# Sustainability Policy

## DevCo Partners Oy

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# 1 Introduction

DevCo Partners Oy ("**DevCo**") is a Finnish long-term oriented active owner and development partner dedicated to building world-leading companies in selected niche markets. As a major investor and business owner, DevCo has a duty to society to influence its companies to act in a socially and environmentally responsible manner and to take into account the interests of all major stakeholders. In addition, DevCo believes that profound integration of sustainability factors and risks into investment decisions and actions as an owner is a prerequisite for sustainable long-term value creation for its investor base.

Based on its unique single-asset model, long-term ownership horizon and dedicated deal teams, DevCo is well positioned to ensure that responsible investment principles are utilised in practice every day:

- **Selective and patient**: Due to the single-asset model, DevCo has no structural pressure for new investments and can rigorously follow investment criteria. DevCo evaluates each investment thoroughly from all potential angles, always including sustainability factors and risks.
- **Active owner and hands-on development partner**: In-depth understanding of its companies and their relevant markets due to active and hands-on involvement enables DevCo to form a comprehensive view of sustainability factors, provide dedicated support and monitor the development closely.
- **Long-term ownership**: DevCo aims to achieve lasting improvements in companies' performance with a truly long ownership horizon (up to 15 years). Sustainable step-changes in performance require a long-term development mindset while simultaneously maintaining a short-/medium-term sense of urgency.

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To provide a comprehensive overview of DevCo's sustainability approach, this document includes the following sections, which apply to all funds managed by DevCo:

- Responsible investment (section 2)
- Sustainability risks (section 3)
- Certain other matters, including alignment of remuneration policy with sustainability (section 4)

In this document, 'sustainability factors' means environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. Principal adverse impacts should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors.

DevCo considers principal adverse impacts of its investment decisions on sustainability factors in accordance with SFDR article 4(1)(a) and its regulatory technical standards, and it will consider these factors when making an investment decision.

# 2 Responsible Investment

To ensure responsible investment activities, DevCo incorporates sustainability factors and sustainability risks into investment decisions and active ownership practices. DevCo is a signatory to the UN Principles for Responsible Investment (hereafter “the Principles”) and therefore committed to the following six principles:

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

DevCo encourages its companies to actively pursue opportunities to create a positive social and environmental impact and to help their customers, other relevant stakeholders, and broader society to become more sustainable. In addition, DevCo-level guidelines on overall sustainability management and development, as well as on environmental, social and governance factors, guide the sustainability work of DevCo companies.

**Climate and the environment** – All DevCo companies should continuously aim to decrease their climate and environmental footprint and seek opportunities to have a positive handprint. It is mandatory for DevCo companies to follow and report the principal adverse impact indicators related to climate and the environment. These include GHG emissions, biodiversity, water, and waste-related indicators. In addition, DevCo requires its companies to identify the most material environmental impacts and to follow and report on the relevant indicators. DevCo encourages its companies to align their emissions reduction targets with the Paris Agreement and to follow the Science Based Targets initiative’s sectoral guidance.

**Social** – DevCo and its companies are committed to taking good care of their employees and other stakeholders and to seeing the power that diversity and inclusion bring. In addition to the principal adverse impact indicators related to social and employee matters that are required to be reported by DevCo companies, DevCo has defined mandatory social indicators regarding diversity and inclusion, employee satisfaction, health and safety, employee turnover, and customer satisfaction, which may vary depending on their materiality to each investment.

**Governance** – The priority is always ensuring adequate governance, as this is the foundation of trust and good business. DevCo requires all its companies to have necessary policies and processes in place, including a code of conduct and anti-corruption, antitrust and sustainability policies. DevCo works together with its companies to ensure that the policies are accompanied by relevant processes. Data and cyber security and supply chain ethics (incl. human rights) have been defined as mandatory governance-related indicators for all DevCo companies. In addition, DevCo companies follow and report on the principal adverse impact indicators related to respect for human rights and anti-corruption and anti-bribery matters.

DevCo requires regular reporting on the mandatory indicators described above (including principal adverse impacts), and the indicators are reviewed at least annually in connection with the annual sustainability performance review. Alignment with the Paris Agreement is also tracked in connection with the annual review.

## 2.1 Sustainability factors and risks in investment analysis and decision-making

DevCo has integrated sustainability factors and sustainability risk assessment into its investment analysis and decision-making through the following actions:

- Initial screening:
    - Application of exclusion and positive screening criteria
    - Analysis of alignment of the company's industry with a sustainable future
- Sustainability due diligence
- Decision-making
    - Incorporation of sustainability factors and risks into investment decision-making materials
    - Consideration of principal adverse impacts in decision-making

All the above-mentioned items are binding elements of DevCo's investment decision-making process.

### 2.1.1 Exclusion criteria

Industry-based exclusion criteria

DevCo conducts initial screening with the aim of identifying and consequently avoiding any investment in companies that breach international norms and companies that have material direct activities/operations within the following industries:

- Anti-personnel mines (in accordance with the Ottawa Convention)
- Cluster munitions (in accordance with the Oslo Convention)
- Weapons, rifles, pistols, or similar firearms
- Nuclear weapons
- Tobacco
- Adult entertainment
- Prostitution and the sex industry
- Nuclear energy
- Fossil fuels (incl. coal and thermal coal)

An investment is rejected if it currently generates, or if in the future it is likely to generate, a material share of its revenue directly from excluded industries or products.

Other exclusion criteria

DevCo avoids investing in or otherwise transacting (directly or indirectly) with any person that is in material and/or systematic violation of human rights, labour rights, and internationally recognised conventions, norms or protocols instituted by the UN, the OECD or another similar intergovernmental organization. Furthermore, DevCo will not make investments in companies that gain a competitive advantage based on unethical operations.

DevCo does not transact or co-operate (directly or indirectly) with any person appearing on one or several of a number of internationally recognised sanctions lists, including but not limited to sanctions lists of the UN, OECD, EU and USA.

Based on the negative screening measures described above, DevCo aims to filter out potential investments that are likely to have significant adverse impacts on sustainability factors and/or that have unmanageable sustainability risks.

### 2.1.2 Other screening criteria

In addition to negative screening, DevCo also regularly engages in positive screening measures, including screening for (but not limited to):

- Companies with a healthy work culture, responsible employer image and positive impact in their local communities.
- Companies that contribute positively to the development of sustainability factors and that have a high potential to improve on sustainability factors.

Furthermore, it is a critical element of DevCo's initial investment analysis to understand how a company's industry is aligned with a sustainable future. All investment opportunities are therefore screened against, for example, the UN Sustainable Development Goals.

### 2.1.3 Due diligence

Initial screening based on DevCo's exclusion and positive screening criteria, as well as on alignment of the company's industry with a sustainable future, is always carried out prior to proceeding to due diligence. After the initial screening, DevCo always undertakes extensive and tailored investment due diligence when evaluating potential investments. As an important element of this assessment, DevCo conducts comprehensive sustainability due diligence.

Sustainability factors and risks are evaluated as part of due diligence processes carried out by DevCo in relation to potential new investments, and key findings are considered in every investment decision. The extent and scope of sustainability due diligence reflect the company's operations and industry. If needed, DevCo will engage relevant external experts. If any of the material items is deemed to include high risk/opportunity items, sustainability due diligence will be supported by external advisers. If no high risk/opportunity items are identified, sustainability due diligence may be carried out internally.

**DevCo's approach to sustainability due diligence consists of the following actions (without limitation):**

- Analysis of maturity and strength of governance practices
- Identification and analysis of material company and industry-specific sustainability factors, including sustainability risks and opportunities
- Analysis of DevCo standard sustainability due diligence items (listed below), including principal adverse impacts

**DevCo's standard sustainability due diligence covers the following topics (without limitation):**

- Environment
- Health and safety
- Diversity and inclusion
- Labour practices and employee engagement and wellbeing
- Company culture
- Supply chain risks and transparency
- Data privacy and cyber security
- Governance (evaluated against a maturity roadmap of DevCo companies) and ethics
- Human rights
- Sustainability incidents in the past
- Principal adverse impacts (partially included in above items)
- Overall maturity of the sustainability approach and processes (maturity is evaluated against a maturity roadmap developed by DevCo)

Relevant sustainability risks and factors depend on the industry, company, and situation. As a result, examples of sustainability risks that DevCo evaluates in connection with due diligence in many investment opportunities include: controversial business activities, climate, biodiversity and environmental impact, and potential risks in the supply chain (e.g. labour practices of suppliers).

In identifying and evaluating sustainability factors and risks, DevCo uses several methods, including (without limitation) industry analysis, company analysis and engaging external experts, as well as direct engagement with a potential investee company and its management (to the extent possible).

The outcome of due diligence includes a summary of key findings, classification of identified risks (low, medium and high) and quantification of their potential financial impact to the extent possible, and a mitigation plan.

### 2.1.4 Principal adverse impacts in due diligence

DevCo identifies and prioritises principal adverse impacts during the due diligence phase by collecting data on principal adverse sustainability indicators (indicators listed in Annex I of this policy) and evaluating them as a part of its standard sustainability due diligence.

As a primary alternative, performance in principal adverse impacts (and other sustainability factors) is evaluated based on the actual data collected from the potential investee company. If actual data is not available, third-party data providers can also be utilised. If third-party estimations are used, the data is processed and validated by DevCo together with the potential investee company to the extent possible. Publicly available information and DevCo's own analysis are also utilised. Where relevant, DevCo will appoint a third-party adviser to assist with sustainability due diligence and to review the data provided by the company.

As a result, possible principal adverse sustainability impacts are identified. This analysis supports DevCo in considering the industry-specific materiality of sustainability factors of possible investee companies.

### 2.1.5 Investment decision-making materials

All investment recommendations to DevCo's decision-making bodies contain a summary of key due diligence findings on material sustainability factors and risks. The summary includes (without limitation):

- Materiality analysis
- Performance in material sustainability factors
- Principal adverse impacts (PAIs)
- Company and industry-specific sustainability risks and opportunities
- A mitigation plan for risks
- A sustainability value creation plan
- The impact on valuation of sustainability factors and risks (if any)

## 2.2 Sustainability factors and risks in ownership policies and practices

DevCo is an active owner and incorporates sustainability factors and sustainability risks into its ownership policies and practices. Throughout the ownership phase, DevCo challenges and supports its companies to enhance and further develop their sustainability performance and disclosures. DevCo-level sustainability guidance and working practices guide the sustainability work of DevCo and its companies.

### 2.2.1 Engagement policies

DevCo is a hands-on development partner for its companies, which is also reflected in its engagement activities, meaning how DevCo encourages its companies to improve their sustainability performance. The dedicated deal team operating model enables DevCo to monitor and participate closely in the development of its companies.

DevCo is always part of the Board of Directors of its portfolio companies, and it provides operational resources, if needed, to provide dedicated support to its companies. As a major shareholder, DevCo also influences the composition of the board.

DevCo works together with its companies to improve their sustainability performance, and it focuses on the following concrete actions:

- **Materiality analysis**: DevCo supports and requires its companies to carry out a materiality analysis (including life-cycle and stakeholder assessments), which creates the basis for sustainability work. If relevant, the materiality assessment should be supported by applicable industry frameworks, such as SASB.
- **Development of company-specific sustainability programs**: Based on the materiality analysis, a sustainability program, including KPIs, ambitious targets and a development roadmap, is created together with the company. The sustainability program is always linked to the business strategy of the company to ensure alignment and support.
- **Regular monitoring and reporting requirements**: DevCo carries out a sustainability performance review on its companies annually. The review includes materiality analysis, a performance review against the roadmap and KPIs, updates to the roadmap, and a comprehensive sustainability data report provided by the companies, including principal adverse impacts.
- **Ensuring utilisation of impact potential**: DevCo actively encourages its companies to pursue opportunities to create a positive social/environmental impact and to help their customers, other relevant stakeholders, and broader society to become more sustainable.
- **Securing the right competencies**: DevCo encourages its portfolio companies to set up a cross-functional sustainability team to drive the development of sustainability factors across the organization.
- **Securing the right governance**: DevCo makes sure that appropriate sustainability policies, governance and processes are established (if not yet in place) in its companies.

### 2.2.2 Disclosure by the investee companies

DevCo seeks appropriate disclosure of sustainability factors by the entities in which it invests. DevCo's dedicated deal team model allows DevCo to monitor closely the development of sustainability factors in its portfolio companies. In addition, DevCo sets the following reporting requirements for its companies:

- Sustainability incidents immediately (positive/negative)
- Annual sustainability performance review: material items, KPIs, roadmap updates and principal adverse impacts
- Annual data collection: a comprehensive set of sustainability metrics, including principal adverse impacts

In addition, any major sustainability factors or risks are discussed by the Board of Directors on an as-needed basis, and compliance with the sustainability-related policies is discussed and the sustainability strategy is reviewed by the Board of Directors at least once a year. DevCo is always part of the Board of Directors of its portfolio companies.

## 2.3 Reporting on sustainability factors and risks to DevCo investors

Investors in funds managed by DevCo are provided with both continuous and periodic reporting on sustainability factors, including sustainability risks where relevant.

- Continuous reporting is based on immediate notifications of sustainability developments and events (positive or negative) related to DevCo and/or its companies that are very important and/or extraordinary in nature.
- Periodic reporting (in connection with the financial reporting of the funds) summarizes the development of DevCo and portfolio company-level sustainability factors and risks (for example, material events during the reporting period, planned developments and, when available, key sustainability KPIs).

It is the intention for DevCo to start publishing an annual sustainability report that is communicated to investors. The first public version of the sustainability report will be made available on DevCo's website in 2024. Given that DevCo is a signatory to the UN PRI, it will report on its responsible investment activities annually, according to the UN PRI requirements. In addition, DevCo will provide periodic reporting related to the principal adverse impacts.

## 2.4 Governance and training in relation to responsible investment

DevCo has a clear governance model in relation to sustainability factors at DevCo and its portfolio companies.

**DevCo:**

- The Board of Directors is responsible for establishing and monitoring compliance with responsible investment and sustainability risk policies, as well as for approving and overseeing the DevCo sustainability program and roadmap.
- The CFO is responsible for the development and implementation of DevCo-level sustainability work and provides support to deal teams in the portfolio company sustainability work.
- The responsible DevCo partner is responsible for their portfolio company complying with DevCo's responsible investment policy.
- All sustainability-related policies are reviewed at least once a year by DevCo's CFO (also responsible for compliance) and Board of Directors.
- All DevCo investment professionals receive regular sustainability training to ensure that they have the knowledge to implement the policy and support portfolio companies in the development of sustainability factors.

**Portfolio companies:**

- The Board of Directors of each portfolio company is responsible for the establishment and monitoring of compliance with an appropriate sustainability policy, as well as for approving and overseeing the sustainability program and roadmap.
- The CEO and management team of each portfolio company are responsible for executing the strategy and running the daily operations of the company, according to the policies established by the board.

# 3 Sustainability Risks

The regulation on sustainability-related disclosures in the financial services sector (EU) 2019/2088, hereafter the SFDR, imposes certain disclosure obligations on all financial market participants and financial advisers on how they take sustainability risks into account in their activities. The SFDR requires alternative investment fund managers ("AIFM") such as DevCo to provide information with regard to, among other things, sustainability risks.

This section specifically addresses how sustainability risks are integrated in DevCo's investment decision-making process.

## 3.1 Summary of sustainability risks in the investment process and reporting

The SFDR defines a sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. DevCo, as a registered AIFM, is committed to adhering to the SFDR. In accordance with the SFDR, DevCo has integrated sustainability risk assessment into its investment decision-making process and provides its investors with information about sustainability risks.

As part of regular risk management, DevCo deems sustainability risks relevant when, if they materialise, they could have a significant impact on returns of DevCo's funds. Sustainability risks are considered throughout the investment life cycle, for example, in the initial screening phase, as part of the due diligence evaluation, and during DevCo's ownership. Sustainability risks include (but are not limited to) the following:

- Operational risks such as impacts of environmental and social events on operations, as well as reputational risks often associated with such events
- Governance risks such as inadequate DevCo, board and management level oversight of sustainability risks
- Regulatory risks such as violations of sustainability-related laws and regulations

DevCo integrates sustainability risks in the investment decision-making process in line with its responsible investment policy by means of the following actions (described in more detail in the responsible investment policy):

- Exclusion criteria
- Due diligence
- Engagement
- Reporting practices

DevCo avoids investing in companies that are exposed to unmanageable sustainability risks or that are exposed to unmanageable principal adverse impacts. Unmanageable is defined as a situation for which no sufficient mitigation or transformation plan can be identified.

DevCo aims to identify, evaluate, and consider both i) sustainability factors and sustainability risks that are relevant at the outset, and ii) sustainability factors and sustainability risks that may become relevant due to changes in, for example, environmental or social conditions, law or policy, new information or research, and/or the portfolio company's business practices. In identifying and evaluating sustainability risks, DevCo uses several methods, including (without limitation) industry analysis, company analysis and engaging external experts, as well as direct engagement with the potential investee company and its management.

The significance of sustainability risks to the investment opportunity is always considered in the context of the industry and company in question, and the overall risk and return profile of the investment opportunity. Similar to all risk assessments in DevCo's due diligence, DevCo derives the likely impacts of sustainability risks on the financial returns graded in a qualitative manner on a scale of low, medium, or high. Identification of one or more sustainability risks alone will not generally preclude DevCo from pursuing an investment where such an investment is otherwise assessed to meet the investment criteria, especially if DevCo's view is that such sustainability risks can be appropriately monitored and managed. At the same time, DevCo's due diligence procedures, including sustainability due diligence, should enable DevCo to avoid any investment in companies associated with unmanageable sustainability risks.

# 4 Certain Other Matters

## 4.1 Structuring and valuation of investments

DevCo applies a high level of transparency and professionalism in the structuring and periodical valuation of its investments.

DevCo is a Finnish limited company that has utilized Finnish structures in the platform investments carried out to date. DevCo plans to use similar domestic structures for future platform investments, as well.

DevCo provides its investors with audited annual portfolio company valuations that are prepared in accordance with International Private Equity and Venture Capital Valuation Guidelines (IPEV) as endorsed by Invest Europe (formerly the European Private Equity and Venture Capital Association (EVCA).

## 4.2 Alignment of the remuneration policy with respect to integration of sustainability risks

DevCo's remuneration policies include a broad range of factors that are considered to determine the appropriate level of remuneration for individuals. In general, DevCo's remuneration policies aim to promote sound and effective management of all risks, including sustainability risks. Sustainability risks are not considered as a discrete and separate performance component, but rather form part of the broader assessment of the relevant individual's contribution to DevCo. Individuals at DevCo may receive performance-related variable remuneration. In the case of such variable remuneration, the total amount of variable remuneration shall be based on a combination of the assessment of the performance of the individual, the overall performance of DevCo and its affiliates, and the conduct of the employee under the internal policies, values, procedures and requirements applicable to DevCo. A contribution to the development of sustainability work at DevCo and portfolio companies is part of the evaluation of the individual performance of employees participating in sustainability work.

## 4.3 Compliance with laws, rules and regulations

DevCo and its affiliates shall conduct their activities and affairs in compliance, in all material respects, with applicable laws, rules and regulations.

## 4.4 Tax matters

DevCo and/or its material affiliates shall not be domiciled or organized within jurisdictions or territories that appear on the List of Uncooperative Tax Havens issued by the OECD, or within countries subject to any trade embargo(es) imposed by the UN or EU.

DevCo protects its portfolio companies, investors and other stakeholders from reputational risks related to aggressive tax planning.

# 5 Review and Change Log

This policy must be reviewed and approved by the Board of Directors. Any amendment must be approved by the Board of Directors.

The CFO must ensure that the annual review has been completed and potential amendments have been sent to the Board of Directors in the appropriate format, and any decisions are logged and potential amendments are implemented.

| Date | Version | Change(s) |
|---|---|---|
| 14.02.2023 | 1.1 | Policy approved |
| | | |
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## Annex 1 - Principal adverse impact indicators considered by DevCo

DevCo takes necessary preparations to gather, monitor and report the adverse sustainability indicators listed below:

| Adverse sustainability indicator | Metrics | |
|---|---|---|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | |
| Greenhouse gas emissions | GHG emissions | Scope 1 GHG emissions |
| | | Scope 2 GHG emissions |
| | | Scope 3 GHG emissions |
| | | Total GHG emissions |
| | Carbon footprint | Carbon footprint |
| | GHG intensity of investee companies | GHG intensity of investee companies |
| | Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector |
| | Share of non - renewable energy consumption and production | Share of non -renewable energy consumption and non - renewable energy production of investee companies from non - renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources |
| | Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector |
| Biodiversity | Activities negatively affecting biodiversity sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas |
| Water | Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average |
| Waste | Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average |

| Adverse sustainability indicator | Metrics | |
|---|---|---|
| **INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS** | | |
| Social and employee matters | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises |
| | Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises |
| | Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies |
| | Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members |
| | Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons |
| **ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS** | | |
| Emissions | Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement |
| **ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS** | | |
| Social and employee matters | Rate of accidents | Rate of accidents in investee companies expressed as a weighted average |