

# **SUSTAINABILITY-RELATED DISCLOSURES, MANDATUM AM**

**MANDATUM ALTERNATIVE PORTFOLIO  
INVESTMENT BASKET**



MANDATUM  
ASSET MANAGEMENT

## Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites

This document presents the website product disclosure for the financial product Mandatum Alternative Portfolio investment basket that promotes environmental or social characteristics in accordance with Article 8 of the EU 2019/2088 Sustainable Finance Disclosure Regulations (“SFDR”). This disclosure is provided in compliance with Article 10 of the SFDR and Article 24 of the EU 2022/1288 Regulatory Technical Standards (“RTS”).<sup>1</sup>

Pursuant to Article 10 of the SFDR, financial market participants shall publish and maintain on their websites the following information for each financial product referred to in Article 8(1) and Article 9(1), (2) and (3):

(a) description of the environmental or social characteristics or the sustainable investment objective;

(b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product;

(c) the information referred to in Articles 8 and 9;

(d) the information referred to in Article 11.

For further information please visit the following disclosures:

Responsible Investment Policy: Responsible Investment Policy ([mandatum---responsible-investment-policy-fin.pdf](#))

---

<sup>1</sup> This disclosure applies also to Mandatum Life Insurance Company Limited which is deemed as a financial market participant in accordance with the SFDR and of which unit-linked insurance-based investment products are managed by Mandatum Asset Management Ltd.

## No sustainable investment objective

The product promotes environmental or social characteristics and while it does not have as its objective a sustainable investment, it has a minimum proportion of 10% of sustainable investments. To ensure that sustainable investments do not cause significant harm, the portfolio management conducts an ESG analysis of the investment object, and the investment objects must meet the defined thresholds (minimum criteria using Upright's net impact analysis, i.e., limits for overall net impact and four dimensions) and avoid harmful sectors according to the fund's exclusion limits (at the investment object and fund level) and by screening for norm violations and controversial events. The principal adverse impacts on sustainability factors are considered in the investment process.

With respect to the sustainable investments, that the product partially intends to make, principal adverse impacts (PAI) are considered by excluding sensitive sectors from investments, following the do no significant harm thresholds based on Upright's net impact model, which take into account environmental and social themes similar to the principal adverse impacts. The following PAIs are considered as primary in sustainable investments: the greenhouse gas intensity of investee companies' scope 1 and 2), the greenhouse gas intensity of investee companies' (scope 1, 2, and 3), the share of investments in companies operating in the fossil fuel sector, high climate impact sector, violations of the UN Global Compact and OECD norms, compliance mechanisms of the UN Global Compact and OECD, and exposure to controversial weapons. Additionally, the following PAIs are also considered: the share of non-renewable energy, energy consumption intensity, activities that negatively affect areas sensitive to biodiversity, water emissions, the amount of hazardous waste, investments in companies producing chemicals, gender pay gap, and gender diversity on the board.

Sustainable investments are monitored against international norms and standards, such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises. If abuses or violations of these standards are identified in an investee company, Mandatum investigates the incident and takes measures on a case-by-case basis.

## Environmental or social characteristics of the financial product

MAM invests its customers' funds responsibly, and the responsibility forms a key part of its risk management process. MAM believes 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 investing in Mandatum's products that make direct equity and fixed income investments, the main ESG characteristics being promoted are the consideration of compliance with international norms and standards (i.e., the UN Global Compact and the

OECD Guidelines for Multinational Enterprises), incorporating ESG factors into risk management process when evaluating investment objects and using ESG risk rating provided by external service provider. The coverage of the ESG risk rating varies by asset class, and for Mandatum's loan strategies, the coverage is generally low. In addition, exclusion criteria according to the Mandatum's Responsible Investment Policy is applied for MAM's direct equity and fixed investments to avoid investments in sensitive sectors, such as controversial weapons, coal and tobacco. Exclusions have varying thresholds depending on the sector and whether the business is direct (production) or indirect (e.g. distribution)

When investing in Mandatum's direct real estate investment products, environmental and social characteristics are promoted by assessing environmental and social characteristics as part of the due diligence process. Products disclosing under Article 8 of the SFDR are preferred. Additionally, greenhouse gas emissions, total energy consumption, the use of renewable energy sources, and investments in energy efficiency are monitored. Tenant satisfaction is also measured annually at the portfolio level.

In Mandatum's investment products that invest in alternative fixed income, real estate, and private equity investments managed by external partners, environmental and social characteristics are promoted by assessing, among other things, the external partner's commitments to responsible investing, the consideration of sustainability risks and factors in the investment process, and ESG reporting. In these investments, products that are disclosing at least under the article 8 of the SFDR are preferred. Additionally, the development of ESG matters in target funds is monitored through an annual ESG questionnaire and analysis based on it.

When investing in Business Development Companies (BDCs) listed on the stock exchange in the United States, environmental and social characteristics are promoted by considering violations or suspected violations of international norms and standards based on available information at the time of investment, and exclusion restrictions according to the Mandatum Responsible Investment Policy.

## Investment strategy

MAM has incorporated a sustainability analysis into its investment processes and monitors investment objects in its portfolios also from the perspective of sustainability while considering product specificities. When analysing the risks of an investment object, MAM considers sustainability factors as a key part of risk management. In decision-making, MAM employs negative screening, considering the characteristics of different asset classes. In Mandatum's direct equity and fixed income investments, good governance is assessed by monitoring international norms and standards, such as the UN Global Compact principles and OECD Guidelines for Multinational Enterprises on a quarterly basis.

In Mandatum's investment products that invest in alternative fixed income, real estate, and private equity investments managed by external partners in the selection of fund managers, good governance is ensured during the due diligence phase of the investment. Additionally, in the yearly ESG analysis, the management practices of the

managers are reviewed to monitor the implementation of good governance throughout the investment's lifecycle. Investor-specific agreements aim to ensure that managers adhere to the principles of the UN Global Compact principles or similar principles in their investment activities.

The materiality of sustainability risks varies depending on asset class. Thus, different emphasis is made in certain sustainability criteria related to asset class.

## Proportion of investments

All investments in the products managed by MAM that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics (i.e., Article 8 SFDR financial products) are aligned with E/S characteristics described in this document, and the investments are investigated comprehensively in terms of possible ESG risks during the due diligence phase.

The pre-contractual disclosure of the product present further information on the asset allocation within the product. The products' investments are divided into #1 and #2 categories, where #1 presents the investments aligned with E/S characteristics as a percentage of the whole portfolio. All investments that cover more than 50 percent of the investment basket are investments that promote environmental/social characteristics. The investment basket invests at least 10 percent in sustainable investments with social objective. Category #2 presents other assets, which include cash and derivatives held by the product to ensure the smooth operation when fulfilling its investment strategy. Additionally, category #2 includes investments that have been made from a diversification perspective or for which insufficient ESG data is available. For cash and derivatives, MAM employs the minimum safeguards by screening counterparties for compliance with the international norms and standards including the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The pre-contractual disclosures are available on the website.

## Monitoring of environmental or social characteristics

The ESG characteristics promoted by the product are measured by monitoring the proportion of investments within the scope of the SFDR that, in accordance with article 8 of the SFDR, promote environmental or social characteristics or a combination of these characteristics, or make sustainable investments in accordance with Article 9 of the SFDR.

Mandatum's direct equity and fixed income products are monitored on a regular basis for their ESG risk ratings and investments are screened based on sensitive sector and norm-based screening such as UN Global Compact and OECD Guidelines. The carbon footprint of the direct equity and fixed income products is measured and disclosed annually. In addition, annual greenhouse gas emission of Mandatum's direct real estate investments disclosing under article 8, are measured annually.

When investing in Business Development Companies' (BDC) listed on the U.S. stock exchange, environmental and social characteristics are promoted by monitoring for potential violations or suspected violations of international norms and standards based on available information, and exclusion restrictions according to the Mandatum's Responsible Investment Policy. In addition, the periodic reports will be published for the product, pursuant to the SFDR requirements.

## Methodologies for environmental or social characteristics

Sustainability indicators are used to measure the attainment of the environmental or social characteristics. The sustainability indicators in direct equity and fixed income investments are the portfolio companies' GHG-intensity, which is measured and reported yearly, and the portfolio companies' possible breaches of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The sustainability indicator for products managed by external managers is the share of strategies that, according to the article 8 of the SFDR promote environmental or social characteristics, or a combination of those characteristics.

The sustainability indicators described vary depending on the underlying financial product in question (e.g., whether the product invests in direct equity or fixed income investments, or other investment products managed by external managers). Also, in some financial products, data coverage may be lower due to the lower coverage of the portfolio companies by the ESG service provider. External service providers' ESG data is not verified by third parties.

## Data sources and processing

MAM uses various ESG data sources in its investment and risk management processes. ESG data sources are an integral part of the whole investment life cycle, e.g., during due diligence, screening of investments and reporting. MAM cooperates for norm-based screening, sensitive industries screening and carbon emission data with ISS ESG and the Upright Project. The ESG risk ratings are provided by Sustainalytics. In addition, the Upright Project is used for a sub-set of the investments to model their net impact. As regards to the products investing primarily through other investment products, the sustainability analysis of an investment is based on information collected from public sources and received from external managers.

## Limitation to methodologies and data

The current and potential data providers are surveyed and reviewed regularly in order to gain an even better understanding of the industry's development. In addition to this, MAM also presents its own views and requirements regarding data availability, comparability, and quality. If available, we use the data published directly by the investee companies to calculate alignment with the EU taxonomy and the company's carbon footprint. External data providers are used as well to extend the coverage.

As of now, for products investing in funds managed by external fund managers, MAM does not use external data providers but relies on the data provided by the fund managers.

## Due diligence

When the product invests in Mandatum's direct equity and fixed income products, environmental, social and good governance factors are taken into account as an essential part of the risk management process when evaluating investments. Also, ESG risk rating, sensitive sectors and international norms/standards are screened at the due diligence phase and during the investment period. Sustainalytics' ESG risk rating, if available, is used to quantify the extent to which risks related to ESG criteria may affect the company's value. The due diligence phase of the investment process offers the best opportunities to influence the product's operating principles in products which invest in strategies managed by external managers. In Mandatum's active strategies that are managed by external managers, a due diligence covering sustainability factors is required to qualify the investment. In the due diligence phase, special attention is paid to the manager's investment process, resources and reporting from a sustainability perspective. Strategies are primarily monitored through reports from external managers, which may include SFDR periodic disclosures and other ESG-related information.

To ensure smooth operation when fulfilling their investment strategy, the products also hold cash and potentially hedging instruments, which are subject to minimum safeguards ensured by screening counterparties for compliance with the international norms and standards including the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The product may also make investments that have been made from a diversification perspective or for which insufficient ESG data is available. In passive strategies, investments are chosen based on pre-defined criteria. In active strategies the sustainability analysis emphasizes the external manager's investment process, considering both company and strategy-level factors. Strategies are primarily monitored through reports from external managers.

If an investee company violates these standards, Mandatum investigates the incident and takes measures on a case-by-case basis. Depending on the breach's severity, measures may include direct dialogue, engagement actions, or, as a last resort, divestment if the company fails to respond appropriately within a reasonable timeframe

## Engagement policies

Sustainability risks and factors, especially those related to climate change, are taken into account in all engagement activities and MAM aims to ensure that investee companies and external managers have implemented sustainability factors into their corporate strategies. Further information can be found in MAM's Engagement Principles ([mam---engagement-principles.pdf](#)),<sup>[OB]</sup> complied with when applicable.

## **Designated reference benchmark**

The environmental and/or social characteristics are attained by using the sustainability indicators defined above and no index has been designated as a reference benchmark to determine whether the financial product is aligned with the environmental and/or social characteristics that are promoted.