APPROVED BY THE BOARD
OF DIRECTORS FOR KEVA AT

DECEMBER 11,
2019

KEVA

ACTIVE OWNERSHIP POLICY

Active ownership policy

TABLE OF CONTENTS

STARTING POINTS

PURPOSE OF THIS DOCUMENT

The purpose of this document is to define Keva's active ownership policy in the manner required by section 10 of the Act on Keva 66/2016). The policy sets out the ways that Keva uses to implement active ownership in investee corporations whose shares are traded on a regulated market in the European Economic Area. The active ownership policy also encompass an assessment of the memberships held by the CEO and employees of Keva on the governing bodies of other corporations or foundations.

BACKGROUND AND PURPOSE OF ACTIVE OWNERSHIP

The starting point to Keva's definition of active ownership is its basic task to manage its cross-generational pension liability. The Act on Keva lays down that Keva, in its capacity of managing local government pension funds, is a long-term investor which must ensure the security, returns, liquidity and diversification of investments. The return on pension investments is important to safeguard pensions. Diversification helps to mitigate the risks of investment activities.

In real terms, the net expenditures that will be covered by investments in the coming decades clearly exceed the current value of the fund. The difference between expenditure and income in real terms means that it is necessary to accept investment risks to earn higher returns. When materialised, the risks might from time to time attract the attention of stakeholders or the public. In such situations, Keva patiently emphasises that it manages its mission over the long term.

The aim is to allocate investments to support a steady pension contribution. As its investments, Keva appreciates investee corporations whose decision-making and operations focus on a long-term and responsibility. We expect the companies that we invest in to develop their processes regarding possible shortcomings.

Keva's approach to management and governance of the investee companies is based on the return and security perspective. Good corporate governance contributes to ensuring long-term returns.

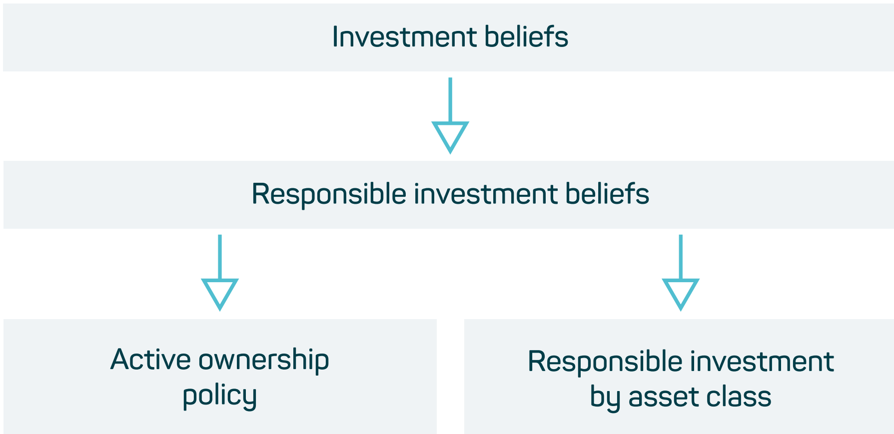
The aim of Keva's active ownership is to enhance sustainability of the companies it invests in order to increase the shareholder value in a long-term. Active ownership practices support the purpose of Keva's investment operations to safeguard the funding of statutory pension cover.

ACTIVE OWNERSHIP AS PART OF INVESTMENT STRATEGY

Active ownership policy is part of the structure of the steering documentation guiding Keva's investment activities (Figure 1).

Active ownership policy is linked to Keva's investment beliefs in the manner indicated in Figure 1. Keva's Investment beliefs describe the general policies on which Keva's investment strategy and organisation of investment operations are based. Keva's Responsible investment beliefs define the strategy and conditions relating to investment, whereas the document Responsible investment by asset class defines the key investment aims and approaches.

Figure 1: Ownership steering principles as part of steering documentation



(Keva)

CONDITIONS

Keva's investment portfolio contains a large number of companies whose operations are spread around the world. Investment decisions are largely based on public information from a range of different sources.

Legislation, corporate governance codes and local practices in active ownership matters differ internationally and may conflict with each other. In such cases, Keva considers the matter holistically, emphasising the returns on and security of its investments.

Likewise, in potential conflicts of interest, Keva always emphasises the returns on and security of its investments. For example, an investee corporation's stakeholders and Keva's stakeholders may have diverging views regarding steering the corporation's operations, acquisitions or uncertainties arising in the investee corporation. On the other hand, Keva may, for example, hold different types of investment instruments in an investee corporation.

Keva aims to enhance its active ownership processes. However, on its own, Keva's ability to influence the decision-making in investee companies is limited since Keva generally owns only a small percentage of an individual company's share capital. Acting together with other investors improves Keva's ability to influence.

This active ownership policy applies to directly owned listed companies in the European Economic Area. In equity strategies outsourced to external asset managers, asset management companies are responsible for implementing active ownership. Keva regularly monitors the active ownership practices implemented by asset management companies.

KEY POLICIES

BOARD OF DIRECTORS

Owners elect a company's Board of Directors, which is charged with promoting the long-term interest of both the company and its shareholders. The Board of Directors decides the company's strategy and is of great significance for company success and value creation.

When selecting members of Boards of Directors, consideration should be given to competencies, experience and the complementary qualities of the members. Sufficient diversity challenges a company's management and supports open discussion as well as independent decision-making.

Each member of a Board of Directors must have sufficient time to commit to the work involved. A sufficient number of Board members must be independent of the company.

CEO AND BOARD OF DIRECTORS

It is important for there to be a clear distinction between the duties of the company's Board of Directors and its top management. Keva is of the view that a company's CEO should not generally be elected to chair the Board of Directors. As a rule, the CEO reports operating activities to the Board of Directors and the Board oversees and decides key strategic issues.

SHAREHOLDER RIGHTS

A company's shareholders must be treated equally. From the owner's point of view, the clearest structure is based on the principle of one vote per share and one dividend per share. This, in its simplest form, means one class of shares. Various voting caps or consent clauses can have a negative impact on a company's value.

PROFIT DISTRIBUTION POLICY AND CAPITAL STRUCTURE

A company's ability to pay dividends or to repurchase its own shares depends on its earnings performance, financial structure and growth outlook. Keva is of the view that an investee company should generally have a profit distribution policy and it must be active and goal-oriented from shareholders' perspective.

It is Keva's view that the profit distribution policy must aim at securing long-term company growth and investment capability as well as an efficient capital structure for long-term shareholder value creation.

In companies where operative management have been granted share-based incentive schemes, repurchases of the company's own shares are a particular challenge for the Board of Directors' oversight. There must be clear reporting in relation to repurchases.

INCENTIVE SCHEMES

Incentive schemes for corporate management and members of key personnel are necessary instruments to increase the value of an investee corporation. Incentive schemes aim to align the long-term interests of shareholders and operative management. As a whole, it is important that incentive schemes take into account the capital required for the company's growth investments, dividends and/or share repurchases.

Rewards must be motivating and challenging so that the incentive scheme supports the long-term interests of the company and its owners. Generally, Keva supports the shareholding of both the operative management and the members of the board.

Each incentive scheme must be assessed separately on the bases of the company and its business environment.

PROCEDURES FOR MONITORING THE OPERATIONS OF INVESTEE COMPANIES

Keva monitors the operations of the investee companies mostly through reports and meetings. The majority of the monitoring is based on investee company's public reporting. Transparency of operations is essential for effective ownership steering. The most important indication of transparency is a company's diverse, accurate and timely communication and reporting of their activities. Transparency and openness are particularly important if a company decides to deviate from the requirements generally imposed on listed companies.

In addition to financial reporting, companies should report on aspects of corporate responsibility that are material to their business.

Keva regularly meets the management of the investee companies both separately and together with other investors. Discussions at these meetings revolve around strategy and changes in the business environment as well as other matters material to the long-term success of the investee. There is regular dialogue, either directly or indirectly, and whenever the need arises, with companies in portfolio or under analysis. There is regular dialogue as necessary with other shareholders and stakeholders.

PROCEDURES TO EXERCISE VOTING AND OTHER RIGHTS

Shareholders have the best possibilities to influence a company's operations. The possibilities to influence are more limited in equity investments outsourced to external asset managers and in other asset classes.

Keva implements active ownership both on its own and jointly with other investors. The most important means include discussions and meetings with the management of investee corporations, voting in the general meetings of investee corporations as well as collaborative engagements with other investors.

Keva may, if necessary, participate in proposals made by shareholders to the general meeting as well as be involved in various investor collaborative projects and initiatives.

Keva is of the view that shareholders must receive information about the matters to be decided by the general meetings well in advance before the meeting. Shareholders should have access to proposals that are out of the ordinary, proposals for the fees of members of the Board of Directors, the conditions of reward and incentive schemes as well as personal, ownership and interest information of the candidates for Board membership. Shareholders should have access to information about existing incentive and reward schemes. In their annual report, companies should clearly disclose the main remits of the governing bodies, members' fees and retirement by rotation. Administration structures that are out of the ordinary should be described separately.

Keva has historically acted as a portfolio investor attending general meetings where the pension institution's interests so require. One of the goals included in Keva's Responsible investment beliefs renewed at the end of 2017 was the development of active ownership mechanisms in 2018-2020. In accordance with these goals, Keva will increase voting activity gradually starting in 2020.

Keva will report the implementation of active ownership each year.

MEMBERSHIPS HELD BY THE CEO AND EMPLOYEES OF KEVA ON THE GOVERNING BODIES OF OTHER CORPORATIONS AND FOUNDATIONS

As a rule, the CEO and employees of Keva do not hold memberships on the governing bodies of other corporations and foundations.

Should, however, Keva consider that membership of the Board of Directors of a listed company is in Keva's interest, Keva's Board of Directors makes the decision on the matter. As regards memberships of other governing bodies, the decision is made by Keva's Investment Committee. When making decisions, consideration must be given to the fact that membership of a governing body is as a whole considered to be in Keva's interest and that membership does not conflict with Keva's operations.

Keva maintains a public register of elected positions, (Kevan luottamustehtäväluettelo) maintained by Keva's document management.