

OpenOcean

# ESG and Responsible Investment Policy

March, 2021

OpenOcean Policy Document

# Mission

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- OpenOcean's mission is to invest in and support the building of successful enduring companies, create long term value, and generate superior returns for its investors.
- We believe this mission requires OpenOcean to look beyond the investments and portfolio companies and we recognize our responsibility to society, environment and all key stakeholders.

# Approach

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- As a leading venture capital investor OpenOcean recognizes the key role that improvement of Environmental, Social and Governance (“ESG”) matters places as a prerequisite for long-term value creation.
- OpenOcean always aims to invest responsibly while following our investment strategy.
- To recognize our existing ESG processes, we have formalized this ESG and Responsible Investment Policy. The objective of the ESG and Responsible Investment Policy is to:
  - Articulate our approach
  - Set clear principles
  - Explain how ESG is managed and reported
  - Explain how sustainability risks are considered in our investment decision-making process

# Governance

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- By delivering our Mission, OpenOcean provides superior investment returns to its investors at the same time as being committed to upholding the highest standards of integrity and acting in a way that enhances the reputation of the industry.
- We set clear expectations on how to promote corporate responsibility within all portfolio companies and support them by providing guidance and tools.
- The board of directors of each portfolio company is responsible for delivering their business objectives. This includes defining and implementing strategies and policies which are appropriate for their business, including policies driving the ESG matters.
- It is the responsibility of each portfolio company board and senior management to ensure that their own agreed strategies and policies are applied throughout their daily business operations.

# Principles (Details on slides 12-21)

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- The general partners of the OpenOcean funds have adopted the Ten Principles of the United Nations Global Compact, which are considered by the boards periodically<sup>1</sup>.
- OpenOcean supports the Six Principles of United Nations Principles of Responsible Investment (“UNPRI”)<sup>2</sup>.
- OpenOcean is also supportive of the Organisation for Economic Co-operation and Development (“OECD”) Principles of Corporate Governance<sup>3</sup>.
- Further, we are committed to following the standards of the European Venture Capital Association (“Invest Europe”), the Finnish Venture Capital Association (“FVCA”), and other organizations to which we are a member. OpenOcean supports and acts in accordance with Invest Europe’s Handbook of Professional Standards<sup>4</sup> and the Invest Europe Valuation and Reporting Guidelines<sup>5</sup>.

<sup>1</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>2</sup> <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

<sup>3</sup> <http://www.oecd.org/corporate/principles-corporate-governance/>

<sup>4</sup> <https://www.investeurope.eu/industry-standards/professional-standards/>

<sup>5</sup> <https://www.investeurope.eu/media/2634/ie-investor-reporting-guidelines.pdf>

# ESG Management Principles

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Our principles for ESG management and responsible investing are based on

- Setting clear expectations and principles for the Responsible Investment Factors listed on following slides, covering:
  - Labour Standards and Human Rights
  - Environmental
  - Anti-Corruption and Ethics
- Promoting and maintaining the highest standards of business fidelity, acting with honesty and integrity at all times
- Abiding by applicable laws and regulations in the areas of operation
- Promoting a culture of continuous improvement, effective compliance, governance and internal control
- Uphold the relevant level of communication and disclosure with relevant stakeholder groups

# ESG Management and Reporting

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- OpenOcean manages portfolio company developments including ESG dimensions through a combination of committed board participation as well as central and ongoing monitoring of the progress of the company.
- Ultimately, it is the responsibility of the portfolio company boards of directors to ensure that ESG matters are appropriately addressed for the particular company.
- The Partners of OpenOcean set the “tone from the top” and oversee the development of ESG matters through monitoring.
- OpenOcean conducts within regular intervals an ESG Survey across the portfolio. The purpose of the survey is to ensure that ESG remains high on the agendas and to measure the progress of ESG across our portfolio.
- OpenOcean publishes annually an ESG Report describing the findings of the latest ESG Survey and status of ESG within OpenOcean.

# Labour Standards and Human Rights

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- OpenOcean aims to set standards that protects the rights of the workers, fosters a positive working environment and proactive relationships between managers and employees and ultimately, benefits the bottom line of the business.
- This includes:
  - The elimination of all forms of forced, child or compulsory labour and discrimination in respect of employment and occupation
  - Ensuring that we are not complicit in human rights abuses
  - Considering matters relating to conditions of work: wages and benefits, working hours, occupational safety and health
  - Respecting and protecting the rights of employees including freedom of association and collective bargaining
  - Obeying national laws and respecting international standards, including the protection of internationally proclaimed human rights

# Environmental

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- The world today is facing serious environmental challenges. To manage this wider array of risks and opportunities, OpenOcean aims to generate benefits from the following:
  - Helping to create sustainable societies and markets
  - Improving employee and community health
  - Drive for cost savings through improved efficiencies
  - Target enhanced revenue as a result of related products, services and technologies

# Anti-Corruption and Ethics

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- Corruption is a major hindrance to sustainable development, which has a disproportionate impact on poor communities and is corrosive to society
- OpenOcean aims to conduct business in an ethical manner at all times:
  - Abide by relevant laws and regulations
  - Work against corruption in all of its forms, including extortion and bribery
  - Promote a culture of good governance maintaining integrity at all times
  - Seek positive engagement with relevant stakeholder groups taking account of their wider interest.

# Diversity and Gender Considerations

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- OpenOcean wants to help build companies that set and maintain a high standard in supporting diversity in aspects of culture, ethnicity, sexuality and religion, and will not accept discrimination of any kind related to such aspects
- OpenOcean recognizes that females are underrepresented in the technology industry, and is committed to help adjust this imbalance
  - The OpenOcean principle is that for any recruitment we are involved with, be it a Board Member, CEO or Management Team member, or any OpenOcean team member, we aim for that at least one candidate in the process should be a female. Then, in each process the best possible candidate is selected.
  - OpenOcean is putting special attention in trying to identify and support female founders in the industry
- OpenOcean is a member of the following movements:
  - **The Paradigm for Parity** movement is a coalition of business leaders dedicated to addressing the corporate leadership gender gap. <https://www.paradigm4parity.com/>
  - **#MovingForward** gathers VC commitments to foster a diverse, inclusive, and harassment-free workplace. <https://wearemovingforward.github.io/>

# Integration of sustainability risks in investment decision-making

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- We make sure that ESG-related risk factors are taken into account in the investment selection process according to our investment due diligence practices, including that the investee company:
  - has the necessary ESG-related policies in place
  - adheres to the labour legislation and has formal employment agreements
  - has good corporate governance structures in place, e.g. an archive of signed and dated board minutes
  - does not violate any principles stated within this report

# Principles (details on pages 14-22)

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- Page 14: Ten Principles of the United Nations Global Compact<sup>1</sup>
- Pages 15-17: Six Principles of United Nations Principles of Responsible Investment (“UNPRI”)<sup>2</sup>
- Page 18: OECD Principles of Corporate Governance<sup>3</sup>
- Pages 19-23 : Invest Europe's Professional Code of Conduct and Standard ESG Questions<sup>4</sup>

<sup>1</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>2</sup> <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment>

<sup>3</sup> <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf>

<sup>4</sup> <https://www.investeurope.eu/industry-standards/professional-standards/>

# Ten Principles of the United Nations Global Compact

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- **Human Rights**

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure that they are not complicit in human rights abuses

- **Labour**

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: The elimination of all forms of forced and compulsory labour
- Principle 5: The effective abolition of child labour
- Principle 6: The elimination of discrimination in respect of employment and occupation

- **Environment**

- Principle 7: Businesses should support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies

- **Anti-Corruption**

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

# Six Principles of United Nations Principles of Responsible Investment (“UNPRI”)

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- **Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes**

- Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses
- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

- **Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices**

- Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

# Six Principles of United Nations Principles of Responsible Investment (“UNPRI”)

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- **Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest**
- Possible actions:
  - Ask for standardized reporting on ESG issues (using tools such as the Global Reporting Initiative)
  - Ask for ESG issues to be integrated within annual financial reports
  - Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
  - Support shareholder initiatives and resolutions promoting ESG disclosure
- **Principle 4: We will promote acceptance and implementation of the Principles within the investment industry**
- Possible actions:
  - Include Principles-related requirements in requests for proposals (RFPs)
  - Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
  - Communicate ESG expectations to investment service providers
  - Revisit relationships with service providers that fail to meet ESG expectations
  - Support the development of tools for benchmarking ESG integration
  - Support regulatory or policy developments that enable implementation of the Principles

# Six Principles of United Nations Principles of Responsible Investment (“UNPRI”)

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- **Principle 5: We will work together to enhance our effectiveness in implementing the Principles**
- Possible actions:
  - Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
  - Collectively address relevant emerging issues
  - Develop or support appropriate collaborative initiatives
  
- **Principle 6: We will each report on our activities and progress towards implementing the Principles**
- Possible actions:
  - Disclose how ESG issues are integrated within investment practices
  - Disclose active ownership activities (voting, engagement, and/or policy dialogue)
  - Disclose what is required from service providers in relation to the Principles
  - Communicate with beneficiaries about ESG issues and the Principles
  - Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'1 approach
  - Seek to determine the impact of the Principles
  - Make use of reporting to raise awareness among a broader group of stakeholders

# OECD Principles of Corporate Governance

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- Includes guidelines for
  1. Ensuring the Basis for an Effective Corporate Governance Framework
  2. The Rights of Shareholders and Key Ownership Functions
  3. The Equitable Treatment of Shareholders
  4. The Role of Stakeholders in Corporate Governance
  5. Disclosure and Transparency
  6. The Responsibilities of the Board

# Invest Europe Handbook – Code of Conduct

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- Act with integrity
- Keep your promises
- Disclose conflicts of interest
- Act in fairness
- Maintain confidentiality
- Do no harm to the industry
  
- Two key principles:
  - Long-term partnership between GPs and LPs
  - The active and responsible ownership of Portfolio Companies by GPs

# Invest Europe Standard Questions on ESG

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1. What are your ESG related policies and How do ESG factors influence your investment beliefs?
2. How do you identify and manage material ESG-related risks and use ESG factors to create value?
3. How do you contribute to Portfolio companies' management of ESG-related risks and opportunities?
4. How can LPs monitor and, where necessary, ensure that the fund is operating consistently with agreed-upon ESG-related policies and practices?
5. What is your approach to managing and disclosing material ESG-related incidents at the GP and portfolio companies?
6. How are you implementing relevant investment policies, processes, and fund terms regarding ESG management?
7. Have there been any material changes to ESG risks and/or opportunities in the underlying portfolio?
8. Are there any material ESG-related incidents at the GP or portfolio companies that should be disclosed to relevant LPs outside of regular, periodic disclosures?

# Invest Europe ESG Recommendations: Environmental Factors

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## Question

- What environmental factors should the GP consider in relation to the management of the Fund's Portfolio Companies?

## Explanation

- Generally, GPs should support a prudent approach to environmental challenges within their Portfolio Companies. These challenges could concern a range of factors including resource use, waste production and disposal; emissions to air, land and water; energy use, cost of carbon and climate change; biodiversity and habitat conservation.

## Recommendation

- Due diligence into prospective investments should include an evaluation of the likely environmental impact of the conduct of such business. GPs should recommend to the boards of Portfolio Companies, pursuant to shareholder documents, to identify and take material environmental factors into account in the formulation of the Portfolio Company's business plan. GPs are generally expected to actively manage environmental risk factors in Portfolio Companies.

# Invest Europe ESG Recommendations: Social Factors

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## Question

- What social factors would be applicable to the conduct of the Fund's Portfolio Companies?

## Explanation

- Generally, factors which affect the workforce, customers, suppliers and communities of a Portfolio Company should be evaluated at board level. Social factors can include stakeholder dialogue and observance of core labour standards in areas such as child labour, forced labour, trade union rights and discrimination in the labour market.

## Recommendation

- Human rights are likely to be an integral part of the social factors and board level discussions may include development of strategies to prevent direct and indirect involvement in human rights violations. Depending on the size and nature of the business, a Portfolio Company may also consider introducing a corporate social responsibility programme and publishing corporate social responsibility reports. A GP should ensure that such items are put on the agenda for board discussion where appropriate.

# Invest Europe ESG Recommendations: Governance Factors

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- Question
  - What governance processes are applicable at the Portfolio Company for the conduct of a Fund's business?
- Explanation
  - A Portfolio Company is likely to be provided with guidance on governance requirements by the GP at initial investment. In some cases, the implementation of specific requirements will be a condition of closing the transaction. The management of a Portfolio Company can be strongly influenced by the attitude of the GP to board effectiveness, controls, checks and balances.
  - If not already in place, the GP should typically ensure that each Portfolio Company has appropriate governance structures to safeguard against fraud, bribery and corruption and to ensure internal financial control, quality assurance, risk and conflict management and transparent reporting and communication.
  - Ensuring these objectives are achieved whilst preserving the autonomy of the Portfolio Company board to drive business growth and not hamper it with bureaucratic processes and controls, is an important balance to achieve and to be able to demonstrate at the point at which the business is sold.
- Recommendation
  - To ensure that Portfolio Companies are applying appropriate good governance practices and standards, the GP should ensure it remains up to date and familiar with good practice and guidance in the respective countries and industries in which its Portfolio Companies are based.
  - This can be done in a number of ways, for example through a suitable law firm or advisor which can ensure that relevant Codes and standards are understood, particularly by those individuals who will be representing the GP on the board of the Portfolio Company.
  - Also, by recruiting and installing experienced executives to the board or respective supervisory committees of the Portfolio Company, who can demonstrate a good understanding of and track record in applying the required governance standards and practices.
  - Finally, it is important that the GP also demonstrates to its wider stakeholder community sound environmental, social and governance (ESG) practices and standards that are both appropriate and proportionate to its own business.
  - Where the GP has identified risks and opportunities (including ESG risks) that are deemed material to the success of the investment, the GP should ensure that practices are developed to mitigate associated risks and pursue opportunities. The implementation and effectiveness of these practices should be monitored as appropriate. Noting that the marketplace context could change, the GP should occasionally undertake to update the responsible investment risk/opportunity analysis and revise, remove or add policies as appropriate.
  - Where the Fund's LPs have expressed an interest in responsible investment factors, the GP should seek to report to these LPs on a suitably regular basis. The GP may also choose to send unsolicited reports on responsible investment factors to all LPs.