

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 Ltd
Contact person	Tero Saarno (Managing Director, Taaleri Bioindustry Ltd), Essi Heikkinen (Sustainability Manager, Taaleri Bioindustry Ltd)
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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Table of contents

Introduction and underlying requirements	3
Purpose and basis.....	3
Reporting (suspected) breaches or requesting further information	4
Scope and implementation	4
Roles and responsibilities	4
Managing sustainability and principle adverse impacts.....	6
Principal adverse sustainability impacts	6
Goals and objectives	8
Sustainable investment process	9

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 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 (NZAM initiative) 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 its employees, investees, investment committee and advisory board members, 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 climate, 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.taaleribioindustry.com/en/sustainability 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 www.taaleri.com/en/corporate-responsibility/governance.

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

Taaleri Bioindustry's general contact email is 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 Managing Director 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 in implementing the principles once they have approved the Sustainability Principles. The Investment Activities are responsible for ensuring compliance with these principles in all their activities.

If an investment committee of a 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 Managing Director of Taaleri Bioindustry, the Sustainability Manager 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 fulfils 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 whether the Investment Activity complies with the policies and principles Taaleri Bioindustry has adhered to, as well as the principle adverse impacts and sustainability risks related to the Investment Activity. 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 and Sustainability Manager are primarily responsible for ensuring that the consideration of sustainability factors and principal adverse impacts are integrated into all Investment Activities. Through the technical and sustainability 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 Taaleri Bioindustry's investment and technical professionals and Sustainability Manager 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 Head of Investor Relations, Sustainability, and Communications. 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.

In addition, 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 utilise 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.
 - Used resources should not come from biodiversity sensitive areas.
- Greenhouse gas emissions
 - Direct emissions from own operations: investment targets should strive to use renewable energy as the production and/or operational and logistical energy input, if possible, and/or prioritise the use of bio-based fuels over fossil energy inputs.
 - Emissions from energy used in production processes and logistics: Investment targets should make efforts to use renewable energy in their operations and processes to minimise their GHG emissions. Additionally, energy conservation, re-utilisation, and energy efficiency standards (e.g. by the EU regarding electric motors) should be taken into account.
 - Value chain emissions: investment targets should make efforts to reduce their value-chain emissions through e.g. more sustainable resource use and acquisition (prioritise the use of recycled, reusable, waste-, and compostable materials), active supply chain management, and supplier relations' management to support emission reductions, more optimised and efficient organisation of logistics, implementing appropriate waste management and recycling systems, as well as implementing the principles of circularity in product design and end-of-life treatment.
- Water usage and effluent management
 - Water is a scarce natural resource that should not be wasted. Investment targets should make efforts to reduce the amount of water needed as part of the production process or strive to reuse or circulate the needed intake water.
- Pollution prevention and control
 - Investment targets should make efforts to reduce the amount of pollution and harmful emissions caused in the production process and/or take necessary abatement measures to prevent and control caused emissions and pollution.

- o Investment targets should make efforts to achieve emissions lower than the emission levels associated with the best available techniques ranges set out in the latest relevant best available techniques (BAT) conclusions and to avoid the use of harmful or hazardous chemicals, substances, and pollutants.
- Circular economy – the investment targets should implement circularity into their operations to reduce the demand for virgin raw materials and assess the availability of and where feasible adopt techniques that support:
 - o reuse and use of secondary raw materials and reused components in products manufactured;
 - o design for high durability, recyclability, easy disassembly and adaptability of products manufactured;
 - o waste management that prioritises recycling over disposal, in the manufacturing process;
 - o information on and traceability of substances of concern throughout the life cycle of the manufactured products.
- 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 foundations and steel in structures and cladding
 - o Investment targets should aim to implement circularity to their operation and products as much as possible and avoid the use of fossil-based and virgin raw 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 climate, human health, biodiversity, and other environmental values
 - o Target companies should seek to locate to already built rental facilities when expanding their operations, to avoid adverse impacts from the construction phase of new facilities.
 - o If new construction cannot be avoided, target companies should strive for top performance regarding the primary energy demand, -performance and -efficiency levels of the building, in addition, target companies should strive to measure and minimize the building's life cycle global warming potential.
- Impacts relating to the health and safety of workers during construction and operations and inadequate governance of investee companies could be significant if materialised
 - o 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.
- Impacts on human- and laborers' rights
 - o Investment targets' value chains may be long, and the investment targets may not be able to use negotiating power nor audit its suppliers or other significant partners, therefore potential risks for human or laborers' rights infringements might exist. Investment targets should make efforts to claim the right for audits, engage its suppliers to sign a supplier code of conduct or make sure that the supplier is committed to respecting such rights and has sufficient policies and processes of its own in place to assure these rights are respected.
- Good governance
 - o Investment targets shall comply with good governance standards and follow good governance practices. This covers performance in relation to human rights and workers' rights, bribery and corruption, taxation, fair competition, and environmental management.

Taaleri Bioindustry takes all reasonable steps to minimise the adverse 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 to its operations and Investment Activities. In any decision-making process, Taaleri Bioindustry shall strive to first 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.

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 virgin 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.
 - Taaleri Bioindustry is committed to the Net Zero Asset Managers Initiative and is committed to achieving net zero emissions regarding its investment portfolio by 2050.
- 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 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 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 and engage with 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 consider 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 the management, governance, and reporting activities of a fund or other investment vehicle. 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). As part of Taaleri Group, Taaleri Bioindustry will only provide private equity fund products that align with Articles 8 and 9 of the EU SFDR Regulation (EU 2019/2088). All financial products and investments made, including co-investments, follow the sustainable investment policies, principles, and processes of Taaleri Group and Taaleri Private Equity Fund (AIFM). More information available at <https://www.taaleri.com/en/corporate-responsibility/document-archive>.

Pre-Investment

To ensure the integration of sustainability factors in the pre-investment phase of Taaleri Bioindustry's Investment Activities, we conduct comprehensive due diligence assessments about our investment targets, analyse sustainability risks related to the investment, and establish 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 fulfils requirements set in Taaleri Group's principles and policies regarding sustainable investing, Taaleri Bioindustry's Code of Conduct and Sustainability Principles, other commitments, and applicable regulation. The requirements relate for example to Investment Activities' investment strategy and their compliance with laws, regulations, and international standards. These requirements include, but are not limited to, impact and thematic investing, positive and negative screening, sustainability integration and minimum

sustainability requirements. More information available in [Taaleri Group's Sustainability Policy](#).

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 in 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.

All Investment Activities undergo careful impact assessments to ensure the implementation of Taaleri Group and Taaleri Bioindustry's strategy of making investments with a positive impact on the environment and/or society.

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 are implemented and no significant harm to environmental or social objectives is done before an investment decision is made. In the process, the Investment Activity's sustainability impacts and performance are assessed. 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 and risks related to the investments considered. External advisors may be engaged to carry out additional sustainability-related due diligence as needed.

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

- Project with a substantial contribution to an environmental objective, such as climate change mitigation and/or adaptation, circular economy, or pollution prevention and control.
- Project with 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 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.

Negotiations and commitments

We take into account the requirements of investors and the fund manager when making investment decisions and negotiating with potential investees. As part of agreements with investees an initial plan to mitigate identified adverse impacts and sustainability risks is established and documented, and relevant indicators to monitor the impacts are agreed upon. Once consensus has been reached in the negotiations, the investment decision is made, and agreements are signed. When drafting the agreements, Taaleri's commitments and goals as well as regulatory requirements are considered by implementing them as binding terms and conditions into shareholder and other investor agreements.

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 elements described below.

Monitoring and reporting

Taaleri Bioindustry bases its reporting methodology on the impact categorisation of the project and the application and applicability of the EU SFDR regulation's product categorisation. Taaleri Bioindustry engages in all cases its internal specialists to assess, 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 and/or required level of detail.

Impacts on sustainability factors of the Investment Activities are measured by fund-/vehicle specific principal adverse impact indicators, and other sustainability indicators, that measure the attainment of the 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 annually 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- or investment target-specific plans. These plans shall also include other sustainability-related goals and targets (such as suggested net zero emission pathways) and a related active ownership and development plan. These plans are 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.

Governance and active ownership

Active ownership is an essential stage for responsible and sustainable value creation, in which efforts are made to develop the investee company's operations to more sustainable ones, taking into account all sustainability factors e.g., the environment, society, governance, and the economy. The aim of active ownership is to encourage investee companies to implement a coherent sustainability strategy and to participate in sustainability initiatives that are relevant to the industry, as well as to set sustainability targets. As fund managers, we report on the sustainability impacts and risks of our funds in accordance with agreements and regulations. In addition, we actively monitor the addition and development of the EU taxonomy, analyse the impact of the development on investees, and implement the necessary changes in operations and reporting.

Exit

Change of ownership is part of the continuation of the investee company's or portfolio's operations. The purpose of fund management is to manage and promote the opportunities for value creation and to mitigate risks throughout the life cycle of the investment. As we exit an investment, we provide our sustainability management principles, methods, and relevant information to the use of the new owners, emphasising the significance and profitability of the improvements made during our ownership. We encourage new owners to consider sustainability as part of the further development of the investee. We provide the new owner with the necessary assurances about the sustainability data we monitor and collect, as well as information about the operations of the investee, on a case-by-case basis.