

# MB Funds' Responsible Investment and Ownership Policy

## I. Introduction

According to MB Funds' ("MB") investment strategy, MB invests in strong businesses that have promising growth potential and the capacity to further develop their position in the market. In MB's view, sustainable companies, which have mitigated sustainability risks and have identified sustainability matters creating value, are more resilient and successful in a rapidly evolving business environment. The responsible owner mindset of MB enables the cooperation with high-performing companies with long term value creation potential and the making of future-proof investments. MB integrates sustainability risks and opportunities (also called Environmental, Social and Governance, "ESG", factors) into its investment strategy, practices and decision-making processes. ESG integration does not conflict with return expectation, but rather brings in a complementary element that amplifies the investee companies' strategies, operations, and prospects for growth.

The aim of MB's responsible investment and ownership policy is to identify and mitigate sustainability risks in the investment phase, as well as during the ownership secure the value of the current portfolio companies. In addition, MB seeks investee companies with positive sustainability opportunities and MB contributes to capitalize on the sustainability potential of the current portfolio companies to enhance their value creation. MB assesses sustainability of the investment target as well as the potential impacts of sustainability risks based on the sustainability (ESG) topics illustrated in Appendix 1.

The MB Funds' Responsible Investment and Ownership Policy is applicable to all MB equity funds (subject to their legal documentation) and is integrated in the decision-making and ownership practices through the whole investment process – from the deal sourcing and the investment phase through the ownership period and till the exit. The Policy describes MB's approach to sustainability in general as well as the processes and practices implemented regarding responsible investment and active ownership. In addition, the Policy describes the integration of sustainability risks in investment decision-making process in accordance with EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector.

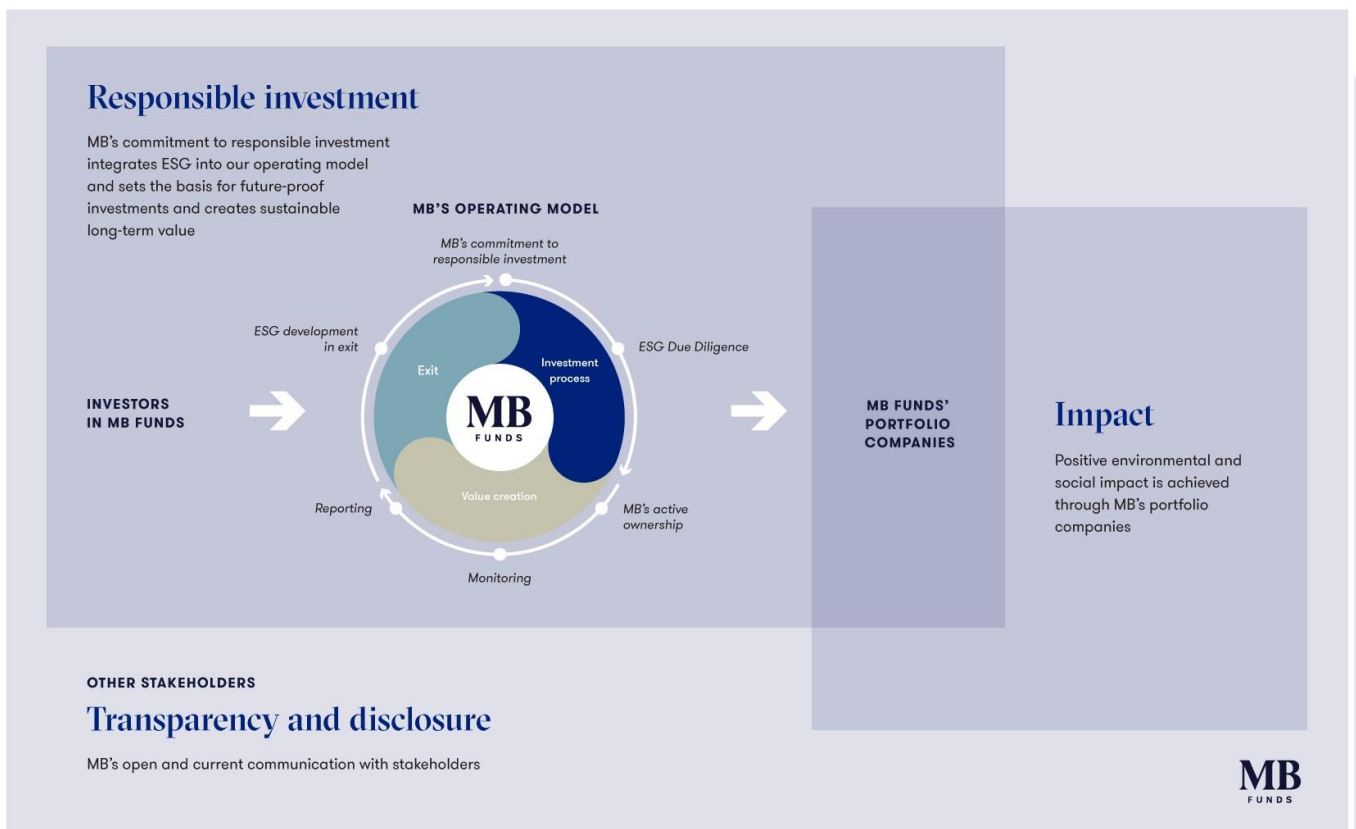
MB Funds' Responsible Investment and Ownership Policy is reviewed regularly and updated when necessary. The Policy is approved by the Board of Directors or the Investment Committee of the Alternative Investment Fund Manager (whichever applicable) of each MB equity fund. The MB investment team members with the support of the sustainability and communications manager are responsible for the implementation of the sustainability considerations during the entire investment cycle.

## II. Approach and Commitments

### Sustainability at MB

MB's solid approach to sustainability sets the frames for MB's sustainability work and communication. MB's approach towards sustainability captures key stakeholders' expectations on sustainability and thus directs MB's resources and activities on material ESG matters. MB's sustainability is divided into three elements – Responsible investment, Impact, and Transparency and disclosure. MB is committed to responsible investment, fosters positive impact through the portfolio companies and is transparent in its communication.

### MB's Approach to Sustainability



### Commitment to responsible investment

The responsible investment process of MB is based on United Nations Principles for Responsible Investment (UN PRI) and it covers the decision-making and ownership practices that are applied through the investment process. MB commits to the following six PRI principles:

- **Principle 1:** We will incorporate ESG issues into our investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

### III. Implementation of the Responsible Investment and Ownership

#### Deal sourcing and investment phase

Sustainability risks and opportunities are considered in the deal sourcing and the investment analysis to identify potential investee companies' exposure on various sustainability risks as well as to seek companies with positive environmental and social impacts, and sustainability opportunities creating value. ESG due diligence is conducted in every investment opportunity reaching DD phase. In the ESG due diligence, the focus is on understanding the material ESG matters for a specific company and its industry i.e., sustainability risks and opportunities that are integrated in a company's operating environment, business model and value creation, and that have a financial impact. In addition, the likely impacts of identified sustainability risks and opportunities on the investee company's business are assessed and documented, including possible risk mitigation recommendations.

MB's project team members appointed for each investee case, with the support by the sustainability and communications manager, are primarily responsible for integrating material ESG matters into the analysis and decision-making process of the investment. Responsible partner of the investment case is also responsible for including the results of the impact assessment of identified sustainability risks in the investment decision process. At the beginning of the ownership period, MB introduces its Responsible Investment and Ownership Policy as well as the approach and expectations on sustainability to the management teams of the portfolio companies.

#### Ownership period

MB's key principles as an active owner are a trust-based partnership and a productive cooperation with the management of the portfolio companies. MB is genuinely committed to engaging the portfolio companies to develop their ESG performance and to make a lasting impact on their selected focus areas.

MB's investment team members work together with the portfolio companies on sustainability issues through the MB's ownership period. MB initiates and facilitates sustainability activities through the board work as the company's management is responsible for the implementation of the agreed activities. Typically, the sustainability development in the portfolio companies includes activities such as ensuring company's management commitment to sustainable business, defining company specific material ESG focus areas with targets and KPIs, integrating sustainability in the company's communication as well as addressing sufficient resources in sustainability development.

Progress of the portfolio companies' sustainability activities and ESG performance are monitored regularly at the board level. In addition, the portfolio companies report annually on their sustainability performance to MB.

## **Exit**

At exit, the emphasis is on demonstrating the development made in the selected ESG matters and the improved level of sustainability management in the investee company to maximize the exit value.

## **IV. Exclusions and Activities with Enhanced Monitoring**

MB will not invest in any of the following activities:

- Production of, or trade in, controversial weapons (e.g., cluster munitions, anti-personnel land mines, nuclear weapons, biological and chemical weapons, depleted uranium);
- Endangered or protected wildlife or wildlife products; or
- Directly related to the following industries:
  - Gambling, gaming casinos and equivalent enterprises;
  - Tobacco or tobacco related products;
  - Pornography/Adult entertainment; or
  - Legal cannabis products

Furthermore, MB applies very careful and enhanced evaluation and monitoring concerning industries or activities where it has identified a heightened sustainability risk of the following:

- Violation of human rights
- Violation of rights at work or labor standards
- Violation of environmental regulation
- Significant exposure to climate risks

## **V. Reporting**

MB provides its stakeholders with relevant and timely information about MB's own operations as well as the portfolio companies. Fund investors are informed regularly on MB's responsible investment and ownership activities as well as portfolio companies' ESG matters and development, and immediately in case any material ESG incidents or breaches. In addition, MB promotes transparency in private equity industry and publishes information on MB's approach to sustainability in its website. Regarding the transparency and the disclosure of MB's own operations the Finnish Venture Capital Association (FVCA) has issued a set of guidelines to promote transparency in the venture capital and private equity industry. MB Funds is committed to and meets the FVCA requirements.

This Policy is reviewed on annual basis and updated if deemed necessary. Last updated in February 2021.

## Appendix 1. Sustainability topics typically assessed and integrated in investment decision-making.

Sustainability risks and opportunities are integrated in MB's investment decision-making. MB assesses sustainability of the investment target as well as the potential impacts of sustainability risks based on the following sustainability (ESG) topics. The relevance, materiality and the impact of the listed sustainability topics vary from a company to another. The list is not comprehensive and there may be company or industry specific risk or opportunities that are not included in the list.

<p><b>Environmental</b></p>	<ul style="list-style-type: none"> <li>• Greenhouse gas emissions and impact on climate</li> <li>• Environmental footprint (including e.g., energy efficiency, resource management, waste management, water management)</li> <li>• Pollution &amp; environmental hazards</li> <li>• Biodiversity</li> <li>• Environmental impacts of product and services</li> </ul>
<p><b>Social</b></p>	<ul style="list-style-type: none"> <li>• Human rights and labor conditions</li> <li>• Health and safe working conditions</li> <li>• Employee well-being</li> <li>• Employee learning, development and retention</li> <li>• Diversity and non-discrimination</li> <li>• Engagement with stakeholders e.g., employees, customers, suppliers and communities</li> <li>• Supply chain organization and traceability</li> </ul>
<p><b>Governance</b></p>	<ul style="list-style-type: none"> <li>• Ethical business conduct</li> <li>• Anti-corruption and anti-bribery</li> <li>• Sustainability related standards &amp; certificates</li> <li>• Board composition &amp; independency</li> <li>• CEO &amp; Management Team</li> <li>• Remuneration policies</li> <li>• Cyber security and data privacy</li> <li>• Whistleblowing</li> </ul>