

Responsible Investment Review | *2022*



Marketing Communication. Always familiarise yourself with the investment object's official documentation before making any final investment decision. More information about the consideration of sustainability risks and factors in investment operations can be found on the website and in the product-specific documentation. Mandatum Asset Management Ltd acts as a portfolio manager and insurance agent for and on behalf of Mandatum Group. Unit-linked insurances are issued, and investment baskets are owned by Mandatum Life Insurance Company Limited.



CONTENTS

- 1 Introduction
- 2 Responsibility considerations in investment operations
- 3 Responsibility in different asset classes
- 4 Climate
- 5 Active ownership and engagement
- 6 Regulation of sustainable finance
- 7 Memberships and partners

Introduction



Mandatum is committed to taking into account the economic, social and environmental impact of its investments. In this review, we provide information on responsible investment at Mandatum (Mandatum Asset Management and Mandatum Life Insurance Company Limited, hereinafter together referred to as 'Mandatum'). Mandatum Asset Management (MAM) manages approximately EUR 15 billion in investment assets, offering investment solutions and services to institutional and private investors. In 2022, Mandatum's responsibility efforts and activities were actively developed further.

The Responsible Investment Policy has guided our portfolio management and investment operations since 2011, and we updated our policy by incorporating aspects of our climate strategy. As a result, we will phase out companies that derive more than 5% of their revenue from coal from the investment portfolio by 2030 and companies that derive more than 5% of their revenue from oil by 2040. In addition, we seek to invest in companies that produce energy from renewable sources or that have a clear and credible strategy to transition from fossil fuels to a more sustainable business model.

MAM's first SFDR Article 9 fund was launched in partnership with Universal Investment in 2022. The objective of the UI-MAM Senior Secured Loan fund is to build a loan portfolio that has an overall positive net impact on society. To measure the fund's net impact, we use a tool developed by Upright Project that models the net impact of companies,

taking into account the positive and negative impacts of their products and services on society and the environment. The tool is also used for some products that make direct investments as part of the investment object analysis and responsibility reporting.

The built environment has long accounted for a significant proportion of the global energy consumption and the CO₂-related emissions. Therefore, proactive work is needed in real estate asset management, particularly in responsibility. In real estate investments managed by MAM, responsibility goals are taken into account at the time of investment and responsibility measures seek significant emission reductions to simultaneously achieve cost savings and increase the value of the properties. 2022 was the third year that Mandatum took part in the Global Real Estate Sustainability Benchmark (GRESB) sustainability assessment, which measures the sustainability of real estate funds globally at the level of the entire real estate portfolio. Mandatum's direct real estate investments earned four out of five stars. That is the third best result in Mandatum's peer group in Europe, with Mandatum's results surpassing its peer group average in every category.

One of the objectives of Mandatum's investment operations is to take climate change into account and efficiently manage climate risks. Mandatum is committed to the Montréal Pledge, through which we annually measure and disclose the carbon footprint of our direct equity and fixed income

investments. Mandatum is also part of the Portfolio Decarbonization Coalition (PDC) network, which aims to reduce the carbon footprint globally, direct assets to companies with lower emissions and develop methods for reducing the carbon footprint of investments. As part of the coalition, Mandatum aims to, over time, reduce the emissions financed by its investments. In fact, we succeeded in cutting the carbon intensity of our investments in half between 2017 and 2021 through active portfolio management.

Another important and growing responsibility theme linked to the environment has emerged alongside climate change: biodiversity. We want to do our part and promote factors affecting the availability of the ESG data required, and we monitor the development of the offering of different service providers and provide feedback and development proposals related to the quality and comparability of ESG data.

We continuously develop our responsibility work to take into account the investment risks and opportunities related to responsibility and sustainable development. At the same time, we are able to better meet the demands of our customers and increasing regulatory requirements related to responsible investing.

Lauri Vaittinen

CEO

Mandatum Asset Management

Highlights of responsible investment

-42 %

The average carbon intensity of Mandatum's investments in 2021 was significantly (-42%) under the market average

Article 9

MAM's first fund with a sustainability objective in line with the regulation on sustainable finance (SFDR) was launched in September 2022



Mandatum achieved strong scores in the UN PRI assessment of responsible investment across several asset classes



The real estate portfolio managed by MAM earned four stars in the Global Real Estate Sustainability Benchmark (GRESB) assessment and ranked third best in its peer group in Europe



With respect to the EU's Sustainable Financial Disclosure Regulation (SFDR), information on the sustainable characteristics and objectives of our products was added to the website



MAM developed a more systematic method to assess the implementation of responsibility in the Private Debt program, and indirect fixed income investing received a full five stars in the UN PRI assessment

Read more on page 14

Approach in fixed income investments

Bond investments	Private Debt investments	Loan investments
Bond products emphasise the assessment of ESG factors in their investment process	Private Debt Article 8* products promote, among other characteristics, environmental and social characteristics	The objective of the Article 9** UI - Mandatum AM Senior Secured Loan Fund is to create a loan portfolio that has an overall positive net impact score at the portfolio level, measured with Upright's net impact model
ESG considerations help to identify companies that are in a better position to succeed in the long term and also reduce the portfolio's exposure to any future negative net sales and earnings impacts	A comprehensive ESG survey is conducted as part of manager and fund selection and annual monitoring	The overall net impact takes into account the positive and negative impacts related to the four dimensions (Society, Knowledge, Health, Environment)
MAM has selectively increased investments in green and sustainable bonds as part of the normal investment process	The ESG team and portfolio managers meet with the selected managers who are considered to be most in need of improvement in ESG matters compared to other managers	The objective of other loan products is to promote environmental and social characteristics
The fixed income portfolio has a positive net impact on the environment and society according to Upright's assessment	Continuous monitoring and engagement with managers on their ESG performance constitute an approach that managers consider valuable	In loan agreements, a practice of determining the price of the loan on the basis of predefined ESG targets (ESG margin ratchet) is becoming increasingly common
The carbon footprint of investments has decreased year after year, remaining at a lower level than the general fixed income market		

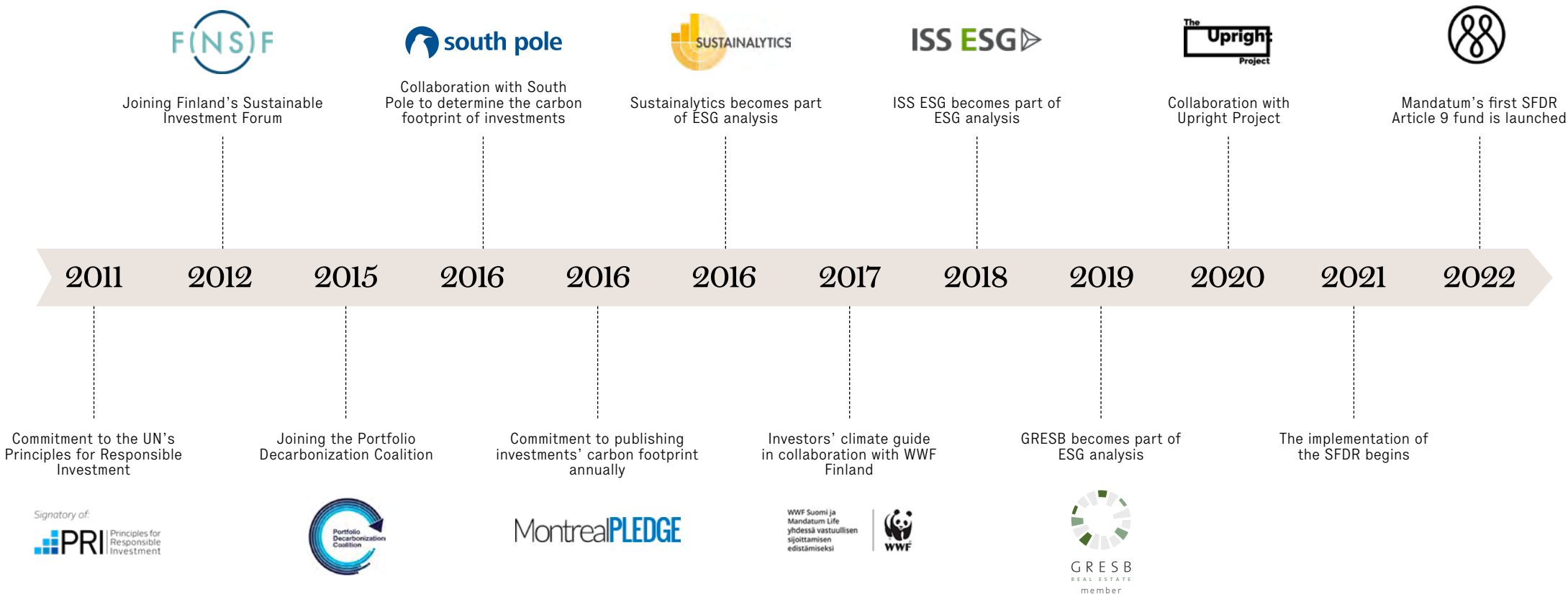
* The EU's Sustainable Finance Disclosure Regulation (SFDR).

** You can find more information about the sustainability aspects of the fund at https://www.universal-investment.com/-/media/Project/Universal-Investment-Reference-Page/Universal-Investment/Fondsmitteilungen/Mandatum_Global_Investment_Fund_SCSp_SICAV-RAIF_UI-Mandatum_AM_Senior_Secured_Loan_Fund_Web-Dokument.pdf

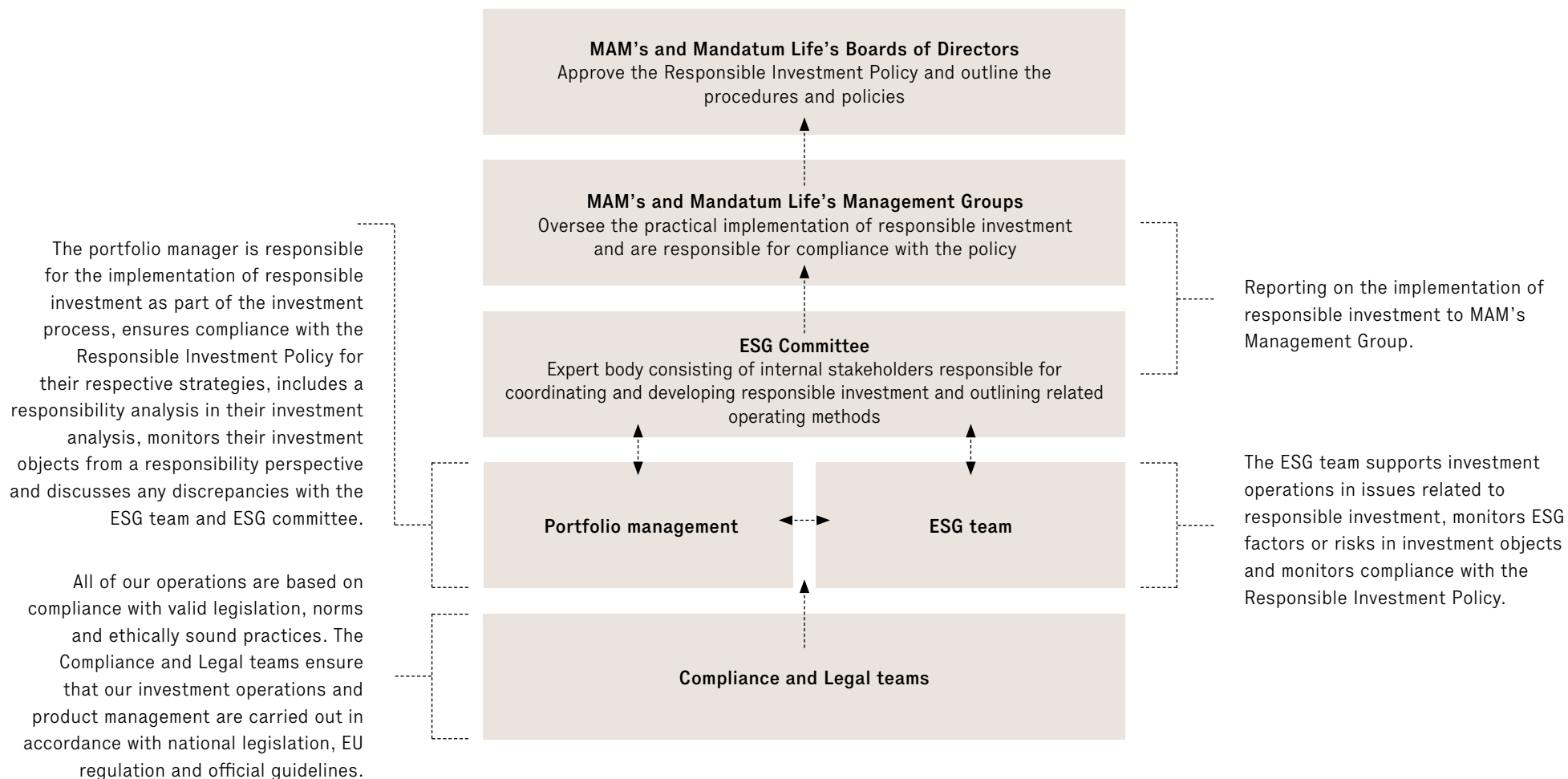
Approach in private equity, real estate and equity investments

Private equity investments	Real estate investments	Equity investments
<p>The objective is to create value by helping the portfolio companies to develop their ESG practices and monitor their implementation and results</p>	<p>In real estate investments, responsibility programs and goals are defined for each portfolio, but transforming the existing building stock into responsible sites that take environmental factors into account is key in all portfolios</p>	<p>The key means to take responsibility into account is to assess risks and opportunities related to responsibility and sustainability factors as part of the investment object analysis</p>
<p>MAM aims to find opportunities for value creation instead of only focusing on risk avoidance</p>	<p>Responsibility measures seek significant emission reductions while creating cost savings and value for investors, financiers and users of the properties</p>	<p>In addition to MAM's own ESG analysis, analyses carried out by external service providers, such as Sustainalytics and ISS ESG, are taken into account in investment decisions</p>
<p>The sustainability aspect is always part of the investment process from due diligence through to exit</p>	<p>In real estate fund investments, ESG considerations form an essential part of the investment analysis when selecting managers and funds</p>	<p>MAM wishes to promote factors affecting the availability of ESG data and monitors the development of the offering of different service providers. MAM engages in active dialogue, requests further information and provides feedback to bring up views related to the quality and comparability of ESG data</p>
<p>MAM defines ESG KPIs and targets and prioritises them together with management</p>	<p>Real estate sustainability reporting (GRESB) is actively promoted</p>	
<p>ESG topics are actively worked on with the portfolio company's Board of Directors and formal working groups and through management sparring</p>	<p>The implementation and development of responsibility are actively monitored for each property and through an extensive annual MAM ESG survey sent to external managers</p>	
<p>Upright's net impact model is used in the assessment of both individual portfolio companies and the entire portfolio</p>		

Mandatum's broad co-operation network with responsible investment operators



Organisation of responsible investment and division of tasks



An aerial photograph of a dense, lush green forest, likely a coniferous forest, covering a hillside. The trees are tightly packed, creating a textured, dark green surface. The lighting is even, highlighting the natural beauty of the forest.

Responsibility considerations
in investment operations

Responsible investment at Mandatum

The assessment of responsibility factors follows the same principle as the selection of investment objects; attention is focused directly on the company, and the decision is based on an analysis of the company and its sector.

At Mandatum, taking responsibility aspects into account is part of the day-to-day activities. A responsibility analysis is integrated into the investment object analysis of each asset class, and it takes into account the special characteristics of each asset class. Therefore, responsibility analyses vary between asset classes.



When making investment decisions, Mandatum not only accounts for financial aspects but also factors and risks related to sustainable development.

Responsibility considerations in investment operations

Analysis of investment objects' responsibility factors

The investment object analysis takes into account not only financial aspects, but also factors, risks and opportunities related to sustainable development. The materiality of responsibility risks varies, depending on the sector and business model of the portfolio company. The responsibility risks that may have a material impact on portfolio companies are related, for example, to regulation, changes in the reputation and brand, as well as the physical circumstances for the continuation of business. Transition risks are associated with how well companies manage to adapt their business operations to a low-carbon and sustainable economy and also develop their operations to meet the expectations of customers and society. The investment object analysis must also cover any responsibility risks related to the value chains of the portfolio companies. However, the analysis of responsibility is not limited to the identification and assessment of risks alone, but it is also essential to find companies that, for example, offer solutions to mitigate climate change.

When analysing investment objects, we also aim to identify and reduce the adverse impacts of our investment activities on the environment, society, employees, respect for human rights, and matters related to anti-corruption and anti-bribery.

Impact assessment

The investment object analysis takes into account the impacts of responsibility factors on the company's business and financial value. In addition to responsibility from a business

perspective, the analysis also includes an impact assessment. It extensively assesses the positive and negative impacts of companies and their net impacts on society and the environment. For some products, the impact assessment is supported by the use of the model created by Upright Project. Mandatum abides by the double materiality principle in its climate strategy. This means that both the impacts of climate risks on the portfolio company and the company's impacts on sustainability factors are taken into account.

Exclusion of industries and product groups

One of the methods used in responsible investment is exclusion. Certain industries are considered to carry more sustainability risks and cause more adverse sustainability impacts than others. Investments in industries identified as sensitive are regularly monitored in order to identify and quantify any sustainability risks.

The table on page 13 contains a list of the criteria that have been set for new equity and fixed income investments (including private equity investments) in investment products that are identified as promoting environmental and/or social characteristics (EU SFDR Article 8) or that have sustainability as an investment objective (SFDR Article 9). Different industries/product groups have been divided into tolerance categories based on how much of the company's net sales are generated, either directly or indirectly, by the business in question.

In addition to sector-based negative screening, Mandatum focuses on finding companies that, for example, provide tech-

In the investment analysis, the aim is to identify and assess all material risks and opportunities related to responsibility and sustainability for each investment object.

The monitoring of responsibility factors continues throughout the investment period.

At Mandatum, sustainable development is an integral part of investment activities and is taken into account in our investment decisions alongside financial aspects.

nological innovations to mitigate climate change. Mandatum's ambition is to reduce exposure to the fossil fuel industry while simultaneously investing in companies that produce energy from renewable sources or that have a clear and credible strategy to transition from fossil fuels to a more sustainable business model.

As part of the evaluation of transition companies, Mandatum assesses, among other things, the companies' energy mix and proportion of renewables, plans to grow the renewable energy business and emissions reduction targets. The goal is to phase out coal (i.e. companies that derive more than 5% of their revenue from coal) from the investment portfolio by 2030 and oil (i.e. companies that derive more than 5% of their revenue from oil) by 2040.

Monitoring of investments' responsibility factors

Depending on the asset class, responsibility factors are assessed based on several criteria. Sectors sensitive from an ESG perspective and breaches of international norms and standards are monitored both through external service providers and through company analysis. International norms and standards include the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the UN's Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework, and the Paris Agreement on Climate Change.

In addition, monitoring is conducted for other fossil fuels. By screening for fossil fuels, we aim to increase monitoring and reporting and manage risks deriving from fossil fuels.

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

In the Private Debt and European Real Estate (ERE) programs, an extensive ESG survey is sent to managers at the due diligence stage and annually during the investment's life cycle. The survey makes it possible to monitor how ESG matters have developed during the year. We strive to encourage improvement in any development areas identified by discussing them with the manager.

Engagement, either directly or through pooled engagement

The aim is to identify material responsibility risks at the due diligence stage, but their monitoring and assessment continues throughout the investment period. Identified risks related to sustainability and responsibility are mitigated in collaboration with the portfolio companies. We use pooled engagement especially if it is believed that it can be an effective means of achieving a desired change in the portfolio company. Pooled engagement is mainly used in a reactive manner to address issues that may have already occurred.

Regular responsibility reporting

Mandatum publishes responsibility reports on direct equity and fixed income products as well as on the Private Debt and ERE programs every spring and autumn. The responsibility reports contain information such as a portfolio manager's review, information on responsibility in the investment process, observed norm violations and the carbon footprint of products, depending on the investment product. For some products, responsibility issues are reported quarterly in connection with other financial reporting.

The responsibility report published in the autumn on the Private Debt and ERE programs includes a summary of the results of the ESG survey sent to the managers.

The SFDR phase II requirements became effective at the beginning of 2023, which means that Mandatum also reports annually on Article 8 and 9 products using a separate form describing, for example, the extent to which the environmental and/or social characteristics promoted by the product have been met or the extent to which the product's sustainability objective has been met.

Exclusion criteria and restrictions set for new investments

Industry/ Product group	Key risk factors	Percentage of sales		Description
		Direct business	Indirect business	
Zero tolerance				
Controversial weapons	Reputational risks, regulatory risks	0 %	0 %	Investments are not made in companies that derive revenue from manufacturing, subcontracting or distribution of controversial weapons. Controversial weapons are, for example, biological, chemical, nuclear and cluster weapons.
Low tolerance				
Coal	Reputational risks, technology risks, transition risks, regulatory risks	5 %	40 %	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 40%. Investments are not made in companies whose share of revenues from coal-based energy production exceeds 40%, unless the company has a clear strategy to transition to a more sustainable business model*.
Tobacco	Reputational risks, regulatory risks, human rights risks	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	Reputational risks, labour rights risks, human rights risks	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	Reputational risks, governance risks, money laundering risks	50 %	50 %	Investments are not made in companies that derive more than 50% of revenue from gambling or gambling subcontracting.
Military equipment	Reputational risks, regulatory risks	50 %	50 %	Investments are not made in companies that derive more than 50% of revenue from manufacturing, subcontracting or distribution of military equipment.
Oil	Reputational risks, technology risks, transition risks, regulatory risks	45 %	45 %	Investments are not made in companies that derive more than 45% of revenue from exploration, extraction, production or refining and processing of fossil oil or the production of fossil oil-based energy, unless the company has a clear strategy to transition to a more sustainable business model*.

Mandatum has identified *sensitive areas of business* that are considered to carry more sustainability risks and cause more adverse sustainability impacts than others.

The table contains a list of the criteria that have been set for direct equity, bond and loan investments that have been defined as *promoting environmental or social characteristics* (SFDR Article 8) or as *being sustainable investments* (SFDR Article 9). The criteria serve as guidelines for portfolio managers in all asset classes, and stricter product-specific exclusion criteria can also be applied.

Investments in companies in the coal and oil industry that exceed the limits can be allowed for products other than Article 9 products if the company has a credible plan for transitioning based on an internal set of criteria.

If an investment object in the portfolio no longer meets the criteria, Mandatum will divest the investment within a reasonable time frame, taking into account clients' best interests and the market situation.

In addition to industry-specific monitoring, Mandatum follows legally required exclusions (e.g. those required by domestic/international law, bans, treaties or embargos).

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.

* Exemptions can be made for companies that have a credible plan for transitioning based on an internal set of criteria. The responsible portfolio manager shall prepare a summary of the target company and why it should be considered as a transition company to which the ESG team will give their opinion. The CIO will then make the final decision.

Good scores in the UN Principles for Responsible Investment assessment

Assessment in a nutshell

UN PRI annually assesses how its members' investment operations compare year-on-year and with peers in different categories. The assessment tells an organisation and its stakeholders how well the UN's Principles for Responsible Investment are achieved in the organisation's investment operations by asset class as well as areas where its investment operations are in need of improvement.

In 2022, the PRI disclosed the results of the latest assessment, which covered the year 2020. Mandatum Asset Management (MAM) was formed in 2021 by combining the investment operations of Mandatum Life and those of Sampo Group, which means that the assessment results presented are based on Mandatum Life's investment operations in 2020.

Overall, Mandatum achieved good scores in the assessment, with four or five stars in the majority of the assessed areas. Based on the assessment, Mandatum was particularly successful in integrating the responsibility aspect into the investment processes for direct equity investments, direct corporate loans and fixed income fund investments.

According to the assessment, the areas most in need of improvement were engagement and voting practices. The results provide valuable feedback for developing Mandatum's engagement principles and owner practices.

The adjacent table is a summary of the assessment results and shows the star scores (1 = weakest, 5 = best) for all areas in which Mandatum has been assessed on the basis of the responses.

Mandatum signed the UN Principles for Responsible Investment in 2011 and has accordingly committed to, among other things, incorporating ESG factors in its investment processes, to being an active owner and to promoting the principles of responsible investment.

Summary scorecard

Investment & Stewardship Policy	★ ★ ★ ★
Direct – Listed Equity – Active fundamental – Incorporation	★ ★ ★ ★ ★
Direct – Listed Equity – Passive – Incorporation	★ ★ ★ ★
Direct – Listed Equity – Active fundamental – Voting	★
Direct – Listed Equity – Passive – Voting	★
Direct – Fixed Income – Corporate	★ ★ ★ ★ ★
Indirect – Listed Equity – Active	★ ★ ★
Indirect – Listed Equity – Passive	★ ★ ★ ★
Indirect – Fixed Income – Active	★ ★ ★ ★ ★
Indirect – Fixed Income – Passive	★ ★ ★ ★
Indirect – Real Estate	★ ★ ★ ★

Read more

[PRI Assessment Report](#)
[PRI Transparency Report](#)

The background of the slide is a dark brown wood grain texture. A thin white vertical line runs down the center of the image, dividing it into two halves. The wood grain on the left side is straight, while on the right side, it is curved, creating a sense of depth and movement.

Responsibility in
different asset classes

Private Debt investments



Approach

In the approach applied by MAM's Private Debt program, ESG issues are taken into account throughout the investment process and through various tools used for manager selection. We combine our in-depth investment expertise with strong ESG competence flexibly – this allows us to offer a diversified Private Debt program that accounts for both financial and sustainability factors. The aim is to find market-leading managers in terms of ESG.

The investments of the Private Debt program are split between direct lending and opportunistic strategies, which can be further divided into six sub-strategies. Direct lending strategies include non-sponsor direct lending, sponsor-backed direct lending and syndicated loans / large-cap direct lending, while opportunistic strategies include opportunistic primary & secondary, opportunistic secondary and portfolio financing. Similar to the different roles of these six sub-strategies in the portfolio, various factors are considered when selecting a manager. The ESG analysis of the Private Debt strategy is based on the integration of ESG issues at the due diligence stage, extensive annual ESG surveys and a relevant ESG framework as well as on strong ESG competence.

The ESG team actively works with portfolio management when new managers and funds are selected for the Private Debt program and also throughout the investment's life cycle when ESG performance is assessed. Each potential investment is examined from an ESG perspective, starting from the first meeting with the target manager.

In a fund of funds program such as the Private Debt programs, the due diligence process and legal negotiations are the most important times to influence ESG matters and when aiming to ensure the implementation of our principles for responsible investment in the fund's investment operations.

Responsibility is integrated into the various phases of the investment process, which includes a preliminary review, a more in-depth analysis and an ESG survey for managers, an ESG analysis and decision materials as well as negotiations on side letter agreements, the monitoring of investments and active engagement.

The ESG survey sent to managers at the due diligence stage and annually thereafter contains company-specific questions (e.g. policies, resources and development, engagement, climate change) and fund-specific questions (e.g. policies and principles, resources, ESG integration, engagement and ESG reporting).

Material ESG issues arising from the survey responses are discussed further with the manager and their development is monitored.

- » Based on the survey responses, funds are given a score for ESG factors. The methodology covers two dimensions: ESG implementation and ESG policy/commitments.
- » The analysis can be used to describe how the manager's subsegment, the size of the target companies and the geographical location impact the ESG position and thus helps to find each sector's and subsegment's leading managers in terms of responsibility.
- » The survey makes it possible to monitor and promote the development of ESG issues.

All managers are sent the above-mentioned ESG survey annually, and the development of their ESG position is monitored based on the responses. Managers are also informed of how they rank compared to other managers/funds and what they can do to improve their ESG performance. Meetings are also held with the managers who are considered to be most in need of improvement in ESG matters compared to other managers.

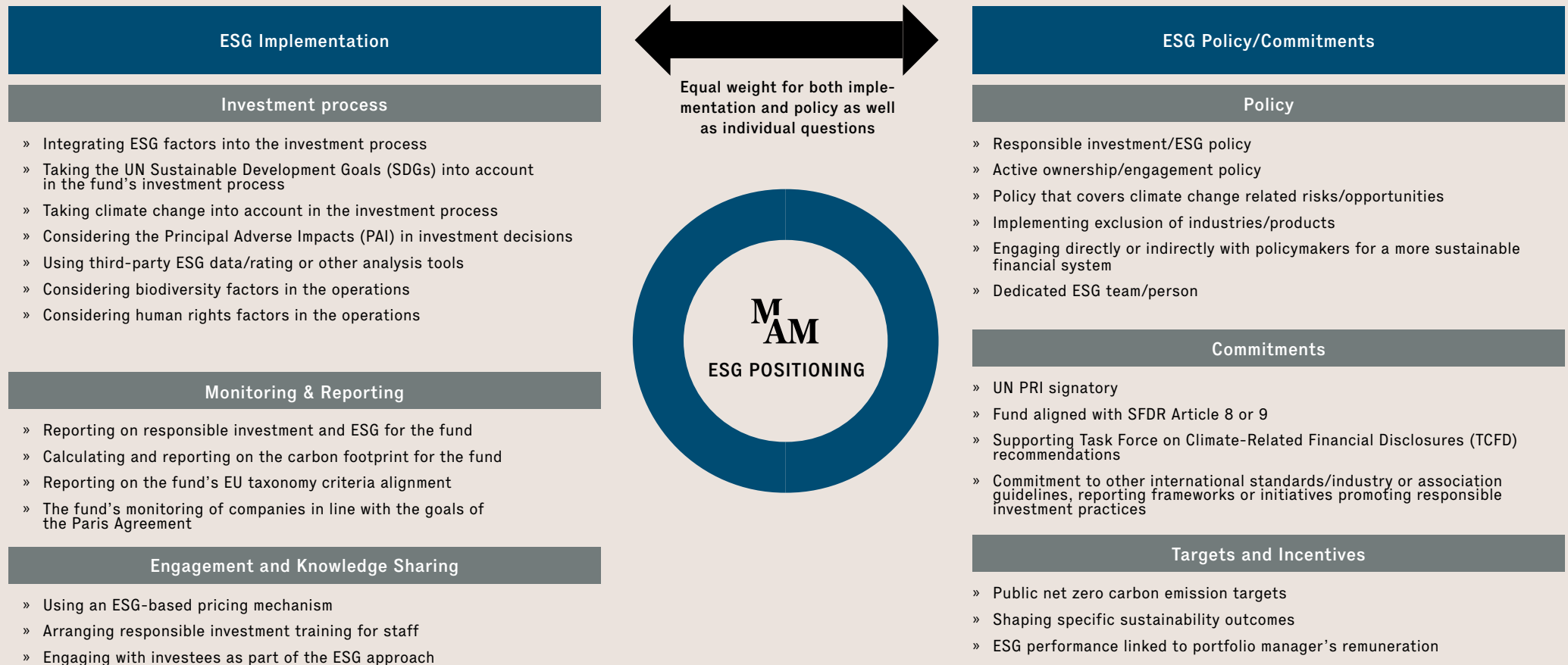
Engaging with managers on their ESG performance is an important aspect of continuous monitoring.

Private Debt – ESG scoring methodology

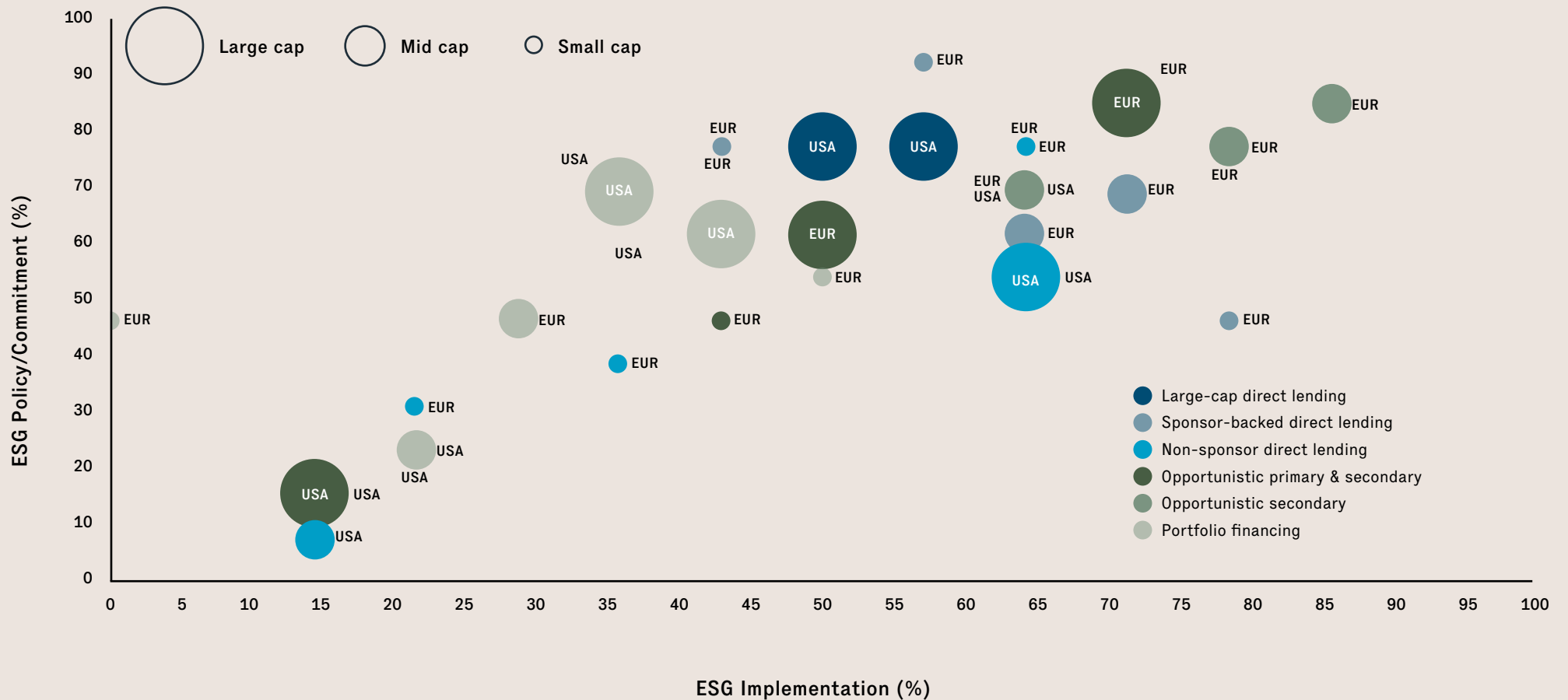
Managers' ESG scoring methodology

The ESG analysis covers two dimensions: ESG policy/commitments and ESG implementation. The scoring allows for a comparison between various managers as well as funds' subsegments, the size of the target companies and the geographical location.

The ESG position of the target funds and the implementation of responsibility in the investment strategy are examined comprehensively both by using the ESG survey scores and by assessing the strategy. The scoring supports Mandatum's qualitative ESG analysis.



Managers are given a score, and they are compared particularly with similar strategies*



* Based on the ESG survey conducted by Mandatum Asset Management in 2022 and the responses provided by the target fund managers.

Loan investments



Approach

Loan investments focus on active portfolio management and investments in defensive sectors. In loan strategies, investments are typically made in unlisted mid-cap and large-cap private syndicated loan arrangements of European companies. 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.

When selecting investment objects, loan strategies follow the sector-specific restrictions and exclusion criteria defined by Mandatum's Responsible Investment Policy and thus promote certain minimum environmental and social characteristics. Stricter exclusion criteria can also be applied to certain products, as described below for the UI-MAM Senior Secured Loan strategy, which is an SFDR Article 9 product.

The impact of ESG factors on the overall assessment of the investment object is examined at each stage of the investment process. The investment process includes not only a preliminary review, creditworthiness and an actual analysis, but also continuous monitoring.

1. Preliminary review

First, the details of the transaction and the company's background are reviewed. At this stage, the compatibility of the company's sustainability principles with the fund is also reviewed.

2. Credit analysis

If a decision is made to continue the examination after the preliminary review, a more extensive analysis of the company's operations, sector and loan terms and conditions is carried out. This also includes the assessment of material ESG risks and opportunities. Material ESG risks can vary and relate to governance, supply chains, the environment/climate, possible health effects of the products, political risks or reputation. Analysis and data produced by external service providers and advisors are also utilized at this stage. Certain target companies also provide a separate ESG due diligence report or ESG questionnaire.

3. Decision making

The actual investment decision is based on the final loan terms and conditions, taking into account the target company's creditworthiness and ESG compatibility together with the return potential. If shortcomings or areas of improvement are identified in ESG matters during the due diligence process, a decision can be made not to invest or, depending on the severity of the shortcomings and the ESG plan of the investment object, its development is monitored as part of the overall assessment and promoted during the investment's life cycle.

ESG monitoring and regular reporting are part of active portfolio management. In addition, the news flow on the target companies is monitored, and any discrepancies observed in ESG matters are addressed, if necessary, for example, by contacting the agent or the company directly and discussing with them. Investments' greenhouse gas emissions or exposure to fossil fuels are monitored regularly. Investees are also monitored for any breaches of international norms, such as the UN Global Compact principles, and we strive to engage with them if breaches are observed.

CASE

Article 9 product – UI - Mandatum AM Senior Secured Loan Fund

The objective of the UI-Mandatum AM Senior Secured Loan Fund is to create a loan portfolio that has an overall positive net impact score at the portfolio level, measured with Upright’s net impact model. The overall net impact takes into account the positive and negative impacts related to four dimensions (Society, Knowledge, Health, Environment).

In addition, the fund and each of its investments must have a positive net impact on the social dimensions (Society, Knowledge and Health combined), and the fund has certain minimum requirements related to all of the four Upright dimensions.

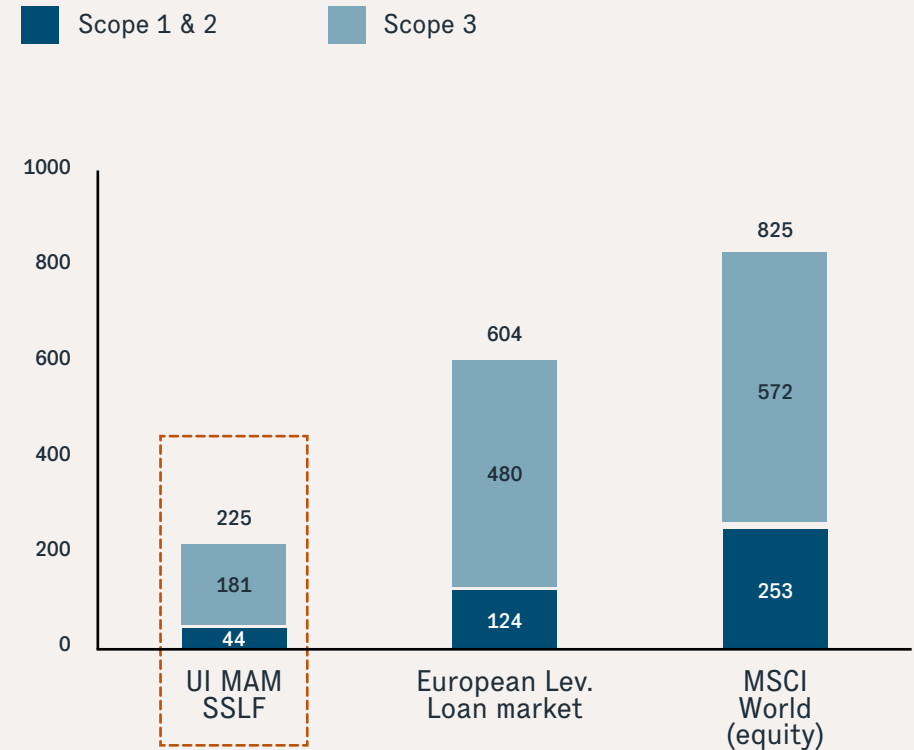
The dimensions are split into impact categories, such as Jobs, Taxes, Societal infrastructure, Societal stability & understanding among people and Equality and human rights under the Society dimension. The Knowledge dimension covers Knowledge infrastructure, Creating knowledge, Distributing knowledge and Scarce human capital.

The fund complies with stricter sector-specific restrictions/exclusion criteria than those defined in Mandatum’s Responsible Investment Policy (with respect to coal mining, tobacco, adult entertainment, gambling, oil and coal).

Article 9 products must also ensure the implementation of the ‘do no significant harm’ (DNSH) principle. It is assessed through the exclusion criteria and the PAI (Principal Adverse Impacts) indicators. In addition, limits have been set for individual investment objects with respect to all of the four dimensions (Society, Knowledge, Health, Environment).

Illustrative figure of Greenhouse gas intensity*

Tons of CO₂e / EUR million revenues



* The assessment is based on Upright’s model describing the situation in December 2022. Source: UprightReferences to the indices are for illustrative purposes only. Please note that weights put on the indices deviate from the UI – Mandatum Senior Secured Loan Fund’s investment strategy.

The fund is intended only for professional investors. For more information about the fund’s sustainability aspects, visit: https://www.universal-investment.com/-/media/Project/Universal-Investment-Reference-Page/Universal-Investment/Fondsmittelungen/Mandatum_Global_Investment_Fund_ScSp_SICAV-RAIF_UI-Mandatum_AM_Senior_Secured_Loan_Fund_Web-Dokument.pdf

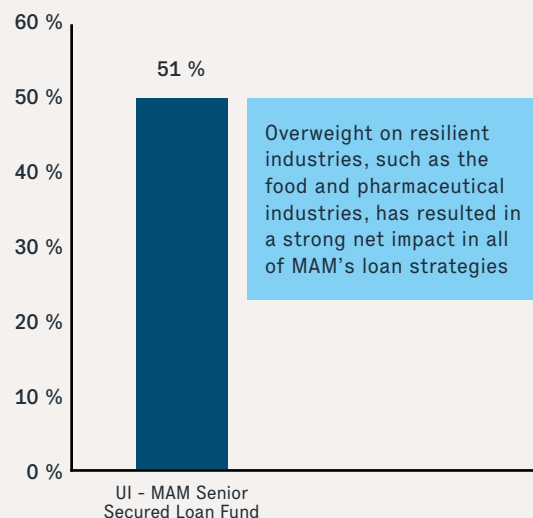
UI-Mandatum AM Senior Secured Loan Fund has a positive net impact

The fund's overall net impact* and impacts on Society, Knowledge, Health and the Environment

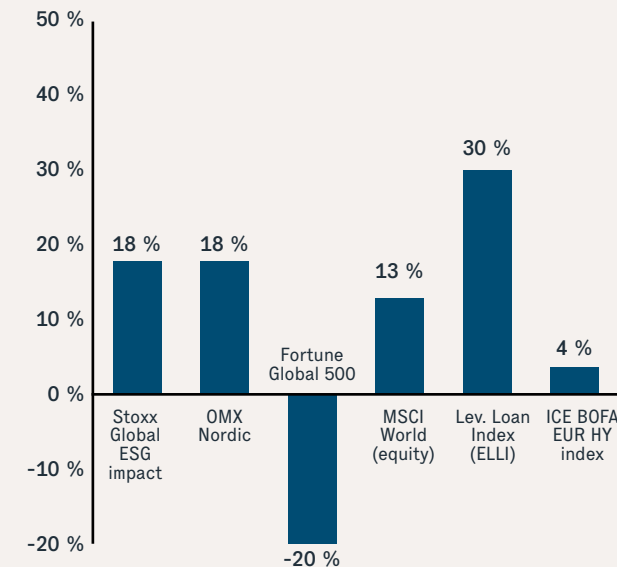
	NEGATIVE	RESULT	POSITIVE
SOCIETY +3.4		+3.4	+3.4
Jobs		+1.5	+1.5
Taxes		+1.4	+1.4
Societal infrastructure		+0.3	+0.3
Societal stability		+0.1	+0.1
Equality & human rights		+0.0	
KNOWLEDGE -0.5	-1.3	-0.5	+0.8
Knowledge infrastructure		+0.1	+0.1
Creating knowledge		+0.2	+0.2
Distributing knowledge		+0.4	+0.4
Scarce human capital	-1.3	-1.3	
HEALTH +2.5	-0.6	+2.5	+3.1
Physical diseases	-0.4	+1.6	+2.0
Mental diseases	-0.1	+0.3	+0.3
Nutrition		+0.1	+0.1
Relationships		+0.2	+0.2
Meaning & joy		+0.3	+0.4
ENVIRONMENT -1.5	-1.7	-1.5	+0.2
GHG emissions	-1.0	-0.9	+0.1
Non-CHG emissions	-0.2	-0.2	+0.1
Scarce natural resources	-0.1	-0.1	
Biodiversity	-0.1	-0.1	
Waste	-0.4	-0.3	+0.1

+51% Net impact ratio
Value set: Equal weights

The fund's overall net impact



Net impacts of indices putting weight on different asset classes



* The net impact of the fund is assessed using the net impact model developed by Upright, which shows the resources that companies use and what they achieve by using the resources. Net impact refers to the sum of a company's positive and negative impacts on the environment, health, society and knowledge. The assessment is based on the portfolios as per the situation in December 2022. Source: Upright Project References to the indices are for illustrative purposes only. Please note that weights put on the indices deviate from the UI - Mandatum Senior Secured Loan Fund's investment strategy.

Equity and bond investments



Approach

Mandatum abides by the double materiality principle in its climate strategy. Double materiality takes into account both the impacts of climate risks on the investee company and the company's impacts on sustainability factors.

The key means to take responsibility into account is to assess the financial impacts and risks related to responsibility and sustainability factors as part of the investment object analysis. Each stage of the three-stage investment process of fixed income and equity investments (preliminary review, analysis and decision) includes an assessment of ESG factors.

At the first stage, the compatibility of the sustainability principles followed by the company with the strategy is checked, and investments that do not meet the criteria defined in the Responsible Investment Policy with respect to industry or product group are excluded. The aim of the more detailed analysis is to identify not only potential ESG risks but also opportunities. For fixed income investments, this stage also includes a risk assessment related to the target company and the bond documentation. The analyses for new companies and companies in the portfolio differ from one another. In the case of an entirely new company or object that is considered to carry more risks, the investment decision can be referred to the Investment Committee. In addition to the proprietary ESG analysis, analyses carried out by external service providers, such as Sustainalytics and ISS ESG, are also taken into account in investment decisions. The investments in the portfolios are divided into four categories based on the ESG risk rating.

We aim to promote factors affecting the availability of ESG data and monitor the development of the offering of different service providers. We engage in active dialogue, request further information and provide feedback to bring up views related to the quality and comparability of ESG data.

The analysis uses a net impact model developed by Upright Project that extensively measures the positive and negative impacts of companies and their net impact on society and the environment. Investment objects are analyzed using Sustainalytics and ISS ESG analyses and Upright's model before making an investment decision. For example, in the case of the Fixed Income Portfolio, the Upright score is examined in the longer term, however, at least once a year.

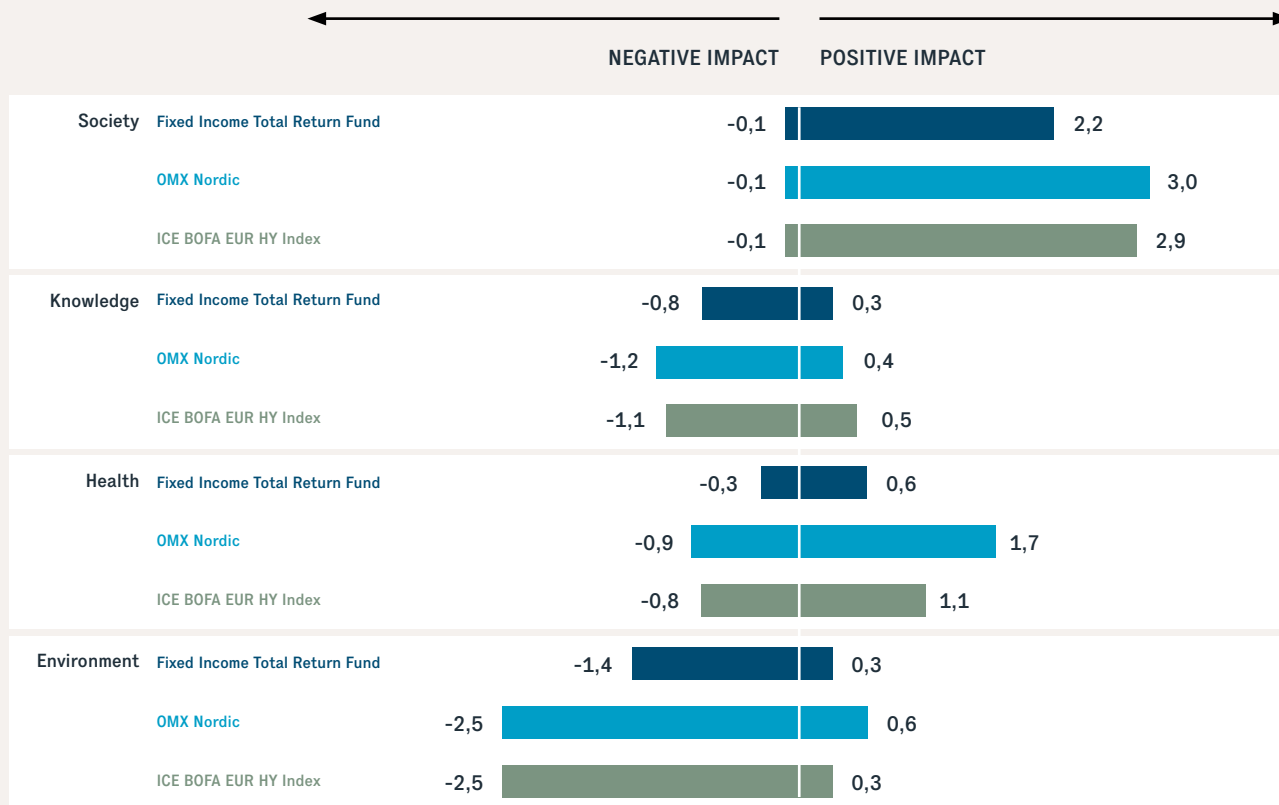
We monitor investments' greenhouse gas emissions (emissions per invested capital and average carbon intensity) and exposure to fossil fuels. Investment objects are also regularly monitored for any breaches of international norms, such as the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. We strive to engage with the investee companies if breaches are observed. Financed carbon dioxide emissions have been reduced significantly as a result of successful measures taken in the portfolios: company selection and investments in industries with lower emissions.

Green bonds account for approximately 10 per cent of the Fixed Income Portfolio, and their impact is also examined using Upright's model. However, investing in green bonds involves challenges as their criteria have not been commensurable and standardised, which has increased the risk of greenwashing. In addition to an extensive ESG analysis, special attention has therefore been paid to the framework for green bonds, the projects financed and business operations genuinely related to the green transition.

Mandatum joined the PRI in 2011, and since then there has been an annually updated Responsible Investment Policy in place. The policy includes the minimum restrictions and exclusion criteria for sensitive industries/product groups, which are implemented for direct equity and fixed income investments that are aligned with Articles 8 and 9 of the SFDR. Industries identified as sensitive include controversial weapons, coal, tobacco, adult entertainment, gambling, military equipment and oil. Stricter product-specific exclusion criteria can also always be applied.

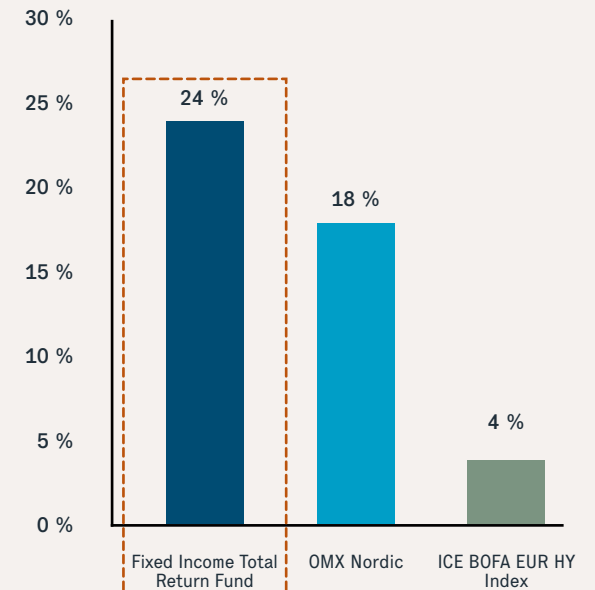
Net impacts of the Fixed Income Portfolio based on Upright's assessment

Net impacts by dimension



Total score

(Total score in the four dimensions;
higher score = better net impact)



NB! * The score is determined using the net impact model developed by Upright, which shows the resources that companies use and what they achieve by using the resources. Net impact refers to the sum of positive and negative impacts on the environment, health, society and knowledge. The assessment is based on the most recent portfolios available (e.g. FITR Q4-2022). Source: Upright Project. The comparison of net impacts using the above indices has been drawn up for illustrative purposes only. The relevance of the indices: focus on the European high yield market and availability of net impact data. Please note that the investment policy of the fund and those of the indices can differ from one another considerably.

CASE

Positive impact on the environment

Mandatum made a cornerstone investment in the Finnish Lamor Corporation in its initial public offering. The company's three business areas are oil spill response equipment, comprehensive waste management and water treatment.

Based on the model assessing the net impacts of investment objects, the company's products and services have a considerable positive impact on the environment and society. In particular, the company's services and products help to reduce the burden on the environment.

According to the net impact model, the main negative externalities result from the fact that the company employs a large number of highly educated workforce, which is interpreted in the model as the use of scarce human capital. In addition, the company's operations cause some greenhouse gas emissions.

Overall, however, the positive impacts clearly outweigh the negative impacts, i.e. the company's net impact is positive. In addition to assessing negative externalities, the aim in our own investment analysis and in the model that we use is to also examine the positive impacts of investment objects on the environment and society both in the short and longer term in a more comprehensive manner.

CASE

A project to develop carbon-neutral steel

The steel company SSAB has an interesting project underway, aiming at a carbon neutral and significantly more energy efficient method for manufacturing steel, which is one of the most used materials in the world and also one of the most significant sources of carbon dioxide emissions. Nordic steel production is world-class in terms of sustainability, and stainless steel is an extremely durable long-term material. Steel production consumes a lot of energy, which is why steel companies are currently at the forefront of hydrogen technology development.

In 2019, we purchased SSAB's bond maturing in 2024 from the primary market, which has since been sold at a return of 10.6 per cent. We are waiting with keen interest for the company's next possible green bond issue and the progress of the project.

Equities and bonds as fund investments



Approach

Mandatum takes advantage of the solutions of partners and external funds in markets where the Group does not possess special expertise. Passive index funds are primarily used in markets where active portfolio management has low potential for creating added value.

From the perspective of the responsibility analysis, an essential difference between external fund investments and direct equity and fixed income investments is that the company-level analysis and investment decisions are made by the portfolio manager managing the fund, which means that special attention is paid to the processes of the fund's manager.

In selecting partners and external funds, the analysis focuses on the investment process. Mandatum assesses the manager's commitments to responsible investment, investment and risk management process, resources and reporting as well as the compatibility of its approach with Mandatum's approach. Attention is paid to, among other things, how the investment process takes into account compliance with international norms, whether investments are restricted from the responsibility perspective, what the climate risk of the fund's investments is and what kind of active ownership practices the company managing the fund has.

CASE

Mercer Sustainable Global Equity Fund*

The fund invests in global equity securities with responsibility themes. Through its manager selection process, Mercer selects two to five managers for the fund, each managing their share of the fund.

Mercer assesses the sustainability of the managers as part of its analysis using a four-level rating scale from ESG1 (forerunner) to ESG4 (little or no ESG integration).

For a manager to become appointed as the portfolio manager of the fund, the manager must achieve at least an ESG2 rating (ESG and active ownership integrated into the investment process). In addition, Mercer selects managers who incorporate sustainability and responsibility themes in the idea generation phase of the investment process for the fund.

The fund excludes companies that are deemed to be in breach of the UN Global Compact principles or considered as having a significant negative impact on the UN's Sustainable Development Goals.

In addition, the fund seeks to avoid investments in sectors that are central in terms of climate risks, such as coal mining and coal-based energy production, among others. The carbon intensity of the fund is approximately 35% lower than the global equity market's level.

As a large asset manager, Mercer has comprehensive resources for fund analysis, manager monitoring and risk management. In addition, the company has good practices for active ownership in place.

* References to other funds are presented for comparison purposes only, and this presentation does not constitute marketing material on them and must not be construed as a recommendation to invest in them.

CASE

US value stocks

As the interest rate level took an upturn in early 2022, we decided to increase the allocation to US value stocks in our portfolio.

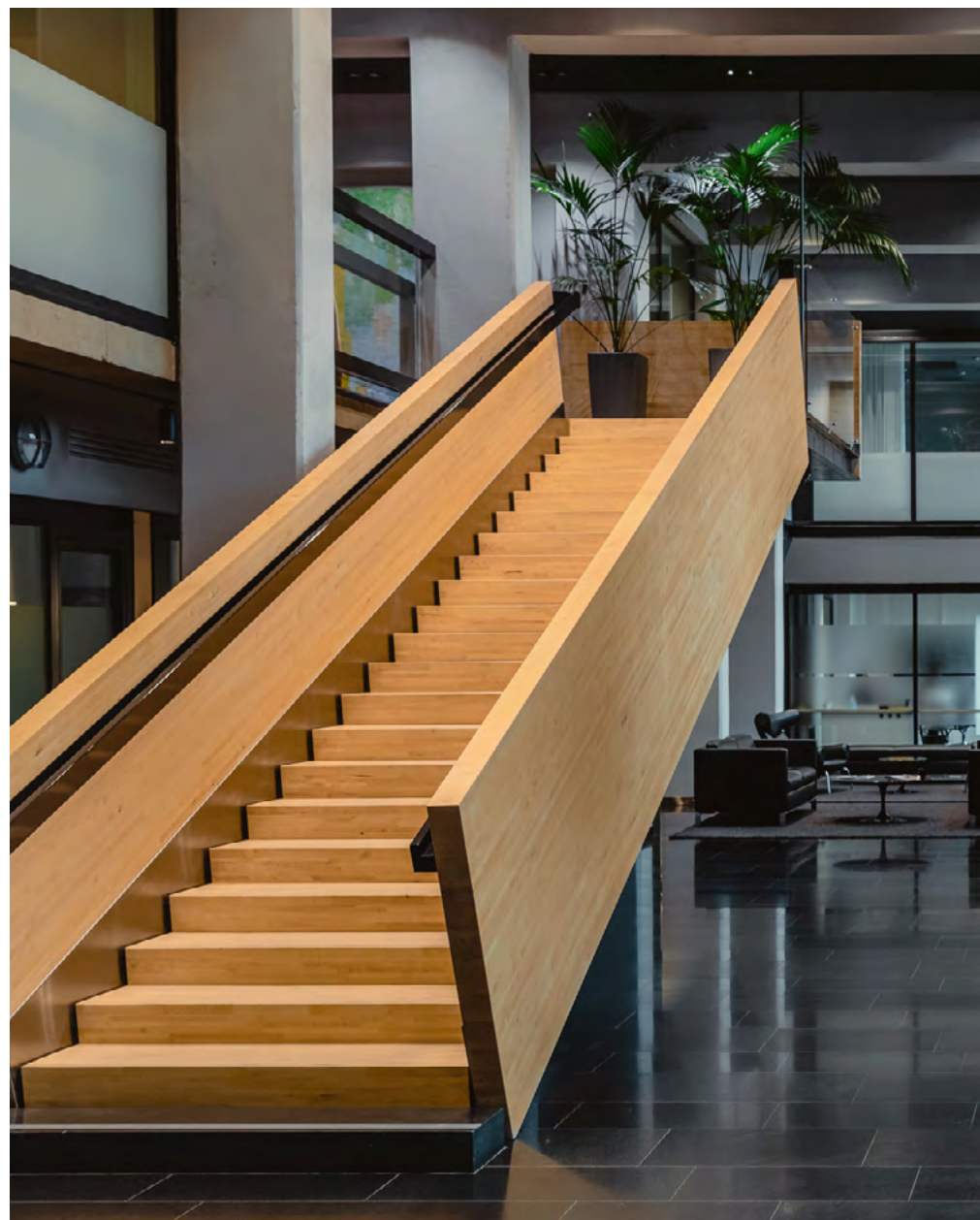
The US equity market is among the most efficient in the world, and thus we decided to make an index fund investment in iShares MSCI USA Value Factor ESG UCITS ETF*.

The fund does not invest in companies that are in breach of the UN Global Compact principles. In addition, the fund restricts investments in sectors that are central in terms of climate risks, such as coal mining and coal-based energy production.

In addition to the value weight, the fund has a positive impact on the portfolio's climate risk: The average carbon intensity of the ETF investments is approximately 35 per cent lower than that of the US equity market.

Moreover, the world's largest asset management firm BlackRock, which manages the ETF, has comprehensive resources for investment operations and risk management as well as good practices for active ownership.

* References to other funds are presented for comparison purposes only, and this presentation does not constitute marketing material on them and must not be construed as a recommendation to invest in them.



Real estate investments



Approach

Active real estate asset management also means proactive work in responsibility issues. Sustainability measures seek significant emission reductions while creating cost savings and value for investors, financiers and users of the properties. Sustainability measures also increase tenant satisfaction and extend the life of properties.

In real estate investments, responsibility is generally interpreted as measures to improve energy efficiency. However, it is a broad area that also encompasses other aspects, such as measuring the property's carbon footprint and greenhouse gas emissions, optimising water usage and waste disposal, as well as social responsibility, such as community influence, environmental considerations and renewable energy.

At MAM, responsibility programs and goals are defined for each portfolio. Transforming the existing building stock into responsible sites that take environmental factors into account is key in all portfolios. Investments that enhance the energy efficiency of managed properties are carried out on a continuous basis. All real estate portfolios are covered by renewable, green electricity.

MAM reports on the energy efficiency of its real estate investments and takes into account responsibility and sustainability factors in the investment process. In the acquisition process, the technical characteristics and energy efficiency potential of the real estate site, the energy efficiency class, possible certificates and the governance of the site and the contracting parties are analysed. In addition, risks related to the environment, climatic conditions and tenants' activities are identified. In the investment strategy during ownership, responsibility is reflected in improvements made in the technical characteristics of properties and in the tenant interface. This is also measured, monitored and guided using data.

CASE

Mandatum AM Finland Properties II*

The special common fund Finland Properties II invests in Finnish real estate in Finland's largest regional growth centres, mainly outside the capital region.

The fund focuses on existing commercial properties that offer strong cash flow and typically have many users.

Active and local real estate asset management creates value for investors. Responsibility measures can result in significant changes in the value, liquidity and attractiveness of the properties during the investment period. In addition, such measures are financially profitable and thus benefit investors directly.

The fund incorporates an ESG assessment into the acquisition process of all new investment objects as part of the due diligence process. Carrying out a comprehensive ESG assessment in the acquisition phase enables the implementation of effective responsibility measures in the property during its ownership. From the perspective of energy efficiency, the aim of an ESG assessment is to identify areas of improvement in the property's HVAC systems rather than screen out energy inefficient properties, as transforming the existing building stock into more environmentally friendly sites plays a key role in reducing the emissions of the built environment as a whole.

The fund is committed to achieving carbon neutrality by 2030 at the latest. Achieving carbon neutrality requires extensive measures that help to avoid or actively reduce the carbon footprint. The fund only purchases renewable electricity and implements on-site renewable energy production at its properties. In addition to taking active and determined measures as the owner of the properties, the fund carries out responsibility work together with the users of

the properties, engaging them in the activities.

The energy crisis in 2022 further accelerated the determined energy management in the fund's properties. Like the rest of the real estate sector, the fund launched an energy saving program to step up efforts to find energy saving areas and practices in the properties without compromising indoor air quality and safety.

For instance, the following measures are taken to improve the energy efficiency of the properties:

- » Energy consumption is monitored using smart meters.
- » Deviations in energy consumption are monitored and addressed as needed.
- » Energy-efficient alternatives are primarily favoured when renewing HVAC equipment.
- » The properties' indoor conditions are optimised and controlled in co-operation with the users. In addition, a remote monitoring service is used to monitor, control and improve indoor conditions in the properties where it is reasonably possible.

An assessment on climate change risks has been carried out by an external expert for the real estate portfolios managed by MAM. The assessment was conducted in accordance with the TCFD guidelines, and it aims to ensure the future continuity of the real estate business and to identify possible areas in need of development based on various scenarios. The outcome of the assessments carried out in 2022 shows that risks to business operations are caused by increasing regulation and changing reporting requirements, in particular.

* The special common fund Mandatum AM Finland Properties II does not currently have a sustainable investment objective and does not promote environmental or social characteristics in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR), due to which it is disclosing under Article 6 of the SFDR. However, such promoted characteristics are currently being defined for the fund, after which the fund is intended to start disclosing in compliance with Article 8 of the SFDR.



Real estate fund investments



Approach

In its European Real Estate (ERE) investments, MAM uses partners with external managers that have strong local resources and a successful track record of real estate investments. MAM's approach favours closed-end real estate funds typically used by institutional investors in which the fund's manager is responsible for the strategy and investment decisions.

When selecting managers and funds, ESG considerations form an essential part of the investment analysis. As part of the investment process, each partner must pass a comprehensive responsibility analysis in which the following, among other things, are assessed: the compatibility of the strategy with MAM's responsibility goals, the integration of ESG matters in the investment and risk management processes, the manager's general ESG competence, ESG resources, governance and responsible investment policy as well as the manager's membership in responsible investment organisations (e.g. UNPRI, GRESB).

Due to the nature of the investment activities, discussions with the target fund's manager play a key role in ESG engagement and when ensuring the implementation of Mandatum's principles for responsible investment in the fund's investment operations. If necessary, agreements are reached on measures steering the entire fund or fund unit (e.g. sector limitations), removing individual investments from the fund's allocation according to the principles of MAM, compliance with international norms, the manager's membership in responsible investment organisations, the target number of properties defined or certified as sustainable and the level of sustainability reporting. Engagement is carried out either at the level of the fund's terms and conditions or through bilateral agreements with the manager (side letter agreements).

In the verification of responsibility performance, insufficient data collection has long been a challenge in the real estate asset class. In its real estate fund investments, MAM strives to

promote the manager's commitment to real estate responsibility reporting and, on a case-by-case basis, improving the reporting. The improvement of systematic responsibility reporting has therefore been set as one of the key European Real Estate (ERE) programme responsibility targets.

The implementation and development of sustainability in real estate fund investments are actively monitored for each investment object and through an extensive annual MAM ESG survey sent to external managers. We also ask the managers to respond to this survey at the due diligence stage of each new investment.

The annual ESG survey contains company-specific questions (e.g. policies, development, ESG performance, ESG commitments, good governance, strategy, risk management) and fund-specific questions (e.g. policies and principles, resources, ESG integration, ESG goals, certificates, ESG reporting, including energy-efficiency and PAI indicators). The goal of the survey is to enable the monitoring of responsibility performance and promote areas of responsible investment, even after a decision to invest in a fund has been made.

Material ESG issues arising from the survey responses are discussed further with the manager and their development is monitored.

Based on the survey responses, funds are given a score for ESG factors. The methodology covers two dimensions: ESG implementation and ESG policy/commitments.

The analysis can be used to examine, for example, how the manager's/fund's size and strategy impact the ESG position and thus helps to find each sector's leading managers in terms of responsibility.

A summary report on the ESG survey is provided to clients. In addition, a responsibility report is published on the ERE program twice a year, every spring and autumn.

CASE

European Real Estate III investment basket – A product promoting environmental and social characteristics

The European Real Estate program invests in the European real estate market. Mandatum AM European Real Estate III, the latest investment basket of the program, is a financial product that promotes, among other things, environmental characteristics as specified in Article 8 of the EU SFDR.

The investment basket started its activities in 2021, and it was closed in autumn 2022. The funds in the investment basket will mainly make their investments between 2021 and 2026. The investment basket promotes ESG factors by striving to create a portfolio that mainly consists of energy-efficient “green buildings”. Green buildings generally mean properties that have passed a sustainability assessment in accordance with objective criteria of an external operator independent of the property and the investment. Several applicable energy efficiency and environmental certifications for properties are available, with the status of the most common and most used ones varying in Europe by country and real estate sector (e.g. BREEAM, DGNB, LEED).

In accordance with MAM’s approach, an assessment is made during the due diligence phase of each investment regarding the manager’s responsibility matters and ability to fulfill them in their investment activities. On a case-by-case basis, the responsibility matters are included in the strategy or the fund’s terms and conditions, or agreed on through side letter agreements with the manager. As a result of the engagement, for now, we expect all but one of the managers responsible for the investments to start participating in an annual GRESB assessment. However, the manager not participating in the GRESB assessment also has a set of responsibility indicators based on seven categories and the Key Performance Indicators 101, as well as systematic monitoring on the results of which the manager reports to their investors.

Example of the ESG factors assessed	Mandatum AM European Real Estate III
The manager has a corporate governance code and a code of conduct	100 %
The manager has its own responsible investment principles	100 %
The manager takes responsibility factors into account in their investment activities	100 %
The manager has designated resources for responsible investment	100 %
The manager has signed the UN PRI	100 %
The manager participates in GRESB with respect to the ERE investment	75 %*

* The GRESB participation percentage will change as the investment activities of the MAM European Real Estate III investment basket progress and managers decide on starting GRESB reporting.

Private equity investments



Approach

MAM Growth Equity (MAM GE) is a Nordic private equity investor that has extensive experience investing in and supporting growth companies. MAM GE is an active minority owner that makes sizeable commitments (EUR 10–30 million) and supports companies in their value creation work.

MAM GE serves as a growth platform for established and ambitious companies, and sustainability is seen as a key factor in building their growth. The objective is to create value by helping the portfolio companies to develop their ESG practices and monitor their implementation and results. The sustainability aspect is part of the investment process from the analysis of the portfolio companies to the exit and beyond.

Measuring and reporting on ESG performance is part of the ESG program. We also help the companies to develop their responsibility reporting, taking into account their resources; smaller companies have fewer resources and the goal is not to create heavy reporting frameworks. Therefore, the implementation of the sustainability aspects cannot be assessed on the basis of reporting alone. It is essential to strive to be a reliable partner to the portfolio companies in identifying and developing their sustainability targets and to engage with the companies through ownership practices.

ESG matters are integrated into all of the phases of the investment process: the acquisition of portfolio companies, the due diligence process, the 100-day plan, value creation and exit.

Companies are sought and examined from the perspective of sustainability themes, taking into account the exclusion criteria. A separate ESG DD is carried out on all investments in order to identify opportunities for value creation instead of only focusing on risk avoidance. The ESG DD process covers MAM GE's standard questions on topics important to MAM as well as sector-specific questions, depending on the company. This work relies on, among other things, the SASB (Sustainability Accounting Standards Board) framework for identifying significant sector-specific ESG topics.

Immediately after the transaction, a working group dedicated to ESG matters is established to work on the issues identified in the ESG DD and to define ESG KPIs and targets. We also draw up a plan to rectify any shortcomings identified in the ESG DD.

ESG topics are actively addressed in the Board of Directors, formal working groups and through management sparring. The defined ESG KPIs are regularly monitored and reported on to investors. Any ESG concerns expressed by the investors are reacted to and brought up with the management.

At exit, the value created by ESG topics during the period of ownership is established. The goal is to embed responsibility practices into the company's operations as an integral part of their growth story.

Upright's net impact model is used in the assessment and analysis of both individual portfolio companies and the entire portfolio.

We actively promote the UN's Sustainable Development Goals (SDGs) in our portfolio companies

WE PROMOTE AND MEASURE THESE GOALS IN ALL OF OUR PORTFOLIO COMPANIES USING PORTFOLIO-LEVEL INDICATORS

IN ADDITION, WE MEASURE OTHER COMPANY-SPECIFIC GOALS SELECTED ON THE BASIS OF THE ESG DD



We support our portfolio companies in their work to combat climate change



We create jobs and advocate for safe working conditions and well-being at work



We promote good governance and formal processes in all of our portfolio companies



In addition to our own reporting, we use Upright Project's model to calculate the net impact of our portfolio

The net impact of MAM PE I*



Upright's platform provides objective impact data and calculates the net impact of each company on society, knowledge, health and the environment.

The net impact of MAM PE I is +43%, which is higher than the average of +13% for developed market equities approximated with MSCI World index.

IMPACT		NEGATIVE	RESULT	POSITIVE	
SOCIETY	-0.1		+2.8		+2.9
Jobs	-0.0		+1.1		+1.1
Taxes	-0.0		+1.5		+1.5
Societal infrastructure	-0.0		+0.3		+0.3
Societal stability	-0.0		+0.0		+0.0
Equality & human rights	-0.0		+0.0		+0.0
KNOWLEDGE	-1.5		-0.9		+0.6
Knowledge infrastructure	-0.0		+0.1		+0.1
Creating knowledge	-0.0		+0.3		+0.3
Distributing knowledge	-0.0		+0.3		+0.3
Scarce human capital	-1.5		-1.5		+0.0
HEALTH	-0.4		+2.2		+2.6
Physical diseases	-0.3		+0.8		+1.1
Mental diseases	-0.0		+0.4		+0.4
Nutrition	-0.0		+0.7		+0.7
Relationships	-0.0		+0.1		+0.1
Meaning & joy	-0.0		+0.4		+0.4
ENVIRONMENT	-1.7		-1.3		+0.4
GHG emissions	-0.9		-0.7		+0.2
Non-GHG emissions	-0.2		-0.1		+0.1
Scarce natural resources	-0.1		-0.1		+0.0
Biodiversity	-0.1		-0.1		+0.0
Waste	-0.3		-0.3		+0.0

* The assessment is based on the portfolio as per the situation in February 2023. Source: Upright Project. Mandatum AM Private Equity I ("MAM PE I") is an investment basket owned by Mandatum Life, which invests, primarily through its underlying investment object, in shares issued by unlisted companies or other equity instruments. Please note that the investment strategy of the investment basket and those of the indices may differ from one another considerably.

+43%

Net impact ratio
Value set: Equal weights

CASE

Plant-based products go global with growth funding

In 2021, the MAM GE strategy invested EUR 25 million in Oddlygood Global, which aims to be a leading provider of plant-based foods.

Oddlygood Global develops and markets innovative plant-based products under the Oddlygood™ brand, including plant-based oat drinks, cheeses, yogurts and other products used in cooking and baking.

As part of the sourcing process, the MAM GE team conducts a thematic analysis and takes a closer look at companies that promote sustainable development. Oddlygood supports the transition towards more sustainable plant-based alternatives. The production of dairy products produces, for example, approximately three times more greenhouse gas emissions, uses approximately ten times more land area and causes higher levels of eutrophication than the production of plant-based products.*

In addition, Oddlygood produces its oat drink in the most environmentally friendly way on the market. Unlike its competitors, Oddlygood uses all of the oat raw material to produce the product, leaving no waste or by-products.

After the transaction, we started to work on ESG matters together with Oddlygood’s management. We drew up an ESG strategy for the company during the 100-day plan, including sustainable procurement, measuring the carbon footprint and reporting on employee engagement and satisfaction.

We organised an ESG workshop for the personnel of Oddlygood where we steered discussions on the most important ESG themes in the sector, presented competitors’ best practices and shared sustainability-related findings from various markets. The workshop resulted in an ESG framework for the company and the identification of the issues to be focused on in the coming years.

We also engage with the Boards of Directors of our portfolio companies on ESG matters and through the annual clock, we ensure that ESG is on the agenda at least once a year.

* Source: Poore, J. & Nemecek, T. (2018)



Climate



Climate is one of the focus areas in responsible investment

Taking climate change into account and reducing the carbon footprint of investments are focal points of Mandatum's investment operations, with the carbon footprint of investments being a key indicator of responsible investment.

The average carbon intensity of Mandatum's investments in 2021 was 202 tCO₂e/MEUR. The result is significantly (-42%) below the market average. Equity investments were -35 per cent (126 tCO₂e/MEUR) and fixed income investments -27 per cent (262 tCO₂e/MEUR) in relation to the market indices. The comparable carbon intensity of Mandatum's unit-linked insurance client assets has decreased by approximately 47% since 2017. Through the UN's Montréal Pledge, Mandatum annually measures and discloses the carbon footprint of its investments.

As a member of the Portfolio Decarbonization Coalition (PDC) network, Mandatum's objective is to minimise investments' emissions in the long run by actively managing the climate risks of investment activities and offering opportunities to invest in companies with a smaller carbon footprint.

Carbon intensity can be used to measure the emissions of an investment portfolio. Carbon intensity describes a company's greenhouse gas emissions measured in tonnes of carbon dioxide equivalent proportioned to its net sales. The reported portfolio level figure is a weighted average of the companies' carbon intensity.

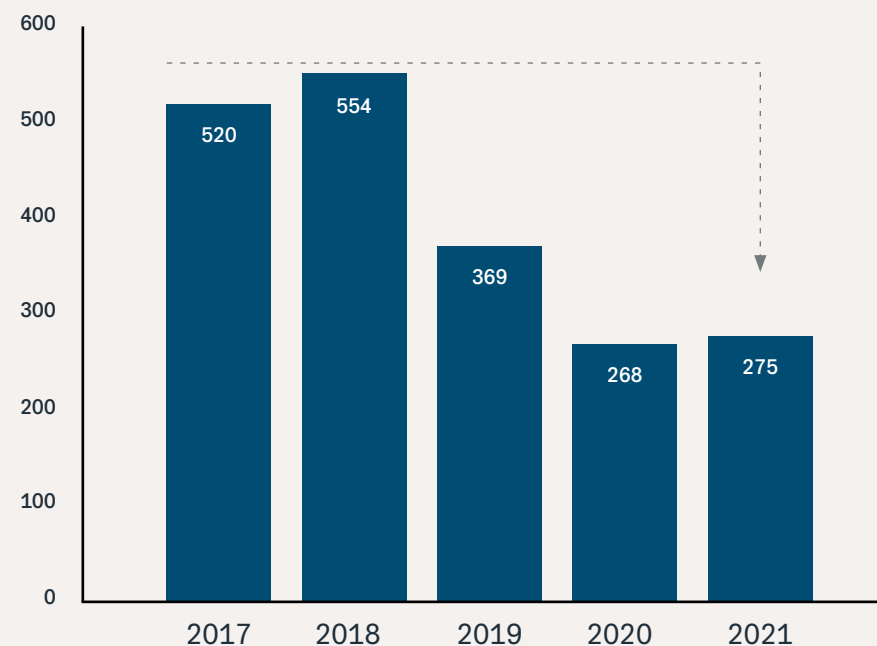
The carbon footprint of investments was calculated in co-operation with ISS ESG and Upright. The information on the investees' emissions is mainly based on data reported by the companies publicly and the Carbon Disclosure Project's (CDP) database on the emissions of the companies. The calculation covered the assets managed by Mandatum Asset Management with respect to its own investment baskets, own funds, full-mandate client portfolios and allocation solutions as per 31 December 2021.

The emissions include scope 1 and scope 2 emissions, i.e. emissions from the companies' operations and the production of the energy purchased by the companies. Where no data is available, the emissions have been estimated using ISS ESG's and Upright's sector-specific models.

Average carbon intensity

tCO₂e / MEUR

-47 %



Average carbon intensity by product

Product name	Average carbon intensity (tCO ₂ e/MEUR) *	Coverage (% of holdings)
European Small & Mid Cap	99	53 %
Global Sustainable Equity	53	88 %
Nordic Equity	104	74 %
Money Abs	575	31 %
Money Portfolio	418	45 %
Fixed Income Portfolio	230	70 %
Nordic High Yield	182	87 %
Mandate Broad Fixed Income	446	47 %
Mandate Broad 25	379	52 %
Mandate Broad 50	309	58 %
Mandate Broad 80	224	65 %
Mandate Broad Equity	215	64 %
Mandate Narrow 25	372	54 %
Mandate Narrow 50	299	61 %
Mandate Narrow 80	211	69 %
Mandate Narrow Equity	152	75 %
ML Allocation Fixed Income	446	47 %
ML Allocation 25	379	52 %
ML Allocation 50	309	58 %
ML Allocation 80	224	65 %
ML Allocation Equity+	215	64 %
ML Pension	269	50 %
ML Pension+	169	50 %

* Average carbon intensity is an alternative way of measuring an investment portfolio's carbon risk. With carbon intensity, emissions are proportioned to the company's net sales. The reported figure is a weighted average of the investments' carbon intensity as per the situation in December 2021. The emissions include scope 1 and scope 2 emissions, i.e. emissions from the company's operations and purchased energy. Source: ISS ESG and Upright Project. The products are investment objects that can be linked to insurance policies issued by Mandatum Life.

A photograph of a modern interior space. On the left, there is a vertical wooden panel with a light brown, natural wood grain. To its right is a dark, possibly black, metal frame or partition. The background consists of several vertical panels in shades of grey and brown, creating a layered, architectural look. The lighting is soft and directional, highlighting the textures of the wood and metal.

Active ownership and
engagement

Active ownership and engagement



Approach

As a general rule, MAM strives to engage with its companies in compliance with its ownership practices, but it can decide not to engage with a company in order to avoid conflicts of interest, for example. Matters to be considered before initiating an engagement process could include, for instance, the materiality of the sustainability issue, the size of the investment, the measures already carried out by the company and its geographical location. In all of its engagement processes, the company takes into account, in particular, factors related to climate change and other sustainability risks and factors and tries to ensure that the companies have incorporated sustainability factors into their business strategies.

In its owner practices, MAM uses three main methods of influencing investee companies: direct dialogue, pooled engagement and voting.

Direct dialogue is the primary means of engagement especially in Nordic companies in which we have a significant holding. We engage in direct dialogue with the company's executive

management, Board of Directors or other owners both in a proactive and reactive manner. The aim is to support companies to develop their operations in order to identify opportunities and risks that are important in terms of shareholder value and to ascertain good governance. Discussions with companies and co-operation partners are conducted privately which enables a constructive dialogue even on sensitive issues.

Pooled engagement refers to engagement with a company as part of a group of several investors. As a general rule, it is used in a reactive manner if breaches or suspected breaches of international norms or other discrepancies are observed in the company's operations. We use pooled engagement as a means of influencing investee companies especially if our holding in the company is small. Initiatives can be facilitated by Mandatum, other investors or external service providers.

Voting in general meetings is a means of engagement that is used in addition to other means of engagement.

In private equity portfolio companies, MAM has a very practical method of promoting ESG matters. MAM also has at least one Board member and one observer member in its portfolio companies' Boards of Directors. A person responsible for ESG is nominated for each Board, and ESG topics are on the Board's agenda regularly. In addition, progress in the set ESG targets is monitored.

CASE

Mandatum AM Nordic Active Ownership

Active ownership plays a key role in the investment operations of the Mandatum AM Nordic Active Ownership investment basket. The investment basket invests in listed Nordic small and mid-cap companies with a systematic approach similar to private equity investors and a concentrated portfolio of 20–25 companies.

The approach is to be an active, patient long-term investor. This is why the investment process places a special emphasis on profitable growth, committed management, and the quality of the company. We want to own companies with Boards that are able to create long-term, sustainable value and to support the management groups.

As an active owner, it is our responsibility to ensure that companies have the best possible Boards to create value for shareholders.

We engage in active dialogue with companies' executive management and Board members and participate in nomination committees that make proposals on Board members to the general meeting. In addition, we actively encourage companies to establish nomination committees.

CASE

Pooled engagement


We had invested in a bond of a Central European teleoperator whose US subsidiary had allegedly prevented its employees from joining a trade union by exerting pressure on them.

After investigating the matter, we considered the claims credible and decided to engage with the company to rectify the situation. We chose pooled engagement as the means of engagement as bondholders have more limited possibilities to influence than shareholders and from the perspective of the target company, we were not a key investor in terms of the amount invested.

The company responded to the initiative constructively and stated that it would examine whether the company's operating methods had been complied with in this respect. As a result, the company updated its guidelines on how to deal with employees' trade union memberships.

At the same time, the percentage of employees with trade union membership grew among the employees of the US subsidiary, which strengthened our confidence that a change in the operating methods had taken place.

We still own bonds of the company and continue the monitoring of the company according to the normal process.



Regulation of sustainable finance

Regulation of sustainable finance

Mandatum monitors the European Union’s regulatory projects in sustainable finance and, in particular, takes the framework concerning sustainable investment (EU Taxonomy Regulation) and the Sustainable Finance Disclosure Regulation (SFDR) into account in its investment operations. The new regulation determines what can be promoted as sustainable investment in the future.

Investments that promote, among other characteristics, sustainable characteristics and investments promoted as sustainable are subject to stricter disclosure obligations, and formal information must regularly be supplied on their sustainable characteristics.

The objective of the SFDR is to enable the provision of comparable and transparent information on the sustainability impacts and risks of financial products. The SFDR requires that financial market participants disclose sustainability-related information at both product and company levels.

The first provisions of the SFDR took effect on 10 March 2021. They were supplemented with phase II provisions, regulatory technical standards (RTS), which were published in the EU’s Official Journal in July 2022 and became effective in January 2023. Since March 2021, financial market participants have been obligated to provide information on their investments’ sustainability risks and on how adverse impacts on the environment and society have been taken into account. For financial products, they must disclose with which of the disclosure obligations established in the SFDR the product complies: that of Article 6, 8 or 9.

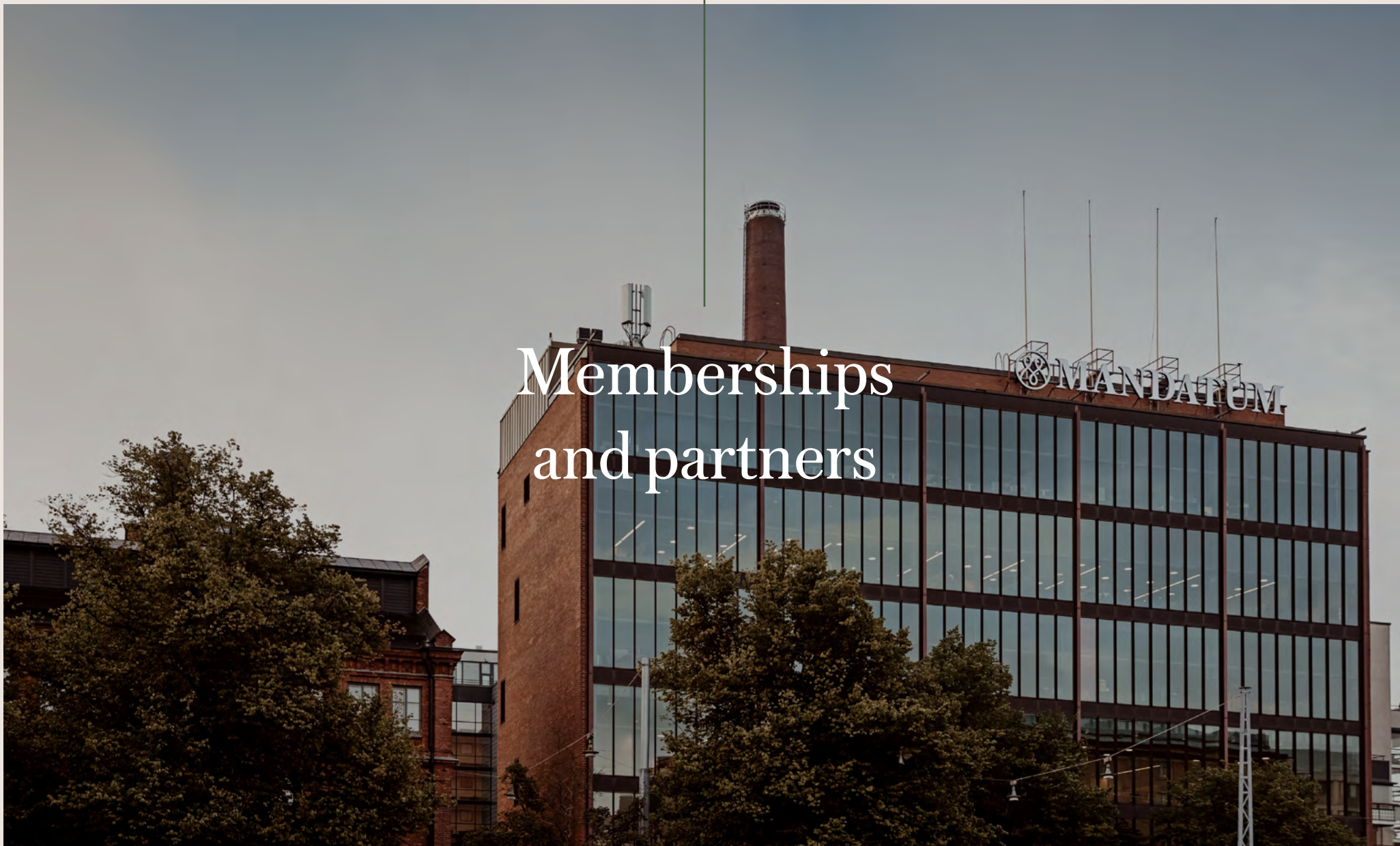
On its website, Mandatum has published operating principles related to sustainability risks and an account of how it takes adverse impacts on sustainability factors into account in its investments.

Products with the most ambitious objectives in terms of sustainability are those aligned with Article 9 (“dark green investments”). They must have a quantifiable sustainability objective, which must be reported on annually to investors. Also products aligned with Article 8 (“light green investments”) must have a clear strategy that promotes sustainability factors, the implementation of which must be reported on annually. The majority of our fixed income and equity products are Article 8 products, i.e. they promote, among other characteristics, environmental and/or social characteristics.

The regulatory framework for sustainable finance will be developed further and the adverse sustainability impacts of investment decisions will be assessed and disclosed in more detail than before.

The EU’s Taxonomy Regulation (2020/852) entered into force in July 2020. The regulatory framework is being complemented further, and by the end of 2022, only two of the environmental objectives – climate change mitigation and climate change adaptation – had been complemented with technical screening criteria. The four other objectives will become effective later. They relate to the sustainable use and protection of water and marine resources, circular economy, pollution prevention and control as well as the protection and restoration of biodiversity and ecosystems. The Taxonomy Regulation supplements the SFDR by defining what is meant by an environmentally sustainable activity and establishing the criteria for it. You can read more about the taxonomy analysis of Mandatum Group’s investments in [Mandatum’s Sustainability Report](#).

Memberships and partners



Memberships, initiatives and other commitments

Mandatum has been a member since



PRI (Principles for Responsible Investment) is an international, non-profit initiative owned by its members that annually assesses the investment operations of its members. The assessment tells organisations how they have progressed in integrating responsible investment, as well as areas where their investment operations are in need of improvement. As a signatory of the UN PRI, Mandatum is committed to the six Principles for Responsible Investment.

2011



Global Real Estate Sustainability Benchmark (GRESB) is a sustainability assessment for real estate investment companies and funds. Real estate investors use the international GRESB assessment to develop their ESG work. The GRESB assessment looks at the sustainability of real estate at the level of the whole portfolio. The assessment includes energy and water consumption, waste volumes, greenhouse gas emissions, risk management, stakeholder co-operation and, extensively, ESG reporting, principles and management. 2022 was the third year that the real estate assets managed by MAM took part in the GRESB assessment.

2019



Finsif (Finland's Sustainable Investment Forum) is an organisation that promotes responsible investment in Finland. It provides its member organisations with a platform for networking and shares information among its members, for example, by regularly organising training and events on current topics and producing guides on responsible investment, taking into account different asset classes. The organisation strives to promote sustainable development and the adoption of the UN PRI in the investment sector through partnerships with organisations and foundations. MAM is a member of Finsif.

2012



The Finnish Venture Capital Association (FVCA) is the industry body and public policy advocate for the venture capital and private equity investors in Finland, which promotes the operating conditions of the industry and offers its members services related to the development of operating methods. The association maintains the industry's Code of Conduct, provides recommendations and organises training to develop the industry. As an investor member of the association, Mandatum is committed to complying with FVCA's rules and transparency and disclosure guidelines in the venture capital and private equity industry. Mandatum also participates in FVCA's activities through various working groups (e.g. regulation, sustainable finance and ESG) as an ordinary or deputy member.

2022



The Portfolio Decarbonization Coalition (PDC) is an international network, which includes institutional investors and wealth managers. 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. As part of the coalition, Mandatum aims to, over time, reduce the emissions financed by its investments.

2015



Through the UN's Montréal Pledge, Mandatum annually measures and discloses 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.

2016

Main partners



Sustainalytics' ESG Risk Ratings measure a company's exposure to relevant ESG industry-related risks and how well the company manages these risks.

MAM uses the service in reporting and before making an investment to back its own analysis.



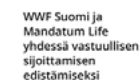
Upright Project models the net impact of companies, taking into account the positive and negative impacts of their products and services on society and the environment.

MAM uses the assessment of companies and portfolios in its investment analysis and reporting.



ISS ESG offers Corporate Governance and responsible investing solutions to support ESG analysis.

MAM utilises the service to determine companies' emissions and portfolios' carbon footprint, as well as in sector-specific monitoring, norm-based monitoring and pooled engagement initiatives.



Mandatum works together with WWF Finland to promote responsible investing and to mitigate climate change. We create concrete operating models and guidelines on how investors can reduce the adverse environmental impacts of their investments.

Disclaimer

Always familiarise yourself with the investment object's official documentation before making any final investment decision. More information about the consideration of sustainability risks and factors in investment operations is available on the website and in the product-specific documentation. Mandatum Asset Management Ltd acts as a portfolio manager and insurance agent for and on behalf of Mandatum Group. Mandatum Group's portfolio manager and as its sister company Mandatum Life Insurance Company Limited's insurance agent. Unit-linked insurances are issued, and investment baskets are owned by Mandatum Life Insurance Company Limited.

The product-specific sustainability disclosures of the investment baskets managed by Mandatum Life Insurance Company Limited are available at <https://www.mandatum.fi/en/investments/>.

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MANDATUM
ASSET MANAGEMENT

Mandatum Asset Management Ltd

Bulevardi 56, P.O. Box 1221, FI-00101 Helsinki, FINLAND

www.mandatumam.com