

# Tesin principles of responsible and impact investing

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## Introduction

Tesi (Finnish Industry Investment Ltd) is a state-owned investment company founded in 1995 to manage the special mission defined by Finnish Act of Parliament (1352/1999) and specified in more detail in Finnish Government Decree (54/2014). The company's mission is to promote the growth and internationalisation of Finnish companies, to transform Finland's business community through venture capital and private equity (VC & PE) investment, and to develop Finland's VC & PE market. The company's operation must be commercially profitable. Finland's Ministry of Employment and the Economy is responsible for the ownership steering of Tesi.

In managing the companies that it owns, the Finnish state aims for the best possible overall result in both social and economic terms. The companies' responsible business operations are an element of social income and the Finnish state requires that the companies operate responsibly. As regards financial results, the goal is profitable growth and an increase in ownership value built over a long timespan. Companies with a special mission may not distort competition. The Finnish state's ownership steering policy defines corporate responsibility as follows:

- Companies are required to firmly integrate corporate responsibility into their operations, and to set goals for managing it.
- Companies must identify their own climate impacts, environmental impacts and biodiversity impacts and set measurable targets for them that are ambitious compared to their peers.
- State-owned companies are required to address Finland's goal of carbon neutrality by 2035, and the Paris Agreement target for climate change of limiting temperature increase to 1.5°C.
- Human rights must be transparently addressed, respecting UN principles in companies' own operations and in their supply chains.
- Aggressive tax planning is not acceptable.
- Important findings, actions taken and achievement of targets must be reported to the owner.

Tesi's investment operations are conducted on market terms and are guided by the Finnish government programme.

A significant social impact is one of Tesi's strategic goal. The focuses for impact are:

- industrial policy impact: Development of Finland's business community and VC & PE market
- sustainability: Addressing global trends, such as climate change, as a core component of our activities
- economic impact: Tesi's own commercial viability and indirect impact on society.

Tesi's other strategic themes are:

- Tesi supports Finnish companies' growth and internationalisation.
- Tesi is an active VC & PE investor and a skilled owner.
- Tesi actively shares insightful data and expertise.

Tesi principles of responsible and impact investing consider both responsible and impact-seeking investing. At Tesi, sustainability is used as an umbrella term for corporate responsibility and impact. We believe that the responsible operating practices of an investee have a positive impact on the risks, returns and value formation of the investee, and is therefore extremely important from the investor's viewpoint.

Proper handling of the environmental and social risks and the impacts of business activities combined with good corporate governance have a positive impact on the costs, reputation and returns of a company.

Addressing the opportunities associated with environmental and social impacts also opens up new business opportunities or can improve a company's competitive standing with regard to customer relations and various resources.

These Principles of responsible and impact investing supplement Tesi's Code of Conduct regulating responsible operation: : <https://tesi.fi/kestavyys/> (only in Finnish, at the bottom of the Finnish page).

## *Investment classes*

Hereinafter, Tesi refers to the Group that consists of Finnish Industry Investment Ltd (the parent company) and its subsidiaries.

Tesi's investment operations can be divided into two separate operating models: Tesi operates either as an investor itself on its own behalf (asset owner), or Tesi manages investment assets on behalf of some other entity (asset manager) while Tesi might also be one of the investors in these assets it manages.

Tesi has three investment classes, some of which are found in both operating models and some only in Tesi's operations on its own behalf. These investment classes are:

### *Fund investments*

A fund investment refers to an investment in a venture capital and/or private equity fund (hereinafter 'fund'), which is managed by an external management company (hereinafter 'manager'). When we make an investment, we give an investment commitment to the fund based on its investment strategy and the fund's investments in its portfolio companies are only made during the term of the fund. At the time we make the investment, therefore, we do not know where the fund's capital will be finally committed.

Our fund investments and the managers with whom we deal differ from one another. We deal with new entrant managers as well as with well-established players. We make investments in funds with an investment strategy focusing on very early-stage technology companies, and we also invest in funds with portfolio companies that are more established and larger in size. Funds can make minority or majority investments. Funds may differ from one another in their investment strategy also in terms of themes: our portfolio includes general funds as well as funds focusing on a clear theme or sector.

### *Direct investments*

By direct investment, we mean an investment made directly in a portfolio company. We make direct investments mainly in unlisted Finnish startups and growth companies. Our goal is to support the growth and internationalisation of the company's business operations. We can also participate in initial public offerings (IPOs) as well as mergers and acquisitions (M&As). In special cases, we can also make investments in companies domiciled in a foreign state, but also in this case the company typically commercialises Finnish innovations or expertise. Portfolio companies range in size from technology startups to established industrial players, and they can operate in different sectors.

We usually make our direct investments as a share subscription in a private placement. We can also grant certain loans. The loans we grant are typically bridge financing or are loans through special investment programmes. Our loans are mainly junior unsecured loans. They can be debt or equity loans, and they generally carry entitlement to a share issue.

Apart from very rare and exceptional circumstances, Tesi is always a minority owner, with a holding typically ranging from 5% to 25%.

## Asset management

The task of asset management is to manage the capital needed for our investment operations in a way that enables and safeguards Tesi's basic mission in all situations. We set risk boundaries to the investment portfolio so that if a risk is realised it does not pose a threat to achieving the objective. To reduce investment risks, we make investments in different asset classes and in different types of investees within the asset classes.

To balance returns over the short term and to ensure liquidity, we invest cash management assets in short-term, interest-bearing investments. To improve long-term returns, we invest in bonds, shares and alternative investments (not however venture capital or private equity investments). We make investments mainly as fund investments. The goal of investment operations is to safeguard the retention and growth of capital over the long term so that returns on investments remain at a reasonable level.

Figure 1: Tesi's Investment classes and operating models

INVESTMENT CLASS	ASSET OWNER –MODEL	ASSET MANAGER –MODEL
Fund investments	①	②
Direct investments	① ④ ⑤	③
Asset management	①	
①	Finnish Industry Investment Oy – the Group's parent company that from its own balance sheet makes both direct investments in companies and investments in funds, and on whose balance sheet uncalled capital for investments is managed by the company itself as well as by external asset managers.	
②	Tesi Fund Management Oy – an AIFM-registered management company that manages the Kasvurahastojen Rahasto (KRR) family of fund-of-funds. Investors in the KRR fund-of-funds include Tesi and major Finnish institutional investors. The KRR fund-of-funds invest mainly in Finnish growth funds.	
③	FEFSI Management Oy – a management company that manages European Investment Bank funds channeled to Finnish portfolio companies as debt-based or equity-based investments.	
④	Tesi Industrial Management Oy – a subsidiary with direct investments in portfolio companies on its balance sheet.	
⑤	EAKR Aloitusrahassto Oy – a subsidiary with direct investments in portfolio companies on its balance sheet.	

Tesi's own investment operations are regulated by Finland's Act on State-Owned Company Suomen Teollisuussijoitus Oy (1352/1999) and Government Decree on State-Owned Company Suomen Teollisuussijoitus Oy (54/2014).

The legislation applied to Tesi's subsidiary Tesi Fund Management Oy, which manages the Kasvurahastojen Rahasto (KRR) family of funds-of-funds, includes the Act on Alternative Investment Funds Managers (162/2014) and also the Decree of the Ministry of Finance on the Information to be Appended to the Authorisation Application of Alternative Investment Fund Managers and Special Depositaries (226–231/2014), the EU-level AIFM Directive (2011/61/EU) and European Commission Regulation (EU) No. 231/2013, as well as Sustainable Finance Disclosure Regulation (SFDR, EU2019/2088).

Decision-making in the different operating models and investment classes:

- For fund investments, Tesi's Board of Directors decides on Tesi's own investments, and Tesi Fund Management Oy's Board of Directors decides on fund investments by the Kasvurahastojen Rahasto (KRR) funds-of-funds. Tesi Fund Management Oy's Board of Directors comprises four members of Tesi's Management Team (Tesi's CEO; Tesi's Director, Venture Capital; Tesi's Director, Funds; and Tesi's CFO). In the case of the KRR I-III funds-of-funds, an advisory board comprising investors in these funds has also had the right to veto investment decisions made by Tesi Fund Management Oy. As from the inception of the KRR IV fund-of-funds, the advisory board no longer has the right to veto.
- Tesi's Board of Directors decides on investments to be made directly in Tesi's portfolio companies and, depending on size, either Tesi's Management Team or Tesi's Board of Directors decides on exits.
  - Tesi Industrial Management Oy is Tesi's management company for industrial policy investments. The company manages the investments made, or planned to be made, in Tesi's portfolio, that have low expectations for returns, high risk and industrial policy interests. Tesi's Board of Directors decides on these investments after receiving industrial policy guidance from the owner and, depending on size, either Tesi's Management Team or Tesi's Board of Directors decides on exits.
  - EAKR Aloitusrahasto Oy is a company managing investments relating to the venture capital investing operations that were transferred from Finnvera. EAKR Aloitusrahasto Oy's Board of Directors decides on investments to be made directly in portfolio companies and on exits from them, the Board comprises three members of Tesi's Management Team (Tesi's CEO; Tesi's Director, Funds; and Tesi's Director, Venture Capital)
  - FEFSI Management Oy is Tesi's and the European Investment Bank's (EIB) management company for investments made through co-investment programmes. FEFSI Management Oy's Board of Directors decides on investments to be made directly in portfolio companies and on exits from them, the Board comprising three members of Tesi's Management Team (Tesi's CEO; Tesi's Director, Funds; and Tesi's CFO). The EIB can, if it so wishes, reject (veto) an investment proposal for a co-investment programme. Investments under a co-investment programme are implemented through FEFSI Ky and FEGF Co-Investment Ky.
- Tesi's Board of Directors, after processing by the Audit Committee, approves an asset management investment plan and bestows full authority for selecting asset managers for portfolios. The Management Team can decide on the selection of a fund for cash management assets.

More information: <https://www.tesi.fi/en/about-tesi/governance/>.

## Principles and goals of responsible investment

We follow the principles of responsible investment in all our investment classes in Tesi. Application varies depending on the investment class and investment method.

In Tesi, a responsibility review covers both the responsibility of our own activities and their social impact. The responsibility review examines impact in both directions: the impact of the operating environment on the investee, and the impact of our investees on their operating environment. The aim of responsible investment is to reduce the risks attached to investees and their businesses, and to identify and exploit the positive impacts and value-creation opportunities generated by investees operating responsibly.

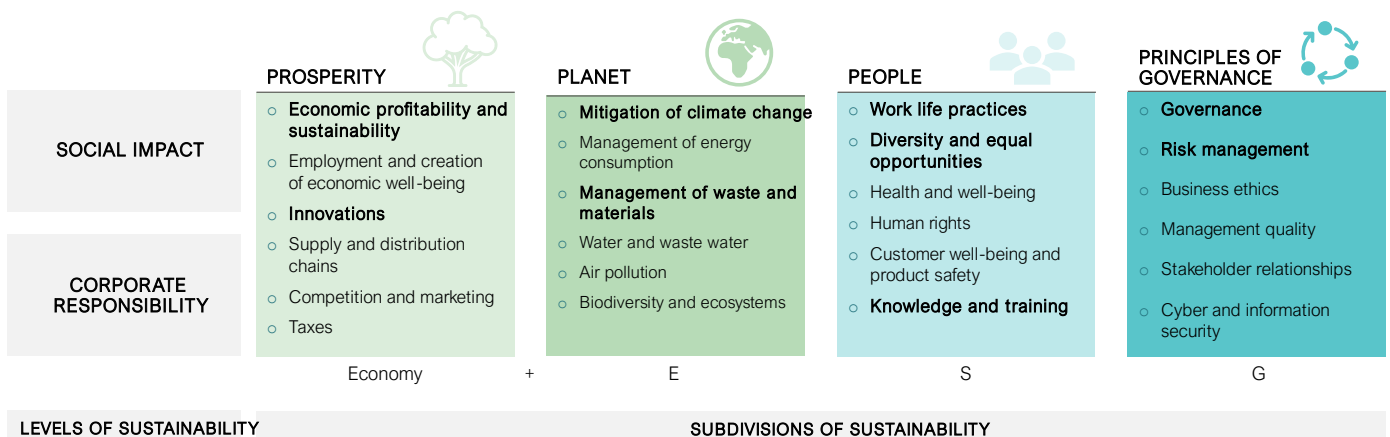
The UN Principles of Responsible Investment (PRI) provide a global framework for responsible investment. Tesi's responsible investment policy is based on these principles, and we are committed to applying them in our operations.

Figure 2: We are committed to complying with the UN's responsible investment principles

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

To support Tesi's responsibility work, we have compiled a sustainability framework drawing on a variety of standards and recommendations as source material. These include: the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), World Economic Forum's Measuring Stakeholder Capitalism (WEF-MSC) and the EU's regulatory framework on sustainable finance. We have divided the framework into four main themes. These are ECONOMIC RESPONSIBILITY, ENVIRONMENT, PEOPLE, and CORPORATE GOVERNANCE. We analyse the responsibility of our investment operations through the lens of these themes. For each investment or prospective investment, we weigh up the areas of responsibility essential to its activities.

Figure 3: Tesi's framework and material aspects of corporate responsibility



Based on the overview formed through interaction with our partners and personnel, we have selected essential themes for Tesi's responsibility (Note: GRI refers to essential themes as 'material aspects'). In selecting these essential themes, we addressed not only the challenges of social development and the social megatrends generating them, but also Tesi's role and goals as a state-owned company charged with a special mission, as well as our opportunities for influencing our investees. These special themes support the setting of goals for Tesi's responsibility work in both our own investment activities and those of others. We address these essential themes when we meet our investees, when we set targets, and when we support the development of our investees' businesses, as well as in focusing and developing our own operations.

We have selected as the essential themes of Tesi's corporate responsibility:

- Economic performance and sustainability: When screening investees, we evaluate their capabilities for economic growth and for profitability that is sustainable with regard to the environment and society. We encourage investees to promote sustainability aspects in their pursuit of growth and profitability. In our own operations, economic profitability underwrites the long-term promotion of sustainable growth targets into the future.
- Innovation: We focus our investments on companies developing new technologies and innovations. We encourage our investees to actively direct their innovation efforts at solving the challenges of the future, improving their productivity and resource efficiency, and transforming themselves to create a sustainable competitive edge in the future. Our own innovation activities provide new data for the market to exploit, and we also create new operating models and financing programmes for developing VC & PE investment activities and for eliminating market bottlenecks.
- Mitigation of climate change: We focus our investments on technologies and services promoting the reduction of greenhouse gas emissions. We encourage our investees to end the use of fossil energy sources, and to adopt solutions promoting the mitigation of climate change and providing protection from its harmful impacts as an important avenue for avoiding environmental catastrophes and safeguarding the future of humankind.
- Management of wastes and materials: We focus our investments on investees that promote the circular economy. We encourage our investees to develop the management of materials and wastes, and also to formulate circular economy models in their products and activities as an important avenue for reducing the environmental impacts produced by humans and for ensuring sustainable raw material procurement for future production activities. We are increasing the efficient use and recycling of materials in our own operations.
- Employment practices: When screening investees, we evaluate the level of their employment practices and we support our investees in following and developing fair and sustainable employment practices to create supportive organisations that promote employee wellbeing. In our own operations, we ensure compliance with good employment practices by, for instance, improving workplace practices with active monitoring, analysis and regular standardised review processes (e.g., recruitment and personal development interviews) as well as with regular personnel surveys.
- Diversity and equal opportunities: When screening investees, we evaluate their status and practices in promoting diversity and equal opportunities. We encourage our investees to increase diversity in their management and personnel to exploit their broad-based and diversified expertise in their operations and to safeguard equal opportunities in the workplace and in society. When nominating Tesi's representative to the Board of Directors of a portfolio company, amongst other factors we try to improve the Board's diversity. In our own operations, we prioritise increasing the diversity of Tesi's personnel and creating a safe and equal-opportunity workplace.
- Skills and training: We focus our investments on innovations supporting the development of expertise and the availability of training. We encourage our portfolio companies to develop skills and personnel training as an important means of transforming companies and society, developing international competitiveness, and reducing social inequalities. In our own



- operations, we prioritise continuous and targeted development of personnel skills.
- Corporate governance: When screening investees, we evaluate their corporate governance. We encourage our investees to continuously develop their practices to enhance the quality of their corporate governance and make it more reliable and more transparent. Good corporate governance is of emphasised importance in our own activities because we are 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.
  - Risk management: When screening investees, we evaluate the quality and processes of their risk management. We encourage our investees to continuously develop their practices to make their risk management more comprehensive, more systematic and more predictive. In our own operations, pro-active risk management is a focal point for continuous development.

From essential themes we have selected mitigation of climate change, employment practices and corporate governance as key themes, in which we are especially focusing on until 2025.

### ***Climate and environmental goal***

Tesi requires all its investees to minimise the harmful impacts of their operations on climate change, and to evaluate and prepare for the risks to their businesses posed by climate change. We encourage our investees to identify opportunities and to develop solutions for mitigating climate change and protecting against it in their own operations.

We expect from our investees transparent, clear and comparable reporting of climate and environmental issues, and a desire to engage in open discussion with owners about the climate and environmental impacts of their operations. We encourage our investees to utilise international frameworks and initiatives in the analysis and reporting of their climate impacts, risks and actions. We encourage companies to factor the goals of the Paris Agreement into their strategies and to set science-based, concrete and measurable targets for their climate activities. The main international standards and initiatives are:

- Greenhouse Gas Protocol, GHG
- Taskforce for Climate-related Financial Disclosures, TCFD
- Science Based Targets initiative, STBi

To achieve climate target, we promote the calculation of carbon footprint and the analysis of the emissions reduction potential in our portfolio funds and companies, and we expect from them a targeted and phased transition towards carbon neutrality and the monitoring of progress towards this end. We exclude from our investments fossil energy sources harmfully impacting climate change and activities associated with them, and investees whose progress towards carbon reduction we cannot influence. We conduct an amplified responsibility evaluation of business operations with activities that have significant exposure to climate risk and/or biodiversity loss.

### ***Social responsibility goals***

We require all our investees to comply with all national and international legislation applicable to their operating environments and to operate responsibly. We expect our portfolio companies to address international norms and responsibility initiatives in their activities, namely:

- UN Global Compact principles
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- ILO Declaration on Fundamental Principles and Rights at Work

- o UN Convention on the Rights of the Child

We encourage our investees to extend their social responsibility goals and operational analyses also to their subcontractors and other partners in the value chains of their businesses.

From our investees, we expect transparency, clear and comparable reporting on social responsibility goals and their achievement, and a desire to engage in open discussion with owners about the social impacts of their operations.

### *Taxation principles*

Through our responsible taxation policy, we increase the social impact of our investment operations. Tesi itself commits, and expects its investees to commit, to complying with the taxation laws of Finland and of other states in which they have business operations. In its investment operations, Tesi avoids investment structures that use aggressive tax planning.

In fund operations, we mainly apply established fund structures that are justified from the viewpoint of the portfolio fund's investment strategy and the geographical spread of the investor base. For investments outside Finland, we ensure responsible tax procedures as part of the tax due diligence conducted by an external service provider.

We make direct investments almost without exception in Finnish limited liability companies. For direct VC & PE investments, we conduct a separate tax due diligence when the size class of the company exceeds separately defined limits, the corporate structure of the investee is atypical, or significant cross-border sales are generated within the group. If our investment is in other than a Finnish limited liability company, in addition to a tax due diligence we conduct an evaluation of whether there are any undesirable tax optimisation aspects to the corporate structure.

In the management phase, Tesi's representative complies with the common duty of care as a member of the Board of Directors or as a Board Observer, and tries to ensure the company follows general good governance practices, including tax compliance. In the case of large-scale M&As and exits, Tesi's representatives use their influence to call for an appropriate tax analysis of the arrangement. Provided the decision-making rights specific to the investment allow it, Tesi's representative can, if necessary, require this.

## Means of responsible and impact investing

The main forms of Tesi's annual cycle for responsible investment are:

- exclusion of investments and amplified responsibility evaluation
- integration of responsibility analysis in investment decisions
- promoting investment impact goals
- active ownership

In Tesi, the activity aimed at responsible and impactful investing is integrated into other investment activities, and the implementation is carried out by the individuals responsible for each investment. The results of the evaluations are discussed among all members of the investment team and incorporated into the investment decision-making process for Tesi's decision-makers. Sustainability-related considerations during ownership are recorded in regular reporting, similar to other considerations, and they are raised as necessary in investment teams and during decision-making. A targeted assessment of sustainability risks related to the portfolio is presented to Tesi's management annually.

### *Exclusion of investments and amplified responsibility evaluation*

Instead of exclusion, we believe that we will produce a greater social impact with our investment operations by influencing portfolio funds and companies. If we detect or suspect a contravention of norms, we conduct an amplified responsibility evaluation of the investee. If we are unable to influence the means to rectify the situation, we try to exit the investment. To obtain information about a contravention of norms, we use third-party service providers to supplement our own analysis.

As part of our investment analysis and based on 'Know Your Customer' guidelines, we assess whether the applicant for financing should be excluded from financing owing to issues relating to the applicant, the applicant's responsible officers or the applicant's beneficial owners. Grounds for exclusion are:

- tax evasion, or a high risk of it, caused by the structuring of a project or its backing companies
- abuses or irregularities in taxation or economic issues regarding the investee or its main responsible officers
- questionable or obscure source for the funds of the project, responsible officers or beneficial owners (suspected money laundering or financing of terrorism)
- investee's officers or beneficial owners are named on a UN, EU or US OFAC sanctions list.

We generally exclude the activities listed below from our investments on ethical grounds. However, if we perceive a social benefit, or an overall advantage to Finland in securing maintenance and supplies when balanced against possible detriments, in an investee listed on an investment exclusion list, we can exceptionally make an investment in such an investee. In such a case, we screen the investment especially carefully and apply amplified responsibility evaluation and monitoring. In that case, Tesi's Board of Directors always make the investment decision. The activities generally excluded from our investments on ethical grounds include:

- Weapons prohibited and restricted by international arms control agreements ratified by Finland, and activities associated with them, including:
  - nuclear weapons (Nuclear Proliferation Treaty, NPT)
  - chemical weapons (Chemical Weapons Convention, CWC)
  - biological weapons (Biological and Toxin Weapons Convention, BTWC)
  - anti-personnel mines (Ottawa Treaty)
- the production, marketing, use of or trade in products and activities prohibited in legislation and/or

- international conventions and agreements, more specifically:
- trade in transboundary wastes (Basel Convention)
  - hazardous chemicals, pesticides and wastes, loose fill asbestos (Basel Convention, Rotterdam Convention and Stockholm Convention)
  - substances that deplete the ozone layer (Montreal Protocol)
  - protected flora and fauna and wildlife products (CITES / Washington Convention)
- products or functions that international conventions and agreements regard as illegal, or that are on international embargo or sanctions lists
  - adult entertainment, pornography and prostitution
  - gambling, casinos and similar companies
  - tobacco production and promotion of tobacco use
  - intoxicants (alcohol, cannabis products, etc), illegal pharmaceutical products and narcotics
  - fossil energy sources harmfully impacting climate targets and activities based on them
  - radioactive materials and related products, including mini nuclear power plants, medical equipment and devices used for quality control in which the radioactive source is minimal and/or sufficiently protected.

For the following sectors (sensitive sectors) we apply amplified responsibility analysis and monitoring:

- the defence industry, conventional weapons and associated activities
- products and technologies on the Dual-Use List (EU's Dual Use Regulation 2021/821)
- business activities significantly exposed to climate risks
- business activities significantly exposed to risks of biodiversity loss and shaping the natural environment
- business based on genetically modified organisms (GMO)
- cryptocurrencies and associated business
- gaming industry
- business activities targeting a child or directed at children
- business activities promoting consumption.

We conduct amplified responsibility analysis and monitoring also of portfolio companies with business operations in areas of heightened geographical risk (corruption risk, political risk, etc).

With investments managed on behalf of another party, we also address the criteria for exclusion and for the amplified responsibility analysis needed for the parties involved according to separate instructions.

### ***Integration of responsibility analysis in investment decisions***

At Tesi, an analysis of investees' responsibility is integrated into investment decisions in all investment classes. In fund investments and direct investments, we have developed an evaluation method applicable to our own operations for systematically and comparably analysing deal flow and investees. We use the method for identifying investees' risks and their opportunities for creating value based on responsibility. By applying the evaluation method, we produce a responsibility classification for investees that we use for monitoring the development of responsibility aspects both at the individual investee level and at the investment portfolio level.

In Tesi's asset management investments, we use the responsibility and impact data about investees produced by an independent third-party service provider in conjunction with regular competitive bidding for asset management, and in the subsequent monitoring of investments.

### *Fund investments*

For each fund project, we conduct a thorough responsibility and impact review of the fund manager's operations, in which we evaluate their operating principles regarding responsibility and impact. This serves as a central element in assessing the suitability of managers and their portfolio funds to be our investees. The review covers:

- an assessment of the manager's responsible investment policy and instructions, including whether the operating principles address responsibility and impact in the manager's investment decision-making processes – this assessment particularly addresses any special features of the manager's investment strategy
- an assessment of how the operating principles for responsibility and impact are integrated into the manager's investment operations and how the manager supports investees in responsibility aspects
- an assessment of the commitment and training of a manager's personnel
- the measuring and reporting of responsibility and impact, per manager as well as per fund.

Since the establishment of the Kasvurahastojen Rahasto V managed by Tesi, all fund activities will adhere to measures in accordance with Article 8 of SFDR, including the assessment of managers and target funds, to the extent required. We invest in funds where the investment targets are not predetermined and which vary significantly in nature and development stages. We do not consider the principle adverse impacts of investment decisions on sustainability factors, but we conduct active assessments of responsibility and impact as described above. Appendix 1 provides a description of these measures in accordance with SFDR reporting requirements.

We document identified risks relating to responsibility and impact, and we raise them as a part of the overall risk assessment of projects. Deficiencies that cannot be rectified may result in a decision not to invest.

As we often work with new and young fund managers, we might invest in players that at the time of the commitment do not properly or sufficiently address all the factors relating to responsibility and impact. A manager is nevertheless required to commit to bringing these aspects to an adequate level.

We try to commit fund managers by contract to following the UN's Principles of Responsible Investment and to preparing responsible investment policies and instructions. Managers are required to integrate these into their investment operations when preparing, managing and exiting investments, to actively train their personnel, and to support portfolio companies in these field as a part of Tesi's active ownership.

### *Direct investments*

In the screening phase, Tesi's representative, in discussions with the potential investee, identifies the material aspects of sustainability for the company, and whether the company has activities that merit exclusion or require an amplified responsibility analysis.

For each portfolio company, we conduct a systematic responsibility evaluation prior to the investment preparation stage. The responsibility evaluation covers the areas included in Tesi's sustainability framework, however focusing on what is most pertinent to the specific portfolio company. The evaluation is conducted as an interview with the management of the portfolio company in conformance with Tesi's ESG due diligence methodology.

We address the needs of other parties in an investor syndicate with regard to the ESG due diligence, and we try to coordinate the due diligence to keep the inconvenience to the portfolio company at a reasonable level. At the same time, however, we ensure that we obtain sufficient information as input data for Tesi's ESG due diligence method. We supplement the responsibility evaluation with an ESG due diligence conducted by an

independent third-party service provider when Tesi's representative identifies a need in the investee for an amplified responsibility evaluation (sensitive sector, other heightened ESG risk posed by business activities or considerable size of the investment).

We document identified risks relating to responsibility and impact, and we incorporate them into the overall risk assessment of projects. We evaluate the probability and importance of risks, and the opportunities for managing risks. Deficiencies that cannot be rectified may result in a decision not to invest. Based on the ESG due diligence, we identify and document the main targets for developing corporate responsibility. When implementing the investment, we set these as value creation targets specific to the portfolio company, and we agree on their implementation and monitoring with the portfolio company's management and the co-investors in the syndicate.

We make the main risk findings and value creation targets identified in the ESG due diligence a part of investment decision-making in a written investment proposal.

Together with the company, we write clauses into the investment or partnership agreement that specify the corporate responsibility requirements set for Tesi's portfolio company. We also write into the contract, or the annexes to it, instructions for ESG reporting and performance monitoring. We coordinate responsibility and reporting terms with co-investors through corresponding contractual terms, ensuring that they meet Tesi's required terms and conditions.

### *Asset managements*

Since the entire portfolio of asset management investments is outsourced to asset managers supervised by the Finnish Financial Supervisory Authority, and since the investments are implemented mainly as fund investments, our main avenue of influence on responsibility issues lies in the selection of the asset manager. When tendering for asset managers, we analyse asset managers' approaches to responsible investment and their ESG track record. The practical implementation of responsibility is evaluated e.g. by the funds' MSCI ESG Rating.

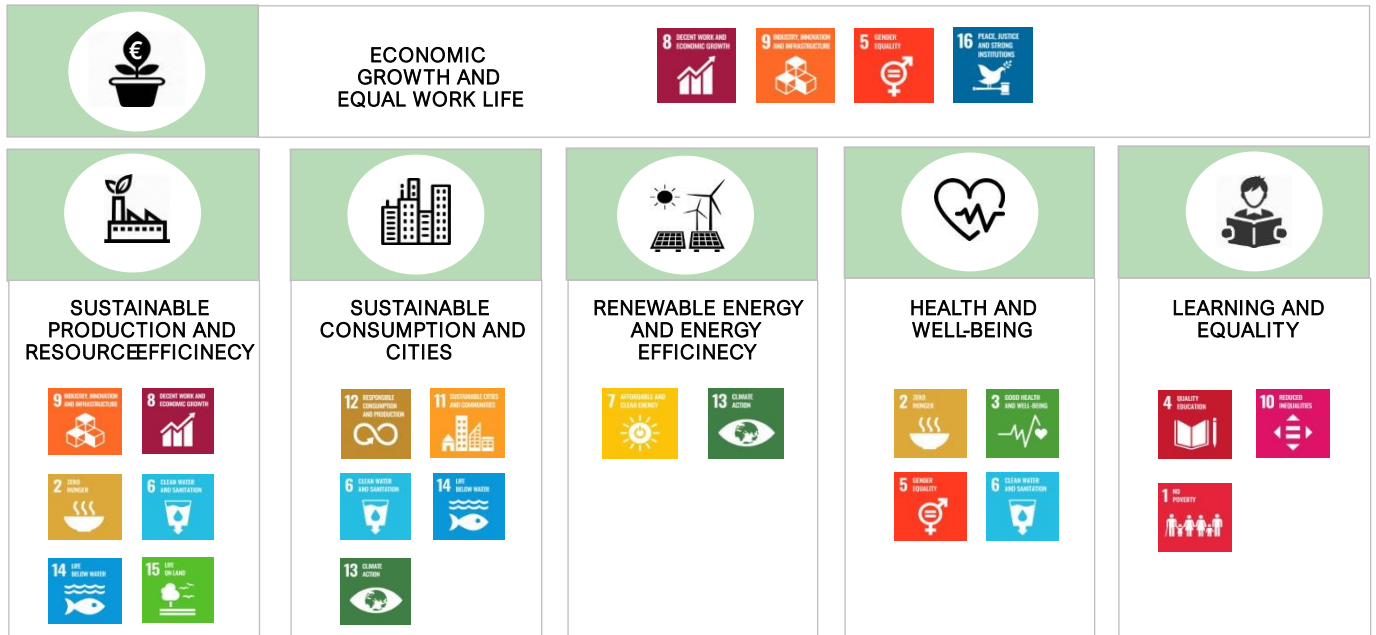
### *Promoting investment impact*

We believe in the important role companies play in solving social and environmental sustainability problems. One goal of our investment operations is to maximise their positive impact on the environment, people and the economy through the value creation of our portfolio companies.

The work towards sustainable development in all the countries in the world is guided by Agenda 2030, the sustainable development action plan adopted by UN Member States in 2015. Finland has committed to implementing the UN's Agenda 2030 this decade, both in Finland and in international cooperation. Implementation is guided by the UN's 17 Sustainable Development Goals (SDGs).

We promote achievement of the SDGs through a six-month impact theme that gives concrete form to megatrends in the operating environment and to investments in the associated business ecosystems. Impact themes and their associated sustainable development goals help us to identify the areas in which technological innovations and business opportunities will solve major challenges for humanity and make a positive impact.

Figure 4: Tesi's impact themes



## Fund investments

Most of Tesi's investment operations are implemented as fund investments, and the main impact is made by ensuring the availability of equity financing services for Finnish growth companies and by developing the venture capital & private equity market supporting that. In fund investments, we can influence managers' operating models and the investment strategies of the funds they manage. Our goal is to finance innovations that enable savings in natural resources, or the more efficient use of them, and that promote sustainable economic growth. We also invest in funds that focus on certain sectors with investment strategies that focus particularly on Tesi's selected impact themes.

As a major fund investor, Tesi has the opportunity to influence the formation of good employment practices and corporate governance, especially when investing in the funds of new and upcoming managers, by keeping these themes on its own project and management agenda. At the same time, we try to ensure that managers adopt these good practices in working with their own portfolio companies.

## Direct investments

We develop an evaluation method applicable to our own operations for systematically and comparably analysing the impacts of deal flow and investees.

In the screening phase, we make a preliminary evaluation of how a potential portfolio company's business and a possible investment in the company will promote or hinder Tesi's impact goals, Tesi's sustainable development goals and the EU's sustainable finance goals. The evaluation is made using Tesi's impact screening process, and the investment team processes the estimates as part of the deal flow analysis. We use the screening in selecting investees and in targeting the full impact analysis needed in the preparation phase of the investment.

For each portfolio company that has reached the investment preparation phase, we evaluate the impact of Tesi's investment and of the investee company's business activities on people, on the environment and the economy, on sustainable development goals, and on possibly eliminating bottlenecks in the financing



market. We use a tool, which aims to quantify the impact. We incorporate the screening results as a part of the decision-making in a written investment proposal. We constantly develop our impact screening methods to make them more systematic.

## *Active ownership*

Active ownership is an essential element of Tesi's responsible investment operations. Through active ownership, we receive information about the operations of our investees and are able to influence them. This influence is aimed at developing the investees and at value creation, but in some cases also at addressing and solving individual problems. Promoting the achievement of responsibility and impact goals in close cooperation with our co-investors is a cornerstone of Tesi's active ownership.

The main methods of active ownership are:

- meetings and visits with the management of investees
- attendance at Board meetings, Annual General Meetings and advisory board meetings
- events arranged for Tesi's investees
- owner discussions with co-investors.

We engage in active dialogue with our investees:

- to identify and manage risks relating to responsibility and impact
- about opportunities for creating positive social impact and value with their business activities
- to develop working practices for responsibility and impact
- to share tools and best practices related to sustainability.

## *Fund investments*

We are active on the advisory boards of our portfolio funds and we engage in continuous dialogue with fund managers. In advisory board work, we try to monitor all investors' interests equally and to influence by all available means managers' responsibility and impact work, both in the managers' own activities and in those of portfolio companies. Since we do not directly take part in funds' investment decision-making, however, we have limited opportunities for influencing managers' responsibility and impact management after an investment is made. Tesi also has limited opportunities for relinquishing fund investments without the consent of managers and other investors in the portfolio funds.

## *Direct investments*

Our aim is to engage as directly as possible in dialogue with our portfolio companies. The framework for owner influence can vary between our investees, however, depending on the size of our investment, share of ownership, position and rights as an owner.

Tesi's representative acts mainly as a Board Observer on the Board of Directors of the portfolio companies in which Tesi has a shareholding. As a Board Observer, Tesi's representative is entitled to attend and speak at Board meetings but has no voting rights. If Tesi has the right to nominate to a company's Board of Directors, either alone or with co-investors, we primarily try to elect an external, independent representative to the Board.

Tesi's representative engages through board work in regular discussion with the executive management and Board of Directors of portfolio companies and tries to influence the management of responsibility issues in the company. This influencing may focus on solving an individual problem or, more often, on improving management and operating practices.



Tesi's representative attends and votes at annual and extraordinary general meetings of portfolio companies in which Tesi has a sizeable investment or shareholding and which are subject to Tesi's active ownership. Tesi participates, if necessary, in the preparation of proposals to Annual General Meetings as a part of cooperation between owners or as a part of board work.

We believe constructive owner cooperation promotes positive development of portfolio companies' business and a positive rise in the value of investments. We proactively engage in dialogue between the owners of our investees, especially for developing financing solutions supporting the company's growth strategy, promoting responsible and sustainable operating practices, and identifying the best resources for skills and cooperation.

In loan-based special investment programmes we do not generally act as an active owner.

## Reporting

We strongly believe in openness, measurability and comparability in responsibility and impact reporting. Although the availability of data and the measuring of real-world impacts can still prove challenging, we try to report data to our various stakeholders that is as correct and comprehensive as possible on the responsibility and impact of our investment operations.

We report on the responsibility of our investment operations as a part of Tesi's Annual Report, which is published on our website. We report on the impact of Tesi's operations at least once a year to Finland's Ministry of Economic Affairs and Employment in the manner specified by the Ministry. We produce an Impact Review of our operations once a year, which we publish on our website. We report to Tesi's Board of Directors quarterly on the risks of our investees and, as a part of Tesi's risk reporting model, thematically in more depth at least once a year on the ESG risks attached to our business activities.

We are constantly developing our digital methods for producing and reporting responsibility and impact data.

We follow the GRI reporting framework in our responsibility reporting.

### *Fund investments*

We encourage, and in some respects oblige, managers to report on the implementation of responsibility and impact activities. The responsibility and impact review conducted for the final fundraising by managers is repeated in the management phase of the investment at least once a year and, if necessary, an action plan to address development targets is drafted together with the managers of the portfolio fund. Any realised ESG risks and any negative sustainability impacts identified form part of the evaluation of, and decision-making on, a manager's operation at the latest when the next fund is being raised, and might prevent investing in the manager's subsequent fund.

### *Direct investments*

We encourage portfolio companies to report openly, comprehensively and comparably to peers on implementing responsibility and impact in their operations. We encourage companies to focus on the most objective possible measurement of responsibility and impact factors pertinent to their businesses, and on the monitoring and exploitation of changes in them. We encourage portfolio companies to comply with international standards and frameworks in their reporting, mainly GRI, SASB, Agenda 2030, GHG Protocol and TCFD. We collect information from our investees each year on their responsibility and impact risks, and on their progress in ESG activities, in conformance with the valid reporting model.

### *Asset management*

We encourage and oblige asset managers to report on the implementation of responsibility and impact activities. The activities of asset managers are evaluated regularly by holding discussions with them. These address the asset manager's practices, and how they are implemented and developed in our investment portfolio. We also monitor the key responsibility and impact indicators produced by external, independent service providers, and how the ESG aspects of our portfolio have developed. are.

## Personnel and external stakeholders

### *Development of personnel's sustainability skills*

Development of expertise at Tesi is integrated into the annual cycle of management. Each Tesi employee attends an annual skills interview based on Tesi's expertise model, and a personal development plan is made based on it. Sustainability-related skills are critical for the success of Tesi's mission and strategy.

We develop strategic sustainability expertise by, for instance, enhancing personnel's understanding of how we act responsibly in different situations, both within the company and with external partners.

We develop ESG expertise of substance through training focused on subjects covering Tesi's sustainability framework, with special emphasis on Tesi's essential themes for.

### *Addressing sustainability in remuneration*

We follow the remuneration principles outlined in the Government Resolution (8.4.2020) on State Ownership Steering Policy. According to these principles, remuneration must be reasonable, fair and transparent.

Company-level targets derive from the industrial policy and ownership steering goals set for the company and from the company's strategy and action plan. The promotion of responsibility and impact is one central company-level target of the remuneration system. The specific content of the target varies from year to year. The Board of Directors can also cancel payment of an annual bonus if receipt of the bonus has been influenced by the bonus recipient's unethical action, particularly manipulation of the company's or function's performance or other remuneration criteria.

### *Stakeholder collaboration in promoting sustainability*

We actively participate in networks and cooperation with a view to promoting the development of responsibility in VC & PE investment. We support collaboration initiatives and we participate in developing them, and we also participate in sharing methods, tools and resources with our networks. We address newly surfacing themes, and we participate in producing and disseminating data. Together with other players, we support the development of frameworks and guidelines promoting establishment of the UN Principles of Responsible Investment.

Our main memberships and cooperation networks for developing responsibility include:

- FINSIF ry, Finland's responsible investment network
- FIBS ry, a Nordic corporate responsibility network
- Finnish Venture Capital Association, in particular the Law and ESG committees
- Invest Europe, a European venture capital and private equity association
- ILPA, an international fund investors' association
- VentureESG, a non-profit VC community promoting good ESG practices
- Inklusiiv, a network for inclusivity and diversity in the workplace
- FIBAN, a network of Finnish angel investors

Figure 5: Tesi's memberships and cooperation networks for developing sustainability

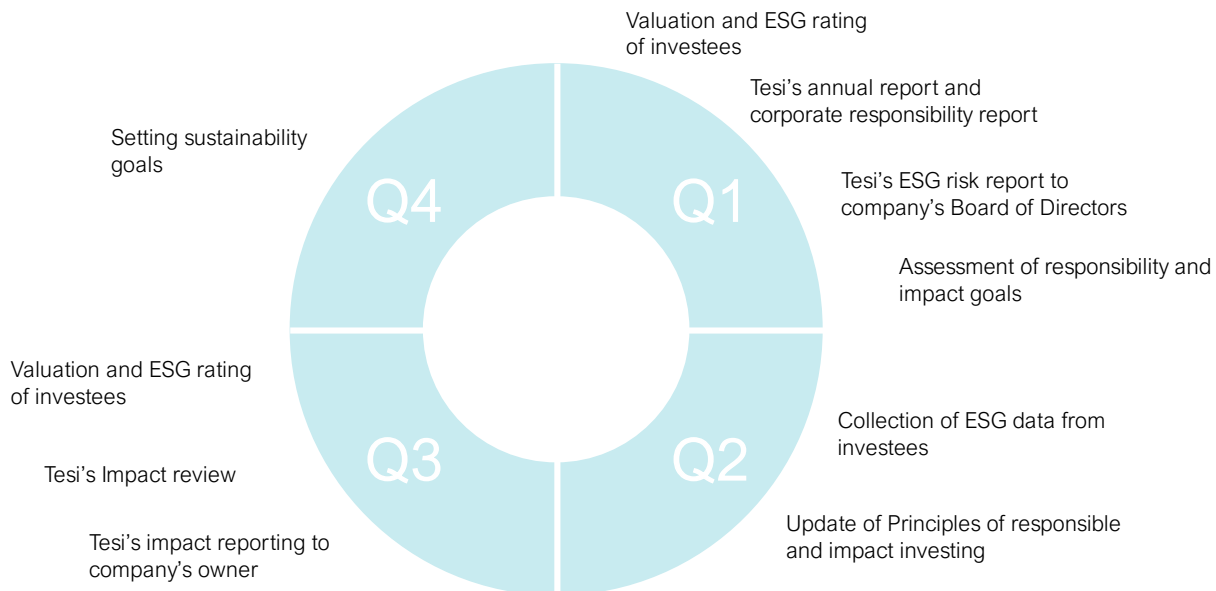


## Confirmation and update of principles

The formulation and updating of the principles are the responsibility of the sustainability lead, operating at the executive level, in consultation with representatives responsible for fund investments, direct investments, HR, legal affairs, finance, and communications. Tesi's investment teams are responsible for implementing the principles and the rest of the organisation that supports investment activities also plays its part.

If suspecting or identifying violations in complying with the principles of responsible investment, Tesi's representative should bring this to the notice of their superior or of Tesi's Management Team. Any activities contravening the principles of responsible investment should be addressed at as early a stage as possible when dealing with investments. The update status of the principles is checked, and any updating necessary performed, at least once a year in conformance with the annual cycle for responsible investment.

Figure 6: Tesi's annual cycle for responsible and impact investment



Tesi's Principles of responsible and impact investing are approved by the company's Board of Directors.

### Updates

*Most recent update to the principles was confirmed in June 2023*

*First version of the principles was created in April 2022*

## Appendices

APPENDIX 1. Disclosures regarding Tesi Fund Management's investment products according to Regulation (SFDR, EU2019/2088) on Sustainability-related Disclosures in the Financial Services Sector

APPENDIX 2. Definitions

## ***APPENDIX 1. Disclosures regarding Tesi Fund Management's investment products according to Regulation (SFDR, EU2019/2088) on Sustainability-related Disclosures in the Financial Services Sector***

### **General**

Tesi (Finnish Industry Investment Ltd) acts as an advisor and as a general partner of the Kasvurahastojen Rahasto funds-of-funds that it manages through its subsidiary Tesi Fund Management Oy ("TFM"). Tesi has four funds-of-funds under management:

- Kasvurahastojen Rahasto Ky (2238036-6), "KRR I"
- Kasvurahastojen Rahasto II Ky (2592016-1), "KRR II"
- Kasvurahastojen Rahasto III Ky (2865672-2), "KRR III"
- Kasvurahastojen Rahasto IV Ky (3114563-2), "KRR IV"
- Kasvurahastojen Rahasto V Ky (3369032-7), "KRR V", that are referred to jointly as "KRR" or "KRR funds-of-funds".

Supervised by the Finnish Financial Supervisory Authority, TFM is registered as an alternative fund manager in compliance with the EU's Alternative Investment Fund Managers Directive (2011/61/EU) and Finland's Acts and Decrees on Alternative Investment Fund Managers. In line with the fund agreements signed with investors in the KRR funds-of-funds, TFM is committed to following Tesi's Responsible Investment Principles valid at the time. More information about Tesi's corporate responsibility in its daily operations is available on [Tesi's website](#).

The KRR funds-of-funds have not raised any funds since the EU's Sustainable Finance Disclosure Regulation ("SFDR") (EU) 2019/2088 entered into force on 10 March 2021 except KRR V.

This SFDR disclosure will be updated as and when the Regulation is amended.

### **Operating principles regarding sustainability risks**

Article 3 of the SFDR requires alternative fund managers to publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making processes. A sustainability risk is an environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

Tesi bases its KRR operations on the SFDR requirements in addressing sustainability risks and, to the extent that they apply to fund activities of the KRR funds, on the UN's Principles for Responsible Investment. For each fund project, Tesi conducts a thorough ESG review of the operations of the portfolio fund manager, which examines the manager's operating principles regarding sustainability risks. This serves as a central element in assessing whether managers and their portfolio funds are suitable to be included in Tesi's and KRR's portfolios. The review covers:

- an assessment of the manager's responsible investment policy and instructions, including whether the operating principles address sustainability risks in the manager's investment decision-making processes
- an assessment of how the operating principles regarding sustainability risks are integrated into the manager's investment operations and how the manager supports and obligates investees in ESG aspects

- an assessment of the scope and level of commitment of the manager's personnel and the appropriateness of ESG training
- an assessment of ESG metering and reporting at both the manager level and the fund level

From the standpoint of KRR's investment operations, the main sustainability risks that can be influenced are indirect in relation to the companies in a portfolio created in the KRR funds-of-funds. Any failure of portfolio fund managers to integrate the management of sustainability risks into their own operations, as well as into the investment and management processes relating to investees, significantly increases the risk of sustainability risks not being properly addressed or anticipated in the funds' portfolio companies. The most typical risks that have arisen at the portfolio company level impacting the performance of investments have been social and corporate governance issues.

As Tesi and KRR often work with new and emerging fund managers, KRR might invest in players that at the time of the commitment do not properly or sufficiently address all the factors relating to sustainability risks. Managers are, however, required to bring their operations around ESG to a satisfactory level. KRR may decide not to make an investment if the manager of a potential portfolio fund has neglected to effectively manage sustainability risks and has not shown willingness or been active in rectifying their *modus operandi*.

### **Adverse impacts of investment decisions on sustainability factors**

Article 4 of the SFDR Regulation requires alternative fund managers to publish on their website information about whether or not the principal adverse impacts (PAIs) of investment decisions on sustainability factors are taken into account. Sustainability factors mean aspects related to the environment, society and employees, respect for human rights, and issues relating to the prevention of bribery and corruption. KRR makes investments primarily in venture capital and private equity funds, and the investees of these funds are not known in advance, are highly diversified in nature and in relation to their development phase as well as small, unlisted companies that at this stage do not have the framework for producing data about adverse sustainability impacts. Therefore KRR does not take into account any adverse impacts on sustainability factors, as referred to in Article 4 of the SFDR, from its investment decisions in its KRR activities.

Tesi tries to commit managers of portfolio funds by contract to following the UN's Principles for Responsible Investment and to preparing responsible investment policies and instructions. As a part of Tesi's active ownership managers are encouraged to integrate these principles into their investment operations when preparing, managing and exiting investments, to actively train their personnel, and to support portfolio companies in this field.

KRR's representatives are active on the advisory boards of their portfolio funds and engage in continuous dialogue with fund managers. Since the portfolio companies of the portfolio funds selected for the KRR funds-of-funds are not known in advance, the actual adverse impacts on sustainability factors of the investment targets selected by portfolio funds' managers cannot be evaluated by Tesi in conjunction with fund investment decisions made in the KRR funds-of-funds. Furthermore, KRR's representatives do not participate in the investment decision-making of KRR's portfolio funds, so KRR has very limited opportunities for influencing the management of sustainability risks other than indirectly through the managers. KRR also has limited opportunities for relinquishing investments in funds or portfolio companies causing adverse sustainability impacts without the consent of managers and other investors in the portfolio funds.

### **Monitoring sustainability risks and adverse impacts of investment decisions on sustainability factors**

Tesi obliges managers to report sustainability risks and adverse sustainability impacts that have occurred. The ESG review of managers conducted for the final fundraising is repeated at least once a year in the management phase of the investment and, if necessary, an action plan to address development targets is

drafted together with the managers of the portfolio fund. Any sustainability risks that have occurred and any adverse sustainability impacts identified form part of Tesi's ESG review of the manager's operations and of Tesi's decision-making at the latest when the next fund is raised by the manager. If the situation warrants it, the KRR funds-of-funds will no longer invest in the manager's next fund.

Tesi and its KRR funds-of-funds do not yet at this phase collect the principal adverse impact indicators as per SFDR directly from managers of their portfolio funds or from their portfolio companies. At the same time, however, Tesi utilises data from external service providers to evaluate the impacts on sustainability factors of investees in the KRR portfolios.

## **Addressing sustainability risks in remuneration**

The Finnish state, as Tesi's owner, obliges Tesi to address corporate responsibility in its operations. For this reason, Tesi's Board of Directors requires that a part of Tesi employees' annual variable compensation is linked to the achievement of Tesi's corporate responsibility goals. An essential component of Tesi's corporate responsibility goals is to use active ownership as a tool in its portfolio funds and companies. For KRR's operations, this means support in the continuous development of the corporate responsibility practices of the managers of portfolio funds, so that sustainability risks will be comprehensively addressed in their own operations and in working with portfolio companies. More information about Tesi's work on sustainability is available in [business overview](#) section of our annual report.

*Document dated 30 June 2023.*



**APPENDIX 2. Definitions**

Agenda 2030	Action plan and goals for sustainable development, agreed by UN member states in 2015, guiding the promotion of sustainable development over the period 2016–2030. The common aim is to eradicate extreme poverty globally and ensure wellbeing in an environmentally sustainable way. The Agenda 2030 sustainable development action plan and goals apply to all the countries in the world. States are primarily responsible for implementing Agenda 2030. <a href="https://kestavakehitys.fi/agenda-2030">https://kestavakehitys.fi/agenda-2030</a>
AIFM regulatory framework	Alternative Investment Fund Manager (AIFM), regulatory framework for managers of alternative investment funds: Finland's Act on Alternative Investment Funds Managers (162/2014), Finland's Decree of the Ministry of Finance on the Information to be Appended to the Authorisation Application of Alternative Investment Fund Managers and Special Depositaries (226–231/2014), the EU-level AIFM Directive (2011/61/EU), and European Commission Regulation (EU) No 2013/231
Asset manager	The manager of an investment or other asset. Generally a company or institution that manages a customer's wealth according to the terms of a contract giving decision-making authority wholly or partly to the asset manager. In Finland, asset managers must be licensed to operate, and asset management services are usually provided by banks, investment firms and fund management companies.
Asset owner	The owner of an investment or other asset. Generally a company or institution that over a longer period of time administers pensions savings, insurance deposits or other assets – for instance, a pension company, state investment fund, foundation, insurance or re-insurance company.
Basel Convention	The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal contributes to protecting the marine environment against adverse effects resulting from hazardous chemicals and wastes. The Basel Convention bans hazardous wastes which are explosive, flammable, poisonous, infectious, corrosive, toxic or ecotoxic (listed in Annexes I to III, VIII and IX of the Convention). <a href="http://www.basel.int/TheConvention/Overview/TextoftheConvention/tabid/1275/Default.aspx">http://www.basel.int/TheConvention/Overview/TextoftheConvention/tabid/1275/Default.aspx</a>

#### Biological and Toxin Weapons Convention (BTWC)

Biological and Toxin Weapons Convention (BTWC). The Biological Weapons Convention (BWC) effectively prohibits the development, production, acquisition, transfer, stockpiling and use of biological and toxin weapons. <https://www.un.org/disarmament/biological-weapons/>

#### Chemical Weapons Convention (CWC)

The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (the Chemical Weapons Convention or CWC). <https://www.opcw.org/chemical-weapons-convention>

#### CITES / Washington Convention

CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora), also known as the Washington Convention, is an international agreement between governments, which aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival. <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>

#### Dual-Use Product

A Dual-Use Product refers to a product or service that can be used both for civil purposes and possibly to promote the development of weapons of mass destruction or improve some other military capability. [https://trade.ec.europa.eu/doclib/docs/2020/october/tradoc\\_158973.pdf](https://trade.ec.europa.eu/doclib/docs/2020/october/tradoc_158973.pdf)

#### Due diligence (DD)

An established English-language term used in conjunction with acquisitions. Due diligence refers to an appropriate and thorough investigation, audit or review conducted prior to an acquisition and includes all the analyses and examinations that the purchaser deems necessary to carry out before making the deal.

#### EAKR Aloitusrahaisto Oy

Finnish Industry Investment Ltd's 100%-owned subsidiary.

#### ESG

Environmental, Social and Governance; issues relating to Environmental responsibility, Social responsibility and corporate Governance.

#### EU Consolidated Financial Sanctions List

The consolidated list of persons, groups and entities subject to EU financial sanctions. Restrictive measures (sanctions) are an essential tool in the EU's common foreign and security policy (CFSP), through which the EU can intervene where necessary to prevent conflict or respond to emerging or current crises. They are intended to bring about a change in policy or activity by targeting non-EU countries, as well as entities and individuals, responsible for the malign behaviour at stake. [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions_en)

## EU's Dual Use Regulation (2021/821)

Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual- use items. <https://eur-lex.europa.eu/legal-content/FI/TXT/?uri=CELEX:32021R0821>

## EU's regulatory framework on sustainable finance

The regulatory framework comprises the Taxonomy Regulation, Regulation on Sustainability-related Disclosures in the Financial Services Sector, and other controls supplementing these. [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

## European Investment Bank (EIB)

The European Union's financial institution, which offers long-term financing and advisory services to investment projects in Europe and also outside it. The Bank's members and shareholders are the EU's 27 Member States, and the projects financed by the Bank promote implementation of the EU's political goals. <https://www.eib.org/en/index.htm>

## Fefsi Ky

An investment fund managed by Fefsi Management Oy.

## Fefsi Management Oy

Finnish Industry Investment Ltd's 100%-owned subsidiary.

## FEGF Co-Investment Ky

An investment fund managed by Fefsi Management Oy.

## FIBS ry

Finnish Business & Society ry, a Finnish corporate responsibility network that offers services for developing corporate responsibility activities and expertise in companies. <https://www.fibsry.fi/briefly-in-english/>

## Finnish Act of Parliament (1352/1999)

Finland's Act on State-Owned Company Suomen Teollisuussijoitus Oy 1352/1999, which regulates the company's operations. <https://www.finlex.fi/fi/laki/ajantasa/1999/19991352> (in Finnish)

## Finnish Financial Supervisory Authority (FIN-FSA)

FIN-FSA is the Finnish government's financial regulatory authority responsible for the regulation of Finnish pension, credit and insurance institutions. Its objective is to protect the rights of the insured and foster public confidence in financial market operations. <https://www.finanssivalvonta.fi/en/>

## Finnish Government Decree (54/2014)

Government Decree on State-Owned Company Suomen Teollisuussijoitus Oy, which more specifically regulates the company's operation.

## Finnish Venture Capital Association (FVCA)

The Finnish Venture Capital Association is the industry body and public policy advocate for the venture capital and private equity industry in

	Finland. The FVCA lobbies on behalf of the sector, provides market intelligence, and disseminates information about Finland's investment industry. <a href="https://paaomasijoittajat.fi/en/finnish-venture-capital-association/">https://paaomasijoittajat.fi/en/finnish-venture-capital-association/</a>
Finnvera	Finnvera Plc is a special-purpose Finnish state-owned financing company. Finnvera's main role is to supplement the financing market by providing companies with loans, credits, investment capital and export guarantees. <a href="https://www.finnvera.fi/eng">https://www.finnvera.fi/eng</a>
Finsif ry	Finland's Sustainable Investment Forum; Finsif promotes responsible investment in Finland. <a href="https://www.finsif.fi/finsif-in-brief/">https://www.finsif.fi/finsif-in-brief/</a>
GHG Protocol	Greenhouse Gas (GHG) Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. <a href="https://ghgprotocol.org/">https://ghgprotocol.org/</a>
GMO	A genetically modified organism (GMO) is an animal, plant, or microbe whose DNA has been altered using genetic engineering techniques, which are also referred to as genetic engineering, genetic modification or genetic manipulation.
GRI	Global Reporting Initiative, international framework for corporate responsibility reporting. <a href="https://www.globalreporting.org/">https://www.globalreporting.org/</a>
ILO Declaration on Fundamental Principles and Rights at Work	Adopted in 1998, the International Labour Organization's Declaration commits Member States to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour, and the elimination of discrimination in respect of employment and occupation. <a href="https://www.ilo.org/declaration/lang-en/index.htm">https://www.ilo.org/declaration/lang-en/index.htm</a>
ILPA	Institutional Limited Partners Association, an international association of institutional fund investors. <a href="https://ilpa.org/">https://ilpa.org/</a>
Invest Europe (IE)	Invest Europe is a trade association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors. Invest Europe contributes to policy affecting private capital investment in Europe, providing information on its members' role in the economy and publishing research on industry trends and developments. <a href="https://www.investeurope.eu/">https://www.investeurope.eu/</a>
IPCC	Intergovernmental Panel on Climate Change; an intergovernmental body of the United Nations responsible for advancing knowledge on human-induced climate change to assist national and international decision-making. The main findings of the IPCC are published as reports. <a href="https://www.ipcc.ch/">https://www.ipcc.ch/</a>
Kasvurahastojen Rahastot (KRR)	The Kasvurahastojen Rahastot (KRR) I-IV funds-of-funds managed by Tesi Fund Management Oy. <a href="https://www.tesi.fi/sijoittajille/kasvurahastojen-rahastot/">https://www.tesi.fi/sijoittajille/kasvurahastojen-rahastot/</a>

Montreal Protocol	<p>The Montreal Protocol on Substances that Deplete the Ozone Layer is a global agreement to protect the Earth's ozone layer by phasing out the chemicals that deplete it. This phase-out plan includes both the production and consumption of ozone-depleting substances (e.g. Hydrofluorocarbons, Bromochloromethane, etc). The agreement was signed in 1987 and entered into force in 1989.</p> <p><a href="https://ozone.unep.org/treaties/montreal-protocol">https://ozone.unep.org/treaties/montreal-protocol</a></p>
MSCI	<p>MSCI Inc. is an American finance company headquartered in New York. MSCI is a global provider of equity, fixed income, real estate indexes, multi-asset portfolio analysis tools, ESG and climate products.</p> <p><a href="https://www.msci.com/">https://www.msci.com/</a></p>
OECD Guidelines for Multinational Enterprises	<p>Recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.</p> <p><a href="https://www.oecd.org/corporate/mne/">https://www.oecd.org/corporate/mne/</a></p>
Ottawa Treaty	<p>Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction.</p> <p><a href="https://www.apminebanconvention.org/fileadmin/APMBC/text_status/Ottawa_Convention_English.pdf">https://www.apminebanconvention.org/fileadmin/APMBC/text_status/Ottawa_Convention_English.pdf</a></p>
Rotterdam Convention	<p>The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade. The Rotterdam Convention subjects 30 hazardous pesticides to the Prior Informed Consent procedure (listed in Annex III of the Convention).</p> <p><a href="https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&amp;mtdsg_no=XXVII-14&amp;chapter=27">https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&amp;mtdsg_no=XXVII-14&amp;chapter=27</a></p>
SASB	<p>The Sustainability Accounting Standards Board (SASB) is an American non-profit organisation established in 2011 to promote the creation of responsible accounting standards. The organisation has compiled and published sector-specific reporting standards. <a href="https://www.sasb.org/">https://www.sasb.org/</a></p>
Science Based Targets (STB)	<p>Science Based Targets Initiative (STBi). A collaboration between the UN's Global Compact Initiative, the World Wide Fund for Nature (WWF), the CDP global disclosure system for environmental reporting, and the World Resources Institute (WRI). The initiative helps companies to set emission reduction targets in line with climate science.</p> <p><a href="https://sciencebasedtargets.org/">https://sciencebasedtargets.org/</a></p>
SDG	<p>Sustainable Development Goals (SDGs). Agenda 2030, the UN's blueprint for sustainable development, defines 17 sustainable development goals and altogether 169 targets within them.</p> <p><a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a></p>
SFDR regulation	<p>Sustainable Finance Disclosure Regulation (SFDR, EU2019/2088).</p> <p><a href="https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088">https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088</a></p>
State ownership steering policy	<p>Revenue through responsible ownership. Government Resolution (8.4.2020) on State Ownership Steering Policy.</p>

<https://valtioneuvosto.fi/documents/10616/1221497/Periaatep%C3%A4t%C3%A4t%C3%B6s+engl+final+2020.pdf/6cf1bd04-05ad-da4b-0c94-728ea043bde7/Periaatep%C3%A4t%C3%A4t%C3%B6s+engl+final+2020.pdf?t=1587737886000>

Stockholm Convention

The Stockholm Convention on Persistent Organic Pollutants contributes to protect the marine environment against the adverse effects which may result from hazardous chemicals and wastes. The Stockholm Convention intends to eliminate many different persistent organic pollutants (e.g. aldrin, chlordane, etc.), which are chemicals highly toxic and persistent in the environment.

<http://chm.pops.int/TheConvention/Overview/TextoftheConvention/tabid/2232/Default.aspx>

Sustainable Growth Programme for Finland

The Sustainable Growth Programme for Finland supports the Government Programme objectives for ecologically, socially and economically sustainable growth. The programme boosts competitiveness and investment, enhances expertise and research, and accelerates innovation.

<https://vm.fi/en/sustainable-growth-programme-for-finland>

TCFD

The Taskforce on Climate-related Financial Disclosures (TCFD) provides information to investors about what companies are doing to mitigate the risks of climate change, as well as to be transparent about the way in which they are governed. It was established in 2015 by the G20 Financial Stability Board. It consists of governance, strategy, risk management, and metrics and targets. <https://www.fsb-tcfd.org/>

Tesi Fund Management Oy (TFM)

Finnish Industry Investment Ltd's 100%-owned subsidiary.

Tesi Industrial Management Oy (TIM)

Finnish Industry Investment Ltd's 100%-owned subsidiary.

Treaty on the Non-Proliferation of Nuclear Weapons (NPT)

The NPT is a landmark international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear disarmament and general and complete disarmament.

<https://www.un.org/disarmament/wmd/nuclear/npt/#:~:text=The%20NPT%20is%20a%20landmark,and%20general%20and%20complete%20disarmament.>

UN Global Compact

The UN Global Compact is the United Nations' corporate responsibility initiative launched in 2000. The UN Global Compact is a non-binding pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, using ten Principles and the UN Sustainable Development Goals. <https://www.unglobalcompact.org/>

UN PRI

United Nations Principles of Responsible Investment. The PRI is a United Nations-supported international network of investors working together to implement its six aspirational principles for integrating ESG aspects into investment operations. <https://www.unpri.org/>

## UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.

[https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

## United Nations Convention on the Rights of the Child

The United Nations Convention on the Rights of the Child (CRC or UNCRC) is an international human rights treaty concerning children under 18 years of age. It sets out the civil, political, economic, social, health and cultural rights of children and sets states as being primary responsible for ensuring these rights. <https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-rights-child>

## US OFAC Sanction Lists

The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. <https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>

## VentureESG

Community-based, non-profit initiative from VCs for VCs to push the industry on good ESG. Together with its community of 250+ VC funds and LPs from across the globe, VentureESG is working to make ESG a standard part of due diligence, portfolio management and internal fund management. <https://www.ventureesg.com/>

## WEF (MSC)

World Economic Forum, Measuring Stakeholder Capitalism. The Initiative launched in August 2019 at the request of the World Economic Forum's International Business Council in collaboration with Deloitte, EY, KPMG and PwC. It seeks to improve the ways in which companies measure and demonstrate their performance against environmental, social and governance (ESG) indicators and track their positive contributions towards achieving the Sustainable Development Goals (SDGs) on a consistent basis. <https://www.weforum.org/stakeholdercapitalism>