

# Principles for responsible investment

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2nd April 2024



Aktia

# 1. Introduction

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 comply with these principles in their own investment activities.

Aktia published its Principles for responsible investment for the first time in 2006. 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. To us, responsible investing also means that we are striving to achieve the best possible return on the chosen risk level. When we speak of responsible investing, we are referring to every action that considers environmental, social and governance (ESG) factors. Aktia also has separate principles for corporate governance which are followed in all investment activities. Aktia’s responsibility work is guided by the Aktia’s sustainability programme and climate strategy.

In addition to our own principles, Aktia has signed the Principles for responsible investment (PRI) and Principles for Responsible Banking (PRB) supported by the UN. We are a member of FIBS (Finnish Business & Society) and FINSIF (Finland’s Sustainable Investment Forum), the largest Nordic corporate responsibility network. We participate in investor initiatives on topics such as climate change mitigation and adaptation and safeguarding and promoting biodiversity, such as Net Zero Asset Managers (NZAM), Climate Action 100+ and Nature Action 100. We report to the CDP on our climate impacts and encourage companies to start climate reporting through CDP campaigns. We are also a public supporter of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Aktia is also a member of AIMA (Alternative Investment Management Association), SBAI (Standards Board for Alternative Investments), and Green Building Council Finland.

Signatory of:



## 2. Responsible investment methods in our investment activities

The way of applying responsibility in practice varies between different asset classes, but the premise is the same irrespective of the asset class. Our methods of implementing the principles are exclusion, consideration of responsibility factors (ESG integration), norms-based screening, active ownership and influence and impact investing. We also strive to form a picture of the investment objects' impact on society that is as good as possible.

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 lending activities.

Responsible investment methods are used within asset classes, where applicable. By asset class, investments may not necessarily apply all listed methods and financial products may also have more detailed financial product-specific responsibility criteria and methods.

More details on methods applied and information by financial product can be found in financial product-specific materials.

### Definitions of Aktia's methods for responsible investment

**Consideration of responsibility factors:** Consideration of ESG, i.e. environmental, social and governance issues as part of investment decisions (i.e. ESG integration). As part of the investment process, Aktia takes into account the financially relevant impacts of environmental, social and governance factors on investment targets in an integrated manner. By taking into account relevant responsibility and sustainability factors as part of investment analysis, Aktia promotes the outlook for investment portfolios regarding profit and risk. In this respect, we take into account both positive and negative factors as well as risks and opportunities.

**Exclusion:** Exclusion defines the criteria for excluding investments from our investment activities. Relevant sustainability risks are identified in relation to excluded sectors/activities and they are considered to have adverse sustainability impacts. Sanction laws in effect are followed in investment activities. By means of high stand-

### Methods and application of responsible investment at Aktia

	Direct equity investments	Direct corporate bond investments	Direct government bond investments	Fund selection	Alternative investments	Investment Desk
Consideration of responsibility factors	X	X	X	(X)	X	X
Exclusion	X	X	X	(X)	X	X
Norms-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.

ard of business ethics and internal control, Aktia must prevent the intentional or inadvertent participation of the Group, either directly or indirectly, in illegal activities, such as money laundering, financing of terrorism or violations of economic sanctions.

**Norms-based screening:** Norms-based screening means analysing investment targets in accordance with international norms and principles. The screening is carried out according to criteria based on the UN Global Compact principles and identifies companies that have failed to act in accordance with the Global Compact principles.

**Active ownership and engagement:** Aktia has diverse methods of active ownership and engagement. These include engagement dialogues with companies, engagement dialogues via a service provider (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 either in person or through a proxy (proxy voting), and participation in companies' nomination committees. Through active ownership and engagement, Aktia promotes good governance in investee companies as well as a good long-term return development in investee companies or investment portfolios.

**Impact investing:** Impact investing is a form of investment where in addition to financial returns, the aim is to achieve environmental or societal benefits..

Through Aktia's methods for responsible investment, investment activities take full account of the opportunities and risks associated with the environment, society and social responsibility, and governance. Environmental considerations may include climate change risks and opportunities, climate change mitigation and adaptation, protecting ecosystems and biodiversity, green transition opportunities and transitional risks, resource efficiency, circular economy, clean water and water use, land use, prevention of environmental degradation and natural capital dependencies of companies. Issues related to society and social responsibility that must be taken into account may include human rights, occupational safety, labour rights, information security, DEI, i.e. diversity, equality, and inclusion, equality and demographic changes. Issues related to governance that must be taken into account may include corruption, remuneration,

taxes, management diversity and remuneration, transparency, business strategy, ethics and compliance.

Aktia utilises both qualitative and quantitative data and data sources as part of investment decisions and portfolio management. Data sources used are external service providers' data sources selected by Aktia and open data sources for the implementation of responsible investment methods. Data sources are used as part of portfolio management, reporting and monitoring. We regularly review which services best meet our needs, taking into account asset class-specific differences and characteristics. Service providers are selected on the basis of suitability, reliability, transparency and data quality. External service providers are subject to an assessment to determine the methods applied and to ensure the quality of the information. In order to achieve and promote the sustainability characteristics and objectives of financial products, to examine the achievement of environmental or social characteristics promoted by financial products, and to examine the principal adverse impacts on sustainability factors, Aktia has selected service providers whose services we utilise as part of the investment process and which are considered to best support sustainability characteristics and objectives in investment activities. Any lack of data and analyses are complemented by qualitative and quantitative methods.

## **2.1. Methods for responsible investment: Direct equity and corporate bond investments**

### **2.1.1. Consideration of responsibility factors**

As part of the investment process, Aktia takes into account the financially relevant impacts of environmental, social and governance factors on investment targets in an integrated manner. Other than direct financially relevant impacts can be considered as a part of the investment process insofar as Aktia deems that they have an essential impact on the investees through reputational disadvantages. By taking into account relevant responsibility factors as part of investment analysis, Aktia promotes the outlook for investment portfolios regarding profit and risk. In this respect, Aktia considers both the positive and negative factors as well as risks and possibilities. The material effects of ESG factors may relate, for example, to the ability of investees' product and service offerings to meet the needs and demands of environmental and social factors and trends. These factors and trends include the need for clean energy and en-

ergy-efficient solutions, demographic changes including urbanisation, the need to improve people's quality of life and health and safety, the circular economy, and climate change and measures to mitigate it. When investees are aware of and consider responsibility and sustainability factors that have a strategic impact in their operating environment as well as opportunities and risks associated with them, they are better positioned to operate profitably and productively in the long term.

The consideration of responsibility factors is an integral part of our investment analysis and is based on an overall assessment, including both qualitative and quantitative analyses of investment targets. The good governance practices of the investee companies are analysed in the investment process before the investment and monitored during the investment. We set a requirement

for good governance in investee companies for funds that comply with obligations under Article 8 or 9 of the SFDR. Regarding other responsibility factors, we do not set minimum requirements for determining investment eligibility. To support the formation of a view, we have access to ESG and climate data produced by external service providers. The analysis is also supported by the company's reporting or other data sources, company meetings, company investor events and other communications and news related to the company.

## 2.1.2. Exclusion

Exclusion defines the criteria for excluding investments from our investment activities. Relevant sustainability risks are identified in relation to sectors/activities and they are considered to have adverse sustainability im-

### Exclusion<sup>1</sup> in equity and corporate bond investments

Exclusion	Direct equity investments	Direct corporate bond investments	Specification of exclusion
Controversial weapons	0%	0%	Production and sales including: weapons prohibited by international treaties, including non-NPT nuclear weapons, anti-personnel mines, cluster weapons, biological weapons, chemical weapons
Weapons	5%	5%	Production, including nuclear weapons within the NPT
Tobacco	5%	5%	Production
Gambling	5%	5%	Production
Cannabis	5%	5%	Production including: recreational cannabis use
Adult entertainment	5%	5%	Production
Fossil fuels	25%*	5%*	Equity investments: Production and extraction for energy production and energy production based on incineration, including: coal, lignite, peat Corporate bond investments: Production, extraction, and energy production based on incineration, including: coal, lignite, natural gas, and fuel oils refined from crude oil, peat
Unconventional fossil fuels	5%*	5%*	Production and extraction, including: arctic oil drilling, shale oil/gas, oil sands
Alcohol	-	5%	Production
Companies using controversial, aggressive, or unethical methods in lending	0%	0%	

<sup>1</sup>The percentages represent turnover limits. For example, the restrictions do not apply to investments made by master funds of feeder funds, indirect exposures under index shares, derivatives or other external instruments.

<sup>2</sup>in these principles, corporate bonds refer to all bonds and financial instruments issued by corporates and banks.

<sup>3</sup>the turnover limit covers the direct business or sector. Production covers the production and manufacture of goods and/or services. When necessary, the group sustainability director is responsible for the interpretation together with the aktia's esg committee.

\*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 investee is on a sufficient level, considering the risk and return profile at the portfolio level.

pacts. Such risks include reputational, climate and regulatory risks. In services to institutional and private banking investors, Aktia may apply restrictions tailored to the wishes of each client. Some funds may also apply additional fund-specific exclusion criteria. These are mentioned in fund-specific documents.

In its investment activities, Aktia is committed to the carbon neutrality target by 2050, operating environment allowing. The goal of our investment activities is also to aim at supporting the climate change mitigation and adaptation. In order to consider climate change and related transition risks, we have decided to exclude fossil fuels and unconventional fossil fuels from our direct equity and corporate bond investments under the conditions described in the table above. For fossil fuels and unconventional fossil fuels, a departure from the limitation may be made at the discretion of Aktia's ESG Committee when it considers that the transition risk management of the investee is adequate, taking into account the risk and return profile at the portfolio level. In this case, a so-called science-based target concerning an accepted carbon risk of an investee can be considered. In addition, the decision can be applied to companies that, according to our assessment, develop responsible alternatives, seek to benefit from the opportunities offered by renewable energy, or have a credible plan to convert the business model into a carbon-free one.

The restrictions on fossil fuels and unconventional fossil fuels do not apply to green bonds in corporate bond portfolio management. Green bonds can be used to invest in these companies, as green bonds directly finance projects related to climate change mitigation or adaptation.

Aktia is committed to complying with current sanction laws in its investment activities. Aktia has screening procedures in place for new and existing investments. To meet the requirements of sanctions laws, we screen investment portfolios and investment counterparties against sanction lists before making an investment and as part of regular monitoring. Aktia does not invest in sanctioned companies, corporate bonds or government bonds, where the issuer is sanctioned.

### 2.1.3. Norms-based screening

Norms-based screening is carried out according to criteria based on the UN Global Compact principles and

identifies companies that have failed to act in accordance with the Global Compact principles. The ten principles of the Global Compact include fundamental values relating to human rights, labour principles, the environment, and the fight against corruption. 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. In addition to Global Compact norms, the norms-based screening of investment targets takes into account, for example, the UN Convention on the Rights of the Child and the OECD Guidelines for Multinational Enterprises to the extent that they relate to Global Compact topics.

When a violation of norms comes to light in our investee, we follow the escalation method described in these principles. The method is described below in the principles.

### 2.1.4. Active ownership and engagement

Aktia has diverse methods of active ownership and engagement. These include direct 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. Through corporate engagement, corporate governance, and active ownership, Aktia promotes good governance in investee companies as well as a good long-term return development in investee companies or investment portfolios.

Active ownership and corporate engagement are important methods through which Aktia in its investment activities strives to have an impact on the investment objects' responsibility. Aktia has written separate Principles for corporate governance as guidelines for rights and ownership connected to equity and corporate bond investments. The principles observe applicable regulation and the recommendations on corporate governance in the sector. The objective of corporate governance, expectations regarding the administration of companies, procedures for monitoring the companies' operations in matters that are significant for the investment strategy, procedures for the use of voting rights or other rights and a description of the dialogue between Aktia

and the companies that constitute its investees are defined in these principles. Aktia seeks to influence the administration of investments in shares 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.

Target investments are actively monitored from a responsibility perspective, and norms-based reviews of target investments are carried out based on the UN Global Compact principles. If a possible or verified violation of norms or other critical observations from a responsibility perspective are detected in the target companies, engagement dialogues may be initiated with the target company with the aim of inducing the target investment to react to the observation and correct its activities. During the engagement dialogue, the response of the target investment related to the consideration as well as possible remedial measures and changes in business activities are mapped. The means of implementation may be an engagement dialogue via the service provider used for active ownership and engagement, or through Aktia's own engagement and dialogue with the target investment. The portfolio management observations are also discussed in Aktia's monthly ESG Committee, which consists of representatives of the various portfolio management teams, but also of ESG team representatives and other Aktia Group representatives. If, after the engagement dialogue, the outcome and the target investment's measures are not as desired, we take measures for holdings in accordance with our escalation method, market situation allowing. Aktia's ESG committee decides which escalation measure is to be used. Measures may include selling of holdings, refraining from further investments or continuing engagement dialogues, and possibly, in some time frame, allowing further investments if the investment is found to be otherwise attractive and aligned with the principles of responsible investment. In the event of a significant norms-based violation or a responsibility-linked observation, the target investment may also be placed on an exclusion list by the Aktia's ESG Committee. In that case, the excluded companies and issuers are monitored as a part of normal monitoring of investment restrictions and limits.

## Exercise of voting rights

Aktia may participate as a shareholder in general meetings, either by using a representative appointed by itself or by using a proxy advisor, i.e. a proxy voting service.

When it comes to Finnish companies, Aktia can if needed participate in Annual General Meetings of investee companies on behalf of the funds, wealth management customers and, on its own behalf, by using an appointed representative. When deciding on participation, in particular 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 shall be 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 by a service provider. 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 unit holders and wealth management customers. We use the voting recommendations of service providers based on the service provider's Sustainability Proxy Voting principles. Aktia takes the final decision on whether to follow the voting recommendations of the service provider. The principles are based on internationally recognised sustainable development initiatives that promote fair, consistent and productive reporting, compliance and positive corporate ESG measures. These promote new opportunities or practices that reduce financial and reputational risks. The principles consider, for example, independence of members of the board and its chair, independence of members of key board committees, material deficiencies in governance or risk control, and material deficiencies in the management of environmental, social and stakeholder risks.

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.

## Corporate engagement

Aktia meets and discusses to the necessary extent with representatives of companies it invests in when it comes to matters regarding the companies' operations and strategies as a part of monitoring the companies' activities. The main objective of the direct discussions with companies is to acquire 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 and the measures taken to prevent 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 principles. 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. Aktia encourages companies to report on their responsibility. As a public supporter of the TCFD reporting recommendations, a signatory to the CDP and Climate Action 100+ climate change initiatives, we encourage companies to report 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. We are also a signatory to Nature Action 100, which encourages companies to take more ambitious measures to stop biodiversity loss.

## 2.2. Methods for responsible investment: Direct government bond investments

### Direct government bond investments in emerging countries

Generally accepted responsibility methods and criteria have not been defined to the same extent for government bond investments as for equity investments. In practice, responsibility in individual countries depends on their willingness and ability to cope with the responsibilities and challenges of the future. In our view, the

more a government invests in sustainable development and in improving the well-being of its citizens in relation to its own level of income, the more responsible the country's administration is. In the short term, economic growth and improved quality of life in an individual country may be due to momentary factors, but in the longer term well-managed economies investing in increasing well-being are more likely to be able to raise the standard of living of their citizens.

In the investment process for emerging countries, responsibility factors are integrated into the country analysis. Good governance, the development of society and the environment are essential themes for the future growth of the country and for the well-being of its citizens. This has led to an investment process based on these elements and an economic analysis. The analysis uses Aktia's internal tools, the cornerstone of which is Aktia's Fundamental Model. The model is supported by the Aktia's internal ESG tools. The analysis focuses on the direction of development, but the level is also taken into account.

When assessing governments from a responsibility perspective, we take into account, for example, the following responsibility factors: policy approaches, governance strength, social development, vulnerability to climate change, biodiversity, economic and fiscal stability, resilience to external shocks and reform willingness. A shortcoming in a single factor does not in itself lead to a negative investment decision, but deficiencies in a number of factors combined with a regressive development may lead to the exclusion of a country (all investments) or government bonds (where we do not want to support the state) from our investment portfolios. The exclusion of countries can also take place through the exclusion process where countries that do not meet the minimum standards of human rights or financial transparency are excluded from new investments.

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. In discussions with decision-makers, we can highlight thematic topics where we see that the country should improve. For example, increasing transparency or mitigating climate change. Additionally, regular dialogue with institutions in different countries are an essential part of the country and governance analysis, as it can signal government's willingness to react to possible problems.



By selecting instruments, we can choose when we directly fund the country in question and when we are involved in supporting development projects, for example through multinational development financiers. Stronger integration of emerging countries into the global financial system and their access to international bond markets on reasonable terms will foster investment, development and growth in emerging countries. Economic growth increases government revenue, which will enable investments in education and health care, among other things. In our view, it is important for the administration to be able to use the funds appropriately, which underlines the importance of good governance analysis when making investment decisions.

### **Direct government bond investments in developed countries**

In Aktia's funds investing in developed countries' government bonds, responsibility factors are integrated into the investment process. Responsible investment methods include consideration of responsibility factors, i.e. ESG integration, exclusion, active ownership, and engagement. In the case of direct government bond investments in developed countries, the aim is to obtain the best possible understanding of the social impact of the investee. As far as possible, impact investments are also implemented in direct government bond investments in developed economies.

Aktia uses its own quantitative ESG model for assessing governments. The model is based on indicators available from different public sources. The model provides a detailed ESG profile and score for the state, with the global reference framework and an income level group relevant to each country as a benchmark. Supranational issuers are assessed in relation to their member government.

When assessing governments from sustainability standpoint, we consider e.g. the following sustainability factors: political courses of action, the strength of the government, social development, economic and fiscal political stability, endurance against external shocks and the will to carry out reforms. A shortcoming in a single factor does not in itself lead to a negative investment decision, but deficiencies in a number of factors combined with regressive policies may lead to a country being excluded from our investment portfolios. In addition, the investment process examines, for example, positioning in relation to the UN Sustainable Development Goals and,

where applicable, the principal adverse impacts on sustainability factors. Good governance of the entity issuing the security, in this case the government or supranational actor, is assessed through indicators such as political stability, degree of corruption, and equality.

Active ownership and engagement are also used as a responsible investment method in direct government bond investments in developed countries. Aktia engages in a varied dialogue to encourage investee companies, governments, and other actors to improve their environmental, social, and good governance practices and to promote the long-term perspective in decision-making. Portfolio management meets with representatives of investee targets. We also participate in influencing campaigns, for example in relation to climate change, via a service provider.

### **2.3. Methods for responsible investment: Fund selection**

Responsible investment is a key part of our fund selection. We strive to select and recommend funds that operate in a responsible way and observe all financially relevant ESG factors as well as the possibilities that sustainable development brings in their investments. We demand a certain level of responsibility from our third-party funds and the asset managers who manage them. However, the level of responsible investment and the methods used vary to some extent depending on asset class and geographical area. Therefore, we do not require that the practices of other asset managers are identical to those that we apply to direct equity and corporate bond investments.

We expect asset managers to include consideration of responsibility factors in 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. We encourage asset managers to report climate indicators under the TCFD for their funds and 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' expo-

sure to controversial sectors. We encourage asset managers to commit to mitigating climate change, taking biodiversity into account, respecting human rights and supporting the development of a less carbon-dependent society, 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 the asset managers. We also evaluate how the asset managers' process for responsible investment impacts the return and risk profile of a fund. We also strive to develop the asset managers' activities in responsible investment so that they are as well aligned as possible with our and other institutional investors' requirements.

## **2.4. Methods for responsible investment: Alternative investments**

### **2.4.1. Real estate investments**

The portfolio management of Aktia's real estate investments has been outsourced. Financial products enabling real estate investment provided by Aktia are feeder funds with master funds managed by an external portfolio manager. In addition to Aktia's principles of responsible investment and climate strategy, the external portfolio manager must comply with the portfolio manager's own corresponding guiding principles and policies. Both the fund manager and the target investments are expected to adhere to good governance and to take into account the principal adverse impacts on sustainability factors.

In real estate investments, responsibility is emphasised at all stages of the real estate ownership. As long-term investors, we develop the environmental friendliness and energy efficiency of our real estate book. The fund manager continuously works in close cooperation with the investment objects to ensure that the sustainability work complies with the applicable criteria and supports the development of investment activities through active ownership.

### **2.4.2. Private equity funds**

Aktia provides financial products from the private equity fund asset class through limited partnership alternative funds. Aktia's private equity funds act as feeder funds for master funds managed by an external portfolio manager that are open to subscription during pre-defined periods. Both master fund managers and investment entities are expected to adhere to good governance and to take responsibility factors into account. We expect that master fund managers have their own comprehensive principles of responsible investment and internal policies to consider responsibility factors and good governance. The product offerings of private equity funds aim to focus on sustainable financial products where sustainable investments may, for example, relate to economic activities considered environmentally sustainable under the EU taxonomy: climate change mitigation and adaptation, protection of water and marine resources, promotion of circular economy, prevention of environmental degradation and protection of ecosystems and biodiversity.

### **2.4.3. Other alternative investments**

Other alternative investment solutions offered by Aktia are implemented by investing in external asset managers' funds. When selecting external asset managers' alternative investment funds, we focus on the assessment and analysis of the governance of the fund management company and of the investment targets and constraints reported in investor materials, with regard to the criteria of responsibility for the fund structures. In the analysis, we pay attention to the ownership structure of the management company, the organisational structure and incentive schemes, internal processes (compliance, trade execution, risk management) and fund structures (impartial, reputable actors as valuers, depositary, primary broker and auditor of the fund and composition of the board of directors of the fund). We examine the suitability of the potential investees of the funds and the adequacy of the limits imposed by the fund in terms of the fund's investment horizon.

When assessing the responsibility of investment activities of external funds, we use, for example, a standardised questionnaire based on the UN principles of responsible investment, drawn up by the Alternative Investment Management Association AIMA, where applicable.

## 2.5. Methods for responsible investment: Investment Desk

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 the Aktia's responsibility principles, Investment Desk follows certain sector-specific exclusions for direct equity investments in order to take into account negative externalities and to manage related financial and social risks. The financially relevant 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.

Norms-based screening is carried out 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 accordance. In these cases, it is assessed whether the measures taken by the compa-

nies are sufficient to ensure that the company remains eligible for investment.

## 3. Regulation of sustainable finance

Aktia follows regulations and monitors the development of market practices for responsible investment, the development of the regulation of sustainable finance, the policies and obligations of the European Commission and the recommendations of national and international supervisory authorities.

Aktia acts responsibly and transparently to prevent greenwashing. Greenwashing is defined as a practice where statements, claims, actions or communications related to sustainable development do not clearly and fairly reflect the sustainable development characteristics of the underlying entity, i.e. the company, project, product or service. This practice may be misleading to consumers, investors or other market participants. Through active ownership and engagement Aktia also encourages its stakeholders, such as investment objects, to open, truthful, fair activities, reporting and communication related to sustainable development and responsibility.

Information and reporting on compliance with the taxonomy will develop with the EU regulatory framework as companies start reporting necessary information. Aktia monitors the development of both regulation and practices in the sector. Some of Aktia's financial products have committed to a minimum proportion of sustainable investments with an environmental objective aligned with the EU taxonomy. It is not excluded that other financial products also include investments that may meet the criteria for taxonomy-aligned investments. Thus far, there is limited reliable information available on taxonomy alignment. The documentation on financial products can be found on the fund-specific pages, and more detailed information on identifying and taking sustainability risks and sustainability factors into account in investment decisions and on our guidelines for responsible investment can be found in the fund brochure and on our website: [www.aktia.fi/vastuullinen-sijoittaminen](http://www.aktia.fi/vastuullinen-sijoittaminen). Aktia also has prepared a document Identifying and considering sustainability risks and sustainability factors in Aktia Group's investment operations and investment advice.

Political influence can be a means of influencing how regulation is formed and developed, which has an impact on investors and the operating environment of the investee companies. Political influence may be exercised directly or through third parties, working groups or cooperation initiatives. Political influence on national and EU legislation mainly takes place through Finance Finland, of which Aktia is a member. Aktia participates in national working groups and committees formed by organisations in the financial sector in connection with regulation on responsibility, sustainability and regulation related to the sector. The task of the working groups may be, for example, to provide information on topical issues, to monitor regulatory developments, to outline market practices, to formulate responses and comments on regulation, and to participate in consultancy assignments of both national and international supervisors. Political influence outside Finland can also take the form of meetings and contacts between institutions of different countries.

### **3.1. Principal adverse impacts on sustainability factors as part of investment activities**

The investment decision-making process always strives to understand all financially relevant risks and opportunities associated with the investee as well as possible. This also applies to the principal adverse impacts on sustainability factors. As a rule, we aim to form an understanding of how different factors affect the investee's profitability and outlook, also taking into account the asset class and investment horizon in question. Information on the principal adverse impacts on sustainability factors is used in portfolio management as an integral part of the investment process. Aktia uses both its own tools as well as tools developed by external service providers and public data sources as assessment methods.

The products classified as sustainable in accordance with the SFDR Regulation, i.e. Article 8 and Article 9 products, take into account the principal adverse impacts on sustainability factors as an integral part of the investment process. As a rule, the principal adverse impacts on sustainability factors are also taken into account for Article 6 financial products offered by Aktia. More detailed information can be found in the Identifying and considering sustainability risks and sustainability factors in Aktia Group's investment operations and investment advice document and in Aktia's Statement

on principal adverse impacts of investment decisions on sustainability factors, published annually on Aktia's website.

## **4. Organisation and responsibilities for responsible investment**

At Aktia, the development of responsible investment is carried out by the ESG team under supervision of the Executive Committee member in charge of responsibility. The Group's ESG team consists of full-time responsibility professionals who are responsible for the development and coordination of responsibility in asset management, lending and corporate responsibility. The ESG team is led by the Group's Sustainability Director.

The development of responsible investment is supported by the Asset Management ESG Committee, which meets on a monthly basis. The ESG Committee consists of representatives of the portfolio management teams, i.e. portfolio managers and analysts specialised with responsibility, as well as representatives of the Group's ESG team and other Aktia Group representatives. The Committee's tasks include participating in the development of the principles for responsible investment, providing information on topical issues, for example regarding the market for responsible investment or the regulation of sustainable financing, assessing the adequacy and appropriateness of Asset Management ESG tools and service providers, dealing with violations of norms, prioritising and monitoring the progress of engagement dialogues. Portfolio management is responsible for the practical implementation of responsible investment.

The Group's Sustainability Director and the ESG team report on matters and developments related to corporate responsibility to business area executive committees, the Group's Executive Committee, other internal stakeholders and supervisory functions, as well as to the Board of Directors of the Aktia Bank and to the Board of Directors of Aktia Fund Management Company.

With regard to the investment portfolio of Aktia Life Insurance Ltd, the managing director of the company may separately decide on a procedure that departs from these principles when taking into account a certain responsibility perspective, if required by other regulations

concerning the company or other special features of investment activities. Similarly, the manager responsible for the portfolio management of the liquidity portfolio of Aktia Bank Plc may decide on a different procedure.

Aktia has internal guidelines in force that describe the procedures related to, for example, conflicts of interest, anti-corruption (gifts and benefits), secondary occupations and positions of trust of employees, reporting of breaches and handling of complaints.

Aktia's principles for remuneration encourage to responsible behaviour by connecting goals related to sustainability, risk consideration and management to the KPI indicators of the beneficiaries. KPI indicators related to sustainability guide employees to act in a manner that is desirable for Aktia, customers, the environment, partners and the employees themselves.

## 5. Reporting and monitoring

The implementation of Aktia's Principles for responsible investment is monitored as part of portfolio management and the ESG team's work on a regular basis and reported comprehensively. Aktia publishes the Overview of responsible investment every six months and the funds' ESG reports on a quarterly basis. The Overview of responsible investment summarises what responsible investment means at Aktia and describes our results, achievements and methods related to the responsibility and sustainability in investment activities. Aktia reports on the carbon footprint, carbon intensity and compliance of its own direct equity and corporate bond funds alignment with the Paris Climate Agreement twice a year in the overview of responsible investment. The previous are also reported, for example, in Aktia's annual review and in fund-specific ESG reports.

The Overview of responsible investment also contains information on norms-based screening and methods of active ownership and engagement. Additionally, the implementation of Aktia's Principles for Aktia corporate governance is reported annually in a separate report. In addition, separate reports on pooled engagement dialogues and reports on proxy voting at general meetings are published annually.

Aktia reports on its financial products in accordance with regulations, such as SFDR. Sustainability-rated funds report annually as part of the annual reports. In addition, Aktia publishes an annual report Statement on principal adverse impacts of investment decisions on sustainability factors.