to funding, amount of capital and investments;
- The principles of the dividend policy of subsidiaries and the principles of the level of dividends;
- The principles of member banks' list of service charges and fees;
- The implementation of investments or company acquisition/disposal or corporate transactions with an impact on the strategically or financially important Group companies;
- The consolidation group's HR policy, (including the principles of remuneration and incentives and other employee benefits) in line with the policy decisions made in greater detail by the Supervisory Board or its committees;
- The implementation of the Group strategy within the central cooperative consolidated and its supervision;
- The consolidation group's communications and brand management policy and the related key principles;
- The consolidation group's outsourcing policy and outsourcing principles;
- The consolidation group's ICT architecture policy and ICT policy;
- The annual business plan and the supervision of its progress;
- The principles and practices applied to ensure the fitness and propriety of the management of the companies within the consolidation group;
- The appointment and discharge of the managing director of subsidiaries and his/her deputy as well as the determination of their salaries and other benefits and the terms and conditions of their executive contract, if related decisions and policy statements are not within the remit of the Supervisory Board's Remuneration Committee;
- Compliance policy and the key compliance principles;
- The organisational structure and management system of companies within the central cooperative consolidated;
- The description of internal control and supervision of the adequacy of internal control performance in companies.

- The job description of the Banking Senior Credit Committee of the central cooperative consolidated and its members;
- The job description of the Underwriting Executives and their members;
- The central cooperative consolidated's management and decision-making system.

#### Issuing a statement on

- The ICAAP report and the risk and capital adequacy assessments (ORSA);
- Major changes in the technical bases for insurance liability, such as those in the discount rate;
- Technical bases for equalisation provisions and their changes.

In respect of the central cooperative management and governance, the Executive Board is tasked, for example, with:

Confirming

– Drawing up the Supervisory Board's and its committees' meeting agendas and putting forward a proposals to the Supervisory Board, for example, on

– the central cooperative's and the central cooperative consolidated's operational and financial targets;

– important issues of wide scope related to the central cooperative and the central cooperative consolidated and pertaining to the Group's interests, right and development for the purpose of convening a Cooperative Meeting;

– Attending to the execution of the decisions by the Cooperative Meeting and the Supervisory Board;

– Deciding on the basic principles of the remuneration schemes of the central cooperative and companies within the consolidation group to the extent that deciding on them is not within the Supervisory Board remit;

– Confirming the central cooperative's organisation, hiring and firing employees necessary for the central cooperative's operations, determining their remuneration and confirming the division of responsibilities between such employees to the extent necessary unless the Executive Board has, within the limits it has determined, delegated related decision-making to employees it has assigned;

– Deciding on the central cooperative's corporate acquisitions, disposals or corporate transactions unless related decisions do not fall within the remit of the Supervisory Board due to their significance;

– Deciding on financing for the central cooperative and on its terms and conditions;

– Preparing the central cooperative's financial statements and Report by the Executive Board and submitting them to the Supervisory Board.

In addition, the Executive Board must assess and supervise the appropriateness, scope and reliability of the Group's capital adequacy management, decide on reporting with which the Executive Board monitors the business, risk-bearing capacity, risk status and internal control of the Group and its subsidiaries.

## Executive Board meeting procedures and decision-making

At its meeting, the Executive Board decides on the matters within its remit. The Executive Board may hold a meeting on a teleconference basis or using other communications media if the matter in question is urgent or there exists some other similar reason to do so. Executive Board members must be given the opportunity to communicate with each other during decision-making.

Convened by the Chairman or, whenever his is prevented, the Vice Chairman, an Executive Board meeting is mainly held once a week. The Executive Board's ordinary members and deputy members participate in the meetings. OP Financial Group's Chief Audit Executive has the right to be present and speak at Executive Board meetings. Executive Board meetings may also be attended by some other person whose presence is necessary due to the matter under discussion.

The meeting's agenda and the basic meeting material shall be distributed to the Executive Board's members for review well in advance prior to the meeting.

Each Executive Board member and deputy member shall present items on the meeting agenda within his/her remit. In this context, he/she may be assisted by an expert staff member or another expert. Proposals must be given in writing. Each Executive Board member and deputy member is responsible for the implementation of the execution of Executive Board decisions within his/her remit and supervises their implementation. Minutes shall be kept of all Executive Board meetings, containing those present, decisions made and any dissenting opinions, by the secretary appointed by the Executive Board. The next Executive Board meeting adopts the minutes of the previous meeting and the minutes are signed by the secretary and the Executive Board members and deputy members present at the meeting. All minutes documents are numbered consecutively by calendar year.

The Executive Board is collectively responsible for the matters upon which it decides jointly at its meetings. In addition, Executive Board members and deputy members bear operational responsibility for the areas of responsibility and organisational entities individually designated to them.

Executive Board members must also give the company sufficient information to assess his/her fitness and propriety and independence, and inform of any changes in such information.

The Executive Board shall prepare an annual action plan, containing a meeting schedule and the most important issues discussed at the meetings. The Executive Board shall review its performance and procedures on an annual self-assessment basis.

## Executive Board work in 2016

The Executive Board had 49 meetings in 2016. The average attendance rate of members stood at 96%.

At its meetings in 2016, the Executive Board discussed the following issues, among other things:



- OP 2016 strategy and its implementation process
- Implementation and strategic initiatives related to the OP 2016 strategy
- OP Helsinki project
- #Suominousuun initiatives
- Regulator's (ECB and FIN-FSA) inspections and replies given to them
- Threats and opportunities of digitisation (as part of strategy work)
- Health and wellbeing services
- Projects related to new businesses
- Needs for changes due to regulation

At its meetings, the Executive Board also discussed, for instance, the annual plan, risk management and capital adequacy management principles and risk policies, and regularly analysed the financial performance, capital adequacy and risk exposure of OP Financial Group, the central cooperative consolidated and the business segments. The Executive Board also monitored key measures taken and the achievement of the targets. In addition, it discussed key issues related to markets, the competitive and regulatory environment and evaluated the effect of related changes on OP Financial Group.

As part of its normal activities, the Executive Board also discussed all audit reports prepared in 2016 and other key issues pertaining to internal and external control. In 2016, it analysed regularly major purchases and projects. At its meetings in 2016, the Executive Board regularly discussed and reviewed issues related to competence development and remuneration.

It also further developed its activities, for instance, by holding two two-day planning days. Outi Taivainen, OP Financial Group's Executive Vice President for Human Resources and deputy member of the Executive Board, became member of the Executive Board on 1 April 2016. Markku Koponen, deputy Executive Board member, OP Financial Group's Chief Legal Officer, resigned on 31 December 2016.

## Executive Board committees

The Executive Board has set up four committees whose rules of procedure it has confirmed. The Committees have no independent decision-making powers but the Executive Board makes decisions based on preparations by the committees.

## HR Committee

The central cooperative's Executive Board confirms the composition of the HR Committee and appoints its members. The Committee is chaired by the Chairman of the Executive Board. Other members acting as Executive Board members comprise OP Financial Group's Executive Vice President of Human Resources, Executive Vice President of Operations and one Executive Vice President of each business segment on a one-year rotation basis. Committee members must have adequate knowledge of OP Financial Group's and the central cooperative consolidated's operations as well as of HR issues.

The HR Committee is responsible for supporting the Executive Board in controlling the HR management of the central cooperative consolidated in accordance with the adopted principles and decisions. The Committee is tasked with assisting the Executive Board in ensuring that HR management supports the achievement of the business targets of the central cooperative consolidated by means of HR management methods, processes and their supporting systems.

The Committee is also responsible for supervising the central cooperative consolidated that it complies in its operations with the agreed and decided HR policy guidelines.

## HR Committee work in 2016

The HR Committee held 10 meetings in 2016. Its members comprised President and Group Executive Chairman, Executive Vice President of Operations, Executive Vice President of Human Resources and Executive Vice President of Wealth Management.

## Development Committee

The central cooperative's Executive Board confirms the composition of the Development Committee and appoints its members. The Committee is chaired by the Vice Chair of the Executive Board. Other members comprise Executive Vice President, Banking; Executive Vice President, Wealth Management; Executive Vice President, Non-life Insurance; Executive Vice President, Digital Business and New Businesses; and Executive Vice President, Group Steering. The Committee members must have adequate knowledge of the development activities within OP Financial Group and the central cooperative.

The Committee is tasked with supporting the Executive Board in controlling and managing Group-level development. The central cooperative's Executive Board confirms annual development needs and the main policy lines for allocating OP Financial Group's development investments. On the basis of the policy lines issued by the Executive

Board, the Development Committee defines development priorities and allocates development investments to various development plans. The Committee controls the prioritisation between the development plans and the resulting development portfolios for the purpose of implementing the OP Financial Group strategy and achieving the targets deriving from the strategy.

## Development Committee work in 2016

The Development Committee held 17 meetings in 2016. In 2016, the Committee held four longer meetings on the allocation of development spending: the April–May meetings discussed the existing plans for portfolios and the implementation capacity and the September–October meetings concentrated on identifying the most important conditions of the new strategy and initiating the required changes in 2017.

## Control and Compliance Committee

OP Cooperative's Executive Board confirms the composition of the Control and Compliance Committee and appoints its members. The Committee is chaired by the Chair of the Executive Board. Other members comprise the Executive Board member in charge of Group Steering and the Executive Board member in charge of Group risk management. If the Chair is prevented from being present, the Committee members shall select from among its members a chair of the meeting.

The Committee is tasked with supporting the Executive Board in the central cooperative's implementation of control and supervision of the central cooperative consolidated and cooperative banks based on the principles issued by OP Cooperative's Supervisory Board. The Committee makes decisions on matters delegated to it by the Executive Board.

## Control and Compliance Committee work in 2016

The Control and Compliance Committee held 12 meetings in 2016. At its meetings, the Committee regularly discussed, for example, issues related to cooperative banks' risk categorisation and bank-specific control as well as groups of connected clients related to structural development and problem situations. In addition, the Committee put on the table issues related to cooperative banks' audits, control and corporate coherence within the Group as well as "All come along" reports. The Committee regularly received reports on how the project of transferring cooperative banks proceeded. After an alteration of its rules of procedure, the Committee's duties were extended to cover the central cooperative

consolidated's control and supervision, the Committee regularly discusses the Group-level risk management processes, qualitative risks and the Internal Control observations analysis.

## ALM and Risk Management Committee

The central cooperative's Executive Board confirms the composition of the ALM and Risk Management Committee and appoints its members. The Committee is chaired by the Chair of the Executive Board. Other members acting as Executive Board members comprise OP Financial Group's CFO, CRO, Executive Vice President of Banking and Executive Vice President of Group Steering. The Committee members must demonstrate adequate knowledge of the operations, capital adequacy management and ALM and risk management of the Group and the central cooperative consolidated.

The ALM and Risk Management Committee supports the Executive Board in steering and managing the Group's risk-bearing capacity and risk appetite according to the operating principles and decisions issued by the Supervisory Board. The Committee is also tasked with assisting the Executive Board in ensuring that the central cooperative and its consolidation group have adequate capital adequacy management and risk management systems in place covering all operations. The Committee is also responsible for supervising the central cooperative and its consolidation group and the entire OP Financial Group so that they do not take excessive risks in their operations which would materially jeopardise the capital adequacy, liquidity and profitability of the central cooperative, its consolidation group and the entire Group.

The Committee makes decisions on issues included in the rules of procedure and delegated to it by the Executive Board. The Committee also discusses matters submitted for decision by the Executive Board, those to be brought to the attention of the Executive Board and other matters within the remit of the Committee.

## ALM and Risk Management Committee work in 2016

The ALM and Risk Management Committee held 13 meetings in 2016.

## Management team of the central cooperative consolidated

The central cooperative consolidated has no separate Group management team but the central cooperative's Executive Board attends to its tasks.

## Central cooperative's decision-making system



## Management system

Board, whose control and supervisory responsibility covers the entire Group.

## Core values and the role of the Code of Ethics

OP Financial Group has defined core values guiding its operations, which, for their part, also serve as the Group's code of ethics. The Group's core values are as follows: People-first Approach, Responsibility, and Prospering together. In its operations, OP Financial Group also applies its Code of Business Ethics. The Code of Business Ethics provides an ethical framework for the conduct of all employees and members of governing bodies of OP Financial Group. In addition, ethics is guided by the general principles and guidelines governing the management of conflict-of-interest cases updated every year.

These principles contain more detailed regulations and guidelines governing, for example, the identification and management of conflict-of-interest situations, compliance with good practice, acceptance of gratuities related to business, commitments and extramural activities of management and personnel, personal and related-party transactions and decisions, and measures required in a conflict-of-interest situation.

OP Financial Group's core values > are presented in greater detail on OP Financial Group's website.

## OP Cooperative's structure and management system

The Supervisory Board confirms the division of responsibilities between the Executive Board's members while the Executive Board confirms the operational organisation of the central cooperative. Operational decision-making combines with legal decision-making through the Executive

## Management system of the central cooperative consolidated, and central cooperative subsidiaries

In the entire central cooperative consolidated, decisions are made as extensively as possible at Group level by the central cooperative's Executive Board. The board of directors of each subsidiary discusses issues related to them primarily on the basis of the policy guidelines issued by the central cooperative's Executive Board or after hearing the Executive Board.

The central cooperative's Executive Board decides on candidates for the subsidiaries' boards of directors, after which the board of directors is elected in a manner specified in the Articles of Association and laws in force from time to time. Basically, the subsidiaries' boards of directors comprise members of the central cooperative's Executive Board. Board members must demonstrate adequate knowledge of financial issues and the company's business or other qualifications required in the position as well as to have the opportunity to allow sufficient time to perform their duties.

The rules of procedure of the subsidiaries' boards of directors describe the tasks that each board carries out. The boards of directors also annually draw up an action plan showing a meeting schedule and the most important items on each meeting's agenda. The boards of directors assess their performance and working methods on a regular basis.

The operations manager of the subsidiary's Managing Director chairs the subsidiary's board of directors.

## Central cooperative subsidiaries



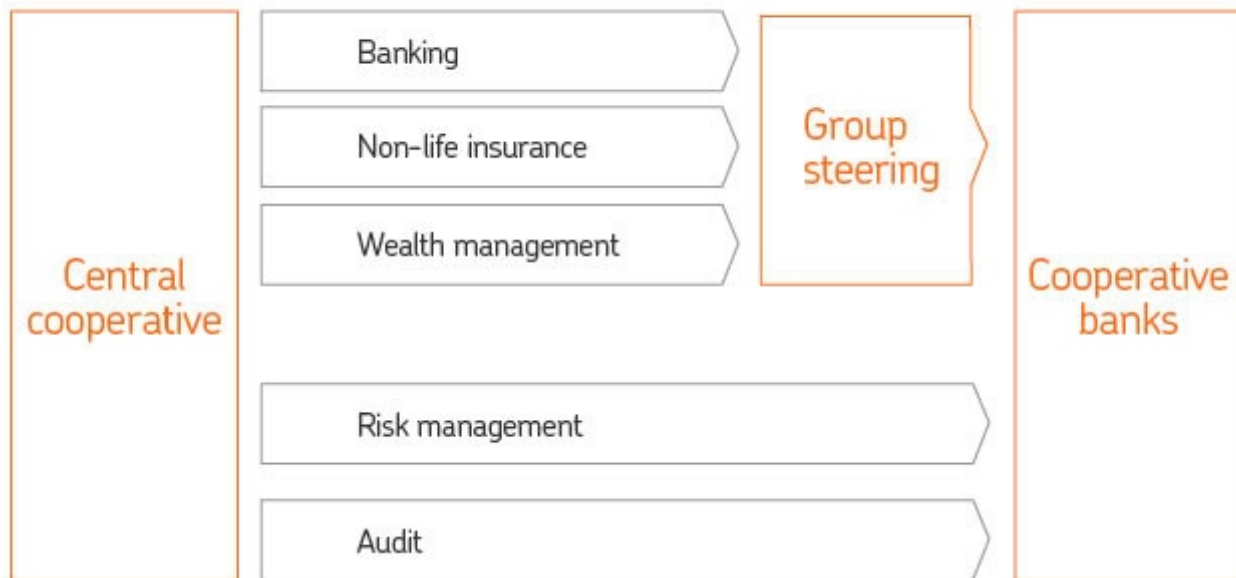
The board of directors and Managing Director/President of major subsidiaries in 2016

Company	Board of Directors	Managing Director/President
OP Corporate Bank plc	Karhinen Reijo, Chairman Luhtala Harri Himanen Jari (since 15 March 2016) Palmén Erik (until 15 March 2016) Vepsäläinen Tony	Pölönen Jouko
Helsinki Area Cooperative Bank	Karhinen Reijo, Chair Luhtala Harri Vepsäläinen Tony	Pölönen Jouko
OP Mortgage Bank	Luhtala Harri, Chair	Iloniemi Lauri

	Hirvinen Hanno	
	Ronkanen-Minogue Elina	
OP Card Company Plc	Huttunen Jussi, Chair	Patovirta Kai
	Jaatinen Hannu	
	Pölönen Jouko	
OP Insurance Ltd	Karhinen Reijo, Chair	Lehtilä Olli
	Luhtala Harri	
	Himanen Jari (since 24 February 2016)	
	Palmén Erik (until 24 February 2016)	
	Vepsäläinen Tony	
OP Asset Management Ltd	Karhinen Reijo, Chair	Alameri Karri
	Luhtala Harri	
	Himanen Jari (since 14 March 2016)	
	Palmén Erik (until 14 March 2016)	
	Vepsäläinen Tony	
OP Life Assurance Company Ltd	Alameri Karri, Chair	Kuisma Jarmo
	Luhtala Harri	
	Himanen Jari (since 24 February 2016)	
	Palmén Erik (until 24 February 2016)	
OP Fund Management Company Ltd	Jormalainen Sami, Chair	Saariaho Kalle
	Kuisma Jarmo	
	Vanha-Honko Vesa-Matti	



## OP Financial Group's operational organisation



## Internal and external control

### Internal control

Effective and reliable internal control forms the basis for compliance with sound and prudent business practices.

Internal control refers to procedures or practices within an organisation to ensure that the organisation achieves the targets set in the strategy, uses resources economically and the information in support of management decisions is reliable. Internal control also ensures that risk management, custody of client assets and protection of property are adequately arranged. Conformance to regulations and approved ethics principles, too, are ensured through internal control.

OP Financial Group's internal control principles shall be approved by the central cooperative's Supervisory Board.

Internal controls cover all operations, involving all OP Financial Group entities and sites. The nature and extent of operations and, whenever necessary, special characteristics related to international operations are taken into consideration in specifying internal controls. Internal control covers all organisational levels. Internal control in its most extensive form primarily takes place at the operational level, characterised by continuous processes and forming part of daily routines.

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

### Internal control responsibilities and organisation

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

The centralised Compliance function, Risk Management and Finance and Treasury functions assist Group entities in ensuring internal control effectiveness. In addition, Internal Audit assists in ensuring internal control effectiveness. Moreover, external auditors in particular ensure that financial information is correct in this respect.

## Internal control in 2016

Internal guidelines are used to support operational management and compliance with these guidelines is subject to continuous supervision. In 2016, the Group updated its internal control guidelines and specified the set of instructions related to internal control practices.

The Supervisory Board's Audit Committee, 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.

### Internal audit

Internal Audit is responsible for Group-level internal auditing within OP Financial Group. Internal audit is based on an independent and objective assessment, assurance and consulting activities. Internal Audit helps OP Financial Group to reach its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, supervision and governance processes.

Internal audit is conducted in compliance with good internal auditing practice. The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and professional standards, issued by the Information Systems Audit and Control Association, and the code of ethics provide the conceptual framework for good internal auditing practice and the independence of objectivity of internal activities. The planning, implementation and reporting of audit are an independent function. Internal audit performance is subject to external quality assessment every five years. Internal Audit reports on audits to the Audit Committee of the central cooperative's Supervisory Board. It has no operational responsibility or powers with respect to the functions subject to auditing.

The Supervisory Board of OP Cooperative confirms the operating principles of OP Financial Group's Internal Audit. The Supervisory Board's Audit Committee adopts the Internal Audit action plan. The Chief Audit Executive regularly reports his/her audits and any resulting observations to the Supervisory Board's Audit Committee. Furthermore, the central cooperative's Executive Board discusses his/her observations.

## Internal audit in 2016

Approved by the central cooperative's Supervisory Board, the Internal Audit action plan for 2016 covered audits performed in both the central cooperative consolidated and Group member cooperative banks. The audits focused on the identification of risk factors and the assessment of the performance of internal control processes. In its reports, Internal Audit issues recommendations for remedying any defects discovered. Internal Audit performed audits according to the action plan and reported the audits to the Audit Committee of the Supervisory Board, the Executive Board of the central cooperative consolidated, the management teams of business segments and certain functions and subsidiaries' boards of directors as well as, with respect to Group member cooperative bank audits, to the banks' management.

Internal Audit regularly monitored the progress of the implementation of the recommendations issued on a half-yearly basis and regularly reported its monitoring observations to the Supervisory Board's Audit Committee and the management of the central cooperative consolidated.

## 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 his/her own part for regulatory compliance.

The Compliance function assists senior management 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 activities within OP Financial Group are the responsibility of the Compliance unit within the Internal Control Support department of the risk management function independent of the central cooperative. Group member cooperative banks have their own designated compliance officers. Control, support and supervision of compliance activities for member cooperative banks are performed through the network of contact persons formed by the designated compliance officers. As part of the central cooperative's Risk Management, the OP cooperative banks' operational risk management and compliance support supports the attendance of compliance duties at OP cooperative banks.

Any observations made within compliance are reported regularly to the business line/division concerned, OP Cooperative's Executive Board and the Supervisory Board's Risk Management and Audit Committees.

## Compliance in 2016

In 2016, risk-based focus areas in compliance continued to include, as in prior years, KYC regulation and ensuring compliance with legislation and official instructions related to the provision of investment services and with related Group-level guidelines and the performance of processes.

Compliance advisory activities and business support also focused on solving any problems emerged from regulatory compliance related to KYC and investment services. The same risk-based prioritisation was also observed in providing support related to training for business lines/divisions. Training is also aimed at enhancing knowledge of Group and entity-specific guidelines.

During 2016, OP Financial Group prepared a risk assessment relating to AML/CTF. Furthermore, it prepared a new system-supported internal control tool that enables the control of the performance of the duties of supervisory control at Group level. The Group developed follow-up related to future regulatory changes and preparing for these. The aim was to improve the conditions of the business lines/divisions to prepare for upcoming regulatory changes and to ensure that they take measures required by the changes before they enter into force. Particular attention was paid to the EU Data Protection Regulation, the transposition of the 4th Money Laundering Directive into national law and the progress of the preparedness for MiFID II legislation.

Compliance activities and observations were regularly reported to the entities' and Group's senior and executive management in accordance with the Group-level guidelines.

## Risk management and capital adequacy management

OP Financial Group's mission and core values as well as strategic goals and financial targets form the basis for risk management and capital adequacy management. The strategy outlines the Group's risk appetite and risk management priorities that help to ensure strategy implementation. The objective is to help achieve the targets set in the strategy by controlling that risks taken are proportional to risk-bearing capacity.

Risk and capital adequacy management falls under internal control. Its purpose is to ensure the risk-bearing capacity and liquidity of OP Financial Group and its entities and, thereby, ensure business continuity. Risk and capital adequacy management has been integrated as an integral part of the Group's business and management.

Risk-bearing capacity is made up of effective risk

management that is proportionate to the extent and complexity of operations and of adequate capital resources and liquidity based on profitable business operations.

The most significant risks of OP Financial Group include credit risks, market risks, liquidity risks, underwriting risks, concentration risks and strategic and operational risks, including compliance risks associated with all business operations, and reputational risk. OP Financial Group adopts a policy of moderate risk-taking.

OP Financial Group's principles governing the risk-taking and risk tolerance system, adopted by the central cooperative's Supervisory Board, define how the Group's risk-taking is controlled, restricted and supervised and how the risk management and internal capital adequacy assessment process is organised.

Risk management and internal capital adequacy assessment process (ICAAP) involves:

- Identifying, measuring, assessing and mitigating risks;
- Determining reliably and independently how much capital and liquidity is required for various risk types and business operations; and
- Allocating capital and liquidity systematically by business segment in line with current and planned risk-taking.

In OP Financial Group's risk policy, the central

cooperative's Executive Board confirms annually risk-management principles, actions, objectives, limits and control limits to be applied by all Group business segments and entities that are used to guide business to implement the policies confirmed in the Group's strategy and the principles of the risk tolerance system.

Confirmed annually by the central cooperative's Supervisory Board, risk limits ensure that OP Financial Group does not take excessive risks to jeopardise its capital adequacy, profitability, liquidity and business continuity. The Executive Board annually confirms limits for the central cooperative consolidated's entities and control limits for Group member cooperative banks derived from the Group's limits.

#### **Risk and capital adequacy management's three lines of defence**

The organisation and responsibilities of the Group's risk management and capital adequacy management are founded on three lines of defence shown below.

## Three defence lines of risk management

<p>I Operational risk management</p> <p>Applies the risk management framework</p> <ul style="list-style-type: none"> <li>• Risk management integrated as part of the operational units</li> <li>• Risk decisions and operational monitoring</li> </ul>	<p>Responsibility for risk exposure and its monitoring</p>
<p>II Independent risk management</p> <p>"Owns" the risk management framework</p> <ul style="list-style-type: none"> <li>• Group's independent risk management function</li> <li>• Steering the risk decision process and managing consolidated risk exposure</li> </ul>	<p>Responsible for conditions for good risk management and control</p>
<p>III Internal Audit</p> <p>Inspects and assesses the risk management framework and its application</p> <ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Independent audit function</li> </ul>	<p>Responsibility for independent assessment of risk management</p>

The first line consists of risk management applied within business and other operations. It supervises risk decisions and ensures that risk exposure and risk-bearing capacity are under sufficient entity-level control. Risk management is included in business models and processes.

The second line of defence consists of risk management independent of operational business organisations that is run from the central cooperative. It is in charge of the Group's risk management framework, supervises the risk-decision process and is responsible for the Group's consolidated risk exposure and risk-bearing capacity monitoring.

The third line of defence is centralised internal audit. It audits and evaluates both the Group's risk management framework and its application in the central cooperative and other Group entities.

## Risk management in 2016

In risk management of the central cooperative, 2016 included monitoring external regulatory changes and continuing to prepare for regulatory changes. Significant changes relevant to OP Financial Group included the EU Solvency II Directive applying to insurance companies and the EBA (European Banking Authority) technical guideline on the management of interest rate risk in the banking book effective since the beginning of 2016.

The Group continued to further develop its risk management assessment processes and operational processes in order to ensure that risk management has been integrated as part of all business. In addition, the Group updated its risk management guidelines, risk reporting and risk limitation. Risk Management has also developed significantly OP Financial Group's internal stress testing methods.

## External control

### Audit

OP Cooperative has one auditor, which must be a firm of authorised public accountants certified by the Finland Chamber of Commerce. The auditor shall also audit the consolidated financial statements as referred to in Section 9 of the Act on the Amalgamation of Deposit Banks.

The Cooperative Meeting shall elect 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 Supervisory Board puts audit services out to tender at some five years' interval (last time at the end of 2011), on the basis of which it proposes eligible auditors to the Annual Cooperative Meeting.

The auditor's remuneration is based on the invoiced amount.

The auditors are tasked with auditing the accounting, financial statements and governance of OP Financial Group and its entities and sub-groups in order to obtain assurance that the Group and its entities and administrative bodies act in compliance with applicable laws and that the financial statements have been prepared in compliance with the rules and regulations in force and give OP Cooperative's shareholders 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 Supervisory Board's Audit committee annually assesses the quality of the auditor's performance and ancillary services and the independence of auditors and the statement of the ancillary services. The auditors annually issue the Auditor's Report to the members of OP Cooperative in which they express their opinion on the financial statements and the Report by the Executive Board. Based on their observations, they also draw up audit memoranda delivered to the OP Cooperative's Executive Board, the President and Group Executive Chairman, the Supervisory Board's Audit Committee, the CRO, Internal Audit and the Finnish Financial Supervisory Authority, according to the subject matter concerned. Whenever necessary, auditors also issue oral reports to the aforementioned persons and bodies.

The Supervisory Board's Audit Committee consults the auditor when dealing with the Group's annual accounts and interim accounts, as well as the accounting policies. The auditors have a statutory obligation to notify the Financial Supervisory Authority of any matters or decisions that put operations and the existence of licence requirements at risk, or that result in an opinion in the Auditor's Report other than the unqualified opinion, as referred to in the Auditing Act, or result in an auditors' remark as referred to in Chapter 3, Section 5 and Paragraph 4 of the Auditing Act.

### Audit in 2016

KPMG Oy Ab, a firm of authorised public accountants, has acted as OP Cooperative's auditor since 2002, with authorised public accountant Raija-Leena Hankonen as the Chief Auditor since 2014. KPMG Oy Ab, a firm of authorised public accountants, acts as the auditor of OP Cooperative Consolidated, i.e. 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 firms of authorised public accountants and authorised public accountants, in addition to KPMG Oy Ab.

Audit is based on audit plans. Statutory audit of separate companies and their groups involves the audit of the entity's accounting, financial statements, report by the board and governance for the financial year. Aspects relevant to statutory audit included receivables from customers, investment assets and derivative contracts, insurance liabilities and the control environment related to financial reporting as well as information systems. All interim reports and financial statements bulletins are unaudited.



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

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

Audit fees paid to auditors totalled EUR 1.9 million (2.2), whereas assignments as referred to in Chapter 1, Section 1(1) of the Auditing Act totalled EUR 0.2 million (0.3), fees for legal counselling EUR 0.1 million (0.0) and fees for other services EUR 0.7 million (0.7).

## Control within the amalgamation of OP Financial Group cooperative 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, the central cooperative supervises the operations of its member credit institutions in the manner as referred to in the Act on the Amalgamation of Deposit Banks.

## 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.

## Financial reporting process

The different financial management units subordinate to OP Financial Group's CFO take charge of not only the preparation of interim and annual accounts 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 Control function within OP Financial Group also produces earnings forecasts and analyses the actual outcome in comparison with the forecasts and reports on any deviations.

This chapter, Financial reporting process, describes the main features of how OP Financial Group's internal control and risk management work with a view to ensuring that the consolidation group's financial reports give substantially true information on the company's and its consolidation group's financial performance and position. Group-level financial information correctly consolidated using sub-ledger accounting and OP Financial Group companies' information forms the basis of reliable financial reporting.

OP Financial Group uses Group-wide financial reporting and risk reporting to monitor the achievement of its business goals and financial targets, and these reports are regularly reviewed at executive management and OP Cooperative's Executive Board meetings. Financial information in financial reports is compared with related plans and any differences are analysed and the report also describes earnings outlook for the current year and for a longer period of time. The very same principles apply to the monthly financial performance and risk report prepared by the management. When preparing and examining the report, the management ascertains the accuracy and correctness of the financial results and reporting by analysing the performance and risk exposure and any deviations from targets.

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

## Organisation of financial reporting

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

The Supervisory Board's Audit Committee is tasked with assisting the Supervisory Board to ensure firstly that the central cooperative and OP Financial Group have in place an adequate and well-functioning control system to cover all operations and secondly that the OP Cooperative's accounting and treasury control is organised appropriately. To perform its tasks, the Committee discusses the Group's accounting policies and capital adequacy assessment principles to be submitted to the Supervisory Board for adoption. It also supervises for its part financial reporting by

- assessing the Group's financial statements and interim reports and the financial statements of central cooperative consolidated;
- assessing the Corporate Governance Statement issued annually;
- assessing major or exceptional transactions and the related management judgement and estimates; and
- monitoring the financial statements process and supervising the financial reporting process as well as assessing the accuracy of financial reporting and its regulatory compliance.

The President and Group Executive Chairman must ensure in accordance with the Co-operatives Act that the company's accounting is in compliance with applicable laws and 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 independent 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.

## Independent assessment of financial reporting

As provided by law, auditors shall 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 Company and its administrative bodies act in compliance with applicable laws and that the financial statements have been prepared in compliance with the rules and regulations in force and give owners and other stakeholders a true and fair view of the financial performance and the financial position of the Company and its consolidation group.

In its audits or processes, Internal Audit also assesses, when applicable, the effectiveness and adequacy of financial reporting, and reports these audits to the executive management and the Supervisory Board's Audit Committee. During its inspections, the Financial Supervisory Authority also oversees the financial reporting process and its effectiveness.

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.

In 2016, OP Financial Group adopted the following standards and interpretations:

- Amendment to IAS 1 was aimed at enhancing the understandability of financial statements by focusing on presenting relevant items. The adopted new income statement and balance sheet format better reflects the current business model than the previous one. In addition, OP Financial Group has removed irrelevant information from the notes.
- Annual improvements to IFRS for cycles 2012–2014 (applicable mainly to accounting periods beginning on or after 1 January 2016.) Minor amendments are annually made to standards through the Annual Improvements process. The effects of the amendments vary by standard but they are not significant.
- In addition, amendments have been made to IFRS 10, IFRS 11, IFRS 12, IAS 16, IAS 28 and IAS 38, effective since 1 January 2016. The amendments did not have any major effect on OP Financial Group's financial statements.

In addition to the standards adopted, the grouping of the income statement and balance sheet formats has been revised in the financial statements. This has no effect on equity capital, balance sheet total or profit for the financial year. Segment reporting has been updated accordingly. Comparatives have been restated to correspond to the new grouping.

## Financial reporting in 2016

OP Financial Group's financial statements were prepared in accordance with IFRS, applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2016.

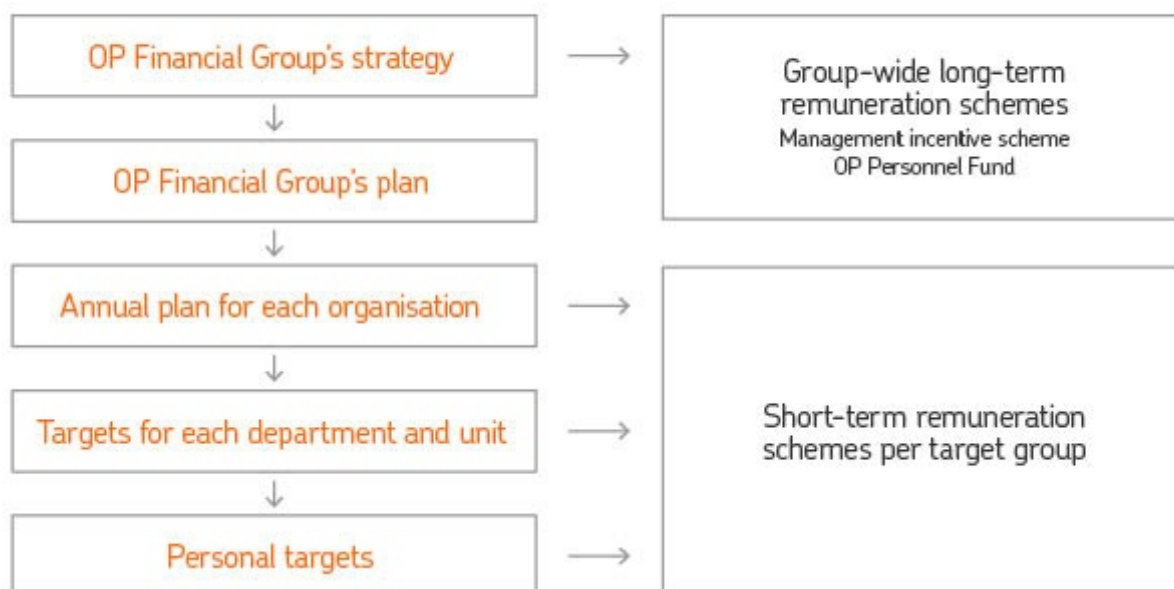
## Remuneration

### Remuneration within OP Financial Group

Within OP Financial Group, financial remuneration consists of fixed and variable remuneration. Variable remuneration involves both short-term and long-term performance-based bonuses.

A sufficiently large amount of the total remuneration must remain fixed. The proportion of variable remuneration may not exceed 100% of the total amount of each beneficiary's fixed remuneration. OP Cooperative's Supervisory Board defines this appropriate, reasonable balance between the fixed and variable pay.

### Remuneration at OP Financial Group



Variable remuneration comprises a long-term management remuneration scheme common to OP Financial Group member cooperative banks and the central cooperative consolidated and the personnel fund for all personnel as well as short-term schemes for each target group.

In its remuneration, the Group complies with provisions based on EU and national laws and guidelines issued by the European Central Bank, the Finnish Financial Supervisory Authority and other regulators. Remuneration policies governing OP Financial Group's employees and management are based on laws, provisions and recommendations applicable to the financial sector and on the Finnish Corporate Governance Code.

OP Financial Group's remuneration policy is consistent with sound and effective risk management and does not encourage excessive risk-taking. The remuneration schemes are in line with the core values, goals and targets,

and the business strategy, and agree with the Group's long-term interests. Remuneration may not lead to a situation that could jeopardise the general reliability of the incentive scheme, an owner-customer's or customer's interests or the reputation of OP Financial Group or a Group company.

### Decision-making related to remuneration

OP Cooperative's Supervisory Board and, depending on the matter concerned, OP Financial Group's Remuneration Committee, the Supervisory Board's presiding officers or the Nomination Committee of the central cooperative's Executive Board and boards of directors as well as the relevant Remuneration or HR Committee, which

reviews the application of the schemes and assesses their effectiveness, deal with remuneration principles and policy lines within OP Financial Group.

For schemes applying to the entire Group, the decisions are made by the Supervisory Board or OP Financial Group's Remuneration Committee. A Supervisory Board member, who has no employment or executive contract with an OP Financial Group company, may be a Remuneration Committee member. Within the member cooperative banks, remuneration-related decisions are ultimately made by each bank's board of directors.

The Supervisory Board of OP Cooperative shall approve the Group's remuneration principles, decide on the long-term incentive scheme, confirm the general terms and conditions of the Group's remuneration schemes and issue recommendations for short-term incentive schemes. The Supervisory Board owns the long-term management remuneration scheme and decides on its metrics, target levels and maximum bonuses. Similarly, the Supervisory Board determines the metrics, target levels and maximum bonuses in respect of OP Financial Group's personnel fund as well. The presiding officers of the Supervisory Board decide on issues related to OP Cooperative Executive Board remuneration.

By order of the Supervisory Board, OP Financial Group's Remuneration Committee set up by the Supervisory Board shall monitor and supervise the effectiveness and competitiveness of the remuneration schemes and the ability of the remuneration structures to support the Group's long-term goals and targets. The Remuneration Committee shall annually approve and revise the Group's remuneration policies.

The HR Committee of OP Cooperative's Executive Board and the presiding officers of OP Cooperative's Supervisory Board act as bodies in charge of preparing remuneration issues. The Remuneration Committee of OP Financial Group acts as a body in charge of preparing remuneration issues for Group member cooperative banks' management.

Internal Audit reviews annually compliance with the remuneration and incentive scheme approved by the Supervisory Board.

## Remuneration of management and administration

OP Financial Group's Remuneration Committee annually issues a recommendation to member cooperative banks on management remuneration. Such statement involves a recommendation on monthly emoluments and meeting attendance allowances of chairmen and members of member cooperative banks' supervisory boards and boards.

The Cooperative Meeting decides on emoluments and other benefits payable to the members of OP Cooperative's Supervisory Board.

Monthly emoluments for 2016 confirmed by the Cooperative Meeting and payable to the Supervisory Board Chair, Vice Chairs and members are as follows: Chair 6,600 euros, Vice Chair 3,300 euros and other members 400 euros. Chairs other than those of committees acting under the Supervisory Board Chair receive 1,650 euros in monthly emoluments. In addition, all Supervisory Board members receive an attendance allowance of 600 euros for each meeting. Management and administration emoluments are paid in cash.

The Chair, Vice Chairs and members of the Supervisory Board are covered by voluntary pension insurance, as referred to in the Employees' Pensions Act (395/2006), through OP Bank Group Pension Fund.

### Remuneration of OP Cooperative Supervisory Board Chair and members in 2016 (€)

	Supervisory Board Chair	Vice Chair and other Supervisory Board members	Total
Regular monthly emoluments	79,200	237,300	316,500
Meeting allowance	24,200	234,000	258,200

## Principles governing the remuneration and other benefits to the President and Group Executive Chairman

The Nomination Committee of OP Cooperative's Supervisory Board determines the remuneration and other benefits to OP Financial Group's President and Group Executive Chairman, and other Executive Board members, deputy members and the Chief Audit Executive. A written executive contract, approved by the Supervisory Board, stipulates the terms governing the President and Group Executive Chairman's employment.

His remuneration consists of the following three parts: 1) Basic pay (salary and fringe benefits, based on the job grade, skills and performance); 2) short-term remuneration based on short-term performance (performance-based bonuses, based on the achievement of targets under the annual plan); and 3) long-term remuneration (OP Financial Group's common management remuneration scheme, based on the achievement of the Group's shared strategic goals and targets). The President and Group Executive Chairman's retirement age is 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans. The President and Group Executive Chairman is covered by OP Bank Group Pension Foundation's supplementary pension scheme. Pension accrued under the supplementary pension scheme may begin to be disbursed as a paid-up pension before the old-age pension if employment with OP Financial Group terminates.

The period of notice applicable under the President and Group Executive Chairman's executive contract is six months. Upon termination of employment in cases specifically stipulated in the executive contract, the executive is entitled to a severance pay and a sum equivalent to his 12 months' pay.

## Principles governing OP Cooperative's Executive Board remuneration

The Nomination Committee of OP Cooperative's Supervisory Board determines the remuneration and other benefits to OP Cooperative's Executive Board members, deputy members and the Chief Audit Executive. A written executive contract, approved by the Supervisory Board, stipulates the terms governing each of the above-mentioned persons' employment.

Remuneration payable to the members and deputy members of OP Cooperative's Executive Board and the Chief Audit Executive consists of the following three parts: 1) Basic pay (salary and fringe benefits, based on the job grade, skills and performance); 2) short-term remuneration based on short-term performance (performance-based bonuses, based on the achievement of targets under the annual plan); and 3) long-term remuneration (OP Financial

Group's common management remuneration scheme, based on the achievement of the Group's shared strategic goals and targets).

The Board members, deputy members and the Chief Audit Executive retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans.

Executive Board members' supplementary pension cover has been arranged through OP Bank Group Pension Foundation and supplementary pension taken out with OP Life Assurance Company.

The period of notice followed by the employer for Executive Board members, deputy members and the Chief Audit Executive is 6 months. Upon termination of their employment in cases specifically stipulated in their executive contracts, Executive Board members are entitled to a severance pay and a sum equivalent to a maximum of 6 months' pay.

## OP Financial Group's short-term remuneration schemes

Short-term remuneration is aimed at guiding, engaging and encouraging employees to achieve annual goals and targets and perform successfully, ensuring the achievement of the goals and targets deriving from the strategy, and rewarding them for achieving and exceeding challenging targets.

The short-term remuneration schemes are based on metrics deriving from annual targets. Such metrics may be determined at Group-, company-, department- and employee level. Bonuses based on the short-term scheme come from achieving or exceeding the targets set for the metrics. In addition to personal performance, bonus payout requires the fulfilment of the conditions set for Group- and/or company-level remuneration.

Every OP Financial Group member cooperative bank decides for its part the objectives and metrics of short-term remuneration on the basis of the recommendations issued by OP Cooperative's Supervisory Board. OP Cooperative's Executive Board determines remuneration for the central cooperative consolidated and the board of directors of each central cooperative consolidated entity confirm the inclusion of the entity in the remuneration scheme of the central cooperative consolidated.

Short-term bonuses are mainly paid in cash. With respect to its identified staff, OP Financial Group complies with the legal requirements for the deferral of bonuses and their payment using an instrument other than cash in case variable remuneration exceeds a defined level.

Within each organisation, the decision-making body in charge of the remuneration scheme may change their terms and conditions of the short-term scheme, cancel it during the year or defer the payment of bonuses if there has been



a change in circumstances which would place the company in an unreasonable situation were the scheme implemented. A Group member cooperative bank or the central cooperative consolidated may withhold payment of bonuses partly or fully citing its financial position. Paid bonuses may also be fully or partly reclaimed if the recipient is found guilty of misdemeanours, of intentionally endangering the future of business, or of breaking the law.

## OP Financial Group's long-term management remuneration scheme

OP Financial Group's shared long-term management remuneration scheme consists of three performance periods. The first period covered 2011–2013 and the one 2014–2016. The third performance period started at the beginning of 2017, covering 2017–2019.

The long-term management remuneration scheme has Group-level targets. The primary performance metrics for the performance period of 2014–2016 include growth in the number of customers using OP as their main bank and insurer, OP Financial Group's EBT and Common Equity Tier 1 (CET1) ratio. In addition, the scheme takes account of profitability (return on economic capital) and capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates. No bonus will be paid if capital adequacy under said Act is less than the minimum 130% on the date of payout.

Some 320 OP Financial Group employees are included in the long-term management remuneration scheme for the performance period of 2014–2016.

Those included in the long-term management remuneration scheme for 2014–2016 may receive a specified quantity (staggered according to the job position) of debentures issued by OP Corporate Bank plc if the strategic targets set for OP Financial Group are met during the performance period in question. The bonus based on the scheme will be paid out to the beneficiary in terms of debentures and cash and in three instalments in 2018, 2019 and 2020 after the performance period, provided that OP Financial Group's capital adequacy is higher than the minimum requirement on the payout date. Taxes and tax-like charges incurred by the beneficiary will form the portion paid in cash. Bonus payout includes conditions relating to the duration of employment or executive contracts and stipulations governing the hedging prohibition and the retention period. The hedging prohibition refers to a prohibition against use of financial instruments or insurance under the incentive scheme for hedging personal risks. The retention period means that the beneficiary must hold the debentures that he has received under the scheme for one year from the payout date.

## OP Financial Group's long-term remuneration scheme for other employees

The long-term remuneration scheme for other employees is based on OP Financial Group Personnel Fund. Membership of the Fund is based on an employment contract. All those who have concluded an employment contract for an indefinite or fixed term with an OP Financial Group company belonging to the Fund are members of the Fund (excl. those included in the long-term management incentive scheme).

This long-term remuneration scheme is grounded on the achievement of OP Financial Group's shared strategic goals and targets. The Group-level targets and performance metrics under the scheme based on the Personnel Fund are congruent with the targets under the long-term management remuneration scheme. The board of directors of the company belonging to OP Financial Group's Personnel Fund shall annually decide on the amount of profit-based bonuses transferred to the Fund.

## Remuneration to OP Financial Group's identified staff

Information required by the EU capital requirements regulation and directive concerning the remuneration of OP Financial Group's identified staff are published annually on OP's website.

## Remuneration and fringe benefits paid to the Executive Board in 2016

In 2016, OP Financial Group's President and Group Executive Chairman received EUR 754,392 in salary, EUR 18,480 in fringe benefits and EUR 218,838 in bonuses for 2015 based on the short-term scheme, i.e. a total of EUR 991,710. In 2016, the amount of deferred bonuses earned for 2011, 2012, 2013 under the short-term and long-term schemes totalled EUR 628,658.

Other Executive Board members, deputy members and the Chief Audit Executive received a total of EUR 3,430,193 in salary and EUR 161,997 in fringe benefits. The amount of bonuses earned for 2011–2015 under the short-term and long-term schemes totalled EUR 2,352,938. Salaries and bonuses paid to other Executive Board members, deputy members and the Chief Audit Executive totalled EUR 5,945,128.

Salaries and bonuses include the amount of the performance-based bonuses earned for 2012, 2013 and 2015 and paid in 2016. Payment of performance-based bonuses earned by the President and Group Executive Chairman and Executive Board members for 2015 under the short-term scheme has not been deferred. The deferral procedure is based on a procedure prescribed in the Act on Credit Institutions (610/2014), which is described in Note 53 of OP Financial Group's 2016 IFRS Financial Statements on variable remuneration.

The President and Group Executive Chairman, the other Executive Board members, deputy members and the Chief Audit Executive retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans.

Supplementary pension insurance payments for 2016 totalled EUR 829,698. In 2016, no costs were recognised under the OP Bank Group Pension Foundation supplementary pension scheme.

Supplementary pension costs have been published in the credit institutions' remuneration data collected annually by the European Banking Authority (EBA) in accordance with the capital requirements regulation (EU 575/2013) and directive of the (2013/36/EU, CRD IV) of the European Parliament and of the Council.

The period of notice for the President and Group Executive Chairman, other Executive Board members, deputy members and the Chief Audit Executive is 6 months. Upon termination of employment in cases specifically stipulated in their executive contracts, the President and Group Executive Chairman is entitled to a severance pay and a sum equivalent to a maximum of 12 months' pay, while other Executive Board members, deputy member and the Chief Audit Executive are entitled to a sum equivalent to a maximum of 6 months' pay.

	Regular pay	Fringe benefits	Short-term performance-based bonus for 2015	Total salaries, bonuses and fringe benefits paid in 2016	Deferred amount of performance-based bonuses earned for 2011, 2012 and 2013, and paid in 2016*	Total salaries, bonuses and fringe benefits, and deferred performance-based bonuses paid in 2016
Reijo Karhinen	754,392	18,480	218,838	991,710	628,658	1,620,368
Tony Vepsäläinen	594,681	14,436	146,985	756,102	492,794	1,248,896
Karri Alameri	291,592	12,420	60,000	364,012	122,105	486,117
Carina Geber-Teir	197,420	12,100	56,718	266,237	92,394	358,632
Jari Himanen	280,386	23,437	52,800	356,623	92,173	448,796
Olli Lehtilä	293,795	36,348	57,200	387,343	129,530	516,873
Harri Luhtala	250,637	10,077	45,100	305,813	134,992	440,805
Harri Nummela	336,159	12,720	60,830	409,709	173,922	583,631
Erik Palmén	238,876	-	46,815	285,691	114,583	400,274
Jouko Pölönen	388,622	13,200	112,000	513,822	143,107	656,929
Outi Taivainen	194,164	5,198	8,000	207,362	-	207,362
Markku Koponen	182,985	11,100	26,347	220,432	74,171	294,603
Leena Kallasvuori	180,876	10,961	33,187	225,024	77,185	302,209
Total	4,184,585	180,477	924,820	5,289,881	2,275,614	7,565,496

\* Include the amount of performance-based bonuses earned for 2012 and 2013 and paid in 2016 as well as the amount of long-term performance-based bonuses earned for 2011–2013 and paid in 2016. Payment of deferred amounts requires a separate decision.

## Insider management

Entities providing OP Financial Group's investment service, such as member credit institutions, have their own Guidelines for Insiders and Insider Trading. The Guidelines contain regulations governing inside information, prohibition against abuse and improper disclosure of inside information, public insider registers, non-public lists of insiders, list 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 their own equivalent guidelines. Those with access to inside information on securities issued by OP Corporate Bank plc and OP Mortgage Bank are included in the non-public company-specific insider lists of these companies. Insider management also maintains the lists of the executives of OP Financial Group's securities issuers OP Corporate Bank plc and OP Mortgage Bank.

The Guidelines for Insiders and Insider Trading are based on laws governing securities markets, regulations issued by the Finnish Financial Supervisory Authority and the recommendation for listed companies' insider guidelines issued by Nasdaq Helsinki.

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

OP Legal Services maintains the public insider lists and company-specific insider lists of OP Financial Group entities. Such maintenance is organised through the SIRE system maintained by Euroclear Finland Ltd and through OP Financial Group's SIPI system. OP Legal Services manages the practicalities related to maintaining the lists.

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

As credit institutions, OP Financial Group's member cooperative 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 cooperative banks and their executives and salaried employees may also receive inside information on client companies. For the abovementioned reasons, among other things, member cooperative 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. In particular, training takes place as a result of changes in the insider-related guidelines.

## Access to insider registers and lists of insiders and their display for public inspection

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 list of permanent insiders is not publicly available. Extracts from and copies of the public insider register can be ordered from Wealth Management Legal Support, OP Legal Services.

Written requests for such information specifically describing the information sought should be submitted to:

OP LakiasiatVarallisuudenhoidon juridinen tukiP.O. Box 106800013 OP

## Disclosure policy

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

In their disclosure policy, OP Financial Group, OP Corporate Bank and OP Mortgage Bank 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.

This disclosure policy approved by OP Cooperative's Executive Board on 14 June 2016 and the boards of directors of OP Corporate Bank and OP Mortgage Bank on 21 June 2016 applies to the disclosure principles and practices of bond issuers (OP Corporate Bank plc and OP Mortgage Bank) and OP Financial Group.

It is the duty of OP Cooperative to ensure that OP Corporate Bank and OP Mortgage too disclose, distribute and make information available 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 information for and on behalf of its subsidiaries 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 and OP Mortgage 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.

Disclosure Policy is available at [www.op.fi](http://www.op.fi) >. OP Financial Group's web address is [www.op.fi](http://www.op.fi) >.

## Corporate social responsibility

Corporate social responsibility (CSR) forms an integral part of OP Financial Group's business and part of the Group's strategy. The Executive Board of OP Cooperative decides on the CSR guidelines and approves the Group's CSR programme. On the Executive Board, CSR falls within the area of responsibility of the Executive Vice President, Corporate Communications. In appointing Executive Board members, the Supervisory Board pays attention to the fact that the Executive Board has adequate CSR expertise. Performance assessment is based on the achievement of CSR KPIs reviewed regularly according to the Executive Board's meeting cycle.

CSR activities are guided by the CSR principles adopted by the central cooperative's Executive Board. Responsibility for practical CSR activities rests with the boards of directors and executive boards of OP Financial Group companies, which implement corporate social responsibility in accordance with their own decision-making processes. Identity and Communications supports Group entities and functions

in the implementation of the CSR programme and in the dialogue with stakeholders and, whenever necessary, may communicate their concerns to the Executive Board.

OP Financial Group complies with the Code of Business Ethics approved by the Supervisory Board. OP Financial Group respects and conforms to international economic, social and environmental responsibility principles. The Group is committed to promoting the principles of the United Nations Global Compact initiative. OP Wealth Management has signed the UN Principles for Responsible Investment (UNPRI). OP Financial Group reports regularly on its corporate social responsibility issues according to the Global Reporting Initiative (GRI) guidelines.

## Updating Corporate Governance

OP Financial Group's Corporate Governance section, updated regularly, is available at [op.fi](https://op.fi) >.



# OP Financial Group Supervisory Board members by the federation of cooperative banks as of 15 March 2016

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

Name, year of birth and place of residence	Federation and member's term of office	Position on OP Cooperative's Supervisory Board (number of managerial positions in parentheses)*	Full-time position, job title, degree	Position of the person with an administrative staff background at a cooperative bank
Aronen Ilmo, 1958, Eura	Satakunta, 2015–(2018)	Member (4)	R&D Director, Raisioagro Ltd, D.Sc. (Agriculture and Forestry)	Chair of the Board of Directors, Euran Osuuspankki
Arvio Kalle, 1964, Siikajoki	Pohjois-Pohjanmaa, 2015–(2018)	Member (3)	Managing Director, Ruukin Osuuspankki, Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	-
Eklund Ola, 1952, Raasepori	Sydskusten, 2016–2019	Member (3)	Managing Director, Wintem-Agency Oy, M. Eng.	Chair of the Board of Directors, Andelsbanken Raseborg
Enberg Leif, 1954, Korsnäs	Österbotten, 2016–2019	Member (3)	Entrepreneur, Mapromec Ab, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Korsnäs Andelsbank
Eskola Tapani, 1953, Kotka	Kaakkois-Suomi, 2015–(2018)	Member (3)	M.Sc. (Tech.)	Chair of the Board of Directors, Kymenlaakson Osuuspankki
Harju Anne, 1969, Salla	Lappi, (2016–2018)	Member (2)	Managing Director, Sallan Osuuspankki, M.Sc. (Agriculture & Forestry)	-
Heinonen Jarna, 1965, Kaarina	Varsinais-Suomi, 2015–(2018)	Member (3)	Professor in Entrepreneurship, Turku School of Economics, University of Turku, D.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Turun Seudun Osuuspankki

Hyrskyluoto Jorma, 1950, Tampere	Pirkanmaa, 2015–(2018)	Member (3)	M.Sc. (Econ.)	Chair of the Board of Directors, Tampereen Seudun Osuuspankki
Hällfors Terttu, 1955, Ulvila	Satakunta, 2016–2017	Member (2)	Health Centre Physician, Ulvila Health Centre, Lic. Med.	Chair of the Board of Directors, Länsi-Suomen Osuuspankki
Jurmu Taija, 1976, Rovaniemi	Lappi, 2016–2019	Member (2)	Deputy Director, Lapland Chamber of Commerce, LL.M, Degree of Bar	Vice Chair of the Board of Directors, Pohjolan Osuuspankki
Järvi Ulla, 1952, Kokkola	Keski-Pohjanmaa, 2015–(2018)	Member (3)	Certified public accountant, M.Sc. (Econ. & Bus. Adm.)	Supervisory Board Chair, Kokkolan Osuuspankki
Kaakko Marja-Liisa, 1965, Kalajoki	Keski-Pohjanmaa, 2016–2019	Member (2)	Senior Lecturer, Centria University of Applied Sciences, M.Sc. (Econ.), M.Sc. (Econ. & Bus. Adm.)	Member of the Board of Directors, Kalajoen Osuuspankki
Kakkori Ari, 1955, Virrat	Pirkanmaa, 2014–2017	Member (3)	Managing Director, Virtain Osuuspankki, Bachelor of Agriculture	-
Kiander Jaakko, 1963, Helsinki	Other member (elected without not following the regional principle) 2015–2018	Member (2)	Director, Ilmarinen Mutual Pension Insurance Company, Dr.Soc.Sc.	-
Kietäväinen Seppo, 1959, Juva	Suur-Savo, 2015–2018	Member (3)	M.Sc.(Agric.)	Chairman of the Board of Directors, Suur-Savon Osuuspankki
Kiiskinen Juha, 1956, Sulkava	Suur-Savo, 2015–(2018)	Member (2)	BA	Chair of the Board of Directors, Sulkavan Osuuspankki
Korkonen Jaakko, 1966, Seinäjoki	Etelä-Pohjanmaa, 2015–2018	Member (2)	Lecturer, Seinäjoki Joint Municipal Authority for Education / Vocational Adult Education Sedu, M. Eng., certificate in educational administration	Chairman of the Board of Directors, Peräseinäjoen Osuuspankki
Krohns Petri, 1964, Lappeenranta	Kaakkois-Suomi, 2015–2018	Member (3)	Managing Director Etelä-Karjalan Osuuspankki, LL.M, Trained on the bench, MBA	-

Kuosa-Kaartti Katja-Riina, 1973, Orimattila	Etelä-Suomi, 2016–(2018)	Member (3)	Authorised public accountant, Tilintarkastus Kuosa-Kaartti Oy, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Orimattilan Osuuspankki
Kupsala Tuomas, 1967, Korpilahti	Keski-Suomi, 2015–(2018)	Member (3)	Managing Director, Korpilahden Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA	-
Kääriäinen Jukka, 1953, Iisalmi	Pohjois-Savo, 2015–2018	Member (2)	Planner, Social Insurance Institution of Finland, M.Soc.Sc.	Supervisory Board Chair, Pohjois-Savon Osuuspankki
Laaninen Seppo, 1950, Nurmes	Pohjois-Karjala, 2014–2017	Member (3)	M.A.	Supervisory Board Chair, Pielisen Osuuspankki
Laine Timo, 1959, Lahti	Etelä-Suomi, 2016–2017	Member (3)	Managing Director, Päijät-Hämeen Osuuspankki, kauppaneuvos (Finnish honorary title) LL.M, Trained on the bench, eMBA	-
Mikkola Ari, 1955, Tammela	Varsinais-Suomi, 2015–(2018)	Member (2)	Unit Director, Häme University of Applied Sciences Oy, Bachelor of Agriculture	Vice Chairman of the Board of Directors, Lounaismaan Osuuspankki
Mononen Esko, 1957, Joensuu	Pohjois-Karjala, 2015–(2018)	Member (3)	Managing Director, Pohjois-Karjalan Osuuspankki, M.Sc. (Agriculture & Forestry)	-
Nikola Annukka, 1960, Kirkkonummi	Etelä-Suomi, 2015–(2018)	Member (4)	Director, Administration, Konehuone Oy, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Supervisory Board Chair, Länsi-Uudenmaan Osuuspankki
Näsi Olli, 1963, Huittinen	Satakunta, 2016–(2018)	Member (3)	Managing Director, Satakunnan Osuuspankki, LL.M, Trained on the bench, eMBA	-
Parmasuo Timo, 1950, Espoo	Other member(elected without not following the regional principle) 2014–2017	Member (2)	Teollisuusneuvos (Finnish honorary title), Board member, Meconet Oy, graduate in engineering	-

Pehkonen Jaakko, 1960, Jyväskylä	Keski-Suomi, 2014–2017	Chair of the Supervisory Board (5)	Professor of Economics, University of Jyväskylä, D.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Keski-Suomen Osuuspankki
Pullinen Juha, 1963, Pöytyä	Varsinais-Suomi, 2015–2018	Member (3)	Managing Director, Loimaan Seudun Osuuspankki, M.Sc. (Agriculture & Forestry), M.Sc. (Forestry)	-
Sahlström Petri, 1971, Oulu	Pohjois-Pohjanmaa, 2016–2019	Member (3)	Dean, University of Oulu, Oulu Business School, D.Sc. (Econ. & Bus. Adm.)	Vice Chairman of the Board of Directors, Oulun Osuuspankki
Tarkkanen Olli, 1962, Seinäjoki	Etelä-Pohjanmaa, 2015–(2018)	Second Vice Chair of the Supervisory Board (3)	Managing Director, Etelä-Pohjanmaan Osuuspankki, LL.M, Trained on the bench, eMBA	-
Väisänen Mervi, 1963, Sotkamo	Kainuu, 2016–2019	First Vice Chair of the Supervisory Board (5)	Senior lecturer in marketing, Kajaani University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Vice Chair of the Board of Directors, Kainuun Osuuspankki
Väänänen Ari, 1973, Maaninka	Pohjois-Savo, 2015–(2018)	Member (3)	Managing Director, Maaningan Osuuspankki, LL.M, Trained on the bench	-

\* All managerial duties in OP Financial Group are counted in the number of managerial positions.

## Executive Board members



Reijo Karhinen, President and Group Executive Chairman  
b.1955

President and Group Executive Chairman, CEO of OP Cooperative Member of the Executive Board since 1994, Chair since 2007 Vuorineuvos (Finnish honorary title), M.Sc. (Econ. & Bus. Adm.), Honorary Doctor of Turku School of Economics and University of Eastern Finland

### Relevant previous experience:

OP Bank Group Central Cooperative: President 1997–2006, Executive Vice President 1994–1996 Kuopion Osuuspankki: Managing Director 1990–1994 Savonlinnan Osuuspankki: Managing Director 1988–1990 Varkauden Osuuspankki: Managing Director 1985–1988 Juvan Osuuspankki: Assistant Director 1979–1984

### Other relevant positions:

Foundation for Economic Education: Chair of the Board of Directors Maanpuolustuksen Tuki ry: Chair of the Board of Trustees New Children's Hospital Foundation: Vice Chair of the Board of Trustees HelsinkiMissio: Chair of the Delegation Savonlinna Opera Festival Patrons' Association: Chair of the Board of Trustees Unico Banking Group: Member of the Board Service Sector Employers Palta: Member of the Board and its Executive Committee



Tony Vepsäläinen, Executive Vice President, Operations  
b.1959

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

### Relevant previous experience:

OP-Pohjola Group Central Cooperative: Executive Vice President 2011–2014 OP-Pohjola Group Central Cooperative: Managing Director 2007–2010 Tampereen Seudun Osuuspankki: Managing Director 1998–2006 Turun Seudun Osuuspankki: Deputy Managing Director 1996–1998 Kuopion Osuuspankki: Bank Manager 1993–1996 Suomen Säästöpankki SSP Oy: Deputy to Area Manager 1992–1993 Pohjois-Savon Säästöpankki: Managerial duties 1985–1992

### Other relevant positions:

Housing Fair Finland Co-op: Member of the Supervisory Board Automatia Pankkiautomaatit Oy: Vice Chair of the Board of Directors



## Karri Alameri, Executive Vice President, Wealth Management

b.1963

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

### Relevant previous experience:

OP Cooperative: Executive Vice President, Wealth Management, Investment Pohjola Asset Management Ltd: President 2012–2014 OP-Pohjola Group Central Cooperative: Executive Vice President, Wealth Management 2013–2014 OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–2012 Danske Capital, Sampo Bank plc: Deputy CEO 2007–2008 Mandatum Asset Management Ltd: Deputy CEO 2004–2006 Carnegie Asset Management Finland Ltd: Chief Investment Officer 1997–2003

### Other relevant positions:

Access Capital Partners Group SA: Board member Cinia Group Ltd: Board member





Carina Geber-Teir, Executive Vice President, Customer Experience and Communications

b.1972

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

Relevant previous experience:

Varma Mutual Pension Insurance Company: Communications Director 2002–2009

Other relevant positions:

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



Jari Himanen, Executive Vice President,  
Group Steering and Customer  
Relationships

b.1962

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

Relevant previous experience:

Etelä-Karjalan Osuuspankki: Managing Director 2009–2014  
OP-Pohjola Group Central Cooperative: Bank Manager, Sales  
channels and sales support 2007–2009 OP-Pohjola Group  
Central Cooperative: Bank Manager, Member bank steering  
2002–2006 Kuusamon Osuuspankki: Managing Director  
1997–2001 Pohjolan Osuuspankki: Bank Manager 1994–  
1997 Iisalmen Osuuspankki: Bank Manager 1989–1994 Etelä-  
Savon Osuuspankki: Bank Manager 1986–1989 Koillis-Savon  
Osuuspankki: Credit Manager 1985–1986

Other relevant positions:

-



Olli Lehtilä, Executive Vice President,  
Non-life Insurance  
b.1962

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

### Relevant previous experience:

Helsinki OP Bank Plc: Managing Director 2011–2014  
Tampereen Seudun Osuuspankki: Managing Director 2006–  
2010, deputy Managing Director 1999–2006 Päijät-Hämeen  
Osuuspankki: Bank Manager, Corporate Banking 1997–1998  
Postipankki Oy: Various managerial and expert duties 1993–  
1997 Suomen Säästöpankki - SSP Oy: Various managerial  
duties 1992–1993 Sp-Palvelu Oy: Management Trainee  
1990–1992

### Other relevant positions:

Helsinki Region Chamber of Commerce: Member of the  
Delegation Ilmarinen Mutual Pension Insurance Company:  
Member of the Board of Directors Pellervo Economic  
Research PTT: Member of the Board of Directors Unico  
Banking Group: Member of the Bancassurance Committee

## Harri Luhtala, Chief Financial Officer b.1965

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

### Relevant previous experience:

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

### Other relevant positions:

VTS Fund: Chair of the Board of Directors Financial Stability  
Fund: Member of the Board of Directors





Harri Nummela, Executive Vice President, Digital Business and New Businesses

b.1968

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

Relevant previous experience:

OP Cooperative: Executive Vice President, Wealth Management 2014–2015 OP-Services Ltd: Chief Executive Officer 2011–2014 OP-Pohjola Group Central Cooperative: Member of the Executive Board; Executive Vice President, Banking and Investment Business 2007–2010; Department Manager 1998–2006 OP Fund Management Company Ltd: Managing Director 1997–2006 Tampereen Seudun Osuuspankki: Department Manager 1992–1997

Other relevant positions:

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

Erik Palmén, Chief Risk Officer  
b.1959

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

Relevant previous experience:

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

Other relevant positions:

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





Jouko Pölönen, Executive Vice  
President, Banking  
b.1970

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

#### Relevant previous experience:

Helsinki Area Cooperative Bank (formerly Helsinki OP Bank plc): Managing Director since 2014 OP Corporate Bank plc (formerly Pohjola Bank plc): President and CEO since 2013 Pohjola Insurance Ltd: President 2010–2014 Pohjola Bank plc: CFO 2009–2010 and CRO 2001–2008 PricewaterhouseCoopers: Authorised Public Accountant 1999–2001 and auditor 1993–1999

#### Other relevant positions:

Unico Banking Group: Member of the Board





Outi Taivainen, Executive Vice  
President, Human Resources  
b.1968

Executive Vice President, Human Resources Member of the  
Executive Board since 2015 (deputy member until 1 April  
2016) M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

Kone Corporation: Head of HR, Central and North Europe  
2012–2015 HR House Oy: Managing Director 2009–2011  
Nokia Corporation: HR Director of different units 1993–2008

Other relevant positions:

Confederation of Finnish Industries EK: Member of the Skilled  
Workforce Committee Service Sector Employers Palta:  
Member of the Labour Market Committee



Leena Kallasvuori, Chief Audit Executive  
b.1956

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

### Relevant previous experience:

Financial Supervisory Authority (Financial Supervision  
Authority): Various expert and managerial duties 2005–2010  
Tremia Finland Oy: Project Manager 2000–2005 Aktia  
Savings Bank: Head of Department 1997–2000  
Säästöpankkien Keskus-Osake-Pankki: Various expert and  
managerial duties 1983–1996

### Other relevant positions:

-

## Risk management

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

The strategy outlines the Group's risk appetite and risk management priorities. Risk management, on the other hand, helps to achieve the targets set in the strategy by controlling that risks are proportional to risk-bearing capacity. In the long term within moderate risk-taking, the Group seeks above-market-average growth. This requires controlled risk-taking relying on strong risk management.

### Integral part of daily business and corporate culture

Risk management is part and parcel of daily business and its management. Risk awareness and a moderate risk-taking approach are reflected in every business decision and form an integral part of corporate culture. OP manages customer relationships on a long-term basis and responsibly from the perspective of risk management. An example of the role of risk management in banking is that a borrower's repayment capacity is a key prerequisite for loan approval. Robust risk management is in the interests of both customers and OP Financial Group.

### A major player faces a variety of risks

Risks associated with OP Financial Group's business segments differ in terms of weight. Credit risks, structural interest rate and funding risks and funding liquidity risks play a major role in Banking. Meanwhile, interest rate and other market risks are highlighted in Non-life Insurance and compliance risks and life insurance market risks in Wealth Management. Operational risks apply to all business segments alongside the trend towards automated and digitised services. The extent of OP Financial Group provides significant risk diversification benefits. Meanwhile, however, the role of various concentration risks will increase.

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

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

	Risk description	Risk management tools
Strategic risks	Risk caused by changes in the competitive environment, slow reaction to changes, poor choice of strategy or poor strategy implementation.	The Group assesses strategic risks as part of the strategy process while identifying related control measures and assessing their effects, for example, on the Group's overall risk exposure and economic capital requirement. The Group takes account of risks associated with its operating environment by implementing proactive risk management and systematically monitoring its operating and competitive environment. Strategic risk is reduced by regular planning, based on analyses and forecasts of customer future needs, developments in different sectors and market areas, and of competition.
Operational risks	Risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor. Operational risks also include ICT, security, data security, procedural and model risks.	The key area of operational risk management involves identifying and assessing risks and assessing the effectiveness and adequacy of risk control and management tools. Risks that may disrupt business continuity are prepared against by means of business continuity planning in key business divisions.
Compliance risk	Risks caused by non-compliance with external regulation, internal policies, appropriate procedures or ethical principles governing customer relationships.	Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Compliance risk management tools include monitoring legislative developments, providing the organisation concerned with guidelines, training and consultation in respect of observing practices based on regulation as well as supervising the regulatory compliance with procedures applied within the organisation.

Reputational risk	Risk of deterioration of reputation or trust caused by negative publicity or realisation of some other risk.	Reputational risk is managed proactively and in the long term by complying with regulation, good practices of the financial sector and OP's Code of Business Ethics and by emphasising transparency of operations and communications. OP adheres to international financial, social and environmental responsibility principles and international commitments.
Credit risks	Risk of a counterparty failing to fulfil its obligations arising from debt relationship. Non-fulfilment of other obligations of a counter-party is also known as counterparty risk.	Credit risk management in banking is based on good knowledge of customers, strong professional skills and comprehensive documentation. The day-to-day credit approval process and its effectiveness play a key role in the management of credit risks. OP mitigates credit risks by using collateral, financial covenants, central counterparty clearing, netting agreements and exchange-traded products.
Market risks	Risk of loss resulting from interest rate, price, volatility and market liquidity changes in the financial market. Market risks consists of structural market risk associated with the balance sheet (market risks associated with the banking book and insurance liabilities) and market risks associated with trading and long-term investment.	Banking interest rate risk is primarily managed by the choice of the range of borrowing and lending products and the terms and conditions offered as well as by limits and control limits. Moreover, derivatives may be used for hedging purposes. Managing investment risks is based on diversification through effective allocation. Risks are managed through limits (e.g. VaR limits, allocation, credit rating and country risk limits) and investment plans. Insurance companies manage market risks associated with investment and insurance liabilities by means of various investment instruments and derivative contracts. VaR limits are used to limit market risks associated with trading.

Liquidity risks	Liquidity risk comprises funding liquidity risk, structural funding risk and funding concentration risk. Funding liquidity risk refers to the risk that OP Financial Group will not be able to meet its current and future cash flows and collateral needs, both expected and unexpected, without affecting its daily operations or overall financial position. Structural funding risk refers to uncertainty related to long-term lending, arising from the refinancing risk due to the structure of funding. Funding concentration risk refers to the risk that funding becomes more difficult due, for example, to a transaction related to an individual counterparty, currency, instrument or maturity band.	OP Financial Group manages its liquidity position through the proactive planning of the funding structure, limits and target levels, the monitoring of the liquidity status and a well-balanced liquidity buffer, planning and management of daily liquidity, the business continuity and contingency plan based on emergency preparedness, as well as the effective and ongoing control of the Group's liquidity status.
Non-life Insurance risks	Non-life Insurance risks comprise risk of loss or damage, and provision risk. Risk of loss or damage occurs when there are an above-average number of losses or they are exceptionally large. Provision risk arises when the claims incurred due to already-occurred losses are higher than anticipated on the balance sheet date.	Risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance liabilities are highlighted in underwriting risk management.
Life Insurance risks	Life Insurance risks comprise biometric risks, cost risk and customer behaviour risks. Biometric risks occur when claims paid out are higher than expected or for a longer period than expected. Customer behaviour risk means early termination of insurance premium payment or the insurance contract or its change on the basis of the option included in the contract. Expense risk refers to a situation in which incurred insurance contract management expenses differ from those estimated in rating.	Life Insurance underwriting risk management tools include prudent premium rating, careful selection of exposure and reinsurance. Diversifying insurance between different insurance types also reduces risks. Life Insurance reinsures, when necessary, any major individual risks and risk concentrations. Customer behaviour risk is managed by means of a competitive product range, suitable product structures and incentives and sanctions in the insurance terms and conditions.
Concentration risks	Risks that may arise of a business's excessive concentration on individual customers, products, lines of business, maturity periods or geographical areas.	The management of concentration risks is closely integrated with other risk management, with the related tools including limits, maximum allocations, diversification and economic capital requirement.

## In-depth customer knowledge as the core of risk management

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

The second line of defence consists of risk management independent of operational business organisations. In charge of general risks management conditions within OP Financial Group, it controls, supports and supervises the implementation of the risk management principles, confirmed by the Supervisory Board, at OP Financial Group and its entities.

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

### Three defence lines of risk management

<b>I Operational risk management</b>  Applies the risk management framework <ul style="list-style-type: none"> <li>• Risk management integrated as part of the operational units</li> <li>• Risk decisions and operational monitoring</li> </ul>	Responsibility for risk exposure and its monitoring
<b>II Independent risk management</b>  "Owns" the risk management framework <ul style="list-style-type: none"> <li>• Group's independent risk management function</li> <li>• Steering the risk decision process and managing consolidated risk exposure</li> </ul>	Responsible for conditions for good risk management and control
<b>III Internal Audit</b>  Inspects and assesses the risk management framework and its application <ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Independent audit function</li> </ul>	Responsibility for independent assessment of risk management

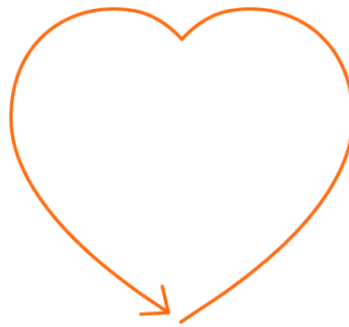


## Corporate social responsibility highlights 2016

Establishment of  
OP Asset  
Management's  
environmental,  
social and  
governance (ESG)  
unit



Exclusion of high-  
carbon companies



Signature of the  
Equator Principles



Purchase of 100%  
renewable  
electricity for the  
Vallila offices

The first externally  
assured GRI report

Record-high  
donations of EUR  
6.3 million to  
universities

CSR audits of  
procurement  
partners

Launch of the  
revision of OP's CSR  
Programme

Update of the  
materiality analysis  
& Stakeholder  
survey



100 person-years  
of volunteering  
project  
[www.hiiop100.fi](http://www.hiiop100.fi)



Alignment of the  
Sustainable  
Development Goals  
(SDG) with OP's  
CSR goals



Putting Finland on  
a new growth path  
(#suominousuun)  
initiatives:  
#sijoitasuomeen  
(Invest in Finland),  
#perheelisä  
(Addition to the  
family), funding  
from the European  
Fund for Strategic  
Investments (EFSI)

# Stakeholder engagement

Stakeholder engagement is deeply embedded into OP's cooperative business model. Dialogue with stakeholders is a prerequisite for OP to succeed in its social role. By listening to our stakeholders, we want to understand their expectations towards OP and then find ways to promote wellbeing in our operating environment. Indeed, one of our priorities in stakeholder engagement is to identify development targets in OP's corporate social responsibility. We assess stakeholder views and engagement through various surveys and feedback requests. OP has established

an informal stakeholder forum in order to ensure even better dialogue with stakeholders. In 2016, OP carried out a stakeholder survey on CSR themes as part of its CSR Programme update, read more about the materiality analysis.

The following table lists OP's major stakeholders and examples of their expectations and our cooperation models:

Stakeholders	Expectations	Examples of our cooperation models and meeting expectations
Personnel	OP employees expect their employer to provide training and development opportunities and equal treatment.	The whole OP personnel in Finland and abroad is covered by performance and career development reviews. The Group wants to provide equal working opportunities for women and men. Employees' experiences of equality are regularly monitored using personnel surveys.
Owner-customers and customers	Owner-customers expect to benefit from OP's success by, for instance, receiving OP bonuses and other loyalty benefits. Customers expect us to deliver the best possible customer experience.	As a cooperative company, we maximise the financial benefits for our owner-customers in proportion to their use of our services. We want to offer the sector's best loyalty benefits. Through participation in administrative bodies, our owner-customers have a strong representation in OP Financial Group's decision-making. In addition, our customers are at the core of all our product and service development.
Investors	Investors expect OP Financial Group to demonstrate strong creditworthiness, a stable financial position and reliable repayment capacity.	OP Financial Group's investors include holders of Profit Shares issued by cooperative banks and holders of debt instruments issued by Group companies. After the delisting of Pohjola shares, the Group has continued its financial reporting to the same extent as listed companies, while the IR function is responsible for maintaining relations with debt investors.

Representative assembly and administration	Members of cooperative banks' administrative bodies expect up-to-date information and training in financial issues and matters affecting the bank's operations.	An extensive skills enhancement project is underway in OP Financial Group, with the aim of creating a comprehensive competence development package for various administrative positions. The objective is to provide members of administrative bodies a real window and opportunity to increase their competencies and build a career path within administration and governance.
Local and regional communities	Local and regional communities expect OP to demonstrate a strong local approach and community spirit, manifesting particularly through the cooperative banks.	The banks organise a variety of events for different stakeholder groups, including school visits to promote financial literacy, lectures, customer events and traditional Hippo sports competitions for children. Many cooperative banks also support local sports clubs, cultural events, charity causes and entrepreneurship. OP is taking part in banks' joint project to improve young people's financial literacy.
Media	The media expects timely transparency and service, and dissemination of material information.	OP executives and experts meet media representatives, answer questions and initiate discussions in various channels. OP has an active social media presence. Mainly present on Facebook and Twitter, OP is also developing its own media.
Schools, universities and the scientific community	Educational institutions expect OP Financial Group to share its professional knowhow and provide opportunities for practical training and thesis work, among other things.	We participate in several cooperation and recruitment events of universities and universities of applied sciences throughout Finland. In 2016, we provided numerous practical training and summer job positions and thesis opportunities for students. OP supports educational innovations through the HundrEd project as one of its main partners. In 2016, we decided to donate a record high of EUR 6.3 million to Finnish universities.
Non-governmental organisations	NGOs expect OP to demonstrate transparency and an active approach in corporate social responsibility matters.	OP is seeking to maintain active CSR communications and to respond to information and discussion requests. If necessary, the Group's Identity and Communications function reports stakeholder concerns to the senior management. In 2016, OP announced its gift to the 100-year-old Finland: 100 person-years of volunteering, through which OP cooperates extensively with NGOs.

Industry associations and labour market organisations	Through cooperation, the financial sector expresses its views on pending legislative changes and proposals for authority rules and regulations and aims to increase the sector's influence with common projects.	Based on its new strategy, OP is gradually transforming from a financial services group into a diversified services company. In 2016, OP withdrew from the Federation of Finnish Financial Services and joined the Service Sector Employers Palta. OP also has an active role in international industry associations, such as the European Association of Co-operative Banks (EACB).
Decision-makers and authorities	OP Financial Group annually receives numerous requests for statement and expert invitations to hearings, enabling the Group to express its views on proposed amendments affecting its operations.	OP Financial Group actively conducts dialogues and cooperates with Finnish authorities, ministries and government officials regarding topical legislative projects. The Group also meets and informs members of the European and Finnish Parliaments concerning the effect of legislative projects on the Finnish financial sector. In 2016, OP establish a Regulatory Affairs Management unit that will supervise OP's interests in legislative projects. In its social role, OP aims to identify influencing methods generating positive effects on Finnish society and economy, too.

## Tax footprint

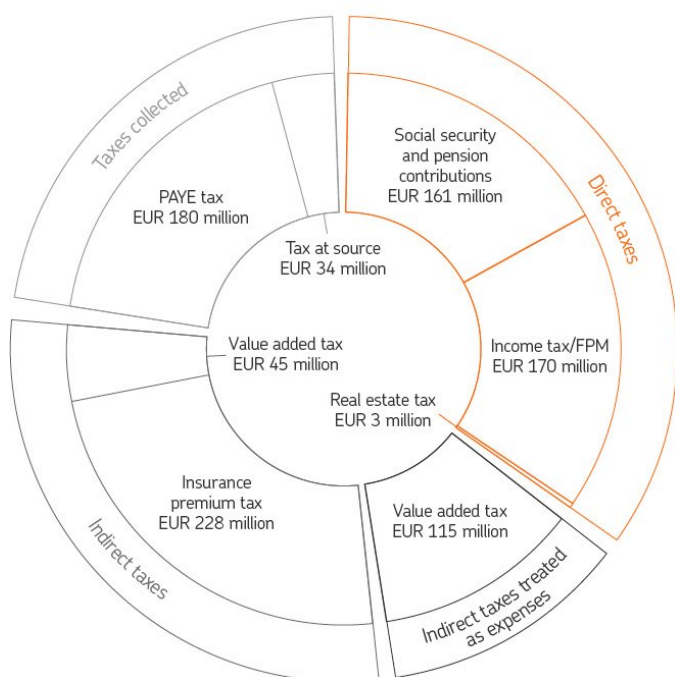
Since OP wants to increase transparency, it reports for the first time its tax footprint in its major tax categories. OP's taxes consist of indirect and direct taxes and taxes collected. Indirect taxes include income tax, real estate tax and fiscal charges paid directly by OP. Indirect taxes include the value added tax and the insurance premium tax. Taxes collected include taxes collected by OP as the remittance payer and forwarded to the state, such as tax withheld from payroll and tax at source withheld from interests.

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

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

	million €
<b>Direct taxes and tax-like charges</b>	
Social security and pension contributions	161
Income tax/FPM	170
Real estate tax	3
<b>Indirect taxes treated as expenses</b>	
Value added tax	115
<b>Indirect taxes</b>	
Insurance premium tax	228
Value added tax	45
<b>Taxes collected</b>	
PAYE tax	180
Tax at source	34

Tax footprint



# Corporate social responsibility management at OP

Corporate social responsibility (CSR) is an integral part of OP's business and strategy. CSR is based on our mission, joint values, solid capital adequacy and good risk management, supported by our customer-owned business model. Our CSR measures encompass economic, social and environmental responsibility. Our aim is to be a forerunner in CSR within our sector in Finland.

[The Code of Business Ethics](#) > provides a foundation for all those employed by OP Financial Group, whatever their role, position or location. These principles, which apply to the whole Group and its administration, are firmly based on our basic mission and values and form an important part of the responsibility of our operations.

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

As reporting principles, OP follows the GRI G4 framework (core) and the UN Global Compact and is developing its reporting in the direction of the IIRC framework. OP also takes into account the Financial Services Sector Supplement of the GRI Guidelines. OP Financial Group's sustainability reporting is mainly performed within the same boundaries as the Group's financial reporting. Any deviations or limitations in the boundary are reported next to the applicable data.

## Organisation of responsibility issues

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

## Corporate social responsibility programme

OP's CSR targets are guided and coordinated by the Corporate Social Responsibility Programme, which brings together Group-level CSR results concerning key areas. Targets were set for the KPIs in the CSR Programme until the end of 2016, and the results for these are presented in this report. The CSR Programme was updated during 2016. This was based on two identical stakeholder surveys, one for external and one for internal stakeholders. Based on the survey results, we updated the CSR materiality analysis.

We will publish our updated CSR Programme and the Key Performance Indicators (KPIs) based on our targets in 2017.



## KPIs of corporate social responsibility

	Initial level 2011	2015	2016	Target 2016
<b>Local presence and society</b>				
Capital Adequacy Ratio under the Act on the Supervision of Financial and Insurance Conglomerates	180	191 <sup>1</sup>	170 <sup>1</sup>	160
Customer service performance reliability (%)	99.78	99.90	99.92	99.89
Support for local projects (EUR mill.)	3.1	2.8	6.1	↓
<b>Stakeholder responsibility</b>				
Bonuses to owner-members (EUR mill.)	163	197	208	↑
OP Corporate Bank's dividend payout ratio (%)	60	30	50.4	≥50
Average retirement age	61.5	61.5	61.7	↑
Job satisfaction (scale 1–5)	3.9	3.91	<sup>2</sup>	↑
Share of the Representative Assembly members of all member banks (%)	71	84	87	↑
<b>Responsible products and services</b>				
No. of private customer e-invoices (1,000)	2,955	37,132 <sup>3</sup>	41,769 <sup>3</sup>	30,000
No. of corporate customer e-invoices (1,000)	5,519	31,339	36,372	32,000
<b>Ethical business</b>				
Recommended by private customers				
Banking services	<sup>4</sup>	50	67	↑
Insurance services	<sup>4</sup>	32	44	↑
Recommended by corporate customers				
Banking services	<sup>4</sup>	40	64	↑
Insurance services	<sup>4</sup>	27	45	↑
<b>Environment</b>				
Carbon footprint of our own operations (tonnes of CO <sub>2</sub> )	34,847	23,451	18,559	-5% since 2015

Number of employees in Green Offices	2,550	3,546	3,246	5,000
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<sup>1</sup> The Capital Adequacy Ratio under the Act on the Supervision of Financial and Insurance Conglomerates has been calculated on the basis of the transitional provisions of Solvency II, and the comparatives have been restated correspondingly.

<sup>2</sup> The job satisfaction survey is carried out every two years.

<sup>3</sup> Including direct payments

<sup>4</sup> The degree of monitoring regarding recommendations has evolved between the years.

## Assessment of management

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

## International commitments and participation in organisations

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

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

We actively follow the development of guidelines intended for the financial sector as part of the OECD Guidelines for Multinational Enterprises. The OECD

guidelines comprise voluntary CSR principles and standards, as well as instructions for applying legislation to international business operations.

In 2016, OP signed the Equator Principles initiative in order to ensure the responsibility of its project financing.

As in previous years, OP responded to the CDP survey, which gathers information from large corporations on the effect of climate change on their business and any actions they have taken to combat climate change and reduce greenhouse gases. In 2016, OP achieved score B on a four-step scale from A to D. Score B means that the Company has taken actions to address environmental issues beyond initial screenings or assessments.

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

### Key CSR guidelines and principles

- OP Financial Group's Corporate Governance
- OP Financial Group's CSR Policies
- UN Global Compact principles
- Code of Business Ethics
- OP Financial Group's Corporate Social Responsibility Programme

## Risks and control

No products, services, business models and systems will introduced before they have been assessed for potential risks and changes. Major new products, services and operating models or significant changes to existing ones are, when necessary, assessed by OP Cooperative's Executive

Board, which ultimately decides on whether they should be adopted. The Executive Board is informed of significant realised risks as a part of monthly risk reviews. Risk maps, updated annually, are used to identify the critical risks affecting operations, including environmental, social and corporate governance (ESG) risks. These maps are used to conduct an analysis on the basis of which the executive management are informed of critical phenomena. The effectiveness of the risk and solvency management efforts of OP and its organisations is evaluated on an annual basis. Internal audits are conducted each year to examine the state of internal controls and capital adequacy management.

Internal controls cover all operations, involving all OP Financial Group entities and sites. The nature and extent of operations and, whenever necessary, special characteristics related to international operations are taken into consideration in specifying internal controls. Internal control covers all organisational levels. Internal control in its most extensive form primarily takes place at the operational level, characterised by continuous processes and forming part of daily routines. Internal control is complemented by the opportunity of anyone employed by OP Financial Group to report through an independent channel if they suspect that rules or regulations have been violated (whistle blowing).

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

in 2014 in accordance with the requirements of the GRI G4 Reporting Guidelines with the viewpoints of both OP and its stakeholders included. As a result of the analysis, the reportable aspects were identified. The aspects, their boundaries and a description of how each aspect was managed are presented in the table 'Disclosure on management approach for material aspects'. The material aspects have been accepted by OP Cooperative's Executive Board.

## Materiality

Corporate social responsibility (CSR) is an integral part of OP's business and strategy. The basis of CSR is built around our joint values, strong capital base and professional risk management. Our CSR measures encompass economic, social and environmental responsibility. Our aim is to be a forerunner in CSR within our sector in Finland.

The purpose of the CSR materiality analysis is to identify the aspects of CSR that are the most central to OP and its stakeholders. The CSR materiality analysis was carried out in late 2016. Stakeholders' opinions were collected with two stakeholder surveys in which the respondents were asked to evaluate, for example, the materiality of responsibility-related aspects and OP's role in this work. This materiality analysis guides the updating and goals of the CSR programme. The CSR programme and materiality analyses for 2011–2016 are available in the Corporate Responsibility section of the [op.fi](http://op.fi) website.

## Identifying material aspects for reporting

The material aspects for reporting were identified

## Materiality matrix

Materiality for OP



Font size and darkness describe impact and the opportunities to influence

## Disclosure on management approach for material aspects

Corporate social responsibility programme codes:

- ⓁP Local presence and society
- ⓈR Stakeholder responsibility
- ⓇP Responsible products and services
- ⓔB Ethical business
- ⓔN Environment

## Economic Impacts

### Impacts of material aspects and approach to management

OP as a whole has major direct and indirect economic impacts on both Finnish society as a whole and on local households. OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency. In its business role, the Group provides its customers with competitive products and services while ensuring its profitability. Such indirect financial impacts are created through contributions to local and regional economic vitality, as well as social contributions. Examples of indirect financial impacts include hiring of new employees, purchases, investments, financing and tax payments. The role as a financier and insurer and responsibility for customers are emphasised during difficult economic times in particular. OP Financial Group is one of the largest tax payers in Finland measured by tax on profits. All of the 178 independent OP cooperative banks pay their corporate tax locally in their operating region. By paying taxes in Finland, the Group is contributing to prosperity in the whole of Finland.

## Goals and targets

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

[Financial targets >](#)

## Extent of reporting and restrictions

OP Financial Group

## Policies and commitments

External reporting is based, for example, on the International Financial Reporting Standards, the Finnish Limited Liability Companies Act, the Act on Credit Institutions, the Insurance Companies Act, the Accounting Act, and the standards and regulations issued by the Financial Supervisory Authority. OP Financial Group's shared principles are applied in the accounting, financial statements and consolidated financial statements of OP Financial Group companies.

## Management

Economic impacts are managed as part of our strategy and business.

## Reporting indicators

G4-EC1, G4-EC2, G4-EC3, G4-EC4, G4-EC7, G4-EC8

## Topics in OP's CRS Programme related to the material aspect

LP

SR

## Environmental Impacts

### Impacts of material aspects and approach to management

Of the environmental impact of OP's own operations, heating and electrical energy consumption have the most impact. We aim to reduce our energy consumption and to work in a energy-efficient manner, thereby also saving in costs. OP's primary objectives are to prevent waste creation, recycle waste, convert waste into energy by burning it, and only if no other alternative is available, take waste to a landfill site. OP's own operations result in greenhouse gas emissions. OP also has indirect impacts through its operating environment, causing greenhouse gas emissions.

#### Goals and targets

OP takes into account environmental effects in all its operations, from product development to services. We will assess environmental risks as part of general risk assessment. We strive to minimise our environmental impact and to reduce our carbon footprint, increase the number of personnel working in Green Office-certified offices, prevent the generation of waste, increase the recovery rate and material recycling. We develop opportunities for our customers to use our services digitally.

#### Policies and commitments

OP reports on its emission levels in accordance with the Greenhouse Gas Protocol (GHG), and greenhouse gases are indicated as CO<sub>2</sub> equivalents. Operations are controlled through legislative means by the Energy Efficiency Act and the Waste Act, among others. OP's operations are not involved in emissions trading.

#### Management

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

#### Extent of reporting and restrictions

OP Financial Group

#### Reporting indicators

G4-EN3, G4-EN5, G4-EN6, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN23

#### Topics in OP's CRS Programme related to the material aspect

SR

EN



## Social Impacts: Labour practices and decent work

### Impacts of material aspects and approach to management

Impacts on labour practices and decent work are considerable because OP Financial Group is a large employer: the Group employs 12,227 people, 440 of whom work outside Finland.

#### Goals and targets

OP aims to be the most attractive employer in the financial sector and among the most highly regarded large employers in Finland. In HR matters, we focus on the renewal and development of our competencies, management and corporate culture. Highly skilled and motivated employees are a success factor, enabling OP to meet the challenges of the changing operating environment and digitalisation. OP considers diversity as an asset and guarantees equal opportunities, rights and treatment to all. Employees are treated equally in areas such as remuneration, recruitment and career advancement. We monitor on an annual basis the distribution of personnel in various task groups by factors such as gender, pay and age. We take safety and security into account in all of our operations related to personnel and working conditions.

#### Policies and commitments

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

#### Management

The Group's practical management tools include OP Financial Group's Principles of Good Leadership, the remuneration system and policy, a common equal opportunities framework plan, and competence development models. Group-level procedures have been agreed for threatening situations, to be applied locally. Procedures and reporting procedures have been agreed for bank robberies. Procedures have been agreed for serious threats in terms of aftercare arrangements and protecting personnel. Customer service personnel must go through the procedures as part of the induction, with annual refresher training. Realised threat situations are entered in the operational risk management system and reported to the Executive Board at regular intervals. The staff's experiences of threatening customer service situations are also monitored by means of personnel surveys. Serious threats are reported to the police. Bank robberies are reported to the Executive Board in real time and entered in the operational risk management system.

#### Extent of reporting and restrictions

OP Financial Group

#### Reporting indicators

G4-LA1, G4-LA3, G4-LA4, G4-LA5, G4-LA6, G4-LA11, G4-LA12

#### Topics in OP's CRS Programme related to the material aspect

SR

EB

## Social Impacts: Human rights

### Impacts of material aspects and approach to management

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

#### Goals and targets

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

#### Policies and commitments

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

#### Management

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

#### Extent of reporting and restrictions

OP Financial Group

#### Reporting indicators

G4-HR3, G4-HR12

#### Topics in OP's CRS Programme related to the material aspect

SR

EB

## Social Impacts: Society

### Impacts of material aspects and approach to management

With regard to OP Financial Group, the major social impacts are related to active fighting of financial crime and abuses, including corruption, and removal of anti-competitive behaviour. OP's effect on society is also witnessed by the fact that OP has Finland's most comprehensive banking and non-life insurance service network. We are strictly against any anti-competitive behaviour, corruption and bribery. OP is very serious about conformance to laws and the Code of Business Ethics. OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates.

## Goals and targets

OP aims to prevent financial crime and abuse and to enable free competition. OP's view is that the financial sector plays a central role in the wellbeing of the economy and in the provision of necessary basic services and opportunities for citizens, companies and institutions. OP Financial Group takes an active part in developing local and regional vitality.

## Policies and commitments

OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates. Our approaches are guided by the UN Global Compact initiative and the OECD Guidelines for Multinational Enterprises, among others. The Code of Business Ethics document ratified by the Supervisory Board of OP Cooperative specifies that employees shall avoid any situation that may put them or OP Financial Group under suspicion of bribery. Our fight against money laundering and terrorism is guided by national legislation, official regulations, national practices and the anti-money laundering and prevention of financing of terrorism operating model approved by the senior management.

## Management

A compulsory online course for all employees of the Group was implemented to ensure familiarisation with the Code of Business Ethics at all levels. The guideline for Handling Conflicts of Interest in OP Financial Group is intended to prevent cases of corruption. All of the Group's member organisations are responsible for applying the guidelines internally. Each and every executive and employee within the institutions must know the guidelines. Every manager is in charge of supervising compliance with the guidelines, with the CEO and board of each organisation having ultimate responsibility. The guidelines concerning conflicts of interests must be handled by each organisation and its employees on a regular basis, and whenever a new person receives job orientation. OP has a security staff designated for the prevention of abuses, dealing with abuses originating from both within the Group and from outside it. Incidents that fulfil the criteria for crime are always reported to the authorities, to be investigated, and any abuses are reported to the relevant authority, such as the Financial Supervisory Authority, and internally to OP's Executive Board. As prescribed in the Act on Preventing and Clearing Money Laundering and Terrorist Financing, we have put in place customer due diligence systems, ongoing customer due diligence methods and staff training, guidelines and protection. Any suspicious incidents will be reported to the Money Laundering Clearing House as required by law.

## Extent of reporting and restrictions

OP Financial Group

## Reporting indicators

FS13, FS14, G4-S03, G4-S04, G4-S05, G4-S06, G4-S07, G4-S08, G4-S011

## Topics in OP's CRS Programme related to the material aspect

## Social Impacts: Product responsibility

### Impacts of material aspects and approach to management

OP's salaried employees and members of governance bodies are bound to confidentiality by law in terms of all customer data. OP is committed to responsible marketing and advertising. By law, customers have to be told certain conditions, properties or risks related to a product or service.

#### Goals and targets

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

#### Policies and commitments

The Group complies with marketing legislation and the self-regulation guidelines of international organisations, including those of the International Chamber of Commerce (ICC). OP also abides by the marketing guidelines of the Finnish Competition and Consumer Authority and the Financial Supervisory Authority. Instructions have been provided for conflicts of interest in the Code of Business Ethics and in the Group-level guidelines "Managing Conflicts of Interest at OP Financial Group". The Act on Credit Institutions defines obligations regarding bank secrecy, encompassing the secrecy obligation concerning a Group customer or personal data in connection with other activities. OP's salaried employees and members of governance bodies are bound to confidentiality by law; bank and insurance secrecy guarantees the confidential processing of all customer data. Employees may process customer information only to the extent required by their duties.

#### Management

OP complies with industry regulations, good banking and insurance practices, and good stock market practices. In addition, OP adheres to several acts, as well as regulations and guidelines issued by supervisory authorities. The Code of Business Ethics provides an ethical foundation for all those employed by OP, whatever their role, position or location.

OP is taking part in a nationwide project to improve young people's financial literacy. The purpose of this is to prevent serious financial problems among young people and to support their financial management. In 2016, the number of payment default entries reached a record-high level. The right kind of support helps to prevent financial problems and payment defaults. Local banks give lessons at schools to teach financial skills. Principles are followed as part of normal processes. The principles are updated whenever necessary. OP Financial Group's risk and capital adequacy principles are confirmed by the Supervisory Board.

#### Extent of reporting and restrictions

OP Financial Group

#### Reporting indicators

G4-PR3, G4-PR4, G4-PR5, G4-PR7, G4-PR8, G4-PR9

#### Topics in OP's CRS Programme related to the material aspect

EB

## Social Impacts: Product responsibility – Active ownership

### Impacts of material aspects and approach to management

OP manages customers' assets worth in excess of EUR 74.5 (68) billion. Active ownership is an integral part of responsible investment.

#### Goals and targets

We take the role of active owners, encourage our target companies and cooperation partners to do business responsibly, and we promote responsible investment in the sector.

#### Policies and commitments

OP Fund Management Company exercises the voting rights of the mutual funds managed by it, in accordance with the ownership policy approved by the company's Board of Directors. The Group does its best to discuss grievances directly with the companies prior to AGMs, so that it will be possible to support the Board's proposal if it comes to voting. OP Wealth Management has signed the UN Principles for Responsible Investment (UNPRI). We expect our active investment targets to conform with generally accepted international standards such as the Global Compact and OECD's guidelines for multinational companies.

#### Management

Ownership policy is implemented by actively participating in the general meetings of companies listed in Finland, in particular. One of the most important ways for OP to obtain information on and assess the responsibility of companies to invest in is through meetings with the companies' executives. Systematic monitoring and supervision of ESG criteria of potential and existing investments is carried out through an international partner. If their investments include companies with violations of international standards or other operations which are not responsible or in line with the investor's long-term interests, we will address the situation to correct it. If this does not produce the desired effect, the Committee for Responsible Investment may decide to sell the investment.

#### Extent of reporting and restrictions

OP Fund Management Company

#### Reporting indicators

FS10, FS11

#### Topics in OP's CRS Programme related to the material aspect

RP

EB



## Social Impacts: Product responsibility – Auditing

### Impacts of material aspects and approach to management

CSR is integrated into daily operations, and the fulfilment of environmental and social responsibility policies and related risks are assessed within ordinary business processes. Compliance with CSR procedures is evaluated for instance when approving new products, business models and systems, and monitoring business ethics. Auditing related to ownership has been described under the subject of active ownership.

#### Goals and targets

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

#### Policies and commitments

OP's purchases and orders are based on Group-level framework agreements negotiated by OP Procurement or on OP Financial Group's General Procurement Terms and Conditions. These agreements require that suppliers comply not only with OP's CSR requirements for suppliers but also with OP's Code of Business Ethics and with the Global Compact initiative, as well as with all the applicable laws and regulations.

#### Management

Suppliers evaluate themselves in terms of corporate social responsibility for the first time when they take part in competitive tendering, and thereafter during cooperation with OP on a regular basis in accordance with the operating model agreed with OP Procurement. OP audits suppliers in accordance the annual CSR auditing plan. OP's CSR requirements for suppliers have been incorporated in purchase agreements since 2015. OP's suppliers are mainly based in Finland, and they produce services mainly in Finland. Therefore, OP can manage the CSR risk level related to procurement through transparent and well-managed supplier cooperation.

#### Extent of reporting and restrictions

#### Reporting indicators

#### Topics in OP's CRS Programme related to the material aspect

SR RP EB

# Economic impacts

## Economic Performance

### G4-EC1 Direct economic value generated and distributed

It follows naturally from OP Financial Group's dual role, brought about by customer ownership, that business profits and added value are channelled, via customer relationships, to its members and customers. Member cooperative banks use their profits for the benefit of their customers by providing loyalty benefits and other financial benefits and by maintaining and developing their service capabilities. In 2016, new OP bonuses totalled over EUR 200 million, up by 5% year on year. Furthermore a significant part of OP's economic impacts also involves indirect impacts on local and regional economic vitality. Examples of indirect economic impacts are:

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

The member banks are often some of the largest taxpayers in their local municipalities, and OP as a whole is one of the biggest taxpayers in Finland. OP Financial Group's income taxes for the financial year 2016 totalled EUR 223 million (249). The effective tax rate was 19.6% (22.6).

[OP's tax footprint >](#)

### G4-EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change

OP's direct impact on climate change is minor. Environmental risks, on the other hand, including climate risks, can have direct impacts on OP's operations, as well as indirect impacts through effects on customers and stakeholders. In emissions and energy intensive sectors, climate change and related regulation may have significant financial effects. Indirect effects on climate change are created through OP financing and investments.

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

On the other hand, the general improvement in environmental awareness is bringing new business opportunities, for example in the form of investment products that emphasise environmental responsibility, and diverse property insurances. Our non-life insurance business continuously monitors the development of risks posed by climate change from the viewpoint of our existing and future insurance products. Our aim is to cover all insurable risks as extensively as possible, also in constantly changing circumstances. OP assesses the financial implications of climate change risks in its annual response to the CDP survey.

Finland	2013	2014	2015	2016
Direct economic added value created				
a) Income	2,450	2,657	2,808	2,910
Breakdown of economic value added				
b) Operating expenses	619	661	574	640
c) Personnel costs	791	741	781	762
d) Returns to owner-customers	193	195	195	206
e) Income tax	36	308	249	223
f) Donations and other community investments	3	4	3	6
For strengthening capital base and developing business	807	749	1,007	1,073

## Indirect economic impacts

### G4-EC7 Development and impact of infrastructure investments and service provided primarily for public benefit through commercial, in-kind or pro-bono engagement

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

### G4-EC8 Significant indirect economic impacts, including the extent of impacts

On 31 December 2016, OP Financial Group had 12,227 employees (12,130). Of these, 93 (93) per cent were permanently employed and 7 (7) per cent were fixed-term employees.

Furthermore, the Group employed a total of 492 summer employees and trainees during the year. OP is also a significant purchaser of goods and services. In 2016, the combined purchase volume of products, services, rights and the claims service partner network was approximately EUR 954 million (615), provided by over 20,000 suppliers. Apart from this, the Group's functions look after their own fundraising and investment-related acquisitions.

OP is currently creating indicators for the assessment of its economic impact at community and regional levels. The purpose of this is to identify ways of measuring the economic impact of an individual bank or the whole Group at community and regional levels.

# Environmental Impacts

## Energy

### G4-EN3 Energy consumption within the organisation and G4-EN5 Energy intensity

The total energy consumption covers OP Financial Group's heat, electricity and fuel consumption in all countries where the Group operates. In 2016, the total energy consumption was 138 230 (142 360) MWh, down by 2.9% from the previous year. Consumption on sites not covered by consumption monitoring has been calculated on the basis of specific consumption by type of real property. These sites account for approximately half of the consumption.

The electrical energy for the Vallila campus and the data centres is generated entirely through wind power.

The energy intensity, or total energy consumption per employee, of OP Financial Group offices decreased to 11.3 (11.7) MWh/year/person.

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

## Emissions

### G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)G4-EN18 Greenhouse gas (GHG) emissions intensity

Direct greenhouse gas emissions (scope 1) are created by fuel consumed by standby generators for OP's own premises. Energy indirect greenhouse gas (GHG) emissions (scope 2) are the result of electricity and heating energy consumption in the premises. In 2016, electricity for the Vallila campus was generated entirely by renewable energy forms.

The energy emission factors used in emission calculations are based on the 2015 Electricity generation statistics by Statistics Finland, the 2015 District Heating Statistics, the IEA district heating and electricity data for 2014 (excluding Finland), the Ecoinvent 3.3 database and, with respect to green electricity, data provided by the Finnish Green Building Council (FIGBC).

Scope 1 and 2 emissions (tonnes CO<sub>2</sub>e)

	2014	2015	2016
Scope 1	1,800	5	3
Scope 2, market-based	37,114	23,446	18,556
Scope 2, location-based	-	27,178	26,088
Intensity, CO <sub>2</sub> e- tonnes/person	3.00	1.93	1.52

### G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

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

With respect to indirect emissions, we also calculate emissions generated by equity funds. [Read more at op.fi \(in Finnish\)](#) >.

#### Scope 3 emissions (tonnes CO<sub>2</sub>e)

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

#### G4-EN19 Reduction of greenhouse gas (GHG) emissions

OP's corporate social responsibility programme has set a target to reduce the carbon footprint of its own operations annually. The direct greenhouse gas emissions from OP's own operations (Scopes 1+2) totalled 18,559 CO<sub>2</sub>e-tonnes (23,451) or 1.52 tonnes (1.93) per person. These emissions (Scopes 1+2) have decreased by approximately 47 per cent from 2011 (comparative 2011 34,847 tonnes of CO<sub>2</sub>e). The main reason for this was the removal to new, energy-efficient offices and the increase in the use of renewable energy. In 2016, the electricity consumed by the Vallila premises was generated entirely by wind power.

The CO<sub>2</sub> emission limit for the OP Central Cooperative's company cars is 150 g/km. At the end of 2016, the average CO<sub>2</sub> emissions of company cars equalled 125 g/km (130). In 2016, business travel caused 3,841 tonnes of CO<sub>2</sub> emissions (2,622). OP uses video and online conferencing technology to reduce business travel. Its travel guidelines state that trains or buses must be favoured for travel within Finland. OP Cooperative employees have a employer-subsidized commuter ticket to encourage the use of public transport for commuting.

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

#### Waste

#### G4-EN23 Total weight of waste by type and disposal method

In 2016, the OP offices managed by OP-Services in the Helsinki Metropolitan Area generated a total of 289 tonnes of waste (1,089). 82.5 per cent (79) was recycled or reused.

# Social Impacts

## Labour practices and decent work

### G4-10 Total number of employees by employment contract, employment type, region and gender

The number of personnel employed by OP Financial Group grew by 97 in 2016. At year-end, the Group employed 12,227 persons (12,130). 93 per cent (93) were permanently employed. 92 per cent (93) were full-time employees.

Of Group employees, 11,787 (11,695) were based in Finland, 191 (191) in Estonia, 113 (112) in Latvia, 134 (130) in Lithuania and two in the St. Petersburg Representative Office in Russia. OP Financial Group has no actual business operations in Russia.

	Men	Women	Total
Permanent full-time employees	3	7	11
Permanent part-time employees	69	698	767
Fixed-term full-time employees	198	466	664
Fixed-term part-time employees	69	118	187
Total	3	9	12

	Men	Women	Total
Finland	3	8	12
Estonia	47	144	191
Latvia	26	87	113
Lithuania	46	88	134
Russia	0	2	2
Toal	3	9	12

In addition to its own employees, OP Financial Group employed 1,089 leased employees in development and service production tasks at the end of 2016.

## Employment

### G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

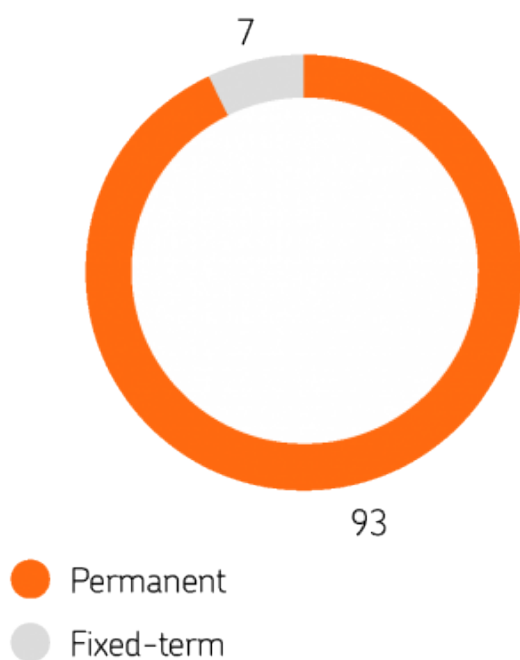
In 2016, OP Financial Group recruited 1,236 new employees (1,015). The annual turnover of permanent employees was 7.9 per cent (8.3). Voluntary staff turnover was 3.7 per cent (3.8). During the year, a total of 42 (243) employment relationships ended, 14 (63) for production-related reasons and 28 (180) through voluntary arrangements. There were no business transfers in 2016.

In the summer of 2016, the Group employed a total of 492 summer employees, whose average age was 24.4 years. 56 per cent of the summer employees were women.

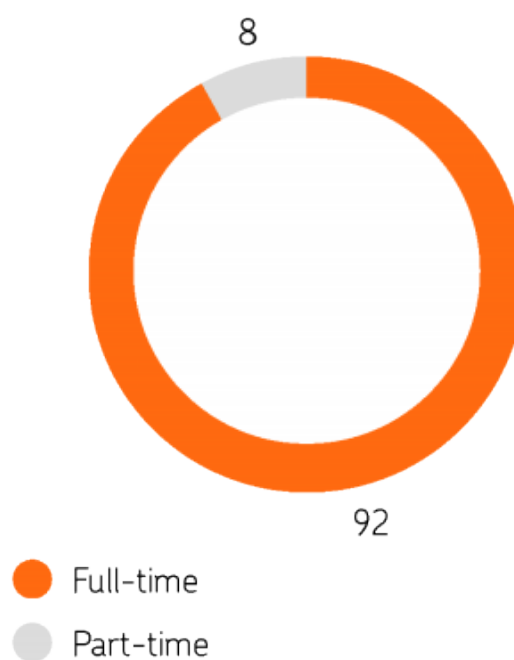
In 2016, a total of 388 (241) employees retired at an average age of 61.7 years (61.5).

	Finland			Entire Group		
	Men (Finland)	Women (Finland)	Total (Finland)	Men	Women	Total
Under 30 years	255	400	655	267	436	703
30–39 years	107	156	263	110	176	286
40–49 years	61	94	155	61	102	163
Over 49 years	34	45	79	35	49	84
Total	457	695	1,152	473	763	1,236

Workforce by  
contract type, %



Workforce by  
employment type, %





## G4-LA3 Return to work and retention rates after parental leave, by gender

In 2016, a total of 1,089 (1,112) people were on parental leave, 793 (812) of whom were women and 296 (300) men. 99 per cent (100) of men and 93 per cent (94) of the women whose parental leave ended in 2016 returned to work. The retention rate of those who had returned to work from parental leave in 2015 was 92 per cent (87) for men and 94 per cent (93) for women. The figures are for Finland, excluding the personnel of OP-Kiinteistökeskus.

## Labour/management relations

### G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

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

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

In Finland, 91 per cent (90) of OP Financial Group personnel are covered by universally binding collective labour agreements. No binding collective agreements exist in the sector in the Baltic region.

## Occupational health and safety

### G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

At OP Financial Group, the percentage of the total workforce represented in health and safety committees is 88 per cent (87) of the entire Group personnel. The central cooperative has its own health and safety committee, and so do all banks with more than 20 employees.

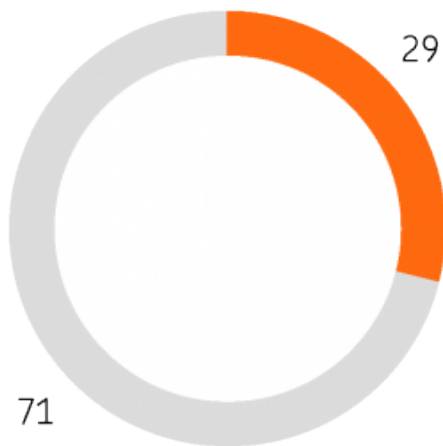
### G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender

In 2016, sickness absences accounted for 3.5 per cent (3.5) of regular working hours. For men, the proportion of sick leaves was 1.8 per cent (1.8) and for women 4.1 per cent (4.1). Sickness absences have remained at the same level throughout the 2010s. The figures are for Finland, excluding the personnel of OP-Kiinteistökeskus.

### G4-LA8 Health and safety topics covered in formal agreements with trade unions

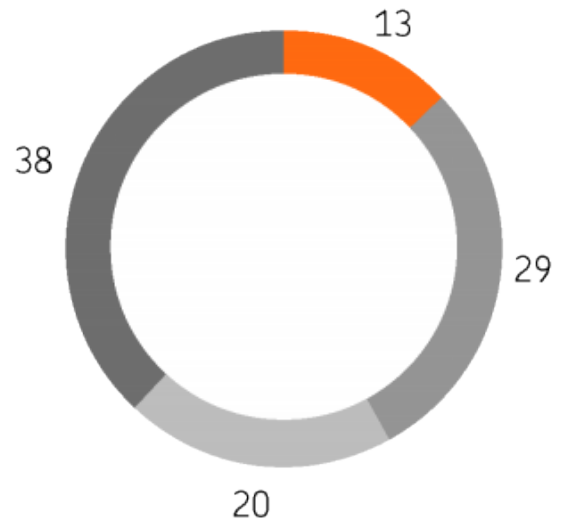
OP Financial Group is a unionised employer. The Group companies apply three collective labour agreements: the collective agreement for the finance industry in banking operations, the collective agreement for the insurance industry in insurance operations, and the collective agreement for the medical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

Workforce by gender, %



- Men
- Women

Workforce by age group, %



- Under 30 yrs
- 30-39 yrs
- 40-49 yrs
- Over 49 yrs

## Education

### G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

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

Competence development involves the use of all applicable learning methods and opportunities as part of the employee's work, either by providing new challenges and learning opportunities in their present work or by offering versatile career opportunities within the Group. New skills are learnt primarily through knowledge sharing and by deepening one's understanding through various interactive situations and networks. In addition to these, OP invested approximately EUR 7 million in local employee training sessions and in video and online study solutions in 2016. The entire OP personnel in Finland and abroad have annual performance and career development reviews.

The aim of OP Financial Group's operating model for the management of employee wellbeing is to increasingly ensure, through close and well-organised management of occupational safety and health and wellbeing at work, the work ability of older employees and those at risk of work disability and the labour market competency of those at risk of unemployment. If there is no more work due to production-related and financial reasons and an employee becomes under the risk of unemployment, he or she has the opportunity to get a support package

and coaching that supports his or her employment. Key employee wellbeing elements include the early support model, occupational health care, rehabilitation, flexibility at work and diversity management, among others.

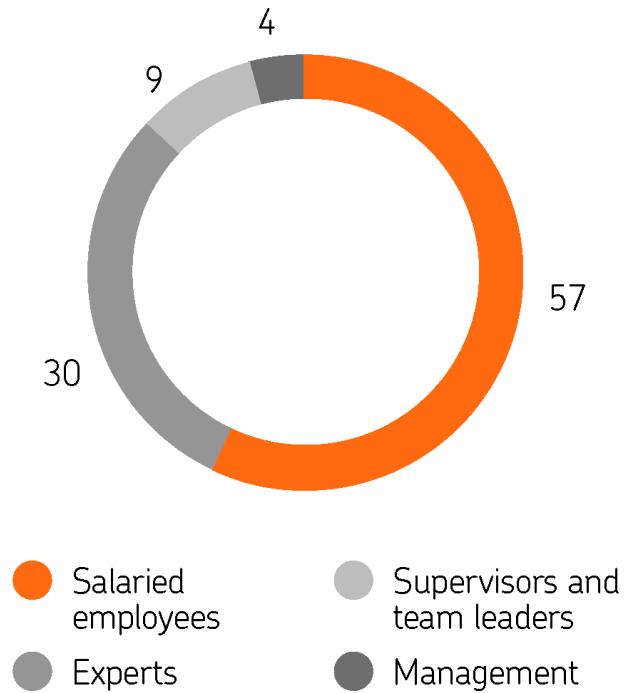
OP updated its operating models for employee wellbeing management in 2016.

### G4-LA11 Percentage of employees receiving regular performance and career development reviews

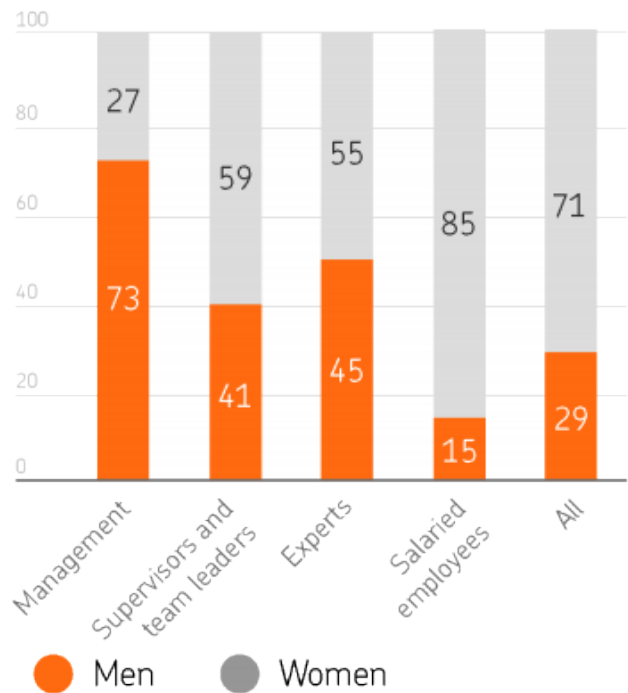
OP Financial Group implements its strategy and annual plan through regular employee performance reviews. They are an integral part of performance management and include the goal-setting review, performance review and competence and follow-up review. The first review of the year includes an assessment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

OP Financial Group has two types of organisation-wide personnel surveys: an extensive Personnel Survey and a more fast-paced Personnel Pulse. The Personnel Survey is carried out every two years; the next survey will take place in 2017. The results of the 2015 Personnel Survey were good. According to the survey, OP's key success factors are community spirit, value-based performance and customer focus. The structure and content of the Personnel Survey was revised in 2016.

Workforce by personnel group, %



Workforce by personnel group and gender, %



## Diversity and equal opportunity

### G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Of the members of OP Financial Group's governing bodies, 64 per cent (64) were men and 36 per cent (36) women. At the end of 2016, the average age of these persons was 52.8 years (52.4). 31 per cent (33) of the members of the governing bodies were under 50 years old.

Members of governing bodies Representative Assembly, Supervisory Board and Board of Directors

	Men	Women	Total
Under 30 years	40	35	75
30–39 years	347	271	618
40–49 years	744	604	1
Over 49 years	3	1	5
Total	4	2	7

OP wants to provide equal opportunities to all employees. At the end of 2016, 71 per cent (72) of OP Financial Group's personnel was women and 29 per cent (28) men. The average age of personnel was 43.6 years (43.8) with an average employment time of 14.0 years (14.4).

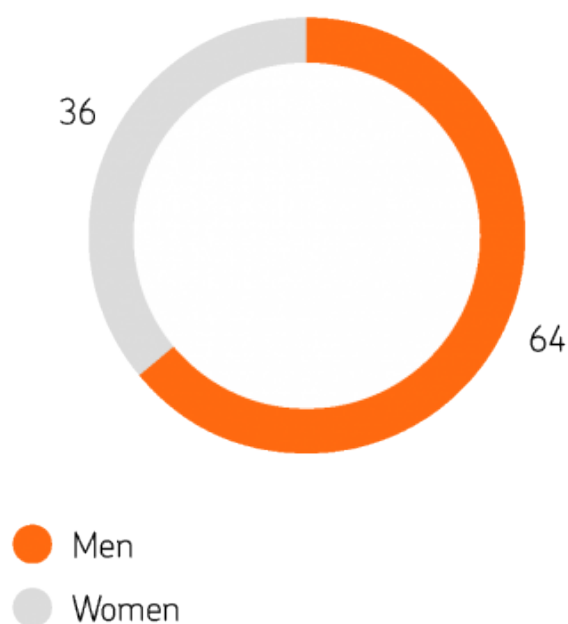
### Persons with an employment contract

	Men	Women	Total
Under 30 years	494	1,092	1,586
30–39 years	1,111	2,413	3,524
40–49 years	743	1,663	2,406
Over 49 years	1,150	3,561	4,711
Total	3,498	8,729	12,227

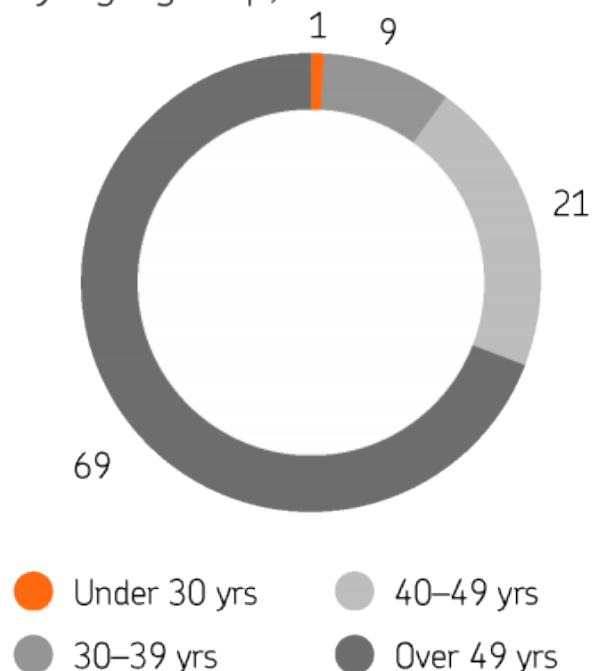
  

	Men	Women	Total
Management	349	127	476
Supervisor	423	621	1,044
Expert	1,673	2,021	3,694
Employee	1,053	5,960	7,013
Total	3,498	8,729	12,227

Governing bodies  
by gender, %



Governing bodies  
by age group, %



## Human rights

### Non-discrimination

#### G4-HR3 Total number of incidents of discrimination and corrective actions taken

No new cases of discrimination were reported through the Non-Discrimination and Equality Board, or through HR or any audits. A claim made in 2014 against OP Financial Group about discrimination was appealed to the Administrative Court of Helsinki. According to the Administrative Court's decision, no discrimination was involved in the case in question.

## Society

### Local communities

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

OP Financial Group's service network comprises branch, online, telephone and mobile services. The Group provides personal customer service both at branches and digitally. OP has Finland's largest network of banking and non-life insurance services. This network seeks to ensure that customers have equal opportunities to carry out transactions. Our cooperative banks and their offices across Finland enable effective interaction with customers and the local community. At the end of 2016, the Group's member banks had approximately 469 branches as well as some 1,376 Otto ATMs (shared between Finland's banks) around the country.

In December, OP-mobile was the main channel for customers' daily banking, with visits totalling over 13 million during one month. The number of visits to op.fi amounted to almost 10 million. In March 2016, the number of OP-mobile visits exceeded that of op.fi visits for the first time.

## FS14 Initiatives to improve access to financial services for disadvantaged people

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

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

## Anti-corruption

### G4-S03 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified

The organisations of OP Financial Group apply a guideline entitled Procedures for Managing Operational Risk. The Central Cooperative formulates a risk analysis plan indicating which entities are to be analysed. If necessary, the entities to be analysed can be agreed with the Group's member organisations. OP Financial Group annually carries out risk assessments which also cover risks related to corruption. Owing to a system update performed, part of these risk assessments will be completed in the first half of 2017.

The Group's member organisations update their operational risk analyses annually based on the procedural guidelines. The risk analyses are based on the organisations' self-evaluations concerning operational risks and their management. In line with the analysis process,

each organisation identifies and evaluates the most important risks affecting its operations. To assist in identification, the Group has a shared risk library which lists diverse risks subdivided into seven risk categories. The Internal Abuse category includes the risk 'Giving and Receiving Bribes'.

Bribery has not been a significant risk in any of the risk assessments.

### G4-S04 Communication and training on anti-corruption policies and procedures

The Code of Business Ethics document ratified by the Supervisory Board of OP Cooperative specifies that employees shall avoid any situation that may put them or OP Financial Group under suspicion of bribery. A compulsory online course for all employees of the Group was implemented to ensure familiarisation with the Code at all levels. By the end of 2016, the course had been taken by 100% (80) of the personnel.

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

## Anti-competitive behaviour

### G4-S07 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes

OP has no pending legal actions related to anti-competitive behaviour, anti-trust or monopoly practices.

Late in 2015, OP was requested to respond to allegations that it was engaged in monopoly practices.

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



## Product responsibility

### Product and Service Labelling

G4-PR3 Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant products and service categories subject to such information requirements

OP Financial Group complies with legislation which requires that customers be informed of certain terms, properties or risks related to a product or service. This notification obligation applies to all three business areas of the Group: banking, non-life insurance and asset management.

### Marketing communications

G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes

On 13 June 2016, the Financial Supervisory Authority gave OP Helsinki a public warning concerning the misleading marketing of the Customer-owner Deposit Account.

### Customer privacy

G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

There were six cases of error in data processing or storage and five cases of error in the processing of customer data.

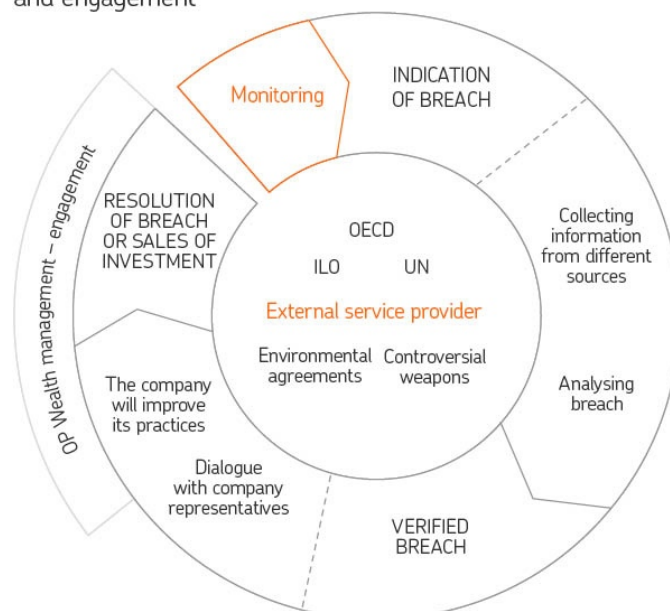
## Active ownership

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

OP Fund Management implements its ownership policy by actively participating in the general meetings of companies listed in Finland, in particular. One of the most important ways for OP to obtain information on and assess the responsibility of companies to invest in, are meetings with the companies' executives. At year-end 2016, the OP funds managed by OP Asset Management contained shares from 70 companies listed in Finland. OP Asset Management discussed environmental and social responsibility issues with 17 per cent of these during the year.

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

Process description Monitoring international standards and engagement



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

### Positive screening

OP Financial Group encourages its investees and partners to operate responsibly and in line with international standards. Primarily, the most attractive investment targets in any fund are issuers whose operations are irreproachable in relation to international ethical standards. Positive screening is particularly visible in the OP Climate, OP Clean Water and OP Low-carbon World funds. The OP Climate Fund portfolio includes companies that will be in a good position when societies and businesses adapt their energy solutions and use of materials towards lower-carbon alternatives. OP Clean Water, in turn, invests in companies operating sustainably in the water resource management field, especially within development of water-saving technology, water treatment and construction of reliable water infrastructures. OP Low-carbon World Fund invests in companies which stand out from the competition on the basis of lower carbon intensity. At the end of 2016, the total value of these funds was EUR 313 million or 4.2 per cent of OP Fund Management's equity fund capital.

### Negative screening

OP actively monitors the fulfilment of international standards by investment targets in line with OP Asset Management's Principles for Responsible Investment, both when making the investment decision and during the time of ownership. Investment vehicles are screened for violations of international standards. Furthermore, OP ensures that its portfolios do not include manufacturers, sellers or marketers of weapons (anti-personnel mines, cluster and nuclear weapons) banned by certain treaties. This screening is performed biannually by an external analysis company. The screening applies to all active OP equity funds and corporate bond funds that make direct investments as well as discretionary client portfolios that make the above-mentioned investments. In 2016, OP excluded dozens of high-carbon companies from the above-mentioned funds and client portfolios. This applies to, for example, coal mining companies that make more than 25% of their net sales from energy coal production, and to electricity producers that use plenty of coal to produce electricity. A high-carbon company can avoid exclusion if it takes measures or has a plan in place to considerably reduce its coal dependency. A list of the excluded companies is available on OP's website.

In 2016, OP Fund Management introduced the OP-Sustainable World balanced fund. The fund applies negative screening to various products and functions. For example, the fund does not invest in tobacco or alcohol manufacturers. At the end of 2016, capital invested in the fund totalled EUR 35.7 million.

## G4 Content Index

This report contains OP Financial Group's Corporate Social Responsibility indicators and disclosures on management approach in accordance with the Global Reporting Initiative (GRI) G4 framework (core). The reporting also conforms with the GRI reporting recommendation for the financial sector. It also encompasses information required by the United Nations Global Compact, with regard to the promotion of principles related to human rights, labour, the environment and anti-corruption activities.

GRI CONTENT INDEX	Location	Further information
<b>STRATEGY AND ANALYSIS</b>		
G4-1 CEO's statement	<a href="#">OP Year 2016: Review by the President, Group Executive Chairman</a>	
G4-2 Key Impacts, risks and opportunities	<a href="#">OP Year 2016: Strategy, Risk management, Value creation model</a>	
<b>ORGANISATIONAL PROFILE</b>		
G4-3 Name of the organization	Financial Statements, Appendix 1: General information	
G4-4 Primary brands, products and services	<a href="#">OP Year 2016: Business segments</a>	
G4-5 Location of the organisation's headquarters	Helsinki	
G4-6 Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Financial Statements, Appendix 51	
G4-7 Nature of ownership and legal form	Financial Statements, Appendix 51	
G4-8 Market areas	<a href="#">OP Year 2016: Business segments</a>	
G4-9 Scale of the organisation	<a href="#">OP Year 2016: Key figures</a>	
G4-10 Total number of employees by employment contract, employment type, region and gender	<a href="#">GRI information, Social Impacts</a>	
G4-11 Percentage of total employees covered by collective bargaining agreements	<a href="#">GRI information, Social Impacts</a>	
G4-12 Organisation's supply chain	<a href="#">OP Year 2016: Value chain and Economic Impacts</a>	

G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Financial Statements, Report by the Board of Directors: Changes in OP Financial Group's structure
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	Financial Statements, Appendix 2: Principles of OP Financial Group's Risk and Capital Adequacy Management
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	<a href="#">GRI information, Corporate social responsibility management</a>
G4-16	Memberships of associations and national or international advocacy organisations	<a href="#">GRI information, Corporate social responsibility management</a>

#### IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	Entities included in the organisation's consolidated Financial Statements	Financial Statements, Appendix 51
G4-18	Process for defining the report content	<a href="#">GRI information, Corporate social responsibility management</a>
G4-19	Material aspects	<a href="#">GRI information, Corporate social responsibility management</a>
G4-20	List of entities or groups of entities within the organisation for which the aspects are material	<a href="#">GRI information, Corporate social responsibility management</a>
G4-21	List of entities or groups of entities outside of the organisation for which the aspects are material	<a href="#">GRI information, Corporate social responsibility management</a>
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Changes reported in connection with relevant performance indicators.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	No restatements

#### STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged by the organisation	<a href="#">GRI information, Stakeholder engagement</a>
G4-25	Basis for identification and selection of stakeholders with whom to engage	<a href="#">GRI information, Stakeholder engagement</a>
G4-26	The organisation's approach to stakeholder engagement	<a href="#">GRI information, Stakeholder engagement</a>
G4-27	Key topics and concerns that have been raised through stakeholder engagement	<a href="#">GRI information, Stakeholder engagement</a>

## REPORT PROFILE

G4-28	Reporting period	1 Jan–31 Dec 2016
G4-29	Date of most recent previous report	23 Feb 2015
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents	<a href="#">Contact information</a>
G4-32	GRI content index	<a href="#">GRI information, GRI content index</a>
G4-33	Policy and current practice with regard to seeking external assurance	<a href="#">Assurance statement</a>

## GOVERNANCE

G4-34	Governance structure, including committees	<a href="#">Corporate Governance: Supervisory Board and its committees</a>
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## BUSINESS ETHICS

G4-56	Ethics and integrity	<a href="#">Corporate Governance: Management System</a>
		<a href="#">OP Year 2016: Strategy</a>

## DISCLOSURES ON MANAGEMENT APPROACH

	General disclosure on management approach (DMA)	<a href="#">GRI information, Disclosure on management approach</a>
	Aspect-specific disclosures on management approach	<a href="#">GRI information, Disclosure on management approach for material aspects</a>

## Operational KPIs

## ECONOMIC IMPACTS

### Aspect: Economic performance

G4-EC1	Direct economic value generated and distributed	<a href="#">GRI information, Economic Impacts</a>
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G4- EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	<a href="#">GRI information, Economic Impacts</a>
G4- EC3	Coverage of the organisation's defined benefit plan obligations	Financial Statements, Appendix 35
G4- EC4	Significant financial assistance received from government	OP Financial Group received no significant financial assistance from the government in 2016.

#### Aspect: Indirect economic Impacts

G4- EC7	Development and impact of infrastructure investments and service provided primarily for public benefit through commercial, in-kind or pro-bono engagement	<a href="#">GRI information, Economic Impacts</a>	Local projects, investments in an active Finnish payment traffic system.
G4- EC8	Significant indirect economic Impacts, including the extent of Impacts	<a href="#">GRI information, Economic Impacts</a>	

### ENVIRONMENTAL IMPACTS

#### Aspect: Energy

G4- EN3	Direct energy consumption by primary energy source	<a href="#">GRI information, Environmental Impacts</a>	
G4- EN5	Energy intensity	<a href="#">GRI information, Environmental Impacts</a>	

#### Aspect: Emissions

G4- EN15	Direct greenhouse gas emissions (scope 1)	<a href="#">GRI information, Environmental Impacts</a>	Emissions of company cars have been allocated to Scope 3 instead of Scope 1, also retroactively since 2015.
G4- EN16	Indirect greenhouse gas emissions (scope 2)	<a href="#">GRI information, Environmental Impacts</a>	
G4- EN17	Other indirect greenhouse gas emissions (scope 3)	<a href="#">GRI information, Environmental Impacts</a>	Emissions of company cars have been allocated to Scope 3 instead of Scope 1, also retroactively since 2015.
G4- EN18	Greenhouse gas emissions intensity	<a href="#">GRI information, Environmental Impacts</a>	
G4- EN19	Reduction of greenhouse gas emissions	<a href="#">GRI information, Environmental Impacts</a>	

#### Aspect: Effluents and Waste

G4- EN23	Total weight of waste by type and disposal method	<a href="#">GRI information, Environmental Impacts</a>	
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## SOCIAL IMPACTS

### Labour practices and decent work

#### Aspect: Employment

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	<a href="#">GRI information, Social Impacts</a>
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G4-LA3	Return to work and retention rates after parental leave, by gender	<a href="#">GRI information, Social Impacts</a>
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#### Aspect: Labour/management relations

G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<a href="#">GRI information, Social Impacts</a>
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#### Aspect: Occupational health and safety

G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	<a href="#">GRI information, Social Impacts</a>
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G4-LA6	Accident types and frequencies, frequencies of occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	<a href="#">GRI information, Social Impacts</a>
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OP monitors accidental injuries, occupational diseases and work-related fatalities but they are not relevant for reporting.

G4-LA7	Workers with a high incidence or high risk of diseases related to their occupation	OP Financial Group's business does not include positions with a recognised high incidence or risk of specific diseases.
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G4-LA8	Health and safety topics covered in formal agreements with trade unions	<a href="#">GRI information, Social Impacts</a>
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#### Aspect: Education

G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<a href="#">GRI information, Social Impacts</a>
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G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	<a href="#">GRI information, Social Impacts</a>
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#### Aspect: Diversity and equal opportunity



G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<a href="#">GRI information, Social Impacts</a>	
Human rights			
Aspect: Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	<a href="#">GRI information, Social Impacts</a>	No new cases in 2016.
Aspect: Human rights grievance mechanisms			
G4-HR12	Number of grievances about human rights filed, addressed and resolved through formal grievance mechanisms	No cases in 2016.	
Society			
Aspect: Local communities			
FS13	Access points in low-populated or economically disadvantaged areas by type	<a href="#">GRI information, Social Impacts</a>	
FS14	Initiatives to improve access to financial services for disadvantaged people	<a href="#">GRI information, Social Impacts</a>	
Aspect: Anti-corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<a href="#">GRI information, Social Impacts</a>	
G4-SO4	Communication and training on anti-corruption policies and procedures	<a href="#">GRI information, Social Impacts</a>	Training on prevention of misuse. Training on the Code of Business Ethics.
G4-SO5	Confirmed incidents of corruption and actions taken	No cases in 2016.	
Aspect: Public policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary	OP Financial Group does not support political parties or contribute to the electoral campaigns of individual candidates.	
Aspect: Anti-competitive behaviour			
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	<a href="#">GRI information, Social Impacts</a>	
Aspect: Compliance			

G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No cases in 2016.
G4-S011	Number of grievances about Impacts on society filed, addressed, and resolved through formal grievance mechanisms	No cases in 2016.
<b>Product responsibility</b>		
<b>Aspect: Product and service labelling</b>		
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant products and service categories subject to such information requirements	<a href="#">GRI information, Social Impacts</a>
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	No cases in 2016.
G4-PR5	Results of surveys measuring customer satisfaction	<a href="#">GRI information, KPI</a>
<b>Aspect: Marketing communications</b>		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	<a href="#">GRI information, Social Impacts</a>
<b>Aspect: Customer privacy</b>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<a href="#">GRI information, Social Impacts</a>
<b>Aspect: Compliance</b>		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No cases in 2016.
<b>Aspect: Active ownership</b>		
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	<a href="#">GRI information, Social Impacts</a>
FS11	Percentage of assets subject to positive and negative environmental or social screening	<a href="#">GRI information, Social Impacts</a>

# Global Compact content index

	Location
<b>Human Rights</b>	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	<a href="#">Management approaches to corporate social responsibility</a>
Principle 2: Businesses should make sure they are not complicit in human rights abuses	<a href="#">Management approaches to corporate social responsibility</a> , <a href="#">Human Rights</a>
<b>Labour</b>	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<a href="#">Management approaches to corporate social responsibility</a> , <a href="#">Labour</a>
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	<a href="#">Management approaches to corporate social responsibility</a>
Principle 5: Businesses should uphold the effective abolition of child labour	<a href="#">Management approaches to corporate social responsibility</a>
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	<a href="#">Management approaches to corporate social responsibility</a> , <a href="#">Human Rights</a>
<b>Environment</b>	
Principle 7: Businesses should support a precautionary approach to environmental challenges	<a href="#">Management approaches to corporate social responsibility</a> , <a href="#">Environmental responsibility</a>
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	<a href="#">Management approaches to corporate social responsibility</a> , <a href="#">Environmental responsibility</a>
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	<a href="#">Management approaches to corporate social responsibility</a> , <a href="#">Environmental responsibility</a>
<b>Anti-Corruption</b>	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	<a href="#">Code of Business Ethics p. 6</a>

# Independent assurance report – translation

## OP Cooperative management

We have been engaged by OP Cooperative to provide a limited assurance on OP Group's corporate social responsibility GRI indicators for the reporting period of January 1, 2016 to December 31, 2016. The information subject to the assurance engagement has been presented in the OP Year 2016 report in the section "Corporate Social Responsibility and GRI" (hereafter: Corporate Social Responsibility Information).

## Management's responsibility

Management is responsible for the preparation of the Sustainability Information in accordance with the Reporting criteria as set out in the OP Group's reporting principles and the Sustainability Reporting Guidelines (G4 Core) of the Global Reporting Initiative. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Sustainability Information that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate criteria and making estimates that are reasonable in the circumstances.

## Assurance provider's responsibility

Our responsibility is to express a limited assurance conclusion on the Corporate Social Responsibility Information based on our engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) to provide limited assurance on performance data and statements within the Corporate Social Responsibility Information.

This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Corporate Social Responsibility Information has not been prepared, in all material respects, in accordance with the Reporting criteria.

We did not perform any assurance procedures on the prospective information, such as targets, expectations and ambitions, disclosed in the Corporate Social Responsibility Information. Consequently, we draw no conclusion on the prospective information. Our assurance report is made in accordance with the terms of our engagement with OP Cooperative. We do not accept or assume responsibility to anyone other than the OP Cooperative for our work, for this assurance report, or for the conclusions we have reached.

A limited assurance engagement with respect to responsibility related data involves performing procedures to obtain evidence about the Corporate Social Responsibility Information. The procedures performed depend on the practitioner's judgment, but their nature is different from, and their extent is less than, a reasonable assurance engagement. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

Our procedures on this engagement included:

- Conducting four interviews with senior management responsible at the OP Group to gain an understanding of OP Group's targets for corporate responsibility as part of the business strategy and operations;
- Reviewing internal and external documentation to verify to what extent these documents and data support the information included in the Corporate Social Responsibility Information and evaluating whether the information presented in the Corporate Social Responsibility Information is in line with our overall knowledge of corporate responsibility at OP;
- Conducting interviews with employees responsible for the collection and reporting of the Corporate Social Responsibility Information and reviewing of the processes and systems for data gathering, including the aggregation of the data for the Corporate Social Responsibility Information;
- Performing analytical review procedures and testing data on a sample basis to assess the reasonability of the presented Corporate Social Responsibility Information;
- Assessing that the Corporate Social Responsibility Information has been prepared in accordance with the Sustainability Reporting Guidelines (G4 Core) of the Global Reporting Initiative.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Limitations of the engagement

We have not performed assurance procedures in relation to financial information within scope of the financial audit. To the extent that audited information is presented in the Corporate Social Responsibility Reporting, the reader should read the financial audit statement to obtain necessary assurance.

## Our independence, quality control and competences

We complied with Deloitte's independence policies which address and, in certain cases, exceed the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants in their role as independent assurance providers and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality and from any involvement in the preparation of the report. We have maintained our independence and objectivity throughout the year and there were no events or prohibited services provided which could impair our independence and objectivity.

Deloitte & Touche Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. This engagement was conducted

by a multidisciplinary team including assurance and sustainability expertise with professional qualifications. Our team is experienced in providing sustainability reporting assurance.

## Conclusion

On the basis of the procedures we have performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4 Core) of the Global Reporting Initiative or that the Corporate Social Responsibility Information is not reliable, in all material respects, with regard to the Reporting criteria.

Our assurance statement should be read in conjunction with the inherent limitations of accuracy and completeness for Corporate Social Responsibility Information.

Helsinki 27.2.2017

Deloitte & Touche Oy

Lasse Ingström Authorized Public Accountant

Johan Groop Authorized Public Accountant

## 2016 in brief

This page shows OP Financial Group's key figures for 2016 in summary. Download OP Financial Group's Report by the Executive Board and Financial Statements 2016 [here](#). >

### OP Financial Group improved its earnings further, above-the-market average growth continued on a wide front

- Earnings before tax totalled EUR 1,138 million (1,101).
- Earnings before tax in October-December were EUR 218 million (175).
- Net interest income increased by 3% and net insurance income by 6% and total income grew by 3% on a year earlier. Expenses rose by 3%. The rise was entirely explained by higher development costs.
- The CET1 ratio increased by 0.6 percentage points year on year to 20.1%. Based on the results of the stress test conducted by the European Banking Authority, the Group's capital adequacy clearly exceeded regulatory requirements also in an operating environment of an extremely adverse scenario.
- The home loan portfolio increased by 4%, the corporate loan portfolio by 3% and deposits by 6%. New home loans drawn down were 8% and corporate loans 10% higher than a year ago.
- Insurance premium revenue increased by 2%.
- Assets managed by Wealth Management increased by 9% over the previous year.
- Full-year earnings for 2017 are expected to be about the same as or lower than those for 2016 due to increasing development costs and other expenses arising from strategy implementation.

### Almost 160,000 new OP Financial Group banking customers and 260,000 new owner-customers

- OP Financial Group received almost 160,000 new banking customers, or 21% more than a year ago. The number of owner-customers increased by almost 260,000 to over 1.7 million. The number of joint banking and non-life insurance customers increased by almost 100,000 to over 1.7 million.
- New OP bonuses totalled over EUR 200 million, up by almost 5% year on year. The estimated interest payable on Profit Shares totals EUR 83 million.
- The Group launched several #Suominousuun (Putting Finland on a new growth path) initiatives in its social role. During the financial year, the Group announced, for example, donations worth over EUR 6 million to Finnish universities.
- OP Financial Group's gift to the 100-year-old Finland is 100 years of volunteering. Hiiop100.fi, a new volunteer work exchange site, brings together those in need of help and volunteers.
- In June, OP Financial Group confirmed an updated strategy aimed at broad-based renewal which is being implemented on a wide front.

## OP Financial Group's key indicators

	Q1-4/2016	Q1-4/2015	Change, %
Earnings before tax, € million	1,138	1,101	3.3
Banking	596	642	-7.3
Non-life Insurance	230	259	-11.1
Wealth Management	232	213	8.8
New OP bonuses accrued to owner-customers	208	197	5.3
	31 Dec. 2016	31 Dec. 2015	Change, %
CET1 ratio, %	20.1	19.5	0.6*
Return on economic capital, % **	22.7	21.5	1.2*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % ***	170	191	-21*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.10	0.0*
Owner-customers (1,000)	1,747	1,491	17.2

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2015. Unless otherwise specified, balance sheet and other cross-sectional figures on 31 December 2015 are used as comparatives.

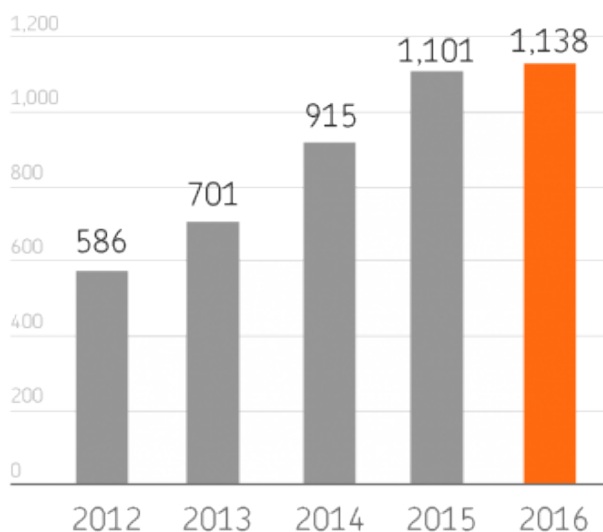
\* Change in ratio

\*\* 12-month rolling, change in percentage

\*\*\* The FiCo ratio has been calculated under Solvency II transitional provisions and the comparatives have been adjusted.

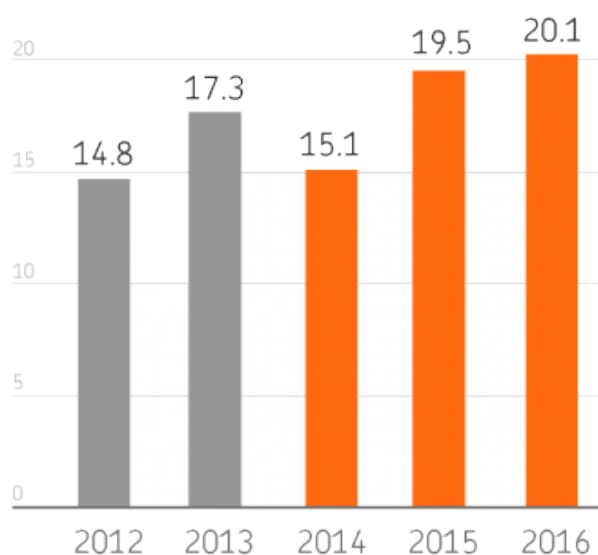


## Earnings before tax € million



## Common Equity Tier 1 ratio (CET1)

Core Tier 1 before transitional provisions, %



- CRR/CRD4
- CRD3