

ESG Principles

Environmental, social and governance (ESG) requirements and guidance regarding Taaleri Bioindustry's investment processes and management (January 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), Karoliina Laine (ESG Manager, 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
17 January 2022	17 January 2022	Document created

Table of contents

Introduction and underlying requirements	3
Purpose and basis.....	3
Reporting (suspected) breaches or requesting further information	3
Scope and implementation	3
Roles and responsibilities.....	4
Managing ESG and sustainability impacts	5
Adverse sustainability impacts.....	5
Goals and objectives	6
Integration in the investments process.....	6
Pre-Investment.....	7
Initial screening of investment targets, compliance and categorization	7
Environmental and social impact assessment	7
ESG due diligence measures	7
Asset management after investment phase.....	8
Monitoring and reporting.....	8
Plan implementation and engagement.....	9

Introduction and underlying requirements

Purpose and basis

The purpose of this environmental, social and governance principles ("ESG Principles") is to define Taaleri Bioindustry Ltd's ("Taaleri Bioindustry"), a subsidiary of Taaleri Plc ("Taaleri"), approach to responsible investing and ESG management, in line with Taaleri's overall ESG approach and requirements. The ESG 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 ESG 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").

In addition to the ESG Principles, Taaleri Bioindustry shall comply for example with Taaleri's Code of Conduct and Taaleri's Sustainability Policy in its Investment Activities. Taaleri Bioindustry also defines other relevant principles and guidelines to ensure compliance and to strengthen its commitment in responsible business and impact management. The ESG Principles are interlinked with Taaleri Bioindustry's Code of Conduct, which expresses ethical standards and codes of conduct relevant for 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 our environment, human wellbeing, equality and good corporate governance and development of innovative solutions.

This is the first version of the ESG Principles. The ESG Principles can be amended from time to time. The most recent version of the ESG Principles is accessible on the website 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 ESG Principles in Taaleri's Whistle Blowing Channel accessible at www.taaleri.com.

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.

Scope and implementation

The ESG 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 ESG Principles at its discretion. However, in cases where Taaleri Bioindustry determines it has limited ability to influence and control the integration of ESG considerations in the investment, or where other circumstances affect Taaleri Bioindustry's ability to assess, set or monitor ESG-related performance goals, the principle of proportionality will be implemented as to determine the appropriate ESG-measures to be taken. Additionally, reasonable efforts are made to encourage other

investors and the investment targets to consider relevant ESG-related principles. Taaleri Bioindustry also seeks to make proactive efforts to improve ESG related matters in projects and regions where we believe the greatest impact can be achieved.

Roles and responsibilities

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

If an investment committee of the fund or other vehicle making the investment is established, ESG related roles and responsibilities of the committee or its member(s) are agreed 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 responsibility of assessing the proper implementation of the ESG Principles during the investment processes and ensuring that each investment fulfils the ESG requirements.

The investment committee is informed by Taaleri Bioindustry investment team pre-investment and during asset management as relevant. Informing includes findings of material ESG issues such as significant impacts and risks identified. 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 ESG issues is integrated into all Investment Activities. Through the technical professionals of Taaleri Bioindustry, Taaleri Bioindustry has an enhanced opportunity to assess, influence and monitor ESG aspects of the Investment Activities on a detailed level. All employees of Taaleri Bioindustry shall follow the ESG Principles as relevant and linked to their roles and responsibilities.

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

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

Managing ESG and sustainability impacts

Adverse sustainability impacts

Taaleri Bioindustry considers in its Investment Activities the 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 ESG 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, noting for example:

- Sustainable biomaterials and fuels are produced utilising renewable or recycled sources or by utilising side and waste streams from other processes, avoiding additional use of fossil and virgin resources.
- The energy consumption of the investment targets' production processes will be covered with renewable sources to the extent practical further minimising the environmental impact. Additionally, energy conservation, re-utilisation and energy efficiency standards (e.g. by EU regarding electric motors) will be considered with the investments.
- 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.
- During construction and operation, an industrial scale bioindustry based production facilities may have significant impact on the area where they are situated including impacts on human health and environmental values.
- Impacts relating to health and safety of workers during construction and operations and inadequate governance of investee companies could be significant if materialised.
- Adverse sustainability impacts may also be caused externally to the investee companies or the fund. Extreme weather phenomenon, global or regional pandemics, corruption, criminal activities, among others, may also cause significant impacts if materialised. Also, availability of raw materials may be significantly affected e.g. due to lockdowns, import restrictions or changes in the ecosystem of nature.

Taaleri Bioindustry takes all reasonable steps to minimise the negative sustainability impacts of any selected project. Potential impacts are considered as part of the environmental and social impact assessment or ESG due diligence, as applicable and defined below.

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 negative impact. Only if material negative impact cannot in a technically and financially feasible manner be avoided, shall they be minimised. Only as a last resort, remaining negative social or environmental impact 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 (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (12) Responsible Consumption and Production, and (13) Climate Action, where we believe we can make the biggest impact.

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

- Achieve good ESG performance locally and globally.
 - The minimum requirement is remaining committed to compliance with applicable laws and regulations as well as international standards.
 - Taaleri Bioindustry is voluntarily committed for example to making sustainable investments as defined by EU (2019/2088). Thus, it is our highest priority, especially for any investment vehicles classified as Article 9, to ensure fulfilment of the commitment.
- Consider ESG issues associated with target companies and projects when evaluating whether or not to invest in a particular company or entity, as well as during the period of ownership.
 - Taaleri Bioindustry seeks to integrate in its Investment Activities the consideration and thoughtful management of ESG issues, including sustainability impacts, risks and value creation, throughout the investment cycle.
 - A sustainability impact means impacts on ESG matters and a sustainability risk means an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.
- 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 minimising 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 to implement compensation and other policies that align the interests of owners and management on ESG matters.
- 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.

Integration in the investments process

As part of its Investment Activities, Taaleri Bioindustry is committed to consider material ESG and sustainability issues 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.

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

Pre-Investment

To ensure the integration of ESG considerations in the pre-investment phase of its Investment Activities, Taaleri Bioindustry conducts an ESG due diligence for its investment targets, and establishes a management system or adequate documentation as deemed necessary. For example 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 fulfils requirements set in Taaleri Bioindustry's Code of Conduct. The requirements relate for example to Investment Activities' investment strategy and their compliance with laws, regulations and international standards.

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

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 weaker environmental and social regulatory framework, Taaleri Bioindustry shall comply with applicable national law as a minimum. 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 be able to make a reasoned conclusion that its environmental and social impacts have been identified and duly addressed and the Investment Activity is considered acceptable (i.e. that each investment is designed so as to avoid and, if this is not reasonably possible, reduce any significant adverse impact, and any significant residual negative impacts have been, in order of preference, mitigated, compensated or offset).

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

Taaleri Bioindustry categorises projects, among other relevant categorisations, as follows:

- Project with potentially significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented;
- 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 risks and/or impacts.

Where any material issues are identified by Taaleri Bioindustry to require improvement, Taaleri Bioindustry 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 investment phase

To manage ESG 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 technical and ESG professionals to monitor, safeguard and seek to minimise all material negative 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 ESG related 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.

Environmental impacts of the Investment Activities are measured by the investment target specific sustainability indicators, e.g. estimated emissions offset/displacement/avoidance (CO₂e); amount of renewable energy capacity (MW); renewable energy produced (MWh); renewable materials produced (t); resources used; waste, emissions or pollution generated; EU taxonomy eligibility/alignment or other sustainable finance related categorisation.

Taaleri Bioindustry seeks to be transparent in its approach to incorporating ESG considerations in its Investment Activities by reporting at least annually on its progress and outcomes. The format of this

reporting may vary among written public reports, or verbal informal reports, or confidential fund or asset-level reports to Taaleri Bioindustry investors.

Plan implementation and engagement

Where there are material issues identified during the diligence process 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. New issues will be added to the plan as they rise and mitigation procedures put into motion accordingly.

Taaleri Bioindustry also encourages management teams of portfolio companies to identify and raise material ESG issues to the relevant decision-makers, including, where appropriate, board level individuals. 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.