



OP Financial Group's Corporate
Governance Statement 2019

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OP Financial Group's Corporate Governance Statement 2019

1 CORPORATE GOVERNANCE STATEMENT

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

This Corporate Governance Statement 2019 of OP Financial Group has been prepared in accordance with the Act on Credit Institutions, the Capital Requirements Regulation CRD IV/CRR, the Securities Markets Act, and the Finnish Corporate Governance Code (2020) where applicable.

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

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

OP Cooperative's Board of Directors discussed this Corporate Governance Statement at its meeting on 3 February 2020. In addition, the Audit Committee of OP Cooperative's Board of Directors has discussed this Statement.

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

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

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

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

2 STRUCTURE OF OP FINANCIAL GROUP

2.1 OP Financial Group

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

As at 31 December 2019, OP Financial Group consists of 147 member cooperative banks and their central cooperative, OP Cooperative, with its subsidiaries and affiliates. OP Financial Group's operations are specifically governed by the Act on the Amalgamation of Deposit Banks, the Act on Cooperative Banks and Other Cooperative Institutions, the Act on Credit Institutions, the Insurance Companies Act, the Act on Investment Services, the Co-operatives Act and the Limited Liability Companies Act.

Business structure

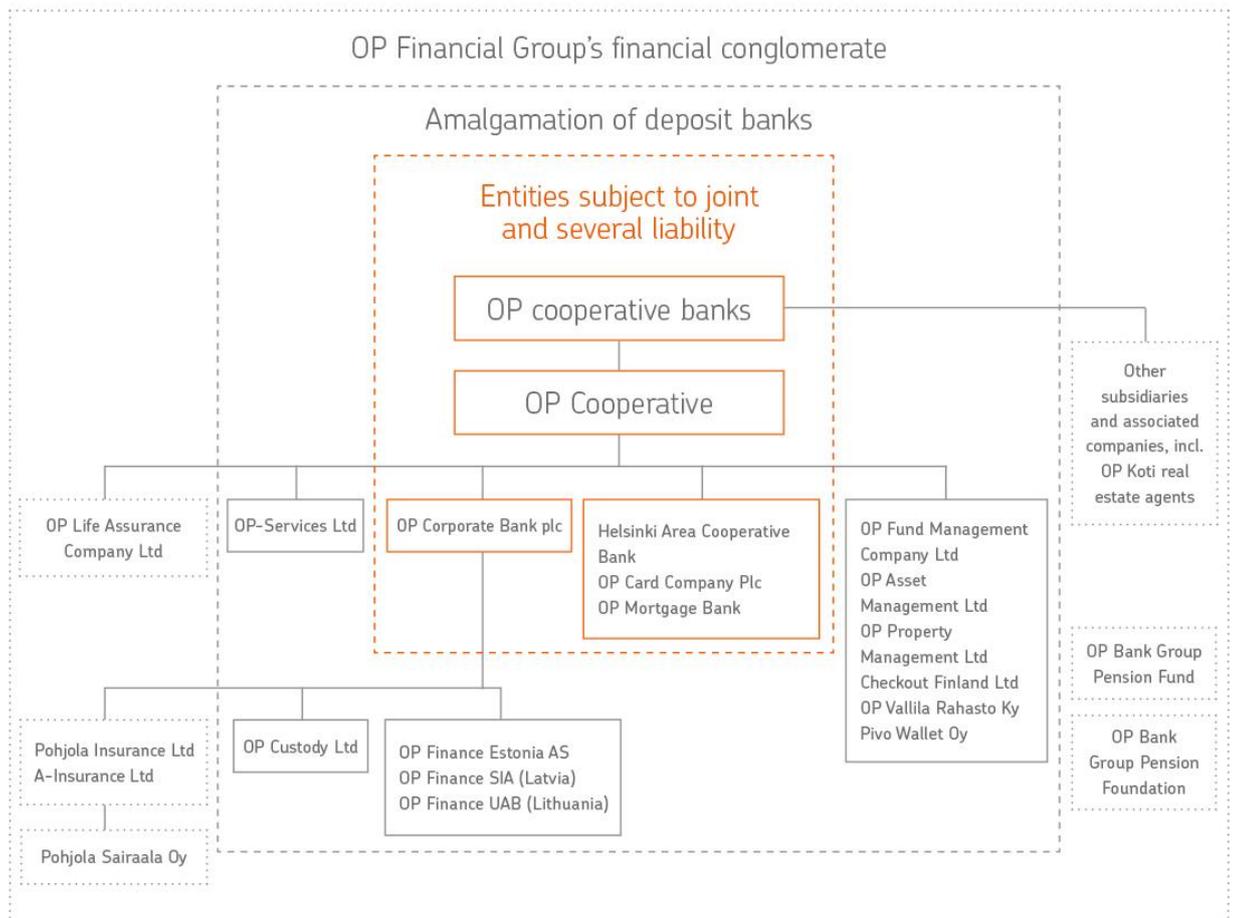


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OP Financial Group consists of the following two parts:

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

OP Financial Group's amalgamation structure



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 comprises:

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

According to the Act on the Amalgamation of Deposit Banks, the central cooperative is obliged to support its member credit institutions and is liable for their debts. The member credit institutions are obliged to participate in any necessary support measures aimed at preventing another member credit institution from going into liquidation. In addition, they are jointly and severally liable for debts of a member credit institution failing to meet its obligations.

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OP Financial Group comprises:

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

The extent of OP Financial Group differs from that of the amalgamation in that OP Financial Group subsumes 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 conglomerate. In addition, OP Financial Group includes Pohjola Hospital Ltd, which provides special healthcare services.

More detailed information on the legal structure of OP Financial Group's amalgamation can be found in the Financial Statements of OP Financial Group, which is available at www.op.fi > OP Financial Group > To the media > Publications > [OP Financial Group publications](#). The amalgamation 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 prepares consolidated financial statements as referred to in the Act on the Amalgamation of Deposit Banks.

OP Financial Group has three business segments:

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

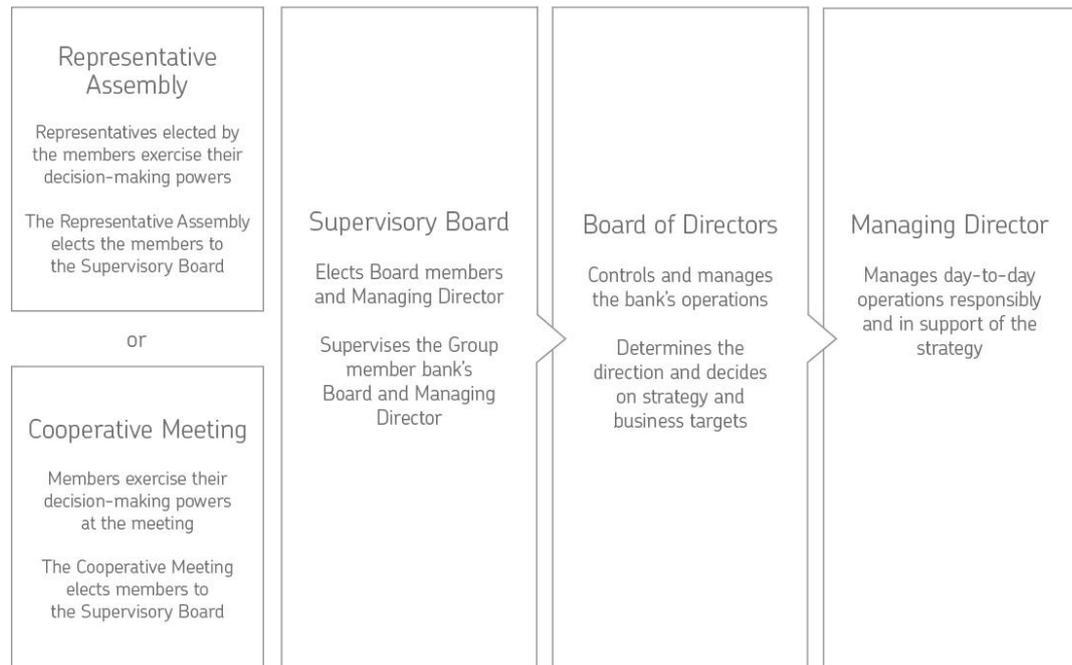
2.1.1 OP cooperative banks

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

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

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OP Cooperative banks' governance structure



2.1.2 Federations of Cooperative Banks

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

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

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

2.1.3 OP Cooperative, or the central cooperative

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

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

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manages control and supervision duties belonging to the central cooperative of the amalgamation and the company heading the financial conglomerate. Furthermore, the central cooperative acts as OP Financial Group's strategic owner institution.

Within the central cooperative, the decision-making powers of member cooperative banks rest with the Cooperative Meeting and the Supervisory Board elected by it. This Statement applies to 2019. In that year, operational decision-making powers were exercised by the Executive Board acting as the board of directors elected by the Supervisory Board. The Executive Board was made up of management executives. The central cooperative's bylaws and governance structure were reformed in 2020. See section 4.10 below for more detailed information on the reform. In each subsidiary of the central cooperative consolidated, the board of directors is responsible for due organisation of the subsidiary's governance and operations in line with the principles and guidelines issued by the central cooperative. See section 4.9 below for more detailed information on subsidiaries.

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

3.1 Core values and responsible operations

OP Financial Group has defined core values guiding its operations, which, for their part, also serve as the Group's code of ethics. The Group's core values are People First, Responsibility, and Succeeding Together.

In its operations, OP Financial Group 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. Furthermore, OP Financial Group adheres to international economic, social and environmental responsibility principles and is committed to promoting the principles of the United Nations Global Compact initiative. In 2019, OP Financial Group became a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI). In addition, the Group's fund and asset management companies have committed to the UN Principles for Responsible Investment.

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

3.2 Principles of Good Corporate Governance

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

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

- They have documented their organisational structure with well-defined powers, responsibilities and reporting relationships.
- They have diverse governing bodies; their members have versatile skills and experience, the governing bodies have balanced representation of genders and age groups and have comprehensive representation of various regions.
- The governing bodies assess their performance on a regular basis.

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- Members of senior and executive management are reliable, fit and proper and professional.
- They manage conflicts of interest.
- They have organised risk management, compliance and internal audit so that these functions are independent of business lines/divisions.
- The remuneration principles support the achievement of targets and do not encourage risk-taking above the defined risk-taking level.
- They operate transparently and openly and disclose relevant information from the perspective of reliability.
- Personnel has the opportunity to report violations they have observed using an independent channel.

3.3 Governance diversity

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

In preparing the selection of members of the administrative bodies, attention is paid to the person's added value to the body's composition in terms, 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 where any candidates have equal strengths in terms of skills and experience, the person who represents a gender that is in minority on the governing body is nominated a member of the governing body.

In 2019, men made up 64% and women 36% of the members of the Supervisory Board of the central cooperative (OP Cooperative).

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

4 GOVERNANCE OF OP COOPERATIVE IN 2019

Central cooperative's governance structure



This Statement covers the year 2019. OP Cooperative's governance is described in accordance with the bylaws and governance structure effective in 2019. More information on the amendment of the bylaws and the new governance structure that became effective in 2020 is available in section 4.10.

4.1 OP Cooperative's Cooperative Meeting

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

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

OP Cooperative held its Annual Cooperative Meeting on 20 March 2019. The minutes of the meeting are available in Finnish at www.op.fi > OP Financial Group > About us > Corporate governance > [Cooperative Meeting](#).

4.2 OP Financial Group's Nomination Committee

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

- Assessing the collective knowledge, skills, experience and diversity of the Supervisory Board and the time commitment expected of its members, preparing descriptions of the roles and required capacities of new members, and identifying and assessing candidates for vacancies
- Assessing the composition and performance of the Supervisory Board and the performance of its individual members, and
- Promoting the diversity and the equal representation of genders on the Supervisory Board.

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

Members of the Nomination Committee in 2019 (listed by Federation of Cooperative Banks as follows: Chair, First Vice Chair, and Second Vice Chair):

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

Itä-Suomi: Matti Niiranen, talousneuvos (Finnish honorary title); Tarja Väkeväinen, M.Soc.Sc., Teacher of Business Studies; and Jari Himanen, Managing Director

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

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

Pohjois-Suomi: Voitto Sorvoja, M.Sc., Principal; Mauri Kauppi, M.Sc. (Tech.), Vice President, Development; and Teuvo Perätalo, LL.M., Managing Director

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

The Nomination Committee had one meeting in 2019.

4.3 OP Cooperative's Supervisory Board

The Supervisory Board is tasked, for example, with:

- supervising the governance of the central cooperative within the remit of the Executive Board and the President and Group Executive Chair
- ensuring that the central institution's operations are managed in an expert and prudent manner in accordance with the Co-operatives Act, the Act on the Amalgamation of Deposit Banks, other regulations and regulatory requirements, the central cooperative bylaws and in the best interests of the central cooperative and OP Financial Group
- confirming OP Financial Group's strategy and risk appetite and other strategic targets and policies and practices
- approving OP Financial Group's operating principles aimed at promoting diversity in the composition of governing bodies and having the objective of equal gender representation in the governing bodies and drawing up the principles applied to achieve and maintain the objective
- deciding on the general principles of OP Financial Group's remuneration schemes
- appointing and discharging the President and Group Executive Chair, acting as the Executive Board Chair, and their deputy and other Executive Board members as well as deciding on their emoluments and pension benefits and the division of responsibilities
- issuing to the Annual Cooperative Meeting an opinion on the financial statements, the consolidated financial statements and the Report by the Executive Board
- deciding on convening a Cooperative Meeting.

To fulfil its statutory supervisory duties, the Supervisory Board is tasked with:

- monitoring the implementation of OP Financial Group's strategy and ensuring reliable supervision of compliance with OP Financial Group's strategy and risk tolerances as well as other strategic statements and principles
- ensuring that OP Financial Group's internal control systems are reliable
- regularly assessing the effectiveness of OP Financial Group's corporate governance (incl. the incentive scheme)

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- taking any necessary measures to remedy shortcomings observed through its supervision.

OP Cooperative's Cooperative Meeting elects members to the Supervisory Board. According to the bylaws, the Supervisory Board has a minimum of 32 and a maximum of 36 members. A person known as honest and reliable is an eligible Supervisory Board member who, based on their professional experience, can be assessed to be qualified to work efficiently on the Supervisory Board and who fulfils other requirements set in OP Financial Group's internal guidelines.

In 2019, the Supervisory Board comprised 36 members as follows:

- 16 members were elected from areas covered by Federations of Cooperative Banks as follows:
 - three members were elected from each of the following Federations: Pohjois-Suomi, Pohjanmaa–Österbotten, Itä-Suomi, and Länsi-Suomi–Sydkusten, and
 - two members were elected from each of the following Federations: Sisä-Suomi and Etelä-Suomi.
- 16 members were elected from areas covered by Federations of Cooperative Banks as follows:
 - Their seats among the Federations are determined in proportion to the total number of owner-customers in the member banks of the Federation of Cooperative Banks in respect of all OP Financial Group's owner-customers.
- Four of the members must be persons who are not members of a governing body of an OP Financial Group company, their managing directors and have no employment contract with such a company.

The term of office of Supervisory Board members is three years beginning upon closing of the Annual Cooperative Meeting which elected them and terminating upon closing of the Annual General Meeting at the end of the three-year period. However, the term of office of the members elected based on the number of owner-customers in the Federations of Cooperative Banks terminates earlier if the allotment of seats among the Federations changes.

The presiding officers of the Supervisory Board comprise the Chair and both Vice Chairs of the Supervisory Board. The Supervisory Board Chair and at least one of the Vice Chairs must be a person who is not a managing director of an OP Financial Group company and has no employment contract with such a company.

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4.3.1 Supervisory Board members and meetings in 2019

Members of OP Cooperative's Supervisory Board by Federation of Cooperative Banks, based on the decision by the Cooperative Meeting of 20 March 2019

*The term of members elected based on the number of owner-customers is shown in parentheses.

**Number of managerial positions in parentheses.

***Stepped down from the Supervisory Board on 31 December 2019 because he/she was appointed a member of the Board of Directors as of 1 January 2020.

Name, year of birth and place of residence	Federation of Cooperative Banks and member's term of office*	Position on OP Cooperative's Supervisory Board**	Full-time position, job title, education/degree(s)	Position of the person with an administrative staff background at a cooperative bank
Alho Timo , 1964, Lappeenranta	Etelä-Suomi, 2018–(2021)	Member (4)	Executive Director, Lappeenranta University of Technology Support Foundation, M.Sc. (Econ.), Diploma in Business and Administration	Chair of the Board of Directors, Etelä-Karjalan Osuuspankki
Arvio Kalle , 1964, Siikajoki	Pohjois-Suomi, 2018–(2021)	Member (3)	Managing Director, Ruukin Osuuspankki, Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	
Bäckman Tiina , 1959, Oulu	Other member (elected without following the regional principle) 2017–2020	Member (2)	Rautaruukki Pension Fund, Chair of the Board of Directors, LL.M, Trained on the bench	
Enberg Leif , 1954, Korsnäs	Pohjanmaa–Österbotten, 2019***	Member (5)	Entrepreneur, Mapromec Ab, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Korsnäs Andelsbank
Harju Anne , 1969, Salla	Pohjois-Suomi, 2018–(2021)	Member (3)	Managing Director, Sallan Osuuspankki, M.Sc. (Agr. & For.)	
Heinonen Jarna , 1965, Turku	Länsi-Suomi–Sydkusten, 2018–2019***	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
Helin Mika , 1965, Hämeenlinna	Etelä-Suomi, 2019–2020	Member	Managing Director, Etelä-Hämeen Osuuspankki	

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Hinkkanen Mervi , 1954, Kontiolahti	Itä-Suomi, 2017–2020	Member (2)	Coordinator, Karelia University of Applied Sciences, Bachelor of Hospitality Management, MBA	Chair of the Board of Directors, Pohjois-Karjalan Osuuspankki
Hällfors Terttu , 1955, Ulvila	Länsi-Suomi– Sydkusten, 2017–2020	Member (2)	Health Centre Physician, Ulvila Health Centre, Lic. Med.	Chair of the Board of Directors, Länsi-Suomen Osuuspankki
Jurmu Taija , 1976, Rovaniemi	Pohjois-Suomi, 2019–2022	Member (4)	Lawyer, Asianajotoimisto Jurmu, Master of Laws, Bar Examination, ABM Chair	Chair of the Board of Directors, Pohjolan Osuuspankki
Kaakko Marja-Liisa , 1965, Kalajoki	Pohjanmaa– Österbotten, 2019–2022	Member (2)	Senior Lecturer, Centria University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.)	Vice Chair of the Board of Directors, Kalajoen Osuuspankki
Kiander Jaakko , 1963, Helsinki	Other member (elected without following the regional principle) 2018–2021	Member (2)	Director, Finnish Centre for Pensions, Dr.Soc.Sc.	
Kietäväinen Seppo , 1959, Juva	Itä-Suomi, 2018–2021	Member (3)	M.Sc. (Agric.)	Chair of the Board of Directors, Suur-Savon Osuuspankki
Koivula Olli , 1955, Kitee	Itä-Suomi, 2018–(2021)	Member (2)	Managing Director, Kiteen Seudun Osuuspankki, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Agric.)	
Korkonen Jaakko , 1966, Seinäjoki	Pohjanmaa– Österbotten, 2018–2021	Member (2)	Lecturer, Seinäjoki Joint Municipal Authority for Education / Vocational Adult Education Sedu, M. Eng., certificate in educational administration	Chair of the Board of Directors, Peräseinäjoen Osuuspankki
Kuosa-Kaartti Katja-Riina , 1973, Orimattila	Etelä-Suomi, 2018–(2021)	Member (3)	Authorised Public Accountant, Tilintarkastus Kuosa-Kaartti Oy, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Orimattilan Osuuspankki
Kääriäinen Jukka , 1953, Iisalmi	Itä-Suomi, 2018–2021	Member (2)	Planner, Social Insurance Institution of Finland, M.Soc.Sc.	Supervisory Board Chair, Pohjois-Savon Osuuspankki
Luomala Juha , 1963, Valkeakoski	Sisä-Suomi, 2017–2020	Member (3)	Managing Director, OP Etelä-Pirkanmaa, M.Sc. (Econ. & Bus. Adm.), LKV (authorised real estate agent)	

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Metsä-Tokila Timo , 1968, Naantali	Länsi-Suomi-Sydkusten, 2018–(2021)	Member (2)	Director, Centre for Economic Development, Transport and the Environment for Southwest Finland	Vice Chair of the Board of Directors, Paattisten Osuuspankki
Myller Kyösti , 1957, Ilomantsi	Sisä-Suomi, 2018–(2021)	Member (2)	Managing Director, Jämsän Seudun Osuuspankki, Diploma in Business and Administration, MBA	
Nieminen Juha-Pekka , 1955, Uusikaupunki	Länsi-Suomi-Sydkusten, 2018–2021	Member (2)	Managing Director, OP Lounaisrannikko, M.Sc. (Econ.), eMBA	
Nikola Annukka , 1960, Kirkkonummi	Etelä-Suomi, 2018–(2021)	Member (4)	Director, Administration, Konehuone Oy, M.Sc. (Econ. & Bus. Adm.)	Chair of the Supervisory Board, Länsi-Uudenmaan Osuuspankki
Niskanen Yrjö , 1957, Rantasalmi	Itä-Suomi, 2018–(2021)	Member (2)	D.Sc. (Agriculture and Forestry)	Vice Chair of the Board of Directors, OP Rantasalmi, Board Member, Suur-Savon OP-liitto
Näsi Olli , 1963, Huiittinen	Länsi-Suomi-Sydkusten, 2018–(2021)	Member (3)	Managing Director, Satakunnan Osuuspankki, LL.M, Trained on the bench, eMBA	
Palomäki Riitta , 1957, Helsinki	Other member (elected without following the regional principle) 2017–2019***	Member (2)	M.Sc. (Econ. & Bus. Adm.)	
Pehkonen Jaakko , 1960, Jyväskylä	Sisä-Suomi, 2017–2019***	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
Rosas Salla , 1962 Elimäki	Etelä-Suomi 2019–2021	Member	Managing Director, Länsi-Kymen Osuuspankki	
Sahlström Petri , 1971, Oulu	Pohjois-Suomi, 2019–2022	Member (3)	Dean, University of Oulu, Oulu Business School, D.Sc. (Econ. & Bus. Adm.)	Vice Chair of the Board of Directors, Oulun Osuuspankki
Sandell Carolina , 1978, Maarianhamina	Länsi-Suomi-Sydkusten, 2019–2022	Member	Entrepreneur, Lina Sandell Ab	Board Member, Andelsbanken för Åland
Saukkonen Timo , 1963, Simpele	Etelä-Suomi, 2019–(2022)	Member	M.Sc. (Agr. & For.), agriculture and forestry entrepreneur	Chair of the Board of Directors, Simpeleen Osuuspankki
Sotarauta Markku , 1963, Ylöjärvi	Sisä-Suomi, 2018–(2021)	Member (2)	Professor, University of Tampere, D.Sc. (Admin.)	Vice Chair of the Board of Directors, OP Tampere

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Suhonen Timo, 1959, Nivala	Pohjanmaa- Österbotten, 2018–(2021)	Member (2)	Managing Director, Suomenselän Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA, LKV (authorised real estate agent)	
Tarkkanen Olli, 1962, Seinäjoki	Pohjanmaa- Österbotten, 2018–2019***	Second Vice Chair of the Supervisory Board (4)	Managing Director, Etelä-Pohjanmaan Osuuspankki, LL.M, Trained on the bench, eMBA	
Väisänen Mervi, 1963, Sotkamo	Pohjois-Suomi, 2019***	First Vice Chair of the Supervisory Board (7)	Senior Lecturer in Marketing, Kajaani University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Kainuun Osuuspankki
Väänänen Ari, 1973, Maaninka	Itä-Suomi, 2018–(2021)	Member (3)	Managing Director, Maaningan Osuuspankki, LL.M, Trained on the bench	
Ylimartimo Arto, 1959, Oulunsalo	Other member (elected without following the regional principle) 2017–2020	Member (2)	Chair of the Board of Directors, Asylum Oy M.Sc. (Econ. & Bus. Adm.), Authorised Public Accountant	

On 20 March 2019, Mika Helin, Saila Rosas, Carolina Sandell and Timo Saukkonen were elected as new members of the Supervisory Board. Ola Eklund, Timo Laine, Anssi Mäkelä and Leo Nevalainen stepped down from the Supervisory Board on 20 March 2019.

In addition, employee representatives have the right to be present and speak at the meetings of the Supervisory Board. In 2019, employee representatives were as follows: Sirpa Komonen (until 1 July 2019), Miia Korvenoja (as of 1 July 2019), Suvi Kostamovaara, Jussi Kulmala, Eija Laurila and Eero Pulkkinen.

In 2019, the Supervisory Board had seven meetings. The average attendance rate of its members stood at 97%.

In 2019, the Supervisory Board, among other things, updated its charter and decided on the conditional composition of the Board of Directors based on the new governance structure. The new governance structure became effective on 1 January 2020. The Supervisory Board also confirmed OP Financial Group's new strategy, vision and strategic long-term targets as well as the Group's updated Corporate Responsibility Programme. Furthermore, the Supervisory Board participated in an extensive investigation in which OP Financial Group's governing bodies discussed the Group's long-term strategic intent on the Group structure to secure continued success. This work is expected to be completed during 2020.

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4.4 Supervisory Board committees

The Supervisory Board has five committees: the Working Committee, the Audit Committee, the Remuneration Committee and the Risk Management Committee as well as the central cooperative consolidated Executive Nomination Committee.

Acting as bodies supporting the Supervisory Board, as a rule the committees have no independent decision-making powers.

Every year, the Supervisory Board appoints, from among its members, members of the committees and the Chairs and Vice Chairs of the Audit Committee and the Risk Management Committee, and confirms the rules of procedure for the committees.

4.4.1 Working Committee

The Working Committee attends, for its part, to the statutory supervisory duties of the Supervisory Board specified in section 4.3 above. In addition, the Working Committee is tasked, for example, with:

- assisting the Supervisory Board in the preparation of OP Financial Group's strategy and in the monitoring of its implementation and participating in the preparation of projects and initiatives in the pipeline within the Group and taking charge of their monitoring
- discussing major issues related to cooperation within OP Financial Group and the implementation of the Group's operating principles, and discussing organisational changes related to the central cooperative's senior management
- preparing important matters to be discussed by the Supervisory Board, unless they are covered by another committee's preparatory duties
- monitoring the execution of Supervisory Board decisions
- issuing recommendations to the central cooperative's Executive Board in strategic matters relating to OP Financial Group.

The Working Committee includes the Supervisory Board Chair as its Chair, Supervisory Board Vice Chairs, the Chair of the Audit Committee and the Chair of the Risk Management Committee plus at least five other members of the Supervisory Board. A maximum of three of the members may be managing directors of member banks and a minimum of three persons must be persons who are not members of a governing body of an OP Financial Group company, managing directors and have no employment contract with such a company.

Committee members must have at least five years of experience in the banking or insurance business in their capacity as an employee or a member of the governing body in a company engaged in such business, or in managerial or expert duties in other entities that relate to the banking or insurance business, general administration or financial management or audit activities.

Working Committee's composition and meetings in 2019

Jaakko Pehkonen, Chair

Mervi Väisänen, Vice Chair

Kalle Arvio

Tiina Bäckman

Leif Enberg

Jarna Heinonen

Mika Helin (as of 20 March 2019)

Timo Laine (until 20 March 2019)

Riitta Palomäki

Olli Tarkkanen

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Arto Ylimartimo

In 2019, the Working Committee had seven meetings. The average attendance rate of its members stood at 94%.

4.4.2 Audit Committee

The Audit Committee is tasked with assisting the Supervisory Board in monitoring, supervising and preparing at least the following:

- the financial reporting system
- the effectiveness of internal control, internal audit and risk management
- the audit
- the independence and preparation of the election of an auditor.

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

- supervise for its part the accuracy of the financial statements, other information disclosed on the financial position and governance, and of internal and regulatory reporting related to the financial position
- supervise, for its part, OP Financial Group's regulatory compliance, especially in respect of the financial statements and other information disclosed on the financial position, the financial position and the related regulatory reporting as well as audit
- assess the adequacy, functionality and effectiveness of internal control and risk management
- discuss the Group's accounting policies and capital adequacy measurement principles to be submitted to the Supervisory Board for adoption
- deal with and assess matters related to audit and auditors.

The Supervisory Board elects from among its members, for a one-year term, four members to the Audit Committee and appoints a Chair and Vice Chair from among them. In addition, the Supervisory Board elects three managing directors of OP cooperative banks to act as expert members of the Audit Committee.

The Audit Committee must on the whole have adequate expertise in accounting, book-keeping, financial reporting and accounting practices as well as internal audit. Committee members must have at least five years of experience in the banking or insurance business as an employee or a member of the governing body in a company engaged in such business, or in managerial or expert duties in other entities that relate to the banking or insurance business, general administration or financial management or audit activities. The Chair must have adequate expertise in accounting or audit as well as special expertise and experience in the application of accounting policies and internal control processes.

A Committee member may not be the managing director of a Group company or have an employment contract with such a company. In addition to the Chair, at least one member must be a person who is not a member of the governing body of another OP Financial Group company.

Audit Committee's composition and meetings in 2019

Riitta Palomäki, Chair

Katja Kuosa-Kaartti, Vice Chair

Terttu Hällfors, member (as of 20 March 2019)

Jaakko Kiander, member

Anssi Mäkelä, member (until 20 March 2019)

Expert members 2018–2021:

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Anne Harju
Timo Suhonen
Ari Väänänen

In 2019, the Audit Committee had six meetings. The average attendance rate of its members stood at 96%. In addition, the Audit Committee and the Risk Management Committee held two joint meetings.

4.4.3 Remuneration Committee

The Remuneration Committee is tasked with assisting the Supervisory Board and the Executive Board in decisions related to the management and control of the remuneration schemes.

In addition, the Remuneration Committee:

- prepares proposals to OP Cooperative's Supervisory Board on OP Financial Group's remuneration principles and pay policy and on the long-term remuneration schemes in place in OP Financial Group as well as on the general terms and conditions of remuneration schemes
- monitors and supervises regularly the implementation of the remuneration principles and pay policy, and compliance with the rules and regulations concerning remuneration schemes within the entire OP Financial Group
- assesses regularly the effectiveness of remuneration schemes
- confirms annually the metrics and target levels for OP Financial Group's long-term incentive schemes, and the persons included in the management incentive scheme
- supervises the overall remuneration for people in charge of OP Financial Group's risk management, compliance and business-independent control functions
- confirms annually a recommendation on the remuneration applied to the management of OP cooperative banks, the short-term remuneration schemes for the management and personnel of OP cooperative banks, the terms of the executive contracts of OP cooperative banks' directors and managing directors, and the bases for job grading applied to OP cooperative banks' managing directors
- confirms a recommendation on the overall remuneration applied to OP Koti (previously OP-Kiinteistökeskus) real estate agents
- issues annually a recommendation on the remuneration of the members of OP cooperative banks' governing bodies and on the assessment of the performance of governing bodies, and monitors compliance with the recommendations and decisions it has issued.

The Committee includes the Supervisory Board's Chair acting as the Chair, the Supervisory Board's first Vice Chair acting as the Vice Chair, and a minimum of three other members of the Supervisory Board who may not be managing directors of any of the Group companies or have an employment contract with such Group companies.

Remuneration Committee members must have at least five years of experience in the banking or insurance business in their capacity as an employee or member of the governing body in a company engaged in such business, or in managerial or expert duties in other entities that relate to the banking or insurance business, general administration or financial management or audit activities.

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Remuneration Committee's composition and meetings in 2019

Jaakko Pehkonen, Chair
 Mervi Väisänen, Vice Chair
 Taija Jurmu
 Seppo Kietäväinen
 Annukka Nikola

In 2019, the Remuneration Committee had six meetings. The average attendance rate of its members stood at 100%.

4.4.4 Risk Management Committee

The Risk Management Committee is tasked, for example, with:

- assisting the Supervisory Board in matters relating to the central cooperative consolidated's and OP Financial Group's risk tolerances and risk-taking, and in supervising compliance of the central cooperative's Executive Board with the risk tolerances determined by the Supervisory Board
- assessing whether the prices charged for services that tie the capital of OP Financial Group's companies are in line with the company's business model and risk tolerances and, if this is not the case, drawing up a plan to make corrections which is to be submitted to the Supervisory Board's approval
- assisting the Supervisory Board's Remuneration Committee in establishing sound remuneration schemes, and assessing whether the remuneration schemes promote taking into account the company's risks and capital and liquidity requirements, as well as revenue allocation and the probability of profit
- assisting 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.

To carry out its duties, the Risk Management Committee performs the following, for example:

- supervises the implementation of OP Financial Group's risk strategy and the limits derived from it
- issues recommendations for any changes needed in the risk strategy
- assesses how OP Financial Group's risk profile would respond to external and internal events in different scenarios
- assesses supervisory authorities', Internal Audit's and auditor's recommendations related to risk management, and monitors the implementation of such recommendations
- monitors OP Financial Group's overall risk appetite and risk strategy and their development.

The Supervisory Board elects from among its members, for a one-year term, four members to the Risk Management Committee, and appoints a Chair and Vice Chair from among them. In addition, the Supervisory Board appoints from among its members three managing directors of OP cooperative banks to act as expert members of the Risk Management Committee.

A Committee member may not be the managing director of a Group company or have an employment contract with such a company. In addition to the Chair, at least one member must be a person who is not a member of the governing body of another OP Financial Group company.

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Committee members must demonstrate the required expertise related to the credit institution's and OP Financial Group's risk capacity and the Group's strategic risk principles plus at least five years of experience in the banking or insurance business in their capacity as an employee or member of the governing body in a company engaged in such business, or in managerial or expert duties in other entities that relate to the banking or insurance business, general administration or financial management or audit activities.

Risk Management Committee's composition and meetings in 2019

Arto Ylimartimo, Chair
 Petri Sahlström, Vice Chair (as of 20 March 2019)
 Ola Eklund, Vice Chair (until 20 March 2019)
 Timo Alho, member (as of 20 March 2019)
 Tiina Bäckman, member
 Expert members:
 Juha Luomala, 2017–2020
 Kyösti Myller, 2019–2021
 Olli Näsi, 2018–2021

In 2019, the Risk Management Committee had eight meetings. The average attendance rate of its members stood at 94%. In addition, the Risk Management Committee and the Audit Committee held two joint meetings.

4.4.5 The central cooperative consolidated Executive Nomination Committee

The Nomination Committee's statutory task is to assist the Supervisory Board in matters related to the nomination and appointment of Executive Board members, especially in respect of the following matters:

- assessing the collective knowledge, skills, experience and diversity of the Executive Board and the time commitment expected of its members, preparing descriptions of the roles and required capacities of new members, and identifying and assessing candidates for vacancies
- assessing the composition and performance of the Executive Board and the performance of its individual members
- promoting the diversity and the equal representation of genders on the Executive Board.

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

- prepare proposals to the central cooperative's Supervisory Board on the nomination of the central cooperative's CEO, Executive Board members, the Chief Audit Executive, the Chief Risk Officer and the Chief Compliance Officer, including their job descriptions and the terms and conditions of their executive contracts
- decide on the annual review of their salaries or benefits as well as remuneration
- assess regularly, at least once a year, their fitness and propriety, and discuss succession plans related to them
- nominate persons other than those mentioned above directly reporting to the President and Group Executive Chair, based on the so-called one-over-one principle.

The central cooperative consolidated Executive Nomination Committee comprises the Supervisory Board's Chair, the first Vice Chair and at least one other Supervisory Board member.

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The central cooperative consolidated Executive Nomination Committee composition and meetings in 2019

Jaakko Pehkonen, Chair
Mervi Väisänen, Vice Chair
Taija Jurmu
Annukka Nikola

In 2019, the Executive Nomination Committee had seven meetings. The average attendance rate of its members stood at 100%.

4.5 OP Financial Group's President and Group Executive Chair, and OP Cooperative's CEO

4.5.1 OP Financial Group's President and Group Executive Chair

The Supervisory Board appoints OP Financial Group's President and Group Executive Chair and decides on the terms and conditions of their executive contract.

The President and Group Executive Chair acts as the Chair of the Executive Board of OP Cooperative (the central cooperative). In addition, the President and Group Executive Chair is responsible for managing OP Financial Group, the central cooperative and the central cooperative consolidated, is in charge of their strategic control in accordance with the strategic intent confirmed by the Supervisory Board, is responsible for Group unity and manages and develops the Executive Board's work.

Timo Ritakallio, LL.M, MBA, D.Sc. (Tech.), has acted as OP Financial Group's President and Group Executive Chair and as Chair of the Executive Board since 1 March 2018.

4.5.2 CEO of OP Cooperative

The Supervisory Board elects the CEO of OP Cooperative.

The CEO is tasked with representing the central cooperative in accordance with the Co-operatives Act and managing the day-to-day administration of the central cooperative according to the instructions issued by the Executive Board and executing decisions by the Executive Board insofar as these duties are not included in the duties of an Executive Board member in accordance with the division of duties among the Executive Board members.

Vesa Aho, M.Sc. (Econ. & Bus. Adm.), OP Financial Group's Chief Financial Officer, acted as OP Cooperative's CEO during the period 1 November 2018–31 December 2019. As of 1 January 2020, Timo Ritakallio, President and Group Executive Chair of OP Financial Group, will act as OP Cooperative's CEO.

4.6 OP Cooperative's Executive Board, or directorate

OP Cooperative's Supervisory Board elects OP Cooperative's Executive Board which acts as the central cooperative's directorate.

The Executive Board's duties 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, insofar as the central cooperative bylaws or the charters of the Supervisory Board or its committees do not specify such duties as being within the remit of the Supervisory Board or its committees.

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The Executive Board is tasked, for example, with:

- managing as the central cooperative's directorate the administration and due organisation of the operations of the central cooperative and managing the central cooperative and its consolidation group in accordance with the Co-operatives Act, the Act on the Amalgamation of Deposit Banks and other legislation as well as the central cooperative bylaws
- controlling the operations of the amalgamation in accordance with the principles issued by the Supervisory Board and 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
- steering OP Financial Group and implementing the Group strategy in line with the principles issued by the Supervisory Board
- promoting carefully the interests of OP Financial Group, its central cooperative and the central cooperative consolidated.

The committees or other bodies defined in the central cooperative consolidated's management system assist the Executive Board in its duties. The Executive Board may delegate its duties to such committees or other bodies within the limits it has determined.

The Executive Board comprises President and Group Executive Chair acting as its Chair, the deputy to President and Group Executive Chair acting as Vice Chair, and four to nine other members appointed by the Supervisory Board.

The Executive Board member must have the skills and knowledge required to perform their duties. The Executive Board Chair must have at least 10 years of experience in senior management duties related to their area of responsibility or other OP Financial Group's business, and other Executive Board members must have at least five years of experience in similar duties. The central cooperative's CEO may not be appointed the Executive Board Chair or Vice Chair.

4.6.1 OP Cooperative's Executive Board's composition and meetings in 2019



Timo Ritakallio, b. 1962
 President and Group Executive Chair
 Chair
 On the Executive Board since 2018
 LL.M, MBA, D.Sc. (Tech.)



Tony Vepsäläinen, b. 1959
 Executive Vice President, Operations, deputy to President and Group Executive Chair
 Vice Chair
 On the Executive Board since 2006
 LL.M, eMBA

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Vesa Aho, b. 1974
 CFO, CEO of OP Cooperative
 On the Executive Board since 2018
 M.Sc. (Econ. & Bus. Adm.)



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



Olli Lehtilä, b. 1962
 Executive Vice President, Insurance Customers
 On the Executive Board since 2014
 M.Sc. (Agr. & For.), eMBA



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



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



Tiia Tuovinen, b. 1964
 Chief Legal Officer and Group General Counsel
 On the Executive Board since 2018
 Master of Laws, LL.M.Eur.

The responsibilities of the Executive Board acting as a directorate, in its present form, ended on 31 December 2019 due to the new governance structure. The composition of OP Cooperative's Board of Directors changed as of 1 January 2020. In future, the Executive

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Board will act as OP Cooperative's Executive Management Team. More information on the new governance structure is available in section 4.10. The composition of the Board of Directors in 2020 can be viewed at www.op.fi > OP Financial Group > About us > Corporate governance > [Board of Directors](#).

In addition, the following persons in charge of other key functions (hereinafter 'other senior management') attended the meetings of the Executive Board as needed:

Tuuli Kousa, Chief Communications and Public Affairs Officer

Sakari Lehtinen, Chief Audit Executive, as of 1 May 2019 (Leena Kallasvuo, Chief Audit Executive, from 1 January until 30 April 2019)

Hannakaisa Länsisalmi, Chief Human Resources Officer

Markku Pehkonen, Chief Risk Officer

Pekka Puustinen, Chief Strategy Officer



Pictured, from left to right: Markku Pehkonen, Hannakaisa Länsisalmi, Pekka Puustinen, Sakari Lehtinen, Katja Keitaanniemi, Harri Nummela, Timo Ritakallio, Tiia Tuovinen, Olli Lehtilä, Juho Malmberg, Vesa Aho, Tuuli Kousa.

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

In 2019, the Executive Board had 48 meetings. The average attendance rate of members stood at 94.7%.

4.7 Executive Board committees

The Executive Board may establish committees that comprise members of the Executive Board and other employees.

The committees prepare matters to be discussed and decided by the Executive Board in line with the rules of the procedure confirmed by the Executive Board. The Executive Board may delegate its decision-making powers to the committees within the limits it has determined. The committees shall regularly report on their activities to the Executive Board.

For the purpose of carrying out tasks and projects, Executive Board members may also be assisted by separately designated preparatory bodies.

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4.7.1 Steering and Compliance Committee

The Committee supports the Executive Board in the execution of control and supervision for the central cooperative consolidated and OP cooperative banks. It deals with both general and entity-specific matters related to control and supervision. The Committee regularly receives reports of problem situations at OP cooperative banks as well as measures taken to solve such problems, and of any structural development projects underway in OP Financial Group. Furthermore, the Committee receives reports related to the effectiveness of risk management processes, qualitative risks and internal control observations in both the central cooperative consolidated and OP cooperative banks.

According to its rules of procedure, the Committee exercises decision-making powers in the following matters:

- confirming guidelines issued by virtue of section 17 of the Act on the Amalgamation of Deposit Banks and other Group-level key guidelines of OP Financial Group, insofar as the approval of the Supervisory Board is not required
- confirming control limit indicators and limit values for OP cooperative banks in line with the control system principles required by joint and several liability
- confirming risk categories for banks and control tools to be implemented based on these, insofar as the approval of the Executive Board is not required
- approving the bylaws of OP cooperative banks in accordance with section 6 of the Act on the Amalgamation of Deposit Banks, and approving OP cooperative banks' new business names.

The Committee was chaired by Tony Vepsäläinen, with Harri Nummela, Tiia Tuovinen and Markku Pehkonen as members. As a general rule, the Committee met once a month.

4.7.2 Risk Management Committee

The Risk Management Committee ensures OP Financial Group's ability to operate successfully in the long term by making sure that the models, methodologies, systems and metrics used in the risk management processes are adequate in terms of operational quality and extent and that detailed instructions and descriptions of their use are available. The aim is to ensure as realistic a picture as possible of the value of the on-balance-sheet and off-balance-sheet items and of operational risks, for management purposes in general and for capital adequacy management purposes in particular. Moreover, the Committee and experts authorised by it make decisions on the recognition of expected customer-specific credit losses.

According to its rules of procedure, the Committee exercises decision-making powers in the following matters:

- the methods and indicators applied in risk management and in internal rating systems
- descriptions of stress tests for each risk type, including stress test methods, application guidelines and descriptions for risk management, and the structure of risk policies and the investment plan
- decision-making powers in the internal rating process
- entries of customer-specific expected credit losses
- the models applied in OP Financial Group, including the models for balance-sheet and income-statement items, risk models, and the models for pricing-related decision-making in business divisions
- description of the economic capital requirement, and description of the calculation rules and processes for non-current own funds

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- The principles and methods for Independent Price Verification (IPV) and Prudent Valuation, and valuation adjustments resulting from IPV results.

The Committee's Chair was Markku Pehkonen and the Vice Chair was Eva Tüll. The members were Vesa Aho, Matti Holma, Kai Lindqvist, Mika Louhelainen, Tuomo Metsäaro and Matti Tienari. As a general rule, the Committee met twice a month.

4.7.3 Asset and Liability Management (ALM) Committee

The ALM Committee is tasked with supporting the Executive Board in controlling and managing OP Financial Group's assets and liabilities, as well as with analysing, coordinating and controlling the asset/liability management of OP Financial Group and the central cooperative consolidated in accordance with laws and official regulations and operating principles and decisions adopted by the Supervisory Board or the Executive Board, and operating principles set by the Risk Management Committee. The Committee monitors the risk exposures of OP Financial Group's insurance and banking business and assesses whether the risk exposures are in line with the Group's risk appetite, taking account of short-term economic outlook. The Committee also monitors the quantity and quality of the Group's capital and the achievement of the risk-return ratio targets.

Based on its charter, the Committee exercises decision-making powers in the following matters in order to support asset-liability risk management:

- Liquidity contingency plan
- Description of the management of interest rate risk in banking, and recommendations issued to OP cooperative banks on the management of interest rate risk
- Implementation of models for which the ALM Committee is responsible as defined in the Risk Management Guidelines, and which have been approved by the Risk Management Committee, in capital adequacy measurement and internal uses
- Allocation of limits specified in the risk policy to the business lines/divisions
- Continuing the application of the standardised approach in capital adequacy measurement, initiating preparations for the implementation of a new internal model, or initiating preparations for discontinuing the use of an internal model
- Matters allocated for decision-making by the Green Bond Committee as part of the Green Bond operating model.

The Committee's Chair was CFO Vesa Aho. The members were Kalle Böss, Kaisu Christie, Laura Hakamies, Olli Kankkunen, Lauri Iloniemi, Markku Pehkonen, Erko Ryyänen and Kimmo Marttila. As a general rule, the Committee met every six weeks.

4.8 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 this task.

4.9 Subsidiaries of the central cooperative consolidated

In each subsidiary of the central cooperative consolidated, the board of directors is responsible for due organisation of the subsidiary's governance and operations. When performing their duties, the boards of directors take account of OP Financial Group's strategic statements and other policy lines, confirmed principles and guidelines issued by the Supervisory Board of the central cooperative and the Executive Board concerning

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matters where the central cooperative is obliged or has the right to issue policy lines and guidelines regarding the entire Group.

The central cooperative's Executive Board makes proposals on candidates for the subsidiaries' boards of directors (excl. Helsinki Area Cooperative Bank), after which the board of directors is elected in a manner specified in the Articles of Association and laws in force. The central cooperative's Executive Board also discusses proposals for the managing directors of subsidiaries before their selection. The Group's guidelines on the management of conflicts of interest are taken into account in the selections.

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

The major subsidiaries by segment are described in section 2.1.

The members of the boards of directors and the Managing Directors/Presidents of major subsidiaries engaged in business in 2019:

Company	Board of Directors	Managing Director/President
OP Corporate Bank plc	Ritakallio Timo, Chair Aho Vesa Saario Olli-Pekka (as of 1 July 2019) Sorri Pasi (as of 1 July 2019) Tuovinen Tiia (until 30 June 2019) Vepsäläinen Tony (until 30 June 2019) Viitanen Jarmo	Keitaanniemi Katja
Helsinki Area Cooperative Bank	Ritakallio Timo, Chair Nummela Harri, Vice Chair Hulkkonen Jukka Leppäluoto Sirpa Liukas Linda	Viitanen Jarmo
OP Mortgage Bank	Aho Vesa, Chair Christie Kaisu (as of 19 March 2019) Hirvinen Hanno (until 31 May 2019) Iloniemi Lauri (as of 1 June 2019) Ronkanen-Minogue Elina (until 28 February 2019)	Eriksson Sanna
OP Card Company Plc	Nummela Harri, Chair Aho Vesa (as of 19 March 2019) Jaatinen Hannu (until 30 June 2019) Keitaanniemi Katja Nikula Leena (as of 1 July 2019) Posio Keijo (as of 1 July 2019)	Huhta Anssi

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Pohjola Insurance Ltd	Ritakallio Timo, Chair Aho Vesa Keitaanniemi Katja (until 30 June 2019) Reimasto-Heiskanen Jaana (as of 1 July 2019) Vepsäläinen Tony Vilpponen Jani (as of 1 July 2019)	Lehtilä Olli
OP Asset Management Ltd	Keitaanniemi Katja, Chair Aho Vesa Kivimäki Mika (as of 1 July 2019) Kuvaja Jussi (as of 1 July 2019) Nummela Harri	Virtala Tuomas (as of 1 April 2019) Jormalainen Sami (until 31 March 2019)
OP Life Assurance Company Ltd	Lehtilä Olli, Chair Aho Vesa Hyvönen Raili (as of 1 July 2019) Ruuhela Jussi (as of 1 July 2019) Vepsäläinen Tony	Huttunen Jussi
OP Fund Management Company Ltd	Nummela Harri, Chair Jormalainen Sami (until 11 March 2019) Saariaho Kalle (as of 11 March 2019) Vanha-Honko Vesa-Matti	Takala Juha (as of 8 March 2019) Saariaho Kalle (until 8 March 2019)

4.10 New governance structure 2020

OP Cooperative's Annual Cooperative Meeting of 20 March 2019 decided to alter the central cooperative's bylaws. The purpose of the alteration of bylaws is to adopt a three-tiered governance structure (Supervisory Council – Board of Directors – President and Group Chief Executive Officer acting as the CEO) as of 1 January 2020.

The Supervisory Council will act as the highest tier in the new governance structure. Its duty is to confirm decisions in principle made by the Board of Directors, which are important to the entire OP Financial Group. In the new governance structure, instead of the current internal Executive Board, OP Cooperative (the central cooperative) will have a Board of Directors consisting of members who are not directors of the central cooperative. The Board of Directors will be responsible for the central cooperative's decision-making and supervision. The current Supervisory Board committees (Risk Management Committee, Audit Committee and Remuneration Committee and the central cooperative consolidated's Executive Nomination and Remuneration Committee) will become Board committees.

As the central cooperative's CEO, the President and Group Chief Executive Officer will be responsible for the central cooperative's daily management. The central cooperative's Executive Management Team will assist the President and Group Chief Executive Officer in the management of the central cooperative at operational level.

The duties and members of the governing bodies complying with the new governance structure are presented at www.op.fi > OP Financial Group > About us > [Corporate governance](#).

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5 INTERNAL AND EXTERNAL CONTROL

5.1 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 that the information in support of management decisions is reliable. Internal control also ensures that risk management, custody of client assets and protection of property is adequately arranged. Conformance to regulations and approved ethical principles, too, are ensured through internal control.

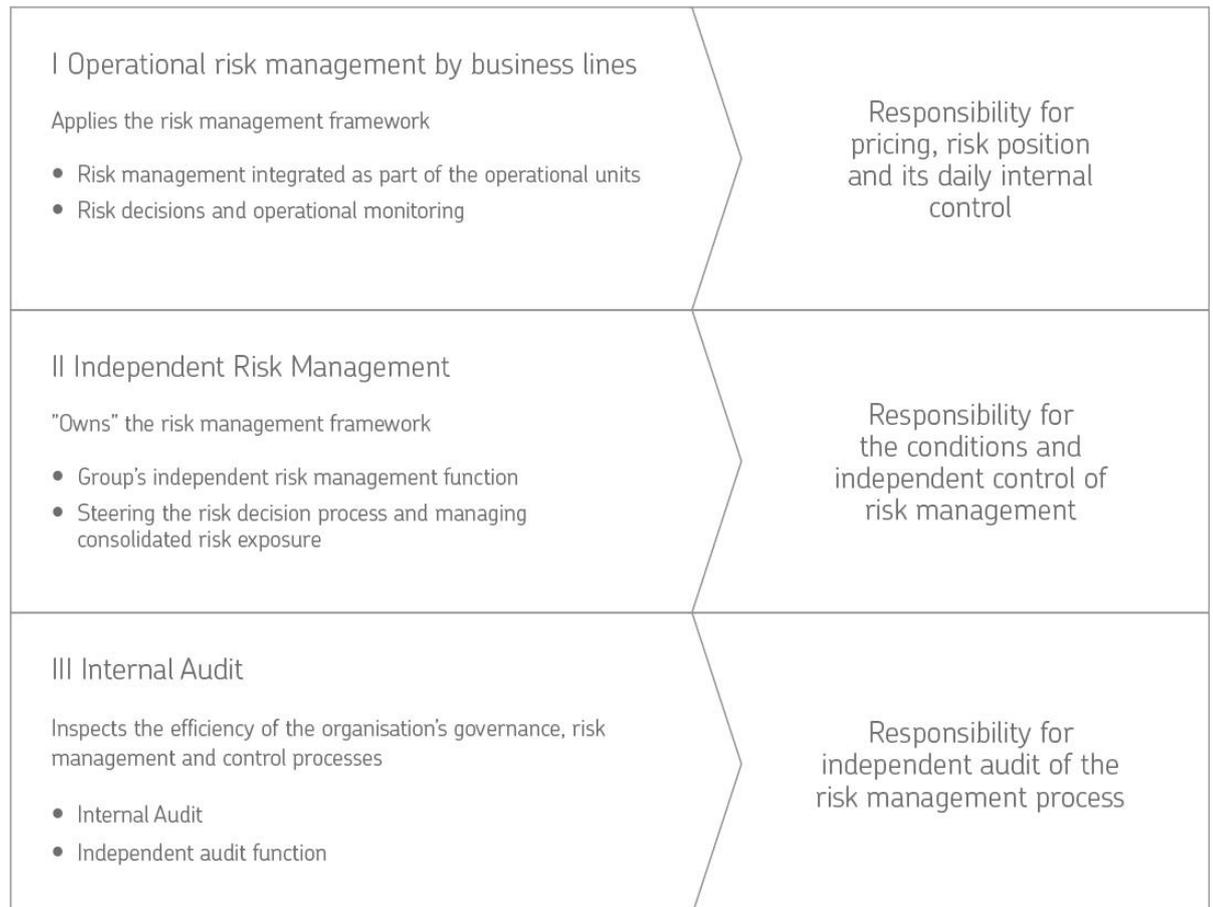
The central cooperative's Supervisory Board confirms the Group-level principles of internal control that all OP Financial Group entities follow.

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, where internal control is continuous and forms part of daily activities.

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 (whistleblowing).

OP Financial Group has separate and independent Compliance, Risk Management and Internal Audit functions that support other functions and their activities by providing independent supervision and ensuring effective supervision in accordance with risk management's three lines of defence.

Three lines of defence in risk management



The first line of defence comprises business lines, the second line of defence comprises the risk management function independent of the business lines/divisions and the compliance function, and the third line of defence comprises Internal Audit. Each line of defence has its own role in performing risk management duties efficiently.

In the first line of defence, the business lines/divisions fulfil OP Financial Group's strategy and are responsible for planning their own operations and for their internal control. They make risk decisions within the framework of the restrictions governing risk-taking and risk policy and of other guidelines, apply the risk management framework, supervise their risk exposure and that it remains within the confirmed limits and control limits, as well as bear responsibility for the risks they have taken and for the extensiveness and accuracy of data in the systems.

The second line of defence comprises the central cooperative's independent Risk Management function and the Compliance function. Risk Management is managed by the Chief Risk Officer who reports directly to the President and Group Executive Chair. Independent risk management is organised in such a way that it is in sufficient proportion to the nature, extent and diversity of the Group and each of its business segments and companies. Risk Management leads the intra-Group risk management process, owns the risk management framework and is responsible for maintaining and developing risk management systems and methods.

Risk Management controls, supervises and supports the implementation of the Risk Appetite Statement and the Risk Management Principles at OP Financial Group and its

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companies while supervising risk decision processes and their quality. Together with Finance and Group Treasury, Risk Management ensures the balance between profitability, risks and risk-taking capacity. Furthermore, Risk Management supervises that the risk-taking of business lines/divisions complies with the strategy and the Risk Appetite Statement. Risk Management supports capital adequacy management by developing and supervising the principles, models and methods of the measurement of economic capital deriving from risks and of that based on regulatory requirements. Risk Management maintains, develops and prepares the Risk Management Principles for approval by the Executive Board and the Supervisory Board, and maintains other instructions related to risk management.

The third line of defence is the Internal Audit centralised in the central cooperative. Internal Audit inspects the achievement of strategic and operational goals, the quality of internal control and risk management, the efficiency of internal controls, reporting reliability, compliance with laws, other regulation and similar criteria, compliance with internal policies and guidelines and the efficiency and expediency of operations.

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

The centralised Compliance organisation, Risk Management and Finance and Treasury functions assist Group entities in ensuring the effectiveness of their internal control. Furthermore, Internal Audit and external auditors ensure the effectiveness of internal control.

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.

5.2 Internal audit

Internal audit constitutes independent and objective assessment, verification and consulting activities with a view to generating added value to OP Financial Group and improving its operations. Internal Audit has been organised to correspond to business organisations and is responsible for the performance of Group-level, risk-based internal audit in all OP Financial Group entities. Internal Audit is headed by the Chief Audit Executive appointed by OP Cooperative's Supervisory Board.

The Supervisory Board's Audit Committee adopts the Internal Audit action plan. Internal Audit regularly reports its observations and recommendations as well as the implementation of the recommendations to the Audit Committee of OP Cooperative's Supervisory Board, to OP Cooperative's Executive Board, to the management of the auditable entity and to the functions' management teams.

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

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In 2019, Internal Audit resources were strengthened and its operations were systematically developed. This included the revising the Internal Audit Charter and the methodology and practices for planning its activities, implementing agile audit procedures, developing the use of data analytics in auditing, and improving the procedures for the criticality classification of recommendations issued by reporting and Internal Audit.

In 2019, internal audits were targeted at both the central cooperative and OP cooperative banks. The audits were targeted on a risk basis. The purpose of the audits was, in particular, to assess the adequacy and effectiveness of the steering and management of operations, and the adequacy and effectiveness of compliance with targets, regulations and other requirements, controls and other internal control. The audits focused on various business processes, information systems and related development management, risk management methods and the management of regulatory compliance in OP Financial Group.

5.3 Compliance

Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Responsibility for regulatory compliance and its supervision within OP Financial Group entities rests with the senior and executive management and all supervisors and managers. In addition, everyone employed by OP Financial Group is responsible for their part for regulatory compliance.

The Compliance function assists senior 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 within OP Financial Group are the responsibility of the central cooperative's Compliance organisation that is independent of business lines/divisions. Compliance ensures that regulations are complied with and implemented mainly by means of control and risk assessments of new procedures. OP cooperative banks have their own designated compliance officers. In order to ensure that their operations comply with regulations, OP cooperative banks receive support from the central cooperative's Retail Banking Steering, which is part of the first line of defence. In addition, the central cooperative's Compliance organisation controls and supports OP cooperative banks' compliance measures.

Any observations made within compliance are reported regularly to the business segments, to OP Cooperative's Executive Board and its Steering and Compliance Committee, and to the Supervisory Board's Risk Management and Audit Committees. In addition, the Compliance function reports its key compliance observations to the boards of directors of the central cooperative consolidated's major subsidiaries on a quarterly basis.

The Compliance function was reorganised as of the beginning of 2019, and its resources were strengthened substantially. During the year, compliance reporting to management was revised, control methods were developed, for example, in order to better use data as the basis for control, and operating models were systematised. Compliance was actively engaged in improving and ensuring processes related to anti-money laundering in OP Financial Group. Ensuring compliance with KYC regulation and legislation and official instructions related to the provision of investment services, and with related Group-level guidelines, in addition to the performance of processes remained as key focus areas.

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

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5.4 Risk management

OP Financial Group's operations are based on cooperative values, a strong capital base and capable risk management. Risk-taking is guided by OP Financial Group's values – People First, Responsibility and Succeeding Together.

The Risk Appetite Statement confirmed by the central cooperative's Supervisory Board describes the bases and key principles of risk-taking. Together with the strategy, the Risk Appetite Statement provides the bases for the goal-setting of the businesses. OP Financial Group's risk appetite determines what risks and risks associated with which operations we are ready to take when carrying out our mission within the framework of our strategic targets. In order for the Group companies to be able to operate in accordance with our risk appetite, they must have sufficient risk-bearing capacity, which comprises risk capacity and risk-taking capacity. The majority of the Group's profits come from customer business and the earnings risks taken and priced in this context. OP Financial Group mainly takes risks related to the carrying out of its mission. The level of risk-taking related to other operations to generate earnings is kept low or temporary.

OP Financial Group's significant business risks include credit risks, liquidity risks, market risks, insurance risks, counterparty risks, concentration risks, risks associated with future business, and operational risks associated with all business operations, including model risks, compliance risks, reputational risks and risks associated with strategic choices and the implementation of the strategy. OP Financial Group has a policy of moderate risk-taking. The limits and tolerances for risk-taking guide risk-taking and keep it in line with the Risk Appetite Statement.

The objective of the risk management process is to secure OP Financial Group's and its companies' sufficient risk-bearing capacity and to ensure that any business risks taken do not threaten profitability, capital adequacy, liquidity or the achievement of strategic targets and thereby to secure business continuity. Risk management has been integrated as part of the Group's business and management, constituting a coherent risk management process.

The risk management process contains the following:

- The steering framework prepared and maintained by independent Risk Management
 - The Risk Appetite Statement and the Risk Management Principles that guide risk-taking, and the risk policies that specify them and other risk management guidelines
 - Determination of the need of risk-taking capacity and allocation to the business lines/divisions based on the strategy
 - Creation of methods to identify, assess, measure and limit risks
- Risk management of operational business
 - Risk selection and pricing
 - Management of risk exposures and the asset-liability position
- Internal control performed by Risk Management
 - Supervision of compliance with risk-taking, risk policies and pricing
 - Risk exposure analysis and reporting to the management

In 2019, the central cooperative's risk management included monitoring of external regulatory changes and continuing to prepare for regulatory changes.

Major risk management development projects included, for example, preparing for changes in the financing process caused by a new more detailed definition of default, as well as systematising the credit risk control process of OP cooperative banks and increasing its scope. Development work specifically focused on model risk management and preparation

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for the updating of IRB risk models in accordance with the schedule based on regulatory requirements.

Risk Management continued to further develop its risk management assessment processes and operational processes in order to ensure that controls related to risk management are automated so as to be part of all business and that risks are assessed proactively and sufficiently when developing new business. Risk Management has strengthened the development and validation process and extended the comprehensiveness of independent model validations. Risk Management has further developed the assessment practices of the sufficiency of capital and liquidity and the management methods of interest rate risk associated with the banking book.

Risk management guidelines, risk reporting and risk limitation have been revised in such a manner that they are based on revenue logic-specific assessments. Stress tests have continued to play an increasing role in risk analyses.

A more detailed description of OP Financial Group's risk management principles can be found in the note to the financial statements called Risk management principles. The three lines of defence of risk management are described in section 5.1.

5.5 External control

5.5.1 Audit

OP Cooperative has one auditor, which must be a firm of authorised public accountants certified by the Finnish Patent and Registration Office. The auditor shall also audit the consolidated financial statements as referred to in section 9 of the Act on the Amalgamation of Deposit Banks, i.e. the OP Financial Group's financial statements. The Cooperative Meeting 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 in 2018), on the basis of which it proposes eligible auditors to the Annual Cooperative Meeting.

The auditors are tasked with auditing the accounting, internal control, accounting policies, management accounting judgements, presentation and structure of the financial statements of OP Financial Group, its entities and sub-groups in order to obtain assurance that the financial statements of the Group and its entities have been prepared in compliance with the rules and regulations in force governing the preparation of financial statements and 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, the independence of auditors and the statement of the ancillary services.

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

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

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

Audit fees paid to auditors totalled EUR 2.6 million (2.0), whereas assignments as referred to in chapter 1, section 1(1)(2) of the Auditing Act totalled EUR 0.1 million (0.2), fees for tax advisory services EUR 0.2 million (0.1) and fees for other services EUR 0.6 million (0.4). The corresponding figures for 2018 are shown in brackets. Non-audit services provided by KPMG Oy Ab to OP Financial Group companies totalled EUR 0.3 million (exclusive of VAT) and tax advisory services EUR 0.1 million (exclusive of VAT).

5.5.2 Control within the amalgamation of 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 its member credit institutions in the manner as referred to in the Act on the Amalgamation of Deposit Banks.

5.5.3 Regulatory supervision

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

6 FINANCIAL REPORTING PROCESS

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

Group-level financial information correctly consolidated using sub-ledger accounting and OP Financial Group 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 the earnings outlook for the current year and for a longer period of time. The monthly financial performance and risk reports for the management are prepared according to the same principles. When preparing and examining the report, the management ascertains the accuracy and correctness of the

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

6.1 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. The Executive Board discusses and approves the consolidated financial statements and interim reports (including half-year financial reports and financial statements bulletins).

The Supervisory Board's Audit Committee is tasked with assisting the Supervisory Board to ensure, firstly, that the central cooperative consolidated and OP Financial Group have in place an adequate and well-functioning internal control system to cover all operations and, secondly, that accounting and treasury control is organised appropriately in the central cooperative consolidated and in OP Cooperative. 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 (including half-year financial reports and financial statements bulletins) and the financial statements of the central cooperative consolidated
- assessing the Corporate Governance Statement issued annually
- assessing significant or exceptional transactions and the related management judgement
- monitoring the financial statements process, supervising the financial reporting process, and
- assessing the accuracy of financial reporting and its conformity with regulations.

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

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

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6.2 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 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 position of the company and its consolidation group and its financial performance and cash flows.

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

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

OP Financial Group's financial statements were prepared in accordance with IFRS, applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2019.

In 2019, OP Financial Group adopted the following standards and interpretations:

- IFRS 16 Leases as of 1 January 2019. OP Financial Group applied a retrospective approach in the transition to a limited extent, in which case comparatives were not restated and any accrued transition effect was recognised in adjustments to retained earnings in equity on 1 January 2019.
- In 2019, the IASB published a document entitled Interest Rate Benchmark Reform that amended IFRS9, IAS 39 and IFRS 7. OP Financial Group already applied amendments to IAS 39 during the financial year 2019.
- Annual improvements to IFRS for cycles 2015–2017 (applicable mainly to accounting periods beginning on or after 1 January 2019). Minor amendments are annually made to standards through the Annual Improvements process.
- A new IFRIC 23 interpretation that became effective on 1 January 2019.

7 INSIDER MANAGEMENT AND PUBLIC ACCESS TO INSIDER REGISTERS AND LISTS

Entities providing OP Financial Group's investment service, such as member credit institutions, have the Guidelines for Insiders and Insider Trading as part of OP Financial Group's Guidelines for Insiders and Insider Trading. The Guidelines contain regulations governing inside information, prohibition against abuse and improper disclosure of inside information, disclosure of insider 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 separate guidelines for insiders and insider trading, which they apply in their role as issuers. These companies have a list of the executive insiders of the issuer. In addition, those who are considered to have ongoing access to all inside information on securities issued by OP Corporate Bank plc are included in the permanent non-public insider list of OP Corporate Bank plc.

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

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

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

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

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

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

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

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

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

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

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only the above but also the Corporate Governance Recommendations and the Code of Business Ethics.

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

It is the duty of OP Cooperative to ensure that OP Corporate Bank and OP Mortgage Bank 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 MB is decided upon on a case-by-case basis with the issuer. Responsibility for the issuer's disclosure obligation rests with each issuer.

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

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

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