

# Sustainable Investments

Snapshot 2021

*Active ownership  
drives sustainable  
decision-making*

CapMan

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**Cover picture:** Installation of 668 MWh solar panels on the roof of Project Lock building in Eskilstuna

## CEO statement

Investing is a direct way of influencing behaviour and promoting activities that are aligned with a framework of values. At CapMan, we are serious about investing in companies, activities and assets that contribute to the well-being of communities in which we operate and that do no significant harm to any dimensions of the environmental or social spectrum, while adhering to good governance practice.

CapMan is an active investor in growing businesses, real estate and infrastructure in the Nordic countries. As active owners, we influence through decision-making and by setting and promoting best practices, and funds managed by CapMan can drive change on a broad scale. Our governing principle is to add to the enrichment of society. This applies to returns from our investments but also to how we make these returns and what the compound effects are for a broad group of stakeholders. Our investment activities are founded on our values: Active Ownership, Dedication and High Ethics. CapMan became a signatory of the Principles for Responsible Investment in 2012 and the principles guide us throughout the investment process.

This past year has put many of the principles for responsible investment to test, as difficult decisions have had to be made. During the past year, we have continued to develop our approach to sustainable investing by going over processes, gathering data, conducting materiality analysis and defining where we can make a real difference. We are aware that we still have a lot of work ahead of us.



In addition to specific actions taken in individual investments, we consider the network effect from working together with our Limited Partners (LPs), advisors and potential buyers of portfolio companies and assets.

## Our approach to investing sustainably

We integrate ESG criteria throughout the investment process from sourcing and screening of investments to due diligence and proceeding with the investment. The value creation process often also includes a sustainability angle where we seek to find ways to create value for investors while meeting sustainability goals. We have identified several Sustainable Development Goals as well as separate areas of interest as central to the investment areas where we are active. Our investment areas have KPIs that measure how these goals are met.

## Strong governance lends credence to activities

CapMan Plc is a public company since 2001 and we follow the Finnish Corporate Governance Code. We also follow national and EU level regulation on transparency that concerns public companies and financial market participants. We develop and implement compliance procedures and processes in our fund management operations to prevent money laundering and fraud. The identities of all investors in CapMan funds are verified and the source of their funds are identified.

CapMan Plc's Management Group is responsible for sustainable investment practices on a Group level. The Management Group has established a dedicated sustainable investment working group with representatives from investment areas, including Private Equity, Real Estate, and Infrastructure. The purpose of the working group is to share information as well as develop and follow up on joint policies

and best practices for implementing sustainable investing at CapMan. Every investment area has a designated investment professional responsible for implementing sustainable investment considerations in the corresponding funds and portfolios and work together with case teams, asset management and portfolio company management to identify risks and opportunities related to ESG.

Functioning governance is important, not only for our own activities, but for the efficacy and credibility of the entire private assets sector. We hope to contribute to well-functioning financial markets that channel funds in a sustainable manner also in the future.

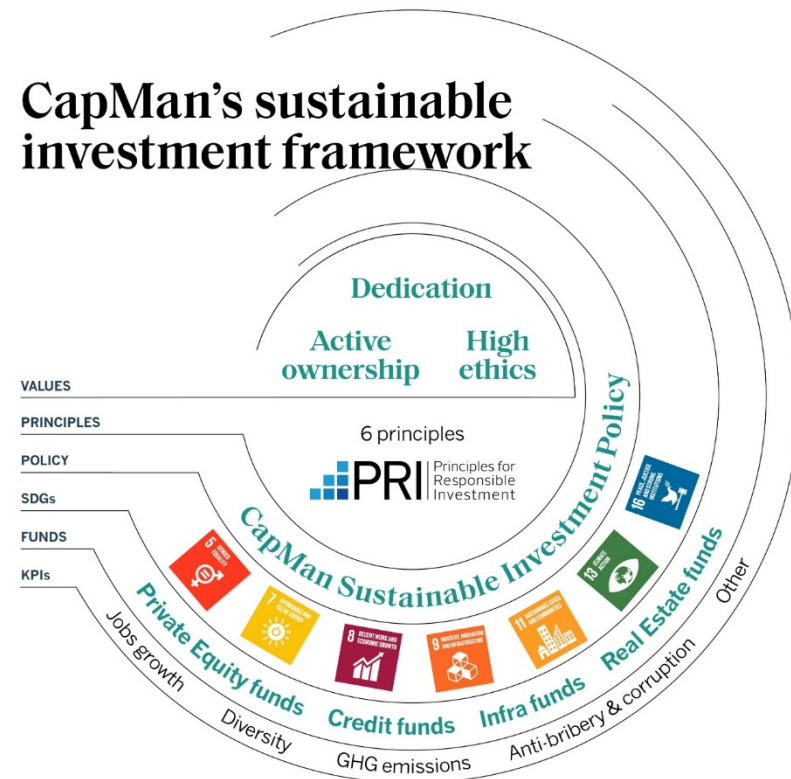
This snapshot outlines our approach to the integration of environmental, social and governance factors in our investment process and the progress in our funds. Read on to learn more!

Sincerely,

**Joakim Frimodig**  
CEO, CapMan Plc

## Our sustainable investment framework

We manage close to €4 billion in assets on behalf of institutional investors. The returns from our funds contribute to the well-being of more than 10 million pension beneficiaries around the world. Our activity also shapes the Nordic communities where we invest. At the end of 2020, CapMan's portfolio companies employed an aggregate of approx. 12,000 people<sup>1</sup> and our real estate assets housed approx. 3,000 tenants ranging from private residents to big corporations and government institutions. The funding and expertise provided helps companies grow, launch new products, innovate and add meaningful jobs to society. Through our real asset investment areas we invest into communities and services to help them and their residents prosper. Functioning private assets markets that are driven by active value creation add to and shape society. Our activity has far-reaching impact on the society, and therefore how things are done is of equal importance to what is accomplished.



<sup>1</sup> Including employees of Buyout, Growth, Credit and Infra fund portfolio companies



## *Our impact*

***€4,000 m***

In assets under management

***12,000***

Total employees in portfolio companies 2020

***+10 m***

Pension beneficiaries

***3,000***

Tenants in real estate

***1,000,000 m<sup>2</sup>***

Aggregate lettable area of real estate

***282,000 tCO<sub>2</sub>e***

Aggregate CO<sub>2</sub>e footprint of portfolio

# *Sustainability development in our operations and portfolio*



**+3%**

More women in Buyout portfolio company management groups compared to 2019



**+17%**

Average jobs growth in Growth portfolio companies in 2020



**-23%**

Reduction in CO2 emissions from 2019 levels for Norled, CapMan's portfolio company accounting for almost 45% of all CO2 emissions in portfolio



**-65%**

Reduction in CapMan Group CO2e footprint in 2020



**A/AAA+**

Score for the 2020 PRI Assessment Report



**+1.3**

Aggregate Upright Project score (+63% compared to Nasdaq)

## Principles of Responsible Investing

CapMan became a signatory of the Principles of Responsible Investing in 2012. We evaluate our investment and other activities as they are reflected in the six principles.

Our PRI scorecard based on the latest available assessment of our 2019 report provided us with an A+ score for private equity, real estate and infrastructure and an A score for responsible investment strategy and governance. CapMan has continued to work on its sustainable investment strategy and implemented it into its investment practices. The scorecard for 2020 is due in July 2021. The latest PRI Transparency Report is available on PRI's and CapMan's web pages.






### Summary scorecard

AUM	Module name	CapMan's score	Median
	Strategy & Governance	A	A
10-50%	Private Equity	A+	A
>50%	Property	A+	B
<10%	Infrastructure	A+	A

	Principle	CapMan's response
1	We will incorporate environmental, social and corporate governance (ESG) issues into investment analysis and decision-making processes.	ESG issues are part of the screening, due diligence and investment decision making process in both majority and minority investments (Buyout, Real Estate, Infra, Growth, Special Situations)
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	ESG issues are incorporated into ownership policies and practices for all majority investments (Buyout, Real Estate, Infra, Special Situations). For minority investments (Growth) and Credit, we work together with other owners to promote ESG issues during our ownership.
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	ESG issues are surveyed and reported on an annual basis (Buyout and Infra). We seek to obtain relevant ESG disclosures from our real estate and minority (Growth) investments.

	Principle	CapMan's response
4	We will promote acceptance and implementation of the principles within the investment industry.	We highlight our commitment to the principles in our communication with LPs and shareholders.
5	We will work together to enhance our effectiveness in implementing the principles.	We work together with our portfolio companies and deploy cross-team efforts. We co-operate with our LPs who are also signatories to promote their adherence to the principles.
6	We will each report on our activities and progress towards implementing the principles.	We report on our progress to UN PRI and to our key stakeholders, including LPs. We work to continuously improve the relevance, transparency and accuracy of our ESG reporting to our stakeholders.

## Our impact at a glance: CapMan Group vs portfolio

	CapMan Group <sup>2</sup>	Portfolio metrics <sup>3</sup>
<b>EMISSIONS</b> 	<b>153</b> tonnes CO2e	<b>270,000</b> tonnes CO2e (Scope 1 & 2)
	<b>1.1</b> tonnes CO2e/employee	<b>27</b> tonnes CO2e/employee on average
	<b>3.6</b> tonnes CO2e/€M revenue	<b>146</b> tonnes CO2e/€M revenue on average
<b>DIVERSITY</b> 	<b>30%</b> women on management team	<b>17%</b> women on management teams on average
	<b>29%</b> women on the Board of Directors	<b>15%</b> women on Boards of Directors on average
<b>EMPLOYEE SATISFACTION</b> 	<b>&lt;1%</b> absence rate	<b>3%</b> absence rate on average (Buyout companies)
	<b>4/5</b>	<b>4/5</b> (Growth companies)

<sup>2</sup> See section “Sustainability at CapMan Group” for additional details.

<sup>3</sup> CO2e metrics are a combination of actual and estimated figures.

## Our Sustainable Investment Policy

CapMan's sustainable investment policy describes our approach towards responsible investment and business practices. It reflects the decision-making and ownership practices applied by the funds managed by CapMan as well as in CapMan's other private equity, real estate and infrastructure investments. The parent company CapMan Plc is also committed to the principles described in the policy.

The policy was updated in March 2021.

## CapMan's sustainable investment standards



**Environmental:** Consider policies and activities that improve resource, including energy, efficiency



**Social:** Consider diversity, fair labour conditions and social engagement



**Governance:** Promote fair business and governance practices

We focus on the following environmental, social and governance (ESG) issues in particular:

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**ENVIRONMENTAL**

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- Greenhouse gas emissions and impact on climate
- Effective use of energy resources, and effort to reduce energy amounts
- Waste, pollution, and risk for environmental hazard
- Overall environmental footprint of operations

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**SOCIAL**

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- Health and safety, including workplace safety, appropriate and continuous risk assessments and improvements as necessary
- Working conditions, including labour standards
- Employee, partner, tenant and social relations and engagement
- Diversity among key decision makers and zero tolerance for discrimination

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**GOVERNANCE**

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- Anti-bribery policy
- Anti-money laundry
- Proper treatment of stakeholders
- Diversity
- Efficient but fair tax strategy
- Certified management systems, where feasible

## Sustainability Governance

CapMan's ESG steering group comprises CapMan's Management Group. ESG issues are further managed by a working group consisting of representatives of CapMan's investment and service teams.

The Management Group has established a dedicated sustainable investment working group with representatives from investment areas, including Real Estate, Buyout, Infra and Growth, as well as CapMan's service teams. The working group reports to the CEO of CapMan Plc and includes representatives from CapMan's Communications and Performance Monitoring teams. The purpose of the working group is to share information as well as develop and follow up on joint policies and best practices for implementing sustainable investing at CapMan.

Every investment area has a designated investment professional responsible for implementing sustainable investment considerations in the corresponding funds and portfolios. The case teams are responsible for reporting any ESG issues during the due diligence phase of transactions. The Investment Committee and/or the local asset management team are responsible for ensuring that the relevant ESG issues have been identified, and that concrete steps are in place for issues that need to be ratified.

Following an Investment Committee decision, the case team or asset management team is responsible to ensure that the necessary actions

are implemented in accordance with the investment business case. The team proactively identifies new risks and opportunities related to ESG and maintains an open dialogue together with portfolio company management.

## Governance procedures at CapMan

CapMan Plc is publicly listed on Nasdaq Helsinki Ltd. As a public company, we follow transparent communications practices towards our shareholders and other stakeholders. CapMan Plc's corporate governance model follows the Finnish Corporate Governance Code for listed companies. Funds managed by CapMan report on the funds' performance, including ESG issues, to the funds' limited partners on a regular schedule.

We have implemented compliance procedures and processes in our fund management operations to prevent money laundering and fraud. The identities of all investors in CapMan funds are verified and the source of their funds are identified.

Our code of conduct covers all employees and we conduct mandatory compliance training for all our employees in order to increase awareness of governance issues and establish best practices.

## Our commitment to UN Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) provide a global framework for addressing the most urgent social and environmental challenges. The SDGs are further split into separate actionable targets that establish how these goals can be achieved. At CapMan, we recognise our role in promoting the SDGs. We have identified the following SDGs as well as separate targets as central to our business. In the section “Measuring our Impact,” we further describe how we measure the implementation of these targets.



### Examples of CapMan’s impact based on separate targets:

**5-5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION MAKING**

CapMan is an equal opportunity employer with career paths irrespective of gender. Although private equity is considered a traditionally male dominated industry, CapMan Buyout is one of few Buyout investment manager in the Nordics headed by a woman. CapMan Buyout and CapMan Growth monitor the management and board compositions of their portfolio companies. Within the CapMan Infra Team one of the three partners is a woman.

CapMan is a founding member of the Nordic chapter of Level 20, a network promoting equality and inclusion in the private equity sector. CapMan has organised several events together with the network and participates in the mentorship programme providing both mentors and mentees.

**7-2 INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY****7-3 DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY**

Energy is one of three key sectors in which CapMan Infra invests and an energy assessment analysis is always made prior to investments. CapMan Infra has invested in a wind farm in Sweden, which is expected to generate ~815 GWh of renewable electricity annually when fully operational, as well as an electricity distribution network and district heating and cooling. We are part of the shift towards low-carbon infrastructure.

CapMan Real Estate conducts energy assessments on its larger investments, including an assessment on the switch to green energy.



### **8-1 SUSTAINABLE ECONOMIC GROWTH**

### **8-2 DIVERSIFY INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY**

### **8-3 PROMOTE DEVELOPMENT-ORIENTED POLICIES THAT SUPPORT JOB CREATION AND GROWING ENTERPRISES**

CapMan Buyout, CapMan Growth and CapMan Infra portfolio companies contribute to employment and economic growth in the Nordic countries. Revenue growth is a foundation for building healthy businesses that contribute to value-add goods and services while providing job opportunities and tax revenue. All companies follow national and international labour law and conventions based on the country where the work is conducted. Providing a safe work environment is a basis for building successful businesses. Labour practices are discussed in board meetings and companies are encouraged to implement policies that also cover the supply chain.



### **9-1 DEVELOP SUSTAINABLE, RESILIENT AND INCLUSIVE INFRASTRUCTURES**

### **9-3 INCREASE ACCESS TO FINANCIAL SERVICES AND MARKETS**

### **9-4 UPGRADE ALL INDUSTRIES AND INFRASTRUCTURES FOR SUSTAINABILITY**

CapMan Growth invests in knowledge intensive businesses driven by innovation that create new industries, professions, and jobs.

CapMan Infra invests in the backbone of Nordic societies through investments in energy, transportation, and telecommunications companies. Investments have a sustainable foundation through e.g. replacement of carbon-intensive solutions or through the strengthening of public infrastructure networks.



### **11-2 AFFORDABLE AND SUSTAINABLE TRANSPORT SYSTEMS**

### **11-3 INCLUSIVE AND SUSTAINABLE URBANISATION**

CapMan Real Estate and CapMan Infra contribute to the establishment of sustainable cities and societies in the Nordics. This includes investing alongside existing public transport infrastructure, converting existing building stock into new use with a public purpose and contributing to a lower carbon footprint of office and retail properties.



### **13-2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING**

CapMan Real Estate follows the energy consumption of its properties. CapMan Infra's value creation cases are centred on improving the environmental footprint of its investments. CapMan's Procurement Service CaPS encourages all supplier partners to

report their CO2 emissions in an effort to increase transparency of the supply chain.



### **16-5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY**

Ensuring a strong governance for both CapMan Plc, the funds under management as well as portfolio companies and assets is a prerequisite of conducting business. As part of the value creation and management process, we establish and formalise governance practices for our portfolio companies and assets.

Our operations include extensive KYC and AML procedures that we implement at the establishment of new funds as well as when conducting capital calls.

## Our sustainable investment process

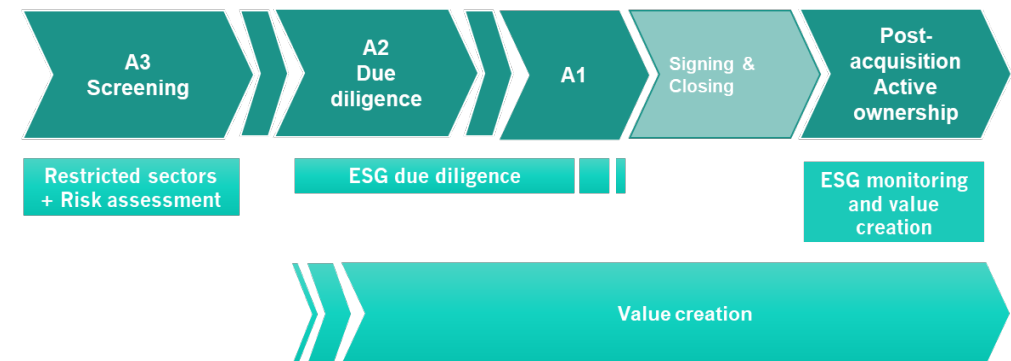
Our most significant impact on the development of ESG factors is through our portfolio. The investment case responsible is responsible for integrating environmental, social and governance (ESG) issues throughout the investment process. The work is facilitated by a designated person responsible for developing and implementing the ESG framework for each investment area. ESG issues are managed in the following phases of the investment process.

### Consideration of adverse sustainability impacts

CapMan considers adverse impacts on sustainability of its investments. Sustainability factors may impact the revenue and cost structure of target investments directly, or have external impacts, such as impacting the quality of life for community stakeholders or perceived value for customers. Accordingly, sustainability factors may also impact return on investment. CapMan strives to integrate

sustainability factors with its general core business, creating a strong culture that drives sustainable practices both at CapMan and in its portfolio companies.

Read more at [www.capman.com/sustainability](http://www.capman.com/sustainability)



**A3 Phase:**  
Sourcing and  
Screening

**A2 Phase:**  
Due Diligence

**A1 Phase up to**  
signing and Closing of  
Investment

**Ownership and Value**  
Creation

**Exit**

<ul style="list-style-type: none"> <li>→ We implement a sustainable investment framework in the screening process for investments.</li> <li>→ We also conduct negative screening, which means that we don't invest in certain industries or practices.</li> <li>→ In order to move forward with the investment, the governance model for the investment must be such that we can implement changes if any sustainability-related red flags arise in the screening process.</li> </ul>	<ul style="list-style-type: none"> <li>→ ESG due diligence is preceded by materiality analysis in order to devote resources to the most relevant topics from a company and societal perspective.</li> <li>→ Universal topics are included as part of the ESG due diligence across all investments, such as the elimination of child or forced labour.</li> </ul>	<ul style="list-style-type: none"> <li>→ ESG value creation opportunities and potential issues are documented and an initial action plan is developed as part of the 100-day plan.</li> <li>→ Initial metrics to monitor ESG performance are identified.</li> </ul>	<ul style="list-style-type: none"> <li>→ Active ownership is the basis for the value creation phase of the investment. Active ownership provides agency to drive change.</li> <li>→ During the value creation phase, we identify value creation initiatives that also have a value building impact from an environmental, social or governance perspective.</li> <li>→ We roll out portfolio-level ESG initiatives based on the fit with our sustainable investment goals.</li> </ul>	<ul style="list-style-type: none"> <li>→ Ownership change is part of a continuum for the business or the asset. All value creation and asset management activities through the lifecycle of the investments are targeted at managing and decreasing risk and improving value for the purpose of improving the attractiveness of the business or asset at exit.</li> <li>→ We describe ESG improvements completed during our ownership and highlight areas for further development for the new owner.</li> </ul>
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## Measuring our impact

CapMan has implemented sustainable investment practices across its investment teams. How we measure our impact for Buyout, Growth, Infra and Real Estate is presented below.

Other investment areas, namely Credit (as advised by Nest Capital), are not included in the scope of this report. The Nest Capital team conducts due diligence of the investment opportunity, including negative screening and ESG due diligence or assessment that evaluates potential sustainability risks based also on sustainability risks. As responsibility for operational issues lies with the equity owners of the portfolio companies to which the Nest Capital's funds provide private debt financing, the ability to steer operations is limited.

## Key Performance Indicators

CapMan focuses on six major sustainability Key Performance Indicators (KPIs) in order to measure the impact of our sustainability work. The KPIs are in line with four select SDGs and key targets.



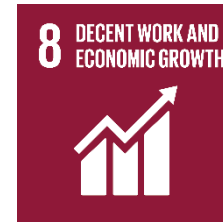


## 5-5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION MAKING

### KPI 1: Gender Equality

**Definition:** Share of women among all employees, in management and in board at year end

**Rationale:** To contribute to more inclusive and equal decision making across organisations.



## 8-1 SUSTAINABLE ECONOMIC GROWTH

## 8.2 DIVERSIFY INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY

## 8.3 PROMOTE DEVELOPMENT-ORIENTED POLICIES THAT SUPPORT JOB CREATION AND GROWING ENTERPRISES

### KPI 2: Job creation

**Definition:** Full-time equivalent (FTE) change in units during the reporting year.

**Rationale:** Jobs contribute to healthy economic growth and tax revenue.

### KPI 3: Absence rate (AR)

**Definition:**  $\text{Workdays lost due to absence} / (\text{Average number of FTEs} \times \text{Number of work days available per employee}) \times 100$

**Rationale:** Low absence rate correlates positively with job satisfaction



### 13-2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING

#### KPI 4: CO2 intensity

**Definition:** Total Scope 1 & 2 CO2 for the reporting year per revenue:

Total Scope 1 & 2 CO2 in tons /  
Total revenue (M€)

**Rationale:** Measure the impact on CO2 emissions from the business in order to better understand causes and opportunities for emission reduction.



### 16-5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY

#### KPI 5: Availability of anti-corruption policy and procedures

**Definition:** Has an anti-corruption policy in place, Yes/No

#### KPI 6: Availability of whistleblowing channel

**Definition:** Has a whistleblowing channel in place, Yes/No

**Rationale:** Bribery and corruption disempower people and destroys economic growth and opportunity while correlating with other significant risks.

## Sustainability at CapMan Group

We measure the impact of CapMan Group activities as measured by the direct activities of approx. 150 employees based in six offices in Helsinki, Stockholm, Jyväskylä, Copenhagen, London and Luxembourg.

### Results in 2020:



#### 5-5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION MAKING

### KPI 1: Gender Equality

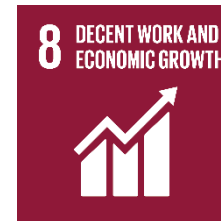
**Definition:** Share of women among all employees, in management and in board at year end

Share of women (%)	Employees	37%
	Management	30%
	Board	29%

Share of women among employees, management and board members was around one-third for all categories.

#### Planned action:

CapMan continues to take diversity into account in recruitment and team composition.



#### 8-1 SUSTAINABLE ECONOMIC GROWTH

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### KPI 2: Job creation

**Definition:** Full-time equivalent (FTE) change in units during the reporting year.

Average change in (organic) FTE	(+7) -1
Average change in (organic) FTE %	(+5%) -1%

Organic FTE development was due to strengthening of teams with select recruitments. Overall flat FTE development was due to the impact of CapMan Russia, which no-longer is part of CapMan Group.

**Planned action:**

CapMan continues to focus on profitable growth of operations which supports offering of meaningful & impactful employment opportunities.

**KPI 3: Absence rate (AR)**

**Definition:** Workdays lost due to absence / (Average number of FTEs x Number of workdays available per employee) x 100

Absence rate	<1%
Change in absence rate pp-points	+0.2 pp

Absence rate is on a satisfactory level with a slight increase compared to the comparison period.



**13-2 INTEGRATE CLIMATE CHANGE  
MEASURES INTO POLICIES AND  
PLANNING**

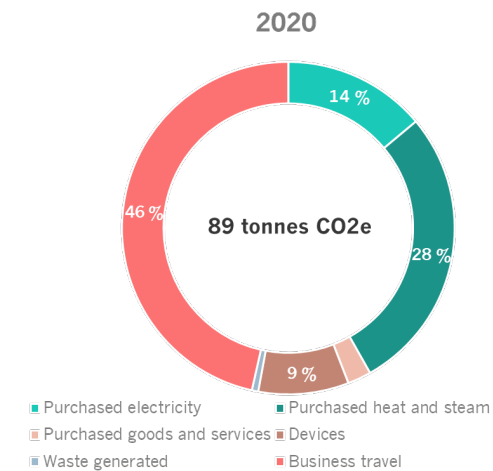
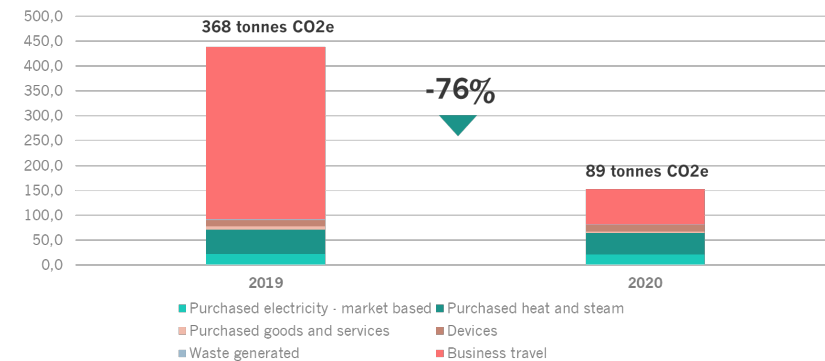
**KPI 4: CO2 intensity****Definition:**

Total Scope 1 & 2 CO2 for the reporting year per revenue:  
Total Scope 1 & 2 CO2 in tons / Total revenue (M€)

CapMan has started to compile and estimate CO2 emissions of our activities related to office use, devices and business travel. In 2020, total CO2e emissions were 154,0 tonnes, down from 439,1 tonnes in 2019. In 2020, the average CO2e emissions per employee were 1,05 tonnes, down from 3,16 tonnes in 2019. The reduction was chiefly due to significantly reduced business travel due to the Covid-19 pandemic.

Emissions in CO <sub>2</sub> e (tonnes) <sup>4</sup>		
	2019	2020
<b>Scope 1</b>		
Stationary combustion	0	0
Mobile combustion	0	0
Fugitive emissions from air-conditioning	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Scope 2</b>		
Purchased electricity	22,4	21,3
Purchased heat and steam	48,3	42,7
<b>Total</b>	<b>70,7</b>	<b>64,0</b>
<b>Scope 3</b>		
Purchased goods and services	6,7	3,5
Devices	12,8	13,4
Waste generated	1,8	0,9
Business travel	346,5	71,1
<b>Total</b>	<b>367,8</b>	<b>88,9</b>
<b>Total</b>	<b>438,6</b>	<b>152,9</b>
per employee	3,16	1,05
per € revenue	8,96	3,56

### CapMan's CO<sub>2</sub>e footprint



<sup>4</sup> Calculations are based on the GHG Protocol standards. GHG emissions calculations are based on a combination of actual emissions and estimates. Travel data is estimated for 23 % of employees based on company average flight km.

Purchased electricity consumption (kWh)	2018	2019	2020
Total	118,279	124,515	120,376
per employee	1,011	896	824
per m2	49	48	47

**Planned action:** CapMan plans to continue data gathering for all offices and operations in order to obtain a more comprehensive GHG emission footprint.

In light of the data gathered so far, air travel has by far the largest impact on CO2 emissions of CapMan Group. CapMan seeks to further evaluate the need for business travel going forward.



## 16-5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY

### KPI 5: Availability of anti-corruption policy and procedures

**Definition:** Yes/No

Yes, CapMan follows a Code of Conduct that includes anti-bribery and corruption policies and has a KYC process in place for all funds under management.

### KPI 6: Availability of whistle blowing channel

**Definition:** Yes/No

Yes, CapMan has a whistle blowing channel available for all employees.

**Planned action:** CapMan plans to continue governance practices in line with regulation and guidelines.

## Sustainability at CapMan Buyout

### About CapMan Buyout

CapMan Buyout invests in mid-market Buyouts in the Nordic countries. The Helsinki and Stockholm-based team has three funds under management.



CapMan Buyout implements a proprietary ESG framework for all investments and has a designated investment professional responsible for coordinating ESG efforts within the investment area.

CapMan Buyout has a process for integrating ESG matters into portfolio companies' agenda. Since 2013 CapMan Buyout has conducted an annual ESG survey across all portfolio companies, and ESG matters have been included in the quarterly fund reporting. In 2019, as part of updating the tools and framework, fund level ESG metrics were developed and 2020 is the first year with full implementation of the fund level metrics with complete data.

The aim of ESG work in CapMan Buyout is to, in each portfolio company, identify and work with the matters through which we have the largest impact on both improved ESG and accelerated value creation.

In addition to managing risks, proper focus on ESG matters are a way for companies to create value and attract the highest quality talent.

### CapMan Buyout's portfolio

CapMan Buyout's sustainability analysis includes assets from the Buyout X and Buyout IX funds that were in the portfolio as of 31 December 2020.

Company	Fund	Investment year	Sector
<b>PDSVISION</b>	BOXI	2020	Software
<b>Renoa</b>	BOX	2018	Home renovation
<b>Forenom</b>	BOX	2016	Hospitality
<b>Yrkesakademin</b>	BOX	2014	Vocational training
<b>Malte Månsson</b>	BOX	2014	Vehicle repair
<b>DEN</b>	BOIX	2011	Turnkey houses
<b>Solera</b>	BOIX	2011	Beverage distribution
<b>Bright</b>	BOIX	2011	Events technology
<b>Havator</b>	BOIX	2010	Crane services
<b>Fortaco</b>	BOVIII	2008	OEM



Forenom provides medium-term accommodation services in the Nordic countries.

” Our emissions are at 1.1 kgCO<sub>2</sub> per night among the lowest in the hospitality business.

**Forenom**

Laura Similä, Head of Communications & Marketing

## Results in 2020:



### 5-5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION MAKING

#### KPI 1: Gender Equality

Definition: Change in share of women among all employees, in management and in board at year end

##### Buyout XI Fund

	average	change
Share of women (%)		
Employees	17%	n/a
Management	10%	n/a
Board	20%	n/a

The fund had only one portfolio company in 2020. Change data is not available as the investment was made in 2020.

##### Buyout X Fund

	average	change
Share of women (%)		
Employees	28%	-0.5%
Management	26%	+2%
Board	23%	0%

Share of women among employees, management and board members was over 20% on average. In half of the companies the share of women was above 30% on all measured levels.

##### Buyout IX Fund

	average	change
Share of women (%)		
Employees	22%	+1%
Management	17%	+4%
Board	8%	0%

There were limited changes in the gender diversity within all employees across all companies. The fund exited one company in 2020, which is not included in the data.

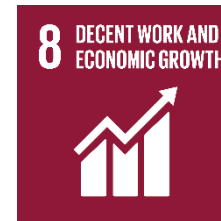
**CapMan Buyout team**

		average	change
Share of women (%)	Partners	20%	0%
	All team	45%	0%

The team's Managing Partner is a woman.

**Planned action:**

Educate portfolio companies to promote diversity and provide opportunities for different genders equally.

**8-1 SUSTAINABLE ECONOMIC GROWTH****8.2 DIVERSIFY INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY****8.3 PROMOTE DEVELOPMENT-ORIENTED POLICIES THAT SUPPORT JOB CREATION AND GROWING ENTERPRISES****KPI 2: Job creation**

**Definition:** Full-time equivalent (FTE) change in units during the reporting year.

**Buyout XI Fund**

Change in FTE	+7
Change in FTE %	+6%

Number of FTEs in 2020 increased, although the fund only had one portfolio company at the end of 2020.

**Buyout X Fund**

Change in FTE	0
Change in FTE %	0%

Some sectors were more affected by Covid-19 with reductions in FTEs while others added jobs during 2020. The overall number of FTEs was unchanged.

**Buyout IX Fund**

Change in FTE	-176
Change in FTE %	-13%

Number of FTEs decreased in 2020 mainly driven by the impact of Covid-19 on certain industries.

**KPI 3: Change in absence rate (AR)**

**Definition:** Unit change in workdays lost due to absence / (Average number of FTEs x Number of workdays available per employee) x 100

**Buyout XI Fund**

Absence rate	2.0%
Change in absence rate pp-points	n/a

**Buyout X Fund**

Absence rate	5.0%
Change in absence rate pp-points	+0.3 pp

Absence rate for most companies were 4-6% with a slight increase in absences from 2019.

**Buyout IX Fund**

Absence rate	1.8%
Change in absence rate pp-points	-0.2 pp

Absence rate is on a satisfactory level and there was a slight improvement in overall absence rate from 2019 driven by significant improvement in two of the companies.

**Planned action:**

Continue to create jobs by investing in growth within our companies. Promote the importance of employee well-being within our portfolios to reduce absence rates.



## 13-2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING

### KPI 4: Change in CO2 intensity

#### Definition:

Unit change compared to previous reporting period in total Scope 1 & 2 CO2 for the reporting year per revenue:  
Total Scope 1 & 2 CO2 in tons / Total revenue (M€)

#### Buyout XI Fund

		change
Aggregate CO2 (tonnes)	21	
Average CO2 intensity (tonnes/€M)	1	n/a

#### Buyout X Fund

		change
Aggregate CO2 (tonnes)	4,500	
Average CO2 intensity (tonnes/€M)	21	-7%

#### Buyout IX Fund

		change
Aggregate CO2 (tonnes)	30,800	
Average CO2 intensity (tonnes/€M)	63	n/a

2019 comparison data available only for Buyout X fund companies. One company reduced their emissions intensity by 40%.

#### Planned action:

Support companies in reducing CO2 emissions in their operations through efficiency improvements and creating habits of avoiding unnecessary emissions.



## 16-5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY

### KPI 5: Availability of anti-corruption policy and procedures

Definition: Yes/No

**Buyout XI Fund**  
1/1 companies

**Buyout X Fund**  
2/4 companies

**Buyout IX Fund**  
3/5 companies

## Sustainability at CapMan Growth

### About CapMan Growth

CapMan Growth makes significant minority investments in growth stage companies in the Nordic countries. The team has two funds under management.



CapMan Growth gathers and tracks ESG-data throughout the investment phase and during the entire holding period of portfolio companies. Potential ESG issues are identified during Due Diligence and a roadmap is done to correct potential shortcomings. During the holding period, the Growth team actively follows its portfolio

companies' relevant ESG metrics, which the portfolio companies report once a year.

### Recent developments

2020 was a very different year in many ways with multiple challenges, many related to the effects of Covid-19. However, many companies supported by CapMan Growth managed to continue adding value to society by creating new jobs and technologies. Most notably companies such as **Unikie** and **Picosun** kept up their strong recruitment pace and both companies' employee count grew by 25%, Unikie reaching 330 employees and Picosun 136 by the end of the year.

In general, CapMan Growth continued to improve governance practices in portfolio companies. Moreover, annual monitoring of key ESG KPI's is ongoing to track companies' ESG performance so that potential shortcomings can be promptly identified and taken care of.

CapMan Growth's portfolio is almost fully comprised of companies with a low environmental impact, and therefore actions to improve certain ESG related metrics in companies have so far mainly been social or governance related. However, CapMan Growth does look at improving their already small environmental impact and do always take care to analyse all ESG segments when doing their mandatory ESG due diligence when assessing new investments to identify weaknesses to thereafter be able to make a plan to improve them.

### Net impact analysis

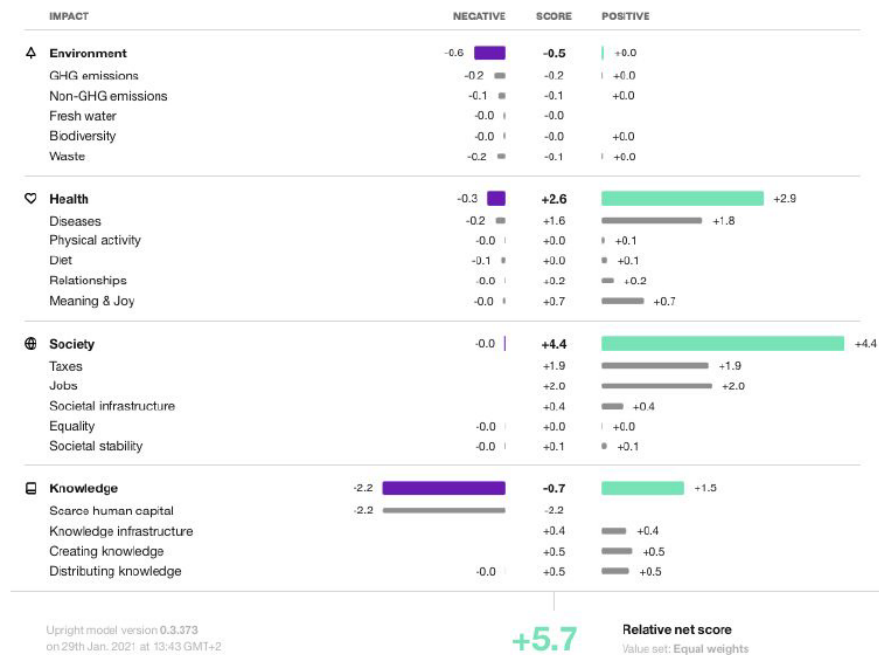
The team utilises **Upright Project** methodology (described in more detail the section “The External View” in this report) for measuring the net impact of portfolio companies. By looking at data relating to the environment, health, society and knowledge, Upright assesses how much assets are consumed by a company and how much they manage to produce from these assets. A value of 1.0 means that a company causes an impact equal to the average company relative to its size. CapMan Growth funds scored +5.7 (Growth Fund) and +7.5 (Growth Fund II). In comparison, Nasdaq Helsinki companies received a combined score of +0.8. CapMan Growth portfolio companies contribute positively especially to health and society where, for instance, Coronaria, a healthcare provider, stands out in creating a positive impact on disease mitigation while Neural DSP’s music production software contributes to meaning and joy. Moreover, due to the lack of energy intensive production in the portfolio companies, the environmental impact is very limited.



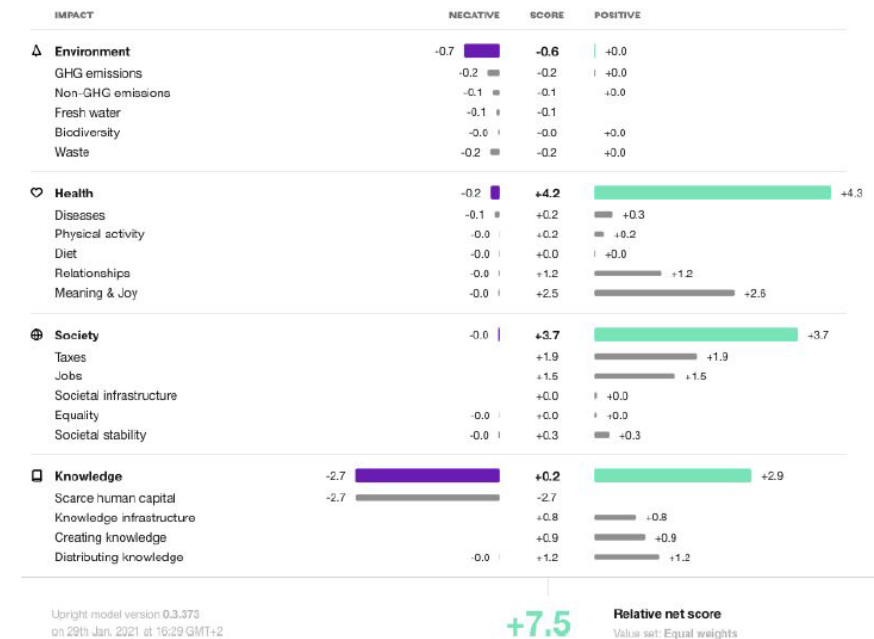
**Unikie** added almost 70 new jobs (net) in 2020.

## Net impact profiles

### CapMan Growth Fund



### CapMan Growth Fund II



CapMan Growth also strives to be a major contributor to national economic wellbeing. The majority of funding provided to growth companies is used to create new jobs. The role as a major local employer is a significant feat and one the Growth team takes pride in. CapMan Growth wants to build inclusive companies that promote opportunities and career paths to people from different backgrounds, genders, ages, cultures, and nationalities.

As companies with high-growth prospects often focus their resources on delivering increasing revenues, the governance aspects of the company may be left neglected. CapMan Growth aims to improve its portfolio companies' governance procedures by e.g. strengthening the board of directors as well as instilling reporting structures. By improving governance practices, the portfolio companies' operations become fairer and more ethical leading to a more transparent employer. By instilling good governance practices in the companies, eventual buyers of the portfolio companies can be confident that they receive correct information at the time of exit.

### CapMan Growth portfolio

CapMan Growth's sustainability analysis surveys companies from the Growth Equity 2017 Fund and the Growth Equity II Fund that were in the portfolio as of 31 December 2020.

Company	Fund	Investment year	Sector
<b>Unikie</b>	Growth II	2020	Automotive & Industrial AI
<b>Neural DSP</b>	Growth II	2020	Sound processing technology
<b>Insplan</b>	Growth	2019	Infrastructure consulting
<b>Picosun</b>	Growth	2019	ALD technology
<b>Front.ai</b>	Growth	2019	AI technology & applications
<b>Avidly</b>	Growth	2018	Marketing
<b>RealMachinery</b>	Growth	2018	Machine leasing
<b>Arctic Security</b>	Growth	2018	Digital security

In addition, the fund includes the following companies that did not participate in the survey and have therefore been excluded from the analysis: Coronaria, Digital Workforce Services, Aste Helsinki and Emblasoft.

## Results in 2020

The results are based on information from 8/11 portfolio companies.



### 5-5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION MAKING

#### KPI 1: Gender Equality

**Definition:** Share of women among all employees, in management and in board at year end

##### Growth Fund II

Share of women (%)	Management	18%
	Board	0%

The fund included only two portfolio companies at year-end.

## Impact metrics from the portfolio

# 135

Net headcount added during 2020.

#### Growth Fund

Share of women (%)	Management	21%
	Board	14%

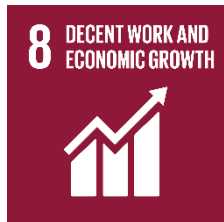
Diversity of the Board is not optimal.

#### Growth Team

Share of women (%)	Partners	0%
	Team	14%

#### Planned action:

Educate portfolio companies to promote diversity and provide opportunities for different genders equally.

**8-1 SUSTAINABLE ECONOMIC GROWTH****8.2 DIVERSIFY INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY****8.3 PROMOTE DEVELOPMENT-ORIENTED POLICIES THAT SUPPORT JOB CREATION AND GROWING ENTERPRISES****KPI 2: Job creation**

**Definition:** Full-time equivalent (FTE) change in units during the reporting year.

**Growth Fund II**

Change in FTE	<b>+104</b>
Change in FTE %	<b>+35%</b>

The fund included only two portfolio companies at year-end.

**Growth Fund**

Change in FTE	<b>+31</b>
Change in FTE %	<b>+4%</b>

**Planned action:**

Continue to support companies with their growth plans in order to support job creation.

**16-5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY****KPI 5: Availability of anti-corruption policy and procedures**

**Definition:** Yes/No

**Growth Fund II**

1/2 companies

**Growth Fund**

3/6 companies

**KPI 6: Availability of whistleblowing channel**

**Definition:** Yes/No

**Growth II Fund**

0/2 companies

**Growth Fund**

2/6 companies

**Planned action:**

Support the establishment of formal anti-bribery and corruption policy and whistleblowing channel and encourage their adoption

## Sustainability at CapMan Infra

### About CapMan Infra

CapMan Infra invests in mid-sized core and core + energy, transportation and telecommunications infrastructure in the Nordics. The Helsinki and Stockholm-based team has one fund and two mandates under management.



Sustainability is at the core of CapMan infrastructure's investment activities. Taking environmental, social and governance concerns into account helps drive long-term value and enhance returns for investors,

while improving society at large as well as supporting customers and employees in our portfolio companies. As asset managers we have a key role in ensuring the smooth operation of infrastructure that is at the centre of functioning communities. By investing, we can help bring cleaner, better and more efficient energy, transportation, and telecom solutions to the general public.

### CapMan Infra's portfolio

CapMan Infra's sustainability analysis includes all assets that were in the portfolio as of 31 December 2020. Investments in Valokuitunen and Nydalen Energi were completed in the beginning of 2020 and in Loviisan Lämpö in the middle of 2020.

Asset	Fund	Investment year	Sector
Norled	CMNI I	2019	Transportation
Valokuitunen	CMNI I	2020	Telecom
Nydalen Energi	CMNI I	2020	Energy (district heating)
Loviisan Lämpö	CMNI I	2020	Energy (district heating)
Överturingen	Mandate	2018	Energy (wind)
Elenia	Mandate	2018	Energy (distribution)

## Results in 2020:



### 5-5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION MAKING

#### KPI 1: Gender Equality

**Definition:** Share of women among management and the board.

##### Nordic Infrastructure I Fund

Share of women (%)	Management	8%
	Board	28%

The share of women among portfolio company board members was over 28% on average, but Management Groups were not as diverse. Of all portfolio companies, Norled has the most equal distribution within the Board and Management Group with 60% of shareholder elected Board members and 33% of the Management Group being women. CapMan has played a pivotal role in establishing a gender-balanced composition of both governing bodies. Change data is not available for the year.

#### Mandates

Share of women (%)	Management	18%
	Board	6%

There is room for improvement in both management team and board composition for mandates. Change data is not available for the year.

#### CapMan Infra team

Share of women (%)	Partners	33%
	All team	30%

CapMan Infra added two new members to its investment team during 2020, of which one was a woman.

#### Planned action:

Gender equality is an important focus area in the recruitment process for portfolio company executives, as well as CapMan Infra investment professionals.



## 8-1 SUSTAINABLE ECONOMIC GROWTH

### 8.2 DIVERSIFY INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY

### 8.3 PROMOTE DEVELOPMENT-ORIENTED POLICIES THAT SUPPORT JOB CREATION AND GROWING ENTERPRISES

## KPI 2: Job creation

**Definition:** Full-time equivalent (FTE) change in units during the reporting year.

### Nordic Infrastructure I Fund

Average change in FTE	-128
Average change in FTE %	-13%

Number of FTEs in 2020 declined for CMNI I Fund portfolio companies due to route operator changes for Norled. Industry practise is to move an employee with the contract if the operator changes. In 2020, more Norled employees moved to other operators vs. incoming employees to Norled from other operators. Norled's operations were affected by travel restrictions due to the Covid-19 pandemic. Other portfolio companies added employees or maintained a flat headcount.

### Mandates

Average change in FTE	n/a
Average change in FTE %	n/a

Total number of FTEs: Överturingen windfarm does not have any employees but at the peak had over 200 contractors working on the project with 1 GM. Elenia employed 293 people.

### Planned action:

As part of the value creation process, CapMan Infra has ambitious organic growth targets for many of its investments. Examples include Valokuitunen and Norled, where successful execution on the growth strategy will result in job creation in the longer term.



### 13-2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING

#### KPI 4: CO2 intensity

**Definition:** Total Scope 1 & 2 CO2e for the reporting year per revenue. Total Scope 1 & 2 CO2e in tons / Total revenue (M€)

#### Nordic Infrastructure I Fund

		Change
Aggregate GHG emissions, tonnes of CO2e	124,865	n/a
Average GHG emissions intensity, CO2e/€M <sup>5</sup>	~286	n/a

Norled has the largest CO2 emissions in CapMan's portfolio. Emissions intensity for the Fund's portfolio companies ranged from 5 tonnes CO2/€M (Valokuitunen) to 610 tonnes CO2/€M (Norled). Norled reduced CO2e intensity from 750 tonnes CO2e/€M in 2019.

#### Mandates

	Elenia
GHG emissions, tonnes of CO2	~79,000
GHG emissions intensity, CO2/€M <sup>2</sup>	~259

Including only Scope 1 and 2 emissions for Elenia (total emissions including Scope 3 are 189,364 tCo2e for 2020). Överturingen has minor CO2 emissions during the construction phase. Once the wind farm is operational it is estimated that ~33,000 tonnes of CO2 emissions will be avoided annually.

#### Planned action:

Assets with positive ESG characteristics (e.g. low GHG emissions or high GHG emission improvement potential) are prioritised in investment screening.

<sup>5</sup> 1 NOK = 0.10 EUR (1 Jun 2021)



## 16-5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY

### KPI 5: Availability of anti-corruption policy and procedures

Definition: Yes/No

### KPI 6: Availability of whistleblowing channel

Definition: Yes/No

#### Nordic Infrastructure I Fund

	Yes/All
Anti-corruption policy and procedures	1/4
Communication of anti-corruption policies and procedures	1/4
Whistleblowing channel	1/4

Only Norled has implemented a code of conduct and whistleblowing ABC. Valokuitunen has policies under development and will implement them during 2021. Nydalen Energi and Loviisan Lämpö will implement anti-corruption

policies and procedures. However, as the companies have only one employee each, the implementation of a whistleblowing channel is not a priority.

#### Mandates

	Yes/All <sup>6</sup>
Anti-corruption policy and procedures	2/2
Communication of anti-corruption policies and procedures	2/2
Whistleblowing channel	2/2

Contractors have to follow their own anti-corruption policies.

#### Planned action:

Establish policies and implement training for all Infra portfolio companies.

<sup>6</sup> Överturingen has no employees. The owners have decided on strict anti-corruption policy and procedures for Överturingen and this has been taken

into account in the selection process of contractors. However, contractors have their own anti-corruption policies and procedures that they communicate to employees and provide training on.

## Sustainability at CapMan Real Estate

### About CapMan Real Estate

CapMan Real Estate invests in value-add and income real estate in the Nordic countries. The 40-strong team is based in Helsinki, Stockholm, Copenhagen, Oslo and London and manages seven funds and mandates.



CapMan Real Estate ESG promotes environmental, social, and governance matters that contribute to the sustainability and long-term viability of our investments.

The primary ESG focus is on the environmental aspects of our property investments, which – when properly managed – provide great potential for improvements in performance. Consequently, ESG considerations

are embedded within our investment decision-making approach and the daily asset management of our real estate funds.

### CapMan Real Estate's tools to improve environmental performance includes:

- Conversion to green energy / renewable energy sources when available
- Proactive work to reduce energy consumption and water usage
- Improve waste management and recycling
- Actively working to reduce greenhouse gas emissions
- Engagement and co-operation with tenants to meet ESG objectives
- Where appropriate, applying for environmental certifications such as LEED and BREEAM for our real estate investments

In addition, we perform detailed energy efficiency assessments, covering areas such as heating, electricity, water and structure, together with sector experts and then use these as a basis for the development and improvement plans.

The Real Estate team has appointed a designated investment professional with overall responsibility for coordinating ESG efforts. In addition, all team members either already possess or are developing an in-depth knowledge about sustainable investments and ESG, which is being enhanced through regular attendance at internal and external courses in ESG, sustainability and environmental certifications.

Fund <sup>7</sup>	Countries	Main use	Lettable area	Estimated CO <sub>2</sub> -emissions (Tonnes CO <sub>2</sub> e)
BVK-Residential Europe-Immobilienfonds CapMan FCP-FIS	Finland, Denmark	Residential	169 596	2 140
CapMan Hotels II FCP-RAIF	Finland, Sweden	Hotel	307 612	6 823
CapMan Nordic Property Income Fund	Denmark, Finland, Sweden	Office, hotel, warehouse	60 168	593
CapMan Nordic Real Estate FCP-SIF	Denmark, Finland, Sweden	Office, residential, retail	139 371	673
CapMan Nordic Real Estate II FCP-RAIF	Denmark, Finland, Sweden, Norway	Office, retail, residential, warehouse	153 887	1 238
Other Finnish funds	Finland	Warehouse	70 768	893
<b>Total</b>			<b>901 402</b>	<b>12 361</b>

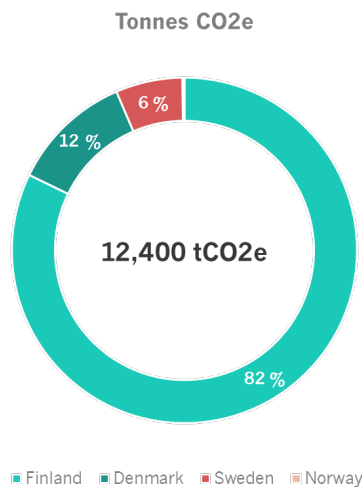
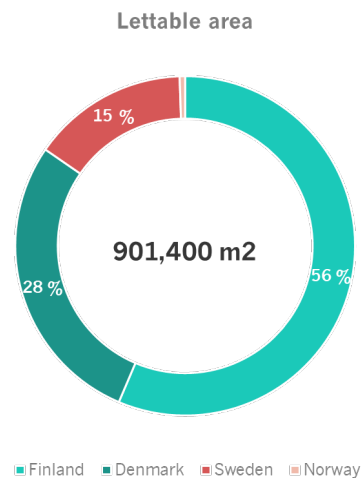
## Real Estate portfolio and emission estimates

CapMan's real estate portfolio includes almost 1,000,000 m<sup>2</sup> of lettable space in Finland, Sweden, Denmark and Norway.

The aggregate CO<sub>2</sub>-emissions considers the emissions related to heating of our standing investment properties. Properties subject to development and major refurbishment are not included in the analysis. The emissions have been estimated based on actual energy

consumption as well projected normalised energy usage in the properties. Furthermore, the emissions have been based on CO<sub>2</sub>-equivalents from local district heating providers as well as third party energy experts.

<sup>7</sup> Not including CapMan Nordic Real Estate III FCP-RAIF, which had limited holdings as of 31 December 2020.



## Key focus areas

- Energy consumption
- Water usage
- Working environment

As part of the ESG work to identify areas for improvements and cost savings, CapMan Real Estate is mapping the energy consumption of its portfolio. This not only allows us to track the energy use, but also enables us to measure improvements and results from ESG investments in the properties and monitor relevant KPIs and modify our ESG targets. Energy efficiency improvements in our assets result in a decreased environmental burden and direct cost savings through lower energy usage.

## Co-operation

CapMan Real Estate evaluates membership and participation in international and local organisations which focus on improving and developing frameworks and methodologies for sustainable real estate investments and property management procedures. CapMan Real Estate has implemented **GRESB** reporting for two of its funds and mandates under management and participate in the leading global ESG benchmarking service for the real estate industry.



Interior from **K003** (Kansakoulunkatu 3), modern, functional and inclusive office facilities in central Helsinki. The refurbishment of K003 started in October 2020 and will be ready by April 2022. After the refurbishment project, the premises will meet modern office standards both visually and technically. The project is being LEED certified with GOLD target.

## Sustainable wealth advisory and reporting services

CapMan Wealth Services (CWS) provides advisory services for clients on ESG from investment policy integration to specific ESG solutions and reporting. The team screens roughly 300,000 fund managers annually in terms of their ESG performance. The unbiased access to leading ESG, Thematic and Impact Managers globally helps our clients to improve their portfolio ESG scores and align holdings to meet their targets on portfolio sustainability.

The **CWS Sustainable Future** mandate invests in select equity funds with innovative products and services that help curb climate change and support reaching a more sustainable future. The strategy relies on the CWS House View on market development.

*CapMan* WEALTH SERVICES

### Cornerstones of the strategy:

- Global equity strategy
- 60% active managers and 40% ETFs
- Alignment with Paris Agreement objectives
- Target companies have a clear positive impact on the achievement of SDGs
- Return / risk reference MSCI ACWI-index
- Article 9 ("dark green") EU Sustainable Finance classification

### Target selection process:

Screening of A large universe of 300,000+ funds



Impact and sustainable funds (300+)



Return/risk and quantitative analysis (40+)



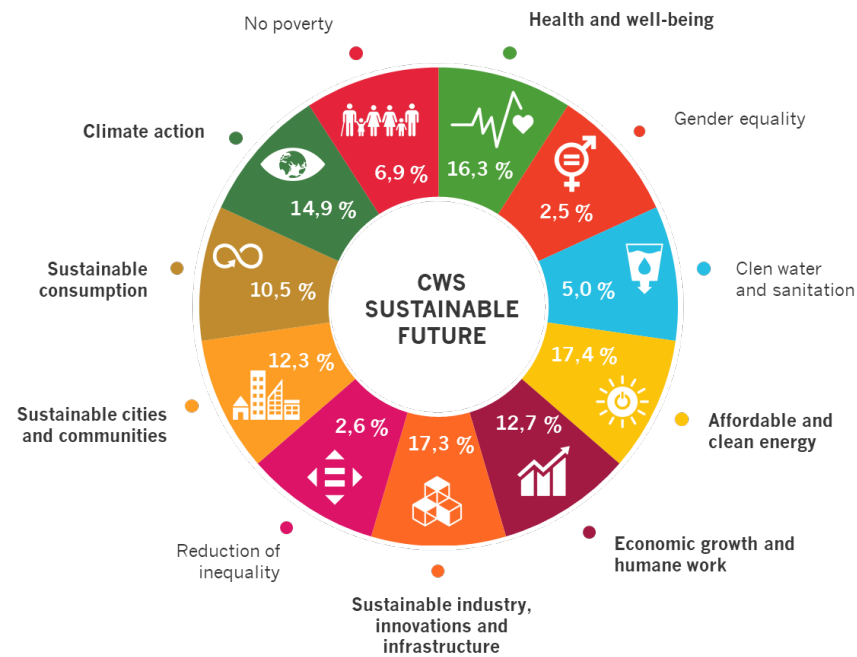
Interviews and due diligence (20+)

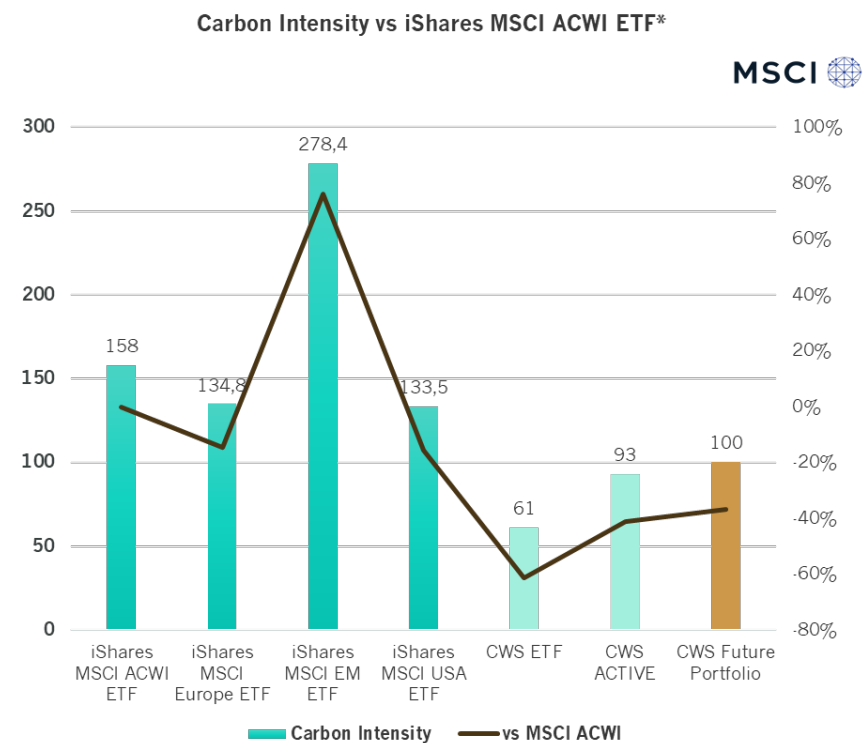


Final selection and negotiation of terms

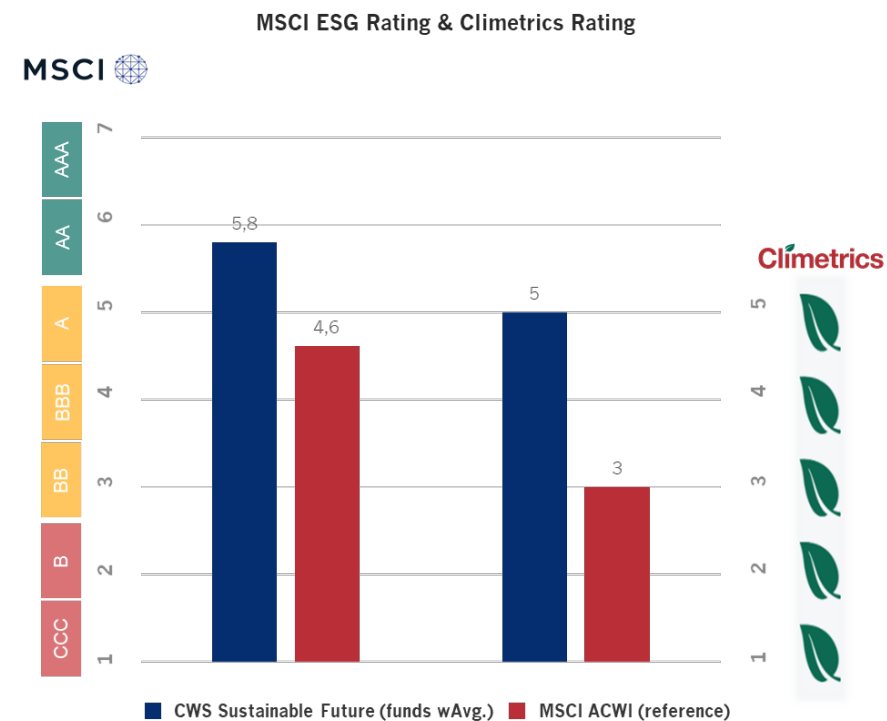


The team uses several research platforms to screen for suitable targets that meet criteria. Only funds that meet the strictest sustainability and return/risk profile criteria are selected. Sustainable Development Goals are promoted in the CWS Sustainable Future portfolio as follows:





\*Based on the weighted average carbon emissions per USD million sales



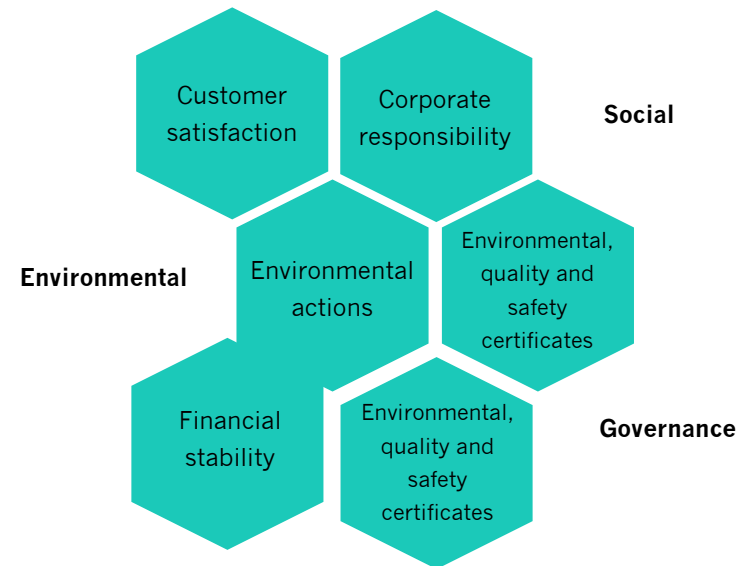
## Sustainable procurement services

CapMan's procurement organisation CaPS provides a service for driving down costs on non-strategic products and services for its member companies. The network of member companies has grown to include more than 200 growing companies in Finland and Sweden. Around 250 vendors have been selected to serve over 80 different procurement categories.

### Consideration of ESG factors in the tendering process

In the tendering process, information regarding customer satisfaction, corporate responsibility and environmental reporting data, environmental and occupational safety certifications as well as documents relating to the customer liability law requirements are requested from all potential vendors and considered in tandem with the specific offer prior to decision-making. This includes a presentation of the vendor's social responsibility and/or environmental reporting as well as a description of the major activities that relate to environmental protection.

### ESG factors considered in the tendering process



### Promoting environmental disclosures

CaPS encourages its vendors to report on their environmental indicators and performance. Environmental reporting is the communication of environmental performance information by an organisation to its stakeholders. This information can include, for example, contribution to ecological and sustainable development,

impacts on the environment and performance in managing these impacts.

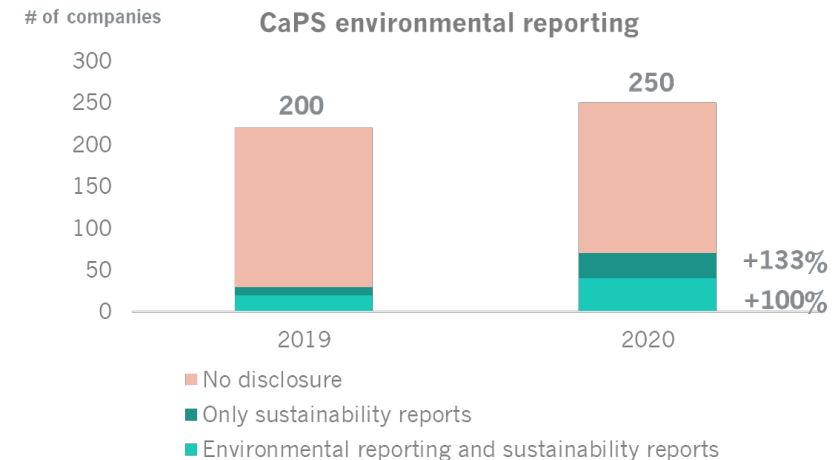
CaPS is committed to enhancing environmental aspects in its practices and pioneering for transparency regarding the environmental aspects of procurement. CaPS has continued to develop its environmental reporting tool, which was released for all member companies in 2019 focusing on the CO2 emissions of vendors. A member's environmental reporting page discloses the total CO2 emissions from all the CaPS vendors, that produce CO2 data for their operations. Furthermore, a member company can download more detailed reports focusing on each vendor's volumes and emissions.

*15%*

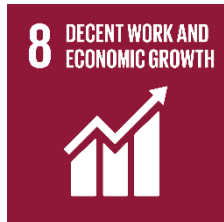
of vendors report their CO2 emissions

Currently, approx. 40 vendors, or more than 15% of total, have provided company-specific data for CO2 reporting and their sustainability reports through the portal. CaPS has commenced the international expansion of the concept by introducing 10 vendors based in Sweden that report emissions. Approx. 70 vendors disclose their sustainability reports to members. This includes the majority of vendors in the categories of logistics, energy and transportation, which also account for the categories with the highest emissions. The goal is that all CaPS vendors will provide emissions data in the future, thereby facilitating greater environmental transparency. Vendors, who have

disclosed environmental data, can attach an environmental badge to their profiles, working as a signal of environmental responsibility for both current and potential customers.



## Key SDGs and targets supported



### **8-1 SUSTAINABLE ECONOMIC GROWTH**

### **8.2 DIVERSIFY INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY**

### **8.3 PROMOTE DEVELOPMENT-ORIENTED POLICIES THAT SUPPORT JOB CREATION AND GROWING ENTERPRISES**

The CaPS network has on average achieved savings of 20% for its member companies in procurement. This supports sustainable economic growth and improves productivity by allowing companies to allocate resources to their core operations.



### **13-2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING**

By highlighting the CO2 footprints of vendors and encouraging transparent disclosure, CaPS seeks to influence its member companies to select less CO2 intensive alternatives in their procurement decisions.

#### **Further development and planned action:**

CaPS works continuously to expand and develop the environmental reporting tool, which since its introduction has received excellent feedback given the increasingly vital role played by corporate CO2 and sustainability reporting. The aim is to broaden the range of emission data available and work on improved quality and comparability of the reported content. Similarly, CaPS works continuously to broaden the range of sustainability reports available from vendors in order to make the content of the environmental reporting tool more comprehensive. A further roll-out of the concept will continue during 2021.

## The External View: The Upright Project

CapMan has worked together with The Upright Project, a Finnish start-up, with the objective to understand the net impact of our funds under management. This includes both positive and negative impacts. CapMan's net impact profile is based on the products and services provided by the companies in the funds.

### UPRIGHT PROJECT

The analysis was conducted with Upright net impact model. The model utilizes scientific articles and machine learning to summarize how companies impact the environment, health of people, society and creation and distribution of knowledge.

#### Net impact

The net impact of 10 CapMan Private Equity, Infra and Credit funds in total was +1.3 based on the funds' holdings as of 31 December 2020.

Key positive impacts +	Key negative impacts -
<ul style="list-style-type: none"> <li>• Taxes generated</li> <li>• Jobs created</li> <li>• Societal infrastructure</li> <li>• Education and care services</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental impacts of the transport sector</li> <li>• Health impacts of the alcoholic beverage sector</li> <li>• The deployment of scarce human capital</li> </ul>

Although sector selection has a profound influence on our net impact profile, actions taken during CapMan's ownership period matter.

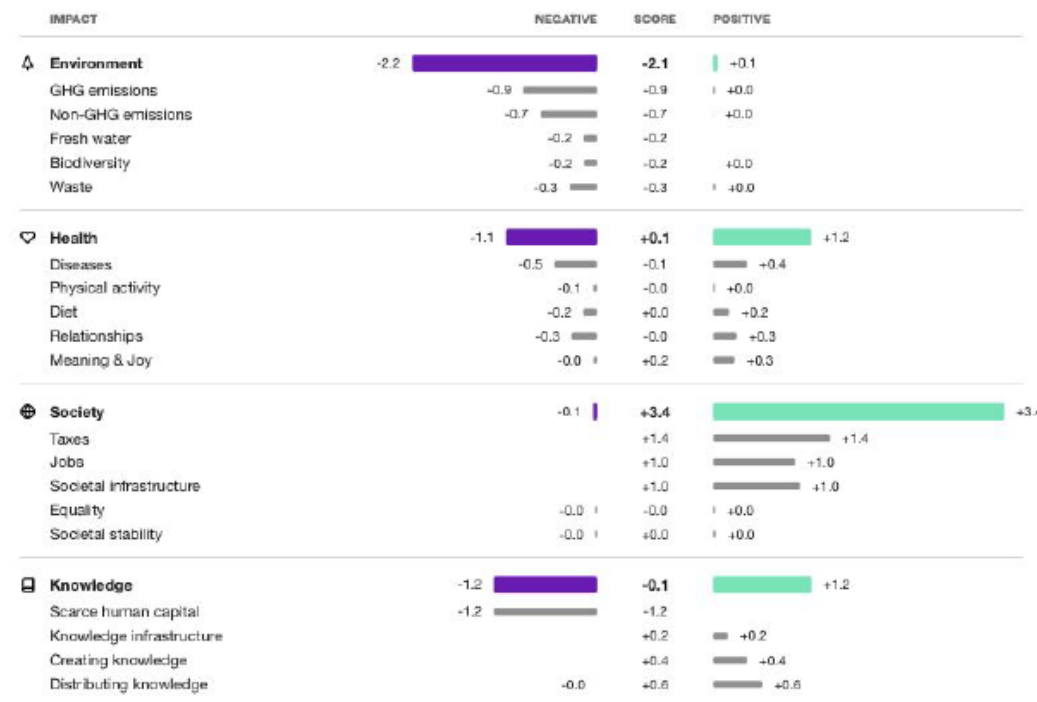
**+1.3**

Aggregate Upright Project score for Private Equity, Credit & Infra investments vs. +1.0 for all Nasdaq listed companies.

## Net impact profile of CapMan funds

### NET IMPACT PROFILE OF CAPMAN'S FUNDS (Q4/2020)

CapMan balances the use of environmental resources with the positive impact on society and knowledge

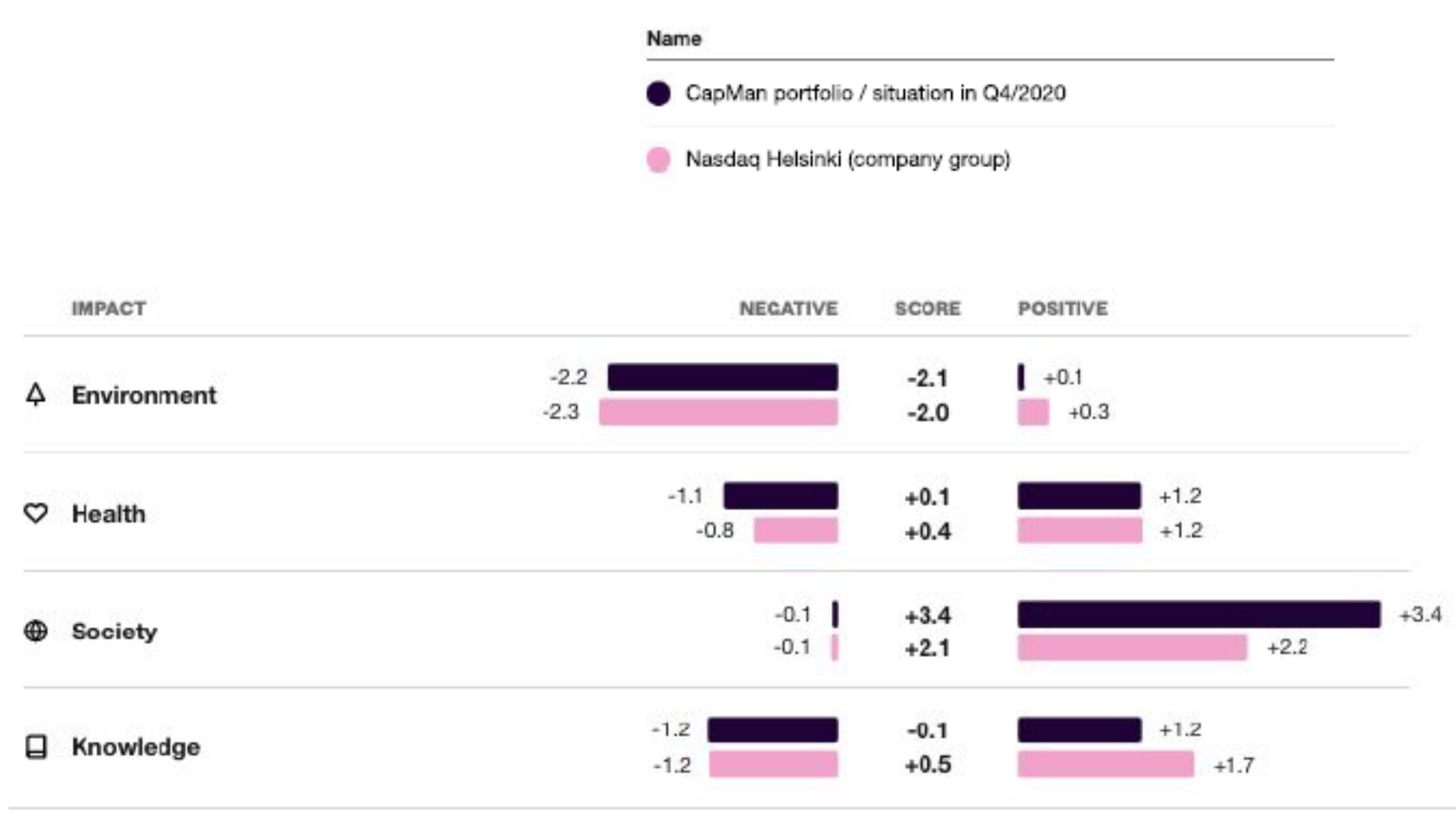


Upright model version 0.3.373  
on 29th Jan. 2021 at 17:25 GMT+2

**+1.3**

**Relative net score**  
Value set: Equal weights

## CapMan's portfolio in comparison with Nasdaq Helsinki





Case studies:

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*Investing sustainably in practice.*

## Case Norled



### Driving the green shift in the Norwegian ferry sector

#### About Norled

Norled is one of Norway's largest express boat and ferry transportation companies with a fleet of 32 express boats and 42 ferries in operation<sup>8</sup>, that transport more than 13 million passengers and 5 million cars annually. CapMan Infra invested in Norled together with CBRE Caledon in 2019. Since the acquisition, significant development has taken place on the sustainability front.



Ferries are ubiquitous elements of the Norwegian fjord landscape and critical to the country's transportation infrastructure. The Norwegian parliament has adopted a resolution targeting zero/low emission technology for all new tenders by 2023 for ferries and by 2025 for express boats.

#### A green technology leader

As a technological leader in the ferry sector, Norled is currently renewing its fleet by bringing more zero emission vessels into use. As of May 2021, 17 electric and bio-fuel vessels were in operation compared to 1 at the time of CapMan's acquisition of Norled in July 2019. Currently, 25 zero and low emission vessels are either in operation or under construction, which means that the total share of

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<sup>8</sup> As of May 2021

green vessels in the fleet is 30%. Going forward, significant investments into renewing Norled's fleet with zero and low emission technologies, will continue to be made. Over 90% of the total investment programme of 3 billion NOK will be invested into this green shift.

Activities to measure the fleet's CO2 emissions and to set targets for further reductions are well underway. In 2020, Norled's CO2 emissions amounted to approximately 120,000 tons, which was a reduction of 23 % from 2019 figures. By continuing the current development, emissions are expected to decrease by a total of approximately 60,000 tons, reaching approx. 100,000 tons by 2023, a reduction of approximately 38 % compared to 2019 levels. This corresponds to taking approximately 25,000 cars off the road.<sup>9</sup>



Norled is the first operator in the world to develop a ferry operated on hydrogen, MF Hydra, thereby again proving its strong position at the forefront of zero emission technology.

### Safe workplace and diverse team at the core

The shareholders continuously work together with Norled to secure the company's position at the forefront of the green shift, while also aiming to be the safest marine transportation workplace in Norway. Norled employs over 800 people and follows workplace safety and employee wellbeing closely. Norled continues to focus on the safety of its customers and employees, and hence further improvement of the HSQE culture is important. Additionally, minimising greenhouse gas

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<sup>9</sup> Based on average CO2 emissions of new cars in the EU & 20,000km average annual mileage; <https://theicct.org/>; <https://www.adac.de/>

emissions, air pollution and waste by replacing conventional diesel vessels with electric vessels, are all important aspects of Norled's sustainability work.

As an active owner, CapMan Infra sets the tone for our portfolio companies. Establishing and following proper HR policies, that include zero tolerance for discrimination and that promote fair and inclusive hiring and advancement practices, increases awareness around these issues. As owners, we also lead by example through for example considering diversity in the establishment of investment committees and in board composition. Additionally, CapMan Group and CapMan Infra are part of Level20, a non-profit organisation aiming to increase awareness of diversity and inclusion topics within the private equity industry. The organisation is supported by over 40 international private equity firms.

In CapMan Infra's portfolio companies, the average share of women among top management and board members is 20%. At Norled, 60% of Board members appointed by shareholders are women, including a female chairperson, while 33% of top management group members are women. CapMan has played a pivotal role in establishing a gender-balanced composition of both governing bodies. Furthermore, gender equality is an important focus area in the recruitment of portfolio company executives, as well as CapMan Infra investment professionals.

## Key SDGS and targets



**9-4 BY 2030, UPGRADE INFRASTRUCTURE AND RETROFIT INDUSTRIES TO MAKE THEM SUSTAINABLE, WITH INCREASED RESOURCE-USE EFFICIENCY AND GREATER ADOPTION OF CLEAN AND ENVIRONMENTALLY SOUND TECHNOLOGIES AND INDUSTRIAL PROCESSES**

**30%**

Share of current vessel fleet<sup>10</sup> operating on reduced emission solutions

Over 90% of the total investment programme of NOK ~3bn will be invested into the green shift.

<sup>10</sup> including vessels in operation and under construction



### 13-2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING

**-140**  
*tCO2*

Reductions in emission intensity tonnes CO2 per  
€ million in revenues from 2019 levels

**38%**

Decrease in CO2 emissions by 2023.

As of May 2021, 25 zero and low emission vessels were in operation or under construction. In 2020, Norled's CO2 emissions were approximately 120,000 tons. Through continued investments, emissions could be reduced by 38 % compared to 2019 levels by 2023, making Norled a solid contributor to the Norwegian Parliament's goal of making the country's fjords zero-emission zones by 2026.



### 11-2 BY 2030, PROVIDE ACCESS TO SAFE, AFFORDABLE, ACCESSIBLE AND SUSTAINABLE TRANSPORT SYSTEMS FOR ALL, IMPROVING ROAD SAFETY, NOTABLY BY EXPANDING PUBLIC TRANSPORT, WITH SPECIAL ATTENTION TO THE NEEDS OF THOSE IN VULNERABLE SITUATIONS, WOMEN, CHILDREN, PERSONS WITH DISABILITIES AND OLDER PERSONS

**>13**

Million passengers annually

Annually more than 13 million passengers and 5 million cars rely on Norled as a form of transportation across the Norwegian fjords. Norled's services are used both for daily commutes to and from work and school, as well as for leisure purposes and tourism.

**5-5 ENSURE FULL PARTICIPATION IN  
LEADERSHIP AND DECISION MAKING****60%**

of board members appointed by Norled  
shareholders are women

At Norled, 60% of board members appointed by shareholders are women, including a female chairperson and 33% of top management group members. Norled is continuously working towards a more diverse workforce throughout the organisation. End of 2020, 17% of Norled's FTEs were women.

## Case HopLop



### Safe and engaging adventures for kids

CapMan Special Situations is a new investment strategy investing in turnaround cases. The team's societal purpose exemplified through its first investment in HopLop.



#### About HopLop

HopLop operates a chain of adventure parks and playgrounds for children. The company is a market leader in Finland with 17 parks across major cities and has expanded internationally with its first park in Germany. Prior to the outbreak of the Covid-19 pandemic, the company's business developed well. The imposed restrictions due to the epidemic seriously affected the customer flows, forcing the company to debt restructuring and threatening the continuity of significant parts of the business.

To provide required capital for ensuring continuity, CapMan's Special Situation fund acquired 100% of the equity and debt capital of HopLop Group. The transaction allowed prompt finalization of the debt restructuring plan as well as immediate readjustment and continuation of rental agreements across key HopLops parks. The transaction will ensure that HopLop can now successfully navigate through the Covid-19 pandemic and fuel the future growth of the company.

HopLop is the first investment of CapMan's newly established Special Situations fund which pursues event-driven investment situations by providing flexible capital solutions and strong operational expertise. The Fund's purpose is to contribute to societal wellbeing by ensuring that viable companies can successfully steer through challenging situations and once again thrive. Through systematically implementing

CapMan's ESG policies, the Fund actively drives towards meaningful societal progress, environmental sustainability, and more transparent and professional corporate governance.

### **ESG a critical element of HopLop due diligence**

The event-driven investment situations often require completion of due diligence in an accelerated fashion, and this was the case with HopLop acquisition as well. However, even within condensed timeline, a systematic ESG assessment is always a critical component of CapMan Special Situations investment team's approach.

In terms of social agenda, the HopLop ESG due diligence revealed that the company had recently paid significant attention to customer safety and quality, including a systematic management practice to prevent and measure park accidents. Similarly, measures had been taken by the company to ensure employee satisfaction and quality. Even though many good management practices were in place, the epidemic situation and the related layoffs, savings, redundancies, working alone in the park had had a major impact on the workforce. While employee motivation remained at a satisfactory level, NPS was low. Going

forward, CMSS will put significant emphasis on employee NPS and ensure maintaining high safety standards across all parks to minimize risk of incidents.

In terms of corporate governance, the due diligence work suggested that while HopLop had worked on documenting Governance and code of conduct, these had not yet been confirmed by the Company's Board of Directors. Due to Covid-19 induced reorganization, gender equality in managerial positions had taken a wrong turn, even though gender distribution across the company was balanced. Based on the assessment, it was decided that the company governance and code of conduct will be swiftly finalized and ratified by the Board, and as that the company culture would be surveyed, and actions taken towards gender equality also in managerial roles

In terms of environmental sustainability, action would be taken to address selected pockets, e.g. food waste management. Overall, going forward, CMSS will implement a comprehensive ESG agenda, including rigorous metrics in line with CapMan's ESG policy, to enable continuous progress across the ESG agenda.

## Case Lock



### Office and mixed-use property in Eskilstuna with significant energy efficiency improvement potential

Project Lock is the largest property in Sweden owned by CapMan's funds. CapMan Nordic Real Estate II Fund acquired the multi-let office property, which served as ASSA ABLOY's office and industrial facility, in a sale and leaseback transaction in 2018. The property is well-located in the main industrial area of Eskilstuna, close to the city centre. Eskilstuna, a former industrial hub, has implemented several renewable energy and recycling initiatives and is on track to become one of the greenest cities in Europe. The property falls under CapMan's public sector and social infrastructure investment theme.

Technical improvements are currently ongoing for the premises leased by ASSA ABLOY. Improvements for the new Police headquarters (36,700 m<sup>2</sup>) are expected to start in the end of 2021 and the works for Södermanland's County and Trafikverket will start during the spring of 2021.



#### About Project Lock

- Lettable area: 63,415 m<sup>2</sup>
- Type: office and industrial property
- Location: Eskilstuna, Sweden acquired off-market
- Occupancy rate: 88%
- Tenants: ASSA ABLOY (58,378 m<sup>2</sup> + 10,996 m<sup>2</sup>), Police (2,117 m<sup>2</sup> + 36,700 m<sup>2</sup>), Södermanland's County (3,391 m<sup>2</sup>) and Trafikverket (3,445 m<sup>2</sup>)
- Energy: 100% renewable
- Heating: Fossil-free district heating

## Co-operation with tenants

Technical improvement and Capex works for ASSA ABLOY started in March 2020. CapMan is working together with the tenant to help them meet their sustainability goals. In the past year, the following updates have been achieved for the asset:

Agenda	Initiative	Impact
Reduced emissions	Installation of Solar Park on the roof	Generates 668 MWh per year, which covers about 50% of ASSA's electricity needs
Energy efficiency	Additional insulation of the roof	Powerful impact on district heating consumption
Energy efficiency	New energy efficient ventilation system	Energy savings
Energy efficiency	Replacement of windows in existing building, both office and factory, from uninsulated 2-glass windows to modern insulated glass windows	Energy savings

“We really like working with an asset owner who has the same mindset regarding sustainability as we do.”

### ASSA ABLOY

Maria Ahlström

Sustainability Health and Safety Manager Scandinavia

Agenda	Initiative	Impact
Water conservation	Replacement of compressor	Reduced water consumption
Energy efficiency & Work environment	Replacement of windows	Energy savings & significantly improved work environment, more stable indoor climate
Emissions reduction & Work environment	Bicycle parking	Improved health & sustainable commute
Emissions reduction & Work environment	Green car charger	Sustainable commute
Certification	Process started to apply for BREEAM certification	Improve building sustainability management and well-being of tenants

Steps taken by CapMan is an investment in premises that help also ASSA ABLOY to achieve their sustainability agenda of people, planet and profit:

- Better working environment in offices and factory.
- Increased use of green electricity
- Reduced operating costs

The goal for ASSA ABLOY is to achieve a 50% reduction in CO<sub>2</sub> emissions in 10 years and to be climate neutral in 2050 in accordance with the Paris Agreement.

## Key SDGs and targets



**7-2 INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY**

**7-3 DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY**

*25 tCO<sub>2</sub>e*

Estimated amount of CO<sub>2</sub> avoided p.a. through use of solar power.<sup>11</sup>

Installation of solar panels on the roof of the building generates 668 MWh of energy per year.



**11-2 AFFORDABLE AND SUSTAINABLE TRANSPORT SYSTEMS**

**11-3 INCLUSIVE AND SUSTAINABLE URBANISATION**

*7 m€*

Technical improvements and capex in Project Lock

CapMan has committed €7 million for technical improvements and capex for Project Lock in order to improve the usability of the building.

<sup>11</sup> As compared to CO<sub>2</sub> emissions of purchased electricity in Sweden of 0,03742 kg CO<sub>2</sub>e/kWh (GHG Protocol)

## Networks and External Initiatives

We work in cooperation with several external organisations in order to engage and further the discussion around sustainable investing.



### PRI

The PRI is the world's leading independent proponent of responsible investment. The Principles were launched in April 2006 at the New York Stock Exchange following an initiative by the United Nations. Since then the number of signatories has grown from 100 to over 2,300 institutional investors and organisations. The PRI is supported by, but not part of, the United Nations.

CapMan became a signatory of the Principles in 2012. We report to the PRI annually regarding how we apply the principles in our activities. The report is publicly available on the PRI website as well as CapMan's website.



### Level 20

Level 20 was founded in the UK in 2015 to promote equality and inclusion within the private equity industry. The name refers to an objective that at least 20 % of senior investment professionals should be women. CapMan has been part of establishing the Nordic chapter of the organisation and frequently arranges events in order to promote the organisation's objective. CapMan is also involved in the Nordic mentorship programme organised under Level 20.



### CapMan for Good

CapMan for Good is an independent foundation established by CapMan in 2019. The purpose of CapMan for Good is to support entrepreneurship, education and other activities in order to increase well-being in disadvantaged parts of society. Through its operations, the foundation promotes the prerequisites of a healthy society. The foundation operates mainly in the Nordic countries but may also act globally. In 2020, CapMan's networks raised more than €150,000 to benefit young people that are at risk of becoming marginalised. €100,000 was directed to the Tukikummit foundation.



### The Upright Project

The Upright Project provides an automated way to quantify companies' net impact on people, planet, society and knowledge. The primary data source for scientific literature for the Upright net impact model is the CORE database, which contains approximately 180 million scientific papers. That represents approximately 50% of all scientific articles that have ever been published. Public statistical databases used by the Upright model include The World Bank database, OECD Structural and Demographic Business Statistics (SDBS), OECD Programme for the International Assessment of Adult Competencies (PIAAC), The Global Burden of Disease database from IHME, The Global Peace Index, and others. CapMan has participated in the Net Positive Nordics research to determine the impact of our investment operations on the society.



### Örebro School of Business Center for Sustainable business

CapMan provides support for the establishment of a two-year master in Sweden with a profile in sustainability and business studies. We contribute by providing practical know-

how on sustainability issues in the finance sector and support students writing their Master's theses.



### INREV

CapMan is a member of INREV, the European Association for Investors in Non-Listed Real Estate Vehicles. INREV strives to improve transparency, professionalism and best practices across the sector, making the asset class more accessible and attractive to investors. The association offers training and best practices for managers of unlisted real estate and sets the standard for corporate governance, sustainability, accounting and reporting.



### Finsif

CapMan's subsidiary CapMan Wealth Services is a member of Finsif, a member-based organisation that promotes responsible investment. Finsif organises events, training and best practices for investment professionals and advisors.

**Pääomasijoittajat – Finnish Venture Capital Association**

CapMan is one of the founding members of Pääomasijoittajat – FVCA. FVCA is the industry body and public policy advocate for the venture capital and private equity investors in Finland. As the voice of the Finnish VC and PE community and the entrepreneurs they fund, the association demonstrates the positive impact of the industry on the Finnish economy and provides market intelligence, specialist training and more. The association also develops and maintains professional standards and guidelines for the industry in Finland and provides training for its members.

**SVCA – Swedish Venture Capital Association**

CapMan is a member of the SVCA since 2003. SVCA is the industry body and public policy advocate for private equity and venture capital companies in Sweden. The association develops and maintains professional standards and guidelines for the industry in Sweden, promotes transparency and ethics in the industry and provides training for its members. CapMan participates in roundtable discussions with the association.


**Invest Europe**

CapMan is a member of Invest Europe (formerly EVCA). Invest Europe is the world's largest association of private capital providers and it represents Europe's private equity, venture capital and infrastructure investment firms, as well as their investors, including some of Europe's largest pension funds and insurers.

Invest Europe's members take a long-term approach to investing in privately-held companies. They inject not only capital but dynamism, innovation and expertise. This commitment helps create healthy and sustainable companies across Europe, securing millions of jobs and delivering strong returns for leading pension funds and insurers whose members depend on them for their retirements.

## Learn More

We continue to develop and implement sustainable investment practices at CapMan. Please contact us to learn more!

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*Building value for the enrichment of society.*