RESPONSIBLE INVESTMENT POLICY

MANDATUM

CONTENTS

Approved December 2023.

Responsible Investment Policy

Responsible investment premises and goals

This document outlines the responsible investment policies and guidelines applied to Mandatum plc and its subsidiaries Mandatum Asset Management Ltd (MAM), Mandatum AM AIFM Ltd (MAM AIFM), which has outsourced portfolio management to MAM, and Mandatum Life Insurance Company Limited (Mandatum Life) (hereinafter together referred to as Mandatum).

Mandatum operates in the best interest of its clients and seeks the best possible return on its investments at an acceptable risk. Through responsible investment we are able to make better informed investment decisions that align with our long-term sustainability and risk management goals. We believe that companies operating responsibly also perform better.

Responsible investment is an approach to managing assets so that environmental, social and governance (”ESG”) issues are included in investment analysis, decision-making and reporting. Responsible investment also includes active ownership. It aims to combine better risk management with improved portfolio returns, and to reflect investor values. It complements traditional financial analysis.

Mandatum aims to recognize and mitigate the adverse impacts of its investment operations to the environment, climate, society, employees, respect for human rights, and anti-corruption and anti-bribery (hereinafter sustainability factors). Therefore, Mandatum has incorporated sustainability into its investment operations, and investment decisions take into account not only financial aspects, but also sustainability factors, as well as the related risks (hereinafter sustainability risks).

Mandatum’s personnel are bound by this Responsible Investment Policy. The policy is intended as a guide for portfolio managers and for those participating in investment operations to take sustainability risks and factors into account in their day-to-day activities. The policy is reviewed and updated annually, and it is available in English, Finnish, and Swedish. In case of any differences between the language versions, the English version shall prevail.

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

1. Commitment to responsible investment

Mandatum commits to promoting sustainability considerations when developing the company’s business operations.

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

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

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

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

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

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

Mandatum acknowledges the importance of using the ***UN Sustainable Development Goals*** (SDGs) as a tool to guide the investment process. Mandatum Group has determined the following SDGs as most relevant to its operations. Mandatum's portfolio management aims to contribute positively to these goals (described further in Table 1).

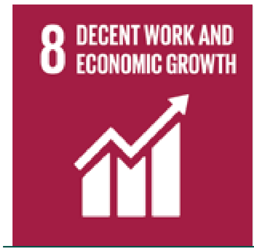
SDG	Description
	• It is essential to sustainable development to ensure healthy lives and promote well-being at all stages of peoples' lives. More efforts are needed in addressing different persistent and emerging health issues by, for example, providing efficient funding of health systems. • Mandatum invests in companies with positive impacts on health and well-being as well as strives to mitigate negative impacts the investments might have by monitoring adverse impacts and engaging investee companies on a case-by-case basis.
	• In 2020, one in five countries were likely to see per capita incomes stagnate or decline. The global pandemic has only brought new disruptions on peoples' lives and endangered the global economy. • Mandatum enables decent working conditions and creates economic growth by investing in, among others, growth companies, supporting their development as sustainable and profitable companies. In addition, working conditions in investee companies are monitored regularly and companies are engaged on a case-by-case basis.
	• By continuing current concentrations and on-going emissions of greenhouse gases (GHG), the increase in global temperature will likely exceed 1.5°C by the end of this century (compared to 1850-1900). Without actions to mitigate GHG emissions and loss of biodiversity, extreme weather conditions, sea level rise and other catastrophic events become more frequent and unpredictable. • Mandatum has identified climate action as one of its key focus areas. With increasing climate data demand and accuracy, as well as regulatory action to improve the availability of climate related data, Mandatum continues to report the climate impact of its investment products.

Table 1. UN Sustainable Development Goals and descriptions. Source: https://www.un.org/sustainabledevelopment/sustainable-development-goals/

1.1 Climate strategy

Mandatum has identified climate change mitigation and adaptation as one of its key focus areas. The importance of mitigating climate change and biodiversity loss is ever present through not only currently available data and stakeholder's interests, but also through regulation. Mandatum is committed to protecting the environment and combatting climate change and supports ***the Paris Climate Agreement***.

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

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

Evaluation of transition companies

Mandatum aims to be a part of the solution to the climate crisis by thoroughly analyzing investment opportunities with a set of climate-focused criteria. In addition to sector-based negative screening, Mandatum focuses on finding companies that, for example, provide technological innovations to mitigate climate risk. Mandatum's ambition is to reduce exposure to the fossil fuel industry while simultaneously investing in companies that provide energy from renewable resources or that have credible plans 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 reductions targets. Mandatum monitors progress of the transition plans and targets of the investee companies.

Carbon footprint

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

1.2 Biodiversity

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

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

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

2. Organisation and responsibilities

This policy is approved by the boards of Mandatum plc, MAM, MAM AIFM and Mandatum Life annually. The management groups of MAM, MAM AIFM and Mandatum Life are responsible for its execution in each Mandatum Group company.

Mandatum has a dedicated ESG team whose primary responsibility is to support investment functions on matters related to responsible investment. The team also monitors adherence to the Responsible Investment Policy and assists portfolio management when required. In addition, Mandatum has appointed a Head of Responsible Investments, who has overall responsibility for coordinating responsible investment across Mandatum.

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

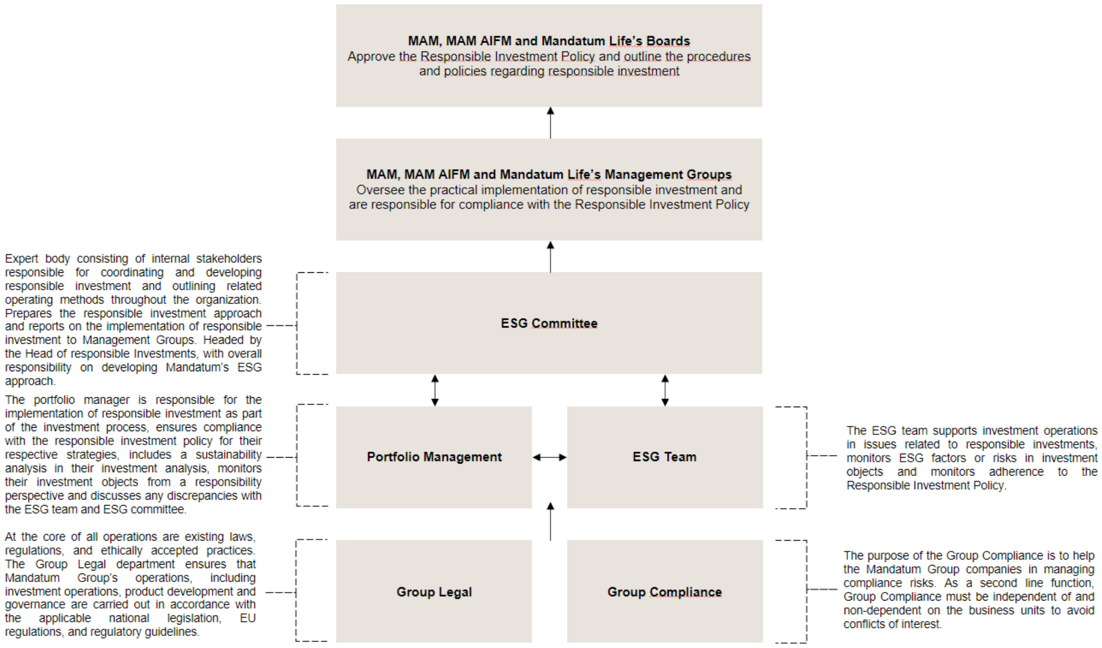


Table 2. Responsible investment responsibilities and division of tasks.

Mandatum also focuses on sharing knowledge and raising awareness on responsible investment among its employees. Mandatum believes that regular training, especially for portfolio managers and other investment professionals, is essential to identifying material sustainability factors and risks. Training enables better integration of sustainability risks and factors into the investment process and making better investment decisions. Internal training is organized regularly by the ESG team and Mandatum supports and encourages its employees to take part in external training (e.g., seminars, workshops etc.).

3. Implementation of responsible investment and policies on sustainability risks

Mandatum has incorporated a sustainability analysis into its investment processes and monitors all investee companies also from the perspective of sustainability in all markets Mandatum invests in.

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

In liquid investments, the monitoring is continuous. In alternative investments, the assessment of the investment object's sustainability focusses on an analysis at the time the investment is made, but the investments are monitored regularly also in terms of sustainability. Sustainability is assessed through multiple criteria depending on the type of the investment (please see further details in parts 3.1, 3.2, 3.3 and 3.4). The criteria are also included in the due diligence process before making an investment.

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

Table 3. Summary of responsible investment implementation by asset class.

Mandatum considers principal adverse impacts of its investment decisions on sustainability factors in its products that are determined to promote environmental or social characteristics (article 8) or to be sustainable investments (article 9) as defined in the SFDR subject to data availability and quality. For products under article 8, Mandatum considers certain principal adverse impact (PAI) indicators which vary depending on asset class and product`s strategy. The PAI indicators considered in each article 8 product are defined and reported in the product-specific pre-contractual disclosures and periodic disclosures. For products under article 9, Mandatum considers all mandatory and two additional indicators of which one indicator for climate and other environment-related matters and one for social and employee, respect for human rights, anti-corruption and anti-bribery matters. Products under the articles 8 and 9 are subject to relevant restrictions and procedures, including stricter sustainability disclosure obligations. This policy outlines the minimum level of measures taken to mitigate sustainability risks and adverse sustainability impacts. Stricter rules and engagement procedures can be applied to certain products or portfolios.

For the reference period from 1 January to 31 December 2022 Mandatum Life has published its first PAI statement which covers the investment portfolio of Mandatum Life as a whole. MAM and MAM AIFM have not published PAI statements for calendar year 2022 as the availability of the data on the investment objects is not yet in an adequate level for the purposes of publishing a full PAI statement. MAM and MAM AIFM will assess their position annually and are evaluating the ability to develop their process concerning consideration of PAI at an entity level. However, most of the MAM and MAM AIFM's investment decisions are indirectly covered by Mandatum Life's statement.

Mandatum Life considers nine mandatory “climate and other environment-related” indicators and five mandatory indicators for “social and employee, respect for human rights, anti-corruption and anti-bribery matters” applicable to its investments in investee companies. In relation to investee companies, Mandatum Life considers also one additional “climate and other environment-related” indicator and one additional indicator for “social and employee, respect for human rights, anti-corruption and anti-bribery matters”. In addition, Mandatum Life considers two (2) mandatory indicators applicable to investments in sovereigns and supranationals and two (2) indicators applicable to investments in real estate assets. PAIs are considered by monitoring and measuring them as well taking actions in relation thereto. The consideration is subject to data availability and quality, which Mandatum continuously aims to improve.

3.1 Implementation in direct equity and fixed income investments

3.1.1 Sensitive areas of business

Mandatum has identified sensitive areas of business that are monitored both through external service providers and through company analysis. The sensitive areas are breaches of international norms and standards, non-compliance with requirements under sanctions laws as well as sensitive industries. All investments are monitored, and their sustainability risks are assessed based on these sensitive areas of business.

Norm-based screening

The investments are monitored based on international norms and standards laid down in international conventions, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework, and the Paris Agreement on Climate Change. If abuses or breaches related to these standards are observed in an investee company, the incident is investigated, and measures are taken on a case-by-case basis. Depending on the severity, nature, and extent of the breach, portfolio management measures may consist of direct dialogue with the investee company’s executive management, an engagement action or, as a last resort, divestment if the investee company does not respond to the engagement efforts and does not take measures to prevent the abuse or breach within a reasonable time frame.

Sanction screening

Mandatum is committed to compliance with relevant sanctions laws in the jurisdictions in which it operates. Regarding investments, Mandatum has implemented screening procedures for both new and existing investments. To ensure compliance with the requirements under sanctions laws, Mandatum screens its investment portfolio and investment counterparties against applicable sanctions lists, both before making an investment and on an ongoing basis. Mandatum does not invest in companies or sovereign bonds which are subject to these types of sanctions. In addition, all new and existing investments are continuously screened for the AML and adverse media events. New investments to Russia and Belarus are excluded. Exclusion covers companies organized within Russia or Belarus and Russian or Belarusian sovereign bonds.

Sensitive industries screening

Certain industries are considered to carry more sustainability risks and cause adverse sustainability impacts than others. Such risks include, for example, reputational risk, climate risks, and regulatory risks. Investments in industry sectors identified as sensitive are monitored regularly to identify potential sustainability risks and quantify them.

Industries identified as sensitive include the manufacture or production of the following products or services, as well as the subcontracting or distribution of those products: adult entertainment, tobacco, gambling, military equipment, controversial weapons, and fossil fuels. In addition to industry specific monitoring, Mandatum follows legally required exclusions (e.g., those required by domestic/international law, bans, treaties, or embargoes).

Table 4 contains a list of the criteria that have been set and which new investments of investment products that are determined to promote environmental or social characteristics (SFDR article 8) or that make sustainable investments (SFDR article 9) must meet. The criteria concern investment products that make direct equity and fixed income investments and that are managed by MAM. If an investment object in such product's portfolio no longer meets the criteria and the scenario may not otherwise be rectified, Mandatum will seek to divest the investment within a reasonable time frame, taking into account clients' best interests and the market situation.

Based on the criteria described in table 4, investments that exceed acceptable thresholds, are evaluated on a case-by-case basis and require the CIO's approval. The criteria in table 4 allow investments in transitioning companies in the coal and oil sector for other than SFDR Article 9 investment products.

Restrictions are based on Mandatum's evaluation of the possible sustainability risks and adverse sustainability impacts of different industries. Exclusion criteria definitions are based on ISS ESG's sector screening methodology.

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

a) Zero tolerance: the company must have no direct or indirect sales from the business activity in question.

b) Low tolerance: the company may have some revenue from the business activity in question.

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, described in more detail below.

<u>Exclusions within sensitive industries</u>

Controversial weapons

By controversial weapons exclusions we refer to companies directly or indirectly engaged in the production of weapons that are deemed particularly controversial because of their indiscriminate effects and the disproportionate harm or unnecessary suffering they cause. Controversial weapons are, for example, biological, chemical, nuclear and cluster weapons. We estimate that risks connected to controversial weapons are related to human rights, reputation, and regulation. For these reasons, we have a zero-tolerance approach to controversial weapons. Investments are not made in companies that derive revenue from manufacturing, subcontracting or distribution of controversial weapons.

Coal

According to estimates, coal, among traditional fossil fuels, is the largest contributor to global warming. Reducing coal usage is crucial to achieving global climate objectives. With the transition towards a lower carbon economy, long-term demand for coal reduces creating potential risks for corporations deriving revenue from coal-based activities.

In our view, failing to phase out coal or disclose fossil fuel investments and lending cause exposure to risks related to accelerated negative climate impacts, stranded assets, reputational damage, technology risks, transition risks, and regulatory risks.

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

We apply exclusions to companies engaged in the production, distribution, or provision of services related to traditional tobacco, e-cigarettes, and heat-not-burn products. We evaluate that investing in tobacco is connected to reputational risks, human rights risks and regulatory risks. 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

Adult entertainment category includes companies engaged in the production, distribution or subcontracting of adult entertainment, such as pornographic content or sexually explicit material targeting adult viewers. The adult entertainment industry is exposed to social risks such as human rights risks, reputational risks and labor rights risks. 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

Gambling exclusions refer to companies engaged in producing, distributing, or provisioning gambling related services. We see that gambling industry is exposed to reputational risks, social risks, governance risks and money laundering risks. Investments are not made in companies that derive more than 50% of revenue from gambling or gambling subcontracting.

Military equipment

Military equipment includes military weapons such as tanks, combat aircrafts, missiles and ammunition, along with certain sub-systems and components, like fire control systems and projectile bodies, that are directly tied to the lethality of weapons. Non-combat military systems such as towing vehicles, naval surveillance vessels, training aircraft, and firearms and ammunition for non-combat purposes are also included in this sector. It also covers military equipment such as protective equipment, training equipment, encrypted communication systems and certain radar systems together with components for combat equipment, such as engines or propulsion systems for military combat aircraft, combat vehicles or naval combat vessels.

In all cases the equipment must be designed or modified based on military specifications to be included in this sector. We take the view that military equipment issuers are exposed to reputational, social such as human rights and regulatory risks. Investments are not made in companies that derive more than 50% of revenue from manufacturing, subcontracting or distribution of military equipment.

Oil

This exclusion category identifies companies engaged in the exploration, extraction, production, distribution or refining and processing of fossil oil or the production of fossil oil-based energy. Our view is that oil industry is exposed to reputational risks, technology risks, transition risks and regulatory risks.

Investments are not made in companies that derive more than 45% of revenue from exploration, extraction, production, distribution 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*.

Industry/ Product group	Key risk factors	Percentage of sales		Description
Zero tolerance		Direct business	Indirect business	

Industry/ Product group	Key risk factors	Percentage of sales		Description
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		Direct business	Indirect business	
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 right 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 risk, 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, human rights 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, distribution 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*.

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

*Exemptions can be made for companies that have a credible plan for transitioning based on an internal set of criteria. The portfolio manager responsible 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.

3.1.2 Monitoring of exposure to other fossil fuels

In addition to the above-mentioned sensitive industries, screening is conducted for other fossil fuels (e.g. gas). The fossil fuels screen enables Mandatum to increase monitoring and reporting and manage risks deriving from fossil fuels. Such risks include, for example, reputational, regulatory, and environmental (including climate change) risks. The fossil fuels sector, specifically gas, is also a crucial factor in the shift to a lower carbon economy.

New investments in the fossil fuels sector are made with prudence and consideration and portfolio exposures are monitored closely.

3.1.4 Sustainability traffic light model

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

Companies are divided into four risk categories based on the sustainability risk rating. Depending on the risk category, further measures are required from the portfolio manager before making an investment, as indicated in Table 5. If the risk category of an investee company included in the portfolio changes, the investment will be reassessed in accordance with Table 5.

Low risk The risk emerging from sustainability issues is considered low. The decision to make an investment in a company with a low sustainability risk rating does not require any separate action from a responsible investment point of view.
Medium risk The risk emerging from sustainability issues is considered medium. The decision to make an investment in a company with a medium sustainability risk rating does not require any separate action from a responsible investment point of view. However, due to the increased level of sustainability risk, the portfolio manager analyzes the causes and possible consequences of sustainability risks related to the target company.
High risk The risk emerging from sustainability issues is considered high. Due to the high sustainability risk, the portfolio manager analyzes the causes and possible consequences of sustainability risks related to the target company. New investments in this risk category and the background to their sustainability risk categorization are reported to the next internal committee meeting.
Severe risk The risk emerging from sustainability issues is considered severe. Due to the severe sustainability risk, the CIO's approval is required before a new investment can be made. In addition, the portfolio manager prepares a written analysis on the causes and possible consequences of sustainability risks related to the target company. New investments in this risk category and the background to their sustainability risk categorization are reported to the next internal committee meeting.

Table 5. Traffic light model and the measures entailed in direct equity and fixed income investments.

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

3.1.5 Consultative asset management

In the consultative asset management offering, the limits set to sensitive industries described in table 4 must be met. The criteria are monitored quarterly. If a unit-linked balance sheet investment no longer meets the criteria described in table 4, an approval is needed from the CEO of Mandatum Life, or a person appointed by the CEO to keep the existing investment or make new investments in the investment object. The direct equity and fixed income investments in consultative asset management are also screened annually when the Responsible Investment Policy is updated. Following such screening investments in sensitive industries may be brought to the CEO of Mandatum Life or a person appointed by the CEO for approval and/or divestment decision. The CEO or the appointed person may, in consultation with the ESG team, grant exemptions for single investment objects.

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

This section describes the implementation of responsible investment where the asset management has been outsourced to an external partner, where investments are managed by external partners, and/or asset classes are other than direct equity or fixed income investments.

In these investments the investment operations have been outsourced to an external partner within defined limits, and Mandatum has no discretion to the individual investment decisions. Hence, the external partner's investment process is at the centre of the sustainability analysis.

Mandatum expects its external partners to take sustainability into account in investments in all asset classes. In selecting and monitoring investment products managed by external partners, the sustainability analysis focusses on the partner's investment process and reporting. The materiality of sustainability risks varies depending on asset class. Thus, different emphasis is made in certain sustainability criteria related to asset class.

Key focus areas considered when evaluating an external partner are:

- Commitments to responsible investment (e.g. being a UN PRI signatory, having a responsible investment policy, having science-based or other climate targets, norm-based screening, and industry-based exclusions),
- Integration of sustainability risks and factors in the investment process,
- Monitoring and reporting (e.g. publishing carbon footprint data, sustainability risk management).

Concerning fund investments, the due diligence phase of the investment process offers the best opportunity to influence the fund's operating principles. External partners may be required to commit to restrictions defined by Mandatum. The restrictions may concern, for example, investee companies' sector, products or compliance with international norms and standards.

During the fund selection phase, Mandatum broadly assesses the external partner's implementation of responsible investment practices. Mandatum favours partners whose responsible investment risk management in different asset classes is consistent with Mandatum's investment process. The third-party investment object analysis covers the scope and quality of the responsible investment process, risk management and reporting as well as its compatibility with Mandatum's own approach. Mandatum favours external partners, who have committed to the UN PRI or similar asset-class-specific initiatives promoting responsible investment.

For fund-type real estate investments, for example, the following criteria are assessed: the extent to which the portfolio manager's investment process takes into account the properties' energy efficiency, waste management, environmental load, and the responsibility of the process for managing the tenant portfolio, as well as the extent to which development of the properties is seen as a value-adding factor in the investment process. In fund-type real estate investments, Mandatum favours strategies that commit to reporting on the energy efficiency of the properties and to improving the energy efficiency of the properties.

In fund-type alternative fixed income investments and private equity investments, the responsibility of the portfolio manager's investment process is assessed largely according to the same criteria as investments in listed equities or bonds. Insofar as the portfolio manager's investment process involves engaging with investee companies, for example, through board membership, special attention is paid to the implementation of the sustainability perspective when developing the investment. Responsibility is integrated into the various phases of the investment process, which includes a preliminary review, a more in-depth analysis and an

ESG questionnaire for managers, an ESG analysis and decision materials as well as negotiations on side letter agreements and the monitoring of investments.

When making unit-linked investments into fund-type alternative and real estate investments, Mandatum expects its partners to commit to incorporate responsible investment aspects in their investment operations, as well as to the exclusion of sensitive industries described in table 4 to the best of their ability. If an external asset manager in primary strategies does not restrict investments to the sensitive industries that are substantially similar to the table 4 or cannot commit to the aim of excluding Mandatum from the investments in sensitive industries, an approval from the CEO of Mandatum Life or a person appointed by the CEO is needed to make the investment in such investment object.

In the fund-type allocation products, investments are made in various asset classes. The investments can be made by using the following vehicles: active and/or passive strategies managed by Mandatum, active strategies managed by external asset managers, passive strategies (for example, index funds or ETFs) managed by external asset managers, derivatives or direct instruments, such as equities or bonds. The ESG approach is dependent on the asset class and vehicle through which the investment is made.

If allocation products invest in strategies managed by Mandatum, the strategies and underlying investments adhere to this Policy. During the investment period the underlying investments are monitored on a regular basis by the portfolio management team responsible for managing the strategy and by the ESG team. The allocation team monitors the strategies on an allocation portfolio level.

In active and passive strategies managed by external asset managers, investment operations are outsourced to an external partner within defined limits, and Mandatum has no discretion to the individual investment decisions. In passive strategies the investments are selected based on pre-defined criteria, which is why Mandatum`s ESG process is focused on analyzing the criteria. In active external strategies, the external manager's investment process is at the center of the pre-investment phase sustainability analysis, consisting of both company and strategy level factors. The strategies are monitored mainly through reporting provided by the external asset manager. The reporting may include, for example, SFDR periodic disclosures and other ESG-related reporting.

In addition, the carbon intensity, Upright`s Net Impact Ratio and contribution to the SDGs for the allocation products are measured on an annual basis subject to data availability and quality. 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 on its unit-linked balance sheet based on available information.

3.2.1 Monitoring and assessment in fund-type alternative fixed income and fund-type real estate investments

The ESG analysis of the fund-type alternative fixed income and fund-type real estate investments are based on the integration of ESG issues at the due diligence stage, extensive annual ESG questionnaire and a relevant ESG framework. In addition to the due diligence ESG assessment, external private debt and real estate fund managers are monitored and assessed on an annual basis on their ESG performance and development. Assessment is conducted through an extensive ESG questionnaire sent to the managers during the due diligence and annually thereafter, collecting both company-specific and fund-specific information. The ESG questionnaire is updated and developed annually to meet, for example, changing regulatory requirements and stakeholders demands.

The annual ESG questionnaire provides the basis for the Mandatum ESG analysis which intent is to regularly monitor and support on developing the external fund managers` ESG practices and policies. In the analysis, external funds are scored on two dimensions: ESG Implementation and ESG Policy/Commitments both with different subcategories. In the analysis external managers' and funds' performance is determined with internal scoring methodology which allows for a comparison between various managers as well as the funds` subsegments, the size of the target companies and the geographical location. The scoring supports Mandatum's qualitative ESG analysis.

Due to the nature of the fund-type investments, the annual ESG questionnaire and analysis provides Mandatum a key source to assess the external managers' ESG performance and development during the investment period. In addition, the ESG analysis results make it possible to engage with the managers and promote the development of ESG issues. Mandatum provides each external manager a broad and detailed analysis of their performance in the ESG questionnaire 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.

3.3 Implementation in direct real estate investments

Sustainability in direct real estate investments is multidimensional and takes into account many aspects from measuring and decreasing the carbon footprint of the properties, renewable energy projects, optimizing the water usage and waste disposal, to social responsibilities such as the well-being of the tenants, community influence and taking care of the surrounding environment.

Mandatum's sustainability-related measures are intended to achieve significant emission reductions, simultaneously achieving cost savings, and increasing the value of properties. In real estate investments, responsibility is often interpreted only as measures to improve energy efficiency. Mandatum has set mid- and long-term targets for sustainability in direct real estate investments and has committed to manage its real estate portfolios by continuously improving sustainable management and regularly reporting on the progress both internally and externally.

Responsibility programs and goals are determined on a portfolio level, but the main goal in all portfolios managed by Mandatum is the transformation of the existing building stock into responsible sites that take environmental and tenant satisfaction factors into account. The responsibility goals include energy efficiency and carbon neutrality goals. All real estate portfolios are covered by renewable, green electricity, and are gradually transitioned to renewable forms of heating. Investments that improve energy efficiency are carried out in the portfolios and energy consumption is monitored on a monthly basis.

The portfolio manager's investment process takes into account the sustainability factors of the properties. ESG DD-process assesses and defines material ESG risks and ESG-related opportunities of the properties. In the ESG DD-process, the technical characteristics and energy efficiency potential of the real estate site as well as energy class, state of biodiversity, possible certificates, governance of the site and the contracting parties are analysed, and risks related to the environment, climate conditions and tenants' activities are identified.

The exclusion criteria analyses, described in chapter 3.1.1, for direct real estate investments are based on the due diligence reports drafted during the investment phase and monitoring during portfolio management. References to company in the context of Table 4 refer to a single direct real estate investment target.

3.4 Implementation in direct private equity investments

In private equity investments managed by MAM's Private Equity team, ESG matters are integrated into all phases of the investment process: the acquisition of portfolio companies, the due diligence process, the 100-day plan, value creation and exit. As part of the investment selection process, exclusion criteria defined in this policy is applied for investment products that promote environmental and/or social characteristics or make sustainable investments. Mandatum conducts an ESG DD process to assess and define material ESG risks and ESG-related opportunities for each company Mandatum invests in. During the ESG DD process, Mandatum aims to identify opportunities for value creation instead of only focusing on risk avoidance. The ESG DD process covers standard questions on topics important to Mandatum as well as sector-specific questions, depending on the company. 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. Mandatum also draw up a plan to rectify any shortcomings identified in the ESG DD.

Investments are monitored continuously from a sustainability perspective. Mandatum receives ESG related data directly from the portfolio companies when feasible and monitors the progress on selected ESG KPIs. Additionally, Mandatum ensures that ESG-matters are actively addressed in the Board of Directors, formal working groups and through management sparring. Due to the size and unlisted nature of portfolio companies, only a limited number of ESG data sources are used in the investment and risk management processes.

The MAM Private Equity team aims to have board representation in all its portfolios, and the MAM Private Equity team ensures that ESG topics are part of the annual board calendar, and that the board has a member responsible for ESG matters. At exit, the value created by ESG 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.

4. Active ownership and sustainability in ownership practices

Mandatum takes sustainability risks and factors, especially those related to climate change into account in all engagement activities and aims to ensure that all investee companies have implemented sustainability factors into their corporate strategies. In general, Mandatum only engages with companies it has invested in and can decide not to engage with a company, for example, to avoid conflicts of interest. Additional criteria to consider before engaging can be e.g. materiality of the sustainability issue, size of the investment, actions already taken by the investee company, and geographical location.

Mandatum also publishes an Annual Disclosure of the Implementation of the Engagement Principles to ensure transparency of the engagement activities carried out in relation to investments in exchange-listed companies. The Engagement Principles are published on MAM's website.

4.1 Internal staff engagement

The most natural way to influence a company's operating methods is to engage in a direct dialogue with the company's executive management using e.g. in-person and virtual meetings, roadshows, and visits to operations. Portfolio managers should do this regularly with representatives of target companies or companies which Mandatum has invested in. Internal staff engagement is used both in a proactive and reactive manner.

4.2 Voting

Voting at annual general meetings (AGM) is also a tool for shareholders to express their views and can be used in conjunction with other engagement activities. Portfolio managers are responsible for voting at companies' AGMs. The portfolio managers keep records of the AGMs they have attended and the votes they have cast at the meetings. Mandatum votes by proxy and in person by attending AGMs or a combination of both depending primarily on the geographical location of the investee company.

Voting decisions are made by the portfolio managers assisted by the ESG team and approved by the CIO, if necessary, given the nature of the voting decision.

4.3 Pooled engagement

Mandatum engages through pooled engagement with other investors, if it is believed that it can be an effective means of achieving a desired change in the investment company. Pooled engagement is used mainly in a reactive manner to address issues that may have already occurred.

Engagement processes may take years depending on the severity of the case. Engagement progress and outcomes are monitored internally and through the service provider as long as the engagement is ongoing. In unsuccessful engagements the escalation strategy depends on the size and type of investment. If the investee company is unresponsive to engagement activities, the investment may be sold, or the exposure reduced.

5. External reporting

As a signatory of the UN PRI, Mandatum has committed to reporting annually on the responsible investment practices that have been taken into use and on how the implementation of these practices has been promoted.

The carbon footprint of investment products is measured and disclosed annually subject to data availability and quality. The annual carbon footprint of investment baskets and funds is disclosed either through product-specific monthly or quarterly reviews, or in a separate sustainability report.

The implementation of sustainability in investee companies and responsible ownership practices are reported to clients insofar as this is possible with respect to the data availability and the confidentiality of company-specific information.

MANDATUM