

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, 2024, to December 31, 2024.

In its latest fund, Korona Invest considers 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 2024	Impact 2023	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	379 tCO ₂ e	155 tCO ₂ e		
		Scope 2 GHG emissions	66 tCO ₂ e	33 tCO ₂ e		
		Scope 3 GHG emissions	31465 tCO ₂ e	8914 tCO ₂ e	Scope 3 emissions data for the year 2023 was incomplete and therefore not comparable. However, emissions calculations and data accuracy have improved significantly for 2024.	The goal has been set for group-level Scope 1-3 emissions calculation in all our portfolio companies.
		Total GHG emissions	31911 tCO ₂ e	9102 tCO ₂ e	During 2024, Korona Fund IV invested in another company operating in a sector with significant climate impact (C-Industry).	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	744 tCO ₂ e	374 tCO ₂ e	The emissions calculation process was significantly developed in portfolio companies, and the impact of Scope 3 emissions is reflected in the carbon footprint.	

	3. GHG intensity of investee companies	GHG intensity of investee companies	348 tCO ₂ e / M€	216 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: 52 % Non-renewable energy sources: 48 %	Renewable energy sources: 36 % Non-renewable energy sources: 64 %		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	0,0288 GWh / M€	0,03524 GWh / M€		
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	0,022426 t / invested M€	0 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	33 %	32 %		
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	10 %	18 %		
	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: 8 %	Share of female board members: 7 %		Our goal is that each portfolio company's board 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

When Korona Fund IV was established on 7 June 2021, we have approved and integrated responsibility into our investment activities and, in addition to financial aspects, we also consider environmental, social and governance issues when making investment decisions.

We are convinced that portfolio companies that operate responsibly generate more sustainable growth. Our updated Responsible Investment Policy is binding on the entire Korona Invests' team and steers our investment activity by ensuring that we identify and address the principal adverse impacts on sustainability factors.

The goal of our active ownership is to increase the shareholder value of our portfolio companies by integrating sustainability factors into their growth strategies. Identifying the material sustainability issues for each company and addressing them proactively, reduces sustainability-related business risks and at best, creates new growth opportunities. We strive to identify the material sustainability risks of potential portfolio companies and their potential impact on shareholder value already during the due diligence phase.

Korona Invest's responsible investment framework integrates sustainability factors and risks into every stage of the investment cycle. The process comprises six pillars:

i) commitment to responsibility, ii) ESG due diligence, iii) active ownership, iv) monitoring, v) reporting and vi) incorporating sustainability considerations at the exit stage.

Korona Invest uses complementary analytical methods to identify and prioritize the adverse impacts of investments from a sustainability perspective. Beyond managing sustainability risks, we also maintain strict exclusion criteria: we do not invest in companies whose core business involves gambling, adult entertainment, tobacco production or weapons manufacturing.

We collect data on the principal adverse impacts (PAI) of our portfolio companies via a dedicated questionnaire. An external partner and its reporting portal are used to collect and analyze the data. Data quality may be affected by limitations in availability and usability, which can be derived from the maturity of the portfolio company, industry practices, principle of materiality, and available data sources. Korona Invest does not verify the data provided by portfolio 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 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 consider 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.

Korona Invest steers and monitors each portfolio company's material sustainability objectives through the board work, which typically includes 1-2 members appointed by Korona Invest. The management of the portfolio company is responsible for implementing the agreed actions and remediating ESG risks. The sustainability agenda typically covers management engagement, definition of material ESG themes, target & KPI setting, communications development and the allocation of adequate resources.

At the fund level, Korona Invest measures and monitors the principal adverse impacts (PAI) of its investments on sustainability factors. The reporting includes 14 mandatory RTS indicators measuring the main adverse sustainability impacts and 2 additional voluntary indicators.

References to international standards

Korona Invest has signed the UN Principles of Responsible Investment (PRI), and these six principles are integrated into our approach to sustainable value creation:

- 1. Incorporating ESG issues into our investment analysis and decision-making processes
- 2. Being active owners and incorporating ESG issues into our ownership policies and practices
- 3. Seeking appropriate disclosure on ESG issues by the entities in which we invest
- 4. Promoting acceptance and implementation of the Principles within the investment industry
- 5. Working together with other investors to enhance the effectiveness of the Principles
- 6. Reporting on our activities and progress towards implementing the Principles.

Historical comparison

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

Comparison between 1.1.-31.12.2023 – 1.1.-31.12.2024.
- Scope 3 emissions are not comparable, see Table 1 point 1.
- During 2024, Korona Fund IV has invested in another portfolio company operating in a sector with a significant climate impact: C-Industry, and this has an impact on the reported figures.

Table 2

Additional climate and other environment-related indicators

Adverse sustainability indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2024	Impact 2023
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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	37 %	85 %
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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 2024	Impact 2023

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	15,00	8,00
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