Taaleri Bioindustry Fund I

Fund Report
Q4/2023

TAALERI
Bioindustry

Table of Contents

Sustainable Investments

Driving impact through sustainable Investments

- The Fund's objective is to achieve a 60% Taxonomy alignment during its lifecycle, meaning that over half of the invested capital will be directed to environmentally sustainable economic activities as defined in the Taxonomy Regulation (2020/852)
- The Fund attained its sustainable investment goal by investing in solutions that for example, enhance the reuse of raw materials and products, reduce the demand for virgin raw materials, improve the recyclability of materials and/or products, replace the use of non-renewable raw materials, or reduce the amount of hazardous or contaminant chemicals. The investments made contribute to the EU Taxonomy's environmental objectives of climate change mitigation, transition to a circular economy, and pollution prevention and control
- The Fund contributed to climate change mitigation by investing in target companies that have a third party verified environmental impact life cycle assessment showcasing significant carbon emission reduction (35-75% reduction) compared to the Best Alternative Technologies (BAT)
- The Fund manager determines that the contribution to circular economy was achieved by investing in an ecological packaging solution that improves the end-products' recyclability compared to the current BAT, by providing a solution that contains no plastic and is 100% recyclable as wastepaper
- Furthermore, the Fund manager sees that significant contribution to pollution prevention and control was achieved by investing in a chemical product that does not include harmful chemicals, is water-based, and has a low-emission-intensity compared to the BAT. These characteristics have been verified in a third-party due diligence process
- The Fund made a Taxonomy-aligned investment at the beginning of the 2023 reporting period, increasing its Taxonomy alignment to 47.7%. The investment was made in a company that aligns with the EU Taxonomy's technical screening criteria for the economic activity of "Manufacture of other low-carbon technologies" and therefore contributes to the environmental objective of climate change mitigation. The two previous investments align with the EU SFDR's definition and criteria for sustainable investments (2019/2088 2(17)). The two previous investments are not currently Taxonomy eligible. The substantial contribution of these investments has been verified through an environmental impact lifecycle assessment, which was verified by a third party
- More information regarding the attainment of the sustainability objectives of the Fund, as well as the measured principal adverse impacts of the investment decision made, and actions taken can be found in the Appendix of this report: Regulatory Technical Standards (RTS) and PAI-indicator template
- More information on the investments' climate and nature risks is available in the TCFD & TNFD Risk Report Appendix

Sustainability Indicators for full year 2023

Indicators measuring the contribution to climate change mitigation

	GHG emissions (tonnes CO_2e)	311.8 tCO_2e
	Carbon handprint* (tonnes CO_2e)	289.7 tCO_2e

Indicators measuring the contribution to transition to a circular economy and pollution prevention and control (all values calculated as weighted average)

	Revenue from products that are reusable, recyclable and/or compostable (reported as EUR and percentage of total revenue)	1) 0.8 MEUR 2) 16%
	Raw materials from (1) recycled content or side streams, (2) renewable sources, (3) renewable and recycled content (reported as metric tonnes and percentage of total raw materials used) calculated as weighted average.	1) 0 t / 0% 2) 705.9 t / 75% 3) 0 t / 0%
	Amount of purchased energy consumed from renewable sources (reported as MWh and percentage of total energy consumption)	1) 215.14 MWh 2) 47%

Indicators measuring the social impact of investments

	Employee gender diversity**	29%
	New hires***	28

Sustainability indicator performance measuring the Fund's investment objective

- The 2023 reporting period is the first full year of gathering and reporting sustainability indicators. This year serves as the baseline for the first three investments. In 2022, the first reporting year, investments were made in the last quarter, which is why the reported values are not directly comparable to 2023
- The Fund's funded emissions from the year 2023 were 312 tonnes of CO2 equivalent. The funded emission savings, at 290 tonnes of CO2e, were lower than the funded emissions due to one of the target companies still being in the process of finishing new industrial-scale factory facilities before moving into commercial production and therefore does not yet produce products that replace the use of fossil equivalents. The absolute carbon handprint for 2023 increased. However, due to the production status of the one target company mentioned above, there was a relative decrease when adjusting the comparison to the 2023 quarterly average compared to Q4/2022
- Although the current level of CO2 emissions is higher than the funded carbon handprint, all the target companies have significantly lower lifecycle GHG emission levels compared to their Best Alternative Technologies (BAT)
- The weighted average of target companies share of revenue from reusable, recyclable, and/or compostable products was 16%, or 0.8 MEUR, with 75% of raw materials being from renewable sources. The revenue from the products that are reusable, recyclable and/or compostable increased in absolute terms, but in the adjusted comparison, when comparing the 2023 quarterly average to Q4/2022 figures, the KPI decreased due to the production status of the one investment described above
- The absolute raw material use reported by the target companies in 2023 amounts to 2,305.2 tonnes of renewable raw materials and the weighted average raw material use comes to 705.9 tonnes. The amount of renewable energy consumed was 215 MWh. Out of all energy consumption, 47% (weighted average) is from renewable resources. All investees are committed to taking steps to change energy inputs into renewable, clean energy
- Traditionally manufacturing industries are male-dominant sectors, which is apparent also in the target companies. The weighted average employee gender diversity is 29%, whereas the gender diversity on the board level is 0%. All target companies are committed to working towards improving diversity and inclusion within the organisations. During the first full year, the target companies made a total of 28 new hires and the gender diversity increased slightly

'Carbon handprint calculations are done based on verified lifecycle GHG calculations. Carbon handprint is defined according to IRIS PD2243. The calculations only show the Fund's share of the investees' GHG emission savings.

''Average ratio of female to male employees, expressed as a percentage of all employees.

'''Total number of new employee hires during 2023.

Monitored Sustainability Risks

The Fund is Actively Managing Sustainability Risks

- A sustainability risk means an environmental, social or governance event or condition that, if it occurred, could cause a negative material impact on the value of the investment. No sustainability risks realised during the reporting period
- Sustainability risks are monitored regularly and mitigated if and when necessary. The most significant climate-related sustainability risks regarding the Bioindustry Fund I, are to do with tightening regulations and the availability of used biomass. These risks are mitigated through Net Zero emissions -initiatives, advancing the use of recycled raw materials and side streams as well as developing more sustainable value chain management processes and enhanced governance practices
- Other recognised material sustainability risks include climate- and biodiversity risks affecting the availability and quality of raw materials used; pandemics impacting the health and safety of employees; as well as limited control across value chains to influence major suppliers and partners
- These risks are mitigated through active ownership and the implementation of resource-efficient and circular solutions throughout the life cycle of manufactured products, as well as applying appropriate health and safety measures at the workplace. In addition, good governance practices are promoted by committing essential stakeholders to the companies' ethical principles and codes of conduct and by conducting due diligence assessments
- Furthermore, the investment team has provided training and support to enhance processes regarding the management, assessment and consideration of sustainability risks in the investment targets across their value chain
- Additionally, the investment team conducted and published their first TCFD and TNFD aligned climate- and nature risk report. The aligning of reporting to the TCFD and TNFD recommendations required the development of our sustainability risk assessment tools and processes. The investment team continues to improve their processes to better understand their climate- and nature-related dependencies, impacts and risks. The report includes portfolio-specific risk exposure disclosures and is available in the Appendix section of this report, as well as on the Taaleri Bioindustry's website on the following page: TCFD & TNFD Risk Report

Sustainability actions taken

Recent developments

- The investment team organised target companies a half-day workshop that included a run through and summary of the Taxonomy's requirements regarding good governance and minimum social safeguards, as well as practical examples of how large corporations and some SMEs have adopted these recommended global best practices on considering social sustainability in the supply chain and risk management. The investment team also prepared supplementary material and assessment tools to help and support the target companies in conducting gap analysis and plan roadmaps to develop their processes and how to scale these requirements according to the size of their own operations
- The investment team actively monitored the data regarding the principal adverse impacts of its investment decisions as well as its sustainability KPIs and worked to improve tools used for data gathering and management to enhance the efficiency and accuracy of reporting. The new data management tools will be adopted during H1/2024. The monitoring and gathering of data supported the investment team`s efforts in active ownership and helped reduce the amount of non-recycled waste produced and the Fund's Scope 2 emissions
- The 2023 reporting period will serve as the baseline year of the investees' PAI indicators. During 2024 the investment team will engage the target companies to produce quantitative Paris Agreement aligned short-, medium-, and long-term Net Zero roadmaps that will supplement the investees' qualitative commitment to achieving Net Zero emissions by 2050
- The investment team advanced their processes and reporting regarding climate- and nature-related risks

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ANNEXES 1 to 4

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COMMISSION DELEGATED REGULATION (EU) .../...

amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in precontractual documents and periodic reports for financial products investing in environmentally sustainable economic activities

ANNEX IV

ANNEX V

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Bioindustry Fund I Ky **Legal entity identifier:** 3227560-7

Sustainable investment objective

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☒ **Yes**	☐ **No**
☒ It made sustainable investments with an environmental objective: 96,8%	☐ It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made sustainable investments with a social objective: ___%	☐ It promoted E/S characteristics, but did not make any sustainable investments

To what extent was the sustainable investment objective of this financial product met?

The fund has sustainable investments as its objective, and it attains this goal by investing in solutions that for example, enhance the reuse of raw materials and products, reduce the demand of virgin raw materials, improve the recyclability of materials and/or products, replace the use of non-renewable raw materials, or reduce the amount of hazardous or contaminant

chemicals. The investments made contribute to the EU Taxonomy's environmental objectives of climate change mitigation, transition to a circular economy, and pollution prevention and control. The fund manager (Taaleri Private Equity Funds Ltd) assesses that the fund contributed to climate change mitigation, by investing in target companies that have a third party verified life cycle assessment showcasing significant carbon emission reduction (35-75% reduction) compared to the Best Alternative Technology (BAT). The fund manager determines that the contribution to circular economy was achieved by investing in an ecological packaging solution that improves the end-products' recyclability compared to the current BAT by providing a solution that contains no plastic and is 100% recyclable as wastepaper. Furthermore, the fund manager sees that significant contribution to pollution prevention and control was achieved by investing in a chemical product that does not include harmful chemicals, is water-based and has a low-emission-intensity compared to the BAT. These characteristics have been verified in a third-party Due Diligence process. During the reporting period, one additional investment was made compared to the previous reporting period (2022). The investment made in 2023 was made in a company that aligns with the EU Taxonomy's technical screening criteria for the economic activity of "Manufacture of other low-carbon technologies" and therefore contributes to the environmental objective of climate change mitigation. The two previous investments align with the EU SFDR's definition and criteria for sustainable investments (2019/2088 2(17)). These two investments are not currently taxonomy eligible. The substantial contribution of these investments has been verified through a lifecycle assessment, which were verified by a third party.

According to the updated market interpretation regarding "all investments", the share of sustainable investments should entail cash, as it is included in the assets of the financial product's balance sheet. As cash cannot be considered a sustainable investment, 96,8% of the financial product's investments have therefore been made in sustainable investments with an environmental objective, and therefore, the sustainable objective of the fund has been realised during the reporting period.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

How did the sustainability indicators perform?

Sustainability indicators measured:

• KPI 1 Carbon handprint (Calculation method: IRIS PD2243):

Result: 289.7 tCO_2

Carbon handprint calculations are done based on verified life-cycle GHG calculations. Carbon handprint is defined according to IRIS PD2243. The calculations only show the fund's share of the investees' GHG emission savings.

• KPI 2 Revenue from products that are reusable, recyclable and/or compostable (reported as EUR and percentage of total revenue):

Result: 1) 0.768 MEUR 2) 16%

• KPI 3 Raw materials from (1) recycled content, (2) renewable sources, (3) renewable and recycled content (reported as weighted average in metric tonnes and percentage of total raw materials):

Result: 1) 0 tonnes, 0% 2) 705.9 tonnes / 75% 3) 0 tonnes 0%. In absolute values the total amount of raw material used was 2,305.2 tonnes.

The results have been calculated by using a "weighted average". 'Weighted average' means a ratio of the weight of the investment by the financial market participant in an investee company in relation to all investments made by the financial market participant.

• KPI 4 Amount of purchased energy consumed from renewable sources (reported as MWh and percentage of total energy consumption):

Result: 1) 215.14 MWh 2) 47%

The results have been calculated by using "weighted average". 'Weighted average' means a ratio of the weight of the investment by the financial market participant in an investee company in relation to all investments made by the financial market participant.

• KPI 5 Employee gender diversity (average ratio of female to male employees, expressed as a percentage of all employees):

Result: 29%

• KPI 6 New hires:

Result: 28

...and compared to previous periods?

Year 2022 was the first reporting year, but first investments were made during the last quarter of the year, which is why the reported values are not as such comparable to 2023. Results compared to the previous years have been provided in the table below. The change-column shows changes compared to the previous period both in absolute value %-changes and in quarterly adjusted changes to improve comparison. The reported absolute carbon handprint increased during 2023, but the adjusted comparison of the Fund's carbon handprint reduced, as the third investment made during the reporting period does not yet produce emissions savings compared to products replaced as production had not yet started during 2023. The revenue from the products using products that are reusable, recyclable and/or compostable increased in absolute terms, but in the adjusted comparison the KPI decreased to the third investments' production status described above. The same explanation is also valid for KPI 2(2) and 3(2). Furthermore, the amount of renewable energy used in production increased, as more investments were made that rely mostly on renewable energy in their consumption. The gender diversity in the target companies increased as did the number of new hires and recruits.

Indicator	Reporting period 2023	Reporting period 2022	*Change, %*	*Notes*
KPI 1 Carbon handprint	316.0 tCO2e	131. 7 tCO2e	*119%/ -82%*	*The fund made its investments in Q4/2022 and therefore, the results are presented based on the Q4/2022 period and not for the entire year. Change -column shows first the absolute change compared to previous reporting period as well as the quarterly adjusted %-change.*
KPI 2 Revenue from products that are reusable, recyclable	**1)** 0.768 MEUR **2)** 16%	**1)** 0.403 MEUR **2)** 26,25%	**1)** +90.5% / -52% **2)** -10.25%	*The fund made its investments in Q4/2022 and therefore, the results are*

and/or compostable (reported as EUR and percentage of total revenue):				*presented based on the Q4/2022 period and not for the entire year.* *For KPI 1) Change -column shows first the absolute change compared to previous reporting period as well as the quarterly adjusted %-change.*
KPI 3 Raw materials from (1) recycled content, (2) renewable sources, (3) renewable and recycled content (reported as metric tonnes and percentage of total raw materials):	**1)** 0 t / 0% **2)** 705.9 t / 75% **3)** 0 t/ 0%	**1)** 0 t/ 0% **2)** 229,85 t / 93,9% **3)** 0 t/ 0%	**1)** no change **2)** +207% / -10.25% **3)** no change	*The fund made its investments in Q4/2022 and therefore, the results are presented based on the Q4/2022 period and not for the entire year* *For KPI 2) Change -column shows first the absolute change compared to previous reporting period as well as the quarterly adjusted %-change.*
KPI 4 Amount of purchased energy consumed from renewable sources (reported as MWh and percentage of total energy consumption):	**1)** 215.14 MWh **2)** 47%	**1)** 91,01 MWh **2)** 19%	**1)** +57.7% / -69.2% **2)** +28%	*The fund made its investments in Q4/2022 and therefore, the results are presented based on the Q4/2022 period and not for the entire year* *For KPI 1) Change -column shows first the absolute change compared to previous reporting period as well as the quarterly adjusted %-change.*

KPI 5 Employee gender diversity (average ratio of female to male employees, expressed as a percentage of all employees):	29%	23%	+6%	*The fund made its investments in Q4/2022 and therefore, the results are presented based on the Q4/2022 period and not for the entire year*
KPI 6 New hires:	28	25	+12%	*Notes: Total number of new employees hired in the year 2022.*

How did the sustainable investments not cause significant harm to any sustainable investment objective?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

To ensure that the investments do not cause significant harm to any sustainable investment objectives, the fund manager has decided to consider all mandatory principal adverse impact indicators set out in the regulation EU/2022/1288 annex I Table 1 with the fund investments. In addition, to fully be aligned with the regulation and ensure not to cause significant harm to any of the objectives, voluntary indicators from Table 2 and Table 3 are also taken into account. A total of 22 principal adverse impact indicators are continuously monitored and annually reported. In addition, the investments have undergone careful due diligence- and environmental impact assessments, where adverse impacts were assessed. The voluntary indicators are chosen based on the materiality analysis conducted by a third party appointed by the fund manager. The chosen indicators represent the investments' most material adverse impacts and are aligned with the fund's strategy. The investments also underwent LCA assessments, which show that no significant negative impacts are caused to any of the environmental objectives of the Taxonomy Regulation. Finally. the investments align with the Taxonomy's general 'Do no significant harm' -criteria, set out in appendices A-D of Annex 1 to the Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852. As one of the investments is taxonomy eligible and -aligned, it is considered to not cause significant harm to any sustainable investment objectives.

How were the indicators for adverse impacts on sustainability factors taken into account?

The fund manager considers and discloses all mandatory principal adverse impact indicators set out in the regulation EU/2022/1288 annex I Table 1 with the fund investments. In addition, voluntary indicators from Table 2 and Table 3 are also taken into account. All principal adverse impact indicators are taken into account prior to making an investment decision, through adhering to the fund manager' sustainability policy, which includes criteria for investment decision-making (e.g., human rights, positive screening and exclusion criteria, and principal adverse impacts) as well as in careful due diligence assessments, risk assessments, and setting investment monitoring and reporting systems in place. All investment targets regularly report data regarding their principal adverse impacts, according to the instructions and methods set out set out by the fund manager and the requirements in the EU SFDR regulation (2019/2088) and (2022/1288). In addition to data collection and monitoring, the fund manager ensures that actions to reduce the impacts are taken. Furthermore, investment targets have committed to making a net zero emission reduction plan to cut their absolute emissions by 2030.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Yes, Investment targets are committed to following the recommendations of the OECD Guidelines and UN Guiding Principles and align with their criteria in proportion to their size. The investment targets have committed to Taaleri Bioindustry's Sustainability Policy, and Code of Conduct and have aligned their own policies and ethical codes accordingly. All target company policies and ethical guidelines have been inspected by the financial market participant (Bioindustry Fund I Ky).

How did this financial product consider principal adverse impacts on sustainability factors?

The fund reduces its principal adverse sustainability impacts on sustainability factors defined in Annex I of (EU) 2022/1288. by monitoring and reporting the indicators regularly, and by setting targets for the next reference period based on the adverse impacts caused.

Indicators related to greenhouse gas emissions are mainly taken into account in the fund manager's sustainability principles, fund investment strategy, as well as its commitment to Net Zero emissions initiative (NZAM), TCFD (Taskforce on Climate-related Financial Disclosures) and TNFD (Taskforce on Nature-related Financial Disclosures) recommendations. The fund manager is committed to setting a net zero emission reduction plan and engaging the investment targets to aligning their sustainability work with the goals of the Paris Agreement and cut their absolute emissions to reduce the reported adverse impacts. The fund manager's net-zero emission reduction plan is aligned with the goals of the Paris Agreement and based on the methodology provided by the Science Based Targets (SBTis) initiative.

The fund's strategy and investment policy excludes all investments active in the fossil fuel sector and/or controversial weapons industry. Therefore, no adverse impacts related to those were caused.

Indicators related to biodiversity is taken into account prior to investment decisions. The fund manager assesses that the potential investments are not located in or near biodiversity sensitive areas and has committed to following the TNFD (Taskforce on Nature-related Financial Disclosures) recommendations on how to disclose nature-related risks and impacts.

Indicators related to water and waste are taken into account in the fund's investment strategy, which through positive screening prioritises investments that reduce the need for virgin raw materials and accelerate the adoption of circular solutions. In addition, investment targets are committed as part of Taaleri Bioindustry's Sustainability principles. to making efforts to reduce the amount of water intake as part of the production process or strive to reuse or circulate the needed intake water. The investment targets have waste management and recycling plans in place and have committed to implementing the principles of circularity in their product design and end of life treatment and prioritizing the use of side- or waste streams as production inputs over virgin raw materials. The investment targets waste- and water management plans and safety instructions ensure that the waste is handled accordingly and that no emissions to water are caused.

Indicators related to social and employee matters are taken into account through the fund manager and investment targets' policies, due diligence assessments, and site visits. The investment targets have sufficient HR policies, ethical guidelines, trainings and instructions in place.

These principal adverse impact indicators are reported in the Appendix of this fund report, according to Annex I, Table I of delegated act EU 2022/128.

What were the top investments of this financial product?

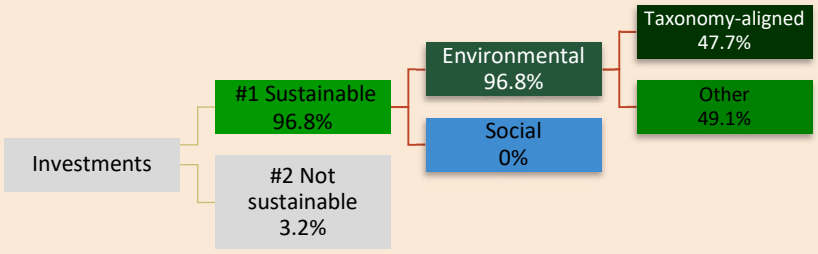
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: *1.1.2023-31.12.2023*

Largest investments	Sector	% Assets	Country
Nordtreat Finland Oy	Manufacture of Chemical Products	19.34%	Finland
Colombier Finland Oy	Paper and packaging	29.74%	Finland
Nordic Bioproducts Group Oy	Manufacture of cellulose and its chemical derivatives	47.71%	Finland
Cash equivalents	Cash in the find account	3.21%	Finland

What were the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

Fund asset allocation when considering all investments (including cash equivalents) consists of 96.8% of economic activities that qualify as sustainable investments under the EU SFDR Regulation (2019/2088 Art 2). The fund manager states that 47.7% of the sustainable investments are EU Taxonomy aligned with an environmental objective of Climate Change Mitigation. It should be noted that there are cash equivalent in the fund account that are not yet invested or returned. Due to these assets, the fund's asset allocation is not 100% to sustainable investments.

In which economic sectors were the investments made?

The investments made were made in bioindustry sectors "manufacture of chemical products" (NACE C20) and "manufacture of paper and paper products" (NACE C17), and "Manufacture of cellulose and its chemical derivatives" (included in NACE 20.16).

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

The fund manager has determined that 47.7% of the investments made were aligned with the EU Taxonomy. The economic activity aligned with the EU Taxonomy is the investment in the sector "Manufacture of cellulose and its chemical derivatives" (included in NACE 20.16). The fund manager has assessed that the said economic activity substantially contributes to climate change mitigation by aligning with the technical screening criteria for the economic activity of "Manufacture of other low-carbon technologies". The economic activity produces microcrystalline cellulose (MCC) by refining waste wood pulp. The end-product can replace carbon-intensive, fossil-based substitutes in various applications. The economic activity manufactures technologies that are aimed at and demonstrate substantial life cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. Lifecycle GHG emission savings are calculated using Commission Recommendation ISO 14067:2018(101) Quantified life-cycle GHG emission savings are verified by an independent third party. The cradle-to-gate calculations were made by CRNet Ltd and verified by Ramboll, whereas gate-to-cradle extension for the calculation was done by Ramboll and verified by Crnet's Tuula Pohjola (D.Sc. in Technology).

The fund manager considers that the investment fulfils the Do no significant harm criteria ('DNSH') of the EU Taxonomy. The investment's physical climate change risks are assessed according to the IPCC AR6 report RCP2.5-RCP8.5 scenarios, and material risks identified have adaptation plans.

The investment has appropriate water, waste and recycling management plans in place and the recyclability and biodegradability for the product's entire lifecycle is considered.

No Environmental Impact Assessment according to Directive 2011/92/EU was required for the investment target, and the fund manager concludes that no operations of the investment target are located in or near biodiversity-sensitive areas, this is reported through EU/2022/1288 annex I Table 1 principle adverse impact indicators. Minimum safeguards and good governance are ensured via careful due diligence assessments, training, and the fund manager's engagement policies and ethical guidelines, the investee's own policies and guidelines, as well as conducted site visits.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

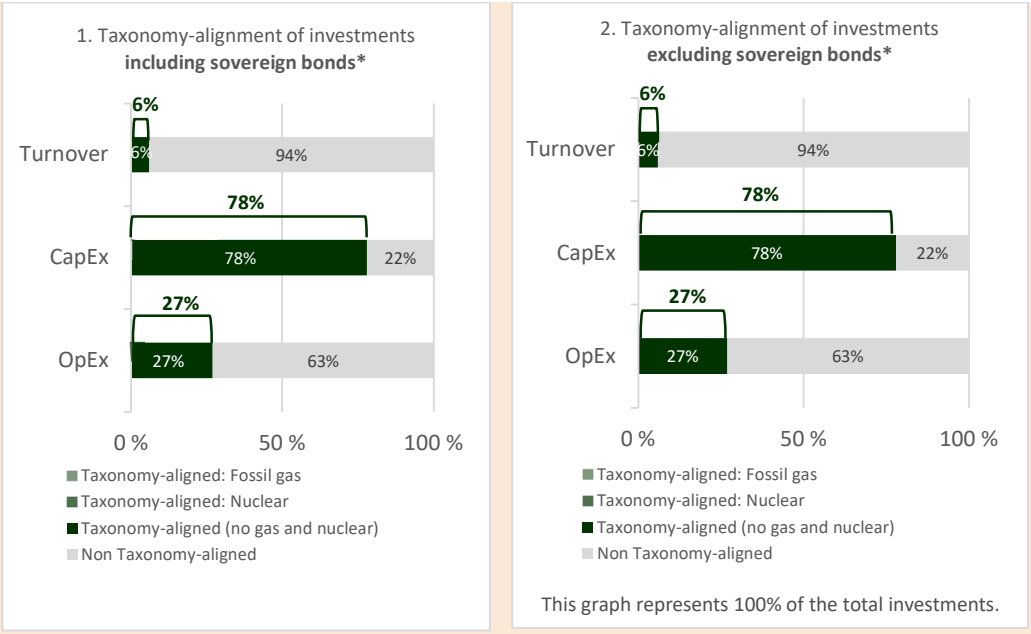
☒ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

The graph above shows the taxonomy alignment of investments made, excluding fund cash, and calculated as shares of revenue, capital expenditure and operational expenditure of the investee companies of the total combined values reported by the investee companies.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of investments made in transitional and enabling activities?

The share of investments made in transitional activities 0% (*29.74%)

The share of investments made in enabling activities 47.7%. (*19.34%)

*As the two other investments are currently not taxonomy eligible, the share of investments in transitional and enabling activities is difficult to estimate. However, the economic activity for the "manufacture of chemicals" was previously listed in the draft criteria of the second delegated act establishing technical screening criteria for the rest of the environmental objectives of the Taxonomy. In this draft version, the economic activity was classified as an enabling economic activity in accordance with Article 10(1), point (i), of Regulation (EU) 2020/852. In addition, other packaging related technical screening criteria under the EU Taxonomy, are classified as activities supporting the transition to a climate-neutral economy. The share of these investments are presented above in parenthesis.

How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

There were no Taxonomy-aligned investments during the previous reference period, therefore the number of Taxonomy-aligned investments grew by 47.7%.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 49.1%. The financial product made the investments in activities that were not taxonomy eligible. In compiling the technical screening criteria for the economic activities covered by the EU Taxonomy, The European Parliament and the Council have prioritised activities that can make the most relevant contribution to the two environmental objectives under consideration. The first Delegated Act focused on the climate objectives (climate change mitigation and climate change adaptation) and therefore includes activities that are most relevant for reductions in greenhouse gas emissions and for improving climate resilience. This includes sectors with the highest contribution to CO_2 emissions (energy, manufacturing, transport, buildings), as well as activities enabling their transformation, because the transformation of activities in these sectors is necessary to reach the EU's climate objectives. The European parliament has stated however, that it was not possible to develop criteria for all sectors where activities could conceivably make a substantial contribution.

The EU Taxonomy will be developed gradually over time, and further delegated acts, or revisions of existing ones, will likely include other economic activities from different sectors and sub-sectors of the economy, as these become relevant and feasible to be integrated into the EU Taxonomy. For example, the review of the criteria on forest management and bioenergy are foreseen in the Taxonomy Climate Delegated Act itself. Furthermore, the fund's investment strategy focuses on industrial scale bioindustry solutions, which are as an economic activity, still considered a small sector. Based on the forementioned argumentation, the sector chosen in the investment strategy is not currently widely cover by the Taxonomy and its delegated acts, which is why other sustainable investments were made, as defined in the SFDR regulation (2019/2088 (2(17)).

The sustainable investments not aligned with the EU Taxonomy have however gone through an LCA assessment conducted according to the ISO-standard recommendations given in the EU Taxonomy. The calculation done for Colombier Finland Oy covered the scope "cradle-to-grave" and was carried out by Greenstep Ltd and verified by AFRY. For the investment made in Nordtreat Finland Oy, an LCA covering the scope "cradle-to-grave" was made by Greenstep Ltd and verified as part of the process of receiving an environmental product declaration (EDP), by EDP Hub.

What was the share of socially sustainable investments?

N/A (0%)

What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

The fund manager interprets that investments included under "not sustainable" include cash and cash equivalents managed by the fund. The manager confirms that despite the fund objective of making 100% sustainable investments, some amount of cash is necessary and perceived acceptable according to SFDR EU/2019/2088. Cash is usually called for working capital purposes, but in some cases to avoid cash drag or to condone with the terms of capital calls outlined in the LPA. The amount of cash varies and is kept only for a short period of time and not for strategic purposes. Investments included in "not sustainable" follow the fund's strategy and, therefore, also minimum social safeguards and are from sustainable investments or are kept due to coming sustainable investments.

What actions have been taken to attain the sustainable investment objective during the reference period?

The fund's sustainable investment objective was attained by implementing and adopting the fund manager's sustainability principles, and the fund's sustainability criteria for investments. Prior to any investment made during the reference period, the manager ensured that good governance and minimum social safeguards were followed by assessing the target company's current policies and practices, as well as engaging the investees to commit to the manager's policies and guidelines. In addition, the manager conducted comprehensive ESG due diligence to identify possible sustainability risks and material principle adverse impacts, assessed physical climate change risks and identified adaptation plans if material risks occurred. Additionally, the fund manager arranged training and workshops to assist the investment targets in their sustainability work and processes regarding addressing human and labourers' rights in their operations and value chain.

Furthermore, the fund manager assesses the set sustainability indicators and principal adverse impact indicators throughout the reporting period and has addressed inconsistencies and abnormalities in the reported data and reasons behind these irregularities with the investment targets. These activities have resulted in improved recycling rates and emission intensities.

In addition, the fund manager conducts regular sustainability risk and adverse impact monitoring. The fund manager has overseen and steered the target companies' strategy work by operating in the target companies' board of directors and has regularly visited the production facilities of the target companies.

Furthermore, the fund manager updated its Sustainability Principles and Code of Conduct to comply with the regulatory development and best practices. Main updates related to used terminology, data collection and reporting. The fund manager also registered as an adopter of the TNFD (Taskforce on Nature-related Financial Disclosures) to ensure that nature-related risks, dependencies and impacts of its investment decisions are well understood and adaptable.

Finally, the fund management team underwent sustainability training as well as training regarding good governance practices.

How did this financial product perform compared to the reference sustainable benchmark?

No reference benchmarks are used to measure the attainment of the sustainable objective.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

- **How did the reference benchmark differ from a broad market index?**

  N/A

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?**

  N/A

- **How did this financial product perform compared with the reference benchmark?**

N/A

- **How did this financial product perform compared with the broad market index?**

  N/A

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ANNEX 1

ANNEX

to the

Commission Delegated Regulation (EU) .../...

supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

EN

ANNEX I

Template principal adverse sustainability impacts statement

For the purposes of this Annex, the following definitions shall apply:

(1) 'scope 1, 2 and 3 GHG emissions' means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council[1];

(2) 'greenhouse gas (GHG) emissions' means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council[2];

(3) 'weighted average' means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;

(4) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(5) 'companies active in the fossil fuel sector' means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council[3];

(6) 'renewable energy sources' means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;

(7) 'non-renewable energy sources' means energy sources other than those referred to in point (6);

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1 Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

2 Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

3 Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

(8) 'energy consumption intensity' means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;

(9) 'high impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council[4];

(10) 'protected area' means designated areas in the European Environment Agency's Common Database on Designated Areas (CDDA);

(11) 'area of high biodiversity value outside protected areas' means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council[5];

(12) 'emissions to water' means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council[6] and direct emissions of nitrates, phosphates and pesticides;

(13) 'areas of high water stress' means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute's (WRI) Water Risk Atlas tool "Aqueduct";

(14) 'hazardous waste and radioactive waste' means hazardous waste and radioactive waste;

(15) 'hazardous waste' means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council[7] ;

(16) 'radioactive waste' means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom[8];

(17) 'non-recycled waste' means any waste not recycled within the meaning of 'recycling' in Article 3(17) of Directive 2008/98/EC;

(18) 'activities negatively affecting biodiversity-sensitive areas' means activities that are characterised by all of the following:

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4 Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance (OJ L 393, 30.12.2006, p. 1–39).

5 Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC (OJ L 350, 28.12.1998, p. 58).

6 Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

7 Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

8 Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48).

(a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;

(b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:

(i) Directive 2009/147/EC of the European Parliament and of the Council[9];

(ii) Council Directive 92/43/EEC[10];

(iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council[11];

(iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);

(19) 'biodiversity-sensitive areas' means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139[12];

(20) 'threatened species' means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;

(21) 'deforestation' means the temporary or permanent human-induced conversion of forested land to non-forested land;

(22) 'UN Global Compact principles' means the ten Principles of the United Nations Global Compact;

(23) 'unadjusted gender pay gap' means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;

(24) 'board' means the administrative, management or supervisory body of a company;

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9 Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

10 Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

11 Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 026, 28.1.2012, p. 1).

12 Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

(25) 'human rights policy' means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;

(26) 'whistleblower' means 'reporting person' as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council[13];

(27) 'inorganic pollutants' means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council[14], for the Large Volume Inorganic Chemicals- Solids and Others industry;

(28) 'air pollutants' means direct emissions of sulphur dioxides (SO_2), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), and fine particulate matter ($PM_{2,5}$) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council[15], ammonia (NH_3) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;

(29) 'ozone depletion substances' mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

For the purposes of this Annex, the following formulas shall apply:

(1) 'GHG emissions' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope(x)\ GHG\ emissions_i\right)$$

(2) 'carbon footprint' shall be calculated in accordance with the following formula:

$$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i\right)}{current\ value\ of\ all\ investments\ (€M)}$$

[13] Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L305, 26.11.2019, p. 17).

[14] Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

[15] Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (Text with EEA relevance), *OJ L 344, 17.12.2016, p. 1–31*

(3) 'GHG intensity of investee companies' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{investee\ company's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i}{investee\ company's\ €M\ revenue_i}\right)$$

(4) 'GHG intensity of sovereigns' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{The\ country's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i}{Gross\ Domestic\ Product_i(€M)}\right)$$

(5) 'inefficient real estate assets' shall be calculated in accordance with the following formula:

$$\frac{\begin{array}{c}((Value\ of\ real\ estate\ assets\ built\ before\ 31/12/2020 with\ EPC\ of\ C\ or\ below) + \\ (Value\ of real\ estate\ assets\ built\ after\ 31/12/2020\ with\ PED\ below\ NZEB\ in\ Directive\ 2010/31/EU))\end{array}}{Value\ of\ real\ estate\ assets\ required\ to\ abide\ by\ EPC\ and\ NZEB\ rules}$$

For the purposes of the formulas, the following definitions shall apply:

(1) 'current value of investment' means the value in EUR of the investment by the financial market participant in the investee company;

(2) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(3) 'current value of all investments' means the value in EUR of all investments by the financial market participant;

(4) 'nearly zero-energy building (NZEB)', 'primary energy demand (PED)' and 'energy performance certificate (EPC)' shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council[16].

[16] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13)

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Taaleri Bioindustry Fund I Ky (3227560-7)

Summary

Taaleri Bioindustry Fund Ky considers principal adverse impacts of their investment decisions on sustainability factors. The present statement is a statement on principal adverse impacts on sustainability factors of the financial product.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

This financial product is managed according to the investment objectives and agreed limits. Although the fund's goal is to make sustainable investments that have a positive impact on the environment, stakeholders, and society, we recognise that our investment decisions have adverse sustainability impacts on our operating environment. For the purposes of the application of the SFDR-regulation (2019/2088), Taaleri Bioindustry Fund Ky considers principal adverse sustainability impacts of its investment decisions on sustainability factors. The 'do no significant harm' principle is applied to all investments in the financial product, and they consider the EU criteria for environmentally sustainable economic activities.

Description of measured principal adverse impacts:

The fund has the most impact on the following indicators:

- GHG emissions
- Share of non-renewable energy consumption and production
- Non-recycled waste ratio
- Water usage and recycling
- Board gender diversity
- Number of days lost to injuries, accidents, fatalities or illness

Taaleri Bioindustry Fund I Ky made its first investments in November of 2022, therefore for historical reference, the measured principal adverse impacts of investment decisions from reporting period 1.1.2022-31.12.2022 are relatively small. The most significant measured principal adverse

impacts of the fund's investment decisions for the reference period of 2023 are: greenhouse gas emissions stemming from non-renewable energy use and scope 3 emissions; share of non-renewable energy use; non-recycled waste; water usage; board gender diversity; and rate of accidents. Actions taken, planned, and targets set are described in the table below. Investees have committed to setting net-zero emission targets and planning actions to reduce emissions. The fund manager will take active measures to come up with solutions for reducing the amount of non-recycled waste and water-use efficiency together with the investment companies. A workshop is planned to help implement practical solutions to improve board gender diversity in the investment companies.

Tiivistelmä

Taaleri Bioteollisuusrahasto I Ky (Y-tunnus: 3227560-7) ottaa huomioon sijoituspäätöstensä pääasialliset haitalliset vaikutukset kestävyystekijöihin. Tämä ilmoitus on rahoitustuotteen ilmoitus pääasiallisista haitallisista vaikutuksista kestävyystekijöihin. Tämä ilmoitus pääasiallisista haitallisista vaikutuksista kestävyystekijöihin kattaa viitekauden, joka alkaa 1. päivänä tammikuuta 2023 ja päättyy 31. päivänä joulukuuta 2023.

Rahastotuotetta hallinnoidaan investointitavoitteiden ja sovittujen rajausten mukaisesti. Vaikka rahaston tavoitteena on tehdä kestäviä sijoituksia, joilla on positiivinen vaikutus ympäristöön, sidosryhmiin ja yhteiskuntaan, tunnistamme, että sijoituspäätöksillämme on myös haitallisia kestävyysvaikutuksia toimintaympäristöömme. SFDR-sääntelyn (2019/2088) soveltamiseksi Taaleri Bioteollisuus I -rahasto ottaa pääasialliset haitalliset kestävyysvaikutukset kestävyystekijöihin huomioon sijoituspäätöksissään. 'Ei merkittävää haittaa' -periaatetta sovelletaan kaikkiin rahoitustuotteeseen sisältyviin sijoituksiin, ja niissä otetaan huomioon ympäristön kannalta kestäviä taloudellisia toimintoja koskevat EU:n kriteerit.

Kuvaus pääasiallisista haitallisista vaikutuksista kestävyystekijöihin

Rahastolla on suurin vaikutus indikaattoreihin:

- Kasvihuonekaasupäästöt
- Uusiutumattoman energian kulutuksen ja tuotannon osuus
- Kierrättämättömän jätteen osuus
- Veden kulutus ja kierrätys
- Sukupuolten moninaisuus hallituksessa
- Loukkaantumisten, onnettomuuksien, kuolemantapausten tai sairauksien vuoksi menetettyjen päivien määrä

Taaleri Bioteollisuusrahasto I Ky teki ensimmäiset sijoituksensa marraskuussa 2022, tästä syystä sijoituspäätösten pääasialliset haitalliset vaikutukset raportointikaudelta 1.1.2022-31.12.2022 ovat suhteellisen pieniä verrattuna tämän hetkiseen raportointikauteen. Rahaston

sijoituspäätösten merkittävimmät mitatut pääasialliset haitalliset vaikutukset vuoden 2023 raportointikauden osalta, ovat: uusiutumattoman energiankulutuksesta ja Scope 3-kasvihuonekaasupäästöt; uusiutumattoman energian osuus energiankulutuksesta; kierrättämättömän jätteen määrä; vedenkulutus; sukupuolten moninaisuus hallituksissa ja onnettomuuksien määrä. Toteutetut ja suunnitellut toimet sekä seuraavalle raportointikaudelle asetetut tavoitteet on kuvattu alla olevassa taulukossa. Sijoituskohteet ovat sitoutuneet asettamaan nollapäästötavoitteet toiminnalleen ja suunnittelemaan toimia päästöjen vähentämiseksi. Rahastonhoitaja tulee selvittämään ratkaisuja kierrättämättömän jätteen määrän vähentämiseen ja vedenkäytön tehostamiseen yhdessä sijoitusyhtiöiden kanssa. Lisäksi suunnitteilla on työpaja, jossa kohdeyhtiöille viestitään käytännön ratkaisuista hallitusten sukupuolten monimuotoisuuden parantamiseksi.

Description of the principal adverse impacts on sustainability factors

Information referred to in Article 7 (2019/2088) in the format set out below.

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	**6.273 tCO_2e**	**1.177 tCO_2e**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*2023 was the first full reporting year from which data was gathered from the investees. Based on the 2023 data, Net Zero roadmap work together with the investees will take place during H1/2024. The investees have committed to the goal of achieving Net Zero emissions by 2050 (scope 1-3).*

		Scope 2 GHG emissions	**45.061 tCO_2e**	**5.482 tCO2e**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*2023 was the first full reporting year from which data was gathered from the investees. Based on the 2023 data, Net Zero roadmap work together with the investees will take place during H1/2024. The investees have committed to the goal of achieving Net Zero emissions by 2050 (scope 1-3).*
		Scope 3 GHG emissions	**260.513 tCO_2e**	**38.930 tCO2e**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*2023 was the first full reporting year from which data was gathered from the investees. Based on the 2023 data, Net Zero roadmap work together with the investees will take place during H1/2024. The investees have committed to the goal of achieving Net Zero emissions by 2050 (scope 1-3).*
		Total GHG emissions	**311.848 tCO_2e**	**45.590 tCO2e**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*2023 was the first full reporting year from which data was gathered from the investees. Based on the 2023 data, Net Zero roadmap work together with the investees will take place during H1/2024. The investees have committed to the goal of achieving Net Zero emissions by 2050 (scope 1-3).*
	2. Carbon footprint	Carbon footprint	**12.71 tCO_2e**	**5.04 tCO2e**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*2023 was the first full reporting year from which data was gathered from the investees. Based on the 2023 data, Net Zero roadmap work together with the investees will take place during H1/2024. The investees have committed to the goal of achieving Net Zero emissions by 2050 (scope 1-3).* .

	3. GHG intensity of investee companies	GHG intensity of investee companies	**0.043**	**0.024***	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*2023 was the first full reporting year from which data was gathered from the investees. Based on the 2023 data, Net Zero roadmap work together with the investees will take place during H1/2024. The investees have committed to the goal of achieving Net Zero emissions by 2050 (scope 1-3).* **2022 indicator calculation corrected, wrong GHG units used (23,827.7)*
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	**0%**	**0%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*The fund has no exposure to companies active in the fossil fuel sector, this is ensured also in the future by complying with the investment strategy of the Fund, as well as Taaleri Plc's sustainability policy.*
	5. 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	**57%**	**81%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*During the reporting period, two of the three investees still relied on mixed energy sources that are largely fossil-based. The third investee relies almost entirely on renewable energy. As one of the two investees relying on fossil-based energy moves into new production facilities, they intend to purchase zero-emission energy.* *Active measures will be taken to encourage investees to changing the remainder of energy sources into renewable energy.*

		percentage of total energy sources				
	6. 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	**0.19**	**0.02**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*As production is scaled up, energy-efficiency is made a top-priority in planning new production facilities and manufacturing processes of the investees.*
Biodiversity	7. 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	**0%**	**0%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*The fund has no investments in biodiversity-sensitive areas. This is ensured in future investments as well as in scaling up production of current investees.* *The fund manager has begun assessing the investees' biodiversity impacts and dependencies to support the reduction of potential adverse impacts on biodiversity. This assessment is published as an Appendix to the financial product's annual report and is conducted following the recommendations of the TNFD (Taskforce on Nature-related Financial Disclosures).*
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	**0**	**0**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*The fund has no investments that cause emissions to water (EU/2022/1288, Annex I (12)). This is also ensured in future investments, as well as in scaling up production of current investees.* *The fund manager will look into assessing the investees water impacts and dependencies to support the reduction of potential adverse impacts related to bodies of water.*

Waste	9. 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	**0.010**	**0.159**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*Only one of the investees produces hazardous waste as part of their chemical process. As the production expands to industrial scale in 2024, the company is more equipped to optimize the chemical cycles in the process to minimize hazardous waste.*
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. 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	**0%**	**0%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*Due diligence assessments conducted before making an investment decision did not detect any violations of UNGC principles or OECD guidelines. Investees have conducted self-assessments regarding the alignment with the UNGC principles and OECD Guidelines and have based on these assessments provided roadmaps to improve their governance practices.*
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or	**0%**	**0%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they*	*Further guidance and collaboration for developing the investees' processes related to the practical implementation of the UNGC principles and OECD guidelines was facilitated by organizing a training session and workshop related to social sustainability.*

	OECD Guidelines for Multinational Enterprises	OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			*are not for the entire year*	*Based on this training development plans to improve existing mechanisms have been made.*
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	**25.31%**	**-1.38%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*No active measures to reduce principal adverse impacts regarding the unadjusted gender pay gap have been taken so far.*
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	**0%**	**0%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*All investees are committed to working towards improving diversity and inclusion within their organization. One of the investees is in the process of recruiting new board members and have increasing diversity on the agenda.*

	14. 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	**0%**	**0%**	*The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*	*No investments in companies involved in the manufacture or selling of controversial weapons.* *This is ensured also in the future by complying with the investment strategy of the fund, as well as Taaleri Plc's sustainability policy, which includes exclusion criteria for controversial weapons.*

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries				
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where				

		applicable, national law				
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets				
Other indicators for principal adverse impacts on sustainability factors						
Reported in Table 2 and 3 below.						

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The governing body of this fund approved the policies described in this document on 16th of May 2023 (Taaleri Bioindustry updated policies) and 14th of December 2023 (Taaleri Plc updated policies). These policies are updated annually.

The allocation of responsibilities of the policies uses governance structures that enable appropriate decision-making, oversight, remuneration and management of risk and conflicts of interest. Fund managers and the AIFM define roles and responsibilities for, for example, the following functions and positions: 1) boards, CEOs, other management and investment committees of companies managing investments in the asset management business; 2) internal control (compliance) and risk management representatives; 3) other specialists (such as ESG, legal and technical experts).

Principal adverse impacts are assessed using data from the investee companies. Principal adverse sustainability impacts have been determined through, analysing the principle adverse impacts data as well as through due diligence- and materiality analyses. Materiality analysis identifies the key environmental life cycle impacts of the investees by utilising key sustainability frameworks and standards. The due diligence evaluation also draws on the OECD's recommendations on the due diligence process to assess both the environmental impact and the impact on human rights and society. On the basis of these reviews, the principal sustainability impacts are identified and a plan of measures to mitigate the impacts is established. The evaluations consider the likelihood, impact, severity and reparability of the impacts. The likelihood of the principal adverse sustainability impacts is assessed on a five-step scale: 1) rare, 2) unlikely, 3) possible, 4) likely and 5) almost certain. Similarly, the severity of the impacts is assessed on a five-step scale: 1) non-significant, 2) minor, 3) moderate, 4) large and 5) significant. The likelihood and severity of the impacts is also assessed on the basis of the interaction between the scores obtained by squaring the severity of the impact. The combined impact produces a classification which determines the principal adverse impacts in three categories: 1) low, 2) medium and 3) high.

The due diligence process includes a double materiality analysis and a sustainability risk analysis, which is carried out using a similar five-step scale as described above. A thorough material request list covering essential aspects of sustainability factors is sent to investees and material provided is assessed, and supplemented with interviews and site visits. In addition, all investee companies must undertake to comply with the minimum social impact stipulated in the SFDR (2019/2088).

Indicators measuring the objectives or characteristics of the fund have been defined on the basis of the strategy and objectives of the fund's investees. These sustainability indicators have been defined by assessing which quantitative or qualitative variables best reflect the environmental characteristics or environmental objectives and impacts promoted by the financial product and which are appropriate for the characteristics of the sustainable investments made. In addition, data available on investees have been considered in the selection of the indicators reported. The fund uses data directly reported by the investee companies, which may be partly calculated and/or modelled by a third party. PAI indicators are calculated using the methods defined in the regulatory technical guidelines supplementing the SFDR (2020/1288). The assessment of the principal adverse sustainability impacts over the entire life cycle of an investment is based in part on projections, which means that the assessment of their likelihood and severity is always subject to uncertainty. In addition, it is possible that, despite best efforts, not all sustainability impacts can be predicted in advance. The calculation of the reported indicators can be supported by, for example, life-cycle impact assessment methods in

accordance with ISO standards, information, surveys and audits measured and monitored by the fund manager, subcontractors or investee companies. The fund manager has obtained the information reported from investees to fulfil their reporting obligations under the EU's Sustainable Finance Disclosure Regulation.

Engagement policies

Taaleri's engagement policies referred to in Article (14) 3g (2007/36/EC) aim to ensure that the activities of Taaleri, Taaleri Private Equity Funds Ltd, Taaleri Bioindustry Ltd, Taaleri Bioindustry Fund I Ky, and their partners do not cause significant harm to the environment, society or employees, violate human rights, or engage in corruption and bribery. The fund manager regularly monitors and audits the operations of our investees. We regularly monitor and audit our operations and those of our investees. The principal adverse impacts described in Table 1 of Annex 1 to Regulation EU 2022/1288 are observed, and the policies and code of conduct to prevent, correct and mitigate those impacts will be amended accordingly when necessary.

Policies: Taaleri Code of Conduct, Taaleri Bioindustry Code of Conduct, and Corporate Governance Statement

• The Code of Conducts govern and describe the ethical principles that guide our operations and investment decision-making. The Code of Conduct applies to all activities, to all staff and to our significant partners. The Code of Conducts outlines business principles regarding compliance with laws and regulations, corruption and bribery, conflicts of interest and secondary occupations, prevention of money laundering and the financing of terrorism, sanctions, handling of confidential information and anti-competitive behaviour. In addition, the Code of Conduct covers a description of working with stakeholders and sustainability.

• Corporate Governance Statement

The Corporate Governance Statement describes Taaleri's decision-making hierarchy, the activities of the Board of Directors and management, diversity and procedures related to financial and risk reporting. Taaleri Plc is a Finnish limited liability company listed on Nasdaq Helsinki. In addition to the laws and regulations applicable to listed companies, the rules and regulations of the Finnish Financial Supervisory Authority and Taaleri's administrative principles, the company adheres to the Securities Market Association's Finnish Corporate Governance Code, which is publicly available on the Securities Market Association's website at www.cgfinland.fi. Taaleri Plc's Board of Directors approved the Corporate Governance Statement in February 2022.

Taaleri Bioindustry Fund I Ky's other engagement policies aim to ensure that the investment activities do not cause significant harm to the environment, society and workers, violate human rights or engage in corruption and bribery. We regularly monitor and audit our operations and those of our investees. The principal adverse impacts described in Table 1 of Annex 1 to Regulation EU 2022/1288 are observed, and the policies and code of conduct to prevent, correct and mitigate those impacts will be amended accordingly when necessary.

- Policies: Taaleri Plc Sustainability Policy, Taaleri Private Equity Funds Ltd Responsible Investment Policy, Taaleri Bioindustry
- Sustainability Principles, Taaleri Plc Sustainability Risk Policy, Taaleri Private Equity Funds Ltd Risk Management Policy
- The sustainability policies of Taaleri and its Financial Market Participants and the Sustainability Principles of Taaleri Bioindustry describe the fund manager's approach to analysing, monitoring, avoiding, and mitigating principal adverse sustainability impacts. Examples of such sustainable investment policies include thematic investing, positive screening, and negative screening, and influencing investees through active ownership and engagement. The means of active ownership and more detailed description of the appropriate due diligence and active ownership measures are described in Taaleri's Sustainability Policy.
- Taaleri's Sustainability Risk Policy describes Taaleri's and its Financial Market Participants' approach to considering and managing sustainability risks in different businesses. Taaleri and its subsidiaries and financial products such as Taaleri Bioindustry Fund Ky, consider the sustainability impacts of investments on the environment, society and governance. The policy describes the risks to economic activity posed by climate change and various sustainability factors.

Taaleri Bioindustry Fund Ky's engagement policies and the dates on which the Group or the governing body of the business approved each policy are listed below. All documents are available at https://www.taaleri.com/en/corporate-responsibility/document-archive.

- Taaleri Code of Conduct (Management approval on updated document, December 2023)
- Taaleri Partner Code of Conduct (Management approval on updated document December 2023)
- Taaleri Plc Sustainability Policy (Management approval on updated document, 14th of December 2023)
- Taaleri Plc Sustainability Risk Policy (Management approval on updated document: 14th of December 2023)
- Corporate Governance Statement (Management approval: 11 February 2022)
- Taaleri Private Equity Funds Ltd Sustainable Investment Policy (Management approval on updated document: 18th of December 2023)
- Taaleri Bioindustry Sustainability Principles (Management approval on updated document: 16th of May 2023)

References to international standards

In this section, described are Taaleri Bioindustry Fund I Ky's governance and due diligence practices and how (methodologies and coverage) they comply with international standards, as well as their degree of alignment with the objectives of the Paris Agreement. Taaleri Bioindustry Fund I Ky applies and follows the same standards as Taaleri Plc.

The standards referenced reflect Taaleri and its Financial Market Participants' approach to dealing with both economic and environmental, social, and governance-related sustainability factors of their investment decisions.

Compliance, reliability, and transparency are the basis of Taaleri's and its Financial Market Participants' operations. Compliance with legislation and responsible, ethical practices are the cornerstones of companies' business and are strongly linked to stakeholder cooperation, reputation and the ability to conduct business in the financial markets. Taaleri Group's codes for due diligence and responsible business are described in the documents listed in section "Engagement policies". Sustainability issues are considered in all operations and the 'do no significant harm' principle is applied to all of the investments made through this financial product and are monitored throughout their life cycle. In accordance with the 'do no significant harm' principle, the principal adverse impacts of investees are assessed and it is determined whether the investees meet the 'do no significant harm' criteria of the SFDR and/or the Taxonomy Regulation. If significant harm to the environmental and/or social objective or characteristic is detected before the investment decision is made, the investment is not made. Funds that promote sustainability features and aim to make sustainable investments report on the indicators required by Annex 1 to Regulation 2022/1288 and the indicators specified in this document. Funds monitor and report on the principal adverse impact indicators in accordance with the disclosure requirements (EU 2019/2088). Reduction targets to be promoted through active ownership, policies and codes of conduct are defined for the principal adverse impacts to be monitored.

Taaleri and its Financial Market Participants respect all internationally recognised human and labour rights. The investees are committed to the principles of rights set out in the eight core conventions identified by the ILO Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. In addition, the financial market participant and its investees are committed to implementing the UN Guiding Principles on Business and Human Rights in all activities. The financial market participant and the investees it invests in consider central fundamental and human rights issues to include combatting the use of forced or child labour, the prevention of discrimination and harassment, the freedom of expression, religion and peaceful assembly and the promotion of decent working.

Other key international conventions and guidelines that underpin the corporate sustainability work of Taaleri and the Financial Market Participant include the UN Universal Declaration of Human Rights, the UN Convention against Corruption, the UN Rio Declaration on Environment and Development, the UN Sustainable Development Principles, the OECD Guidelines for Multinational Enterprises (including the OECD Guidelines for Institutional Investors) and the UN Global Compact. As such, our activities contribute to the minimum safeguards of the EU regulation to facilitate sustainable investment (2020/852), the UN Global Compact and the precautionary principle.

To assess compliance with these commitments, Taaleri and the Financial Market Participant carries out an annual human rights risk assessment to assess the likelihood and severity of potential principal adverse impacts on society, good governance practices and human rights. On the basis of this assessment, possible measures to prevent, mitigate or eliminate the principal adverse impacts are planned. Furthermore, the financial

product reports the indicators required by Annex 1 to Regulation 2022/1288 and the indicators specified in this document with respect to the commitments referred to in the regulation. The fund manager monitors and reports on the principal adverse impact indicators in accordance with the disclosure requirements (EU 2019/2088). Sustainability goals and mitigative measures are to be promoted through active ownership, policies and codes of conduct are defined for the principal adverse impacts to be monitored. All investees comply with the minimum safeguard requirements of the SFDR.

The Financial Market Participants use the sustainability frameworks described below to identify sustainability impacts related to investments and to use appropriate approaches to manage and address the principal adverse sustainability impacts. The Financial Market Participant monitors the evolution of the frameworks and general market developments in relation to accountability and best practices and assess the best way to take these standards into account in their activities. Examples of the internationally recognised standards used include the Carbon Disclosure Project (CDP), TCFD, TNFD, UNPRI and, where applicable, the European Sustainability Reporting Standards (ESRS) of the EU Corporate Sustainability Directive (CSRD). These frameworks are used to identify and analyse the principal adverse impacts on climate and nature. The framework recommendations on the indicators used to assess impacts correspond to the greenhouse gas emission indicators described in Table 1 of Annex 1 to Regulation 2022/1288. These are reported and calculated using the definitions and instructions in the said regulation.

Taaleri also assesses the principal adverse impacts caused by it and its funds annually by responding to a UNPRI survey on sustainable investment measures. On the basis of an assessment by UNPRI, policies and practices can be compared with best practices in the market, which supports the development of applied policies and practices. The UNPRI survey is under development, so it is difficult to make a precise reference to the principal sustainability impact indicators of Regulation 2022/1288, but previous surveys have identified, for example, corporate governance in relation to fossil fuels, human rights and related commitments, and the reporting of greenhouse gas emissions. These elements are partly in line with the indicators listed in Table 1 of Annex 1 to Regulation 2022/1288.

The CDP and the TCFD make recommendations on information and risks related to climate change. Taaleri and its Financial Market Participants support and follow the TCFD's proposal for data to be reported on the economic impacts of climate change. The TCFD-compliant climate risk assessment utilises the IPCC's forward-looking climate scenarios (RCP4.5–RCP8.5), and the climate risk assessments were prepared by the Group's sustainability experts during 2023. In addition, efforts have been made to align climate risk assessments with the requirements of the 'do no significant harm' assessment criteria of the Taxonomy Regulation (2020/852) with regard to the climate change adaptation target. The Financial Market Participant's first TCFD aligned risk report is to be published during 2024. The climate risk assessments and the Net Zero Asset Managers initiative support the reporting on the indicator 'Share of investments in companies active in the fossil fuel sector' in Table 1 of Annex 1 to Regulation 2022/1288 and the indicator 'Investments in companies without carbon emission reduction initiatives' in Table 2 of Annex 1 to the regulation and help to monitor the development of these principal adverse sustainability impacts. In addition, Taaleri participates in various ways in the development of best practices in industry regulation and sustainability work. Taaleri and its Financial Market Participants have signed the Net Zero Asset Managers (NZAM) initiative, which aligns the emission reduction targets of the company and its investments with the Paris Agreement. The

initiative requires cutting emissions from the company's activities, committing investees to reducing greenhouse gas emissions and setting a net zero emission target. Zero emissions must be achieved by 2050.

During 2023, the Financial Market Participant begun the work of assessing its assets' nature-related risks, dependencies and impacts and carried out a TNFD aligned risk assessment. The results of this assessments will be reported during 2024 in a consolidated report together with climate risks as described above. This report will be available as an Appendix to this financial product's annual report, as well as the Taaleri's website. The work conducted based on TNFD recommendations helps the fund manager to better incorporate nature-related adverse impacts in its own decision making and strategy work and guide the investees in reducing their negative nature-related impacts.

Historical comparison

The Financial market participant has described the adverse impacts on sustainability factors for a period preceding this reporting period for which the information is disclosed in accordance with Article 6 has provided in the section 'Description of principal adverse impacts on sustainability factors' in Table 1 of Annex I. The previous reporting year's investments were made during Q4 of 2022, which is why the reporting period of year 2022 only consists of data on principal adverse impacts from that time. The reporting period of 2023 consists of data from the entire year, which is why the reported indicators are evidently larger compared to the previous reporting period.

As to changes in the indicators in Table one, the GHG emissions are larger compared to the previous reporting period, as 2023 was the first full year of SFDR data collection and reporting, the GHG intensity and energy consumption intensity values increased as well as a new investment was made, and its proportionate revenue is still relatively low due to production not having started yet during the reporting period. The share of non-renewable energy consumption reduced due to the new investment relying mostly on renewable energy. There were no changes to principal adverse impacts on biodiversity or water, and these impacts remained at zero. The hazardous waste ratio reduced as a result of the new investment made, which does not produce hazardous waste. The unadjusted gender pay gap grew from a negative value to 25%, which indicates a change in the ratio of average compensation of women and men. Other indicators in Table 1 remained unchanged.

Historical comparison of indicators in Table 2 and 3 is also visible in the added columns for historic data. The average amount of water consumed per million EUR invested decreased because of the new investment which is in comparison slightly less water intensive. However, the new investments' pilot-scale process that was in place in 2023 does not allow for recycling of water, which is why the recycling rate of water decreased slightly. The non-recycled waste ratio decreased as some active ownership measures were taken during the reporting year, which resulted in the reduction of non-recycled waste. Number of days lost to injuries, accidents, fatalities, or illness increased due to some unfortunate non-work-related long-term illnesses as well as the impact of the ongoing pandemic. The governance, human- and labour rights related indicators were reduced as these themes were workshopped together with the investees to improve their current processes in place.

Table 2

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies					
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact [2023]**	**Impact [2022]**	**Actions taken, and actions planned, and targets set for the next reference period**
Emissions	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average			
	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average			
	3. Emissions of ozone-depleting substances	Tonnes of ozone-depleting substances equivalent per million EUR invested, expressed as a weighted average			

	4. 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	**0%**	**0%**	*No investments in companies that are not committed to setting net zero emission targets aligned with the Paris Agreement. The investees will be engaged to set science-based reduction targets now that their baseline emissions have been measured.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source			
Water, waste and material emissions	6. Water usage and recycling	1) Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies 2) Weighted average percentage of water recycled and reused by investee companies	**1) 87.2** **2) 15.0%**	**1) 106.1** **2) 25.3%**	*Water use in the investees is considered low, so no immediate action is planned to reduce the consumed water. Water-use efficiency will be monitored and improved in the long run when viable solutions become available.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies			
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in			

		areas of high water stress without a water management policy			
	9. Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006			
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing			
	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies			
	12 Investments in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies			
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	**0.65**	**0.93***	*The amount of non-recycled waste was addressed with a investees, which resulted in the reduction of this ratio. *2022 indicator calculation corrected, based on updated understanding of calculation methodology* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*
	14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species 2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas			

	15. Deforestation	Share of investments in companies without a policy to address deforestation			
Green securities	16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds			
Indicators applicable to investments in sovereigns and supranationals					
Green securities	17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds			
Indicators applicable to investments in real estate assets					
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets			
		Scope 2 GHG emissions generated by real estate assets			
		Scope 3 GHG emissions generated by real estate assets			
		Total GHG emissions generated by real estate assets			
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter			

Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract			
Resource consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations			
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets			

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Indicators applicable to investments in investee companies					
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact [2023]**	**Impact [2022]**	**Actions taken, and actions planned, and targets set for the next reference period**
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy			
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average			
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	**69.66**	**36.24**	*The number of days lost to injuries, accidents, fatalities, or illness has been addressed with an investee. The significant increase in the number was due to couple of cases of long-term illnesses that were non-work related. Furthermore, the global pandemic has still caused some seasonal sick-leave absences.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with*

					2023 values as they are not for the entire year
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	**0%**	**66%**	*Certain governance and due diligence related processes have been improved during the reporting year by organizing workshops with the investees.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matter	**20%**	**34%**	*Certain governance and due diligence related processes have been improved during the reporting year by organizing workshops with the investees.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers			
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in			

		investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average			
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)			
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	**0%**	**0%**	*No investments in companies that do not address human rights in their public policies and/or ethical guidelines or that do not commit to respecting them.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with 2023 values as they are not for the entire year*
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	**51%**	**100%**	*Certain governance and due diligence related processes have been improved during the reporting year by organizing workshops with the investees.* *The fund made its first investments in Q4/2022 and therefore, the results presented are not comparable with*

					2023 values as they are not for the entire year
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings			
	12. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour in terms of geographic areas or type of operation			
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation			
	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis			
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption			
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery			
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies			

Indicators applicable to investments in sovereigns and supranationals					
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column			
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column			
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column			
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column			
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes			
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column			
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column			

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TCFD & TNFD Risk Report

Taaleri Bioindustry

Reporting period 2023

Foreword

This is Taaleri Bioindustry's first report on climate- and nature-related risks and opportunities, implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD). As a private equity fund manager specialising in investments within the bioindustry sector, we recognize the critical importance of disclosing our approach to these environmental challenges.

In an era marked by increasing environmental awareness and the imperative to transition to a sustainable global economy, it is essential for us to be transparent and proactive in addressing the climate and nature-related risks that our investments may encounter. This report demonstrates our dedication to safeguarding the long-term interests of our investors and the well-being of the planet.

At its core, this report aims to inform our investors about the climate- and nature-related risks associated with our investment targets and assets. By providing these insights into the environmental aspects of our investments, we empower our stakeholders to make better-informed decisions, manage risks, and capitalise on opportunities that align with a more sustainable future. We believe that transparency is the cornerstone of trust, and accountability is the essence of responsible investing. By adopting the TCFD and TNFD recommendations, we are committed to enhancing our transparency in disclosing these material climate and nature-related risks related to our investment portfolio. This report offers a view of our strategy, governance, risk assessment, and management approaches regarding climate- and nature-related risks.

The report will cover various aspects, including our leadership and governance structures, engagement with stakeholders, our ambition and targets for addressing climate and nature-related risks, how these risks impact our strategy and how they are monitored and reviewed, as well as our metrics and targets.

We understand that the financial industry plays a pivotal role in fostering sustainability, and we are dedicated to driving positive change. We are excited to share our first report on these vital topics and are committed to continuously enhancing our practices in response to the evolving environmental landscape.

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Report index

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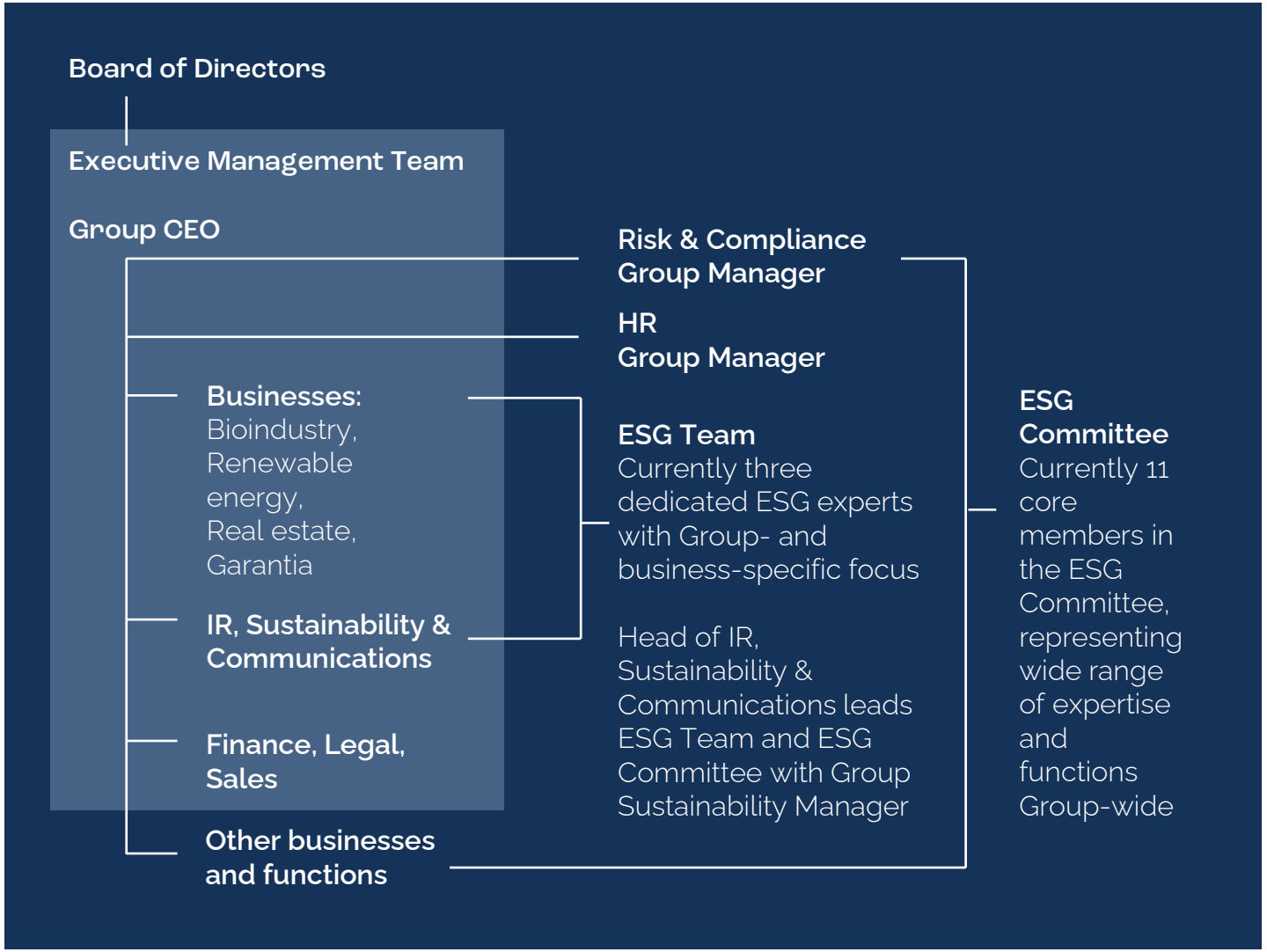
Governance

Board oversight and management's role

- **Board of Directors** guides and ensures sustainability work.
- **Executive Management Team** leads, develops, resources and monitors the progress of sustainability work.
- **Business directors** ensure that internal and external obligations are met in respect of their own business and manage the sustainability work of their business.
- **ESG Committee** plans, implements and assigns responsibilities for sustainability work.
- **All Group personnel** are responsible for their conduct and compliance with relevant policy documents related to sustainability.



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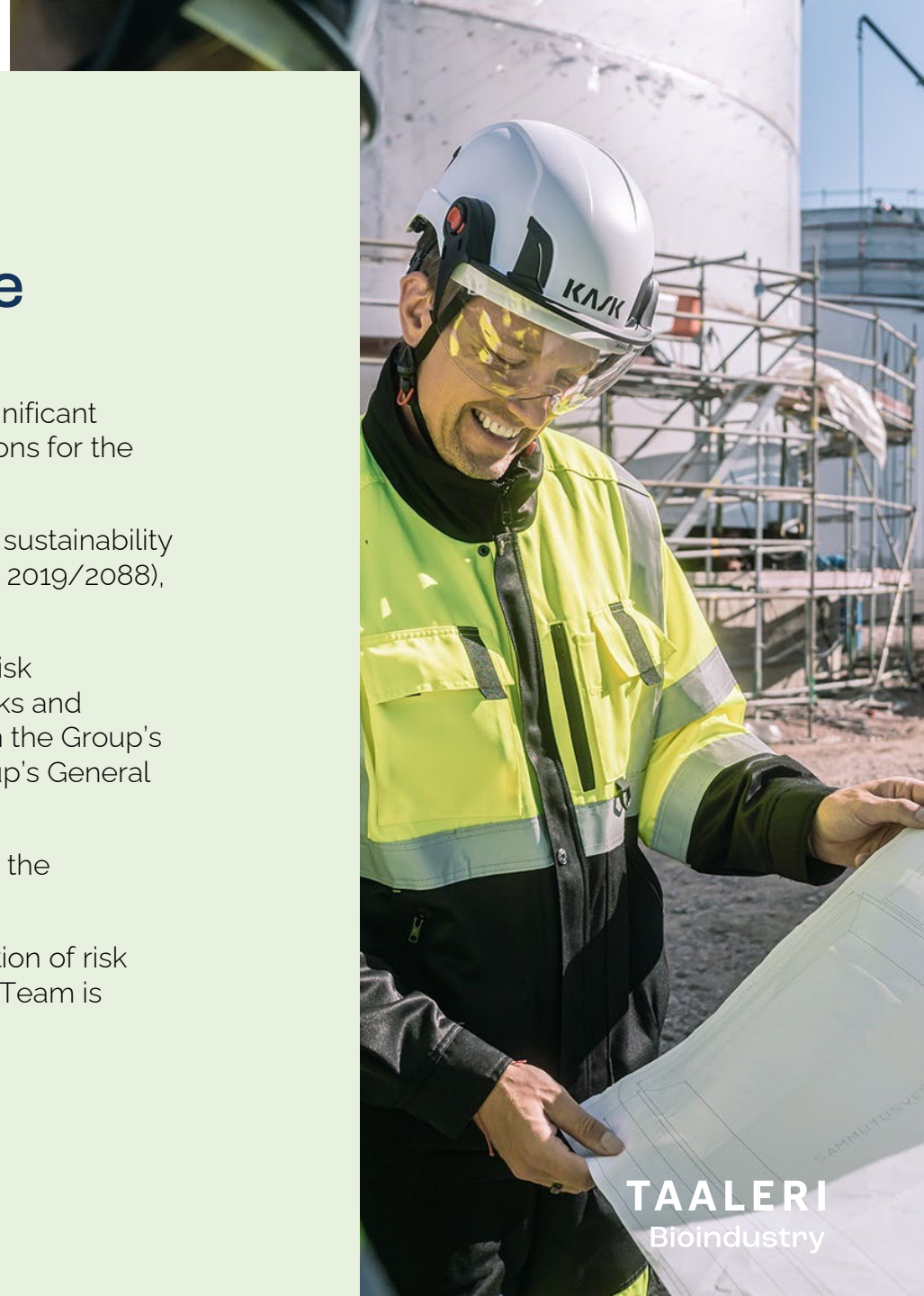
Board oversight and management's role

- The Group's Sustainability Team is responsible for identifying and documenting the Group's significant sustainability risks, drafting, and updating policies and guidelines, and providing support functions for the monitoring of sustainability risks of the business segments.
- The Group's Sustainability Team is responsible for the communication and training in regard to sustainability risks and related processes, monitoring the EU sustainable finance reporting obligations (SFDR 2019/2088), and measuring the Group's performance.
- The Group Risk Officer and the Sustainability Team as well as the persons responsible for the risk management of the businesses are responsible for monitoring and controlling sustainability risks and preparing adaptation plans for said risks. In addition, the Group's Sustainability Team reports on the Group's sustainability risks. Compliance with the reporting requirements is the responsibility of the Group's General Counsel.
- The Group's Executive Management Team is responsible for integrating sustainability risks into the development of the Group's strategy and objectives.
- The Executive Management Team and the legal and risk departments ensure the implementation of risk functions, processes, and sufficient resources. In addition, the Group's Executive Management Team is responsible for compliance with Taaleri's Code of Conduct.



Description of policies and engagement activities

- Our strategy and measures for sustainable investing are described in the Group's Sustainability Policy.
- Taaleri's Code of Conduct and sustainability principles guide Taaleri Plc and all its businesses.
- Taaleri and Taaleri Bioindustry's approach to Sustainability risks and their management is described in the Group's Sustainability Risk Policy
- The policies and documents mentioned in this section are available at Document Archive.
- Taaleri's businesses work responsibly and comply with good governance practices and the principles of sustainable investing in all their operations. The implementation of responsibility and sustainability is supported by business-specific policies and guidelines.
- Taaleri is committed to respecting all internationally recognised human- and labour rights, such as the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work (ILO's eight Core Conventions). We are also committed to following the UN Guiding Principles on Business and Human Rights in all our activities. Taaleri also expects its employees, partners, and other relevant collaborators to respect these human- and labour rights.
- Taaleri Bioindustry's business-specific policies that describe our approach to stakeholder engagement, human rights and other sustainability topics are available at:
  - Taaleri Bioindustry Sustainability Principles
  - Taaleri Bioindustry Code of Conduct

Description of policies and engagement activities

The principles of ownership and stewardship summarised here guide our engagement activities as a shareholder, developer and manager of private equity or alternative investments. The principles of ownership and stewardship include binding principles that guide our actions as well as measures that we take at our discretion.

1) We integrate ESG issues into our investment analysis and decision-making process
    - We develop fund-specific engagement plans.
2) As an active owner we help to implement ESG factors into practical operations, principles, and policies of our investees
    - We integrate sustainability commitments and obligations into contracts and agreements.
3) We identify and implement essential sustainability indicators and report on the sustainability work of the fund and the Group in accordance with disclosure obligations
    - We analyse and report on sustainability risks and impacts;
    - We develop roadmaps for target companies to support them in developing their sustainability work;
    - We monitor and report on the measured developments; and
    - We take part in decision-making and operational activities in the target companies through board work.
4) We promote the implementation of active ownership and sustainability principles in the industry by being an active member in industry organisations and registered associations.
5) We are working on the continuous development of our active ownership measures and stewardship methods.
6) We monitor the actions taken and report on their progress as part of fund reporting.

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Risk Management

Sustainability Risk Management

Sustainability risk means an event or circumstance (e.g. impacts of climate change or nature loss) relating to the environment, society, or governance, the occurrence of which might have an actual or potential negative material impact on the value of the Group or the investment products it offers.

Sustainability risks are managed by assuring compliance with international environmental and social standards, norms, and regulations. We are committed to following the laws, statutes, and official regulations of all countries where we carry out our business.

In addition to local laws and regulations, we are committed to following internationally recognised human rights declarations, as defined in UN Universal Declaration of Human Rights and the core conventions of the International Labour Organisation (ILO). We also comply with other minimum safeguards under the EU's Sustainable Finance Disclosure Regulation.

In addition to international and national standards and norms, investments' sustainability risks are managed by following the process described below and on the following page:

1. Integrating sustainability as a key part of the company's strategy, risk management, agreements and management of portfolios, projects, and partnerships;
2. Continuous monitoring of regulation and stakeholder expectations;
3. Maintaining and updating appropriate procedures, policies, and processes at the fund-, AIFM-, and Group level;
4. Carrying out comprehensive ESG due diligence assessments taking into account environmental, social, and governance aspects of new investment products and investee companies and monitoring and auditing performance;
5. Various quantitative and qualitative analyses;
6. Maintaining appropriate tools, information, and processes on the sustainability impacts of the investees and collecting data to report on them; and
7. Assessing sustainability risks as part of the Group and business segments' annual risk assessments.

Sustainability risk management process and measures

Sustainability as part of business strategy	Integrated sustainability risk management	Sustainability risk as part of project and portfolio management	Partner sustainability risk management	Continuity of sustainability risk management and product life cycle
Sustainability risks and positive impact are an essential part of funds' strategy	Sustainability risks considered as part of all of the Group's and business segments' processes and investments	Review, monitoring and management of sustainability risks throughout the life cycle of the portfolio and the investment	Sustainability risks assessed throughout the value chain Commitment of partners to good governance practices and Taaleri's principles	Coverage of risk management processes throughout the life cycle of funds During the divestment phase, we commit to providing the information required by the new owner on sustainability risks and principal adverse impacts

1. Planning

- Identification and documentation of material sustainability risks
- Data collection, measuring sustainability risks and committing to sustainability targets and goals
- Risk as part of the strategy, long-term plan, and budgeting
- Updating of policies, guidelines, and management methods

2. Management

- Creating an understanding of the sustainability risk- and market environment and processes throughout the value chain
- Collection and monitoring of data and information (PAI-indicators)
- Measuring performance against set targets
- Monitoring the implementation of operations and processes, available resources and spent costs
- Monitoring reporting requirements

3. Corporate governance

- Integration of sustainability risks into other policies, processes and risk assessments
- Sustainability due diligence reviews, audits, risk monitoring, control and adaptation/mitigation plans
- Processing and documentation of any complaints, errors or development proposals
- Reassessment, monitoring and development of relevant sustainability risks and opportunities in the value chain and engagement of partners, for example through agreements

4. Reporting

- Sustainability risk reporting and monitoring as part of quarterly- and investor reporting
- Reporting of complaints, errors and development proposals
- Measuring, monitoring and reporting sustainability risks and impacts
- Monitoring the implementation of activities and processes, available resources and spent costs
- Compliance with reporting requirements

Sustainability Risks

Sustainability risk management is integrated into all of the Group's operations and risks are assessed throughout the operations' life cycle.

Sustainability risk management starts with identifying and measuring sustainability risks as part of existing functions and services and new fund products.

The main means of assessing sustainability risks are different analyses and surveys of investees before the investment decision, monitoring, and tracking of investees operations, training, drafting of guidelines, active ownership and engagement of our investees, clients, stakeholders, and partners.

Risks are assessed and measured on the basis of the likelihood of their realisation, and the magnitude of their impact and remendability. The likelihood of climate- and nature risks are assessed on a six-step scale: 0) poor chance, 1) rare, 2) unlikely, 3) possible, 4) likely and 5) almost certain.

Similarly, the severity of the risks is assessed on a six-step scale: 0) none 1) minimal, 2) low, 3) medium, 4) high and 5) significant. The likelihood and severity of the sustainability risks is also assessed on the basis of the interaction between the scores obtained by squaring the severity of the impact. The combined impact produces a classification that determines the sustainability risks in five categories: Critical, Significant, Important, Informative, and Minimal.

In the management and administration phase, risks are monitored, data is collected, and functions are audited. Where necessary, we develop adaptation plans to mitigate, eliminate or remedy risks. Reporting on sustainability risks is an essential part of transparent stakeholder communication. Reporting takes into account the requirements of regulation and our clients, as well as reports made through various whistleblowing and grievance channels. Reporting is an essential part of transparency, and we are constantly working to improve reporting on the sustainability factors and sustainability risks of investments.

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Strategy

Climate -related risks & opportunities

Risks, Opportunities, and Strategy

Central to our strategy is the pursuit of investments that promote sustainability and resilience. We actively seek opportunities to replace the use of fossil and virgin raw materials with renewables, enable circular economy, and support the development of less pollutive bio-based solutions. These strategies align our investments with a low-carbon future and help our adaptation to climate -related risks and opportunities.

Board Engagement and Governance:
Taaleri Bioindustry's active ownership is instrumental in shaping climate risk management. Through board seats in target companies, we actively engage and collaborate with investees to establish robust governance structures. These structures ensure that climate considerations are firmly embedded within the investee's strategic decision-making processes.

Risk Identification and Assessment:
Our strategy work involves a comprehensive assessment of climate-related risks within the portfolio. We identify and analyse both physical and transitional risks that our investments may face due to climate change. This risk assessment is dynamic and evolving, considering various climate scenarios.

Scenario analysis:
To anticipate potential climate impacts, we conduct scenario analysis, which helps us evaluate different climate scenarios' implications on our portfolio. By stress-testing investments under various climate pathways, we gain a deeper understanding of their resilience and vulnerabilities.

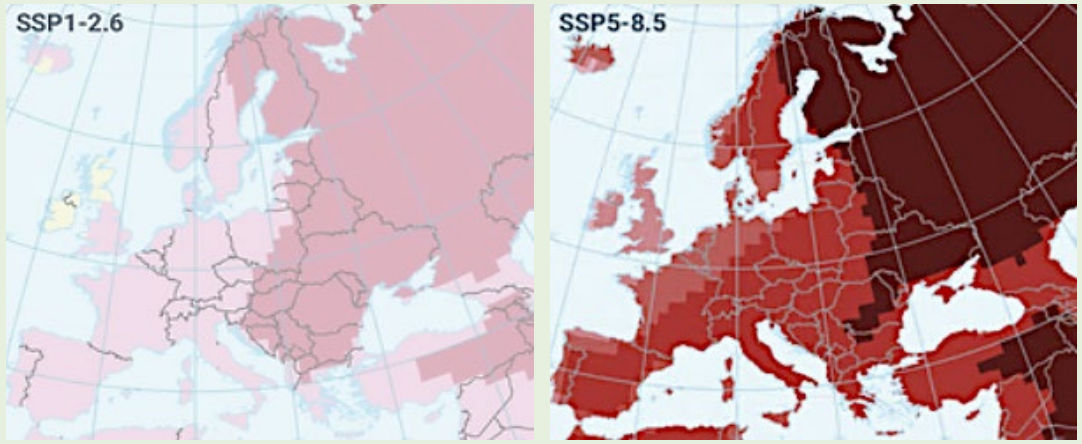
Setting Net Zero Targets:
As part of our commitment to climate action, Taaleri Bioindustry sets Net Zero targets for our own operations. This commitment extends to our investees, where we engage and support them in setting science-based targets to achieve Paris-aligned net-zero emissions by 2050. These targets serve as a clear roadmap for mitigating climate-related risks and capitalising on opportunities.

Integration into Investment Decisions:
We integrate climate-related financial risks into our investment decisions, considering climate risk assessments and scenario analysis as fundamental criteria. This ensures that climate considerations are a core part of our due diligence process when identifying new investment opportunities.

Transparency and Disclosure:
Taaleri Bioindustry values transparency. We prioritise disclosing our approach to climate -related financial risks and opportunities to our stakeholders. By providing clear and comprehensive reporting, we foster trust and enable informed decision-making among our investors, partners, and clients.

Monitoring and Adaptation:
Continuous monitoring of climate -related performance metrics and targets is vital. This enables us to track progress toward our Net Zero objectives and make necessary adjustments to our strategies. Adaptive measures ensure our portfolio remains resilient in the face of evolving climate and environmental challenges.

Climate Scenarios



Projected changes in annual temperature for the forcing scenarios SSP1-2.6 and SSP5-8.5

≤ 0	0-1	1-2	2-3	3-4	4-5	5-6	> 6

In assessing climate related risks, Taaleri Bioindustry uses the IPCC's climate scenarios. The IPCC's climate scenarios are crucial for estimating the risks associated with climate change to an investment portfolio because they provide a structured framework for assessing the potential impacts of different climate futures. This allows us to make more informed decisions, anticipate changes in regulations, and identify both risks and opportunities related to climate change in our investments.

Climate scenarios used are the Representative Concentration Pathways (RCPs) that primarily focus on greenhouse gas emission trajectories and the physical drivers of climate change, and the Shared Socioeconomic Pathways (SSPs), that describe a range of possible futures based on factors such as population growth, economic development, technological advancement, and governance. SSPs provide information about how society might evolve, including changes in energy systems, land use, and lifestyle.

SSP1-RCP2.6 (Sustainability): This scenario assumes significant emissions reductions and aims to limit global warming to well below 2°C above pre-industrial levels. Core changes include rapid adoption of clean energy sources, strong mitigation policies, and increased energy efficiency. It represents a future where emissions peak soon and decline steadily. This scenario represents a future with strong climate mitigation efforts and sustainable socioeconomic development, where the society prioritises environmental and social well-being.

SSP2-RCP4.5 (Middle of the Road): The scenario assumes moderate emissions reductions, but not as aggressive as RCP2.6. The society follows a pathway of moderate socioeconomic development. It represents a world where climate policies are implemented. The scenario represents a world where emissions continue to rise for a while before stabilising, with some use of carbon capture and storage (CCS) technologies. Global warming is limited but still exceeds 2°C.

RCP6.0 (Stabilisation without Peak): RCP6.0 envisions emissions continuing to increase throughout the 21st century but eventually stabilising. It assumes a future with moderate climate policies and less rapid adoption of clean technologies. Global warming in this scenario is significantly higher than 2°C.

SSP3-RCP7.0 (Regional Rivalry): SSP3-RCP7.0 portrays a future characterised by fragmented international relations and regional conflicts. Emissions remain high, leading to significant global warming and less coordinated efforts to address climate change.

SSP4-RCP3.4 (Inequality): This scenario depicts a world with high levels of socioeconomic inequality, limited international cooperation, and uneven access to resources and technology. Emissions are moderate, but disparities in adaptation and mitigation efforts exist.

SSP5-RCP8.5 (Fossil-Fuelled Development): RCP8.5 is a high emissions scenario where emissions continue to increase rapidly throughout the century. It assumes limited climate mitigation efforts and heavy reliance on fossil fuels. This results in the most severe global warming, well above 2°C and potentially exceeding 4°C or more. Socioeconomic development is driven by economic growth, resulting in the highest level of global warming and significant environmental challenges.

TAALERI Bioindustry

Physical climate- and nature related risks

Taaleri Bioindustry's assets face several risks in the context of integrated climate and socioeconomic scenarios. These risks include physical climate risks such as extreme weather events, which can disrupt supply chains and damage infrastructure, as well as changes in temperature and precipitation patterns that may impact forest and biomass resources. Transition risks arise from potential regulatory changes and shifts in market demand towards sustainable bio-based products, affecting asset profitability. Economic and social risks include market disruptions due to climate impacts on global supply chains and potential public health and social welfare challenges. The likelihood of these risks depends on the specific trajectory of climate change and the extent of global mitigation and adaptation efforts, but they underscore the importance of sustainable and adaptive practices in the bioindustry sector.

However, these scenarios also present opportunities for the bioindustry sector to capitalise on the growing demand for sustainable and renewable bio-based products, clean technologies, and green financing, aligning their assets with the transition to a more climate-resilient and sustainable future.

The physical nature- and climate related risks regarding Taaleri Bioindustry's assets were assessed based on scientific, geographical open-data. Only potential risk areas or areas of concern are depicted on the map. The depicted areas only mark the approximated geographical areas where flooding, land slide or subsidence risks are possible, but do not showcase the level, or magnitude of risk. However, according to sources used, all direct physical risks to assets are considered low, whereas risks to indirect assets in the Netherlands are ranked higher.

No direct assets are located on Biodiversity sensitive areas, but some are near biodiversity sensitive areas and Natura 2000 sites. It is to be noted that Finland has a high number of endangered vascular plants and tree species in forests, which should be taken into account in raw material sourcing.

Land subsidence: UNESCO (2021). Land slides: ESDAC (2018); Wilde et al., (2018); ESPON (2005). Flooding: ESSD (2022); EEA (2022). Heatwaves, droughts, floods: EEA (2020). Water stress: EEA 2050 projection (2016). Wildfires: EFFIS Wildfire Risk Viewer. Biodiversity sensitive areas assessed: Key Biodiversity Areas, UNESCO World Heritage Site, Natura 2000, Protected areas, European Protected Sites.

TAALERI Bioindustry

Taaleri Bioindustry Ltd - Climate risks & opportunities

Taaleri Bioindustry Portfolio's Climate-related risks are described in tables throughout pages 20-25. These tables include only risks that are estimated to be material in the most stringent climate scenario SSP1-RCP2.6, based on the performed risk assessment, that is, the table does not include risks or opportunities that have a minimal classification category. However, all six scenarios have been analysed and taken into account in the assessments. As described on page 11, the materiality of the risks are assessed on a scale from 0-5 considering both the likelihood of the risk, and its potential financial impact. The overall materiality score is derived by summing the likelihood and the financial impact, while raising the financial impact to the power of two.

The table further includes information on the category of risk / opportunity recognised and whether it is related to chronic physical risks, such as temperature increase, acute physical risks, such as wildfires or floods, or transition risks that include risks related to regulatory, technical, and market changes.

The risk classification categories are described below:

Classification categories

Minimal	Informative	Important	Significant	Critical
≤ 5	≥ 6	≥ 12	≥ 18	≥ 24

In addition, the tables provide a short description of the risk / opportunity recognised and an estimate of its possible financial implication, the assets the risk concerns, as well as the estimated time horizon, when the risk / opportunity might actualise.

The assets that are included in the risk assessment covers all assets under management under Taaleri Bioindustry Ltd: Taaleri Bioindustry Fund I, Joensuu Biocoal Oy, Fintoil Hamina Oy, as well as some of Taaleri Plc's balance sheet investments that are managed by the Taaleri Bioindustry team. Risks and opportunities regarding portfolio pipeline have not been included in the report.

For investor reporting purposes, some more detailed information regarding Taaleri Bioindustry Fund I –portfolio and Joensuu Biocoal risks and opportunities are provided.

Altogether, over 70 climate –related risks and opportunities were identified and assessed, from which 27% were chronic physical risks & 88% opportunities, 43% were acute physical risks & 0% opportunities, and 31% were transitional risks & 13% opportunities.

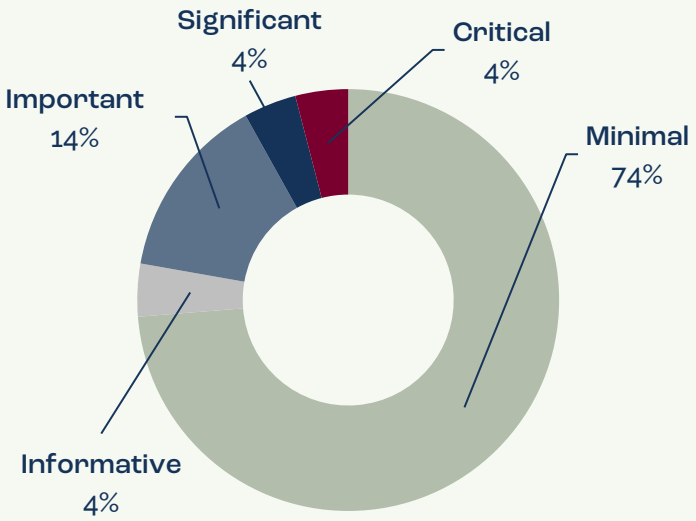
The pie-charts presented on pages 17-19 represent the distribution of the types of risks and opportunities of all Bioindustry portfolio assets, the distribution of Bioindustry Fund I specific risks and opportunities, as well as Joensuu Biocoal specific risks and opportunities.

As we move up the scenarios from SSP1-RCP2.6 to SSP5-RCP8.5, the number of risks categorised as "significant" increases slightly, as does the number of "important" and "informative" risks, whereas the number of minimal risks reduces from 48 to 37. The number of critical risks remains at 9. In the scenarios more dependent on fossil resources the physical risks become more material.

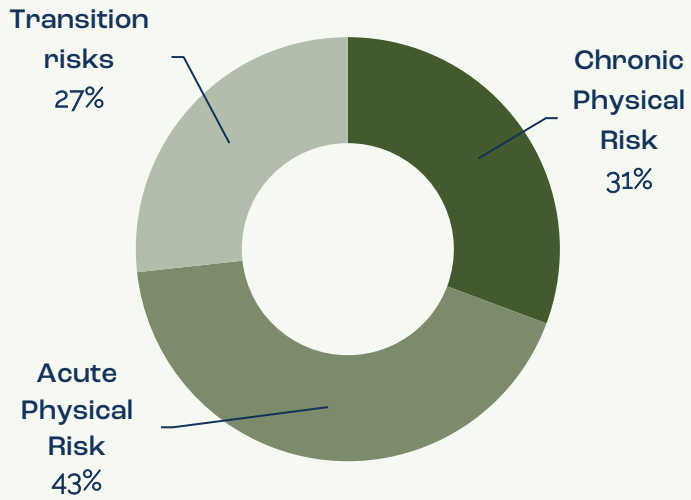
Climate Risk Exposure

Taaleri Bioindustry Ltd Portfolio

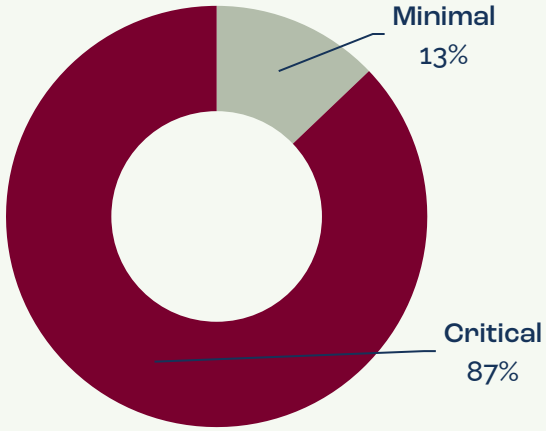
Climate-risk materiality



Climate-risk type



Climate-opportunity materiality

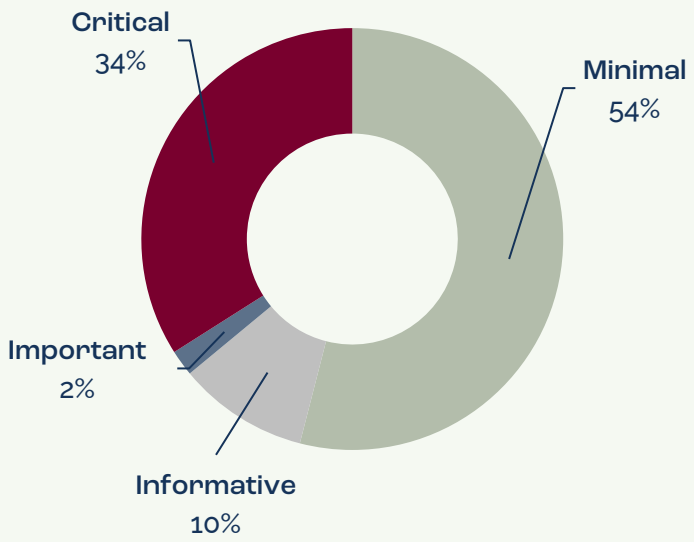


TAALERI Bioindustry

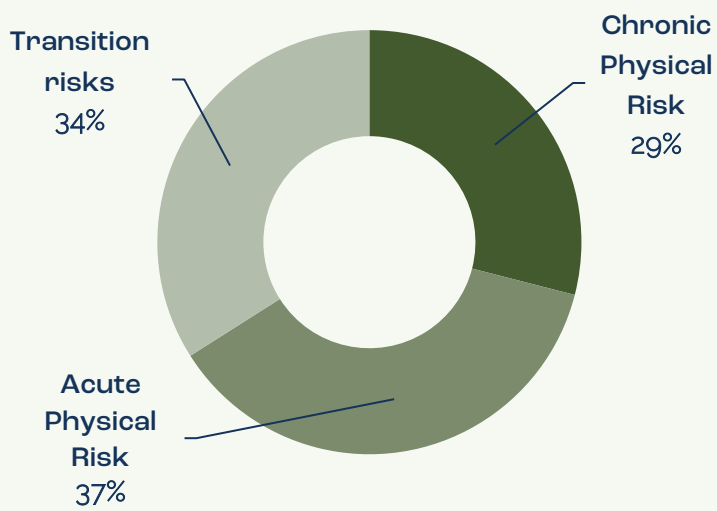
Climate Risk Exposure

Taaleri Bioindustry Fund I

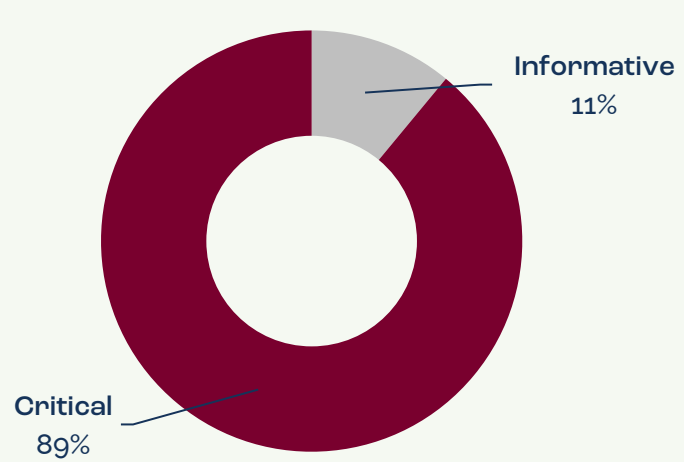
Climate-risk materiality



Climate-risk type



Climate-opportunity materiality



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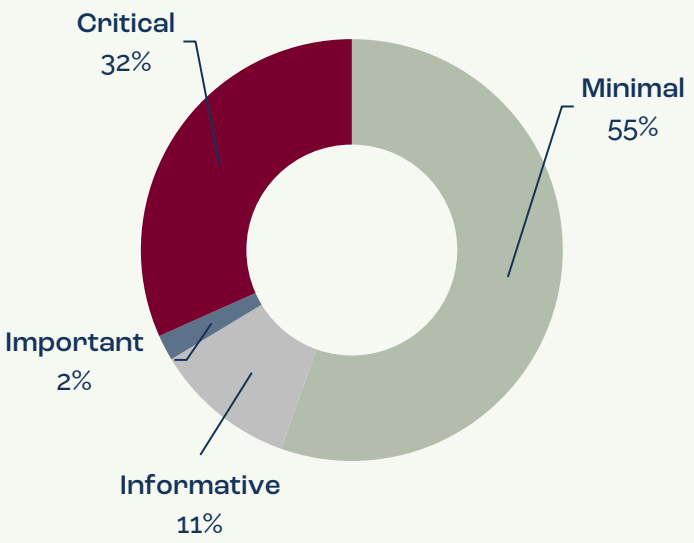
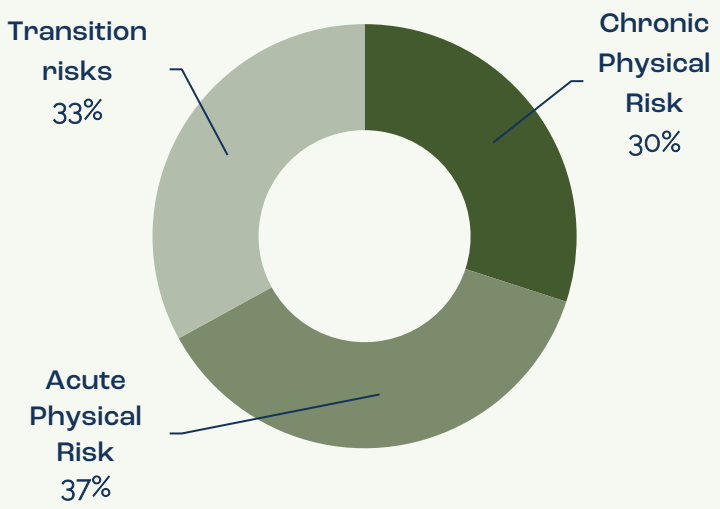
Climate Risk Exposure

Joensuu Biocoal

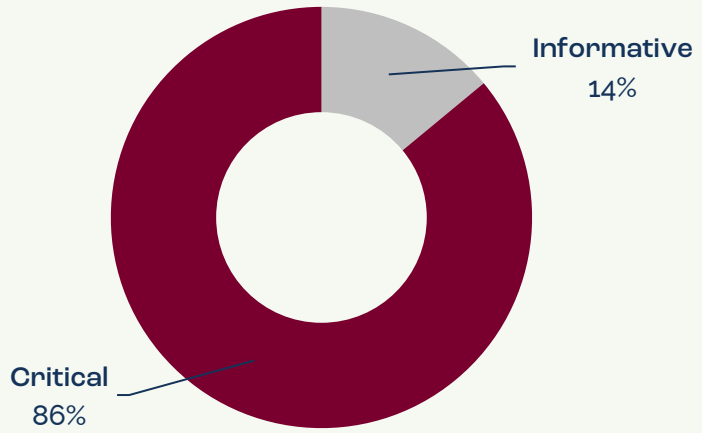
Climate-risk materiality



Climate-risk type



Climate-opportunity materiality



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Climate risks & opportunities

Taaleri Bioindustry Ltd Portfolio

Category	Risk / Opportunity	Description	Potential financial impact	Assets, Time horizon and scenario			Materiality
Acute physical risks	R	Heat waves increase the risks for wildfires, which in turn can cause severe damage to infrastructure, facilities and housing, as well as the raw material supply chain, increasing both OpEx and CapEx.	Reduces the supply of raw material, which causes the prices to increase. These increases can be detrimental for some assets' profitability and cause Potential financial impact: 0 - 1,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Informative
Acute physical risks	O	Consumer behaviour can be influenced by extreme heat events, impacting market demand for certain products. Bioindustries may face financial risks if they are not adaptable to changing consumer preferences during heat waves, but e.g. eco-friendly packaging might gain market opportunities from increased consumption of packaged foods and drinks during heat waves.	Increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 - 5,000,000 €	Bioindustry Fund I	1-5 years	SSP1-RCP2.6	Important
Transition risks	O	The increased pricing of GHG emissions can increase the competitiveness and demand of Bioindustry products and technologies reducing the dependency on fossil or virgin inputs, leading to better margins and profits for related businesses.	Competitive price compared to less sustainable substitutes / 1,000,000 - 5,000,000 €	All assets	1-5 years	SSP1-RCP2.6	Critical
	O	As an impact investor Taaleri Bioindustry's assets are already in someways equipped to report on their emissions and are in this way in a better position to respond to regulatory demands regarding sustainability reporting compared to the majority of SMEs. Developing internal reporting would benefit the target companies through optimising own operations and managing with data, and this would also support better risk management.	Developing internal reporting would benefit the target companies through optimising own operations and managing with data, and this would also support better risk management. This leads to increased company value due to better performance in sustainability compared to competitors / market / 500,000 – 5,000,000 €	Bioindustry Fund I	1-5 years	SSP1-RCP2.6	Important
	R	Tightened emissions reporting introduces standardised reporting requirements to companies of all sizes. This requires more know-how and potentially internal resources in target companies on ESG and governance, as well as third party assistance, increasing operational costs.	Increased OpEx costs due to increased labour / advisory costs, and audit costs / 10,000 – 100,000 € / year	All assets	1-5 years	SSP1-RCP2.6	Important

Category	Risk / Opportunity	Description	Potential financial impact	Assets, Time horizon and scenario			Materiality
Transition risks	R	Tightened emissions reporting introduces unfavourable reputation for target companies compared to their competitors realising in the financial products forced exit due to unalignment with fund strategy and / or regulation	Forced unfavourable exit due to unalignment with fund strategy / regulation / 500,000 - 5,000,000 €	Bioindustry Fund I	1-5 years	SSP1-RCP2.6	Important
	O	The degradation of the environment and global warming imposes increased regulation to consumption (and production) of commodities e.g. packaging, recycling, fuels, energy production and efficiency, chemicals, water use and handling, permits, etc. These developments can provide opportunities through bans / supply of certain raw materials or inputs competitors use and increase their prices and hamper the end-markets and demand of competing commodities.	Forced unfavourable exit due to unalignment with fund strategy/regulation / 1,000,000 – 10,000,000 €	All assets	1-5 years	SSP1-RCP2.6	Critical
	R	The degradation of the environment and global warming imposes increased regulation to consumption (and production) of commodities e.g. packaging, recycling, fuels, energy production and efficiency, chemicals, water use and handling, permits, etc. These developments can cause negative financial implications through bans / supply of certain raw materials or inputs or increases in their prices or hamper the end-markets and demand of certain commodities.	Decreased demand and competitiveness impacting the price of the end product and the company 0 – 1,000,000 €	All assets	1-5 years	SSP1-RCP2.6	Important
	R	Increased regulation and its rapid development increases risks related to exposures to litigation. Litigation involves direct legal costs, but also indirect financial risks related to reputational damage and adverse media coverage.	Litigation and sanction costs, PR costs 0 – 100,000 €	All assets	1-5 years	SSP1-RCP2.6	Informative
	R	Invested solutions are not the best available solutions on the market in regard to environmental impact, decreasing market demand, lowering performance and valuations leading to lower returns on investments.	Decreased demand and competitiveness impacting the price of the end product and the company / 0 - 1,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Important
	O	Invested solutions are among the best available solutions on the market in regard to environmental impact, increasing market demand propping higher valuations and returns on investments.	Increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 - 10,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Critical

Category	Risk / Opportunity	Description	Potential financial impact	Assets, Time horizon and scenario			Materiality
Transition risks	O/R	Due to fast changes in the market as well as in the regulatory environment it can be hard to estimate the winning technologies. Successful investments impact the overall performance of the funds, strengthening the track record of the team, impacting future fundraising aspirations as well as the current performance and payback of investments made. / Unsuccessful investments impact the overall performance of the funds, weakening the track record of the team, impacting future fundraising aspirations as well as the current performance and payback of investments made.	Successful investment leading to gained capital and LP trust / Unsuccessful investment leading to lost capital and LP trust / 1,000,000 – 10,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Critical
	R	Investors might become hesitant in investing in new projects, technologies, or capital expenditures when market signals are unclear, leading to potential financial stagnation, missed growth opportunities, and difficulties in attracting new investors or capital. In addition, uncertainty can contribute to market volatility, leading to fluctuations in asset prices, valuations and stock prices, impacting businesses' financial performance.	Difficulties in fund-raising for financial products, poor re-financing opportunities, investment decisions based on wrong signals, early exits. 1,000,000 – 10,000,000 €	All assets	1-5 years	SSP1-RCP2.6	Significant
	O/R	Consumer behaviour is evolving towards more mindful consuming habits. Bioindustries that succeed to seize opportunities and adapt to changing needs and market demands, may face increased demand for their products, leading to revenue inclines and potential market share gains. / Bioindustries that fail to seize opportunities and adapt to changing needs and market demands, may face reduced demand for their products, leading to revenue declines and potential market share losses.	Successful investments leading to lost capital and LP trust / Unsuccessful investments leading to lost capital and LP trust 500,000 – 10,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Critical
	R	The bioindustry sector may be subject to increasingly stringent environmental regulations aimed at reducing GHG emissions and promoting sustainability. Compliance with evolving regulations may require significant investments in technology upgrades, emissions reduction measures, and adherence to new reporting standards, and R&D efforts.	Litigation and sanction costs, PR costs, impacts on raw-material intake and prices 500,000 – 10,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Important

Category	Risk / Opportunity	Description	Potential financial impact	Assets, Time horizon and scenario			Materiality
Transition risks	R	Rising raw material costs can lead to higher production expenses, reduced profit margins, and potential challenges in managing budgets and cash flows. This can lead to limiting investment and growth initiatives as well as losing competitive advantage. Increased raw material costs can disrupt the supply chain and lead to delays in production, increased logistics expenses and disruption in product availability. Businesses with long-term contracts or pricing agreements with fixed raw material costs may be locked into unfavourable terms when prices rise..	OpEx increase due to reduced raw material availability leading to unfavourable position in the markets and reducing competitiveness / 500,000 – 5,000,000 €	All assets	1-5 years	SSP1-RCP2.6	Significant
	R	Stigmatisation of a sector may result in reduced market access and demand, diminished brand value and reputation, and potential challenges in attracting investors and even a permanent contraction of a sector.	Decreased demand and competitiveness impacting the price of the end product and the company 0 – 1,000,000	All assets	1-5 years	SSP1-RCP2.6	Important
	O/R	Consumer preferences are evolving towards sustainable and environmentally friendly products, as is the meaning of what is considered environmentally friendly. Bioindustries that succeed / fail to adapt to changing market demands may face increased / decreased demand for their products, leading to revenue increases / decreases and potential market share gains / losses.	Increased demand and competitiveness impacting the price of the end product and the company 1,000,000 – 10,000,000 € / Decreased demand and competitiveness impacting the price of the end product and the company 0 – 1,000,000 €	All assets	5-20 years	SSP1-RCP2.6	Significant
	O/R	Positive/negative public perception and stakeholder feedback may result in improved / reduced market access, increased/decreased brand value, and improved / hinder opportunities in attracting investors.	Decreased demand and competitiveness impacting the price of the end product and the company 1,000,000 – 10,000,000 €	All assets	1-5 years	SSP1-RCP2.6	Significant

Adaptation measures - Climate

Conducting comprehensive risk assessments and scenario analyses specific to climate impacts is essential. We identify potential physical and transitional climate risks within our portfolio and consider the dynamic character of climate change by looking into different climate scenarios. These comprehensive evaluations help in assessing the exposure of assets to various climate scenarios and guides our strategic decision-making. By implementing scenario analysis, our adaptation strategies are flexible and enable us to effectively respond to emerging risks and opportunities while maintaining portfolio resilience.

We also integrate climate risk considerations into our investment decisions to ensure that climate factors are a fundamental part of the due diligence process. We also integrate climate and other sustainability risk assessments into our investment criteria, enhancing the resilience of our portfolio.

We at Taaleri Bioindustry recognise the power of engagement and collaboration with our investee companies. By acting as an active owner, we work closely with our investees, and strive to influence and guide the companies' strategies and climate risk mitigation work. Mitigating our negative impacts is one concrete action to mitigate transitional risks and help limit global warming. This includes encouraging the adoption of science-based targets for achieving Paris-aligned net-zero emissions by 2050.

The commitment to set a Net Zero target demonstrates our proactive stance towards mitigating climate-related financial risks. By aligning our operations with a Net Zero goal, we lead by example and provide support for the creation of a clear path for investee companies to follow suit.

Furthermore, we advocate for greater transparency and disclosure of climate-related information by our investee companies. This promotes better understanding of climate risks and opportunities and fosters informed decision-making among stakeholders. Taaleri Bioindustry Fund I investees report their emissions to us quarterly and are required to perform climate risk analyses. The rest of the Taaleri Bioindustry portfolio will be engaged to report their emissions in the coming years as part of our Net Zero work. Related emissions data submission targets as well as emission reduction targets will be established during 2024-2025.

Finally, we implement reporting and monitoring obligations, and frameworks to track the progress towards climate goals and targets, which allow us to make timely adjustments and ensure that investee companies are on course to achieve Paris aligned emission targets.

TAALERI
Bioindustry

Strategy

Nature -related risks & opportunities

Risks, Opportunities, and Strategy

At Taaleri Bioindustry, our commitment to integrating nature-related financial risks into our investment strategy is integral. During 2024 we strive to fully-align with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and join TNFD adopters. Our approach to integrating nature risks and opportunities into our strategy work is comprehensive, focusing on investment decision-making, active ownership, and fostering a transition towards a more environmentally conscious and sustainable economy and a low-carbon future.

Active Ownership, Board Influence, and Governance:
Holding board seats in our investee companies, we exert influence to steer these companies towards more sustainable practices, including the careful management of nature-related risks and more sustainable raw material acquisition. Our active engagement is instrumental in ensuring that our investees understand and mitigate their impact on natural ecosystems. This includes encouraging the adoption of practices that support biodiversity conservation, sustainable resource use, and environmental stewardship.

Risk Identification and Assessment:
In 2023 we began our work towards implementing TNFD recommendations, to our risk assessments and our overall risk management framework. Nature related risks are currently considered at a sectoral level, as well as in raw material intake. In the future, our nature risk work will involve conducting scenario analyses to understand how various environmental and biodiversity-related scenarios could impact our investments. By considering a range of potential future states, we can better position our portfolio to be resilient against risks associated with the degradation of natural ecosystems and resources.

Integration into Investment Decisions:
Our investment philosophy is primarily based on replacing fossil and virgin raw materials with renewable resources, enabling the circular economy, and finding bio-based solutions that are less pollutive.

This inherently aligns with mitigating nature-related risks by investing in companies that contribute to biodiversity conservation and sustainable use of natural resources. We assess potential investments for their impact on ecosystems and biodiversity, ensuring our portfolio supports a transition to sustainable practices that respect and preserve natural resources.

Climate Targets:
Climate- and nature risks and opportunities have feedback loop linkages - climate change exacerbates nature loss, while the degradation of natural ecosystems further intensifies climate change. Addressing one without the other is insufficient; therefore, our strategy focuses on mitigating both, in tandem. As part of our commitment to climate action, Taaleri Bioindustry sets Net Zero targets for our own operations. This commitment extends to our investees, where we engage and support them in setting science-based targets to achieve Paris-aligned net-zero emissions by 2050. These targets serve as a clear roadmap for mitigating climate-related risks and capitalising on opportunities.

Transparency and Disclosure:
We value transparency, which is one of the reasons we want be adopters of TNFD. We prioritise disclosing our approach to nature -related financial risks and opportunities to our stakeholders. By providing clear and comprehensive reporting, we strive foster trust and enable informed decision-making among our investors and partners.

Monitoring and Adaptation:
Continuous monitoring of climate and nature -related performance metrics and targets is vital. This enables us to track progress toward mitigating our environmental footprint and make adjustments to our operations and strategy. We are currently developing the measurement practices of our nature related impacts. Adaptive measures ensure our portfolio remains resilient in the face of evolving climate and environmental challenges.

Taaleri Bioindustry Ltd - Nature risks & opportunities

Taaleri Bioindustry Portfolio's Climate-related risks are described throughout pages 31-41. These pages include only risks that are estimated to be material based on the performed risk assessment, that is, the pages do not include risks or opportunities that have a minimal classification category, nor do they include nature-related risks or opportunities regarding the portfolio pipeline.

As described on page 11, the materiality of the risks are assessed on a scale from 0-5 considering both the likelihood of the risk, and its potential financial impact. The overall materiality score is derived by summing the likelihood and the financial impact, while raising the financial impact to the power of two.

The risk assessment further includes information on the category of risk / opportunity recognised and whether it is related to direct or indirect physical risks, dependency or feedback loop risks, or transition risks that include risks related to changes in the markets, regulation, technical advancements and reputation. Examples of these risks are described on the following page, but they are in many cases interlinked.

The risk classification categories are aligned with the climate risk classification, and are as described below:

Classification categories

Minimal	Informative	Important	Significant	Critical
≤ 5	≥ 6	≥ 12	≥ 18	≥ 24

Pages 31-33 present a heatmap of sectoral nature-related dependency and impact risks across their value chain. This heatmap assessment is based on ENCORE online tool. In addition, the tables on pages 37-41 provide a description of the nature-related risks / opportunities recognised and an estimate of its possible financial implication, the assets the risk / opportunity concerns, as well as the estimated time horizon of when the risk / opportunity might actualise.

The assets that are included in the risk assessment covers all assets under management under Taaleri Bioindustry Ltd: Taaleri Bioindustry Fund I, Joensuu Biocoal Oy, Fintoil Hamina Oy, as well as some of Taaleri Plc's balance sheet investments that are managed by the Taaleri Bioindustry team. For investor reporting purposes, some more detailed information regarding Taaleri Bioindustry Fund I –portfolio and Joensuu Biocoal risks and opportunities are provided.

Altogether, over a 100 nature –related risks and opportunities were identified and assessed, from these 89% were risks and 24% were opportunities. From the recognised risks 28% were direct or indirect physical risks, roughly 20% were dependency and feedback loop risks, and a bit more than 50% were transition risks. Finally, the opportunities divided so that roughly 38% were direct or indirect physical opportunities, 54% were transition -linked opportunities, and about 8% were dependency and feedback loop linked opportunities. The pie-charts presented on pages 34-36 represent the distribution of the types of risks and opportunities of all Bioindustry portfolio assets, the distribution of Bioindustry Fund I specific risks and opportunities, as well as Joensuu Biocoal specific risks and opportunities.

Types of nature-related risks

Direct physical risks

Direct physical nature risks are primarily related to the reliance on natural resources and ecosystems. Direct physical nature risks refer to the immediate and tangible risks to a business resulting from environmental changes or natural events. These risks are directly linked to physical changes in the environment. Finland's bioindustry, which includes sectors like forestry, paper packaging, and bio-based products, is heavily dependent on the health and availability of these natural resources.

Indirect physical risks

Indirect physical nature risks refer to the secondary or cascading effects resulting from changes in natural systems or environmental conditions. These risks can have significant implications for the sector, even if they are not immediately connected to the direct operations of bioindustry companies.

Dependency risk

Dependency risks, are related to a business's reliance on natural resources and ecosystem services. These risks arise when the degradation or depletion of natural resources impacts a business's operations or supply chains. These dependencies are critical because any disruption or degradation in these natural systems can have direct operational, financial, and strategic impacts on the sector.

Feedback Loop risks

Nature-related feedback loop risks involve complex interactions where industrial activities and environmental changes mutually reinforce each other, often leading to accelerated or amplified negative effects. Understanding these feedback loops is essential for sustainable operations and long-term planning.

Regulatory risks

Regulatory risks are primarily centred around changes in laws, policies, and regulations that aim to protect the environment and natural resources. These changes can have significant implications for operational practices, costs, and investment strategies.

Market risks

Nature-related market risks encompass various factors that can affect market dynamics, consumer preferences, and competitiveness. These risks are often linked to how environmental issues and sustainability are perceived and valued in the marketplace.

Reputation risks

Nature-related reputational risks arise from how the sector's environmental practices and impacts are perceived by the public, customers, investors, and other stakeholders. These risks can significantly affect a company's brand value, customer loyalty, investor confidence, and overall market position.

TNFD Leap Approach

The TNFD (Task Force on Nature-related Financial Disclosures) has introduced the LEAP (Leading Practices for Impact-Driven Natural Capital Management) approach to help businesses and financial institutions assess and disclose their nature-related risks and opportunities.

The LEAP approach is designed to help organisations systematically identify, assess, and manage nature-related risks and opportunities, ultimately leading to improved sustainability, resilience, and responsible business practices. It aligns with the broader goal of integrating nature and biodiversity considerations into financial decision-making processes.

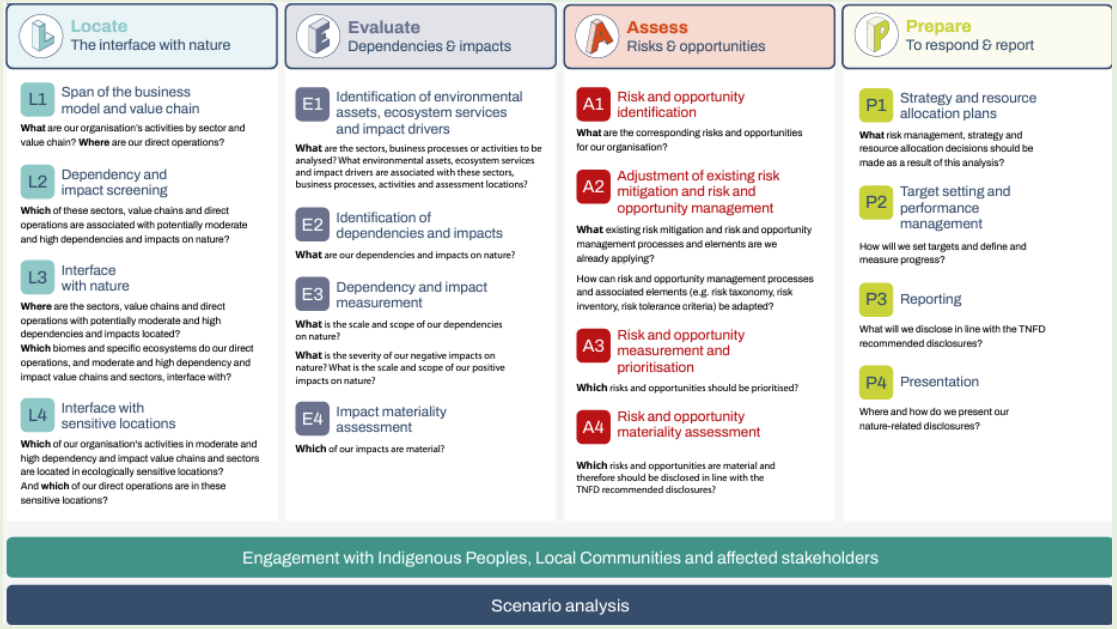
Taaleri Bioindustry is currently at the "Planning and implementation" –phase of our nature –related risk governance and management work. The TNFD recommendation launched in September of 2023, and so far, 320 early adapter organisations have committed to start making nature-related disclosures based on the TNFD recommendations. Taaleri Bioindustry strives to be among the next group of early adopters and commit to following TNFD recommendations during 2024.

For the reporting period of 2023, Taaleri Bioindustry has conducted a location- and sector-based nature risk analysis that is based on SBTN (Science Based Targets for Nature) approach and Encore's Heatmap tool for estimating nature-related impact and dependency risks. The heatmap assessment is based on the sectoral classification of SASB and SBTN, and uses Biodiversity scores from the Encore tool. Biodiversity dependency and impact risks are assessed on a scale very low, low, medium, high, and very high. These heatmap projections are presented on pages 28-30. Risks and opportunities regarding portfolio pipeline have not been included in the report.

Biodiversity dependency considers global, sectoral, as well as value chain up-stream, direct and down stream estimates and considers terrestrial ecosystem use, freshwater ecosystem use, marine ecosystem use, and water use.

Biodiversity impact considers global, sectoral, as well as value chain up-stream, direct and down stream estimates and considers GHG emissions, non GHG air pollutants, water pollutants, soil pollutants, solid waste, as well as invasive species and other disturbance.

In addition, we have identified and assessed over 90 nature-related risks and their potential financial impacts, which are assessed on a scale from 0-5 considering both the likelihood of the risk, and its potential financial impact, as described on page 11.



TAALERI Bioindustry

Exposure – Heatmap

Taaleri Bioindustry Ltd | All assets | Heat map (SBTN / Encore)

SASB / SBTN sectors		Portfolio coverage, %	Invested value, MEUR	Aggregated biodiversity dependency (0-20)	Aggregated biodiversity impact (0-20)
Materials	Paper packaging	7.1%	6.3	High (12.5)	High (13.8)
	Forest products	23.9%	21.2	Medium (11.9)	Medium (12.1)
	Specialty chemicals	66.6%	59.0	High (12.5)	Medium (11.3)
	Fertilisers and Agricultural chemicals	2.4%	2.1	High (16.3)	Medium (11.7)

Taaleri Bioindustry Fund I Portfolio | Heat map (SBTN / Encore)

SASB / SBTN sectors		Portfolio coverage, %	Invested value, MEUR	Aggregated biodiversity dependency (0-20)	Aggregated biodiversity impact (0-20)
Materials	Paper packaging	30.7%	6.3	High (12.5)	High (13.8)
	Forest products	49.3%	10.1	Medium (11.9)	Medium (12.1)
	Specialty chemicals	20.0%	4.1	High (12.5)	Medium (11.3)

Joensuu Biocoal | All assets | Heat map (SBTN / Encore)

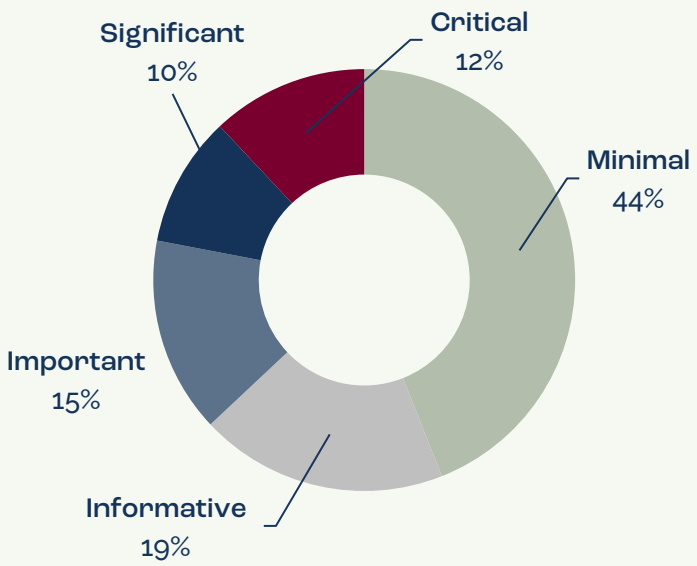
SASB / SBTN sectors		Portfolio coverage, %	Invested value, MEUR	Aggregated biodiversity dependency (0-20)	Aggregated biodiversity impact (0-20)
Materials	Forest products	13.8%	11.1	Medium (11.9)	Medium (12.1)

Note: The values presented do not include cash or commitments

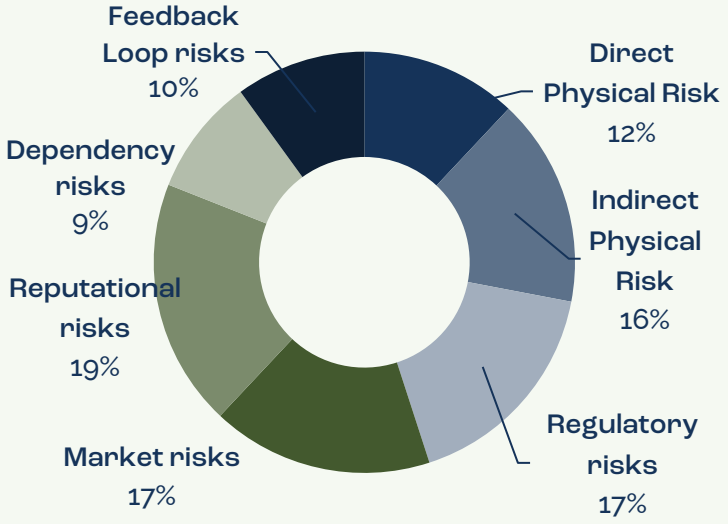
Nature Risk Exposure

Taaleri Bioindustry Ltd Portfolio

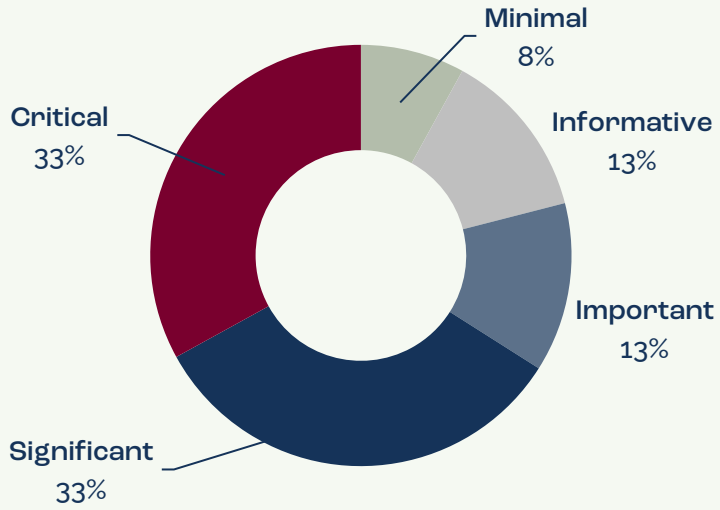
Nature-risk materiality



Nature-risk type



Nature-opportunity materiality



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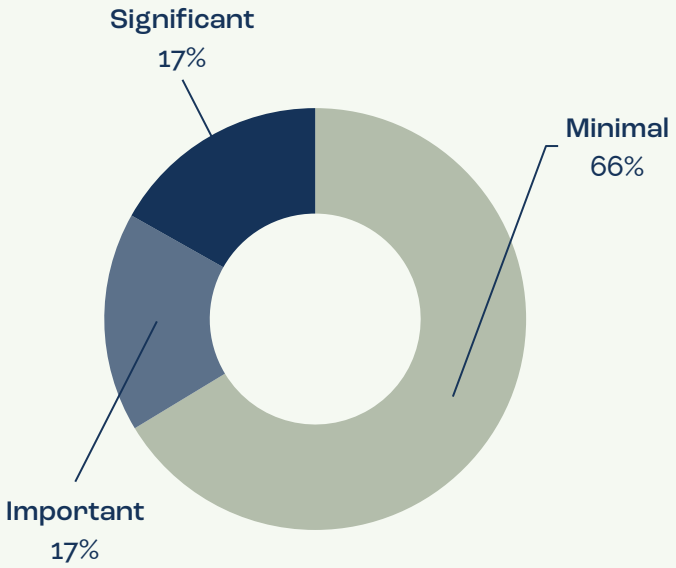
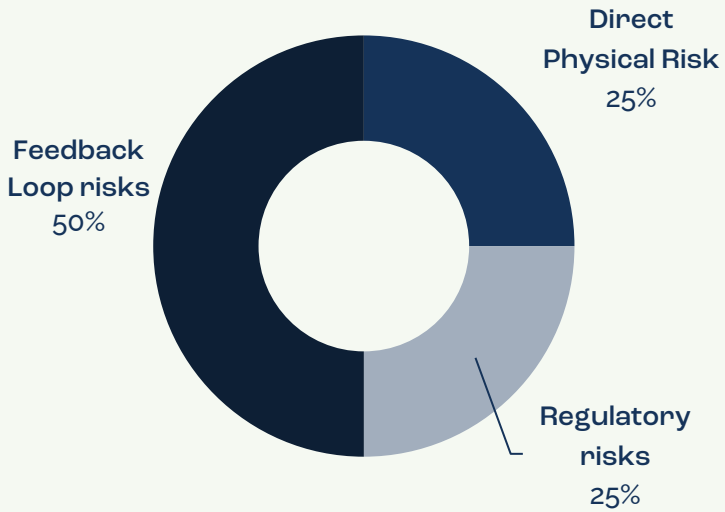
Nature Risk Exposure

Taaleri Bioindustry Fund I

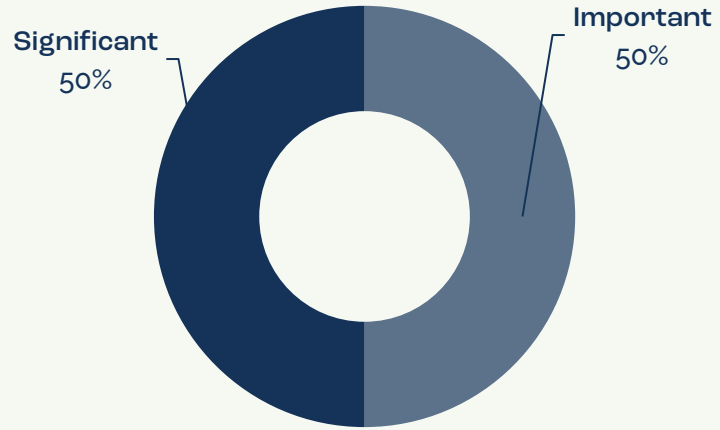
Nature-risk materiality



Nature-risk type



Nature-opportunity materiality



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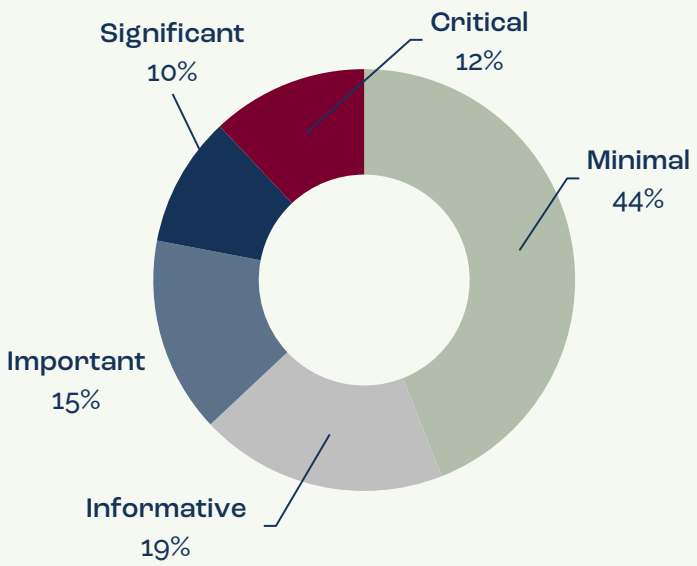
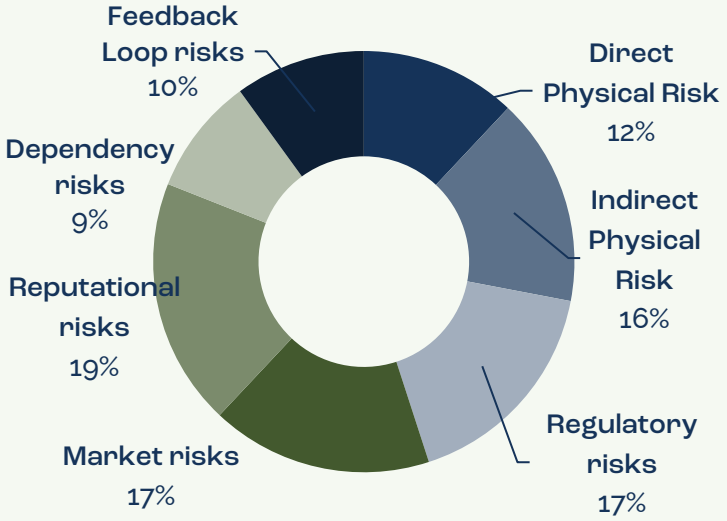
Nature Risk Exposure

Joensuu Biocoal

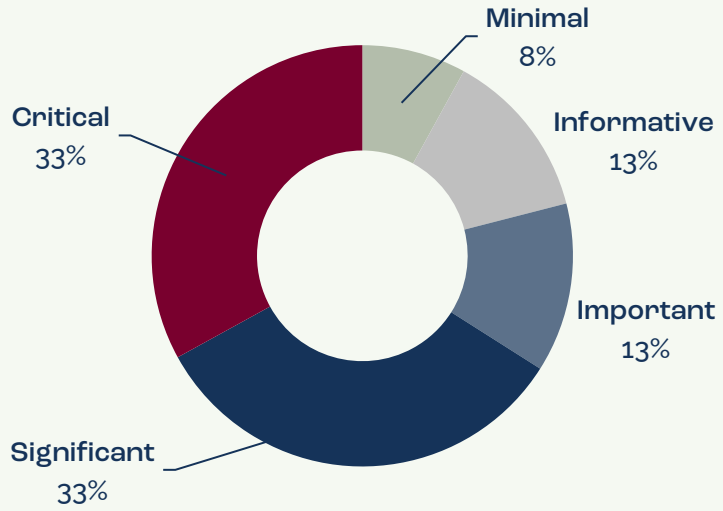
Nature-risk materiality



Nature-risk type



Nature-opportunity materiality



TAALERI
Bioindustry

Nature risks & opportunities

Taaleri Bioindustry Ltd Portfolio

Category	Risk / Opportunity	Description	Potential financial impact	Assets & Time horizon		Materiality
Direct physical risk	R	Forest Fires: Increased risk of forest fires, potentially exacerbated by climate change, can lead to significant losses of forest resources and damage to production facilities.	Reduces the supply of raw material, which causes the prices to increase. These increases can be detrimental for some assets' profitability / 0 – 1,000,000 €	All assets	5-20 years	Informative
Indirect physical risk / Market risks	R	Loss of Habitat: Industrial activities in the bioindustry can lead to habitat destruction, impacting biodiversity and ecosystem services essential for the industry.	Average decrease in raw material supply & its impacts on raw material prices impacting OpEx by roughly ~10-20%	All assets	5-20 years	Informative
	R/O	Changes in Consumer Preferences: Growing global awareness of environmental issues may lead to shifts in consumer preferences towards more sustainable products, affecting demand patterns for Finnish bioindustry products.	Decreased / increased demand for products invested in leading to unsuccessful/successful and unsustainable / sustainable investments translating to lost / gained capital and LP trust / 1,000,000 – 10,000,000 €	All assets	1-5 years	Critical
	R/O	Emergence of Substitute Products: Environmental changes elsewhere could lead to the development and preference for alternative materials, potentially impacting the demand for traditional bioindustry products.	Decreased / increased demand for products invested in leading to unsuccessful / successful and unsustainable / sustainable investments translating to lost / gained capital and LP trust / 1,000,000 – 10,000,000 €	All assets	1-5 years	Critical
	R	International Environmental Policies: New global or EU-wide environmental regulations in response to changing environmental conditions could impact the Finnish bioindustry, requiring adaptations in practices or technologies.	Increased OpEx costs due to adaptations in operations (increased labour / advisory costs, and audit costs, implementing new technology) / 10,000 – 100,000 €	All assets	5-20 years	Important
	R/O	Trade Policies: Environmental issues can influence trade policies, potentially affecting the export and import conditions for bioindustry products.	Increased OpEx costs due to adaptations in operations as well as increased import / export prices impacting competitiveness (e.g. CBAM) / Improved competitiveness compared to less sustainable products and raw materials used in production through decreases in related costs / 0 – 100,000 €	All assets	1-5 years	Informative

TAALERI Bioindustry

Category	Risk / Opportunity	Description	Potential financial impact	Assets & Time horizon		Materiality
Indirect physical risk / Market risks	R/O	Investor Sentiment: As LPs become increasingly aware of environmental risks, there could be shifts in investment patterns, with more focus on biodiversity. This might affect the availability and cost of capital for companies in the bioindustry sector.	Difficulties / success in fund-raising for financial products, poor / better re-financing opportunities, investment decisions based on wrong/right signals, early / successful exits / 1,000,000 – 10,000,000 €	All assets	1-5 years	Critical
	R/O	Environmental changes can create feedback loops (e.g., climate change leading to more intense forest fires, which in turn release more carbon dioxide), exacerbating risks.	Reduces the supply of raw material, which causes the prices to increase. These increases can be detrimental for some assets' profitability / Increases the supply of raw material, which causes the prices to decrease. These decreases can be a huge advantage for some assets' profitability / 1,000,000 €	All assets	5-20 years	Important
	R/O	Advancements in Alternative Technologies: Developments in alternative, more environmentally friendly technologies in other sectors could indirectly impact the bioindustry, either through competition or by providing new opportunities for innovation and adaptation.	Unsuccessful / successful investment leading to lost capital and LP trust / 1,000,000 – 10,000,000 €	All assets	5-20 years	Critical
	O	Building more resilient supply chains that can adapt to global environmental changes, creating a competitive advantage.	OpEx decrease due to increased raw material availability and less disruption in the value chain leading to favourable position in the markets and increasing competitiveness / 500,000 – 5,000,000 €	All assets	1-5 years	Informative
	O	Diversifying product lines and services to adapt to changing environmental conditions and market needs.	Increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 – 10,000,000 €	All assets	1-5 years	Critical
Dependency risk	R	Pollination and Soil Fertility: Biodiversity underpins ecosystem services like pollination and soil fertility, which can be critical for certain segments of the bioindustry, especially those linked to agriculture or specialised forestry.	Reduces the supply of raw material, which causes the prices to increase. These increases can be detrimental for some assets' profitability / 1,000,000 €	All assets	5-20 years	Informative
	R	Downstream Dependencies: The bioindustry's end products are often integral to other industries' supply chains, making it critical to maintain a stable and sustainable supply of these products.	Potential sanctions on late product deliveries due to lag in production & delivery due to raw material shortages / 0-10,000 € per year	All assets	5-20 years	Informative

Category	Risk / Opportunity	Description	Potential financial impact	Assets & Time horizon		Materiality
Feedback Loop risks	O	Implementing circular economy principles in operations, reducing waste and turning by-products into new revenue streams.	Increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 – 5,000,000 €	All assets	1-5 years	Important
	O	Adopting regenerative agricultural or forestry practices that restore and enhance natural systems, providing long-term sustainability benefits.	Engaging suppliers to adopt more sustainable forestry practices can increase brand value through more sustainable supply chain management, which can serve as a competitive advantage from the perspective of the end product customer / 0 – 1,000,000 € per year	All assets	5-20 years	Informative
Regulatory risks	R	Stricter Emission and Pollution Controls: New or tightened regulations on emissions and pollution could increase operational costs for bioindustry companies, requiring investments in cleaner technologies or more efficient processes.	Potential increases to CapEx and/or OpEx through compliance related costs and setting monitoring and abatement systems in place, potentially investing in new technology / 0 – 100,000 € per year	All assets	5-20 years	Informative
	R	Waste Management and Disposal: Regulations regarding waste treatment, recycling, and disposal could become more stringent, impacting companies that generate significant industrial waste.	Potential increases to CapEx and/or OpEx through compliance related costs and setting monitoring and abatement systems in place, potentially investing in new technology / 0 – 100,000 € per year	All assets	5-20 years	Informative
	R	ESG Reporting Requirements: Laws mandating detailed reporting on climate risks and mitigation strategies could increase administrative burdens and require more transparent business practices.	Increased OpEx costs due to emission allowances (increased labor / advisory costs, and audit costs) / 10,000 – 100,000 € per year	All assets	5-20 years	Informative
	O	ESG Reporting Requirements: Enhanced requirements for Environmental, Social, and Governance (ESG) reporting can impact investment attractiveness and the administrative burden for companies.	Increased company value due to better performance in sustainability compared to competitors / market / 500,000 – 5,000,000 €	Bioindustry Fund I	1-5 years	Significant
Market risks	R/O	Environmental Standards in Trade: Stricter environmental standards and certifications required in key markets can pose barriers to market access for companies that do not comply.	If deemed unsustainable / sustainable, decreased / increased demand and competitiveness impacting the price of the end product and the company / 0 – 1,000,000 €	All assets	5-20 years	Important
	R/O	Tariffs Linked to Environmental Performance: There could be potential tariffs or trade restrictions based on environmental performance, affecting export-oriented sectors of the bioindustry.	Increased / decreased OpEx costs due to emission allowances (increased / avoided labour / advisory costs, and audit costs) / 10,000 – 100,000 €	All assets	5-20 years	Informative

Category	Risk / Opportunity	Description	Potential financial impact	Assets & Time horizon		Materiality
Market risks	R/O	Impact on Valuation: Companies with poor / great environmental practices might face lower / higher valuations due to perceived higher / lower risks and reduced / increased investor interest.	Decreased / Increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 – 10,000,000 €	All assets	5-20 years	Critical
	R/O	Access to Capital: Financial institutions are increasingly factoring in environmental risks in their lending and investment decisions. Companies with higher / lower nature-related risks may face challenges / opportunities in accessing capital or incur higher / lower costs of capital.	Difficulties / success in fund-raising for financial products, poor / better re-financing opportunities, investment decisions based on wrong / right signals, early/successful exits / 1,000,000 – 10,000,000 €	All assets	5-20 years	Significant
Reputational risks	R/O	Negative / Positive Publicity: Activities perceived as harmful / more sustainable to the environment,, can attract negative / positive media and stakeholder attention and public criticism, damaging / improving the reputation of companies involved.	If deemed unsustainable / sustainable, decreased / increased demand and competitiveness impacting the price of the end product and the company / 0 – 1,000,000 €	All assets	5-20 years	Significant
	R/O	Attracting Talent: A poor / good environmental reputation can make it difficult / easier for companies to attract and retain top talent, especially among younger generations who prioritise sustainability.	Reduced competitiveness and brand value / attractiveness which decreases performance and demand, resulting in lower valuation and increased OpEx due to human resources costs / 0 – 1,000,000 €	Bioindustry Fund I	1-5 years	Informative
	R/O	Customer Trust: Loss / gain of customer trust due to perceived environmental negligence / consciousness can have long-lasting impacts on sales and market position.	If deemed unsustainable / sustainable, decreased / increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 – 10,000,000 €	All assets	1-5 years	Important
	R/O	Brand Value: A company's brand value can be significantly affected by its environmental reputation, impacting customer loyalty and long-term profitability.	If deemed unsustainable / sustainable, decreased / increased demand and competitiveness impacting the price of the end product and the company / 1,000,000 – 10,000,000 €	All assets	5-20 years	Significant

Adaptation measures - Nature

Conducting comprehensive risk assessments specific to nature impacts is essential. We identify potential physical and transitional nature risks within our portfolio and consider the dynamic character of climate change and nature risks. Our evaluations help in assessing the exposure of assets to various nature-related risks and opportunities and guides our strategic decision-making. By implementing risk analysis, we can effectively respond to emerging risks and opportunities while maintaining portfolio resilience.

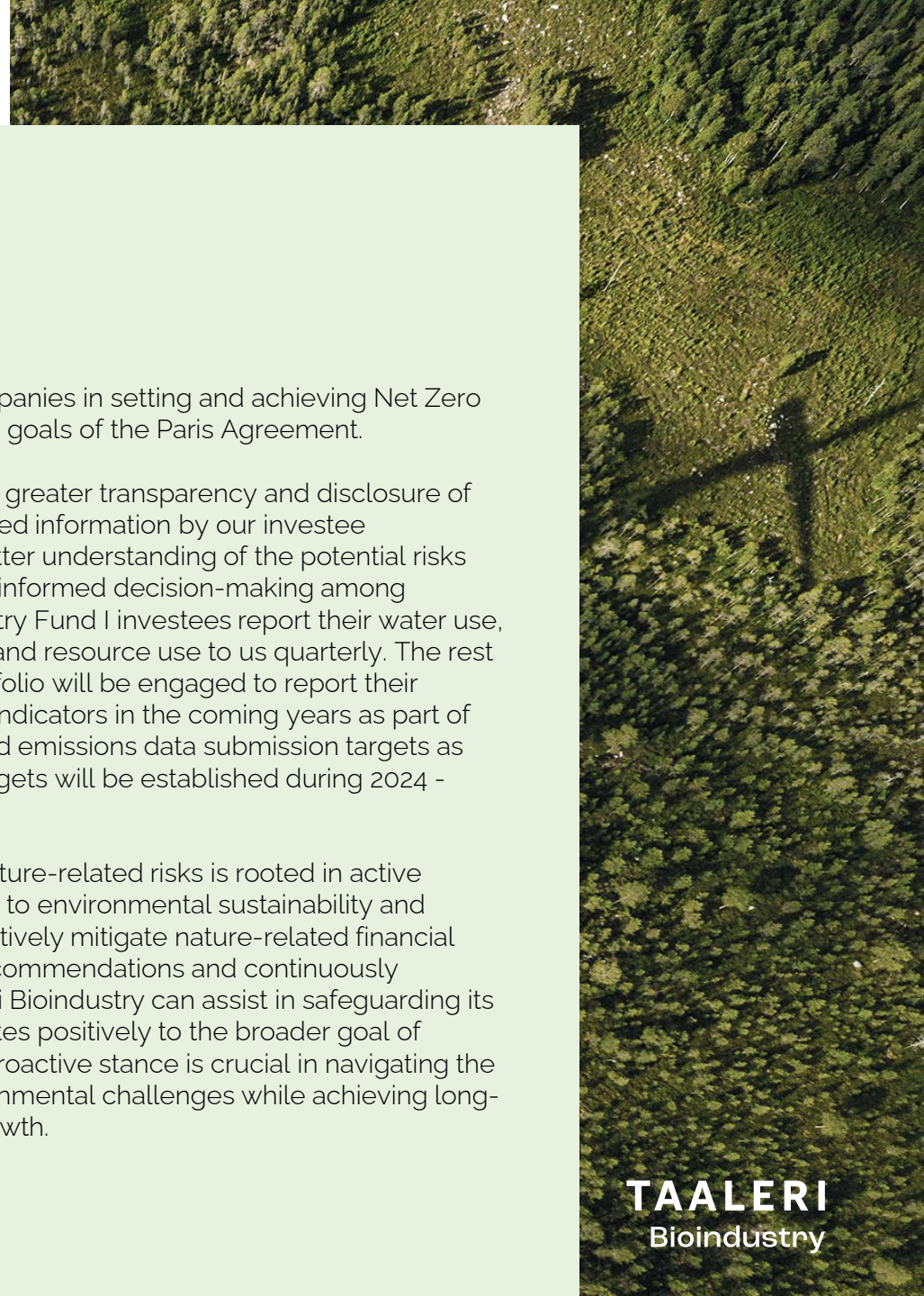
We continue to rigorously apply sustainability criteria in investment decisions, focusing on companies that demonstrate strong commitment to environmental stewardship. We also strive to diversify investments across various sectors and locations to mitigate nature-related risks and tap into different sustainability market opportunities. We ensure that all investments avoid biodiversity-sensitive areas and when suitable, contribute positively to conservation efforts

We at Taaleri Bioindustry recognise the power of engagement and collaboration with our investee companies. By acting as an active owner, we work closely with our investees, and strive to influence and guide the companies' strategies and nature risk mitigation work, especially when looking at raw material sourcing and finding ways to reuse and reduce waste and / or side streams and promoting resource efficiency. To further ensure portfolio resilience to nature risks, we intend to implement clear, measurable targets to mitigate the impacts of climate change, which can enforce nature related risks.

We support our portfolio companies in setting and achieving Net Zero targets that are in line with the goals of the Paris Agreement.

Furthermore, we advocate for greater transparency and disclosure of nature and resource use-related information by our investee companies. This promotes better understanding of the potential risks and opportunities and fosters informed decision-making among stakeholders. Taaleri Bioindustry Fund I investees report their water use, waste generation, emissions, and resource use to us quarterly. The rest of the Taaleri Bioindustry portfolio will be engaged to report their emissions and other relevant indicators in the coming years as part of our sustainability work. Related emissions data submission targets as well as emission reduction targets will be established during 2024 - 2025.

Our approach to managing nature-related risks is rooted in active ownership and a commitment to environmental sustainability and positions our portfolio to effectively mitigate nature-related financial risks. By adhering to TNFD recommendations and continuously evolving our approach, Taaleri Bioindustry can assist in safeguarding its investments but also contributes positively to the broader goal of sustainable development. A proactive stance is crucial in navigating the complexities of today's environmental challenges while achieving long-term financial stability and growth.



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Indicators and targets

Indicators and targets

As recommended by the TCFD and TNFD, in the following page, we present a table consisting of a comprehensive set of metrics and targets used to assess and manage relevant risks, opportunities, and impacts regarding nature- and climate-related risks. These metrics include e.g., carbon emissions, energy and water usage, land use, and biodiversity impacts. Each indicator is chosen for its relevance to our portfolio and its significance in assessing our environmental impact. The asset-specific columns show whether we already have data on the specific metric, or the target year for when we intend to report that indicator for the said assets.

The purpose of this table is to offer a clear, accountable, and actionable framework for our portfolio's efforts in mitigating climate and nature-related risks. It serves not only as a tool for internal tracking and management but also as a means of transparent communication with our stakeholders, demonstrating our commitment to responsible environmental stewardship and sustainable investment practices. In future, the report will include baseline and historic data regarding the metrics used and data received.

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Indicators

Indicators	Climate	Nature	Bioindustry Fund I*	Joensuu Biocoal*	Fintoil*	Balance Sheet Investments*
Scope 1 GHG emissions (tCO_2e) (Table I, PAI 1)	x	x	6.3	N/A 2025	N/A 2025	N/A 2026
Scope 2 GHG emissions (tCO_2e) (Table I, PAI 1)	x	x	45.1	N/A 2025	N/A 2025	N/A 2026
Scope 3 GHG emissions (tCO_2e) (Table I, PAI 1)	x	x	260.5	N/A 2025	N/A 2025	N/A 2026
Carbon footprint (tCO_2e) (Table I, PAI 2)	x	x	12.7	N/A 2025	N/A 2025	N/A 2026
GHG avoidance / Carbon handprint (tCO_2e)	x	x	289.7	N/A 2025	N/A 2025	N/A 2026
[1)]Total spatial footprint (km^2)		x	0.2	N/A 2025	N/A 2025	N/A 2026
Energy usage (kWh)	x		2,269,510.0	N/A 2025	N/A 2025	N/A 2026
Land use change (km^2)		x	N/A 2024	N/A 2025	N/A 2025	N/A 2026
Water use (m^3)		x	2,855.7	N/A 2025	N/A 2025	N/A 2026
Tonnes of emissions to water (Table 1, PAI 8)		x	0.0	N/A 2025	N/A 2025	N/A 2026
Wastewater discharged (m^3)		x	N/A 2024	N/A 2025	N/A 2025	N/A 2026
Tonnes of hazardous waste & radioactive waste (Table I, PAI 9)		x	0.01	N/A 2025	N/A 2025	N/A 2026
Non-recycled waste ratio (tonnes of waste generated expressed as weighted average (Table 3, PAI 13)		x	0.65	N/A 2025	N/A 2025	N/A 2026
Activities negatively affecting biodiversity-sensitive areas (Table 1, PAI 7)		x	0%	N/A 2025	N/A 2025	N/A 2026
Exposure to sensitive locations (through direct operations) (TNFD Recommendations p. 136)		x	3.2%	0	0	N/A 2026
Number of IUCN Red Listed species in the areas where investee companies have operations		x	Low	Low	Low	N/A 2026

[1)] Spatial footprint: Calculated based on total renewable raw material use volume in m3 divided by average forest yield in m3/ha, and then converted to km2
* N/A = Not available. The year indicated in the cells refer to the target year when the indicator is planned to be reported.

Targets

Taaleri Bioindustry Fund I

- 2023: Baseline year for GHG emissions and other climate- and resource use related indicators.
- 2024: Portfolio company roadmaps for achieving Net Zero emissions by 2050.
- Other nature related indicators: target baseline 2024, roadmap work based on data gathered to be started in 2025.

Joensuu Biocoal

- 2025: Baseline year for GHG emissions and other climate- and resource use related indicators.
- 2026-2027: Company roadmap for achieving Net Zero emissions by 2050.
- Other nature related indicators: target baseline 2025, roadmap work based on data gathered to be started in 2026-2027.

Fintoil

- 2025: Baseline year for GHG emissions and other climate- and resource use related indicators.
- 2026-2027: Company roadmap for achieving Net Zero emissions by 2050.
- Other nature related indicators: target baseline 2025, roadmap work based on data gathered to be started in 2026-2027.

Balance sheet investments

- 2026: Baseline year for GHG emissions and other climate- and resource use related indicators.
- 2027: Portfolio company roadmaps for achieving Net Zero emissions by 2050.
- Other nature related indicators: target baseline 2026, roadmap work based on data gathered to be started in 2027.

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