

## **Summary**

This financial product promotes environmental or social characteristics within the meaning of Article 8 of Sustainable Finance Disclosure Regulation (SFDR) but does not have sustainable investment as its objective.

The Fund promotes a safe, healthy, and fair workplace across its portfolio companies. This includes employee well-being, occupational safety, and equal opportunities, including in hiring, promotion and leadership diversity.

The Fund pursues control buyouts in small and lower mid-market companies, primarily in Finland and Sweden, with a focus on business services, tech-enabled services and business software. ESG risks, opportunities and good governance practices are integrated throughout the investment process.

All potential investments are screened against exclusion criteria and evaluated for material ESG risks and opportunities. During the due diligence process, an ESG due diligence checklist is utilized for each investment, incorporating principal adverse impact indicators. Where material ESG concerns are identified, an enhanced ESG DD is undertaken. In connection to the investment case, Vaaka defines minimum ESG criteria for its portfolio companies, and the companies are required to meet the defined minimum sustainability requirements within one year of acquisition. Good Governance practices are assessed prior to investment and actively developed through board work and active ownership during the holding period.

The Fund intends that 100% of its equity investments promote the environmental or social characteristics described above. Temporary holding of cash or cash-equivalent instruments for liquidity management may occur and do not promote these characteristics.

The Fund assesses progress towards attaining the promoted social characteristics regularly and reports on the development to the investors as part of quarterly investor reporting and annually as part of the Fund's periodic reporting. As the Fund also considers principal adverse impacts ("PAI"), Vaaka's sustainability working group collects the data on PAI on sustainability factors annually.

In addition to ongoing monitoring of the portfolio companies' activities throughout the financial year, data is collected annually from portfolio companies through a dedicated sustainability questionnaire and is reviewed and validated internally, with external ESG advisors consulted where appropriate. There may be limitations to data completeness, particularly early in the ownership period, but all portfolio companies are expected to meet the Fund's minimum ESG requirements within the first year of ownership.

Engagement is an integral part of the Fund's investment approach. Material ESG matters are addressed through active ownership, including board representation and escalation through management and relevant governance bodies where necessary.

No reference benchmark has been designated for the Fund.

### **No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

### **Environmental or social characteristics of the financial product**

The Fund promotes a safe, healthy, and fair workplace in each portfolio company, including employee well-being, occupational safety, and equal opportunities in areas such as hiring, promotion and leadership diversity.

## Investment strategy

The Fund will pursue small cap and lower middle market control buyouts. Its home market is Finland and Sweden, where most – if not all – platform investments are anticipated to be made. Its core segments are business services, tech-enabled services, and business software. All potential investments are screened against the Fund’s investment criteria, including ESG risks and opportunities as well as elements of good corporate governance.

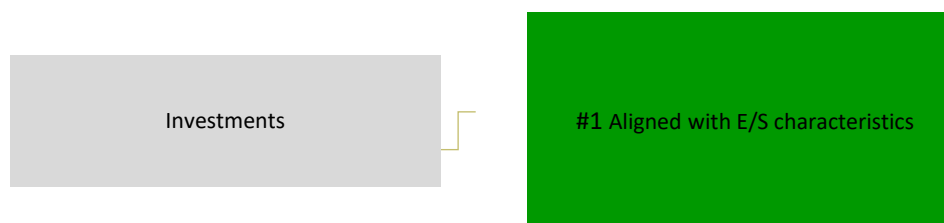
In the due diligence phase, an ESG due diligence checklist, including principal adverse impact indicators, is systematically applied. Enhanced ESG due diligence is conducted where material issues are identified. Vaaka also sets minimum sustainability requirements that each investment must comply with within one year of acquisition. All potential investments are evaluated against these minimum requirements to determine whether they already meet them or can reasonably meet them within the first year of ownership.

Good governance practices of potential investee companies are also assessed through a structured due diligence process prior to any investment decision. Governance assessment forms an integral part of financial, legal, HR, cyber and ESG due diligence and covers the elements of good governance including sound management structures, employee relations, staff remuneration, and compliance with tax and legal obligations. Following investment, governance practices are monitored and developed through Vaaka’s board work and active ownership. Industry experts are appointed to boards, and Vaaka’s Corporate Governance Model and Playbooks (Performance Management, Sustainability, People & Culture) provide a structured framework for good governance.

Throughout ownership, governance practices are evaluated through annual governance reviews, board work, and monitoring of governance-related KPIs.

## Proportion of investments

The Fund intends that 100 % of its equity investments promote the E/S characteristics (“#1 Aligned with E/S characteristics”). The exact percentage may vary over time, but the intention is that nearly the entire portfolio by value will consist of such investments. However, the Fund may hold cash, for instance, between capital calls and investments or pending distribution. Cash or short-term money market instruments for liquidity management do not themselves promote the E/S characteristics and thus would be classified as “#2 Other”, should there be any.



## Monitoring of environmental or social characteristics

The Fund promotes a safe, healthy, and fair workplace in each portfolio company, including employee well-being, occupational safety, and equal opportunities in areas such as hiring, promotion and leadership diversity. The promoted characteristics are monitored using the following sustainability indicators:

- *Workplace safety metrics, such as lost working days due to work-related injuries, accidents, fatalities or illnesses. A consistently low rate or decreasing trend would indicate success in maintaining safe workplaces.*
- *Employee well-being and satisfaction is measured by an employee Net Promoter Score (eNPS), which reflects whether employees feel valued and safe.*
- *Diversity and equality metrics include the ratio of female to male members in the board of director and executive team, and the gender pay gap (unadjusted median pay difference between male and female employees). Employee turnover rates may also be tracked as supporting metrics.*

The promoted characteristics, sustainability indicators and principal adverse impacts are monitored throughout the investment process and ownership period as follows:

#### Screening and Pre-investment

Material ESG risks and opportunities are identified during initial screening process. Potential investments are evaluated against the Fund's exclusion criteria, and high-risk cases are flagged as early as possible.

#### Due Diligence

An ESG due diligence checklist, including principal adverse impacts indicators, is applied to every investment. Enhanced ESG due diligence is conducted where material risk or opportunities are identified. Sustainability considerations may be assessed as part of e.g. Commercial or HR due diligence where relevant.

#### Investment Decision

Relevant ESG findings from the due diligence process are presented to the Investment Committee for consideration in investment decision-making. The Committee may decline an investment if ESG risks are assessed too high for the risk profile of the Fund.

#### Ownership / Value Creation

Material ESG findings are incorporated into each investee company's 100-day and long-term plans. Minimum sustainability requirements, are monitored regularly through portfolio company boards and structured ESG reporting, with internal follow-up by Vaaka's investment team. Vaaka's sustainability working group collects the data on principal adverse impacts on sustainability factors annually.

#### Exit

ESG performance and maturity are assessed as part of exit readiness. Where appropriate, ESG vendor due diligence may be commissioned.

## **Methodologies**

The Fund assesses progress towards attaining the promoted social characteristics quarterly as part of quarterly reports to its investors and annually as part of Fund's periodic reporting. The Fund advances the promoted characteristics through ESG due diligence, by defining minimum sustainability requirements for each portfolio company and monitoring the fulfillment of those requirements. Vaaka's Company team members regularly follow up on the portfolio companies' development in their capacity as board members.

As described in section “Monitoring of environmental or social characteristics” progress towards the promoted characteristics is addressed in quarterly reporting to the investors.

### **Data sources and processing**

In addition to ongoing monitoring of the portfolio companies’ activities throughout the financial year, data on the characteristics the Fund promotes is collected using a special purpose questionnaire sent to all portfolio companies annually. The data is processed and analyzed internally, and comparisons to the data from the previous financial year (where available) as well as discussions with the portfolio companies’ representatives are used to validate the data. Also, external ESG advisors may be consulted to gain assurance on the quality of data.

### **Limitations to methodologies and data**

Depending on the timing of a company becoming the Fund’s investment, there might be limitations as to the quality and completeness of the data on a specific investment due to for example lack of resources, or competing priorities. However, all portfolio companies are expected to comply with the minimum ESG requirements set for them within the first year of ownership, including the promoted characteristics.

### **Due diligence**

The Fund applies the Vaaka’s Responsible Investment policy that describes the due diligence procedures for each investment. Before due diligence is conducted, each investment is evaluated in initial screening procedure in which material ESG risks and opportunities are identified. Potential investments are also evaluated against the RI Policy’s and Fund’s exclusion criteria, and high-risk cases are flagged as early as possible.

After the initial screening, further due diligence is conducted. An ESG due diligence checklist, including principal adverse impacts indicators and the Fund’s promoted characteristics, is applied to every investment. Enhanced ESG due diligence is conducted where material risk or opportunities are identified. Principal adverse impacts considerations may be assessed as part of e.g. Commercial or HR due diligence where relevant. Relevant ESG findings from the due diligence process are presented to the Investment Committee for consideration in investment decision-making. The Committee may decline an investment if ESG risks are assessed too high for the risk profile of the Fund.

### **Engagement policies**

Vaaka’s Responsible Investment Policy describes Vaaka’s engagement process during Vaaka’s ownership.

Material ESG findings from the due diligence process are integrated into the Fund’s portfolio companies’ 100-day and long-term plans. Vaaka also introduces minimum ESG requirements to the portfolio companies, which they are expected to meet within one year following acquisition.

According to Vaaka’s Responsible Investment Policy, the Company team members monitor execution and development of ESG matters in their role as board members in the portfolio companies. Where promoted environmental or social characteristics are not met, Vaaka applies active ownership and engagement, including escalation through management and Vaaka’s Company team and where appropriate to relevant governance bodies.

### **Designated reference benchmark**

No reference benchmark has been set for this Fund.