

# RESPONSIBLE INVESTMENT POLICY

®MANDATUM

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# **Responsible Investment Policy**

# Responsible investment goals and premises

This document outlines the responsible investment policies and guidelines applied in Mandatum Group (Mandatum plc and its subsidiaries, hereinafter together referred to as Mandatum).

Mandatum's strategy, operating environment, and values shape its approach to responsible investment. Mandatum plc is committed to the UN Global Compact and the Net Zero Asset Managers (NZAM) initiative, while Mandatum Asset Management Ltd (MAM) adheres to the UN Principles for Responsible Investment (UN PRI). Together these frameworks, aligned with the UN Sustainable Development Goals, provide a foundation for addressing key sustainability factors relevant to investment activities.

Key strategic priorities include aligning investments with the Paris Agreement, pursuing emission reduction targets, and integrating biodiversity considerations into the investment process. Recognizing and understanding climate and environmental risks associated with investments is essential for responsible investing. Mandatum aims to achieve net-zero emissions across its investments by 2050, as most of its climate and environmental impact arises from its investment activities.

Successful investment performance is crucial to Mandatum's strategy, which focuses on serving clients' best interests while striving for optimal returns at an acceptable risk level. The company believes that entities with responsible business practices tend to outperform. Consequently, Mandatum incorporates environmental, social, and governance (ESG) factors into its broader evaluation of investment opportunities, leading to informed decisions aligned with long-term sustainability and risk management goals.

The responsible investment policy guides the implementation of responsible investment across various asset classes. Mandatum expects its investment targets to operate responsibly, and investments are made only in entities that meet the established criteria. As an active owner, Mandatum seeks to influence the sustainability practices of its investee companies by engaging in dialogue with company management, voting, and leveraging collaborative engagement efforts with other investors.

Mandatum aims to recognize and mitigate adverse impacts of its investments on the environment, climate, society, employees, respect for human rights, and anti-corruption and anti-bribery ("sustainability factors"). Sustainability factors and related sustainability risks are considered alongside financial aspects in investment decisions.

Mandatum's personnel are bound by this Responsible Investment Policy, which serves as a guide for portfolio managers and investment professionals to consider sustainability factors and risks in their activities. The policy is approved by the boards of Mandatum plc, MAM, Mandatum AM AIFM Ltd, Mandatum Fund Management S.A. and Mandatum Life Insurance Company Ltd annually. The management groups of MAM, MAM AIFM, Mandatum Fund Management S.A. and Mandatum Life are responsible for its execution in each Mandatum Group company. A dedicated ESG team is responsible for monitoring compliance with the Responsible Investment Policy and assisting investment functions in matters related to responsible investment. The policy is reviewed and updated annually, and is available in English, Finnish, and Swedish, with the English version prevailing in case of discrepancies.

This policy outlines the minimum level of measures taken to mitigate sustainability risks and adverse sustainability impacts. This policy does not apply to the investments and holdings of Mandatum plc's own balance sheet. Deviating rules and engagement procedures may be applied to certain products or portfolios according to the statutory sustainability disclosures.

## Implementation of responsible investment

Mandatum's implementation of responsible investment employs a multifaceted approach that incorporates various tools across different asset classes. Sustainability is integrated into the investment analysis process, ensuring that environmental, social, and governance (ESG) factors are considered comprehensively.

Negative screening and exclusion criteria are used to identify sensitive industries that carry more sustainability risks and are assessed to cause more adverse sustainability impacts than others. Such industries include controversial weapons, tobacco, adult entertainment, gambling, military equipment, coal and oil. The detailed exclusion criteria are set in Table 4 of this policy.

Screening is also conducted on ESG risk ratings, norm-based research and relevant sanctions laws. ESG risk rating describes the ESG risk associated with a company. The aim is to assess the potential impact that sustainability risks may have on a company's value. The risk rating is a two-dimensional materiality measure that examines both the company's exposure to sustainability risks and the level of the company's management of those sustainability risks. With norm-based research, investments are monitored based on international norms and standards defined in international conventions. To ensure compliance with the requirements under sanctions laws, Mandatum screens its investment portfolio and relevant counterparties against applicable sanctions lists, both before making an investment and on an ongoing basis.

Active ownership is also emphasized, with ongoing engagement with company management to foster dialogue on sustainability practices and advocate for improved ESG performance. Engagement activities include voting at annual general meetings, pooled engagement activities with other investors as well as direct dialogue with investment companies. In alternative investments, such as fund-type alternative fixed income and fund-type real estate investments, engagement is conducted through direct dialogue with fund managers. Engagement activities follow MAM's Engagement Principles which are published on MAM's website.

In liquid investments, monitoring is conducted continuously. In the case of alternative investments, the sustainability assessment of the investment target primarily focuses on an analysis conducted at the time of investment; however, these investments are also subject to regular monitoring regarding sustainability. Sustainability aspects are evaluated through multiple criteria that vary based on the type of investment (for further details, please refer to sections 4.1, 4.2, 4.3, and 4.4). These criteria are also incorporated into the due diligence process prior to making an investment.

	Direct equity investments	Direct fixed income investments	Alternative investments	Fund investments
Sustainability analysis incorporated into investment analysis	✓	✓	✓	✓
Negative screening	✓	✓	✓	✓
Norm-based screening	✓	✓		
Active ownership	✓			
Engagement	✓	✓	✓	✓

**Table 1.** Summary of responsible investment implementation by asset class in Mandatum's own strategies.

## 1. Commitment to responsible investment

Mandatum commits to promoting sustainability considerations when developing the group's business operations.

Mandatum is committed to the **UN Global Compact**. According to the ten principles of the Global Compact, the Mandatum needs to operate in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption. These principles are also incorporated into investment processes.

MAM is a signatory of the **UN Principles for Responsible Investment (UN PRI)**. According to the UN PRI's six principles, Mandatum is required to:

- incorporate sustainability factors into investment analysis and investment decision-making processes
- be an active owner and incorporate sustainability factors into its ownership practices
- seek appropriate disclosure on sustainability issues by the entities in which it invests
- promote acceptance and implementation of the principles for responsible investment within the investment industry
- work together with other investors to promote the principles for responsible investment
- report on its activities and progress in implementing the principles for responsible investment

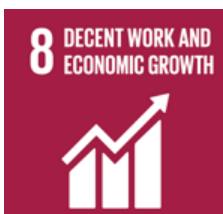
Taking climate change into account and efficiently managing the climate risk is one of the focal points of Mandatum's investment operations. Mandatum supports ***the Paris Agreement*** on climate change.

Mandatum has committed to support the goal of net zero greenhouse gas (GHG) emissions from its investments by 2050, in line with the Paris Agreement, which aims to limit the global temperature increase to 1.5°C. Mandatum has joined the international **Net Zero Asset Managers (NZAM)** initiative. As part of the commitment, Mandatum has set interim targets for its emission reductions and drawn up a Climate Transition Plan plan for attaining them.

Mandatum also strives to promote sustainability issues and the implementation of the UN PRI in the investment sector through partnerships with organisations and foundations, including ***Finland's Sustainable Investment Forum (Finsif)***, ***Finnish Venture Capital Association (FVCA)*** and ***GRESB***.

Mandatum follows closely the development of European Union's legislative framework on sustainable finance and takes especially the regulation on the framework to facilitate sustainable investment (***EU Taxonomy***) and the regulation on sustainability related disclosures in the financial services sector (***SFDR***) into consideration in its investment processes.

Mandatum acknowledges the importance of using the ***UN Sustainable Development Goals*** (SDGs) as a tool to guide the investment process. Mandatum Group has determined the following SDGs as most relevant to its operations. Mandatum's portfolio management aims to contribute positively to these goals (described further in Table 2).

SDG	Description
 <b>3</b> GOOD HEALTH AND WELL-BEING 	<ul style="list-style-type: none"> <li>• It is essential to sustainable development to ensure healthy lives and promote well-being at all stages of peoples' lives. More efforts are needed in addressing different persistent and emerging health issues by, for example, providing efficient funding of health systems.</li> <li>• Mandatum invests in companies with positive impacts on health and well-being as well as strives to mitigate negative impacts the investments might have by monitoring adverse impacts and engaging investee companies on a case-by-case basis.</li> </ul>
 <b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> <li>• In 2020, one in five countries were likely to see per capita incomes stagnate or decline. The global pandemic has only brought new disruptions on peoples' lives and endangered the global economy.</li> <li>• Mandatum enables decent working conditions and creates economic growth by investing in, among others, growth companies, supporting their development as sustainable and profitable companies. In addition, working conditions in investee companies are monitored regularly and companies are engaged on a case-by-case basis.</li> </ul>
 <b>13</b> CLIMATE ACTION 	<ul style="list-style-type: none"> <li>• By continuing current concentrations and on-going emissions of greenhouse gases (GHG), the increase in global temperature will likely exceed 1.5°C by the end of this century (compared to 1850-1900). Without actions to mitigate GHG emissions and loss of biodiversity, extreme weather conditions, sea level rise and other catastrophic events become more frequent and unpredictable.</li> <li>• Mandatum has identified climate action as one of its key focus areas. With increasing climate data demand and accuracy, as well as regulatory action to improve the availability of climate related data, Mandatum continues to report the climate impact of its investment products.</li> </ul>

**Table 2.** UN Sustainable Development Goals and descriptions.

Source: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

## 1.1 Climate strategy

Mandatum has identified climate change mitigation and adaptation as one of its key focus areas. Mandatum is committed to protecting the environment and combatting climate change and supports **the Paris Climate Agreement**.

Mandatum follows the principle of double materiality in its climate strategy. Double materiality considers both the impact of climate risks to an investee company, but also the company's impact on sustainability factors.

Mandatum's goal is to phase out coal (i.e. companies that derive more than 5% of their revenue from coal) from its direct equity and fixed income investments by 2030 and oil (i.e. companies that derive more than 5% of their revenue from oil) by 2040.

Mandatum has set emission reduction targets for its investments in accordance with its commitment to the **Net Zero Asset Managers** (NZAM) initiative. The aim is to reduce the carbon intensity (Scope 1 & 2 Weighted Average Carbon Intensity) of its direct listed equities and corporate bonds by 75 per cent by 2030, compared to the 2020 baseline.

### Evaluation of transition companies

A key element of Mandatum's sustainability strategy is the use of capital as a driver for change. While Mandatum is committed to reducing the climate footprint of its investments and mitigating risks associated with fossil fuel activities, it recognizes that the transition must also take place within industries and companies currently contributing significantly to negative environmental impacts.

Mandatum applies negative screening, specifically exclusion limits, to companies deriving revenue from fossil fuel activities. The applicable exclusion limits are outlined in Table 4. Exemptions may be granted to companies presenting credible transition plans, which are evaluated against an internal set of criteria. The responsible portfolio manager will prepare a summary of the target company, providing the rationale for its consideration as a transition company. This summary will be reviewed by the ESG team, whose opinion will inform the final decision made by the Chief Investment Officer (CIO). For investment products making sustainable investments and disclosing under Article 9 of the SFDR, investments in companies that generate revenue from the fossil fuel sector are strictly prohibited.

Natural gas is regarded as playing a crucial role in emissions reduction during the transition period and therefore is not currently subject to phase-out targets or exclusion limits. Mandatum continuously monitors developments and regularly reassesses its position on natural gas.

Mandatum aims to contribute to climate solutions by investing in companies that promote climate change mitigation and adaptation or generate other positive environmental impacts. Another means by which Mandatum supports the transition is through investments in transition companies – those with credible plans to shift their business models from reliance on fossil fuels to alignment with a sustainable economy and the goals of the Paris Agreement.

### Carbon footprint

Mandatum continues to report the carbon footprint of its direct equity and fixed income investment products as well as reducing the carbon intensity of its investments over time. The carbon footprint of applicable investment products is determined annually and monitored separately for each applicable investment basket or fund. The portfolio manager of each investment basket, fund or asset class is responsible for the effective management of the sustainability risks of the investment object it manages in line with Mandatum's commitments and the product's SFDR disclosures as applicable.

## 1.2 Biodiversity

The significance of biodiversity issues has risen in parallel with climate concerns, given their interconnected impact on each other. Recognizing the ongoing development in assessing biodiversity impacts, Mandatum is dedicated to adhering to evolving industry guidelines and best practices. Furthermore, we are actively engaged in seeking effective methods to assess the biodiversity impacts and dependencies of our investments.

As part of the evaluation and screening of direct equity and fixed income investments, Mandatum assesses biodiversity impacts through global norms and standards breaches that include negative impacts to biodiversity. Depending on the severity, nature, and extent of the breach, portfolio management measures may consist of direct dialogue with the investee company's executive management, an engagement action or, as a last resort, divestment if the investee company does not respond to the engagement efforts and does not take measures to prevent the abuse or breach within a reasonable time frame.

Fund-type alternative fixed income and fund-type real estate investments made from Mandatum's own strategies require target fund managers to respond to our ESG questionnaire that seeks to uncover how the manager considers biodiversity issues. The questionnaire is updated annually, and managers are evaluated on how well they assess and manage biodiversity related issues in the fund's approach.

### **1.3 Social responsibility**

Mandatum integrates social responsibility into its investment practices by ensuring alignment with international norms, monitoring sensitive business areas, and addressing industries with higher sustainability risks. Investments are evaluated for compliance with standards such as human rights and climate agreements, with actions taken based on the severity of any identified issues. Mandatum applies strict screening criteria for sensitive sectors and assesses the sustainability practices of its investment partners, favouring those committed to responsible investment principles.

Mandatum emphasizes ESG considerations in all investment processes, including due diligence, ongoing monitoring, and engagement with investee companies or external fund managers. Key areas include reducing environmental impact, improving social outcomes, and ensuring strong governance. Mandatum strives for continuous improvement, setting clear goals, tracking progress, and promoting sustainable practices across its investment portfolio. Mandatum's approach to social responsibility is described in more detailed in chapter 4.1 *Implementation in direct equity and fixed income investments*.

#### **Implementation of responsible tax practices**

Mandatum is committed to acting in compliance with applicable tax laws and does not aim to pursue actions that are targeted at obtaining a tax benefit contrary to the purpose and intention of the law, instead of pursuing business objectives.

Mandatum is also committed to not artificially transfer capital generated to low-tax jurisdictions.

Mandatum annually reports taxable income to the tax authorities and aims to ensure that taxes are paid in a timely manner and in the correct amount.

Mandatum closely monitors the development and changes of international tax frameworks (such as the OECD's BEPS framework), as well as the evolution of standards and recommendations related to responsible tax reporting.

### **1.4 Good governance and sustainability in ownership practices**

Mandatum integrates sustainability into engagement activities with investee companies. Engagement is selective, based on criteria such as materiality, investment size, and geographical location, and aims to avoid conflicts of interest. Portfolio managers engage directly with company executives through meetings and visits, both proactively and reactively, and voting at AGMs is used as a tool for shareholder influence, with decisions guided by the ESG team and the CIO when necessary. Voting occurs either in person or by proxy, depending on location. Mandatum also collaborates with other investors through pooled engagement to address significant issues reactively, monitoring progress and escalating or reducing investments if engagement fails. As a UN PRI signatory, Mandatum reports annually on responsible investment practices, discloses the carbon footprint of investment products, and communicates sustainability efforts to clients within data and confidentiality limits.

Scope of influence	Approach	Asset classes
<b>Limited influence</b> 1. Direct minority investments	Focus on reactive engagement <ul style="list-style-type: none"> <li>• Queries related to controversies</li> <li>• </li> <li>• Taking part in pooled engagement</li> <li>• Dialogue with investee company management in selected products</li> </ul>	<ul style="list-style-type: none"> <li>• Direct equity and fixed income</li> <li>• Allocation solutions (own products)</li> </ul>
2. Indirect minority investments via external asset managers	Focus on the manager's investment process and practices <ul style="list-style-type: none"> <li>• ESG requirements within side letters</li> <li>• ESG questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>• Indirect private equity</li> <li>• Indirect private debt</li> <li>• Indirect real estate</li> <li>• Allocation solutions (indirect)</li> </ul>
<b>Influence</b> Investments where Mandatum has significant ownership and where Mandatum engages in direct cooperation with the operative management and/or sits in the board of directors	<ul style="list-style-type: none"> <li>• Direct dialogue with the investee companies</li> <li>• Influence through board membership</li> <li>• ESG workshops</li> <li>• ESG questionnaires</li> </ul>	• Direct private equity
<b>Decision authority</b> Investments where Mandatum has majority ownership or operative control	<ul style="list-style-type: none"> <li>• ESG-related management and investments in RE assets</li> <li>• Cooperation with property managers</li> <li>• Cooperation with tenants</li> </ul>	• Direct real estate

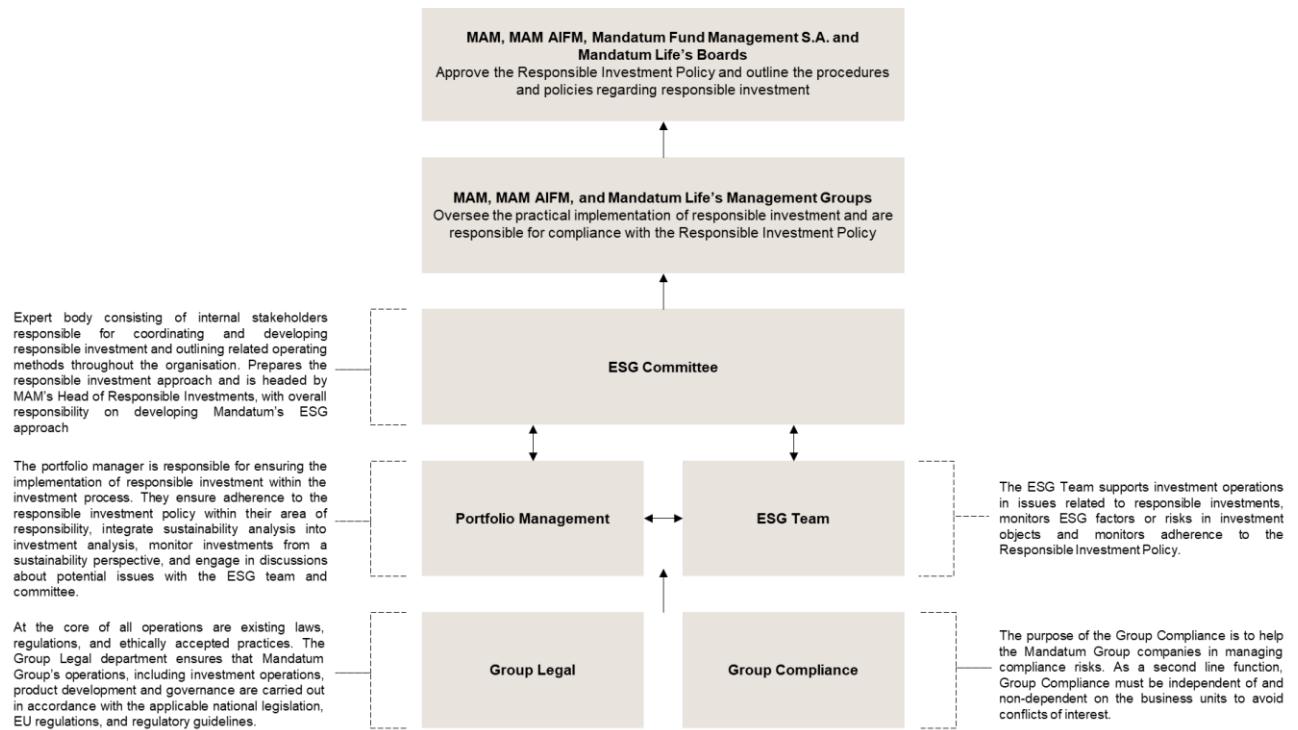
**Table 3.** Approach to stewardship on investee companies and assets, based on the scope of influence.

## 2. Organisation and responsibilities

Mandatum has established a dedicated ESG team, whose primary responsibility is to assist investment functions in matters related to responsible investment. This team also monitors compliance with the Responsible Investment Policy and provides support to portfolio management as needed. Furthermore, Mandatum has appointed a Head of Responsible Investments, who holds overall responsibility for coordinating responsible investment initiatives across the organization.

All investment professionals are required to consider sustainability factors when selecting and monitoring investment opportunities. Portfolio managers and analysts are uniquely positioned to understand the sustainability aspects of the companies and business partners they monitor, enabling them to engage in constructive dialogue with management to influence relevant issues. As part of their market monitoring activities, portfolio managers and analysts also assess how sustainability considerations are integrated into investor communications and investment product offerings.

Mandatum also focuses on sharing knowledge and raising awareness on responsible investment among its employees. MAM has appointed ESG representatives in each asset class function with the aim to increase knowledge of ESG within portfolio management and further develop the integration of ESG matters in the investment process. Regular training, especially for portfolio managers and other investment professionals together with continuous monitoring of ESG aspects, is essential to identifying material sustainability factors and risks. Training enables better integration of sustainability risks and factors into the investment process and making better investment decisions. Internal training is organized regularly by the ESG team and Mandatum supports and encourages its employees to take part in external training (e.g., seminars, workshops etc.).



**Figure 1.** Responsible investment responsibilities and division of tasks.

### 3. Integration of Principal Adverse Impacts and active ownership practices

#### 3.1. Consideration of Principal Adverse Impacts

Mandatum incorporates PAIs into products promoting environmental or social characteristics (Article 8) or categorized as sustainable investments (Article 9), depending on data availability and quality.

For Article 8 products, specific PAI indicators vary by asset class and product strategy, and these indicators are defined in the product-specific pre-contractual and periodic disclosures.

For Article 9 products, Mandatum considers all mandatory indicators, along with two additional indicators – one for climate and environmental issues and one for social factors, including human rights and anti-corruption.

Both Article 8 and 9 products adhere to relevant restrictions and stricter sustainability disclosure obligations. Additionally, Mandatum aims to ensure that investment companies or external fund managers follow good governance practices according to the SFDR. This policy outlines the minimum level of measures taken to mitigate sustainability risks and adverse sustainability impacts. Stricter rules and engagement procedures can be applied to certain products or portfolios.

#### 3.2 Active ownership and sustainability in ownership practices

MAM outlines its Engagement Principles to guide investment activities across asset classes, emphasizing active ownership, governance, and sustainability. These principles apply to all Mandatum Group companies, ensuring a unified approach in exercising ownership rights.

MAM engages with investee companies through direct dialogue, voting at general meetings, and pooled initiatives to influence governance, strategy, and sustainability practices. Engagement activities are aligned with MAM's investment strategy, aiming to enhance long-term profitability and mitigate

sustainability risks. These efforts are guided by local governance codes and international standards, such as the UN Global Compact and OECD Guidelines.

Monitoring and transparency are integral to MAM's approach. The company closely monitors investee companies' operations, governance, and sustainability practices, while disclosing engagement activities annually to maintain accountability.

Engagement methods differ across asset classes. These include e.g. direct dialogue for listed equities, active board participation in private equity investments, and pooled engagement for equity and fixed income investments. MAM also works with external fund managers to enhance sustainability practices.

MAM is committed to addressing principal adverse impacts by reducing environmental, social, and governance risks. Escalation strategies, such as divestment, are employed when engagement efforts fail to resolve significant issues.

These principles aim to promote long-term value creation, responsible investment practices, and alignment with MAM's broader goals. The Engagement Principles are published on MAM's website.

## **4. Implementation of responsible investment and policies on sustainability risks**

Mandatum's approach to responsible investment varies between different asset classes. For liquid investments, sustainability monitoring is continuous, while for alternative investments, the focus is on a comprehensive analysis at the time of investment, with regular follow-ups to evaluate sustainability over time. The assessment employs multiple criteria tailored to the specific asset class and type of investment.

### **4.1 Implementation in direct equity and fixed income investments**

#### **4.1.1 Sensitive areas of business**

Mandatum identifies sensitive business areas monitored through both external service providers and internal analysis. These areas include breaches of international norms and standards, non-compliance with sanctions laws, and certain sensitive industries. All investments are assessed and monitored for sustainability risks based on these criteria.

#### **Norm-based screening**

Investments are evaluated against international norms established in conventions such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, ILO Tripartite Declaration, the Guiding Principles on Business and Human Rights, and the Paris Agreement on Climate Change. If an investee company violates these standards, Mandatum investigates the incident and takes measures on a case-by-case basis. Depending on the breach's severity, measures may include direct dialogue, engagement actions, or, as a last resort, divestment if the company fails to respond appropriately within a reasonable timeframe.

#### **Sanction screening**

Mandatum complies with relevant sanctions laws in its operating jurisdictions. Screening procedures are implemented for both new and existing investments, ensuring compliance with sanctions lists before investment and on an ongoing basis. Mandatum does not invest in companies or sovereign bonds subject to sanctions and continuously screens investments for AML and adverse media events. New investments in Russia and Belarus are excluded, covering companies organized within these countries and their sovereign bonds.

## **Sensitive industries screening**

Certain industries are deemed to carry higher sustainability risks, including reputational, climate, and regulatory risks. Mandatum regularly monitors investments in these sensitive sectors, which include adult entertainment, tobacco, gambling, controversial weapons, and fossil fuels. Additionally, Mandatum adheres to legally mandated exclusions (e.g., domestic and international laws, bans, treaties, or embargoes).

Table 4 lists the criteria that new investments in products promoting environmental or social characteristics (SFDR Article 8) or sustainable investments (SFDR Article 9) must meet. These criteria apply to direct equity and fixed-income investments managed by Mandatum. If an investment no longer meets the criteria, Mandatum will seek to divest it within a reasonable timeframe, considering clients' best interests and market conditions.

Investments exceeding acceptable thresholds are evaluated on a case-by-case basis, requiring the CIO's approval. The criteria allow investments in transitioning companies in the coal and oil sectors for products other than those making sustainable investments under the SFDR.

Industries and product groups are categorized by tolerance levels based on the proportion of the company's net sales generated from these activities:

- a) Zero Tolerance: No direct or indirect sales from the business activity are allowed.
- b) Low Tolerance: Some revenue from the business activity is permissible.

Direct business refers to the manufacture or production of a product or service, while indirect business encompasses various parts of the product or service production value chain. In investment decisions regarding companies with indirect business activities related to fossil fuels that are not mentioned in Table 4 (e.g., providing services such as transportation, storage, IT, or consulting to companies operating in the fossil fuel sector), case-by-case discretion is applied. Preference is given to companies whose operations support Mandatum's net-zero investment objective.

Industry/ Product group	Percentage of sales		Description
Zero tolerance	Direct business	Indirect business	
Controversial weapons	0%	0%	Investments are not made in companies that derive any revenue from the manufacturing, subcontracting, or distribution of controversial weapons. This exclusion applies without exception to anti-personnel mines, cluster munitions, and chemical and biological weapons. It also applies to nuclear weapons that fall outside the scope of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).*
Low tolerance	Direct business	Indirect business	
Coal	5%	30%	Investments are not made in companies that derive over 5% of revenue from mining of coal or whose share of revenue from coal mining subcontracting or distribution of coal exceeds 30%. Investments are not made in companies whose share of revenues from coal-based energy production exceeds 30%. Exemptions may be granted to companies that present a credible transition plan**.
Tobacco	0%	50%	Investments are not made in companies that derive revenue from manufacturing of tobacco products or derive more than 50% of revenue from subcontracting or distribution of tobacco products.
Adult entertainment	0%	50%	Investments are not made in companies that derive revenue from production of adult entertainment or that derive more than 50% of revenue from adult entertainment industry subcontracting or distribution.
Gambling	50%	50%	Investments are not made in companies that derive more than 50% of revenue from gambling or gambling subcontracting.
Oil	40%	40%	Investments are not made in companies that derive more than 40% of revenue from direct business to the fossil oil industry, including exploration, extraction and production of fossil oil. Investments are not made in companies that derive more than 40% of revenue from indirect business to the fossil oil industry, including distribution, refining and processing of fossil oil or production of fossil oil-based energy. Exemptions may be granted to companies that present a credible transition plan.**

**Table 4.** Limits set on direct equity (incl. direct private equity investments) and fixed income as a share of sales by industry/product group. The limits are applied to equity and fixed income investment products that are determined to promote environmental or social characteristics or to be sustainable investments, but they serve as guidelines in other asset classes as well.

\*Investments in companies that derive revenue from nuclear weapons inside the NPT are evaluated against an internal set of criteria. The portfolio manager responsible will prepare a summary of the target company, which will then be reviewed by the ESG team for their opinion.

\*\*Exemptions may be granted to companies that present a credible transition plan, evaluated against an internal set of criteria. The portfolio manager responsible will prepare a summary of the target company, detailing the rationale for considering it as a transition company, which will then be reviewed by the ESG team for their opinion. The final decision will be made by the Chief Investment Officer (CIO).

#### 4.1.2 Monitoring of exposure to other fossil fuels

In addition to the sensitive industries previously mentioned, Mandatum conducts screening for other fossil fuels, such as gas. This fossil fuel screening allows Mandatum to enhance monitoring and reporting while effectively managing risks associated with fossil fuels. Such risks encompass reputational, regulatory, and environmental risks, including those related to climate change. The fossil fuel sector, particularly gas, plays a significant role in the transition to a lower-carbon economy. Mandatum is committed to continuously monitoring developments in this sector and regularly reassessing its approach to gas. New investments in the fossil fuel sector are made with prudence and careful consideration, and portfolio exposures are monitored closely.

#### 4.1.3 Sustainability traffic light model

In analysing investment objects and making investment decisions, Mandatum utilizes sustainability risk ratings from an external service provider to quantify the potential impact of sustainability-related risks on a company's value. This risk rating employs a two-dimensional materiality framework that evaluates both a company's exposure to sustainability risks and its effectiveness in managing those risks. The focus is on identifying significant sustainability risks relevant to the target company through various criteria and assessing any discrepancies based on the information published by the company.

Companies are classified into four risk categories based on the sustainability risk rating. Depending on the assigned risk category, additional measures are required from the portfolio manager prior to making an investment, as outlined in Table 5. Should the risk category of an investee company within the portfolio change, the investment will be reassessed in accordance with the criteria specified in Table 5.

##### **Low risk**

The risk emerging from sustainability issues is considered low. The decision to make an investment in a company with a low sustainability risk rating does not require any separate action from a responsible investment point of view.

##### **Medium risk**

The risk emerging from sustainability issues is considered medium. The decision to make an investment in a company with a medium sustainability risk rating does not require any separate action from a responsible investment point of view. However, due to the increased level of sustainability risk, the portfolio manager analyzes the causes and possible consequences of sustainability risks related to the target company.

##### **High risk**

The risk emerging from sustainability issues is considered high. Due to the high sustainability risk, the portfolio manager analyzes the causes and possible consequences of sustainability risks related to the target company. New investments in this risk category and the background to their sustainability risk categorization are reported to the next internal committee meeting.

##### **Severe risk**

The risk emerging from sustainability issues is considered severe. Due to the severe sustainability risk, the CIO's approval is required before a new investment can be made. In addition, the portfolio manager prepares a written analysis on the causes and possible consequences of sustainability risks related to the target company. New investments in this risk category and the background to their sustainability risk categorization are reported to the next internal committee meeting.

**Table 5.** Traffic light model and the measures entailed in direct equity and fixed income investments. Companies lacking a sustainability risk rating from an external service provider undergo a comprehensive analysis of all factors influencing the return/risk ratio. This includes a detailed examination of risks associated with sustainability factors. The analysis is conducted based on the available materials.

#### 4.1.4 Consultative asset management

In the consultative asset management offering, investments in sensitive industries must adhere to the limits outlined in Table 4. These criteria are monitored regularly. If a unit-linked balance sheet investment fails to meet the criteria specified in Table 4, an approval from the CEO of Mandatum Life, or a designated representative, is required to maintain the existing investment or to proceed with new investments in that asset.

New direct equity and fixed income investments within consultative asset management are monitored regularly against international norms and standards established in conventions such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, ILO Tripartite Declaration, the Guiding Principles on Business and Human Rights, and the Paris Agreement on Climate Change. If an investee company violates these standards, Mandatum investigates the incident and takes measures on a case-by-case basis. The cases are presented to the CEO of Mandatum Life, or a designated representative, for approval or divestment decisions.

Additionally, direct equity and fixed income investments within consultative asset management are subjected to an annual screening process coinciding with updates to the Responsible Investment Policy. Following this screening, investments in sensitive industries may be presented to the CEO of Mandatum Life, or a designated representative for approval or divestment decisions. The CEO or the designated representative may, in collaboration with the ESG team, grant exemptions for specific investment objects.

## **4.2 Implementation in sovereign and supranational investments**

Mandatum complies with relevant sanctions laws in its operating jurisdictions. Screening procedures are implemented for both new and existing investments, ensuring compliance with sanctions lists before investment and on an ongoing basis. Mandatum does not invest in companies or sovereign bonds subject to sanctions and continuously screens investments for AML and adverse media events. New investments in Russia and Belarus are excluded, covering companies organized within these countries and their sovereign bonds.

## **4.3 Implementation in fund investments, outsourced asset management and other asset classes**

This section outlines the implementation of responsible investment in Mandatum's own strategies when asset management is outsourced to external partners, or when investments involve asset classes other than direct equity or fixed income.

In these scenarios, investment operations are outsourced to external partners within defined limits, with Mandatum having no discretion over individual investment decisions. Consequently, the sustainability analysis centers on the external partner's investment process. The materiality of sustainability risks varies by asset class, necessitating different emphases on specific sustainability criteria.

Key focus areas for evaluating external partners include:

- Commitments to responsible investment (e.g., UN PRI signatory status, responsible investment policies, climate targets, norm-based screening, and industry exclusions).
- Integration of sustainability risks and factors in the investment process.
- Monitoring and reporting (e.g., carbon footprint data publication, sustainability risk management).

During the due diligence phase, Mandatum aims to influence a fund's operating principles by requiring external partners to commit to restrictions defined by Mandatum, such as compliance with international norms or limitations on investee companies' sectors.

In the fund selection phase, Mandatum assesses external partners' responsible investment practices, favoring those whose approach aligns with Mandatum's processes. The third-party investment analysis evaluates the scope and quality of responsible investment practices, risk management, and reporting compatibility with Mandatum's approach. Preference is given to partners committed to the UN PRI or similar initiatives.

**For fund-type real estate investments**, Mandatum evaluates factors such as energy efficiency, waste management, environmental impact, tenant portfolio responsibility, and value-adding property development. Mandatum favors strategies that commit to reporting and improving energy efficiency.

**For fund-type alternative fixed income and private equity investments**, Mandatum expects partners to incorporate responsible investment practices and exclude sensitive industries outlined in Mandatum's Responsible investment policy to the best of their ability. Additionally, stricter exclusion criteria may be applied to certain investment products. The portfolio manager's engagement with investee companies – through board membership, for example – emphasizes the sustainability perspective throughout the investment process, including preliminary reviews, ESG questionnaires, analyses, decision-making materials, side letter negotiations, and investment monitoring.

**For unit-linked investments in fund-type alternative and real estate investments**, Mandatum expects partners to incorporate responsible investment practices and exclude sensitive industries outlined in Mandatum's Responsible investment policy to the best of their ability. Additionally, stricter exclusion criteria may be applied to certain investment products. If an external asset manager is unable to adhere to these restrictions, which are substantially the same as in Mandatum's Responsible investment policy, approval from the CEO of Mandatum Life or an appointed representative is required to proceed with the investment.

**In fund-type allocation products**, investments are made across different asset classes, utilizing active or passive strategies managed by Mandatum or external asset managers, as well as derivatives and direct instruments. The ESG approach varies based on the asset class and investment vehicle.

For strategies managed by Mandatum, adherence to this Policy and exclusions defined in Table 4 is mandatory, and underlying investments are regularly monitored by the portfolio management team and the ESG team. The allocation team monitors strategies at the portfolio level.

**For active and passive strategies managed by external asset managers**, investment operations are outsourced within defined limits, with Mandatum lacking discretion over individual decisions. In passive strategies, investments are chosen based on pre-defined criteria, while the sustainability analysis in active strategies emphasizes the external manager's investment process, considering both company and strategy-level factors. Strategies are primarily monitored through reports from external managers, which may include SFDR periodic disclosures and other ESG-related information.

Additionally, ESG metrics, such as carbon intensity for allocation products, are measured annually, subject to data availability. The operations of cooperation partners are assessed, and the analysis is updated regularly. Mandatum evaluates the sustainability risks of the external funds used as investment objects on its unit-linked balance sheet annually based on available information.

#### **4.2.1 Monitoring and assessment in fund-type alternative fixed income and fund-type real estate investments**

The ESG analysis of fund-type alternative fixed income and fund-type real estate investments relies on the integration of ESG factors during the due diligence stage, an extensive annual ESG questionnaire, and a relevant ESG framework. External private debt and real estate fund managers are monitored and assessed annually for their ESG performance and development through this questionnaire, which collects both company-specific and fund-specific information. The ESG questionnaire is updated each year to address changing regulatory requirements and stakeholder demands.

This annual questionnaire serves as the foundation for Mandatum's ESG analysis, aimed at monitoring and enhancing the ESG practices of external fund managers. External funds are evaluated based on two dimensions: ESG Implementation and ESG Policy/Commitments, each with distinct subcategories. The assessment employs an internal scoring methodology to facilitate comparisons among managers, as well as between different fund segments, company sizes, and geographical locations. This scoring framework underpins Mandatum's qualitative ESG analysis.

Given the nature of fund-type investments, the annual ESG questionnaire and analysis are essential for assessing external managers' ESG performance throughout the investment period. Furthermore, the results of this analysis enable Mandatum to engage with managers and promote the advancement of ESG issues. Each external manager receives a comprehensive analysis of their ESG questionnaire performance, along with recommendations for improvement. Meetings can also be conducted with managers identified as needing the most significant improvements in ESG matters compared to their peers.

#### **4.4 Implementation in direct real estate investments**

Sustainability in direct real estate investments involves various dimensions, including measuring and reducing the carbon footprint of properties, implementing renewable energy projects, optimizing water usage and waste disposal, and addressing social responsibilities related to tenant well-being and environmental stewardship.

Mandatum's sustainability initiatives target significant emission reductions while enhancing property values and achieving cost savings. The company has set mid- and long-term sustainability goals for its real estate investments and is committed to continuous improvements in sustainable practices, with regular reporting to stakeholders.

Responsibility programs are defined at the portfolio level, aiming to transform existing building stock into responsible sites that prioritize environmental factors and tenant satisfaction, with objectives that include energy efficiency and carbon neutrality. All portfolios aim to utilize renewable electricity and are transitioning to renewable heating sources, with monthly monitoring of energy consumption and ongoing investments in energy efficiency.

The investment process incorporates sustainability factors through an ESG due diligence (DD) assessment, which identifies material ESG risks and opportunities. This assessment analyzes technical characteristics, energy efficiency potential, biodiversity status, available certifications, and governance while addressing environmental risks.

Exclusion criteria, detailed in Table 4, for direct real estate investments, are based on due diligence reports and ongoing monitoring. References to "company" in Table 4 pertain to individual direct real estate investment targets.

#### **4.5 Implementation in direct private equity investments**

In private equity investments, environmental, social, and governance (ESG) considerations are integrated throughout all phases of the investment process, including the acquisition of portfolio companies, the due diligence process, the 100-day plan, value creation, and exit strategies. As part of the investment selection process, the exclusion criteria in Table 4 of this policy are applied to investment products that promote environmental and/or social characteristics or make sustainable investments.

Mandatum conducts a comprehensive ESG due diligence (DD) process to assess and identify material ESG risks and related opportunities for each company in which it invests. This process aims to uncover opportunities for positive impact during the value creation period, rather than focusing solely on risk mitigation. The ESG DD process includes standardized questions covering topics of significance to Mandatum, as well as sector-specific inquiries tailored to the company in question. Following the transaction, a dedicated working group focused on ESG matters is established to address the issues identified during the ESG DD, define relevant ESG key performance indicators (KPIs), and set targets. Mandatum also formulates a plan to rectify any deficiencies highlighted during the ESG DD.

Investments are continuously monitored from a sustainability perspective. Whenever feasible, Mandatum receives ESG-related data directly from portfolio companies and tracks progress against

selected ESG KPIs. Additionally, Mandatum ensures that ESG matters are actively discussed within the Board of Directors, formal working groups, and management discussions. Given the size and unlisted nature of the portfolio companies, only a limited number of ESG data sources are utilized in the investment and risk management processes.

The MAM Private Equity team strives to secure board representation for all new investments and ensures that ESG topics are included in the annual board calendar, with a dedicated board member responsible for ESG matters. Upon exit, the value generated by ESG initiatives during the ownership period is assessed, with the goal of embedding responsible practices into the company's operations as an integral part of its growth narrative.

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