

CapMan's ESG Investment Policy

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1. Introduction

1.1 Background and vision

CapMan plays an important role in society by efficiently managing institutional capital invested in its funds and mandates. This capital is raised from investors, such as public and private pension funds, funds of funds, life insurance companies, foundations, family offices and high-net-worth individuals, and is used for acquiring and developing the companies, properties and infrastructure assets held in funds managed by CapMan. CapMan also makes significant contributions to those funds. Through our funds' investments, we build successful companies and improve real estate and infrastructure assets. Our approach includes promoting innovation and facilitating new solutions to challenges, as well as identifying, addressing and managing key environmental, social and governance issues. CapMan is often the first institutional owner and as such we play an important part in establishing ESG processes and objectives for our portfolio companies and assets. Through actively managing our investments CapMan influences and shapes communities. Our successful investments provide superior returns to our fund investors and shareholders, thereby helping them to meet the expectations of their own constituencies.

Our vision is to be the most responsible Nordic private assets company. This means that we consider sustainability factors in our investment decisions and asset management, as well as act responsibly as an asset manager, employer and business partner.

CapMan's Values

As an active and significant owner, we are committed to promoting responsible business practices in our portfolio companies and to conducting responsible asset management of our real estate investments and other investments. Our values reflect our core beliefs for driving value creation:

- Active Ownership
- Dedication
- High Ethics

CapMan strives to establish best practices for its portfolio companies. In parallel, CapMan's own business operations are also assessed based on a sustainability dimension. CapMan's Code of Conduct elaborates on CapMan's core values and establishes the basic principles regulating our decision-making and actions in the business environment, as well as the responsibilities of CapMan employees in implementing these principles. CapMan expects its portfolio companies and investments to apply a similar set of standards for their operations.

1.2 Purpose

We believe that it is central to the long-term success of our clients, portfolio companies, tenants and communities for us to consider environmental, social and governance (ESG) factors in our funds' decision-making processes, ownership activities, as well as advisory practices. The purpose of this ESG Investment Policy is to describe CapMan's approach and commitment towards the integration of ESG within CapMan's investments.

1.3 Scope

This policy reflects the decision-making and ownership practices applied by funds managed by CapMan AIFM Ltd, as well as in CapMan's other private equity, real estate and infrastructure investments, private debt and wealth services practices. The parent company CapMan Plc is also committed to the principles described in this policy in relation to its balance sheet investments.

2. CapMan's ESG Standards

As a Nordic active and significant owner, CapMan is ideally positioned to drive the change towards well governed, environmentally and socially sustainable businesses and assets. We have established long-term goals in the environmental, social and governance areas that underpin our actions.

- We drive climate action based in science and we promote life cycle stewardship.
- We create strong and equitable businesses and provide meaningful work.
- We are diverse, transparent and accountable for our actions.

The ESG Standards CapMan adheres to are aligned with our long-term goals and are to be considered for our investments as described below. Due to the different nature of investments in real estate projects, Real Estate specific ESG Standards are described separately. CapMan considers a number of environmental, social and governance topics in its portfolio companies and infrastructure investments where the topics are material in relation to the investment. Furthermore, CapMan Wealth Services considers the same topics in dialogues with portfolio managers based on client preferences on ESG issues. While data is collected on a wide variety of ESG topics, risk mitigation processes are implemented for material topics.

2.1 Environmental

The environmental topics considered include but are not limited to:

- Emissions of greenhouse gases and climate impacts;
- Preparedness for 1.5-degree Science-Based Targets and a net-zero commitment;
- Climate related risks (physical and transition risks);
- Efficient energy use;
- Waste, pollution, and risks for environmental hazards;
- Biodiversity and nature impacts;
- Circular business practices and limiting material usage;
- The overall environmental footprint of operations and establishment of a sound environmental policy;
- Breaches of international standards and conventions concerning the environment.

CapMan considers the following topics to be relevant for a real estate fund, asset, and project:

- Emissions of greenhouse gases and climate impacts, including:
 - A commitment to 1.5-degree Science-Based Targets and a net-zero commitment;
 - Carbon neutral energy consumption;
 - Reduction of energy intensity;
 - Replacing high emission intensity refrigerants with applicable low-carbon alternatives;
 - Installing on-site renewable energy solutions to feasible assets.
- Climate related risks (physical and transition risks);
- Green building certifications for new construction, major renovation projects and standing investments;
- EU Taxonomy alignment;
- Incorporating green leases in new lease contracts;
- Reducing water use intensity;
- Waste recycling options and waste recycling rate;
- Circular design and limiting material usage;
- Biodiversity and nature impacts.

2.2 Social

The social topics considered include but are not limited to:

- Employee engagement and employee satisfaction;
- Job creation through our investments;
- Health and safety;
- Diversity, equity and inclusion in the workplace (DE&I);
- Breaches of international standards and conventions concerning human rights, including child and forced labour, and labour rights, including freedom of association and the right to collective bargaining.

CapMan considers the following social topics to be relevant for a real estate fund, asset, and project:

- Tenant engagement and awareness, on social and environmental matters;
- Tenant satisfaction and well-being;
- Supply chain management in relation to human rights, occupational health and safety, and other social aspects;
- Positive impacts on local communities.

2.3 Governance

The governance topics include but are not limited to:

- Gender diversity in boards and management teams;
- Sustainability objectives integrated in executive remuneration;
- ESG-related risks oversight and management by board of directors and/or management teams;
- Business ethics and good governance practices, including:
 - Code of Conduct for own operations;
 - Zero tolerance for bribery and corruption and ensure fair competition, which includes to have appropriate policies and processes in place;
 - Appropriate policies and processes in place related to data privacy, cyber security and whistleblowing;
 - Fair tax strategy.
- Supply chain management, especially and in relation to ESG-related risks;
- Management system certifications to relevant ISO standards or equivalent;
- Promoting solutions that support reaching the UN Sustainable Development Goals (UN SDG);

- Breaches of international standards and conventions concerning good governance.

CapMan considers the following topics to be relevant for a real estate fund, asset, and project:

- ESG risk assessment as part of annual property audits;
- Promoting the UN SDGs as an integrated part of fund level ESG objectives;
- Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment participation with relevant real estate funds;
- Supply chain management, especially in relation to ESG-related risks.

3. Integration of ESG

CapMan integrates the ESG Standards throughout the investment processes as described below.

3.1 Overall principles for ESG integration

Restrictions

CapMan applies certain restrictions at an investment strategy level. In addition, CapMan has a Restriction list applicable to all CapMan Private Equity, Infrastructure and CapMan Balance Sheet investments. CapMan does not invest in any investment opportunity that falls within any of the restriction areas criteria.

Sustainability risks

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Environmental risks can relate to, among others, climate-related risks (physical and transition), biodiversity or pollution. Social risks can relate to for instance safety and well-being, human rights in the supply chain, and employee or tenant satisfaction. Governance risks can relate to for example inadequate management of ESG, management incentives, corruption, bribery, cybersecurity, or data privacy. The potential sustainability risks to which any investment is exposed may cause a negative impact on the value of investments.

Before any investment decisions are made, and as part of its overall investment analysis, CapMan will identify the material sustainability risks associated with the proposed investment. Investment decisions will then be made by referencing the relevant investment policies and objectives, including an action plan for mitigating any sustainability risks at asset level. During the holding period, CapMan considers the adverse impacts of its investments and creates an action plan for the most material aspects.

The above-mentioned sustainability risk statement is based on the requirements as set out in the Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR) specifically relating to the integration of sustainability risks.

3.2 Integration of ESG in CapMan Private Equity and Infrastructure

Majority investments

CapMan Private Equity and Infrastructure integrates ESG in all aspects of the investment process: from sourcing and screening of potential investments to due diligence and the decision to proceed with the investment and throughout the holding period.

Sourcing and Screening

1. In this phase, the investment team conducts a restricted sector screening based on the Fund Level restricted sectors, as well as CapMan's Restriction list.
2. In addition, an initial ESG risk assessment of the target is performed to identify any red flags or substantial ESG-related risks.

Due Diligence Process

1. The ESG Due Diligence is conducted with internal resources, potentially with the support from external consultants. The Due Diligence process follows CapMan's proprietary Due Diligence framework.
2. The ESG Due Diligence is preceded by a materiality analysis to identify ESG topics that are relevant to assess, given the industry and company specifics of a potential investee company.
3. Each identified material topic is assessed, providing an understanding of the level of maturity each investment opportunity has, and the key ESG-related risks and opportunities that need to be managed during the holding period.
4. The maturity assessment further provides an understanding of potential actions to be taken, given that CapMan proceeds with the investment, to preserve and create value from an ESG perspective.
5. An ESG value creation plan is created based on the findings from the ESG Due Diligence.
6. For investment opportunities in relevant funds, an analysis is conducted on Principal Adverse Impacts. Where relevant, an analysis is also conducted to ensure that fund specific social and/or environmental characteristics are promoted.

Before Signing and Closing of Investment

1. Findings from the Restriction list analysis, the ESG risk assessment and the ESG Due Diligence (including value creation plan) are included in the investment committee decision materials and discussed in the Investment Committee meetings.
2. An initial value creation plan and metrics to monitor ESG performance are identified.

Ownership and Value Creation

1. For CapMan, active ownership is the basis for the value creation phase of the investment.
2. During the value creation phase, CapMan implements value creation initiatives that also have a value building impact from an ESG perspective.
3. CapMan rolls out portfolio level ESG initiatives based on the fit with its investment specific goals and the outcome of the company-specific Due Diligence analysis.
4. CapMan monitors the investments' performance in relation to CapMan's ESG Standards and investment specific targets.
5. CapMan also collects and discloses data on Principal Adverse Impacts.

Exit

1. Ownership change is part of a continuum for a business or asset. All value creation and asset management activities throughout 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.
2. CapMan describes ESG improvements completed during our ownership and highlight areas for further development for the new owner.

Minority investments

For minority investments within CapMan Private Equity and Infrastructure, the process for integrating ESG aspects may differ in relation to the Ownership and Value Creation phase due to CapMan's position and limited leverage.

3.3 Integration of ESG in CapMan Credit

CapMan Credit integrates ESG in all aspects of its investment process: from sourcing and screening of potential investments; through credit analysis, due diligence and investment decisions; to monitoring and management. The sourcing and screening of potential investments include:

1. A negative screening step in the form of CapMan Credit's restrictionlist.
2. A positive screening step whereby sponsors and owners which integrate ESG in its operations are favoured.

ESG considerations form a central part of the credit analysis, due diligence and overall risk assessment for each investment opportunity. Identified specific ESG risks and favourable findings are included in the investment committee decision materials and discussed in the Investment Committee meetings. Throughout the monitoring and management of investments there is a strong focus on encouraging and supporting business owners and companies with value creation initiatives to include ESG perspectives.

3.4 Integration of ESG in CapMan Real Estate

CapMan Real Estate integrates ESG into all stages of its investment management process: from screening of potential investments to asset management and maintenance of properties.

Sourcing and Screening

1. In the sourcing and screening phase, an initial and high-level ESG screening is conducted, as well as a restriction criteria analysis in relation to CapMan Real Estate's restriction list, which includes restrictions for tenants involved in operations in any of the restriction areas featured.

Due Diligence and Negotiations

1. ESG, Technical and Environmental Due Diligence assessments are conducted by a third-party for all new acquisitions to identify related risks and mitigation actions, as well as to identify related value creation opportunities.
2. The ESG Due diligence includes screening in relation to relevant ESG topics such as energy efficiency, greenhouse gas emissions and water consumption. The Environmental Due Diligence includes screening of various environmental risks such as physical climate risks, contaminated land, and hazardous building materials. The Technical Due Diligence focuses on the technical condition and related risks of the building such as building and fire safety.
3. An asset specific ESG asset management plan is created for each investment based on ESG, Technical and Environmental Due Diligences. The purpose of the ESG asset management plans is to mitigate and address potential ESG issues, risks and benefits in a timely manner and set clear ESG targets and action plans.

Ownership and Value Creation

1. For CapMan, active ownership is the basis for the value creation phase of the investment.
2. During the ownership phase, CapMan implements, monitors, and updates the ESG asset management plan and identifies further value creation initiatives.
3. CapMan also identifies possible new ESG investment goals and overall objectives and monitors the investment's performance in relation to CapMan's ESG Standards and GRESB Real Estate Assessment.
4. CapMan also collects and discloses data on Principal Adverse Impacts.

Exit

1. Ownership change is part of a continuum for the asset. All value creation and asset management activities through the lifecycle of the investments are targeted at managing and reducing risks as well as maximizing value at exit.
2. CapMan describes ESG improvements completed during our ownership and highlights areas for further development for the new owner.

3.5 Integration of ESG in CapMan Wealth Services

CapMan Wealth Services bases all investment solutions on an independent manager selection process that includes detailed ESG analyses.

Public market investments

Sourcing and screening of investment instruments

1. The sourcing and screening phase is always an independent process with the aim of finding the most suitable instruments. CapMan Wealth Services always requires information and documentation regarding the customers' ESG preferences, alongside with their risk preferences and time horizons when providing investment services.

Quantitative ESG screening and analysis

1. CapMan Wealth Services conducts detailed ESG analyses for the most suitable investment alternatives, which includes data review based on instrument's underlying holdings using leading ESG data providers.
2. The detailed ESG analysis focuses on current and historical carbon metrics, fossil fuel involvements, ESG risk scores and ratings, controversial sector involvements, UN SDG contributions and UN Global Compact (UNGC) Principles and violations.
3. Fund classifications under the SFDR are taken into consideration with strong preference for funds classified in relation to articles 8 and 9.

Qualitative ESG screening and analysis

1. CapMan Wealth Services' qualitative ESG analysis focuses on how ESG is integrated across the strategy and processes, ESG policies and targets, ESG restrictions and limits, group level ESG commitments, as well as engagement practises and ESG reporting.

Selection stage

1. CapMan Wealth Services always prefers the investment product with a stronger ESG profile in cases where two investment products are otherwise equal from other relevant angles of the selection process.

Monitoring stage

1. CapMan Wealth Services monitors the selected investment products with position level ESG data, focusing on carbon metrics and controversial sector involvement.
2. Based on the ESG data monitoring, ESG reporting from the selected investment products and a general understanding of the ESG profile for selected investment products, CapMan Wealth Services can assess the most suitable instruments for customers.

Private market investments

The ESG standards are integrated into CapMan Wealth Services private market investment process. CapMan Wealth Services engages either through investment advisers or directly with private market sponsors to promote improved ESG performance and adoption of ESG policies and reporting. CapMan Wealth Services avoids funds, whose companies are directly involved in the manufacturing or distribution of products that are prohibited under laws of applicable jurisdictions, or which are likely to be prohibited under laws of applicable jurisdictions within the foreseeable future. CapMan Wealth Services strive to work with investment advisers, or directly with private market sponsors, that in turn work with industry peers and general partners to implement the ESG policy and promote sustainability in general. CapMan Wealth Services strive to communicate actively with investors and other stakeholders on all ESG activities.

3.6 Integration of ESG in CapMan's Balance Sheet Investments

1. CapMan's ESG Standards are applied in sourcing and screening, the ESG Due Diligence, and the decision-making process of new direct balance sheet investments.
2. CapMan also applies its Restriction list to its new direct balance sheet investments.
3. CapMan monitors the performance of its direct balance sheet investments in relation to CapMan's ESG Standards where applicable. For direct minority investments, CapMan's process for monitoring and integration of ESG may differ due to CapMan's position and limited leverage.

4. For investments involving third-party investment managers, CapMan has limited ability to ensure the underlying investments' compliance with CapMan's ESG Standards and CapMan's Restriction list, or the third-party's own policies, particularly when making commitments to funds that seek to make their investments in the future, or to fund-of-fund vehicles. However, when making such commitments or investments, CapMan undertakes a qualitative ESG analysis and considers the direct counterparty's ESG policies and their conceptual alignment with CapMan's policy. CapMan also seeks to engage with the managers of the funds that CapMan has invested in to support their respective ESG agendas in line with CapMan's ESG commitments.

4. CapMan's ESG Commitments

4.1 Principles of Responsible Investment

CapMan became a signatory of the Principles for Responsible Investment (PRI) in 2012. The guiding code is summarised as the following six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will each report on our activities and progress towards implementing the principles.

CapMan strives to meet all Principles comprehensively in our investment activities and report on our activities to PRI on a yearly basis.

4.2 UN Sustainable Development Goals

CapMan works to align investment activity with the UN SDGs. Alignment is primarily implemented on a fund level, where funds select specific SDGs that are most relevant for its strategy. Moreover, additional SDGs can be selected for specific investments.

4.3 Science-Based Targets initiative

The transition to a decarbonized society is one of the most important decisions of the future. We want to help our companies, assets and ultimately our stakeholders transition towards a carbon neutral society through positioning our portfolio companies and assets on a path towards net-zero GHG emissions. To achieve this, we have committed to the Science-Based Targets initiative (SBTi) in order to align with the 1.5-degree pathway.

4.4 UN Global Compact

CapMan supports the Ten Principles of the UNGC on Human rights, labour, environment and anti-corruption. We are committed to making the UNGC and its Principles part of the strategy, culture and day-to-day operations of our company and to describe our efforts in the annual submission of a Communication of Progress (COP).

5. CapMan's ESG Governance

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.

5.1 Roles and responsibilities

CapMan Plc's Board of Directors (BoD) is responsible for the proper organization of CapMan's operations and is therefore also responsible for ensuring that CapMan has the appropriate ESG organisation. CapMan Plc's BoD approves long-term strategic group-level ESG objectives and priorities, has oversight of key ESG risks, and approves the Group-wide remuneration policy including how it links with ESG criteria. The Audit Committee assists the Board in its oversight role, and more closely addresses ESG matters such as ESG reporting, KPI monitoring and risk management in its meetings. The Remuneration Committee assists the Board in remuneration matters.

The Management Group acts as **CapMan's ESG steering group**. It agrees on the high-level action plan for the execution of the Board-approved long term strategic ESG objectives and priorities. Investment teams are represented in the Management Group and are therefore committed to the ESG action plans agreed within the group. **Investment teams** are responsible for implementing the ESG investment policies in their own operations, for formulating and implementing fund-level ESG strategies and integrating the CapMan ESG approach and standards in their investments. Each investment team has a dedicated ESG person who participates in group-wide ESG work.

The **Chief Operating Officer** (COO) has overall responsibility over CapMan's group-level ESG approach, setting the more detailed short-term ESG targets, ESG reporting, ESG risk management, compliance and CapMan ESG operations.

CapMan's **ESG Director** is responsible for the development and implementation of group-level ESG strategy and CapMan ESG approach, with the support of the ESG working group. The ESG Director formulates the group-level ESG targets together with the COO and investment teams, assists the investment teams and portfolio companies in implementing the ESG processes, the reporting and the setting of portfolio company level ESG targets. The ESG Director is also responsible for the training of CapMan personnel on ESG related matters.

ESG issues are further managed by the **ESG working group** consisting of representatives of CapMan's investment teams and support functions.

CapMan's regulated fund management operations are centralised to a wholly owned subsidiary CapMan AIFM Ltd. CapMan AIFM approves Funds' key ESG disclosures and monitors compliance with ESG regulations. CapMan AIFM's risk management and compliance functions have an important role in the monitoring work.

5.2 Disclosure and reporting

CapMan monitors the financial and non-financial performance of its own operations and of its investments. Systematic assessment of sustainability impacts is an integral part of the performance evaluation.

CapMan monitors portfolio companies and assets during the investment period and reports sustainability impacts regularly to limited partners throughout the investment's life cycle. Funds managed by CapMan report on the funds' performance, including performance on ESG issues, to the funds' limited partners periodically at least annually and according to applicable regulation.

CapMan annually discloses sustainability impacts and performance against sustainability KPIs, as part of its continuously developing public sustainability reporting process. The disclosures consider both CapMan Group and the majority of its fund investments.

CapMan and its funds further report in accordance with several global initiatives. CapMan reports on its progress in implementing responsible investment principles annually to PRI. The Transparency Reports can be found on the PRI website. CapMan further reports on the performance against select sustainability KPIs to the Institutional Limited Partners Association (ILPA) together with other industry leaders. Some of CapMan's Real Estate and Infra funds report to GRESB.

CapMan's discloses information addressed by the SFDR and the EU Taxonomy Regulation in relevant pre-contractual documentation and periodic reporting to investors as well as on its website.

CapMan further encourages a continuous dialogue with limited partners related to sustainability impacts. In case of an ESG-related incident, limited partners are informed.

5.3 Non-Compliance with the policy

Non-Compliance with or deviations from the policy shall be addressed by CapMan Plc's Management Group.

5.4 Policy review

The contents of this policy are subject to annual review.

6 Document Reference list

- CapMan Private Equity, Infrastructure and own Balance Sheet Investments Restriction List
- CapMan Code of Conduct

7 Version history

| Document name | Effective date | Approved by | Comment |
|------------------------------|----------------|-------------------------------|---|
| CapMan ESG Investment Policy | 21 Dec 2022 | CapMan Plc's Management Group | Update of content, and name change, of previously existing policy "CapMan Sustainable Investment Policy". |