

Ownership Policy of Funds Managed by Sp-Fund Management Company

Approved by the Board of Directors of Sp-Fund Management Company on 26 October 2022

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1. Background

This document describes the ownership steering applied by funds managed by Sp-Fund Management Company Ltd (hereinafter referred to as “Sp-Fund Management Company”) to companies in which they have invested. The basis of funds' active ownership policy is supervising the interests of the unit holders.

In accordance with section 29 of the Act on Common Funds, the Board of Directors of a fund management company shall approve the goals and procedure for the exercise of voting rights attached to the shares belonging to the assets of the common fund at the General Meeting of the Shareholders of a limited company. The objectives of ownership steering shall be indicated in the fund prospectus. Information on the exercise of voting rights belonging to the common fund during the review period shall be presented in the semi-annual report and annual report of the common fund.

2. Objectives

The purpose of ownership steering in Sp-Fund Management Company is above all to supervise the common interests of the unit holders. The common interest of the fund unit holders refers to the best possible development of the value of the fund units in relation to the investment policy and risk level specified in the fund rules. In terms of exercising the ownership policy, acting in compliance with the common interests of the fund unit holders means that the interests of others should be given up if they differ from the interests of the unit holders.

Sp-Fund Management Company considers fund investment to be by nature a long-term and primarily recommends equity funds to its customers as long-term investments. Therefore, ownership should be used so that the value of the companies and therefore of the fund units develops well in the long term.

3. Means and use of ownership steering

The primary means of ownership steering are dialogue with companies, exercising voting rights at annual general meetings, cooperation initiatives aimed at clearly defined outcomes or shared goals with other investors and participation in public discussion through diverse channels. Engagement is primarily carried out by a responsible investment specialist together with the portfolio managers.

Shareholder Engagement at Annual General Meetings

The investment funds managed by Sp-Fund Management Company exercise their voting rights at the general meetings of their investee companies, when necessary. General

meetings are attended mainly in Finland. Attendance at general meetings is also possible outside Finland.

The decision on attending general meetings is made based on the agendas and the extent to which the fund management company can exercise influence in an individual meeting. Attendance at general meetings is also possible due to socially important themes. The aim is that voting rights are exercised in companies where (1) the proportional holding is the highest, (2) the funds have invested significant amounts of capital in the company, (3) there are significant changes in the company's operations, or (4) when voting can be justifiably expected to have a positive impact on the positive development of the value of the holdings of the funds managed by the fund management company in the long term. Significant changes due to which Sp-Fund Management Company considers it justified to exercise its voting right may concern corporate or capital structure, sustainability, remuneration or line-up of the Board of Directors or senior management.

The decision on attending a general meeting is based on the four above-mentioned principles confirmed by the Board of Directors of the fund management company. A proposal for the participation of funds managed by Sp-Fund Management Company in annual general meetings is made by responsible investment specialists. The proposal is submitted to Sp-Fund Management Company's portfolio managers, the Managing Director and the Board of Directors for comments. After the round of commenting, the Managing Director makes the decision on which annual general meetings to participate in, based on the proposal. In addition, responsible investment specialists discuss procedures related to voting guidelines to be followed in meetings with each person participating in annual general meetings, taking into account the agenda of the annual general meeting in question. The aim is to contact the company before the general meeting if the view differs from what is proposed in an agenda item. A voting result that deviates from the view is analysed and any measures are decided on a case-by-case basis.

Expectations of listed companies

Listed companies are expected to comply with good corporate governance codes. The Securities Market Association has published the Finnish Corporate Governance Code for companies listed in the Helsinki Stock Exchange¹. Finnish companies are encouraged to comply with the Corporate Governance Code as carefully as possible. In addition, companies are expected to consider environmental, social and good corporate governance-related issues in their operations.

With regard to general meetings, Sp-Fund Management Company particularly emphasises considering the following factors:

Company's capital structure

Decisions on share issues, repurchases of own shares and changes in capital structure shall be made by a general meeting of shareholders. Companies should avoid making decisions whereby the company's Board of Directors or management are given an unnecessarily extensive authorisation to decide on changes in share capital.

¹ <https://cgfinland.fi/wp-content/uploads/sites/39/2015/10/hallinnointikoodi2015finweb1.pdf>

Composition of the Board of Directors

Before a general meeting, the probable proposals, which are known by the company management, for appointing Board of Directors members are customarily reported to the shareholders even before the meeting so that the shareholders would have a possibility to influence the composition of the Board of Directors.

It is the task of the company's Board of Directors to represent the company's shareholders. The objective of the Board of Directors is to increase the value of the company in the long term. The persons elected for the Board of Directors must have adequate expertise and experience for the task. The composition of the Board of Directors should be balanced, and the strengths of the members should complement one another. A person proposed as a member of the Board of Directors should have ample time for acting in the position, so people who are already known to be members in the Board of Directors of very many companies should not be elected to the Board of Directors. Persons who, due to their position or otherwise, might end up in a conflict of interests with the company's operations, should not be elected for the Board of Directors.

Remuneration and incentive schemes

The transparency, fairness, long-term perspective and alignment between the shareholders' interests and the remuneration system criteria are key in remuneration and incentive schemes. The terms and conditions of option schemes and other remuneration and incentive schemes, decided by a general meeting, should be specified already in the notice of the general meeting. When deciding on share-based remuneration and incentive schemes, it is necessary to investigate the overall impact of the schemes for the shareholders.

Reporting

The reporting of companies should be open, versatile and current. The companies should also report on essential sustainability-related matters, taking into account the needs of different stakeholders and sustainable financing regulation.

Environmental and social aspects

In addition to good corporate governance and compliance with associated objectives, environmental and social issues may be brought up at general meetings and their agendas. The aim is to support related positive proposals, and when considering voting behaviour, attention is paid, inter alia, to materiality, company's previous measures and guidelines on that matter, and measures by other similar companies in similar issues. Companies should, for example, consider the impact of climate change and sustainable development (such as the UN Sustainable Development Goals and other international standards) in their business operations and companies are encouraged to report on them and potential principal adverse impacts

transparently. Product safety, human rights, workers' rights and safety, equality and diversity, for instance, should be taken into consideration.

Auditing

The company must comply with the insider guidelines of the Helsinki Stock Exchange and describe the key procedures of insider management. The proposal for auditors must be presented in the notice of the general meeting. If the auditor candidate is not known by the Board of Directors when submitting the notice of the meeting, the candidacy must be published separately.

Dialogue with companies

For the positive development of shareholder value, it may also be appropriate to influence the company through direct dialogues. Sp-Fund Management Company engage with the investee companies directly, if necessary, and aims to influence them in that way. The goal of the engagement could be, for example, if a company violates international norms and conventions.

The portfolio managers and the responsible investment specialist can also bring up sustainability-related themes in discussions with the corporate management. They can be varying environmental, social or corporate governance-related themes.

Cooperation initiatives

Sp-Fund Management Company also engage through diverse Finnish and international cooperation initiatives. Sp-Fund Management Company considers that engaging together with other shareholders is part of active and effective stewardship. However, Sp-Fund Management Company is not part of any fixed shareholder group.

Sp-Fund Management Company signed the UN supported Principles for Responsible Investment (PRI) in 2014 and is an active member in Finland's Sustainable Investment Forum (Finsif). Since 2018, Sp-Fund Management Company has been an investor member in the CDP's climate change, water and deforestation initiatives. In 2019, Sp-Fund Management Company signed the Climate Action 100+ investor initiative that aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Sp-Fund Management Company Ltd has also participated in CDP's climate change, water and deforestation initiatives and the Science-Based Targets initiative (SBTi), which supports companies in setting science-based emission reduction targets. Furthermore, Sp-Fund Management Company Ltd encourages companies to report more transparently on their environmental activities through CDP's Non-Disclosure Campaign initiative regarding CDP's above-mentioned initiatives. Sp-Fund Management Company Ltd produces reports according to the TCFD (Task Force on Climate-Related Financial Disclosures) framework, from an asset management perspective, as part of the Savings Banks Group's annual sustainability report and also encourages third-party funds to TCFD-compliant reporting.

Public discussion

Public discussion is part of investor engagement. Presenting expectations and views in public discussion is possible through diverse channels, such as in articles, interviews and videos.

4. Conflicts of interest

The officers or management of Sp-Fund Management Company do not seek to become members of the Boards of Directors of the investee companies. Participation in shareholders' nomination committees is, possible and decided on case-specifically.

5. Reporting

Significant measures associated with the ownership policy are reported in the Savings Bank funds' semi-annual and annual reports. The implementation of the ownership policy and attendance at general meetings are reported annually to the Board of Directors of the fund management company.