

FINLAND

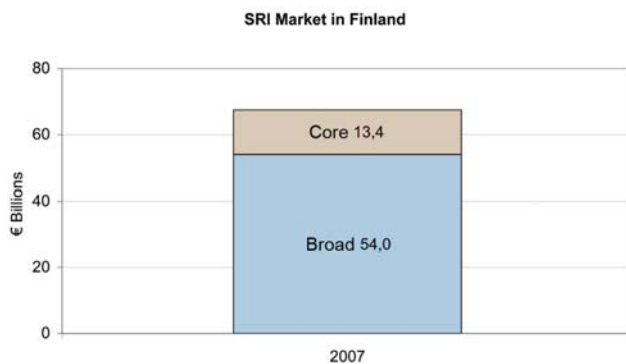
SRI in Finland has gotten off to a slow start. The inertia in the Finnish market can be attributed to the absence of a responsible investment asset manager or investor spearheading this type of investing and a lack of media and NGO attention. However, there are indications that responsible investment is gaining momentum.

There are €67.4 billion in assets under SRI management in Finland. The majority of these assets are subject to ethical exclusions in the form of Norms-based screening. At the same time, interest in engagement, integration, and thematic funds (especially climate funds) is growing. Equities are the predominant asset class, accounting for 53% of total assets.

KEY FEATURES OF SRI

The Finnish SRI market amounts to €83 billion, with Core SRI reaching €13.4 billion and Broad SRI €54 billion as illustrated in Figure 1.

FIGURE 1



Source: Eurosif European SRI Survey, 2008

Core SRI Market

Ethical exclusions comprise the overwhelming majority of the Core SRI market in Finland as shown in Figure 2. While the Best-in-Class approach is undertaken by some managers, thematic funds are only now starting to enter the Finnish SRI market.

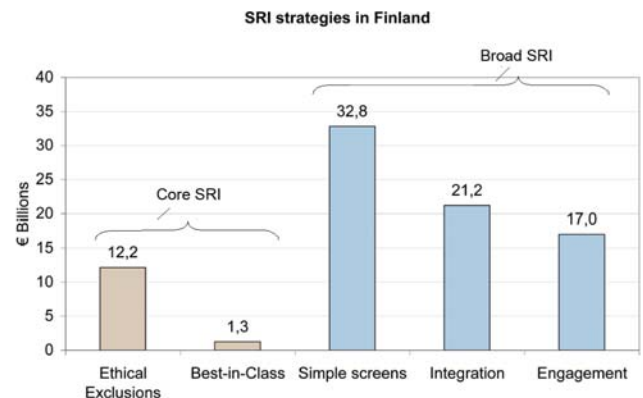
Broad SRI Market

Norms-based screening represents the largest segment of the Broad SRI market in Finland. The norms used are mainly UN Global Compact, ILO and domestic laws. Integration, the second largest component of the Broad

SRI market, appears to be applied somewhat informally: no formal document or integration policy is generally used, and integration is usually restricted to specific funds rather than applied across the board.

Engagement is gaining momentum in Finland. However, it is usually conducted by individual investors. There has been reluctance among Finnish institutional investors to adapt collaborative engagement approaches towards Finnish companies.

FIGURE 2



Source: Eurosif European SRI Survey, 2008

Who invests in SRI?

The market is largely driven by institutional investors, but available data cannot be broken down by market segment.¹

Products/Offering

Equities, representing 53% of SRI assets under Finnish management, is also the most popular asset class as shown in Figure 3: all respondents stated that they used equities as an asset class. Bond investments, accounting for 41% of SRI investments, are relatively balanced between public and corporate bonds. While the remaining asset classes represent only 5% of total SRI investment, they appear to be quite popular across the population of market practitioners, indicating perhaps that such products are useful for diversification purposes, or that demand for such products is still at an early stage. For example, real estate, while representing only 3% of total SRI investment, was used by 39% of respondents, and venture capital/private equity (1% of total) was used by 28% of respondents.

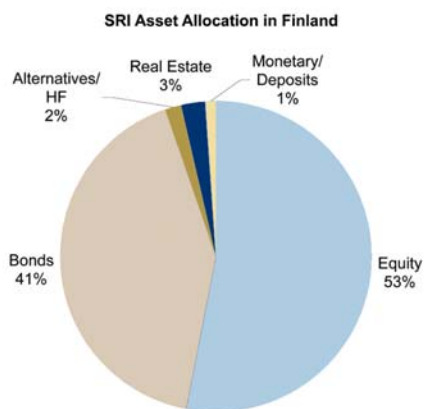
Geographically, 71% of SRI equity investment took place

¹ As most Nordic Asset Managers have a cross Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.

in Europe (including 45% in Finland), while North America, Asia and emerging markets were allocated 11%, 10% and 8% of SRI equity investment, respectively.

legislation. There is a consensus that thematic funds (especially climate funds) are likely to increase in popularity.

FIGURE 3



The data above is based on research conducted by TNS Prospera and analysis done by Eurosif, with input from Sarita Bartlett at KPMG and Fredric Nystrom at GES Investment Services.

Source: Eurosif European SRI Survey, 2008

MARKET EVOLUTION

The responsible investment market in Finland has experienced sluggish growth. Until recently the Finnish Church was the only institutional SRI investor. The inertia in the Finnish market can be attributed to a vacuum in responsible investor leadership (i.e., an absence of one or several asset managers or investors spearheading responsible investing), and until recently, a lack of media and NGO focus on corporate responsibility and responsible investing.

In the summer of 2007, a TV documentary spotlighted suspect investment practices. As a consequence, at least one pension fund adopted responsible investment guidelines based on UN PRI principles, and there are indications that other institutions are likely to follow.

MARKET PREDICTIONS

Market practitioners appear to be cautiously optimistic about the development of the SRI market in Finland. Optimists assert that we may see asset managers establishing ESG policies and new actors coming into the market soon. Others highlight difficulties in identifying new companies that meet SRI criteria and the complexity of proxy voting in Finland. With respect to the latter barrier, there is a call for European-wide proxy voting