

Overview of responsible investment

H2/23

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Aktia

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Responsible investment at Aktia

We believe that businesses operating in a responsible manner, in accordance with sustainable norms, are more profitable in the long term than companies that do not operate sustainably. To us responsible investment means that we are striving to achieve the best possible return on the chosen risk level. When we speak of responsible investment activities, we are referring to every action that considers environmental, social and governance (ESG) factors. Responsibility is an integral part of our investment activities and the principles of responsible investment are complied with in all the funds we manage. The principles for responsible investment are also followed in our discretionary asset management and our other investment services.

Central international agreements and norms, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, UN Sustainable Development Goals, ILO conventions and OECD Guidelines for Multinational Enterprises, create a value system for responsible investment. We have had our own principles of responsible investment since 2006.

Aktia has signed the UN supported Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB). 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 for climate change mitigation, such as Climate Action 100+, Science Based Targets (SBTi) and Net Zero Asset Managers Initiative. We report on the climate impacts of our operations to CDP (Carbon Disclosure Project) and encourage companies to start climate reporting through CDP campaigns. We are also a public supporter of the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. We have signed Nature Action 100 initiative. In addition, Aktia is a member of AIMA (Alternative Investment Management Association), SBAI (Standards Board for Alternative Investments) and Green Building Council Finland and takes part in the advisory committee of the ASCOR Project (Assessing Sovereign Climate-related Opportunities and Risks).

Our principles of responsible investment

exclusion
 considering responsibility factors
 norm-based screening
 active ownership and engagement
 impact investing

Active and impactful partnership

UN PRI (UN Principles for Responsible Investment)
 UN PRB (UN Principles for Responsible Banking)
 FINSIF (Finland's Sustainable Investment Forum)
 FIBS (Finnish Business & Society)
 CDP (Carbon Disclosure Project)
 NZAM (Net Zero Asset Managers Initiative)
 Climate Action 100+
 Nature Action 100
 AIMA (Alternative Investment Management Association)
 ASCOR (Assessing Sovereign Climate related opportunities and risks)
 Green Building Council Finland
 SBAI (Standards Board for Alternative Investments)



Selected tools

ISS ESG
 Morningstar
 Upright Project

ISS ESG
 MORNINGSTAR
 UPRIGHT PROJECT

Expert resources in wealth management

An experienced ESG team
 Aktia's ESG committee
 ESG experts within every asset class

We build a more sustainable future through impact and responsibility across asset classes



95%

of AuM in Aktias's funds is in funds classified as sustainable

5

Aktia's impact investing funds

Aktia Impact
Aktia Sustainable Government Bond
UI-Aktia Sustainable Corporate Bond
Aktia SolarWind III
Aktia Bioindustry I



+28%

Net impact of Aktia's funds

A positive net impact means that our funds achieve on average more positive external effects than negative ones.

TOP 3 NET IMPACT:

Aktia Impact +54%
Aktia Sustainable Government Bond +51%
UI-Aktia Sustainable Corporate Bond +48%



-52%

Aktia funds' carbon footprint lower than the benchmark index

2050

Carbon neutrality in investment portfolios

Key events H2/2023

JULY



We continued the preparations for the coming Corporate Sustainability Reporting Directive (CSRD) and other regulation regarding corporate responsibility

AUGUST



We participated in the evening event for young investment professionals organized by Aktia

SEPTEMBER



We educated our staff regarding MiFID II sustainability preference questions
We held a speech regarding responsible investing and impact investing at the Vauras Nainen event

OCTOBER



We participated in a panel discussion at the event organized by UN Global Compact Finland & Måndag regarding human rights
We started the work to update our Principles of responsible investment
We published our first report in accordance with UN Principles for Responsible Banking

NOVEMBER



We participated in the Nature Action 100 initiative
We participated in the ad hoc work group founded by Finanssiala regarding the SFDR disclosure regulation
We organized training for the staff regarding sustainable finance regulation
We organized an ESG meeting between Aktia and Taaleri
The preliminary results of Aktia's double materiality analysis were completed

DECEMBER



ASCOR project published its first assessment of the climate work of 25 countries. Aktia takes part in the advisory committee of the ASCOR Project
We organized further education to our portfolio managers regarding sustainable finance regulation
A total of six full-time employees in Aktia's ESG team
The sustainability director of Aktia Group Markus Lindqvist was appointed as the chairperson of Finsif

Aktia's climate strategy

We are aware that the world is changing and we must change with it. Just adapting to the change is not enough – we want to be at the forefront. Global challenges require global solutions, and we want to contribute to a sustainable future through our investments and our own activities.

Aktia launched its climate strategy in September 2021. Interim targets were added in 2022. Our climate objectives extend to 2050 and will guide activities across the Group from now on. Our goal is carbon neutrality in the investment portfolios by 2050, the operating environment permitting. In lending, the goal is to reduce carbon emissions and exposure. When it comes to Aktia Group's

own activities, the goal is, among other things, to achieve net carbon neutrality in the energy consumption of all rented premises by 2030. Interim targets for wealth management in the climate strategy by 2025: the carbon footprint of equity and corporate bond portfolios -30%, share of green bonds in corporate bond funds 35%. Carbon footprint of equity and corporate bond portfolios -50% by 2030. The reference year is 2019.

Aktia's climate work has already previously showed positive results. We are actively involved in promoting responsibility and encouraging companies to adopt more responsible policies and more transparent responsibility reporting. We participate in inves-

” Our goal is carbon neutrality in the investment portfolios by 2050, the operating environment permitting.

tor initiatives and engagement campaigns with other operators in the sector. These include initiatives such as Climate Action 100+, Science Based Targets (SBTi) and Net Zero Asset Managers Initiative, which aim to mitigate climate change.

Aktia became a public supporter of TCFD reporting in 2021 and published its first Task Force on Climate-related Financial Disclosures (TCFD) review. We also take part in the advisory committee of the ASCOR Project (Assessing Sovereign Climate-related Opportunities and Risks). The aim of the project is to create practical tools to support investors in their assessment of sovereign climate-related risks and opportunities.

AKTIA'S CLIMATE OBJECTIVES

1 Carbon neutrality in investment portfolios by 2050

2 In lending, the offering of sustainable financing and the reduction of carbon emissions and exposure

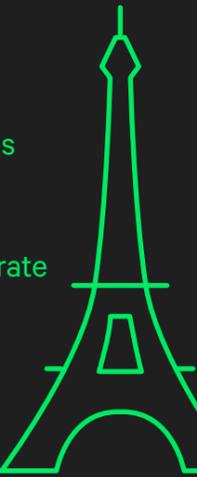
3 In Aktia's own activities, net carbon neutrality in the energy consumption of all rented premises by 2030

2050

Carbon neutrality in investment portfolios by 2050.

Interim target 2025: the carbon footprint of equity and corporate bond portfolios -30%, share of green bonds in corporate bond funds 35%.

Interim target 2030: carbon footprint of equity and corporate bond portfolios -50%.



Net Zero Asset Managers

Initiative signatory.

ASCOR

Aktia takes part in the advisory committee of the ASCOR Project*. The aim of the project is to create practical tools to support investors in their assessment of sovereign climate-related risks and opportunities.

-52%

The carbon footprint of funds managed by Aktia is 52% lower than the benchmark index 12/2023.**

TCFD

Aktia became a public supporter of the TCFD recommendations* in 2021.

Responsible investment at Aktia

Results and impact

Sustainability in Aktia's funds

From one year to the next, Aktia's asset management has collected prizes both in international and domestic comparisons. Morningstar, an independent third party, produces data and ratings for investors as well as an assessment of the sustainability of Aktia's funds. Morningstar utilises ESG and climate data produced by Sustainalytics, which is also used in Aktia as part of portfolio management.

ESG describes responsibility in relation to three topics: environmental (E), social (S), and governance (G). The methodology is based on the assessment of ESG risks and their impact on the financial value of actors. The analysis is based on general ESG views prevailing in the market. This is a sustainability analysis carried out by Morningstar and their view on sustainability. The sustain-

ability rating of the funds is also available on Aktia's website.

The sustainability rating, i.e. the globes, describes Morningstar's assessment of the sustainability risks of the funds (ESG risks) and how well ESG risks have been considered in the funds' investment objects. The more globes, the smaller the ESG risks of the fund in relation to the fund's reference group.

The Morningstar® Low Carbon Designation™ is assigned to portfolios that have low carbon risk scores and low levels of fossil fuel exposure. Carbon risks can be realised as a loss of economic value as society moves towards a more low-carbon economy and if the investment business depends on fossil fuels, for example.

44% of Aktia's funds are more sustainable than their reference group. In Morningstar's estimate, 78% of our funds receive at least 3 globes in the sustainability rating, which means that they are rated as at least as sustainable as funds in the reference group. In addition, fifteen Aktia funds are assigned the Low Carbon Designation™.

The table describes 36 Aktia funds for which sustainability ratings is available. The sustainability rating is formed when Morningstar data coverage is at least 67%. The Morningstar® Low Carbon Designation™ is assigned when Morningstar data covers at least 67% of the fund's investments and when the carbon risks and the fossil fuel exposure are low. Source: Morningstar, 31 December 2023.

Fund	Morningstar Sustainability Rating™	Carbon Risk Classification	SFDR Fund Type
Aktia Capital	5 globes	low risk	Article 8
Aktia Secura	5 globes	low risk	Article 8
Aktia Solida	5 globes	low risk	Article 8
Aktia Sustainable Government Bond	5 globes	low risk	Article 9
Aktia Wealth Allocation 75	5 globes	low risk	Article 8
Aktia America	4 globes	low risk	Article 8
Aktia Corporate Bond+	4 globes	low risk	Article 8
Aktia Emerging Market Corporate Bond+	4 globes	medium risk	Article 6
Aktia Emerging Market Equity Select	4 globes	medium risk	Article 8
Aktia Emerging Market Local Currency Bond	4 globes	low risk	Article 8
Aktia Micro Markka	4 globes	low risk	Article 8
Aktia Passive USA	4 globes	low risk	Article 8
Aktia Wealth Allocation 25	4 globes	low risk	Article 8
Aktia Wealth Allocation 50	4 globes	low risk	Article 8
Aktia Wealth Allocation+ Balanced	4 globes	low risk	Article 6
Aktia Wealth Allocation+ Return Focused	4 globes	low risk	Article 6
Aktia Bond Allocation	4 globes	low risk	Article 8
Aktia Equity Allocation	4 globes	low risk	Article 8
Aktia Europe	4 globes	low risk	Article 8
Aktia Europe Small Cap	4 globes	low risk	Article 8
Aktia European High Yield Bond+	4 globes	low risk	Article 8
Aktia Global	4 globes	low risk	Article 8
Aktia Nordic	4 globes	low risk	Article 8
Aktia Passive Emerging Market	4 globes	low risk	Article 8
Aktia Passive Europe	4 globes	low risk	Article 8
Aktia Passive Japan	4 globes	low risk	Article 8
Aktia Short-Term Corporate Bond+	4 globes	low risk	Article 8
Aktia Stable Yield	4 globes	low risk	Article 8
Aktia Emerging Market Bond+	4 globes	no data	Article 8
Aktia Emerging Market Local Curr Frontier Bond+	4 globes	low risk	Article 8
Aktia Europe Dividend	4 globes	low risk	Article 8
Aktia Europe Small Cap	4 globes	low risk	Article 8
Aktia Micro Rhein	4 globes	low risk	Article 8
Aktia Nordic Micro Cap	4 globes	low risk	Article 8
Aktia Nordic Small Cap	4 globes	low risk	Article 8
Aktia Rhein Value	4 globes	low risk	Article 8

The net impact of Aktia's funds

Aktia has cooperated with the domestic start-up company Upright Project since 2019. We have deepened our cooperation, for example, by extending the modelling of the net impact of our funds and in the area of depicting the impact of our new products.

Upright Project is modelling the net impact of companies based on the quantification model. The model uses machine learning techniques and a broad database of scientific articles to measure the overall impact of companies on society, the creation and sharing of information, people's health and the environment.

With the help of Upright's net impact model, the impact profiles of our equity and corporate bond funds are depicted on a quarterly basis. The fundspecific impact profiles can be found on our website aktia.fi.

The net impact profile of Aktia's funds is positive and our net impact is significantly better than that of the benchmark indices (OMX Helsinki index 6%, Nasdaq Helsinki index -10%). A positive net impact ratio means that our funds achieve on average more positive external effects than negative ones. The positive net impacts of the funds are related to society and people's health. In the model the minimum is minus infinity and maximum is +100%.

“ The net impact profile of Aktia's funds is positive and our net impact is significantly better than that of the benchmark indices.

TOP 3 NET IMPACT

Aktia Impact
+54 %

Aktia Sustainable Government Bond
+51 %

UI – Aktia Sustainable Corporate Bond
+48 %

THE NET IMPACT PROFILE OF AKTIA'S FUNDS

IMPACT	NEGATIVE	SCORE	POSITIVE
⊕ Society	-0.1	+3.4	+3.5
Jobs		+0.8	+0.8
Taxes		+1.2	+1.2
Societal infrastructure		+1.4	+1.4
Societal stability	-0.1	+0.0	+0.1
Equality & human rights	-0.1	-0.0	+0.0
📖 Knowledge	-1.0	-0.5	+0.5
Knowledge infrastructure		+0.2	+0.2
Creating knowledge		+0.2	+0.2
Distributing knowledge	-0.0	+0.2	+0.2
Scarce human capital	-1.0	-1.0	
♥ Health	-0.6	+0.6	+1.2
Physical diseases	-0.4	+0.2	+0.6
Mental diseases	-0.1	-0.1	+0.1
Nutrition		+0.1	+0.1
Relationships	-0.0	+0.1	+0.1
Meaning & joy	-0.0	+0.2	+0.3
⚠ Environment	-2.5	-1.9	+0.6
GHG emissions	-1.2	-0.9	+0.3
Non-GHG emissions	-0.4	-0.3	+0.1
Scarce natural resources	-0.2	-0.1	+0.0
Biodiversity	-0.4	-0.4	+0.0
Waste	-0.3	-0.3	+0.1

Upright model release 1.3.0
on 20th Feb. 2024 at 06:50 GMT

+28% Net impact ratio
Value set: Equal weights

Net impact modelling covers 21 Aktia funds: America, Rhein Value, Capital, Corporate Bond+, Emerging Market Corporate Bond+, European Dividend, Europe, Europe Small Cap, European High Yield Bond+, Global, Impact, Micro Markka, Micro Rhein, Nordic, Nordic High Yield, Nordic Micro Cap, Nordic Small Cap, Short-Term Corporate Bond+, Secura, Solida, UI-Aktia Sustainable Corporate Bond. The information is based on the situation when the data was requested. The figures presented are not binding minimum amounts. The reported figures may vary downwards or upwards. Source: Upright Project, version 1.3.0, 31 December 2023.

The carbon footprint of Aktia's funds

In line with Aktia's climate strategy, we aim for carbon neutrality in our investment portfolios by 2050. We monitor our investments and review our funds by carrying out climate risk assessments and climate scenario analyses, among other things.

The carbon footprint of funds managed by Aktia is 52% lower than the benchmark index*. Our investment strategy in equity funds favours less capital-intensive companies that typically also have a favourable emission profile. In corporate bond portfolio management, we favour energy producers that seek to reduce their CO2 emissions.

The graphs show the carbon footprint of our equity and corporate bond funds and the indicative comparative figures for each market. The calculations are based on the figures reported by the companies (to the extent that they were available at the time of the calculation) and, for other companies, sector-based estimates. The fig-

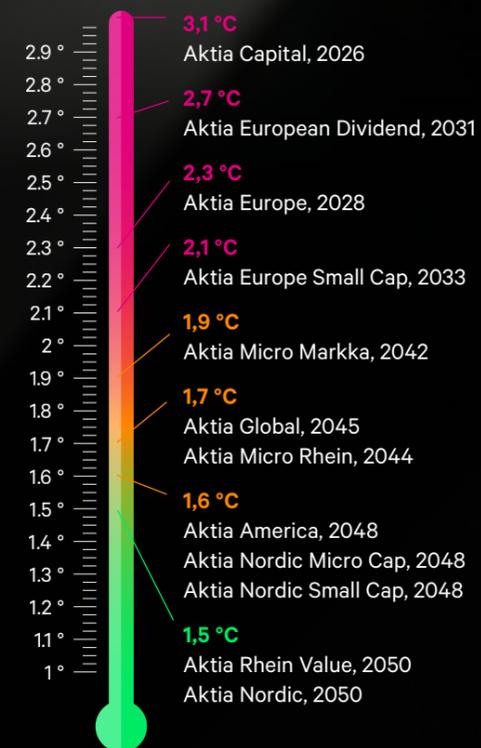
ures include the emissions at so-called scope 1 and scope 2 levels. Carbon footprint (carbon efficiency) describes the emissions relative to the value of investments, taking into account the entire capital structure of the companies. When looking at carbon footprints, it is important to note that as emissions between different companies and sectors vary considerably, small changes in the contents of portfolios may result in significant changes in the figures.

” The carbon footprint of funds managed by Aktia is 52% lower than the benchmark index.

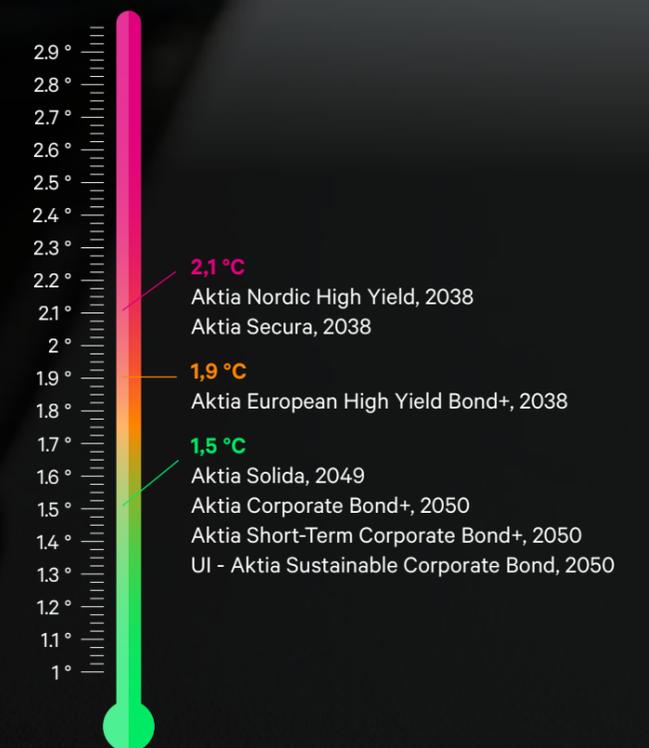
AKTIA'S FUNDS ACCORDANCE WITH THE PARIS AGREEMENT

In accordance with the Paris Agreement, the objective is to limit global warming to 1.5 degrees C by 2050. The estimated year indicates when the fund exceeds its allocated carbon budget. The estimated rate indicates whether the fund complies with the Paris climate objective.

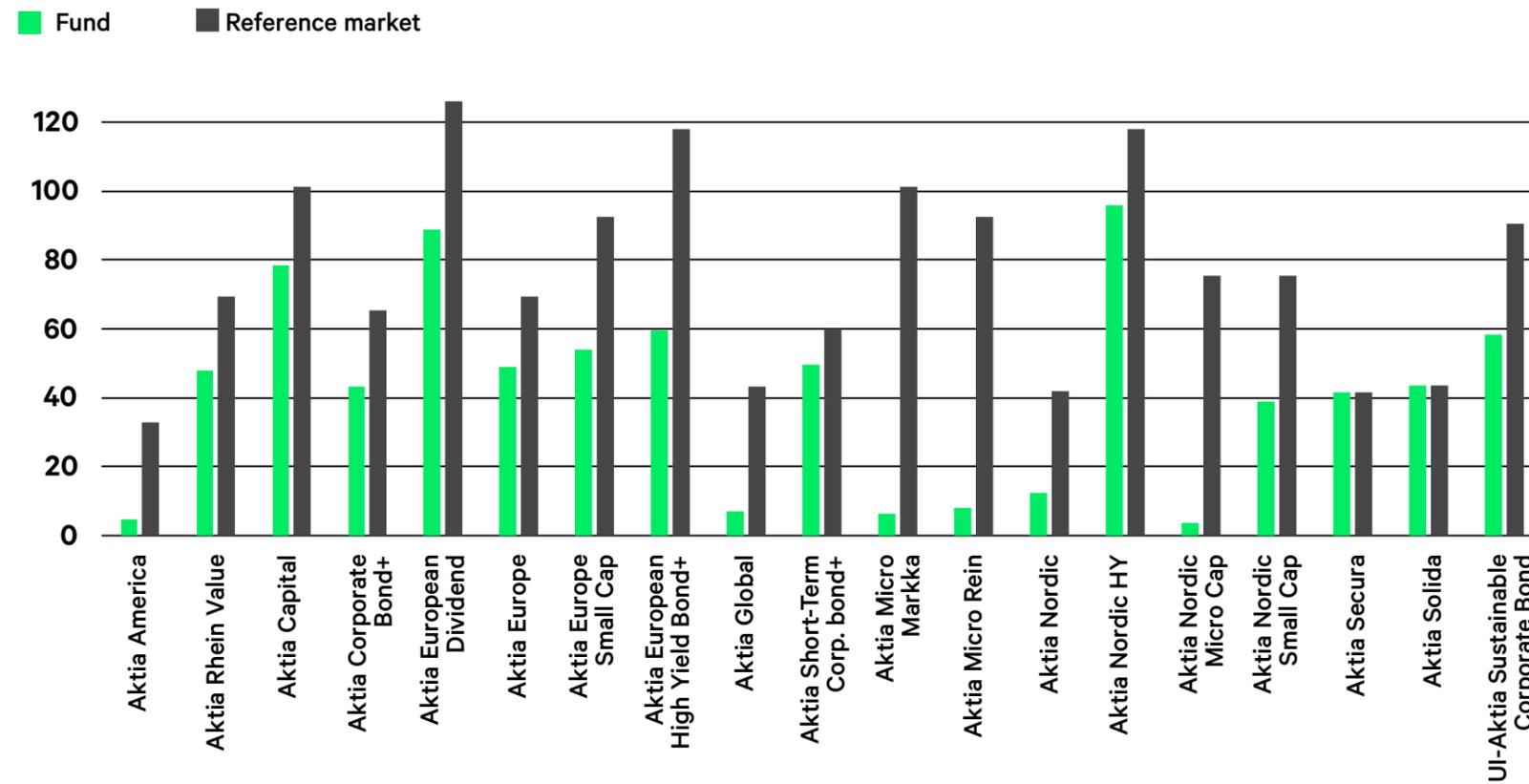
Equity funds



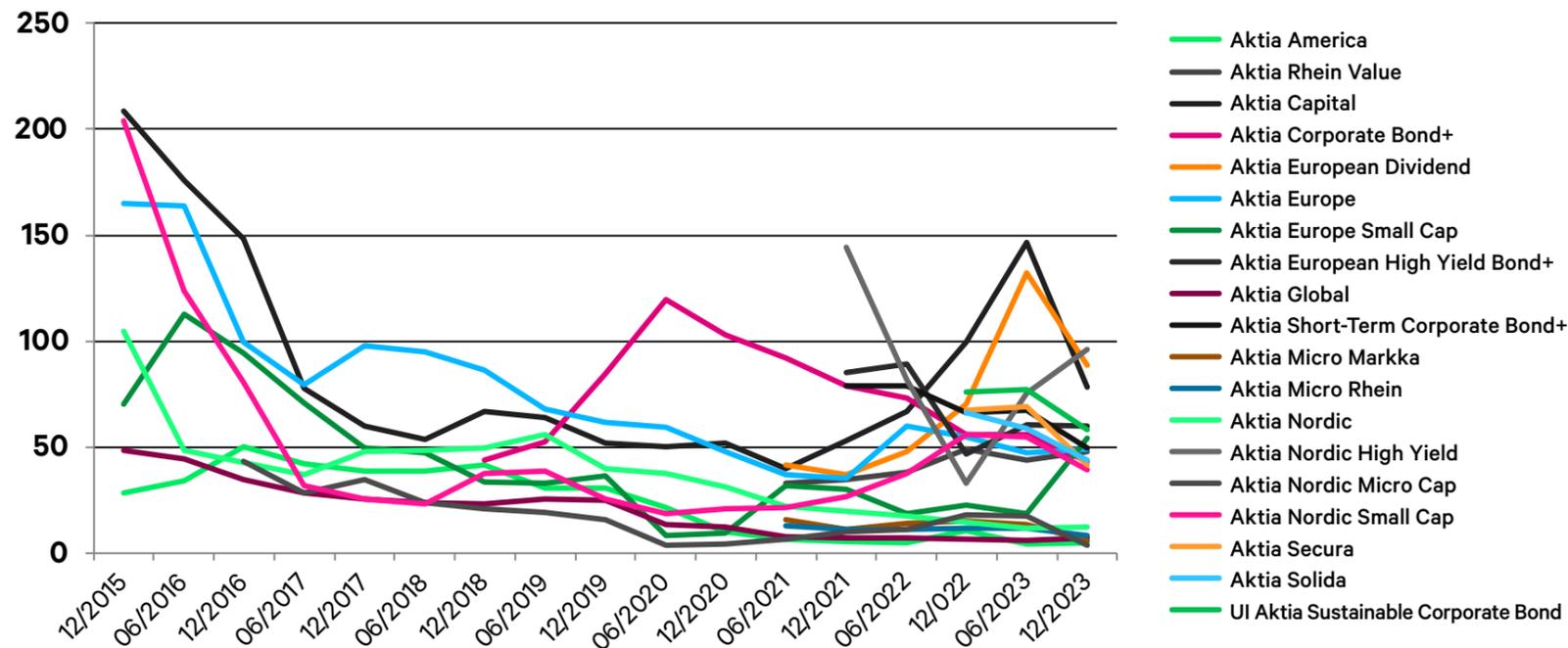
Credit funds and balanced funds



CARBON FOOTPRINT OF FUNDS AND REFERENCE MARKETS*



DEVELOPMENT OF THE CARBON FOOTPRINT OF THE FUNDS*



CLIMATE INDICATORS OF AKTIA FUNDS

Fund	The fund's carbon footprint*	Carbon footprint vs. reference market	The fund's carbon intensity**	Carbon intensity vs. reference market
Aktia America	5	-86%	24	-75%
Aktia Rhein Value	48	-31%	52	-45%
Aktia Capital	78	-23%	129	-16%
Aktia Corporate Bond+	43	-34%	54	-42%
Aktia European Dividend	89	-30%	124	-37%
Aktia Europe	49	-30%	93	-2%
Aktia Europe Small Cap	54	-42%	85	-16%
Aktia European High Yield Bond+	60	-49%	76	-32%
Aktia Global	7	-83%	28	-71%
Aktia Short-Term Corp. Bond+	50	-17%	54	-35%
Aktia Micro Markka	6	-94%	8	-95%
Aktia Micro Rhein	8	-91%	9	-91%
Aktia Nordic	13	-70%	23	-53%
Aktia Nordic High Yield	96	-19%	71	-37%
Aktia Nordic Micro Cap	4	-95%	14	-82%
Aktia Nordic Small Cap	39	-48%	66	-12%
Aktia Secura	42	0%	72	0%
Aktia Solida	44	0%	57	0%
UI-Aktia Sustainable Corporate Bond	58	-36%	95	-32%

* relative carbon footprint tCO2e / MEUR invested

** weighted average carbon intensity tCO2e / revenue

Source: Institutional Shareholder Services, ISS ESG, 31 December 2023.

Norm-based screening

Aktia is in responsible ownership-related cooperation with ISS ESG, a pioneer in normbased shareholder influence. In this way, we support companies to better meet the international expectations regarding environmental, social and good governance norms that are directed at them.

The cooperation is based on so-called norm-based screening; ISS ESG monitors the allocations of our funds according to the criteria based on the UN Global Compact principles and identifies companies that have not been able to operate in accordance with the Global Compact principles. The principles of the UN Global Compact initiative are based on and in line with universal principles: The UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Rio Declaration on Environment and Development and the UN Convention against Corruption. The ten principles of the Global Compact include fundamental values relating to human rights, labour principles, the environment, and the fight against corruption. The ISS

ESG screening includes three categories: no violations, possible problem, verified problem.

Most of the companies in which we have invested operate in accordance with these principles. ISS ESG carries out engagement dialogues with companies that have not been successful in complying with the UN Global Compact norms on behalf of Aktia. During the dialogues, the aim is typically to get the companies to report their problems and either fix them or take measures to ensure that corresponding problems do not appear going forward.

The portfolio managers in Aktia's equity and corporate bond teams make decisions on how to deal with the investment in the event of violations of norms. In this case, it will be assessed whether the measures taken by the companies are sufficient and whether the company can be invested in. Violations of norms are also regularly discussed by Aktia Asset Management's ESG Committee.

THE COMPLIANCE OF AKTIA'S EQUITY AND CORPORATE BOND FUNDS WITH THE GLOBAL COMPACT NORMS

100%

compliance with norms

Aktia Rhein Value
Aktia Capital
Aktia Europe Small Cap
Aktia Micro Markka
Aktia Micro Rein
Aktia Nordic High Yield
Aktia Nordic Micro Cap
Aktia Nordic Small Cap

90–99%

compliance with norms

Aktia European High Yield Bond+ 98%
Aktia Nordic 96%
Aktia Solida 94%
Aktia Short-Term Corporate Bond+ 94%
Aktia Corporate Bond+ 93%
UI-Aktia Sustainable Corporate Bond 93%
Aktia Secura 91%

80–89%

compliance with norms

Aktia Europe 86%
Aktia European Dividend 83%

70–79%

compliance with norms

Aktia Global 78%
Aktia America 73%

Active ownership and engagement

Aktia has diverse methods of active ownership and engagement. These include engagement dialogues with companies (pooled engagement), participation in engagement campaigns and investor initiatives together with other investors, business meetings, participation in annual general meetings and the exercise of voting rights at general meetings (proxy voting), and participation in companies' nomination committees. Aktia uses engagement with companies, stewardship and active ownership to promote good governance in companies that constitute investment objects, and to promote the possibilities for a good long-term return development in investment objects or investment portfolios.

Aktia has drawn up a Stewardship Policy. Aktia Fund Management Company complies with this policy in the funds it manages, and Aktia Bank and Aktia Asset Management comply with this policy when managing clients' investment assets based on wealth management agreements. The

policy complies with applicable regulation and the recommendations on corporate governance in the business.

At the Amazon shareholders' meeting in 2023, we supported the proposal that the company should report on its efforts to reduce single-use plastics. At the Apple and the Nike shareholders' meetings, we supported the proposals to promote the reporting of pay gaps. In addition, at the Shell annual general meeting, we supported the proposal asking the company to set its emission reduction targets in line with the objectives of the Paris Agreement.

In accordance with the Stewardship Policy, Aktia publishes a separate annual report on carrying out the policy. We also publish a separate Pooled Engagement report containing more information on the engagement dialogues that have taken place through ISS ESG. The reports are available on Aktia's website.

ENGAGEMENT

130
engagement dialogues

In 2023, we participated in an engagement dialogue with 130 different companies across 193 topics through ISS ESG. Of these topics, 77 focused on the environment, 57 on human rights, 46 on labour rights and 13 on corruption.

12
Aktia's direct engagement campaigns

During 2023, we carried out a total of 12 separate engagement dialogues or measures. The topics related to, for example, corporate governance and its possible shortcomings and potential for improvement, corporate actions in relation to companies' business operations in Russia, and companies' overall ESG strategy and product portfolios.

PROXY VOTING

286
meetings

Aktia's funds use a proxy voting service provided by ISS. The service enables us to participate globally in general meetings in an efficient manner. During 2023, we attended a total of 286 general meetings, of which 277 were attended via the voting service and 9 outside the voting service. In these general meetings, the funds voted on a total of 4,798 voting items, of which 513 against the management's recommendation (11% of the voting items).

4 798
voting items

513
votes against the management's recommendation

The voting will always consider the long-term interests of the unit holders in accordance with Aktia's Stewardship Policy. In support of voting, ISS will provide us with company-specific responsibility reports and recommendations on voting in accordance with its own sustainability voting policy.

Sustainable finance regulation

Sustainable finance means taking environmental and social aspects into account when making investment-related decisions. Over the past few years, the EU has worked to define sustainable finance so that investors, companies, and the member states of the EU will be able to direct financing for measures that promote sustainable development. EU sustainable finance regulations consist of several different sets, guidelines, and regulations.

SUSTAINABLE FINANCE

Taking environmental and social aspects into account when making investment-related decisions.

Classification system for sustainable economic activities, i.e. EU taxonomy defines what kind of economic activity is sustainable.

The regulation increases the transparency of business activities for investors and clarifies which economic activities promote environmental objectives and promote a more sustainable future. *The EU environmental objectives defined in the taxonomy are climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems.

ECONOMIC ACTIVITIES MAY BE CLASSIFIED AS SUSTAINABLE IF THEY

- 1 Significantly promote at least one out of six EU environmental objectives*
- 2 Cause no significant harm to the other five EU environmental objectives
- 3 Comply with the ethical principles of labour law and human rights principles of the UN, the OECD and ILO.

SUSTAINABILITY CLASSIFICATION, SFDR DISCLOSURE REGULATION

Sustainable investment products include products in accordance with Articles 8 and 9.

The aim of the Regulation is to promote the measurability and transparency of the sustainability impacts of financial products, to reduce green washing and to improve the comparability of products classified as sustainable.

The financial products referred to in **Article 8** promote, among other characteristics, environmental or social characteristics or combinations of these characteristics, and the companies invested in follow good governance practices. Most of the financial products offered by Aktia are Article 8 products. Products complying with Article 8 are also referred to as light green products.

Products complying with **Article 9** make sustainable investments. Sustainable investments may not cause any significant harm to any environmentally or socially sustainable investment objective (the DNSH principle) and must take into account minimum social safeguards. Furthermore, investment objects are required

PAI INDICATORS

Principal adverse impacts on sustainability factors.

Investments can have both positive and negative impacts on sustainability factors. By taking into account the main negative impacts of investment activities on sustainability factors, the aim is to understand the investment objects' negative impacts on the environment or society as well as possible. Principal adverse

to comply with good governance practices. A few of Aktia's financial products are Article 9 products. Products complying with Article 9 are also referred to as dark green products.

If a financial product does not promote environmental or social objectives, does not make sustainable investments and thus falls within the scope of a sustainable investment product (Article 8 and Article 9), it is classified as an investment product in accordance with Article 6. Investment products in accordance with Article 6 do not take into account the EU criteria for environmentally sustainable economic activities (EU taxonomy). However, these financial products may take into account sustainability risks. In this context, sustainability risks refer to an event or circumstance related to the environment, society or governance, the realisation of which could have a real or potential negative material impact on the value of the investment.

impacts on sustainability factors are referred to as PAI indicators. The sustainability indicators relate, for example, to greenhouse gas emissions, biodiversity, water, waste, and social issues. They concern companies, states, and multinational companies as well as real property.

Responsible investment at Aktia

Portfolio management

SUMMARY

Responsible investment at Aktia

We are a pioneer in responsible investment and help our customers to increase their wealth. We believe that investment objects operating in a responsible manner, in accordance with sustainable norms, are more profitable and have a more positive risk profile in the long term than investment objects that do not operate responsibly.

Our method of responsible investment is based on exclusion, ESG integration, norm-based screening, active ownership and engagement. We also strive to form a picture of the investment objects' impact on society that is as good as possible. Responsibility is an integral part of our investment activities and the principles of responsible investment are complied with in all the funds we manage. The principles for responsible investment are also followed in our discretionary asset management and our other investment services. The way of applying responsibility in practice varies somewhat between different asset classes, but the premise is the same irrespective of the asset class.

We consider the economically essential impact that factors relating to ESG, i.e. environment, society and good governance, have on the investment objects in an integrated way as a part of the investment process. The investment analysis is based on both quantitative and qualitative factors supported by several sources of data, including Morningstar's and ISS ESG data, the ISS climate data, climate risks and scenario analyses, and Upright's net impact model.

Central international agreements and norms, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, UN Sustainable Development Goals, ILO conventions and OECD Guidelines for Multinational Enterprises, create a value system for responsible investment in Aktia's investment activities.

METHODS AND APPLICATION OF RESPONSIBLE INVESTMENT AT AKTIA

	Direct investments in equities	Investments in corporate bonds	Investments in government bonds	Third-party fund selection	Alternative investments	Investment Desk
Exclusion	X	X	X	(X)	X	X
Considering responsibility factors	X	X	X	(X)	X	X
Norm-based screening	X	X		(X)		X
Active ownership and engagement	X	X	X	X		
Impact investing	X	X	X	X	X	X

(X) The definition is made by an external asset manager

EXCLUSION FROM EQUITY AND CORPORATE BOND INVESTMENTS

Line of business and turnover limit	Equity portfolio management	Corporate bond portfolio management
Controversial weapons (including nuclear weapons) 0%	X	X
Production of weapons 5%	X	X
Tobacco production 5%	X	X
Gambling 5%	X	X
Production of cannabis 5%	X	X
Production of adult entertainment 5%	X	X
Companies using child labour	X	X
Companies using controversial, aggressive or unethical methods in lending	X	X
Coal extraction for energy production or peat production and energy production based on the incineration of these* 25%	X	
Alcohol production 5%		X
Production of fossil fuels or energy production* based on the incineration of these > 5%		X

*One can deviate from this exclusion with the consideration of Aktia's ESG committee if it assesses that handling of the transition risk of the investment object is on a sufficient level, considering the risk and return profile at the portfolio level.

Impact investing

Impact investing is a part of a responsible investment entity and a new, strongly growing way of investing. In addition to financial return, impact investing pursues measurable environmental or social benefits – when it comes to impact investing it is not enough that the investments avoid causing harm through their business activities, but they also need to achieve positive impact.

In accordance with Aktia's responsibility principles, the possibilities for impact investment are applied to different asset classes. Impact investment is particularly emphasised in UI-Aktia Sustainable Corporate Bond, Aktia Sustainable Government Bond, Aktia Impact, Aktia SolarWind III, Aktia Bioindustry I and EM fixed income funds.

A great deal of change and impact are needed quickly in the world. International studies, such as

the IPCC Report on climate change and the Dasgupta Review on biodiversity and economic dependency, show that we need innovations, investments, and actions to secure a sustainable future. As sustainability becomes a basic prerequisite, companies and investments are expected to provide impact and meaning. These are prerequisites for building a better future.

More information about sustainability risks, identifying and integrating sustainability factors into investment decisions, and principles for responsible investments can be found from prospectus and our web page: www.aktia.fi/vastuullinen-sijoittaminen. When making an investment decision, the customer should in addition to sustainability factors, take into account all the fund's characteristics or goals, which are described in the fund's prospectus, PRIIPS KID, rules and other official documents.



IMPACT INVESTING:

In addition to financial return, the aim is to achieve measurable environmental or social benefits.

IMPACT INVESTING, FUND EXAMPLE

Aktia Impact fund

Aktia's Impact fund is a pioneering product on the market in impact investing. The non-UCITS fund Aktia Impact is Finland's first open impact fund. The fund has two goals: risk-adjusted market return and impact, i.e., measurable social and environmental impact.

The fund only invests in objects that benefit the society or the environment. The impact and benefits pursued by the fund can be diverse: lower carbon dioxide emissions, employed people, better learning results for children or healthier people.

The fund has invested in wind power plants, solar power plants, micro-loans, sustainable transport infrastructure, green construction projects, innovations promoting circular economy, construction of housing for special groups, and many other activities that produce impact and benefit and build a sustainable future. The impact report of the fund is published annually.

The fund aims to achieve the most concrete and transparent benefits possible, for example by investing, where possible, with new subscriptions, in which case the capital will be available to the investment objects. The Impact fund diversifies investments in green and social impact bonds, listed and nonlisted shares, equity funds and microloan funds. The special investment fund Aktia Impact offers the opportunity to participate in all of these impact investments with one investment.

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Aktia Impact fund's impact report is published annually.

EXAMPLES OF THE IMPACT FUND'S INVESTMENT OBJECTS

Investment objective	Description	Initial investment object
BlueOrchard Microfinance Fund	Alternative fixed income fund Financing micro-entrepreneurs in emerging countries through microcredit banks and other financial institutions	Yes
Taaleri Tuuli IV, Aurinkotuuli, Aurinkotuuli II	Alternative investment fund Construction and operation of industrial-scale wind and solar power	Partly
Citycon Oyj	Green bond Renewable energy, energy efficiency of buildings	Yes
Fintoil Hamina	Green bond Refining of crude tall oil	Yes
Y Foundation	Social Bond Housing for special groups	No
Kempower	Share Charging systems for electric vehicles	Yes
Aker Carbon Capture ASA	Share Capturing carbon	Yes
Woodly Oy	Non-listed share Materials technology, development of wood-based and recyclable materials for use by the plastic industry	Yes
Sparkmind Fund Ky	Non-listed share Finnish growth companies in the education sector	Yes

IMPACT INVESTING, FUND EXAMPLE

Aktia Sustainable Government Bond fund

Aktia launched the Aktia Sustainable Government Bond fixed-income fund in the summer of 2023. The fund invests in European government bonds or covered bonds. It is classified as a so-called dark green impact investment fund in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation, making only sustainable investments.

The fund's objective is to achieve positive impact by investing in bonds issued by sovereigns and other SSA issuers (sub sovereign, supranationals, agency) in accordance with the ICMA (International Capital Market Association) principles, with the purpose of financing environmental projects (green bonds), projects related to society (social bonds), projects related to sustainability, that is environmental or social projects (sustainability bonds), or projects linked to The objective of the fund (sustainability linked bonds). Bonds that constitute investment objects are used to fund envi-

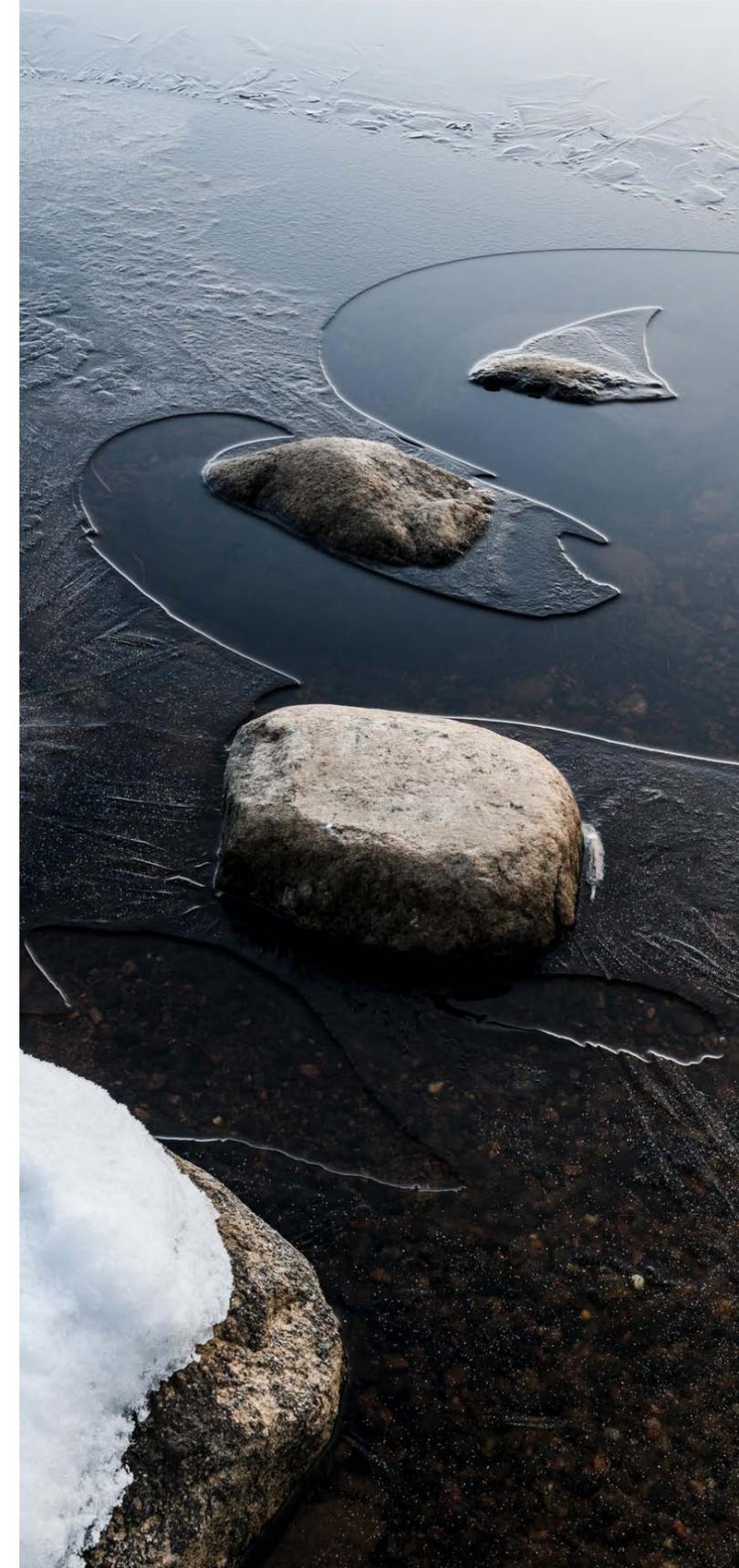
ronmental or social projects in accordance with the issuer's framework. Assets are used for e.g. environmental projects such as sustainable construction, energy efficiency, and renewable energy, or social projects such as basic infrastructure at low cost, access to basic services or affordable housing. The positive social impacts of the fund include promoting gender equality, supporting education and learning, reducing inequality and sustainable infrastructure. The positive environmental impacts include mitigating and combating climate change, the sustainable use of ecosystems, and protecting biodiversity.

The fund only invests in bonds with a positive net impact ratio in the Finnish Upright Project's model measuring the overall impact of the bond on society, the generation and sharing of information, human health, and the environment. At the end of the year 2023, the net impact of the fund was +51%.

More detailed information on the identification and consideration of sustainability risks and sustainability factors in investment decisions and our guidelines for responsible investment can be found in the fund prospectus and on our website: www.aktia.fi/vastuullinen-sijoittaminen. In addition to sustainability factors, all features or objectives of the fund as described in the fund prospectus, key information, rules and other official documents are taken into account in investment decisions.



Bonds that constitute investment objects are used to fund environmental or social projects.



IMPACT INVESTING, FUND EXAMPLE

UI-Aktia Sustainable Corporate Bond fund

Aktia launched the UI-Aktia Sustainable Corporate Bond fund in the autumn of 2022. It is classified as a so-called dark green fund in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation, making only sustainable investments.

The objective of the fund is to achieve positive impact by investing in corporate bonds issued by European companies in accordance with the ICMA (International Capital Market Association) principles, with the purpose of financing environmental projects (green bonds), projects related to society (social bonds), projects related to sustainability, that is environmental or social projects (sustainability bonds), or projects linked to sustainability (sustainability linked bonds).

The fund only invests in bonds with a positive net impact ratio in Upright Project's model measuring the overall impact of the bond on society, the gen-

eration and sharing of information, human health, and the environment.

Bonds that constitute investment objects are used to fund environmental or social projects in accordance with the issuer's framework. Assets are used for e.g. environmental projects such as sustainable construction, energy efficiency, and renewable energy, or social projects such as basic infrastructure at low cost, access to basic services or affordable housing. The positive social impacts of the fund include promoting gender equality, supporting education and learning, clean and sustainable energy, sustainable infrastructure, and reducing inequality. The positive environmental impacts include mitigating and combating climate change, protecting biodiversity, and the sustainable use of ecosystems and terrestrial ecosystems. The fund complies with Aktia's responsible investment policy and Aktia's climate strategy.

The domestic service provider Upright Project's method to identify the net impact of the bond is used to identify sustainable investment targets. The fund makes sustainable investments only in bonds with a positive net impact in the modelling. At the end of the year 2023, the net impact of the fund was +48%.

More information about sustainability risks, identifying and integrating sustainability factors into investment decisions, and principles for responsible investments can be found from prospectus and our web page: www.aktia.fi/vastuullinen-sijoittaminen. When making an investment decision, the customer should in addition to sustainability factors, take into account all the fund's characteristics or goals, which are described in the fund's prospectus, PRIIPS KID, rules and other official documents.



The fund is classified as a so-called dark green fund in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation, making only sustainable investments.

RESPONSIBLE INVESTING

Equity portfolio management

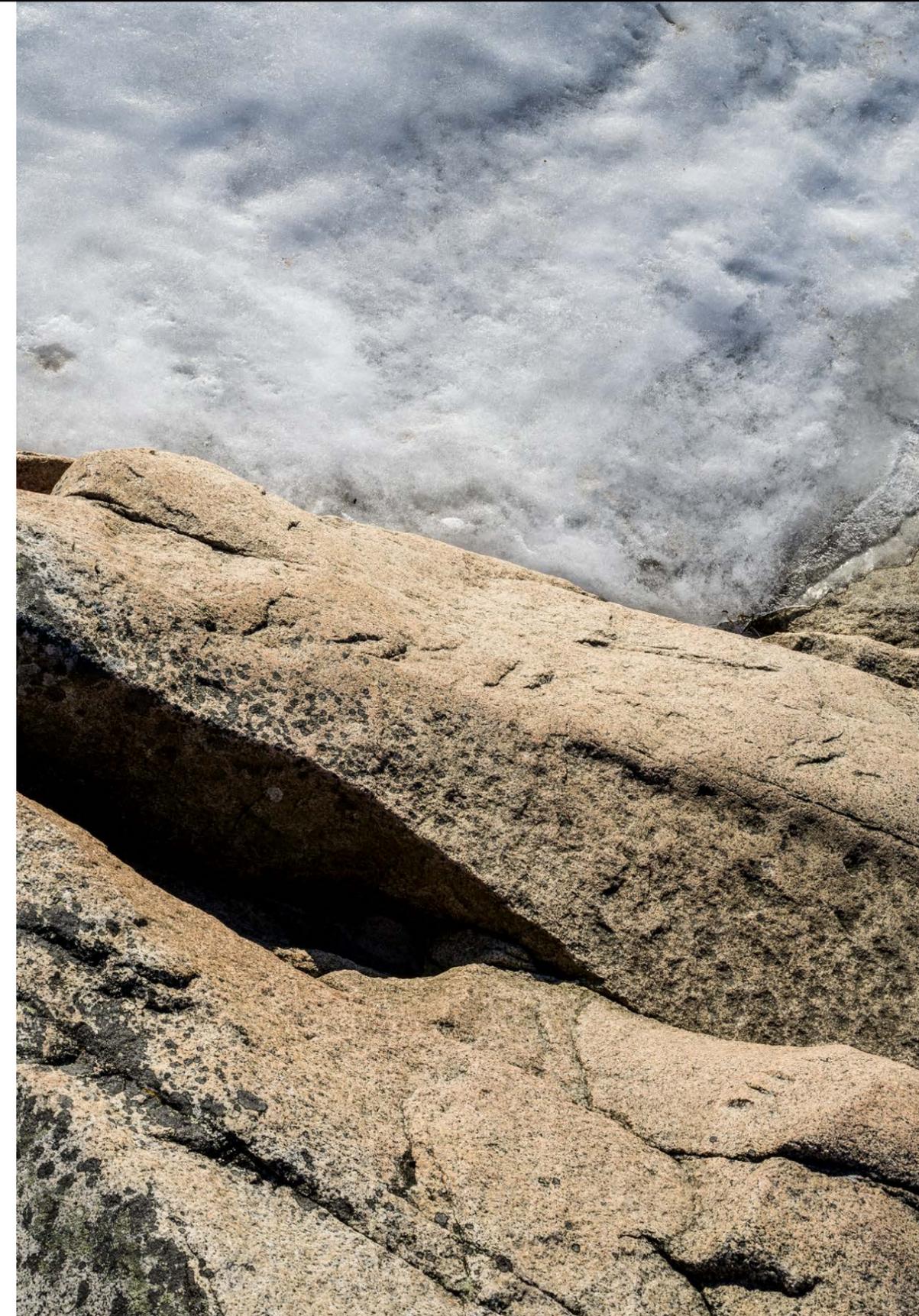


Anders Thylin
portfolio manager

MARKET OVERVIEW

In the big picture 2023 became a stronger investment year on the stock market than expected as the MSCI World index rose 20% in euro. However, the development of the stock market was not evenly distributed throughout the year, especially the largest technology companies in the US market did well during the year. Perhaps the largest theme of the year was artificial intelligence, which in turn supported the largest American growth companies. At the moment the technological development of artificial intelligence is rapid, and it can bring with it not only opportunities, but also risks, which cannot yet be evaluated in all respects at the moment.

The rise in interest rates that started in 2022 has affected the stock market, as well as the real economy in terms of companies' capital costs and investment plans, not least in terms of new energy projects. On the investment market the general expectation is that interest rates will turn down again during this year. At the same time there has been, especially in the USA, political discussions with a negative view on responsibility. The discussions will most likely continue, but the underlying factors, such as the need for clean energy and to reduce emissions, demographic changes, and the need for health and safety remain strong.



Through direct equity investments, Aktia's funds invest in companies of various sizes globally. We actively monitor companies, markets and trends from the responsibility and impact viewpoints. As we see it, businesses operating in a responsible manner, in accordance with sustainable norms, are more profitable and have a more positive risk profile in the long term than companies that do not operate in a responsible manner.

“ We actively monitor companies, markets and trends from the responsibility and impact viewpoints.

Our key principles to be considered in the management of equity investments are the responsibility factors (ESG factors), exclusion, i.e. negative screening, and responsible ownership. A key factor in the selection of equity funds' securities is the consideration of responsibility factors, which is integrated seamlessly into the investment process at Aktia. In this respect, our key approach is to consider both the positive and the negative economic material impact.

In this respect, positive factors include, for example, how companies can respond to the opportuni-

ties that changes in the environment, society and trends create for companies. When companies through their strategy, products and services are successful in responding to the opportunities created by this type of factors, their business views, especially in the longer term, are supported. Negative factors relate, for example, to companies that are unable to manage the environmental, social or governance risks associated with their activities. In its entirety, the identification of ESG risks and opportunities provides a better basis for making investment decisions.

Aktia's own direct company meetings and dialogue with the management and other representatives of companies are a key information channel that supports the consideration of ESG factors as part of the investment process. Through the company meetings, the companies' management's own views on the importance and impact that the ESG factors have on their own business and strategy are best conveyed, and, above all, its link with the creation of value in companies. We have a considerable range of ESG information channels at our disposal. Companies' own reporting on ESG information is constantly expanding and improving, which is a positive thing, and this is supported by increasingly stricter legislative requirements. We have an extensive cooperation network that provides us with information and analysis that will contribute to the consideration of ESG factors. Leading banks and analysis companies that

we cooperate with are continuously developing and deepening the integration of ESG factors as part of their own corporate analysis. To examine the overall societal impact of companies, we are using Upright Project's net impact model, which illustrates the environmental and social impact of companies from an environmental and stakeholder viewpoint. For several years now, Aktia has been using ISS ESG normbased screening to monitor companies' compliance with the Global Compact norms.

We use Morningstar's/Sustainalytics' extensive ESG data in our portfolio management and reporting. We follow the carbon footprint of the funds with an ISS ESG tool that enables us to better monitor both the carbon footprint and the climate risks, as well as gives us tools to create portfoliospecific climate scenario analyses.

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INVESTMENT EXAMPLE: MICHELIN

Michelin is one of the world's leading tire manufacturers. The company has a large product range, and it sells tires for cars, trucks, airplanes, motorcycles, and industrial vehicles, among others. In general, the automotive industry is in transition with the electrification of cars, which creates both opportunities and challenges for companies. As a tire manufacturer Michelin is in a good position with regards to the electrification. Electric vehicles put different requirements on tires compared to traditional combustion engine cars, due to for example the larger weight, but also in regards to sound volume. The rolling resistance of the tires also affects the energy consumption of cars, so a longer range can be achieved with high-quality tires. The technological knowledge regarding these matters supports the company's market position. The company's tires are also typically designed and produced to last a relatively long time.

Michelin has had carbon reduction targets since 2015. The company has an approved Science Based Target of remaining within a well below 2°C temperature increase. According to the assessment by ISS ESG, the company is generally among the best in the automotive sector in terms of ESG.

RESPONSIBLE INVESTING

Fixed income portfolio management



Jonne Sandström
portfolio manager

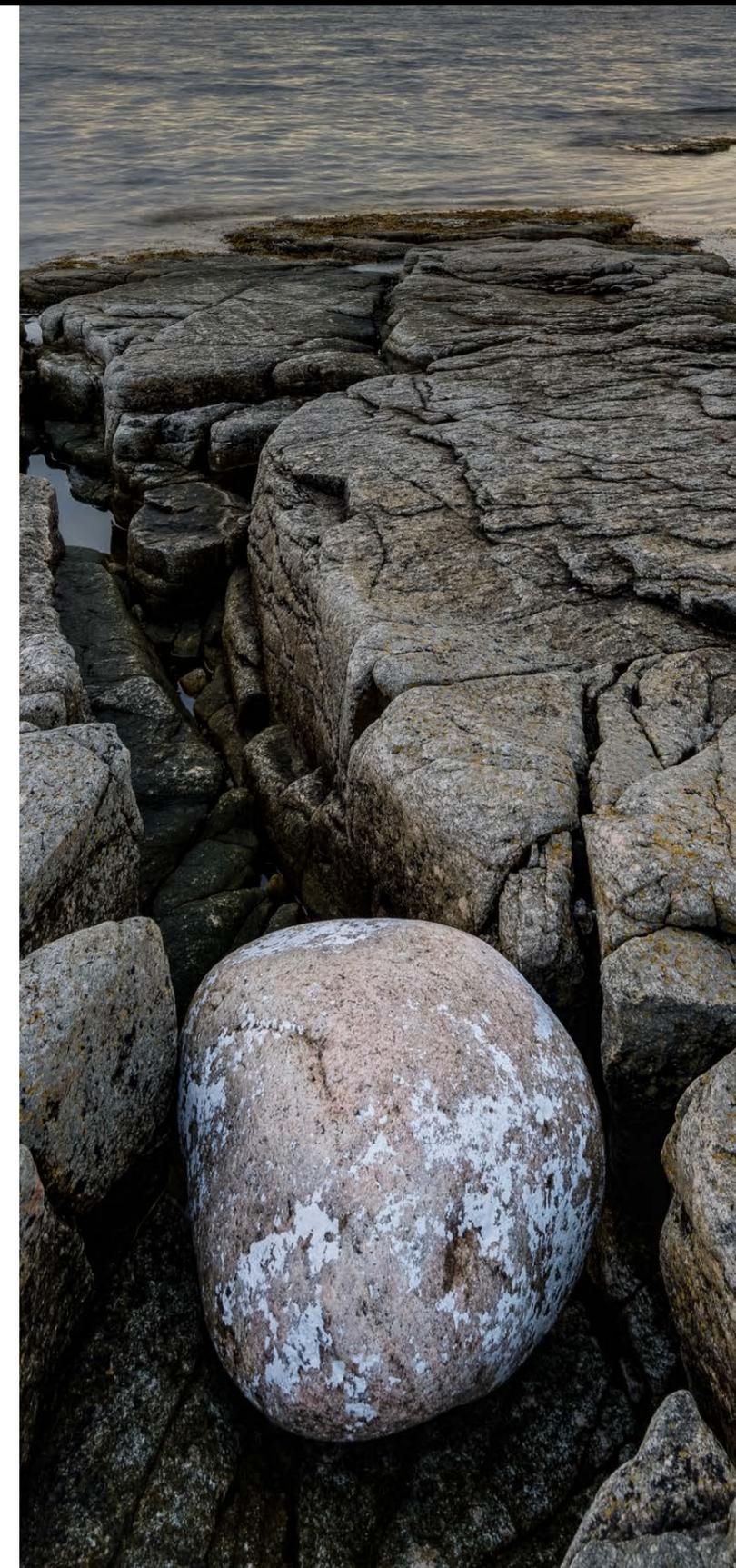
MARKET OVERVIEW

Globally, sustainable corporate bonds were issued to the value of USD 332 billion, which is around 8% less than in the year before. In the euro area, however, activity was slightly ahead of the previous year. Sustainable corporate bonds were issued to the value of USD 206 billion (USD 198 billion in 2022). The global drop was largely due to the US. The share of sustainable corporate bonds fell slightly during 2023, accounting for 25% of all issued investment grade corporate bonds (approximately 29% in 2022). The so-called green premium (greenium), in other words the difference between sustainable and ordinary bonds, decreased during the year. There were several reasons for this, for example the internal turmoil in certain sectors (e.g. the real estate sector), which distorts and makes the calculation of the green premium more difficult, as well as a general investor behaviour in which sustainability considerations have not yet returned to the level prior to the war in Ukraine and the burst of inflation. In addition, in a number of sectors (e.g. energy producers), issues largely consist of

sustainable corporate bonds. In this case, the so-called issuance premium mainly focuses on sustainable corporate bonds, increasing their risk premium compared to the risk premium for traditional corporate bonds, in other words decreasing the greenium. The attractiveness of sustainable corporate bonds in relation to ordinary corporate bonds has increased over the year and the sustainability is an added bonus compared to ordinary corporate bonds.

In our corporate bond funds, the share of sustainable corporate bonds was high. At the end of 2023, the weight in Aktia Corporate Bond was 41%, in Aktia Nordic High Yield 30%, in Short-Term Corporate Bond 22%, and in Aktia European High Yield Bond 15%. The UI-Aktia Sustainable Corporate Bond fund invests only in sustainable corporate bonds.

In June 2023, we launched the Aktia Sustainable Government Bond fund, which invests in sustainable securities of European states, other public entities and government-related actors.



We use corporate bond funds to invest in interest yielding securities globally. We actively monitor companies, markets and trends. We want to be involved in the markets and implement responsible investment and impact investing products.

In corporate bond funds, responsibility is taken into account by applying several principles and methods: we exclude certain lines of business, consider responsibility factors when making investment decisions, bring up responsibility issues in discussions with companies and invest in green bonds. Climate change has become our special area of interest. In addition, considering social responsibility aspects is part of our investment activities. A general assessment of environmental, social and governance (ESG) factors is integrated into the examination of every company, both when considering new investment ideas and when considering the bonds of companies that have long been included in the fund. In particular, good governance parameters have traditionally been part of the credit risk analysis, but environmental and social factors are increasingly taken into account.

Responsibility issues may affect companies' credit risk profiles and the market pricing of bonds in various ways and on various time horizons – significant factors are taken into account in investment decisions. Such factors may re-



We have significantly increased the share of sustainable bonds in our funds.

late to the company in question, e.g. to the management's actions or reputational risks, or to the company's line of business or operating area, e.g. changes in legislation. We assess the probability of the realisation of such risks relating to responsibility and the company's ability to respond to the situation. In addition, we examine any positive environmental and social impact of the company and investment instruments. The responsibility analysis is based on a qualitative assessment carried out by portfolio managers, supported by ESG data provided by our service providers.

Norm-based screening assesses companies' compliance with the UN Global Compact norms. We regularly monitor all the companies included in our funds from this perspective with the help of the ISS ESG analysis tool and database. We do not invest in issuers that, according to our assessment, are involved with serious violations of norms, and if engagement with the company proves fruitless.

In our investment decisions, we comply with the exclusion criteria included in Aktia's principles of responsible investment. In addition to these

criteria, we also apply other exclusion criteria: companies based on alcohol production and small-loan companies are excluded as their operations may have social consequences. In addition, our investment activities aim to support climate change mitigation and adaptation. We also comply with exclusion criteria relating to climate: we avoid investments in oil companies and other companies whose business is based on the procurement or use of fossil fuels (e.g. mining companies). However, some exceptions are applied to these criteria – we invest in companies that develop responsible alternatives, seek to benefit from the opportunities brought by renewable energy sources or have a sound plan for making their business carbonfree. The investment objects of our funds include Neste, which has significant operations in the field of renewable fuels. In practice, our investments in energy companies are, however, green bonds.

More information about sustainability risks, identifying and integrating sustainability factors into investment decisions, and principles for responsible investments can be found from prospectus and our web page: <https://www.aktia.fi/fi/vastuullinen-sijoittaminen>. When making an investment decision, the customer should in addition to sustainability factors, take into account all the fund's characteristics or goals, which are described in the fund's prospectus, PRIIPS KID, rules and other official documents.

INVESTMENT EXAMPLE: STATE OF HESSEN'S GREEN BOND

The Aktia Sustainable Government Bond fund aims to achieve positive impact by investing in bonds issued by sovereigns and other SSA issuers with the purpose of financing environmental projects, social projects and projects related to sustainability. The fund only invests in bonds with a positive net impact ratio according to Upright Project's model.

One of the fund's investment themes for 2023 was bonds issued by German states. One example is the State of Hessen. Hessen issued its first green bond in the summer of 2021. Our fund invested in a green bond issued by Hessen in the summer of 2023. The State of Hessen is located in central Germany and has a population of approximately 6.4 million. The biggest city in the state is Frankfurt am Main. The funds raised with the bond issued by the State of Hessen are used in accordance with the issuer's framework for projects such as environmentally friendly transport, sustainable construction and sustainable water supply. The bond meets our requirements as it is in accordance with the International Capital Market Association (ICMA) principles and achieves a remarkably high net impact in Upright Project's analysis. We have met a representative of the issuer.

RESPONSIBLE INVESTING

Emerging Market Debt portfolio management



Oskar Murto
analyst

MARKET OVERVIEW

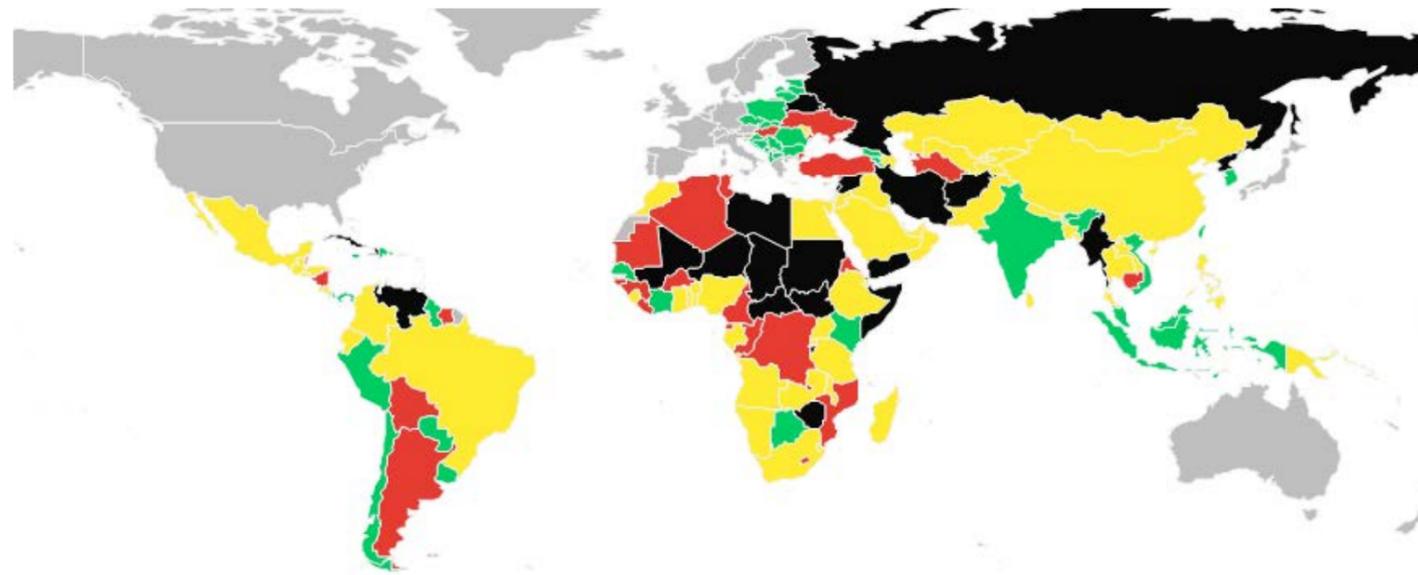
The year 2023 offered challenges to investors. In addition to the high inflation, the central banks' uncertain monetary policy as well as recession fears had an impact throughout the year. In addition, a number of other shocks occurred from banking crises to Hamas' attack on Israel, coups d'état and extreme weather events. Despite these shocks, EM government bond markets performed strongly. EM local currency government bond yields returned 10.2% and EM dollar-denominated government bonds returned 8.4% (in euro).

Geopolitical risks and instability have been strongly visible in emerging markets. The most significant geopolitical event of the year was Hamas' attack on Israel, followed by Israel's attack on the Gaza Strip. The escalation further aggravated geopolitical tensions, in particular by halting positive diplomatic progress in the Middle East. The conflict spread beyond Israel and Palestine when the Houthi movement in Yemen started firing missiles and drones at vessels travelling through the Suez Canal. At the same time, Russia's invasion of Ukraine continued, turning into a war of attrition in which neither side made significant advances. There was also concern about the decreasing economic and military support for Ukraine due to political differences in the United States and the EU. In the autumn, the conflict between Armenia and Azerbaijan took a new turn when Azerbaijan decided to invade Nagorno-Karabakh in Sep-

tember. The attack was rapid, ending in a ceasefire the next day. Armenians living in the region were transferred to Armenia, and the Republic of Artsakh was dissolved by means of a territorial concession to Azerbaijan.

In Africa, political instability continued to grow, leading to tensions in several countries. The most significant crisis erupted in Sudan, where clashes between the army and the paramilitary Rapid Support Forces escalated into a full-scale civil war in April. A major catalyst for the increased unrest in Africa has been the presidents' long terms of office and the fraudulent elections. Tensions have also increased due to high food prices, which has increased poverty worldwide. In 2022, food inflation was fuelled by the war in Ukraine, whereas in 2023 the price increase was driven by radical weather events. In 2023, the highest average daily global sea surface temperature in history, 20.96 degrees Celsius, was recorded. The longest-lasting tropical cyclone in history, Freddy, was also witnessed. In addition to these events, the El Niño phenomenon in the second half of the year highlights the immediate risks caused by climate change to most economies worldwide. Although, at COP28, countries agreed to "move away" from fossil fuels, there is still a long way to go from words to action. However, the first steps in the right direction have been taken.

AKTIA'S COUNTRY SELECTION MODEL



In the country selection model, countries are divided into four categories based on their development and level in terms of economic, political and social variables.

Black = not eligible for investment.

Red = we do not invest in government bonds, but investments in the currency (FX positions or AAA-rated bonds issued by Development Finance Institution) are possible.

Yellow = investments are possible, more active monitoring.

Green = eligible for investment.

Source: Aktia Bank, 31 December 2023.

Aktia's EM fixed income funds have made long-term efforts to develop ways to analyse responsibility factors. Aktia's pioneering work has also been recognised in the markets. We take part in the advisory committee of the international ASCOR Project (Assessing Sovereign Climate-related Opportunities and Risks). The aim of the project is to create practical tools to support investors in their assessment of sovereign climate-related risks and opportunities.

ESG is an integral part of Aktia's emerging market country analysis, and responsibility factors are integrated into portfolio management. Aktia has three different data tools at its disposal in EM

country analysis. The country selection is based on our own in-house fundamental model, supplemented by two tools: Aktia ESG Balance and Aktia SDG Analysis.

The country selection of investments is based on a data-based fundamental model, which monitors countries using multiple different indicators. The development and level of the countries of the investment universe are measured in terms of economic, political, and social variables with a focus on development. The ESG factors determine which countries in the emerging economies' investment universe are eligible for investment. Investments are examined on a quarterly basis to

see if there have been material changes in the overall picture in relation to the countries. This analysis is complemented by a short-term qualitative analysis and other ESG-tools.

The Aktia ESG Balance analysis tool can be used to assess the development of countries regarding ESG indicators, both in terms of level and trend. Countries are compared based on income level (GDP per capita) so that the so-called wealth bias does not affect the results. In addition, each component can be examined in more detail to outline a comprehensive picture of the strengths and weaknesses of the countries. The tool is based on the ESG data set provided by the World Bank,



Aktia has three different data tools at its disposal in EM country analysis. The country selection is based on our own in-house fundamental model, supplemented by two tools: Aktia ESG Balance and Aktia SDG Analysis.

which consists of indicators covering a wide range of sustainability themes.

In the analysis, the E, S and G total scores are broken down as follows:

- E (environmental) covers themes such as natural capital, food security, emissions and pollution, environmental and climate risks, and their management
- S (social) covers themes such as health & nutrition, employment, poverty & inequality, education
- G (governance) covers themes such as stability & the rule of law, innovations, economic environment, administrative efficiency

The third tool, Aktia SDG Analysis, is used to examine how states promote the UN's Sustainable Development Goals. The data source is Bertelsmann Stiftung and the Sustainable Development Solutions Network. Data is used in both a level and trend analysis.

Building a strong network of contacts is a part of the emerging market ESG strategy as it furthers the engagement dialogues with institutions in different countries. Aktia's EMD team meets civil servants and representatives of states. Through long-term work, we have established good relations with the target countries, and we are developing an

operating model for active ownership and impact in emerging economies. Through active ownership and impact, we are able to highlight different sustainability themes in target countries and increase information as part of our country analysis.

In addition to government bonds, Aktia's EM fixed income funds may also invest in AAA-rated fixed income instruments issued by multinational development banks, such as the EBRD. The purpose of these instruments is to raise funding earmarked for private sector projects that develop society. Project funding is often targeted at countries where the local economy and infrastructure are not yet well developed. Financing for these investments may relate, for example, to micro-loans and financing promoting gender equality as well as to agriculture and the energy sector, which are strongly linked to climate change.

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INVESTMENT EXAMPLE

In emerging markets, sustainable bonds (ICMA compliant instruments*), which finance pre-defined green, social or sustainable projects, are only a growing trend. In several countries, the practices and green frames of reference are still under review. They have been introduced only by a limited number of states, mainly traditional emerging countries. Often the incentive is not only sustainability, but also the desire to open up new financing opportunities and aspiration to diversify the debt portfolio.

The market is clearly growing. In 2020, approximately 6.3 billion sustainable government bonds denominated in dollar or euro were issued, and in 2021 this figure reached 22.2 billion. Unfortunately, the rise in interest rates posed challenges to the granting of bonds, resulting in the market decreasing to 13.2 billion in 2022, but recovering again to around 18 billion in 2023. In 2023, countries such as the Philippines, Mexico, Chile and Colombia issued green, social or sustainable bonds. The government bond market has also recently seen a new instrument, the so-called blue bonds, which promote marine protection and biodiversity. The fact that Seychelles was the first state to issue a blue bond in 2018 demonstrates how innovation can come from emerging markets.

Sustainable instruments still form a small part of the overall market. For example, ICMA compliant sustainable bonds issued by central governments represent only 3.8% of the total weight of the J.P. Morgan EMBI Global Diversified Index. In the local currency market, their share is even smaller – in the J.P. Morgan GBI-EM Diversified Index, the weight is only 1%. In our own funds, we have increased the weight of sustainable instruments. Bonds in accordance with the ICMA principles account for 11% in our fund Aktia Emerging Market Bond+, while green bonds account for 4.5% in the local currency fund Aktia Local Currency Bond+. The sustainable investments in our fund Aktia Local Currency Frontier Bond+ focus on instruments by development financiers (17.3%), as there are no ICMA compliant issuers on the frontier market other than Uzbekistan. We hope that the market will continue to grow, making it possible to further promote the Sustainable Development Goals in emerging markets. Traditional bonds will remain a major part of state funding for a long time to come.

RESPONSIBLE INVESTING

Fund selection

In addition to Aktia's own equity, fixed income, and emerging market funds, we provide customers with selected third-party funds. These funds enable an efficient diversification of the portfolio for clients, on a sectoral as well as geographical basis. Funds that act responsibly and consider economically relevant ESG factors and the opportunities offered by sustainable development are highlighted in fund selection and fund recommendations.

Third-party funds and the asset managers managing them are expected to include sustainability factors as part of their investment activities. We also expect that asset managers define their approach to responsible investments, and that they develop, communicate and report about it in an appropriate way. The level of responsible investment and the methods used vary to some extent depending on asset class and geographical area. Therefore, it is not required that the operating practices of other asset managers are identical to those applied by Aktia in its equity and corporate bond funds.

We encourage our asset managers to report climate indicators in accordance with the Task Force

for Climate-related Financial Disclosure (TCFD) and to publicly support these reporting recommendations. Key factors for the realisation of responsibility include, for example, the signing of the Principles for Responsible Investment (PRI) supported by the UN, consideration of international standards, consideration and inclusion of ESG factors in investment processes, and various methods of active ownership, such as the exercise of voting rights and corporate engagement. We also always investigate the funds' exposure to controversial sectors. We encourage asset managers to commit to mitigating climate change and to support the development of society in a less carbon-dependent direction and to take this into account in their investment decisions.

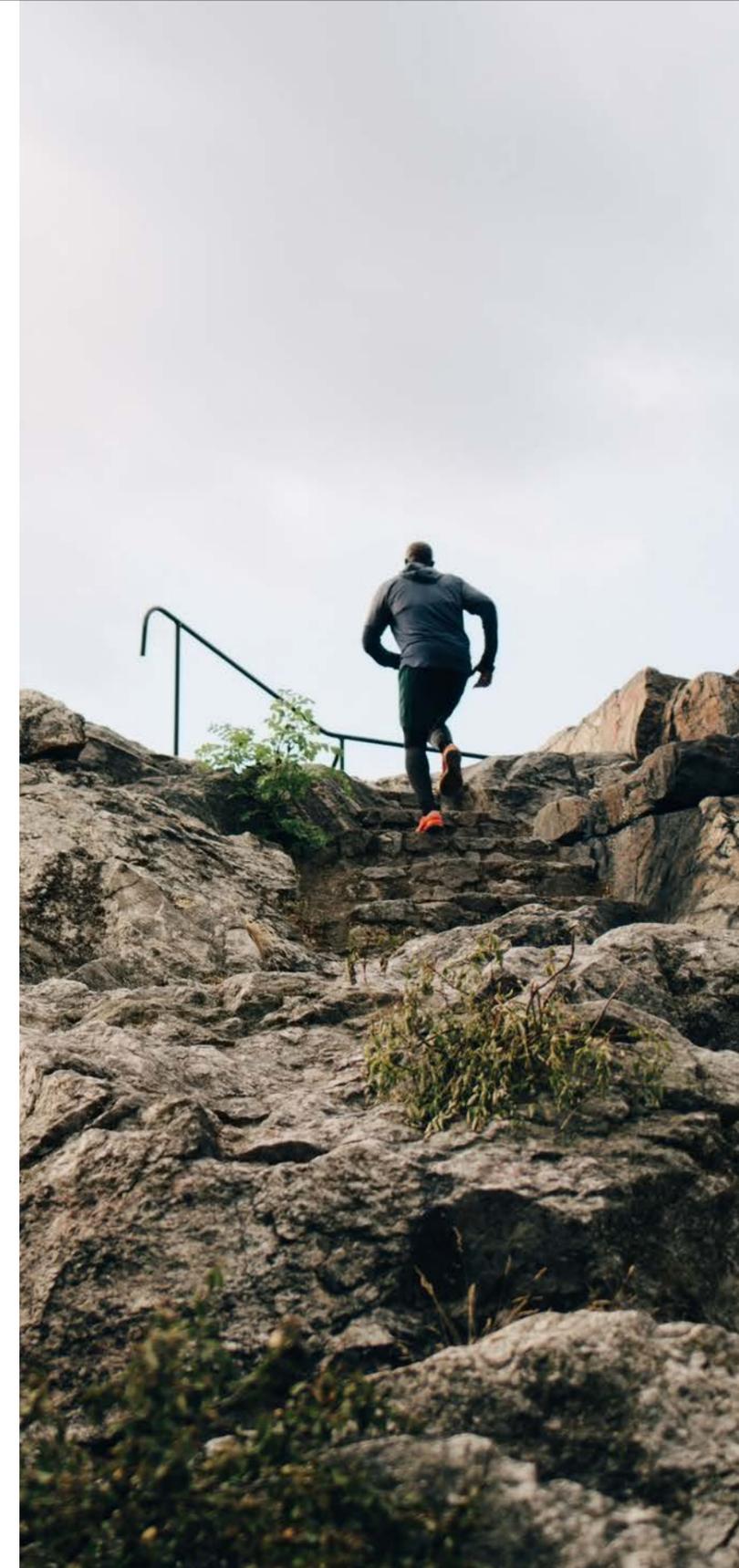
In our fund analysis, we form a comprehensive view of how responsibility is taken into account in the investment process and investment decisions by using, for example, a questionnaire we have developed for asset managers. In accordance with the process for responsible investments in fund selection, the overall picture is regularly assessed, and its observations are regularly discussed with



Funds that act responsibly and consider economically relevant ESG factors and the opportunities offered by sustainable development are highlighted in fund selection and fund recommendations.

the asset managers. We also evaluate how the asset managers' philosophy and process for responsible investment influences the return and risk profile of a fund.

We want to develop the activities of asset managers in responsible investment in order to meet our demands and those of other institutional investors as well as possible. With the ESG data and reporting provided by Morningstar/Sustainalytics, we can efficiently examine sustainability aspects of the funds, such as ESG risks.



RESPONSIBLE INVESTING

Investment desk

Aktia's Investment Desk serves customers in trade, acts as an adviser in the selection of investment objects and provides investment options in different product and asset classes through structured products. Aktia's Investment Desk has drawn up responsibility principles based on the principles for responsible investment in Aktia. The principles are followed in concepts and products managed by Investment Desk, i.e., the Aktia Investment Ideas and Aktia Domestic Model Portfolio concepts and structured investments. In equity and corporate bond investments, Investment Desk applies exclusion, consideration of responsibility factors, norm-based screening, and takes into account the impact of investment on the development of society.

Exclusion is applied to investments where the underlying asset is a thematic index or a sector index. In this case, the exclusion applies at the level of the sector or theme rather than at the level of an individual company. In structured investments, the same principles apply to products, depending on the underlying asset of each investment. In accordance with Aktia's responsibility principles, Investment Desk follows certain sector-specific exclusions for direct equity investments in order to take into account nega-

tive externalities and to manage related economic and social risks.

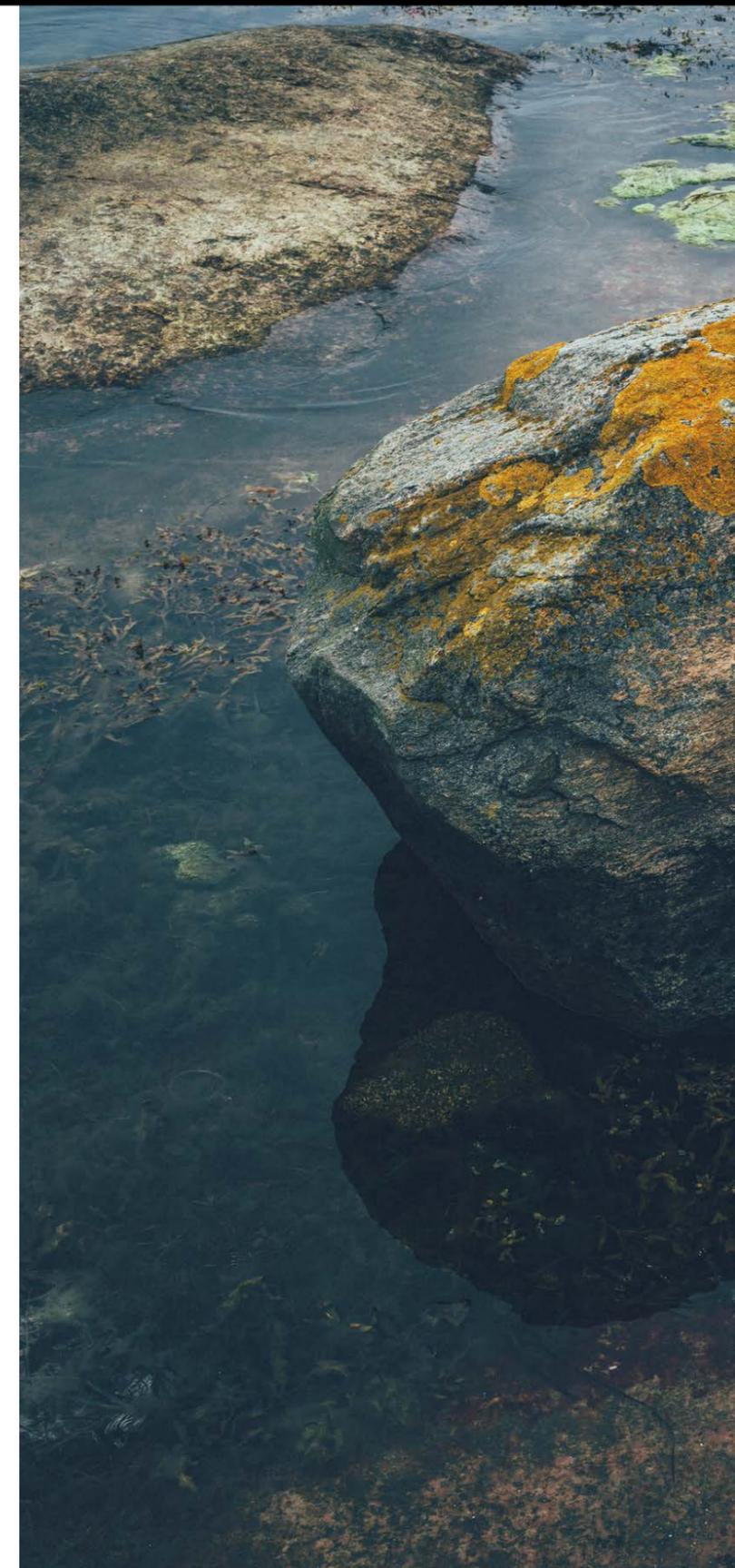
The economically essential impact that factors relating to the environment, society and good governance have on the investment objects are considered in an integrated manner as a part of the formation of the view for the investment process – both positive and negative factors and risks. In the case of ESG factors, no minimum requirements have been set for ESG values. Rather, these are considered as part of the analysis during the investment process. For this purpose, there is a wide range of services provided by external service providers, including Upright Project.

Norm-based screening is carried out with the help of ISS ESG for individual underlying assets in investment concepts and investment recommendations. In structured investments, screening is carried out at the product creation stage. Since structured investments include holding the investment as an investment object until maturity and the investor in the secondary market faces a significantly higher difference between the buy and sell rate than in traditional securities, the sales recommendations are only in exceptional

circumstances based on the subsequent results of norm-based screening. A concept-specific working group in cooperation with portfolio management and the Aktia ESG Committee ultimately decides on how to deal with existing investment recommendations in case of breaches of norms. In these cases, it is assessed whether the measures taken by the companies are sufficient to ensure that the company remains eligible for investment.

In investment recommendations, Investment Desk monitors and measures sustainability at least once a quarter on a concept-specific basis. Both Upright Project and the ISS ESG databases are used as indicators. A review of the concept's sustainability factors and their development based on Upright Project's data is published separately for all investment recommendation concepts four times a year.

Each new investment is reviewed before launching the recommendation via Upright Project and ISS ESG. In structured products, Investment Desk also produces impact-related investment products such as green bonds where the possible measurable impact is reported annually to customers.



Think further Aktia



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Investments always involve financial risks. The customer bears the responsibility for the financial impact of his investment decisions. The investment may fail to yield a profit, or the invested capital may even be lost. The customer may be debited the costs for financial services irrespective of the investment results. It is always advisable to study the investment market and alternative investments in detail before making the decision to invest. Aktia cannot give assurance to the materialisation of the expected yield presented. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. This overview is part of Aktia’s marketing material, and therefore not necessary put together in accordance with the rules for independent investment analysis. The overview is not intended for investment research and it has not necessarily been drawn up in accordance with the provisions on the independence of investment research. Trade restrictions concerning investment analysis is not applied on the financial instruments presented. The customer may be obliged also to pay taxes and official charges other than those debited by Aktia. The customer should be aware that investments and investment property are subject to taxation, the impact of which was not necessarily taken into consideration in this presentation. The customer is responsible for the gathering of necessary information regarding taxation of his investments and his decisions concerning these. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future.

When making an investment decision, the customer should in addition to sustainability factors, take into account all the fund’s characteristics or goals, which are described in the fund’s prospectus, PRIIPS KID, rules and other official documents. The rules, fund prospectuses, key information prospectuses and other official documents as well as Aktia Bank Oyj’s investor notification are available free of charge in Finnish and Swedish at Aktia’s offices and at www.aktia.fi. The funds are managed by Aktia Fund Management Company Ltd, which is part of the Aktia Group. Aktia Bank Oyj acts as an agent of Aktia Fund Management Company Ltd.

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