

Business Overview 2022

Dare to grow.

Tesi

Tesi

- We work for the success of Finnish growth companies
- We develop and serve all of Finland's venture capital and private equity market
- We want to raise Finland to the forefront of transformative economic growth
- We invest in private equity and venture capital funds, and directly in growth companies
- We operate on market terms, as a minority owner
- We advance sustainability both in venture capital and private equity industry and in companies
- Our goal is to maximise our positive social impact through our operations
- We offer information and experience to companies, investors and policymakers
- We are an investment company 100% owned by the Finnish state

Annual Report 2022

Tesi's (Finnish Industry Investment Ltd's) Annual Report consists of four sections. All sections of the Annual Report are available in Finnish and English and can be downloaded from our website [tesi.fi](https://www.tesi.fi).

- **Business Overview:**
Strategy, value creation, investment operations and sustainability
- **Financial Review:**
Board of Directors' report and Financial Statements
- **Corporate Governance Statement:**
Corporate governance, internal control and risk management systems
- **Remuneration Report:**
Remuneration principles, remuneration of the Board of Directors and CEO



Contents

Tesi's Annual Report 2022 consists of four sections. This is the Business Overview, which covers strategy, value creation, investment operations and sustainability.

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Year 2022

Changes to Finland's
economic framework.

Year 2022 in brief

1 Jan – 31 Dec 2022



invested in Finland by international investor partners



total capital raised by portfolio funds



Tesi's loss

31 Dec 2022



direct portfolio companies



portfolio funds



Tesi personnel on average



funds-of-funds



CEO's review

Exceptional times make Tesi's role even more important

Exceptional circumstances extended into 2022 when Russia launched its war of aggression against Ukraine in February. The return of inflation and a decline in valuations were reflected in the venture capital and private equity market, resulting in Tesi's net loss after many years of profitable operations. Although international investors remained in Finland, and Finnish growth companies raised considerable sums of growth financing, clouds are gathering on the horizon; funds face more difficulties in fundraising and the IPO market has quietened down. The importance of market insights, patient capital and expert ownership has never been higher, and Tesi's role in supplementing and developing the market is even more crucial.

Although Finland's economy is on the verge of drifting into recession, unlisted Finnish companies entered 2023 in a relatively advantageous position: growth is expected to continue, and the business community is keenly focused on research & development and investment. Workforce availability, supply chain disruptions and soaring prices all present challenges. The energy crisis has given impetus to the concepts of sustainability and the green transition while also widening their dimensions, just as geopolitical uncertainty and Europe's security concerns have enhanced the importance of secure supplies and the defence industry. In Tesi, we work for Finland by working for the success of Finnish growth companies.

EUROPEAN GROWTH FINANCING FOR FINNISH COMPANIES

In 2022, we made investments and commitments amounting to EUR 297 million (MEUR 207). In monetary terms, most of our investments are still in funds, and for funds last year was one of the busiest in Tesi's history. Our collaboration with the European Investment Bank (EIB) was extended when we made the first investments from a new EUR 100 million co-financing programme. The number of our direct investments has increased to 128 companies, of which 63 have received financing from our anti-pandemic special investment programmes. While to work with them still goes on, the programmes were closed to initial investments at the end of March.



VC & PE INVESTORS GIVE SUSTAINABLE GROWTH A BOOST

Growth and employment are boosted when exports diversify, and companies develop. Companies backed by venture capital and/or private equity (VC & PE) grow, invest and employ a lot more than their peers, and they also invest in research and development. This supports Finland's long-term economic transformation. As an investor, we work towards solving global and domestic sustainability challenges. We contribute to sustainable development by financing companies undergoing transformation as a minority investor, by producing added value as an owner, and by engaging in broad-based cooperation. As we diversify Finland's industrial structure, we also create means to balance the country's public finances.

SUSTAINABILITY GROWING IN IMPORTANCE AND WIDENING ITS DIMENSIONS

The importance of responsible investment and positive social impact is continuing to grow, while the concept of sustainability adopts new dimensions and variations over time. Ecologically and socially respon-

sible companies and jobs are created when investors allocate capital to companies that produce the most momentum for economic transformation and social impact. For Tesi, sustainability is an important strategic target for development.

We accelerate the green transition when we promote sustainability in our portfolio. The requirements for our investment are that the investee company or fund wants to develop its responsibility and that can influence the development of its operations together with our partners. We continue to actively develop and promote sustainability in the coming year.

MARKET INSIGHTS MORE CRUCIAL IN TRANSITION PHASES

In recent years Tesi has given significantly more priority to producing market insights of the venture capital and private equity market and of growth companies. We can now combine information from both external and internal sources and develop and support markets by doing so. Going forwards, we will increase our production of market insights, and enhance our ability to analyse data and to communicate and discuss it.

ROUNDING UP

I would like to extend my warmest thanks to all Tesi personnel as well as to the growth companies, players in the VC & PE market, policymakers, and other partners with whom we have cooperated so closely. While we develop and serve the market, it also develops us. Special thanks to Jan Sasse, who left his position as Tesi's CEO in October, and a warm welcome to Pia Santavirta, who took over Tesi's helm at the beginning of this year. It was a privilege to pilot Tesi through this transition. I am impressed and grateful for how, together with all Tesi personnel, we developed our operations and ensured the smooth continuation of our socially impactful work during that period. We have excellent capabilities for continuing to do good.

Jussi Hattula



Strategy, value creation, investment operations

We work for Finland by working for
Finnish growth companies.

Tesi's strategy



Our role in society

Tesi's mission is to promote the growth and internationalisation of Finnish companies, and to develop the venture capital and private equity market. Our objective is to increase the supply of private capital by offering financing that supplements it. As a 100% state-owned investment company, our operations are based on Finnish laws, decrees, and ownership steering by the Prime Minister's Office.

The supply of equity funding varies greatly in Finland, depending on the size of the financing requirement and the company's stage of growth. Market bottlenecks also change position over time. It is essential to our operations that we can identify and alleviate these market bottlenecks and that we can adapt our operations to prevailing market situations.

In line with our mandate, we operate on market terms, and we make investments on the same terms and conditions as private investors. We invest primarily hand-in-hand with private investors, and we operate mainly as a minority investor and minority owner.

We make investments in growth companies, and we invest, directly or through funds, with no sectoral limitations. Should investments be made on special grounds, we do them to promote national industrial policy at sectors undergoing, or expected to undergo, major structural renewal.

Our operations must be commercially profitable over the long term. We expect a return from our investments, and we have an exit plan for our investments. To fulfil our trade and industrial policy mission, however, we can accept a larger than usual risk or lower expected earnings than usual in individual investment decisions.

” Our mission is to promote the growth and internationalisation of Finnish companies, and to develop the venture capital and private equity market.



How we create value

Our vision is to raise Finland to the forefront of transformative economic growth. To achieve this, we pursue our strategy:

- We create value by being an active investor and skilled owner, we create value.
- We strive for significant social impact.
- We develop networks by actively sharing market insights and expertise.

Tesi has a strong track record of successful operation, and we bring institutional prestige to the table. At the same time, we recognise that we earn our right to exist only by being successful time and time again.

We work for the success of Finnish growth companies. We also develop and serve all of Finland's venture capital and private equity market.

We want to be a responsible player with a positive impact on society. Our aim is to maximise our positive net impact by creating value in VC & PE funds and in our portfolio companies, and through our operations we promote companies' sustainable business development.

We invest in growth, share risks and support both companies and funds with active ownership; for instance, through board work and by providing insightful market data and making our accumulated experience of the capital markets available. We collaborate on a wide front with diverse players, and we build new partnerships.

Our aim is for value creation to be a systematic and networked activity involving all Tesi's personnel and partners. We want to operate proactively and, by applying business intelligence, to focus our activities on projects with the highest value potential.

As a result of long-term development work, we have considerably enhanced our ability to produce valuable data for market players and policymakers. We have also systematically entrenched sustainability as an element of our investment activities. The reports, studies and reviews we published in 2022 are available in our [Reports database](#) on our website.

As an investor, we create value in many ways – by sharing financing, strategy, governance, sustainability, data and best practices as well as by creating networks. The best methods for creating value always

depend on the individual company or fund and on the specific situation. We monitor and measure value creation from the economic, environmental, social and governance perspectives. We report on the impacts of our operations in a separate Impact Review. More information about our corporate responsibility is available in the [Sustainability section](#) of this Business Overview.

In 2022, we focused on comprehensive value creation, and we developed specialised tools and procedures for monitoring sustainability. Using our data models, we analysed companies grouped by specific themes.

Added value is created from people's expertise. We provide market insights, long-running support, patient capital, and skilled ownership.

” Long-running support, market insights, patient capital, and skilled ownership

Our values and main stakeholders

Our values are Solutions, Boldly, Together. In spring 2022, we involved our entire work community in updating the content of our values to match the corporate culture we want.

We want to be open to new opportunities and bold in our solutions. The central focus of our solutions is the Finnish growth company, the purpose for our work.

Through cooperation, we will achieve our goals. We want to be easily approachable, trustworthy and a part of the solution. We compete in helping Finnish companies succeed, not for customers.

Transparency and good corporate governance are priorities in our activities. We succeed when we appear as curious and innovative, open and active, skilled and professional organisation that does things the right way.

Our main partners, besides our own personnel, administration, owners and Finnish growth companies, are other VC & PE players, the media, policymakers and social influencers.

We communicate and share information with our partners in work groups, and at meetings and events, as well as through our own communication channels (website, social media and recently updated newsletter). In 2022, there were around 3% more visitors to our website than in 2021. The number of our Twitter followers rose by 3% and of our LinkedIn followers by 41% dur-

ing the year. Our reach figures also rose during 2022.

We took part in numerous events together with our partners. We arranged a large-scale stakeholder event – Tesi's Summer Party – and an ESG Forum for the senior management of companies. We collaborated with our sister organisations, Finland's Ministry of Economic Affairs and Employment, and local players in launching a regional tour (ViSiRa) in Finland to promote opportunities in funding the green transition. We also started arranging info sessions in conjunction with publishing corporate analyses, and we conducted surveys of how our partners perceived Tesi.

We are a member of FVCA (Finnish Venture Capital Association); of Invest Europe, the association representing Europe's VC & PE investors; of Finsif (Finland's Sustainable Investment Forum) and of FIBS (Finnish Business & Society). We are also a founder member of EVFIN (European Venture Fund Investors Network). We are a part of Team Finland. In addition to Slush, Arctic15, and DIF (Director's Institute Finland), we also collaborated with Kasvuryhmä (Growth Collective Finland) and Inklusiiv.

Tesi's Advisory Board, appointed by Tesi's Board of Directors, is a key element in our community relations network.



As a state-owned investment company, we operate under the guidance of Finland’s Ministry of Economic Affairs and Employment, and we engage in active dialogue with our owner.

Alongside our normal investment operations, we have provided help in the corona pandemic through our special investment programmes and, in wide-ranging cooperation with our partners, produced market insights and analyses of the situation faced by growth companies.

We operate as an active investor, and we support funds and fund managers when they need assistance in resolving problematic situations and operational discontinuities. We cooperate and discuss continuously with other institutional investors.

At the end of 2022, we were an investor in 111 VC & PE funds and in 128 companies. During 2022, we chaired the advisory boards of 11 funds, we were a member on the advisory board of 75 funds and an observer on the advisory board of three funds. We participated in the board work of 69 companies, either as an observer or as a member.

In spring 2022, we asked the CEOs, board chairs and representatives of co-investors in Tesi’s direct investments for feedback about Tesi’s collaboration

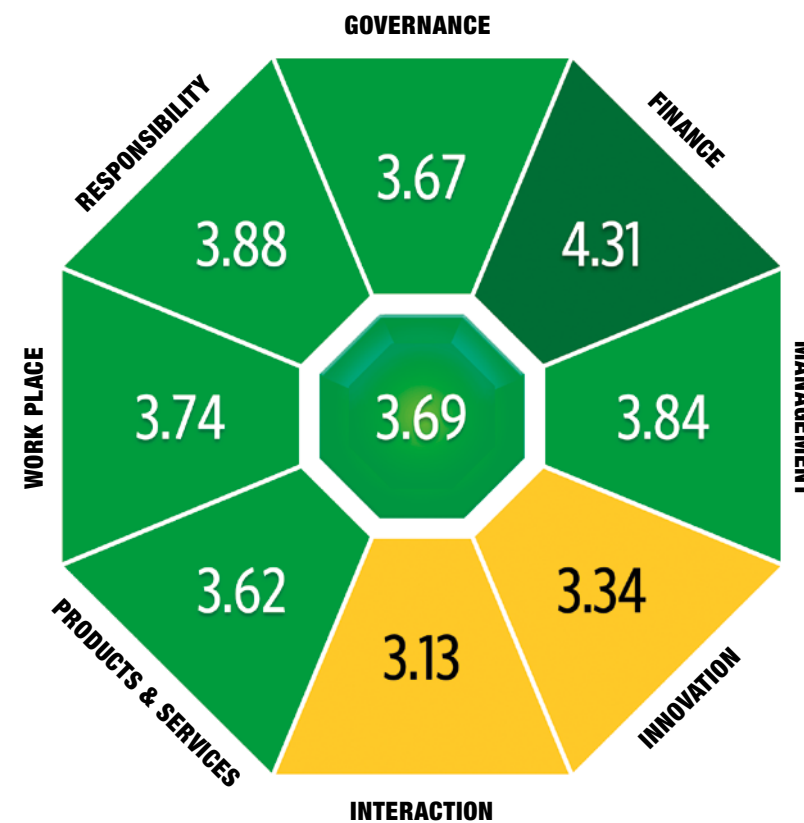
with owners, Tesi’s activities on company boards, and Tesi’s responsibility and impact. The responses gave Tesi an overall grade of 4.0 (on a scale of 1–5).

Through a survey conducted by Luottamus&Maine in spring 2022, we mapped out social influencers’ views of Tesi, and we received an overall grade of 3.7 (on a scale of 1–5). The respondents included the main Finnish government agencies, players in the political arena, interest groups, research institutes and Tesi’s state-owned sister organisations. Tesi received the best individual reputational grades for finance and responsibility, while the lowest grades were for interaction and for innovation. The survey shows that stakeholder support for Tesi from social influencers is very high (3.9).

The foundations for successful operation are built within the organisation. For more about the importance of committed and contented personnel, see the [Sustainability section](#).

” Stakeholder support for Tesi from social influencers is very high.

Luottamus & Maine, spring 2022, views of Tesi by social influencers



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CASE

Rester – revolutionising industrial textiles

Finnish circular economy company Rester is a global trailblazer in building textile recovery value chains. The recycled fibre processed by Rester is used in the textile industry to produce fabrics or technical textiles, and in the construction industry for the production of insulation, composite materials and acoustic panels.

In June 2022, Rester raised a EUR six million financing round in which Tesi was also an investor. This was Tesi's first investment in the company. The investment was made from the Circular Economy programme, through which Tesi promotes material efficiency and

carbon neutrality.

“The textile industry is a major source of greenhouse emissions in the global economy and consumes vast amounts of water. Still, recycling and reuse of textiles, which would decrease the environment load, is far from optimal. Our investment in Rester has a concrete impact and promotes sustainable business as the company scales up and expands globally,” comments **Mikael Niemi**, Investment Director at Tesi.



≥ INNOVESTOR

CASE

Innovestor – unleashing the potential of healthtech

In February 2022, Finnish venture capital firm Innovestor launched a new Life Science fund investing in life science innovations. Its goal is to grow success stories from university inventions and from companies with a strong scientific research base.

The fund completed a first closing of EUR 60 million with a target of increasing its capital to EUR 90–120

million during the year. The fund invests in Finland and also other Nordic and Baltic countries.

Tesi invested in the fund as there had been a recognised market bottleneck for a local fund that specialises in life sciences. The new fund substantially increases the available growth financing in this bottleneck.

Our investment operations

The year 2022 was marked by drastic changes in the economy. The period of exceptional circumstances that began by the corona pandemic was extended by Russia launching its war of aggression against Ukraine. The global uncertainty, problems with energy supplies, and supply chain disruptions caused by the war combined with strong monetary stimulus resulted in soaring inflation and lower valuations. Europe, and particularly Finland as Russia's neighbour, attracted special attention.

The general decline in the valuations of growth companies was reflected in the valuations of Tesi's investments, which fell for the first time in five years.

Although there are clear signs that fundraising has slackened off and become more complex, promising Finnish growth companies have still found sufficient capital. However, the IPO market has become passive, and planned listings have been postponed.

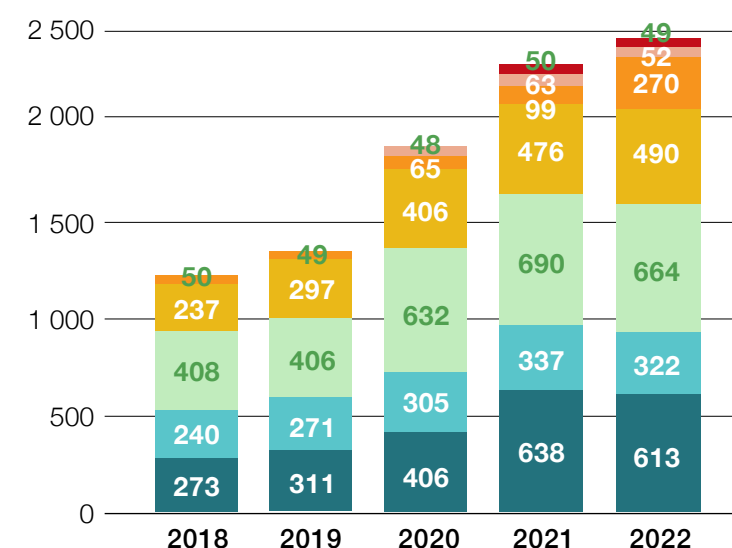
Despite the challenging circumstances, we were able to continue our normal investment activities

alongside our special tasks. At the end of 2022, our investments under management totalled 2.5 billion euros, of which 65% were in funds (71% in 2021). We had investments in 111 funds (109) and four (4) funds-of-funds, in addition to 128 (119) direct investments in companies. The number of direct investments has grown considerably in the last few years, boosted by the special investment programmes during the coronavirus pandemic and the transfer of Finnvera's investment operations to Tesi.

We make our investments primarily as an owner with a long horizon and hand-in-hand with other investors. In 2022, we made investments and commitments amounting to EUR 297 million (MEUR 207 in 2021).

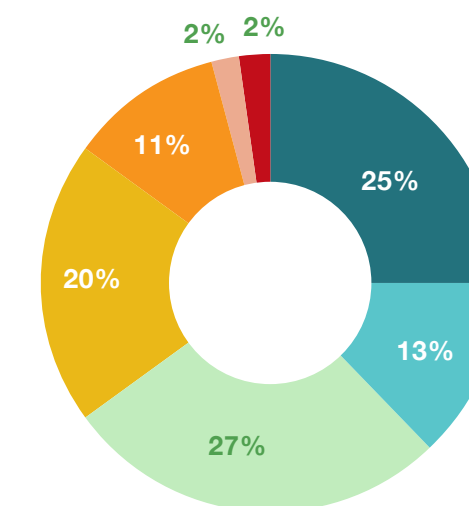
With fund investments, we develop the Finnish venture capital and private equity market over the long term. We gave commitments amounting to EUR 90 million to 13 VC & PE funds (MEUR 136 to 19 funds in 2021). Funds accounted for altogether 30% of our investments and commitments during 2022 (66%).

Tesi's investments under management, MEUR



- Venture capital funds
- Growth and buyout funds
- KRR funds-of-funds*
- Direct investments
- Special investment programmes
- EFSI/EIB
- EGF/EIB

Tesi's investments under management 31.12.2022, MEUR 2,460



- Venture capital funds
- Growth and buyout funds
- KRR funds-of-funds*
- Direct investments
- Special investment programmes
- EFSI/EIB
- EGF/EIB

* The four (4) KRR funds-of-funds managed by Tesi include in total MEUR 401 of pension fund capital

The KRR funds-of-funds (KRR I-IV) are a means of cooperating with Finnish pension institutions to create a VC & PE investment instrument that channels institutional capital into growth companies via funds. The KRR funds-of-funds managed by Tesi act as anchor investors in VC & PE funds. In 2022, the KRR funds-of-funds invested EUR 62 million in seven VC & PE funds (MEUR 50 in four funds in 2021). By the end of 2022, the KRR funds-of-funds had given investment commitments amounting to EUR 528 million to altogether 44 funds. The KRR portfolio funds have, in turn, invested in around 350 Finnish companies.

The EFSI co-investment programme, launched in 2018 together with European Investment Bank (EIB), continued. Managed by Tesi, the programme comprises shares of EUR 50 million by EIB, channelled as EFSI financing, and of EUR 50 million by Tesi. In the end of 2022, the programme had invested EUR 36 million in six Finnish growth companies. One follow-on investment was made from the programme in 2022.

Our collaboration with the European Investment Bank (EIB) was extended in the beginning of 2022 when we launched a EUR 100 million EGF co-invest-

ment facility for Finnish SMEs. EIB's share is again EUR 50 million and it comes from European Guarantee Fund (EGF). In 2022, we invested a total of EUR 3 million from the programme in three companies.

Created in 2020 to meet the challenges of the corona pandemic, the temporary special investment programmes were closed to initial investments at the end of March 2022, although follow-on investments through them are still possible. In 2022, we made investments from the Venture Bridge programme amounting to EUR 10 million in 17 companies (MEUR 15.6 in 20 companies in 2021). From the stabilisation programme, we made investments amounting to EUR 170 million in five companies (MEUR 10.8 in 6 companies in 2021). We received a total of 18 appli-

” The KRR funds-of-funds are a fine example of cooperation between Tesi and Finnish pension & insurance companies.

cations for these programmes (45 in 2021), of which three were for the Stabilisation programme (8 in 2021) and 15 were for the Venture Bridge programme (27 in 2021). A total of EUR 269 million has been invested from the programmes, in 63 companies.

As part of our normal operations, we have invested directly in numerous companies with socially significant impact, enabling their transformation and growth. In 2022, we made direct investments amounting to EUR 27 million in 14 companies (MEUR 44.7 in 36 companies in 2021). These included initial investments of EUR 19 million in seven companies (MEUR 29.3 in 27 companies in 2021). EAKR-Aloitusrahasto Ltd, whose investment operations were transferred from Finnvera to Tesi in 2021, had investments in 22 portfolio companies at the end of 2022. We made an exit from one company in 2022.

Initial investments as part of our normal operations were in: plant-based protein manufacturer Meeat Food Tech; oncolytic immunotherapies developer TILT Biotherapeutics; textile recycling specialist Rester; solar energy solutions provider Solnet Green Energy; weekly grocery deliverer Ruokaboksi, and blood

” As part of our normal operations, we have invested directly in numerous companies with socially significant impact, enabling their transformation and growth.

glucose tracking enabler Human Engineering Health (Veri).

Capital returned from funds in 2022 amounted to some EUR 120 million (MEUR 186 in 2021), and roughly EUR 17 million from dividends, earnouts and exits (MEUR 66). We exited from our investments in the following companies: home-care service provider Stella Care; semiconductor pioneer Picosun; artificial intelligence and gamification purchasing platform Blidz; processor developer Minima Processor; medical imaging software developer Disior, and Finnish restaurant group NoHo Partners. Multitouch screen producer MultiTaction and Zsar Outlet Village filed for bankruptcy.



TRIND VC

CASE

Trind – bringing innovation and angel investors to Finland

In September 2022, Estonian-Finnish venture capital investor Trind announced its second fund, sized at EUR 55 million. The new fund invests especially in startups that develop business-to-consumer (B2C) as well as consumer-to-consumer (C2C) innovations. Trind aims to invest in 30–40 startups in Finland, the Baltics and elsewhere in Europe. Tesi has not invested in Trind's previous fund.

"With their new fund, the driving forces behind Trind

bring their extensive networks and B2C knowhow to Finnish companies, enabling their further growth and internationalisation. Trind is highly regarded by business angels, who are strongly represented in the fund manager's networks. Trind is therefore an important catalyst in increasing the cooperation between Finnish business angels and venture capital investors," says **Enni Rautio**, Investment Manager at Tesi.



CASE

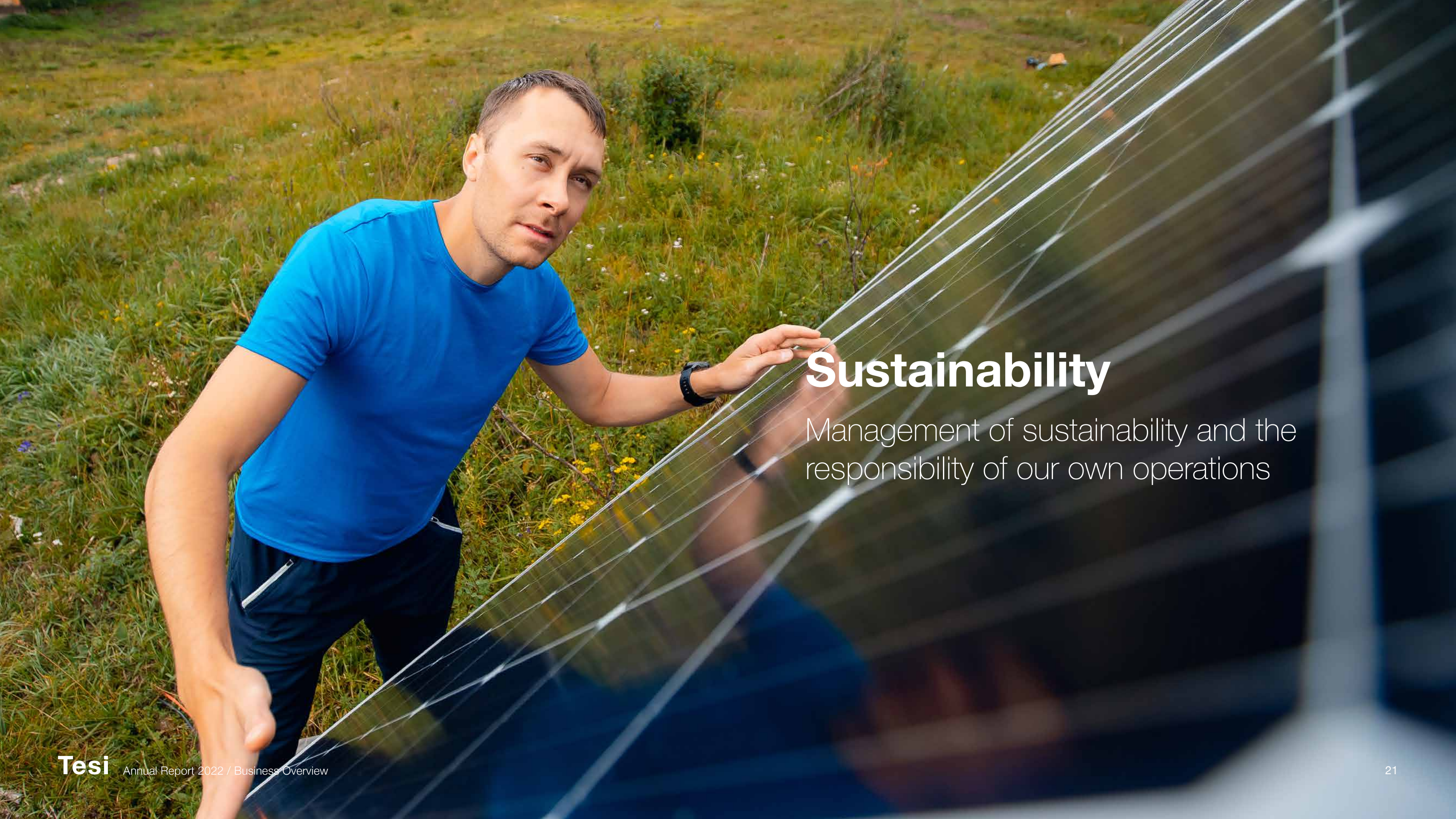
Butterfly Ventures – sustainable development together with universities

Butterfly Ventures is a Finnish fund manager that bases its operations on the EU's ESG Article 8 and related Sustainable Finance Disclosures Regulation (SFDR). Butterfly Ventures invests mainly in Finnish, but also in other Nordic and Baltic, companies in their seed stage. Butterfly Ventures differentiates in the Finnish market by virtue of its close cooperation with local universities and research communities, which boosts the commercialisation of innovations.

Tesi made an investment in the fund manager's fourth fund, which invests in science-driven deep tech and hardware startups, in spring 2022. The KRR IV fund-of-funds (Kasvurahastojen Rahasto IV) managed

by Tesi also gave an investment commitment to the new fund. The first closing was made at EUR 47 million, and the targeted size is EUR 100 million.

"Butterfly Ventures differentiates in the Finnish market with its close cooperation with local universities and research communities. This cooperation can generate new deep tech and hardware startups among others, and the commercialization of their innovations. The fund manager thus has a noticeable impact on the society, and we at Tesi are glad to be able to support the continuation and development of such operations," comments **Enni Rautio**, Investment Manager at Tesi.



Sustainability

Management of sustainability and the responsibility of our own operations

Key responsibility figures



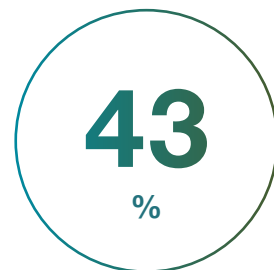
of new investees
– ESG DD conducted



of new investees – impact
assessment performed*



Tesi's carbon footprint**



of Tesi's Board of
Directors are women



rating for Tesi's handling of
personnel wellbeing

* starting from H2

** excluding emissions of investments

Managing sustainability

Tesi's sustainability is an important strategic target for development. There are two dimensions to our overall sustainability: responsibility and impact. Responsibility refers to the responsibility for our own activities with regard to the environment, the economy, people and corporate governance. Impact, on the other hand, is the positive impact that through our operations we make on society and/or the environment. The main impacts of our operations are produced by our investment operations, so we prioritise developing our investment-related activities. Our aim is to maximise our positive net social impact by creating value in our funds and portfolio companies.

We implement the sustainable development objectives of Finland's Government Programme and the UN's 2030 Agenda. Finland's state ownership guidelines on corporate responsibility and on remuneration practices guide the development of our operations.

Tesi's Board of Directors approves the company's corporate responsibility policy and responsible investment principles and is responsible for compliance with them. The Board also approves the goals for sustain-

ability when formulating Tesi's action plan and remuneration targets. The CEO is responsible for managing sustainability and all personnel are responsible for implementing sustainability in their own work.

We report on sustainability every year with regard to the responsibility of our operations in our Annual Report. We report on responsibility to our owner (Finland's Ministry of Economic Affairs and Employment) at Annual General Meetings. We report on performance in the other dimension of sustainability – impact – in a separate [Impact Review](#) later. This way, we receive the most comprehensive data possible on the development of our portfolio funds and companies. The development of sustainability and the targets set for it are addressed each year as a part of the company's operational planning.

” Our aim is to maximise our positive net social impact.

CORPORATE RESPONSIBILITY POLICY

- Sustainability is one of our operating principles and an underlying element in our investing procedures and decision-making processes.
- Tesi's Board of Directors approves the corporate responsibility policy and monitors compliance with it.
- The CEO is responsible for managing sustainability and all personnel are responsible for implementing sustainability in their own work.
- We promote sustainability in collaboration with other investors, management companies, our portfolio companies, and our other partners.
- We comply with legislation and good corporate governance principles. We conform to international norms and agreements on, for instance, employee rights and the environment, and we require no less of the companies and funds in which we invest.
- We report openly about our own operations and about how we develop responsible investment.

Sustainable investment

The guiding principle for sustainable investment is to integrate sustainability into investment processes and skilled ownership. When making an investment decision, we need to see that the investee company or fund is willing to develop its sustainability and that we will be able, together with our partners, to influence the development of its operations. Our aim is to maximise our positive net impact by creating value in our portfolio companies and also, through our operations, promoting the alignment of companies' businesses with sustainable development goals.

When screening potential investees we address the risks and opportunities of the investees' environmental, social and governance (ESG) aspects as well as their economic impacts. If there is no framework for responsibility, we do not make an investment. Furthermore, we examine the possible positive impact of an investment, and we produce an assessment for developing it in the near future.

We operate as an owner sustainably and interactively with the general partners behind our portfolio funds and also with our co-investors. In collaboration

with market players, we share information and develop new operating models that enable more versatile assessment, measurement and monitoring of the impacts of VC & PE investment. During 2022, we deployed the tools we developed ourselves for assessing both responsibility and impact. Additionally, we piloted tools intended to develop social responsibility and good governance with the aim of sharing them with a wider group of users in the future.

PRINCIPLES OF SUSTAINABLE INVESTMENT

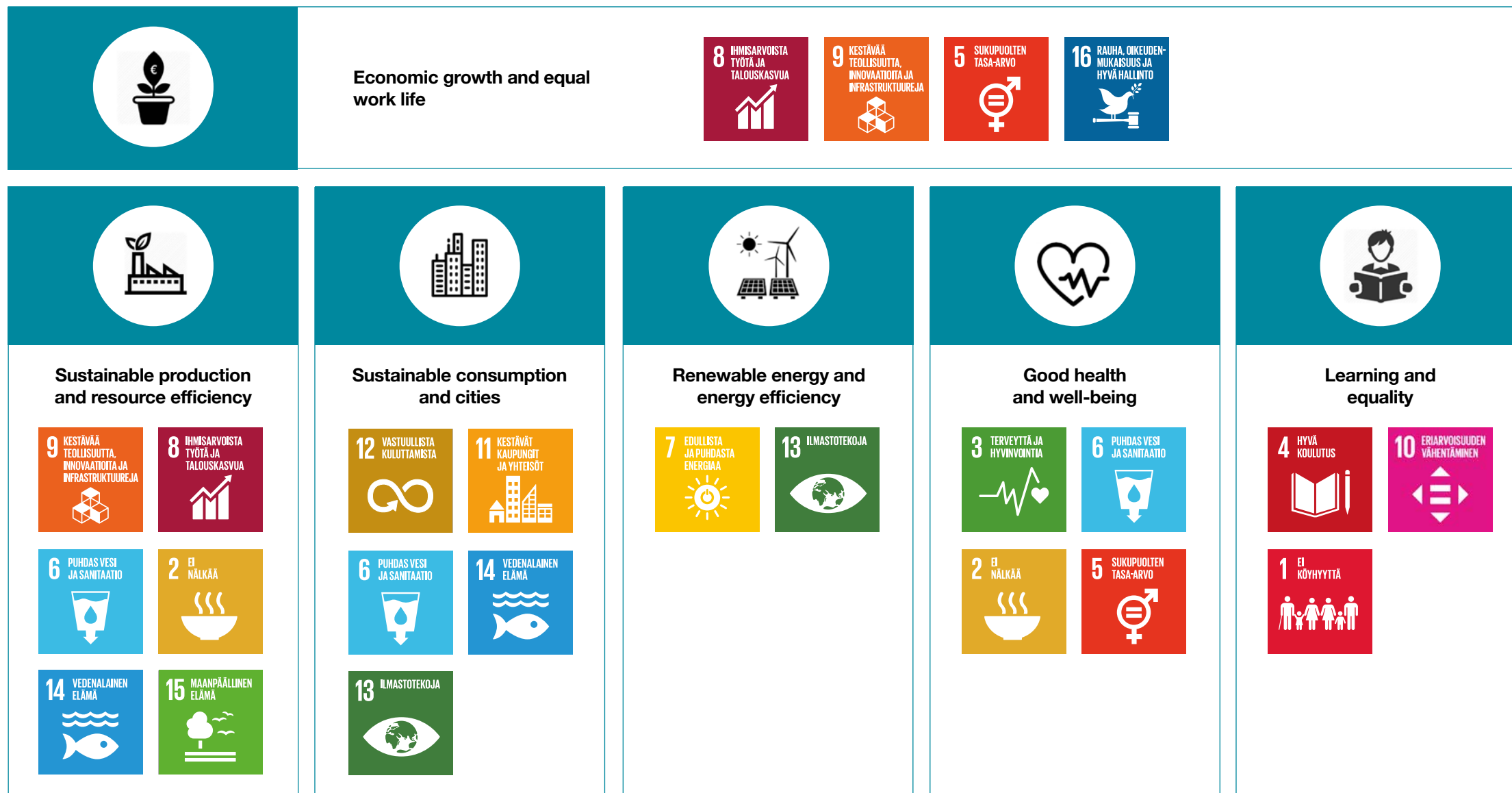
- For us, sustainable investment means addressing both responsibility and impact aspects when screening prospective investments and when developing and growing portfolio companies. The framework we developed forms the basis for sustainable investment operations.
- We use the [UN's Principles of Responsible Investment](#) as the baseline for responsible investment.

- Themes for impact investing guide us in promoting sustainable development goals when selecting portfolio companies and in value creation. Read more about the impact of Tesi's investments in our [Impact Review](#), which is published every autumn.
- We promote development of the sustainability policies and practices of our portfolio funds and companies
 - work on boards of directors and advisory boards
 - active dialogue with general partners and company managements
 - intervention process if irregularities are found.
- We try to commit managers of portfolio funds by contract to follow the UN's Principles of Responsible Investment and to prepare responsible investment policies and instructions. We encourage managers to integrate these principles into their investment operations when preparing, managing and

exiting investments, and also to actively train their personnel and to support their portfolio companies in this field.

- We require portfolio funds and companies to comply with legislation and good corporate governance principles as well as to respect international norms and agreements on human rights, labour rights, the environment, and anti-corruption measures.
- Different aspects of sustainability are prioritised in different companies. We focus on matters pertinent to the individual portfolio fund or company.

Impact investment themes



Targets, meters and actions

In 2022 our main sustainability goals included adopting a systematic approach to sustainability as well as formulating and deploying sustainability tools. We focused on integrating the results of our development team's sustainability work into our everyday practices. We also continued our efforts to develop expertise and improve wellbeing at work.

For us, sustainability is an important strategic priority, and 30% of our company-wide targets are related to responsibility and impact.

SUSTAINABILITY TARGETS FOR 2023










One of our main company-wide sustainability targets for 2023 is to develop how we measure our carbon footprint. Our sustainability targets for this year focus particularly on getting companies actively managed by Tesi and also fund management companies to measure Scope 1 and 2 emissions of greenhouse

gases (GHG). The target is for most of the portfolio companies actively managed by Tesi and most fund management companies to commit to calculating the GHG emissions (Scope 1 and 2 emissions as per GHG Protocol) produced by their operations in 2023.

In addition to a company-wide sustainability target, we prioritise developing personnel's sustainability expertise as well as personnel's communication and interaction skills, both of which support and promote sustainable activities inside Tesi. In addition to these, all our teams have their own targets for sustainability.

” **Based on the results of a questionnaire for general partners, we developed a report form to their ESG development work.**

Company-wide sustainability targets and results in 2022

Company-wide target	Meter	Actual	
Assessing responsibility and impact is a systematic part of work on the deal flow	ESG DD conducted for all new investees during the year	100%	
	Progress, where possible, in identified development targets as a recommendation or action plan made with the company / manager	progress made	
	As from H2/2022, impact assessment made for all new investees (direct, 100%)	100%	
	New managers and existing managers in H2/2022 (funds, 100%) sparred for impact assessment of portfolio and own operations	100%	
Advancement of responsibility and impact aspects in our portfolio funds and companies	Annual ESG assessments and resulting action plans made for investees (100%)	assessment still ongoing for some	
	Direct: Average of aggregated ESG points of active portfolio companies improved by at least 0.33	+0.5	
	Funds: Of managers' identified development targets, 25% showed significant improvement* during 2022	20.6%	
	Discussions on measuring impact have been held with Tesi's direct portfolio companies (100%)**	100%	
	Active progress in defining meters for monitoring impact made with 25% of direct portfolio companies	64%	

* Significant improvement equals to elevation of an assessment of a certain subdivision to the next assessment level.
 ** actively managed

Framework and material topics of sustainability

Tesi's sustainability framework gives us a structure for managing, measuring and communicating goal-oriented sustainability in all our activities. The framework guides investment operations just as much as Tesi's other activities. The framework includes both responsibility for our own activities (footprint) and the indirect impact of our activities (handprint). Within the framework, we have divided sustainability into four main themes: prosperity, environment (E), people (S), and governance (G). Several standards and recommendations are used as source material for the framework, including GRI¹, SASB², WEF (SCM)³ and the EU's Sustainable Finance Action Plan.

Tesi's material topics are derived from a stakeholder survey conducted in 2020, the work of our team working on the theme of sustainability, and comments from our other teams. The material topics are: economic prosperity and sustainability; innovation activities; mitigation of climate change; management of

wastes and materials; diversity and equal opportunity; skills and education; practices in working life; corporate governance, and risk management. The material topics that we have decided to focus on up until 2025 are the mitigation of climate change, employment practices, and good corporate governance. By focusing on these three priorities we are endeavouring to accelerate and achieve a positive change in society and the environment.

We will support mitigation of climate change most effectively through our portfolio by encouraging companies to create solutions for slowing down climate change and adapting to it, as well as by promoting and requiring the measurement and reduction of emissions.

To obtain a skilled workforce, companies need to be able to utilise expertise and talent more widely and comprehensively. This will be achieved in a sustainable way only if sound employment practices are

applied. We promote this by encouraging compliance with good employment practices in both our portfolio and the wider market.

As a VC & PE investor, we have a very comprehensive overview of fund managers and Finnish companies. We share our own good practices as well as the good practices we observe in the market with both our portfolio companies and other players in the VC & PE market. In autumn 2022, for instance, we conducted [a questionnaire to survey the sustainability of our fund managers](#).

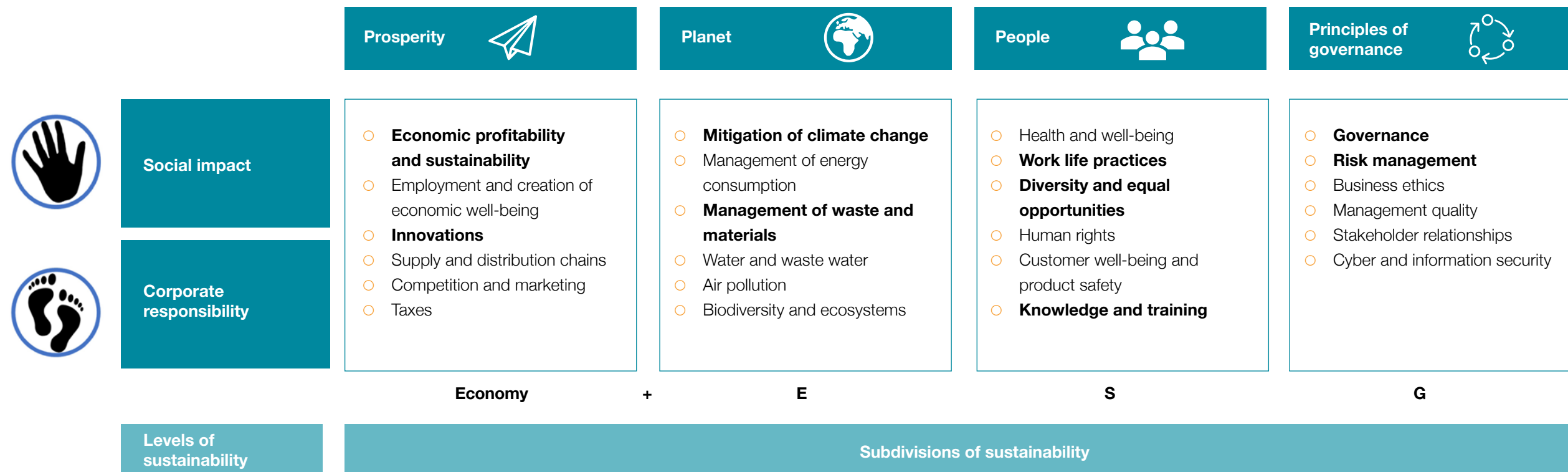
” The material topics that we have decided to focus on up until 2025 are the mitigation of climate change, employment practices, and good corporate governance.

¹ Global Reporting Initiative

² Sustainability Accounting Standards Board

³ World Economic Forum (Supply Chain Management)

Sustainability framework



Prosperity – a more productive economy, more sustainable wellbeing

The concept of prosperity in our sustainability framework addresses how through our operations we can build sustainable wealth over the long term for our owners, employees and society at large. The material topics of this concept of prosperity that we have prioritised are economic prosperity & sustainability, and innovation activities.

TESI'S 27 YEARS OF OPERATION

- Our operations have accumulated retained earnings of EUR 910 million.
- The total capital that the Finnish state has injected into Tesi, EUR 1,019 million, has grown into shareholders' equity of EUR 1,929 million.
- Total taxes paid to the Finnish state total EUR 17.9 million.
- The imputed return on investment (internal rate of interest) for the Finnish state, taken over the whole period of operation, has been approximately 6.6 % after taxes.

Our operations have a significant impact on the creation of new funds and on the development of Fin-

land's VC & PE industry. Our direct economic impacts consist of direct investments and capital calls paid to portfolio funds and companies, payments to suppliers of goods and services, employee benefit costs, income taxes paid, and investments.

Innovations are the lifeblood of transformation and growth. In our own operations this means continuous development and evolution of our procedures as well as co-development, along with other players, of new instruments and practices that will advance the VC & PE market. We have considerably enhanced our capabilities for producing, utilising and sharing insightful information about the VC & PE market and growth companies.

Read more about our impact on the market in our [Impact Review](#).

” The total capital that the Finnish state has injected into Tesi, EUR 1,019 million, has grown into shareholders' equity of EUR 1,929 million.

Key figures

	IFRS 2020	IFRS 2021	IFRS 2022
Group's investments and commitments, (MEUR)	1,176	1,311	1,510
No. of portfolio companies, directly and through funds	843	1,112	1,188
Consolidated profit	179	338	-26
Group, shareholders' equity	1,417	1,755	1,929
New commitments during fiscal year	248	207	297
Government investments in Tesi since 1995, total	819	819	1,019

Economic capital flows by stakeholder group, EUR thousands

	IFRS 2020	IFRS 2021	IFRS 2022
Customers Net sales	-	-	-
Portfolio companies Direct investments paid	101,903	71,077	202,519
Repayments of investments and sales proceeds	30,911	69,287	34,525
Portfolio funds Capital calls paid to funds	73,565	121,518	110,274
Cash flows received from funds	62,714	185,904	119,834
Suppliers of goods and services Other operating expenses	3,873	3,542	4,404
Personnel Employee benefit costs, total	4,622	5,006	5,820
Salaries and fees	622	733	871
Pension expenses	104	168	190
Other employee benefit costs	5,348	5,907	6,881
Public sector Income taxes	7,018	29,250	14,238
Charitable bodies Donations given	3	3	14
Shareholders Dividends paid to owners	0	0	0
Investments Investments in tangible and intangible assets	0	42	251



CASE

Tax footprint and principles applicable to taxation

Tesi's Board of Directors outlines the taxation principles applicable to the company's operations. We address taxation in our business planning and related decision-making as one factor in achieving our business targets and in ensuring a balanced position in terms of taxation. We do not accept tax evasion and we do not engage in aggressive tax planning. In handling Tesi's tax affairs, the thorough completion and timely submission of tax returns are important, as also is fulfilling all other requirements and obligations set by legislation.

In addition to investing in Finnish funds, we also make investments in international funds. VC & PE investment involves careful consideration of tax issues in the investment screening stage. We pay taxes to Finland on all our income under the provisions of Finnish tax legislation. We do not receive any preferential tax benefit from international fund investments.

In accordance with established practice in the VC & PE sector, we invest in funds that are flow-through entities as regards taxation. This means the fund itself is

not liable to tax, but instead the income the fund generates is taxed at the investor level, according to the investor's own tax status. This avoids double taxation.

We report the taxes we pay in compliance with the accounting practices applicable in Finland, and we also declare the geographical domiciles of fund investments and other information as required by the instructions applicable to state-owned companies in Finland. We only invest in funds that are domiciled in a country or place that has signed a data exchange agreement with Finland.

[Read more in our Impact Review](#)

[Read more in our Financial Statements](#)

In this report the essential taxes and tax-like payments are classified by the type of tax. In line with the materiality principle, the following taxes have not been reported owing to their insignificant amount: excise duty, tax on certain insurance premiums, and withholding tax.



Key figures for taxation, EUR thousand

	2020	2021	2022
Net sales (Group companies do not have any net sales)	-	-	-
Profit before taxes	221,199	417,880	-33,233
Number of personnel	35	44	48

Taxes paid and taxes payable, EUR thousands

	2020	2021	2022
Income taxes	7,018	29,250	14,238
Employer's contributions	726	901	1,060
VAT that has not been deducted *	729	660	823
Asset transfer tax	29	76	45
Taxes paid, total	8,502	30,887	16,166
Employee tax payments (PAYE)	1,454	1,665	1,711
Taxes payable, total	1,454	1,665	1,711
Taxes paid and taxes payable, total	9,956	32,552	17,877

* Finnish Industry Investment Ltd's group companies do not have any sales subject to value-added tax (VAT). For this reason, these companies cannot deduct or offset VAT from their purchases

Environment – climate first, with the big picture in mind

In our sustainability framework, environment covers mitigation of climate change, management of energy usage, management of wastes and materials, treatment of water and wastewater, reduction of air pollution, and the protection and remediation of biodiversity and ecosystems. The material topics of this concept of environment that we have prioritised are the management of wastes and materials and, particularly, the mitigation of climate change.

The environmental impacts of our own operations are rather small, but we try to reduce them in all our activities. In 2022, we took a major step in calculating our emissions by starting to determine our carbon footprint using the GHG Protocol's calculation tool.

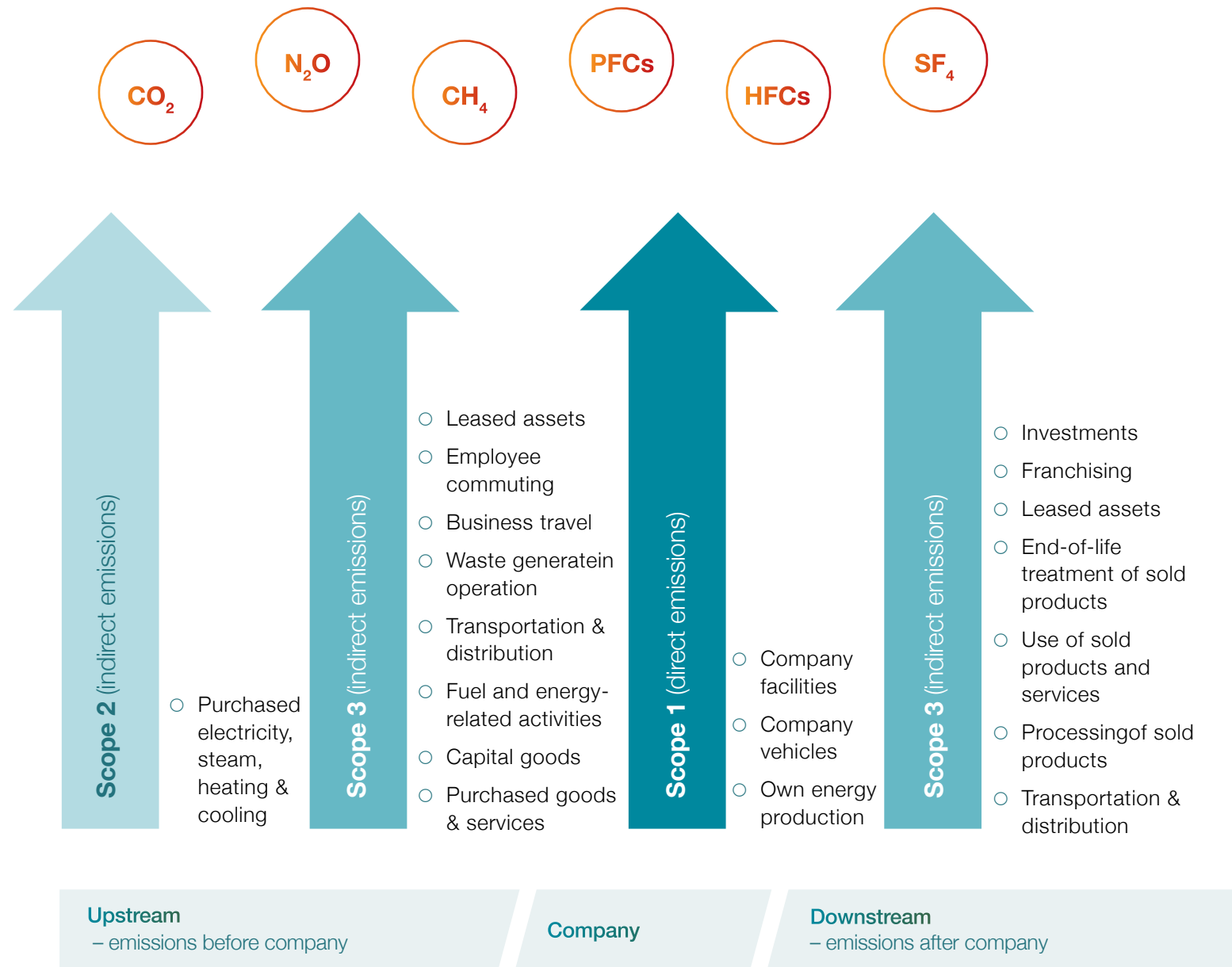
We try to reduce the carbon dioxide emissions produced by our employees by, for instance, encouraging videoconferencing and the use of public transport.

We offer our personnel employer-subsidised commuter tickets and bicycles. We want to make hybrid work as trouble-free as possible by ensuring the smooth functioning of meeting procedures and providing the proper tools.

We are committed to constantly developing sustainability. We invest in those growth companies that want to commit to developing sustainability, and we guide them and those that follow suit in the right direction. We can focus our fund and direct investments in, for instance, growth companies in green transit. However, we do not categorically exclude companies that do not match all sustainability criteria nor do we pursue dark green classification for its own sake.

We advance material efficiency and carbon neutrality in our investments operations through, for instance, our circular economy programme. From the programme, in 2022, we made an initial investment in Rester, a provider of textile recycling solutions, and gave one new investment commitment to ETF IV fund that specialises in companies with positive environmental impact. We also invest directly or through funds in companies that are themselves solving different, global environmental issues.

” In 2022, we took a major step in calculating our emissions by starting to determine our carbon footprint using the GHG Protocol's calculation tool.



CASE Tesi's carbon footprint

In 2022, we started to determine our carbon footprint using a calculation method compliant with the internationally approved GHG Protocol on greenhouse gas emissions.

The GHG Protocol is the world's most widely used and recognised greenhouse gas accounting standard for calculating and reporting an organisation's carbon footprint. The Protocol divides emissions into three different classes, or Scopes, of emissions. Scope 1 and Scope 2 emissions include greenhouse gas emissions an organisation causes directly by its own operations and indirectly when the energy it purchases and uses is produced. Scope 3 emissions encompass indirect greenhouse gas emissions in an organisation's value chain. Scope 3 includes 15 categories.

Changing the method of calculation has made our emissions calculations more accurate and better organised. The calculation results are not comparable with previous years' calculations because they are produced in a different way and address different emission sources.

Greenhouse gas emissions produced by our own operations (Scopes 1 and 2) are rather low. Most emissions are produced in the value chain (Scope 3), and the main emission sources are associated with travel and our investments.

Our carbon footprint for 2022 was determined for Scopes 1, 2 and 3 (excluding emissions from investments) with a calculation based on the [Upright Project's modelling](#). The carbon footprint of our operations, excluding emissions from investments, was 769 tonnes of carbon dioxide equivalent (t CO₂e) in 2022. The main emission sources were purchased services and business-related travel. Together, these two emission sources accounted for 92% of our total emissions.

We assessed greenhouse emissions from investments with regard to both direct investments and our portfolio funds. Those companies for which Upright has performed emissions modelling are included in the assessment of the carbon footprint of investments.

Continues on the next page



We estimate emissions from direct investments to be 31,684 t CO₂e (the emissions modelling covers 85% of the companies). Included in the emissions from direct investments are both the direct investments of our normal operations and also the operations of EAKR-Aloitusrahasto that were transferred to Tesi from Finnvera. We estimate emissions from fund investments to be 22,729 t CO₂e (the emissions modelling covers 56% of the companies). This figure includes the emissions in 2022 relating to the own operations of portfolio companies financed by Tesi (Scopes 1 and 2), in proportion to Tesi's share of ownership*. The figure includes investments that were in Tesi's ownership,

either directly or indirectly through funds, for the whole year (1 January–31 December 2022). The figure does not include the portfolio companies of special investment programmes, because they are not part of Tesi's normal investment operations. Furthermore, the figure only covers emissions financed by Tesi: in the case of the KRR funds-of-funds, emissions are only included in proportion to Tesi's own share of financing, while emissions relating to investments managed by other parties on Tesi's behalf are excluded. These limitations are in line with GHG Protocol instructions. The Scope 3 emissions of our portfolio are not reported for 2022.

Tesi's carbon footprint by emission scope, t CO₂e, and Tesi's carbon footprint by investment type, t CO₂e

Scope 1	Scope 2	Scope 3	Scope 3 (investments)	Total
0	13	756	54,413	55,182

Investment type	Scopes 1-2 (t CO ₂ e)	No. of companies that used assessment	Coverage (% of all companies)
Direct investments	31,560	49	96%
EAKR-Aloitusrahasto**	124	12	57%
Fund investments	22,729	592	56%
Total	54,413	653	58%

* If available, fully diluted shares were used in defining the share of ownership, so the proportion of any loans was included.

** EAKR-Aloitusrahasto is a fund transferred to Tesi from Finnvera.

People – producing results together

The People concept in our sustainability framework covers the impacts of our operations on occupational health & safety, employment practices, diversity & equal opportunity, human rights, customer wellbeing & product safety, and expertise & training.

Of these, the prioritised material topics in our operations are diversity & equal opportunity, expertise & training, and particularly employment practices. Our goal is a committed, skilled, motivated and contented personnel in both our own and our investees' organisations. In the market sphere, we want to improve the image of the investment sector and enhance understanding of diversity and inclusion. We encourage and require compliance with good employment practices in all our portfolio companies and in the management companies of portfolio funds.

PERSONNEL AND CORPORATE CULTURE

We want to be a safe and equal-opportunity workplace where discrimination, bullying and harassment are not accepted. We communicate transparently about our operations, and our values – Solutions, Boldly, Together – have proven to be excellent road

signs. Our personnel's commitment and motivation strongly depend on all employees having equal opportunities to develop in the work they do, and to improve their skills and expertise in a versatile way.

In 2022, in our own operations we developed, in particular, personnel's sustainability expertise and improved wellbeing at work. All our personnel also underwent Code of Conduct training. In 2022, in addition to our standard personnel survey, we observed employees' opinions on appreciating people's differences in the work community as well as on how well hybrid work was progressing. In the personnel survey we conducted in December 2022, our practices for combining remote work with in-office work received a rating of 4.6 (on a scale of 1–5).

EXTRACTS FROM PERSONNEL SURVEYS AND INTERNAL REVIEWS

- Tesi personnel come to work willingly and purposefully. Our personnel gain work experience in a very diversified range of VC & PE investment activities that have a long horizon and are both impactful and meaningful.

Working at Tesi allows a balanced life, while personnel's expertise, easy-going attitude and humour attract others to the company.

- In our personnel survey, on a scale of 1–5 Tesi received a rating of 4.3 as an employer while the meaningfulness of work at Tesi was rated at 4.2 (4.4 and 4.2 respectively in 2021). There is still room for improvement in, for instance, putting new matters into practice and in fully achieving equality in practice. Numerous strategic development projects highlighted the importance of clarifying the big picture, internal communications, interaction, and feedback.
- Internal communications have improved very much or to some extent during 2022 (84% of respondents), receiving an overall rating of 3.9 on a scale of 1–5 (3.9 in 2021).
- Some 98% of respondents felt that their hybrid workday went well or very well, while 80% felt they were able to cope with their work rather well or very well (96% and 82% respectively in 2021).

venture capital and private equity investing and our strategic objectives demand solid expertise. We encourage our personnel to participate in lifelong learning and to develop their professional skills. In 2022, development of expertise was focused on responsibility and impact and also on interactive skills. We arranged altogether five training events for all personnel.

Our HR department is responsible for promoting wellbeing at work. Both wellbeing at work and coping at work are supported in many different ways and are monitored regularly. All our personnel are covered by an occupational health service. The occupational health service is an investment in our personnel's wellbeing and it focuses particularly on preventive healthcare. Our sick leave rate was 2% (3% in 2021). We factor in our employees' differing life situations with a flexible personnel policy.

We conduct target-setting and development discussions annually with all our employees. These discussions help us to tangibly implement and guide our strategic objectives at both the team level and individual level. Our remuneration system covers all our personnel. Read more about our [Remuneration Report 2022](#).

TOGETHER TOWARDS A MORE DIVERSE TOMORROW

We also want to ensure that our portfolio funds and companies are aware of the social aspects of corporate responsibility and act responsibly in the social dimension.

Tesi has had a Whistleblowing channel in use since 2020. Our Whistleblowing channel offers our portfolio companies and portfolio funds, our employees and our other partners a confidential means of initiating investigation of any suspected misconduct or unethical activities.

Venture capital and private equity investors play a crucial role in selecting which companies receive more resources for growth and which technologies are developed. Investors generally finance entrepre-

neurs with whom they easily identify. For this reason, enhancing our diversity and inclusion is an important goal for us, and an aspect to be monitored in both our own and our investees' organisations.

When recruiting, we pay attention to the different backgrounds and strengths of applicants because we believe that diversity of background and experience expands perspectives in teams and creates new solutions.

Read more about our [Diversity Review](#) and our survey of the [Composition of Boards of Finnish companies](#). We report on diversity and inclusion in our investees as a part of our Diversity Review, in Tesi's survey of the composition of Boards of Directors in Finnish companies, and in our Impact Review.

Personnel in figures

	2020	2021	2022
No. of personnel at 31 Dec 2022	35	45	48
Women in personnel	26%	31%	33%
Women in the Management team	25%	25%	29%
Women in investment teams	16%	20%	16%
Average age	40	40	40
Average age in the Management team	45	48	49
Average age in investment teams	40	39	40
Education of personnel			
Higher education degree			90%
Form of employment			
Permanent			100%
Fixed			0%
Nationality other than Finnish	0%	0%	0%
Personnel turnover*	22%	3%	4%
New employees	7	11	4
Sickness absence per 7,5 hours	1%	3%	2%
Accidents, LTA	0	0	1
Average training days per person	2.5	2.5	3.6
Average length of employment, years	5.5	4.5	5.9
Trainees during the year	6	7	8
Women trainees	50%	43%	25%
Average age of trainees	25	26	26

* those left during the year / number of personnel per 31 December x 100



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Tesi's Trainee Programme is of mutual benefit and a source of fresh thinking

Tesi's trainee programme offers university-level students who are nearing or have completed graduation a chance to experience the world of venture capital and private equity investment. Trainees in the programme gain experience of different jobs in the investment industry led by seasoned professionals. Alongside gaining practical experience, trainees enliven Tesi's work community and bring fresh ideas and outlooks, while also testing the soundness of Tesi's values. Trainees, in fact, play an important role in transforming Tesi's work community.

The application process for trainees for investment teams is arranged twice a year, while trainees for other teams are recruited as needed. During 2022, there

were altogether eight trainees at Tesi in the company's investment and development teams.

"I was involved right from the start at Tesi in interesting projects representing different sectors, which has been very instructive. My tasks included preparing investment proposals, market and sectoral surveys, valuations, and meetings with potential portfolio companies and co-investors. At these meetings I also heard how people who are experienced in their fields think, and I've learned a lot from that. What was surprising in Tesi was how pronounced the responsibility and impact perspectives are when working with investments," sums up **Eerika Mäkipää**, who was an analyst trainee in spring 2022.

Corporate governance – reliability and risk management

The Corporate Governance section addresses the quality of the company's management bodies (Board of Directors, Management Team), strategy management, values and culture, corporate governance, internal processes, instructions, controls, monitoring of the regulatory environment and legal compliance, data security, cybersecurity, risk management, identification and awareness of opportunities, and the company's activities in relation to its main stakeholders. Of all these aspects, risk management and corporate governance have become key themes.

As a VC & PE investor, we have a very comprehensive overview of fund managers and Finnish companies. We share our own best practices as well as the good practices we observe in the market for the benefit of not only our own portfolio companies but also for the good of all Finland's investment market.

The importance of good governance and risk management is emphasised by the nature of our business and our role as a state-owned company. We comply in all applicable respects with the Corporate Governance Code of Finland's Securities Market Association, and we publish a Corporate Governance Statement as a section of our Annual Report. Tesi's Code of Conduct contains our main operating principles and

instructions. We also support our investees in developing good corporate governance and risk management.

[Corporate Governance Statement](#)

SIGNIFICANT LEGISLATIVE PROJECTS AND DATA SECURITY

Tesi's compliance activities in 2022 included proactive monitoring of both national and European Union (EU) legislative projects and embedding new legislation into the company's day-to-day operations.

The most thoroughly monitored of these was the EU's Sustainable Finance regulatory framework, which will have a major impact on the investment industry. The framework will impose new obligations on managers of alternative funds, such as Tesi Fund Management, which manages our KRR funds-of-funds.

The EU's Sustainable Finance Disclosure Regulation (SFDR) entered into force on 10 March 2021, while the Regulatory Technical Standards developed under the SFDR entered into force on 1 January 2023. Tesi Fund Management Oy's SFDR-compliant disclosures and Tesi's Principles of Responsible Investment are published on [Tesi's website](#). We worked throughout

2022 to ensure compliance with the Regulatory Technical Standards entering into force in 2023.

Also with regard to sustainable financing, we monitored the progress of the EU's proposed Corporate Sustainability Reporting Directive (CSRD). The Directive was approved in the EU on 28 November 2022. The CSRD obliges large companies and listed SMEs to report sustainability data – such as information about environmental impacts, human rights impacts, and factors relating to good corporate governance – as a part of their financial statements.

We have also monitored the status of the EU's proposal for a Directive on corporate sustainability due diligence. On 23 February 2022, the European Commission published its proposed Corporate Sustainability Due Diligence Directive (CSDD). The proposal aims to establish common ground rules for all companies operating in the EU and to promote respect of human rights and the environment in global value chains.

During 2022 we prepared for amendments to Finland's supervision of mergers and acquisitions, which will enter into force in 2023. The supervision of mergers and acquisitions under Finland's Competition Act is tightened by legislative amendments that lower the turnover thresholds for notifiable mergers and acquisi-

tions. The amendments are applicable to mergers and acquisitions to be notified to the Finnish Competition and Consumer Authority (FCCA) on 1 January 2023 or thereafter.

We have actively monitored the progress of Finland's proposed whistleblower protection legislation. The proposal aims to implement at national level the EU Directive for protection of persons reporting breaches of EU law (the so-called Whistleblower Directive). Tesi already has a confidential channel in place as required by the Directive, but the new requirements will impact many portfolio companies.

We have also monitored legislation, and issued the associated internal communications and instructions, to ensure compliance with, for instance, new international sanctions.

Work on ensuring compliance with data protection regulations has also been ongoing in Tesi in 2022. We have examined and improved our existing processes and documents, and we have worked to raise personnel awareness by arranging data protection and data security training.



CASE

Code of Conduct

Tesi's Code of Conduct is written guidance for how Tesi operates, both internally and with regard to different stakeholders and partners. The Code of Conduct also collates the more important instructions and guidelines to be followed in Tesi. It is, in other words, a collection of instructions for ensuring that our personnel are aware of and comply with relevant legislation and that we operate responsibly and ethically in different situations.

Tesi's Board of Directors approved an updated Code of Conduct in March 2022. The update amplified the instructions on the prevention of money laundering

and terrorist financing, and a section regarding exclusion from financing was added.

As a part of Tesi's sustainability training package, all personnel attended a Code of Conduct training course in spring 2022. During the course, Tesi employees were able to test their own Code of Conduct expertise in a variety of imaginary situations. The aim of the course was to acquaint Tesi personnel with the updated Code of Conduct and to raise awareness of what is wise to remember when we try to make responsible everyday decisions.

Reporting principles

The responsibility reporting period covers the fiscal year 2022. The report covers Tesi's own operations, within the limits set by the company as a legal entity, including its subsidiaries (Tesi Fund Management Oy, Tesi Industrial Management Oy, FEFSI Management Oy and EAKR-Aloitusrahassto Oy).

Tesi has a majority holding (66.4%) in the capital stock of Aker Arctic Technology Inc. Aker Arctic's data is not included in Tesi's responsibility figures.

We prepare a Responsibility Report annually as a section of the Business Overview of the Annual Report. The Annual Report comprises four sections: the Business Overview; the Financial Review (which includes the Board of Directors' Report and the financial statements); the Corporate Governance Statement; and the Remuneration Report. The Board of Directors approves the Responsibility Report. We have published Responsibility Reports since 2011.

Our reporting is guided by the Government Resolution (8.4.2020) on corporate responsibility, as part of the Finnish government's ownership steering policy. We also utilise the GRI standard's reporting framework in our reporting. The report is not verified, but the economic performance indicators presented in it are derived from audited information.

For more information about the report, please contact Susanna Aaltonen, Director, Communications (susanna.aaltonen@tesi.fi).

” We prepare a Responsibility Report annually as a section of the Business Overview of the Annual Report.

GRI content index

GRI STANDARD	DISCLOSURE	LOCATION	ADDITIONAL INFORMATION
GRI 2: General Disclosures	2-1 Organizational details	Business overview, pp. 2, 6	
	2-2 Entities included in the organization's sustainability reporting	Business overview, p. 40	
	2-3 Reporting period, frequency and contact point	Business overview, p. 40	
	2-4 Restatements of information	GRI content index	No restatements of information.
	2-5 External assurance	Business overview, p. 40	
	2-6 Activities, value chain and other business relationships	Business overview, pp. 9-14	
	2-7 Employees	Business overview, pp. 6, 35-36	
	2-9 Governance structure and composition	Corporate governance report, pp. 6-9	
	2-10 Nomination and selection of the highest governance body	Corporate governance report, p. 6	
	2-11 Chair of the highest governance body	Corporate governance report, p. 8	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate governance report, p. 7	
	2-14 Role of the highest governance body in sustainability reporting	Business overview, p. 23	
	2-15 Conflicts of interest	Corporate governance report, pp. 7-9, 13-15	
	2-16 Communication of critical concerns	Business overview, pp. 13-14	
	2-18 Evaluation of the performance of the highest governance body	Remuneration report pp. 5-6	
	2-19 Remuneration policies	Remuneration report, pp. 5-6	
	2-20 Process to determine remuneration	Remuneration report, pp. 5-6	
	2-21 Annual total compensation ratio	Remuneration report, p. 5	
	2-22 Statement on sustainable development strategy	Business overview, p. 23	
	2-23 Policy commitments	Business overview, p. 23	
2-27 Compliance with laws and regulations	Corporate governance report, p. 5; Business overview, p. 23		
2-28 Membership associations	Business overview, p. 13		
2-29 Approach to stakeholder engagement	Business overview, pp. 13-14		
2-30 Collective bargaining agreements	GRI content index	All of Tesi's personnel are covered by a collective labour agreement, as applicable.	

GRI 3: Material Topics	3-1 Process to determine material topics	Business overview, p. 27	
	3-2 List of material topics	Business overview, p. 27	
	3-3 Management of material topics	Business overview, pp. 27-39	
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	Business overview, pp. 17-20, 29	
	201-3 Defined benefit plan obligations and other retirement plans	GRI content index	Statutory pension scheme. Tesi does not offer supplementary pension schemes.
	201-4 Financial assistance received from government	Business overview, p. 29	
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	Business overview pp. 26-39; Tesi's impact review	
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	Corporate governance report, pp. 14-16	
	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance report, pp. 14-16	
	205-3 Confirmed incidents of corruption and actions taken	GRI content index	No cases in 2022.
GRI 206: Anti-competitive Behaviour	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI content index	No cases in 2022.
GRI 207: Tax	207-1 Approach to tax	Business overview, pp. 30-31	
	207-2 Tax governance, control, and risk management	Business overview, pp. 30-31	
	207-3 Stakeholder engagement and management of concerns related to tax	Business overview, pp. 30-31	
	207-4 Country-by-country reporting	Business overview, p. 30	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Business overview, pp. 33-34	
	305-2 Energy indirect (Scope 2) GHG emissions	Business overview, pp. 33-34	
	305-3 Other indirect (Scope 3) GHG emissions	Business overview, pp. 33-34	
	305-5 Reduction of GHG emissions	Business overview, p. 32	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Business overview, p. 36	
	401-2 Benefits provided to full-time employees	Business overview, p. 35; Remuneration report, p. 5	
	401-3 Parental leave	GRI content index	Statutory parental leave.

GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	Business overview, pp. 35-36	
	403-2 Hazard identification, risk assessment, and incident investigation	Business overview, p. 36	
	403-3 Occupational health services	Business overview, p. 35	
	403-6 Promotion of worker health	Business overview, p. 35	
	403-9 Work-related injuries	Business overview, p. 36	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	Business overview, p. 36	
	404-2 Programs for upgrading employee skills and transition assistance programs	Business overview, pp. 35-36	
	404-3 Percentage of employees receiving regular performance and career development reviews	Business overview, p. 35	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Business overview, p. 36	
	405-2 Ratio of basic salary and remuneration of women to men	Remuneration report, p. 5	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	GRI content index	No cases in 2022.