

Sustainable investment principles

Published 02/2025



Contents

Introduction: Sustainable investment principles.....	1
Investment mandate.....	2
Sustainability and responsibility in investment practices	3
Scope and governance	3
ESG assessment and management.....	3
Negative and positive screening	4
Thematic investing.....	4
Active ownership and engagement	5

Introduction: Sustainable investment principles

Finnvera is a specialised financing institution fully owned by the government of Finland and operates under direct supervision of the Ministry of Employment and Economic Affairs. Finnvera provides loans and guarantees in domestic market as well as export credits and guarantees regarding financing of exports. As the official Export Credit Agency (ECA) of Finland Finnvera grants guarantees against political and commercial risks associated with the financing of exports. Finnvera's goal is to ensure that by the means of financing, it supports both locally oriented businesses and export driven companies, thus strengthens the Finnish economy.

Finnvera's strategy has four objectives:

- Export promotion
- Growth and internationalisation
- Customer experience and partnerships
- Digitalisation.

Sustainability and its aspects, climate change mitigation, environmental and social responsibility as well as financial responsibility are the basis of the strategy. Efforts to mitigate climate change have been underlined more strongly than before.

State ownership guidelines require that state-owned companies follow general responsibility principles and agreements. According to the guidelines Finnvera among other initiatives pursues United Nations Guiding Principles on Business and Human Rights (UNGP) and follows UN's Global Compact initiatives to develop its responsibility targets and metrics. In addition to these company level principles and objectives Finnvera's treasury function's sustainability investment principles are designed to complement these upper-level guidelines regarding sustainable financing.

Investment mandate

Finnvera is a frequent issuer in international debt capital markets. Debt is explicitly guaranteed by the state of Finland and holds Aa1 and AA+ ratings from Moody's and Fitch, respectively. The strategic funding currencies are EUR and USD. In addition to long-term funding operations Finnvera maintains adequate liquidity portfolio to orderly meet its payment obligations.

Treasury's liquidity investment portfolio is composed of fixed income instruments issued by sovereign and sub-sovereign issuers in addition to financial and official institutions from OECD countries. Supranational development banks domiciled in non-OECD countries are analysed and approved on case-by-case basis. Minimum rating requirement for long-term investments is A- or equivalent from external credit rating agency. Limited share of investments are short-term securities issued by Finnish corporates.

Company's risk appetite framework sets standards for overall investment framework. These limits relate to liquidity and market risks together with counterparty and credit risks. Due to conservative approach, liquidity investment portfolio's primary objective is to maintain adequate liquidity buffer and preserve capital, and secondary contribute to the net interest margin (NIM) to the extent annually set in treasury's investment plan.

Low risk, conservative profile of the investment mandate supports the sustainability and capital preservation targets. However, sustainable and responsible investment principles are intended to bring ESG more explicit part of treasury's investment practices.

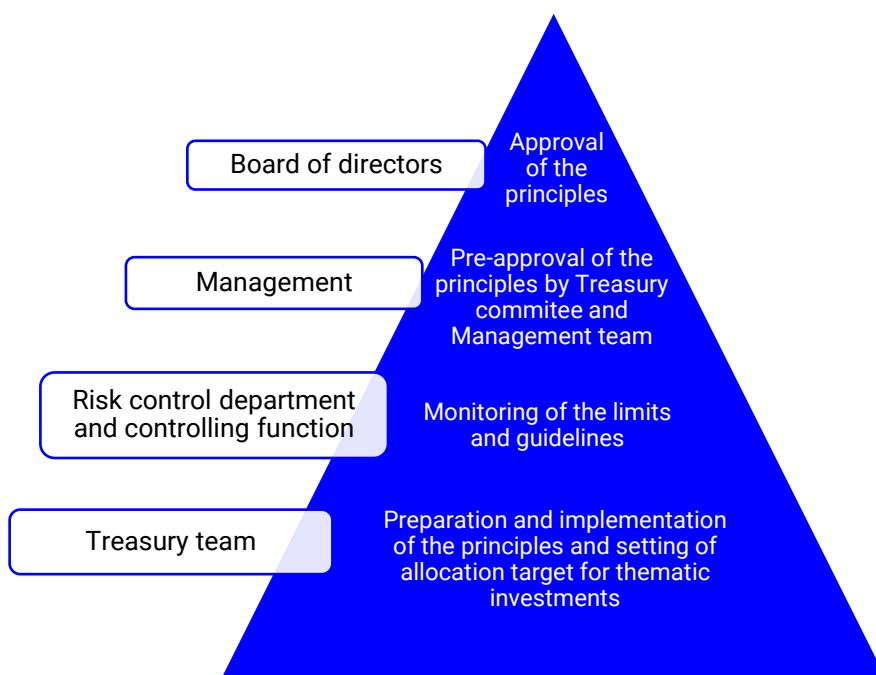
Sustainability and responsibility in investment practices

Scope and governance

It's under responsibility of Finnvera's treasury team to draft the sustainable and responsible investment principles. The scope of the principles covers liquidity portfolio's long-term investments. Bank deposits and short-term money market securities are excluded. Bulk of the short-term investments are commercial papers issued by Finnish municipalities.

The principles are pre-approved in Treasury committee after which they are approved by the board of directors on annual basis. Treasury team implements the principles into operational activities and sets a target allocation for thematic investments that is reviewed and approved by the board annually.

As a part of treasury's asset and liability plan, annual investment plan is drafted in accordance with all liquidity and capital preservation requirements as well as return targets. The plan must be aligned with any risk limits and sustainability metrics and targets. Treasury team together with company's risk control department and treasury controlling functions ensures that these limits and guidelines are followed in investment decision making process.



ESG assessment and management

Investment counterparties are approved by the treasury committee based on proposal of treasury team and endorsement of risk control department. In addition to traditional credit risk metrics, ESG related risks are required to be addressed. Finnvera does not apply any internal ESG risk rating for treasury investments but relies on publicly available information of counterparties and external ESG rating providers and forms an opinion of ESG risks on basis of available data.

Considering above requirements Finnvera acknowledges that availability of ESG ratings or ESG related data can be limited in certain occasions. For instance, local governments or authorities and counterparties fulfilling a public mandate can be classified as investment eligible subject to formal approval process.

Monitoring of investment counterparties' ESG risks is based on publicly available information and personal meetings with the counterparties. After discovering any breaches of Finnvera's investment policy requirements or elevated ESG risks without any corrective measures been taken by counterparties, this will be brought to treasury committee's attention that decides further actions after consulting treasury team and risk control department. Following measures can include the sale of current investments or holding them but refraining from any new investments in the counterparty in question.

Negative and positive screening

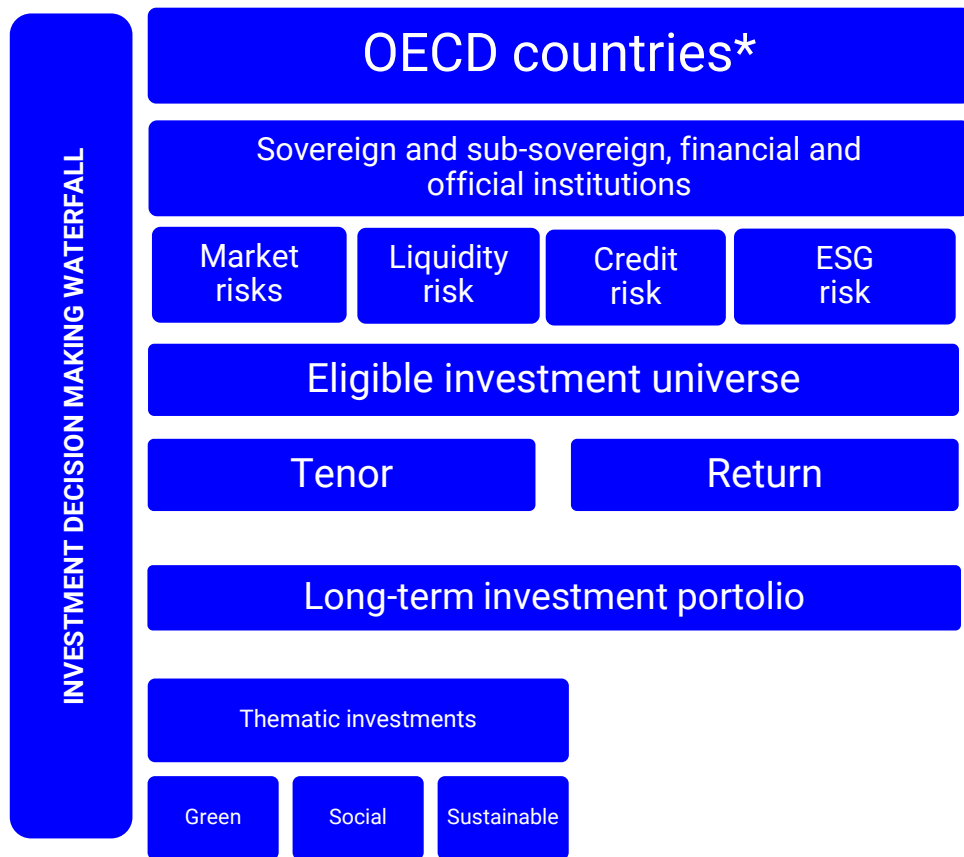
Stability and predictability are important factors to ensure continuity of liquidity investment operations. In addition to supranational development banks meeting investment eligibility criteria, by limiting investment universe to counterparties domiciled primarily in OECD countries sets a reasonable basis on this requirement. Sustainability and responsibility aspects are built on this fundamental element and at sector level treasury has adhered to any company level restrictions regarding industry limitations. These limitations refer to coal-fired power plants, coal firing and infrastructure projects in the sector, foreign peat power plant projects, oil and gas industry, in addition to gambling and adult entertainment industry. Treasury also refrains from any investments to sectors or companies that cannot be categorized as responsible or sustainable regarding society in general, human rights, work life, environment, or anti-corruption activities.

In addition to limiting certain sectors outside of the investment mandate treasury aims to overweight investments that are considered better than average from ESG risk point of view. The target is to find an allocation that yields highest possible return with allowed level of ESG and credit risk.

Thematic investing

Besides adopting rather holistic approach to ESG, thematic investing has been implemented a tangible part of liquidity management. In Finnvera thematic investing refers to investment approach exploiting underlying trends regarding social responsibility and climate change. According to this principle certain share of long-term investments is allocated to green, social and sustainability bonds (use of proceeds approach). Bonds carrying the label and counted to the allocation must be aligned with International Capital Markets Association (ICMA) principles or EU Green Bond Standards and have a second party opinion.

Thematic investments are conducted as a part of general liquidity management operations and investments holding the label must fulfill other investment characteristic requirements as well. Given this, target allocation for thematic investments is set by the treasury team and is reviewed and approved by the board annually. Current target range is 25–30% of long-term investments.



*In addition, supranational development banks domiciled in non-OECD countries meeting investment eligibility criteria

Active ownership and engagement

As a debt investor, Finnvera has a limited capability for active ownership or engagement. However, Finnvera aims to promote sustainability and responsibility in financing and capital markets in general. Dialogue with investment counterparties and other stakeholders, following best practices of sustainable financing and key trends and developments in capital markets are core areas to focus on.

 **FINNVERA**

www.finnvera.fi