

# Identifying and considering sustainability risks and sustainability factors in Aktia Group's investment operations and investment advice

This document is a description of the policies in accordance with Article 3 of the European Union's Sustainable Finance Disclosure Regulation (2019/2088), outlining how the companies within the Aktia Group that engage in investment activities and provide investment and insurance advice identify and consider sustainability risks. This policy applies to all decision-making on investments and investment and insurance advice in Aktia Group (Aktia Bank Plc, Aktia Fund Management Company Ltd, Aktia Life Insurance Ltd), both in the management of funds and other client assets, and in the investment activities of Aktia Bank Plc and Aktia Life Insurance Ltd's own balance sheet.

## Information on the identification and prioritisation of sustainability risks and principal adverse sustainability impacts and indicators

We take sustainability risks and sustainability factors into account in the decision-making processes on investments and in providing investment and insurance advice. The guidelines for responsible investment in Aktia are described in Aktia's responsible investment policy. This policy describes Aktia's approach to responsible investment, organisation of responsible investment, reporting and the main methods for implementing the policy.

Sustainability risk refers to an event or circumstance relating to the environment, society or governance, the realisation of which could have an actual or potential negative material impact on the value of the investment. Sustainability risks may materialize in the short, medium, or long term, and they can increase risks related to return volatility in the short term as well as reduce returns in the long term. Such events may include, for example, physical risks or transition risks resulting from climate change, impacts on demand due to poor consideration of social aspects by the investment object, or risks arising from deficiencies in the governance of the investment object. Sustainability factors refer to environmental, social and labour matters, respect for human rights, and the fight against bribery and other forms of corruption.

As assessment methods, Aktia uses tools developed by both in-house as well as by external service providers to identify and assess a wide range of sustainability risks and factors in the decision-making process relating to investments.

These tools are also used as part of the decision-making process to identify sustainability risks and the principal adverse sustainability impacts prior to investment decisions, and to report on them after investments. Information on sustainability risks and factors is taken into account as part of the product offering and is regularly maintained and updated as part of our materials and reports regarding investment and insurance advice. The methods and tools used to identify these risks vary depending on the asset class and according to the current regulatory definitions of sustainability risks. Sustainability risks are also affected by the investment horizon, investment goals, and other regulations of the portfolio's investment universe.

## Description of the principal adverse sustainability impacts and related actions taken or planned

Aktia's decision-making process on investments and investment and insurance advice always aim to understand as well as possible all financially material risks and opportunities related to investments. This also applies to the principal adverse sustainability impacts. In principle, we strive to form an understanding of how these sustainability impacts affect the profitability and prospects of the investment object, also taking into account the asset class and the investment horizon at any given time, and also always taking into account the best interest of the client or unit holder in the case of customer asset management. Information on the principal adverse sustainability impacts is used in portfolio management as part of qualitative analysis. We have not defined any limit values for these principle adverse sustainability impacts, which could, for example, directly exclude a particular investment object from our investment universe. As a continuous measure, we are engaged in active discussions with service providers and stakeholders regarding the principal adverse sustainability impacts data collection.

The results of sustainability risk monitoring are calculated and documented regularly by the Risk Management function. The risk metrics to be monitored are selected for each fund individually, ensuring they correspond to the fund's asset class and investment strategy. Risk Management reports any breaches of risk thresholds to the responsible portfolio managers and their deputies, Aktia's Head of Sustainability, and the CEO of the Fund Management Company.

Breaches of sustainability indicators are addressed by the ESG Committee, which decides on the appropriate corrective actions. Risk Management reports the results of sustainability risk monitoring, any breaches, and the related actions to the Board of Directors on a consolidated basis once per quarter.

If critical observations from a responsibility perspective are detected in the target companies, engagement dialogues may be initiated with the target company. The aim of these dialogues is to get the target investment to react to the observation and correct its activities. If, after the engagement dialogue, the outcome and the target investment's measures are not as desired, we take measures for holdings in accordance with our escalation method, market situation allowing. Measures may include selling of holdings, refraining from further investments or continuing engagement dialogues, and possibly, in some time frame, allowing further investments if the investment is found to be otherwise attractive and aligned with the principles of responsible investment. In the event of a significant responsibility-linked observation, the target investment may also be placed on an exclusion list by the Aktia's ESG Committee. In that case, the excluded companies and issuers are monitored as a part of normal monitoring of investment restrictions and limits.

### Summary of engagement policies

Aktia also has its own engagement policy in force, which are followed throughout Aktia Group. This policy defines the goals of corporate governance and our expectations of the companies that are the investment objects, and describe, among other things, the principles of engagement, the exercise of voting rights and the practices related to participation in nomination committees. Aktia's responsible investment policy also describes how we engage with Governments.

### Compliance with responsible business conduct and internationally recognised standards for due diligence and reporting

Aktia follows Aktia Group's principles for responsible investment, that were published for the first time in 2006. The activities are also guided by the Board of Directors' instruction for responsible investments in Aktia and the principles for corporate governance that apply to all investment activities. Aktia's responsibility work is also defined by Aktia's sustainability programme (2022) and climate strategy (2021). Aktia complies with international codes of conduct, due diligence and reporting related to responsible business activities. Aktia's policies are aligned with international human rights commitments and Aktia is publicly committed to key international treaties and standards, such as the UN Declaration on Human Rights and other UN treaties, the UN Sustainable Development Goals, ILO treaties, and OECD Guidelines for Multinational Enterprises, all of which provide a value base for responsible investment at Aktia.

Aktia has signed the Principles of Responsible Investment (PRI) and Principles of Responsible Banking (PRB) supported by the UN. We are a member of FIBS (Finnish Business & Society), the largest Nordic corporate responsibility network, and FINSIF (Finland's Sustainable Investment Forum), a Finnish organisation that promotes responsible investment. We participate in investor initiatives on topics such as climate change mitigation and adaptation as well as safeguarding and promoting biodiversity, such as Net Zero Asset Managers (NZAM), Climate Action 100+ and Nature Action 100 and PRI Spring. Aktia is committed to setting climate targets in line with the Science Based Targets initiative. We report on the climate impacts of our operations to CDP (formerly Carbon Disclosure Project). We are also a public supporter of the Transition Pathway Initiative (TPI) and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In addition, Aktia is a member of AIMA (Alternative Investment Management Association), SBAI (Standards Board for Alternative Investments), and Green Building Council Finland. We report on sustainability risks and the principal adverse impacts on sustainability factors as required by regulation and as part of our other responsible investment reporting to our customers and stakeholders.

Sustainability risks are taken into account before making an investment decision by identifying and assessing various sustainability risks and factors, such as principal adverse impacts, climate risk analyses, climate scenario analyses, and company-specific ESG analyses, using tools developed internally by Aktia and/or by external service providers. The external service providers used by Aktia include Morningstar/Sustainalytics, ISS ESG (Institutional Shareholder Services), Bloomberg and Upright Project. The suitability and quality of data sources are assessed annually in accordance with Aktia's process. As part of the climate risk analysis, we regularly carry out a scenario analysis for our funds according to different climate warming scenarios. Based on this, we assess whether our portfolio is in line with the 2-degree climate warming scenario.

Date	Version	To be considered
30.6.2025	1.2	The process description for managing sustainability risks has been expanded. The definition of sustainability risks has been clarified.
30.11.2022	1.1	Clarifications of definitions
4.3.2021	1.0	First version