

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. The success of its business operations is a central part of Mandatum Life's corporate responsibility, as it helps make life better and easier for its customers and employees.

During 2015, Mandatum Life's corporate responsibility work mainly focused on fostering responsible investment practices. In responsible investing, the

major role of investors in solving environmental challenges, such as global warming, was a key theme.

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 customer investments and pensions over the decades. That is why risk management is a key component in the company'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 2015, Mandatum Life paid out a total of approximately EUR 387 million in pensions to 76,000 pensioners, as well as other indemnities for death, accidents, serious illness and disability, totaling some EUR 77 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 through its business profits. In 2014, Mandatum Life was the 17th largest corporate tax payer in Finland, paying a total of EUR 37 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. In 2015, close to 1,100 children were covered by such accident insurance. In 2015, Mandatum Life made a commitment to the Baltic Sea Action Group (BSAG) towards promoting the protection of the Baltic Sea. BSAG is a non-profit foundation that co-operates with state heads, authorities and the private sector. In 2015, Tukikummit and BSAG were the beneficiaries of Mandatum Life's Christmas donation totaling EUR 10,000.

Focus of Responsible Investing in 2015 on Mitigating Climate Change

Responsible investing 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.

In the company's view, in the long run, successful companies are the ones that operate responsibly, taking into account issues related to their own personnel, the environment and social and financial responsibility in their business operations. They attract more capital, expertise and customers.

Investors can have a major impact on solving social and environmental challenges. In September 2015, Mandatum Life Investment Services Ltd. joined the international Portfolio Decarbonization Coalition, whose objective is to reduce the carbon footprint of investments worldwide. Mandatum Life is also committed to increasing investors' awareness and opportunities to invest in companies with a smaller

carbon footprint. Mandatum Life launched the ML Future Climate index investment basket, the objective of which is to cut carbon dioxide emissions by 50 per cent in relation to the broad MSCI World index without compromising returns.

The investment object has been a success and it has from inception until the end of 2015 outperformed the general equity market index (parent index MSCI World) return by about 0.6 per cent. The target index of ML Future Climate MSCI World Low Carbon Leaders has outperformed the general equity market by more than 4 percentage points from November 2010. Although this is no guarantee for the upcoming years, it does suggest that responsible investing is not just about fighting for a good cause but also about profitable investment operations.

One of the company's goals is to increase investors' awareness of the opportunities offered by responsible investing and the risks of ignoring them. In the lead-up to the Paris Climate Change Conference, Mandatum Life invited trade opinion leaders to discuss the risks caused by climate change to investors as well as investors' possibilities to have an impact on mitigating climate change. The goal of emphasizing the role of investors as part of the efforts to mitigate climate change was achieved through direct engagement with the public and media visibility: the opinion leaders that spoke at the event gained media visibility through their statements. A total of around 150 opinion leaders from the business world and society participated in the event.

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 through investments, securing entrepreneurship, supplementing pension cover and securing the competitiveness of Finnish companies. The company also invests in the well-being of its employees and in improving the quality of working life.

Responsibility for personnel means improving the financial security of personnel and preparing for health and financial risks. Mandatum Life also takes care of the well-being of its employees during off-working hours and after their career. The company sees that employees that thrive in their jobs create the foundation for the achievement of the company's long-term goals. That is why employee satisfaction is

one of Mandatum Life's strategic targets.

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. A survey conducted by the Federation of Finnish Financial Services in 2014 revealed that 80 per cent of Finns consider voluntary insurance necessary for supplementing social security. The number of those concerned about their income has risen in recent years; in 2012, the corresponding figure was 55 per cent. A long-term illness, accidents and

unemployment or temporary lay-offs are considered to be the largest threats to financial welfare (Insurance survey, Federation of Finnish Financial Services, 2014).

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. Most survive, but their everyday life comes to a halt. The insurance provides security and allows people to concentrate on getting better without the extra burden of financial worries. In autumn 2015, the company started a campaign aimed at increasing Finns' awareness of the risks of a serious illness.

Supplementing Pension Cover Increasingly Important

The proportion of working-aged people in Finland will diminish over the following decades and the number of pensioners will increase. At the end of 2013, people receiving old-age pension already accounted for 25 per cent of all people aged over 16 (Source: Finnish Centre for Pensions). With changing demographics, the pension system is also being reformed. The purpose of the pension reform, which will take effect at the start of 2017, is to lengthen careers and help close the sustainability gap in public finances. Today, 30-year-olds are expected to continue working until over the age of 70 if they wish to secure their income during retirement. Earlier retirement could lead to insufficient pension cover for entrepreneurs, for example, if they have not prepared themselves.

Mandatum Life wishes to increase Finns' awareness of their possibilities to influence the sufficiency of their income during retirement. The company offers sensible and cost-effective ways to save and invest for the future. The most cost-effective way to save is through a group pension insurance policy or a personnel fund provided by the employer.

Employers should also prepare for the ageing and retirement of their personnel. The company should devise a pension strategy, which includes 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 and makes it a more responsible employer.

Providing Security to Entrepreneurs Fosters Entrepreneurship

Mandatum Life's services for entrepreneurs secure the continuity of their businesses and supplement the statutory cover of the entrepreneurs and their families. In addition to business-related risks, the financial security of the entrepreneur and his or her loved ones must be ensured in preparation for sudden events and retirement.

Entrepreneurs must put more care into preparing for their retirement and any health and financial problems. They pay their whole pension themselves through YEL insurance. 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.

Pension for Entrepreneurs and Generation Shift

A key aspect of securing an entrepreneur's future is taking care of his or her pension security. The average pension of an entrepreneur amounts to approximately EUR 1,300 per month (Finnish Unemployment Fund for Entrepreneurs 2011). This is very little compared to the income many entrepreneurs receive while working. 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.

Around one third of all entrepreneurs in Finland are currently over 55. This means that close to 78,000 entrepreneurs will be retiring within a decade (Ownership change barometer 2015). It is important for the well-being of society and entrepreneurs that the retirement and generation shifts of entrepreneurs are successful not only in terms of the pension security of the entrepreneurs but also in terms of securing jobs. It has been estimated that 20,000 companies will discontinue their operations over the next ten years in Finland on account of the ageing of the entrepreneur. That means around 2,000 companies and 8,000 jobs each year. Mandatum Life helps entrepreneurs to secure the continuity of their business by preparing well in advance for a generation

shift, a corporate transaction or sudden situations, such as a serious illness, disability or death.

Improving the Conditions for Successful Business Through Effective Reward Systems

A company that takes care of its employees' motivation and well-being also has more satisfied customers. A responsible company cares for each of its employees, enhances their well-being and plays a role in safeguarding against potential risk situations – while simultaneously creating a positive corporate image.

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 also helps companies in preparing for personnel risks.

Efficient Rewards

A good reward solution supports the company's strategy and business goals as well as motivates the personnel. 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 employee communications that are essential in creating a fair system from personnel's perspective. 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.

Mandatum Life offers companies expert services and solutions ranging from designing efficient reward systems to their implementation and measurement. When employees know their own targets and are rewarded for achieving them in a motivating and fair manner, the company and its employees alike flourish. Companies should invest efforts in the fairness of rewards not only with regard to their targets but also from a risk management perspective. Unfair dispersion and disparity in pay within the organization may present a great 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. These related risks 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.

Mandatum Life's Responsibility for its Personnel Ensures Successful Business

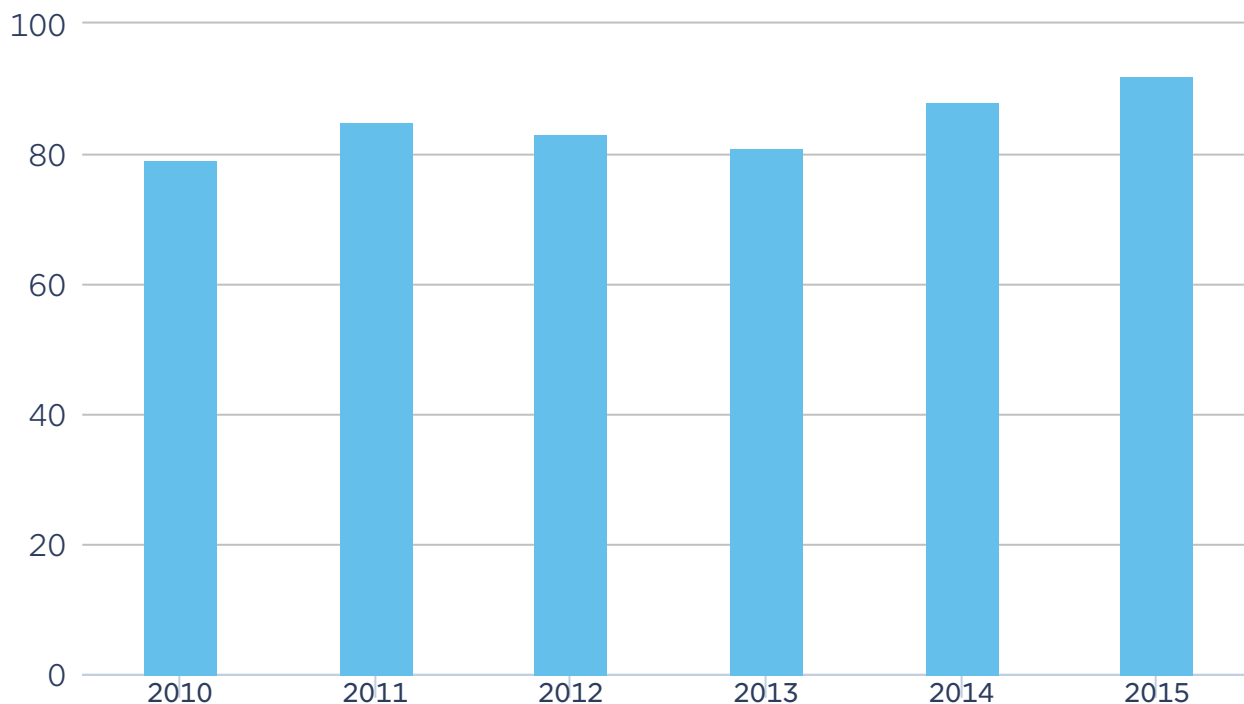
The well-being of its personnel is one of Mandatum Life's strategic targets. The company has been selected as one of the best workplaces in Finland for six consecutive years. The company's HR policy is based on the concept that taking care of personnel ensures customer satisfaction and puts the company

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, 2010-2015

%



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.
- The entire personnel is extensively insured in case of accidents, also outside work. It safeguards the personnel and their families from accident related disability or death. Also a considerable amount of staff has permanent disability cover and life insurance.
- The 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 87 per cent

of personnel decided to do so in 2015.

Successful Corporate Culture Based on Trust, Equality and Good Leadership

At Mandatum Life, focusing on the corporate culture is a strategic decision and an investment. It is based on good leadership, a corporate culture with a flat hierarchy and on valuing expertise. Mandatum Life's employees take an active role in developing the business and their work environment and improving operating models. This results in new innovations and the creation of a pleasant workplace that values its employees. The flat hierarchy in the organization is also reflected in the results of the Great Place to Work survey: up to 88 per cent (85) of Mandatum Life employees feel that management is easy to approach.

For Mandatum Life, the diversity and equality of personnel is measured. 87 per cent of personnel feel that people are treated equally at Mandatum Life, regardless of gender. The personnel structure of

Mandatum Life consists equally of men and women. Women account for 32 per cent of all supervisors.

Investments in the Well-Being of Personnel

In recent years, Mandatum Life has made significant investments in benefits linked to occupational well-being and the well-being of its personnel. These efforts have produced results: the sick-leave rate has decreased over 1 percentage points in five years, equaling 2.3 per cent in 2015. The sick-leave rate has been improved by systematic investments in healthy work environment and leadership.

The company has a strong focus on preventive well-

being at work. 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, examinations related to women's/men's illnesses and support for returning to work following a long illness. Co-operation with the occupational health care services provider is close, and employees can consult an occupational health care nurse at the workplace every six weeks.

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

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. This prompted Mandatum Life Investment Services to join the Portfolio Decarbonisation Coalition in autumn 2015. Read more about the coalition in the 'Responsible investing' section.

For Finland, environmentally responsible investing is paramount, because the country's climate is warming at a faster pace than that of the rest of the world (Sitra

2013). 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. Mandatum Life has made a commitment to the Baltic Sea Action Group (BSAG), supporting its work through annual donations and promoting responsible investment operations among its stakeholders.

The company strives to reduce the negative environmental impacts of its operations by, among other measures, developing its digital services and by decreasing the use of paper in customer communications.