



Sustainability can also be influenced through indirect investment

Mandatum has invested more than EUR 3 billion in European and US private debt funds since 2008 and is a major participant in the sector. In the pursuit of strong risk-adjusted returns, ESG and manager selection have become a critical part of the investment process.

The ESG approach of Mandatum's Private Debt (PD) and European Real Estate (ERE) programs is based on a comprehensive sustainability analysis and an ESG questionnaire for managers. In 2023, the sustainability process developed by Mandatum was expanded and the feedback report for target managers was redesigned. Manager-specific feedback has been received and implemented by managers with very positive reviews. This reinforces the understanding that, because of the feedback, Mandatum's actions can also have a significant impact on large, global market participants.



MANDATUM
ASSET MANAGEMENT

REDESIGNED ESG PROCESS FOR EXTERNAL FUNDS

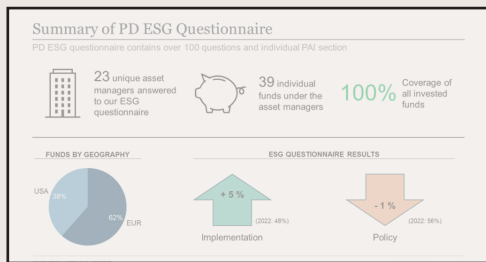
The ESG process of the Mandatum PD and ERE programs takes sustainability into consideration at all stages of the investment, and the ESG assessment is an integral part of the investment decision in line with product-specific sustainability characteristics. The process involves several components, from an initial assessment to feedback discussions and follow-up with managers. An integral part of the ESG process for external fund investments is the ESG questionnaire conducted at the time of investment and annually thereafter and analysis based on the questionnaire's results. The annual questionnaire reaches several managers in Europe and the United States whose assets under management total in hundreds of billions of euros. Since the questionnaire was introduced as part of the investment process in 2017, a significant amount of data has been collected from various managers. This data is systematically used in analyses carried out within each asset class. You can read more about the ESG approach for the private debt asset class [here](#).

In 2023, feedback sent to managers was expanded to provide more manager-specific and versatile information and to improve the effectiveness of Mandatum's ESG operations. Following the reform, each manager receives a personalized feedback report with a summary of their answers to the questionnaire. As in the case of the questionnaire's questions, the answers are divided into two main categories: ESG implementation and ESG policy. These are further divided into three sub-categories that concern the ESG investment process, reporting and follow-up, engagement, policies, commitments and targets. The report contains detailed reviews of manager performance compared to peers in the sector, including within the same sub-segment. For example, a private debt manager in the mid-market direct lending segment or a value add real estate manager can compare their ESG performance with peers in the same sub-segment. The comparison with peers is presented in an anonymized manner as part of the feedback. The purpose of the comparison is to demonstrate the placement of each manager in relation to other target managers in the program to identify potential areas for improvement. The inclusion of this information in the feedback makes Mandatum's ESG process stand

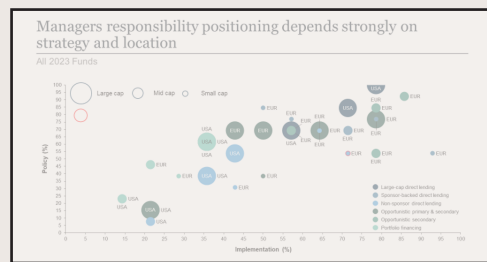
out from others.

INDIVIDUAL FEEDBACK SUPPORTS THE DEVELOPMENT OF RESPONSIBLE INVESTMENT BY FUND MANAGERS

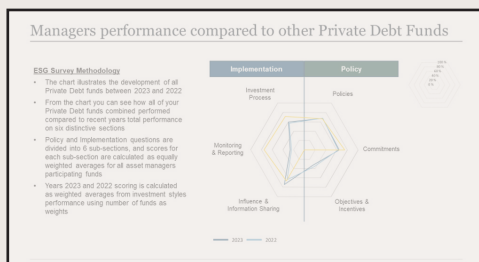
The comparative feedback process is an effective way to engage with managers who value the assessment of the ESG status of the target fund, the consideration of ESG issues in the incentives for portfolio managers, and the transparency of ESG



Summary of PD ESG questionnaire



Managers responsibility positioning depends strongly on strategy and location



Manager’s performance compared to other Private Debt Funds



Funds 2023 scoring and development compared to the last year

reporting. The feedback process encourages managers to report the principal adverse impact (PAI) indicators of investments, take biodiversity into consideration in investments, and provide ESG training to employees.

Tailored analysis enables a comprehensive assessment from different perspectives. The ESG performance of the manager’s target fund is evaluated both generally compared to other funds and geographically (PD managers, Europe vs. United States). Manager performance is evaluated for both the current and the previous year and in relation to peers. Finally, managers are given detailed information on their performance on a question-by-question basis and how the fund has developed from the previous year. The questions cover both the manager and the target fund. As a result, the feedback provides a comprehensive picture of how the manager’s ESG performance compares to Mandatum’s PD or ERE investment universe and in particular with the manager’s key peers in the same sub-segment.

Significant differences between managers can be observed based on the questionnaire, which can be partly explained by differences in investment strategy and size. The most significant differences between managers were the scope of reporting, the

existence of an ESG expert or team, the use of loan pricing tied to ESG factors, and the disclosure of the fund's carbon footprint.

FEEDBACK IS APPRECIATED

As part of the redesigned feedback process, target fund managers are offered the opportunity for individual feedback discussions, in which many managers have expressed their interest. The discussions provide useful information to the manager through direct and constructive feedback from a client that invests broadly in the asset class and values ESG issues. Managers have appreciated the feedback and described it as very useful.

VISIBLE EFFECTS

Although ESG-themed surveys are common, the resulting analyses are rarely made public to target funds. Therefore, the information provided by Mandatum on the ranking and priorities of the peer group is relevant. The feedback is based on a thorough and objective analysis that has encouraged managers to improve their practices.

With the aid of the questionnaire, Mandatum has the opportunity to contribute to sustainability issues among major market participants whose assets under management exceed EUR 100 billion. While individual changes in the processes of the largest fund managers are smaller and slower, their overall impact can be equally significant as major leaps made by smaller managers due to the larger amount of assets under management. Among smaller managers, Mandatum's process has already resulted in changes. For example, two real estate funds hold around EUR 1 billion of real estate assets under better sustainability reporting.

Individual feedback to managers leads to better customer insight and better response to investor and regulatory requirements.

Mandatum Asset Management

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MAM offers discretionary and consultative asset management for institutional and other professional investors and manages a variety of investment products within its core areas of credit, private equity, real estate and equity selection.

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