

OP Financial Group’s initial climate transition plan

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1 Introduction

The financial sector plays a key role in climate change mitigation, particularly in financing and investment operations, but also as part of sustainable insurance and claims management. OP Financial Group supports its customers’ preparation for the effects of climate change and their shift towards low-carbon operations.

OP Financial Group has set climate targets for both its own operations and customer business. The climate actions taken are part of the work in accordance with the Paris Agreement and the Principles for Responsible Banking of the United Nations Environment Programme Finance Initiative (UNEP FI), which OP Financial Group signed as a founding member in 2019.

OP Financial Group’s initial climate transition plan, in accordance with the CSRD, includes the policies and objectives approved by the Cooperative’s Board of Directors and confirmed by OP Cooperative’s Supervisory Council, on how OP Financial Group will adapt its operations towards the targets of the Paris Climate Agreement. This transition plan outlines the key actions and timelines by which OP Financial Group aims to reduce greenhouse gas emissions and direct financing towards sustainable development projects. The transition plan will be updated as needed.

OP Asset Management’s updated interim targets have been approved by the OP Fund Management Company’s Board and the Asset Management Executive Team. The climate goals of OP Real Estate Asset Management have been approved by the OP Real Estate Asset Management Board.

1.1 OP Financial Group’s sustainability programme

The sustainability programme and its policy priorities implement OP Financial Group’s strategy, guiding the sustainability and corporate responsibility actions. The objectives that have been selected for the Climate and the Environment theme are related to sustainable financing and investment products, sustainable insurance operations, decreasing our emissions and our customers’ emissions, circular economy, and biodiversity. OP Financial Group’s sustainability program will be updated in 2025.

Climate and environmental goals are at the core of our business, which includes financial and investment products sold to our customers and the emissions generated through them. The range of measures to achieve climate goals includes various sustainable investment and finance products, as well as making investment decisions that promote these goals and engaging in active discussions with our customers and investment targets.

2 Targets and means

OP Financial Group's sustainability and corporate responsibility work is supported by our sustainability programme and the measurable goals defined under it. Climate goals have been specified after the update of the sustainability program (2022) by setting sector-specific emission reduction targets for the loan portfolio, as well as net-zero intermediate targets for asset management.

2.1 Own operations

Goal: We will be carbon neutral by 2025.

At OP Financial Group, we aim to make our operations carbon neutral regarding emissions from energy and fuels (scope 1 and scope 2) by 2025. The emissions included in the reduction target for OP Financial Group's own operations encompass emissions from the energy consumption of facilities that are in OP Financial Group's own use. These emissions are generated by heating oil, oil used in stand-by generators, electricity, district heating and district cooling.

Currently, 99 per cent of the electricity consumed in the facilities used by OP Financial Group is generated by Finnish wind power. Likewise, 99 per cent of district heating is produced using renewable fuels or equivalent energy sources such as waste heat. As an operator critical to security of supply, OP Financial Group must secure the electricity supply of its facilities. Security of supply is guaranteed by stand-by generators, which run on light fuel oil. We have sought to minimise emissions in this respect as well, and since the beginning of 2024, OP Financial Group has been using Finnish renewable fuel oil, with a carbon footprint around 90 per cent smaller than traditional light fuel oil.

2.2 Credit portfolios

OP Corporate Bank is committed to carbon neutrality in its corporate loan portfolios by 2050. A corresponding goal has been set for OP cooperative banks' corporate loans.

Goal: OP Financial Group will cut 25% of its corporate loan portfolio emissions by 2030 compared to 2022

Goal: Sustainable financing products will account for at least 8 billion euros of total commitments by the end of 2025

We offer sustainable financing products as a primary option for suitable projects, identify eligible customers planning green investments, discuss emissions reduction targets with our customers, and encourage and direct competence development with corporate customers.

We have set sector-specific emissions reduction targets for the three most carbon-intensive industries: Energy, Agriculture and Residential property sectors. Together, these form approximately 90 per cent of emissions related to OP Financial Group's credit portfolio.

OP Financial Group has set emissions targets for these three sectors, based on a materiality analysis.

OP Financial Group's sector-specific emissions reduction targets:

- In energy production, a 50% reduction of emissions intensity from the 2022 level by 2030
- In agriculture, a 30% reduction of absolute emissions from the 2022 level by 2030
- In home loans, a 45% reduction of emissions intensity from the 2022 level by 2030

2.3 Asset Management

Our target is to achieve net zero carbon emissions of our investments by 2050 in line with the Paris Agreement. To achieve this goal, we have introduced OP Asset Management's analytical climate model to evaluate how well investees are aligned or are likely to align to global net zero targets. By examining companies' short-, medium-, and long-term emission reduction targets, current emission trends, emission reporting, climate strategies, and low-carbon investments, we aim to analyze how

well the company's business model and climate commitments relate to the requirements of the low-carbon transition. The model is based on the Net Zero Investment Framework (NZIF) methodology developed by The Institutional Investors Group on Climate Change (IIGCC) for companies operating in significant industries (including NACE industry classifications A-H and J-L).

In addition to the long-term net zero target, OP Asset Management has set three intermediate targets based on the analytical climate model. We aim to adjust the allocation of our investments by increasing the share of investees that are clearly in transition or at least aligning to the net zero pathway. This target provides a clear tool that emphasizes forward-looking metrics and takes into account the transition requirements for material sectors.

Our intermediate targets are:

Goal: 65% of OP funds' direct equity and bond holdings in material sectors* are aligning to net zero, aligned to net zero or net zero by the end of 2028.

Goal: 75% of OP funds' direct equity and bold holdings in material sectors* are Aligning to Net zero, Aligned to Net Zero or Net zero by the end of 2028.

Goal: Investee companies that make up 70 % of the financed emissions** in the direct equity and bond funds managed by OP Fund Management Company are Aligning to Net zero, Aligned to Net zero or Net zero, or are under our engagement by the end of 2025.

Goal: To halve the greenhouse gas emissions intensity of OP's funds by 2030 compared to 2019.

* Includes NACE sectors A-H and J-L

** as measured by financed emissions in high climate risk sectors

*** Baseline is 181 tCO₂e/revenue M\$. The target was achieved at the beginning of 2024, but we will continue to monitor and report the carbon intensity of our investments.

2.4 Real Estate Investment

OP Real Estate Asset Management's sustainability program includes climate goals of achieving carbon-neutral energy by 2030 and carbon-neutral construction by 2050.

OP Real Estate Asset Management aims for carbon-neutral energy consumption in our real estate investment properties by 2030 when we are responsible for energy procurement. We promote this goal by reducing the energy consumption of buildings and producing and procuring renewable energy. In construction projects, we assess the potential for renewable energy production as part of our goal of carbon-neutral construction by 2050, wherever possible. In addition, we always order a carbon footprint calculation of the property in connection with new construction projects.

2.5 Insurance

OP Group's insurance companies, Pohjola Insurance and OP Life Assurance, aim for carbon-neutral investments by 2050 in their investment activities. The intermediate target is to halve the carbon intensity of investments by 2030 (with 2019 as the reference year).

3 Fossil fuels policy

In line with the outcomes of the Paris Agreement and COP28 Climate Change Conference in Dubai, OP Financial Group will exclude oil and gas exploration and production from its financing, mutual fund investment and Pohjola Insurance activities. Exceptions can be made in the case of companies that have committed to switching towards a low-carbon economy and provide a concrete plan for operating in line with the goals of the Paris Agreement.

OP Financial Group will not finance or insure new corporate customers that engage in unconventional oil and gas extraction, or the exploration or production of oil or gas in Arctic areas.

OP Financial Group has not been financing institutions or companies in Finland that practice oil and gas exploration or production. Its credit exposures abroad to businesses that benefit from unconventional oil extraction methods (shale heating and pyrolysis) are relatively small.

Direct equity and fixed income investments by OP mutual funds exclude institutions and companies involved in coal, oil and gas exploration and production. Exceptions are made for companies with a clear strategy for migrating to a more sustainable business model. In addition, Pohjola Insurance will no longer insure institutions or companies that engage in oil and gas exploration or production. This policy does not include insurance involving a statutory obligation to insure.

4 Emissions calculation

Since June 2022 OP Financial Group has been part of financial institutions' international Partnership for Carbon Accounting Financials (PCAF), which aims to develop and implement a harmonised approach to assessing and disclosing greenhouse gas emissions associated with loans, insurance policies and investments. A harmonised accounting approach will provide financial institutions with a basis for achieving the goals of the Paris Agreement. Comparable climate emissions data is important to the development of sustainable investment products and credit risk management, among other things. With the PCAF standard, OP Financial Group responds to reporting category 15 of the international GHG protocol's scope 3, which is the most significant source of greenhouse gas emissions for OP Financial Group.

In its GHG accounting, OP has systematically followed the guidelines of the PCAF Standard and its authors, and the related updates. OP's GHG accounting method and results are affected by the PCAF Standard and possible changes in its methodology. GHG accounting results can also be substantially impacted by changes in portfolios.

Pohjola Insurance adopted the PCAF Standard in 2023. Insurance-associated emissions are not directly comparable with emissions financed by banking and asset management activities. Because insurance-associated emissions are calculated using a methodology specifically intended for the sector, they are reported separately to financed emissions.