

Responsible Investment Policy

 MANDATUM LIFE

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Responsible Investment Policy

Mandatum Life's responsible investment premises and goals

This document outlines the responsible investment policies and guidelines applied to Mandatum Life Insurance Company and Mandatum Asset Management Ltd (hereinafter Mandatum Life).

Mandatum Life operates in the best interest of its customers. We seek the best possible return on our customers' wealth at an acceptable risk.

Mandatum Life invests its customers' funds responsibly, and responsibility forms a key part of our risk management process. We believe that, in the long run, the securities of companies and issuers who operate responsibly will yield better results as investment objects, thanks to their more favourable growth prospects and more predictable cost development. In addition, we aim to recognize and mitigate the adverse impacts of our investment operations to the environment, society, employees, respect for human rights, and anti-corruption and anti-bribery (hereinafter sustainability factors).

For these reasons, we have incorporated responsibility into our investment operations, and our investment decisions take into account not only financial aspects, but also sustainability factors, as well as the related risks (hereinafter sustainability risks).

Mandatum Life's actions are divided into the following three phases, which are described in this document:

- 1) Commitment
- 2) Implementation
- 3) Reporting

Mandatum Life's personnel are bound by the Responsible Investment Policy. The policy is intended as a guide for those participating in investment operations to take sustainability risks and factors into account in their day-to-day activities. The policy is approved by the Boards of Mandatum Life Insurance Company and Mandatum Asset Management Ltd. The Investment Products Management Group, chaired by Mandatum Life Insurance Company CEO is responsible for its execution. The policy is reviewed and updated annually. This document has been drafted in English, Finnish and Swedish. In case of any differences between the translated versions, the English version shall prevail.

1. Commitment to responsibility in investment operations

As part of Sampo Group, Mandatum Life is committed to complying with Sampo Group's sustainable development policy, based on which the company acknowledges its social responsibility and commits to promoting the principles of economic, social and ecological sustainability when developing its operations. Sampo Group companies follow the common values of ethics, loyalty, transparency and entrepreneurship, and Sampo Group undertakes to comply with these values in all of its business operations and contacts with all stakeholders.

In 2011, Mandatum Life signed the **UN's Principles for Responsible Investment (UN PRI)**, according to which Mandatum Life 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 (UN PRI) 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 in investment operations is one of the focal points of Mandatum Life's investment operations. Mandatum Life has committed to measuring and reducing the carbon footprint of its investments over time.

Mandatum Life is part of the *Portfolio Decarbonization Coalition* (PDC) network, which includes institutional investors and wealth managers. Upon joining the network in 2015, Mandatum Life was its first Finnish member. The PDC network aims to reduce the carbon footprint globally, steer assets to companies with lower emissions and develop methods for reducing the carbon footprint of investments.

We have additionally set the goal of increasing awareness of the topic among investors.

In 2016, Mandatum Life signed the *Montréal Pledge*, through which the company commits to annually measure and disclose the carbon footprint of its investments. The carbon footprint of investments is reported on both in absolute terms and in relation to general market indices to make it more understandable and comparable with both the development in the industry and development over time.

Mandatum Life also strives to promote corporate social responsibility issues through partnerships with organisations and foundations, as well as the implementation of the principles for responsible investment in the investment sector, for example, by participating in the activities of Finland's Sustainable Investment Forum (FINSIF). As part of their investment market monitoring, portfolio managers and analysts also look at how sustainability issues are taken into account in investor information and investment product offerings.

Further, Mandatum Life follows closely the development of European Union's legislative framework on sustainable financing and takes especially the regulation on the framework to facilitate sustainable investment and the regulation on sustainability related disclosures in the financial services sector into accordance in its investment processes.

2. Implementation of responsible investment

We require that our investment objects operate responsibly. We have incorporated a sustainability analysis into our investment processes, and we monitor all investment objects in our portfolios. In liquid investments, the monitoring is continuous, and in alternative investments, the assessment of the investment object's sustainability focusses on an analysis at the time the investment is made, but the investments are monitored regularly also in terms of sustainability.

When analysing the risks of an investment object, we consider sustainability factors as part of the whole. In decision-making, we employ both negative and positive screening, taking into account the characteristics of different asset classes. Investments can also be made with an emphasis on certain sustainability themes, such as climate change and climate risk. The operating methods used in various asset classes are outlined in Table 1.

	Direct equity investments	Direct bond investments	Alternative investments	Fund investments
Sustainability analysis incorporated into investment analysis	✓	✓	✓	✓
Negative screening methods	✓	✓	✓	✓
Positive screening methods	✓		✓	✓
Sustainability themes				✓
Direct dialogue	✓	✓	✓	
Engagement	✓	✓		

Table 1. Summary of responsible investment implementation by asset class.

Taking sustainability factors into account when selecting and monitoring investment objects is part of the job profile of every person making investment decisions and analysing investment objects. Portfolio managers and analysts are in the best position to understand the sustainability of the companies and co-operation partners they are tracking and to engage in a dialogue with business executives to influence matters.

The Responsible Investment Working Group (which includes members from portfolio management, institutional wealth management, legal affairs, risk management and communications) is responsible for co-ordinating responsible investment, developing tools and cascading operating methods throughout the organisation. The Investment Solutions Support Functions Unit also assists in responsible investment reporting and monitoring. The responsible investment responsibilities and tasks in the organisation are described in Table 2.

Unit/body	Responsibilities and tasks
Mandatum Life's Boards	Approve the Responsible Investment Policy and outline the procedures and policies regarding responsible investing.
Investment Products Management Group	Oversees the practical implementation of responsible investment and is responsible for compliance with the responsible investment policy. Investment Products Management Group is chaired by Mandatum Life Insurance Company's CEO.
Responsible Investment Working Group	Expert body responsible for co-ordinating responsible investment, developing tools and cascading operating methods throughout the organisation. Prepares the responsible investment approach and, if necessary, supports the portfolio managers in issues related to responsible investment. Reports on the implementation of responsible investment to the Investment Products Management Group.
Portfolio Management Unit	Each portfolio manager and analyst includes a sustainability analysis in their investment analysis and monitors their investment objects also from sustainability perspective. If any discrepancies are observed, the portfolio manager/analyst consults with the responsible investment working group to ensure a consistent operating method. The responsible portfolio manager for each investment basket, fund or responsibility area ensures compliance with the Responsible Investment Policy within their area of responsibility.
Investment Solutions Support Functions Unit	Monitors the implementation of investment operations, including sustainability factors, and supports responsible investment reporting.
Legal Affairs Unit	Monitors the compliance of Mandatum Life's investment operations' processes and guidance with the regulations concerning sustainable financing in effect at a given time.

Table 2. Responsible investment responsibilities and division of tasks.

2.1 Implementation in direct equity and fixed income investments

This section describes the implementation of responsible investment within direct equity or fixed income investments such as bonds or loans.

When selecting direct equity and fixed income investments, we take sustainability matters into account as part of the investment object analysis and risk management process. Sustainability factors affect companies' growth opportunities, costs and goodwill and are thus essential in terms of investment return expectations and risks.

The sustainability analysis of an investment is based on information collected from public sources. Sustainability is analysed in both quantitative and qualitative terms. Direct dialogue is a key component of the sustainability analysis of an investment object. To back their analysis, portfolio managers and analysts also use the sustainability analysis of an external service provider.

Monitoring of investments

Investments are continuously monitored from sustainability perspective. Portfolio managers and analysts monitor the news flow on their investment objects daily, in addition to which an external service provider specialising in sustainability reviews the investments quarterly.

The investments are monitored on the basis of the UN Global Compact principles. The principles are based on international standards concerning human rights, labour rights, the environment and corruption. If abuses or breaches related to these standards are observed in the investee company, the incident is investigated and measures are taken on a case-by-case basis. Depending on the severity, nature and extent of the breach, the portfolio management measures may consist of direct dialogue with the company's executive management, an engagement action or, as a last resort, selling the investment if the engagee company does not respond to the engagement efforts and does not take measures to prevent the abuse or breach within a reasonable time frame.

Certain industries can be considered more sensitive from the point of view of sustainability risks. Investments in industries identified as sensitive are monitored regularly to identify potential sustainability risks and quantify them. Industries identified as sensitive include the manufacture or production of the following products or services, as well as the subcontracting, logistics or distribution of the manufacture or production of those products: adult entertainment, tobacco, gambling, war material, controversial weapons and coal mining.

In addition to norm- and business-based monitoring, the carbon footprint of investments is determined annually and monitored separately for each investment basket or fund. The responsible portfolio manager of each investment basket, fund or area of responsibility is responsible for the effective management of the sustainability risks of the investment object it manages in line with Mandatum Life's commitments.

2.1.1 Implementation in investments that support sustainable development

Direct equity and fixed income investments that are determined to promote environmental or social characteristics or to be sustainable investments are subject to the restrictions and procedures described below. These products meet the requirements of Articles 8 or 9 of the regulation on sustainability related disclosures in the financial services sector and are subject to stricter disclosure obligations.

Table 3 contains a list of the criteria that have been set and which new investment objects must meet. If an investment object in the portfolio no longer meets the criteria, Mandatum Life will divest the investment within six months at the latest.

Restrictions are based on Mandatum Life's evaluation of the possible sustainability risks and possible adverse sustainability impacts of different industries.

Different industries/product groups have been divided into tolerance categories based on how much of the company's net sales is generated, either directly or indirectly, by the business in question:

- a) Zero tolerance: the investment object must have no direct or indirect sales from the business in question.
- b) Low tolerance: the investment object must have no direct sales from the business in question. The limit for indirect sales is 50%.
- c) Partial tolerance: the business in question must not be the investee's main business (more than 50% of sales).

Direct business refers to the manufacture or production of a product or service. Indirect business refers to various parts of the value chain of product or service production, such as subcontracting, transport or distribution.

Industry/ Product group	Key risk factors	Percentage of sales		Description
		Direct business	Indirect business	
Zero tolerance		Direct business	Indirect business	
Controversial weapons	Reputational risks, regulatory risks	0 %	0 %	Investments are not made in companies whose business involves the manufacture, subcontracting or distribution of controversial weapons. Controversial weapons are considered to be, among others, biological, chemical, nuclear and cluster weapons.
Low tolerance		Direct business	Indirect business	
Tobacco	Reputational risks, regulatory risks, human right risks	0 %	50 %	Investments are not made in companies whose business involves the manufacture of tobacco products or whose core business is tobacco production subcontracting or the distribution of tobacco products.
Adult entertainment	Reputational risk, labor rights risks, human right risks	0 %	50 %	Investments are not made in companies whose business involves the production of adult entertainment or whose core business is adult entertainment industry subcontracting or distribution.
Coal	Reputational risks, technology risks, transition risks, regulatory risks	0 %	50 %	Investments are not made in companies whose business involves mining of carbon or coal, or whose core business is coal mining subcontracting or the production or distribution of coal-based energy.
Partial tolerance		Direct business	Indirect business	
Alcohol	Reputational risks, Regulatory risks, Social risks	50 %	50 %	Investments are not made in companies whose core business is the manufacture, subcontracting or distribution of alcohol products.
Gambling	Reputational risks, Governance risks, Money laundering risks	50 %	50 %	Investments are not made in companies whose core business is gambling or gambling subcontracting.
War material	Reputational risks, Regulatory risks	50 %	50 %	Investments are not made in companies whose core business is manufacture, subcontracting or distribution of war material.

Table 3. Limits set on direct equity and bonds as a share of sales by industry/product group. The limits are applied to investment products that are determined to promote environmental or social characteristics or to be sustainable investments.

When analysing investment objects and making investment decisions, the sustainability risk rating of an external service provider is also used. The aim is to quantify the extent to which a risk related to sustainability criteria may affect the company's value. The risk rating is a two-dimensional framework that measures the company's exposure to sustainability risks and how well the company is managing those risks in relation to the manageable risks. The sustainability risk rating focuses on identifying the sustainability risks that are significant to the target company using numerous criteria and on assessing possible discrepancies based on information published by the company.

Companies are divided into four risk categories based on the sustainability risk rating. Depending on the risk category, further measures are required from the portfolio manager before making the investment, as indicated in Table 4. If the risk category of an investment included in the portfolio changes, the investment will be reassessed in accordance with Table 4.

Risk category	Measures required by the risk category
Low risk	Making the investment decision does not require separate actions from a responsible investment perspective.
Moderate risk	The risk related to sustainability factors is considered moderate. The portfolio manager/analyst must be sure to have taken into account in his/her analysis the sustainability risks that have led to a raised risk level, as well as the consequences of the potential realisation of such risks.
High risk	The risk related to sustainability factors is considered high. Due to a high risk level, the portfolio manager/analyst must prepare a report on the reasons for and potential consequences of the sustainability risks in the context of the entire portfolio.
Severe risk	The risk related to sustainability factors is considered severe. Due to a severe risk level, the portfolio manager/analyst must prepare a report on the reasons for and potential consequences of the sustainability risks in the context of the entire portfolio. Making the investment requires the approval of the Chief Investment Officer responsible for client assets.

Table 4. Sustainability risk rating categories and the measures they entail in direct fixed income and equity investments.

Companies for which an external service provider's sustainability risk rating is not available are thoroughly analysed on the part of all factors influencing the return/risk ratio. This also includes an analysis of risks arising from sustainability factors. The analysis is based on the available material.

2.2 Implementation in fund investments, outsourced asset management and other asset classes

This section describes the implementation of responsible investment where the asset management has been outsourced to an external partner, where investments are made in investment objects managed by external partners and/or asset classes other than fixed income or equity investments. What is typical to these investments is that the investment operations have been outsourced to an external operator within defined limits, and Mandatum Life has no discretion to the individual investment decisions. Hence, the external party's investment process is at the centre of the sustainability analysis.

Mandatum Life expects its co-operation partners to take sustainability into account in investments in all asset classes. In selecting and monitoring investment products managed by external funds, asset managers and co-operation partners, the sustainability analysis focusses on the co-operation partner's investment process and reporting.

As regards fund investments, the so-called due diligence phase of the investment process offers the best opportunities to influence the fund's operating principles, since after the investment is made, the fund company holds the main decision-making power within the fund. Co-operation partners may be required to

commit to the restrictions defined by Mandatum Life concerning the investment objects. The restrictions may be based on companies' business sector and products or on compliance with international norms.

During the fund selection phase, we broadly assess the implementation of responsible investment. We favour co-operation partners whose responsible investment risk management in different asset classes is consistent with Mandatum Life's investment process. The third-party investment object analysis covers the scope and quality of the responsible investment process, risk management and reporting as well as its compatibility with Mandatum Life's own approach. We consider the commitment of wealth managers to the UN PRI or similar asset-class-specific initiatives to be a positive thing.

For fund-type real estate investments, the following, among other things, are assessed: the extent to which the portfolio manager's investment process takes into account the properties' energy efficiency, waste management, environmental load, and the responsibility of the process for managing the tenant portfolio, as well as the extent to which development of the properties is seen as a value-adding factor in the investment process. In fund-type real estate investments, we favour strategies that commit to reporting on the energy efficiency of the properties and to improving the energy efficiency of the properties. We view a co-operation partner's membership in organisations that promote responsible real estate investments as a significant positive factor.

In fund-type alternative fixed income investments and private equity investments, the responsibility of the portfolio manager's investment process is assessed largely according to the same criteria as investments in listed equities or bonds. Insofar as the portfolio manager's investment process involves engaging with investees, for example, through board membership, special attention is paid to the implementation of the sustainability perspective when developing the investment. We favour strategies in which the portfolio manager views sustainability as a key value-adding factor in their investment process.

The operations of co-operation partners are assessed, and the analysis is updated at regular intervals. Every year, we evaluate the sustainability risks of the external funds we use as investment objects based on the information that is available.

2.3 Active ownership and sustainability in owner practices

The environmental and social impacts of business operations, as well as governance, affect companies' returns, costs and reputation. They are thus also significant from the perspective of investor returns and risks.

As part of the investment and risk management process, Mandatum Life regularly meets with the executive management of its investee companies. When it comes to responsibility matters, the most natural way to influence a company's operating methods is to engage in a direct discussion with the company's executive management. The meetings focus on, among other things, the company's governance, its relative position and operating methods compared to other companies in the same business sector, the direction and pace of its business processes, as well as preventative work and the capacity to rectify possible discrepancies. Attention is also paid to the scope and quality of companies' sustainability related reporting. For the investment operations it is crucial to distinguish companies with insufficient reporting from companies that are not willing to integrate sustainability factors in their business operations.

If a company is not willing to invest in sustainability in its business, the investment can be liquidated. Before the liquidation of the investment, the portfolio manager must, whenever possible, contact the company and point out the matter that has been assessed as problematic.

Another active ownership method we use is engagement with other investors, provided we consider it to be an effective means of achieving a desired change in the business operations. Every engagement action is assessed on a case-by-case basis, and an external service provider that is specialised in engagement processes is employed to implement the action.

Further description on Mandatum Life's engagement policies when investing to listed companies within the European Economic area can be found on the companies' webpage.

3. Responsible investment reporting

As part of the commitment to the UN's Principles for Responsible Investment, Mandatum Life has committed to reporting annually on the responsible investment practices that have been taken into use and on how the implementation of the UN's Principles for Responsible Investment has been promoted. The first PRI report was drawn up for 2013.

The carbon footprint of investments is measured and disclosed annually. The annual carbon footprint of investment baskets and funds is disclosed in the product-specific monthly or quarterly review or in a separate responsible investment review. In addition to the absolute carbon footprint of the investments, the carbon footprint of investment baskets and funds is compared with the relevant market index's carbon footprint in order to improve comparability and transparency.

The implementation of responsibility in investment objects and responsible ownership practices are reported on to customers insofar as this is possible with respect to the data that is available and the confidentiality of company-specific information.

As part of Sampo Group, Mandatum Life reports on its sustainability more broadly in Sampo plc's annual Corporate Responsibility Report.

