

FONDITA FUND MANAGEMENT COMPANY LTD

REPORTING PERIOD 1st of JANUARY to 31st of December 2022

DATE OF ANALYSIS 28th of AUGUST 2023

SUSTAINABLE FINANCE DISCLOSURE REGULATION ANNUAL REPORT: PRINCIPLE ADVERSE IMPACT STATEMENT

THIS REPORT IS A CONSOLIDATED PAI STATEMENT OF ALL EIGHT FUNDS UNDER FONDITA FUND MANAGEMENT COMPANIES PORTFOLIO

Fondita European Micro Cap

Fondita European Small Cap

Fondita Finland Micro Cap

Fondita Global Megatrends

Fondita Nordic Micro Cap

Fondita Healthcare

Fondita Nordic Small Cap

Fondita Sustainable Europe

The data for the report has been sourced from MSCI ESG Research LLC.

Summary

Fondita Fund Management Company Ltd. considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of Fondita Fund Management Company Ltd. The principal adverse impacts statement covers the reference period from 1st of January to 31st of December 2022.

We are dependent on third party and manually sourced data from companies. We expect the implementation of CSRD will provide better quality information, which will provide better oversight, monitoring and ability to improve PAI indicators in the future. However, until then, Financial Market Participants need to report on data points because of SFDR which are not mandatory to be reported on from the companies which results in a situation of asymmetrical information. Fondita Fund Management Company Ltd. focuses most efforts on the indicators to which we have sufficient (over 70%) coverage.

Principal adverse sustainability impact statement

Mandatory indicators applicable to investments in investee companies

Climate and other environment-related indicators

Adverse Sustainability Indicator	Metric	Impact	Coverage	Explanation	Actions Taken
1. GHG emissions	Scope 1 GHG emission	13729,45	75,76 %	Sum of portfolio companies' Carbon Emissions - Scope 1 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	Fondita excludes (revenues over 5%) fossil fuel-based industries in the investment processes in accordance with Fondita's Responsible Investment Policy. Fondita signed the Net Zero asset managers initiative in 2022 and set targets in February 2023. Fondita commits to reduce 70% of portfolio emissions by 2030. The target currently includes Scope 1 and Scope 2 emissions, and we aim to include Scope 3 when coverage of the emissions improves. We expect coverage of emissions data in general improves with the implementation of initiatives such as CSRD.
	Scope 2 GHG emission	10365,34	75,76 %	Sum of portfolio companies' Carbon Emissions - Scope 2 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
	Scope 3 GHG emissions	249863,7	75,76 %	Sum of portfolio companies' Scope 3 - Total Emission Estimated (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
	Total GHG emissions	413999	75,76 %	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	

Adverse Sustainability Indicator	Metric	Impact	Coverage	Explanation	Actions Taken
2. Carbon footprint	Carbon footprint	285,60	75,70%	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	
3. GHG intensity of investee company	GHG Intensity of investee companies	519,1	75,70%	The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue).	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2%	75,67%	The percentage of the portfolio's market value exposed to issuers with fossil fuels related activities, including extraction, processing, storage and transportation of petroleum products, natural gas, and thermal and metallurgical coal.	Fondita excludes (revenues over 5%) fossil fuel-based industries in the investment processes in accordance with Fondita's Responsible Investment Policy.
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production	75,83%	48,37%	The portfolio's weighted average of issuers' energy consumption and/or production from nonrenewable sources as a percentage of total energy used and/or generated.	
6. Energy consumption intensity per high impact climate sector	NACE Code Groups A, B, C, D, E, F, G, H and L	N/A	55,60%	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within relevant NACE Code	

Adverse Sustainability Indicator	Metric	Impact	Coverage	Explanation	Actions Taken
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	0%	75,73%	The percentage of the portfolio's market value exposed to issuers' that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment	
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	2,01%	The total annual wastewater discharged (metric tons reported) into surface waters as a result of industrial or manufacturing activities associated with 1 million EUR invested in the portfolio. Companies' water emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	
9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	16,03	29,1%	The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio. Companies' hazardous waste is apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	

Mandatory indicators applicable to investments in investee companies

Social and employee, respect for human rights, anti-corruption, and anti-bribery matters

Adverse Sustainability Indicator	Metric	Impact	Coverage	Explanation	Actions Taken
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,245%	86,25%	The percentage of the portfolio's market value exposed to issuers with very severe controversies related to the company's operations and/or products.	Fondita does not invest or hold companies which have been found in violation of UN Global Compact. The current impact reflects a watchlist case which we are following in accordance with our escalation process, where we make sure to verify the information found is correct and the violation is relevant.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	36,88%	74,04%	The percentage of the portfolio's market value exposed to issuers that are not signatories in the UN Global Compact.	Fondita completes monthly screenings of all holdings, in order to ensure the holdings, follow the thresholds set in Fondita's Responsible Investment Policy and internal ESG Framework. If a company is found in violation an escalation process is conducted, where the information is verified with the case company and if true, the holding is sold.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	9,38%	10,52%	The portfolio holdings' weighted average of the difference between the average gross hourly earnings of male and female employees, as a percentage of male gross earnings.	

13. Board gender diversity	Average ratio of female to male board members in investee companies	35,71%	75,67%	The portfolio holdings' weighted average of the ratio of female to male board members.	
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	75,67%	The percentage of the portfolio's market value exposed to issuers with an industry tie to landmines, cluster munitions, chemical weapons, or biological weapons. Note: Industry ties includes ownership, manufacturing, and investments. Ties to landmines do not include related safety products.	Fondita excludes (revenues over 5%) any weapon related industries in the investment processes in accordance with Fondita's Responsible Investment Policy.

Voluntary indicators applicable to investments in investee companies

Social and employee, respect for human rights, anti-corruption, and anti-bribery matters

15. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	29,62%	75,75%	The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target aligned with the Paris Agreement.	As signatories for the Net Zero Asset Managers initiative, it's important to follow up on the invested companies and how they progress on their carbon reduction initiatives.
16. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0%	75,67%	The total number of severe and very severe human rights concerns controversies associated with EUR 1 million invested in the portfolio. It is calculated as the weighted average of Number of Severe and Very Severe Human Rights Concerns Controversies per company divided by the company's most recently available enterprise value including cash (EVIC).	Fondita does not invest or hold companies which have been found in violation of UN Global Compact.

Other indicators for principal adverse impact

Fondita Fund Management Company Ltd. does not assess any other PAI specific sustainability impacts other than the ones presented in this report. However, Fondita does conduct analysis and screening for other sustainability parameters than PAI indicators as part of our assessment and investment process.

Description of policies to identify and prioritize principle adverse sustainability impacts

Fondita Fund Management Company Ltd. identifies and assesses the principle adverse sustainability impacts as part of our responsible investment principles, internal ESG framework, internal ESG map and ESG assessment process.

Engagement policies

Fondita Fund Management Company Ltd. conducts company specific engagement and collaborative engagement through as an example CDP. In our latest collaboration with CDP, we engaged with 10 companies to encourage them to report in the CDP Climate, Water and Forest module, where relevant.

One of Fondita's main themes in the discussions with companies in 2022 was whether they have a carbon reduction target, and if they do not, encourage them to establish one, which is why we have chosen carbon reduction targets as one of our voluntary indicators to report on.

References to international standards

The fund completes a monthly screening for violations of UN Global Compact, ILO and DNSH (EU Taxonomy) among other parameters. If a company is flagged the holding is escalated and an assessment is conducted to confirm and verify the violation, which can ultimately result in the holding being sold. Fondita Fund Management Company Ltd. is a signatory of the Net Zero Asset Manager initiative. Fondita Fund Management Company Ltd has verified CO2 reduction targets.

Historical comparison

Fondita Fund Management Company Ltd. does not have historical data for the PAI indicators as this is the first reporting year (2022).

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