

Principles for Responsible Investment at Sp-Fund Management Company

Approved by the Board of Directors of Sp-Fund Management Company on 4 February 2021

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1. Responsible investment process

Responsible investment refers to an investment process in which attention is paid to environmental, social and governance-related factors, or ESG, in addition to financial figures.

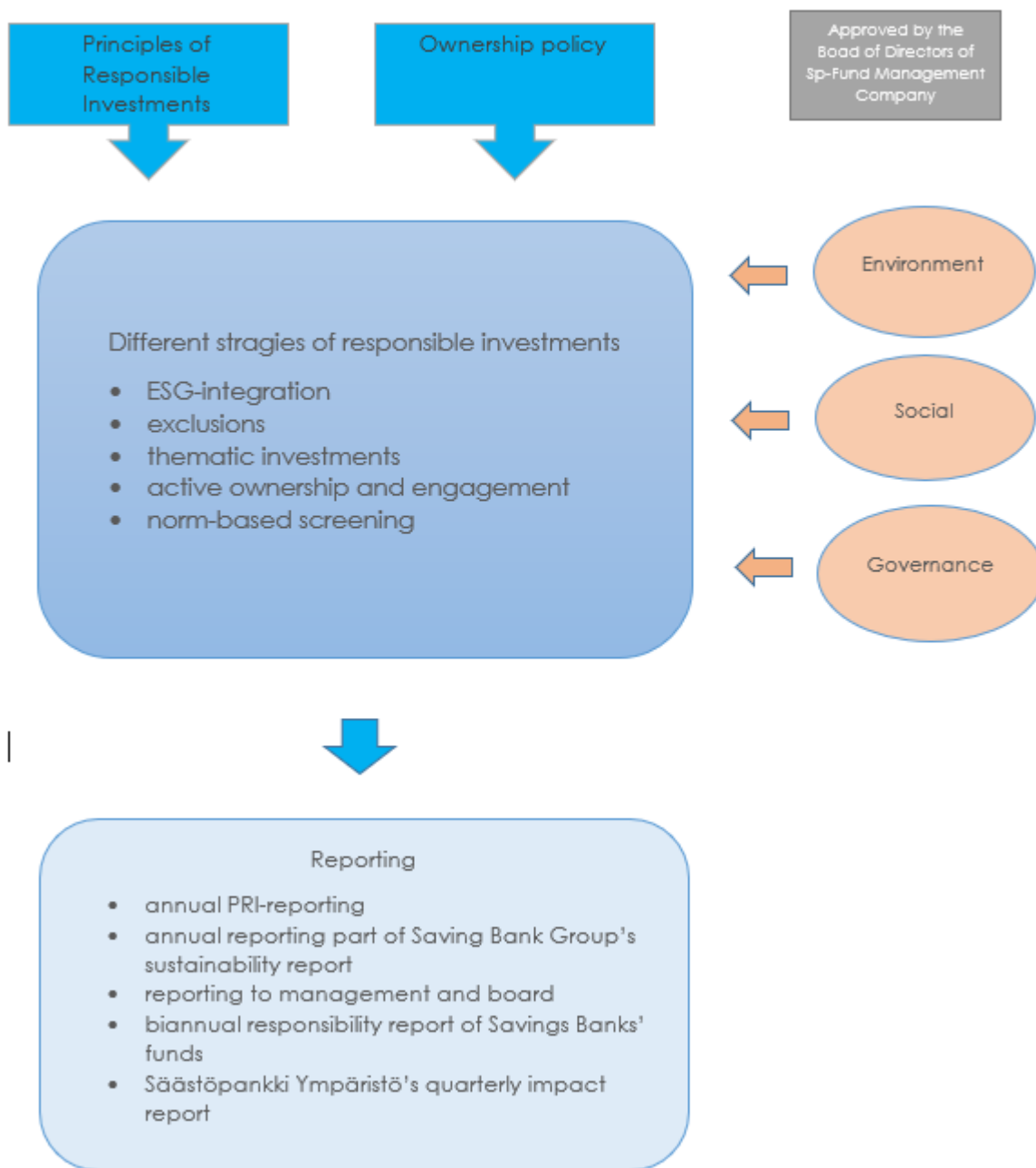
In relation to the environment, this includes giving due consideration to topics such as sustainable development, mitigation of climate change, biodiversity, water consumption and energy issues. Some areas of social responsibility include human resource policy and working conditions, respecting human rights and equality, support local communities and product safety. Assessments of governance can include the independence, diversity and remuneration of the Board of Directors, tax policies and maintaining anti-corruption and anti-bribery practices.

Responsible investment is an integral part of Sp-Fund Management Company's investment process. A careful and more extensive analysis provides more information about the risks and opportunities of different investments, which can affect financial results.

Figure 1 indicates the responsible investment process of Sp-Fund Management Company. This document describes Sp-Fund Management Company's responsible investment through different approaches.

The ownership policy of funds managed by Sp-Fund Management Company is described more detailed in Sp-Fund Management Company's ownership policy and principles for owner steering.

Figure 1. Responsible Investment of Sp-Fund Management Company



2. Management and organisation of responsible investments

Each portfolio manager is responsible for following and applying the principles of responsible investment in practice. A responsible investment specialist develops and coordinates responsible investment in the various asset types, implements the strategies, trains the personnel and reports on responsible investment practices. The Board of Directors of Sp-Fund Management Company regularly approves the principles of responsible investments.

3. ESG integration

At Sp-Fund Management Company, applying the principles of responsible investment is directly integrated into the investment process. ESG factors are part of investment decisionmaking and analysis. Portfolio managers also analyse the ESG-related risks and opportunities as part of the investment analysis.

In addition to the external service provider, companies' sustainability reports, NGOs' reports and other public sources are used in analysing responsibility.

Direct equity investments and corporate bonds

With regard to direct equity investments and corporate bonds, the portfolio managers analyse relevant ESG-factors aiming to improve risk-return of investments.

External asset managers

Sustainability is one criterion when selecting external asset managers. With regard to external fund investments, Sp-Fund Management Company aims to find partners whose investment philosophy and approach correspond to Sp-Fund Management Company's own choices. In the selection of external asset managers, those who have signed the UN Principles for Responsible Investment are preferred. Furthermore, Sp-Fund Management Company only invests in funds whose management company is located in a country party to OECD's AEOI agreement, or the agreement on the automatic exchange of tax information, or in the case of the USA, to the FATCA agreement similar to the AEOI.

Sp-Fund Management Company, contacts the external asset managers annually, or more frequently if necessary e.g. regarding topical and important sustainability themes and measures in practice. Sustainability-related questions are not usually considered in passive index investment and ETF funds, unless the investment strategy of the instrument itself is based on sustainability.

4. Compliance with international standards and conventions

Sp-Fund Management Company monitors how the investee companies of direct investments comply with international standards and conventions (Global Compact) regarding human and labour rights and prevention of environmental destruction and corruption.

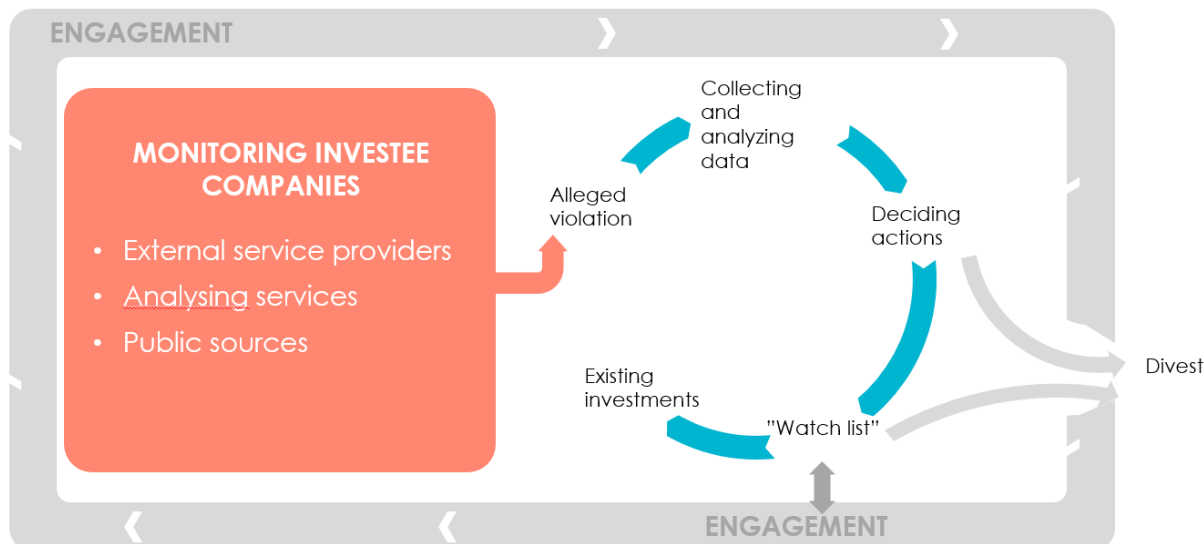
The Global Compact principles are based on the UN's Universal Declaration of Human Rights, the International Labour Organization ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption.

Figure 2 illustrates Sp-Fund Management Company's process on norm-based screening. The portfolio managers and responsible investment specialist actively monitor the operations of their investments through an external service provider. When a violation is confirmed, Sp-Fund Management Company decides on the measures and the company's possibilities

and willingness to rectify the factors underlying the violation. The lists of assets are updated twice a year.

Sp-Fund Management Company excludes from direct investments companies that repeatedly violate international conventions on which it is unable to influence successfully.

Figure 2. Norm-based screening and engagement



5. Active ownership and engagement

Sp-Fund Management Company is an active owner. Among other things, this means that Savings Bank funds participate in the general meetings of the investee companies and engage in direct dialogue with them. In meetings with companies, the portfolio manager and/or responsible investment specialist aim to discuss ESG matters and emphasise their significance. The aim is to increase openness, transparency and responsibility in the operations of the investee companies.

Public discussion is also part of investor engagement. Sp-Fund Management Company can take part in discussion through articles, interviews or videos, for example.

General meetings

The ownership policy is implemented by attending the general meetings of the investee companies in accordance with the ownership policy. Attendance at general meetings primarily takes place in Finland. When considering attendance the following is considered: the content of the agenda and possibilities to influence at an individual meeting or proportional share of the holdings in the fund. Attendance at general meetings is also possible due to socially important themes. The principles and voting behaviour are described in a separate ownership policy document.

Investor initiatives

Sp-Fund Management Company also engage through diverse Finnish and international investor initiatives and other channels. Sp-Fund Management Company has signed the

Principles for Responsible Investment (PRI) supported by UN 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 influence more than one hundred companies with the highest emissions in various industries.

6. Thematic and impact investments

Thematic investments and positive screening focus on a selected sustainability-related theme. At Sp-Fund Management Company, thematic investment focuses on environmental themes.

Säästöpankki Ympäristö is a special investment fund focused on impact investment. The fund emphasises the sustainable use of environment, and its investments focus on environmental innovations and mitigating climate change. The fund reports on the positive environmental impacts of its investments on a quarterly basis.

7. Exclusions

Sp-Fund Management Company does not make direct investments in companies that manufacture or sell controversial weapons or their components. Controversial weapons include land mines, cluster bombs, use of depleted uranium in shells, chemical and biological weapons and, in some cases, nuclear weapons.

Sp-Fund Management Company has also excluded coal users and producers from its direct investments. The exclusion concerns mining companies with more than 25% of revenue generated by coal used for energy production or with high production volumes of energy coal. With regard to electricity companies, exclusion concerns companies that use significant amounts of coal as fuel. If the company has credible plans for implementing the transition to a low-carbon society and plans to reduce its climate impacts and coal use, it can avoid being excluded.

Sp-Fund Management Company also does not make direct investments in tobacco manufacturers.

The exclusion lists of direct equity investments and corporate bonds are updated biannually.

8. Reporting

The principles for responsible investment, ownership policy and other materials related to responsible investment are available on the Savings Bank website. The implementation and practices of responsible investment is reported annually as part of Savings Banks Group's sustainability report and also to PRI. Savings Bank asset management publishes biannually

a responsibility report. The report includes information of Savings Banks funds' sustainability scoring, positive environmental impact and carbon footprints to name a few.