

Responsible Investment Policy



HARTWALL
CAPITAL



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Objective of our Responsible Investment Policy

Hartwall Capital is a Finnish, family-owned investment company investing in listed and non-listed companies in the Nordics.

- The common denominator for all investments is that Hartwall Capital can identify opportunities to develop the company's business and create value through active ownership.
- Hartwall Capital aims to be an active, long-term owner with a focus on sustainable value creation, and by creating value in the portfolio companies, Hartwall Capital contributes directly and indirectly to the long-lasting wellbeing in the society.

Hartwall Capital acts responsibly in its investment activities and expects the same from its portfolio companies.

- We believe that it is crucial for the long-term success to incorporate different aspects of ESG considerations – environmental, social and governance – into our decision-making processes and ownership activities.
- Hartwall Capital considers that industries and companies related sustainability topics are strongly supported by long-term trends and therefore provide an attractive investment opportunity.

This Responsible Investment Policy was approved as guidance in 2020.



**WE BELIEVE THAT IT IS CRUCIAL FOR OUR LONG-TERM SUCCESS
TO INCORPORATE DIFFERENT ASPECTS OF ESG CONSIDERATIONS
– ENVIRONMENTAL, SOCIAL AND GOVERNANCE – INTO OUR
DECISION-MAKING PROCESSES AND OWNERSHIP ACTIVITIES**

Our guiding values

Hartwall Capital’s Responsible Investment Policy is based on the key values of the Hartwall family. The family has supported the company with guidance in developing the Responsible Investment Policy.

Focus topics as defined by the Hartwall family



ENVIRONMENT

- Preventing climate change
- Promoting clean water
- Improving waste management

Focus Sustainable Development Goals in current portfolio*



SOCIAL

- Promoting equality, diversity and non-discrimination
- Contributing to more sustainable society by improving work conditions and employee’s wellbeing

Focus Sustainable Development Goals in current portfolio*



GOVERNANCE

- Promoting fair and ethical business practices and compliance with applicable laws and regulations
- Improving transparency and implementing clear governance structures

Focus Sustainable Development Goals in current portfolio*

*At least three portfolio companies contribute to the goal



The scope of our Responsible Investment Policy

Hartwall Capital's Responsible Investment Policy describes our approach towards responsible investment and business practices.

- This policy reflects the decision-making and ownership practices applied by the portfolio companies owned by Hartwall Capital as well as Hartwall Capital as a company.
- In addition the policy encompasses monitoring the responsibility and sustainable development of target companies, as well as conducting responsibility-related dialogue with them.

Hartwall Capital's principles for responsible investment operations apply to both Hartwall Capital as an organization, the portfolio companies and the investment processes.

- Hartwall Capital is a driver of sustainable development and responsible actions in its portfolio companies as an owner, through board work and an ongoing dialogue with the management.
- Sustainability aspects are expected to be considered as a part of the investment analysis, and when applicable, an appropriate governance model should be implemented to manage and monitor sustainability aspects throughout the ownership period.

These guidelines apply to Hartwall Capital's all investment activities and all asset classes, considering their own specific features.

- Hartwall Capital's investment mandate allows investments in listed equity as well as private equity investments.





Governance

Hartwall Capital's Board has the oversight of the relevant ESG topics while the investment team has the implementation responsibility.

- Board of Directors: Hartwall Capital's Board is responsible for approving the Responsible Investment Policy and monitoring Hartwall Capital's ESG performance on regular basis.
- Investment team: Hartwall Capital investment team is responsible for actively searching for ESG positive investment opportunities as well as actively monitoring ESG performance and advocating the implementation of the ESG improvement plan during the ownership period. In addition the investment team is responsible for annually reporting on compliance to the Responsible Investment Policy and related ESG performance.

The Board and management of portfolio companies are responsible for integrating ESG topics into portfolio companies' policies and operations.

- Board of Directors: The board of directors of each portfolio company is responsible for taking ESG topics into account in the strategy and policies set by the portfolio companies which Hartwall Capital invests in.
- Management: Each portfolio company's CEO and management team are responsible for executing the strategy and running the daily operations of the company according to the policies established by the board of directors. In addition, the management of each portfolio company is responsible for reporting on their ESG performance to Hartwall Capital and other relevant stakeholders.

Hartwall Capital's Responsible Investment Policy was published in 2020. We develop our responsible investment practice regularly and update our policy accordingly.

Participation in public discussion

Hartwall Capital works in cooperation with several external organizations in order to engage and further the discussion around responsible investing.

- The partner organizations serve as further support for the development of our processes and for increased transparency, for example through the best practices and well-tested reporting models they provide access to.
- In addition, membership in these networks gives us the opportunity to follow the development of ESG-related processes in the investment industry as well as access to the forums where these are discussed and developed.

Hartwall Capital has been a member of Finnish Venture Capital Association (FVCA) and a signatory of UN Principles of Responsible Investment (UNPRI) since 2020. In addition, Hartwall Capital is a member of FVCA's ESG-committee which focuses on the themes of corporate social responsibility, impact, and diversity in the venture capital and private equity industry.



Resourcing

Hartwall Capital does not have a separate ESG resource but the personnel of Hartwall Capital is collectively in charge of ensuring sustainable operations in both Hartwall Capital and our portfolio companies.

- Respective deal teams ensure that the portfolio companies follow the ESG policies.
- However, Hartwall Capital has a dedicated member of the investment team to ensure implementation of Responsible Investment Policy on the investment process and to ensure adequate reporting to the stakeholders together with Hartwall Capital's Communications Manager.

Hartwall Capital is committed to organize trainings for the personnel on regular basis to ensure adherence with the policy.

- In addition, Hartwall Capital's Responsible Investment Policy will a mandatory part of the training for new employees.





Definition of responsible investment

Hartwall Capital refers to Responsible Investment as the integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

Guiding principles

Hartwall Capital signed the UN Principles for Responsible Investment (UNPRI) in 2020. In addition, Hartwall Capital joined the Finnish Venture Capital Association, FVCA, which requires the company to promote corporate responsibility in its operations. The principles are in line with Hartwall Capital's fundamental values and investment philosophy. In addition, committing to responsible business by signing the principles serves as additional support for decision-making and creates accountability through the transparency and reporting requirements.

The signatories of the UN Principles for Responsible Investment commit to:

1. Incorporate ESG-(environmental, social and governance) issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles
6. Report on our activities and progress towards implementing the Principles

In addition, Hartwall Capital aims to align its investments with the UN Sustainable Development Goals (SDGs).

Signatory of:





Hartwall capital aims to align investments with the UN Sustainable Development Goals (SDGs)

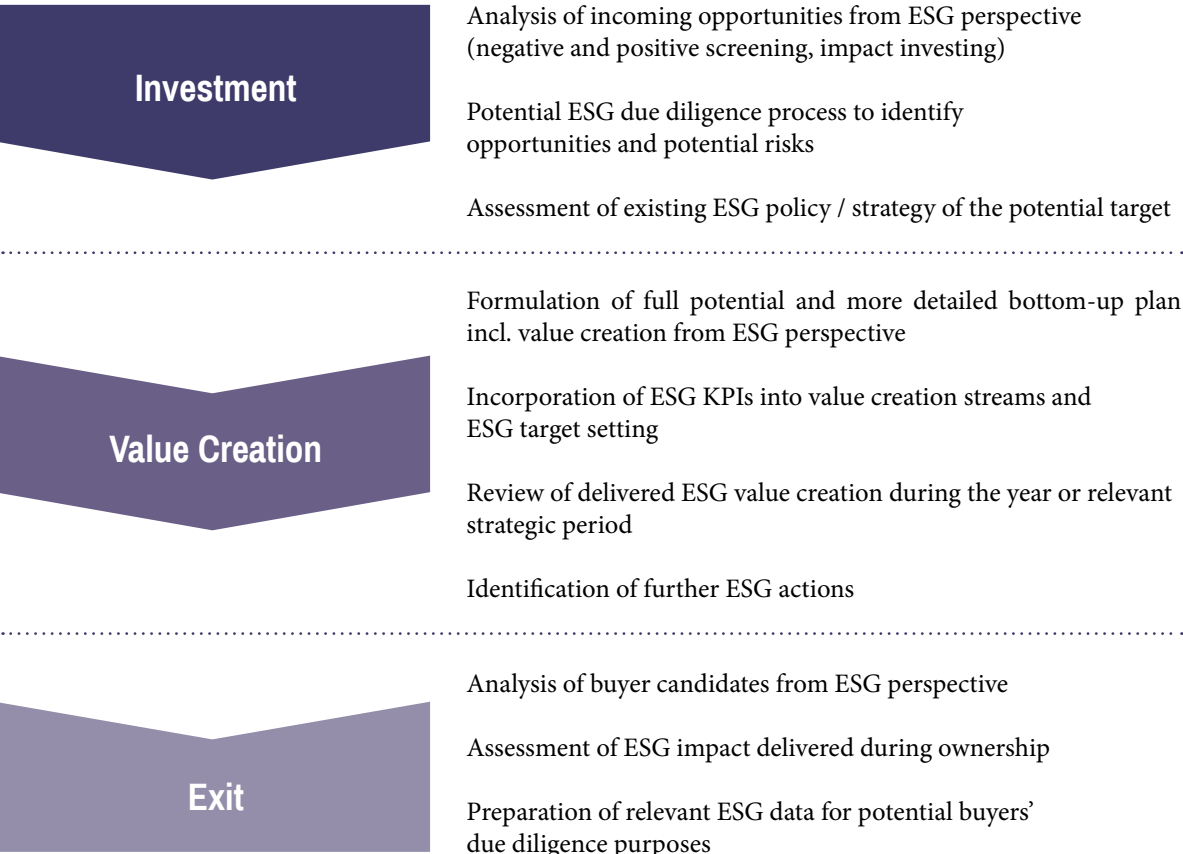
The United Nations (UN) Sustainable Development Goals (SDGs) provide a global framework for addressing the most urgent social and environmental challenges. SDGs are a collection of 17 interlinked goals designed to be a blueprint to achieve a better and more sustainable future for all.

Hartwall Capital aims to consider the potential SDG impact of its investments during the sourcing and align investments with these goals. SDGs offer a complementary framework for Hartwall Capital to understand how our portfolio companies contribute to more sustainable future.

Overview of ESG integration into Hartwall Capital's investment process

Description of HC's investment process

Hartwall Capital divides its investment process into three phases: investment, value creation and exit. The investment phase includes all preparatory work prior to the investment decision such as sourcing and screening of potential targets as well as due diligence. Value creation phase on the hand covers all activities during Hartwall Capital's ownership period, such as development and execution of value creation plans, performance monitoring and reporting. Finally exit phase includes all preparations for the sale of the portfolio company such as the assessment of potential buyers and providing necessary information on the performance of the company.



Investment phase: Sourcing

Hartwall Capital invests in good companies with a potential to become great, sustainable companies during and after our ownership. This means investments that live up to the due diligence requirements, or those that have been found to have both the potential and ability to do so in the future.

- During the sourcing process we actively aim to identify companies with sustainable long-term potential: each potential deal goes through a screening process in which the ESG starting point and the potential SDG impact is considered.
- First, Hartwall Capital employs negative screening approach during the investment process to avoid investing in companies whose products, services or practices cause environmental or social harm and where there is no path to mitigate these negative impacts and transform the business into a positive contributor to society.
- Secondly, Hartwall Capital actively seeks for 1) companies that are best-in-class in their industry segment in terms of their ESG performance or have potential to become best-in-class under Hartwall Capital's ownership, or 2) companies and industries that actively address sustainability issues that are relevant for Hartwall Capital as an engaged owner and on which Hartwall Capital can make the most impact.

Investment phase: Due diligence

During the due diligence phase Hartwall Capital assesses in more detail the ESG value creation possibilities and risks related to the potential investment and how they are managed

- These possibilities and risks are considered as a key part of the investment recommendation materials, and potential identified issues become the focus of ESG management efforts during the potential ownership period.

The due diligence aims to identify relevant ESG topics for example by 1) assessing of existing ESG strategy and policies and related reporting processes in place, 2) identifying potential opportunities to increase company value and reduce risks through ESG initiatives, 3) assessing the potential impact of megatrends (e.g. climate change) on company performance, and 4) reviewing legal requirements related to ESG issues (e.g. environmental permits).

**HARTWALL CAPITAL INVESTS IN GOOD COMPANIES WITH A
POTENTIAL TO BECOME GREAT, SUSTAINABLE COMPANIES,
DURING AND AFTER OUR OWNERSHIP**



Hartwall Capital employs a combination of several ESG screening methods while selecting new investments

Step 1: Negative screening


Negative screening means excluding certain industries or companies based on specific ESG criteria, for example avoiding particular products and business practices which contradict our guiding values and/or global standards. Some criteria assume absolute avoidance of certain activities (e.g. use of child labor) and for some we have set a materiality threshold (e.g. less than half of the company's revenues)

Step 2: Positive screening/Impact investing


Positive screening is defined as investing in companies based on their positive ESG performance relative to the industry peers. We actively screen for companies which are – or have potential to be – best-in-class or leaders in terms of best practices in their industry

1. Positive screening for companies operating in industries not directly linked to positive ESG impact
 - Targeting companies that are best-in-class or have potential to be best-in class in their industry in terms of their ESG performance
2. Impact investing for companies operating in industries with positive ESG impact
 - Targeting companies and industries that aim to solve sustainability related issues and address long-term trends by creating positive impact on Sustainable Development Goals (SDGs) / Hartwall Capital ESG focus topics


Negative screening used as step 1 in sourcing




Tobacco
>50% of sales




Gambling
>50% of sales




Adult enter-
tainment
>50% of sales




Cannabis
>50% of sales




Nuclear




Fossil fuels (1)
>50% of sales




Mining &
exploration
>50% of sales




Weapons that
may violate
fundamental
humanitarian
principles




Denial of
human rights /
child labor




Neglection of
animal welfare




Non-compliance
with environmental
regulations



High CO2
footprint and
no plans to
reduce



Corruption
and other
violations of
international
norms



Companies
with aggressive
tax planning
(2)

Due to Hartwall Capital's history related to alcohol products, those are not excluded from investments per se – however, Hartwall Capital can only invest in alcohol products which promote responsible alcohol consumption.

1. Exception with fossil fuel related companies that drive towards positive ESG screening case (e.g. Neste with their renewable offering)
2. Tax planning that can be considered unethical or socially irresponsible

Positive screening or impact investing approach used in step 2,
depending on the company's industry



Step 2A: Positive screening

Companies operating in industries not directly linked to positive ESG impact

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Targeting companies that are best-in-class or have potential to be best-in class in their industry in terms of their ESG performance - can be identified with ESG ratings



Step 2B: Impact investing

Companies operating in industries with positive ESG impact

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Targeting companies and industries that aim to solve sustainability related issues and address long-term trends by creating positive impact – related to Sustainable Development Goals or Hartwall Capital's focus ESG topics

ESG in value creation

Hartwall Capital is committed to improving the portfolio companies' sustainable practices, ESG performance and disclosure practices during our ownership period, as our governance position and influence allows.

- In addition, Hartwall Capital constantly monitors the portfolio companies' sustainability practices and related ESG performance.

ESG integration for listed companies

Hartwall Capital aims to incorporate ESG issues into listed companies mainly via active ownership efforts.

- Through active dialogue, we can engage with our portfolio companies and highlight ESG related risks and opportunities.
- Active ownership in listed companies is achieved mainly through board positions, nomination committees, voting at general meetings and regular communications with corporate management.
- In addition, listed companies have their own sustainability policies required by regulations.

ESG integration for non-listed companies

Hartwall Capital aims to incorporate ESG issues into non-listed companies with active dialogue and guidance.

- Hartwall Capital will support the portfolio companies in identifying the focus ESG areas that are relevant for each company and setting targets for these focus areas.
- These focus areas will be defined into a ESG value creation plan that guides the development of the company in addition to the complete value creation roadmap.
- In addition, Hartwall Capital encourages portfolio companies to integrate ESG KPIs as part of the PMO workstreams to ensure proper follow-up of the company's ESG impact.

An essential part of Hartwall Capital's value creation strategy is to implement our own governance structure in non-listed companies and actively participate in the Board work.



Exit

Hartwall Capital actively considers the ESG aspects also during the exit phase.

During exit phase Hartwall Capital carefully evaluates the potential buyers, transaction models and fair treatment of various stakeholders such as employees and shareholders. The new buyer should be interested in continuing our value creation related to the ESG topics and have a good reputation.

In addition, the timing of the exit is considered from the perspective of the portfolio company's exit readiness in terms of value creation delivered as well as financial and organizational stability. We aim to leave our portfolio companies in a better state than which we invested them in to ensure their ability to continue creating value after our exit.

On exit, Hartwall Capital aims to assess the impact delivered on the sustainability topics. For non-listed companies Hartwall Capital also considers how these topics can be further developed under the new owner.





Communication, transparency and reporting

Hartwall Capital's goal is to be one of the leading Finnish family office in terms of ESG performance and impact, and Hartwall Capital aims to communicate accordingly to our stakeholders and the general public.

- ESG will be considered as part of our all communications as well as our operations.
- Hartwall Capital is committed to communicate in a transparent manner how our actions have contributed to a more sustainable future.

Hartwall Capital aims to be transparent in its efforts to support long-term sustainable development and therefore constantly monitors the portfolio companies' ESG performance and value creation and reports on it to relevant stakeholders.

- Our portfolio companies will also report their sustainability development separately as defined by regulations.
- In addition to monitoring and reporting on relevant ESG key performance indicators for portfolio companies, Hartwall Capital aims to describe the ESG value created as a result of Hartwall Capital's active ownership efforts.

The main purpose of Hartwall Capital's reporting is to provide transparency in its ESG efforts to all stakeholders.

- Public: Hartwall Capital publishes its Responsible Investment Policy on its website in addition to case examples of its ESG value creation.
- Hartwall family and Board: In addition, Hartwall Capital will report its ESG objectives and related ESG performance in the form of ESG key performance indicators to the HC Board and the Hartwall family at least annually.
- PRI: As a UNPRI signatory, Hartwall Capital will also report to PRI annually.

ESG key performance indicators

In order to track the ESG impact delivered by Hartwall Capital and its portfolio companies, Hartwall Capital monitors different key performance indicators related to its own and the portfolio companies' performance.

Hartwall Capital tracks mainly socially material ESG key performance indicators (KPIs) to monitor the execution of its social responsibility.

- These KPIs include monitoring the share of women in Hartwall Capital appointed Boards as well as in its own personnel, measuring its tax footprint and number of people employed.

Hartwall Capital aims to track both financially as well as environmentally and socially material topics with the ESG KPIs defined for its portfolio companies.

- Certain environmentally and socially material KPIs (e.g. waste intensity or share of women) are tracked for all companies across Hartwall Capital's portfolio to provide overall understanding of the portfolio's ESG performance (based on selected GRI KPIs).
- Financially material KPIs are defined separately for each portfolio company based on SASB framework to understand the potential impact of ESG topics on the financial performance of each company.

In addition to the KPIs, Hartwall Capital reports on how the investments align with the UN Sustainable Development Goals (SDGs).

1

KPIs for Hartwall Capital

KPIs for Hartwall Capital itself include selected KPIs from standard GRI framework and measure (environmentally and) socially material topics.

2

Common KPIs for portfolio companies

Common KPIs for portfolio companies include selected KPIs from standard GRI framework, and measure environmentally and socially material topics for all ESG aspects

- Common KPIs will be tailored to measure Hartwall family's ESG focus topics
- Since the common KPIs are same for all portfolio companies, they allow for measuring ESG impact on Hartwall Capital's portfolio level

3

Company-specific KPIs for portfolio companies

Company-specific KPIs for portfolio companies include selected KPIs from SASB framework, and measure financially material topics for different industries

- These KPIs are tailored for each company to measure ESG topics which have significant impact on the company's financial performance (e.g. employee safety for Industrial Equipment or fleet fuel consumed for Waste Management)



HARTWALL CAPITAL

