



*Fondita Fund Management Company Ltd.*

# **Consolidated SFDR PAI Report**

## **2023**

**FONDITA FUND MANAGEMENT COMPANY LTD**

**REPORTING PERIOD 1<sup>st</sup> of JANUARY to 31<sup>st</sup> of December 2023**

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**DATE OF ANALYSIS 5<sup>th</sup> of APRIL 2024**

**SUSTAINABLE FINANCE DISCLOSURE REGULATION ANNUAL REPORT: PRINCIPLE ADVERSE IMPACT STATEMENT**

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**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.

### **Sammanfattning**

Fondita Fondbolag Ab beaktar investeringsbeslutens huvudsakliga negativa effekter på hållbarhetsfaktorerna. Denna redogörelse är den konsoliderade redogörelsen för Fondbolaget Fondita Ab:s huvudsakliga negativa hållbarhetseffekter. Redovisningen av de huvudsakliga negativa effekterna täcker referensperioden från 1 januari till 31 december 2023.

Vi är beroende av uppgifter från tredje partens dataleverantörer och manuellt inhämtad data från innehav. Vi förväntar oss att rapporteringsdirektiv som CSRD kommer att ge information av bättre kvalitet, vilket kommer att ge bättre tillsyn, övervakning och förmåga att förbättra indikatorerna för PAI i framtiden. Fram till dess måste dock finansmarknadsaktörer rapportera om datapunkter i enlighet med regleringen (t.ex. SFDR) som dock inte är obligatoriska för målbolagen att rapportera enligt, vilket resulterar i en situation med asymmetrisk information. Fondbolaget Fondita fokuserar huvudsakligen på de indikatorer för vilka vi har tillräcklig (över 70%) täckning. Fondita beaktar alla obligatoriska PAI-indikatorer och två frivilliga PAI-indikatorer som en del av investeringsprocessen, som också övervakas under hela innehavsperioden. Detta år inkluderades hur mycket av de data som anskaffats från MSCI som baserar sig på rapportering och hur mycket som har uppskattats.

Vi fortsätter att minska utsläppen inom alla områden jämfört med föregående år, i linje med vårt mål som undertecknade till Net Zero Asset Manager-initiativet, och har positiva trender inom de flesta kategorierna.

## 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	Reported	Estimated	Explanation	Actions Taken
1. GHG emissions	Scope 1 GHG emission	8091,41	75,12 %	59,37%	15,74%	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.	<p>Fondita excludes (revenues over 5%) fossil fuel-based industries in the investment processes in accordance with Fondita's Responsible Investment Policy.</p> <p>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</p>
	Scope 2 GHG emission	5758,03	75,12 %	59,37%	15,74%	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	164118,87	75,12 %	59,37%	15,74%	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	177968,78	75,12 %	59,37%	15,74%	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).	

							the implementation of initiatives such as CSRD.
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Adverse Sustainability Indicator	Metric	Impact	Coverage	Reported	Estimated	Explanation	Actions Taken
2. Carbon footprint	Carbon footprint	305,25	75,12%	0%	75,12%	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).	Currently, in the end of 2023, Fondita is on track to our interim goal of 2030 and have been able to reduce our scope 1 and two emissions by 54%.
3. GHG intensity of investee company	GHG Intensity of investee companies	535,02	75,12%	0%	75,12%	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	1,88%	73,01%	73,01%	0%	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.	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production	66,52%	45,46%	45,46%	0%	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	NACE Code Groups A, B,	N/A	58,55%	58,55%	0%	The portfolio's weighted average of Energy Consumption Intensity	

high impact climate sector	C, D, E, F, G, H and L					(GwH/million EUR revenue) for issuers classified within relevant NACE Code	
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Adverse Sustainability Indicator	Metric	Impact	Coverage	Reported	Estimated	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	1,35%	76,77%	0%	76,77%	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	N/A	1,95%	1,95%	0%	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	1,52 tons	29,86%	29,86%	0%	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	Reported	Estimated	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%	81,97%	0%	81,97%	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	3,66%	73,87%	73,87%	0%	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	11,55%	5,96%	5,96%	0%	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.	Fondita has gender equality as a goal in all the funds.
13. Board gender diversity	Average ratio of female to male board members in investee companies	37,38%	71,37%	71,37%	0%	The portfolio holdings' weighted average of the ratio of female to male board members.	Fondita has gender equality as a goal in all the funds.
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%	76,07%	76,07%	0%	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	19,34%	75,24%	0%	75,24%	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%	73,79%%	0	73,79%	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 and OECD guidelines for multinational enterprises.

## **Other indicators for principal adverse impact**

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Fondita Fund Management Company Ltd. does not assess any other PAI specific sustainability impacts other than the ones present in this report. However, Fondita Fund Management Company Ltd conducts an extensive internal ESG assessment (based on external analysis and third-party data) and screening for other sustainability related parameters as part of our investment process. The PAI indicators are integrated in the investment process.

## **Description of policies to identify and prioritize principle adverse sustainability impacts**

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

## **Engagement policies**

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Fondita Fund Management Company Ltd. conducts company specific engagement and collaborative engagement through as an example CDP and Access to Medicine. Our latest collaboration with CDP we reached out to 12 of our holdings as the lead investor to encourage reporting in CDPs Climate, Water and Forest module.

Fondita Fund Management Company Ltd. continues to take dialogues with potential holdings and existing holdings on the topics most important for us, which are carbon reduction targets and equality policies, which are prominent targets in all our funds.

## **References to international standards**

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Fondita Fund Management Company performs monthly screenings for violations of UN Global Compact, DNSH (EU Taxonomy) and OECD guidelines for multinational enterprises. If a company is flagged the holding is escalated through our escalation process and an assessment is conducted to confirm and verify the violation with the company (Investor Relations most likely). This can ultimately lead to the holding being sold if the violation is verified. Fondita Fund Management Company Ltd. is a signatory of UN PRI, UN Global Compact and the Net Zero Asset Manager initiative.

## **Historical comparison**

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Fondita Fund Management Company Ltd. PAI indicators has compared to the previous reference year (2022) developed positively in most categories, notably with a lower amount across all emissions categories in line with our ambition to become climate neutral fund managers as part of Net Zero Asset Managers. However, we recognize still the lack of data from companies which makes it difficult to fill all the data gaps including the issue with coverage for our micro caps, for our external data provider, MSCI.

A correction to previous years data, which has an impact on the historical comparison. Finland Micro Cap had for the reference year 2022 incorrect data on emissions for one of the quarterly report due to the portfolio value being the default in MSCI (1 000 000 000 mEUR) instead of the actual value, which have had a significant impact (approximately 2000 tCO<sub>2</sub>e) on last years reported total emissions for Fondita Fund Management Company Ltd, which partly contributes to the significantly lower emissions compared to 2022.

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