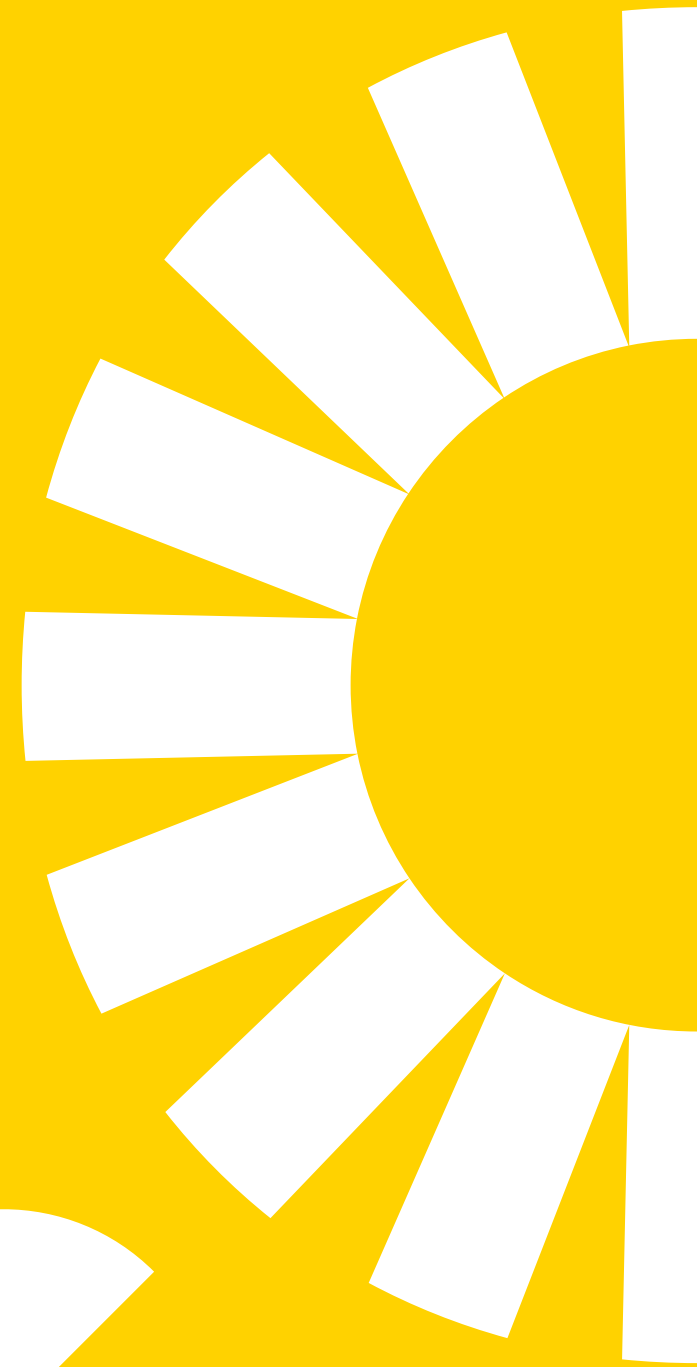


Engagement Policy of Elo's investments



Introduction

Engagement and active ownership are keyways to implement Elo's responsible investment. Engagement refers to dialogue with investees, fund managers, and other stakeholders, aiming to improve practices to be more responsible.

Elo's principles of responsible investment, ownership policy, climate policy for investments, and the biodiversity roadmap for investments include the responsibility perspectives that Elo considers important in its investment activities. Elo's investment engagement policy complements the aforementioned documents.

Elo's investment assets are widely diversified across different asset classes. The goals and means of engagement depend on the asset class, investment style, and whether the investment is direct or a fund investment.

Objectives of engagement

Sustainability factors impact investment returns, and conversely, Elo's investments impact the environment and society (so-called double materiality). Elo aims to engage with the investees to adopt more responsible practices and be more profitable in the long term. Responsible investment aims to recognise the global sustainability challenges and the systemic risks they pose to the investment environment when developing the long-term investment activities. These include climate change, biodiversity loss, and increasing global inequality.

Elo also aims to actively enhance international agreements and goals, such as the Paris Climate Agreement, the Kunming-Montreal Biodiversity Agreement, and the UN Sustainable Development Goals.

The goal is that the companies and fund managers, that Elo engage with, consider material responsi-

bility factors and global sustainability challenges in their policies and operations, as well as the impacts of their operations in the short, medium, and long term. Elo encourages companies to report their progress transparently, openly, and comprehensively.

Engagement can be proactive, aiming to identify issues and engage the practices of investees before risks materialize, or reactive, responding to violations that have occurred. The selection and monitoring of engagement is based on pre-set goals and criteria.

Through engagement and dialogue, Elo also gains valuable information and a broader understanding of investees, such as investment risks and opportunities related to companies' principles and operations. Companies and other stakeholders gain information about investors' expectations through engagement.

Application and scope of engagements

Elo engage primarily with investees. Engagement is primarily implemented through initiatives or direct dialogue, which can be conducted, for example, with company management or investor relations, fund managers, investor committees, domestic real estate investment stakeholders, and government representatives. In collaborative initiatives, engagement can also be done to the companies in which Elo may not have holdings at that time.

Additionally, Elo engages through various investment associations and other organizations, for example, by participating in working groups. By participating in these forums, Elo aims to influence the direction in which the priorities of responsible investment develop.

Elo also collaborates with other stakeholders, so engagement and dialogue can also target, for example, service providers. Elo aims to select partners who operate responsibly.

In Finland, Elo can engage in dialogue with financial sector advocacy. Through investor collaborations, Elo can also participate in engagement processes targeting decision-makers.

Means, Prioritization, and Escalation of engagement in Different Asset Classes

Elo's main means of engagement are participating in general meetings, direct dialogue with companies or fund managers, and collaborative engagement, such as joint initiatives and group letters.

Elo prefers collaborative engagement with other investors, as it is more likely to achieve the desired outcome. Additionally, public commitments and letters are a visible means to draw attention to important issues.

The prioritization of Elo's engagement projects is based on the key themes of the engagement policy, namely the implementation of climate policy, biodiversity loss, human rights, good governance, and norm-based screening. When selecting the application and scope of the engagement factors such as increased sectoral or regional sustainability risk, Elo's relative ownership share, or the severity of the responsibility issue and the investee's response to the issue, are considered.

In direct investments, engagement typically begins either through collaborative initiatives or direct dialogue. Dialogue with investees and other stakeholders can include meetings, calls, and email correspondence.

Elo votes at general meetings according to Elo's ownership policy. In Finland, Elo primarily participates in the general meetings of all companies it owns. In international general meeting voting, we primarily use the sustainability-tilted voting policy of a proxy voting advisor. When lending

stocks, Elo considers the possibility of participating in general meetings.

When selecting asset managers, the manager's approach to responsible investment is analysed. Elo assesses and discusses how the manager's as well as the fund's investment policy and strategy, principles of responsible investment, and engagement and ownership policies align with Elo's principles and practices.

The development of asset managers and funds is monitored during the investment period through dialogue, communication, and manager's reporting. Identified issues are addressed with the fund manager. Development is also monitored through surveys sent by Elo.

In direct domestic real estate investments, Elo aims to promote responsible business practices in the real estate sector together with its stakeholders and highlight themes important to Elo. Due to the nature of a well-diversified portfolio and real estate business, the stakeholder network is also extensive. Through ownership in different real estate sectors, Elo's real estate investment activities have the opportunity to influence various aspects of domestic rental housing supply, the commercial development of city centers, service offerings, and the development of work environments. Additionally, Elo actively participates in the general meetings as well as board and management teamwork of its associated companies, and the investor committees of indirect investments.

Key Themes

In direct government bonds of emerging market debt, the main channel of engagement is dialogue with governments and various stakeholders. However, the opportunities for investors to engage governments are more limited compared to companies. The goal of dialogues is to gain more information and form an objective view of the issuing country.

Escalation

Engagement does not always lead to a desired outcome for Elo. Escalation refers to actions and means if the original means of engagement fail to achieve the investor's goals within a certain period. The practical process of escalation varies by asset class and investment style, but it generally involves the adoption of stricter and more forceful means of engagement. Engagement measures can be increased, for example, in listed equity investments through general meeting voting or public letters. As an extreme measure, it may be possible to reduce or completely divest the investment.

Elo works on a wide range of responsibility themes, including environmental, social, and governance (ESG) issues. In terms of the environment, Elo's engagement focuses particularly on climate change and biodiversity loss, both of which are significant systemic risks for investors. In terms of social responsibility, the main focus is on the human and labor rights. Additionally, we expect investee companies comply with international norms and agreements.

Environment

Elo's climate policy for investments guides Elo's engagement on climate change-related issues. By engagement Elo encourages investees to consider the material impacts of climate change on their operations and the impacts of their operations on climate change.

Elo is committed to a Paris Aligned investment portfolio. The key goal of climate policy is changes in the real economy. Portfolio changes based solely on emissions may not necessarily promote a controlled and socially just transition to a low-carbon society. Collaboration between actors is essential to reduce global emissions. Changes in companies' operations play a central role in implementing the measures required for climate change mitigation and adaptation.

For investors, biodiversity loss is largely a systemic financial risk similar to climate change. Biodiversity loss is considered in Elo's investments according to Elo's biodiversity roadmap for investments and by participating in investor collaboration initiatives. In Elo's engagement related to the biodiversity, investees are encouraged to consider biodiversity in their operations, identify material biodiversity impacts and dependencies, and publish related measures and plans.

Social Responsibility

In terms of social responsibility, human rights and labor rights are central to Elo's engagement. These should be broadly examined concerning labor rights, personnel policies, employee well-being, and children's rights. Impacts on the local community and society, as well as cybersecurity, should also be considered as part of the human rights.

Elo actively monitors the consideration of human rights and other social risks and impacts of its investees. The human rights is also part of norm-based screening. We expect investees to comply with international norms and agreements in addition to national legislation. The Universal Declaration of Human Rights of 1948 has been used as the basis for subsequent international human rights treaties. According to the UN Guiding Principles on Business and Human Rights, companies should identify, prevent, and mitigate negative human rights impacts related to their operations.

Certain industries and geographical areas have an increased risk of human rights violations. Human rights are also related to climate and biodiversity work, for example, through just transition or the protection of indigenous peoples' rights.

Elo engages human rights and other social responsibility issues both directly and in collaboration with other investors.

Good Governance

Elo expects its investees to adhere to good governance and responsible business practices. The minimum requirement for good governance is compliance with the recommendations of the current governance and management systems. Elo considers it important that companies report transparently on their financial information, governance, remuneration, and material sustainability factors. Elo's expectations for good governance can be found in more detail in Elo's ownership policy.

International Norms and Agreements

In defining the responsibility of investees, national legislation and international norms and agreements related to business, the environment, human rights, and corruption are considered as a starting point. We expect companies in which we invest to comply with, among others, the following international norms:

- The UN Global Compact initiative, based on UN declarations on human rights, the environment, and corruption
- The OECD Guidelines for Multinational Enterprises
- The ILO Conventions and Recommendations on Labor
- The UN Guiding Principles on Business and Human Rights (UNGPs).

We screen the activities of investees based on external service providers, other analysis services, and public information sources. If we detect a violation, we assess the severity and extent of the impacts and how the company responds to the issues. We contact the company alone or in collaboration with other actors or monitor the situation through our service provider. We may divest the investment if the company has not taken credible measures to address the deficiencies. In fund investments, the screening of issues and engage is primarily carried out through the fund manager.

Communication of engagement

Elo regularly communicates about its engagement, for example, on its website or in the sustainability report, considering the confidentiality of the information. Elo's participation and voting in domestic general meetings are updated on the website semi-annually, and information on participation in international general meetings is provided annually.

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