

Responsible investment policy

Approved by the Board 16 December 2022



ILMARINEN

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This document describes the principles that Ilmarinen takes into account in its investment activities. This Responsible Investment Policy includes three themes: the environment, human rights and ownership.

Ilmarinen's Board of Directors approves this document and the Responsible Investment Executive Committee is in charge of maintaining and updating it.

Person in charge: Karoliina Lindroos, Head of Responsible Investment

Introduction

Responsibility is an integral part of Ilmarinen's investment activities. Our mission is to invest pension assets in a profitable, secure and responsible manner so that we can pay pensions also in the future. We are a long-term investor and it is our duty to act in the best interests of our clients and pensioners. As part of this mission, we take into account the environmental, social and governance aspects of investment decisions. We see that taking these aspects into consideration also has an impact on investment returns. We actively manage ESG risks associated with investments and identify investment opportunities to address the challenges and goals of sustainable development. In addition, we make a positive contribution to promoting responsibility through both our own investments and selected asset managers.

Our investments have a great impact on society. Through our Responsible Investment Policy and the tools in place, we guide our investment activities to minimise our negative impacts and maximise our positive impacts. Our Responsible Investment Policy applies to all our investment activities. Practical measures vary depending on the asset class.

Vastuullinen sijoittaminen Ilmarisessa



We have divided responsibility into three themes. These themes are the environment (E), social responsibility (S) and governance (G). Under each theme are the principles that, together with this introduction, form the Responsible Investment Policy. All of the principles under each theme can also be read as separate documents.

Despite the differences between the themes, all three are steered by three main requirements:

- Compliance with international norms
- Active ownership/dialogue
- Integrating ESG analysis into investment decisions

Compliance with international norms and exclusion of investments

National legislation is not always strong enough from a responsibility perspective, which is why we insist that our investees also comply with international norms. We expect the companies we invest in to comply with the principles of the UN Global Compact and the UN declarations on human rights, the environment and corruption and the ILO's Declaration on Fundamental Principles and Rights at Work. Based on our experience, engagement processes can help achieve bigger changes than exclusion. However, we exclude from our investment universe companies that have breached international norms, if engagement processes are not possible or successful. We also do not make direct investments in companies that manufacture, for example, tobacco products or weapons of mass destruction prohibited by international agreements. More details about exclusions and how the principles are taken into account in investment decisions can be found in our Responsible Investment Guidelines.

[Responsible Investment Guidelines \(pdf\)](#)

In addition to our own continuous monitoring, our external co-operation partner regularly reviews our direct listed securities investments and reports any suspected or detected norm violations. We take the norm violations that we are aware of into account in making investment decisions and regularly monitor new suspected violations. An engagement process is our primary means of ending the undesirable activity. If engagement is not successful, we will exit from the investment where possible.

In our investment activities, we take into account the resolutions of the Financial Action Task Force (FATF) on international obligations to combat money laundering and terrorism financing and the UN's and the EU's economic sanctions.

Active ownership

Active ownership is an integral part of our investment activities. Through active ownership and dialogue we have the opportunity to engage with our investees and highlight ESG-related risks and opportunities. We actively discuss with our investee companies and asset managers with the goal of improving sustainability and addressing controversies. In addition, we attend general meetings and participate in nomination committee work.

If an investee, for an example, fails to comply with international norms, we will deepen our dialogue into an engagement process that aims at ending the undesirable activity and the adoption of responsible procedures. If the undesirable activity does not end as a result of the engagement process, our last resort is to divest where possible. An engagement process is not a purely reactive approach. We also carry out proactive engagement activities in the area of financially material sustainability themes to increase our own and our investees' understanding of sustainability risks and opportunities, to support companies' sustainability work and to reduce the risks affecting investment activities. We use wellknown frameworks and analysis from service providers to identify material sustainability themes. In addition, engagement is a way for us to inform our investees of our expectations concerning sustaina-

bility themes.

We can carry out the engagement process both alone and together with our service provider and other investors, and through investor initiatives. More detailed definitions of engagement and how the principles are taken into account in investment decisions can be found in the Responsible Investment Guidelines.

[Responsible Investment Guidelines \(pdf\)](#)

Integrating ESG analysis into investment decisions

Environmental and social impacts and governance issues influence companies' profitability, costs and reputation. They are therefore also relevant to the investor's return and risks. Because ESG issues are relevant to the financial success of our investees, it is important for us that the persons in charge of making investment decisions participate in the analysis and identification of ESG factors. As part of the investee investigation process, we use ESG indices, ratings and classifications, surveys and expert internal and external analysis. More detailed definitions of the integration and how the principles are taken into account in investment decisions can be found in the Responsible Investment Guidelines.

[Responsible Investment Guidelines \(pdf\)](#)

Impacts of investments and sustainable development goals

Systemic risks, such as climate change and biodiversity loss, cause risks to our investment portfolio. We invest in global value chains, because as a pension insurance company we need a broadly diversified investment portfolio. That means we cannot avoid risks completely; instead, we must endeavor to address them together with other market participants. Responsible investment has been an integral part of our investment activities for over two decades. We foresee that, going forward, it will be increasingly important not only to manage ESG risks, but also to better understand and measure investment solutions related to sustainable development and their positive impacts. From an investor's perspective, focusing on opportunities has upside potential, considering companies' evolving operating environment: progressing climate change, loss of biodiversity and natural capital, and increasing interest towards labour rights and human rights worldwide.

Agenda 2030 is a global action plan whose objective is to secure financial and human well-being in an environmentally sustainable manner. It states that it is urgent for our economic system to embark on a more sustainable path. The Agenda 2030 was adopted in all UN member states in 2015 and it is implemented through 17 sustainable development goals (SDG). The objective is to create a more sustainable and fair world through the SDGs by 2030. The SDGs can be used as overall global goals also from an investor's perspective and they are relevant to investors who strive to understand and measure their contribution to sustainable development. In terms of Ilmarinen's investment activities, we approach the SDGs through our approaches and targets related to the climate, natural capital and biodiversity. Read more about our approaches related to these themes in our [Climate Roadmap \(pdf\)](#) and our [Biodiversity Roadmap \(pdf\)](#). Through these themes, we have identified the following goals as our most relevant SDGs:



7: Affordable and clean energy



9: Industry, innovation and infrastructure



11: Sustainable cities and communities



12: Responsible consumption and production



13: Climate action



14: Life below water



15: Life on land

More information is available in our background paper on SDGs that will be published in 2023.

Approval of the policy and guidelines

Ilmarinen's Responsible Investment Policy is approved by Ilmarinen's Board of Directors. Drawing up and updating this policy and providing practical guidance and monitoring implementation are the responsibility of Ilmarinen's Responsible Investment Executive Committee, which consists of the President and CEO, the Chief Investment Officer and representatives of the Investment division, Legal Affairs and Communications. Ilmarinen's investment organisation is in charge of implementing the policy. Ensuring the implementation of the Responsible Investment Policy is also part of the company's normal compliance monitoring.

Reporting

Transparency is one of our values and it also applies to reporting on our investment activities. We report extensively on our responsible investment activities as part of our other sustainability reporting, especially in our Annual and Sustainability Report that is published annually. In accordance with the UN's Principles for Responsible Investment (PRI), we publish an annual PRI report on our responsible investment activities. In addition to our own reporting, we supply information on our investment operations for the surveys and comparisons of different stakeholders whenever possible. More detailed information about the Responsible Investment Policy's practical measures and targets is provided in our sustainability reports and PRI reports.

[Annual and Sustainability Report \(Ilmarinen.fi/en\)](https://ilmarinen.fi/en)

[Investment PRI reports \(Ilmarinen.fi, in Finnish\)](https://ilmarinen.fi)

Environmental policy

The environment plays a significant role in our health and well-being. That is why it is natural that the environment is one of the key themes of our sustainability work. In our investment operations, the environment means the built environment, cultural environment and natural environment.

A company that is mindful of the environment and its stakeholders also achieves long-term financial success.

Basic assumptions about the impacts of environmental issues on investments

In our view:

- Environmental and land use issues will alter how the economy and companies operate in the coming years. These areas involve business and investment opportunities, such as ecofriendly technology and property development.
- Environmental issues are a significant financial risk also for investment operations that could be realised, for instance, when demands set in legislation increase companies' expenses, investors begin avoiding certain companies or sectors on the basis of estimated environmental risks and/or when companies' operating environments change.

We are a major developer and real estate investor, which means that taking the entire life cycle of a building into account is important to us. The buildings we have developed are made to last and adapt to their users' needs. The basic assumption and minimum requirement is that our investees comply with national legislation and international norms related to the environment.

In addition to our own continuous monitoring, our service provider regularly reviews our securities investments and reports any suspected or detected norm violations. We take into account known norm violations when making investment decisions and systematically monitor new suspected violations. If our investee company has difficulties complying with this policy, an engagement process is our primary means of ending the undesirable activity. If the engagement process does not achieve the desired result, we will exit from the investment where possible.

We also value transparent, up-to-date and comparable reporting by our investees on environmental factors, including those critical to climate change. The environment encompasses much more than just the climate. However, until now, we have concentrated a large part of our environmental work on climate change. An example of this is the separate Climate Policy with the related goals. Biodiversity loss is, however, a significant systemic risk alongside climate change, and it must be taken into account in investment activities. We have published a separate roadmap on our opportunities and approaches for integrating biodiversity considerations into our investment activities.

More detailed requirements and goals are provided in the guidelines, which are the responsibility of Ilmarinen's Responsible Investment Executive Committee.

[Responsible Investment Guidelines \(pdf\)](#)

Climate Policy

Climate change is a major global threat which can escalate into a crisis if society's various players do not take action. Reducing emissions cannot be a voluntary measure; it is a prerequisite for sustained societal stability. Despite the challenges it brings, climate change also entails significant new business opportunities. We are a global investor, and our investments make an impact around the world. That is why we must take climate change into account in a systematic, forward-looking manner. By incorporating climate factors into our investment decisions, we can participate in building a successful future based on a sustainable, just transition and promote the goals of our investment activities.

Climate change is a significant financial risk and opportunity in investment operations.

Basic assumptions about the impacts of climate change on investments

In our view:

- Climate change has changed and will change how the economy and companies operate in future.
- The concrete impacts of climate change will weaken companies' business opportunities in the form of, for example, extreme weather conditions.
- Climate change causes significant changes in the value of investments. High emission reduction targets give rise to new business and investment opportunities relating to, for example, lowcarbon technology and climate change mitigation and adaptation.
- Climate change creates sustainable growth opportunities in the transition towards low-carbon economy.

We continuously update our understanding of the risks related to climate change in our investment activities. We do this mainly via various analyses, by training key personnel, and by holding discussions with representatives of our investees, customers and co-operation partners.

Climate targets of investment activities

Our long-term goal is to achieve carbon neutrality for our entire portfolio by the end of 2035. This is consistent with Finland's carbon neutrality 2035 goal. As a global investor, we are also aware that not all countries have goals as ambitious as ours. We expect many other countries to set targets and all of them to take action to reach them. Without actions by governments, we will not be able to achieve our carbon neutrality goal.

Our Climate Roadmaps describe how we will implement our 2035 goal. Our Climate Roadmaps set interim targets, identify key means for achieving the targets and the indicators we use to measure our progress. Summary of our Climate Roadmap:

We invest in a sustainable future – net zero carbon pension assets 2035



More information: [Ilmarinen's Climate Roadmap \(pdf\)](#)

Ilmarinen's Responsible Investment Executive Committee approves the practical implementation, guidelines and target levels linked to the Climate Policy for reaching the longer-term goal.

Climate principles in engagement with stakeholders

We actively participate in societal dialogue. We support development, including collaborative development that promotes climate change mitigation and adaptation. We also support the implementation of appropriate means in legislation and in making use of business opportunities, and appropriate shareholder proposals.

Transparency principles in reporting

Openness is one of our values and it also applies to reporting on the climate impacts of our investment operations. As part of our other sustainability reporting, we report on our climate impacts, including our climate targets and relevant climaterelated topics, risks and opportunities.

Biodiversity

Natural capital including biodiversity, and the ecosystem services generated by nature, are a crucial basis for enabling the global economy and human societies to function. The economy is profoundly dependent on natural capital and biodiversity. On the other hand, the economy impacts both. The world is currently facing an unprecedented biodiversity loss, and the related systemic crisis risk is gaining growing awareness amongst investors, companies, regulators, civil society, and other stakeholders. Consequently, market participants can no longer dismiss biodiversity in economic decisionmaking and risk management. Various initiatives have emerged to enable inclusion of biodiversity into economic decisionmaking.

Biodiversity loss has the potential to affect investment portfolios across asset classes, sectors and geographical regions in the same way as the climate risk. As a long-term risk averse

investor, it is important for us to consider long-term risks related to biodiversity and natural capital. We need to find ways to map and address both biodiversity-related dependencies and risks of our investments, as well as the biodiversity impacts of our investments. At the same time, it is increasingly important to recognise nature positive investments. We foresee that biodiversity loss and the related financial impacts will be increasingly important for investors. That is why we aim to follow the best available practices and continuously develop our biodiversity approach to address our portfolio impacts and dependencies.

More information on our biodiversity action can be found in the Ilmarinen [Biodiversity Roadmap \(pdf\)](#).

Human rights policy

Adherence to human rights is an integral part of all our operations and it is thus natural that it also shows in our investment activities. Human rights are defined based on international agreements and declarations, for example the UN's Universal Declaration of Human Rights. These rights apply equally to all regardless of age, gender, religion, ethnicity or wealth. Rights concerning working life and children are separately defined in agreements and declarations specifically related to these topics. Our Human Rights Policy outlines how human rights are taken into account in our investment decisions, while the practical guidelines describe how the policy impacts practical portfolio management.

**Companies require a social licence to operate in order to achieve long-term success.
Human rights are an integral part of responsible business.**

[Responsible Investment Guidelines \(pdf\)](#)

Human rights principles in investment operations

The basic assumption and minimum requirement is that our investees comply with human rights and the rights of children in addition to core labour standards. Children's rights are not simply about preventing the use of child labour, but also about taking children's rights into account, for example, in product safety, land use issues and in advertising and marketing. Companies should have a comprehensive view of human rights and see them as a key component of corporate responsibility.

In addition to our own continuous monitoring, our external partner regularly reviews our securities investments and reports any suspected or detected norm violations. We take into account known norm violations when making investment decisions and systematically monitor new suspected violations. If our investee company has difficulties complying with this policy, an engagement process is our primary means of ending the undesirable activity. If the engagement process does not achieve the desired result, we will exit from the investment where possible.

We expect our investees to act in accordance with international norms, agreements and guidelines, including:

- the UN Global Compact and related UN declarations concerning human rights, the environment and corruption
- ILO's Declaration on Fundamental Principles and Rights at Work
- the OECD Guidelines for Multinational Enterprises, including the United Nations Guiding Principles on Business and Human Rights.

Basic assumptions about the impacts of human rights on investments

In our view:

- Human rights and compliance with them are an essential part of all business.
- A company that is responsible and profitable in the long term takes care of its personnel, customers and other stakeholders, such as its supply chain, in a way that supports business.
- A company that is indifferent to human rights presents a growing financial risk to investment operations, for example through changes in legislation or regulations and avoidance by customers, other stakeholders or investors.
- By taking care of its personnel's well-being, a company shows that it seeks to create long-term value.

- Projects related to well-being at work and occupational safety boost both financial benefits and the company's positive social capital.

Human rights principles in engagement with stakeholders

We actively participate in societal dialogue. Our goal is to support development that promotes the integration of human rights into all business operations.

Transparency principles in reporting

Openness is one of our values and it also applies to reporting on the human rights impacts of our investment activities. We do not have a reporting framework and indicators for human rights comparable to the Climate Policy. We also highlight human rights impacts, in particular through the engagement process, in our other reporting.

Ownership policy

Ownership is a key part of our investment activities. We are an active owner and engage in different ways with the companies we invest in. The focus of active ownership is on domestic ownership and direct engagement, which we accomplish through, among other things, nomination committees, voting at general meetings and regular communications with corporate management. In the case of indirect ownership, fund management companies are responsible for active ownership. We regularly ask them about the implementation of active ownership, whether in writing or in meetings.

**The owner has the power and the duty to implement ownership.
It can bring about positive change.**

In addition to this policy, we publish Ownership Policy Guidelines, approved by Ilmarinen's Responsible Investment Executive Committee, which include more detailed insight into, for example, changes in the capital structure and Board elections.

The Policy applies to our investments in both Finnish and foreign companies. In the section Exercising ownership rights we outline our policies on mainly Finnish listed companies. Non-listed investments are very diverse in their characteristics, and on their part, we essentially aim to secure owner rights in the shareholders' agreement.

We expect the publicly quoted companies we own to follow local corporate governance codes and international recommendations for good governance. It is important in our view that companies present clear justifications for any noncompliance with local corporate governance codes. We expect companies other than publicly quoted companies to follow local corporate governance codes and international good governance recommendations where applicable and if possible considering the operating environment and the company's size and position. For the purposes of this policy, publicly quoted companies are taken to mean companies traded on a regulated market. In Finland, this means companies traded on Nasdaq Helsinki (Helsinki stock exchange). For the purposes of this policy, listed companies are taken to mean companies traded both on a regulated market and in a multilateral trading facility. In Finland, this means companies traded on Nasdaq Helsinki (Helsinki stock exchange) and in First North Growth Market Finland (First North).

Different markets have their own corporate governance codes, legislation and local practices when it comes to ownership. These local guidelines may be mutually conflicting and companies may face challenges in fully following Ilmarinen's policies in addition to the other requirements. Different practices and legislation exist for the handling and approval of, for

example, remuneration plans, depending on the marketplace. In these situations, it may be appropriate to look at the whole picture rather than the differences in the smaller details.

We annually report on our website and as part of our Sustainability Report on how the Ownership Policy has been implemented.

Ownership and investment strategy

The objective of pension insurance companies' investment operations is to sustainably secure the financing of the earnings-related pension system in the long term. Our investments are largely long-term in nature and the goal is to maximise the value of the investments in the long run. We hold high expectations concerning the good governance and responsible business operations of the companies we invest in. Taking sustainability aspects into account is part of the risk management of investments and investment operations. By engaging with the governance of the companies we invest in, we can help promote solid long-term performance.

Significance of earnings-related pension assets and Finnish ownership

The profitable investment of pension assets secures the sustainable financing of pensions and is thus an integral component of the Finnish social security system. We are a significant owner in Finnish publicly quoted companies and a significant economic operator in Finnish society at large.

Around one quarter of our investment assets are invested in Finland, directly benefiting Finnish business and industry. The success of Finnish companies impacts our return on investment and work carried out in Finland is directly linked to Ilmarinen's pension contribution accrual.

Due to smaller relative holdings, our opportunities to engage with foreign investees by ourselves are usually much more limited.

Monitoring the operations of the companies we own

We monitor the operations of the companies we own through various methods, including through meetings and reporting. The operations of a company in which we invest must be sufficiently transparent and it must provide information on its financial performance, strategy and risk assessment and good governance, tax policy and corporate responsibility principles. A good practice is for the reported sustainability data to be verified by an independent party, taking into account the size and resources of the companies.

Exercising ownership rights in investee companies

Participating in the work of Boards of Directors

Ilmarinen's internal 'Positions of trust and secondary occupations' policy specifies the terms under which our employees can act as members of other corporations' governing bodies. Ilmarinen's Board of Directors approves any and all memberships of Ilmarinen employees in the governing bodies of listed companies. As a rule, Ilmarinen employees do not participate in the board work of listed companies. Ilmarinen's Board of Directors can, however, decide otherwise for a justified reason. In addition, the Board of Directors approves all other memberships of the President and CEO and the members of the Executive Group in the governing bodies of corporations outside of Ilmarinen. The President and CEO approves all work-related memberships of other personnel in the governing bodies of nonlisted companies.

When carrying out the evaluation, the decisionmaker shall take into account the independ-

ence requirements for pension insurance companies, the appropriateness of the membership and the best interests of the pension insurance company. Furthermore, the membership may not cause any conflicts of interest, have a negative impact on decisionmaking regarding investments or interfere with the carrying out of the person's basic tasks at Ilmarinen. The Board memberships and other positions of trust held by Ilmarinen employees are listed on Ilmarinen's website.

[Ilmarinen's positions of trust \(ilmarinen.fi, in Finnish\)](https://ilmarinen.fi).

Participating and engaging in the process of nominating Board members

The Board of Directors' task is to promote the best interests of the company and its shareholders. In order to improve the efficiency of electing a Board of Directors in publicly quoted companies and large non-listed companies, a body is required to prepare nominations. This body can contain both members of the Board and shareholder representatives. We participate actively in the selection of Board members via the nomination process. We promote the professional governance and management of the companies we own.

We primarily advocate the setting up of a Shareholders' Nomination Committee whose members should be elected from among representatives of the largest owners. In companies with a diversified ownership structure it may be warranted to have a Nomination Committee that is made up of Board members. In the latter case as well, we consider it to be good practice for the largest shareholders to be consulted in advance, when necessary, concerning possible changes in the composition of the Board.

Attending general meetings

As a rule, we attend the general meetings of all the companies we own in Finland. At foreign general meetings of listed companies, we make use of a service provider's voting service and policy that consider ESG aspects. We consider it important for any extraordinary motions to be explained in detail in the notice of meeting. If the proposals to general meetings are not aligned with our policies, we contact the company beforehand and ask for additional information before making the final voting decision.

If necessary, Ilmarinen will file proposals as a shareholder for improving good governance and responsibility, and support similar proposals by other shareholders and participate in preparing them.

Ilmarinen publishes on its website its votes at the general meetings of publicly quoted companies. [Ilmarinen's votes at general meetings \(ilmarinen.fi, in Finnish\)](https://ilmarinen.fi).

Composition of a Board of Directors

When selecting Board members, we value competence, experience and complementary expertise, and sustainability expertise. The diversity of the Board supports the company's business and its development. The diverse composition of the Board of Directors also entails that the Board's members should represent different genders, different ages and different backgrounds. The composition of the Board of Directors and the number of members must be in line with the industryspecific structure and with the lifecycle stage of the company in question. The Board must have sufficient expertise without having to unnecessarily increase the number of Board members.

Board members should have sufficient time to perform their duties satisfactorily. As a rule, the President and CEO or another member of the Executive Group of a publicly quoted company may hold no more than two other seats on the Boards of other publicly quoted companies, of which at most one can be as chairman. Furthermore, it is important to pay attention to the independence of members when electing the Board. The basis for evaluating inde-

pendence is, for example in Finland, the Corporate Governance Code for listed companies. The majority of the Board must be, as a rule, independent of the company and at least two members of the Board must be independent of both the company and the company's major shareholders. Basically, we consider a Board member to be dependent if they have been a Board member for more than 10 consecutive years. The results of the independence assessment of new Board members should be published as part of the presentation of the persons standing for election.

It is important that the functions of the Chairman of the Board and the President and CEO are clearly separate. As a rule, the President and CEO should not be a member of the Board of Directors of the company they are in charge of.

We consider it to be important for the Board's members to own shares in the company. Through share ownership, the goals of the Board members and shareholders can be aligned and harmonised.

Remuneration

In our view competitive remuneration is an important tool for attracting skilled executives to a company. Well-managed remuneration plans encourage the management to increase the value of the company in the long term. A good remuneration plan is characterised by a long-term perspective, clarity, simplicity and by only rewarding success that has been earned. A company should strive for maximum transparency in its remuneration plans.

In our view it is important that both a company's management and Board of Directors own shares in the company. We are in favour of management remuneration plans that help to align a company's management goals with those of its shareholders. The remuneration of a member of the Board from outside the company must be arranged separately from the remuneration of the management. As a rule, the inclusion of a member of the Board in the same sharebased remuneration plan is not wellfounded because it can weaken the implementation of the duty of surveillance and cause conflicts of interest. In our view, it is important for sustainability issues to be taken into consideration in the remuneration plans where applicable, in addition to financial viewpoints.

The compensation paid to the members of the Board should be proportionate to the difficulty of the work and the time used. The compensation may consist of an annual remuneration, meeting fees or a combination of the two.

Making decisions concerning the details of remuneration and compensation plans for the management is one of the tasks of a company's Board of Directors. The Board of Directors decides on the remuneration and other compensation paid to the President and CEO and possible deputy CEO within the framework of the remuneration policy presented at the general meeting. We believe that the Boards of publicly quoted companies should have a separate Remuneration Committee. A company's management should not take part in drawing up remuneration plans pertaining to itself.

Our expectations related to the remuneration policy and report have been described in more detail in our Responsible Investment Guidelines.

[Responsible Investment Guidelines \(pdf\)](#)

A company's management bears the primary responsibility for drawing up a remuneration plan for the rest of the personnel and ensuring that the plan is not in conflict with the owners' interests.

Changes in the capital structure

We consider it important that the authorisations proposed by a Board of Directors concerning the issuance of new shares are appropriate considering the company's strategy and life cycle. We consider good practice to separate the share issue authorisation used for remuneration from a so-called general share issue authorisation so that shareholders are able to assess the purposes and appropriateness of the authorisations.

Dividend policy

The dividend-paying capacity of a company depends on its financial performance, capital structure and growth prospects. We consider it important for a company to have a dividend policy approved by the Board and that the dividend policy is, from the shareholders' perspective, active and goal-oriented, and secures the company's solvency.

Share series and voting rights

In our view, the best model is one in which one share corresponds with one vote at General Meetings. We generally consider various voting right restrictions and approval clauses as factors that reduce a company's value.

Election of auditor and auditors' fees

We expect the auditor to be changed periodically. We consider it good practice for companies to report, in a detailed manner, on the fees paid to the auditor for services other than actual auditing services.

Shareholder proposals to general meetings for improving sustainability

As a rule, we take a positive view of shareholder proposals to General Meetings that promote sustainability in accordance with the policy followed at Ilmarinen. Depending on the situation, we can co-file for example shareholder proposals related to climate impacts and support similar relevant and purposeful proposals filed by other shareholders. Our decisions on whether to support a proposal or not are impacted by how relevant they are in terms of a company's business and its impacts, how the company has acted in the matter compared to its peers and the company's voting recommendation and its grounds. We support, for example, proposals to general meetings that support the key objective of Ilmarinen's Climate Policy: that companies should assess their strategic choices and investments in terms of mitigating global warming. If the climate-related strategies proposed to the general meeting are not sufficient or appropriate, we can also vote against them, depending on the situation. We use a service provider's analysis to support our voting decision.

Dialogue with the companies we invest in, other shareholders and stakeholders

Communication with companies outside general meetings

We hold discussions with the management and, if need be, the Board of Directors of the companies we own as part of normal portfolio management. We review the companies' business and financial position in the discussions. The aim is also to advance the companies' sustainability. In our view, it is important for the strategies of the companies we own to widely incorporate business-relevant ESG issues.

Communication with other shareholders and stakeholders

As a general rule, communication with other shareholders in individual companies is limited to nomination committee work or engagement processes. If necessary, we co-operate with other shareholders in order to address controversies. In particular with foreign holdings, it is effective to work together with other shareholders. Due to possible market reactions, we cannot normally comment on our investment decisions. We are happy to engage in discussions with different stakeholders especially on the topic of sustainability.

Tax policy

Ilmarinen's principles related to the taxation of investment operations and Ilmarinen's responsible tax policy derived from these principles are part of Ilmarinen's Responsible Investment Policy. Through a responsible tax policy, we are contributing to the societal impact of our operations and the transparency of our investment activities.

Responsible tax policy in our investment activities means

- commitment to comply with the tax laws and regulations of Finland and other investment jurisdictions
- the expectation that our co-operation partners commit similarly to complying with the tax laws and regulations of investment jurisdictions
- reviewing, prior to the investment decision, the tax treatment of investments and investment structures in the context of unlisted investments
- conducting investment operations from a business viewpoint, independent of taxation
- open interaction with tax authorities and other stakeholders in order to determine and meet the statutory reporting obligations.

We do not take part in aggressive tax planning in our investment operations.

We also do not make investments through investment structures the purpose of which is to avoid reporting obligations related to the exchange of information between countries resulting from an investment, or whose purpose is to prevent tax authorities from identifying the beneficial owner of investment returns.

Our statutory mission is to invest pension assets in a profitable, secure and responsible manner so that we can pay the pensions of persons covered by pension insurance also in the future. We take the best interests of the insured persons into account also from a tax standpoint and therefore strive to make our investments, where possible, without being exposed to international double taxation which is contrary to the principles of international taxation.