

# Policy for the integration of sustainability risks within investment decisions & investment and insurance advisory services

## GROUP-WIDE POLICY

Adopted by the Ålandsbanken Abp Board of Directors

As of 01-07-2021

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### 1. Purpose, approval and authorization

The purpose of this Policy is to regulate the integration of sustainability risks into investment-related decision-making processes as well as and into advisory services regarding investments and insurance within the Ålandsbanken Group.

The Board of Directors shall review and approve this Policy annually or more frequently when needed.

The Board of Directors authorizes the CEO to develop and decide on Guidelines to be applied together with this Policy. The Guidelines shall determine the organization, responsibility and supervision of compliance. Any decisions on or changes made to the Guidelines shall be reported to the Board of Directors in the written Compliance Report annually or more frequently when needed.

### 2. Scope

This Policy applies to the Ålandsbanken Group.

The Policy applies to all managed asset categories, investment strategies and products (both the Bank's products and external products provided by the Bank) as well as the advisory services on investments and insurances provided by the Bank.

### 3. Definitions

**"Bank"** refers to Ålandsbanken Abp (the Bank of Åland), including Ålandsbanken Abp (Finland), the Swedish subsidiary.

**"Fund Management Company"** refers to Ålandsbanken Funds Ltd (Fondbolaget Abp).

**"Sustainable investment"** refers to an investment in economic activity that contributes to an environmental goal in compliance with measurables, such as central resource effectivity indicators regarding the usage of energy, renewable energy, raw materials, water and land usage, waste generation and green house gas emissions or regarding effects on

biodiversity and circular economy, or an investment into economic activity that promotes a social objective, especially investments that contribute to combating inequality or that promote social cohesion, social integration or good labor relations, or an investment in human capital or in economically or socially disadvantaged groups, provided that the investments do not cause significant damage to any of these and that the investment object complies with the best practices for good governance, especially regarding healthy corporate governance, relations between employer and employees, relevant staff salaries, and tax compliance.

**“Sustainability factors”** refers to environment-related and social as well as employee-related questions, respect for human rights and combating corruption and bribery.

**“Sustainability risk”** refers to an environment-related, social or governance-related event or circumstances which could have an actual or potential significantly negative effect on the value of the investment.

**“Investment”** refers to the investments in funds and portfolios managed by Ålandsbanken.

**“Nordic Swan Ecolabel”** refers to the official ecolabel of the Nordic Countries established in 1989. The Nordic Swan Ecolabel audits the environmental impact of products and services during their complete lifecycle from raw material to waste and sets requirements regarding their function and quality.

**“UN Global Compact”** refers to the United Nations’ international principles issued in 1999 to guide companies in matters concerning human rights, questions related to labor law, the environment and corruption.

**“UNEP FI”** refers to the United Nations Environment Program Finance Initiative. UNEP FI is a public-private partnership between the UN’s environmental program (UNEP) and the global financial sector.

**“UNPRI”** refers to the UN Principles for Responsible Investment. The UN PRI (United Nations Principles for Responsible Investment), developed to promote responsibility regarding environmental and social questions as well as employee relations, were launched in 2006 as an open global initiative for institutional investors.

**“Ålandsbanken Group”** or **“Ålandsbanken”** refers to the Bank and the Fund Management Company.

## 4. Regulatory framework

The primary framework (EU):

- The EU regulation 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector. (“Disclosure Regulation”)

## 5. Ålandsbanken’s view on responsible investments

### 5.1 Background

ESG factors are always considered in Ålandsbanken’s investment work.

Ålandsbanken signed the United Nations’ Principles for Responsible Investment (UNPRI) in 2010. The same year,

Ålandsbanken became a founding member of FINSIF, Finland's Sustainable Investment Forum. In May 2016, Ålandsbanken also became a member of the corresponding Swedish forum, SWESIF.

Ålandsbanken adheres to an active management approach, and all management is carried out in a responsible way in accordance with the principles regarding responsible investments determined in this Policy.

## 5.2 Responsible investments

In Ålandsbanken's view, a company's commitment to act responsibly when it comes to, for example, the environment, social responsibility, and corporate governance, may have a positive affect on the company's financial result in the long perspective. Companies where the management, the board and the owners take Sustainability factors in consideration in addition to traditional financial aspects have, according to Ålandsbanken's assessment, good prospects of being successful.

This view is supported by the global trend that indicates increasing awareness of that both consumers and investors are becoming increasingly aware of responsible companies and products and prefer them over others. Therefore, a sustainability assessment is integrated into every investment decision at Ålandsbanken. In this way, the Bank strives to be an active contributor to a better and more sustainable society.

Ålandsbanken only invests in companies that comply with the principles of the UN Global Compact.

Regarding funds that have been granted the Nordic Swan Ecolabel, Ålandsbanken adheres to the obligations and reporting standards required by the label.

## 5.3 Implementation

Ålandsbanken's work with sustainable investments can be dealt into phases. First, sectors that are not considered sustainable and/or that have a strong negative sustainability impact are excluded.

Next, Ålandsbanken strives to make actively responsible investment decisions when selecting financial instruments for its portfolios and funds.

### 5.3.1 Exclusion

Ålandsbanken does not invest in companies who are active in producing (for more than 5 % of the company's revenue, if not otherwise stated):

- controversial weapons
- pornography
- gambling
- tobacco (including cannabis)
- thermal coal (more than 20 % of company revenue)

Ålandsbanken invests selectively in companies that produce alcoholic beverages.

Ålandsbanken does not invest in companies which have received a notice for violating the UN Global Compact. In case any of the present holdings are black-listed for violating these conventions and do not show willingness to make the necessary changes, the holdings will be disposed of within 2 years from the registering of the event.

The exclusions apply to all funds and portfolios that are managed within the Ålandsbanken Group.

### **5.3.2. Inclusion: analysis and investment process**

By carrying out exclusions according with the section above, an investment universe for further analyses and the selection of individual investment objects is achieved. In addition to the financial risks and possibilities associated with each individual investment, the analysis of potential investment objects takes into account any sustainability factors that may affect the investment object. An overall assessment of the sustainability risks and possibilities related to each potential investment object is carried out as an integrated part of the due diligence process.

In order to achieve a systematic process and to deepen the sustainability analysis, Ålandsbanken has entered into agreement with an external partner. The collaboration provides access to a database as well as sustainability factor analyses. The database, which includes companies from all around the world, provides tools for assessing how sustainability factors are handled within investments. The identified sustainability factors and risks are analyzed with the help of the data in the external database, for example regarding risk classification as well as the likelihood and magnitude of the identified sustainability risks. Each analysis is documented using a shared template, and any identified sustainability risks are assessed continuously.

The investment process described above, including the assessment of sustainability factors, covers all funds and portfolios managed within Ålandsbanken.

### **5.4 Shareholder engagement**

In questions related to shareholders, the fund management company acts in accordance with the principles defined in the ownership policy of Ålandsbanken Funds Ltd. In keeping with the Bank's principles regarding capital management and corporate governance, the Bank does not apply shareholder engagement in companies in which it has invested on behalf of its clients. The ownership policy of Ålandsbanken Funds Ltd. As is available on the Bank website.

## **6. Information on investment products that promote environment-related or social characteristics or have sustainable investing as their goal**

### **6.1 Products that promote environment-related or social characteristics (the so-called Article 8 products in the Sustainable Finance Disclosure Regulation)**

For such financial products provided by Ålandsbanken that promote for example environment-related or social characteristics or a combination of the two, Ålandsbanken shall, provided that the companies invested in comply with the principles of good corporate governance, in its disclosures made prior to entering into a contract, include information regarding how the said characteristics are achieved.

For financial products that promote sustainability factors, in addition to the principles for responsible investing described in section 5, the process of selecting investment objects takes into consideration additional selection criteria which are deemed to promote for example the environment-related or social characteristics and ambitions of the financial product.

### **6.2 Investment products that have sustainable investing as their goal (the so-called Article 9 products in the Sustainable Finance Disclosure Regulation)**

For such financial products provided by Ålandsbanken that have sustainable investing as their goal, Ålandsbanken shall in its disclosures made prior to entering into a contract include information regarding how this goal will be achieved.

For financial products provided by Ålandsbanken that have sustainable investing as their goal, in addition to the principles for responsible investing described in section 5, selection criteria and processes that help to demonstrate the product's effect or impact on a sustainability parameter are applied.

## 7. Marketing material

Ålandsbanken shall ensure that the Bank's marketing material always complies with the requirements regarding the disclosure of information in accordance with this Policy.

## 8. Auditing and reporting in accordance with international standards

As a signatory to UNPRI and UNEP FI (Responsible Banking Principles), Ålandsbanken is committed to reporting on the compliance of the said UN principles. Comprehensive reports are available on the organizations' websites. The Annual Report of Ålandsbanken includes a comprehensive report on the sustainability work carried out within the Bank.

An account of the work done within sustainable investments in connection with the funds of Ålandsbanken Funds Ltd. is included in the Fund Management Company's annual sustainability report.

## 9. Changes and updates

Ålandsbanken shall ensure that all information published on its website in accordance with this Policy is up to date.

The information may be updated in connection with, for example, regulatory changes or when market practices related to sustainability are developed further. Upon making changes, clear explanations regarding the changes made shall be published on the Ålandsbanken website.

## 10. Compliance and follow-up

The compliance function shall oversee the development of sustainable investment work and utilize risk analysis to identify any deficiencies or risks for deficiencies in the Bank's compliance with the regulations that apply to this area. If needed, related information will be disclosed to the Bank's Board of Directors in the Compliance report.

The ESG committee of the Bank functions as an advisory organ in questions related to responsible investments within the Bank. The committee holds regular meetings and reviews this Policy at least once a year.