



**Saari Partners Oy**

**Date: 1.1.2026**

Financial Product: Saari Fund Ky II ("the Fund" or "the Financial Product")

# **Sustainability-Related Disclosure**

This disclosure is provided in accordance with Articles 8 and 10 of the Sustainable Finance Disclosure Regulation (EU 2019/2088) and Commission Delegated Regulation (EU) 2022/1288.

#### (a) Summary

Saari Fund II Ky (“the Fund”) is classified as an Article 8 financial product under the Sustainable Finance Disclosure Regulation (SFDR, EU 2019/2088). The Fund promotes environmental and social characteristics in its investments, focusing on decent work and sustainable economic growth (SDG 8) and climate action (SDG 13).

The Fund invests in small and medium-sized growth companies in Finland and the Nordics, integrating ESG considerations into its investment process and ownership period through exclusion screening, third party ESG due diligence, and annual ESG questionnaires. ESG-related incidents are monitored and addressed together with portfolio companies as part of active ownership.

The Fund expects investee companies to follow good-governance practices, such as sound management structures and fair employee relations, which are reviewed qualitatively during the due diligence process. Saari Partners is a member of the Finnish Venture Capital Association (FVCA) and adheres to its Code of Conduct and transparency guidelines, reflecting the Fund’s commitment to responsible and transparent investment practices.

#### (b) No Sustainable Investment Objective

This financial product promotes environmental and social characteristics but does not have sustainable investment as its objective. The Fund does not commit to making sustainable investments as defined under SFDR, nor does it apply the EU Taxonomy alignment criteria as a binding objective.

#### (c) Environmental and Social Characteristics of the financial product

The Fund promotes environmental and social characteristics in alignment with the United Nations Sustainable Development Goals SDG 8 – Decent Work and Economic Growth and SDG 13 – Climate Action. The Fund defines environmental characteristics as quantifiable contributions to climate goals (e.g., reduced CO<sub>2</sub> emissions per FTE) and social characteristics as improvements in employee well-being and job creation.

Fund-level social and governance characteristics (SDG 8: Decent Work and Economic Growth)

These characteristics are measured consistently across all portfolio companies to monitor overall social impact and progress toward SDG 8, through employment growth, health and safety.

Environmental characteristics are aligned with SDG 13. These characteristics are measured through company-specific key performance indicators. The focus areas include reduction of greenhouse-gas emissions and energy intensity, improvements in energy efficiency and renewable-energy use, and other actions that contribute to climate-change mitigation and adaptation.

#### (d) Investment Strategy

Sustainability is a core focus of Saari Ky II, as the Fund invests in SMEs with the aim of supporting their sustainable growth while creating long-term value for society, the environment, and our investors. The Fund promotes these objectives in line with its identified Sustainable Development Goals, particularly SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action). To comply with the Fund’s sustainability strategy, Saari Partners has adopted an ESG and Responsible Investment Policy that applies to the Fund. The Fund applies the exclusion criteria set out in this policy and therefore excludes investments in the arms trade and weapons manufacturing, gambling, tobacco, and alcohol industries.

The Fund primarily invests in companies that can generate positive environmental and social outcomes while maintaining strong governance practices. As required under Article 8 of the Sustainable Finance Disclosure Regulation, the Fund expects all portfolio companies to respect human rights and to prevent corruption and bribery—these are considered minimum governance requirements.

The Fund does not invest in companies operating in the weapons, gambling, tobacco, or alcohol industries, nor in sectors where environmental or social risks cannot be sufficiently mitigated. All investments undergo a third-party

ESG Due Diligence assessment and are monitored through regular ESG dialogue at board meetings and annual data collection to ensure alignment with the Fund's sustainability commitments.

Furthermore, Saari partners secure board representation and engages closely with investee's management to ensure governance and compliance are addressed at board level. Governance practices are reviewed in the ESG due diligence process and monitored through the annual ESG Questionnaire and board work, considering internationally recognized principles of responsible business conduct, including those promoted by the OECD and the UN. This includes areas like management structures and employee relations.

#### (e) Proportion of Investments

The Fund allocates its investments between assets that promote environmental and/or social characteristics and assets classified as “#2 Other”.

At least 70% of the Fund's investments promote environmental and/or social characteristics in line with the binding elements of the investment strategy. These investments consist of portfolio companies that have measurable ESG targets or monitoring in place, or where the Fund actively supports improvements in areas such as energy efficiency, greenhouse-gas emission reductions, employee well-being, diversity, or job creation.

Up to 30% of the Fund's investments are classified as “#2 Other”, meaning that they do not promote any environmental or social characteristics. These investments may include portfolio companies at an early stage of ESG development or where data availability is still limited. Although these investments do not promote environmental or social characteristics, they are subject to the Fund's minimum ESG safeguards, including exclusion screening, ESG due diligence, a good-governance assessment, board-level oversight of ESG matters, and the requirement for portfolio companies to adopt a Code of Conduct within 12 months of investment.

The Fund does not make sustainable investments within the meaning of Article 2(17) of the SFDR and does not commit to any proportion of investments aligned with the EU Taxonomy.

#### (f) Monitoring of Environmental and Social Characteristics

The Fund monitors the attainment of its promoted environmental and social (E/S) characteristics through a defined set of sustainability indicators and a structured ESG assessment process conducted both before and after investment.

Sustainability indicators (aligned with SDG 8 and SDG 13) include:

- Employment growth, employee turnover and eNPS
- Share of companies with measurable ESG targets and a Code of Conduct
- Evidence of board-level ESG oversight
- Fund-level GHG-emission intensity and energy-efficiency progress
- Company-specific environmental indicators based on material impacts; GHG-emission intensity serves as a common portfolio-wide metric

The Fund continuously monitors ESG performance across all portfolio companies to ensure sustainability risks and objectives are effectively managed. Monitoring includes annual ESG questionnaires, ongoing reassessment of risks, and development of mitigation actions when material issues are identified, with progress followed through board meetings and ESG KPIs. Company-specific KPIs are reviewed regularly, and the Fund provides quarterly ESG updates to investors. From 2025 onward, the Fund will also publish annual fund-level sustainability reporting. Monitoring methods include the annual ESG questionnaire, company-specific KPIs, board-level discussions and cross-checking of ESG data with financial reporting.

#### **Pre-investment monitoring**

Before making an investment, the Fund assesses the company's relevance to the promoted environmental and social characteristics through ESG due diligence. This includes exclusion screening, review of ESG risks and policies, governance assessment and evaluation of material sustainability impacts based on industry benchmarks. The

investment lead validates ESG findings, ensuring alignment with the Fund's ESG and Responsible Investment Policy prior to approval.

Additionally;

- The Fund applies a structured ESG screening and due diligence framework, using a standardized checklist that covers environmental, social and governance topics relevant to the company's sector.
- During screening, the Fund ensures that the target company does not operate in excluded sectors such as arms trade, tobacco, gambling, weapons manufacturing, or other sectors conflicting with Saari's sustainability commitments.
- Sustainability risks and opportunities are assessed early in the deal flow to identify any adverse sustainability impacts or misalignment with the Fund's sustainability framework.
- ESG factors that could materially impact the company's financial performance—such as operational disruptions, workforce and labour conditions, environmental impacts, or governance practices—are identified and addressed before investment.
- Where necessary, the Fund works with the target company to develop mitigation actions for identified ESG risks to ensure compliance with Fund-level sustainability principles before investment.

#### **Post-investment monitoring**

After the investment, the Fund monitors progress toward environmental and social characteristics through its annual ESG questionnaire, company-specific KPIs and board-level ESG discussions. ESG data is validated and cross-checked with financial and operational reporting. The Fund engages with portfolio companies to develop ESG targets and improvement plans, ensuring continuous alignment with the ESG and Responsible Investment Policy.

Additionally;

- ESG integration continues actively throughout the ownership period through regular engagement with portfolio companies, including discussions on strategy, operations, culture, and sustainability practices.
- For each portfolio company, the Fund identifies and prioritizes company-specific sustainability impacts and ESG objectives, which are tracked through tailored KPIs.
- Management teams are expected to monitor and report progress on these ESG objectives, and the Fund supports companies by sharing best practices, tools, templates, external advisors, and training.
- As active owners, the Fund works with company boards and management to ensure that ESG considerations remain embedded in day-to-day operations and long-term value creation.
- At exit, the Fund considers sustainability risks and impacts alongside financial and operational factors to ensure a responsible and ethically sound divestment process.

#### **(g) Methodologies**

The Fund monitors progress toward its promoted environmental and social characteristics through ESG due diligence, annual questionnaires, and portfolio reporting. Quantitative KPIs are complemented by qualitative assessments to ensure alignment with the Fund's SDG 8 and 13 focus areas.

- **Exclusion criteria:** The Fund does not invest in arms trade and weapons manufacturing, gambling, tobacco, or alcohol industries. Furthermore, the Fund does not invest in companies that clearly have a negative environmental or social impact, or where such risks cannot be sufficiently mitigated.
- **ESG due diligence:** Each investment undergoes third-party ESG due diligence assessing environmental, social, and governance risks, including management accountability and compliance with labour and safety laws. Findings inform investment decisions and post-investment action plans.
- **Monitoring:** Portfolio companies report annually through ESG questionnaires. Company-specific KPIs are tracked and discussed at board level to ensure continuous improvement.

#### (h) Data sources and processing

Main data sources include:

- Information provided by target companies during ESG due diligence, reviewed by an external advisor.
- Annual ESG questionnaires and portfolio reports.
- Board-level ESG discussions and follow-up documentation.

The Fund's ESG officer reviews and cross-checks data across these sources. Quantitative metrics (e.g., emissions, employment growth) are complemented by qualitative insights to ensure a balanced view of performance.

For environmental indicators such as GHG emissions, the Fund gathers company-reported activity data (e.g., electricity consumption, fuel use, heating data) and converts this into CO<sub>2</sub>e using standard emission factors. Where direct emission measurements are not available, this calculation approach ensures a consistent and reliable method for estimating GHG-emission intensity across the portfolio.

All data is reviewed by the investment team and cross-checked with board-level discussions and company reporting to ensure accuracy and alignment with the Fund's ESG requirements.

#### (i) Limitation to methodologies and data

Some portfolio companies, especially growth-stage firms, have limited historical ESG data or reporting capacity. Most governance and employee-relation data are self-reported and not externally verified.

Saari Partners mitigates these limitations through active ownership, board engagement, and support for developing ESG reporting practices.

These limitations are not expected to materially affect the Fund's ability to achieve its promoted environmental and social characteristics.

#### (j) Due Diligence

As part of its investment process, Saari Partners commissions an independent ESG due diligence, conducted by an external Big Four advisory firm, to assess the maturity of environmental, social, and governance practices within each target company. The due diligence is based on management interviews and documentation review, evaluating how ESG considerations are integrated into the company's operations and identifying areas for improvement. Key topics include the corporate governance model, ESG governance structure, management of material ESG risks, existing policies and guidelines, supplier relations, supply chain management, and the overall integration of ESG into daily operations. The findings are incorporated into the investment decision-making process and form the basis for a post-investment ESG action plan and ongoing follow-up discussions with the company.

#### (k) Engagement Policies

Saari Partners does not maintain a separate engagement policy but follows a defined process to ensure active ownership and the integration of ESG considerations throughout the investment lifecycle in accordance with the ESG and Responsible Investment Policy. As active owners, Saari ensures that at least one partner serves as a board representative in each portfolio company. This position allows Saari to oversee strategic development, outline a post-investment ESG action plan, and conduct annual follow-ups. Through direct board involvement, Saari gains first-hand insight into ESG risks and opportunities and supports companies in integrating ESG considerations effectively into their operations and long-term strategy.

Following the closing of an investment, ESG matters are discussed with the management team alongside the development of an action plan. Any findings from the ESG due-diligence process are addressed at this stage, and company-specific ESG initiatives and key performance indicators (KPIs) are defined together with the company. Each portfolio company is expected to establish a Code of Conduct that defines acceptable business practices and guides responsible behaviour within the organisation. Saari recognises that companies differ in their ESG maturity,



and therefore implementation is pursued at a pace that supports meaningful, sustainable progress without overburdening management.

Saari regularly discusses ESG topics at board meetings and provides ongoing support by sharing knowledge, tools, and best practices developed across the portfolio. These engagement practices ensure that ESG considerations are systematically embedded in the governance and day-to-day operations of all portfolio companies.

(l) Designated reference benchmark

The Fund has no designated reference benchmark.