



Responsible Investment Policy

10.3.2021

Aktia

Responsible Investment Policy

In Aktia Group we have incorporated responsibility as part of our normal investment activities. These principles are intended as a guideline for responsible investment in Aktia Bank Plc (“Bank”) and its subsidiaries Aktia Fund Management Company Ltd (“Fund Management Company” and Aktia Life Insurance Ltd (“Life Insurance”) (together hereinafter “Aktia”). The Bank and Asset Management follow these principles when managing customers’ investment assets based on the wealth management agreements, the Fund Management Company follows these principles in the funds it manages. Additionally, Aktia Bank Plc and Aktia Life Insurance Ltd follow these principles in their own investment activities.

The principles are based on the idea 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. Responsible investing also means to us 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 measure that considers environmental, social and good governance (ESG) factors. Aktia also has separate instructions for stewardship and corporate governance which are followed in all investment activities as well as a separate climate policy that are followed by the entire Group.

1. International standards and principles that Aktia follows

In addition to our own principles, we have signed UN supported Principles for Responsible Investment – PRI, we are a member of a Finnish organisation that promotes responsible investment, FINISF (Finland’s Sustainable Investment Forum), and we have signed CDP’s climate, water and forest initiatives as well the climate change initiative Climate Action 100+. Aktia is also a member of AIMA (Alternative Investment Management Association), SBAI (Standards Board for Alternative Investments) and Green Building Council Finland.

Also, other central international agreements and norms, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, the UN Sustainable Development Goals, ILO conventions and OECD Guidelines for Multinational Enterprises, create a value base for responsible investment in Aktia’s asset management activities.

Aktia is a member/signatory of the following associations and initiatives.

Signatory of:



1.1. The cornerstones in our activities

The way of applying responsibility in practice varies somewhat between different asset classes, but the premise is the same irrespective of the asset class. Our methods for realising our principles are exclusion, consider-

ing responsibility factors (ESG integration), norm-based screening, active ownership and engagement. We also strive to form an understanding of the investment objects' impact on society.

	Direct investments in equities	Investments in corporate bonds	Investments in corporate bonds	Third-party fund selection	Alternative investments
Exclusion	X	X	X	(X)	X
Considering responsibility factors	X	X	X	(X)	X
Norm-based screening	X	X		(X)	
Active ownership and engagement	X	X	X	X	
Impact on the development of society	X	X	X	X	X

(X) the definition is made by an external asset manager.

2. Considering responsibility factors when investing in equities and corporate bonds

Aktia considers the financially material impact that factors relating to the environment, society and good governance have on the investment objects in an integrated way as a part of the formation of the view for the investment process. Other than direct financially material factors can be considered as a part of the investment process insofar as Aktia deems that they have essential reflection impacts on the investment objects e.g. through reputation harm. By considering the impacts of the essential ESG factors as a part of the investment analysis, Aktia furthers the outlook for the investment portfolios in terms of return and risk. Aktia insofar considers both the positive and negative factors and risks. The impact of the essen-

tial ESG factors can be connected e.g. to how the investment projects and their product and service offering can answer to the needs and demand caused by factors and trends in the environment and society. Such factors and trends are e.g.: the need for clean energy and energy efficient solutions, demographical changes including changes in the population structure and the development of urbanisation, the need to improve people's quality of life, health and safety as well as the climate change and the measures taken to prevent it. When the investment objects are aware of and consider the ESG factors that influence their business and their own business environment strategically, as well as the possibilities and risks in connection with them, they have better prerequisites to be profitable and productive in the long term. The ESG risks to be considered can have a connection to e.g. an investment object's lacking attitude towards the environment and the society around it as well as to lacking gov-

ernance systems. Aktia encourages companies to report on their carbon dioxide emissions and to otherwise apply the TCFD reporting recommendation in their reporting.

Considering the impact of the ESG factors is to considerable extent done via the qualitative portion of the investment analysis and the portfolio management's at each time valid view as well as the nature of the investment object's business, business context and line of business affect the relative weight of the factors. Aktia uses a broad selection of information to support the investment analysis. Leading banks and analysis companies that Aktia partners with consider and include the impact of ESG in their own investment analyses according to their own methods and weights. Aktia also uses ESG reports and assessments for investment objects produced by an external service provider. In our view, investment decisions cannot be made only based on these assessments, but the investment process is always based on an overall view. Due to this, we also do not set minimum requirements for these ESG assessments when assessing the investment eligibility. We also assess the companies' and issuers' activities from the perspective of the UN Global Compact norms. We consider these factors based on the investigation carried out by our service providers. There is a more thorough description of corporate governance and engagement in its own chapter. In terms of corporate bonds, we have supported the market for green bonds since 2013, i.e. since its inception. We have a very positive attitude towards bonds that support sustainable development.

To observe the external and stakeholder impact in connection with the investment objects, Aktia uses the external service provider The Upright Project's analysis service and tool. This analysis service is based on the service provider's own analysis framework and the impact areas it has chosen.

2.1. Exclusion in equity investments

To consider negative external impacts and to manage the economic and social risks in conjunction with them, Aktia has decided on the following exclusion of investment objects in terms of direct equity investments:

- Controversial weapons (including nuclear weapons) 0% of the turnover

- Production of weapons 5% of the turnover
- Production of tobacco 5% of the turnover
- Gambling 5% of the turnover
- Production of cannabis 5% of the turnover
- Production of adult entertainment 5% of the turnover

We also do not invest in companies that use child labour. We strive to identify companies that exercise controversial, aggressive or unethical methods for lending (predatory lending) and to avoid investing in such companies.

To consider climate change and the risks in conjunction with it, Aktia Fund Management Company has decided to exclude such investment objects, of whose turnover consists >25% of quarrying coal that is used in energy production or the production of peat and energy production that is based on burning these. 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 of the portfolio level. In this case, companies that have set a so-called science-based target can be considered.

In services to institutional investors, Aktia can apply the restrictions to each customer's wishes.

The restrictions mentioned above do not apply for example to investments in the recipient funds of feeder funds, or to indirect exposures through index shares, or derivatives, or other external instruments.

2.2. Exclusion in corporate fund investments: ¹

To consider negative external impacts and to manage the economic and social risks in conjunction with them, Aktia has decided on the following exclusion of investment objects in terms of direct corporate bond investments:

- Controversial weapons (including nuclear weapons) 0% of the turnover
- Production of weapons 5% of the turnover
- Production of tobacco 5% of the turnover
- Gambling 5% of the turnover
- Production of cannabis 5% of the turnover
- Production of alcohol 5% of the turnover

¹ In these principles, corporate bonds mean all bonds and financial instruments issued by corporates and banks.

- Production of adult entertainment 5% of the turnover

We also do not invest in companies that use child labour. We strive to identify companies that exercise controversial, aggressive or unethical methods for lending (predatory lending) and to avoid investing in such companies.

Our investment activities aim to strive to support the climate change mitigation and the adjustment to it. Thus, we do not invest in companies, of whose turnover >5% comes from production of fossil fuel or energy production based on the burning of these. However, we can invest in such companies through green bonds as positive projects for climate change are financed directly with them. We can also invest in companies that according to our assessment develop responsible choices, strive to benefit from the possibilities that renewable energy brings or that has a credible plan for making their business model carbon free. 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 of the portfolio level. In this case, companies that have set a so-called science-based target can be considered.

The above-mentioned restrictions do not concern funds or other investment portfolios whose portfolio management has been outsourced to a party external of Aktia Group. In services to institutional investors, Aktia can apply the restrictions to each customer's wishes.

3. Active ownership and corporate engagement in equity and corporate bond investments

Active ownership and corporate engagement are important methods through which Aktia in its investment activities strives to influence the investment objects' responsibility. Aktia has written a separate policy for stewardship and corporate governance as guidelines for rights and ownership connected to equity and corporate bond investments. The principles comply with applicable regulation and the recommendations on corporate governance in the business.

The objective of corporate governance, expectations re-

garding the management in companies, procedures for monitoring the companies' operations in matters that are significant for the investment strategy, procedures for exercising voting or other rights and a description of the dialogue between Aktia and the listed companies that constitute its investment objects are defined in these principles. Aktia seeks to influence the management of equity investments and the operational principles in a way that supports the long-term development of the value of the funds and investment portfolios it manages. Corporate governance is a factor that can be used 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.

3.1. Exercising the voting right

Aktia can participate in the Annual General Meetings of the companies it invests in by using a representative that Aktia itself has appointed or through a partner in co-operation via the proxy voting service.

When it comes to Finnish companies, Aktia can if needed participate in Annual General Meetings in companies that are investment objects on behalf of the funds, wealth management customers or itself by using a representative it has appointed. When deciding on participation, particularly the size of Aktia's equity holdings in the company in question, the size of equity holdings in the funds or wealth manager customers' investment portfolio as well as the matters on the agenda of the Annual General Meeting are considered. Aktia deems that participation and voting is justifiable particularly when voting can on reasonable grounds be expected to have a positive impact on the development of the value of the holdings in Aktia's funds or investment portfolios in the long term.

Aktia uses the proxy voting service, which has been developed by its partner in co-operation. The service allows Aktia to participate mainly in Annual General Meetings in foreign companies. With this method, Aktia can efficiently exercise its voting rights in a large number of companies on behalf of the fund's unitholders and wealth management customers. As support for the voting decisions, Aktia uses an analysis service provided by its service provider. The service considers e.g. factors in connection with the following: the independence of the

Board members and the Chairman of the Board, the independence of the members of the Board's internal committees, material lacking in the governance or risk management as well as material lacking in management of risks in connection with the environment, community and stakeholders.

Aktia also participates in the selection and remuneration of members of the Board in companies the funds invest in by appointing its own representative for the nomination committee in companies where Aktia is one of the largest shareholders.

3.2. Corporate engagement

Aktia meets and discusses to the extent that is needed with representatives of companies it invests in about matters regarding the companies' operations and strategies as a part of monitoring the companies' activities. The main objective of the discussions held with companies directly is acquiring information that supports the formation of the investment view. The topics and objectives for direct engagement dialogues are often specific to a business or company. Climate change, the measures taken to prevent it and adapting to it are the most discussed themes. Irrespective of the line of business, we always pay attention to discussion-worthy matters in connection with companies' governance.

A service provider chosen by Aktia carries out engagement dialogues with companies that have not been successful in acting in accordance with the UN Global Compact norms. During the dialogues, the aim is typically to get the companies in question to report their problems and either fix them or take measures to ensure that corresponding problems do not appear going forward.

Aktia also exercises investor engagement by participating in investor initiatives in co-operation with other investors, e.g. in the framework of Aktia's climate policy.

4. Direct government bond investments

On the government bond markets there are no generally accepted responsibility methods or criteria in the same extent than e.g. on the equity markets. In the case of a government, responsibility in practice relies on the coun-

tries' willingness and possibility to cope with responsibilities and the challenges that the future brings. Countries that can bring their citizens a good or improved quality of life, usually act responsibly. In the short term, the economic growth and improved quality of life in a specific country can be due to temporary factors but in the longer term, economies that are managed well can more likely bring added value to their citizens.

When we are selecting governments out of a responsibility standpoint, we consider e.g. the following responsibility factors: political development, the strength of the government, social development, economic and fiscal political stability, enduring external shocks and the will to carry out reforms. When an individual factor is lacking, it does not in itself lead to a negative investment decision but lacks in several factors in combination with regressive politics could lead to a country being excluded out of our investment portfolios. In the investment process for emerging markets debt, the responsibility factors are an integrated part of normal decision-making, in which the first starting point is to identify countries that have potential for positive development in the long term. A central viewpoint for the country study is the governments' ability to create well-being, which is why UN's Sustainable Development Goals (SDG) and the ESG indicators recommended by the World Bank have been implemented as a part of the EM analysis framework. To further transparency, reporting about the fund's investments' responsibility factors is one of the focal points.

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. The agendas of the engagement dialogues are determined according to the countries' weaknesses and strengths. Additionally, regular dialogue with institutions in different countries are an essential part of the country studies as they bring out the Government's willingness to react to possible problems. By instrument selection, we can influence when we will finance a government in question directly and when we are supporting a directed development project e.g. through multi-national development programmes. The stronger integration of emerging countries with the global financial system and their admission to the international bond markets on reasonable terms furthers the investments as well as the development and growth in these countries. This enables an

improving and more high-quality standard of living. With our investments we are supporting the positive development of society. With an improved standard of life and improved living conditions, also the prerequisites for the realisation of the population's human rights on a global level will particularly in the long term be improved.

5. Third-party fund selection

Responsible investment is a key part of our fund selection activities. We strive to select and recommend funds that operate in a responsible way and that in their investments observe all financially material ESG factors as well as the possibilities that sustainable development brings. We demand a certain level of responsibility from our third-party funds and the asset managers than manage them. However, the level of responsibility and the methods used vary depending on asset class and geographical area. Therefore, we do not presuppose that the methods of other asset managers should be identical with those we employ ourselves when investing directly in equities and corporate bonds.

We demand that asset managers include responsibility as a part of their investment activities. We expect that asset managers define their approach to responsible investments, and that they develop, communicate and report about it in an appropriate way. We encourage our asset managers to report about their funds' climate indicators in accordance with TCFD as well as publicly give their support to these reporting recommendations. Key factors regarding responsibility are for example signing the UN supported PRI principles, observation of international norms, observation and inclusion of ESG factors in investment processes, and different methods of active ownership, such as exercising voting rights and corporate engagement. We also investigate the fund's exposure to controversial sectors. We encourage asset managers to commit to the mitigation of climate change and to support the development towards a less carbon dependent society and to observe this in their investment decisions.

In our fund analysis we form a comprehensive view on how responsibility is accounted for in investment processes and decisions by using e.g. an enquiry to asset

managers that we have developed ourselves. According to the process of responsible investment in connection with fund selection, this overall view is regularly assessed and regular dialogues about observations regarding them are held with dialogue and asset managers. We also evaluate how asset managers' process for responsible investment influences the return and risk profile of a fund. We additionally strive to develop the responsible investment activities of the asset managers so that it would as well as possible correspond to both our and other institutional investors' requirements.

6. Alternative investments

6.1. Fund-of-Fund solutions

Aktia's alternative investment solutions (in addition to direct investments in real estate and infrastructure) are implemented through investing in external asset managers' funds. When selecting alternative investment funds managed by external managers, the responsibility criteria regarding the fund's structure relate principally to analysis of the company managing the fund. In this analysis we consider amongst other things the ownership structure, the organisational structure, and the incentive programmes of the managing company, internal processes (compliance, trade execution, risk management), and fund structure (independent and well respected actors as fund administrator, custodian, prime broker, and auditor, and the composition of the board of the fund). When assessing the responsibility of the investment activities of external funds we use a standardised questionnaire devised by AIMA (Alternative Investment Management Association), which is based on the UN Principles for Responsible Investment.

6.2. Real asset investments

Real asset investments typically support sustainable development of the society. Through sustainable development themes we can answer to expectations on responsible activities and present numeral reference material for monitoring the targets. Real asset investment funds typically function as direct and long-term investors in objects that create good possibilities to impact responsible activities.

In the assessment of investments, the Due Diligence process and when realising and managing investments, we follow internal process instructions created for funds that define the tasks, responsibilities and the way of making decisions amongst actors and consider a responsible course of action.

6.2.1. Real estate investments

The environmental aspect is accentuated in the real estate sector, which stands for a significant part of Finland's greenhouse gas emissions and energy consumption.

In real estate investments, responsibility is emphasised in all stages of owning real estate;

- In the acquisition phase, we consider the sustainability of the location of the property, transport connections, the technical condition of the property as well as the realisation of targets that have been set out of an economical point of view.
- As long-term investors, we develop the environmental friendliness and energy efficiency of our real estate book. Energy investments and utilising renewable energy plays a significant part both in the acquisition phase as in development during use.
- Monitoring the properties' energy and water consumption as well as developing the waste and recycling possibilities is a part of property management, as is developing the quality of the property conditions.
- When it comes to stakeholders, service providers and tenants, we ensure that companies act in a responsible and reliable manner. Active leadership of the property objects ensures the maintenance of customer satisfaction.
- In property development, renovations and other alteration work, we consider the life cycle approach. Renovations are prepared and planned. In projects, we pay attention to energy efficiency, sustainable and responsible acquisitions and to contractors taking care of their obligations as employers and in terms of paying tax.
- Our aim is to provide users with appropriate, safe and healthy workspaces to ensure the well-being of employees and that they are coping with work.

6.2.2. Infrastructure investments

Responsible investment is a natural part of infrastructure investments. The investments are long-term, and their impact can often extend to several decades. Thus, the investment objects are often in principle in accordance with the Sustainable Development Goals when observed based on several different indicators. Developing the infrastructure particularly supports the economic development and people's well-being. Additionally, elements of e.g. renewable energy, development of urban areas or education (all the above-mentioned are UN's Sustainable Development Goals) are usually included in the investments.

Aktia's infrastructure operations are carried out through a closed fund, in the agreements of which a definition of good governance and an annual external assessment of investment objects are included. Governance of a fund as well as persons participating in it follow the principles for good governance that Aktia adheres to.

In the analysis of infrastructure investments, UN's Sustainable Development Goals are used and followed. Most of the goals are central to all assessments and decision-making in the fund. The Due Diligence assessment of objects in connection with investment activities and identifying investment objects considers the critical functions for the responsibility of objects and fulfilling the terms for sustainable development. Excluding factors are contacts to the arms industry, adult entertainment, gambling or the production of tobacco and alcohol. Additionally, a project's relationship to e.g. non-renewable natural resources is inspected in an early stage.

When it comes to real asset investments, we strive to create a scoring system for infrastructure and real estate investments within the framework of sustainable development that is internal to Aktia and that considers the special characteristics of both. The scoring system is used in investment presentations for presenting the Sustainable Development Goals object by object, when comparing projects to each other and in investor reporting.

7. EU classification system for sustainable development

The European Union develops its own classification system (taxonomy) in terms of its own sustainable development goals. Aktia deems that good performance of investment objects in a taxonomy context is an indicator that in its turn indicates good performance of an investment object in an environmental sense. Aktia has not set restrictions or quantitative targets for its investment portfolios in terms of the level of how the investment objects' businesses operate according to taxonomy. Good performance of an investment from a taxonomy point of view can be regarded as a positive factor, since Aktia deems that it expresses the financially material impact directed at the investment object. Aktia follows the development of the taxonomy and is in favour of implementing the taxonomy reporting in investment objects.

8. Indicators that describe the EU sustainability risks

The European Union develops indicators that describe named sustainability risks (PAI indicators or Principle Adverse Impacts). Aktia monitors the implementation of PAI indicators and reports on them for its investment portfolios in an appropriate way in accordance with regulation and according to the schedule set by the regulation. Poor performance of the investment objects measured with the PAI indicators can be considered as a negative factor when Aktia deems that it reflects a direct or indirect economically essential impact or risk that is directed at the investment object.

9. Organisation and responsibilities for responsible investment

The development of responsible investment is carried out under the Executive Committee of Aktia's asset management business. This development work is coordinated by the director of responsible investment in the business area in question together with the ESG committee. The ESG committee comprises the representatives of different asset classes and other functions in asset management. The ESG committee's duties are e.g. the development of responsible investment in Aktia, planning internal training, the development of ESG reporting, assessing the adequacy and suitability of the used ESG tools and service providers, handling violations of norms

as well as prioritising engagement dialogues and monitoring them. The director for responsible investment reports regularly to the Executive Committee of the asset management business as well as the Board of Directors of Aktia Fund Management Company. Through this reporting, the Executive Committee of the asset management business will receive information about e.g. factors that need special attention that have come up through violations of norms or engagement dialogues. All investment decisions are always made in the portfolio management organisation in question. The ESG committee can, however, add such companies to the so-called black list that due to a severe violation of norms have not been able to answer to the violation in a way that Aktia requires. In that case, the excluded companies and issuers are monitored as a part of normal monitoring of investment restrictions and limits.

In terms of Aktia Life Insurance Ltd's investment portfolio, the CEO of the company can separately make a decision about a procedure that deviates from these principles when considering a certain responsibility angle should the other regulations or the other special characteristics of the investment activities concerning the company require it. Correspondingly, also the director in charge of the management of Aktia Bank Plc's liquidity portfolio can make a decision on such a deviating procedure.

10. Reporting

Aktia encourages companies to include the relevant ESG aspects in their reporting. As a signatory of CDP's and the Climate Action 100+ climate change initiatives, we encourage companies to report about their greenhouse gas emissions in an appropriate way, to reduce their greenhouse gas emissions and other environmental load as well as manage the risks in connection with them.

Aktia publishes an overview of responsible investment every six months and the fund's impact profiles on a quarterly basis. Aktia reports the carbon footprint and coal intensity of its own direct equity and corporate bond funds two times per year in the overview of responsible investment and in the funds' monthly reports. The overview of responsible investment includes information about violations of norms and engagement dialogues. In the impact

profiles, the model made up by The Upright Project is used for equity and corporate bond funds. The impact of Aktia's emerging market fixed income funds is reported using UN's Sustainable Development Goals as a framework. The realisation of Aktia's Stewardship and corporate governance policy is also reported in a separate report on an annual basis.