

Vaaka Partners Oy – Principles for Responsible Investment

1. What Responsible Investment means for us

The values of Vaaka Partners highlight the integrity and transparency of our operations, the passion we have for growth, and collaboration based on respect for each other. Our values guide us to raise the value of our companies to a new level in a responsible and sustainable way.

For us, Responsible Investment means a long-term and determined way of working, where we evaluate each company's ESG factors (Environmental, Social and Governance) at different phases of the investment process. During our ownership, we take action to develop the companies to become more sustainable. We believe that by identifying relevant sustainability factors and influencing them actively, both minimizes the business risks and creates new growth opportunities. By investing responsibly, we target a better risk-adjusted return of our investments.

The ESG criteria related to our investment's environmental, social and governance factors create a framework for analyzing long-term risks and opportunities. In our operations, ESG means the following:

Concerning the Environment (E), we take into account matters related to, e.g. climate change, scarcity of resources and water, emissions let into the ground, water and air, and waste management. Possible risks associated with these include climate risk, different penalties, cleanup costs, and also indirect costs due to harmed reputation. The environment's deterioration may have a negative impact on economic growth. New technologies and improvement of resource efficiency can bring financial gains – especially from the rising demand for our companies' environmentally friendly products and services.

Concerning the Social (S) aspect, we pay attention to, e.g. human rights, ageing and migration of population, and preventing corruption and bribery. On a local level, related issues are employee rights, occupational safety, equality, supply chain management and societal relationships of companies. We believe that our companies succeed when both the employees and clients are satisfied.

Good Governance (G) relates to how well an investment is managed from the owner's and other stakeholders' point of view. Good governance inherently includes the demand for

transparency of operations, and we want to communicate openly whatever is important to different stakeholders. We ensure that both Vaaka Partners and our companies have appropriately taken into account the independence and remuneration of the Board of Directors, follow the rules and principles of corporate law, prevent corruption and bribery and abide by tax legislation.

Vaaka Partners complies with the corporate governance model that directs the work in our companies' Board of Directors and aims to provide answers to key questions related to good governance.

Exclusion strategy

Despite the legality, the business of some companies can be exposed to negative impacts such as compensation demands and unfavorable publicity, which cause risks that are hard to predict and evaluate. We avoid investing in companies with this type of risk profile.

We have agreed that we will not invest in companies in the gambling, tobacco, adult entertainment, human cloning or arms industries.

2. What we do in practice

We have defined that the procedures of responsible investment and sustainability are a significant part of our own and our companies' operations. Vaaka Partners' own Sustainability team supports and guides company teams and monitors that Vaaka acts according to the Principles for Responsible Investment.

Investing in new companies

When preparing new investments, we acknowledge the Principles for Responsible Investment and sustainability factors as a part of the investment process. The Case team is responsible for analyzing sustainability at different stages. Sustainability matters are handled when the case moves to the next phase of the investment process, and finally when deciding if the investment is made.

We utilize the available materials and our own analyses at the case and offer phases to evaluate the main ESG factors. In the due diligence phase, we use ESG Due Diligence (DD) checklists or an independent specialists' DD to identify the risks and opportunities of environmental, social and governance factors. In due diligence assessments, it is key to integrate the main sustainability topics as a part of other DD, especially the Commercial DD, assessments.

The main sustainability risks and opportunities that arise during the DD process are registered as part of the integration plan, which is handled by the company's management and Board of Directors.

During the value creation

We take into account the Principles for Responsible Investment and sustainability matters actively during the companies' value creation phase. During the investment process possibly recognized sustainability issues will be taken up already in the integration phase with the management and Board of Directors, and the chosen actions will be followed through according to the company's governance model. The same process is followed also in the case of other Due Diligence findings.

The Vaaka Partners' corporate governance model contains guidance according to which the companies' Board of Directors, together with the operational management, must assess sustainability matters at least annually. For the key items, a clear development plan needs to be made, and its execution and results will be followed systemically. The sustainability development will also be considered when evaluating the company's exit readiness.

The company team's responsible partner, who is a member of the Board of Directors as well, focuses on sustainability issues for Vaaka's internal purposes, and the same person also oversees that the rest of Vaaka Partners' corporate governance guidelines are followed.

3. How to follow the realization of Responsible Investment

We want to share our Principles for Responsible Investment and the realization of sustainability actions clearly and transparently in appropriate channels. In addition to investment monitoring reporting, we communicate our companies' sustainability related actions and progress on our website.

The ESG risks and opportunities that our investments face, change over time and therefore we regularly follow and update how sustainability is achieved. Company teams make quarterly sustainability updates in the fund quarterly reports. Progress updates include the company's approach to sustainability, the strategic projects related to sustainability during the last year, KPIs, and plans going forward. In addition, the advisory committees annually go through the Vaaka Partners approach to sustainability and a review of latest developments.

Our Principles for Responsible Investment are available on our website.

4. How we manage Responsible Investment

The Vaaka Partners Principles for Responsible Investment are defined by our Sustainability team and approved by Vaaka Partners' Board of Directors. The board evaluates the guidelines at least once a year to ensure they are up to date. Any changes to the Principles for Responsible Investment must be approved by the board.

We set targets for developing responsible investment annually and follow the progress of the projects over the year. The Sustainability team actively guides and monitors the development and progress. In addition, the team follows the practicalities and regulation of responsible investment and shares the updated information to the Vaaka team.

National legislation and international norms are the starting point when defining sustainability. Vaaka Partners follows the UN Principles of Responsible Investment (PRI) meaning that we lead our resources according to six principles of responsible investment.

We are not UN PRI signatories, but we follow the commitments:

- 1) We will incorporate ESG issues into investment analysis and decision-making processes.
- 2) We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3) We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4) We will promote acceptance and implementation of the Principles within the investment industry.
- 5) We will work together to enhance our effectiveness in implementing the Principles.
- 6) We will each report on our activities and progress towards implementing the Principles.

When defining sustainability, we take into account the UN Global Compact Corporate principles. We aim to adopt, support and implement the basic values of the principles which are related to human rights, occupational principles, environmental issues and anti-corruption.