

Responsible Investment Policy

Approved by Ilmarinen's Board of Directors on 15 February 2024

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

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

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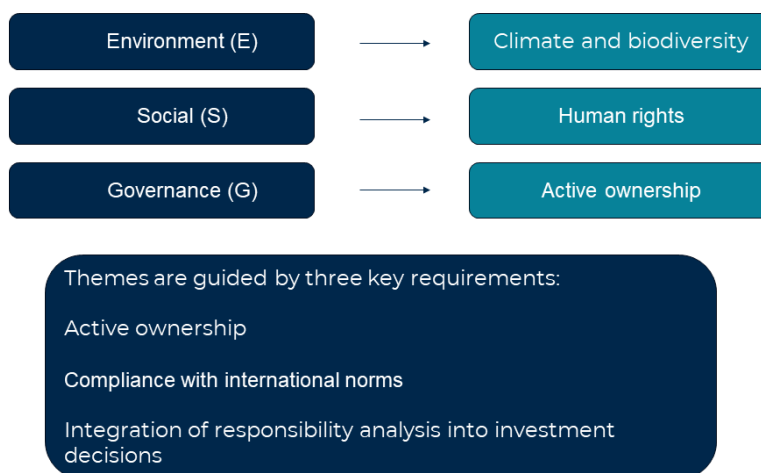
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Ilmarinen's responsibility principles concerning investment operations

Ilmarinen's task is to invest pension assets profitably, securely and responsibly. Our goal is to manage pension assets in a way that brings the greatest possible benefit to pensioners. We diversify our investments globally, because our task is to yield the greatest possible long-term return at the chosen risk level.

This Responsible Investment Policy guides our investment operations: we strive to increase the positive impacts and minimise the negative impacts of our investments on society and the environment. Our Responsible Investment Policy applies to all our investment activities. Practical measures vary depending on the asset class.

We divide responsibility into three themes:



The Responsible Investment Policy is approved by Ilmarinen's Board of Directors. The Responsible Investment Executive Committee draws up the policy and monitors compliance with it. The Committee is made up of, in addition to the President and CEO and the CIO, the heads of the different asset classes and representatives from 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.

We arrange training on implementing the Responsible Investment Policy to ensure that our employees have the competencies required to implement the policy in keeping with their tasks.

Compliance with international norms and exclusion of investments

National legislation is not always tough enough from a responsibility perspective. That is why we require our investees to also comply with international norms:

- The principles of the UN Global Compact initiative, and
- the declarations they are based on: the UN declarations on human rights, the environment and corruption, and

- the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

We use the data produced by an external service provider to monitor compliance with the norms. In addition to our own continuous monitoring, our service provider reviews our securities investments and reports any suspected or detected norm violations. We also conduct our own analysis and request clarifications as needed.

We take into account known norm violations when making investment decisions and systematically monitor new suspected violations. Engaging with companies is a more effective way of enacting change than ceasing to invest in them. If an engagement process is not possible or if it does not produce results, we exclude from our investment universe companies that have breached international norms. We do not invest directly in companies:

- that are suspected of especially severe norm violations.
- that manufacture tobacco products and generate at least 50% of their turnover from tobacco products. Companies to be excluded are defined based on industry classification.
- that produce cannabis or cannabis products for recreational use and generate at least 10% of their turnover from recreational cannabis products. We may invest in companies that produce cannabis for the pharmaceutical industry or in pharmaceutical companies that have cannabis products.

We may invest directly in companies that manufacture so-called controversial weapons, i.e. anti-personnel mines, cluster munitions, white phosphorous, nuclear weapons and depleted uranium munitions, if the company's headquarters are in a NATO country. When it comes to such companies, however, we apply particular care, enhanced responsibility assessments and monitoring. A controversial weapon manufacturer is defined as a company whose involvement in the manufacturing process is essential and the component manufactured by the company has no dual purpose. We cannot invest in companies that manufacture biological and chemical weapons, regardless of where the company's headquarters are located.

Exclusions and limitations in line with our Climate Roadmap:

- Companies that are planning new coal investments in energy production.
- Companies deriving more than 1% aggregate revenue from thermal coal mining.
- Oil sand, 5% revenue threshold.
- Companies whose business's carbon intensity is significant, when no other reason warrants the investment.

Within fund investments, we ask asset managers about their policies regarding the above-mentioned industries and their approach to norm violations. We use known violations in asset manager discussions and encourage asset managers to raise responsibility issues with their portfolio companies. The goal is to exclude the same industries in our non-listed private equity and debt fund investments as we exclude in our direct listed investments. We strive to define investments in certain industries as excluded already when concluding the asset management contract, at least by

stating that we do not participate in such investments. In index investments, we strive to invest in ESG-focused funds, when such ETFs are available and competitively priced.

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. The focal point of our active ownership is Finnish ownership and direct engagement. Our activities include, among other things, participation in nomination committees, voting at general meetings and regular communications with corporate management. Outside of Finland, we use a voting service provider to vote at general meetings, and in our practical engagement activities we use a specialised service provider. We also participate in global engagement co-operation together with other investors.

In indirect holdings, fund management companies are responsible for corporate governance and engagement. We regularly ask them about their processes, either at meetings or in writing. In real estate investments, we influence the entire sector's responsibility practices in Finland by engaging in dialogue with stakeholders. In bonds, the foremost engagement opportunity is prior to a bond being issued. In Finland, we can discuss essential responsibility criteria with the companies and, if possible, apply the criteria to sustainability-linked loan terms.

Principles of engagement

Through active ownership we can engage with our investees and highlight sustainability-related business risks and opportunities. If an investee fails to comply with international norms, we can only invest in it if we initiate an engagement process that aims at ending the undesirable activity and adopting responsible operating practices. If the engagement process is not enough to end the undesirable activity, the investor can aim to influence the company's activities by increasing the means of engagement, for instance, through a vote in or a motion to the general meeting. Our last resort is to exit the investment if possible.

We also proactively engage in financially significant sustainability themes. We believe that engagement in financially material sustainability issues supports companies' long-term financial performance and reduces risks. Engagement is a way for us to inform the companies of our expectations concerning sustainability and to build our own expertise in the various sustainability risks that affect our investees. We apply broadly used frameworks and analysis from service providers to identify material sustainability issues. Main themes of engagement right now are:

Climate: We engage in climate-related matters based on the targets set in our Climate Roadmap. In Finnish investments, we discuss our climate-related expectations directly with the companies. As regards foreign companies, we are part of the CA100+ global engagement initiative, which focusses on the climate actions of high-emitting companies. We have committed to the Paris Aligned Investment Initiative, and we use the initiative's framework to also set our climate engagement goals. We prioritise engagement with high-emitting companies and the highest-emitting companies in our investment portfolio that do not yet have sufficient concrete goals for reducing their emissions.

We also actively develop new index solutions together with stakeholders. To support us in our voting decisions, we use a service provider's voting principles, which take sustainability and climate factors into account.

Biodiversity: In keeping with the targets of the Biodiversity Roadmap, we aim to engage both proactively and reactively to minimise adverse impacts and increase positive impacts. We co-operate and actively engage in dialogue with other market participants to increase awareness.

Human rights: We are involved in investor initiatives related to human rights on a case-by-case basis. We are involved in the activities of investor alliance groups in order to increase our expertise and our opportunities to implement investors' responsibility for respecting human rights in practice, for instance, through engagement.

Good governance: We maintain active contact with our investees in Finland during and outside the period of annual general meetings. We openly communicate our expectations for general meeting motions, for instance related to remuneration. We also actively engage in dialogue with the voting service provider on its voting recommendations and principles in an effort to develop them.

We primarily engage with companies in which we have direct equity or fixed income investments or another strong financial link. Engagement can also be carried out with potential investees where deemed appropriate, and on a broader scale, at the level of a sector or a value chain, for example, if material sustainability risks have been identified in them.

Engagement can also be proactive or focus on a specific theme. In such a situation, the company may not necessarily be suspected of violating norms, but its operations, sector or area may involve, for example, a significant sustainability challenge or an elevated sustainability risk.

Channels of engagement

Engagement can be carried out either alone or in partnership with other investors or stakeholders, and through the use of specific service providers.

We engage with companies as part of the Nordic Engagement Cooperation (NEC). Engagement themes and targets are agreed on together between the participating organisations. The engagement processes are co-ordinated and implemented by a service provider. Investors have an active role in the engagement themes and in the choice of target companies. The focus of the co-operation right now is on human rights issues. We regularly, approximately four times a year, receive updates on the progress of the engagement processes. NEC reports on its activities annually, and the report is published on our website.

Broad investor groups such as IAHR (Investor Alliance for Human Rights) or CA100+ (Climate Action 100+) engage with companies. We can participate either as active members performing engagement work or by supporting investors who participate in joint engagement processes. We monitor the advancement of the engagement process, for example, by participating in investor calls or by monitoring engagement reporting.

A service provider engages with companies on our behalf, sets the goals and prepares the plan for the engagement process and implements the activities. We

follow the engagement process and can also participate in activities related to the engagement process.

Ilmarinen's responsible investment expert always participates in engagement processes on Ilmarinen's behalf. Depending on the situation, portfolio managers are also involved in the process. Engagement processes are reviewed at least once a year by the Responsible Investment Executive Committee.

In addition to actual engagement processes, we can engage jointly with other investors or through initiatives by participating in various campaigns, such as letters or resolutions. In addition, we contact companies on individual sustainability issues, which may arise, for example, from general meeting notices, or through non-governmental organisations or the media. These communications can also provide information that will trigger an engagement process. We also discuss sustainability themes broadly with our Finnish investees, participating actively in companies' sustainability-related materiality surveys, for example.

Integrating ESG analysis into investment decisions

Environmental and social impacts and governance issues are important from the perspective of investment returns and risks. That is why those 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 data, indices, ratings and classifications, surveys and expert internal and external analysis.

Impacts and sustainable development goals of investments

Systemic risks, such as climate change and biodiversity loss, pose risks to our investment portfolio. Since we need a broadly diversified investment portfolio, we cannot completely avoid risks. We must therefore strive to address them together with other market participants.

In addition to sustainability (i.e. ESG) risk management, investment solutions related to sustainable development and their positive impacts must be understood and measured. Opportunities to make a profit exist in a context where companies' operating environment is evolving globally: progressing climate change, biodiversity loss and increasing interest in labour rights and human rights.

Agenda 2030 is a global action plan whose objective is to secure financial and human well-being in an environmentally sustainable manner. It was adopted in all UN member states in 2015 and is implemented through 17 sustainable development goals (SDG). Sustainable development goals are also essential for investors.

In 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 \(pdf\)](#).

The most significant sustainable development goals for us are:

- 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 was published in 2023.

Reporting

We report on responsible investing in our quarterly reports and particularly in our Annual and Sustainability Report. We have published an Annual and Sustainability Report since 2015. We immediately adopted the GRI Standards of the Global Reporting Initiative (GRI). From the 2024 financial year on, we will begin reporting in line with the Corporate Sustainability Reporting Directive (CSRD), applying the European Sustainability Reporting Standards (ESRS).

In accordance with the UN's Principles for Responsible Investment (PRI), we publish an annual PRI report on our responsible investment activities. We furthermore report on the progress of our Climate Roadmap goals to the Institutional Investors Group on Climate Change (IIGCC) in keeping with our commitment to the Paris Aligned Asset Owners (PAOO).

We also supply information on our investment operations for the surveys and comparisons of different stakeholders.

Environment

Climate principles and basic assumptions about the impacts of climate change on investments

Our investments have an impact in different parts of the world. That is why we must take climate change into account systematically and with an eye to the future.

In our view, climate change:

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

Our goal is to achieve a carbon-neutral investment portfolio by the end of 2035. Our Climate Roadmaps describe how we will implement our goals for 2035.

[Ilmarinen Climate Roadmap \(pdf\)](#)

Our approach is built on the following key themes:

- We analyse and manage climate risks as part of achieving carbon neutrality.
- We invest in climate solutions.
- We invest in companies in transition or in companies that have the opportunity and will to transition to a low-carbon economy.
- We engage with high-emitting companies to further the climate transition.
- We promote co-operation, climate actions, partnerships and new climate solutions.
- We report on our progress annually.

In addition to international norms and conventions, we expect our investees, if possible, to:

- report openly, clearly and comparably on their climate impacts, for instance on their carbon footprint, carbon handprint and emission reduction targets, and to manage their climate risks and opportunities.

- use widely recognised/known reporting frameworks such as the TCFD¹ and/or CDP².
- develop their business strategies to be aligned with the Paris Agreement and human rights (a just transition).
- be willing to engage with investors on climate-related topics.
- set science-based targets (SBT) and publish short-, medium- and long-term scenario analyses.

Our assessments take into consideration the company's or issuer's size and business sector, which impact the reporting and target-setting capabilities.

Taking biodiversity into account

As a long-term investor, it is important for us to consider long-term risks related to biodiversity and natural capital in our investments. We are seeking ways to map and address both the biodiversity-related dependencies and risks of our investments and the impacts of our investments on biodiversity. At the same time, it is important to recognise nature-positive investments.

More information on our biodiversity milestones can be found in Ilmarinen's Biodiversity Roadmap.

[Ilmarinen Biodiversity Roadmap \(ilmarinen.fi\)](https://ilmarinen.fi/ilmarinen-biodiversity-roadmap)

Key initial actions:

- Portfolio-level analysis to build understanding of biodiversity and natural capital-related risks and impacts.
- Enhanced due diligence on high-risk sectors, portfolio-level reporting in accordance with the industry's best standards and supporting the industry's key co-operation projects to promote biodiversity.
- Engagement strategies related to biodiversity and setting additional requirements on sectors with significant biodiversity impacts.

¹ CDP (formerly the Carbon Disclosure Project), an organisation supporting environmental disclosure [CDP](https://www.cdp.net/en).

² TCFD (Task Force on Climate-Related Financial Disclosures), an international climate change reporting framework, www.fsb-tcf.org

Human rights

Human rights are universal and apply to everyone. Governments are obligated to respect, protect and promote human rights, and ensure that everyone can fully and equally enjoy their human rights. Companies also bear responsibility for respecting human rights. Through its investments, Ilmarinen may encounter harmful human rights impacts.

In our investment operations, we aim to abide by the following responsibility frameworks:

- The UN Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact principles

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

- The Universal Declaration of Human Rights
- The International Covenant on Economic, Social and Cultural Rights
- The International Covenant on Civil and Political Rights
- The ILO's Fundamental Principles and Rights at Work

In addition to compliance with the above-mentioned international norms and conventions, we expect our investees to:

- be committed to respect human rights in their operations and value chains and aim to operate in the manner referred to in the UN's guiding principles.
- report openly, clearly and comparably on their human rights commitments and activities.
- take into consideration human rights aspects when developing Paris Agreement-aligned strategies (a just transition).
- be willing to engage with investors on human rights-related topics.

Identifying and controlling human rights impacts are areas requiring continuous improvement. We are developing our ability to identify and control both actual and potential negative human rights impacts that we may be involved in, either directly or indirectly, through our investment operations. To that end, we utilise both internal and external resources, training and competence. The Responsible Investment Executive Committee addresses the most serious cases of human rights violations. We will remove an investment from our portfolio and investment universe if the investment violates human rights and engagement does not bring about a change.

We are involved in investor initiatives related to human rights or other related initiatives on a case-by-case basis.

Ilmarinen's Board of Directors receives reports on Ilmarinen's human rights work as part of responsibility reporting. Ilmarinen's complaint mechanism includes a whistleblowing channel, through which stakeholders can report, for example, unethical behaviour. The whistleblowing channel also applies to Ilmarinen's investment operations.

Ownership Policy

Ownership and investment strategy

As a long-term investor, we have high expectations of good governance and responsible business operations among 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 long-term performance.

We monitor the operations of the companies we own, for instance, through meetings and reporting. The operations of companies that we invest in must be sufficiently transparent, and the companies must provide information on their 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, however.

The Policy applies to our investments in both Finnish and foreign companies. In the section *Exercising ownership rights in investee companies*, we outline our policies concerning mainly Finnish listed companies. Non-listed investments are very diverse in their characteristics, and in them, we essentially aim to secure owner rights by way of agreement.

We expect the publicly quoted companies we own to follow local corporate governance codes and international recommendations for good governance. We consider it important that companies present clear justifications for any non-compliance 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 considering the operating environment and the company's size and position.

Local guidelines may be mutually conflicting, so companies may have difficulties 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.

Exercising ownership rights in investee companies

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 non-listed companies.

When carrying out the evaluation, the person making the decision shall take into account the independence requirements for pension insurance companies, the appropriateness of the membership and the best interests of the pension insurance company. Furthermore, the membership must not cause any conflicts of interest, have a negative impact on decision-making regarding investments or interfere with 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.

[Positions of trust \(ilmarinen.fi\)](#)

As an owner in non-listed companies we are, on a case-by-case basis, involved in the Boards of Directors of our investees and, in this way, we are also able to influence and improve their sustainability.

Participating and engaging in the process of nominating Board members

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 nomination processes.

We primarily advocate the setting up of the kind of shareholders' nomination committees 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.

We usually accept all Nomination Committee memberships that belong to us based on our shareholding. By actively participating in the selection of Board members via the nomination process and holding discussions with the management of the companies we own, we strive to promote the professional and responsible governance and management of the companies. We publish the Nomination Committee memberships on our website:

[Memberships on the Nomination Committees of listed companies \(ilmarinen.fi\)](#)

For non-listed investments, we aim to guarantee the right to nomination by way of agreement.

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 principles that consider sustainability aspects. We consider it important for any extraordinary motions to be explained in detail in the notice of meeting. If the motions to general meetings are not aligned with our policies, we will contact the company beforehand and ask for additional information before making the final voting decision.

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

We publish the votes we have cast at the general meetings of listed companies on our website.

[Ilmarinen's votes at general meetings \(ilmarinen.fi\)](#)

Composition of a Board of Directors

A diverse Board of Directors supports the company's business and its development. When selecting Board members, we value competence, experience, complementary expertise, and knowledge of sustainability matters. A Board of Directors with a diverse composition also means that its members represent different genders, ages and backgrounds. The composition of the Board of Directors and the number of members must be in line with the industry-specific structure and with the life-cycle 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 chairperson. Furthermore, it is important to pay attention to the independence of members when electing the Board. The basis for evaluating independence 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 Chair of the Board of Directors 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 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

Competitive remuneration is an essential 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 long-term, clear and simple. It only rewards success that has been earned. Companies should strive for maximum transparency in their remuneration plans.

For us, 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 share-based remuneration plan is not well-founded 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 Board members should be proportionate to the difficulty of the work and the time used. The compensation may consist of annual remuneration, meeting fees or a combination of the two.

Making decisions concerning the details of remuneration and compensation plans for the management is the responsibility 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. 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.

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.

In accordance with the Corporate Governance Code, transparency of remuneration systems is an important consideration for us.

The remuneration policy should specify the amount of the CEO's maximum remuneration and the relative shares of their variable pay, at least by indicating the variation ranges or target values. We expect reporting on the duration of the earnings and/or commitment period for long-term variable remuneration. The duration of the long-term earnings and commitment period should support long-term value creation. For the most part, we expect an earnings and/or commitment period of at least three years in total for long-term variable remuneration. The commitment period can also consist of deferred parts of remuneration.

In the remuneration report, we expect information about the indicator that was used as the remuneration criterion for variable remuneration. We also expect reporting on the remuneration criteria's weight. This applies to both short- and long-term variable remuneration. We also expect the publication of remuneration criteria for maturing variable remuneration, if the amount of the remuneration has been established and is reported. We expect transparent reporting of the grounds for any extra remuneration in line with the remuneration policy.

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 it to be a good thing if a share issue authorisation used for remuneration is separate from a so-called general share issue authorisation so that shareholders are able to assess the purposes and appropriateness of the authorisations.

We consider it important that the authorisations proposed by a Board of Directors concerning the issuance of new shares, as a rule, amount to no more than 10 per cent of the total number of a company's issued shares, calculated by share series. We consider it important that the authorisation is in force for no more than 18 months at a time. Exceptions are possible based on the company's development situation

and needs resulting from the business, but we expect to receive additional justifications in these situations.

Dividend policy

It is 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

The best model is one in which one share corresponds with one vote at general meetings. In our view, various voting right restrictions and approval clauses usually reduce a company's value.

Election of auditor and auditors' fees

We expect the auditor to be changed periodically. It is 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 motions to general meetings for improving sustainability

As a rule, we take a positive view of shareholder motions 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 motions related to climate impacts and support similar relevant and purposeful motions filed by other shareholders.

Our decisions on whether to support a motion 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, motions 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 Board 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

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 sustainability issues.

As a general rule, communication with other shareholders in individual companies is limited to nomination committee work or engagement processes. If necessary, we cooperate 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.

Taxes

Through a responsible tax policy, we contribute 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.
- 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 also take the interests of persons covered by pension insurance into consideration from a tax perspective. Therefore, when possible, we strive to invest in a way that avoids double taxation, which burdens investment returns and is contrary to the principles of international taxation. In this context, we approve of tax structuring for investments.

We do not, however, take part in aggressive tax planning in our investment operations. By aggressive tax planning, we mean the exploitation of technical points of law included in the tax systems of individual countries and different legal interpretations, asymmetries and inconsistencies between two or more countries simply to achieve tax benefits. Our definition of aggressive tax planning includes

- using holding companies that do not practice real business as defined in the OECD's Principal Purpose Test in their country of domicile, the only purpose of the arrangement being to avoid tax at source through the misuse of a tax treaty,
- using hybrid financial instruments that would result in the income from the instruments not being taxed in any country or the interest rate costs resulting from the instrument being deducted in several countries, and
- using hybrid entities that would result in the income from the entity's activities not being subject to tax in any country.

We do not invest through investment structures that aim 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. We require the external asset managers that we use to commit to comply with regulations related to the international exchange of information, and thus to comply with DAC6, FATCA and CRS, among other, obligations.

We annually report on our taxable income to the Finnish Tax Administration, and we pay taxes in the correct amount and on time. We also ensure that any tax returns to be submitted to other countries are sent on time. Due to the administrative work linked to tax returns and the resulting costs, our goal is to try to avoid situations in

which Ilmarinen would have to submit income tax returns in other countries in addition to Finland.

We have devised a separate policy based on which we monitor our international investments within the framework of the Act on the Reporting Obligation for Cross-Border Tax Planning Structures (DAC6). We report any investments that can be classified as controlled foreign corporations as part of the annual tax return in accordance with the Finnish Act on the taxation of shareholders in Controlled foreign companies (CFCs) (*Laki ulkomaisten väliyhteisöjen osakkaiden verotuksesta*).

Taxation responsibilities at Ilmarinen have been allocated among persons working in investment calculation, financial administration and the legal department. The responsibilities related to taxation in investment activities and the assessment of the tax treatment of investments have been agreed on with the portfolio managers responsible for the investments in question.

A clear division of responsibilities ensures that we can address topics related to the taxation of investments based on legislation in force at any given time, and also

- minimise the uncertainty linked to the interpretation and application of Finnish and international tax legislation in Finland and abroad,
- increase the predictability of the tax treatment of investment activities, thereby managing investment risks, and
- ensure that the responsible tax policy is realised in both our own investment activities and in the activities of the partners we use in our investment activities.

We also actively monitor legislative projects related to both Finnish and international taxation. This allows us to incorporate any changes into our operations and the planning of operations in a timely manner.