

Operating principles concerning sustainability risk consideration in Obsido Group

Version history

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1.8.2022	Policies updated
22.6.2023	Policies updated and approved by the Board of Directors of Obsido Oy on 29 June 2023 and by the Board of Directors of Obsido Rahastoyhtiö Oy on 22 June 2024.
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Definition of sustainability risks

Sustainability risk means an environmental, social or governance event or condition which, if it occurs, could have an actual or potential material adverse effect on the value of an investment. Sustainability risks are divided into physical risks and transition risks. Physical risks refer to physical events and conditions that may have a negative financial impact on the value of an investment if they occur. Examples of physical risks include natural disasters, global warming and rising sea levels. Transition risks, in turn, arise from societal changes resulting from the green transition. Examples of transition risks include changes in consumer preferences and sustainability-related legislation.

Consideration of sustainability risks in the Obsido Group

Sustainability risks have been taken into account throughout the Group's organisational structure. The financial market participants belonging to the Group, Obsido Oy (2009249-1) and Obsido Rahastoyhtiö Oy (2823365-8), apply the same policies for considering sustainability risks. All our personnel are trained on sustainability risks and, more broadly, on sustainable development. The ESG working group is responsible for preparing the policies related to sustainability risks. The group consists of persons working in portfolio management, risk management, the compliance function and the executive management of the subsidiaries. The principles related to sustainability risks are applied in practice particularly in portfolio management when making investment decisions. The risk management function of each subsidiary regularly monitors sustainability risks related to investments and reports on them quarterly to the boards of directors. The policies related to sustainability risks are approved by the boards of directors of each Group company. The boards of directors also supervise the implementation of the principles.

Consideration of sustainability risks in investment operations

Obsido has signed the UN Principles for Responsible Investment and takes into account environmental and social matters as well as good governance practices of the companies in which it invests. Obsido's primary objective is to achieve the best possible long-term return on our clients' investments at the risk level selected by them. Taking sustainability risks into account aims to improve the risk-return profile of investments, as it involves minimising potential negative financial impacts. Therefore, when selecting investment targets, we seek to assess the potential effects of sustainability risks associated with those targets on investment returns.

The investment strategy of Obsido Rahastoyhtiö Oy's investment funds and Obsido Oy's asset management portfolios is based on a long-term approach and broad diversification. The investment strategy is implemented mainly by investing in broadly diversified ETF funds. We believe that index investing is very well suited to taking sustainability risks into account over the long term. We believe that companies operating sustainably will also perform best financially in the long term, which may increase their share in market-capitalisation-weighted ETF funds. Correspondingly, the market values of companies exposed to sustainability risks are expected to decline over the long term, which is likely to reduce their share in the investment targets. It is extremely challenging to reliably predict the timing, geographical location, probability and financial impact of individual sustainability risks materialising. In our view, broad diversification across different geographical locations and sectors is one of the best ways to protect against the negative effects of sustainability risks on investment returns. We monitor sustainability risks related to our investments regularly. In sustainability risk monitoring, we utilise assessments provided by external data providers.

Our alternative investment funds invest in real estate, plots of land and rental apartments. When selecting investment targets for alternative investment funds, we pay attention, among other things, to the location of the properties, energy efficiency, the sustainability of building materials and land use. The funds seek to select targets located near growth centres and along good public transport connections. In addition, we are actively involved in the boards of directors of the housing companies that are our investment targets, and we seek to ensure that the companies are financially well managed, as a stable financial position increases housing companies' ability to withstand the financial consequences of any climate risks that may materialise.

Of the responsible investment strategies, Obsido applies the integration of sustainability factors into investment decisions. Obsido has not defined binding sustainability criteria for its investment activities, such as exclusion criteria or thresholds. When selecting investment targets, the portfolio manager assesses the potential negative and positive effects of sustainability factors on investment returns as part of a broader financial analysis. Investment decisions utilise assessments produced by external parties regarding the sustainability-related characteristics of different investment targets.

In its investment activities, Obsido uses only reputable and reliable partners that have taken sustainability-related matters into account in their own operations. When selecting partners, attention is paid, for example, to whether the party in question has signed the UN Principles for Responsible Investment. In addition, the selection of partners includes an assessment of the potential partner's sustainability reporting and how it complies with European Union legislation related to the sustainability of investment activities.

Consideration of sustainability risks in investment advice

Sustainability risks have been taken into account in the investment advice provided by Obsido Oy to its clients. When determining a client's sustainability preferences, our investment advisers discuss with the client what sustainability risks mean and how sustainability risks are taken into account in the products recommended to clients. Information on the consideration of sustainability risks is also provided in product-specific materials available on Obsido's website.