Korona Invest

Principles of Responsible Investment

Korona Invest Oy ("Korona Invest") is a Finnish private equity firm specializing in small and medium-sized growth companies. Through our funds, we invest capital in Finnish portfolio companies. Our role is to develop the operations of our portfolio companies and to increase their value during our active ownership period. As a private equity firm, our most effective way to influence sustainability factors is through board work in our funds' portfolio companies.

We have integrated the consideration of Sustainability Risks* into our investment activities. When making investment decisions, we take into account not only financial factors, but also environmental, social and governance ("ESG") matters. We believe that portfolio companies operating responsibly deliver more profitable returns for our funds and their investors through sustainable growth.

This document is part of Korona Invest's sustainability policy, which has been approved by its Board of Directors. In accordance with Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council ("SFDR"), this document discloses how sustainability risks are taken into account in the investment decision-making process. The accuracy and relevance of this document are reviewed annually.
See also Korona Invest's annually published statement on the principal adverse impacts of investment decisions on sustainability factors on our website (SFDR Article 4), and Chapter 4 of this document, which describes the connection between the remuneration policy and sustainability risks (SFDR Article 5).

1. Commitment to sustainable investment activities

Korona Invest is committed to its defined sustainability policy and is aware of its social responsibility. The responsible investment policy is binding on all Korona Invest's personnel and guides our investment activities to ensure Sustainability Risks are taken into account.

Korona Invest is a member of the Finnish Venture Capital Association (Pääomasijoittajat ry) and complies with its transparency and disclosure guidelines as well as its Code of Conduct rules. We regularly review our sustainability policy to ensure it aligns with, among other things, the national regulatory framework.

Korona Invest has signed the UN Principles of Responsible Investment ("UN PRI"), which form a framework for its ESG reporting to investors.

The aim of our active ownership is to increase owner value of our portfolio companies by incorporating Sustainability Factors** into their growth strategy. Identifying material, company-specific Sustainability Factors and actively influencing them reduces the Sustainability Risks associated with a company's business operations and, at best, creates new growth opportunities.

We aim to identify the material Sustainability Risks of potential portfolio companies, and their possible effects on owner value, already at the investment stage. Factors that conflict with Korona Invest's sustainability policy may lead to withdrawal from the investment process.

2. Consideration of Sustainability Risks

Korona Invest's investment process and decision-making take into account environmental, social and governance ("ESG") factors relating to potential investment targets. If realised, these factors could have a negative and material effect on the value of the investment (a "Sustainability Risk").

*Sustainability risk - An event or situation relating to the environment, social responsibility or governance (ESG) that, if it occurs, could cause a negative, material impact on the value of the investment (an "ESG risk").

**Sustainability factor - Environmental matters, social and employee-related matters, respect for human rights, and matters relating to the fight against corruption and bribery.

At Korona Invest, ESG means:

In environmental matters **(E)**, we pay attention in our portfolio companies to, among other things, carbon intensity and other climate impacts, resource consumption, waste management, and the release of emissions into soil, water and air. Potential Sustainability Risks related to these may include climate risk, clean-up costs arising from possible emissions, various fines or sanctions, and indirect costs resulting from reputational damage. At best, the operations of our portfolio companies can also have a positive effect on the environment through the reuse of resources and the use of new technology.

In social matters and social responsibility **(S)**, we pay particular attention in our portfolio companies to, among other things, diversity, human rights, equal treatment, employee rights and well-being, and companies' relations with society. Sustainability Risks related to these themes may include, for example, various forms of negligence or unethical conduct. We consider both satisfied customers and satisfied employees to be prerequisites for the long-term success of responsible business.

Good governance **(G)** refers to how a portfolio company is managed from the perspective of its owners and various stakeholders. At Korona Invest, we place importance on professional board work, transparent remuneration policies, proper compliance with company law, regulations and principles, transparency in our operations, tax compliance, and anti-corruption and anti-bribery practices.
Sustainability Risks related to good governance may arise, for example, from poor management, fraudulent decision-making or corruption. Board work at both Korona Invest and the portfolio companies of the funds it manages is professional and conducted in accordance with the law. Ensuring the implementation of the required governance structures and strengthening board composition where needed are key tasks of our active ownership.

Even when operating lawfully, companies with a certain risk profile may, due to the nature of their business, be exposed to negative effects such as claims for damages or unfavorable publicity. Beyond considering Sustainability Risks related to good governance, we also exclude from our investment strategy companies operating in gambling, adult entertainment, tobacco, or weapons manufacturing.

3. Investment process and Sustainability Risks

Korona Invest requires its investment targets to operate responsibly. We analyse Sustainability Risks as part of the investment process and invest only in targets that meet our investment criteria. Every team member who makes investment decisions or analyses investment targets is responsible for considering Sustainability Factors in the selection and monitoring process.

We take Sustainability Risks into account in the different stages of the investment process as follows:

<u>At the initial investment stage</u>

- In accordance with our investment policy, we review potential companies and assess their suitability against our investment criteria. We identify and evaluate the significant Sustainability Risks related to the investment target and its industry, using available information on the target as well as market practices and legislation generally applicable to Sustainability Risks in the industry.
- During interviews with the management of potential portfolio companies, we raise ESG considerations and discuss the possible Sustainability Risks reflected in the industry.
- At the due diligence ("DD") stage, external advisors carry out comprehensive investigations to the extent required, which also cover an examination of possible Sustainability Risks. Depending on the case, ESG DD may be carried out by external advisors or based on an ESG DD study prepared internally at Korona Invest. Significant Sustainability Risks and opportunities identified in the process

are captured in the investment documentation, the onboarding plan, and the ESG action plan prepared for the ownership period.

- If an investment target were associated with significant Sustainability Risks, corrective measures would be taken either before the investment is made or during Korona Invest's ownership period, as part of developing the portfolio company's governance. However, if such risks could not be corrected or limited, this could lead to Korona Invest withdrawing from the process.

<u>During value creation</u>

- The post-closing measures of the due diligence investigations are carried out in accordance with the onboarding plan.
- Measuring, monitoring and developing Sustainability Factors is an ongoing process in portfolio companies throughout our ownership period.
- As the business environment changes, we continuously strive to identify themes that are relevant and significant for the development of ESG matters.

We have integrated our sustainability policy into the value creation of our portfolio companies during our ownership period. Korona Invest has at least one representative on the board of each portfolio company. Through active board work, we drive the development of ESG activities in portfolio companies.

Sustainability Risks, as well as the possible adverse impacts of investment decisions on Sustainability Factors, are taken into account as part of the operations and governance model of Korona Invest's portfolio companies.

Korona Invest reports on its corporate responsibility more broadly in various ways, including through the sustainability report published annually for investors. As supporting material for our reporting, we use an ESG survey conducted annually among portfolio companies. In addition, we identify relevant, company-specific key metrics, which we monitor and develop in accordance with the onboarding plan throughout our ownership period.

4. Remuneration policy and sustainability risks

Korona Invest's remuneration policy does not currently include separate criteria related to sustainability risks. Korona Invest monitors developments in the industry and assesses the consideration of sustainability risks as part of the possible further development of remuneration practices.

This description fulfils the obligation under Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council ("SFDR") to publish information on the consistency of the remuneration policy with sustainability risk considerations.