

## PREFACE

Small and medium sized Finnish companies need private capital to foster, renew, grow and go global. The philosophy of Folmer Management Oy (Folmer) has been to invest in Finnish companies that have clearly identified potential to reach the next level. On this regard, Folmer aims to develop and promote Finnish companies and entrepreneurship in general while also targeting to achieve healthy returns for its investors.

In order to develop its portfolio companies, deep know-how and versatile skills are required. It is of utmost importance to us that Folmer is able to foster and bolster its own competencies, also in the area of responsible investing.

Folmer has since its inception recognised that environmental, social and governance (ESG) issues can have a significant impact on investment, in terms of making investments, creating value in portfolio companies and engaging with limited partners and other stakeholders. Folmer views a combination of sustainability, consumer protection, social responsibility and stakeholder engagement as important drivers of overall value creation, also in the broader context.

These ESG issues are integral to our mission, with respect to both Folmer’s own internal operations and those of our portfolio companies. Folmer believes that a sustainable and socially responsible business model is a cornerstone for a successful growth company. Moreover, we believe that better risk-adjusted investment returns can be achieved with sustainable and responsible business models.

Folmer’s overall mission is to generate healthy returns for its investors by building excellent companies. Being an excellent company requires high ESG standards.

The ESG and sustainability work at Folmer is conducted by the whole investment team. In the portfolio company level, the ESG and sustainability development work is predominantly headed by the Managing Director. However, Folmer believes that ESG and sustainability should form a critical part of broader development strategy – not an isolated function.

### **i. SCOPE**

This policy will apply to all investments made by Folmer. In all instances, reasonable efforts will be made to encourage Folmer’s portfolio companies to consider relevant ESG-related principles.

**ii. GOALS**

In connection with its investment operations, Folmer seeks to;

1. Consider environmental, public health, safety, and social issues associated with portfolio companies when evaluating whether to invest in a particular company as well as during the period of ownership.
2. Grow and improve the companies in which Folmer invests for long-term sustainability and to benefit multiple stakeholders, with the goal of improving performance and minimizing adverse impacts in ESG related areas.
3. Use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest.
4. Remain committed to compliance with labour laws, provide a safe and healthy workplace.
5. Encourage strict policies that prohibit bribery and other improper payments to public officials.
6. Respect the human rights.
7. Provide adequate information to Limited Partners and other stakeholders on ESG matters.
8. Encourage and promote opportunities for self-growth and learning through training and education.
9. Engage in positive community involvement.

**iii. FOLMER'S APPROACH TO ESG INTEGRATION IN ITS INVESTMENTS**

Folmer seeks to integrate the consideration and management of ESG issues throughout the investment cycle.

**1. Pre-investment stage**

To ensure the integration of ESG considerations in the pre-investment phase of an investment process, and subject to Folmer's analysis of what is reasonable and appropriate for each investment, Folmer will;

- i. **Use of excluding selection criteria;** Folmer will categorically not invest in the following sectors or activities;
  - Production of and trade in tobacco and related products.
  - Financing of the production of and trade in weapons and ammunition of any kind.
  - Casinos, gambling and equivalent companies.
  - Internet gambling and online casinos.
  - Pornography and prostitution.
  - High-interest consumer loans.
  - The research, development or technical applications relating to electronic data programs or solutions, which aim specifically at supporting any activity intended to enable to illegally enter into electronic data networks or download electronic data.

- Any business operations related to an illegal economic activity, including without limitation, human cloning for reproduction purposes.

ii. **Undertake an ESG due diligence as part of pre-investment due diligence:**

- Conduct an assessment of ESG value creation opportunities and risks for a potential investment considered.
- Use and utilise ESG due diligence findings as part of investment decision making and valuation.
- Use ESG due diligence findings in the post-acquisition process to work with company management to support the development of a corrective action plan, when necessary.
- Use ESG due diligence findings in the post-acquisition process to work with company management to identify appropriate metrics to monitor the development of ESG and sustainability strategy implementation.

**2. Investment stage**

To manage ESG risks and value creation opportunities in its investments, subject to Folmer's determination of what is reasonable and appropriate for each investment, Folmer will:

- **Monitor progress:** Where there are material issues identified during the due diligence process, include the management of these issues post-closing plan, or otherwise monitor ongoing progress on ESG issues, as applicable. Folmer will work with company management to support the development of a corrective action plan.
- **Engagement during investment period:** Folmer will encourage the management teams of portfolio companies to identify and raise up and resolve material ESG issues. Folmer will assist portfolio companies in the development of action plans to adequately address the identified ESG-related risks and opportunities. When appropriate, Folmer will also support its portfolio companies' efforts to report externally and internally on their ESG approach and performance as related to material ESG issues.
- **Not to require excessive ESG reporting from portfolio companies:** We do not require specified format of reporting on ESG issues from portfolio companies on a quarterly basis. ESG aspects will be continuously monitored as a natural part of our value creation work. Therefore, without increasing the administrative burden any further, Folmer develops the activities and value-creation opportunities of our portfolio companies' related to ESG aspects of doing business.

**3. Transparency and stakeholder engagement**

Folmer will seek to be transparent in its approach in incorporating ESG considerations in its private equity investments by reporting its progress and outcomes at the Firm level. Responsibility reporting is incorporated into

reporting of Folmer Equity Fund II. This reporting will be further developed in the future.

#### iv. FOLMER'S ESG PRINCIPLES

Folmer aims to incorporate the following principles of responsibility into its own operations and activities as well those of its portfolio companies.

##### Environment

Folmer encourages its portfolio companies, their suppliers and business partners to use environmental resources responsibly and strives to conduct its business in an environmentally sustainable way, including by

- Complying with environmental laws and regulations.
- Limiting emissions of harmful substances and waste.
- Using natural resources responsibly. Promoting initiatives at portfolio company level that aim to boost more sustainable use of natural resources.
- Achieving cost savings and other value creation through improved eco-efficiencies.
- Promoting the initiative to measure and disclose co2-emissions at portfolio company level.
- Investing in sustainable products, services and technologies. Creating or distributing long-lasting, durable and safe products or services.
- Promoting initiatives of incorporating a quality management system (e.g. ISO 14001)

##### Social

Folmer respects the rights of workers and fosters a working environment with good relationships between the portfolio companies, its managers, employees, suppliers and business partners, ultimately leading up to better long-term results for the business and society. This includes:

- Elimination of all forms of discrimination in respect of employment and occupation.
- When possible, promote opportunities for self-growth through training and education.
- Obeying applicable laws and respecting international standards, including the protection of internationally proclaimed human rights.
- Considering matters relating to working conditions, such as wages and benefits, working hours, and occupational health and safety.
- Promote and require diversity and equal treatment without consideration for age, gender, marital or parental status, sexual orientation, ethnic or national origin, culture, political affiliation, physical ability, appearance, education or religious background.
- Promoting implementation of third-party supply-chain audit tools (e.g. BSCI Amfori)
- Improving employee and community health.
- Avoiding any complicity in human rights abuses.

## Governance

In addition to its own operations, Folmer requires its portfolio companies to conduct business in an ethical manner at all times, including:

- Abiding by relevant anti-corruption laws and regulations and promoting free competition.
- Working against corruption in all of its forms.
- When conducting annual audits of financial statements, whether in portfolio companies or Folmer’s own companies, only use services of so called “Big Four” audit firms or similar reliable auditing firm.
- When conducting quarterly reporting to its limited partners, adhere to reporting guidelines of Invest Europe. Moreover, when presenting material to limited partners or other stakeholders, always use full and fair disclosures.
- Adhering to marketplace insider information; Folmer maintains its internal register of public market insider information.
- Managing potential conflicts of interest of stakeholders through risk management tools.
- Incorporating applicable AIMF legislation requirements related to money laundering, the fight against terrorism and tax fraud.
- Incorporating applicable laws related to personal data handling activities (i.a. GDPR) as well as other measures to ensure data and IT security.