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SUSTAINABILITY POLICY

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Document history

Version	Changes	Creator/Reviewer	Acceptor / Date
1.0	New Policy	E&S	Board of Directors / February 20, 2020
2.0	Updated structure, integrated E&S, impact and business integrity	E&S, Impact, KYC/BI	Board of Director / August 28, 2026

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CONTENTS

1 INTRODUCTION

Finnfund is a Finnish development financier and impact investor. Our mission is to build a sustainable future and generate lasting impact by investing in responsible businesses that solve global development challenges such as poverty, inequality, climate change and biodiversity loss, with Finnish added value. Our vision is that people and the planet are at the core of every investment decision. We are a proactive investor, and we provide companies operating in emerging markets and developing economies with the expertise required for sustainable business. We expect our investments to be sustainable, to generate positive development impacts in their operating countries, and to offer an appropriate risk-adjusted return. Finnfund is financed by the State of Finland, private capital markets, and returns on investments. We leverage state capital to mobilise private investments in sustainable businesses in emerging markets and developing economies. Finnfund's shareholders are the State of Finland (96.6%), Finland's export credit agency Finnvera (3.34%), and the Confederation of Finnish Industries (0.06%).

2 PURPOSE AND SCOPE

Finnfund takes an integrated approach to sustainability, development impact and governance. Each investment undergoes a rigorous assessment of potential development impacts, as well as sustainability-related risks. We systematically manage, monitor and enhance sustainability and development impact throughout the investment life cycle. We bring financial and value additionality through our funding, expert support and technical assistance. We apply a systematic and proportionate approach to assessing, managing, monitoring and advancing sustainability and development impact throughout the investment life cycle. We take into account the sector and country context of each investment, as well as the envisaged positive impact of an investment and sustainability-related risk levels. Compliance with good governance requirements is also integral to approach. We promote our values of responsibility, respect, development and effectiveness within our organisation, as well as with and through our investees. We consider both the impacts of our activities and investments on people and the planet ("inside-out"), as well as sustainability-related risks and opportunities that may affect our long-term value creation and ability to deliver development impact ("outside-in").

This Policy is the overarching framework for Finnfund's approach to sustainability, development impact and related governance considerations. It is applied throughout our investment process, from screening to exit and is based on internationally recognized environmental, social, development impact and governance standards. It is complemented by internal thematic policies and statements, procedures, guidelines, methodologies and tools, as well as investment-specific requirements and contractual commitments. Naturally, as a point of departure, we expect all our investees to comply with applicable laws and regulations in their operating countries. Together, these documents translate Finnfund's mandate and strategy into consistent decision-making and action throughout the investment life cycle.

3 GUIDING FRAMEWORK

3.1 International principles and standards

This Policy is framed by Finnfund's Strategy and is aligned with global frameworks including the UN Sustainable Development Goals, the Paris Agreement on Climate Change, and the Kunming-Montreal Global Biodiversity Framework.

Finnfund was one of the first signatories of the Operating Principles for Impact Management (OPIM). The nine principles of OPIM provide an internationally recognised framework for investors to ensure that development impact considerations are purposefully integrated throughout the investment cycle, and to require a robust investment thesis of how the investment contributes to achieving an impact. Finnfund's impact management system, processes, and policies demonstrate strong alignment with OPIM, using practices that meet or exceed requirements.

Our principal risk-based reference framework for environmental and social matters is the IFC's Performance Standards on Environmental and Social Sustainability, together with World Bank Group Environmental, Health and Safety Guidelines. These standards guide risk identification and management across issues such as resource efficiency, pollution prevention, cultural heritage and other relevant environmental and social risks. For labour and human rights-related risks, we are additionally guided by the ILO Declaration on Fundamental Principles and Rights at Work and several ILO Conventions, and apply a risk-based human rights due diligence approach, in line with the UN Guiding Principles on Business and Human Rights. This approach helps us to identify, prevent, mitigate and monitor adverse human rights impacts. . We are also guided by the 2X Criteria and promote gender equality across our investment activities.

As a member of the Association of European Development Finance Institutions (EDFI), we align our practices with other European development financiers including through applying the EDFI Principles for Responsible Financing of Sustainable Development and harmonised environmental and social standards and applicable exclusion lists, namely the EDFI Exclusion List and Harmonised EDFI Fossil Fuel Exclusion List. This alignment enables consistency with peer development financiers and efficiency across shared investments, while preserving Finnfund's independent judgement and requirements in line with its mandate andstrategy.

3.2 Internal policies, statements and implementation framework

The above-referenced international principles and standards are complemented by internal policies and statements. These set out Finnfund's commitments, positions and principles in specific areas. Internal procedures and guidelines describe how these commitments are implemented, including relevant responsibilities, assessment and approval processes, escalation arrangements and monitoring requirements. Methodologies and tools support consistent application in individual investments. Investment agreements, action plans and other transaction-specific documents establish the requirements applicable to each investee, taking into account the nature, context and risk profile of the investment.

To translate international standards into consistent practice, manage risks, and deliver measurable and lasting development impact across investments, the international principles and standards that we apply are supported and defined further by internal policies and statements covering topics such as human rights, gender equality, climate and energy (as amended), nature and biodiversity, responsible taxation, disclosure and code of conduct. Our alignment with OPIM is in turn reinforced by our Theories of Change, which guide our impact approach in assessing investments before financing decisions are made, in monitoring projects annually, and in commissioning specific impact studies and surveys.

These internal policies and statements provide guidance and a strong governance signal from Finnfund's Board towards our operations and are applied at all stages of the investment process from origination and due diligence to decision-making, stakeholder engagement, contractual requirements, monitoring and responsible exit. They reflect Finnfund's integrated approach to sustainability, development impact and governance, where responsible business practices are essential both for managing risks and for delivering measurable and lasting development outcomes.

4 PEOPLE AND PLANT IN EVERY INVESTMENT DECISION

People and planet are at the core of every Finnfund investment decision. We have built our approach around two interconnected pillars: inclusive local growth and planetary boundaries. The first focuses on improving livelihoods, inclusion and development outcomes for people, while the second focuses on moving key planetary boundaries back towards a safe operating space and avoiding further transgression of those boundaries. Together, these pillars provide how we assess and manage sustainability and development impact across our portfolio. Respect for human rights underpins both pillars of Finnfund's sustainability approach.

4.1 Supporting inclusive local growth

People and communities in Finnfund's target markets often face structural barriers to inclusive and sustainable development, including limited income-generating opportunities, insufficient or low-quality employment, constrained local economic growth and inadequate access to essential services. Globally, hundreds of millions of people live in extreme poverty, with income gaps compounded by labour-market exclusion. These development challenges are further exacerbated by unequal digital access, gender-based disparities, risks to children's well-being and social exclusion. At the same time, a significant share of the world's future economic growth is expected to be generated in emerging markets and developing economies. To achieve broad-based economic growth, it is vital that there is sufficient capital to finance private sector investments, which also grows national taxes bases. Finnfund supports the development of a sustainable and profitable private sector with patient financing in situations where obtaining financing for investments is challenging or impossible.

To direct financing towards addressing these challenges, **Finnfund identifies** opportunities to support inclusive growth, income generation, digital inclusion, gender equality, children's well-being and community-level benefits, taking into account sector characteristics and country context.

Finnfund identifies social and human rights risks and development impacts at the earliest stage of its investment activities. All prospective investments are subject to systematic *ex ante* consideration of development impact potential as well as social and human rights risks such as labour and working conditions, land use, gender-based violence and harassment, community health and safety, and the risk of forced and child labour, including within supply chains where relevant.

Once opportunities and risks are identified, **Finnfund assesses** the significance, breadth and depth of potential impacts and the capacity of investees to prevent or manage adverse impacts. This includes assessing how investments improve access to services, markets, digital solutions or economic opportunities for underserved groups. It also includes evaluating the adequacy of relevant systems, policies and management practices, such as impact management systems, data gathering, monitoring and reporting, impact and environmental and social policies, labour management, stakeholder engagement, grievance mechanisms, community rights and inclusion. Finnfund determines whether client practices are consistent with applicable standards and identifies any material gaps that may affect investees' ability to prevent or mitigate adverse social outcomes.

We apply a gender lens across our investment activities, and whenever possible aim formally to align our investments and investees with the 2X Challenge criteria. At the same time, we recognize that in the countries and sectors we work in, reaching 2X qualification may be a long journey for many companies, and we encourage such investees to set gradual targets. Our gender lens approach is complemented, where relevant, with a child lens to support the protection of children's rights in investee operations and supply chains.

Finnfund agrees development impact KPIs with investees **and requires** that identified social and human rights risks are appropriately addressed. Investees are required to uphold fundamental labour rights, including the prohibition of forced labour and child labour, and to provide safe and healthy working conditions and fair, non-discriminatory employment practices. Where gaps or risks are identified, Finnfund requires corrective measures and contractual commitments and do not proceed with investments where significant social risks cannot be adequately managed. Investees are also required to establish effective grievance mechanisms and manage risks associated with contractors and, where relevant, land use, community health and safety and supply chains.

Finnfund monitors development impact data, agreed development impact KPIs and the management of social and human rights risks throughout the investment life cycle, through regular reporting, more informal briefings and on-site monitoring visits. Investees are required to provide information on social performance, including workforce-related indicators, implementation of agreed measures and any significant incidents or grievances. Important monitoring indicators also include access to services, gender equality, children's well-being and community impacts.

Finnfund maintains oversight of investee performance against agreed requirements and applicable standards and ensures that non-compliances are addressed. Where necessary, Finnfund requires additional measures to ensure that social risks and impacts remain effectively managed over time.

4.2 Addressing planetary boundaries

The concept of Planetary Boundaries refers to a scientific framework that identifies nine critical Earth system processes essential for maintaining the stability and resilience of our planet. These boundaries set safe operating limits for humanity, aiming to prevent human activities from causing irreversible environmental damage. Most of these boundaries have already been crossed beyond the set safe limits, notably those related to climate change, biosphere integrity, land-system change, freshwater change, biogeochemical flows, ocean acidification and novel entities. The degradation of ecosystems and loss of biodiversity through deforestation, land degradation, pollution, and overexploitation of natural resources risk pushing planetary boundaries even further beyond safe limits, undermining not only local livelihoods and resilience but also generating far-reaching global consequences, including accelerated climate change, disruption of global supply chains, increased risk of pandemics, and reduced capacity of natural systems to provide essential services such as water regulation, food security, and carbon sequestration. Despite their global importance, efforts to mitigate climate change, increase climate resilience, finance adaptation opportunities and protect nature and biodiversity in emerging markets and developing economies are often constrained by limited financial resources, competing development priorities, and unequal access to technology and capacity. Finnfund operates under the premise that generating positive impact in any context requires efforts to move boundaries back toward safe limits. Finnfund assesses how investments may contribute to staying within, or preventing further transgressing, key planetary boundaries relevant to its portfolio.

Taking into consideration planetary boundaries, **Finnfund aligns** all new investments with the objectives of the Paris Agreement and supports low-carbon and climate-resilient development pathways. We do not invest in certain activities as per our fossil fuel exclusion list, we use international benchmarks as the basis to identify whether an investment qualifies as climate finance and we assess whether investments are consistent with national climate commitments and long-term transition pathways, as well as whether they create lock-in effects for high-emission or environmentally harmful activities. We ensure that environmental risk management supports these broader climate objectives. A comprehensive physical climate risk assessment is undertaken for each investment to understand the residual climate risk to Finnfund's portfolio and identify areas that need improvement. Transition risks are also assessed.

Finnfund identifies opportunities to keep economic activity within planetary boundaries, by reducing or avoiding emissions and the environmental risks and impacts of its investments. We classify projects according to the significance of expected environmental risks and apply more stringent requirements and deeper analysis to higher-risk investments. We screen prospective investments to determine their key environmental risk profile, taking into account sector-specific characteristics, country context, and the nature and scale of potential impacts.

Once opportunities and risks are identified, **Finnfund assesses** positive impacts and environmental risks through a structured due diligence process that considers the likelihood, magnitude and manageability of potential impacts, as well as the client's capacity to address them. Each investment is benchmarked against the applicable standards introduced above. This process identifies both negative pressures and positive contributions at project level. In this assessment, Finnfund considers the relevant Planetary Boundary drivers, including climate change, biodiversity loss, land-system change, freshwater use, novel entities, and biochemical flows (nitrogen and phosphorus cycles). The assessment considers both positive and negative impact pathways through which an investment may reduce pressures on Earth systems or risk increasing them.

Finnfund requires investees to avoid and minimise adverse environmental impacts, manage risks through appropriate systems, implement agreed corrective actions, and improve environmental performance over time in line with Finnfund's climate, nature and biodiversity objectives, including no net loss and, where applicable, net gains.

Finnfund monitors environmental performance throughout the investment life cycle and maintains oversight to ensure that risks and negative pressures remain effectively managed, that expected positive effects are realised and that investments continue to align with Paris Agreement objectives. We require regular reporting from investees and track compliance with agreed environmental and climate requirements and performance indicators. For investments with material positive planetary effects, Finnfund agrees and monitors appropriate Planetary Boundary KPIs linked to the most material impact pathways. Finnfund applies enhanced supervision to higher-risk projects and engages with clients to support timely corrective action where needed, contributing to continuous improvement and sustained alignment with its sustainability and climate goals.

5 GOVERNANCE

5.1 Corporate governance

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled, and essentially involves balancing the interests of a company's many stakeholders. In our investments Finnfund promotes good corporate governance, which is a precondition for sustainable business performance and long-term economic development. Together with other development financiers, we are a signatory to the Corporate Governance Development Framework, based on IFC's Corporate Governance Methodology, which assesses governance practices across key areas including leadership and governance commitment, board effectiveness, control environment, transparency and disclosure, treatment of minority shareholders, and governance or stakeholder engagement. The framework supports the identification and management of governance risks and opportunities throughout the investment cycle. Good corporate governance strengthens accountability, transparency and stakeholder engagement, supporting the effective management of environmental, social and governance risks and impacts.

During the due diligence phase, Finnfund uses corporate governance screening tools to assess the maturity of investees' governance structures and systems. We promote good corporate governance through support to our investees to improve corporate governance culture and practices. In equity investments this may include active ownership measures such as nominating board members, for whom we organise regular networking meetings and trainings.

5.2 Corruption and anti-money laundering

Corruption, money laundering and other forms of financial crime are major barriers to sustainable development, economic growth and poverty reduction. Finland is party to the principal international anti-corruption instruments, including the United Nations Convention Against Corruption (UNCAC) and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. We operate in accordance with applicable Finnish, European Union and international legal and regulatory requirements relating to anti-corruption, anti-money laundering, counter-terrorist financing and sanctions. Finnfund maintains a zero-tolerance approach to corruption, bribery, fraud and other prohibited practices.

Our investment policies and procedures require risk-based due diligence on prospective investees and counterparties including customer due diligence, beneficial ownership verification, screening of politically exposed persons (PEPs), sanctions screening and assessment of other integrity risks. We apply enhanced due diligence measures, where warranted by the risk profile of an investment, including in higher-risk jurisdictions and situations presenting elevated integrity, money laundering, corruption or sanctions risks. Appropriate anti-corruption, anti-money laundering, counter-terrorist financing, sanctions and business integrity provisions are incorporated into financing agreements with investees and counterparties, together with related reporting and information obligations where relevant.

5.3 Tax planning and payments

To support our mission to promote economic and social development in developing countries, target countries need tax revenue and income from other fees. Finnfund's Tax policy describes the principles and practices to assess and promote the tax responsibility of our investments. The Tax policy is aligned with the EDFI Principles on responsible tax and requires that Finnfund's investees act responsibly with regard to taxation and comply with tax legislation in the country of operation. Finland has committed to the goals of the OECD's Base Erosion and Profit Shifting (BEPS) project to eliminate profit shifting, which erodes the tax base, and non-taxation due to asymmetry of tax regimes. Through our operations, Finnfund supports the development of international tax regulation and complies with current legislation and the guidelines issued by the Government of Finland. Finnfund requires that the companies we finance act responsibly and transparently in matters related to taxation and encourages them to maintain a tax policy that is disclosed to the public. Finnfund does not accept aggressive tax planning or allow its investees, including investment funds, to engage in aggressive tax planning.

6 STAKEHOLDER VOICE, ACCOUNTABILITY AND GRIEVANCES

Stakeholder engagement helps Finnfund to identify the breadth and depth of development impact, beyond standard key performance and other indicators. It also helps us see concerns early on, and to support remedies where needed, with a view to improving practices across investments. Finnfund is committed to giving a voice to persons and communities affected by our activities and investments. We conduct rapid surveys asking the main stakeholder groups of our portfolio companies how the companies' operations have affected their lives. These surveys help our investee companies to understand better who their stakeholders are (employees, customers, and community members), how they experience the impact of the company's activities, how significant that impact is, and what could be done to improve intended benefits. Based on survey results we develop impact creation action plans, allowing our investees to turn stakeholders' views into concrete action items to improve their delivery.

On the other hand, we also want to ensure that concerns, complaints, feedback and suspected wrongdoing can be raised and remediated safely, addressing matters confidentially and in an appropriate manner. Finnfund maintains a public complaints channel for whistleblowing and grievances, through which stakeholders can safely and confidentially report grievances, including human rights, environmental and social issues, as well as suspected misconduct. We seek to protect the privacy and safety of reporting parties and expect our investees to establish and maintain their own accessible and effective grievance mechanisms for workers, communities and other stakeholders. These channels provide safeguards while also contributing to learning and continuous improvement of practices as investments evolve.

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7 ROLES, RESPONSIBILITIES AND RESOURCES

The Board oversees this Policy and its implementation. Management is responsible for ensuring its effective application and adequate resources; within the management team the Chief Sustainability Officer has overall responsibility for its implementation. Relevant specialist functions provide expertise, guidance and support. Investment and portfolio management functions are responsible for integrating the Policy into investment activities throughout the investment life cycle. All employees are expected to apply the Policy in their work. Investees remain responsible for managing the risks and impacts of their operations and meeting applicable requirements. Material risks, incidents and non-compliance are escalated in accordance with Finnfund’s governance arrangements.

Adequate implementation of this Policy requires resources, expertise and commitment. Finnfund’s staff are a key resource for both Finnfund and our investees, bringing deep technical knowledge and practical experience in sustainability, development impact and governance. In our offices in Finland and Kenya, we equip our staff with the needed tools, guidance and training to assess, manage and monitor sustainability, development impact and governance matters throughout the investment lifecycle. We support investees through active ownership, dialogue and, where appropriate, technical assistance, to identify possible gaps and develop action plans to fill those gaps. Effective implementation is a shared responsibility, and investees are expected to contribute appropriate resources and commitment to agreed improvement measures. Our value-add is to help investees move beyond minimum compliance towards stronger practices that improve livelihoods, inclusion and resilience over time.