

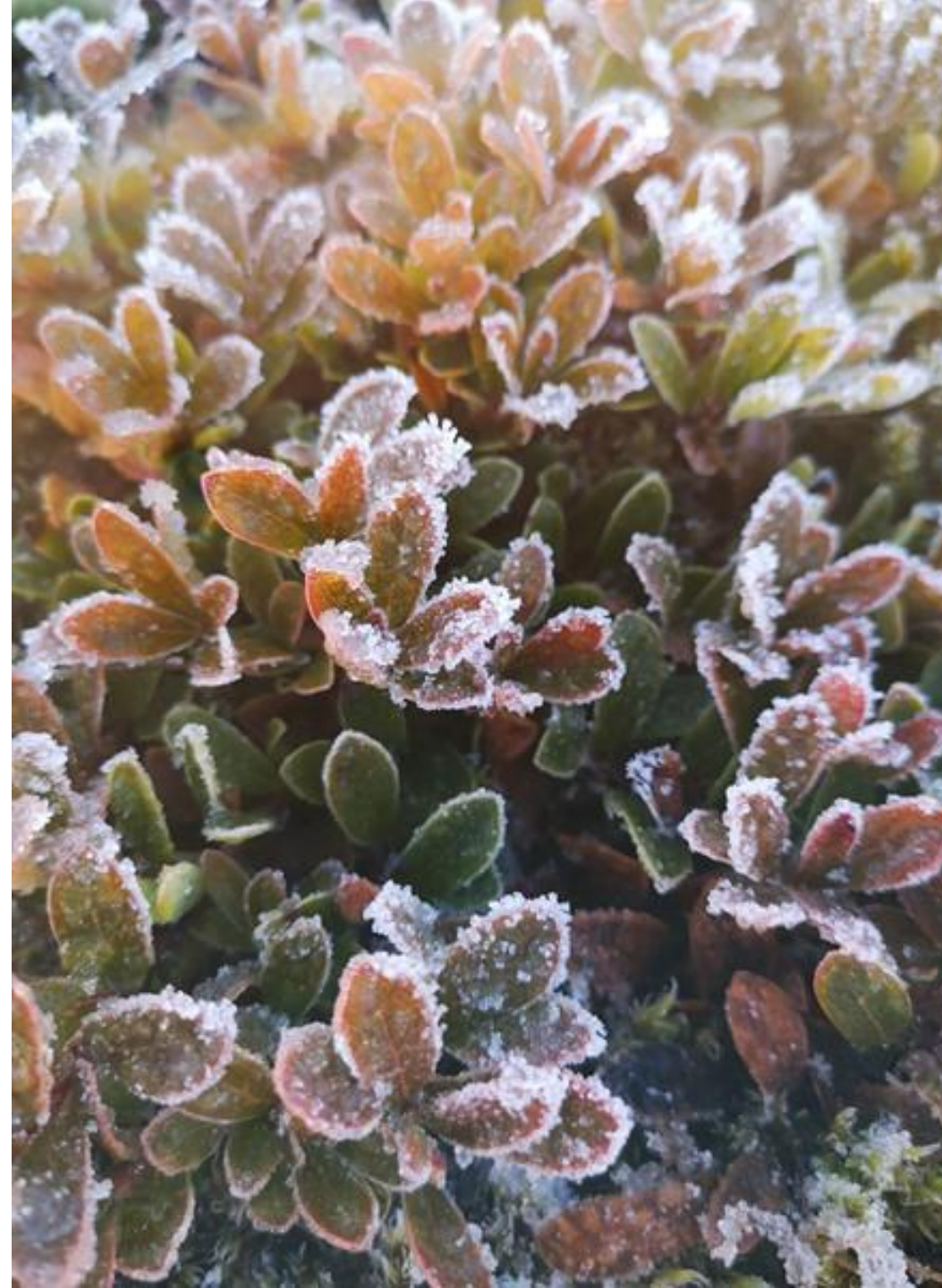


RESPONSIBLE INVESTMENT POLICY

EYRIR VENTURE MANAGEMENT

DEFINITIONS

- **ESG:** Environmental, Social, and Governance factors
- **Responsible investment (RI):** Strategy and practice to incorporate ESG considerations into our investment process, including investment decisions and active ownership activities
- **Sustainability:** Meeting the needs of the present without compromising the ability of future generations to meet their needs
- **The funds:** Alternative investment funds managed by Eyrir Venture Management



WHY RESPONSIBLE INVESTMENT?

The purpose of this policy is to define our approach to responsible investment (RI) and describe how ESG is integrated into our investment activities, including ownership practices.

Eyrir Venture Management (EVM) is an alternative investment fund manager. We manage venture capital funds that invest in start-up companies working on sustainable solutions to meet society's current and future needs.

As fund manager, it is our responsibility to implement the funds' investment strategy and support the long-term growth of our portfolio companies. We believe that demonstrating commitment to sustainability is also a fundamental responsibility of fund managers, and that following this policy will benefit our portfolio companies, investors, and society as a whole.

Creating a cleaner, greener society that is more equal and inclusive will require efforts from every individual, business, organisation, and government. Fund managers and investors are no exception, and they play a big role in ensuring that the Paris Agreement, the UN Sustainable Development Goals, and other universal targets are met. We take that role seriously and believe that proactively managing ESG factors is an integral part of such efforts. Considering ESG factors is furthermore an effective risk management tool and a good business strategy, for us as fund managers and for our portfolio companies.

WHY SUSTAINABILITY?

We work closely with our portfolio companies to improve their sustainability efforts because we know that sustainable business is good business:

1. Decision-making based on ESG insights results in improved risk management and increased economic efficiency
2. Focusing on sustainability enables companies to identify new opportunities and create a competitive advantage
3. Good sustainability performance provides access to more favourable financing terms (ESG funds, green loans etc.)
4. Consumers are more likely to buy from and people prefer to work for companies that are committed to sustainability
5. Systematic work on and commitment to sustainability gives clear signs of competent management and has positive effect on companies' reputation, both of which are important in conversations with future investors

COMMITMENT TO RESPONSIBLE INVESTMENT

EVM became a signatory of the UN supported Principles for Responsible Investment (PRI) in 2020 and is committed to implementing its six principles into our investment practices.

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

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

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry

Principle 5: We will work together to enhance our effectiveness in implementing the Principles

Principle 6: We will each report on our activities and progress towards implementing the Principles

EVM is also member of IcelandSIF, the Icelandic Sustainable Investment Forum, and Festa, a centre for sustainability.

Through these memberships we take active part in sustainability and RI discussions in Iceland.

Signatory of:



WHY WE DO WHAT WE DO

We invest in a better future

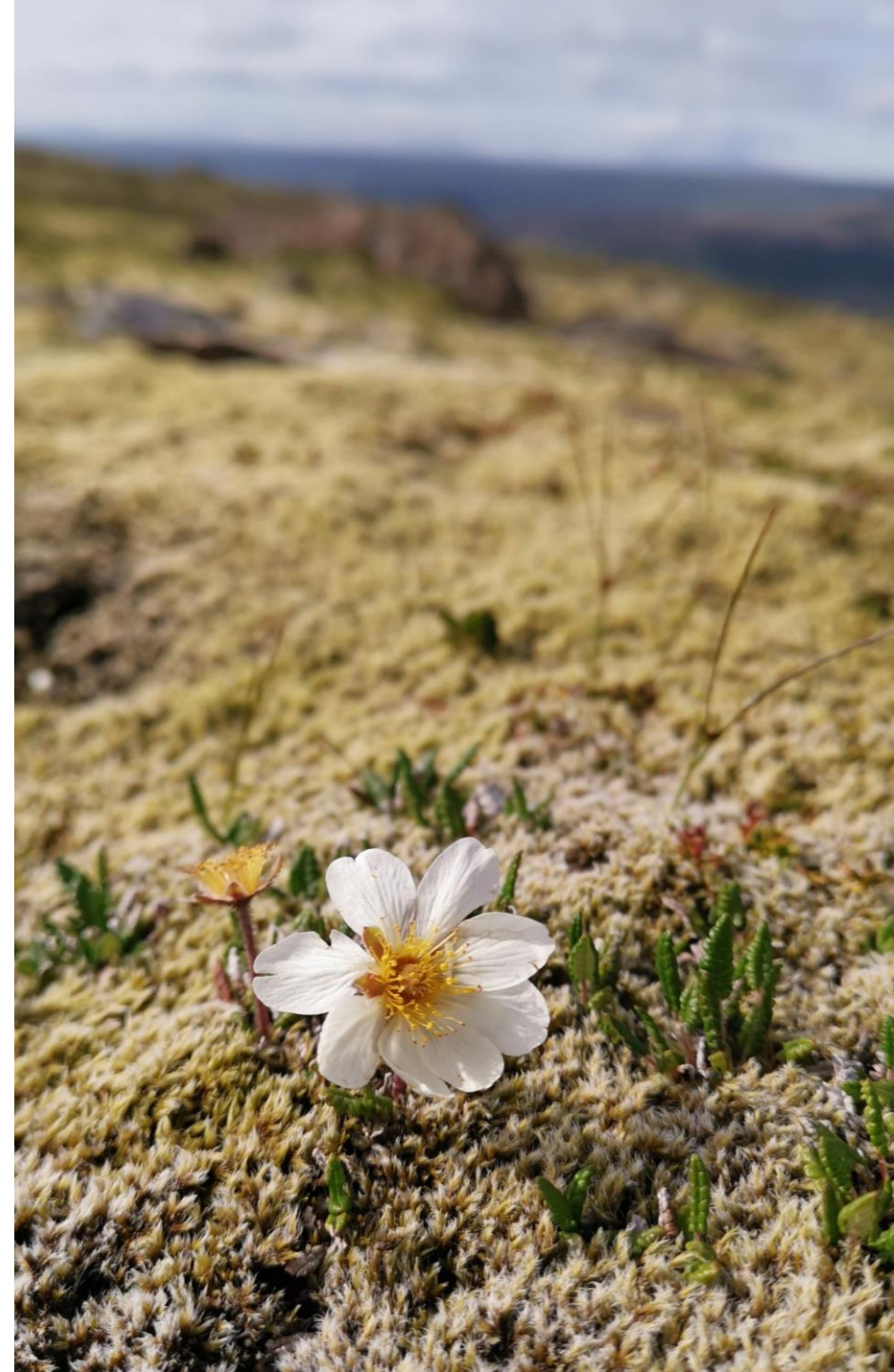
Our investments are focused on sustainable solutions to existing and emerging problems. We believe it is our responsibility to invest in ideas that can facilitate a more sustainable future and are aligned with the UN SDGs.

We invest in passion

We believe that entrepreneurs and start-ups with strong passion and ambition to change the world are more likely to grow and succeed. We therefore look for investment opportunities that incorporate this mindset where our resources can help create a more sustainable world.

We focus on sustainability

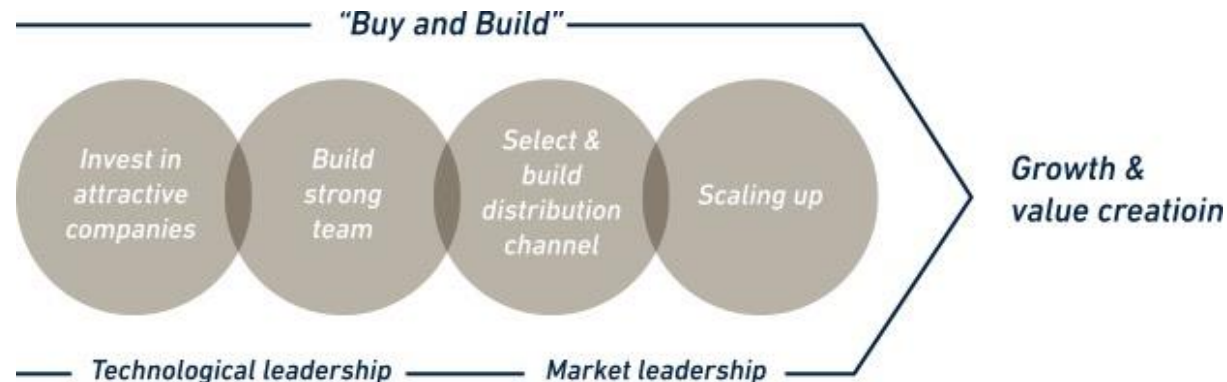
Focusing on sustainability is vital for building long-term value. We expect ESG and sustainability considerations to be key part of our portfolio companies' governance. Assisting companies with identifying the most important ESG risks and opportunities in their business and encouraging them to set up sound ESG practices in their operation is vital for ensuring long-term growth.



WHY WE DO WHAT WE DO

The core of this policy and all our RI activities is the “buy and build” philosophy. We are active owners that work closely with our portfolio companies to facilitate growth and support them on their journey to becoming leaders in their selective industries.

This policy is shaped by our core values; Long- term thinking; Courage; Endurance; and Integrity. These values are reflected our investment strategy and guide our everyday investment practices.



LONG-TERM THINKING

We consider scenarios that might occur in the future and are constantly watching out for new opportunities

COURAGE

We are proactive and exercise leadership when necessary

ENDURANCE

We possess stamina and patience to support as needed the projects we believe in

INTEGRITY

We act responsibly and are trustworthy in all our interactions

WHAT WE WANT TO ACHIEVE

Sustainable value creation

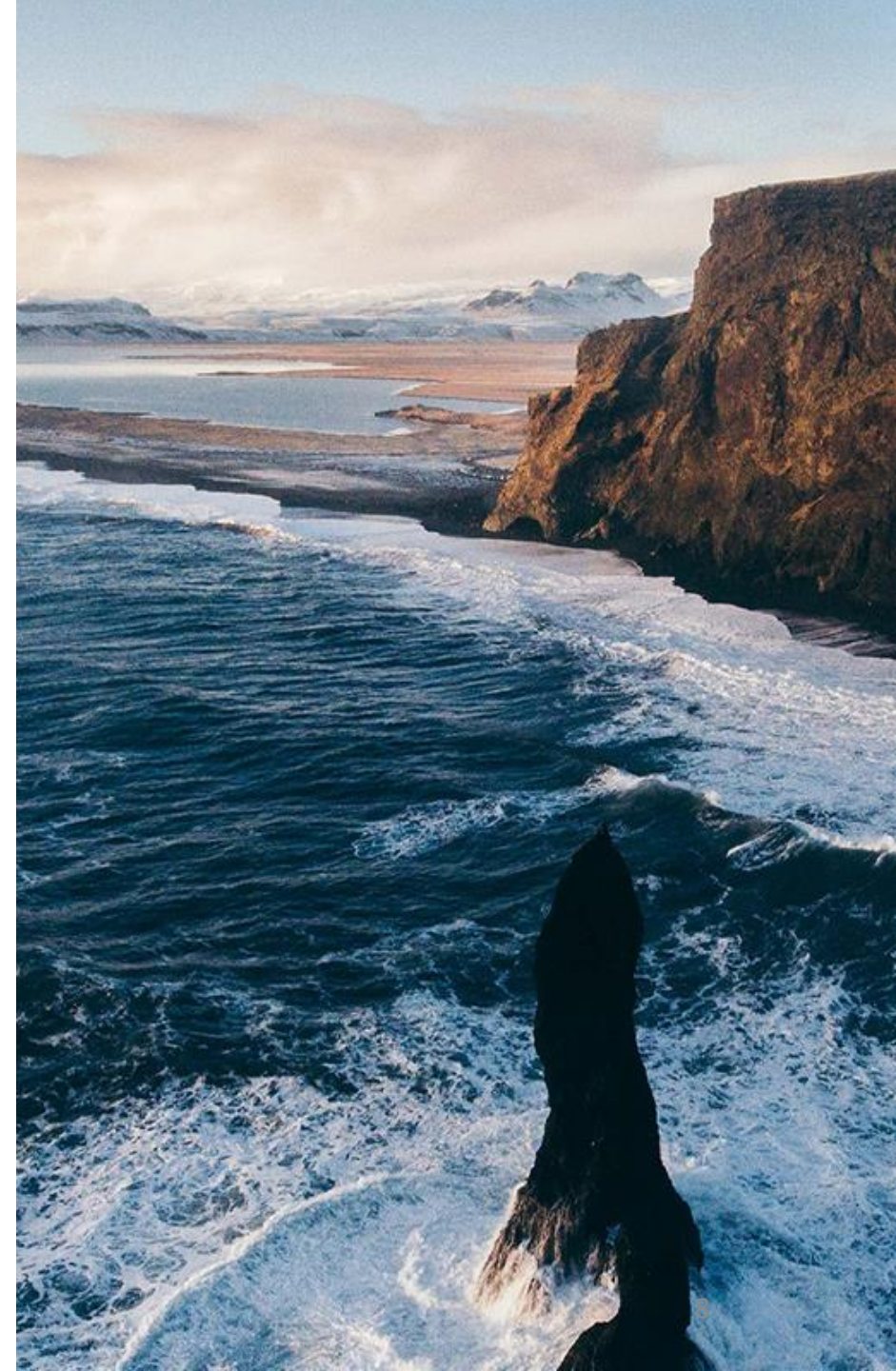
We identify value creation opportunities by considering ESG factors and create high returns by investing in sustainable solutions and products that are resource efficient and cater to growing markets.

Effective risk management

We efficiently identify and manage potential risks by integrating ESG into all our investment decisions and active ownership activities.

Enhanced understanding of sustainability through active ownership

Our investment strategy entails active involvement in strategic planning and day-to-day operations of portfolio companies. We help portfolio companies with identifying relevant ESG opportunities and risks in their business, prioritising ESG related projects, assist them with setting up ESG monitoring and procedures, and request regular updates on ESG. Our long-term aim is for portfolio companies to build strong internal knowledge of ESG and for sustainability to become an underlying theme in all their operations and decision-making.




WHAT WE WANT TO ACHIEVE

All our actions - our investment decisions, active ownership activities, and outcomes related to our investments - influence the world. We take intentional steps to shape these influences; to reduce harm and increase positive outcomes. One such step is integrating ESG into decision-making and activities. Another step is aligning our investment practices with broader sustainable objectives of society, and these objectives are currently best defined by the UN Sustainable Development Goals (SDGs).

We invest in ideas that support the SDGs and where we believe our resources can make the most impact. Our primary focus is on the following targets:


IMPACT

5 GENDER EQUALITY




5.1. End all forms of discrimination against all women and girls everywhere
5.5. Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

7 AFFORDABLE AND CLEAN ENERGY




7.2. By 2030, increase substantially the share of renewable energy in the global energy mix

8 DECENT WORK AND ECONOMIC GROWTH




8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation
8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



12.2. By 2030, achieve the sustainable management and efficient use of natural resources
12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

WHAT WE INVEST IN



Environmental Sustainability

Sustainable use of resources and land
Waste minimisation & recycling
Sustainable food production
Greenhouse gas reduction
Renewable energy
Circular economy



Social Impact

Equality for all
Education for all
Financial services for all
Healthcare for all
Healthy lifestyle for all
Access to information and education
Cybersecurity

HOW WE DELIVER RESULTS

1. We integrate ESG analysis into all our investment decision-making and active ownership activities.
2. We ensure that members of management, advisory board and Boards of Directors of EVM and the funds are informed about this RI policy, and that they implement it in their day-to-day activities.
3. *Pre-investment:* We use internal ESG questionnaire* and exclusionary list (see Appendix I) to assess potential investment opportunities. We perform ESG due diligence, considering the most material risks and opportunities of new investment opportunities. The result is factored into our value assessment and ESG targets and commitments are included in the investment agreement when relevant.
4. *Post-investment:* We use ESG questionnaires to regularly monitor the ESG performance of portfolio companies. We work with companies to identify the material** ESG risks and opportunities in their operations. With selected companies we work together to set measurable goals, create action plan and monitor their progress throughout the year. Throughout the investment lifecycle we use our voting right and engagement to support ESG progress. We assist portfolio companies with developing knowledge of ESG so that they can continue their sustainable value creation in the long term.
5. We facilitate and encourage sharing of knowledge, experiences, and best practices among our network of start-up companies, investors, and experts.

*The list is based on Nasdaq's ESG Reporting Guide, the World Economic Forum's Metrics for non-financial information, and Invest Europe's ESG Due Diligence Questionnaire for Private Equity Investors

**We use the SASB Materiality Map, the EU Taxonomy and various industry specific standards for materiality assessment

ESG is integrated into all decision-making and active ownership activities throughout the investment lifecycle



IMPLEMENTATION

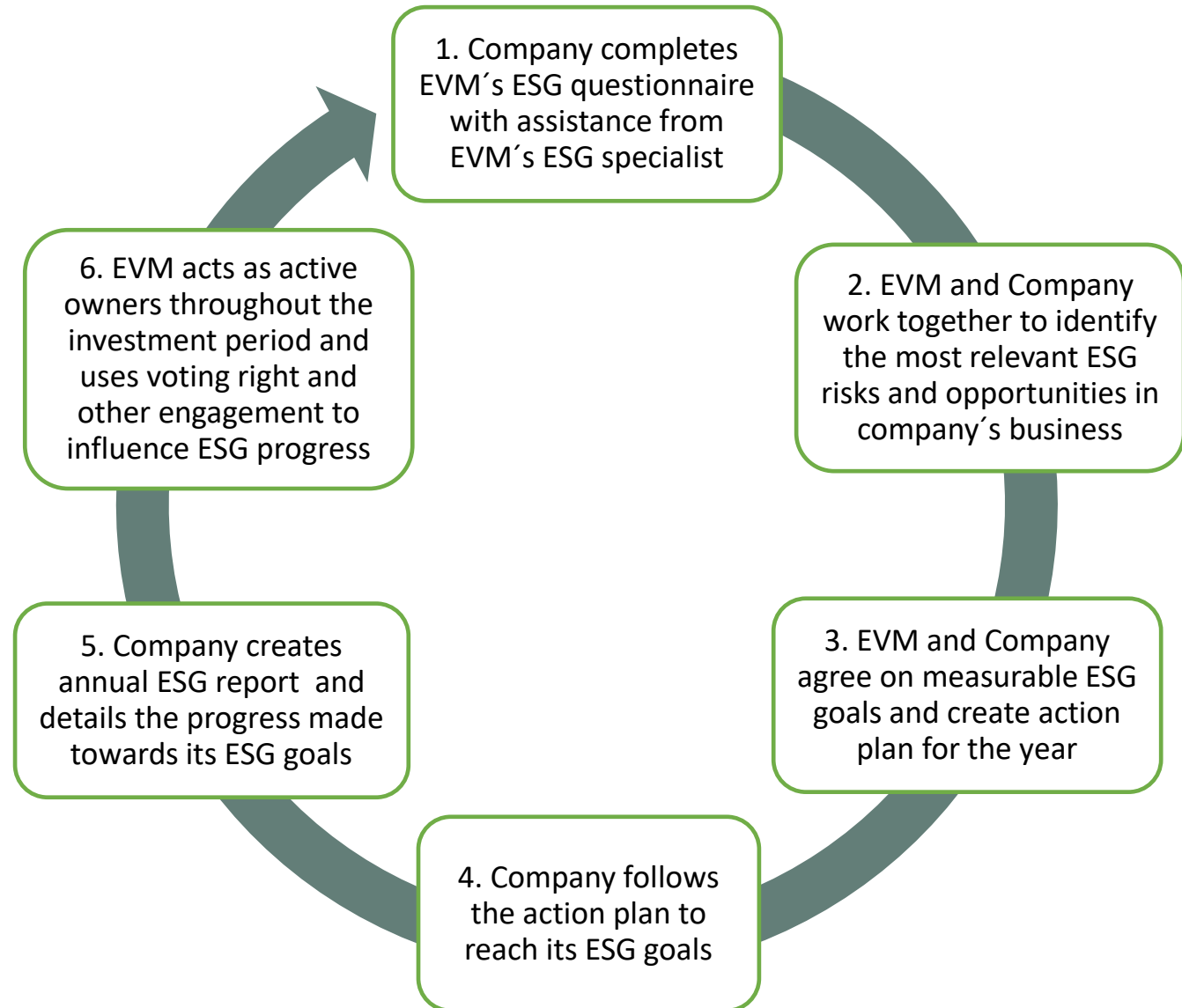
- 1. Screening**
 - *Positive screening:* Confirm that investment opportunity matches with the fund's investment strategy and EVM's investment themes
 - *Negative screening:* Confirm that investment opportunity is not on EVM exclusion list
- 2. Due Diligence**
 - Perform ESG DD using internal list; identify material ESG risks and opportunities for value creation (short and long term)
 - Assess ESG risks and opportunities, with assistance from experts as required
 - Integrate material ESG factors into value creation plans
 - Write DD report for Board which includes ESG considerations
- 3. Investment Decision**
 - The Board of Directors of the fund makes an investment decision, which includes ESG considerations
- 4. Investment Agreement**
 - Define and formalise ESG commitments, impact targets, and ESG action plan with Company
 - Incorporate clauses on ESG in investment agreement; including ESG commitments and information on how relevant ESG factors will be managed and monitored during the lifecycle
- 5. Ownership & Monitoring**
 - Guide and assist Company with reaching the impact targets and ESG commitments
 - Share best practices and lessons learnt from other portfolio companies
 - Regularly re-evaluate ESG risks and opportunities, update targets and action plan accordingly
 - Receive annual ESG information from Company, report ESG developments to investors
- 6. Exit**
 - Ensure Company's ESG management system is self-sustaining and plan the exit
 - Link evidence-based ESG performance to Company's value
 - Assisting company with preparing ESG materials for potential buyers

Annual ESG Cycle:

How we work with selected portfolio companies

When selecting which portfolio companies to include in our extensive annual ESG work cycle we consider the following factors:

- Scope and extent of company's impact on environment and society
- Urgency of material ESG risks and opportunities in company's operations
- Size and availability of the team
- Runway and funding status
- Industry and client profile



PROGRESS & TRANSPARENCY

Our responsible investment commitments and efforts are not an objective in itself, but rather part of our ongoing journey. RI is still a relatively new field and further regulation, research, and knowledge is constantly emerging.

Given the fast-growing and ever-changing nature of ESG and RI, we are continuously learning, re-evaluating our practices, and looking for ways to progress and grow.

Achieving sustainability requires involvement across all sectors of society and we believe cooperation and knowledge-sharing are key to realising such a change. We celebrate all opportunities to share our ESG and sustainability knowledge and learn from others.

Key requirement for improvement and knowledge-sharing is transparency. We therefore measure our impact and report our responsible investment efforts regularly by;

- Completing annual UN PRI reports
- Requesting annual information from portfolio companies on ESG factors
- Sharing information on our RI activities and ESG factors with shareholders via quarterly and/or annual reports



TECHNICALITIES

Scope

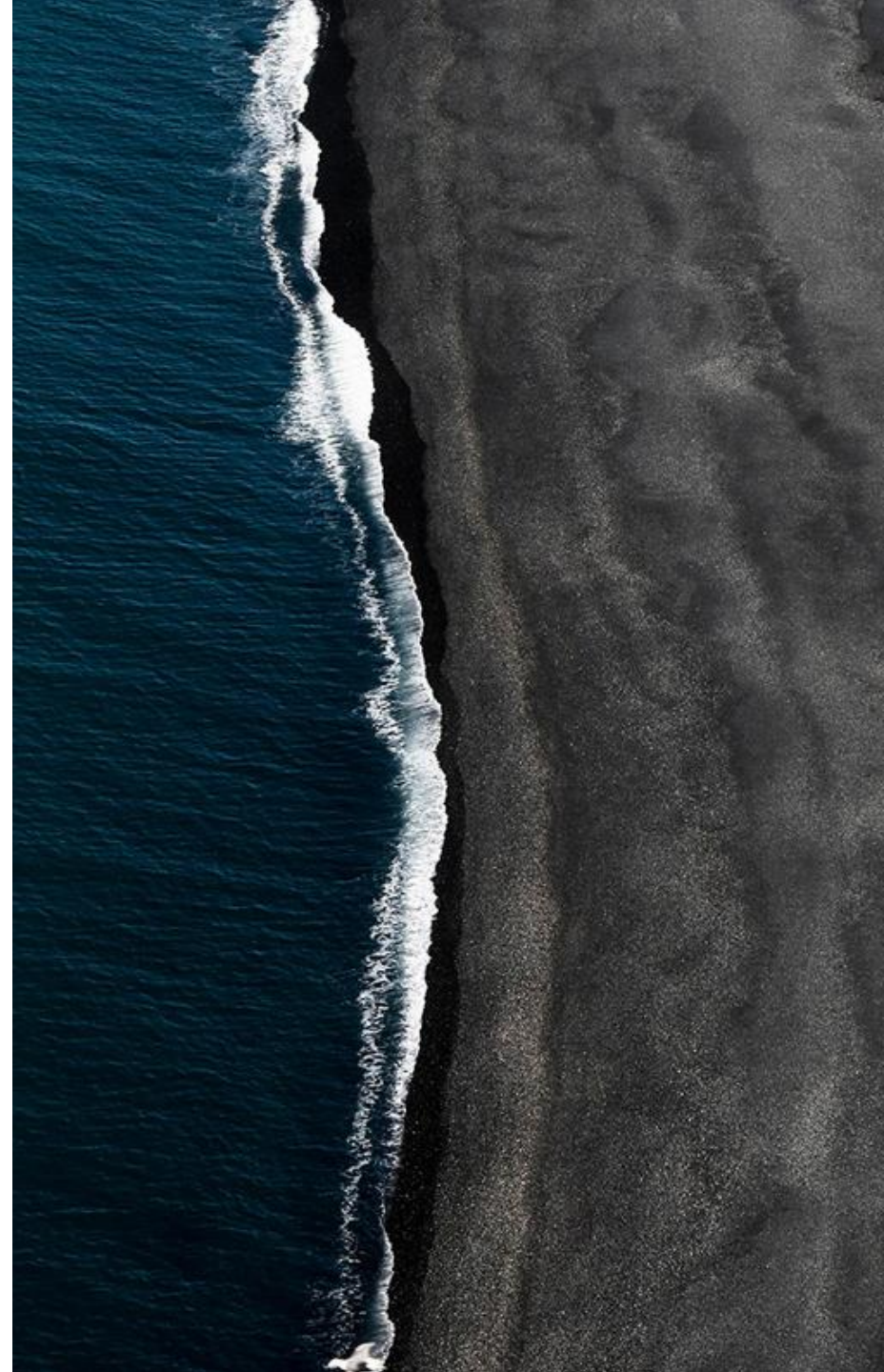
This policy applies to all investment activities of EVM on behalf of the funds throughout the investment cycle. All portfolio companies as well as potential investment opportunities are in scope.

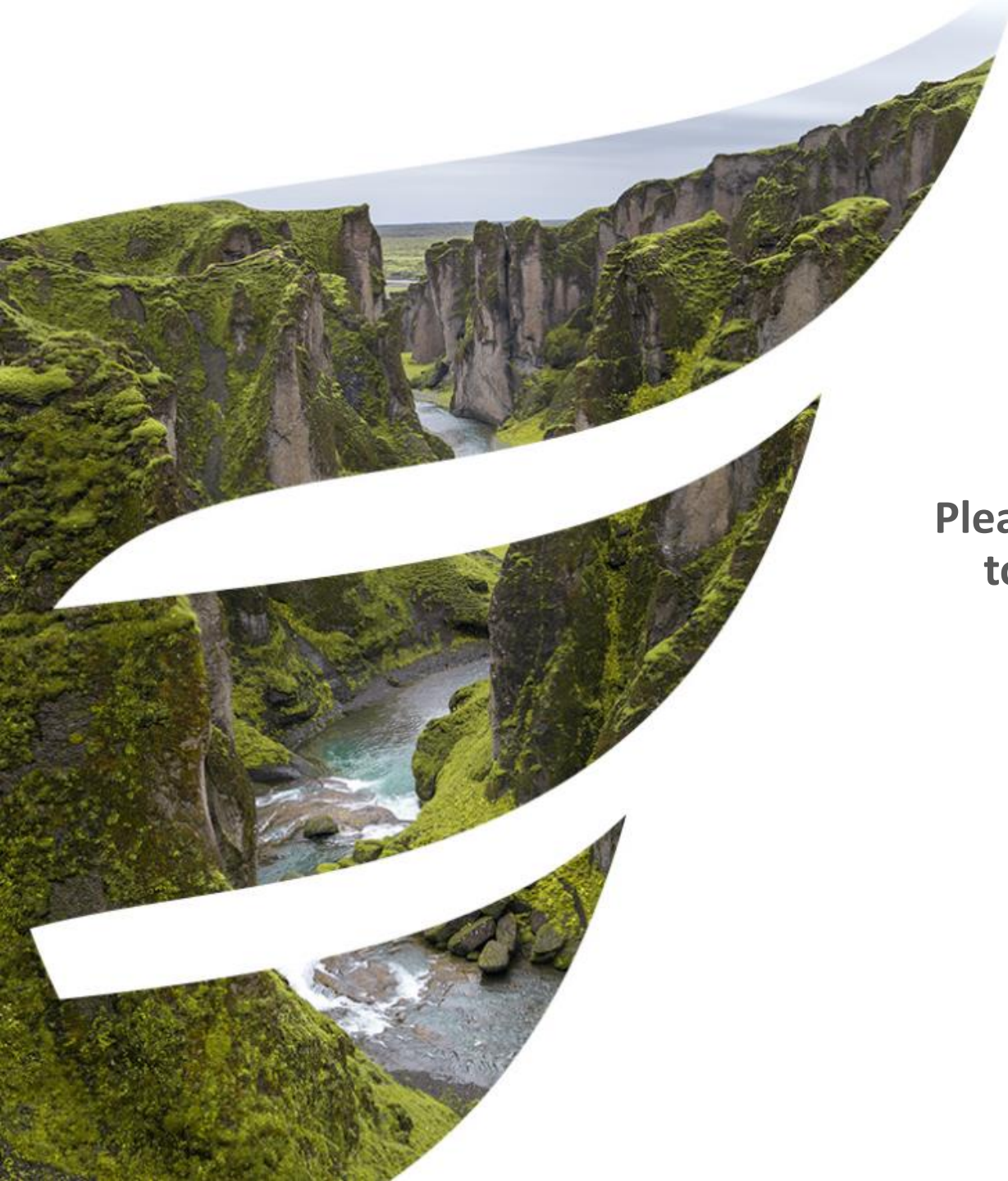
Review

The policy is reviewed at least annually, and all changes are approved by EVM's Board of Directors

Roles and Responsibilities

- Management and Boards of Directors of EVM and the funds are primarily responsible for ensuring the incorporation of ESG in our investment activities
- EVM's investment manager oversees ESG due diligence for potential investment opportunities, ESG activities with portfolio companies and EVM's ESG reporting. She is responsible for providing ESG training to relevant staff and Board members, and for reviewing this policy.
- All members of management, Board of Directors, and advisory board of EVM and the funds are required to work in accordance with the values and procedures described in this policy.





**Please contact Eyrir Venture Management if you wish
to discuss this policy or our investment activities**

www.evm.is

Exclusion list

Funds managed by Eyrir Venture Management will not invest in companies that are linked to the items on the following list. This applies to the companies themselves as well as their subsidiaries.

Industries:

- Research, development or production of weapons
- Tobacco production and manufacturing
- Gambling
- Adult entertainment
- Predatory lending
- Fossil or nuclear energy generation
- Environmentally negative resource extraction, such as rare-earth elements or fossil fuels

Operations and governance:

- Forced or compulsory labour, slave labour, and child labour
- Human rights abuses
- Damaging effects on the environment and high level of greenhouse gas emissions
- Corruption, bribery, money laundering and terrorist financing