RESPONSIBLE INVESTMENT 2022

RESPONSIBILITY FOR INVESTMENTS

Keva's responsible investment highlights in 2022

62.2
bn EUR
investment assets at 31 Dec 2022

3.9%
return on investments over 10 years (real return excluding capital weighting)

4.9%
return on investments since funding began in 1988 (real return without capital weighting)

Attendance at
9,016
general meetings

98%
attendance rate at general meetings

131,098
votes cast in general meetings

611
goal-oriented engagement projects in equity and corporate bond investments

153
engagement projects relating the environment (E) theme

57
engagement projects relating the social (S) theme

401
engagement projects relating the governance (G) theme

-54%
in CO_2 emissions derived from energy use in our direct real estate investments compared to 2018

Chief Investment Officer's review

The basis for Keva's responsible investments is securing the long-term solvency of current and future pensions, with the investment return on pension assets playing an increasingly important role in the coming decades. The management of intergenerational pension commitments requires the continuous assessment of investment risks and opportunities in the long term from the sustainability perspective this includes reviewing environmental, social and governance risks. These criteria are integrated into our investment decision-making process and help to ensure better investment decisions.

In 2022, investors were faced with increasingly complex and multidimensional challenges. Russia's war on Ukraine, the threat of energy shortages, rapidly accelerating inflation and the pandemic increased uncertainty in the global economy.

Different events and actions can be inter-connected in surprising ways, and there are often no clear or easy answers. This is why a consistent and long-term investment approach is essential in such an operating environment.

> Managing intergenerational pension liabilities is at the centre of Keva's responsible investment.

Continuity is the foundation of our investment policy

Our investments are governed by the investment beliefs approved by Keva's Board of Directors. These beliefs apply to responsible investment and investment in general. They also ensure that we can fulfil our mission. The past year has demonstrated that our policies can withstand the test of time and address the ongoing changes in the world. For global investors like Keva, the challenge is to look ever further when it comes to investment horizons and opportunities.

In addition to our own investment professionals, Keva's assets are managed by a global network of well of 100 asset managers to whom over 70% of our assets have been outsourced.

Their in-depth understanding of investment opportunities and long-term profitability serves as the foundation for responsible investment decisions. We work closely with our carefully selected fund managers to ensure we can meet our investment targets successfully. This cooperation also enables us

Photo: Keva/Paavo Pykäläinen

CIO Ari Huotari

to get a wide understanding for the opportunities and challenges of responsible investing.

Understanding impacts of climate change is key
Information management continues to be a growing challenge in responsible investing. Every day the responsible investment community is creating new topics and talking points that require careful assessment and evaluation. For investors this proves a challenge to stay on top and deepen their understanding of critical long-term factors like climate change from the perspective of investment returns.

In recent years, we have sought to increase our understanding of climate change as a phenomenon, as well as its impact on our investment portfolio. With the help of climate scenario modelling, we have been able to increase our understanding incrementally and consistently.

We have also improved our understanding future energy solutions – both in terms of their underlying rationale and broader societal impact. We believe that energy economics will continue to play an increasingly significant role in responsible investment.

Active ownership builds on active engagement
Keva's active ownership focuses primarily on engagement with investee companies and voting in annual general meetings. We also work together with our investment managers and other investors to implement our active ownership. In the past year, Keva and its external investment managers voted on more than 130,000 proposals in approximately 9,000 general meetings globally.

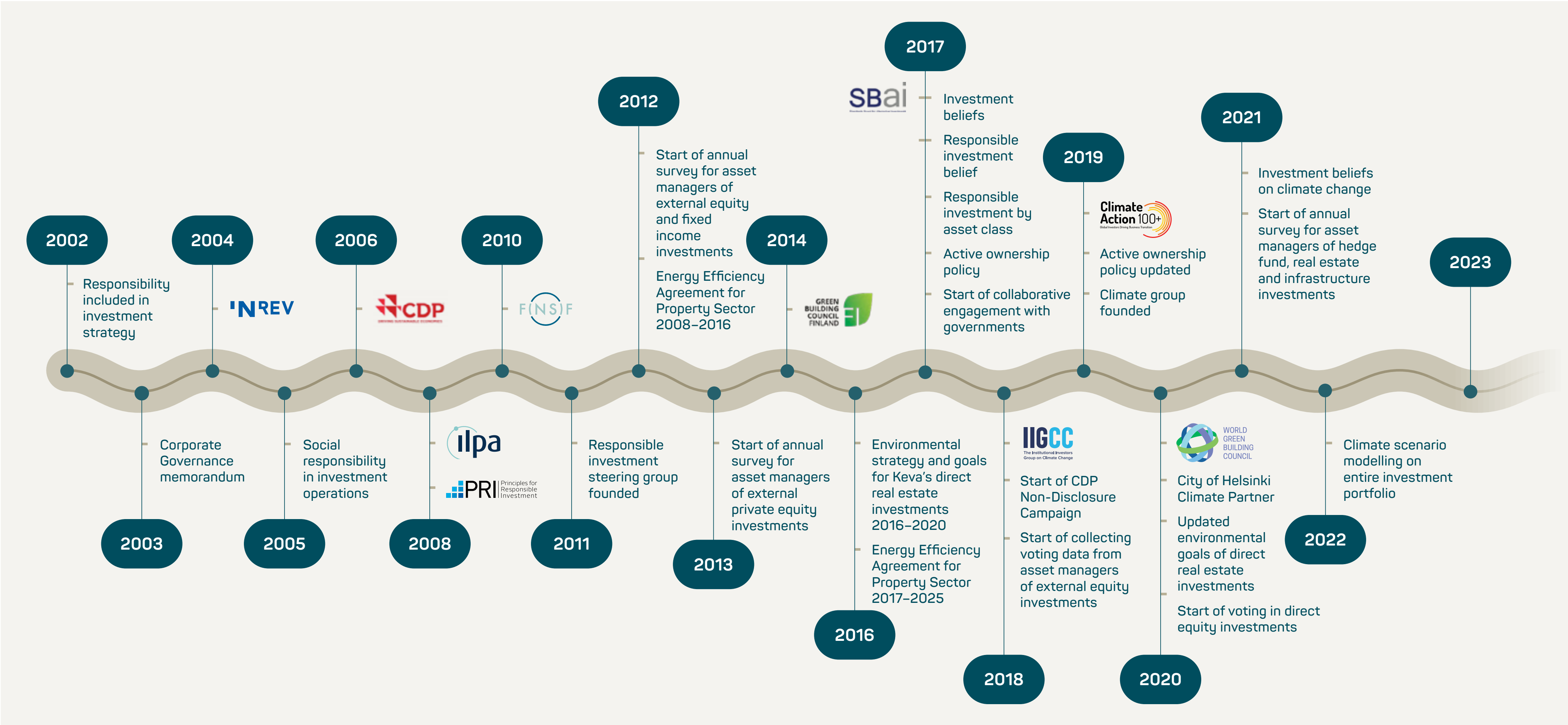
Engaging with companies can many times span over several years. We monitor the engagements that our investment managers are involved in.

According to our survey focusing on engagements, the investment managers working for Keva reported nearly 600 engagements pushing for change in almost 400 investee companies.

The most important engagement themes were issues concerning the investee company's board of directors, the development of sustainability reporting and disclosure and greenhouse gas emissions. The biggest challenge was making sure that our engagement projects bring about concrete and lasting change.

Photo: Shutterstock

Progress in responsible investment at Keva



Interview with Head of Responsible Investment Kirsi Keskitalo: Cooperation and exchange of information with asset managers is growing in importance

Slightly more than 70 percent of Keva's investment assets have been outsourced to a global network of asset managers, with the continuous development of cooperation with external asset managers being a key priority.

According to Kirsi Keskitalo, Head of Responsible Investment, regular monitoring of asset managers is central to the implementation of Keva's responsible investment.

"By monitoring our external asset managers, we ensure that they are acting in line with our responsible investment policy. We can also assess if their responsible investment practices have a concrete effect on our investments," says Keskitalo.

Careful selection of asset managers

One of Keva's strengths is its international network of asset managers, which offers a broad range of expertise in different investment categories and perspectives. One person does not need to be master of all investment topics and themes.

"Different areas of expertise and competencies promote joint learning, as cooperation and information sharing play an integral role in ESG investing," says Keskitalo.

Cooperation with external asset managers is based on a long-term partnership, trust and transparency. Asset management partners are rigorously vetted before they can join Keva's asset manager network.

"We believe that it is essential that asset managers share our investment beliefs. Of course, we also have fiduciary duty to monitor them," says Keskitalo.

Investors are interested in the data collected by asset managers

Keva collects a significant amount of data related to responsible investing annually, as more than a hundred asset managers report on their activities.

When it comes to the implementation of active ownership, the principal data sources are voting at general meetings and investor engagement.

"We collect data on voting in general meetings, as well as ongoing investor engagement projects. We carry out an annual survey asking for details on the engagements our investment managers have been involved in and the success of the engagements, as well as about ESG themes in general. These surveys are conducted by us or in cooperation with our partners. At the same time, we review the asset managers' own sustainability reports and publications related to responsible investing," says Keskitalo.

"While we have a lot of information at our disposal,

Photo: Keva/Paavo Pykäläinen

Head of Responsible Investment Kirsi Keskitalo

we are constantly improving our data collection and processing capabilities. In the past year, for example, we renewed our survey for real estate fund and infrastructure investments, an asset class in which ESG data is more dispersed than in listed asset classes. Simply put, we need to use data more efficiently to support investment the work our investment professionals do."

Engagement instead of exclusion

Keva's responsible investment beliefs does not exclude any investments as a rule. The exception to this general rule is controversial weapons, which are prohibited according to international agreements, and which are excluded from all of Keva's equity

Climate metrics are continuously evolving. Monitoring and evaluating them is a key development focus at Keva.

and corporate bond investments. At year-end 2022, 48 equity investments and 69 corporate bond investments were excluded based on this exclusion policy.

"We monitor compliance with international conventions amongst our investees. Our norm-based assessment of our investments utilize data produced by an external service provider in listed equity and fixed income investments. We are also expanding our monitoring capabilities to other assets classes," says Keskitalo.

Understanding the effects of climate change is critical

Climate change and its effects continue to require a multifaceted approach to learning and development work.

The monitoring and assessment of climate indicators is one of the principal development areas in Keva's responsible investment. As climate change indicators are constantly changing and evolving, understanding their importance is a long-term undertaking that involves the continuous refinement of concepts and tools.

"We are constantly working to increase our understanding of how climate change affects our investments. With the help of a new climate scenario analysis tool, we can better understand how the impact of climate risk can be modelled effectively," says Keskitalo.

Keva's climate group sets a new course

Since 2019, Keva's internal climate group has included experts in portfolio management, investment strategy and responsible investment. The group enhances learning inside Keva, helps investment professionals understand climate change more effectively, and shares best practices from different sectors and industries.

"Our climate group revised its focus last year. This means that we are expanding our knowledge of technologies needed to combat climate change. For instance, we organized two seminars on the role of new green technologies in the global energy transition," says Keskitalo.

In spring 2022, Jero Ahola (LUT University) and Janne Peljo (Confederation of Finnish Industries) spoke about the current state of global energy production and future technologies. They also discussed how the global transition to renewable sources of energy creates opportunities and challenges.

In November 2022, Antti Arasto, Vice President, Industrial Energy and Hydrogen at VTT, Outi Ervasti, Vice President, Renewable Hydrogen, Neste, Harri Leppänen, Head of EHS at SSAB, and Herkko Plit, Founder and CEO at P2X Solutions Oy, were invited to discuss the opportunities and challenges of hydrogen technology.

This year's climate group topics include electrical power systems and power storage, as well as the minerals and materials behind many clean energy technologies. The group will also discuss the challenges of adapting to a warmer climate.

Long-term development projects

In 2023, Keva's ongoing development projects within responsible investments will continue to focus on data management and climate change modelling.

"We are developing our data processes, so that we can make even smarter use of data in terms of analysis and collection. We are also trying to better understand our asset managers' engagement efforts and results. Development projects are iterative and time consuming: because the world is always changing, development needs must be assessed regularly," says Kirsi Keskitalo.

Interview with Tommi Moilanen, Head of Investment Strategy at Keva: Modelling a deeper understanding of the effects of climate change on investments

Keva uses forward-looking probability distribution modelling to assess investment returns and key economic indicators such as economic growth and inflation from the perspective of pension liabilities. A third-party ALM simulation software continues to be Keva's preferred platform for creating modelling tools. In autumn 2022, Keva expanded its modelling capabilities to include the effects of climate change.

The primary objective of climate scenario modelling is to improve our understanding of climate change as a phenomenon as well as its effect on investment return and risk.

Tommi Moilanen, Head of Investment Strategy at Keva, is responsible for the development of scenario modelling at Keva.

"We begin by creating a base model for a set time span with no climate risk component. We use climate modelling to learn how our basic model would change in terms of economic growth, inflation and investment returns. This requires that we introduce to the base model certain assumptions about the economic impact of climate change and the impact of efforts to combat climate change," says Moilanen.

Three models, one purpose

The Keva climate model considers three alternative futures or scenarios. These scenarios differ significantly when it comes to estimated rise in greenhouse gas emissions and global mean temperature.

- First scenario: we effectively limit global warming to 1.5 °C and the world is carbon neutral by 2050.
- Second scenario: we effectively limit global warming as in the first scenario. However, the impact of our efforts to combat climate on financial markets is not gradual but sudden and is greater than the effect of economic growth as such.
- Third scenario: We fail to combat climate change and the climate warms by 4 °C.

Climate scenario model

In climate modelling, the basic model is augmented with two separate models. An empirical macroeconomic model is used to describe entire economies, energy production and consumption and trade. It also simulates the productivity effects of climate change and the transition effects of policy choices and technological development (e.g. the cost impact of emission allowances on energy production).

The second model is used to model the effects of extreme weather phenomena in a form that can be priced effectively. When the data from these two models is combined with the sensitivity data included

Photo: Keva/Paavo Pykäläinen

Head of Investment Strategy Tommi Moilanen

in the base modelling (e.g. how the stock returns of a certain country depend on changes in its GDP), we have a clearer picture of the effects of the climate scenario on investment return.

Keva reviewed several modelling tools before selecting its current modelling platform for climate scenarios. According to Moilanen, the current climate scenario model was chosen in autumn 2022, largely because the base model on which the new models are built has been in use in Keva for a long time and is well understood.

"Based on the results from our pilot climate modelling project, we also learned that a top-down modelling approach would probably meet our immediate needs more effectively. This type of modelling gives us a theoretical idea how climate risks impact our entire investment assets," says Moilanen.

According to Moilanen, the modelling solution used in an earlier pilot project was better suited for the analysis of individual companies and could not easily be scaled to include Keva's entire investment assets. The new model provides the same level of information on sector and company levels. This also enables a company-level analysis based on sector classification.

Investors can choose between different modelling climate scenarios.

Systematic work is challenging yet rewarding

The first climate modelling using the current tool was carried out in the autumn of 2022. Project teams made up of investment professionals are primarily responsible for climate modelling work at Keva.

"We converted data from our portfolio into a form the climate model could understand. Then the third-party software supplier used the latest climate modelling to create climate scenarios for our investment portfolio. Concurrently we organized several methodology workshops, which helped our project teams to obtain a basic understanding of climate modelling. In December 2022, we received the first two sets of reports: one focusing on the background and general economic content of the climate scenarios, and the other specifically on our investment portfolio," says Tommi Moilanen.

One layer at a time

According to Moilanen, the results of the model can be described as a logical progression. For example, the model shows the changes in the GDP growth trajectory of different countries in relation to the baseline trajectory for different climate scenarios. It also shows how this change is segmented into transition and physical risks. Moreover, the model can be used to determine the return effect for different investment categories in the portfolio.

The resulting numerical data, however, requires in-depth analysis before it can be used.

"We have been studying climate modelling systematically for several years now. For instance, we already know where we should make changes to the data used in modelling. Our goal has always been to achieve informative results," says Moilanen.

According to him, it is still too early to say how the climate model results will be used in investment decision-making.

"As the model is relatively complex, we need to understand how it works. The time for conclusions will come later," says Moilanen.

"I would describe our work with climate scenarios as the same as peeling an onion or opening a Matryoshka doll: with every level in the model, we find a new level that requires a detailed analysis before we understand how the model generates results consistently from start to finish. We have made good progress, but there is still way – or layers – to go."

Listed equities

Keva's listed equity investment programme offers a diversified exposure to the global stock market. At year-end 2022, the portfolio was valued at EUR 26.7 billion, comprising a total of 48 investment strategies and approximately 7,000 stocks. a significant part of the portfolio is managed by external investment managers.

Shareholders can often have a significant say in how companies are run. The most important ways to implement responsible investing are voting in annual general meetings, targeted conversations with corporate management and ESG analysis integrated into the investment approach.

Direct equity investments

ESG is an integral part of our investment processes, and we use industry-specific assessment criteria and practices to evaluate its implementation in investee companies.

Our sources of information include analysis and data provided by ESG service suppliers, securities brokerage firms and the investee companies.

In 2022, we met with 98 percent of our investee companies. We also attended the capital market days of many of our investee companies and followed up on corporate management through company interim results and seminars.

ESG issues are regularly brought up in our meetings with corporate management. Companies are increasingly aware of investor interest in ESG and are incorporating ESG practices into their operations and reporting more effectively than in the past.

In 2020, we began voting in annual general meetings gradually according to our principles of active ownership. In 2022, we voted in 100% of annual general meetings. This percentage figure is presented later in this report aggregated with other voting data.

Norms-based screening is applied to companies in our portfolio and to companies under consideration to be included. We receive automatic notification if a company is in breach of the UN Global Compact. In 2020, no breaches were recorded in our direct equity portfolio.

Cooperation with asset managers

Cooperation with our asset managers is based on a long-lasting partnership, trust and transparency. Keva's external investment managers represent different investment styles and regional market expertise. They, however, share a common goal of generating excess returns dependent on independent research focusing on the long term. Rigorous vetting is used to select our external asset managers. We also expect our investment managers to share and act according to the same investment beliefs as Keva.

At year-end 2022, our outsourced investment portfolio compromised 42 active strategies and 5 passive index strategies. Some of the passive strategies follow ESG indexes in Europe and emerging markets. We connect with our investment managers on a regular basis. In 2022, we met with asset managers more than 60 times and ESG themes were brought up in our conversations almost without exception. Topics discussed in these meetings are among other things the company engagements the investment managers are involved in, deepening our understanding of carbon footprint analysis and biodiversity as an emerging topic of interest.

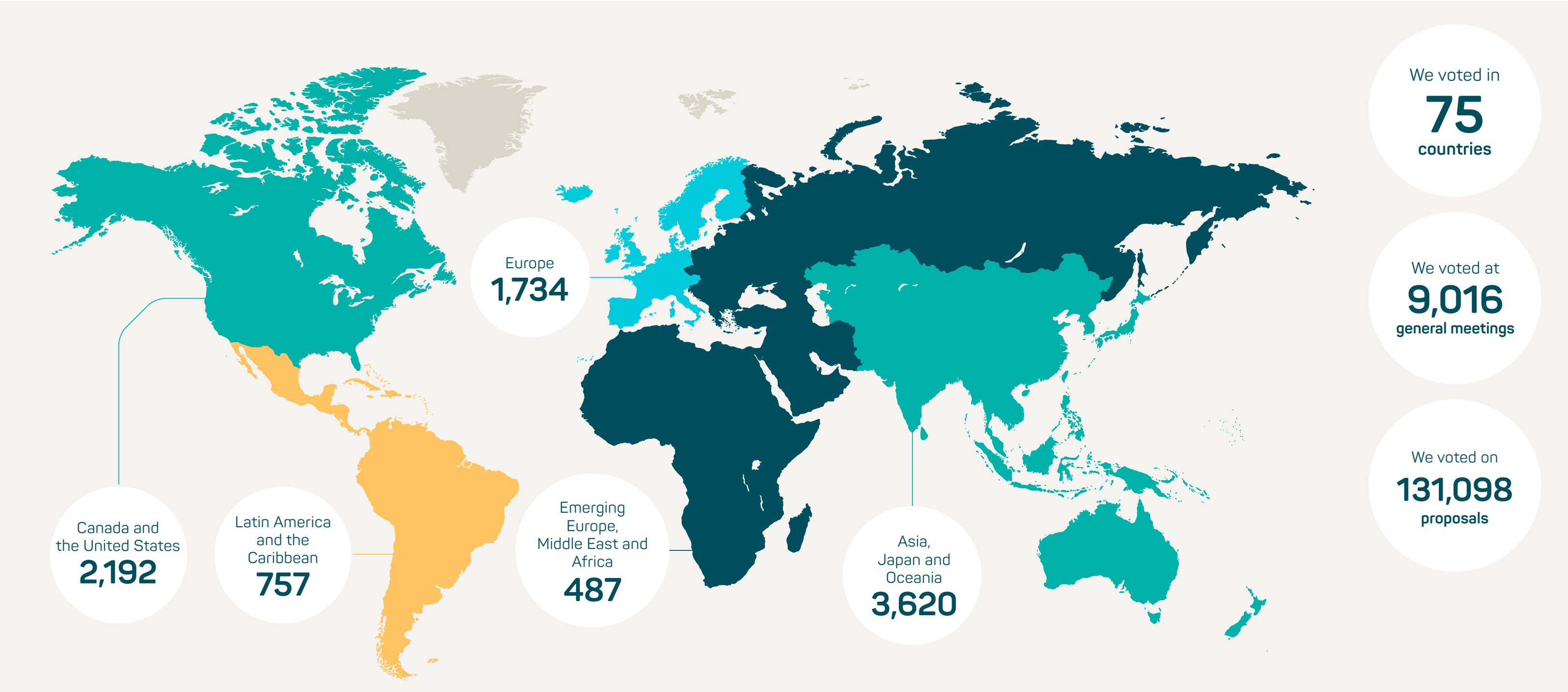
Nearly all of Keva's external asset managers joined in one or more responsible investment project or network. Of these, the most common are PRI and TCFD. In 2022, more than 50% of our external asset manager took in part in the Net Zero Asset Manager project, which is a significant increase over the previous year.

We monitor the implementation of international norms in outsourced investment portfolio at regular intervals.

Voting in general meetings

In 2022, Keva and its external investment managers voted in more than 9,000 general meetings globally. This represents a participation rate of 98 percent. Keva voted on more than 130,000 proposals, of which 78% were in favour and 18% against. Most of the negative votes involved issues concerning the investee companies' board of directors or compensation policies.

General meetings by geographical location



The reported information on voting is based on information provided by voting service providers and custodians. The passage of votes in general meetings includes a certain level of uncertainty. We are cooperating with service providers to improve voting processes and to ensure that our votes are registered.

General meetings by region and distribution of votes given

Region	Number of general meetings	Number of general meetings attended	Attendance rate %	Number of proposals	For %	Against %	Other* %
Africa	126	125	99	2 948	85	15	0
Asia	3 868	3 846	99	41 547	81	18	1
Canada and United States	2 197	2 192	100	26 344	69	21	10
Emerging Europe	188	176	94	3 792	58	26	15
Europe	1 816	1 734	95	42 759	86	14	1
Latin America and the Caribbean	770	757	98	10 539	72	23	5
Middle East	192	186	97	3 169	69	7	23
All	**9 157**	**9 016**	**98**	**131 098**	**78**	**18**	**5**

*The category includes meeting proposals where voting was neither clearly in favour nor against..

The annual ESG survey and purposeful engagements

In addition to voting, we engage with investee companies through active dialogue and other forms of communication. Our external asset managers play a vital role in this interaction.

In 2022, our asset managers were involved in approximately 600 engagements targeting some 400 companies, according to our annual ESG survey. The key themes raised at the aggregate equity portfolio level were issues concerning the investee company's board of directors, the development of sustainability reporting and disclosure and greenhouse emissions. Compared to previous years, most of the engagements focused on capital allocation, sustainability reporting and disclosure and engagement projects concerning greenhouse emissions.

The results are based on Keva's annual ESG survey for internal and external strategies, which were part of Keva's investment portfolio at the end of 2022. The figures apply to reported engagements. In 2022, the ESG survey was improved to focus on engagement projects committed to bringing about positive change. This explains the decrease in number of engagements to previous years.

CASE

Our asset managers investing in emerging markets have encouraged more portfolio companies towards comprehensive CO_2 emission reporting. For example, one of our portfolio companies, an Indian e-commerce business, has implemented a year-long engagement process for climate change and sustainability reporting, which has included meetings, phone calls and e-mails. In its 2022 annual report, the company published Scope 1 and 2 emissions and committed to emission reductions. The company also announced that it has reported to CDP for the first time.

Engagement themes vary considerably between regions. In emerging markets, key engagement themes focused on governance and greenhouse emissions. In Japan, the focus was on the development of sustainability reporting and disclosure and capital allocation. In Europe, emphasis was on good governance practices – especially compensation and corporate board-related issues. In the U.S. compensation was key engagement themes. Greenhouse emission was the biggest engagement theme globally.

CASE

For three years, our Asian small cap asset manager talked to a Singaporean luxury watch retail chain about diversity and inclusion. The manager encouraged the company to appoint a female member to its board of directors. At the most recent general meeting, the first female member, who is also independent of the company, was finally elected to the board.

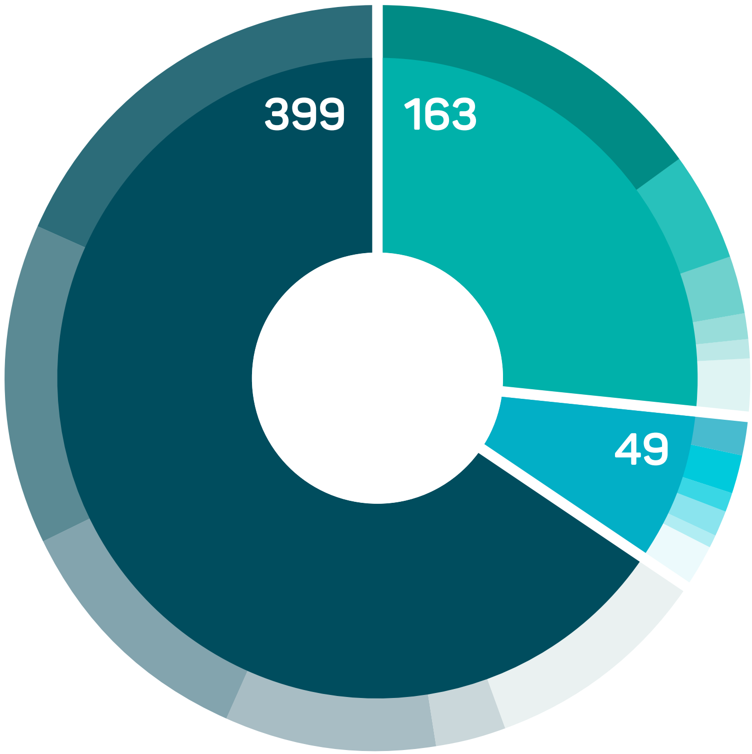
Around half of the engagement processes have lasted for less than a year and nearly 40% from one to three years. However, a small number of cases have continued for more than five years. Direct communication with the investee company was by far the most popular type of engagement, with responsibility and investment relations personnel from the investee company often being on the opposite side of the table. Top management was also included in the engagement process nearly as often as middle and lower-level management. Most engagement projects involve company representatives from several business units or divisions, including experts, top management, and members of the board of directors.

CASE

The asset manager of our sustainability portfolio talked to a European company specializing in the refining and recycling of precious metals about the company's bid to reach carbon neutrality. The asset manager also wanted to get an understanding on how the company was taking measures to protect biodiversity. The company's ambitious climate goal was to be carbon neutral by 2035. Carbon sequestration and storage as well as renewable energy purchase agreements were considered effective means to reach this goal.

The company is committed to reducing carbon offsetting and is finalizing its Scope 3 goal. The company is still evaluating how best to measure

Main themes of engagement in equity investments 2022



Governance (G)

- Board related
- Capital management
- Sustainability reporting & disclosure
- Compensation
- M&A
- Other

Engagement cases **total 399**

Environment (E)

- GHG emissions
- Ecological impacts
- Water & wastewater management
- Waste & hazardous materials management
- Energy
- Other

Engagement cases **total 163**

Social (S)

- Labor practices
- Employee engagement, diversity & inclusion
- Human rights & community relations
- Product quality & safety
- Data security
- Other

Engagement cases **total 49**

This information is based on a survey of Keva's asset managers.
The figures apply to those engagements reported by the asset managers.

the impact of its operations on biodiversity, but the integration of more advanced biodiversity monitoring methods into decision-making is underway. The asset manager continues to monitor and support the company in its environmental commitments. In the coming year, there are plans to discuss how the company is promoting human rights in its subcontracting chain.

About one third of Keva's engagement projects reached its goal, with less than 10 percent failing. More than half of our engagement projects are still ongoing confirming the long-term nature of engagement. Typically for our investment managers engagement is done by the investment teams. For some investment managers they share the work with a specialized ESG team.

Climate change and carbon intensity

We are committed to developing our own climate analysis resources and capabilities.

Taking the impacts of climate change into account in investment decisions and portfolio risk management have increased, according to our annual ESG survey. Nearly half of Keva's equity strategies already report in line with TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and have conducted a risk analysis concerning the physical impacts of climate change. Nearly half of our strategies have set a climate transition target for their portfolios.

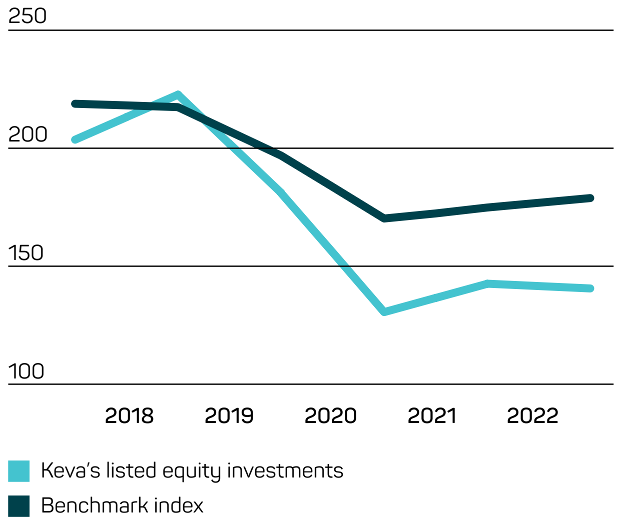
Keva uses climate change indicators in many ways. In most cases, our asset managers monitor carbon intensity and the absolute emissions. Forward-looking indicators are also in widespread use. These include the investee company's strategy and climate targets and the share of investee companies that have set science-based target for emissions.

We currently use Weighted Average Carbon Intensity (WACI) as the carbon metric which is also recommended by TCFD. The metric describes the portfolio's exposure to carbon-intensive investments using information from the latest financial statements, but provides no information about future developments. One might say that WACI provides a rough measurement of the risk posed to the portfolio at a particular point in time by carbon emissions trading and other regulatory risks.

In 2018–2022, the carbon intensity of all our listed equity investments decreased by 31% at the end of 2022 and was 21% lower than the benchmark index. The strategy change in our internal equity investments had a significant effect on this development during the monitoring cycle and reduced investments in resource-intensive sectors in the portfolio.

The emission calculations take into account the emissions produced by companies and the emissions of purchased energy (Scope 1 and 2 emissions). In addition to the direct emissions of investments, it is

Development of the portfolio-weighted carbon intensity in Keva's listed equity investments 2018–2022 compared to the benchmark index



tCO_2/liikevaih tCO_2/revenue USDm, scope 1+2 to MUSD, scope 1+2

During the monitoring period (2018–2022) the portfolioweighted carbon intensity of all our listed equity investments decreased by 31% and at year-end 2022 was 21% lower than the benchmark index.

Benchmark index: The benchmark index comprises the following indexes: MSCI Europe IMI, MSCI USA IMI, MSCI Emerging Markets IMI, MSCI Japan IMI and MSCI ACWI IMI

The formula for calculating weighted carbon intensity is:

$$\sum_{n}^{i} \text{Investment i portfolio weight} * \frac{\text{Investment i emissions}}{\text{Investment i net sales}}$$

important to consider the indirect emissions (Scope 3 emissions) of subcontractors and products. However, the correct reporting of this data is challenging. Keva is monitoring the development of Scope 3 data.

When examining the development of the portfolio's carbon intensity over time, it is important to consider how changes in country and sector weightings, share prices and the coverage of companies' reporting cause variation in measurement intervals. Carbon intensity requires long-term monitoring.

During the monitoring cycle (2018–2022), the portfolio's weighted carbon intensity of all our listed equity investments decreased by 31% and was 21% lower than the benchmark index at year-end 2021.

MSCI data is used to calculate the carbon footprint of listed equity investments. The calculation is based on EUR 22.8 billion in investment assets, with 98% data coverage. Of the data, 75% is reported by the companies themselves.

The reporting of greenhouse gas emissions by companies varies in frequency and quality. Emission data is usually reported in annual reports at the beginning of the next financial year. For instance, when examining a company's emissions data for 2022, the most up-to-date emissions data is available in the company's annual report for 2021, which is published in 2022. The emissions data used in this report comprises 70% data from 2021 and 26% from 2020. Combining the market value of investments at the end of 2020 with historical emissions data can also influence the calculation of carbon intensity. For instance, volatility in the market value of investments can affect the calculation of carbon intensity significantly.

We monitor the development of accounting and reporting standards such as TCFD and PCAF (Partnership for Carbon Accounting Financials) for measuring carbon footprint.

Photo: Folio Images

Private equity investments

Private equity investments are investments in unlisted companies. The return on private equity investments is to a large degree the result of active ownership. A private equity investor is often the majority shareholder in the investee company. This means that ownership steering plays a critical role in value creation. The company can be developed by streamlining business operations and recruiting key personnel, as well as through investment, financing, and acquisitions. The development of ESG issues is a natural part of company development and value creation.

We primarily make capital commitments in closed-end private equity funds that involve a long-term investor commitment. Keva's private equity portfolio is diversified by investment strategy, industry, geography, and vintage. At year-end 2022, the portfolio was valued at EUR 9.5 billion and comprised 55 asset managers. More than 60 percent of the portfolio was allocated to 10 asset managers through multiple investment strategies. In total, the portfolio has investments in more than 1,500 companies.

Limited partner advisory committees (LPAC) are the most important means of engagement for investors. The advisory committees are typically composed of the biggest fund investors and meet between two and four times per year. An advisory committee engages with both the investee companies and the asset manager and promotes conversation around responsible investment.

In spring 2022, Keva held seats on the advisory committees of 86 funds and aims to hold a seat on the advisory committee in the largest fund investments. In the past year, we attended more than 100 advisory committee meetings, in which asset managers presented ESG development projects and discussed the integration of ESG issues into the investment and value creation process. Asset managers also reported on ongoing or completed ESG projects in portfolio companies as well as the results of these projects.

Other forms of engagement include regular meetings with asset managers. In 2022, these meetings focused predominantly on ESG issues such as environmental concerns, employee wellbeing, diversity, and equality. The meetings also examined how investee companies and asset managers take into account environmental and sustainability issues. In the past year, Keva arranged about 70 meetings with asset managers.

We conduct regurarly ESG surveys with our asset managers. The survey shows that more than 80% of our asset managers are signatories of UN Principles for Responsible Investment (PRI). The use of sustainability and climate-related risk reporting frameworks such as SASB and TCFD has also increased and over half of our asset managers report in line with the recommendations by SASB and TCFD.

Keva is a member of the Institutional Limited Partners Association (ILPA), which is an international umbrella organisation that advances the interests of limited partners (LPs). ILPA strives to develop and promote best practices, corporate governance, and transparency.

Photo: Shutterstock

Corporate bonds

Direct corporate bonds

In 2022, our direct corporate bond portfolio was valued at EUR 3.3 billion. Our investments in corporate bonds are focused on the lower-risk, higher-rated spectrum. These investments cover bonds that are issued by companies and financial institutions in the European market. The portfolio held bonds from 110 issuers.

ESG themes are an integral part of our investment approach, and we use industry-specific assessment criteria to evaluate the ESG performance of companies. Our principal sources of information include analysis and data provided by ESG service suppliers, securities brokerage firms and the investee companies.

ESG issues are today a natural part of any investor presentation and publication. When we meet with companies, we discuss ESG themes with the company's management without exception. Most meetings are arranged in conjunction with new bond issues. Companies also meet with investors outside of bond issues in order to keep investors informed about potential future bond issues. In 2022, we met with about 60 companies and ESG themes were discussed in all of these meetings.

In recent years, "green bonds" have gained popularity in the corporate bond market. An external accreditation body has defined the uses of financing obtained with green bonds to ensure environmental compliance. As a result of their growing significance, green bonds play an important role in our portfolio as well. The popularity of "social bonds" has also increased in recent years. Social bonds are used to finance projects with a positive societal impact. We invest in green bonds or social bonds only if the company is a responsible corporate citizen. Issuers of these bonds are subject to the same stringent investment criteria we use for any other company. At year-end 2022, our investments in green and social bonds totalled EUR 500 million. The share of these bonds in new issues is rising rapidly, which is also reflected in our portfolio.

Norms-based UN Global Compact screening is applied both to companies in our portfolio and to ones under consideration to be included. We are notified of possible breaches automatically. In 2022, there was one breach of the UN Global Compact in our direct corporate bond investments. Keva is monitoring the flagged company with regard to the breach.

The ESG perspective is integrated into every investment decision.

Photo: Folio Images

Cooperation with asset managers

Corporate bonds in our externally managed portfolio are focused on the higher-risk, lower-rated spectrum – also known as high yield bonds. The targeted borrowing need of high-yield companies carries a high financing cost and creates a contractual liability relationship between the company and the investor.

Our higher risk corporate bond portfolio is managed exclusively by external asset managers who are selected for our portfolio through rigorous vetting. They are expected to share and act according to the same investment beliefs as Keva. Cooperation with external asset managers is based on a long-term partnership, trust, and transparency.

At year-end 2022, our high yield corporate bond exposure was managed by 17 asset managers, through 19 different investment strategies. These assets totalled EUR 4.9 billion, and there were approximately 1000 individual companies in our portfolio. The portfolio focuses on European and U.S. companies, though the source of their revenue streams is often global. We follow the implementation of international norms regularly.

In higher-risk corporate bonds, investor engagement is largely based on the granting and control of funding. Especially the largest investors can have a considerable say in bond indentures. On the other hand, effective engagement is not determined by size alone, as leverage can also be relative or situational. This is often the case when the company is under acute financial stress and needs capitalization options or if the company attracts the attention of a smaller group of lenders due to its relative size.

An engagement relationship is often established through bond syndication. The asset managers of our corporate bond portfolio also operate in 20 official cooperation groups or initiatives, thereby further strengthening engagement. Much of this engagement work is thematic in nature. At the same time, our asset managers strive to work with private equity sponsors, as a large part of the bonds are for unlisted companies. Building a long-term relationship requires commitment, a mutually beneficial perspective, and a good reputation as an investor. A rewarding partnership can be an effective competitive advantage.

The annual ESG survey and purposeful engagements

In 2022, we carried out an ESG survey with our asset managers. As in previous years, we also compiled a report on goal-oriented engagement projects in investee companies.

CASE

Our asset manager has worked closely with one of Europe's biggest privately owned drilling and refining companies in the gas and oil sector to develop the company's sustainability reporting. For instance, the company announced that it would comply with the Paris climate agreement, but had not set emission reduction targets based on the latest climate science. The company's sustainability reporting was considered insufficient. In 2022, the desired changes were made to reporting – especially to coverage, cost breakdowns and schedules. Our asset manager has continued lending to the company and is actively engaged with the company's sustainability strategy and the effects of its ambitious carbon capture system.

Photo: Shutterstock

A quarter of our asset managers have provided reporting in line with TCFD requirements and a fifth have set climate transition target green-transition targets for their investments. About half of our asset managers are currently developing or have completed a framework for the assessment of the physical risks of climate change. Adoption rates are higher on average for European than US asset managers.

In 2022, our external corporate bond portfolio included 99 goal-oriented engagements, a third of which were focused on creating positive change.

Most of these engagements focused on the energy and capital goods sectors under the environmental theme. In the sub-themes, engagement processes focused on greenhouse emissions and responsibility reporting. In the past year, of all sectors, the energy sector had the best relative success rate for engagement. Unsurprisingly, the energy sector stands out among the different sectors as high-risk corporate bonds represent industries in which investment in energy transition will be significant in the future.

CASE

Our asset manager was engaging with an aluminium recycling company operating in the United States and Europe. The company converts aluminium scrap into final parts for its customers. The engagement focused on improving the processing of salt slag, a waste by-product of aluminium recycling. The asset manager assembled and chaired an advisory committee that included major equity and corporate bond investors. As a result of the engagement, the company acquired a more effective waste treatment system through a company acquisition. The new system enables salt slag to be broken down into cleaner basic components, thus reducing the total amount of waste produced by the manufacture of aluminium. Our asset manager has continued to extend loans to the company. In addition, the committee has met regularly to support the company's ESG efforts.

CASE

Our asset manager wanted to better understand the natural capital and biodiversity impacts of a US oil and gas industry storage and transportation company. The asset manager also wanted to improve the company's responsibility reporting. The asset manager had been in conversation with the company's private equity sponsor and management team for several years. In 2021, the asset manager helped to create a solution to address the company's liquidity crisis. This also contributed to an open and constructive conversation about the company's ESG challenges. The asset manager has gained an adequate understanding of the company's environmental reporting and the ecological impact of its gas storage and transportation systems. In August 2022, the company published its first sustainability report, including Scope 1 and 2 greenhouse emissions. The asset manager has continued lending to the company.

Investments in emerging market sovereign bonds

Cooperation with asset managers

Emerging market sovereign bonds – like the outsourced corporate bond portfolio – focus on the high-risk end of fixed income investment. Emerging market (EM) sovereign bonds are debt financing instruments issued by low and middle rank GDP economies. Our EM sovereign bond portfolio focuses on Latin America, Asia, Eastern Europe, Africa, and the Middle East. Sovereign debt financing is typically targeted to fund wide-range economic, political, and social reforms.

The EM sovereign bond portfolio is managed exclusively by external asset managers. The asset managers are selected for our portfolio through rigorous vetting, and they are expected to share and act according to the same investment beliefs as Keva. Cooperation is based on a long-term partnership, trust and transparency. At year-end 2022, our EM sovereign bond exposure was managed by 3 asset managers, through 3 different investment strategies, with the portfolio being valued at EUR 1.9 billion and investments targeting about 60 developing countries. Our asset managers monitor their portfolios in accordance with the international norms.

In the past year, we conducted an ESG survey with our asset managers. As in previous years, we also compiled a report on goal-oriented engagement

Creating new channels of dialogue and cooperation drives investor engagement with governments.

projects in investee companies.

Two thirds of our asset managers have provided reporting in line with TCFD requirements and a third have set green-transition targets for their investments. All our asset managers are currently developing or have completed a framework for the assessment of the physical risks of climate change.

CASE

Our asset manager's thoughts on national-level engagement: "When considering investing in government bonds, we look at the general development trend of the country in question and whether the provision of capital is likely to help it achieve its goals. We believe that if a country is managed effectively, its people are respected, and its natural resources are managed responsibly. There is also a better chance of securing sustainable growth and loan repayment. Investor engagement with governments is continuously developing, and engagement is increasingly seen as mutually beneficial."

The exact number of engagement cases is difficult to determine as EM engagement is more diffuse than engagement with corporate bond investments. In addition to direct contact with sovereign nations, asset managers are encouraged to engage with supranational agencies, development banks, central banks and national ministries. Our EM asset managers also operate in 10 official cooperation groups and initiative projects, thereby further strengthening engagement. Most of these projects focus on climate change.

CASE

In autumn 2022, our asset manager took part in a World Bank project, the goal of which was to improve communication between governments and investors in developing countries, in such areas as the development of comprehensive climate budgeting. Investors need to be aware of the financial impact of governments' climate actions and targets in order to make effective investment decisions. The World Bank's objective is to promote the mobilization of private (vs. public) capital in financing the sustainable development goals of developing countries. The project included World Bank experts, representatives from 32 developing countries and 12 selected institutional investors.

Real estate and infrastructure investments

Direct real estate investments

Keva's direct real estate investments include direct property investments in Finland, shares of real estate companies as well as joint venture investments in the Nordic countries.

At year-end 2022, the market value of our real estate portfolio was EUR 3.4 billion. Keva's direct real estate investments consists of around 130 properties with a net lettable surface area of around 1,100,000m^2 at year-end 2022. The properties are concentrated in the capital Helsinki region and in other growth centres in Finland. The portfolio consists of, in terms of value, offices (26%), residential (23%), retail (38%), hotels (8%) and other (5%).

Keva's responsible real estate investment policy takes into account economic criteria as well as the environmental and societal impact of real estate investments.

Minimising the climate impact of energy use in property investments is a key element in environmental responsibility. The energy consumption of our direct real estate investments was still equal to 0.0005 of Finland's total greenhouse emissions in 2018. We halved these emissions already in 2021 and hope to achieve carbon neutrality by 2030. Our carbon neutrality target is in accordance with the content of the Green Building Council's (GBC) Net

Zero Carbon Buildings Commitment.

Our long-term action programme for carbon neutrality in energy use has three main objectives:

- to improve the energy efficiency of our properties by 20% by 2030
- to increase the share of renewable energy produced on site at the properties to 10% of the total energy consumption by 2030
- to secure that the remaining energy is purchased from low-carbon energy sources.

The year 2022 brought with it major changes both to Keva's direct real estate portfolio and Finland.

From the standpoint of emissions reporting, Keva's comparable real estate portfolio grew by almost 30 percent when measured by an increase in rentable square meters. Keva bought two large commercial properties Stockmann's department store in the centre of Helsinki and the shopping mall Kaari in Helsinki. In addition to the purchases of commercial properties, two new residential properties were completed in Helsinki and Tuusula, and the renovation of Hotel Ilves in Tampere was completed. These investments increased total energy use and resulting emissions.

The weather-corrected energy consumption of Keva properties increased by 26 percent in total compared to 2021, i.e. less than the heated area of the properties. In line with our environmental strategy, electric power accounted for most of this increase in energy consumption. Electricity can be generated with low emissions in Finland. The total emissions of our real estate portfolio rose to the level of 20,400 tCO_2e/y (+23% compared to the previous year). The total emissions are still below the 2020 emission level by 30 percent. The monitored specific emissions continued to decrease according to our emission targets. To reduce the emissions of the new commercial properties in our portfolio, we are taking measures to improve energy use and planning new renewable energy investments.

Photo: Stockmann

Russia's war on Ukraine created shock waves in energy markets around the world and led to major disturbances in global supply chains. Finland was also affected by these events. Component shortages and longer delivery times have hindered the scheduling of Keva's 2022 action program.

Keva was involved in mitigating the societal impact of these disturbances. We implemented proactive cost-saving measures as part of the Finnish government's Down A Degree campaign. We also took part in the launch of RAKLI's Green Homes network, which focuses on rental housing in cooperation with 6 other major landlords in Finland.

CASE

Keva's entire portfolio of 4,000 rental apartments is part of the Green Homes network coordinated by Rakli, a prominent association of property owners and developers in Finland.

In the first phase of the project, which started in September 2022, seven professional landlords, who are committed to the measure program of the energy efficiency agreement for rental apartments, took part in VAETS.

Green Homes properties are committed to reaching net-zero for emissions by 2030 and improving energy efficiency in cooperation with residents.

In the rental homes included the Green homes network, the residents receive information from the landlord annually about the rental house's electricity consumption and its CO_2 emissions, as well as the residents' water consumption and recycling rate. Residents are regularly provided with information about the property's GHG emissions and water consumption and receive help in making environmentally sustainable decisions.

Together with its own cooperation network, Keva prepared property-specific climate receipts, which enable residents to better understand the climate effects of living in a Keva Home. Tenants receive monthly information about climate and energy-saving topics by e-mail.

In 2022, Keva implemented 70 individual energy-use enhancement or renewable energy production measures, which achieved deferred yet measured energy savings of 1.5 percent. In 2022, most of these savings were achieved by using conventional building technology measures listed in the Down A Degree campaign. We also expanded the smart heating management of apartments to cover three quarters of our apartment stock. At the same time heating and ventilation controls were upgraded throughout our property portfolio. In addition, we reduced electric energy consumption by implementing measures to improve electricity usage in our property investments.

In 2019–2022, the energy efficiency of our building stock has improved by more than 10,700 MWh/year or by nearly 5 percent.

We are also exploring to increase the share of renewable energy in our property investments. We will need to extend the completion date for our renewable energy projects into 2023 due to global supply chain disruptions. We have launched a total of 18 property-specific renewable energy projects, which, upon completion, would have reduced energy consumption in 2022 by more than 3 percentage points. However, component shortages postponed the completion of critical heat pump contracts by several months to the

Photo: Keva

spring and summer of 2023. At the turn of the year, only half of these projects had been completed, in total nine systems, the majority of which were solar panels for office sites.

In 2022, the share of property-specific renewable energy reached the 1 percent mark as expected. This share is expected to rise to more than 2.5 percent with the completion of our renewable energy projects.

CASE

In 2022, the energy efficiency and energy recycling project of Hermian Farmi, a business park in Tampere, was one of the largest environmental investments in Keva's direct real estate portfolio.

The project focused on reducing energy consumption and accelerating the transition to renewable energy sources. The project included the construction of a recycling system for the building's internal waste heat and a large geoenergy field for seasonal storage of waste heat and utilization of ground heat. At the same time the site's ventilation system and building technology were modernized to improve energy efficiency. In 2021, a solar panel system was installed at Hermian Farmi in line with the project's renewable energy targets.

The project's objective is to reduce the consumption of district heating by more than 70 percent, which in turn reduces greenhouse gas emissions from heating. The project also promotes the climate goals of the city of Tampere and Keva's real estate investments, while reducing Finland's need to import natural gas and fuelwood.

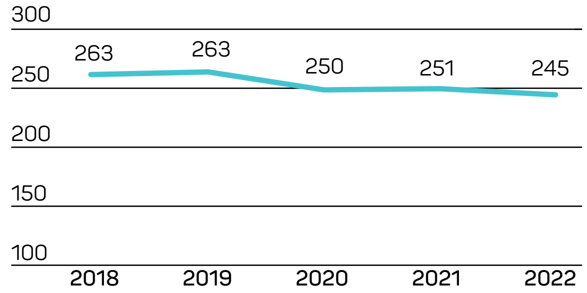
In line with international reporting guidelines, our real estate investments monitor carbon dioxide emissions based on measured – not weather-corrected – energy consumption.

In 2022, our reported comparable real estate portfolio increased by nearly 30 percent, with emissions increasing by 23 percent. Due to expected changes in the real estate portfolio, the numerical characteristic for energy use and CO_2 emissions relative to the leasable area is used in monitoring and reporting. In 2022, emissions from our real estate investments continued to decline in step with our climate targets for 2025 and 2030. Specific emissions ($kgCO_2e/m^2$) fell, especially in the housing portfolio, as expected. The newly installed heat pumps at many of our sites run on low-emission domestic electricity, which means that reliance on district heating was reduced significantly in the past year. The use of district heating also decreased at other sites due to increased use of smart heating controls.

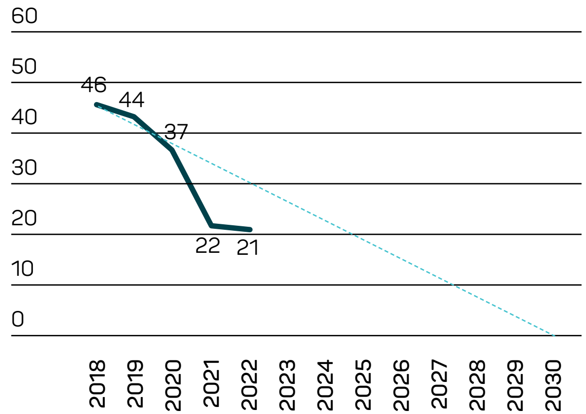
Investments in real estate funds

The real estate investment funds in Keva's portfolio are diversified geographically, chronologically, by investment style and by property style. Most of the investment properties in the portfolio are located outside of Finland, mostly in Europe and the United

Trend in energy use and CO_2 emissions in internal real estate investments 2018–2022. The indicators have been presented as numerical characteristics relative to the net floor area of the investment properties



Energy consumption per net floor area, kWh/floor m^2, year



Carbon dioxide emissions per net floor area, $kgCO_2e/m^2$

States. At year-end 2022, the portfolio was valued at EUR 1.2 billion and consisted of about 600 individual properties.

The real estate investment funds in Keva's portfolio almost invariably own the entire property, which means asset managers can engage directly with the properties. Our asset managers focus on the energy and water consumption of the properties along with safety. As part of their commitment to responsible investment, asset managers also focus on carbon footprint monitoring, the environmental classification of the buildings and construction projects (BREEAM and LEED), and Global Real Estate Sustainability Benchmark (GRESB) reporting at the fund level. ESG analysis has been integrated into the investment analysis.

Keva's investments are primarily made in closed-end funds where the investor commits for multiple years. During the life of the fund, limited partner advisory committees are the most important means of engagement. The advisory committees typically include the biggest fund investors and meet between two and four times a year. The advisory committee engages with both the property investments and asset manager and promotes the general discussion of ESG issues.

In the past year, Keva had a seat on the advisory committee of 40 funds and attended around 80 committee meetings. Other forms of engagement include regular meetings with asset managers. In 2022, these meetings almost invariably covered ESG themes. Keva had around 50 meetings with asset managers in the past year.

In 2022, Keva's real estate investment fund managers took part in our updated ESG survey, which surveyed their responsible investment practices. More than 90% of our asset managers are also signatories of the UN Principles for Responsible Investment (PRI).

More than two thirds of our real estate investment fund managers say that they employ a systematic process for identifying transition risks, with nearly all managers also identifying physical climate risks systematically.

About 40 percent of the funds have set a net-zero target, with 90 percent of the funds having also set other ESG targets.

More than 90% of the asset managers in Keva real estate funds have signed the UN Principles of Responsible Investment (PRI).

Keva is a member of the European Association for Investors in Non-Listed Real Estate Vehicles (INREV). INREV is Europe's leading platform for sharing knowledge on the non-listed (unlisted) real estate industry. It is committed to improving transparency, professionalism and accountability across the sector.

CASE

One of the biggest Nordic real estate funds has invested heavily in a company that develops, owns and operates data centres in Sweden.

The company has signed the Climate Neutral Data Center Pact, which aims to increase the energy efficiency and sustainability of data centers. The key development targets include the procurement of 100% carbon-neutral electricity, the regulation of water use through effective and relevant cooling methods, the effective recycling of servers and other electronic equipment, as well as the utilization of waste heat from data centre.

The company's data centres are powered by 100 percent renewable energy sources such as hydro and wind power. The data centres are also located near renewable energy sources, which minimizes energy loss in power lines.

The company's biggest data centre is connected to a district heating network, which uses the data centre's waste heat to generate emission-free heat. The centre's waste heat is also used to make wood pellets from sawdust from a local sawmill industry. Residential *buildings that are not connected to the district heating network are heated with wood pellets.*

Moreover, the data centre has been constructed in accordance with ecological building principles with no compromise in fire safety.

Infrastructure investments

Infrastructure refers to structures and facilities that enable the effective functioning of society and include energy production and distribution, transport infrastructure, as well as social and digital infrastructure. Infrastructure plays an integral role in the transition to a more carbon-neutral society.

CASE

A European fund that invests in infrastructure projects conducted a climate scenario analysis covering both physical and transition risks for its investment portfolio. The fund also evaluated the climate impact management of each of its investee companies. The evaluation included a questionnaire aimed at the companies' executive management and workshops with the asset management teams. Based on the assessment, the investments were classified into four different categories from advanced to less advanced.

In addition to multidimensional climate analysis, the fund's investments are expected to meet the following targets by the end of 2023:

1. Targets. All investee companies must set their own long-term goal, which is consistent with achieving net-zero emissions in the portfolio by 2050. Companies must also set short- and medium-term emission reduction goals in accordance with this goal, as well as provide a plan for achieving the goals.

2. Risk assessment. All companies need to assess in detail the physical and transition risks for their assets, including using scenario analysis if necessary and incorporating the conclusions into their business plans.

3. Governance. All investee companies must take measures to improve the management of climate-related risks and opportunities. These include, for example, government-level responsibility for climate impacts, climate risk management processes, the harmonization of incentive systems, and the verification and publication of emission data.

We invest in infrastructure mainly through funds, but also by making direct investments in listed infrastructure projects and companies. ESG themes are integrated into our investment analysis in both direct investments and fund investments. The portfolio is under construction. The aim is to diversify the infrastructure portfolio geographically, chronologically, by investment style and across infrastructure sectors.

Photo: Shutterstock

CASE

According to researchers, up to half of the world's population will experience a shortage of clean water by 2025, with manufacturing and energy sectors accounting for almost 20 percent of freshwater consumption.

A leading global developer and producer of water purification systems is creating "new opportunities for water" by applying clean technology to water treatment and purification. The company targets complex industrial and municipal wastewater treatment solutions. Its water purification technology and digital optimization system improve process efficiency at lower energy costs compared to technologies widely used today. This ensures more effective recycling of wastewater and minimizes the amount of waste resulting from water treatment. The process also recovers valuable metals and minerals for reuse.

At year-end 2022, our infrastructure portfolio was valued at EUR 1.5 billion, with investments in around 100 companies.

Infrastructure funds are primarily closed-end funds where the investor commits for multiple years. During the life of the fund, limited partner advisory committees are the most important means of engagement. The advisory committees are typically composed of the largest fund investors and meet between two and four times a year. The advisory committee engages with both the property investment and asset manager and promotes the general discussion of ESG issues.

CASE

One of our infrastructure funds says the following about setting ESG target:

In the first year after the acquisition, our fund includes the investee company in a sustainability program, which includes, among other things, a materiality assessment that identifies risks and opportunities. This is supported by strategic analysis, which also includes a benchmark comparison if necessary. The evaluation results in company-specific strategic priorities. A plan to measure baseline and report progress is then integrated into the sustainability program and continually reviewed as part of the portfolio performance review. In addition, the fund assigns a "Sustainability Board Champion" to the company's board, which helps the board to prepare for ESG discussions more effectively and to focus on sustainability performance and needs.

The fund's advisory team defines at least one transformational KPI for the company, which is anchored to the overall sustainability of the investment. This ensures that a company can increase its positive societal impact by effectively measuring progress towards achieving its strategic goals.

The fund monitors the progress of annually defined metrics during the ownership period. The materiality assessment and related strategic priorities are also reviewed and/or updated annually during the ownership period.

In spring 2022, we surveyed all of our infrastructure funds and concluded that each fund is committed to responsible investment. Most of the asset managers are also signatories of the UN Principles for Responsible Investment (PRI).

According to our survey, all funds employ a systematic process for identifying transition and physical risks associated with climate change.

About 40 percent of the funds have set a net-zero target, with all the funds having also set other ESG targets.

CASE

In 2021, a Northern European private equity fund set science-based climate targets (SBT) for both the fund and its entire investment portfolio. The fund engages actively with investee companies to establish actionable goals.

In 2022, the fund's investee companies, together with an external partner, refined measurements and data for Scope 1, 2 and 3 emissions. This is necessary to establish the accuracy and reliability of climate targets.

The fund's portfolio includes a financing company that develops and manages solar power plant projects and is one of the biggest operators of solar cell projects in Europe.

Most of the company's solar power plants are located in Europe, with several also in Japan and Canada. As with other solar power plant businesses, most of the company's solar panels come from China. The company strives to monitor subcontractors who use Chinese components in their products. The company also aims to increase the recycling of raw materials in solar power plants and to report the effects of solar power plants on biodiversity.

Hedge fund investments

Hedge fund investments are predominantly used for diversification of the portfolio and absolute returns. Different asset classes and instruments are used to make investments. Engagement is determined by asset class; e.g. for listed equities the funds can vote in general meetings. However, the short-term nature of the investments may limit the opportunities to engage.

Keva's hedge fund portfolio is highly diversified both geographically and by style. In 2022, the portfolio consisted of 33 fund investments managed by 17 asset managers. At year-end 2022, the portfolio was valued at EUR 4.3 billion. We use an independent service provider's classification for our hedge fund investments. The classification also takes into account ESG factors. More than 70 percent of our hedge fund asset managers are signatories of the UN Principles for Responsible Investment (PRI).

We try to promote responsibility in hedge funds. Key forms of engagement include regular meetings with asset managers and advisory committee seats, both of which enable us to engage with managers on a wide range of responsibility issues. In the past year, Keva had a seat on the advisory committee of 21 funds and attended around 30 committee meetings.

Keva is a member of the Standards Board for Alternative Investments (SBAI), which focuses, among other things, on promoting good governance, transparency, and best practices. SBAI also provides a good channel for dialogue with other investors. Most of Keva's hedge fund asset managers are SBAI members and act in accordance with SBAI guidelines and recommendations.

Cooperating with other investors accelerates engagement with companies and governments.

Collaborative engagement

Membership in different investor networks provides Keva with information about responsible investment. Engagement with companies and governments in collaboration with other investors is also more effective than working alone. Collaboration objectives include the promotion of transparency, the mitigation of climate change and the advocacy of long-term thinking among investors and companies.

CDP

CDP is a global non-profit organisation that focuses on reporting environmental data and increasing company disclosure about the impact of businesses on climate change, water usage, and use of forest resources on behalf of investors.

The CDP reporting platform offers investors comparable environmental data disclosed by companies that report to CDP. Reporting on environmental impacts promotes the companies' own understanding of business risks and opportunities while also helping investors better understand the investee companies.

In 2022, more than 13,000 companies, representing around 65% of the world's stock market, reported their environment impacts to CDP.

Keva has been a signatory of CDP since 2006 (the climate initiative since 2006, the water initiative since 2011 and the forest initiative since 2014) and use CDP's environmental impact data to assess the responsibility of investee companies. In 2021, 62% of the companies in Keva's equity portfolio and 32% in the corporate bond portfolio reported their environmental impacts to CDP.

CDP Non-Disclosure Campaign

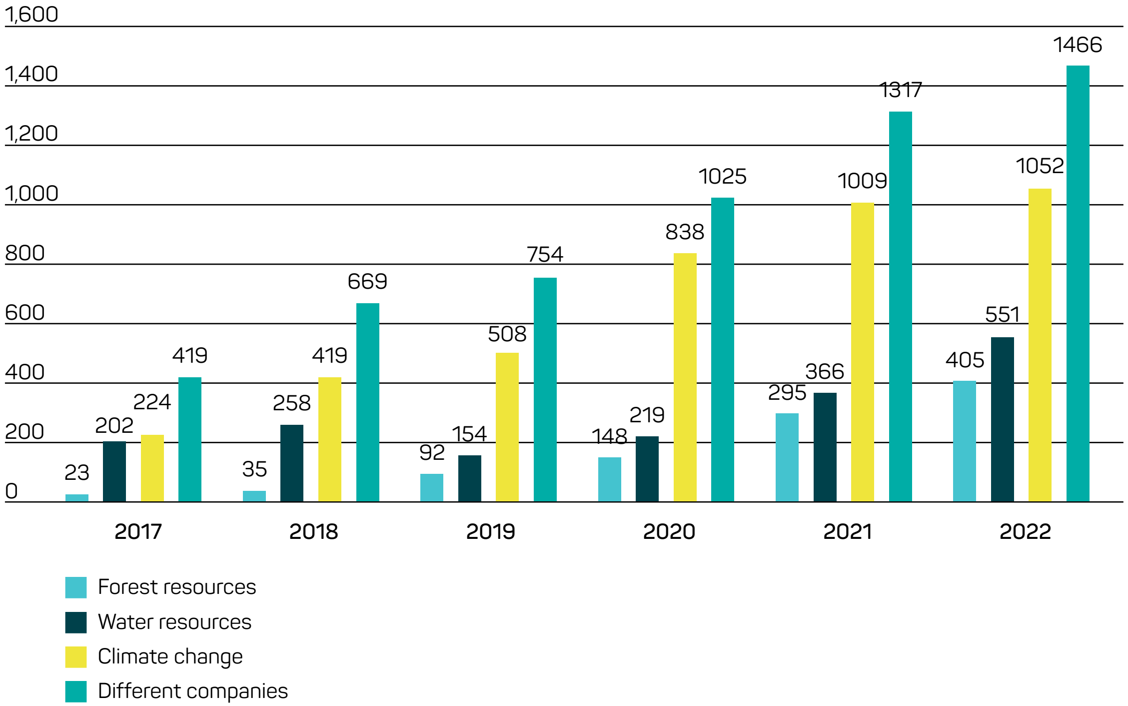
In 2022, Keva took part in the CDP's Non-Disclosure project as in previous years. As a signatory to CDP's Non-Disclosure Campaign, Keva along with other co-signatories calls for improved disclosure from companies on climate, forestry and water resources. A total of 260 investors representing investment assets totalling USD 17 trillion were involved in the project in 2022. A total of 1,466 companies emitting a total of almost 5 billion tCO_2e were requested to provide disclosure reporting.

In 2022, Keva was involved in a total of 317 requests for disclosure (130 climate, 19 forest and 168 water) targeting a total of 274 companies. Keva has targeted its requests for disclosure to companies whose environmental impacts were assessed as being material to their business. The requests included companies both inside and outside Keva's portfolio. The engagement efforts have been effective, with the initiation of reporting in 64 cases in 62 different companies (30 climate, 2 forest and 32 water).

Climate Action 100+

Keva continued as a signatory to the Climate Action 100+ project. In 2022, the project included 700

Continued steady growth in the number of companies targeted in the CDP Non-Disclosure Campaign



Highlights in the 2022 campaign:

- 56% more investors and 11% more targeted companies involved than in 2021.
- Of the 1,466 companies receiving a request, 328 began reporting to CDP (293 climate change, 46 forest and 104 water).
- Companies are 2.3 times more likely to report to CDP than without a request from investors to report, more than 3 times more likely in respect to forests.

investors, responsible for over USD 53 trillion in assets under management. The project targeted 166 companies globally, which play an important role in achieving the goal set by the Paris Agreement. These companies also represent 80% of global industrial emissions. At year-end 2022, 75% of the targeted companies had set a net zero-emission target for 2050.

In 2022, power companies as well as oil and gas companies set new net zero emission targets. 91 percent (2021: 80%) of the target companies have committed to TCFD recommendations and in 92 percent (2021: 89%) of the companies, the board is responsible for climate matters.

Engagement with governments

Keva continued engagement efforts with governments with 'the Global Investor Statement to Governments on the Climate Crisis'. Investors are increasingly expecting governments to act as the need to combat climate change has become more urgent.

In 2022, more than 600 investors responsible for USD 42 trillion in assets were involved in the project. The most ambitious Investor Agenda plea to date was published before Climate Week NYC in September 2022 and was addressed officially to nations around the world at the 2022 United Nations Climate Change Conference (COP27).

In 2022, the following steps were taken to combat climate change:

- In the United States, a new climate law (Inflation Rectification Act) entered into force in August 2022, representing the biggest federal investment in climate action to date.
- New regulations issued in conjunction with the European Union's green development seek to curb emissions in energy production, buildings and agriculture, while combating pollution and threats to biodiversity.
- The International Sustainability Standards Board (ISSB) published the first draft of international reporting standards for responsibility and climate change. The final draft is expected to be published in 2023.

However, COP27 offered little in ambitious national emission reduction targets and the forecasted rise in the global average temperature based on the current guidelines has hardly changed in 2022.

IIGCC

IIGCC is Europe's largest consortium of investors against climate change and develops, among other things, long-term risk management, operating policies and investment practices for mitigating climate change. IIGCC's 350 investor community is responsible for more than EUR 51 trillion in assets under management. As a member of IIGCC, Keva seeks to engage with companies and regulators to reach climate goals.

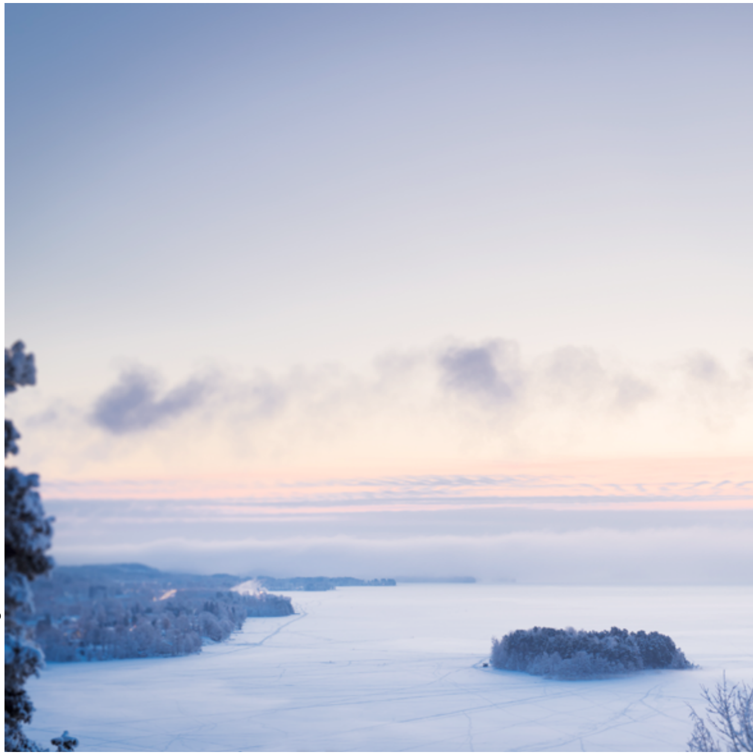


Photo: Folio Images

Engagement with the investor community and membership of organisations

UN Principles of Responsible Investment, PRI

- signatory since 2008. Keva's representative has been a member of the PRI Reporting & Assessment Advisory Committee (RAAC) since 2018.

Finland's Sustainable Investment Forum, Finsif

- founding member.

Green Building Council Finland, GBC

- member since 2014. Keva is represented in both the carbon-neutral construction and building use committees and expert groups as well as in the communications network expert group.

ILPA (Institutional Limited Partners Association)

- member since 2008.

INREV (European Association for Investors in Non-Listed Real Estate Vehicles)

- member since 2004.

SBai, (Standards Board for Alternative Investments)

- member since 2017.

Keva's public pledges for responsible investment

- UN Principles for Responsible Investment, PRI
- Property and Building Sector Energy Efficiency Agreement 2017–2025
- Climate Partners, a collaboration network between the City of Helsinki and businesses
- World Green Building Council's (GBC) Net Zero Carbon Buildings Commitment
- RAKLI's Green Homes initiative

Governance of responsible investment at Keva

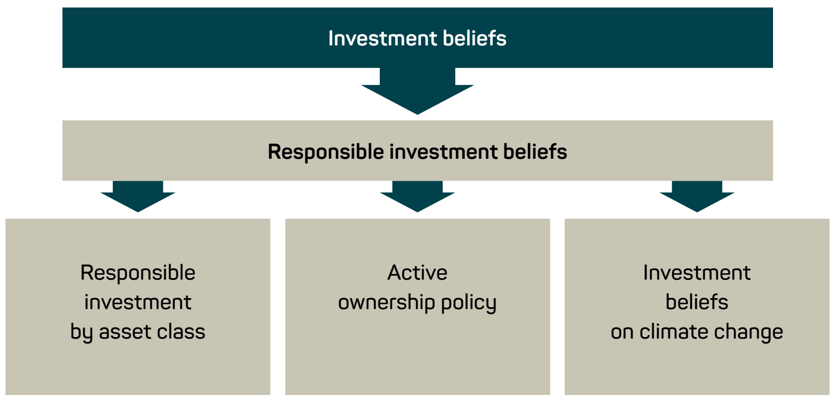
Keva's Board of Directors decides the long-term responsible investment policy of Keva. The policy is determined by key steering documents: Investment beliefs and Responsible investment beliefs.

The Board of Directors is notified of the development of responsible investment policies and processes biannually.

The steering group for responsible investment oversees the development of responsible investment practices at Keva. The group includes members of each of Keva's investment units. The Head of Responsible Investment chairs the steering group for responsible investment.

The group provides investment units and heads of investment with development proposals, communicates Keva's responsible investment policy to internal stakeholders and manages Keva's annual PRI reporting. The group also helps heads of investment to make investment decisions by preparing and presenting issues and talking points relevant to responsible investment.

Keva's steering documents for investment policy



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