

The integration of sustainability risks in the investment decision-making process

This disclosure relates to Article 3 of the Sustainable Finance Disclosure Regulation (SFDR)¹ which requires financial market participants to publish on their websites information about their policies on the integration of sustainability risks into their investment decision-making.

Mandatum Fund Management S.A. (LEI code 5493002HIZQQVP6JNL03) (“Management Company”) invests its customers’ funds responsibly, and sustainability risks form a key part of our risk management process. We believe that, in the long run, the securities of companies and issuers who operate sustainably will yield better results as investment objects, thanks to their more favourable growth prospects and more predictable cost development. For these reasons, we have integrated sustainability risks into our decision-making process for investments.

The Management Company has incorporated sustainability into its investment operations, and the company’s investment decisions take into account not only financial aspects, but also sustainability factors, as well as the related risks. Responsible investment is an approach to managing assets so that environmental, social and governance issues are included in investment analysis, decision-making and reporting. Responsible investment also includes active ownership. It aims to combine better risk management with improved portfolio returns, and to reflect investor values. It complements traditional financial analysis.

All investment professionals are required to account for sustainability factors when selecting and monitoring investment objects. Portfolio managers and analysts are in the best position to understand the sustainability aspects of investee companies and business partners they are monitoring and to engage in a dialogue with management to influence matters. As part of their investment market monitoring, portfolio managers and analysts also look at how sustainability issues are incorporated in investor information and investment product offerings.

When making investment decisions for direct equity and fixed income investments, Mandatum applies a sustainability risk rating from an external provider to investment objects. Using this risk rating, investment objects are categorised as either low, medium, high or severe risk. Apart from where an investment object is categorised as “low risk”, we carry out a range of proportionate sustainability risk management measures before making an investment decision. These range from considering the consequences of realisation of such sustainability risks to requiring approval from the Chief Investment Officer. In decision-making, both negative and positive screening is employed taking into account the characteristics of different asset classes.

Further information of integration of sustainability in Mandatum Group’s investment processes can be found in the Responsible Investment Policy of Mandatum Asset Management Ltd (“MAM”), which can be found [here](#). The MAM is the parent company of the Management Company.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector