

Investor Perspective on Sustainable Finance

Karoliina Lindroos

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ILMARINEN

Outline



Briefly about Ilmarinen to set the context



Why a pension company is interested in responsibility and sustainability



Our approach on responsible investment



Currently topical themes

Ilmarinen

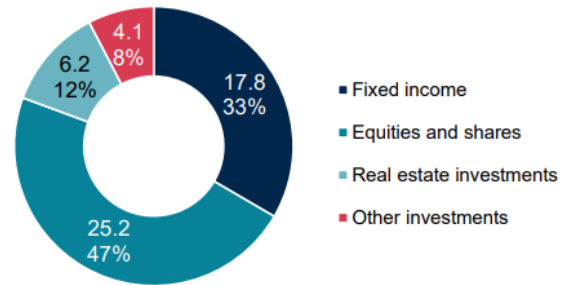
Largest private pension fund

AUM ~58 billion EUR

Mandate on profitable and secure investing to meet current and future pension liabilities

Long time horizon

Investment allocation (€ 53.3 bn) by asset class



Highly diversified portfolio



Responsible investing

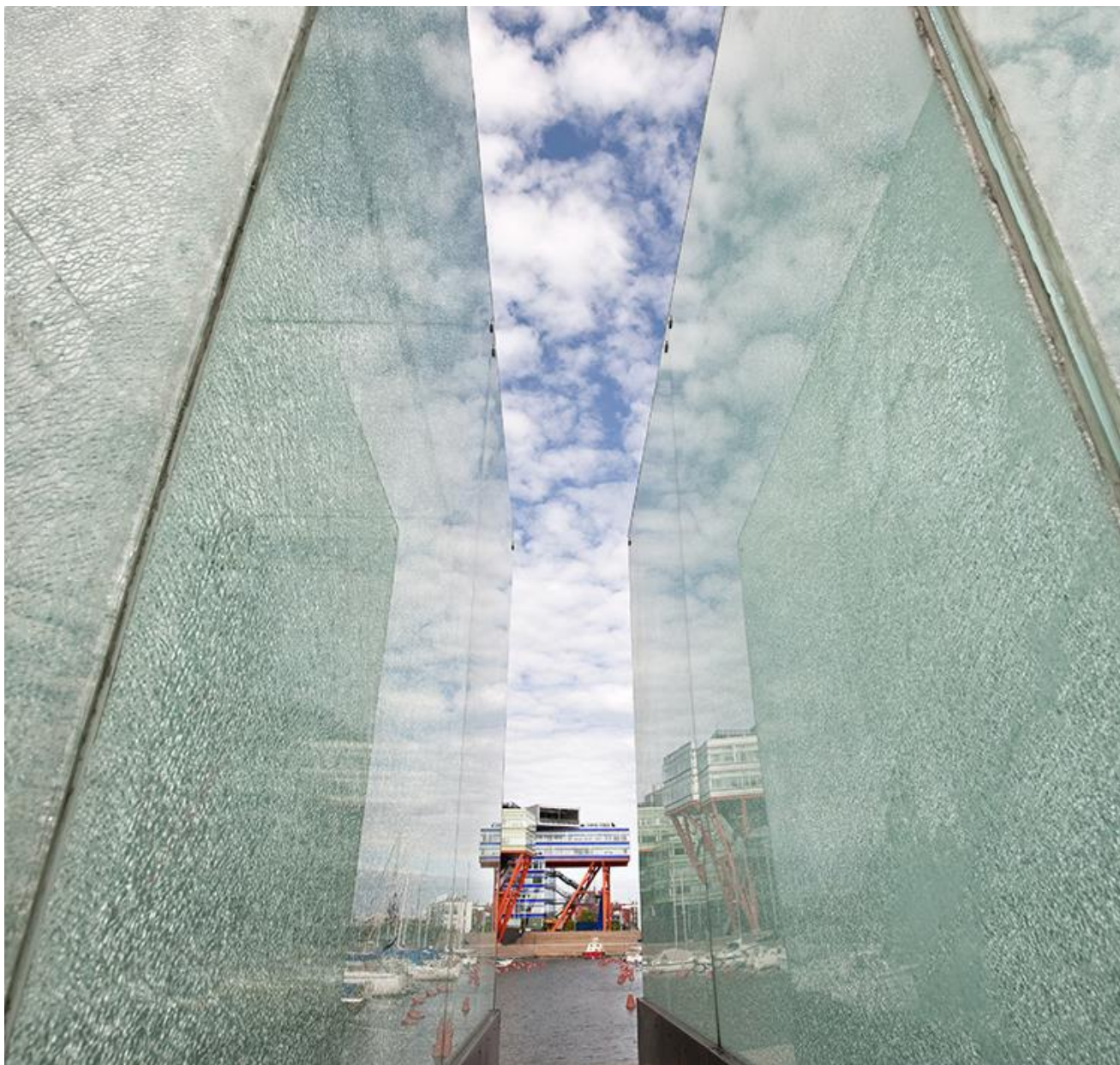
- Responsible investing is never "ready" – it evolves in time and requires continuous development
- Responsible investing is not a new concept
- Ilmarinen has integrated responsibility past 20 years
 - First ESG screens early 2000s
 - Joined PRI in 2006, same year PRI was established
 - 2010 one of FINSIF co-founder
- Aim for transparency
 - Policy and practical guidelines are public and typically updated yearly as we evolve in our approaches
 - Reporting and voting records on available on website



Why pension company is interested in responsibility and sustainability?

- There is no single "right" approach on responsible investing – depends on choice and mandate
- In our view ESG integration provides improved risk management and long-term return generation
- Our economic and productive systems are dependent on natural capital and ecosystem services
- We consider important to consider the "double materiality": in addition to understanding ESG related risks to investments but also the societal and environmental impacts our investments have





Building blocks of responsible investing at Ilmarinen

- ESG is integrated in all asset classes
- Starting point for us and our partners: International norms, ESG integration to investment decision making and active ownership
- Practical measures depend on asset class
- Exclusions are applied but they are not the main tool. Engagement has often more real life change potential.
- Management has strong role – Responsible investment policy is approved by Board and Responsible Investment Executive Committee meets regularly

Active ownership

- Active ownership is important as it has potential to generate change
- We exercise actively our voting rights and participate to board nomination committees
- Various types of engagement
 - Direct, via collaborations and via engagement service providers
 - Both reactively in norm violation cases and proactively on selected themes, e.g. NEC on climate and water
 - If norm violation related engagement is unsuccessful then divest
- To note – we also have exclusions but we believe that active engagement has better chances for change



Human rights

- Human rights are an essential part of sustainable business
 - E.g. labor rights, children´s rights
 - Financial, operational and reputational risks with cost effect
 - Supply chain included
- We utilise human rights related data from service providers for portfolio screening
- Backward looking data – e.g. norm violations
- Interested also in more forward looking data – company management systems ability to identify and prevent violations



Climate change

- We consider that action by our investees is aligned with long-term shareholder value protection and generation
- Ilmarinen Board decision 2019: Carbon neutral investment portfolio by end of 2035
- Climate roadmap 2021 and two asset class specific roadmaps
- Aim to reduce climate risk and gain exposure to low carbon opportunities
- We invest also in transition – entire value chains need to decarbonize for the level of change needed
- Use both back- and forward-looking data on climate risks and opportunities
- Automated screening and further analysis of high carbon intensity companies



Biodiversity

- Increasing investor attention after reports establishing the value of biodiversity and loss of natural capital and ecosystem services
- Potentially significant systemic risk
- Key difference t e.g. climate data is the lack of uniform unit (as for climate tCO2e)
- Data needs to evolve
- A lot of current activity, e.g. development of Task Force for Nature Related Financial Disclosure (as TCFD for climate)
- The food chain of data: companies reporting > service providers processing and catering> us as consumers integrating to investment decision making and portfolio management



Thank you!

[https://www.linkedin.com/in/karoliinalindroos/
@LindroosAK](https://www.linkedin.com/in/karoliinalindroos/@LindroosAK)

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Parempaa työelämää

[Ilmarinen.fi](https://www.ilmarinen.fi)



Real estate

- We actively seek circular economy approaches
- In property development we require a LEED Gold or corresponding environmental label
- In practice: Selection of building materials, energy efficiency, water consumption, indoor air quality and the location of the building
- New solutions: Energy, heat, cooling generation and solutions to feed out
- Human rights risks in building industry are considered: Procedures and checks to require contractors to respect labor rights (separate guidance and procedures)

Case Postipuisto

- Heated and cooled carbon-neutrally
- The innovative energy solutions developed by Helen the local utilities company and Ilmarinen make use of several different heat sources and may constitute the solution to sustainable energy use in buildings in Finland
- The residential building will produce most of the heating and cooling it requires from sources like geothermal heat, wastewater heat recovery and condensates from grocery stores
- Solar panels will reduce the volume of bought electricity in the property
- The heat sources can be utilized together in each season in a way that is optimal and as carbon-neutral

Non-listed companies

- The reporting of non-listed companies is more limited than that of public companies
- Non-listed: External analysis if available and Ilmarinen's internal sustainability questionnaires and analysis is used.