

Corporate Responsibility at Mandatum Life

Mandatum Life's corporate responsibility is based on the cornerstones of its business operations: increasing and securing the financial welfare of its customers and safeguarding against financial risks. In Mandatum Life's view, sustainable business attracts customers, long-term investors and motivated employees. Corporate responsibility, which has been linked to the strategy, is a sustainable part of the company's day-to-day operations. Mandatum Life strives to generate well-being in the surrounding society through its services and investment activities and as an employer.

Mandatum Life has identified three main themes for its corporate responsibility: responsible investment, promoting responsible personnel practices in working life and implementing them in Mandatum Life's own work community. Financial responsibility – which means ensuring the continuity, profitability, earnings power and solvency of the company's operations in all market situations – is a prerequisite for business. Ensuring continuity lays the foundation for the sustainable management of customers' insurance-

related liabilities and customers' investments and pensions over the decades.

During 2016, Mandatum Life's corporate responsibility work mainly focused on fostering responsible investment. Towards the end of the year, Mandatum Life Investment Services Ltd. measured the carbon footprint of the unit-linked equity and fixed income investment baskets under its management and its full-mandate wealth management.

Responsible Investment: Money Is a Driver of Change

Investors have an influential role in solving societal challenges and mitigating climate change. The investment assets flowing into more responsible companies put these companies in a better position to succeed, while other companies feel the pressure to improve their ways of operating. Due to the rising cost of and limited access to financing, companies with less responsible operations have weaker long-term growth opportunities. This trend will further strengthen as investors are increasingly paying attention to sustainability issues.

Companies play a key role in achieving the goals of sustainable development. That is why promoting responsible investing and the sustainability of its own investment activities are at the heart of Mandatum Life's corporate responsibility actions.

Promoting Responsible Investing

One of Mandatum Life's goals is to increase investors' awareness of the opportunities offered by responsible investing and the risks of ignoring them. In September 2015, Mandatum Life Investment Services Ltd. joined the international Portfolio Decarbonization Coalition in order to reduce the carbon footprint of investments

worldwide and to increase investors' awareness and their opportunities to invest in companies with a smaller carbon footprint. In late 2016, the company joined the UN's Montréal Pledge and will disclose the carbon footprint of its investments on an annual basis.

In the lead-up to the Paris Climate Change Conference in autumn 2015, Mandatum Life launched an annual seminar on responsible investment, which brings together opinion leaders in the sector from Finland and abroad to discuss the risks caused by climate change to investors. A total of around 150 opinion leaders from the business world and society participated in the event in 2015 and 2016. The speakers included institutional investors, major international asset management firms (Amundi, BlackRock) and international organizations, such as WWF and BSAG.

In 2016, Mandatum Life campaigned for a cleaner Baltic Sea jointly with the Baltic Sea Action Group (BSAG). As a result of the campaign, Mandatum Life donated 0.5 per cent of the amount invested in the ML Future Climate investment basket between June and the end of the year, i.e. a total of more than EUR 4,000, to BSAG.

In-House Investment Operations

Responsible investment at Mandatum Life means taking into account environmental, social and governance (ESG) issues in its investment decisions. Mandatum Life's Wealth Management signed the UN's Principles for Responsible Investment (UN PRI) in 2011. Mandatum Life is also a member of FINSIF (Finland's Sustainable Investment Forum). Investment operations linked to the management of customers' wealth are implemented according to these principles. ESG issues have been incorporated into the investment process, backed by a dialogue with operators, companies and co-operation partners in the sector.

Mandatum Life's responsible investment strategy is to favor, for the long term, the best companies in each sector while taking into account the return expectation. Favoring the most responsible companies in each sector is impactful investing, as it puts responsible companies in a better position to succeed.

ML Future Climate, the first product in the Future product family launched by Mandatum Life in 2015, steers investment assets to companies with a smaller carbon footprint. The ML Future Quality Equity established in 2016 invests in high-quality, responsibly operating companies with higher-than-average performance stability, profitable business and moderate valuation. The investment basket includes companies that have received the best ESG scores in their sector. The analytics provider is Sustainalytics, which is specialized in sustainability data.

Measuring and Reducing the Carbon Footprint of Investments

Mandatum Life Investment Services Ltd. has measured the carbon footprint of the unit-linked equity and fixed

income investment baskets under its management and its full-mandate wealth management. The annual carbon footprint of the investments was 1,399,896 CO₂ tons (tCO₂), which is 22 per cent compared to the benchmarks. The result is positively impacted by the relatively small carbon footprint of fixed income investments in relation to the benchmarks. The combined carbon footprint of equity investments was 62 per cent in relation to the benchmarks. The measurement was carried out jointly with South Pole Group and it covered approximately 80 per cent of the investment assets managed by Mandatum Life Investment Services Ltd. as per 30 September 2016. The carbon footprint of the investee companies is based on South Pole Group's data as per the end of 2015. Consultative wealth management or index investment baskets were not taken into account in the measurement. Going forward, Mandatum Life Investment Services Ltd. will measure its carbon footprint on an annual basis to monitor the carbon risk of its investments more comprehensively.

Mandatum Life created the Future Climate investment basket to offer its customers an effective means of more strongly cutting the carbon dioxide emissions of investments. The goal of ML Future Climate is to achieve the global general equity market return with a 50-per-cent smaller carbon footprint. The cuts in the carbon footprint have been made by excluding the largest polluters in each sector.

Since inception, ML Future Climate has exceeded The MSCI World by 0.6 percentage points (31 August 2015 – 31 December 2016). The MSCI World Low Carbon Leaders index, which the product tracks, has outperformed the general equity market (MSCI World) return by as much as 4 percentage points since November 2010. Although this is no guarantee for the upcoming years, it does suggest that responsible investment is not just about fighting for a good cause, but also about profitable investment operations.

Social Responsibility: Securing Financial Welfare and Pioneering Good Working Life

Mandatum Life wishes to ensure the financial security of its customers through voluntary risk insurance policies, by growing their wealth, securing entrepreneurship, supplementing pension cover and securing the competitiveness of Finnish companies. Well-managed business creates well-being in the surrounding society, while at the same time strengthening competitiveness.

Employees that thrive in their jobs create the foundation for the achievement of Mandatum Life's long-term goals. That is why employee satisfaction is one of Mandatum Life's strategic targets. In 2015 and

2016, work satisfaction reached the company's long-term target level: 92 per cent of employees find Mandatum Life a very good workplace.

It All Comes Down to People

Mandatum Life offers companies tools for good leadership and reward solutions, as well as a means of monitoring and assessing the employees' impact on the company's financial success and work satisfaction. Mandatum Life fosters good employee practices that benefit the company and personnel alike and makes

use of the same solutions it offers its customers.

Employee well-being manifests itself as enthusiasm, caring and satisfaction and, in the longer term, as productive careers. Mandatum Life expects the importance of corporate culture in the company's future success to further increase. When coupled with good leadership and effective rewards, the entire personnel's motivation and enthusiasm have a quantifiable impact on the company's earnings power.

Efficient Rewards

Companies can improve their competitiveness through fair and effective personnel reward solutions. A successful reward system also helps the company stand out from the competition and attract new employees. Mandatum Life offers companies expert reward services ranging from designing reward systems to implementing and measuring them. Mandatum Life implements reward solutions aimed at the entire personnel and at selected personnel groups and helps companies in preparing for personnel risks.

A good reward solution supports the company's strategy and business goals while at the same time motivating employees. It all starts with job grading, the determination of basic salary and the other components of pay in relation to roles and competitors, and with the setting of performance indicators. It also includes transparency and high-quality communication to personnel, which is paramount in order for the system to be perceived as fair. If rewards are not managed effectively they become nothing more than a significant cost item to the company. Efficient indicators are at the heart of an effective reward system. They guide employees to do the right things and increase the bottom line.

Fair rewards also play an important role in risk management. Unfair dispersion and disparity in pay within the organization may present a legal risk to the employer. Mandatum Life offers companies the Pay Scale tool to assess the organization's pay structure, competitiveness and fairness.

Taking Care of Employees' Financial Security During and After Their Career

Mandatum Life offers companies assistance in managing the risks related to the health and work ability of their employees through personal insurance. Risks pertaining to health and work ability can occur throughout the lifecycle of an employment relationship, from recruitment to retirement. The insurance also secures the livelihood of the employee's family if worse comes to worst.

A Growing Number of People Wish to Supplement Their Statutory Social Security

A growing number of Finns are concerned about their income in the face of financial adversity. According to the Insurance Survey series of the Federation of Finnish Financial Services, in 2016 only about a quarter of the respondents believed social security to be sufficient. According to the survey, a long-term illness, accidents, unemployment, temporary lay-offs and responsibility for taking care of a family member are considered to be the largest threats to financial welfare (Insurance Survey, Federation of Finnish Financial Services 2016).

Mandatum Life's risk insurance increases customers' and their families' financial security in case of serious illness, disability or death. The insurance helps to cover losses in income resulting from an illness. One out of five Finns falls seriously ill before the age of 65. In 2016 Mandatum Life commissioned a survey to determine what kind of risk takers Finns consider themselves to be, what risks they think about most and what they believe poses the biggest risks to their own finances. A total of 1,005 Finns aged between 15 and 79 responded to the survey.

When asked what kind of risks they think about most, 28 per cent of the respondents mentioned their own health. Finns also estimated their own serious illness to pose the biggest risk to their finances (28 per cent of all respondents). This was followed by the serious illness, death, accident or injury of their spouse (21 per cent). Fifteen per cent of all respondents cited a serious accident or injury that might happen to them, and 13 per cent mentioned their own or their spouse's unemployment. According to Mandatum Life, Finns' awareness of the risks related to their own finances should be further increased.

Supplementing Pension Cover Increasingly Important

Mandatum Life wishes to increase Finns' awareness and their possibilities to influence the sufficiency of their income during retirement. Earlier retirement could lead to insufficient pension cover for entrepreneurs, for example, if they have not prepared themselves. The most cost-effective way to save is through a group pension insurance policy provided by the employer. Pension cover that is supplemented by the employer guarantees a better income level during retirement and reduces the need for employees to prepare themselves. Maintaining employees' work ability and well-being, ability to cope at work and motivation also require companies to make plans at an increasingly earlier stage.

Employers should prepare for the ageing and retirement of their personnel. A company can devise a pension strategy which creates models for ensuring the employees' and management's ability and willingness to work. At the same time, this provides the company with a foundation for knowledge transfer and for making positive use of senior employees' experience. A thoughtfully built model improves the company's business through more productive careers and makes it a more responsible employer.

Providing Security to Entrepreneurs Fosters Entrepreneurship

Mandatum Life's services for entrepreneurs secure the continuity of their business and supplement the statutory cover of the entrepreneurs and their families.

When faced with a serious illness or short period of disability, an entrepreneur might have to take care of

securing the continuity of his or her business in addition to getting better. Thanks to the insurance, the entrepreneur can focus on recovering, while in cases of death or permanent disability the entrepreneur, his or her family or possible other owner will receive financial assistance during a difficult time.

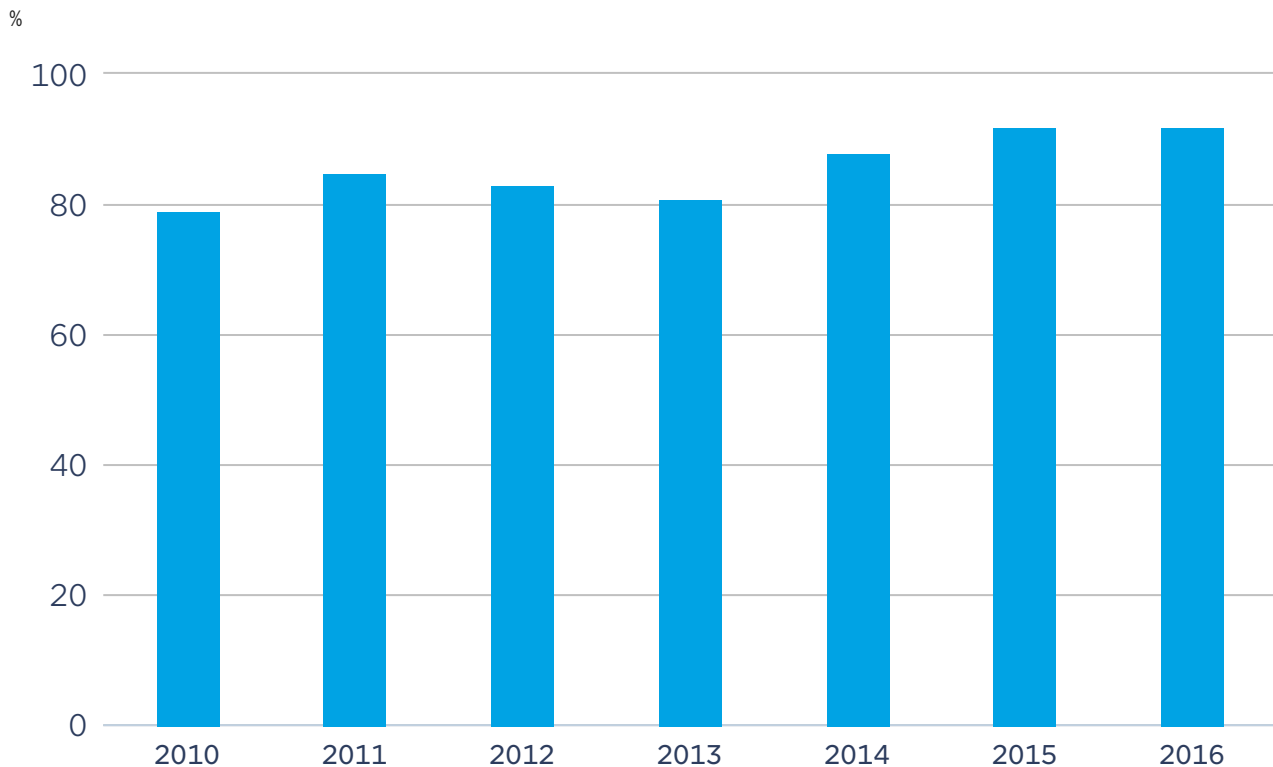
Entrepreneurs must put more planning into preparing for their retirement and any health and financial problems. They pay their whole pension themselves through YEL insurance. Mandatum Life helps entrepreneurs to identify this security deficit and to solve it using a combination of YEL contributions and voluntary preparations according to their specific needs. The need for entrepreneurs to prepare themselves will further increase as a result of the Finnish pension reform that entered in force as of the beginning of 2017 and the insufficient preparedness for changes in ownership which are estimated to gain momentum in the coming years.

Mandatum Life's Responsibility for Its Personnel Ensures Successful Business

The well-being of its personnel is one of Mandatum Life's strategic targets. Mandatum Life has been selected as one of the best workplaces in Finland for six consecutive years. The company's HR policy is based on the belief that taking care of personnel ensures customer satisfaction and puts the company

in an even better position to achieve success. Mandatum Life's responsibility for its personnel also means providing security for employees and their families in case of financial risks. Mandatum Life also invests in a motivating work environment.

Claim: Overall, this is a great place to work
Great Place to Work Survey, 2010–2016



Mandatum Life influences the financial well-being of its employees by supplementing their pension cover and offering them smart ways to save and grow their wealth.

- The benefits of group pension insurance for employees are concrete: supplementing pension insurance guarantees a better income level during retirement.
- Comprehensive insurance has been taken out for the entire personnel, not only against work injuries, but also against off-working-hours injuries. This protects the employees and their families in the case of a permanent injury or death caused by an accident. In addition, a significant proportion of personnel has disability and life insurance.
- A personnel fund offers employees the opportunity for long-term saving in a smart way and through professional investment activities. The personnel fund is an open, transparent and fair solution that aims at long-term benefits. The company encourages long-term saving by paying an additional 20 per cent bonus to employees who decide to fund their bonuses. A total of 88 per cent of personnel chose to do so in 2016.

Leading by Example: A Good Corporate Culture Based on Engagement, Trust and Good Leadership

At Mandatum Life, focusing on the corporate culture not only reflects the company's values, but is also part of its business, as Mandatum Life offers employee reward solutions to its customers as well. The well-being of its personnel is one of Mandatum Life's strategic long-term targets.

The future goal is to make even more effective use of employees' competence and enthusiasm in developing Mandatum Life's business. *Leading by example* is Mandatum Life's vision for its responsibility in personnel matters, according to which the organizations that are able to make full use of their employees' competence will be winners in the future. The flat hierarchy in the organization is also reflected in the results of the Great Place to Work survey: up to 90 per cent (88) of Mandatum Life employees feel that the management is easy to approach.

Mandatum Life monitors the employees' perception of the achievement of equality. Eighty-nine per cent (87) of personnel feel that people are treated equally at Mandatum Life, regardless of gender.

Focus on the Well-Being of Personnel

Mandatum Life pays particular attention to the benefits linked to work ability management and employee well-being. These long-term efforts have paid off: the sick-leave rate has been kept low for years by investing regularly in both preventive occupational health care and work atmosphere and supervisory work.

Preventive measures are important. The company offers comprehensive occupational health care services that include, among other things,

consultations with a work psychologist, regular ergonomic visits to the workplace, specialist services and examinations related to women's/men's illnesses. Among the practices in place are support for returning to work following a long illness, and the preventive early intervention model. Co-operation with the occupational health care service provider is close.

Mandatum Life supports also various forms of physical exercise and different work patterns and practices that facilitate daily work by offering, for example, possibilities for remote work and free assistance in caring for a sick child for three weekdays.

Financial Responsibility: Continuity Is Being Secured in All Market Situations

Financial responsibility at Mandatum Life means ensuring the continuity, profitability, earnings power and solvency of operations in all market situations. Ensuring continuity creates the foundation for the sustainable and responsible management of customers' insurance-related liabilities and customers' investments and pensions over the decades. That is why risk management is a key component of Mandatum Life's financial responsibility. The most important goals of the risk management process are to ensure the sufficiency of capital in relation to business risks and to curb variations in financial performance in the long run. Sufficient capitalization and well-functioning risk management processes safeguard the company's ability to take care of its customers' pensions and compensations, whatever the situation or economic environment.

In 2016, Mandatum Life paid out a total of EUR 418 million in pensions to 68,000 pensioners, as well as other indemnities for death, accidents, serious illness and disability, totaling some EUR 88 million.

Responsibility towards shareholders is reflected in the company's goal of ensuring a steady dividend stream.

Mandatum Life is also a key societal contributor and employer. The company employs more than 500 people in Finland and the Baltic countries. Mandatum Life has been one of Finland's largest tax payers for many years, bearing its responsibility towards society. In 2015, Mandatum Life was the 48th largest corporate tax payer in Finland, paying more than EUR 9 million in taxes.

Mandatum Life also provides financial support for third-sector activities. In 2014, the company started co-operation with the Tukikummit foundation, whose objective is to prevent marginalization by providing financial support to youth at risk of exclusion. Mandatum Life participates in the foundation's activities by donating accident insurance policies to children whose families are in need. Since the start of the co-operation, more than 1,600 children have benefited from a donated accident insurance policy.

Mandatum Life's Environmental Responsibility is Based on Promoting Responsible Investment

Mandatum Life's business operations do not give rise to significant direct emissions, which is why the company has identified the promotion of responsible investment as the best opportunity to engage in environmental responsibility. As a major investor, the company has a responsibility to contribute to reducing the carbon footprint of investments. Read more about our measures in the section 'Responsible investment'.

Mandatum Life contributes to solving environmental challenges that are of crucial importance to Finland by supporting the ecological restoration of the Baltic Sea. The Baltic Sea is one of the most polluted seas in the world. Finland's annual average temperature is rising close to twice as fast as that of the

whole planet (Finnish Meteorological Institute 2016). The warming of Finland's climate also affects the state of the Baltic Sea. One of the most serious problems is eutrophication. Climate change increases precipitation, which increases the quantity of eutrophying nutrients flowing into the sea and accelerates the growth of algal blooms. The increase of carbon dioxide in the air acidifies the Baltic Sea, posing a threat to its species.

Mandatum Life has made a five-year commitment to the Baltic Sea Action Group (BSAG) to promote the protection of the Baltic Sea. The commitment involves supporting the action group's work through annual donations and promoting responsible investment operations among its stakeholders. BSAG is a non-profit foundation that co-operates with state heads, authorities and the private sector. In 2016, BSAG was the beneficiary of Mandatum Life's Christmas donation, which totaled EUR 10,000.

The company strives to reduce the negative environmental impacts of its operations by, among other measures, developing its digital services and by reducing the use of paper in its customer communications. Mandatum Life uses the Baltic Sea -friendly DROPP spring water at its events and in its offices. The company favors locally produced food at its close to a hundred annual stakeholder events.