Sustainability risk policy

March 2021

Basic information of the document

Purpose	To describe Taaleri Plc's view on different sustainability risks, how they are considered in different businesses, and which methods are used to manage sustainability risks.
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Sustainability risk policy

Introduction

Taaleri views sustainability and responsibility as essential factors in both risk management and creating potential financial profits now and in the future. This policy aims to describe Taaleri Plc's view on different sustainability risks, how they are considered in different businesses, and which risk management methods are used to manage sustainability risks.

Together with our customers and partners, we strive to promote effective investment activities by implementing financially profitable projects that positively impact the environment and stakeholders. We want to be a frontrunner in impact and ESG investing. By impact investing, we mean investing that actively promotes solutions to key sustainability and responsibility issues in addition to good financial returns. We promote impact investing by providing our clients with innovative and impactful investment options related to topics such as climate change and sustainable development. In addition, as part of our operations, we consider the ESG factors of investments, i.e. in regard to the environment, society, and governance. In addition to ESG integration, our sustainability investment strategy includes strategies for owner engagement, exclusion, and thematic investment.

Taaleri's Code of Conduct and sustainability principles guide our businesses. Taaleri's business segments work sustainably and comply with good governance and the principles of responsible investment in all of our operations. The implementation of responsibility and sustainability is supported by business-specific policies and guidelines.

Sustainability risks

Sustainability risk means an event or circumstance relating to the environment, society, or governance, of which the occurrence may have an actual or potential negative material impact on the value of the Taaleri Group, or the investment products it offers. Sustainability risks can realise in the short, medium, or long term.

Taaleri strives to minimise the negative impacts of sustainability risks on the Group, its stakeholders, and the surrounding society in its operations. We examine the market environment from a risk perspective, but we apply special emphasis on analysing market opportunities. We make our investment decisions based on economic factors, the potential for positive impact, and sustainability assessment. We aim to provide investment products and wealth management services to contribute to sustainable development by reducing the negative impacts of sustainability risks and exploiting opportunities to make a tangible positive contribution to sustainable development.

The diagram below shows examples of sustainability risks and ESG factors that affect our operations, and that we account for in our investment decisions. We seek to identify the negative external impacts of potential investments and avoid investments with unacceptable negative consequences. We aim to favour investments that have positive external effects on both the environment and society. We believe that investments have significant potential to deliver economic value while steering markets towards a more sustainable future.

THE ENVIRONMENT (E)	SOCIETY (S)	GOVERNANCE (G)
• Climate change • Extreme weather phenomena • The sustainable use of natural resources • Biodiversity • Environmental well-being • Pollution and contamination • Habitats and organisms	• Human rights • Data security • Diversity and equality • Product safety • Employee well-being • Child labour • Workers' rights	• Ethics • Transparency • Corruption • Diversity of management • Management's remuneration and incentives • Monitoring and controls • Compliance

Figure 1 Examples of sustainability risks and ESG considerations in investment decisions

Sustainability risks related to environment

Sustainability risks related to the environment can be of physical or transitional nature. Climate change causes physical risks that have an economic impact due to extreme weather phenomena becoming more frequent and the climate gradually changing. Climate change enhances environmental degradation such as air, water and soil pollution, drought, biodiversity loss and deforestation. Transitional risks are the risks that arise in the transition towards a lower-carbon and environmentally sustainable economy. Transitional risks can relate to, for example, climate or environmental policy decisions, technological developments, or changes in market confidence and demand patterns.

In all our investment decisions, we consider sustainability risks related to the environment, but also the financial and impact opportunities, for example, through the six environmental objectives of the EU's Sustainable Finance Regulation. The environmental objectives are mitigating climate change, adapting to climate change, protecting water and marine resources, promoting a circular economy, preventing pollution, and protecting ecosystems and biodiversity.

Sustainability risks related to society

By sustainability risks related to society, we mean activities that impact individuals and the society. For example, a company's activities can, directly and indirectly, impact stakeholders such as its staff, customers, suppliers, local communities, and NGOs. Societal and individual sustainability risks may relate to such topics as human rights, workers' well-being, and working conditions, or child labour.

Regarding sustainability risks related to society, we consider the minimum safeguards as defined in the EU's Sustainable Finance Regulation. In addition, we look at sustainability risks associated with society through economic opportunities and impact.

Sustainability risks related to governance

Sustainability risks related to governance cover a range of factors from internal operations, operating models, and management. For example, ethical conduct, transparency, and compliance with standards and agreements create the conditions for action and are essential for managing environmental and societal sustainability risks.

Regarding sustainability risks related to governance, we consider the minimum safeguards as defined in the EU's Sustainable Finance Regulation. In addition, we look at sustainability risks associated with governance through economic opportunities and impact.

Sustainability risk management, monitoring, and reporting

Sustainability risks are managed through compliance with international environmental and social standards, norms, and regulations. We are committed to following the laws, regulations, and official orders of all countries we operate in. Complying with laws and operating sustainably and ethically are the cornerstones of our business. In addition to local laws and regulations, we are committed to observing internationally recognized human rights, as defined in the UN Universal Declaration of Human Rights and the basic standards of the International Labour Organisation (ILO). We also comply with other minimum safeguards under the Sustainable Finance Regulation.

In addition to international and national standards and norms, investment sustainability risks are managed through various quantitative and qualitative analyses, continuous monitoring, as well as guidelines and policies that aim to prevent risks from realising. In each business, investments are analysed from an ESG perspective, including sustainability risks from environmental, societal and governance perspectives.

ESG considerations are considered throughout the investment's life cycle; risks are monitored and responded to when necessary. The essential tools include various pre-investment analyses and studies, monitoring and tracking investees, reporting on investees, training, preparing guidelines and discussions with our investees, clients, stakeholders, and partners. The analysis, monitoring and tracking of investments are based on quantitative and qualitative analysis, studies and data by external service providers and openly available data.

Reporting is an essential part of transparency, and we are constantly improving our reporting on the ESG factors and sustainability risks of investments. Business-specific sustainability risk management, monitoring tools and reporting practices are described in more detail in Taaleri business areas' ESG policies.

Sustainability risks, and opportunities for positive impact are identified in the Taaleri Group's and business segments' annual risk mapping and are a part of the business areas' daily risk management and ESG work. Through their own actions and work, each employee is responsible for ensuring compliance with the guidelines and policies that have been established. Employee remuneration considers how an individual's performance has met or complied with established policies and guidelines on sustainability principles and risks and individually set ESG targets. Each business segment also has designated individuals involved in the development of the Group and the segments' development from a responsibility and sustainability perspective. Designated employees meet regularly in a workgroup that reports progress and development proposals to the Executive Board.

We are continuously developing our understanding of the sustainability risks associated with our operations and our sustainability risk analysis. In addition, we monitor the sustainable finance regulation and general market development regarding sustainability and best practices, and we assess how we integrate these into our operations and risk management.