

CapMan

Sustainable Investments

Snapshot

*Building value for the
enrichment of society*

2019

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Our role in the society

CapMan is an active investor in growing businesses, real estate and infrastructure in the Nordic countries. As active owners, funds managed by CapMan have the opportunity to drive change on a broad scale. In addition to specific actions taken in individual investments, we consider the network effect from working together with LPs, advisors and potential buyers of portfolio companies and assets.

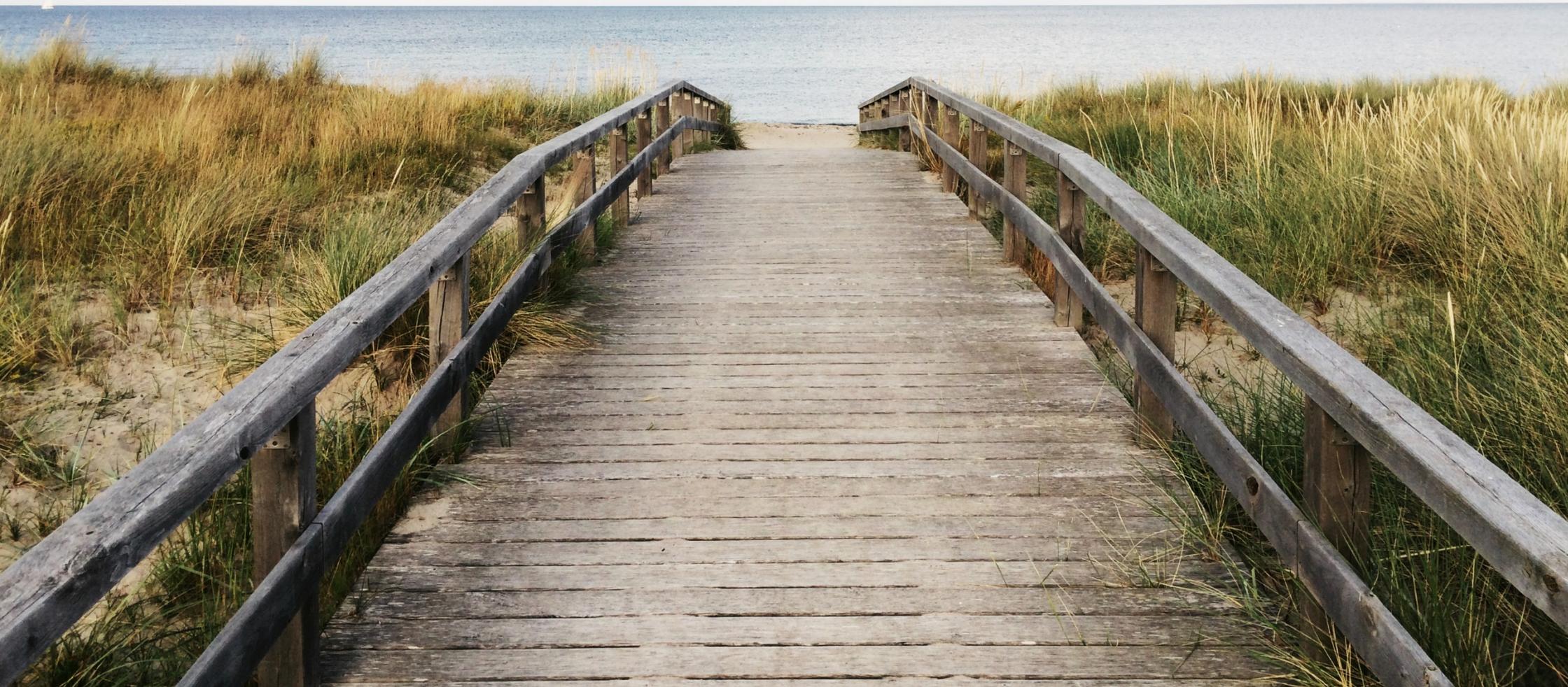
We manage more than €3 billion in assets on behalf of many institutional investors. The returns from our funds contribute to the well-being of more than 10 million pensioners around the world. Our activity also shapes the Nordic communities where we are active. At the end of 2018, CapMan's portfolio companies employed a total of 26,000 people and housed 3,000 tenants. The funding and expertise provided helps companies grow, launch new products and innovate. Through our real assets practices we invest into communities and services to help them and their residents prosper. Our activity has far-reaching impact on the society, which is why being sustainable is of great importance. We owe it to our current stakeholders and future generations to come.



” *We invest in positive change and where we can make a difference.*

“

Returns from our funds benefit future generations.



Our Sustainable Investment Policy

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

CapMan's sustainable investment objectives

1

Improve energy efficiency and promote policies and activities that combat climate change and reduce waste

2

Promote fair labour conditions

3

Promote fair business and governance practices

Our sustainability approach focuses on the following environmental, social and governance (ESG) issues in particular:

ENVIRONMENTAL



- Greenhouse gas emissions and impact on climate
- Effective use of energy resources, and effort to reduce the amounts
- Minimising waste, pollution and risk for environmental hazard
- Improving overall environmental footprint

SOCIAL



- Health and safety, including but not limited to safe workplaces, appropriate and continuous risk assessments and improvements where necessary
- Working conditions, including ensuring good labour standards
- Good employee, partner, tenant and social relations and promoting diversity to ensure positive development of satisfaction and engagement
- Monitor and take action to improve stakeholder satisfaction within our investments
- Avoid actions that have a broad negative impact on the public or other stakeholders. Sometimes decisions have to be taken even knowing it will cause negative reactions. To mitigate the negative effects proactive communication and tight dialogue is important.

GOVERNANCE



- Anti-bribery policy
- Ensuring proper treatment of stakeholders, including indigenous communities
- Board diversity and structure
- Efficient but fair tax strategy
- Certified management systems, where feasible

Our Commitment to PRI

CapMan became a signatory of the Principles of Responsible Investing in 2012. The six principles are guiding us throughout the investment process.

Our PRI scorecard based on the assessment of our 2017 report provided us with an A score for private equity and a B score for responsible investment strategy and governance as well as real estate. Since, CapMan has developed its governance model related to sustainable investment practices. The scorecard for 2018 is due in June 2019. The latest PRI Transparency Report is available on PRI's and CapMan's web pages.



	Principle	CapMan's response
1	We will incorporate environmental, social and corporate governance (ESG) issues into investment analysis and decision-making processes.	ESG issues are part of the screening, DD and investment decision process in all majority investments (Buyout, Real Estate, Infra)
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	ESG issues are incorporated into ownership policies and practices (Buyout, Real Estate, Infra)
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	ESG issues are surveyed and reported on an annual basis (Buyout).

	Principle	CapMan's response
4	We will promote acceptance and implementation of the principles within the investment industry.	We highlight our commitment to the principles in our communication with LPs and shareholders.
5	We will work together to enhance our effectiveness in implementing the principles.	We work together with our portfolio companies and deploy cross-team efforts.
6	We will each report on our activities and progress towards implementing the principles.	We report on our progress to UN PRI and work to improve our ESG reporting to our stakeholders.

Our Commitment to UN Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) provide a global framework for addressing the most urgent social and environmental challenges. At CapMan, we recognise our role in promoting the goals.



Examples of CapMan's actions:



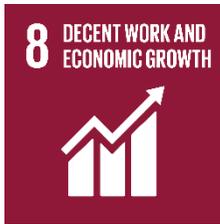
5 GENDER EQUALITY

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



7 AFFORDABLE AND CLEAN ENERGY

CapMan Infra has invested in a wind farm in Sweden, which is expected to generate 800 GWh of renewable electricity annually when fully operational. CapMan Real Estate conducts energy assessments on its larger investments and help them switch to green energy as part of the plan.



8 DECENT WORK AND ECONOMIC GROWTH

CapMan Buyout and CapMan Growth’s portfolio companies contribute to employment and economic growth in the Nordic countries. All companies follow national and international labour law and conventions based on the country where the work is conducted. Providing a safe work environment is a basis for building successful businesses and injury rates and absence rates are monitored, while there are whistle blowing channels available for employees to report misconduct. Labour practices are discussed in board meetings and companies are encouraged to implement policies that also cover the supply chain.



9 SUSTAINABLE INDUSTRY, INNOVATION, INFRASTRUCTURE

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



11 SUSTAINABLE CITIES AND SOCIETIES

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

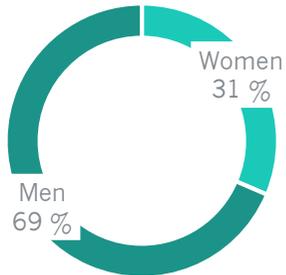


13 CLIMATE ACTION

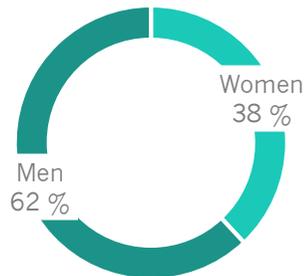
CapMan Real Estate follows the energy consumption of its properties. CapMan’s Procurement Service CaPS encourages all supplier partners to report their CO2 emissions in an effort to increase transparency of the supply chain.

Gender Diversity at CapMan

Board of Directors



Management Group



Sustainability Governance

CapMan Group’s parent company CapMan Plc has been a public company since 2001. We follow the Finnish Corporate Governance Code. We also follow other national and EU level public company regulation on transparency.

We have implemented compliance procedures and processes in our fund management operations to prevent money laundering and fraud. Our code of conduct covers all employees and we conduct mandatory compliance training in order to establish best practices and increase awareness of governance issues.

CapMan Plc’s Management Group has joint responsibility for sustainable investment practices on a Group level.

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

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

issues have been identified, and that concrete steps are in place for issues that need to be ratified.

Following an Investment Committee decision, the case team or asset management team is responsible to ensure that the necessary actions are implemented in accordance with the investment business case. The team proactively identifies new risks and opportunities related to ESG and maintains an open dialogue together with portfolio company management.



“ *Our investments build sustainable value for the enrichment of society.* ”

Sustainable Investment Process

The investment case responsible is responsible for integrating environmental, social and governance (ESG) issues throughout the investment process. The work is facilitated by a designated person responsible for developing and implementing the ESG framework for each investment area. ESG issues are managed in the following phases of the investment process.

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

Sustainable Investment Progress Reports

CapMan has implemented sustainable investment practices in all its teams. Sustainability progress reports for Buyout, Growth, Real Estate and Infra are presented below.

Other investment areas, namely Credit (as advised by Nest Capital) and Russia are not included in the scope of this report. The Nest Capital team implements ESG checks as part of the sourcing, screening and due diligence phases of the investment process. As responsibility for operational issues lies with the equity owners of the portfolio companies to which the Nest Capital's funds provide private debt financing, the ability to steer operations is limited. CapMan Russia has been a forerunner with sustainable investing in Russia since the establishment of the first fund. The team has implemented a separate Environmental and Social Management System as requested by key institutional investors in their funds. The funds report on their findings and progress directly to the fund investors.

Sustainability in CapMan Buyout

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

Starting point

The starting point for integrating sustainability issues in CapMan Buyout's portfolio is good. All portfolio companies are based in the Nordic countries, which are global leaders in terms of implementing efficient legislation and business practices. This means that in general, the basic ESG matters are typically on a good level already based on existing regulations. CapMan Buyout invests mainly in companies where services form a significant part of the business, or in other less resource intensive businesses where ESG concerns related to e.g. the supply chain or the environmental footprint is less material.

Our process

ESG aspects are included as part of the transaction screening. Potential ESG red flags are identified and checked against exclusion lists either set by CapMan Group or agreed with the fund investors. In cases where exclusion lists are not applicable but ESG issues are identified, CapMan Buyout may proceed with the investment while continuing to follow up on the topic at hand in the due diligence process.

Due diligence is conducted through checklists and other research in order to identify potentially significant ESG issues that have an impact on the value of the business and on society as a whole. These significant ESG issues are included as a separate stream in the 100-day plan. Given the nature of the portfolio, the most significant ESG issues generally consider the safety of the workforce and labour conditions. CapMan further commits to a plan to address the issues during its ownership period.

During CapMan Buyout's ownership, significant ESG issues are discussed regularly at Board level and the portfolio company

management is encouraged to implement any policies and codes of conduct that are relevant with regards to the business and its industry. The case team follows up proactively on any findings. CapMan's Performance Monitoring team conducts an annual survey related to ESG performance and reports to PRI and to Limited Partners.

Further development

CapMan Buyout is continuously updating its ESG process and practices. The next steps involve intensifying the dialogue between the case team and the portfolio company management regarding the follow-up for ESG issues and the introduction of ESG spearhead projects across the portfolio. CapMan Buyout is also updating its screening and due diligence templates for new investments.

“ *Due diligence identifies ESG issues that have an impact on the value of the business and on society.* ”

Case Study: INR – Sustainable operations and workplace wellbeing



INR – Iconic Nordic Rooms (www.inr.se)

A leading Swedish manufacturer and vendor of showers, bathroom interiors and mixers, INR (Iconic Nordic Rooms) challenges bathroom design status quo. Focus on quality permeates the entire value chain of this CapMan-backed business.

Opportunities and risks related to sustainability in INR's operations and value chain have been an essential part of the company's value creation agenda these past years. The most material concerns are the environment and human rights, social and employee matters, anti-corruption and bribery considerations, as well as the overall governance of these issues. The results of the analysis and their respective KPI's are presented in an annual Sustainability Report.

Quality-proofing the value chain

Established in 2010 through CapMan's merger of Inredningsglas and Aspen, INR has made a name for itself as an award-winning provider of bathroom interior and shower solutions. As is no surprise, the best products are made from the best materials. INR sources its wood and aluminium, as well as glass and porcelain from various European and Asian countries, and thus conducts an annual materiality analysis to assess its value chain. INR's supplier requirements are based on the UN Declaration of Human Rights and the UN's Global Compact agreement. Significant purchase agreements are negotiated to ensure compliance with the requirements. Attention to high-quality materials as well as sourcing and manufacturing processes improves the quality of the value chain, including supplier conditions, while extending the life cycle of the products, thereby reducing waste.



Image: INR – Iconic Nordic Rooms (www.inr.se)

Environmental certifications

INR Sweden’s environmental system is certified by a third party and many product series are eco-labeled. The company also collaborates with Sunda Hus and Byggarubedömningen, two organizations that provide information for conscious material choices for the construction industry and is affiliated with the Packaging and Newspaper Collection in Sweden for recycling of packaging materials. INR works with packaging suppliers who provide increasingly smart solutions for waste and carbon footprint reduction.

Employee wellbeing matters

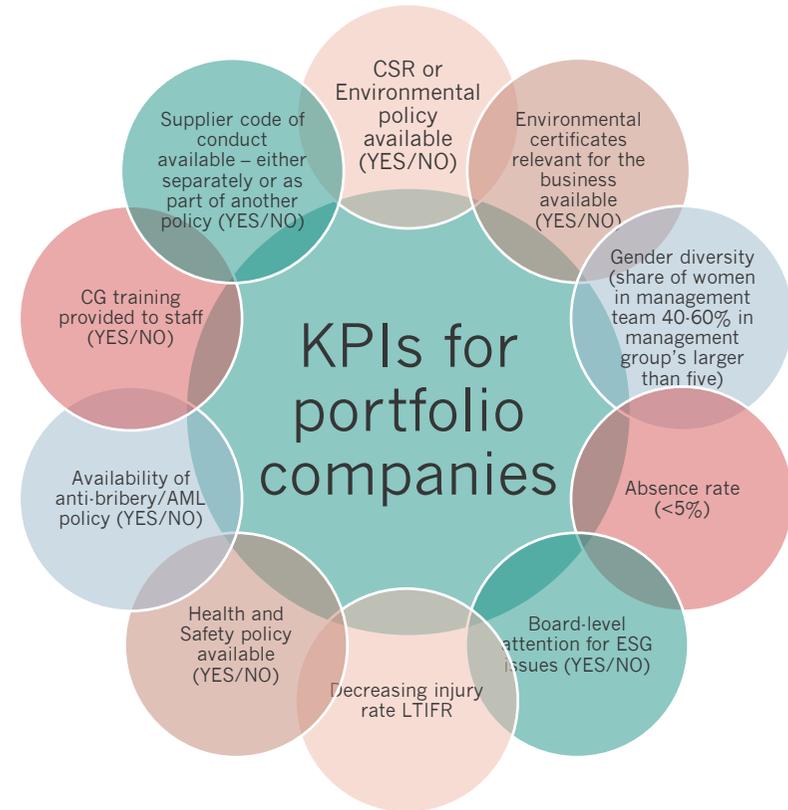
To ensure employee wellbeing, INR applies root cause analysis and implements measures to reduce the risk of repeated workplace misconduct. The same applies to prolonged sick-leaves and absences, in which the company takes an active role to follow up with the employees concerned.

Overview of sustainability goals, outcomes and evaluation

Goals	Outcomes and evaluation
<i>Reduce the energy consumption in Sweden</i>	0,4% increase in energy consumption in INR Sweden (MWh/cost of goods) after a large reduction in 2017 of 5,6%. Despite actions taken regarding e.g. heating and lighting the consumption has increased in 2018 - partly as a result of the unusually high summer temperature. INR will continue the work to decrease energy usage in 2019
<i>Reduce waste material in Sweden</i>	3.3% decrease in waste material (ton/cost of goods). Totally a reduction of -3.3%, especially regarding nonrecyclable waste. INR plans to improve the waste management in both its assembly sites to reduce the amount of waste that goes to incineration instead of recycling.

Goals	Outcomes and evaluation
<i>Zero workplace accidents resulting in absence during the year</i>	0 workplace accidents in year 2018. INR has undertaken preventive work in this ar- ea and the routines regarding work safety have been complied with. Further actions are planned for 2019.
<i>Reduced sick leave</i>	0.7 percentage points increase in sick leave 2018 in INR Sweden versus 2017 (hours sick /total working hours). INR will follow up and take actions regarding those employees who are often sick and/or sick for a long time.

Typical KPIs for Buyout portfolio companies



KPIs are applied based on materiality analysis and not all KPIs are applicable to all portfolio companies.

Buyout portfolio progress 2017-2018

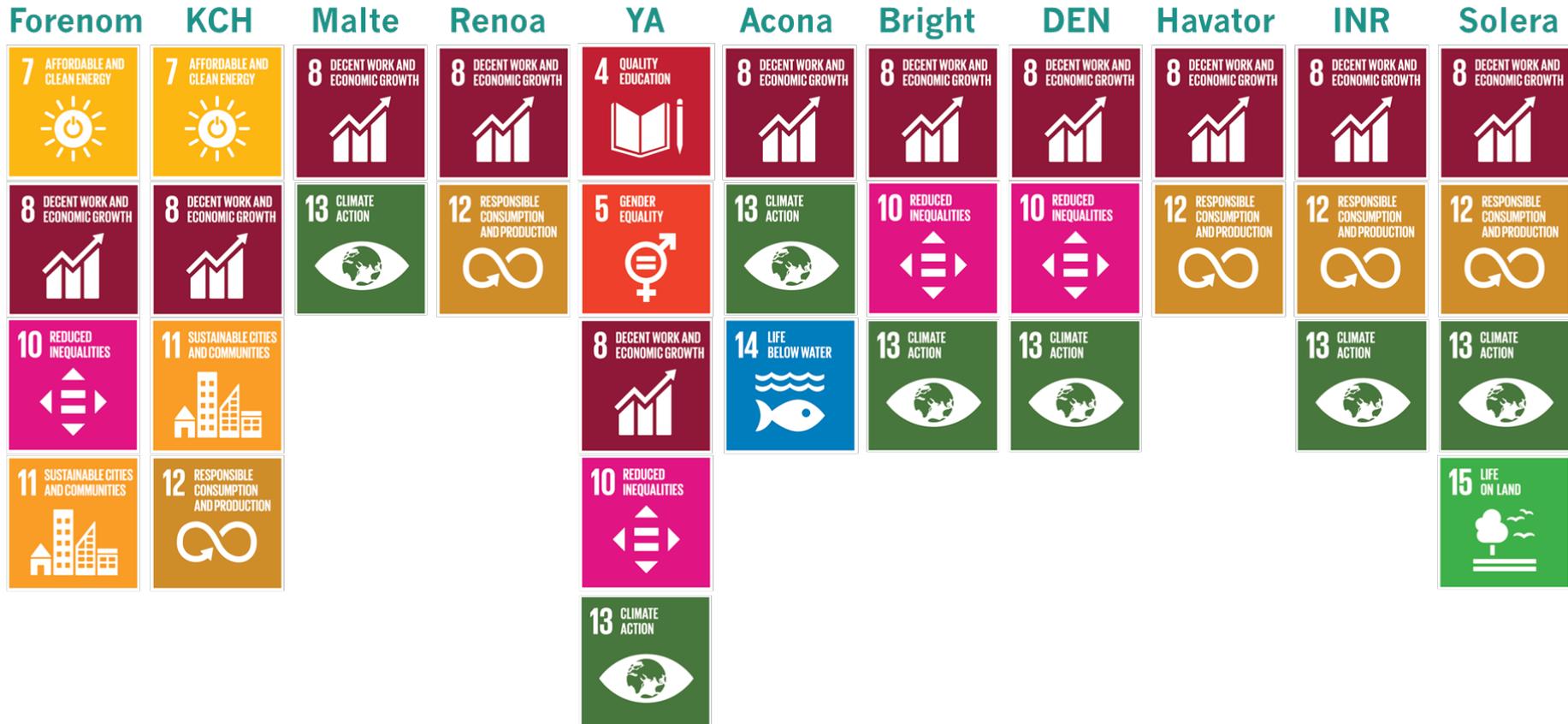
The arrows (↑→↓) indicate the direction of development or progress for the KPI in question. The shaded background () indicates that the KPI has been met. The report is based on responses from CapMan’s ESG surveys to portfolio companies for 2017 and 2018.

	ENVIRONMENT				SOCIAL				GOVERNANCE			
	Environmental policy	Environmental certificates	Energy efficiency	Waste management	Gender diversity	Absence rate	Health and safety	Injury rate (LTIFR)	Board attention	Bribery/AML policy	CG training	Supplier code of conduct
Company 1	↑	→			43% ↑	5.6% ↓	→		↑	→	↑	→
Company 2	↑	→			25% ↓	3.5% ↑	→		↑	→	↑	↑
Company 3	→	↑			75% →	3.1% →	→		→	→	→	→
Company 4	→	→			17% →		→		→	→	→	→
Company 5	→	→			43% ↑	1.7% ↓	→		↑	→	→	→
Company 6	→	↑			13% →	1.8% →	→		→	→	↓	→
Company 7	→	→			0% →		→	0 ↑	↑	→	↑	→
Company 8	↑	→			17% ↓	3.4% →	→		→	→	↑	↑
Company 9	→	→			17% ↓	3.8% ↓	↑		→	↑	→	→
Company 10	→	→			0% ↓	3.8% ↑	→	19 ↑	→	→	→	→

	ENVIRONMENT				SOCIAL				GOVERNANCE			
	Environmental policy	Environmental certificates	Energy efficiency	Waste management	Gender diversity	Absence rate	Health and safety	Injury rate (LTIFR)	Board attention	Bribery/AML policy	CG training	Supplier code of conduct
Company 11	→	→			17% ↑	4.0% →	→	5.8 ↑	→	→	→	→
Company 12	→	↑			10% ↓	4.5% →	→	5.8 ↓	→	→	→	→
Company 13	→	→			33% →	11% →	→	18.21 ↑	→	→	→	→

UN Sustainable Development Goals in the Buyout portfolio

Areas of biggest impact to UN Sustainable Development Goals vary by Buyout portfolio company.



Sustainability in CapMan Growth

CapMan Growth is a new investment area for CapMan with one fund under management. CapMan Growth makes significant minority investments in growth stage companies in the Nordic countries.

The team has appointed a designated investment professional with an overall responsibility for coordinating ESG efforts within the investment area.

Starting point

As an active minority investor, the team works closely with management and owners to help realize their growth ambitions in a sustainable fashion. One of the team's key themes is to build a governance mindset for companies, crystallised in Finnish as "yrityksestä yhtiöksi".

The main ESG themes for Growth investments are:

Diversity and inclusion – Build inclusive companies that promote opportunities and career paths of people from different backgrounds, genders, ages, cultures and nationalities.

Work culture – Help entrepreneurs build and foster strong work cultures that build successful businesses while promoting the well-being of employers.

Governance – Build a governance mindset and framework to take companies to the next level.

Our process

ESG aspects are included as part of the transaction screening. Potential ESG red flags are identified and checked against exclusion lists either set by CapMan Group or agreed with the fund investors. In cases where exclusion lists are not applicable but ESG issues are identified, CapMan Growth may proceed with the investment while continuing to follow up on the topic at hand in the due diligence process.

Due diligence is conducted through checklists and other research in order to identify potentially significant ESG issues that have an impact on the value of the business and on society as a whole. These significant ESG issues are included as a separate stream in the 100-day plan. Given the development phase and size of the portfolio companies and the industries where they operate, the most significant ESG issues generally consider documentation of procedures and labour conditions. CapMan Growth works together with other owners and entrepreneurs to identify the material areas for improvement and allocate resources for improvement.

During CapMan Growth's ownership, material ESG issues are discussed at Board level and the portfolio company management is encouraged to implement policies and codes of conduct that are relevant with regards to the business and its industry. The case team follows up proactively on any findings and has started conducting an annual survey related to ESG performance.

Next steps

The Growth team is expanding the annual survey on ESG performance with results to be included in CapMan's report for the PRI.

Sustainability in CapMan Real Estate

CapMan Real Estate ESG promotes environmental, social, and governance issues that help to drive sustainability and long-term viability of investments.

The team has appointed a designated investment professional with an overall responsibility for coordinating ESG efforts within the investment area.

Starting point

CapMan's real estate portfolio includes more than 60 properties based in Finland, Sweden, Denmark and Norway. ESG improvements are prioritised in the following areas corresponding to where the portfolio has the largest impact:

- Energy savings
- Reduction of greenhouse gas emissions
- Conversion to green energy
- Improved waste management and recycling.

CapMan Real Estate has started to map the energy consumption of its portfolio. The average energy consumption of CapMan's real estate portfolio in Sweden is as follows:

- Sweden (including four assets + Heron City) 222 KWh/m²
- Sweden (four assets, excluding Heron City): 120 KWh/m²

The City of Stockholm has established targets for energy efficiency. Energy consumption of all new buildings that are established on city land should not exceed 55 KWh/m². CapMan Real Estate mainly invests in existing properties and targets to improve energy efficiency within the holding period of the assets.

The team also looks for opportunities to facilitate a positive change. This may include adding solar panels to the rooftop of a building, as is currently under way for Heron City and the Kokoelmakeskus warehouse facility, as well as serving communities and new groups of people by fundamentally changing the use of the property.

CapMan Real Estate is in the process to apply for membership in the local national Green Building Councils in the markets where CapMan operates in order to obtain and develop certification methodologies and property market related frameworks for sustainable construction and property development.

CapMan Real Estate also seeks to broaden the certification of its properties, namely through BREEAM, LEED and Green Building Council.

Our process

The initial screening process includes checklists and screening analysis to uncover and evaluate any red flags, such as history of poor environmental management, history of poor safety record, history of corrupt practices or poor governance or ethics practices. The prevalence of red flags may prevent an investment, unless CapMan Real Estate evaluates that through its active involvement it is able to significantly improve the situation and bring the property to meet ESG requirements.

CapMan Real Estate conducts an environmental due diligence prior to the investment. The due diligence ensures that laws and environmental regulations are followed, whether there have been any issues with money laundering or bribery, whether the property is contributing to serious environmental damage, any history of fraud or poor safety track record, poor governance or ethics practices, and what can be done to minimise energy consumption and emissions. The due diligence will flag any ESG

risks and address how these risks can be managed. The due diligence also highlights ESG opportunities. Based on CapMan Real Estate's experience, implementing appropriate ESG procedures results in improved operational and financial performance for the benefit of our fund investors, partners and tenants in the property investments. Due diligence analysis is conducted by sector experts.

The deal team presents their findings on sustainability and ESG along with other key due diligence findings as part of the Investment Committee report. In cases where there are improvements required, the Investment Committee and deal team will ensure that these are part of the investment business case.

If due diligence suggests that an ESG risk cannot be managed or mitigated then a commercial decision would be made to either price the risk, ask the seller to bear the risk, or walk away from the transaction. It is at this stage that ESG opportunities (in addition to the risks) would also be presented and valued as part of the investment business case.

The asset management team is responsible to ensure that the necessary actions are implemented in accordance with the investment business case. When taking over the property, a responsible person and asset manager is liable for following up ESG risks and activities identified during the due diligence phase and to implement such activities in the

business plan. It is also key that this person together with the whole management team proactively identify new risks and opportunities related to ESG.

Further development

CapMan Real Estate works to standardise its ESG processes further. Measures evaluated include participation in Global Real Estate Sustainability Benchmark (GRESB) in order to obtain a globally viable rating for its ESG policies.

Case study:

Heron City – Investing into energy efficient shopping



In 2016 CapMan invested into Heron City, a five-story shopping centre located in southern Stockholm. The centre is located in an area expected to grow through the development of commercial spaces and a total of 4,000 new apartments, and acts as a community hub for leisure activities.

With approximately 7 million annual visitors, Heron City is one of the largest commercial properties in Stockholm. The shopping centre's gym opens in the early hours of the morning, and its cinema as well as restaurants stay open beyond midnight. Meaning that Heron's facilities are closed for roughly 5-6 hours each day, which together with retailer's demands for ventilated and well-lit spaces make for an energy intensive property.

Aware of the strain which 50 tenants and over 50,000 m² of retail space sets upon the environment and local community, in 2017 CapMan commissioned E.ON to conduct an energy efficiency audit. The audit included a study and analysis of the total energy consumption, ie. electricity, heating and cooling, of the property. In total, 30 action points were identified through of the audit, of which 14 were prioritised to reduce the total energy consumption. The distribution of energy consumption is presented below.

The sheer size of the centre provides great opportunities for impactful ESG investments, which the audit identified as action points. These investments have already begun, and by acquiring technical systems and equipment from tenants, Heron is now able to optimise energy usage more efficiently.

New ventilation and air handling units, cooling and automation systems, allow for efficient air conditioning and more enjoyable visits to the centre for customers. Modern, low energy lighting and control systems have also been installed, and solar panels will be introduced in the near future. As identified in the audit, the overall objective is to upgrade all technical installations and equipment, creating a more energy efficient property. CapMan is working together with property managers and tenants to execute planned improvements that contribute to energy consumption reduction targets. tenants to execute planned improvements that contribute to energy consumption reduction targets.

Key achievements

- Change in energy consumption kWh/m²/year since acquisition (LTM 04/19 vs. LTM 08/16): -13%
- Energy consumption kWh/m²/year (LTM 04/19 vs LTM 04/18): -6%
- Reduction in CO₂ emissions (LTM 03/19 vs. LTM 03/18): -9%
- Percentage of green energy used: 100%

Sustainability in CapMan Infra

In infrastructure investments, sustainability relates to environmental, social, and governance points that help to drive the sustainability and long-term viability of investments.

A partner within the team has overall responsibility for coordinating ESG efforts within the investment area.

Starting point

CapMan Infra is a new business area for CapMan. The core team was built in 2017-2018 and the first fund was established in late 2018. CapMan Infra's partners have a strong background in leading sustainable organisations and asset management. Sustainability is central to the business model of its investments and the team has developed an investment process that takes environmental, social and governance aspects into account throughout the lifecycle of the investment.

Our process

CapMan Infra has not pre-defined an exclusion list from a sustainability standpoint. Red flags during sourcing of investments may include:

- History of poor safety record
- History of poor environmental management
- History of corrupt practices
- Poor governance or ethics practices
- Do not demonstrate the ability or willingness to manage current and potential ESG risks effectively

Such findings may prevent an investment, unless where CapMan Infra thinks that through its active involvement it would be able to significantly improve the situation and cause the company to meet its ESG

requirements. CapMan Infra positions itself as a strong actor in the market to help drive a shift in environmental policies, particularly in energy and transport investments, where it can help existing companies shift away from fossil-based resources to more renewable energy (e.g. conversion of an old oil boiler into a bio-mass or bio-pellet boiler or change of fleet in transport companies to electricity-driven or powered by fuels with no or low levels of fossil fuels).

Analysis of ESG risks is part of the full due diligence using a checklist for structured evaluation and mitigation of risks. In most cases, due diligence consists of legal, financial, technical, and environmental due diligence done by sector experts and the Infra team. The due diligence ensures that all laws and environmental regulations are followed, whether there have been any issues with money laundering or bribery, whether the company is contributing to serious environmental damage, any history of fraud or poor safety track record, poor governance or ethics practices, and in some cases, what can be done to minimise emissions. The due diligence will flag any ESG risks but also point to how these risks can be managed. The due diligence also highlights ESG opportunities. Based on our experience, implementing appropriate ESG procedures results in improved operational and financial performance for the benefit of all our stakeholders including investors, employees, and customers in and of our portfolio companies.

In one project evaluated, our technical consultants highlighted examples on how to improve health and safety conditions on the target's sites, which we would then implement as asset owners. These range from minor upgrades, such as improving the handrails on stairs and ensuring that appropriate Health & Safety signs are in place and that appropriate gear is worn by all onsite, to ensuring that the overall business plan encompasses high quality management of EHS issues going forward.

The deal team presents their findings on sustainability issues along other key due diligence findings as part of the Investment Committee report. In cases where improvements are necessary, the Investment Committee will ensure that these are part of the investment case.

If due diligence suggests that an ESG risk cannot be managed or mitigated, then a commercial decision would be made to either price the risk, ask the sellers to bear the risk, or in some circumstances, walk away from the transaction. It is at this stage that ESG opportunities (in addition to the risks) would also be presented and valued as part of the business plan development.

Once an investment has been executed, ESG issues will be assessed by the asset management team responsible, in close cooperation with the portfolio company. Day-to-day ESG management is done at the company level and reported to investors on a quarterly basis.

Further development

CapMan Infra will actively look to improve the management and performance of sustainability issues in its companies. Part of this process is to ensure that companies manage all relevant ESG risks effectively and seek to maximise value from any identified ESG opportunities. ESG issues are addressed on an ongoing basis post-investment through management and reporting of ESG issues at asset level and providing board support where necessary.

The portfolio companies will need to comply with applicable laws and regulations on all relevant ESG issues, including business integrity, corporate governance, resource use and environmental protection, occupational and community health and safety, employment and security.

CapMan will also work actively with its portfolio companies to identify and mitigate adverse ESG risks and impacts, sharing best-practice standards and management systems, and encouraging continual improvement.

To promote continuous improvement in ESG, we encourage portfolio companies to implement certified management systems to the company management system, such as

- ISO 9001 for Quality management
- ISO 14001 for Environmental management
- OHSAS 45001 for Occupational health and safety management
- ISO 55001 for Asset management

Certified management systems will be implemented where feasible and relevant, considering also the cost and resources required.

“ *CapMan Infra will actively look to improve the management and performance of sustainability issues in its companies.* ”

Case study: Norled – CapMan Infra at the forefront of driving the green shift of the ferry sector in Norway by acquisition of Norled



Ferries are ubiquitous elements of the Norwegian fjord landscape and critical to the country's transportation infrastructure. About 130 ferry crossings connect settlements without direct road access to the highway system on the mainland. At the same time, ferry operators and transportation authorities are making an effort to minimise the environmental footprint of the sector.

In 2018, the Norwegian Parliament adopted a resolution with the goal to make the country's fjords zero-emission zones by 2026. This means that any vessel wishing to enter any port, harbour or fjord will need to be operated without any emissions of CO₂. As a result, the Norwegian ferry sector is undergoing a green shift driven by both environmental demands as well as new available technologies, with CapMan Infra at the forefront.

CapMan Infra invested in Norled together with the Canadian infrastructure investor CBRE Caledon in 2019. Similarly to the ferry sector at large, most of Norled's vessels currently operate with marine gas oil and diesel, which have relatively high CO₂ emissions. Going forward, most new contracts will be tendered with low or zero-emission requirements, hence requiring electric-powered ferries or other environmentally friendly technologies. As a result, significant investments to renew the ferry operator's fleets are required.

Norled is a technological leader in the Norwegian ferry sector and was the first company in the world to introduce a fully electric car ferry. The company also recently won a contract to introduce the world's first hydrogen-powered vessel concept, which will come into operation in 2021. Reducing the environmental footprint through winning zero-emission contracts is the most important component of Norled's business plan. With CapMan Infra's ownership, Norled will have access to both strong financial backing as well as new competences, in order to carry out a sizable investment programme to decrease the environmental footprint of its fleet.

In the full ESG due diligence preceding the investment, CapMan's team recognised Norled having strong performance in the areas covered, and follow-up on ESG KPIs will be an integrated part of the development of Norled's business going forward. In addition to improving environmental performance, safety of both passengers and crew is instrumental for managing successful transportation operations. Norled has over 1,000 employees and transports around 17 million passengers and 9 million

cars annually. CapMan Infra and CBRE Caledon will together with management work to secure Norled's position at the forefront of the green shift, while also being the safest marine transportation workplace in Norway.

Key Targets:

- Percentage of zero-emission vessels to increase from 1 today to a majority of Norled's fleet, which today comprises 49 ferries and 23 express boats
- CO2 footprint of the fleet reduced significantly, with exact targets to be determined together with Norled's management
- Zero serious workplace incidents
- Employee satisfaction levels measured yearly to secure present high levels
- Customer satisfaction levels measured to ensure high quality of service
- Transparent dialogue with important stakeholders such as local communities and media

Sustainability in services

CapMan Procurement Services (CaPS) pools the indirect procurement of its member companies. Procurement volumes exceeded €180 million in 2018 and the service has 130 member companies in Finland and Sweden with 50,000 employees combined. More than 130 supplier partners in categories ranging from logistics to laptops serve the network.

Our starting point and process

CaPS recognises its role in driving procurement activity for its members and encourages its members to consider the overall environmental and societal impact of their procurement. In 2019, CaPS started following up on the CO2 emissions of its supplier partners. The supplier partners report their emissions to CaPS, which allows CaPS members to see the carbon footprint of their procurement activities through the network. Suppliers that report their data are awarded with additional visibility on CaPS's member platform. The added transparency helps the entire network understand how small choices carry a large impact through the multiplier effect of the network while encouraging a switch to vendors that report their emissions. This in turn encourages more suppliers to disclose their emissions and to actively reduce them.

CaPS further requires all its supplier partners to comply with its code of conduct and ethical procurement practices before becoming part of the supplier network.

CaPS monitors its customer and vendor satisfaction through annual surveys and adjusts its operations accordingly.

The CaPS-run Employee Benefit Scheme provides tangible benefits for employees of CaPS member companies. CaPS further organises

campaigns to build company culture and promote general well-being at the workplace, such as "Feel Good" and "Compliment your Colleague" challenges.

CaPS has been instrumental in organising fundraising and mobilising its member companies and suppliers to contributing to the Tukikummit foundation, which helps underprivileged kids and youth. Since 2014, CaPS has raised close to €600,000 for the foundation.

Learn more

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



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A wooden boardwalk with railings leads through dunes of tall grass to the ocean. The sky is overcast and the water is calm.

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Building value for the enrichment of society.