



## OP Financial Group's remuneration principles and remuneration policy

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## 1 OP FINANCIAL GROUP'S REMUNERATION PRINCIPLES AND REMUNERATION POLICY

The remuneration principles and remuneration policy ("Remuneration Guidelines") apply to all OP Financial Group employees and persons with an executive contract except for Pohjola Insurance field workers and OP Koti estate agents. In addition to these Remuneration Guidelines, OP Financial Group's overall remuneration includes

- The OP Financial Group Personnel Fund, which is subject to different rules than the Remuneration Guidelines
- Employee benefits, which are determined company-specifically in companies outside the central cooperative consolidated, in which such benefits are jointly determined at Group level by OP Cooperative's Board of Directors.
- These Remuneration Guidelines do not apply to the locally applicable, fixed-term remuneration model based on the insurance sector's collective agreement covering field workers in Pohjola Insurance, or to any bonus scheme defined by the employer and based on principles set in a separate agreement
- These Remuneration Guidelines do not apply to OP Koti's commission-based scheme for estate agents, for which each OP Koti branch sets its own principles

Remuneration Guidelines are approved annually by OP Cooperative's Board of Directors. The Remuneration Principles are confirmed by the Supervisory Council of OP Cooperative. The Remuneration guidelines are binding in accordance with section 17 of the Act on the amalgamation of deposit banks (TYL) and is provided to the boards of directors of amalgamation entities for information, to the entities themselves as instructions to be followed, and to the boards of other entities for approval.

OP Cooperative's Board of Directors and its Remuneration Committee controls and supervises remuneration in OP Financial Group. Each OP Financial Group company ensures that its remuneration practices comply with legislation and regulation. OP Cooperative ensures the legal compliance of Remuneration Guidelines concerning the entire OP Financial Group.

The Remuneration Guidelines take account of the legislation listed below, other regulations and the requirements and instructions of supervisory authorities:

### Credit institutions

- Act on the Amalgamation of Deposit Banks (599/2010, 17)
- Regulation (EU) No 575/2013 of the European Parliament and of the Council (article 450)
- Commission Delegated Regulation (EU) 2021/923, on identified staff members
- Act on Credit Institutions (610/2014), chapter 8
- Regulation (EU) (CRR) No 575/2013 of the European Parliament and of the Council (article 450)
- Anti-Money Laundering Directive IV (EU) 2013/36 (CRD IV) and 2019/878 (CRD V) of the European Parliament and of the Council
- Article 92 Remuneration policies, article 94 Variable remuneration and article 95 Remuneration Committee in EBA/GL/2021/04 Guidelines on sound remuneration policies under Directive 2013/36/EU
- EBA/GL/2021/05 Final report on guidelines on internal governance
- EBA/GL/2016/06 Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services
- EBA/GL/2020/06 Guidelines on loan origination and monitoring



- Article 5 of Regulation 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR)

### **Investment firms, mutual fund companies, UCITS and the management of alternative investment funds**

- Commission Delegated Regulation (EU) 2021/2154, on identified staff members
- Commission Delegated Regulation (EU) 2021/2155, on instruments
- Commission Delegated Regulation (EU) 2017/565, article 27 and article 34
- Regulation (EU) No 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms (IFR), article 51
- Act on Investment Services (747/2012), sections 6b and 6c
- Act on Common Funds (213/2019), chapter 4
- Act on Alternative Investment Fund Managers 162/2014, chapter 7, section 7
- Decree by the Ministry of Finance (229/2014) on Alternative Fund Managers' Remuneration Schemes
- Decree by the Ministry of Finance 257/2019, chapter 3, sections 1–6
- Directive (EU) 2014/65 of the European Parliament and of the Council, MiFID II), articles 16, 23 and 24
- Directive (EU) 2019/2034 of the European Parliament of the Council, (IFD), article 25, article 26, article 30, article 31, article 32, article 33, article 34 and article 39
- Directive on undertakings for collective investment in transferable securities (UCITS) 2014/91/EU, article 14a, article 14 b, article 69, article 78
- Directive on alternative investment fund managers (AIFMD) 2011/61/EU, article 6, article 13, article 22, Annex II
- Remuneration policies and practices (MiFID) (ESMA/2013/606)
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- ESMA35-43-3565 Guidelines on certain aspects of the MiFID II remuneration requirements
- EBA/GL/2021/13 Guidelines on sound remuneration policies under Directive 2019/2034 (EU)
- ESMA UCITS 2016/575 Guidelines on sound remuneration policies under the UCITS Directive
- ESMA 2013/232 Guidelines on sound remuneration policies under the AIFMD
- ESMA 2016/579 Guidelines on sound remuneration policies under the AIFMD
- FIN-FSA regulations and guidelines
  - 80/2020 Amendments to regulations and guidelines on the organisation and code of conduct of investment fund activities and on alternative investment fund managers (supervision release)
  - 7/2018 Organisation and procedures of common fund activity
  - 9/2017 Remuneration of the managers of fund management companies and alternative investment funds (supervision release)
  - 4/2014 Alternative investment fund managers
  - 3/2011 Organisation and procedures of common fund activity

### **Insurance companies**

- Commission Delegated Regulation (EU) 2015/35, chapter IX (5)
- European Commission's proposal for the amendment of Delegated Regulation 2015/35
- Commission Delegated Regulation (EU) 2017/2359, chapter II
- Insurance Companies Act (2008/521), chapter 6, sections 8 and 17
- Act on Insurance Distribution (2018/234), chapter 5, section 30 and chapter 6, section 46



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- Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution, article 17
- Guidelines on system of governance (EIOPA-BoS-14/253 FI)
- Opinion on the supervision of remuneration principles in the insurance and reinsurance sector (EIOPA-BoS-20/040)
- FIN-FSA regulations and guidelines
  - 49/2021 Taking sustainability risks into account in the supervision of insurance undertakings: regulatory changes and expectations set by supervisors (supervision release)



## 2 OP FINANCIAL GROUP'S REMUNERATION PRINCIPLES

Remuneration in OP Financial Group is based on the six principles shown below. The principles are permanent targets that control all remuneration in OP Financial Group.

### 2.1 Remuneration attracts, encourages and motivates

Encouraging and motivating skilled and capable employees is central to OP Financial Group's and its customers' continuous and long-term success. The competitiveness of the remuneration structure and its level in relation to market salaries in industries relevant to OP Financial Group provides an opportunity to attract new skilled people to OP Financial Group and to encourage and motivate the current employees. The principle is to reward for excellent performance, which is reflected in the development of fixed pay and in the variable remuneration amount.

### 2.2 Remuneration is in line with OP Financial Group's core values, mission and strategy, and it contributes to their implementation

Good and well-functioning remuneration schemes reward employees for the right things on a timely basis and contribute to the achievement of targets relevant to OP Financial Group. The performance appraisal criteria that form the basis of remuneration and the variable remuneration metrics are in line with OP Financial Group's core values, mission and targets. The various components of remuneration must take into account the realisation of the principles in OP Financial Group's equality plan. One key aspect is the equality of remuneration between age groups and gender, based on job grades. Remuneration forms a whole that includes fixed and variable remuneration and benefits, and benefits provided by the employer. We also offer non-financial rewards, such as providing employees with opportunities for personal skill improvement.

### 2.3 Rewarding for excellent performance

The performance review takes into account both quantitative metrics and qualitative factors. This means that the performance review is not only based on achieving set targets, but also on whether the person has acted in accordance with OP Financial Group's core values and corporate culture, valid regulation, internal guidelines and risk management principles. The performance review may function as:

- a criterion for pay increases,
- a variable remuneration factor,
- a criterion for an inclusion in remuneration schemes and
- a criterion for non-financial remuneration (such as in talent recognition or internal recruitments).

Remuneration is a way to reward excellent performers. Basic pay includes compensation for standard performance, and variable remuneration can be channelled to the best performers. Remuneration is also determined by other than personal performance, such as through company-/institution-/Group-level metrics based on variable remuneration.

### 2.4 Remuneration is competitive as a whole

The competitiveness of remuneration is evaluated in terms of total remuneration. This includes the pay in cash, benefits and variable remuneration. The competitiveness of fixed remuneration is reviewed in relation to the pay statistics of service providers and OP Financial Group's pay scale, which is updated annually. The pay scale comprises private sector pay data (the pay in money + taxable benefits) in Finland. In addition to



OP Financial Group's pay scale, other comparison data may also be used for compensation benchmarking. The data may be specific to an industry or professional category.

We manage remuneration matters actively and make sure that the remuneration schemes comprising basic pay, benefits and variable remuneration are competitive. We develop remuneration on a long-term basis to secure profitability, good work motivation, good customer experience and skilled employees. Pay statistics and other comparison material assist us in decision-making.

## **2.5 Remuneration schemes comply with regulation, takes account of responsibility issues and sustainability risks, and do not encourage excessive risk-taking**

Remuneration in OP Financial Group complies with regulation valid at each given time, encourages responsibility and it meets official requirements.

In addition to the terms and conditions of remuneration schemes, regulatory compliance is ensured through the cooperation of businesses, Compliance and Risk Management. Internal Audit, for its part, annually assesses the remuneration scheme. Remuneration schemes are built in such a way that they encourage employees to act in accordance with OP Financial Group's Code of Business Ethics. Remuneration regulatory compliance takes account of, for example, the following matters:

- Determination of the remuneration schemes, monitoring of the actuals and acceptance and payment of bonuses must be performed independent of the person.
- Bonuses earned by a person in charge of control duties may not depend on the financial performance of the unit they control.
- A remuneration scheme may not encourage those covered by the scheme to act against the client's best interests.
- Targets set for the scheme must be in harmony with the risk management principles and promote sound risk management practices.
- The remuneration scheme must be consistent with considering sustainability risks.

The use of centralised system support binds the entire OP Financial Group. Only shared system support ensures that the remuneration schemes do not contain any features that will encourage uncontrolled risk-taking or that will tend to reduce the stability of the company or even markets. Remuneration may not in any respects lead to a situation that could jeopardise the general reliability of remuneration schemes or the entire company's reputation.

Employees need to understand what they are rewarded for and how they can contribute to rewarding, in order for the remuneration schemes to motivate and engage employees. Transparency and understandability can be improved by increasing openness, communication and training, for example.

The schemes can be made simpler and more understandable by ensuring the following:

- Remuneration principles, the terms and conditions of the remuneration schemes and remuneration processes have been described and they are available to employees.
- Remuneration principles and the terms and conditions of remuneration schemes and remuneration processes are presented in the job induction of new employees, and regularly to the rest of the employees as well.
- Remuneration is predictable, and the employee knows for which they are rewarded.
- Appraisal of personal performance is objective and the general appraisal criteria are public and consistent.



### 3 OP FINANCIAL GROUP'S PAY POLICY

The pay policy describes the purpose of the various components and the whole of total remuneration, how OP Financial Group wishes to further develop remuneration, and how a person can affect their remuneration.

Total remuneration enables us to support our employees in the following:

- Implementing OP Financial Group's short and long-term business targets and strategy
- Actions that conform to core values and corporate culture
- Providing a superior customer experience
- Increasing one's competencies and professional skills in a versatile manner
- Independent work, good communication skills and consideration
- Realisation of activities complying with the sound risk policy and
- Working in accordance with regulation and guidelines.

Total remuneration in OP Financial Group comprises various forms of remuneration.

Financial remuneration includes the following components:

- Pay
- Employee benefits
- Variable remuneration
- Supplementary pension (only for some employee groups)

Remuneration also includes other than financial components, such as

- Interesting and challenging work and an opportunity for career development
- Opportunity to influence one's work
- Training and competence development

Openness and collaboration with the employees and their representatives in terms of pay and remuneration are important for implementing successful pay and remuneration practices. Openness and collaboration are implemented by maintaining current guidelines concerning salaries and remuneration and other such material, in conversations between supervisors and employees, and in conversations with employee representatives concerning salary and remuneration content, structure and level.

#### 3.1 Pay

Basic pay is determined by job grade, personal competencies, experience and performance. Various employee groups have their own job grades in accordance with each group's collective agreement. Based on such grading, the job grades and salaries of jobs under each collective agreement are determined. In addition, OP Financial Group has its own Group-level OP job grading system in place. Based on the OP job grading, the Group creates OP Financial Group's pay scale which OP Cooperative's Board of Directors annually confirms. The pay scale is based on a private-sector salary survey conducted annually by Korn Ferry and it is used to compare salaries against the market.

Pay developments are affected by the budget available for pay increases, the person's achievements and value-based performance. As a rule, pay increases are implemented once a year in pay discussions, as stipulated in the collective agreement. The Group-level principles of pay increases not stipulated in the collective agreement are decided annually by OP Cooperative's Board of Directors. The Boards of Directors



of OP Cooperative and OP cooperative banks' boards of directors decide on company-specific implementation of pay increases.

### **3.2 Severance pay and package**

The application and size of the severance pay is determined in the executive contract and is not used to reward failure or abuse. Severance pay is based on the principle of compensating lost earnings if the employer ends the employment relationship. It is not counted as a component of variable remuneration.

The application and size of the severance package is annually defined in guidelines concerning support during organisational change. The principles underlying use of the severance package are in accordance with chapter 3 of the Act on Co-operation within Undertakings regarding termination of an employment contract due to co-operation negotiations: the severance package is not part of variable remuneration.

### **3.3 Employee benefits**

The Board of Directors of OP Cooperative and OP cooperative banks' boards of directors annually determine employee benefits on a company-specific basis.

Providing competitive employee benefits is an important part of total remuneration. These benefits may be, for example, as follows:

- Discounts from OP Financial Group's products and services
- Comprehensive Health Insurance
- Exercise and culture benefits
- Company car benefit (only for selected groups of employees)

### **3.4 Variable remuneration**

Variable remuneration is based on an assessment of how the person/team, business unit or company has performed. Remuneration schemes are built in such a way that they do not encourage a person to act against OP Financial Group's Code of Business Ethics or its principles related to sustainability risks, and that such remuneration does not lead to actions against the customer's best interests (Managing conflicts of interest and anti-corruption).

The risk policy and qualitative components are taken into account in advance in target-setting, and afterwards in the performance review and bonus payment. In addition to reviewing financial risks, the performance reviews also cover sustainability risk and reputational risk, and actions that conform to OP Financial Group's core values and corporate culture.

Variable remuneration comprises a performance-based bonus, spot bonus, retention bonus, guaranteed variable remuneration and the personnel fund. Variable remuneration equals a maximum of 100% of fixed annual earnings. Fixed annual earnings comprise earned income paid by the employer, minus any bonuses and severance pay included in variable remuneration.. An employee's maximum variable remuneration also depends on their job grade and market practices. When looking at the total remuneration, the balance of pay and variable remuneration has been ensured in such a way that the person has a predetermined maximum level for variable remuneration that is based on the job grade and that takes account of the company's business and risks.





Bonuses of identified staff members are paid as required by regulation. Persons who work in control functions have been included in the variable remuneration schemes, but their remuneration may not depend on the controlled unit's profit/loss.

### **3.4.1 Performance-based bonus**

The performance-based bonus scheme is used to control and promote the achievement of OP Financial Group's long-term strategic targets and related annual target metrics, and to reward employees for reaching and exceeding the targets. Our strategy comprises our mission, values, worldviews, vision and long-term strategic priorities, as well as road maps that set targets for and schedule the implementation of such priorities. The purpose of annual planning is to adjust the strategy's implementation and goals, while confirming financial projections, the risk policy, capital plan, capital expenditure plan, liquidity and wholesale funding plan, investment plans and remuneration goals for the following year.

Performance-based bonus targets based on the annual plan are approved by the company in accordance with the valid decision-making procedures. The balanced scorecard must include both quantitative and qualitative targets. Inclusion of both quantitative and qualitative targets on the balanced scorecard enables holistic performance assessment of individuals and teams from multiple perspectives; incentivises high-quality, efficient work in line with OP Financial Group's strategy; strengthens the risk management culture in daily work; and promotes high-quality employee development. The performance-based bonus is taken into account in the variable remuneration package for the performance year.

### **3.4.2 Spot bonus**

A sport bonus is used for spontaneous rewarding of individuals or groups. Special bonuses may be paid out as a reward for an innovation providing the employer with financial benefits or for exceptionally good performance. If using spot bonuses in sales competitions, regulatory compliance must be ensured and spot bonuses must not be used in sales competitions for single products.

However, a spot bonus may not replace a pay increase, performance-based bonus or other additional compensation determined in the collective agreement. Use of spot bonuses must always be justified and their granting and grounds should be overt. Spot bonuses are paid provided that the company shows a profit in cumulative terms from the start of the year and the person has acted on the guidelines and rules as specified in section 3.4 and the conditions for qualitative review as part or remuneration are fulfilled.

### **3.4.3 Retention bonus**

Retention bonuses can be used in OP Financial Group to promote key employee retention in order to ensure that restructurings, wind-downs, corporate acquisitions, changes in control and major projects are successfully completed. A separate agreement is made on retention bonuses, defining matters such as the following: the purpose of the retention bonus, the required retention and performance indicators, the amount of bonus, the period during which the need for retention starts and ends, and what event will determine the end of the need to retain the employee. Each employee can only be covered by one retention bonus at a time. A retention bonus does not affect the employee's right to be covered by other remuneration schemes in the company. The total amount of variable remuneration (including the retention bonus) must not exceed 100% of the fixed annual earnings.



The retention bonus must be based on metrics other than those used for the performance-based bonus. It must not be used to compensate for a weak balanced scorecard result or if the company's financial situation does not allow payment of a performance-based bonus. A retention bonus can only be paid if the conditions for bonus payout are fulfilled and the criteria for qualitative review as part of remuneration are fulfilled.

#### **3.4.4 Guaranteed variable remuneration**

Guaranteed variable remuneration (such as a sign-on bonus) may only be used when recruiting a new employee from a company outside OP Financial Group. Guaranteed payable remuneration is paid only for compelling reasons and provided that the bonus only applies to the person's first year of employment. Its payment does not affect the employee's right to be covered by other remuneration schemes in the company. The total amount of variable remuneration (including guaranteed variable remuneration) must not exceed 100% of the fixed annual earnings.

#### **3.4.5 Personnel fund**

The personnel fund profit-based bonus supports the implementation of OP Financial Group's strategy, long-term profitability and employee motivation to achieve Group-level targets. The personnel fund has Group-level targets, which are common to all employees. OP Cooperative's Board of Directors annually decides on the targets. The personnel fund profit-based bonus is taken into account in the package of the variable remuneration for the payout year. The total amount of variable remuneration (including the personnel fund) must not exceed 100% of the fixed annual earnings.

### **3.5 Taking account of sustainability risks in variable remuneration**

A sustainability risk means an environmental, social or governance (ESG) event or condition that, if it occurs, could have a negative material impact on the company's operations or the value of the investment. Account is taken of sustainability risks when setting targets for the performance-based bonus or reviewing the qualitative components, if taking account of such risks is a fundamental part of the employee's duties.

### **3.6 Qualitative review as part of remuneration**

In a qualitative review, the supervisor assesses the performance of the person and the person's compliance with guidelines (including Managing conflicts of interest and anti-corruption and the Code of Business Ethics) and regulation during the performance period, on the basis of internal control. Such a review must also consider sustainability risks concerning those persons and roles for which such consideration is intrinsic to the duties involved. The review is part of performance appraisal. The performance-based bonus, spot bonus and retention bonus will be cut on the basis of the severity and number of offences using a factor of 0–1. Use of the factor must always be explained. The factor for the qualitative review is approved on a one-over-one basis in such a way that the person approving the bonus is the supervisor's supervisor.

### **3.7 Persons in control functions**

The methods used for determining the variable remuneration of control functions, (Risk Management, Compliance and Internal Audit) in the central cooperative consolidated may not compromise personnel's



objectivity and independence. Remuneration of persons in such roles may not be based on the earnings of the organisations they control.

The earnings factor must not impact on the remuneration of persons working in central cooperative supervisory functions.

Variable remuneration must not reduce the objectivity of persons working in OP cooperative bank and central cooperative compliance ensuring roles (compliance and risk management roles in OP cooperative banks, and control tasks in credit management and in business tribes).

### **3.8 Supplementary pension**

Supplementary pension plans are only used for remunerating members of the Executive Management Team of OP Cooperative. Supplementary pension plans granted to certain employee groups (mainly those with an employment contract concluded with OP before July/1991 who are covered by OP Bank Group Pension Foundation, and Pohjola employees with an employment contract concluded before 2005 who are covered by group pension insurance), which include an early retirement age, and a promise of a certain pension benefit level, are closed and no new employees are granted supplementary pension plans supplementing statutory pension cover.

### **3.9 Non-monetary remuneration**

OP Financial Group provides versatile and challenging work duties, and possibilities for various career paths. Appreciation and feedback on work affect work motivation and professional development. Training and competence development are one key remuneration component in OP Financial Group. This includes the opportunity provided by the employer to use working time for training.

In many jobs, employees can influence their work. For example, flexible work enables a whole new kind of work-life balance. Flexible work includes flexitime, flexibility in where people work, the opportunity to influence one's work and its content, and the technical tools for performing work and communicating with others.

### **3.10 Variable remuneration payout**

The performance-based bonus is primarily paid in cash once the related performance period has ended. The personnel fund portion is paid after four months have passed from the fund's value determination date, at the latest. The spot bonus is paid as part of the salary payment of the month following the month of the approval of the bonus. Retention bonus and guaranteed variable remuneration are paid out upon fulfilment of the terms of separate agreements regarding such bonuses. Due to regulation or regulations issued by the authorities, the payment schedule may, however, differ from that mentioned above.

#### **3.10.1 Conditions for bonus payout**

Bonus payouts must be justifiable based on the company's financial success, compliance with internal guidelines and external regulations, and operation in accordance with the Risk Appetite Statement and Risk Appetite Framework. When assessing fulfilment of the payout criteria, in addition to observations by the company's board, account must be taken of observations made by the Risk Management, Compliance and Internal Audit functions.



OP Cooperative's board of directors decides on any reduction of bonuses earned if the financial statements for the performance year show that

- OP Financial Group's LCR is 100 – 110% or
- OP Financial Group's CET1 ratio is the CET1 MDA – CET1 MDA +2%.

Earned bonus will not be paid if the financial statements for the performance year show that

- OP Financial Group's Liquidity Coverage Ratio (LCR) is less than 100% or
- OP Financial Group's CET1 ratio is less than CET1 MDA.

In addition, earned bonus will not be paid if

- the OP cooperative bank in question made a loss
- the earnings before tax of OP Koti, or a central cooperative company, were negative

To conclude whether the earnings of customer business or company are positive, the determining factors are the cumulative customer business or ETB for the performance period in question.

OP Cooperative's Board of Directors has the right to change a bonus payment or defer payments until a date more convenient to the company or OP Financial Group if, due to changes in circumstances beyond OP's control, application of the bonus scheme would lead to a harmful or unreasonable outcome from the company's or Group's perspective.

For an extraordinarily cogent reason, OP Cooperative's Board of Directors may change the terms and conditions of the performance-based bonus scheme or cancel the scheme even during the performance period. Examples of such reasons include a requirement deriving from amended laws, or a major change in OP Financial Group's structure, which will create discontinuity in the performance metrics of the performance period and the targets set for them. The terms and conditions will be changed in such a way that said changes will not cause any substantial unjust advantage or disadvantage to the person.

### **3.10.2 Cancellation of bonuses and clawback of paid bonuses**

The board of directors of a company belonging to OP Cooperative or the Group has the right to decide on the non-payment of all or part of an earned bonus, or the clawback of a paid bonus, in the following situations:

- Paying a bonus would be against the regulations in force or OP Financial Group's internal guidelines.
- Notable non-compliances with internal and external guidelines have emerged in OP Financial Group or a Group company, regarding risks defined as significant, after the performance period. Significant risks include credit risks, counterparty risks, structural interest rate risks on the balance sheet, other market risks, non-life insurance risks, life insurance risks, liquidity risks, operational risks (including e.g. risks related to information security, data protection and cybersecurity), compliance risks, model risks, concentration risks, risks associated with future business and reputational risks.
- There is a need to adjust the financial statements of OP Financial Group, or of a Group company, which has an effect on the bonus amount.
- A sanction has been imposed on OP Financial Group, or a Group company, for a breach of regulations or the law.
- Manipulation of performance metrics under the scheme and of the related targets.
- A person has acted in violation of laws or OP Financial Group's Code of Business Ethics, or otherwise unethically or fraudulently.



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- A person has earned or been paid bonuses in breach of the performance-based bonus scheme's terms and conditions.
- Risks posed to the company or the Group by the employee's activities are only learned of after the bonus has been determined or paid.

OP Cooperative's board of directors is responsible for decisions related to OP Financial Group, whereas OP Cooperative's board of directors or that of the Group company in question is responsible for decisions affecting a company, business unit or employee. When making its decision, the board of directors must take account of any observations by Risk Management, Compliance and Internal Audit.

### 3.11 Additional terms covering identified staff

Identified staff are those in tasks with a material impact on the company's risk exposure in accordance with the definition of banking, investment and insurance legislation and regulatory guidelines. An employee is an identified staff member if they have spent at least 3 months in duties categorised as a risk position. In terms of the performance-based bonus, the performance period of identified staff must be 12 months.

Quantitative and qualitative targets must be set for identified staff, as well as absolute and relative targets where possible. Targets must not incentivise staff to engage in excessive risk-taking or to act against the client's interests. The company's board of directors must assess the conditions for paying bonuses, and confirm the bonuses, before bonuses are set and deferred bonuses paid.

Before confirming the payment of deferred bonuses, the company's board of directors assesses the bonus payment criteria in accordance with section 3.10.2 Cancellation of earned bonuses and clawback of paid bonuses.

The amount of deferred bonuses will be decreased by 1/3, if

- OP Financial Group's return on equity (ROE) is under -5.0% or
- OP Financial Group's non-performing exposure (NPE) ratio is over 5.0% in the financial statements preceding the year of the deferred bonus's payment.

If both the aforementioned ROE and NPE thresholds are breached, the bonus will be decreased by 2/3.

Deferred bonuses will not be paid if OP Financial Group's CET1 ratio is less than the CET1 MDA in the financial statements preceding the year of the deferred bonus's payment.

OP cooperative banks' boards of directors must take account of any decisions by the central cooperative's Executive Management Team which may prohibit the OP cooperative bank in question from remunerating its managing director and, in exceptional circumstances, other members of the OP cooperative bank's management team for a certain year.

If an identified staff member's variable remuneration for the performance year exceeds €50,000 or forms at least a third (at least a quarter in the case of OP Fund Management Company Ltd and OP Custody Ltd) of total annual earnings, they are paid 60% of the bonus in the year following the performance year, and the remainder (40%) is paid in four equal instalments during the following four years (five equal instalments paid in the following five years in the case of Executive Management Team members) with at least one year between each payment.

If such an employee's variable remuneration for the performance year is exceptionally large, in other words exceeds 8 months' salary and equals at least €200,000, 40% of the bonus will be paid in the year after the



## OP Financial Group's remuneration principles and remuneration policy 2024

performance year and the remainder (60%) in four equal instalments during the following four years (five equal instalments paid in the following five years in the case of Executive Management Team members) with at least one year between each payment.

Half of total variable remuneration (the immediately payable share and each deferred payment) comprises non-cash remuneration, subject to a retention period. A retention period means a period following the deferral period stipulated in the remuneration scheme, during which the person does not yet have control over a bonus awarded to them in non-cash form. The retention period is 12 months. In accordance with the deferral procedure, a retention period applies to all non-cash bonuses. OP Cooperative's Board of Directors decides on payment instruments used for bonus payment.

The person retains the right to accrued deferred amounts even if their employment or executive contract with an OP Financial Group company ends before the bonus payment. However, conditions for bonus payout and cancellation of bonuses and clawback of paid bonuses apply to the payment of bonuses.

The person must agree in writing not to use any financial instruments or insurance to hedge their risks related to the remuneration scheme. They must sign a hedging prohibition upon taking up their duties as an identified staff member. The hedging prohibition applies to all variable bonuses earned by identified staff.

A description of the categories of staff whose professional activities have a material impact on institutions' risk profile:

Definition categories	Credit institution	Companies subject to Act on Common Funds, Act on Investment Services and/or the AIFM Act	Companies subject to Insurance Companies Act
1	President and Group Chief Executive Officer, Executive Management Team and member of a central cooperative consolidated governing body	Senior management and member of a central cooperative consolidated governing body	Persons genuinely in charge of company's operations – governing, management or supervisory body members
2	Managing Director of OP cooperative bank and central cooperative consolidated company Member of business's management team in central cooperative Member of internal supervisory functions' management team in central cooperative Member of OP cooperative banks' management team (customer business worth over 2 billion euros) Internal control officers of OP cooperative banks Task impacting on credit institution's risk profile on basis of separately completed review	Persons appointed separately, based on a review by each business line, whose professional activities have a material impact on the credit institution's risk profile	Other member of Group Executive Management in charge of company's activities
3	Persons whose annual total remuneration is at least 500,000 euros and those whose total remuneration does not differ significantly from the average remuneration of the person referred to in point 1 above. Persons in companies with over 1,000 employees, whose total salary places them in the top 0.3% group of earners.	Persons working in internal control functions	Key function holders
4		Persons whose total salary is at the same level as those of the persons specified in sections 1 and 2, unless it can be shown that their professional activities do not have an impact on the credit institution's risk profile.	Persons appointed separately, based on a review by each business line, whose professional activities have a material impact on the credit institution's risk profile.