

PRI Reporting and Assessment survey 2011 Executive Summary

Your organisation:

Tapiola Asset Management Ltd

Governance, policy and strategy (Q 11)

Tapiola Asset Management has adopted a Policy for Responsible Investment already in 2007 (published in Finnish on <http://www.tapiola.fi/NR/rdonlyres/31685C59-09B2-46B8-9840-A84F12E77AD1/0/Vastuullisuus.pdf> ;Tapiola Asset Management is a pure domestic financial services provider, hence all information on our websites is published in Finnish. Finnish is also the reporting language.). This Policy has been reviewed during 2009 and 2010. In January 2010 Tapiola Asset Management signed the UN PRI. Tapiola Asset Management's Policy for RI determines how RI is implemented into the investment policies across asset classes and how Tapiola Asset Management addresses the transparency of its RI policies towards its clients and other stakeholders.

The primary promise that Tapiola Asset Management has given to its clients is to ensure a maximum return at a risk level chosen by our clients. A good risk-reward relationship is the core Responsible Investment promise to the clients. Tapiola Asset Management has a good track record in achieving this.

ESG is part of the investment analysis performed by portfolio managers, investment managers and economists. ESG criteria are evaluated across asset classes and included in the investment analysis. We believe that ESG analysis increases our in-depth knowledge of our investments, reduces risks, both reputational and financial, and results in better investment decisions as well as in better returns.

Our RI policy includes also an engagement policy. We see engagement as an active way to influence companies' behaviour and our engagement includes themes on ESG. We prefer working together with companies proactively and take an active part in opening up dialogue regarding ESG with company representatives.

We believe that one part of our own behaviour as Responsible Investor is to be cost-efficient and transparent towards our clients. This is why we work as long-term investors and aim to minimize any trading activities. We also provide transparent information on our cost structure, investment policies and our RI activities to our clients.

Tapiola Asset Management is part of Tapiola Group and follows the Group's values and corporate responsibility policies. Tapiola Group is a mutual financial services Group. Thereby the company mission is to provide benefits and solutions to sustainable wellbeing and success to its clients. The responsibility policies of the whole Group have been approved by the Board of Directors in 2006. Tapiola reports on its sustainability on annual basis and uses GRI G3 and UN Global Compact policies. The sustainability report is verified by an external party. Tapiola Asset Management's RI is also reviewed in this report and the report is published on our website in Finnish (http://www.tapiola.fi/NR/rdonlyres/1295A40C-A1AF-481E-9191-4E9347CFCAD0/Vuosiraportti_2010_nettiin_final.pdf).

Principle 1 - We will incorporate ESG issues into investment analysis and decision-making processes (Q 19)

Tapiola Asset Management incorporates ESG issues in its investment process in all asset classes by taking into account the specific characteristics of an asset class. As a principle we are active investors and indices or external parties do not guide our investments.

ESG issues are taken most into consideration in our internally managed direct listed equity in both developed and emerging markets and in fixed income - corporate issuers - investments. In these asset classes ESG analysis is a part of the investment analysis that is done for each corporation prior to the investment decision. We do not exclude any sectors from our investment universe based on any criteria, because we believe that all corporate action leaves its footprint in environment and society. At the beginning this analysis bases itself in publicly available information and in addition to this ESG issues are discussed in meetings with corporate management. With dialogue we aim to verify the information that has been published but also to engage in corporate activities. We aim to meet all corporations prior to investment decision and regularly after the investment has been made. Our ESG analysis includes an overview on how a corporation has integrated ESG into its operations both externally and internally. We also follow corporations' activities in engaging in ESG issues. Our ESG analysis leads to a company specific score that will be reviewed over time. Our aim is to not only invest in the best-in-class companies but also to recognise the strengths and opportunities that a development of a company's ESG activities can offer to its financial performance.

In fixed income - sovereign and non-corporate issuers - investments our investment policy restricts the investment universe. We can only invest in euro-denominated instruments. According to our ESG analysis within this asset class we invest primarily in bonds that are issued by countries that have ratified most international human rights and environmental agreements. As a part of ESG analysis factors that can affect a credit ratings and pricing are analysed. An example could be cost effects caused by an environmental catastrophe.

In externally managed funds the ESG analysis is performed when an external investment manager is chosen. We only use a handful of external fund managers that we know well. We aim to have a long-term relationship with all of our external fund managers, and include ESG issues into the dialogue we conduct with our chosen fund managers. ESG analysis has been conducted for all current external investment managers and all new potential investment managers are screened based on Tapiola Asset Management RI and ESG policies. We prefer external fund managers that have signed the UN PRI. External fund managers are also given a score based on their initiatives on ESG and this score is reviewed over time.

Principle 2 - We will be active owners and incorporate ESG issues into our ownership policies and practices (Q 26)

Tapiola Asset Management aims to conduct its engagement policy proactively. We aim to meet all companies before we invest in them and after investment once a year or more often when needed. During the past two years we have opened up dialogue on ESG issues with the companies during these regular meetings and over time this dialogue has and will become deeper. We have already seen a few companies improving their ESG policies in accordance with issues discussed in meetings. Our general policy is that we attend annual shareholder meetings and use our voting rights only when we see it as necessary, i.e. when issues discussed and voted on require our attendance or when we or the parties we represent own a large part (over 5 %) of the total amount of shares. In cases when we do not agree on voting issues with company management we aim to discuss these matters with the management prior to the shareholder meeting. Due to the very diverse client base, our resources and our promise of cost-efficient service to our clients, we view that company meetings with management offer the best forum for us to engage on behalf of our clients.

Principle 3 - We will seek appropriate disclosure on ESG issues by the entities in which we invest (Q 52)

Tapiola Asset Management incorporates ESG analysis into its investment analysis. For direct equity investments and fixed income - corporate issuers - investments this means that company disclosed information is analysed at first. At Tapiola Asset Management all Equity and Fixed Income Portfolio Managers act as Investment Analysts and prepare the in-depth investment analysis before investment decision and also regularly after the investment has been made. On ESG issues analysis looks into information that companies publish on their websites, e.g. annual report, corporate sustainability reports, corporate social responsibility reports, specific sustainability websites as well as code of conduct and similar standards and norms, but also information that external parties publish, e.g. company inclusion in sustainability indices, company performance in sustainability surveys, company certifications (ISO, OHSAS, PEFC to name a few) and sustainability report audits when available. We also track information regarding companies' activity in UN Global Compact, Carbon Disclosure Projects and other international and national co-operative initiatives. All these are also discussed in regular meetings with company management in order to get a better understanding on information disclosed.

Principle 4 - We will promote acceptance and implementation of the Principles within the investment industry (Q 58)

Tapiola Asset Management discusses actively RI and inclusion of ESG in investment analysis with different stakeholders.

- Clients: Meetings with clients regularly include discussions and presentations about RI. Discussions handle issues of why have we undersigned the PRI, how have we implemented the PRI in our own daily investment management and why incorporation of ESG factors in the investment processes is worthwhile.

- Investee companies: We conduct a comprehensive analysis of the issues of responsibility of the companies in which we invest. Our portfolio managers meet all the investee companies and in the dialogue encourage them to consider issues of responsibility in their operations.

- External investment managers: We conduct a comprehensive and strict RI- analysis for the external investment managers which we consider to use. We aim at finding long-term companions whose values and codes of conducts befit our own. Credibility and responsibility are always primary criterions in the selection of external investment managers.

- Brokers and investment research providers: We discuss actively ESG and RI with our brokers and investment research providers in order to encourage them to put more weight on ESG and RI in their analysis.

- Seminars: We have organized seminars on responsible investing to our clients. In 2010 we organized one half-day seminar on RI that included the academic perspective. As one of the founding members of FINSIF (Finland's Sustainable Investment Forum) we also participated in organising a larger seminar regarding RI for the investment community in Finland. In addition to these events our investment professionals have participated in other seminars and work-shops regarding RI.

Principle 5 - We will work together to enhance our effectiveness in implementing the Principles (Q 65)

Tapiola Asset Management is one of the founding members of Finland's Sustainable Investment Forum, FINSIF. The purpose of the FINSIF is to promote responsible investing which considers the ESG factors in investment management and in the investment decision making-processes. We are working actively to develop FINSIF further. One example of this are regular workshops that collect members of the FINSIF together to discuss and develop the activities of the FINSIF.

We have also participated in the seminars organised by the UN PRI in Finland and Scandinavia as well as in seminars organised by PRI signatories on the ESG and RI.

Principle 6 - We will each report on our activities and progress towards implementing the Principles (Q 70)

Tapiola Asset Management aims to be as transparent as possible in RI towards its stakeholders. We discuss RI and the PRI regularly and comprehensively in all our communication channels and communication materials. We discuss issues of RI in our presentation materials directed to our clients and other stakeholders. We bring up RI and PRI in meetings with all our institutional clients. In addition to that we have arranged seminars with main focus on RI and PRI.

We are also striving to publish information of the Principles on the internet and report about topical events in the field of RI. Internet disclosure occurs both on the Tapiola Asset Management's own web pages and on the sijoitustalous.fi pages, where our personnel write articles and post blog writings about topical issues in the investment world. All published information is mainly in Finnish since Tapiola Asset Management is a domestic financial services provider and its reporting language is Finnish.

Responsible investing has also been one of the main focus areas in Tapiola Group Annual Report 2010 (available in Finnish on our website http://www.tapiola.fi/NR/rdonlyres/1295A40C-A1AF-481E-9191-4E9347CFCAD0/Vuosiraportti_2010_nettiin_final.pdf). The annual report discussed RI both from the whole group's perspective and from the Tapiola Asset Management's perspective.

In addition to this we have published a RI distribution of our direct equity and corporate bond funds for the first time in the 2010 annual fund report (available in Finnish on our website <http://www.tapiola.fi/NR/rdonlyres/B2DC4212-412A-4B9E-9CCD-EEFC1F687C610/Vuosikertomus.pdf>). The aim is to disclose this distribution monthly (at our website http://www.tapiola.fi/www/Yksityisasiakkaat/Saastot_ja_sijoitukset/Sijoitusrahastot/Katsaukset/Kuukausikatsaukset/etusivu.htm). The RI distribution is based on the scoring that portfolio managers conduct for all equity and corporate bond investments (mentioned in Principle 1). We also offer to report a RI distribution on our client portfolios on a monthly basis. This service can so far be provided for internally managed investments.