Responsible Investment Policy

MANDATUM

Contents

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Responsible investment premises and goals

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

Mandatum aims to recognize and mitigate the adverse impacts of its investment operations to the environment, 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 the company's investment decisions take into account not only financial aspects, but also sustainability factors, as well as the related risks (hereinafter sustainability risks).

Mandatum's responsible investment process is divided into the following three phases, which are described in this document:

1) Commitment
2) Implementation
3) Reporting

Mandatum's personnel is 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. Stricter rules and engagement procedures can be applied to certain products or portfolios.

1. Commitment to responsible investment

As a part of Sampo Group, Mandatum is committed to complying with Sampo Group's approach on sustainability and commits to promoting sustainability considerations when developing the company's business operations.

Sampo Group is a signatory of the ***UN Global Compact***. According to the ten principles of the Global Compact, the Group companies need 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. The Sampo Group companies also undertake to comply with the Group's values, business ethics, loyalty, transparency, and entrepreneurship, in all their business operations and contacts with stakeholders.

Sampo Group and MAM are signatories of the ***UN Principles for Responsible Investment (UN PRI)***. According to the UN PRI's six principles, the Group companies are 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. As a Sampo Group company, Mandatum supports ***the Paris Agreement*** on climate change and the ***Climate Action 100+*** initiative.

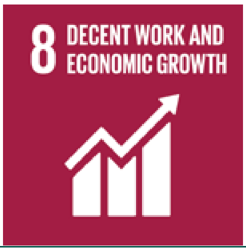
Mandatum is also part of the ***Portfolio Decarbonization Coalition*** (PDC) network, which includes institutional investors and wealth managers. Upon joining the network, Mandatum was its first Finnish member. The PDC network aims to reduce the carbon footprint globally, steer assets to companies with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

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

Mandatum 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), Finance Finland (FA)*** 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 accordance 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 investments and the portfolios' carbon footprint.

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

2. Climate strategy

Mandatum has identified climate change 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 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 aims to be a part of the solution to the climate crisis by thoroughly going through investment opportunities with a set of climate-focused criteria. Instead of a method of strict sector-based negative screening, Mandatum focuses on finding companies that, for example provide technological innovations to mitigate climate change or energy companies that have a clear and credible strategy to transition from fossil fuels to green energy (incl. specific goals and methods to reach time-bound targets).

Mandatum will start to disclose data on its Principal Adverse Impacts on sustainability factors (PAI) pursuant to SFDR. Mandatum's main focus will be on the environmental PAI indicators (measuring carbon footprint and intensity). Through the upcoming legislation, calculating and reporting emissions data will become broader and, thus, data coverage and accuracy will improve. Mandatum will also focus more on the climate impact and climate-related risks and opportunities of potential new investee companies in its due diligence process.

Mandatum continues to report the carbon footprint of its direct equity and fixed income investments as well as reducing the footprint over time. The carbon footprint of investments 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.

Breaches against the Paris Agreement, such as failure to mitigate climate change impacts and opposition to climate change mitigation are monitored as part of Mandatum's norms-based screening.

3. Organisation and responsibilities

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

Mandatum has a dedicated ESG team whose primary responsibility is to support other investment functions on matters related to responsible investing. The team also monitors adherence to the

Responsible Investment Policy. In addition, Mandatum has appointed a Senior ESG Manager, 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.

The responsible investment responsibilities and division of tasks in Mandatum are described in Table 2.

Unit/body	Responsibilities and tasks
MAM's and Mandatum Life's Boards	Approve the Responsible Investment Policy and outline the procedures and policies regarding responsible investing.
MAM's and Mandatum Life's Management Groups	Oversee the practical implementation of responsible investment and responsible for compliance with the Responsible Investment Policy.
Portfolio Management Unit	Each portfolio manager and analyst includes a sustainability analysis in their investment analysis and monitors their investment objects also from sustainability perspective. If any discrepancies are observed, the portfolio manager/analyst consults with the ESG committee to ensure a consistent operating method. The responsible portfolio manager for each investment basket, fund or responsibility area ensures compliance with the Responsible Investment Policy within their area of responsibility.
ESG Committee	Expert body responsible for co-ordinating responsible investment, developing tools and cascading operating methods throughout the organisation. Prepares the responsible investment approach and supports the portfolio managers in issues related to responsible investment. Reports on the implementation of responsible investment to MAM's and Mandatum Life's Management Groups. Headed by the Senior ESG Manager, with overall responsibility on developing Mandatum's ESG approach.

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.

4. Implementation of responsible investment

Mandatum has incorporated a sustainability analysis into its investment processes and monitors all investment objects in its portfolios also from the perspective of sustainability.

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 4.1, 4.2. and 4.3.). The criteria are also included in the due diligence process before making an investment.

When analysing the risks of an investment object, Mandatum considers sustainability factors as part of the whole. In decision-making, Mandatum employs both negative and positive screening, taking into account the characteristics of different asset classes. Investments can also be made with an emphasis on certain sustainability themes, such as climate change and climate risk. The operating methods used in various asset classes are outlined in Table 3.

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

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

4.1 Sensitive areas of business

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

Norms-based screening

The investments are monitored on the basis of 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.

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, logistics or distribution of the manufacture or production of those products: adult entertainment, tobacco, gambling, defence materiel, 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 in investment products that are determined to promote environmental or social characteristics (SFDR Article 8) or to be sustainable investments (SFDR Article 9) must meet. 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.

The procedures described below are also used to monitor all Mandatum's investments and serve as guidelines to portfolio managers in all asset classes. Based on the criteria described in table 4, investments that pose higher sustainability risks, are evaluated on a case-by-case basis and require the CIO's approval.

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

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

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

b) Low tolerance: the investment object must have no direct sales from the business in question. The limit for indirect sales is 50%.

c) Partial tolerance: the business in question must not be the investee's main business (more than 50% of sales).

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

Industry/ Product group	Key risk factors	Percentage of sales		Description
Zero tolerance		Direct business	Indirect business	
Controversial weapons	Reputational risks, regulatory risks	0 %	0 %	Investments are not made in companies whose business is 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 mining	Reputational risks, technology risks, transition risks, regulatory risks	0 %	50 %	Investments are not made in companies whose business is mining of carbon or coal or whose core business is coal mining subcontracting.
Tobacco	Reputational risks, regulatory risks, human right risks	0 %	50 %	Investments are not made in companies whose business is manufacturing of tobacco products or whose core business is tobacco production, subcontracting or distribution of tobacco products.
Adult entertainment	Reputational risk, labor rights risks, human right risks	0 %	50 %	Investments are not made in companies whose business is production of adult entertainment or whose core business is adult entertainment industry subcontracting or distribution.
Partial tolerance		Direct business	Indirect business	
Gambling	Reputational risks, Governance risks, Money laundering risks	50 %	50 %	Investments are not made in companies whose core business is gambling or gambling subcontracting.
Defence materiel	Reputational risks, Regulatory risks	50 %	50 %	Investments are not made in companies whose core business is manufacturing, subcontracting or distribution of defence materiel.
Fossil oil-based energy	Reputational risks, technology risks, transition risks, regulatory risks	50 %	50 %	Investments are not made in companies whose core business is extraction, production or refining and processing of fossil oil or the production or distribution of fossil oil-based energy, if the company does not have a clear strategy to transition to a more sustainable business model.
Coal-based energy	Reputational risks, technology risks, transition risks, regulatory risks	50%	50%	Investments are not made in companies whose core business is the production or distribution of coal-based energy, if the company does not have a clear strategy to transition to a more sustainable business model.

Table 4. Limits set on direct equity and bonds as a share of sales by industry/product group. The limits are applied to equity, fixed income and loan 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.

4.2 Monitoring of exposure to fossil fuels

In addition to the above-mentioned sensitive industries, screening is conducted for other fossil fuels (e.g. gas). Fossil fuels is a diverse and topical sector, and, therefore, requires special focus. 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.

4.3 Implementation in direct equity and fixed income investments

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

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

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.

4.4 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, 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. Mandatum favours strategies in which the portfolio manager views sustainability as a key value-adding factor in their investment process.

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

5. 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.

5.1 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.

5.2 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.

5.3 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.

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

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 is also included in Sampo plc's Sustainability Report published annually.