

Responsible Investments at IPM

At IPM Informed Portfolio Management (IPM) we support the principle that companies have a responsibility to comply with international norms, even though they are not legally obliged to do so. Furthermore, we do not wish to support the violation of the well-established international norms by which the companies in our investment universe operate.

It is our belief that an ESG overlay will lead to long-term rewards in terms of risk reduction and potentially higher returns.

At IPM we screen our equity portfolios regarding their compliance with international conventions and guidelines on environment, human rights and business ethics such as UN Global Compact, OECD Guidelines for Multinational Enterprises, ILO Core Labour Conventions, Environmental Conventions, Weapons-related Conventions. For this purpose, IPM uses the GES Global Ethical Standard.

We are also active owners voting according to best governance standards through a cooperation with ISS¹.

IPM is a signatory to UN Principles for Responsible Investment since Q1 2010.

▪ IPM ESG Committee

The objective of IPM ESG Committee is to provide advice and guidance and to decide on IPM activities, strategy and research agenda in the area of ESG matters. The Committee also serves as a discussion, advisory and decision making panel regarding Engagement and Exclusion activities in IPM RAFI Funds. The details on IPM ESG Committee Guidelines for Engagement and Exclusion are included in the Appendix.

▪ Engagement

IPM engages in a dialogue with all the companies in IPM investment universe included on GES Engage Cases List that are:

- Examined by an official and credible body that confirms the connection between the company and the reported violation; and/or
- Sanctions against the company are issued by regional/national courts or an official body.

The goal for engagement is to improve the conduct and policies of these companies. Our engagement efforts are several:

Firstly, as IPM is a member of GES Engagement Forum, GES regularly engages in dialogue with the companies on behalf of IPM.

¹ ISS is a subsidiary of MSCI Inc., a leading provider of investment decision support tools to investors globally.

GES Engagement Forum is a collaborative tool for an active ownership process aiming at improving the less developed parts of a company's management systems. The forum offers a meeting point for investors to interact on company compliance with international norms on ESG issues. The process is based upon the GES Global Ethical Standard principles although the GES Engagement Forum calls for a higher degree of participation from its clients.

As a member of the GES Engagement Forum, IPM has a full access to the GES's dialogue with companies that have been alleged to violate international norms. In addition IPM is able to participate in company meetings and telephone conferences together with GES and other clients of the GES Engagement Forum. Also, as a member of the GES Engagement Forum, IPM can request GES to coordinate among its clients to find support for actions regarding specific incidents of particular concern in order to create increased leverage in the engagement process, through letters to companies, resolutions, and during company meetings etc.

Furthermore, since Q3 2009 IPM independently engages in dialogue with relevant companies.

- **Exclusion**

The companies which do not comply with well-established international norms on ESG issues and where the potential for engagement is limited are excluded from the investment universe if so recommended by the IPM ESG Committee.

- **Re-Inclusion**

IPM re-includes in its investment universe any companies that are recommended for re-inclusion by GES if the IPM ESG Committee recommends so.

- **Active Ownership**

IPM incorporates proxy voting according to best governance standards into IPM ESG programme, done through a cooperation with ISS. The ISS's policies which we subscribe to and use for this purpose can be accessed in this location <http://www.issgovernance.com/policy#ca>.

APPENDIX - IPM ESG Committee Guidelines for Engagement and Exclusion decisions:

The basis for the analysis and recommendations made by the Committee is the GES Global Ethical Standard research process, provided by GES. However, the Committee will also consider other relevant information in their analysis of recommendations.

1.1. Cluster munitions and anti-personnel mines involved companies

All companies involved in cluster munitions and anti-personnel mines according to GES will be directly recommended for exclusion.

1.2. New companies (other than cluster munitions and anti-personnel mines cases addressed in 1.1.) on the GES Engage Cases List

At each meeting special attention is drawn to new confirmed cases on the GES Engage Cases List. Companies that have been officially documented systematically and severely breaching any of UN Global Compact's 10 Principles are put on special watch. The Committee will carefully study these companies in order to verify any signs of progress in improving their conduct. Lack of improvements for two consecutive six month periods (neither satisfying 1 out of 4 GES revision criteria per year, nor presenting any documented proof that confirms significant improvements) or remaining on the GES Engage Cases List for more than 3 years is deemed a sufficient reason for the IPM ESG Committee to recommend exclusion of that company from the investment universe.

1.3. Companies excluded from the investment universe

All companies excluded from the investment universe will remain excluded until they are recommended for re-inclusion by GES, unless the Committee decides there are extraordinary circumstances that warrant an earlier re-inclusion. Only circumstances related to an improvement in company's conduct will be taken into account.

1.4. Companies entering the GES Re-Include Cases List

All companies which are included in the Re-Include Cases List will be reviewed by the Committee for possible recommendation for re-inclusion in the investment universe.

These points described above act as operating guidelines, and the IPM ESG Committee may deviate from them if it decides that the behaviour of the companies warrant quicker exclusion or further patience before taking action.