

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Korona Invest Oy, 2037737-4, Helsinki Finland

Summary

Korona Fund IV Ky (3223687-8) takes into account the principal adverse impact of its investment decisions on sustainability factors. This notification is a combined disclosure of the principal adverse impacts on sustainability factors by Korona Invest Oy, Korona Invest IV Oy, and Korona Fund IV Ky.

This disclosure of the principal adverse impacts on sustainability factors covers the reporting period from January 1, 2023, to December 31, 2023.

In its latest fund, Korona Invest takes into account the principal adverse impacts in its investment decisions on sustainability factors. Before investing in a portfolio company, we strive to form a comprehensive understanding based on the information available on us and minimize the sustainability-related risks in our investments. Our assessment is based on the company's history, industry knowledge, geographic location, possible third-party analyses, and discussions with the company. In small companies, we form an overall picture mainly through discussions with management and our own ESG due diligence assessment. We avoid companies where we perceive the risks of principal adverse impacts on sustainability factors to be high.

Description of the principal adverse impacts on sustainability factors

In Korona Invest, sustainability factors are part of the ESG due diligence processes related to corporate transactions. It is important that the consideration of sustainability factors is integrated into the company's strategy, guiding potential buying and selling decisions. Sustainability should not be seen merely as an obligation but rather as an opportunity to be incorporated into the company's strategy. Making the right sustainability choices can increase the company's value, while disregarding sustainability factors can weaken its valuation.

Sustainability should be strategy-driven and manifested in everyday choices and actions. Capabilities must be developed to not only fulfill mandatory obligations but also integrate sustainability into the company's strategy and daily operations. This often requires increasing expertise, integration, training, and a cultural shift within many companies.

The portfolio companies of Korona Fund IV Ky utilize resources or have adverse environmental impacts mainly through greenhouse gas emissions, waste generation, and natural resource use. To assess the principal adverse impacts, data obtained from portfolio companies is utilized. The principal adverse impacts on sustainability factors are defined through due diligence assessments and materiality principles. The fund continues to develop the measurement of principal adverse impacts on sustainability factors, aiming to reduce them.

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
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CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	155 tCO ₂ e	2 tCo ₂ e		
		Scope 2 GHG emissions	33 tCO ₂ e	31 tCO ₂ e		
		Scope 3 GHG emissions	8914 tCO ₂ e	168 tCO ₂ e	The information received regarding Scope 3 emissions is insufficient for the year 2022.	
		Total GHG emissions	9102 tCO ₂ e	202 tCO ₂ e	The CO ₂ emission calculation was carried out in cooperation with an external service provider to cover Scope 1-3 emissions.	The emission calculation process has been developed. Data collection and analysis became more efficient, and the data quality was equalized.
	2. Carbon footprint	Carbon footprint	374 tCO ₂ e	4,6 tCO ₂ e	The number of portfolio companies has doubled in the last 12 months and the company-specific emission calculation has developed to cover Scope 3 emissions more broadly.	
	3. GHG intensity of investee companies	GHG intensity of investee companies	216 tCO ₂ e / M€	1,71 tCO ₂ e / M€		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0 %	0 %		In accordance with the investment policy, we do not invest in

					companies operating in the field of fossil fuels.	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Renewable energy sources: 36 % Non-renewable energy sources: 64 %	Renewable energy sources: 61 % Non-renewable energy sources: 39 %	The information regarding the distribution of electricity consumption is partially insufficient.	The goal is to develop monitoring and reporting of energy consumption in our portfolio companies.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0,03524 GWh / M€	0	During 2023, Korona Fund IV has invested in the following high impact climate sector: C-Industry.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0 %	0 %		Korona Fund IV does not have any portfolio companies operating in areas sensitive to diversity.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t / invested M€	0 t / invested M€	Korona Fund IV does not have any portfolio companies causing emissions to water.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0 t / invested M€	0,000842955 t / invested M€		

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0 %	0 %		Portfolio companies have formal company-specific policies and practices regarding responsible business, human rights, labour rights, and the environment, but they have not explicitly declared compliance with UNGC principles or OECD guidelines.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	32 %	0 %		
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	18 %	31 %		
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Share of female board members: 7 %	Share of female board members: 18 %		Our goal is that each portfolio company's board of members has at least 1 board member of both genders.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	0 %		In accordance with the investment policy, we do not invest in companies that operate in the fields of manufacturing and/or selling controversial weapons.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

We have integrated sustainability into our investment activities, taking into account not only financial considerations but also environmental, social and governance aspects when making investment decisions. In accordance with our updated Responsible Investment Policy in February 2021, we believe that portfolio companies operating responsibly are more profitable investment opportunities for our funds and investors due to sustainable growth. The Responsible Investment Policy binds the entire staff of Korona Invest and guides our investment activities to consider ESG factors.

Our actions aim to direct capital towards sustainable investment opportunities and manage investment risks arising from climate change, depletion of natural resources, environmental pollution, and social issues, while promoting transparency and long-term thinking in investment operations. To achieve this, we have updated our principles in November 2022 to:

- Develop a plan for sustainable operations
- Facilitate portfolio companies' investments in sustainable projects
- Clarify benchmarking for sustainability
- Incorporate sustainability more effectively into due diligence
- Require more sustainability information from the companies
- Promote more sustainable management of the companies.

Engagement policies

The objective of the fund's investment activities is to achieve long-term returns by investing in equity and debt instruments of small and medium-sized unlisted companies. The fund's portfolio companies are primarily engaged in service-based business operations. The fund aims to generate returns from the appreciation of investment targets and realized profits. The growth of the invested companies and the resulting increase in value (or the lack thereof) are the key factors affecting returns.

We have incorporated the consideration of sustainability factors into our investment activities, and when making investment decisions, we take into account environmental, social responsibility, and good governance aspects in addition to financial considerations. We monitor significant sustainability factors and risks throughout the investment lifecycle of our portfolio companies.

Korona Invest is committed to responsible practices in its engagement activities. The primary goal of engagement is to support long-term value creation and risk management. We believe that portfolio companies operating responsibly provide more profitable investment opportunities for our funds and investors due to sustainable growth.

References to international standards

Korona Invest has signed the UN Principles of Responsible Investment (PRI), and these six principles are taken into account as part of sustainable value creation.

Historical comparison

Factors to be considered in the historical comparison of Korona Fund IV Ky:

Comparison between 1.1.-31.12.2022 - 1.1.-31.12.2023.

- The number of portfolio companies doubled from three to six.
- Scope 3 emissions are not comparable, see Table 1 point 1.
- Korona Fund IV has invested in the following sector with a significant climate impact: C-Industry and this has an impact on the reported numbers.

Table 2

Additional climate and other environment-related indicators

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2023	Impact 2022
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Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	85 %	62 %
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Table 3

Additional indicators for social and employee, respect of human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT OF HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTER

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2023	Impact 2022
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Indicators applicable to investments in investee companies

Social and employee matters	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	8,00	1,01
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