



Aktia

**AKTIA'S ESG-
POLICY**

Aktia's ESG-policy

In Aktia's asset management operations we have incorporated responsibility as part of our normal investment activities. We apply these principles of responsible investments both in the mutual funds of Aktia Fund Management Company, as well as in discretionary asset management and other investment services for institutional investors. In addition to our own principles, Aktia is a signatory of the United Nations Principles of Responsible Investments (PRI), is a member of the Finnish organization FINSIF (Finland's Sustainable Investment Forum) which promotes responsible investments, and is a signatory of the CDP climate change initiative.

The basis of our principles is a conviction that companies that conduct their business in a responsible way, and in accordance with sustainable norms, are more profitable and exhibit a more favorable risk profile over the long term, than companies that do not act in such a way. At the same time, to us responsible investments means that we strive to achieve as good returns as possible at the chosen level of risk. With responsible investments, we mean all measures taken to take into account aspects relating to environmental, social and corporate governance related factors (ESG factors).

Aktia encourages companies to include relevant ESG aspects in their reporting. As a signatory of the CDP climate change initiative, we also encourage companies to report their climate emissions in an appropriate way, mitigate their climate emissions and other environmental burden, and handle related risks. Aktia reports the carbon footprints of our own direct equity mutual funds twice per year.

Essential international conventions and norms, such as the UN Universal Declaration of Human Rights and comparable UN conventions, the UN Sustainable Development Goals, the ILO Conventions, and the OECD Guidelines for Multinational Enterprises, form the basis of the values of the responsibility in Aktia's asset management activities.

The way we apply responsibility varies somewhat between different asset classes, but regardless of asset class our starting point is the same.

Our cornerstones



Aktia's ESG-policy

Equity and Corporate Bond investments

We apply the following methods for responsible investments in direct investments in equities and corporate bonds:

Observation of ESG factors:

Effects of environmental, social and governance factors are observed as an integrated part in the investment process. Positive factors in this respect are for example opportunities arising from trends related to the environment and the development of society, which can benefit leading companies. Negative factors relate for example to how companies manage environmental, social and governance related risks in their activities. We identify ESG-risks and possibilities, and thereby create a better ground for sound investment decisions.

Exclusion:

certain types of business activities, which in themselves are legitimate, can suffer from adverse events such as claims for compensation and negative publicity, which brings risks that are difficult to predict and quantify. Aktia avoids investments in companies with such a risk profile. Regarding the mutual funds Aktia Asset Management and Aktia Fund Management Company have agreed, that we do not do direct investments in companies whose main area of activity is gambling, tobacco, or weapons production. The funds also do not make

direct investments in companies that employ child labour. In investment services for institutional investors, we can apply restrictions in accordance with the wishes of the respective client.

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

Responsible ownership:

Aktia conducts responsible ownership together with our partner ISS Ethix, and in this way supports companies to better act in accordance with international norms and expectations relating to the environment, society, and good governance. ISS Ethix monitors the fund's holdings according to criteria based on the UN Global Compact principles (norms based screening), and conducts dialogues on Aktia's behalf to influence companies that do not fulfill mentioned criteria.

Regarding exercising of formal ownership rights at shareholder meetings, Aktia Asset Management supports Aktia Fund Management Company in the implementation of its principles of responsible ownership, with the aim of safeguarding the long term ownership interest of the mutual fund investors.

Government Bond investments

In Government Bond market, generally accepted methods and criteria for responsibility do not exist to the same extent as for example in the equity market. In practice, the responsibility of a country depends on its willingness and ability to solve the challenges presented to it. On a general level, the countries that are able to produce a quality of life that is good, or improving over time, for its citizens, act responsibly. In the short term, temporary factors can impact the economic growth and the quality of life in any specific country. Over the longer term, the economies that are well governed have the highest probability of creating added value for their citizens.

We observe the following factors when assessing government bonds from a responsibility perspective: political practices, government strength, social development, economic and financial stability, ability to withstand external shocks, and willingness to reform. A deficiency in any single factor does not in itself cause a negative investment decision. However, deficiencies in several factors, in combination with a regressive policy, can lead to a country being excluded from our investment portfolios.

Especially in the case of emerging market investments it is important to consider, that EM government bond investments support the development in these countries, which is responsible already in itself. When providing financing to states in the emerging markets some responsibility factors and indicators for human rights are emphasized. Through instrument selection we can decide when we finance a specific state directly, and when we support some specific development project for example through multinational development programs. Investments, growth and the overall development in emerging market countries benefits, as they become more integrated into the global financial system and gain better access to the international bond market on reasonable terms. This enables improvements in the standard of living of the population in these economies. As the standard of living rises, the preconditions for the realization of human rights on a global scale improve, especially over the longer term.

Aktia's ESG-policy

Third party fund analysis

Responsible investment is a key part of our fund selection activities. We strive to select and recommend funds that act in a responsible way and observe sustainable development.

We demand a certain level of responsibility from our third party funds. The level of responsibility varies somewhat 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 in direct investments 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. Key factors regarding responsibility are for example signing the UN PRI principles, observation of international norms, observation and inclusion of ESG factors in investment processes, and active ownership. We encourage asset managers to commit to the curbing of climate change and to support the development towards a less carbon dependent society, and observe this in their investment decisions.

In our fund analysis we form a view on how responsibility is accounted for in investment processes and decisions. We evaluate how responsibility impacts the return and risk profile of the funds. We additionally strive to develop the responsible investment activities of the asset managers.

Alternative investments

Fund-of-Fund solutions

Aktia's alternative investment solutions (besides direct investments in real estate) are implemented through investing in external asset manager's 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 organizational structure, and the incentive programs 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 standardized questionnaire devised by AIMA (Alternative Investment Management Association), which is based on the UN Principles of Responsible Investments.

Real estate investments

The environmental aspect is accentuated in the real estate sector, which stands for a significant part of Finland's GHG emissions and energy consumption. We develop our real estate portfolio in an environmentally responsible way taking into account energy efficiency, decreasing use of water, sustainable development and ecological aspects. When choosing tenants we consider ethical aspects of the tenants business; the reliability, creditworthiness, and tenure of the lease; and the suitability of the property for the tenants business.

When performing basic renovations and amendments in buildings we put focus on energy issues, lifelong sustainability in choice of materials, how tax and labour responsibilities are considered by subcontractors, and occupational safety and health. Our aim is to provide safe and healthy workspaces that meet the needs of the tenants to ensure amenity and coping at work.

Signatory of:

