



# CapMan

CapMan Plc  
Sustainability-Linked Bond Framework

May 2024



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## INTRODUCTION

### 1.1 About CapMan

CapMan (“Company”, “Group”, “we”, “us”) is a leading Nordic private assets expert with an active approach to value creation. As one of the private equity pioneers in the Nordics we have developed hundreds of companies and assets creating significant value for over three decades. Our objective is to provide attractive returns and innovative solutions to our investors across the private assets spectrum by enabling change across our portfolio companies and assets. Our investment strategies cover real estate and infrastructure assets, natural capital and minority and majority investments in portfolio companies. We also provide wealth management solutions. Our service business includes procurement services.

Altogether, CapMan employs approximately 200 professionals in Helsinki, Jyväskylä, Stockholm, Copenhagen, Oslo, London and Luxembourg. CapMan’s stock is listed on Nasdaq Helsinki since 2001. CapMan is a signatory of the UN Principles for Responsible Investment (PRI) since 2012.



## 1.2 Sustainability at CapMan

CapMan’s vision is to become the most responsible Nordic private asset company. To get there, we are basing our sustainability work in science, focusing on topics which are material and incorporating a holistic and comprehensive approach which includes our various stakeholders, the communities where we operate and the environment. We aim to reduce negative impacts on people and nature along our value chain by ensuring that the operations we can influence stay within the planetary boundaries and positively affect the people living on this planet while creating strong financial returns.

In order to achieve this aim, we work systematically to develop roadmaps based on credible frameworks to transition assets and companies towards resource efficient, circular and nature-positive operating models that promote inclusive, happy workplaces, all the while ensuring respect for human rights throughout the value chain. We provide practical support to our portfolio companies and people managing our assets to help them to develop their operations. We are committed to transparency as it promotes accountability for everything that we do. This is how we at CapMan keep building value for the enrichment of society towards 2040 and beyond.

In line with our vision, we do not limit our investments to only sustainable assets, as we believe we can create more value by supporting the development of and transition towards sustainable operating models across industries and sectors.

We have organized our sustainability roadmap under five overall themes, which cover environmental, social and governance areas.

Picture1: CapMan sustainability themes



In 2023, the Science Based Targets initiative (SBTi) confirmed our mid-term greenhouse gas emission reduction targets, which we track our progress against. As a natural progression, we have now committed to achieving net-zero emissions by 2040 and to manage our real estate assets in line with net zero by 2035 the latest and our infrastructure assets and portfolio companies in line with net zero by 2040 at the latest, a decade earlier than the global target of 2050 of the UN Paris Agreement.

As a company listed on Nasdaq Helsinki, 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 sources of their funds are identified.

## **Materiality of sustainability topics**

CapMan's latest materiality assessment was conducted in 2022 based on stakeholder interviews and surveys. This includes assessments for both CapMan Plc, CapMan as an investor and CapMan Real Estate. The material topics identified serve as the basis for CapMan's sustainability strategy, including sustainability processes and priorities.

Based on the materiality assessments made, CapMan's work focuses on five sustainability themes: climate action based in science, nature-positive operations that safeguard the planetary boundaries, strong and equitable businesses with meaningful work, human rights throughout our value chain and accountability, transparency and executive level diversity. The Sustainability Themes CapMan adheres to are aligned with our long-term goals and are to be considered for our investments. Due to the different nature of investments in real estate projects, Real Estate specific sustainability themes are described separately.

CapMan is in the process of updating the assessment during 2024 to reflect the double materiality principle of the Corporate Sustainability Reporting Directive (CSRD).

### **1.2.1 Our approach to promoting sustainability in investments**

At CapMan, we are guided by our mission to build value for the enrichment of society. We strive to be a positive influence in society and a role model for our investors and portfolio companies. Our sustainability journey is about maximising that positive influence.

We manage €5.7 billion in assets on behalf of institutional investors. The returns from our funds contribute to the well-being of over 10 million pension beneficiaries around the world. Our activity also shapes the Nordic communities where we invest. 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 benefits the society as a whole. Functioning governance is important, not only for our own activities, but for the efficacy and credibility of the entire private assets sector. We work to contribute to well-functioning financial markets that channel funds in a sustainable manner also in the future.

#### **Sustainability in the investment process**

CapMan integrates sustainability throughout the investment lifecycle from initial screening to exit. CapMan's Sustainable Investment Policy describes our approach and commitment towards the integration of sustainability within our investments and our Restriction list limits sectors and activities in which we invest. The latest versions of CapMan's Sustainable Investment Policy and Restriction list can be found on our website: <https://capman.com/sustainability/>.

#### *Sustainability in the Infra and Private Equity investment process*

In order to ensure a systematic approach to sustainability work, CapMan has developed Sustainability onboarding and holding period guidelines for private equity and Infrastructure investment teams to define and guide how sustainability matters should be addressed both during CapMan's investment processes and when working with our portfolio companies. CapMan's Sustainability team takes an active part in the process. The guidelines can be split into three phases: pre-investment, holding period and exit.

The pre-investment phase starts with an initial screening of investment opportunities. Each fund has pre-set sustainability qualification and restriction criteria to define what kind of investments the fund can make. Once a potential portfolio company has been identified and the investment process initiated, a risk assessment is conducted via CapMan's proprietary ESG Due Diligence (DD) and Value Creation tool. This can be accompanied with a more comprehensive ESG DD led by an external consultant. The tool helps investment teams to also identify material sustainability topics which the company can further analyse and pursue to gain competitive advantage compared to its competitors. We call this utilisation of business opportunities sustainability value creation. The reporting readiness of the company is also assessed to determine how well the company can deliver the sustainability metrics which CapMan collects annually. Finally, the results obtained during the pre-investment phase are properly documented and included in the Investment Proposal that provides relevant information for the investment decision.

After the acquisition, the new portfolio company is introduced to CapMan's sustainability approach, sustainability roadmap, reporting and development expectations, and the support CapMan can provide. The next step revolves around strengthening the company's sustainability foundation, which covers baseline sustainability processes, governance structures, relevant policies to guide its operations and linkage between remuneration and key KPIs. CapMan provides practical tools, such as CapMan's policy library to support companies during this development work. It is also important that the findings of the risk ESG DD made during the pre-investment phase are addressed at this point. During the business planning, sustainability becomes an integral part of strategy and progress is followed up regularly with relevant KPIs.

While working with the portfolio companies we also progress CapMan's sustainability targets and ensure that companies obtain the required training on both emerging sustainability topics and on reporting requirements to ensure the comparability of the data across our investment portfolio. Finally, at exit, we describe sustainability improvements completed during our ownership and highlight areas for further development for the new owner.

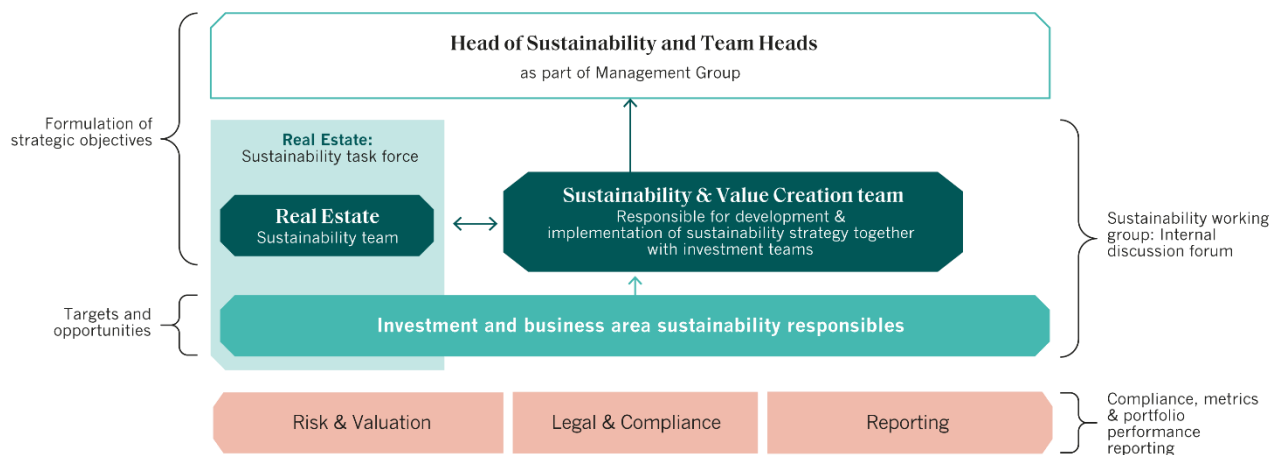
### *Sustainability in the real estate investment process*

CapMan Real Estate integrates sustainability criteria throughout the investment process, from sourcing of an investment to exit. The first step includes initial and high-level sustainability screening, including sustainability restriction criteria analysis. In 2023, CapMan published a real estate specific restriction list that serves as a starting point for the investment process. Following the initial screening, CapMan conducts detailed analysis on sustainability topics, including high-level analysis of potential sustainability risks and opportunities. Sustainability value creation opportunities and potential issues are documented, and a sustainability asset management plan is developed. During the ownership phase, CapMan implements an asset management sustainability plan, identifies further value creation initiatives and reports on the progress towards sustainability targets to stakeholders. Ownership change is part of a continuum for the asset. As a new owner is taking over, sustainability improvements completed during CapMan's ownership are detailed and areas for further development are highlighted in order to continue sustainability work in the asset.

## CapMan’s sustainability organization

To reach our vision, we execute sustainability initiatives across the entire CapMan Group. The Head of Sustainability is a member of CapMan’s Management Group and has overall responsibility for developing and implementing the Group-level sustainability strategy. CapMan’s sustainability team collaborates closely with the investment and asset management teams to implement sustainability measures throughout the investment process, from initial investment to exit. This process is further supported by functions such as legal & compliance, risk & valuation, and reporting which provide documentation, risk management and sustainability target tracking. These functions ensure regulatory compliance throughout the investment lifecycle.

Picture 2: CapMan sustainability organisation



## 1.2.2 Our sustainability roadmap and targets

As an active owner with significant reach in the Nordic society, CapMan is ideally positioned to drive positive transitions in real estate, infrastructure assets and companies. We have organized our sustainability roadmap under five overall themes, which cover environmental, social and governance topics.

The sustainability themes are:

- Climate action based in science
- Nature-positive operations that safeguard the planetary boundaries
- Strong and equitable businesses with meaningful work
- Human rights throughout our value chain
- Accountability, transparency, and executive level diversity

Due to the different nature of investments in real estate projects, Real Estate specific Sustainability Themes are described separately.

### Environment

#### *Climate action based in science*

Given the urgency of the climate crisis, it is crucial that decisions made at CapMan as well as in the portfolio companies and the properties that we manage are made in a

climate conscious manner. Our decisions are based on the latest and most credible methodologies and scientific research. We assess the carbon footprint of our activities and have set GHG emission reduction targets in line with the Science Based Targets initiative (SBTi). We also conduct CRREM assessments and action plans for real estate assets held by the funds we manage.

We have validated mid-term science-based targets to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 51% by 2032 and committed to reach net zero by 2040. We have also committed to increase annual sourcing of renewable electricity to 100% by 2030.

In addition to driving internal initiatives to decrease emissions, we support our portfolio companies, infrastructure and real estate assets to measure their GHG emissions, and to set and validate their individual emission reduction targets in line with SBTi guidelines and implement mitigation and adaptation measures. Furthermore, we annually track the Scope 1–3 GHG emissions of our investments.

The majority of CapMan's Scope 3 emissions are generated through our investments. CapMan targets reducing Scope 3 emissions under the SBTi guidelines for private assets companies. CapMan has set Scope 3 GHG emission reduction targets at asset level, including reduction in GHG emissions intensity for real estate and increasing the share of private equity and infrastructure investments that have set science-based targets. CapMan is committed to reaching net-zero emissions by 2040 for its operations and all investments and in-use operational net-zero emissions by 2035 in the real estate portfolio.

CapMan has committed to reduce its real estate portfolio GHG emissions from residential buildings within its direct investment portfolio 50% per square meter by 2032 from a 2021 base year. CapMan has committed to reduce its real estate portfolio GHG emissions from commercial (service) buildings within its direct investment portfolio 72% per square meter by 2032 from a 2021 base year. The targets follow a sector decarbonisation approach. In 2023, Real Estate GHG intensity (kgCO<sub>2</sub>e/m<sup>2</sup>) decreased by 18.7% for commercial real estate and 11.9% for residential real estate.

CapMan has also committed to 54.5% of its eligible private equity investments by assets under management setting SBTi validated targets by 2027, and 100% by 2032. The targets follow a portfolio coverage approach. In 2023, the share of eligible AUM for which science-based targets had been set was 16%.

Of our investments, real estate and infrastructure assets are particularly vulnerable to the physical consequences of climate change. We are working to better understand the risks of climate change on our assets under different scenarios by conducting physical climate risk assessments and mitigation plans in funds established after 2021. The relevant physical risks for most of our real estate assets (such as floods and wildfires) have already been identified with the appropriate adaptation solutions, and the same exercise will be conducted for our infrastructure assets in 2024.

With global transition to a low-carbon economy, we will also define the risks related to policy, technology, market changes, as well as the risks from the changing consumer, employee, and stakeholder preferences under different scenarios.

### *Nature-positive operations that safeguard the planetary boundaries*

By respecting and actively working to stay within the planetary boundaries, or the limits within which our planet can operate safely, we aim to do our share to maintain the balance of Earth's ecosystems and the ecosystem services and resources they provide, such as clean air, fresh water and fertile soil, as well as a stable climate. Protecting these systems is vital not just for preserving biodiversity and natural capital, but also for



supporting human life, health, and well-being. This massive undertaking requires coordinated global efforts across various levels, but we are determined to play our part and transition our assets and companies to reduce negative impacts and promote positive solutions, such as biodiversity conservation and sustainable resource use.

To create these nature-positive transition plans we first need to identify the main impacts, dependencies, risks and opportunities on nature for our real estate, infrastructure assets and portfolio companies. As a first step, we are currently developing our proprietary Nature positive approach and assessment tools for our investment teams. We are aligning our approach with current and upcoming nature-related frameworks. As a sign of our commitment, CapMan has signed up as an early-adopter of Taskforce for Nature-related Financial Disclosures (TNFD), which is the premier global risk management and disclosure framework for nature.

## **Social**

### *Strong and equitable businesses with meaningful work*

CapMan forms an important part of the society through the properties and businesses in which we invest. As we build real estate, infrastructure assets and companies to be proud of, that employees enjoy working at, and customers and tenants want to frequent and promote, they become more valuable – not only for us but for society as well. In essence, our activities start and stop with people. Accordingly, our focus is on human capital as it forms the core of CapMan’s success through the decisions that we make in our assets and portfolio companies and in the services we provide.

CapMan measures employee satisfaction and wellbeing at frequent intervals through eNPS which signals the willingness of CapManians to recommend their employer and is as such a good proxy for employee satisfaction. Further, workplace inclusion was measured for the first time in 2023. CapMan targets eNPS above 50 and an inclusion index score above 70. In 2023 CapMan’s eNPS was 51 and inclusion score was 81 (scale 1-100). For our investments, we target employee satisfaction above 3.5/5 or eNPS above 25 and tenant satisfaction of above 4/5 or NPS above 0.

CapMan has zero tolerance for harassment and bullying both at the office and at personnel and customer events. All employees must be familiar with this policy and recognize every person’s right to be treated with dignity and respect. All employees are aware of how to report suspected discrimination, bullying or harassment according to CapMan’s Fairness Procedure and Whistleblower channel. CapMan will always investigate any complaint of discrimination, bullying or harassment sensitively and without prejudice. All complaints are taken seriously and must be made in good faith. There were no incidents of discrimination reported in 2023.

The promotion and realisation of diversity and equity is a key sustainability topic for CapMan. CapMan’s organisation and activities should reflect its stakeholders and markets in which we operate. We believe that companies that take Diversity, Equity and Inclusion (DEI) into account also tend to be more innovative and profitable, which in turn has positive effects on the societies in which the companies operate. We expect portfolio companies with over 75 employees and where CapMan is a majority owner to implement a DEI policy.

### *Human rights throughout our value chain*

We respect human rights of all people, including our employees, those working for and with our investments and in local communities. Our target is to promote human rights throughout our investments’ value chains and continuously improve human rights

governance. In order to ensure human rights in practice, CapMan has conducted an assessment of salient human rights risks and impacts with external experts. The assessment has identified our existing strengths and a set of recommendations for strengthening the current human rights governance, risk management and policies and procedures on continuously identifying and assessing any adverse impacts, as well as CapMan's grievance and mitigations mechanisms which are communicated and reported on. We are working on an implementation plan which covers our investments, asset management and property management.

## **Governance**

### *Accountability, transparency, and executive level diversity*

The promotion of good governance, business ethics and integrity has always been an essential part of CapMan's investment operations. CapMan works to leverage the high standards of professional conduct also in the real estate, infrastructure assets and portfolio companies of its funds under management. In order to improve accountability of the decision makers at CapMan and our portfolio companies, we integrate sustainability factors into remuneration. This strongly aligns the incentives of decision makers with sustainability targets and ensures actions that prioritise sustainability matters, which ultimately leads to the achievement of overall sustainability goals.

CapMan develops its sustainability reporting to improve transparency regarding sustainability measures and to prepare for the upcoming Corporate Sustainability Reporting Directive (CSRD). Our largest portfolio companies will begin reporting according to the CSRD requirements simultaneously with CapMan, and we actively assist them in their preparations. Additionally, CapMan aims to enhance transparency related to the sustainability impacts of our funds under management and provide relevant disclosures according to Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation. CapMan promotes diversity within decision makers both within CapMan and across our portfolio companies. We target a maximum of 70% representation of any gender in new appointments to portfolio company boards and management teams.

CapMan has zero tolerance for corruption and expects the same commitment from its employees, investors, customers, suppliers, and other business partners. As a policy, Group employees do not offer or receive gifts, hospitality and other such benefits if they create or may create improper influence. CapMan has internal policies in place to guide decision makers in terms of conflicts of interest. The processes are described in detail in CapMan's anti-bribery and anti-corruption policy. Risk management criteria to assess anti-corruption behaviour take into account the location and nature of operations. Operations based in the Nordic countries lower the risk of corruption.




## **Sustainability target roadmap**

CapMan is dedicated to driving the development towards a sustainable future. Through our funds under management, we take action for the climate and are mindful of our planetary boundaries. Our funds under management create strong and equitable businesses and provide meaningful work. Respect for human rights is integral to our interactions across the value chain and we operate according to the highest governance standards.

In order to contribute to a robust and diverse economy and thriving environment we have established short-term (1–2 years), mid-term (10 years), and long-term (>10 years)

targets for CapMan Group as well as our investment areas. CapMan continues to develop its approach and transition towards CapMan’s long-term goals and report on the progress. Some targets have been included in the management team’s long-term performance share plan. CapMan’s baseline for its targets is typically 2021.

Table 1: CapMan sustainability target roadmap

	SHORT-TERM	MID-TERM	LONG-TERM
<b>CLIMATE ACTION</b> 	<b>CapMan</b> -Progressing towards mid-term science-based target and net zero target <b>Funds</b> -Continue setting SBTs for infrastructure assets and portfolio companies to meet the mid-term target	<b>CapMan</b> -Increase the use of renewable energy to 100% by 2030 -Reduce absolute Scope 1 and 2 GHG emissions 51% by 2032 -Reduce GHG emissions from business travel by 25% per full time employee from 2023 and by 2032 <b>Funds</b> -54.5% of eligible portfolio companies have set SBTi validated targets by 2027 and 100% by 2032 -Reduce residential RE portfolio emission intensity 50% and commercial (service) buildings emissions by 72% by 2032 -Energy intensity from real estate have decreased 26% by 2032 from 2021 (excl. mandates)	<b>CapMan</b> -Net-zero emissions throughout operations achieved by 2040 <b>Funds</b> -Net-zero emissions by 2035 for real estate in-use operational emissions and by 2040 for upfront and in-use embodied carbon and other investment strategies
<b>NATURE POSITIVE</b> 	<b>CapMan</b> -Certify CapMan offices according to the WWF Green Office Standard <b>Funds</b> -Develop a nature-positive approach and tools and pilot them for selected real estate projects and portfolio companies	<b>CapMan</b> -Maintain WWF Green Office designation <b>Funds</b> -Nature-positive transition plan developed for real estate and portfolio companies as part of a nature positivity framework -Real Estate waste material utilisation rate 70% for assets with data availability by 2032 -Demolition and construction waste recycling rate minimum 80% by 2032 -4% water intensity reduction in commercial properties by 2026	<b>CapMan</b> CapMan’s operations to stay within planetary boundaries <b>Funds</b> -Transition investments towards staying within planetary boundaries
<b>MEANINGFUL WORK</b> 	<b>CapMan</b> Employee satisfaction eNPS above 50*) <b>Funds</b> -Portfolio company employee satisfaction above 3.5 out of 5 or eNPS above 25 -Tenant NPS above 0, overall satisfaction above 4.0	<b>CapMan</b> -Keeping employee satisfaction eNPS yearly above 50 <b>Funds</b> -Keeping company employee satisfaction yearly above 3.5 out of 5 or eNPS above 25 -Keeping tenant NPS yearly above 0, overall satisfaction above 4.0	<b>CapMan</b> Maintain high job satisfaction <b>Funds</b> -Maintain high portfolio company job satisfaction and tenant satisfaction

## DIVERSITY, EQUITY & INCLUSION (DEI) AT THE WORKPLACE



### CapMan

- Management Group appointments: max 70% of any gender (if more than one appointment \*)
- Investment team appointments: max 70% of any gender \*)
- All recruits: max 60% of any gender \*)
- Keep inclusion index above 70

### Funds

- DEI policy implemented at all majority owned portfolio companies with more than 75 employees

### CapMan

- Management Group appointments: max 70% of any gender (if more than one appointment)
- Investment team appointments: max 70% of any gender
- All recruits: max 60% of any gender
- Keep inclusion index yearly above 70

### Funds

- Target to be decided

### CapMan

- Management Group appointments: max 60% of any gender (if more than one appointment)
- Partner appointments: Female partners to reach 20% overall by 2033
- All recruits: max 60% of any gender
- Increased diversity and inclusion funds

### Funds

- Diversity and inclusion increased within portfolio companies

## RESPECT FOR HUMAN RIGHTS



### CapMan

- Align with the UN Guiding Principles on Business and Human Rights across activities
- Strengthen the management of human rights risks in CapMan's corporate functions and investment activities

### Funds

- Continue aligning processes for human rights with the UN Guiding Principles on Business and Human Rights across investments, asset management and property management

### CapMan

- Track implementation and communicate results on human rights while continuously improving human rights governance

### Funds

- Track implementation and communicate results on human rights while continuously improving human rights governance
- 0 fatalities
- Reducing accidents at construction sites
- Fair working conditions throughout the value chain following the implementation of a Supplier Code of Conduct

### CapMan

- Promotion of human rights throughout value chain ensured, tracked and communicated

### Funds

- Promotion of human rights throughout value chain ensured, tracked and communicated

## DIVERSITY, EQUITY & INCLUSION IN DECISION MAKING



### CapMan

- Emphasise board diversity (board elected by AGM)

### Funds

- Appoint max. 70% of any gender to portfolio company boards & management teams

### CapMan

-

### Funds

- Appoint max. 70% of any gender to portfolio company boards & management teams

### CapMan

-

### Funds

- Max 60% of any gender in portfolio company boards and management teams

## ACCOUNTABILITY & TRANSPARENCY



### CapMan

- Sustainability targets incorporated into the variable remuneration for eligible employees \*)
- Increase sustainability governance trainings
- Sustainability reporting in line with key sustainability initiatives such as TCFD, TNFD, UNGC and PRI

### Funds

- Sustainability onboarding & holding period guidelines implemented in all new acquisitions

### CapMan

- Sustainability reporting beyond regulatory requirements in line with key sustainability initiatives
- Engagement on sustainability topics with relevant stakeholders conducted and reported on
- Keep strengthening Sustainability competence across CapMan with Sustainability Academy sessions and systematic sustainability governance training for all employees

### CapMan

- Sustainability targets included in the CapMan Group employee bonus
- Maintain high sustainability competence across CapMan Group
- Engage with relevant stakeholders to develop sustainability best practice, including reporting, in private markets

### Funds

- Target to be decided



		<p><b>Funds</b></p> <ul style="list-style-type: none"> <li>-Target to be decided for portfolio companies</li> <li>-75% of all real estate assets certified by sqm and during the holding period by 2032</li> <li>-Share of EU Taxonomy aligned properties is increased</li> </ul>	
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*\*) Included in the long-term Performance Share Plan for the Management Group*

## 1.2.3 Networks and external initiatives

CapMan has committed to the Science Based Targets initiative (SBTi) and set a net-zero commitment by 2040. CapMan has participated in developing a carbon neutrality road map as part of Initiative Climat International (iCI). CapMan is also an early adopter of the Task Force for Nature-related Financial Disclosures (TNFD).

CapMan respects, protects and promotes internationally proclaimed human rights in its operations. CapMan upholds the Universal Declaration of Human Rights (UDHR), UN Guiding Principles on Business and Human Rights (UNGPR), International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at work, as well the Organisation for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises.

Through its participation in UN Global Compact (UNGC), CapMan is committed to UNGC's principles and promotes its fundamental values related to human rights, labour principles, the environment, and anti-corruption. CapMan has also been a signatory to the Principles of Responsible Investments (PRI) since 2012. CapMan is also a member of the ILPA ESG Data Convergence Initiative. The entire organisation is guided by these international standards to assess its operations, including engagement with portfolio companies, investors and other stakeholders. CapMan is a member of Finsif and Swesif, network organisations that promote sustainable investment in Finland and Sweden, respectively. CapMan promotes sustainable practices in the Nordic private equity industry through industry associations FVCA and SVCA and INREV, which promotes the interests of European real estate investors. CapMan promotes sustainable practices in the European private equity industry through industry association Invest Europe.

CapMan Real Estate is a member of Green Building Council Finland, Sweden and Denmark (Rådet for Bæredygtigt Byggeri) and is part of developing the industry and society. CapMan reports on the sustainability performance of its real estate and infrastructure funds according to the GRESB framework.

## 2 SUSTAINABILITY-LINKED BOND FRAMEWORK

CapMan wants to contribute to solving the major issues related to climate change and sustainability. By setting up this Sustainability-Linked Bond Framework (the Framework), CapMan strives to integrate sustainability features in its funding. This Framework will also contribute to awareness around CapMan's commitment to its goals, as well as offer an opportunity to communicate with investors and other market participants about its work within this area in a dedicated and frequent manner.

CapMan can issue debt financing instruments with specific sustainability-related provisions ("Sustainability-Linked Bonds") under this Framework.

This Framework has been established in accordance with the Sustainability-Linked Bond Principles (SLBP) 2023 as administered by ICMA<sup>1</sup>.

The following five components form the basis of CapMan's Framework:


1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Financial Instrument Characteristics
4. Reporting
5. External Review

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<sup>1</sup> International Capital Markets Association SLB 2023:  
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Sustainability-Linked-Bond-Principles-June-2023-220623.pdf>

## 2.1 Selection of Key Performance Indicators (KPIs)

CapMan has selected the following KPIs, which are core, relevant, and material to its business to measure the sustainability improvements of CapMan and its portfolio companies:

<b>KPI 1</b>	<p><b>(a) Real estate portfolio GHG emissions from residential buildings within CapMan’s direct investment portfolio (kgCO<sub>2</sub>e/m<sup>2</sup>)</b></p> <p><b>(b) Real estate portfolio GHG emissions from service buildings within CapMan’s direct investment portfolio (kgCO<sub>2</sub>e/m<sup>2</sup>)</b></p>												
<b>Definition</b>	GHG emission intensity (kgCO <sub>2</sub> e/m <sup>2</sup> ) from residential and services (commercial) buildings within CapMan’s direct investment portfolio.												
<b>Scope</b>	Emissions by CapMan’s Real Estate investments constituted 8.1% of CapMan’s Scope 3 emissions and 8.1% of CapMan’s total emissions in 2023.												
<b>Calculation methodology</b>	<p>Emissions are calculated in compliance with the GHG protocol.</p> <p>CapMan accounts for its share of GHG emissions (Scope 1–3) from investments based on fund ownership. To assess the impact of real estate investments, CapMan conducts an internal assessment of Scope 1–3 emissions of properties with the help of a third-party consultant. Emissions from real estate investments included both actual and estimated emissions. Market-based emissions factors were used when actual consumption information was available. For estimated consumption, location-based emissions factors were used.</p> <p>Asset data is provided by real estate asset managers and property management companies.</p> <p>The targets follow a sectoral decarbonisation approach (SDA).</p> <p>Gross floor area (GFA) is applied as the denominator of the indicator (kgCO<sub>2</sub>e/m<sup>2</sup>). Real estate emissions included in the numerator of the indicator are refrigerant leakages, energy purchased by landlords, and energy purchased by tenants.</p>												
<b>Rationale for choosing the KPI</b>	<p>CapMan wants to show leadership in tackling climate change by setting ambitious and Science-Based climate targets. As the building sector is responsible for over one third of the global energy consumption and emissions, CapMan is eager to take tangible actions on climate change mitigation through its real estate portfolio as part of its long-term commitment to become a net-zero business.</p> <p>CapMan has also set an SBTi-validated target covering its Scope 1 &amp; 2 emissions, but has elected to include the Scope 3 target covering real estate emissions as Scope 1 &amp; 2 emissions constituted only less than 0.1% of CapMan’s total emissions in 2023, while real estate emissions constituted 8.1% of CapMan’s total emissions in 2023 and accounted for 51.2% of CapMan’s assets under management as of Q1 2024.</p>												
<b>Historical performance</b>	<p><b>Emission intensity of real estate, kgCO<sub>2</sub>e/m<sup>2</sup></b></p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Residential real estate</td> <td>13.6</td> <td>13.6</td> <td>12.0</td> </tr> <tr> <td>Commercial real estate</td> <td>19.3</td> <td>16.3</td> <td>15.7</td> </tr> </tbody> </table>		2021	2022	2023	Residential real estate	13.6	13.6	12.0	Commercial real estate	19.3	16.3	15.7
	2021	2022	2023										
Residential real estate	13.6	13.6	12.0										
Commercial real estate	19.3	16.3	15.7										
<b>Baseline year</b>	2021												
<b>Contribution to SDG(s)</b>													

All instruments issued under this framework will use KPI 1 (a), (b) alongside KPI 2.

<b>KPI 2</b>	<b>Share of SBTi approved GHG reduction targets across eligible Private Equity and Infrastructure investments by assets under management (AUM), %</b>			
<b>Definition</b>	<p>Share of eligible Private Equity and Infrastructure investments by assets under management that have set SBTi validated targets.</p> <p>Eligible investments mean investments where the fund owns <math>\geq 25\%</math> of the fully diluted shares of the portfolio company and has at least 1 board seat. Special Situations' whole portfolio has been excluded from SBTi near term targets and is therefore not included in eligible investments.</p> <p>Assets under management defined as the invested capital (at cost).</p>			
<b>Scope</b>	Emissions by eligible CapMan's Private Equity and Infrastructure investments constituted 83.7% of Scope 3 emissions and 83.7% of CapMan's total emissions in 2023.			
<b>Calculation methodology</b>	<p>The metric is calculated as assets under management of eligible investments with validated SBTs (EUR) divided by assets under management of eligible investments (EUR). Investments made within past 24 months can be excluded from calculation.</p> <p>Scope 3 Category 15 (investments) includes CapMan's share of emissions of assets and portfolio companies of funds under CapMan's management. Emissions from the infrastructure assets and portfolio companies have been calculated by the companies themselves or by consultants. The targets follow a portfolio coverage approach.</p>			
<b>Rationale for choosing the KPI</b>	<p>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. By committing to SBTs we thereby place our investments on a scientifically verified path towards net-zero greenhouse gas emissions.</p> <p>CapMan has also set an SBTi-verified target covering its Scope 1 &amp; 2 emissions, but has elected to include the Scope 3 target covering portfolio company emissions as this covers the vast majority of CapMan's total estimated GHG emissions.</p>			
<b>Historical performance</b>		<b>2021</b>	<b>2022</b>	<b>2023</b>
	Share of eligible AUM for which SBTs have been set	0%	10%	16%
<b>Baseline year</b>	2021			
<b>Contribution to SDG(s)</b>				

All instruments issued under this framework will use KPI 2 alongside KPI 1 (a), (b).



## 2.2 Calibration of Sustainability Performance Targets (SPTs)

CapMan has set near-term Science-Based Targets that will serve as a basis for the calibration of the SPTs.

SPT 1.a: Reduce real estate portfolio GHG emissions from residential buildings within the direct investment portfolio by 27% per square meter by 2027 from a 2021 base year

SPT 1.b: Reduce real estate portfolio GHG emissions from service buildings within the direct investment portfolio by 39% per square meter by 2027 from a 2021 base year

### **Historical performance and proposed target**

CapMan committed to the SBTi in early 2022 and has now completed the next phase of the process as we have set reduction targets for GHG emissions arising from our own operations as well as for Scope 3 emissions arising from our investments.

CapMan has a Science-Based Targets initiative validated emission reduction target of cutting

- its real estate portfolio GHG emissions from residential buildings within its direct investment portfolio 50% per square meter by 2032 from a 2021 base year,
- its real estate portfolio GHG emissions from service buildings within its direct investment portfolio 72% per square meter by 2032 from a 2021 base year.

These targets have been validated by SBTi to be consistent with the financial sector guidance.

In 2023, Real Estate GHG intensity (kgCO<sub>2</sub>e/m<sup>2</sup>) decreased by 19% for commercial real estate and 12% for residential real estate. The GHG reduction is due to various energy efficiency actions and switching to fossil-free energy sources in some landlord and tenant-controlled areas.

In January 2024 it was announced that CapMan Real Estate was selected among the first companies globally to participate in the Science Based Targets initiative (SBTi) Buildings pilot test, putting CapMan on the forefront of developing tools for decarbonisation of buildings. The SBTi Buildings Project is developing science-based target-setting tools and guidance to help companies in the building sector to meet the 1.5°C climate goal – a goal which CapMan has committed to as well. The Pilot is central for the development of the tools we need to truly put the real estate industry on a science-based decarbonisation pathway.

**SPT 1 trajectory for the reduction real estate portfolios GHG emissions**

SPT 1 TARGETS TRAJECTORY		
2021 (BASELINE)	2027	2032
<b>Residential real estate (kg CO<sub>2</sub>e/m<sup>2</sup>)</b>		
13.6	-27% (9.9)	-50% (6.8)
<b>Commercial real estate (kg CO<sub>2</sub>e/m<sup>2</sup>)</b>		
19.3	-39% (11.7)	-72% (5.4)

**Strategy to achieve the Sustainability Performance Target**

As a Nordic active and significant owner we are ideally positioned to drive change towards well governed, environmentally and socially sustainable businesses and assets. At CapMan Real Estate our vision is to develop human centric real estate with a net positive environmental impact. We aim to generate attractive returns for investors while driving a green transition in our industry, optimizing real estate life-cycle value creation to all stakeholders, from the environment to local communities.

In both renovations and new builds, we invest in and choose new solutions and innovative approaches that allow us to maximise our buildings overall life-cycle value and minimise life-cycle emissions and negative nature related impacts.

Our impact comes through decisions, target-setting and finding opportunities to mitigate environmental challenges. For us as a private assets manager and investor, sustainability is about working together with our stakeholders to help them become more sustainable.

A roadmap has been set for CapMan Real Estate to reach net-zero in-use GHG emissions by 2035. The roadmap includes e.g. various energy efficiency measures, switching the renewable energy sources, generating on-site renewable energy, and increasing tenant awareness to save energy consumption. The work has started and is monitored frequently against the targets.

**Challenges in achieving the target**

The target is partially dependent on the supply of green energy where rapidly increasing demand could cause bottlenecks for its availability.

Currently, renewable heating with certificates of origin is a possible product in Finland, but not in Denmark, Sweden or Norway. In the latter countries there are no market mechanism for companies like CapMan Real Estate to influence on the demand for renewable heating. This means there is limited possibility to impact on the green transition. However, there is a possibility to purchase renewable or fossil-free electricity with certificates of origin in all Nordic countries.

A major challenge especially in residential assets is switching tenant electricity to green alternatives. Where CapMan Real Estate doesn't have full control over the electricity contracts, it is difficult or impossible to influence the energy source. A technical and legal difficulty is related to data collection from residential tenants on

their actual electricity consumption.

A minor challenge is the GHG emissions from refrigerant leakages, which are expected to remain for a longer period of time. Although it is possible to switch cooling devices into modern ones with lower emission refrigerant alternatives, it will take time before existing cooling devices reach the end of their life cycle and thus are economically feasible to replace.

SPT 2: 54.5% of CapMan’s eligible Private Equity and Infrastructure investments by assets under management setting SBTi validated targets by 2027

**Historical performance and proposed target**

CapMan has a Science-Based Targets initiative validated target of increasing the share of eligible investments by AUM (for Private Equity and Infrastructure) for which SBTs have been set to 54.5% by 2027 and to 100% by 2032. The target was approved by the SBTi in November 2023.

As of end of 2023, 16% of eligible portfolio companies have set science-based targets.

**SPT 2 trajectory for the share of portfolio companies that have set science-based targets, %**

SPT 2 TARGET TRAJECTORY		
2021 (BASELINE)	2027	2032
0%	54.5%	100%

**Strategy to achieve the Sustainability Performance Target**

Achieving this target will require continuing the engagement with our portfolio stakeholders to sign-up and commit to Science-Based Targets.

Before any investment is made, an ESG Due Diligence (DD) is conducted. This DD phase considers a host of ESG aspects of the portfolio company, which includes an assessment of a company’s readiness to set SBTs and achieve carbon neutrality.

During the ownership phase, CapMan has established a system that tracks and measures the companies’ GHG performance and reductions. CapMan reports on this externally on an annual basis, as well as through periodic fund reporting. As an active owner, CapMan assists eligible portfolio companies in submitting their SBTs and follow the progress. In addition, portfolio companies can use both CapMan and consultant assistance to design and implement the most relevant GHG reduction measures, along with strong governance mechanisms to ensure accountability and completion. CapMan has improved its in-house ESG competences and staffing, and has specific employees tasked with assisting the portfolio to decarbonize.

Our practical experience from a wide range of industries makes us well-equipped to manage and transition the underlying assets in our funds under management toward achieving net-zero emissions.

**Challenges in achieving the target**

Due to the nature of CapMan’s investments, where in certain cases CapMan has limited leverage over some eligible companies, this target will remain challenging. Furthermore, CapMan is generally the first institutional investor, the portfolio companies often have no GHG calculation capabilities and inventory, which is a prerequisite for setting a science-based target. When calculating emissions, the availability of information can also represent a difficulty. When designing decarbonization roadmaps, one of the obstacles is that companies do not have sufficient control on their emissions – they for example might not be able to switch to renewable energy if they operate in leased premises. Despite the time it takes to build



capabilities, CapMan has ambitious value creation plans for its infrastructure assets and portfolio companies, and development projects are phased in during our holding period that also enable the portfolio companies to submit targets.

## 2.3 Financial characteristics

Bonds issued under this Framework will have a sustainability-linked feature embedded in the cost of debt that will result in either a coupon adjustment or a premium payment at maturity in the event that a Trigger Event occurs.

### 2.3.1 Trigger Events

The occurrence of any of the following events (“the Trigger Events”) will trigger a change in the financial characteristics of the relevant instrument as described in 2.3.2 below.

- The failure by CapMan to satisfy the predetermined SPT(s) on the relevant Target Observation Date(s),
- CapMan’s reporting does not meet the requirements set out in Section 2.4 (“Reporting”) of this Framework in all material respects, or
- the verification of the SPT in accordance with section 2.5 (“External Review”) of this Framework has not been provided and made public by the Reporting End Date (as defined below).

Target Observation Date is defined as any date when KPI’s performance is observed and, if applicable, measured against a relevant target or an SPT.

Reporting End Date for any given year shall be the date falling 160 days after the 31 December of that year.

Reference Year is defined as the twelve-month period up until and including the Target Observation Date for which the relevant KPI’s performance is observed.

### 2.3.2 Changes in financial characteristics

The occurrence of a Trigger Event will result in a coupon adjustment or increase in the redemption price.

The size of the step-up applicable to the coupon or the increase of the redemption price will be specified in the final terms for each respective instrument issued under this Framework.

For the avoidance of doubt, if in respect of any instruments issued under this Framework, the Company has achieved the relevant SPTs for the relevant Reference Years, and reporting and verification for the KPIs and SPTs have been provided and made public in accordance with the Reporting and External Review sections of this Framework, the characteristics of the relevant instrument issued by CapMan under this Framework shall remain unchanged.

## 2.4 Reporting

CapMan will provide relevant reporting on the progress made with respect to the KPIs, and (in relation to any Reference Year) on the performance of the KPIs in relation to the achievement of the SPTs set out in the documentation relating to the relevant sustainability-linked financial instrument. The reporting shall be made publicly available on an annual basis no later than 160 days after the end of the year being reported on.

If a change to the financial characteristics of the financial instrument is triggered due to a failure to report, the change will only occur after the Reporting End Date, relating to the relevant Reference Year, regardless of when a failure to provide the verification occurs.

The reporting will include:

- Up-to-date information on the performance of each KPI including the calculation methodology and baselines where relevant;
- With reference to each KPI, outlining the performance against the SPT and the related impact and timing of such impact on the instrument characteristics;
- Information about recalculations, if any, of baseline for the KPIs;
- A verification report relative to the KPIs outlining the performance against the SPTs and the related impact, and timing of such impact, on the instrument characteristics.

Information may also include when reasonably feasible:

- Qualitative or quantitative explanations of the contribution of the main factors behind the performance of the KPIs on an annual basis (e.g. M&A activities and/or divestitures);
- Illustration of the positive sustainability impacts of performance improvement;
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope;
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

## 2.5 External Review

Annual verification

To ensure alignment with the sustainability-linked bond principles (SLBP), CapMan will obtain an independent verification by a qualified external reviewer, as outlined in the Voluntary Guidelines for Green, Social, Sustainability and Sustainability-linked Bonds. CapMan will ensure verification of its annual performance level against each SPT for each KPI. The verification shall be conducted at least with limited assurance by the external reviewer. CapMan has the discretion to change the external reviewer subject to fulfilling the requirements set out herein. The ex-ante reviewer of the Sustainability-Linked Bond Framework shall differ from the ex-post reviewer.

The verification of the actual performance relative to the SPTs shall be made public together with CapMan's Investments Sustainability Report or Sustainability-Linked Progress Report or a similar report on the Company's webpage no later than the Reporting End Date in each year as set out in section 2.3 (Financial Characteristics)

and specified in the instrument specific documentation for as long as any instruments issued under this Framework remain outstanding. The reporting at least with limited assurance will form the basis for evaluating any change in the financial characteristics of any instruments issued under this Framework as described in the section 2.3 (Financial Characteristics).

If a change to the financial characteristics of the financial instrument is triggered due to failure to provide verification, the change will only occur after the Reporting End Date, relating to the relevant Reference Year, regardless of when a failure to provide the verification occurs.

## Second Party Opinion

CapMan has obtained a Second Party Opinion from Moody's. Amongst other things, it confirms the alignment of this Framework with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA. The Second Party Opinion confirms that the chosen KPIs are relevant and core to CapMan's business and sustainability strategy. The document with SPT-specific assessment can be found on CapMan's website.

## 2.6 Recalculation policy

The baseline(s) set out in the Framework may be recalculated and applied to existing sustainability-linked instrument at the occurrence of significant change in:

- the methodology of calculation of any KPI or
- the data due to better data accessibility/accuracy or discovery of data errors or
- the structure of the Company as a result, for example, of acquisition, demerger, merger or divestiture.

Following the recommendation of SBTi, a threshold value for significant change constitutes an increase or decrease of 5% or more in the baseline level. CapMan may also choose to recalculate the baseline(s) for changes of less than 5%.

In such event of a recalculation of the baseline(s), these changes shall be reviewed at least on a limited assurance basis by external reviewer and reported in the Investments Sustainability Report or Sustainability-Linked Progress Report or a similar report.

## 2.7 Amendments to this Framework

CapMan will review this Framework from time to time, including its alignment to updated versions of the relevant principles, with the aim of adhering to best practices in the market. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer.