

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-linked Finance Framework

CapMan
1 April 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-linked Finance Instruments
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by ICMA (06.2020) Sustainability-Linked Loan Principles, as administered by LMA (05.2021)
Scope of verification	CapMan's Sustainability-linked Finance Framework (31.03.2022)
Lifecycle	Pre-issuance verification
Validity	As long as CapMan's Sustainability-linked Finance Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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SCOPE OF WORK

CapMan Oyj (“CapMan” or “the issuer” or “the company”) commissioned ISS ESG to assist with its Sustainability-linked Finance Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPIs selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and industry, and whether the associated targets are ambitious.
2. CapMan’s Sustainability-linked Finance Framework (31.03.2022 version) and structural components of the transaction – benchmarked against the Sustainability-linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA) and the Sustainability-linked Loan Principles (SLLP), by the Loan Market Association (LMA).
3. Sustainability-linked Bond link to CapMan sustainability strategy – drawing on CapMan’s overall sustainability profile and related objectives.

CAPMAN BUSINESS OVERVIEW

CapMan Oyj is a Nordic private asset firm, which focuses on growth capital investments, industry consolidation, turnaround, recapitalization, middle market buyouts, credit and mezzanine financing in unquoted companies, investments in value-add and income focused real estate, and investments in energy, transportation and telecommunications infrastructure.

The firm manages typically closed-end funds that invest in companies and assets based in the Nordic countries in accordance with the fund's strategy. The funds typically exit their investments in three to six years through trade sales and IPOs. The firm also manages some open-ended funds. CapMan Oyj was founded in 1989 and is based in Helsinki, Finland with additional offices in Stockholm, Sweden; Copenhagen, Denmark; Oslo, Norway; Luxembourg, Luxembourg and London, United Kingdom. CapMan Oyj is listed on Nasdaq Helsinki since 2001 and is a signatory of the UN Principles for Responsible Investment (PRI) since 2012.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
<p>Part 1A:</p> <p>KPI 1: GHG emissions reduction pathway validated by SBTi</p>	<p>KPI selection: Relevant, Core, and Material, to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Limited information to assess ambition against issuer’s past performance • Ambitious against issuer’s industry peer group • Commitment to be in line with the Paris Climate Goals <p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. The KPI will be measurable, quantifiable, externally verifiable and benchmarkable when the targets are formulated. The scope and perimeter will be defined according to SBTi guidelines for Private Equity companies and will thus include CapMan’s own operations (scope 1 and 2 emissions) and firm-level portfolio SBTs for their investment and lending activities (scope 3, category 15).</p> <p>The SPT calibrated by CapMan is ambitious against the company’s sectorial peers and the issuer commits to be in line with the Paris Agreement. The benchmark that will be selected by the issuer is provided by an independent third party (the Science-based Target Initiative, SBTi) based on a methodology established in the industry. The SPT remains in a similar order of magnitude as top tier companies in its industry. There is limited information to assess the level of ambition of SPT 1 against past performance. The target will be set in a clear timeline, will be benchmarkable and supported by a strategy and action plan.</p>
<p>Part 1B:</p> <p>KPI 2: Sustainability objectives integrated into the variable remuneration of CapMan management group</p>	<p>KPI selection: Relevant, Core, Material, to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer’s past performance • Limited information to assess ambition against issuer’s industry peer group • Limited information to assess ambition against international targets <p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable, and externally verifiable, and once the KPI has been calculated, the issuer commits to having the data externally verified. The objectives CapMan decided to integrate are unique to the issuer, which limits the benchmarkability. It covers the CapMan management group.</p> <p>ISS ESG concludes that the SPT set by the issuer is ambitious against the company’s past performance, because CapMan did not link their executive remuneration to any ESG objectives ever before. It should be noted, however, that the integration of sustainability objectives into executive remuneration will not automatically constitute an improvement in ESG performance of the issuer. This will depend on whether those objectives are reached. Benchmarking the SPT against industrial peers and international targets is limited because ESG</p>

¹ ISS ESG’s evaluation is based on the engagement conducted between February and April 2022, on CapMan’s Sustainability-Linked Securities Framework (31.03.2022 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 18.03.2022).

objectives used by companies differ in terms of scope, scale, and materiality. The lack of benchmarkability with peers and international targets derives from the specificity of the KPI and is to no fault of the issuer. The target will be set in a clear timeline and supported by a strategy and action plan.

Part 2: **Aligned with ICMA Sustainability-Linked Bond Principles, except the ambition of SPT 2 can only be evaluated against past performance**

Alignment with the SLBP

The Issuer has defined a formal framework for its Sustainability-linked Bond regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), Sustainability-linked Bond characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA.

The financial characteristics of any security issued under the issuer's Framework, including a description of the selected KPI(s), SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction. The occurrence of a Trigger Event will result in a coupon step-up or increase in the redemption price applying to the relevant security from the first day of the next interest period immediately following the Reporting End Date for the relevant Reference Year until maturity of the relevant security.

Part 3: **Consistent with issuer's sustainability strategy**

Link to issuer's sustainability strategy

According to the ISS ESG Corporate Rating published 18.03.2022, the company currently shows a moderate sustainability performance against peers on key ESG issues faced by Asset Management & Brokerage industry and obtains a Decile Rank relative to industry group of 5, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated, this Rating places CapMan 53rd out of 147 companies within its industry as of 25.02.2022.

The KPI selected by the issuer is related to GHG emission targets and linking executive pay to ESG performance. Sustainable investment criteria are considered as a key ESG issue faced by the Asset Management and Brokerage sector and ISS ESG finds that these are material sustainability topic for the issuer. ISS ESG finds that this issuance contributes to the issuer's sustainability strategy thanks to the link of both KPIs to the key sustainability priorities of the issuer and since SPT 1 is ambitious against the company's peers and committed to be in line with the Paris Climate Goals, and SPT 2 is ambitious against past performance.

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

A.1 Selection of KPI 1

KPI 1: GHG emissions reduction pathway validated by SBTi

FROM ISSUER'S FRAMEWORK

KPI 1: GHG emissions reduction pathway validated by the Science Based Target initiative ("SBTi")

SPT 1: Approval of GHG emission targets no later than 31 December 2023

Definition: CapMan will seek to have its science-based targets ("SBTs") approved by the Science Based Target initiative ("SBTi"). The issuer uses private equity sector guidance by the SBTi².

Long-term goal: n/a

Rationale: CapMan wants to help its companies, assets and ultimately its stakeholders transition towards a carbon-neutral society through positioning our portfolio companies and assets on a path towards net-zero GHG emissions. To achieve this, the issuer has committed to the Science Based Targets initiative (SBTi) Net-Zero Standard. CapMan commits to set SBTs as a private assets firm, following the SBTi Private Equity Sector Guidance, and thereby place its investments on a scientifically verified path towards net-zero greenhouse gas emissions. In accordance with the Private Equity Sector Guidance, it is mandatory to include CapMan's scope 1 and 2 emissions, as well as its investments that fall under category 15 of scope 3. More details on the scope can be found in the guidance document [here](#).

SBTs are short and long-term GHG emissions reduction targets that are informed by independent climate science, ensuring that a company's emissions are in line with the Paris Agreement 1.5 degree C scenario. The plan is validated by the SBTi and provides a step-by-step process for how to reach the targets. CapMan measures its scope 1 and 2 GHG emissions, as well as select scope 3 emissions. CapMan Buyout, Infrastructure, Real Estate and Growth report on scope 1 and 2.

The company believes that strong ESG performance is reflected in strong financial performance, a link that is extensively supported by international research. As active owners, CapMan aims to initiate change that results in collectively substantial climate action and improved diversity, thereby contributing to the Nordic region. CapMan's role and mandate as a private asset enables the company to collaborate with different stakeholders in its portfolio companies and assets.

Baseline: The issuer has not set SBTs in the past.

Scope: CapMan will include Scope 1 and 2 emissions on a Portfolio Company level and Scope 3 emissions on the investment level, following the private equity sector guidance by the SBTi.

Materiality and relevance

By offering socially responsible investment (SRI) products, asset management firms can promote investments in companies that contribute to the solution of global sustainability challenges. Sustainable Investment Criteria are considered as a key ESG issue faced by the Asset Management

² Science-Based Targets initiative, 'Private Equity Sector Science-Based Target Guidance', Version 1.0, November 2021, <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

and Brokerage sector according to key ESG standards³ for reporting and ISS ESG proprietary assessment.

ISS ESG finds that the GHG emissions reduction pathway KPI selected by the issuer is:

- **Relevant** to CapMan's business as sustainable investment criteria are highly important for the industry, especially scope 3 emissions related to the portfolio companies (e.g. investments in eco-friendly companies or changing the environmental profile of currently owned companies).
- **Core** to the issuer's business as climate change mitigation reduction measures affects key processes and operations that are core to the business model of the issuer (e.g. driving the adoption of portfolio companies setting their own SBTs and modifying the conduct of corporate operations or driving portfolio companies to adopt exclusion criteria for their activities to further tackle climate change). Moreover, as an Asset Manager, the company is exposed to physical, transition and liability risks from climate change.
- **Material** to CapMan from an ESG perspective as it is one of the key ESG issues faced by the Asset Management & Brokerage industry. Hence, CapMan can have material impact on the issue. By covering Scopes 1, 2 and 3 (specifically category 15, which will include CapMan's portfolio companies' emissions), the issuer ensures that most of the emissions it is responsible for will be addressed.

Consistency with overall company's sustainability strategy

CapMan invests in growing businesses, real estate and infrastructure in Nordic countries as an active owner. As such, the issuer can drive environmental sustainability as well as social impact and good governance principles.

The issuer has implemented an ESG strategy in order to systematically integrate sustainability factors into their activities. There are three tracks to the company's sustainability strategy: environment, social, and governance. Every year the company identifies specific targets for each of the three sustainability tracks.

The environment track will focus on climate action. CapMan aims to position its portfolio companies and assets on a path to reduce GHG emissions. In order to do this in a scientific way, the company commits to the SBTi. This strategy will include short- and long-term targets on GHG emission reduction. Moreover, in the long term the company aims to systematically include life cycle analysis throughout its own operations, portfolio companies and properties in order to adapt a circular economy approach.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter will be defined according to SBTi guidelines for Private Equity companies and will thus include CapMan's own operations

³ Key ESG Standards include SASB and TCFD, among others.

(scope 1 and 2 emissions) and firm-level portfolio SBTs for their investment and lending activities (scope 3, category 15).

- **Quantifiable/Externally verifiable:** The targets that will be set under the KPI will be measurable and quantifiable, based on the fact that it follows the SBTi sector guidance.
- **Externally verified:** The KPI is forward-looking and cannot yet be verified.
- **Benchmarkable:** By referring to the SBTi-guidelines for Private Equity firms, the KPI will be easily comparable with the data reported by other companies and with international targets such as the Paris Agreement.

Opinion on KPI selection: *ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI will be measurable, quantifiable, externally verifiable and benchmarkable when the targets are formulated. The scope and perimeter will be defined according to SBTi guidelines for Private Equity companies and will thus include CapMan's own operations (scope 1 and 2 emissions) and firm-level portfolio SBTs for their investment and lending activities (scope 3, category 15).*

A.2 Calibration of SPT 1

SPT 1: Approval by SBTi of GHG emission targets no later than 31 December 2023

FROM ISSUER'S FRAMEWORK⁴

Sustainability Performance Target 1: Approval by SBTi of GHG emission targets no later than 31 December 2023

Sustainability Performance Target Trigger: is calculated as follows: Whether CapMan is referenced by the SBTi as having approved and published GHG emission reduction targets before or by [31 December 2023] – Target Observation Date at which the performance of KPI #1 against SPT #1 is observed.

CapMan is committed to getting approved targets by [31 December 2023] at the latest as (i) CapMan applied to the SBTi at the beginning of 2022 (formal commitment date [3.2.2022]), (ii) the official SBTi guidelines for Private Equity sector were published in November 2021 and (iii) CapMan has up to [24] months to submit and publish the validated SBTs on the SBTi website.

Sustainability Performance Target Observation Date: 31 December 2023

Baseline: not available at this stage

Risks to the target: Potential delays in the process of submitting SBTs and getting approval by the SBTi.

Ambition

Against company's past performance

CapMan will set the SPT(s) to reduce its GHG emissions (scopes 1, 2 and 3) using different metrics depending on the emissions scope, given the varying nature of CapMan's underlying operations. Since the issuer relies on the private equity sector guidance by the SBTi⁵, CapMan will include Scope 1 and 2 emissions reduction targets for their own operations and firm-level portfolio SBTs for their investment and lending activities (scope 3, category 15).

Like all SBTi-validated targets, the SBT will be developed in line with the GHG Protocol Corporate Standard and it will cover all relevant GHG emissions.

CapMan did not previously set GHG emission reduction targets. Having the targets approved by the SBTi is the first step towards decreasing GHG emissions. It should be noted that achieving this SPT will not (yet) have any impact on the environmental sustainability of the issuer.

Since no conclusion can be made on the environmental impact of SPT 1 with regards to past performance, ISS ESG concludes there is limited information to assess the level of ambition of SPT 1 against past performance.

⁴ This table is displayed by the issuer in its Sustainability-Linked Finance Framework and have been copied over in this report by ISS ESG for clarity.

⁵ Science-Based Targets initiative, 'Private Equity Sector Science-Based Target Guidance', Version 1.0, November 2021, <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

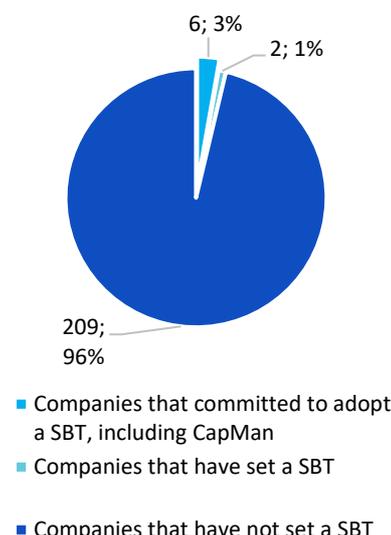
Against company's industry peers

ISS ESG conducted a benchmarking of the SPT set by CapMan against the Asset Management and Brokerage peer group of 217 listed companies (including CapMan) derived from the ISS ESG Universe.

In terms of SBTi target setting, the peer group can be divided in three categories: committed to setting Science-Based Targets (SBT), having SBT set, and neither. CapMan is one of six companies in its industry to have officially committed to setting SBT, to be validated by the SBTi, for GHG emissions reduction in the near term. Out of the peer group, two companies already have set targets which have been approved by the SBTi. These results are summarized in Figure 1.

Therefore, ISS ESG concludes that the SPT set by the issuer will be ambitious compared to the Asset Management and Brokerage sector practices. CapMan represents the top 3.7% tier, as it is one of the only eight companies with either the commitment to adopt a SBTi-approved targets or that have already set targets.

Figure 1: SBTi target setting by peer group



Against international targets

Paris agreement

CapMan has not yet benchmarked its SPT as it is not currently developed. However, like all SBTi-validated targets, it will be developed in line with the GHG Protocol Corporate Standard and it will cover all relevant GHG emissions. Specifically, CapMan will follow the private equity sector guidance by the SBTi⁶.

The SPT will be achieved when the SBTi approves CapMan's SBT. Therefore, the science-based target itself will permit CapMan to be Paris-aligned as targets will be set to below a 1.5° Celsius warming scenario according to SBTi methodology.

However, as the SPT sets the achievement of the science-based target, it cannot in and of itself permit CapMan to be Paris-aligned. Rather, once CapMan follows the emission trajectory set out in the SBT, that pathway will be Paris-aligned.

ISS ESG finds that, through the adoption of the SPT, CapMan commits to be Paris-aligned in the future. However, it is important to stress that the target is not yet available, and therefore no details can be provided.

Measurability & comparability

- **Historical data:** The SPT is a forward-looking commitment to setting GHG emission reduction targets. The issuer has not set SBTs in the past.

⁶ Science-Based Targets initiative, 'Private Equity Sector Science-Based Target Guidance', Version 1.0, November 2021, <https://sciencebasedtargets.org/resources/files/SBTi-Private-Equity-Sector-Guidance.pdf>

- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To obtain SBTi approval on its GHG emission reduction target setting by 31 December 2023 at the latest, CapMan is taking several steps. In February 2022, the issuer applied to the SBTi. As such, the company is now recognized as being “committed” to the SBTi. Subsequently, the company has up to 24 months to submit and publish the validated SBTs on the SBTi website.

In order to develop the SBTs, CapMan will gather its scope 1 and 2 GHG emission data from 2021 and evaluate which of the voluntary scope 3 categories to include in the target setting (category 1-14), based on the SBTi Private Equity Sector Guidance. For private equity and infrastructure, the targets will be based on the share of portfolios by invested capital that will have set SBTs short term and long term. For real estate, it is about reducing GHG emissions per square meter floor area in the short term and long term.

Opinion on SPT calibration: *The SPT calibrated by CapMan is ambitious against the company’s sectorial peers and the issuer commits to be in line with the Paris Agreement. The benchmark that will be selected by the issuer is provided by an independent third party (the Science-based Target Initiative, SBTi) based on a methodology established in the industry. The SPT remains in a similar order of magnitude as top tier companies in its industry. There is limited information to assess the level of ambition of SPT 1 against past performance. The target will be set in a clear timeline, will be benchmarkable and supported by a strategy and action plan.*

B.1 Selection of KPI 2

KPI 2: Sustainability objectives integrated into the variable remuneration of CapMan management group

FROM ISSUER'S FRAMEWORK

KPI 2: Sustainability objectives integrated into the variable remuneration of CapMan management group

SPT 2: CapMan will integrate sustainability objectives into the variable remuneration of CapMan management group by 30 April 2023

Definition: The board will integrate sustainability targets to the Management Group's long-term performance share plan which will be linked to CapMan Group's overall sustainability targets. For the performance share plan 2022-2025 targets are envisaged to include the following:

- Set science-based targets for climate, have the targets validated by the Science Based Targets Initiative and thereafter follow the emission reduction plan;
- Keep the CapMan Plc employee satisfaction eNPS survey above 40 on a yearly basis;
- Include relevant and quantifiable ESG targets in the CapMan Plc employee bonus programme. ESG targets should count for minimum 5% of the total bonus potential;
- Set percentage targets on gender diversity within management group, at partner level and throughout the CapMan Plc organization and reach the targets by end of March 2025. The targets will support the long-term ambition of not having any gender representing more than 60%.

Long-term goal: n/a

Rationale: CapMan aims for sustainable remuneration to achieve strategic business objectives in short-term and especially in the long-term. By including sustainability objectives into the management groups variable remuneration, CapMan wants to align the incentives of decision makers with sustainability targets and ensure actions that prioritize ESG matters, which could lead to the achievement of Group level sustainability targets.

Baseline: CapMan currently does not integrate sustainability objectives into the variable remuneration of CapMan management group

Baseline year: n/a

Scope: The KPI covers CapMan's entire management group, which consist of head of investment teams (RE, Infra, Buyout, Growth, CWS), CEO, CFO, COO, Head of HR, Head of fund IR, and Head of CaPS.

With the current share price of CapMan, the euro value of the maximum performance share reward linked to achieving the 2025 sustainability-targets for management group members would correspond to ca. 20% of their annual fixed compensation for 2022.

Materiality and relevance

Social and environmental impacts of products and services and sustainable investment criteria are considered as key ESG issues faced by the Asset Management & Brokerage industry according to key ESG standards⁷ for reporting and ISS ESG assessment. Asset managers have the power, as well as the

⁷ Key ESG Standards include SASB and TCFD, among others.

responsibility to use their power, to shift their portfolio to a more environmentally and socially beneficial investment portfolio. As examined⁸ by the United Nations Principles for Responsible Investment (UNPRI), linking executive pay to ESG performance can be an important tool to drive both sustainability and value.

Incorporating ESG metrics into executive compensation is becoming the new norm in many industries, as explained in a recent report⁹ by ISS Corporate Solutions. While ISS data shows that a significant number of companies worldwide now link part of its executive compensation to the company's ESG performance, the prevalence by sector ranks financial companies second-to-last with approximately 3.6% (based on the Russell 3000, ex-S&P 500).

Moreover, the European Commission initiated legislation on sustainable corporate governance. The public consultation was closed in February 2020 and in April 2021 proposal for a Corporate Sustainability Reporting Directive was published. Once adopted, reporting requirements in Europe will include a multitude of ESG issues as well as requirements on linking such issues to executives' pay.

ISS ESG finds that the ESG-linked remuneration KPI selected by the issuer is:

- **Relevant** to CapMan's business as its industry is responsible for the environmental, social, and governance impact of their investment portfolio and linking the executive pay to ESG performance has been found to be an important tool to drive sustainability of the portfolio.
- **Core** to the issuer's business as the significance of linking ESG performance to executive remuneration depends on the sustainability targets that CapMan envisions. For the period 2022-2025, these targets include setting Science-based Targets for GHG emission reductions, keeping employee satisfaction high, incorporating ESG targets in company-wide bonus programmes, and achieving gender diversity at different levels of the company. Moreover, achieving the 2025 sustainability-targets for management group members would be equal to approximately 20% of their annual fixed compensation for 2022¹⁰.
- **Material** to CapMan from an ESG perspective as it covers two key ESG issues faced by the Asset Management & Brokerage industry and hence CapMan can have material impact on the issue.
 - Linking sustainability targets to the decision-makers is an important lever to ensure such goals are pursued and attained. The composition of the management group represents over 90% of CapMan's assets under management (AUM). Moreover, one of the objectives that the issuer plans to link to the remuneration of the management group will be to incorporate ESG targets in company-wide bonus programmes. As such, it is possible that the KPI has a wider reach throughout the whole company.
 - CapMan states that the objectives that will be linked to the management group's variable remuneration will also be linked to long-term objectives. This should ensure that the goals set for 2022-2025 align with the issuer's long-term targets, including

⁸ UNPRI, 17 June 2021, 'ESG-linked pay: What does the research say?', <https://www.unpri.org/executive-pay/esg-linked-pay-what-does-the-research-say/7863.article>

⁹ ISS Corporate Solutions, 2021, 'Incentivizing what matters: designing meaningful ESG metrics for executive compensation', <https://www.isscorporatesolutions.com/file/documents/ics-incentivizing-what-matters.pdf>

¹⁰ Based on the share price of CapMan at the time of writing this SPO.

its emission reduction plan, employee satisfaction, an ESG-linked employee bonus programme and gender diversity.

- The sustainability objectives that will be integrated into the variable remuneration of CapMan's management group cover ESG topics at large, as it encompasses environmental (GHG emission reduction), governance (link to executive pay) and social (gender diversity and employee satisfaction) issues.

Consistency with overall company's sustainability strategy

CapMan invests in growing businesses, real estate and infrastructure in Nordic countries as an active owner. As such, the issuer can drive environmental sustainability as well as social impact and good governance principles.

The issuer has implemented an ESG strategy in order to systematically integrate sustainability factors into their activities. There are three tracks to the company's sustainability strategy: environment, social, and governance. Every year the company identifies specific targets for each of the three sustainability tracks. The environmental track is focused on climate action and the social track aims to monitor employee satisfaction.

Good governance principles will underpin the environmental and social tracks of the strategy. The main topic on the governance track is the linking remuneration of executives to ESG targets, as captured in KPI 2.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI covers the CapMan management group, which consists of head of investment teams (RE, Infra, Buyout, Growth, CWS), CEO, CFO, COO, Head of HR, Head of Fund IR, and Head of CaPS.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable for the period 2022-2025 as the issuer identified four objectives quantifiable sub-targets to be integrated into the variable remuneration of the management group. The sub-targets might change after 2025.
- **Externally verified:** Once the KPI has been calculated, the issuer commits to having the data externally verified.
- **Benchmarkable:** Many companies link ESG-objectives to executive remuneration, still, the objectives CapMan decided to integrate are unique to the issuer. Therefore, the benchmarkability is limited.

Opinion on KPI selection: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable, and externally verifiable, and once the KPI has been calculated, the issuer commits to having the data externally verified. The objectives CapMan decided to integrate are unique to the issuer, which limits the benchmarkability. It covers the CapMan management group.

B.2 Calibration of SPT 2

SPT 2: Integrating sustainability objectives into the variable remuneration of the management group by 30 April 2023

FROM ISSUER'S FRAMEWORK¹¹

Sustainability Performance Target 2: CapMan will integrate sustainability objectives into the variable remuneration of CapMan management group by 30 April 2023

Sustainability Performance Target Trigger: is calculated as follows: Whether the CapMan management group members will have integrated sustainability objectives in the long-term performance share plan 2022-2025 by 30 April 2023 – Target Observation Date at which the performance of KPI #2 against SPT #2 is observed.

Sustainability Performance Target Observation Date: 30 April 2023

Baseline: n/a

Risks to the target: Potential delays in setting sustainability goals for the duration of the performance share plan would not allow the Board to integrate the targets into the performance share plan by the observation date.

Ambition

Against company's past performance

Because CapMan's target is to integrate sustainability objectives into the variable remuneration of its management, performance is effectively binary and as the baseline reflects the current absence of sustainability objectives.

Since CapMan did not link their executive remuneration to any ESG objectives in the past, the SPT can be viewed as ambitious against the past performance. It should be noted, however, that the integration of sustainability objectives into executive remuneration will not automatically constitute an improvement in ESG performance of the issuer. This will depend on whether those objectives are reached.

Against company's industry peers

While ISS ESG could not conduct a benchmarking of the SPT set by CapMan against its specific industry, the generic nature of the objective has enabled comparison with a broader universe made up of the constituents of major indices.

According to a report by Willis Towers Watson on ESG and Executive Compensation¹², 68% of the top European companies use at least one ESG metric in their annual bonus, LTIP, or both. However, it seems that a strong tendency exists to measure ESG in terms of annual progress rather than long-term achievement and is mostly attributable to the challenges in setting long-term goals. Consequently, ESG metrics are only found in 15% of long-term incentive plans for European

¹¹ This table is displayed by the issuer in its Sustainability-Linked Finance Framework and have been copied over in this report by ISS ESG for clarity.

¹² [ESG-and-Executive-Compensation-Report-2021.pdf](#)

companies. At the same time, ISS data¹³ shows that the prevalence by sector ranks financial companies second-to-last with approximately 3.6% (based on the Russell 3000, ex-S&P 500).

However, the SPT cannot be compared to current performance of other companies. Without comparable data on target setting of peers, ISS ESG concludes that there is limited information to assess the level of ambition of the SPT with peers.

Against international targets

While multiple large asset management firms monitor the remuneration policies of its investment companies, no relevant international standard currently exist on the topic. Furthermore, the specificities to be determined by the actual target-setting process mean that the KPI maintains a significant proprietary nature.

As such, there is limited information for ISS ESG to assess the level of ambition of this target against international standards.

Measurability & comparability

- **Historical data:** The issuer has not integrated ESG-metrics into executive remuneration in the past, therefore, there is no historical data.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

CapMan's performance share plan 2022-2025 includes a share reward component earned on the basis of achieving targets that will be aligned with CapMan's overall sustainability linked-targets. CapMan will set concrete sustainability goals for the duration of the performance share plan during 2022 in order for the Board to set the targets by the observation date, i.e. 30 April 2023.

Opinion on SPT calibration: ISS ESG concludes that the SPT set by the issuer is ambitious against the company's past performance, because CapMan did not link their executive remuneration to any ESG objectives ever before. It should be noted, however, that the integration of sustainability objectives into executive remuneration will not automatically constitute an improvement in ESG performance of the issuer. This will depend on whether those objectives are reached. Benchmarking the SPT against industrial peers and international targets is limited because ESG objectives used by companies differ in terms of scope, scale, and materiality. The lack of benchmarkability with peers and international targets derives from the specificity of the KPI and is to no fault of the issuer. The target will be set in a clear timeline and supported by a strategy and action plan.

¹³ ISS Corporate Solutions, 2021, 'Incentivizing what matters: designing meaningful ESG metrics for executive compensation', <https://www.isscorporatesolutions.com/file/documents/ics-incentivizing-what-matters.pdf>

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

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

The issuer's Framework has been established in accordance with the Sustainability-Linked Bond Principles (SLBP) 2020 as administered by ICMA. Substantially similar core components are outlined under the Sustainability Linked Loan Principles 2021, published by the LMA in connection with sustainability linked loans.

CapMan can under the issuer's Framework issue securities, including but not limited to bonds, with a sustainability-linkage.

Opinion: ISS ESG considers the Rationale for Issuance description provided by CapMan as aligned with the SLBP. The issuer has created and committed to publicly disclose the framework in a comprehensive manner.

2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

Opinion on KPI 1: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI will be measurable, quantifiable, externally verifiable and benchmarkable when the targets are formulated. The scope and perimeter will be defined according to SBTi guidelines for Private Equity companies and will thus include CapMan's own operations (scope 1 and 2 emissions) and firm-level portfolio SBTs for their investment and lending activities (scope 3, category 15).

Opinion on KPI 2: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. The KPI is appropriately measurable, quantifiable, and externally verifiable, and once the KPI has been calculated, the issuer commits to having the data externally verified. The objectives CapMan decided to integrate are unique to the issuer, which limits the benchmarkability. It covers the CapMan management group.

2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

Opinion on SPT 1: The SPT calibrated by CapMan is ambitious against the company's sectorial peers and the issuer commits to be in line with the Paris Agreement. The benchmark that will be selected by the issuer is provided by an independent third party (the Science-based Target Initiative, SBTi) based on a methodology established in the industry. The SPT remains in a similar order of magnitude as top tier companies in its industry. There is limited information to assess the level of ambition of

SPT 1 against past performance. The target will be set in a clear timeline, will be benchmarkable and supported by a strategy and action plan.

Opinion on SPT 2: *ISS ESG concludes that the SPT set by the issuer is ambitious against the company's past performance, because CapMan did not link their executive remuneration to any ESG objectives ever before. It should be noted, however, that the integration of sustainability objectives into executive remuneration will not automatically constitute an improvement in ESG performance of the issuer. This will depend on whether those objectives are reached. Benchmarking the SPT against industrial peers and international targets is limited because ESG objectives used by companies differ in terms of scope, scale, and materiality. The lack of benchmarkability with peers and international targets derives from the specificity of the KPI and is to no fault of the issuer. The target will be set in a clear timeline and supported by a strategy and action plan.*

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK

The financial characteristics of any security issued under the issuer's Framework will be specified in its corresponding security documentation including but not limited to the KPIs, SPTs, along with the year in which the relevant SPT is to be achieved (the Reference Year) and the potential change in such security characteristics.

The occurrence of any of the following events (the Trigger Events) will trigger a change to the financial characteristics of the relevant security as described below.

- CapMan has not achieved the applicable SPT relating to the KPI for the relevant Reference Year as reported on or before the Reporting End Date following the end of such Reference Year, or
- CapMan's reporting does not meet the requirements set out in Section 2.4 (Reporting) of the issuer's Framework in all material respects, or
- the verification of the SPT in accordance with section 2.6 (Verification) of the issuer's Framework has not been provided and made public by the Reporting End Date (as defined below).

The "Reporting End Date" for any KPI shall be the date falling 90 days after the respective KPI's Target Observation Date.

The occurrence of a Trigger Event will result in a coupon step-up or increase in the redemption price applying to the relevant security from the first day of the next interest period immediately following the Reporting End Date for the relevant Reference Year until maturity of the relevant security.

The size of the step-up applicable to the coupon or the increase of the redemption price will be specified in the security documentation for each respective security issued under the issuer's Framework.

For the avoidance of doubt, if in respect of any securities issued under the issuer's Framework, the company has achieved the relevant SPT for the Reference Year and reporting and verification for the KPI and SPT have been provided and made public in accordance with the reporting and verification sections of the issuer's Framework, the financial characteristics of the relevant security issued by CapMan under the issuer's Framework shall remain unchanged.

For any security issued under the issuer's Framework, a Trigger Event impacting the financial characteristics of the security may only occur once during the tenor of the relevant security.

The KPIs and SPTs set out in the issuer's Framework will remain applicable throughout the tenor of any security issued under the Framework, regardless of any changes to CapMan's sustainability strategy. This includes any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards. However, any changes to the calculation methodology for the KPIs or significant changes in data due to better data accessibility may result in a change in baseline. Any new or updated Sustainability-Linked Finance Framework, in relation with any subsequent capital markets transactions, shall not have any implications on the securities issued under the issuer's Framework.

Opinion: ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by CapMan as aligned with the SLBP. The issuer describes in detail the potential variation of the financial and structural characteristics of the bond.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

In order to provide investors and other stakeholders with adequate information about CapMan's implementation of its sustainability strategy in general, CapMan will provide relevant reporting on the progress made in respect of the KPIs, and (in relation to any Reference Years only) the achievement or not of the applicable SPTs set out in the security specific documentation. Such reporting shall be made publicly available on an annual basis in a Sustainability-Linked Finance Progress Report and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the financial and/or structural characteristics of securities issued hereunder. The Sustainability-Linked Finance Progress Report shall be published on CapMan's web page no later than the Reporting End Date after the end of the year being reported on. For the avoidance of doubt, a failure to report does not trigger a step-up after the reporting end date for that year. The step-up will only occur after the reporting end date relating to the Reference Year, regardless of when a failure to report occurs.

The Sustainability-Linked Finance Progress Report will contain all the relevant information needed to assess if any changes to the security characteristics are to be made, including but not limited to:

- The performance of the KPIs, as per the relevant reporting period including the calculation methodology and baselines where relevant;
- Information about recalculations, if any, of baseline for the KPIs (if applicable);
- A verification report relative to the KPIs outlining the performance against the SPTs and the related impact, and timing of such impact, on the security characteristics; and
- Information on any updates to CapMan's sustainability strategy and/or governance with an impact on the KPIs and SPTs.
- Where feasible and possible the Sustainability-Linked Finance Progress Report will also include:
 - Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities, behind the evolution of the performance on the KPIs on an annual basis;
 - Illustration of the positive sustainability impacts of the performance improvement;
 - Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope;
 - Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

The performance level against each SPT for each KPI outlined above shall be verified by a qualified external reviewer with relevant expertise as described in section 2.5 (Verification).

Opinion: ISS ESG considers the Reporting description provided by CapMan as aligned with the SLBP. This will be made publicly available annually and include valuable information, including up-to-date information on the performance of the selected KPI(s), as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

In order to provide transparency to investors and in alignment with the SLBP, CapMan will ensure an external and independent verification by a qualified external reviewer with relevant expertise, as outlined in the Voluntary Guidelines for External Reviews developed by the Green and Social Bond Principles, of its actual performance level against each SPT for each KPI. The verification shall be conducted with limited assurance by the external reviewer. CapMan has the discretion to change the external reviewer subject to fulfilling the requirements set out herein. The ex-ante reviewer of the Sustainability-Linked Finance Framework shall differ from the ex-post reviewer.

The verification of the actual performance relative to the SPTs shall be made public together with CapMan's Sustainability-Linked Finance Progress Report on the company's webpage no later than the Reporting End Date in each year as set out in section 2.3 (Security Characteristics) and specified in the security specific documentation for as long as any securities issued under the issuer's Framework remain outstanding. The verification, together with the Sustainability-Linked Finance Progress Report, will form the basis for evaluating any change in the financial characteristics of any securities issued under the issuer's Framework as described in the section 2.3 (Security Characteristics).

Failure to provide the ex-post verification before the Reporting End Date in any year up to and including the year following the Reference Year for any securities issued under the issuer's Framework, shall result in an automatic adjustment in the financial characteristics of such securities as outlined in the security specific documentation.

Opinion: ISS ESG considers the Verification description provided by CapMan as aligned with the SLBP. The issuer plans on having annual values of the SPT published and verified. This will outline the performance against the SPT, the related impact and timing of such impact on the securities financial characteristics.

PART 3: LINK TO CAPMAN'S SUSTAINABILITY STRATEGY

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
CAPMAN OYJ	ASSET MANAGEMENT & BROKERAGE	5	MEDIUM

This means that the company currently shows a moderate sustainability performance against peers on key ESG issues faced by Asset Management & Brokerage industry and obtains a Decile Rank relative to industry group of 5, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 25.02.2022, this Rating places CapMan 53rd out of 147 companies rated by ISS ESG in the Asset Management & Brokerage industry.

Key Challenges faced by companies in term of sustainability management in this industry are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Sustainability Opportunities

CapMan is a private equity fund manager with operations in the Nordic region. The company invests in companies contributing to the solution of global sustainability challenges, for example in the areas of healthcare and renewable energy. However, these investments are marginal vis-a-vis the total value of the investment portfolio.

Sustainability Risks

As a pure asset manager with a focus on private equity, CapMan's exposure to sustainability risks is rather limited and mainly entails the risk of investing in companies and projects with a negative environmental and/or social impact. To manage this risk, the company has developed basic guidelines using both ESG due-diligence and negative screening approaches. The company considers issues such as environmental protection, human and labour rights when investing in private equity and property. CapMan cooperates with external experts and undertakes portfolio monitoring to support the application of the aforementioned standards. According to the company, it also engages with investee companies on the issue of climate change.

Key Issue Performance



The areas of customer and product responsibility and business ethics also present sustainability challenges for asset managers. Although the company does not sufficiently address the former, it demonstrates an approach to managing compliance-related risks. In terms of business ethics and compliance, CapMan has established policies covering corruption and insider dealings. The company has established adequate procedures to ensure ethical conduct, including confidential and anonymous reporting channels as well as a statement on non-retaliation against whistleblowers. Moreover, the company conducts mandatory compliance training for all of its employees.

Governance opinion

In terms of its governance structure, the majority of the company’s board members are independent, including the board chair, Andreas Tallberg (as at February 24, 2022). Fully independent committees in charge of audit, remuneration and nomination are established within the board. The remuneration for executives, including fixed salary, variable and long-term components is disclosed. Further information on individual compensation schemes is only available for the CEO.

Regarding the governance of sustainability, CapMan has established a committee tasked with the oversight of the company's sustainability strategy but not on a supervisory board level. For the year 2022, the company shows initiative to integrate sustainability performance targets into the remuneration plans of company executives. However, this has not been materialized yet. In terms of business ethics and compliance, CapMan has established policies covering corruption and insider dealings. The company has established adequate procedures to ensure ethical conduct, including confidential and anonymous reporting channels as well as a statement on non-retaliation against whistleblowers. Moreover, the company conducts mandatory compliance training for all of its employees.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of the CapMan current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along the CapMan’s production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Financing of public transportation infrastructure, investments in renewable energy	4.6%	CONTRIBUTION	 
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

As of 21.03.2022, the company is not facing any severe controversies.

Contribution of KPIs to sustainability objectives and key ESG industry challenges

ISS ESG mapped the KPIs selected by the issuer for its Sustainability-linked Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Asset Management & Brokerage industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
GHG emissions reduction pathway validated by SBTi	✓	✓	Contribution to a material objective
Sustainability objectives integrated into the variable remuneration of CapMan management group	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the KPIs are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry.*

DISCLAIMER

1. Validity of the SPO: For CapMan's Sustainability-linked Bond issuances as long as the Sustainability-linked Finance Framework (31.03.2022), SPTs benchmarks (including data for KPI baseline) and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyze and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, certain images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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Deutsche Börse AG ("DB") owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital ("Genstar") and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from CapMan's 2022 ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

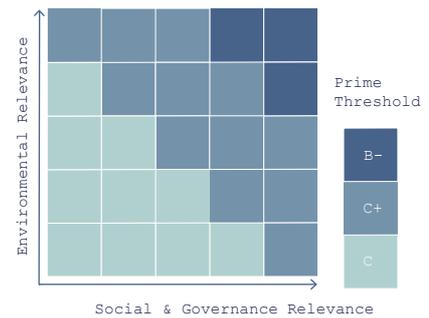
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from industries with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per industry, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-linked Finance Framework of CapMan, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance. ISS ESG reviewed the alignment of the concept of the CapMan's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPT against CapMan's own past performance, against CapMan's Asset Management & Brokerage peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement. Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of CapMan.

ANNEX 3: Quality management processes

SCOPE

CapMan commissioned ISS ESG to compile a Sustainability-linked Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability-linked Finance Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-linked Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

ISSUER'S RESPONSIBILITY

CapMan's responsibility was to provide information and documentation on:

- Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-linked Bond to be issued by CapMan based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with CapMan took place in between February and April 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-linked Bond SPO, please contact: SPOOperations@iss-esg.com

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