Principles for responsible investment activities

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University of Helsinki and University of Helsinki Funds

Contents

1 Introduction

Since the 18th century, the University of Helsinki Group has recorded private donations as endowment funds, of which there are now more than 400. The assets of these funds constituted the investment capital for the University of Helsinki Group until the entry into force of the Universities Act in 2010. As of 2010, the Finnish government has provided capital to the University of Helsinki in the form of matched funding to encourage private donations. The governmental matched funding is conditional on the capital being retained in all circumstances.

Annually stable returns have been recorded for the endowment funds of the University of Helsinki Group. As a rule[1], the committees of the endowment funds have been responsible for the use of returns in accordance with the rules of each fund. The fundamental purpose of the University of Helsinki Group's investment activities has been to allocate annual returns to the endowment funds managed by the Group as well as for the fulfilment core duties of the University of Helsinki, thereby safeguarding the University's financial stability and endowed capital.

1.1 Goals and framing

The goal of the *principles for responsible investment activities* is to guide the securities investments of the University of Helsinki Group. These principles are determined by the Board of the University of Helsinki.

Liquidity portfolios in accordance with the *principles for finances* of the University of Helsinki Group are not covered by this document.

2 Principles for responsible investment activities

The investment assets of the University of Helsinki consist of the capital, and returns thereof, accrued in conjunction with the 2010 reform of the Finnish university system. The investment assets of the

[1] In the case of the Future Development Fund, the responsibility lies with the rector.

University of Helsinki Funds have accumulated over a long period of time as a result of donations and investment activities. Investment assets include all securities, with the exception of the independent endowment funds managed by the University of Helsinki Funds.[2] In this document, the University of Helsinki and the University of Helsinki Funds are referred to collectively as the Group.

2.1 Expected returns and risks

The Group's investment activities derive from financial economics, on the basis of which the potential and limitations associated with returns and risks are assessed. Another starting point is an understanding of responsibility produced by research, aimed at promoting the values of the University of Helsinki and managing uncertainty.

In the long term, the expected return on investment is 4% per annum (p.a.) + inflation. In this context, "long term" denotes more than 25 years, making the expected mean deviation ("volatility") for independent and identically distributed (I.I.D.) returns less than one-fifth of the corresponding figure for annual returns. As a rule, future expectations are associated with significant uncertainty, which is why the principle of prudence should be applied to them. The expected volatility of the benchmark index is less than 20% p.a. in the long term. In concrete terms, this means that 95% of individual year-on-year returns are expected to be approximately 4% ± 1.96 * 20%, or between -35% and +43%.

The aim is to invest in such a way that the expected returns are achieved with as little volatility and other uncertainty as possible. According to financial economics, this translates into, among other things, global diversification. Consequently, the benchmark index is defined on the basis of global equity and interest rate indices:

	Share
MSCI ACWI Index	70%

[2] https://www.helsinki.fi/fi/yhteistyo/lahjoittajille/vuosikirjat (link available in Finnish and Swedish only)

Bloomberg Barclays Global Aggregate Float Adjusted Bond Index (EUR hedged)	30%

Investments are classified in listed equities, listed bonds and other asset classes. The following ranges are set for these in the portfolio:

	Range
Listed equities	60–80%
Listed bonds*	0–40%
Other asset types (including properties)[3]	0–40%

As a rule, equity investments are not protected against exchange rate risk.

2.2 Counterparties

Investments are primarily made in investment funds complying with the UCITS directive that invest in listed equities and listed bonds[4], alternative funds that invest in other asset classes, individual equities, individual bonds and bank deposits. The share of the purchase value of individual equities or bonds in all investments may not exceed 5%. The share of individual counterparties, such as a fund management company or securities broker, in all investments may not exceed 25%.

[3] Including non-listed equities (private equity and venture capital) and non-listed bonds (private credit) up to 10%, according to purchase value (excluding any increase in value)

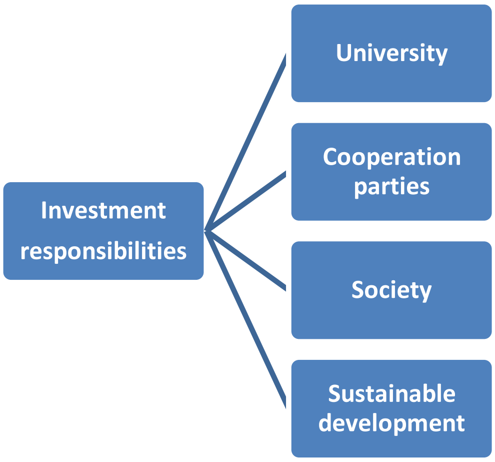
[4] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32009L0065&from=EN

2.3 Responsibility and sustainability

Responsibility in investment activities denotes the comprehensive assessment and bearing of related responsibilities.

2.3.1 Responsibilities in investment activities

In terms of investment, the most important responsibilities involve the University itself, its partners, society and sustainable development.



Responsibility for the University's finances and intergenerational fairness requires long-term and efficient investment activities from the University. In practice, this places demands on, for example, investment costs, diversification as well as the implementation of good governance.

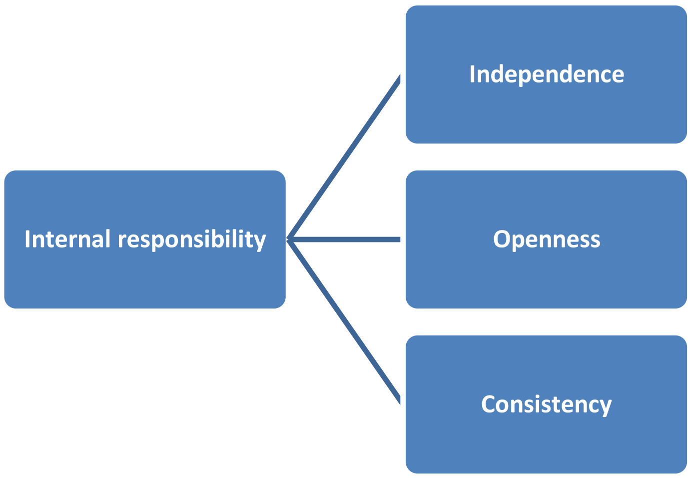
Above all, partners of the University include alumni, foundations, businesses, municipalities, public administration and other universities. Cooperation is broad-based, encompassing research collaboration, employer services, education, commercialisation and supporting the University's operations with donations. Responsibility for its partners requires the University to observe good governance in its investment activities, specifically by ensuring their independence, openness and consistency.

Social responsibility in investment activities is based on knowledge produced through research on the factors contributing to the activities. In carrying out responsible investment activities, the University also contributes to a broader public discussion on responsibility and the conditions necessary for sustainable development. Through its own investment activities, the University strives to set an example in the management of investment assets in an economically and ethically responsible and sustainable manner.

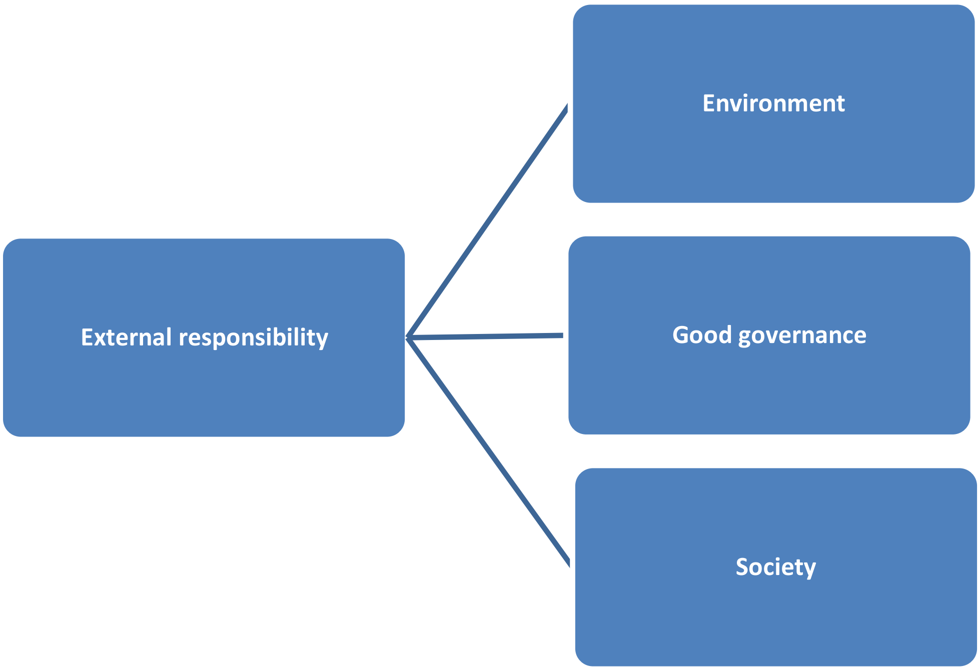
Sustainable development must be taken into consideration in the University's investment activities. This responsibility requires that the impact of investments on, for example, climate change is assessed before the investment decision and subsequently monitored.

2.3.2 Internal and external responsibility

Responsibility in investment activities originates within the University and is reflected outwards. Internal responsibility is primarily associated with appropriately bearing responsibilities related to the University and its partners. External responsibility is primarily associated with sustainable development and bearing responsibilities related to society.



Internal responsibility determines how the University acts to ensure the independence, openness and consistency of its investment activities. Independence from investment service providers is crucial for internal responsibility. In practice, independence denotes the equal treatment of service providers and the avoidance of conflicts of interest. Openness both within the University and towards external stakeholders is key to maintaining trust and offering a model of responsibility. Above all, openness denotes a transparent investment process and appropriate reporting. Consistency is a prerequisite for fulfilling the University's internal responsibility. Consistency denotes, among other things, that the agreed investment policy is interpreted and observed in the best possible manner on the basis of the information and expertise available.



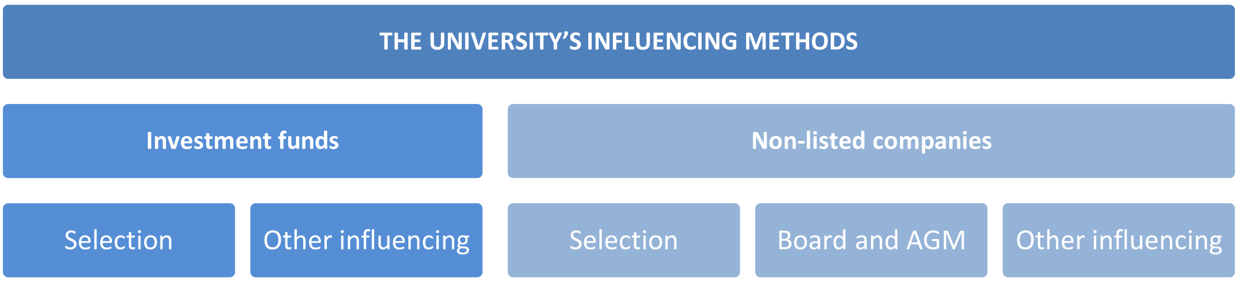
External responsibility determines what the University requires from service providers and investment targets. Both service providers and investment targets are expected to bear corporate social and environmental responsibility. At the least, this always means compliance with legislation and regulations, but requirements can be added on the basis of ESG (Environmental, Social and Governance) analysis. Direct investments in investment funds improve the ability to assess and monitor the responsibility of investment targets. At the same time, risk management is improved, while complex investment targets and pricing models are avoided. Particularly in startup investments, good governance is actively promoted by acting as a responsible owner.

The University also wants to help mitigate climate change by focusing its investments on low-carbon targets. For example, the policy is not to invest in companies that produce fossil fuels. Moreover, the aim is to also consider environmental protection and biodiversity when choosing investment targets. Investment targets are encouraged to report on their efforts to promote sustainable development.

Good governance denotes a well-functioning internal entity of decision-making power and control. There are no uniform and binding codes for good governance; rather, businesses establish and implement them on the basis of the principles of self-regulation. These include reward systems for the management as well as corporate tax policies. For example, the University requires that both service providers and investment targets fulfil their tax liabilities and refrain from aggressive tax planning. Central to monitoring the implementation of good governance and the fulfilment of tax liabilities is reporting by businesses and service providers.

2.3.3 Influencing methods

The University's investments are mainly targeted at investment funds and non-listed companies. Methods of impact in these investment types are:



In the selection and monitoring of investment funds, responsibility is assessed according to various responsibility criteria. Such assessments are included in investment analyses parallel to conventional financial indicators. Funds with specific themes, such as the mitigation of climate change, can be favoured. Exclusion is primarily realised by choosing applicable investment funds and by monitoring the investment targets owned by these funds.

Through influencing, the University wishes to be a responsible owner as well as to ensure the sustainable long-term performance of its investment targets. To make this possible, the businesses selected as investment targets must employ in their operations a long-term approach that is in the interest of the owners. Dialogue with businesses is the starting point for improving practices. After inconclusive influencing discussions, relinquishing ownership can be considered. Impact investing denotes, for example, investment aimed at achieving a positive societal, social or environmental impact alongside return on investment. The societal impact of investments is also a factor in the University's startup investments.

2.4 Operating model

The Board of the University of Helsinki annually approves the *investment plan* and receives the *annual report on investment activities* for information. In addition, the Board's audit committee discusses matters pertaining to investment activities to be submitted to the Board and, when necessary, monitors the investment activities at more frequent intervals. The audit committee will also receive, if it so wishes, a report on investment activities for each meeting.

The investment committee appointed by the Board supports the Board with advice and recommendations. As an expert body, the investment committee monitors investment activities, making it part of the preparation of matters pertaining to investment activities. The investment committee is guided by regulations specific to investment activities.

Under the direction of the chief financial officer, the investment team carries out investment activities and reports to the Board, the audit committee and the investment committee. In the investment team, the chief financial officer serves as the supervisor, while the rest of the team conduct investment activities under the direction of the chief investment officer. Reporting on internal responsibility is primarily based on the self-regulation of the investment team, and its implementation is monitored by the chief financial officer. To avoid conflicts of interest, members of the investment team regularly report to the chief financial officer on their connections to service providers. The responsibility of investment targets is monitored through responsibility reports, corporate responsibility reports, other public sources, and databases that produce responsibility assessments. In monitoring the responsibility of service providers, active communication is also emphasised.

2.5 Valuation

In reporting, investment assets are valued at fair value, primarily on the basis of their market price. In accounting, all long-term and essential impairments of non-listed securities are recorded in accordance with the principle of prudence.