



UNIVERSITY OF HELSINKI

Three acorns are stacked vertically on a green background. The top acorn is light brown and smooth, the middle one is dark brown and textured, and the bottom one is also dark brown and textured.

PRINCIPLES FOR RESPONSIBLE INVESTMENT ACTIVITIES

UNIVERSITY OF HELSINKI AND
UNIVERSITY OF HELSINKI FUNDS

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UNIVERSITY OF HELSINKI AND UNIVERSITY OF HELSINKI FUNDS

PRINCIPLES FOR RESPONSIBLE INVESTMENT ACTIVITIES

1 BACKGROUND

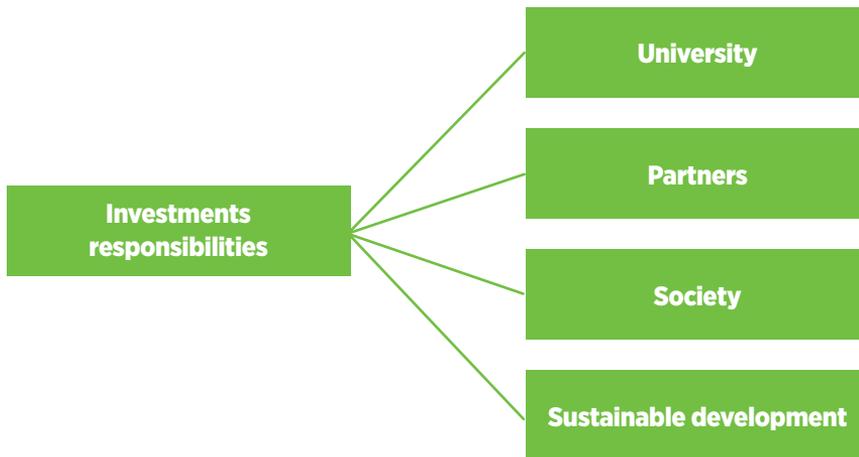
The University of Helsinki Group (hereafter referred to as the ‘University’) is composed of the University of Helsinki and the University of Helsinki Funds. The total investment assets of the University amount to approximately €500 million, while its real estate holdings are valued at approximately €1 billion.

The investment assets of the *University of Helsinki* consist of the capital accrued in conjunction with the 2010 reform of the Finnish university system and its returns. Investment assets denotes market-based investments. Investment assets do not include, for example, real estate or apartments used for the University’s core duties. The University of Helsinki investment assets are divided into an investment portfolio that complies with the *Principles of investment activities and spending policy* and a liquidity portfolio that complies with the *Principles of finance*.

The investment assets of the *University of Helsinki Funds* have accumulated over a long period of time as a result of donations and investment activities. Investment assets denote market-based investments. Investment assets do not include, for example, real estate or apartments used for core duties. The investment assets of the University of Helsinki Funds are divided into an investment portfolio that complies with the *Principles of investment activities and spending policy*, other donated funds of the University of Helsinki Funds and an innovation portfolio that complies with the *Principles of commercialisation*.

2 RESPONSIBILITIES OF THE UNIVERSITY

Due to its status, the University has significant internal and external responsibilities that it wishes to fulfil by conducting responsible investment activities. In terms of investments, the most important responsibilities involve the University itself, its partners, society and sustainable development.



2.1 UNIVERSITY

In the Principles of investment activities and spending policy, it is stated that¹

“The primary goal of the investment activities is to increase the University’s financial stability and independence. The long-term expectation is an annual return of 4% + inflation. However, the target return for investments cannot be less than the spending policy, to avoid jeopardising intergenerational fairness. The University intends to maintain a risk profile where the target return for investments is achieved by taking as little risk as possible.”

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

¹ Principles of investment activities and spending policy, approved by the Board of the University of Helsinki on 3 October 2018.

2.2 PARTNERS

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.² Responsibility for its partners requires the University to observe proper governance in its investment activities, specifically by ensuring their independence, openness and consistency.

2.3 SOCIETY

In the values of the University of Helsinki, it is stated that³

“The University acts as an institution that fosters knowledge and educates young people, which often makes it a pioneer in planting new values in society.”

Responsibility for society requires that investment activities are based on science and broadly mirror societal developments. In its investment activities, the University must serve as an example of how to invest economically and ethically, and to promote this approach outside the University as well.⁴

2.4 SUSTAINABLE DEVELOPMENT

In the values of the University of Helsinki, it is stated that

“The University takes the principles of sustainable development into account in all of its activities.”

In terms of the University's investment activities, responsibility for sustainable development is given consideration by taking into account the impact of investments on sustainable development and responsibility. This responsibility specifically requires that the impact of individual investments on sustainable development is assessed before making investment decisions, in addition to which the impact is continuously monitored.

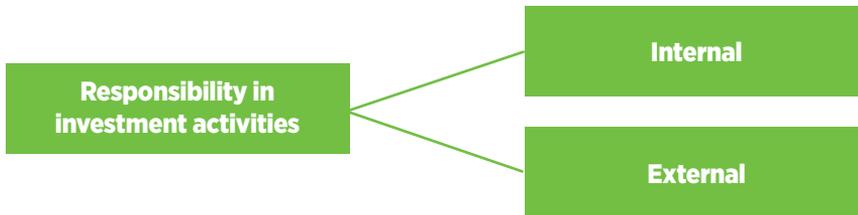
2 <https://www.helsinki.fi/en/cooperation>

3 <https://www.helsinki.fi/fi/yliopisto/yliopistoyhteison-arvot-toiminnan-maarittajina>
(in Finnish only)

4 For instance, by supporting study programmes targeted at upper secondary school pupils, seminars targeted at investment professionals and media reports targeted at the general public.

3 RESPONSIBILITY

To be able to demand the same from others, the University must itself act in a genuinely responsible manner. Responsibility in investment activities springs from within the University and is reflected outwards.



Internal responsibility is primarily associated with appropriately carrying responsibilities related to the University and its partners. Internal responsibility is guided by the University's values and the principles of proper governance.⁵

External responsibility is primarily associated with carrying responsibilities related to society and sustainable development. External responsibility is based on the Principles for Responsible Investment (PRI), supported by the United Nations, which pertain to matters related to the environment, society and corporate governance in terms of investments.

3.1 PRINCIPLES FOR RESPONSIBLE INVESTMENT

The principles mean that the University⁶

3.1.1 Makes ESG analysis part of its investment processes

The University supports the development of ESG⁷ tools, analyses and statistics. The ability of the University's internal and external portfolio managers to include ESG analysis in their activities is assessed at regular intervals, while providers of investment services are requested to apply the ESG approach to their investment analyses. Furthermore, the University promotes by itself or together with members of Finland's Sustainable Investment Forum (Finsif) academic and other research related to the field, as well as supports the provision of ESG training to investment professionals.

5 <https://flamma.helsinki.fi/group/yliopisto/hyvan-hallinnon-periaatteet>

6 Source: <https://www.finsif.fi/finsif-in-brief/>

7 Environmental, Social and Governance issues. Source (in Finnish only): <https://www.finsif.fi/sanasto/>

3.1.2 Acts as a responsible owner and makes ESG analysis part of its practices

The University is developing an active and public owner policy, aiming to employ its right to vote in the annual general meetings of businesses whose shares the University directly owns. The goal is to establish active dialogue with these businesses. Furthermore, the University can contribute to the development of standards, control measures and policies. Proposals that take into account a long-term ESG perspective can be presented in annual general meetings. Portfolio managers are encouraged to take part in ESG projects carried out in businesses and report on them. Joint influencing initiatives are another good channel towards active ownership.

3.1.3 Promotes appropriate ESG reporting by its investment targets

The University encourages businesses and asset managers to produce standardised reports on ESG issues (e.g., Global Reporting Initiative) and their inclusion in annual reports. In addition, information on the use or implementation of appropriate norms, standards and international initiatives can be requested, while shareholders' proposals at annual general meetings promoting the publication of ESG affairs can be supported.

3.1.4 Promotes the introduction of the principles of responsible investment in the investment sector

The University takes into account matters related to ESG analysis when choosing service providers and lays down guidelines for investment mandates, control processes, profit indicators and reward systems in accordance with the responsibility criteria. Expectations related to ESG issues are actively communicated to providers of investment services – also to those who do not meet the set ESG requirements. Support is provided in the investment sector for the development of comparison tools, as well as changes to control measures and policies aimed at increasing the observance of guidelines.

3.1.5 Promotes responsible investment in cooperation with other investors

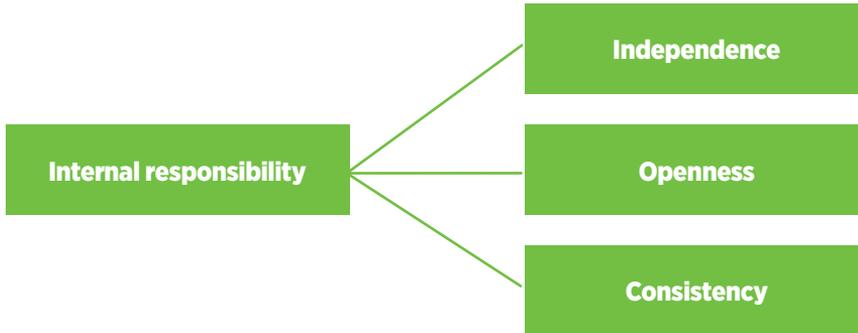
The University participates in various networks to connect investment tools and resources with each other. Emerging themes are highlighted, while community-based initiatives are supported.

3.1.6 Reports on its activities and the progress of its responsible investment activities

The University openly communicates on how ESG issues have been integrated into its investment activities and publishes the practices of its active ownership policy and requirements set for service providers. Reports on progress, challenges and achievements are distributed to stakeholders at regular intervals.

3.2 INTERNAL RESPONSIBILITY

Internal responsibility determines how the University acts to ensure the independence, openness and consistency of its investment activities.



Independence from providers of investment services is crucial for internal responsibility. In practice, independence denotes equal treatment of service providers and avoidance of conflicts of interest.⁸

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, measures aimed at achieving the goals of the principle of public access to information.

Consistency is a prerequisite for 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.

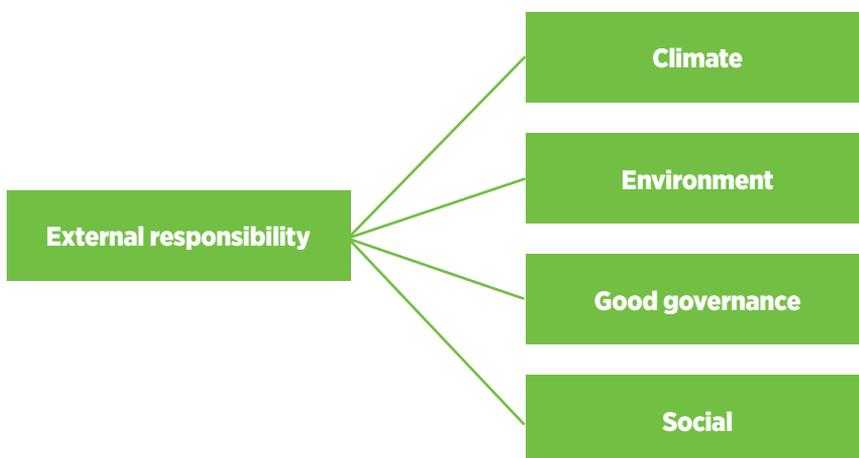
3.3 EXTERNAL RESPONSIBILITY

External responsibility determines what the University requires from service providers and investment objects. Both service providers and investment objects are expected to bear responsibility for society and the environment. At the least, this always means compliance with legislation and regulations, but requirements can be added on the basis of ESG analysis. Particularly in startup investments, proper governance is actively promoted by acting as a responsible owner.

3.3.1 Goals for external responsibility

On the basis of ESG analysis, additional goals may be set for investment objects which may concern, for example, carbon emissions, working conditions or tax planning. Direct investments in index funds improve the ability to assess and monitor the responsibility of investment objects.⁹ At the same time, risk management is improved, while complex investment objects and pricing models are avoided.¹⁰

Identifying what is known as 'greenwashing' is also part of promoting responsibility and the University's values.¹¹ However, identifying greenwashing usually requires a comprehensive assessment of responsibility policies in relation to ESG analysis conducted as objectively as possible, which makes it advisable to avoid simple mechanical rules.



9 "Execution only".

10 For example, structured products or insurance contracts.

11 "The core value of the University of Helsinki is the quest for truth. The starting point of research and teaching is the pursuit of truth and new knowledge. The basic characteristic of an academic, whether a researcher, teacher or a student, is a critical mindset." Source: <https://www.helsinki.fi/en/university/strategy-and-management/strategic-plan-2017-2020>

3.3.1.1 Climate change

“The University of Helsinki wants to increasingly contribute, through research-based knowledge, to national and international decision-making related to mitigating climate change.”¹²

In the University’s investments, the goal is to contribute to mitigating climate change by preferring low-carbon investment objects. The limit is that firms that produce fossil fuels comprise no more than 1% of the investment portfolio.¹³ In practice, their portfolio weight should be reduced continuously.

3.3.1.2 Environment

Taking environmental factors into account, or adapting human activity to environmental capacity by making methods of production and consumption less straining for the environment, is a key part of sustainable development. When choosing investment objects, attempts are made to assess their impact on nature and biodiversity preservation.¹⁴ Investment objects are encouraged to report environmental risks associated with their operations and measures taken to address deficiencies.

3.3.1.3 Proper governance

Proper 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 it 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 objects fulfil their tax liabilities and refrain from aggressive tax planning.

Central to monitoring the implementation of proper governance is reporting by firms. To monitor the fulfilment of tax liabilities, we encourage them to increase transparency by reporting comprehensively on their tax policies and tax footprint.

¹² In October 2018 the University of Helsinki became a member of the Climate Leadership Coalition (CLC). This coalition formed by Finnish organisations and the Finnish Innovation Fund Sitra challenges the surrounding community and businesses to join the efforts to curb climate change.

¹³ Businesses more than 10% of whose revenue originates in the production of oil, gas, thermal carbon, shale oil, shale gas or coal gas.

¹⁴ For example, on the basis of corporate responsibility reports.

3.3.1.4 Social responsibility

The University requires that both service providers and investment objects respect human rights and are not engaged in any discrimination based on race, gender or age. Furthermore, they are expected to observe the principles related to international labour law.

3.3.2 Measures of external responsibility

Methods of impact related to external responsibility include responsibility analyses, active ownership and engagement, as well as impact investing.¹⁵

The University primarily invests in passive index funds, active funds and individual securities. Methods of impact in these investment types are:

THE UNIVERSITY'S IMPACT METHODS		
Passive index funds	Active funds	Direct investments
Selection of fund	Selection of fund	Selection of investment target
Other influencing	Other influencing	Board and AGM
	Dialogue with service provider	Other influencing

¹⁵ Source: Guidelines for responsible investing, Church Pension Fund of the Evangelical Lutheran Church of Finland, approved by the board on 3 October 2018

3.3.2.1 Responsibility analysis

Responsibility analyses assess the responsibility of investment targets on the basis of ESG criteria. Based on the information gained, individual investment objects can be favoured or avoided.

Norm-based analysis

Responsibility is assessed by examining adherence to the international norms of the UN and OECD, including the UN treaties on human rights, labour rights, corruption and nature conservation.

ESG integration

ESG analysis is included in investment analysis parallel to conventional financial indicators. Asset managers that actively monitor corporate ESG issues as part of investment activities and strive to understand the impact of ESG issues on the profit and risk outlook of businesses are favoured.

Thematic investing

Businesses in a certain sector or those providing products or services that support sustainable development can be favoured. Climate change and changes brought about by demographic changes in society are examples of such themes. In the University's startups, targets for thematic investing can currently be found, among other fields, in medicine, veterinary medicine and education.

Exclusion of businesses

The University does not invest in businesses that operate unethically or illegally. Exclusion is primarily enforced by choosing applicable investment funds and by monitoring the investment objects owned by these funds.

3.3.2.2 Active ownership and influencing

Through influencing, the University aspires to be a responsible owner as well as to ensure sustainable long-term performance of its investment objects. To make this possible, the businesses selected as investment objects 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.

3.3.2.3 Impact investing

Impact investing denotes investments which purpose is to engender measurable social or environmental change in addition to producing investment profit. Impact is a key factor in the University's startup investments.

4 MONITORING AND REPORTING

Responsibility in the University's investment activities is measured in practical actions, not by theoretical principles.

The outcome of responsibility in investment activities is reported at regular intervals to the Board, management and investment committee of the University. It is also publicly reported in conjunction with financial statements, with the aim of disclosing both individual investments and total costs, in a similar fashion as Finnish pension insurance companies.¹⁶

Reporting on internal responsibility is primarily based on the self-regulation of the investment team, but 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 outcome of responsibility in terms of investment objects 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.

¹⁶ See for example (article in Finnish only): https://www.tela.fi/uutinen/1/0/tyoelakevakuuttajien_sijoituskulut_alle_prosentin



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