

CAPMAN'S RESPONSIBLE INVESTMENT STATEMENT

Updated: 4 April 2017

CapMan's Responsible Investment Statement describes our approach towards responsible business practices. This statement reflects the decision-making and ownership practices applied by the funds managed by CapMan as well as in CapMan's other private equity investments. The parent company CapMan Plc is also committed to the procedures described in this statement. The statement was first published in 21 February 2012, and it is available in the company's website in English and Finnish.

At CapMan, our mission is to build successful businesses contributing to the enrichment of the society. We believe that it is central for the long-term success of our portfolio companies and real estate investments as well as CapMan itself to incorporate environmental, social and governance considerations (ESG) in our funds' decision-making processes and ownership activities.

CapMan plays an important role in the society by managing the capital invested in its funds by institutional investors, such as private and state pension funds, funds of funds, life insurance companies and foundations, and developing the companies and properties in its funds' portfolios. CapMan itself makes significant investments in those funds or directly in portfolio companies or real estate. Our business model allows us to invest in a variety of sectors and regions. Through either our funds' investments or direct investments in Nordic and Russian companies and real estate, we help portfolio companies and properties to succeed through promoting innovation and facilitating new solutions to challenges e.g. relating to various societal developments. Through our success we provide superior returns to our fund investors and shareholders helping them to meet expectations of their own constituencies. At the same time our successful businesses strengthen the economy of the regions. At the end of 2016, we were owners in 40 companies employing a total of 25 000 people with aggregate net sales of EUR 2.6 billion. Our real estate portfolio consisted of 65 assets with a total of approx. 600 tenants.

Guiding principles

In our role as an active and significant owner we are committed to promoting responsible business practices in our portfolio companies and to conducting sustainable asset management of our real estate investments. CapMan is a role model for its portfolio companies and consequently responsibility plays a key role also in CapMan's own business activities. Our commitment to responsibility is reflected in our values: active ownership, dedication and high ethics.

To enhance our commitment to responsible investment, we became a signatory of the UN Principles for Responsible Investment (UN PRI) in December 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.

We strive to meet all Principles comprehensively in our investment activities and report on our activities to UN PRI on a yearly basis. Our latest Transparency Report can be read on the UN PRI website www.unpri.org.

We have appointed an internal contact person who is responsible for coordinating ESG issues within CapMan. In addition, each of our investment teams has their own ESG contact person.



Thorough decision-making

We develop our policy to incorporate ESG issues in each phase of the decision-making process relating to our investments, i.e. in transaction screening, due diligence and investment decision. While our investment professionals take ESG issues into account when analysing potential investments, the scope of their analysis varies case by case depending on the nature of the potential investment.

Transaction screening

CapMan and the funds managed by CapMan select their investments carefully in accordance with their investment policies and principles agreed with investors. We adopt a negative screening process i.e. we have chosen to exclude investments in companies operating in certain sectors.

Due diligence

When assessing investment opportunities, we always conduct a thorough due diligence on the target and the relevant industry in close cooperation with respected external legal, financial, business and other consultants (e.g. environmental and HR). The appropriate level of due diligence is assessed case by case.

Based on the due diligence findings we may exclude investing in businesses containing ESG risks. However, low ESG scoring does not automatically prevent an investment. Contrarily, as active owners we believe that many companies have potential for value creation through improvements in ESG performance. A focus on sustainability issues also offers companies opportunities to develop new innovative products and processes, among others.

Investment decision

An overview of material due diligence findings is included in investment proposals, which is the base for our investments decisions. When relevant, this overview is complemented with recommendations for mitigating possible ESG risks and addressing possible ESG opportunities. An investment proposal is the primary source of information for CapMan funds' investment committees to evaluate the attractiveness of an investment opportunity.

Active ownership

Both value creation and asset management in our investments are based on active ownership, which focuses on long-term development. This includes monitoring and managing a wide range of financial and non-financial issues related to performance of the companies.

Active ownership of portfolio companies

Portfolio companies operating in the Nordics as well as in Russia are expected to follow modern corporate governance standards and to have management teams that are committed to transparent operating principles. The boards of the portfolio companies are expected to address ESG issues, including the risks and opportunities identified in the due diligence investigation.

CapMan requires that all the funds' portfolio companies comply with applicable laws, rules and regulations. In addition, each portfolio company draws up a programme to ensure that good corporate governance principles are followed. Requirements and expectations may vary with respect to other ESG aspects depending e.g. on the sector, geography and business model of the portfolio company in question. CapMan takes immediate actions if any critical ESG issues arise concerning the portfolio companies during the ownership period.



Active ownership of real estate

In real estate, our primary focus is on environmental aspects, as we see major potential in improving the environmental performance of our property investments. Consequently, environmental considerations are integrated in daily management of the assets in our real estate funds, and refurbishment plans are drawn up for all our properties. In addition, we conduct energy efficiency (including electricity, heating, water, and structure) assessments followed by improvement plans with a concrete development agenda. Energy efficiency improvements in our assets result not only in decreased environmental burden but also in direct cost savings through lower energy usage. Finally, we continuously monitor the regulatory environment to ensure that our properties are up to date with international standards such as LEED (Leadership in Energy and Environmental Design). Where appropriate we apply for environmental certifications for our real estate investments.

Monitoring and reporting

CapMan monitors financial and non-financial performance of its investments and ESG issues are to an increasing extent forming a part of this regular monitoring process. CapMan reports the status of its funds and underlying investments to its investors in compliance with agreements with investors, EVCA guidelines, applicable legislation, accounting regulations, and other statutory requirements.

Our ESG performance is evaluated against the six principles of UN PRI. For all potential and new Buyout companies, we monitor ESG-related matters as part of the investment process and their development is followed on an annual basis through portfolio companies' yearly ESG-reports. Our Real Estate investments and investments in Russia have slightly different ESG processes. Real Estate focuses mainly on environmental issues and energy efficiency, ensuring that we comply with international standards such as LEED. Portfolio companies in Russia have made specific environmental and social performance reports from 1999 onwards, following the environmental and social policies and procedures outlined by our major investors. The comprehensive yearly report contains information on compliance with risks, progress of the ESG Action Plan and objectives achieved during the reporting period with regard to each portfolio company in Russia.

CapMan's first reporting year for ESG issues was 2014, based on the framework defined by the UN PRI. The first report was published in March 2015 and we continue reporting on the progress of our ESG implementation annually. The annual Transparency Reports can be found on the UN PRI [website](http://www.unpri.org) www.unpri.org. We start monitoring our portfolio companies from the beginning of the investment process and report ESG issues to interested fund investors during fundraising and regularly during the life of a fund. In case of an ESG-related incident, fund investors are informed immediately.

Responsibility issues at CapMan Plc

CapMan Plc is one of the few listed private equity fund management companies in the world. Due to our listed status, we follow transparent communications practices towards our shareholders and the funds' investors. CapMan Plc's corporate governance model follows the Finnish Corporate Governance Code for listed companies.

CapMan aims to promote equal opportunities for all individuals regardless of their gender, race, background, religion, or sexual orientation. This is supported by a recruitment process and a framework for promotions and internal recruitments, which focuses on assessing the candidate's professional experience and knowledge as well as his/her prior performance and potential for continued development. With regards to remuneration, our objective is to ensure fair pay to all employees. Salaries are determined by the employees'



competence and performance and by the scope of responsibility. CapMan wants to proactively contribute to the satisfaction and the long-term engagement of its employees.

CapMan is a member of Invest Europe, the association representing Europe's private equity, venture capital and infrastructure sectors, as well as local industry associations i.e. Finnish Venture Capital Association (FVCA), Swedish Private Equity and Venture Capital Association (SVCA) and Luxembourg Private Equity and Venture Capital Association (LPEA). CapMan is committed to complying with the Invest Europe Code of Conduct. Due consideration is also given to other non-binding Invest Europe and national associations' guidelines and recommendations such as the Openness and Transparency Recommendations of FVCA and SVCA. CapMan's employees are actively involved in the activities of the local associations to promote the development of the private equity industry and enhance international cooperation.

CapMan is also a member of the European Association for Investors in Non-listed Real Estate Vehicles (INREV). CapMan actively contributes to and follows the development of best practices, including the ESG issues, for non-listed real estate funds.

CapMan aims to minimise any burden to the environment caused by its own activities. Examples of measures taken to improve our environmental performance include measures to improve energy efficiency and regular office maintenance, seeking to ensure that the property is used in the most optimal and energy efficient manner.

We are committed to improving our own, our portfolio companies' and our real estate investments' ESG policies and performance on a continuous basis.

This document is continuously reviewed and updated. Contact person in responsible investment and ESG related issues is Jussi Paronen, Director, Back Office and Monitoring (jussi.paronen@capman.com, +358 207 207 538).

