

**POLICY**  
**FOR**  
**ESG**  
**INVESTMENTS**

**1 Introduction**

- 1.1 Fortress Fund Capital AS (the "Fund") is an alternative investment fund managed by Fortress Capital Partners AS ("Fortress Fund"). Fortress Fund is committed to adopting a conscious approach to environmental, social, and governance (ESG) considerations in its management of the Fund and incorporates ESG at every stage of the investment process. Fortress Fund also integrates sustainability risk in its investment decisions for the Fund. While Fortress Fund does not claim that integrating ESG in fund management is a prerequisite for creating financial returns, Fortress Fund expects its approach to ESG to result in a neutral or positive effect on the profitability of the Fund. As both the regulatory environment and the wider economy turn towards sustainable practices, Fortress Fund expects companies that follow this development to create greater shareholder value than companies that do not. With this background, Fortress Fund has adopted this ESG investment policy (the "Policy") which is to apply in Fortress Fund's investment activity on behalf of the Fund. Section 2 of the Policy outlines how ESG elements are considered at each stage of the investment process. Section 3 describes Fortress Fund's integration of sustainability risks in its investment decisions for the Fund, and Section 4 sets out Fortress Fund's policy for assessing good governance practices in the Fund's potential and existing portfolio companies.

**2 ESG in the investment process**

- 2.1 ESG considerations are integrated throughout Fortress Fund's investment process for the Fund as follows:
- **Screening:** In the screening process, Fortress Fund performs a high-level assessment of potential investments, including the companies' sustainability and impact profile. The screening includes applying a set of ESG-related exclusion criteria, which are behavior-based and product-based.
    - **Behavior-based exclusion criteria:** The Fund shall not invest in a company if there is an unacceptable risk that the company could contribute to or be responsible for:
      - Serious or systematic violations of human rights, such as murder, torture, deprivation of liberty, forced labor, the worst forms of child labor, and other serious or systematic violations of labor rights;
      - Serious violations of the rights of individuals in situations of war or conflict;
      - Sale of weapons to states i) in armed conflicts that use the weapons in ways that represent serious and systematic breaches to international law governing the conflicts, or ii) that is covered by the scheme for state bond exception described in the mandate for the governance of the Norwegian Government Pension Fund Global;

- Severe environmental damage;
  - Acts or omissions that on an aggregate company level lead to unacceptable levels of greenhouse gas emissions;
  - Gross corruption;
  - Other particularly serious violations of fundamental ethical norms; and/or
  - Other particularly serious violations of business ethics.
- **Product-based exclusion criteria:** The Fund shall not invest in companies that:
    - Develop or manufacture weapons or central weapons components that, with normal use, deviate from basic human rights principles, including biological weapons, chemical weapons, nuclear weapons, non-detectable fragments, incendiary weapons, blinding laser weapons, anti-personnel mines, and cluster munitions;
    - Obtain more than 5 percent of their revenues from coal- or oil sand-based activities (oil sand extraction, coal mining, or coal-based power generation), produce more than 10,000 megawatts (MW) of energy from coal power, or extract more than 20 million tons of coal annually. The analysis should be forward-looking and take into consideration factors such as the construction of new capacity or plans that will reduce the share of revenues from coal-based activities or increase the share of renewable energy sources; and/or
    - Produce tobacco, alcohol, non-medical cannabis, gambling services, or pornography.
  - **Due diligence:** In the due diligence phase, Fortress Fund adopts a more scrutinous assessment of the potential investment based on a full set of ESG-related selection criteria, along with other criteria such as the company's potential market size and founder team capabilities. The criterion is integrated into the investment memo drafted by Fortress Fund concerning the potential investment, which feeds into Fortress Fund's decision of whether to invest in the company. The integration of ESG criteria results in a small but noticeable advantage in the selection process to so-called impact investment cases. Fortress Fund defines impact companies as such when the outcomes of their product and/or service lead to a positive environmental or social benefit. This effect should be intentional, demonstrable, quantifiable, and verifiable – within the limitations of what can be achieved with early-stage companies that, in many cases, have not yet generated revenue. Impact companies may include companies aligned with one or more of the UN Sustainable Development Goals (SDGs).
  - **Investment phase:** Fortress Fund aims to include ESG-related clauses in the contractual frameworks the Fund enters into in relation to investment in portfolio companies, such as the Startup's Lead Investment Papers (SLIPs), investment agreements, and shareholders' agreements. The clauses may concern such issues as environmental responsibility, waste reduction, energy efficiency, social equity, ethical labor practices, governance standards, disclosure and reporting requirements, and performance metrics and targets, all of which the purpose is to enhance the portfolio companies' ESG profile and performance.

### 3 ESG in the holding period

- 3.1.1 **Tracking:** Fortress Fund will over the course of the Fund's holding period conduct sustainability indicator tracking as part of its annual portfolio survey and reporting. To that effect, portfolio companies will be required to complete an annual ESG questionnaire. This annual portfolio survey will also provide the basis for an assessment of whether a company is to be deemed an impact company in accordance with Fortress Fund's definition for such companies.
- 3.1.2 **Engagement:** Fortress Fund will, throughout the holding period, and especially in the early phases, engage with the portfolio companies with the aim of influencing them to adopt socially responsible and environmentally aware operations and improve the companies' results on the ESG questionnaire. The engagement may take many forms, including measures such as educational events and assistance with the drafting and implementation of ESG policies. Fortress Fund will act as an advisor to the portfolio companies and be available upon request, as well as conduct follow-up meetings at least quarterly. Every portfolio company has a dedicated contact person at Fortress Fund. The contact person may highlight issues or challenges in portfolio companies in Fortress Fund's internal regular portfolio review meetings, which may result in such issues or challenges being addressed through direct engagement with the relevant company.

### 4 Integration of sustainability risks

Fortress Fund understands "sustainability risk" as such term is defined in the SFDR,<sup>1</sup> i.e., "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment": Fortress Fund integrates such risk in its investment decision-process for the Fund mainly in two ways: First, Fortress Fund aims to limit the Fund's exposure to sustainability risks by, in accordance with its exclusion list, avoiding investing within certain sectors that may be especially vulnerable to sustainability risk. Second, Fortress Fund conducts a due diligence process where potential investee companies' vulnerability to sustainability risks is assessed. If such vulnerabilities are identified and are deemed unmanageable by Fortress Fund, the Fund will not invest in the company.

### 5 Good governance

All companies in which the Fund invests shall follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff, and tax compliance. This section sets out Fortress Fund's approach to assessing and supporting governance in its portfolio companies.

As an early-stage investor, the Fund will often be the first professional owner its portfolio companies have. It is Fortress Fund's policy to both ensure that good governance practices relevant to the company's developmental stage are in place, as well as to lay the foundation for good governance practices as the companies grow and evolve. Fortress Fund does not take board positions to drive this development but seeks to monitor and influence the companies in the right direction through regular reporting and associated follow-up actions. An example could be reporting uncovering that a needed policy is not in place and Fortress Fund's action being to request that such a policy is put in place.

Fortress Fund employs a multi-faceted approach to assess the governance practices of potential investee companies, aimed at ensuring robust oversight, ethical conduct, and compliance with relevant legal and regulatory requirements. The approach includes the following measures:

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<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability - related disclosures in the financial services sector.

- **Interviews and engagements:** Fortress Fund conducts thorough interviews with the senior management and, where applicable, board members of potential investments to gain insights into the governance structures, practices, and culture within the organization.
- **Reference checks:** Reference checks are performed that are suitable for identifying any past instances of unethical behavior or other behavioral characteristics that might indicate potential governance issues or risks at the company under assessment. The checks can include contacting previous employers, business partners, and other relevant stakeholders.
- **Document review:** Fortress Fund reviews the company's key governance documents such as the articles of association and any corporate governance policies to assess the formal governance frameworks in place.
- **Regulatory compliance check:** When applicable, an assessment is conducted to ensure that the potential investee companies are in compliance with applicable local and international governance standards and regulations. Similar measures will be made throughout the holding period in order to ensure continuous good governance across the Fund's portfolio.

## 6 Review of policy

This policy will be reviewed at least once a year by Fortress Fund's board of directors.

## 7 Change log

| Date                      | Version | Amendment |
|---------------------------|---------|-----------|
| 20 <sup>th</sup> Dec 2024 | 1.0     | Adoption  |
|                           |         |           |