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**STRATEGY OF THE CLIMATE FUND**

CONTENTS:

ILMASTO-RAHASTO

## Overview

The Climate Fund (Ilmastorahasto oy) is a special-assignment company. Its operations focus on combating climate change, boosting low-carbon industry and promoting digitalisation. This strategy document summarises the key policies approved by the Climate Fund's Board of Directors according to which the company implements the operational guidelines issued by its owner.

The Climate Fund uses capital loans and other instruments to fund emissions reductions and other investments that generate either direct or indirect positive impact. The operations of the Climate Fund are guided by its funding criteria. According to the preconditions defined in these criteria, the Climate Fund's operations are limited to funding self-supporting projects which can be realised earlier or at a larger scale with the Climate Fund's investment. Before making an investment, the Climate Fund also verifies that the investment target fulfils the minimum criteria set for environmental objectives in the EU Sustainable Investment Regulation. When several investment proposals meet its preconditions, the Climate Fund prioritises and selects investment targets according to their impact and monitors the realisation of that impact during the lifetime of the investment. Emissions reductions, productivity potential and business potential are defined as key impact goals in the funding criteria.

The Climate Fund follows the principles of good governance and operates openly and ethically. The company's decision-making and supervision mechanisms are described in the company's annual Governance Report. The company began its financing operations in 2021, and its financing volume target was increased to 80 million euros in 2022. As the demand for financing has stabilised at over one billion euros, the Climate Fund has decided to further increase its volume target for financing decisions to 130 million euros effective until further notice from 2023.

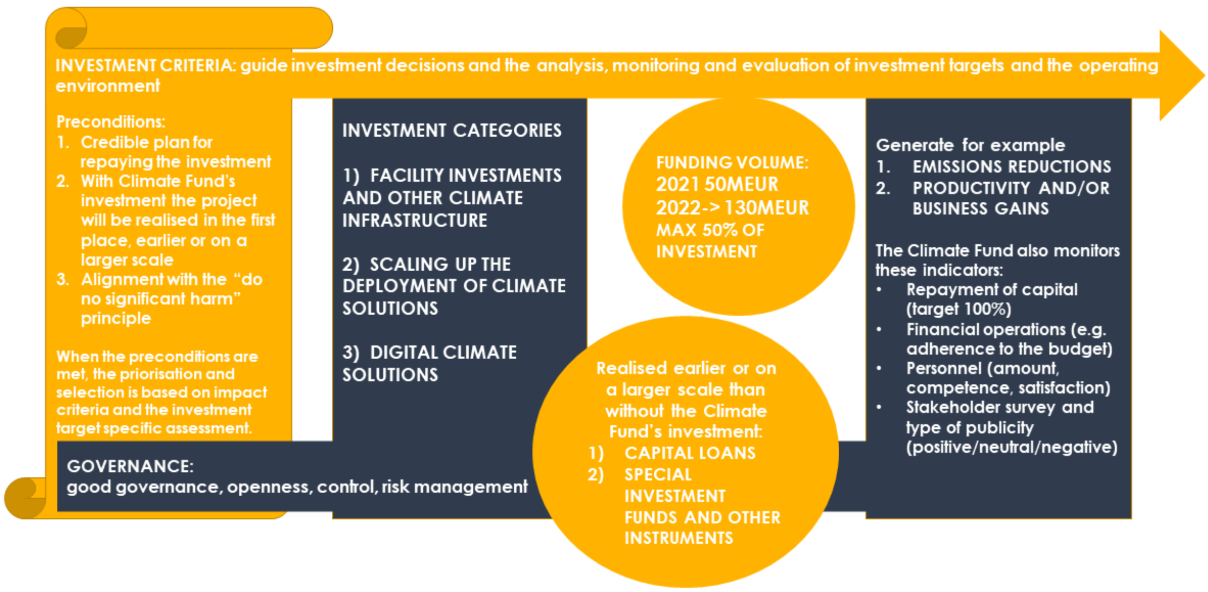


*Figure 1 Overview of the strategy*

# 1. Mission and role

The Climate Fund belongs to the administrative branch of the Ministry of Economic Affairs and Employment. The Ministry has issued operational guidelines to the company. These guidelines stipulate that the Climate Fund’s operations focus on combating climate change, boosting low-carbon industry and promoting digitalisation. The Climate Fund’s mission is to decrease Finland's carbon footprint, strengthen its carbon handprint, and promote innovative climate solutions and digital solutions. Decreasing the carbon footprint means decreasing negative climate effects, while strengthening the carbon handprint refers to reinforcing a product or service's positive environmental impact.

The European Union has committed to decreasing its greenhouse gas emissions by at least 55 per cent from the level of 1990 by 2030. Furthermore, the EU aims for Europe to be the first carbon-neutral continent by 2050. The Commission has shown significant commitment to the commercialisation of climate solutions through various funding instruments and strategies, such as the Green Deal. According to its operational guidelines, the Climate Fund's duties include leveraging EU funding as part of Finland’s efforts to channel funding to support its goals.

The green transition requires significant further investments from the EU and the public and private sectors of its Member States, including Finland. Regulatory development of the investment environment is crucial for the realisation of investments. Quantitatively, the private sector will have to account for most of the required investments. Combating climate change requires an urgent increase in the volume of investments and the simultaneous application of diverse approaches over the next 10 to 15 years. The current geopolitical situation increases the urgency of fossil-free investments. The Climate Fund complements the Finnish public sector’s investments by funding private and public investment targets in which the Fund’s investment is crucial for the project's success or will enable it to be realised earlier or on a larger scale.

The Climate Fund's investment can influence the projects’ realisation schedule or scope by offering added value through supplementing other public and private funding granted to the investment target. According to the Climate Fund’s operational guidelines and Articles of Association, the company can take bigger risks or accept smaller profits in its investment activities than private investors would. Instead of seeking to maximise its own profit, the Climate Fund aims at fulfilling its mission as efficiently as possible and creating societal impact. The company's operational guidelines nevertheless stipulate that, when assessed as a whole, its investment targets and funding must be self-supporting in the long term.

In the field of innovation funding, the nature of the funding provided by the Climate Fund positions the company between the innovation funding agency Business Finland and state-owned investment company Tesi. The funding provided by Business Finland mainly consists of EU state aid in the form of grants or R&D loans, while Tesi invests in private equity funds and directly in growth companies on market terms, with the same conditions and return expectations as private investors.

The mission of the Climate Fund is thematically defined as combating climate change, boosting low-carbon industry and promoting digitalisation. Instead of maximising returns, the company seeks to maximise societal impact in line with its mission. As a thematic, primarily impact-oriented investor, the Climate Fund is positioned somewhere between the rapidly evolving field of sustainable, market-based, for-profit investment and public funding in the form of grants and subsidies.

## 2. Funding criteria

The Climate Fund's operational guidelines define a three-stage assessment model for the Fund, consisting of financial and other preconditions, cross-cutting impact goals and more detailed, investment-target-specific impact goals. Funding will only be granted if the investment proposal meets all of the preconditions. The final comparison and choice between investment proposals that meet the preconditions is made based on the impact criteria.

The Climate Fund's Board of Directors has approved the three-stage criteria (Figure 2) included in the operational guidelines and updated it since the start of operations. These updates have mostly been limited to clarifications of phrasing.

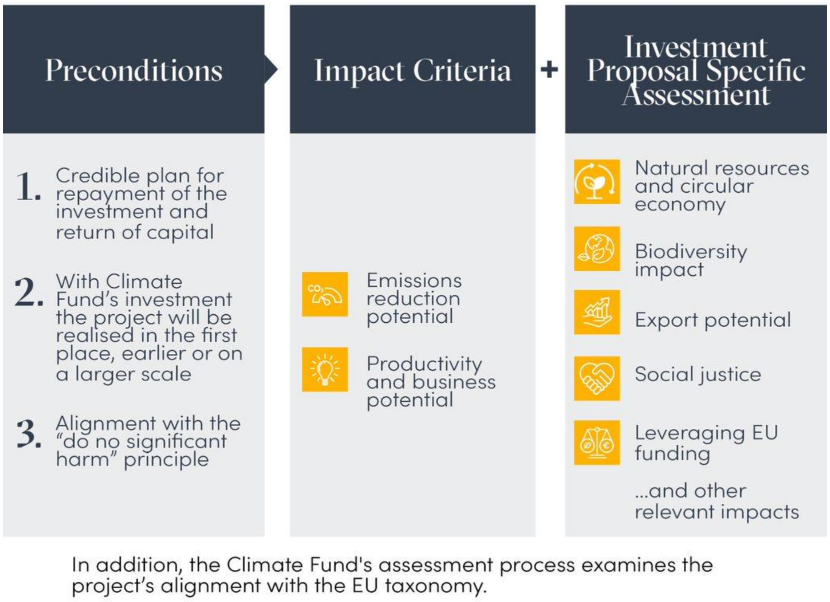


*Figure 2 Funding criteria*

### PRECONDITIONS

Each investment proposal has to meet the Fund's *preconditions*:

1. Each investment target must have a credible plan with regard to, e.g. the competencies and financing required for being able to repay the Climate Fund's investment. The Climate Fund may assess whether a proposal will become self-supporting over a longer-than-usual time span.

2. The Climate Fund's investment must either be necessary for the project to be realised in the first place or enable the project's realisation earlier or on a larger scale.

3. Alignment with the "do no significant harm" principle. The investment must not cause significant harm to any of the six environmental objectives of the EU's sustainable investment framework:
   - climate change mitigation,
   - climate change adaptation,
   - sustainable use and protection of water and marine resources,
   - transition to a circular economy,
   - pollution prevention and control, and
   - protection and restoration of biodiversity and ecosystems.

Proposals that meet the preconditions are prioritised and assessed based on the Climate Fund's impact criteria and an investment proposal specific assessment.

## THE CLIMATE FUND'S IMPACT CRITERIA

Each investment decision is assessed against the Climate Fund's general impact criteria. An individual mechanism for monitoring and verifying the intended impact is also created before each investment decision.

The Climate Fund's *general impact criteria* are:

- Emissions reduction potential in Finland and globally.

- Productivity and business potential, which the investment enables either directly or indirectly for operators registered in Finland. This potential can be assessed with the investment target's business plan as well as indicators such as the growth of national RDI inputs, high-value employment impact, or increases in intellectual capital (for example patents).

In addition, the Climate Fund's evaluation process looks at alignment with the framework for sustainable investment, or EU taxonomy. The EU taxonomy aims at channelling funding to climate-friendly and environmentally friendly investments by stipulating technical screening criteria for determining which actions can be classified as sustainable. As the taxonomy is still mainly limited to the industries that cause the largest greenhouse gas emissions and the most common measures, alignment with it is not required for Climate Fund funding, but the Climate Fund monitors and reports on the percentage of its investments in alignment with the taxonomy.

### INVESTMENT PROPOSAL SPECIFIC ANALYSIS

The key aspects for assessing impact and risks can vary widely between investment targets. A proposal specific analysis can provide more in-depth information about, for example, biodiversity impact, the circular economy or use of natural resources, export potential, social justice issues or potential for leveraging EU funding.

### FURTHER DEVELOPMENT OF THE CRITERIA

In 2022, the Climate Fund clarified the phrasing and application of its funding criteria and published a report on emissions reduction potential calculation and evaluation at the Climate Fund. The future development needs of the criteria relate to the evaluation of, among others, biodiversity and social justice.

## 3. Operating model

The Climate Fund's operating model has been designed to generate the societal impact specified in its operational guidelines as efficiently as possible. The sought-after effects are described in concrete terms and summarised in the Climate Fund's funding criteria, which also serve as the Climate Fund's assessment model and guide the company's operations at all levels. The purpose of the operating model is to identify investment targets that meet the preconditions set in the funding criteria and will generate results in line with the Fund's impact goals and prepare investment decisions for them.

The Climate Fund creates impact by offering added value through funding, enabling investments in line with the Climate Fund's goals to be implemented earlier or in a wider scope than would be possible without the Climate Fund's investment in the company. An investment by the Climate Fund will only create added value if it matches the target's overall funding needs and schedule. The Climate Fund's investments are typically targeted at a specific stage in the investment target's development and will only be realised if the preceding stages have been successfully funded and the company is able to present credible prospects for the funding of the following stages.

The actual realisation of the sought-after societal impact depends on the successful implementation of the investment target's plans. In most cases, this success in turn depends on the competitiveness of individual investment targets and their success on the international market.

The mission and funding criteria of the Climate Fund already limit and guide the choice of investment targets to a significant extent. To be able to choose the investment targets that best meet its funding criteria at any given time and have the best chance of success on the market, the Climate Fund does not limit its investment targets any more precisely than set out in its funding criteria and categories. In other words, the Climate Fund does not, for example, decide in advance which technologies or specific climate solutions it will fund and by how much, but rather builds a comprehensive and versatile process for identifying targets on the market that best meet its funding criteria and match its funding categories.

In its analysis, preparation and decision-making processes, the Climate Fund connects individual investment targets to broader thematic fields of activity through an ongoing analysis of the operating environment that draws upon a variety of external sources and is regularly discussed by the company's Board of Directors. The Climate Fund makes these analyses primarily from the perspective of its funding criteria. In other words, the Fund pays particular attention to funding needs that are in line with the Climate Fund's criteria in its assessment of developments in the operating environment. The operating environment analysis process is described below (Figure 3).

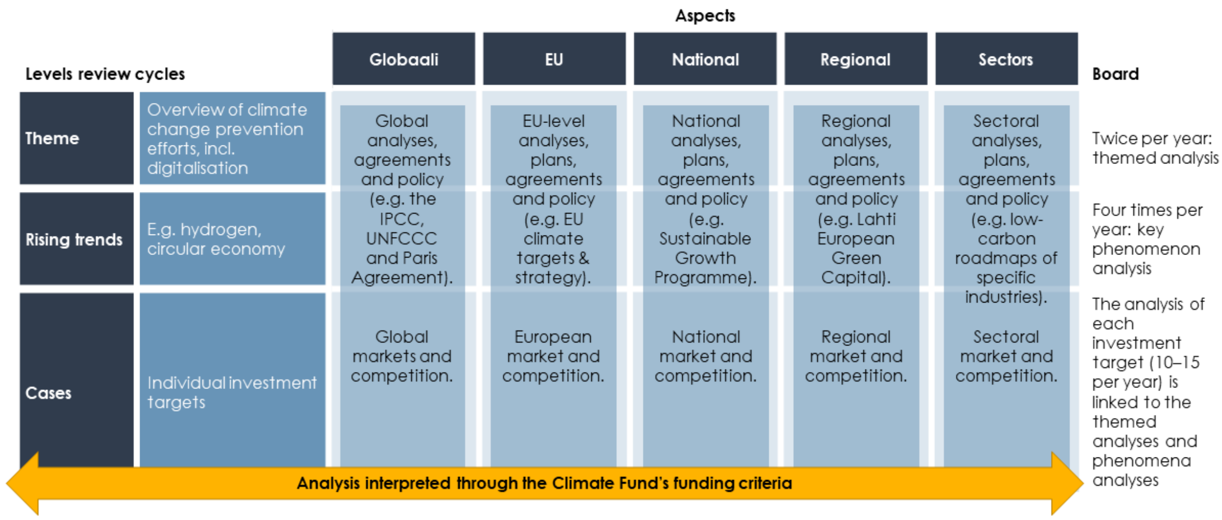


*Figure 3 Operating environment analysis process*

## FUNDING PROCESS

The funding process is the Climate Fund's core process. Customer relations management has a pronounced role in its early phases, for example in generating project flow and providing customer service to potential investment targets. Dealflow management and analysis provides an overview of the field of potential investment targets. It also identifies promising investment targets that are in an appropriate stage of development in light of the Climate Fund's funding criteria and picks them out for more detailed analysis.

The investment analysis includes analysing individual investment targets, preparing the investment decision, and managing and monitoring the investment for its entire lifespan. The analysis of investment targets is based on the Climate Fund's funding criteria in all stages of the decision-making process. The Fund's operational guidelines stipulate that every investment must meet the preconditions set in the funding criteria. The final comparison and choice between investment proposals that meet the preconditions is made based on the Climate Fund's impact goals.

The Climate Fund makes significant investments in a wide variety of different solutions. The careful and reliable preparation of investment decisions requires bringing in external subject matter expertise to support the investment decisions on individual investment proposals. The validation and assessment of the sought-after impact also frequently requires special expertise in the investment target's field, which the Climate Fund also acquires from outside experts.

The Climate Fund's Board of Directors discusses each project several times as part of project flow reviews and investment decision preparation reviews. The Board makes the decisions on projects or project clusters which will accrue external due diligence costs. The operational guidelines also stipulate that the Climate Fund's Board of Directors makes the company's investment decisions. The Ministry of Economic Affairs and Employment also brings decisions on investments in excess of EUR 20 million to the Ministerial Committee on Economic Policy.

The Climate Fund's investment process does not end with the investment decision. Monitoring and reporting on the societal impact sought by the Climate Fund begins immediately after the investment decision has been made. Impact monitoring is carried out as part of the long-term cooperation with the investment targets. The actual terms of the investment are also often tied to the realisation or verification of the sought-after impact. In certain cases, the Climate Fund can even take the role of owner for the duration of the investment. The funding process is described below (Figure 4).

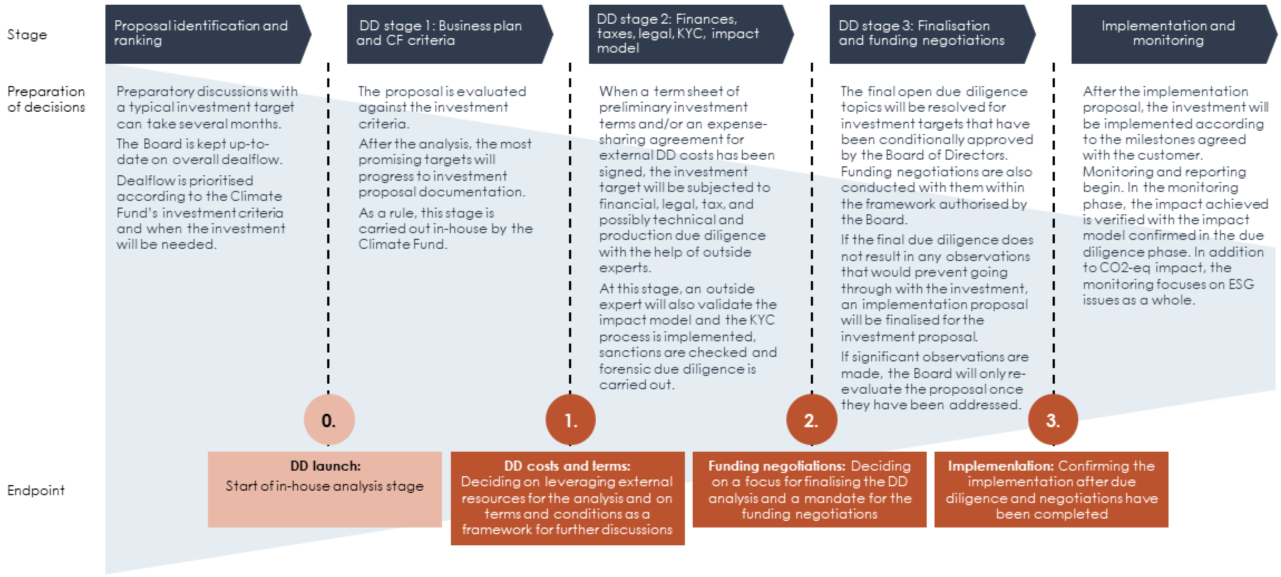


*Figure 4 Funding process*

The overall management and analysis of the risks and combined impact of the Climate Fund's portfolio of individual investment decisions is a central part of the Climate Fund's operations. Furthermore, the Climate Fund is required to communicate on its operations, results and, in particular, impact through a wide variety of administrative and communications channels. The Climate Fund's governance system, including its principles of openness, is described in more detail in the Governance Report.

## 4. Investment categories

According to the Climate Fund's operational guidelines, the Fund's operations focus on combating climate change, boosting low-carbon industry and promoting digitalisation. The Climate Fund's mission is to decrease Finland's carbon footprint and strengthen its carbon handprint, as well as promote the development of new climate and digital solutions, with the objective of decreasing greenhouse emissions, enhancing the use of natural resources and supporting biodiversity. The Climate Fund can also fund other digitalisation projects, provided that their environmental impact is at least neutral and they can provide other significant benefits to society.

The operational guidelines require approximately 65 per cent of the Climate Fund's investments to relate to climate change and about 35 per cent to digitalisation. The focus of the Fund's investment activities must be on combating climate change and accelerating the transition to low-carbon industry. The ratio (65/35%) is indicative and will be reviewed in the long term. It can be calculated either according to the quantity or monetary value of investments, depending on factors such as future project flows and the availability of funding.

The operational guidelines state that the Climate Fund will primary invest in industrial scale-ups of, for example, new technology demonstration projects. The Climate Fund can invest in both private and public projects. The Climate Fund can also participate in various public platforms for enhancing the use of data, and in public-private partnership projects.

The Climate Fund's Board of Directors has decided to focus operations on three investment categories within the framework of the operational guidelines (Figure 5):

1. FACILITY INVESTMENTS AND OTHER CLIMATE INFRASTRUCTURE
2. SCALING UP THE DEPLOYMENT OF CLIMATE SOLUTIONS
3. DIGITAL CLIMATE SOLUTIONS

## FACILITY INVESTMENTS AND OTHER CLIMATE INFRASTRUCTURE

Projects in this funding category involve scaling up climate solutions to an industrial scale, commercialisation and scaling of climate solutions, or other infrastructure that enables emissions reductions. The funding is typically used on capital expenditures (CAPEX).

Facility investments are typically made in companies aiming at a significant expansion of their commercial activities, whose projects meet the preconditions of the Climate Fund's funding criteria and generate significant impact, such as emissions reductions in Finland and globally, as well as high-value business and productivity benefits. Infrastructure investments can generate significant direct emissions reductions or enable emissions reductions, for example as test or piloting infrastructure for climate solutions.

## SCALING UP THE DEPLOYMENT OF CLIMATE SOLUTIONS

Projects in this funding category involve scaling up existing technology and/or business models, the commercial viability of which has often already been verified on a small scale, to a significant commercial scale. The funding is typically used for working capital to accelerate sales and entry into the market.

## DIGITAL CLIMATE SOLUTIONS

Projects in this funding category involve the development and commercialisation of new digital climate solutions, features that enable emissions reductions, or data platforms.

The funded projects must meet the preconditions set in the Climate Fund's funding criteria, such as a credible cash flow plan sufficient to support operations. The project must also generate clear impact in line with the Climate Fund's funding criteria, for example by eliminating significant bottlenecks to emissions reductions for those using the platform.

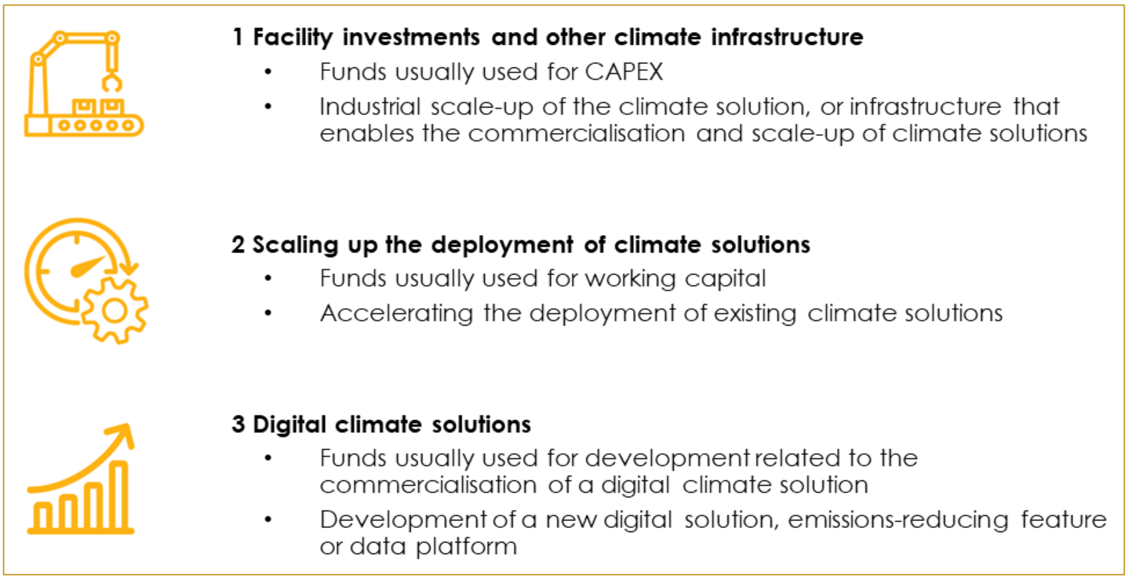


*Figure 5 Funding categories*

## INVESTMENT CATEGORIES AND THE OPERATIONAL GUIDELINES

The funding categories chosen for the Climate Fund reflect the operational guidelines' focus on combating climate change, reducing greenhouse gas emissions, decreasing the carbon footprint and strengthening the carbon handprint, as well as the priority given to industrial scale-up investment targets.

The operational guidelines also allow the Climate Fund to invest in digitalisation projects that have a neutral environmental impact but can achieve other significant social benefits. The strategy chosen for the Climate Fund limits its operations in the field of digitalisation to digital solutions and data platforms that generate direct or indirect emissions reductions. The proportion of digital investment targets has been set at roughly 35 per cent of the number of investment targets.

The operational guidelines' policy of accelerating the transition to low-carbon industry is implemented in several ways in the funding categories, such as through facility investments, infrastructure, expediting the deployment of low-carbon solutions, and digital solutions as well as platforms that enable low-carbon business.

Many investment targets also advance the operational guidelines' goals of using natural resources more efficiently and supporting biodiversity. Furthermore, the "do no significant harm" principle and proposal-specific analysis included in the funding criteria ensure that the Fund's investments do not contradict the goals concerning biodiversity and the use of natural resources.

## 5. Funding instruments and leveraging EU funding

The Climate Fund's operational guidelines permit the Fund to grant equity financing, debt financing and mezzanine funding. Capital loans have been defined as a suitable instrument for the Fund's initial stages. The operational guidelines state that the Climate Fund can establish funds, invest in funds and, in principle, use state aid for its funding instruments. However, granting funding classified as state aid will require a specific Act. The Act on the Climate Fund was discussed in Parliament in the autumn of 2022.  Leveraging EU funding is also listed in the operational guidelines as one of the Climate Fund's duties.

The Climate Fund develops its instruments with a view to meeting the requirements set for its operations. The Climate Fund's funding must provide added value to the clients, permitting the projects and their impact to be realised earlier or on a wider scale than would be possible without the Climate Fund's investment. This can only be achieved if the instruments meet the needs of the Climate Fund's customers and form a meaningful part of their overall funding solutions.

For the time being, the Climate Fund does not offer funding instruments defined as EU state aid and every funding decision must be made on market-based criteria. The market-based nature of the Climate Fund's investments is ensured with existing methods developed for this purpose. They typically include determining a minimum price based on a reference interest rate table published by the EU or co-funding the investment on equal terms with a private investor. As a rule, the Climate Fund also requires projects to have a significant amount (at least 30 per cent or so) of other market-based funding, but this requirement can be waived if the project's market-based nature can be verified by other means. The Climate Fund's investment targets must be at least self-supporting in the long run, and they must have a credible plan that secures the Climate Fund's prospects for repayment of the investment and return of capital.

The Climate Fund's risk management policy limits its investment to a maximum of 50 per cent of the total funding and requires agreeing on a yield unit linked to each investment target. The yield unit can consist of an interest rate premium exceeding the minimum rate, convertibles and/or profit sharing. Furthermore, the amount of the Climate Fund's individual investments is limited so that the Fund can spread its risk over several investment decisions within its annual investment volume. From 2023, the Climate Fund's ticket size will primarily be 4–40 million euros. The lower end of the range is suitable for digital investments, whereas the upper range is more suitable for facility investments.

The Climate Fund's Board of Directors has decided, considering the framework set by the Fund's operational guidelines and the goals of its operations, that the company will focus on capital loans as its primary funding instrument for the time being. In addition, investing in funds and expansion into debt instruments can be considered in certain cases. The company also reserves the right to use other instruments permitted by its operational guidelines when necessary.

CAPITAL LOANS

The interest and principal of capital loans are subordinate to all other debts in case of liquidation or bankruptcy of the company. Principal is repaid and interest paid only to the extent by which the aggregate amount of the company's unrestricted equity and all subordinated loans at the time of payment exceeds the losses recognised on the balance sheet in the company's latest financial statements. In the debtor's accounting, a capital loan does not increase the company's equity but can be added to equity for the purpose of calculating solvency in certain cases. Due to these properties, capital loans are often suitable for the Climate Fund's customers' funding needs that align with the Fund's funding categories. The primary recipients of the Climate Fund's capital loans are SMEs and growth companies, for which the subordinate status of a capital loan can be important for the realisation of their total funding. The profit-sharing component linked to a capital loan, often based on convertibles, is also a natural part of the total price of funding for such companies.

DEBT INSTRUMENTS

The Climate Fund may consider granting hybrid, junior or senior loans to customers whose funding requirements and bottlenecks specifically involve debt funding if a capital loan would not be an appropriate instrument for the customer. Capital loans, and especially the convertibles often related to their profit-sharing components, are not suitable in all situations, such as for certain publicly owned companies closed to external investors and with no changes to be expected in their ownership base.

Debt instruments can include variable levels of collateral to the Climate Fund, enabling a reasonable total price for the customer's funding, especially when convertibles cannot be used or the customer has access to collateral or guarantees. Many of the Climate Fund's funding targets generate assets with collateral value, such as facilities and their equipment, and making use of these can also contribute to the Climate Fund's risk management. Capital loans, on the other hand, are particularly suitable for projects that do not generate collateral value or have no free collateral value left for the Climate Fund's investment.

Like any other investment decision, debt funding decisions are based on the Climate Fund's funding criteria, with particular attention being paid to ensuring that the Climate Fund's funding will not displace private funding or other public funding, such as Finnvera funding, from the project.

INVESTMENTS IN FUNDS

When investing into a fund, the Climate Fund does not invest directly in companies and projects that produce climate solutions but makes its investment through an intermediary that manages the Climate Fund's stake by virtue of a fund agreement or other management agreement.

Investing in funds is not a focus area for the Climate Fund, and the Fund does not participate in funds that include Tesi or Business Finland VC as investors. The Climate Fund can serve as a anchor investor and/or participate in establishing funds if the fund form is justifiably the most profitable and efficient way of achieving the impact outlined in the Climate Fund's funding criteria. Operating through an investment fund can help extend the Climate Fund's funding to more recipients, including those with funding requirements below the Climate Fund's direct investment range.

The Climate Fund will consider participation in funds, for example if a new form of fund consistent with the Climate Fund's goals is being brought to market and its impact would be realised on a significantly larger scale or earlier than it would without the participation of the Climate Fund, or which would not be implemented at all without the Fund's participation. Such funds and instruments could include special investment funds or finance companies set up to solve a specific challenge related to the climate or environment, whose primary goal is to achieve significant emissions reductions and/or other environmental impact. Investments in funds are evaluated according to the Climate Fund's funding criteria, including aspects such as their emissions reduction potential and alignment with the "do no significant harm" principle. The Fund may also seek to ensure the realisation of these criteria contractually.

## LEVERAGING EU FUNDING

The Climate Fund's instruments can be linked to both market-based EU fundings as well as EU grants and thereby support leveraging EU funding for Finland's green transition. Five possible principles for leveraging EU funding have been identified for the company:

1) cooperation with the EIB Group,
2) EU state aid as a potential instrument,
3) acting as an implementing partner of the InvestEU programme,
4) the Climate Fund as national co-financing, and
5) EU funding for the Climate Fund's investment targets.

Table 1 below provides a summary of the identified leveraging opportunities. In addition, the Climate Fund keeps a close eye on networks and partnerships related to EU funding to obtain up-to-date information and identify potential investment proposals.

Table 1

| | |
|---|---|
| Cooperation with the EIB Group | The Climate Fund has diverse cooperation opportunities with the European Investment Bank Group (EIB and EIF), from structural cooperation in, e.g. co-funding programmes, guarantee instruments and fund programmes to co-investing in larger funding targets. |
| EU state aid as a potential instrument | The Climate Fund has not offered asymmetric instruments seen as state aid. After the possible entry into force of the Act on the Climate Fund, the company could adopt asymmetric funding terms determined as state aid if they could be used to achieve significant impact in line with the Climate Fund's mission. |
| EU budgetary guarantee for the Climate Fund's investments | By joining the InvestEU funding programme as a direct implementing partner, the Climate Fund could both leverage its funding volume and obtain a partial EU budgetary guarantee for the company's potential credit loss risks. InvestEU cooperation will require a pillar assessment by the Climate Fund. |
| The Climate Fund as national co-financing | Incorporating the investments made by the Climate Fund through its normal investment process as the national counterpart required for releasing grant-type EU funding, for example under the LIFE and Cohesion programmes. The Climate Fund participates in the guidance of the LIFE and ERDF programmes relevant to its operations and actively looks for investment targets suitable for them. |
| EU funding for the Climate Fund's investment targets. | As a rule, applying for EU grant funding takes place as restricted open application rounds, and customers can apply for funding without any action on the part of the Climate Fund. However, the Climate Fund team can advise customers and direct them to suitable funding programmes or Business Finland's counselling service. |

# 6. Organisation

The Climate Fund is organised into four functions:

1. Investments
2. Customer and Dealflow
3. Communications and Sustainability
4. Finance and Administration

The Investments team is responsible for analysing potential investment targets and preparing investment decisions, as well as for the implementation, management and monitoring of the decisions. It charts the need for outside experts in the preparation of investment decisions and supervises the work of commissioned experts. The Investments team prepares and implements the measures specified in the investment terms with regard to the Climate Fund’s return and exit, including the exercise of possible rights of convertibles and the consequent measures required from the Climate Fund as owner. In addition to individual investment targets, the Investments team is responsible for maintaining an overall picture of the Climate Fund’s portfolio with regard to risks and impact. The Investments team’s development duties include the development of the funding criteria, funding process and the Climate Fund’s instruments, with a particular emphasis on competence in sustainable and impact-oriented investment.

The Customer and Dealflow team is responsible for providing customer service to potential investment targets, with the exception of those under active analysis. Interaction with such customers is the responsibility of the Investments team. The Customer and Dealflow team evaluates the alignment of projects with the Climate Fund's funding criteria based on preliminary information and compiles potential projects for analysis by the Investments team. The Customer and Dealflow team maintains an overall picture of the Fund's dealflow and is responsible for taking measures to generate dealflow on the basis of its observations. It implements and develops service counselling and other customer relations processes, such as the design of the Climate Fund's customer service path. Interaction and feedback, also for projects not suitable for funding according to the Climate Fund’s criteria, are also key aspects of customer relations. The Customer and Dealflow team also seeks to support the realisation of the customer's total funding by maintaining relations with the Climate Fund's co-funders.

The Communications and Sustainability team is responsible for communications concerning the company as a whole as well as individual investment decisions. This entails the diverse planning, implementation and monitoring of communications over a variety of channels. Communications and Sustainability team generates and compiles reports on the company's operations and results for various administrative and communications channels. The team is responsible for the development and maintenance of the Climate Fund’s own sustainability process and reporting. Communications and Sustainability team compiles and maintains an overall picture of the company’s operating environment from international and national sources.

The Finance and Administration team is responsible for the company’s financial administration, HR administration and the coordination, monitoring and development of governance. Its responsibilities include company-level impact assessment processes, internal and outsourced legal expertise, and information security and IT systems.

The organisation employs a total of 25 personnel, including the CEO.

# 7. Finances and risks

The operational guidelines and Articles of Association set the principal framework for the Climate Fund’s economic activities. The Articles of Association state that the company shall aim to fulfil its mission as efficiently as possible and create societal impact instead of seeking to maximise its own profit. The company's operational guidelines stipulate that, when assessed as a whole, its investment targets and funding must be self-supporting in the long term. Within the framework of the provisions and regulations on state aid, the company can take bigger risks or accept smaller profits than private investors in its investment activities.

In the autumn of 2022, the Climate Fund had approximately 150 million euros in funds available for investment. In addition, its owner has decided to capitalise the company with a further 200 million euros, and a deferrable appropriation of 100 million euros has been included in the amendment to the budget proposal for 2023. Apart from this, the Climate Fund’s operational guidelines require the Fund to primarily operate on the yields of its capital, such as the return on investments and funding. The Fund's largest equity asset is an 8.3% stake in Neste, whose dividends constitute a key part of the Climate Fund's revenue stream. The Prime Minister’s Office has full responsibility over the ownership steering of Neste, and the Climate Fund has signed a management agreement for Neste’s shares with the Office.

In accordance with the operational guidelines and Articles of Association, the Climate Fund’s Board of Directors aims to achieve a 100 per cent rate of return on invested capital over time and across the portfolio. By their nature, the Climate Fund’s operations involve significant risks concerning the return of capital in the case of individual investment decisions, and the time span for the return of capital is long. The Board of Directors has set the Climate Fund’s target funding volume at 80 million euros for 2022 and, for the time being, 130 million euros annually after that. These annual volume targets have been chosen to meet the requirements of the Climate Fund's mission and the demand for funding in a market consistently worth more than one billion euros.

In 2023 and going forward, the Fund will make 12 to 15 investment decisions annually. The company's operating costs are approximately 6 million euros, consisting of investment decision preparation costs, personnel costs and other operating expenses.

The Climate Fund’s key risk categories are operative funding risks, financial risks, strategic risks, administrative risks, as well as reputational and sustainability risks. It is the task of financial risk management to ensure the continuity and profitability of operations, secure the company’s assets and property, and provide the true and fair view of the company’s finances and operations required by regulations. The greatest financial risks are related to the development of the dividend revenue from Neste and the success of risk management in the company’s operative financing activities.