

ESG Screening Criteria

in UI – Aktia Sustainable Corporate Bond Fund

In Aktia investment decisions and portfolio management are based on overall analysis and views of positive and negative factors, including ESG and impact, aiming to achieve the best possible return on the chosen risk level. For quantitative and qualitative ESG analysis Aktia utilises different ESG sources and data including: ESG data, analysis and climate data by Morningstar/Sustainalytics and ISS ESG; norms-based screening and by ISS-ESG; annual responsibility and impact reports provided by issuers; net impact by Upright Project; UN SDG alignment by Upright Project; and in the future also EU taxonomy eligibility and Principal Adverse Impact indicators by Upright Project. In addition, we apply following ESG screening criteria methods in investments:

1. Exclusion of controversial sectors

We apply Aktia's Responsible Investment Policy and exclusion list to consider negative external impacts and to manage the economic and social risks. We do not invest in companies using child labour or companies using controversial, aggressive or unethical methods in lending. In addition, we exclude following sectors, with the turnover limit:

Controversial weapons (including nuclear weapons) 0 %
Production of weapons 5 %
Tobacco production 5 %
Gambling 5 %
Production of cannabis 5 %
Production of adult entertainment 5 %
Alcohol production 5%

2. Minimum social safeguards screening

We examine UN Global Compact principles using ISS ESG and do not invest in issuers with verified breach in norm-based screening.

ISS ESG monitors companies according to the criteria based on the UN Global Compact principles. The ISS ESG screening includes three categories: no violations (green), possible problem (amber), verified breach (red).

3. ESG risk analysis

We use Morningstar/Sustainalytics ESG data to examine ESG factors and risks. We do not invest in issuers defined as “severe risk” in ESG risk rating.

Morningstar/Sustainalytics analyses exposure to ESG (environmental, social and governance) factors, that could pose a financially material risk. Risk rating includes categories of: negligible risk, low risk, medium risk, high risk, severe risk.

4. Net impact

We examine issuers and bonds true impact using net impact model of Upright Project. We consider both instrument level and company level net impact. We only invest in bonds which use of proceeds have a positive net impact.

For analysing net impact of the issuers and bond we use data model of the Finnish based innovation company the Upright Project. Net Impact ratio is divided into four dimensions of society, knowledge, health and environment including total of nineteen impact categories. Model analyses three parts of the value chain: internal impact; upstream impacts and downstream impacts.

The Upright net impact model is a mathematical model of the economy that produces continuously updated estimates of the net impact of e.g. companies, products, services or funds. It utilises an information integration algorithm that consolidates data from humanity’s accumulated scientific knowledge and public statistical databases. The model considers both costs and gains, and provide their net sum in a fashion that figures for different issuers are comparable within and across industries capturing the whole value chain. Net impact ratio is defined as $(\text{positive impacts} - \text{negative impacts}) / \text{positive impacts}$. The maximum value for net impact ratio is 100 %, representing a theoretical company with no negative impacts. The minimum value is minus infinity.