

# Sustainability Principles

Environmental, social and governance requirements and guidance regarding Taaleri Bioindustry's investment processes and management (November 2022)

### Document basic details

Purpose	To describe and define the approach regarding environmental, social and governance (ESG) management and responsible investment in Taaleri Bioindustry's activities, in line with Taaleri Plc's overall approach and requirements
Update frequency	As necessary (reviewed at least annually)
Approver and date (original date)	Tero Saarno, Managing Director, Taaleri Bioindustry Ltd, and member of Taaleri Plc management team (17 January 2022). Note: approval by the board of directors of Taaleri Bioindustry Ltd will be applied at the earliest opportunity.
In force (date)	17 January 2022
Responsible organisation	Taaleri Bioindustry
Contact person	Tero Saarno (Managing Director, Taaleri Bioindustry Ltd), Essi Heikkinen (Sustainability Specialist, Taaleri Plc)
Related regulation	This document is not directly based on any specific regulatory requirements. However, the document aims to support in responding to (further developing) requirements of e.g. the EU's Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation.

### Version history

Approved (date)	In force (date)	Updates made
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# Introduction and underlying requirements

## Purpose and basis

The purpose of this environmental, social and governance principles ("**Sustainability Principles**") is to define Taaleri Bioindustry Ltd's ("**Taaleri Bioindustry**"), a subsidiary of Taaleri Plc ("**Taaleri**"), approach to responsible investing and sustainability management, in line with Taaleri's overall approach to sustainability and sustainable investing and related requirements. The Sustainability Principles seek to describe Taaleri Bioindustry's methodology when working towards our strategic sustainability objectives, as well as to describe how we integrate the consideration of sustainability risks and value creation opportunities in our investments made through any of our investment vehicles or bioindustry related investments made directly from Taaleri's own balance sheet ("**Investment Activities**").

For the sake of clarity, the following definitions are applied:

'**Sustainability risk**' means an environmental, social, or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (SFDR-regulation EU/2019/2088 (2)).

'**Sustainability factors**' mean environmental, social, and employee matters, respect for human rights, and anti - corruption and anti - bribery matters.

'**Principal adverse impacts**' are understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors.

In addition to the Sustainability Principles, Taaleri Bioindustry shall comply for example with Taaleri's Code of Conduct and Taaleri's Sustainability Policy, and Sustainability Risk Policy, as well as Taaleri's voluntary commitments related to human- and workers' rights, and CO2 emissions reduction targets in its Investment Activities. Taaleri Bioindustry also defines other relevant principles and guidelines to ensure compliance and strengthen its commitment to good governance practices and impact management. The Sustainability Principles are interlinked with Taaleri Bioindustry's Code of Conduct, which expresses ethical standards and codes of conduct relevant to Taaleri Bioindustry and its employees and contractors.

It is important for Taaleri Bioindustry to operate sustainably and to develop our business in a way that adds value to our investors as well as other stakeholders, including the countries and local communities in which we operate. For us, sustainability is about protecting the environment, human well-being, equality, good corporate governance, and fostering the development of innovative sustainable solutions.

This is an updated version of the Sustainability Principles. The Sustainability Principles can be amended from time to time. The most recent version of the Sustainability Principles is accessible on the website [www.taaleribioteollisuus.com/en](http://www.taaleribioteollisuus.com/en) and may be provided via other channels to Taaleri Bioindustry's relevant stakeholders as applicable.

## Reporting (suspected) breaches or requesting further information

Any individual may anonymously and confidentially report on non-compliance or suspected breaches of the Sustainability Principles in Taaleri's Whistle Blowing Channel accessible at <https://www.taaleri.com/yritysvastuu/hallinto>.

Taaleri employees may also notify their supervisors or the management directly on any possible non-compliance or suspected breaches identified.

Taaleri Bioindustry's general contact email is [bioteollisuus@taaleri.com](mailto:bioteollisuus@taaleri.com).

## Scope and implementation

The Sustainability Principles apply to all Investment Activities of Taaleri Bioindustry.

Taaleri Bioindustry mainly exercises full or joint control of the investment targets and subsequently has the ability to implement the Sustainability Principles at its discretion. However, in cases where Taaleri Bioindustry determines it has limited ability to influence and control the integration of sustainability factors or considerations in the investment, or where other circumstances affect Taaleri Bioindustry's ability to assess, set or monitor sustainability-related performance goals, the principle of proportionality will be implemented as to determine the appropriate measures to be taken. Additionally, reasonable efforts are made to encourage other investors and investment targets to consider sustainability throughout their operations. Taaleri Bioindustry also seeks to make proactive efforts to improve sustainability-related matters in projects and regions where we believe the greatest positive impact can be achieved and principal adverse impacts can be reduced. Taaleri Bioindustry applies active ownership in all its investment targets. A more detailed description of how Taaleri Bioindustry practices active ownership is provided in Taaleri's Sustainability Policy, which is accessible at <https://www.taaleri.com/document-archive>.

## Roles and responsibilities

The Head of Taaleri Bioindustry has the responsibility for assuring that the Sustainability Principles are implemented in the Investment Activities. Furthermore, Taaleri Bioindustry's board of directors will have the ultimate responsibility once they have approved the Sustainability Principles.

If an investment committee of the fund or other vehicle making the investment is established, sustainability-related roles and responsibilities of the committee or its member(s) are agreed upon separately in the oversight of the Head of Taaleri Bioindustry or the board. The investment committee or its member(s) can for example support or have the responsibility of assessing the proper implementation of the Sustainability Principles during the investment processes and ensuring that each investment fulfills set sustainability requirements, which can differ between funds based on their SFDR-labelling.

The investment committee is informed by Taaleri Bioindustry investment team pre-investment and during asset management as relevant. Informing includes findings of principle adverse impacts and sustainability risks. A summary of these aspects shall be provided to the Investment Committee for their consideration for example prior to the committee approval and an investment decision by the General Partner.

Taaleri Bioindustry's investment professionals are primarily responsible for ensuring that the consideration of sustainability factors and principal adverse impacts are integrated into all Investment Activities. Through

the technical professionals of Taaleri Bioindustry, Taaleri Bioindustry has an enhanced opportunity to assess, influence and monitor sustainability factors of the Investment Activities on a detailed level. All employees of Taaleri Bioindustry shall follow the Sustainability Principles according to their roles and responsibilities.

The activities of these investment and technical professionals are supported for example by Taaleri Plc's ESG Team and Taaleri's Compliance and Risk Management professionals. Taaleri Plc's ESG Team reports to Taaleri Plc's management team member responsible for sustainability. Taaleri's ESG Team develops group level sustainability processes and management, including supporting and monitoring Taaleri Bioindustry in their sustainability work and sustainable investment processes. Where additional subject matter expertise is needed, the team utilises external resources as relevant and necessary.

Furthermore, compliance with sustainability policies and sustainability-related performance is considered in the remuneration of Taaleri Bioindustry employees and management.

# Managing sustainability and principle adverse impacts

## Principal adverse sustainability impacts

Taaleri Bioindustry considers in its Investment Activities the principal adverse impacts of its investment decisions on sustainability factors. Any potential adverse impacts that are identified will be mitigated, if possible, both prior to an investment decision and during the life cycle of the investment, with appropriate monitoring processes. Identification and mitigation follow good governance processes and the processes set out in these Sustainability Principles. Potential climate change impact and impacts on biodiversity shall have special focus in the assessment, acknowledging their inherent characteristics and importance in the society.

Taaleri Bioindustry considers that its Investment Activities' potential principal adverse sustainability impacts are mainly investment target level impacts. Potential principal adverse impacts can be, for example:

- Investment targets use natural resources and utilize biomass, which can cause the reduction of carbon sinks or have biodiversity impacts
  - Used biomaterials and fuels should be produced utilising renewable or recycled sources or by side- and/or waste streams from other processes, avoiding additional use of fossil and virgin resources.
- Emissions from energy used in production processes and logistics
  - Investment targets should make efforts to use renewable energy in their operations and processes to minimize their GHG emissions. Additionally, energy conservation, re-utilization, and energy efficiency standards (e.g. by the EU regarding electric motors) should be taken into account.
- Sustainable material, fuel, and energy production projects are nearly always to a certain extent based also on materials that cannot all be produced from renewable sources, like concrete in the foundations and steel in structures and cladding.
  - Targets should aim to implement circularity to their operations as much as possible and avoid the use of fossil-based materials.
- During construction and operation, industrial-scale bio-industry-based production facilities may have a significant impact on the area where they are situated including impacts on human health and environmental values.
  - Target companies should seek rental facilities when expanding their operations, to avoid adverse impacts from the construction phase of new facilities
- Impacts relating to the health and safety of workers during construction and operations and inadequate governance of investee companies could be significant if materialized.
  - Good governance practices and commitment to Taaleri Bioindustry's code of conduct is to be required from investment targets, and specific requirements related to minimum social safeguards are to be implemented in IA and SHA agreements in addition to other sustainability-related requirements

Taaleri Bioindustry takes all reasonable steps to minimize the negative sustainability impacts of any selected project and sets targets to reduce monitored principal adverse impacts. Potential principal adverse impacts and sustainability risks are considered as part of due diligence assessments, as applicable and defined below and in Taaleri's Sustainability Policy and Sustainability Risk Policy.

Taaleri Bioindustry shall apply the mitigation hierarchy on its operations and Investment Activities. In any decision-making process, Taaleri Bioindustry shall strive to firstly avoid and prevent adverse impacts. Only if material adverse impacts cannot in a technically and financially feasible manner be avoided, shall they be minimised. Only as a last resort, remaining adverse social or environmental impacts shall be compensated or remedied. Any compensations or remedies executed need to be carefully assessed and reasonable, considering the impact and local income level to avoid any speculation on e.g. bribery.

## Goals and objectives

Taaleri Bioindustry's objective is to support sustainable development by financing and expediting the transition from the usage of fossil fuels and virgin raw materials into development and production of materials, fuels, and energy without fossil or non-renewable raw material or energy sources.

Taaleri Bioindustry supports all of the United Nations Sustainable Development Goals, with a sincere focus on (14) Life under water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (12) Responsible Consumption and Production, (13) Climate Action, and (15) life on land where we believe we can make the biggest impact.

In connection with its Investment Activities, Taaleri Bioindustry seeks for example to:

- Achieve positive impact locally and globally.
  - The minimum requirement is complying with applicable laws and regulations, respecting human and laborers' rights, and good governance practices.
  - Taaleri Bioindustry is voluntarily committed to making sustainable investments as defined by the EU (2019/2088). Thus, it is our highest priority, especially for any investment vehicles classified as Article 9, to ensure the fulfilment of the commitment.
- Consider sustainability risks and -factors and principle adverse impacts associated with target companies and projects when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
  - Taaleri Bioindustry seeks to integrate into its Investment Activities the consideration and thoughtful management of principle adverse impacts issues, sustainability impacts, -risks, and value creation, throughout the investment cycle.
- Work through appropriate governance structures (e.g. board of directors, advisory boards) with portfolio companies.
  - Engage Taaleri's expertise with respect to environmental, public, and employee health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
  - Use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest, and implement compensation and other policies that align the interests of owners and management on sustainability factors.
- Provide timely information to Taaleri Bioindustry's relevant stakeholders on the matters addressed herein, and work to foster transparency about Taaleri Bioindustry's activities.



- Be accessible to, and engage with, or ensure that the portfolio company engages relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
- Encourage Taaleri Bioindustry portfolio companies to advance these same principles in a way that is consistent with their fiduciary duties.

## **Sustainable investment process**

As part of its Investment Activities, Taaleri Bioindustry is committed to considering good governance practices, adverse sustainability impacts, sustainability risks and positive impact on sustainability factors in the course of selecting potential investment opportunities, in its due diligence and in the development and monitoring of portfolio investments, while simultaneously adhering to the provisions of the agreements of the funds or other investment vehicles concerned.

Taaleri Bioindustry follows the sustainable investment process of Taaleri and implements sustainability in the initial planning of a financial product, as well as management, governance, and reporting activities of the fund. Consideration of sustainability is included throughout the investment life cycle, starting from the investment pipeline building phase, due diligence assessments, engaging partners to Taaleri Bioindustry and Taaleri's commitments, investment decision-making, negotiations and contracts, active ownership, and finally the exit phase.

In this process, as a minimum for our Article 9 labelled funds, we ensure fulfilment of the sustainable investment criteria (as applicable and defined e.g. in EU regulations 2019/2088 and 2020/852).

### **Pre-Investment**

To ensure the integration of sustainability factors in the pre-investment phase of its Investment Activities, Taaleri Bioindustry conducts comprehensive due diligence assessments for its investment targets, analyses sustainability risks related to the investment, and establishes a management system and a mitigation plan to ensure proper management of sustainability through active ownership. The following aspects are considered at the pre-investment stage to ensure that adequate standards are met for each investment:

### **Initial screening of investment targets, compliance, and categorization**

Taaleri Bioindustry aims to ensure at the earliest stage possible that an investment target fulfills requirements set in Taaleri Bioindustry's Code of Conduct or applicable regulation. The requirements relate for example to Investment Activities' investment strategy and their compliance with laws, regulations, and international standards.

Taaleri Bioindustry includes an assessment of fulfilling the applicable criteria of sustainable investment (EU 2019/2088) and environmentally sustainable economic activities (EU 2020/852) in the initial screening.

### **Environmental and social impact assessment**

For all investments subject to an Environmental Impact Assessment (EIA) or Environmental and Social Impact Assessment (ESIA), Taaleri Bioindustry shall prior to any final investment decision, ensure that an applicable impact assessment is or has been carried out and that public consultation is undertaken in accordance with national legislation and the principles of the EU EIA Directive.

For possible investments outside the EU, in countries with a comparably lenient environmental and social regulatory framework, Taaleri Bioindustry shall comply with applicable national law as a minimum requirement. In addition, in order to ensure the adequacy of the environmental and social measures taken, Taaleri Bioindustry aims to further independently implement ESIA at the same detail as would be required under EU standards and as supplemented by the Environmental and Social Standards of any International Financial Institutions (IFI) involved in the Investment Activity.

### **ESG due diligence measures**

As a prerequisite for proceeding with any investment, Taaleri Bioindustry shall make a comprehensive due diligence assessment on the potential investment target. These assessments are made to ensure that proper management of environmental, social, and governance matters is implemented before an investment decision is made. A more in-depth description of the due diligence process implemented, is available at Taaleri's Sustainability Policy, accessible at <https://www.taaleri.com/document-archive>.

Taaleri Bioindustry involves internal subject matter experts with sustainability expertise to conduct an assessment of value creation opportunities or risks related to the investments considered. External advisors may be engaged to carry out additional sustainability-related due diligence as needed.

Taaleri Bioindustry categorizes projects, among other relevant categorizations, as follows:

- Project with potentially principal adverse impacts that are significant, irreversible, or unadaptable
- Project with potentially limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
- Project with minimal or no adverse environmental or social impacts.

Where adverse impacts are identified by Taaleri Bioindustry, it will develop a corrective action plan or support the investment target company management to do so. If deemed necessary, a project-specific plan shall be prepared, either prior to the investment decision or at any point after the investment decision as described below.

The issues considered, findings, and next steps, if any, shall be documented for internal use and kept on record as long as Taaleri Bioindustry, through its Investment Activities, is a shareholder in a particular investment target, however for at least six years.

### **Asset management after the investment phase**

To manage sustainability risks and value creation opportunities in its investments during the construction or operational phase, Taaleri Bioindustry establishes a management system considering for example the following elements:

### **Monitoring and reporting**

Taaleri Bioindustry bases reporting methodology on the impact categorisation of the project. Taaleri Bioindustry engages in all cases its internal specialists to monitor, safeguard, and manage principal adverse impacts of the project throughout the project lifetime. In addition, Taaleri Bioindustry can require independent third-party follow-up and monitoring and reporting if deemed necessary for example due to significant impacts or high risks.

Taaleri Bioindustry documents all material sustainability risks and opportunities it monitors or manages. All material issues and progress on mitigating such issues are included in its investor reporting in a relevant level of detail.

Impacts on sustainability factors of the Investment Activities are measured by fund-specific principal adverse impact indicators, and other sustainability indicators, that measure the attainment of the sustainable investment objective, positive sustainability impact, as well as adverse sustainability impacts.

Taaleri Bioindustry seeks to be transparent in its approach to incorporating sustainability considerations in its Investment Activities by reporting biannually on its progress and outcomes. The format of this reporting will follow the instructions and criteria of the EU sustainable finance disclosure regulation (2019/2088) and amending regulation (EU/2022/1288).

### **Plan implementation and engagement**

Where sustainability risks or principal adverse impacts are identified during the due diligence assessment or at any later stage, Taaleri Bioindustry includes the management of these issues in a project specific plan. The plan is reviewed at least quarterly and updated when necessary.

Where appropriate, Taaleri Bioindustry seeks to actively engage with relevant stakeholders throughout the investment cycle in an effort to make informed decisions that may affect these stakeholders and encourages management teams of portfolio companies to do the same.