



## Product-level Disclosures

### Fund III

#### 1. Summary

Fund III ("the Fund") is managed by FORWARD.one and aims to invest in companies that promote environmental and social characteristics. The Fund seeks to assist portfolio companies in enhancing their social and environmental impact while pursuing financial returns.

Fund III achieves this by screening its investments against a set of tools for ESG assessment. The Fund employs the following characteristics to assist its investments in increasing their consideration of social and environmental matters:

- Monitoring portfolio companies through the Principal Adverse Impact ('PAI') Indicators framework.

In promoting these characteristics, the investment process of Fund III incorporates sustainability considerations at the heart of its operations. In doing so, the Fund ensures portfolio companies' ('PCs') sustainability risks are being addressed coherently and that companies showing significant negative risks are excluded from the Fund.

The Fund has currently not set a target for sustainable investments. It aims to have 100% of its investments qualify as investments with sustainable characteristics.

The mission of FORWARD.one is to drive progress through technology.

The rest of this document lays out further information concerning Fund III's sustainable characteristics, the processes the Fund employs for incorporation, a graphical representation of its asset allocation, and an overview of the monitored indicators.

For any further information concerning FORWARD.one's strategy in ensuring compliance with the SFDR as a Fund Manager and the way in which it incorporates sustainability considerations into the investment process can be found on FORWARD.one's website.



## 2. No sustainable investment objective

This financial product promotes environmental and social characteristics but does not have sustainable investment as its primary objective.

FORWARD.one has developed internal policies to systemise the way in which it exercises its duty as investment steward. These policies help the Manager to guide its PCs towards thorough monitoring and reporting on relevant sustainability risks and impacts.

## 3. Environmental or social characteristics of the financial product

The following list enumerates all environmental or social characteristics that are promoted by the Fund. This happens throughout the Fund's entire investment process.

The social and environmental characteristics sought by Fund III are the following:

- Automatic refusal of investments which conflict with the exclusion list,
- In-depth ESG due diligence assessment,
- Monitoring of portfolio companies' environmental and social impacts through the Principal Adverse Impact ('PAI') Indicators framework.

Fund III ensures that these characteristics are attained by incorporating sustainability metrics before and throughout ownership. These characteristics are employed in a systematic manner with the view of ensuring Fund III thoroughly considers sustainability throughout the entire investment process.

The framework is further defined through the application of the following set of targets:

- **Exclusion List Screening:** To receive no negative answers to the 'red flag' questions.
- **Monitoring of PAI Indicators:** To identify the most relevant PAI indicators to each PC and collaborate on minimising their adverse impacts over time, to the extent that it is feasible with regard to their investment context.
- **Social and Governance Objectives:** To ensure that all companies have good governance practices (Employee relations, Staff remuneration, Management architecture and Tax Conformity) by exit.

## 4. Investment Strategy

Fund III's investment strategy incorporates the following elements: Size, Industry, Sector, Geography, Investment philosophy, Risk profile, Stage, Technology, and Team.

We as FORWARD.one invests in deeptech, hardware innovations that drive progress for our society through technology. We have three thematic focus areas; Climate Tech, Semicon/Quantum and



Industry 4.0. We invest in early stage (preseed, seed & series A) startups in Europe. Our main focus is the Netherlands, Germany and the Nordics.

Fund III resorts to various binding elements to select investments so as to attain the sustainable characteristics it seeks to meet.

The Fund's binding elements are the exclusion list and the DD questionnaire. They are set up as follows: Red flags in our DD questionnaire and our exclusion list are both binding.

Fund III has set the following targets for its portfolio companies to meet to ensure the Fund assists its portfolio companies in progressively increasing their sustainability ambitions:

- Fund III upholds good governance principles and welcomes constructive dialogue with local suppliers, regulatory agencies, community groups, and other stakeholders, where aligned with its investment objectives.
- The Fund performs a series of screenings to ensure that investee companies have good governance practices in place.

This is done in the following way.

- Sound management structures is one of the topics we take into account during the DD phase of the investment. We use the PAI's to track progress.
- Positive employee relations is one of the topics we take into account during the DD phase of the investment. We use the PAI's to track progress.
- Fair remuneration of staff is one of the topics we take into account during the DD phase of the investment. We use the PAI's to track progress.
- Tax compliance is one of the topics we take into account during the DD phase of the investment. We use the PAI's to track progress.

## **5. Proportion of Investments**

The Fund Manager decides on the Fund III investments and ensures that only companies fitting the investment strategy can proceed to the next stages of the investment process.

100% of the Fund's capital is allocated for investments within these predefined sustainable characteristics.

With this ambition, Fund III aims to increase the importance of sustainability matters within its investments' business strategies, and encourage their transition towards a sustainable economy.



## 6. Monitoring of environmental or social characteristics

Fund III ensures thorough consideration of sustainability throughout the investment decision-making process.

To ensure that portfolio companies' efforts with regards to the sustainable pillar are duly taken into account, Fund III uses various processes explained in the paragraph below.

Fund III uses its exclusion list during the pre-screening to identify whether potential investments' suit the investment strategy. In this way, investments with significant negative impact are automatically precluded. During ownership, all of Fund III's existing investments are assessed to quantify and monitor their Principal Adverse Impacts. The Fund therefore opts-in for the Principal Adverse Impact indicators framework on product-level (as stemming from Article 7 of the SFDR).

The framework monitors all mandatory indicators (excluding Scope 3 which will be assessed from next year, in alignment with the principle of proportionality), and the additional voluntary indicators of Deforestation and Insufficient whistleblower protection.

The indicators will be assessed from the fund's inception, allowing Fund III to engage with portfolio companies to address their most significant negative impacts. Results from the Principal Adverse Impacts (PAIs) will be disclosed in the SFDR Annex to the periodic report. The ESG due diligence questionnaire will help identify unmanageable risks or impacts, and an additional assessment will determine whether these issues can be addressed during ownership. If risks are deemed unmanageable, Fund III may choose to reject the investment.

## 7. Methodologies

Fund III integrates sustainability through its ESG due diligence and ongoing monitoring process. During due diligence, portfolio companies complete an **ESG questionnaire** covering business, environmental, social, and governance matters. The investment team reviews the responses, and if necessary, engages with the company to address any sustainability concerns.

Fund III monitors **Principal Adverse Impact (PAI) indicators** with a third-party service provider, focusing on all mandatory indicators and two voluntary ones: **Deforestation** and **Whistleblower Protection**.

Fund III complies with **Regulatory Technical Standards (RTS)** under SFDR, collecting data in 2024 for its first reporting in 2025. Additionally, an **Exclusion List** automatically excludes industries misaligned with sustainability goals, reviewed periodically to stay relevant.

## 8. Data sources and processing

Fund III sources and processes the data to perform the afore-described assessments in the following way:



Concerning the ESG DD assessments, the data is directly obtained from the PC representatives who answer the survey. The results are compiled at the end of the questionnaire, and assessed by the responsible Investment Manager who will take the findings to the investment team. Here, an independent decision will be made on whether the risks and/or impacts are manageable or significant.

The data to calculate the PAIs is sourced directly from the portfolio companies through our trusted third-party provider's PAI platform. The primary data is sourced directly from the investee companies and is further assessed by the third party to derive the required PAI results (indicators), using financial data obtained directly from the Fund Manager. The results are verified internally by Fund III, and their accuracy is confirmed by the investment team.

These results are made available in the SFDR Annex to the periodic reporting, and further described in the SFDR annex to the prospectus documents of Fund III.

#### Estimated Data

Estimated data may be utilised where actual data is not available, e.g. with Scope 1, 2 GHG Emissions of the Principal Adverse Impact Indicators .

### 9. Limitations to methodologies and data

Fund III sources its data and processes it to obtain relevant ESG information carefully as it understands the importance of making informed decisions surrounding sustainability matters.

Certain limitations with regards to this data gathering and processing exercise include:

Certain limitations exist in the data gathering and processing activities:

1. **Responsibility for Data Collection**

The responsibility for completing the ESG due diligence (DD) questionnaire and providing data on **Principal Adverse Impact (PAI) indicators** rests with the portfolio companies. Fund III includes a clause in its **share purchase agreements** stipulating that all data provided must be accurate. Penalties may apply if false or misleading information is submitted.

2. **Exclusion of Scope 3 GHG Emissions in Initial Year**

For the first year of operations, Fund III has excluded the monitoring of **Scope 3 Greenhouse Gas (GHG) emissions** in line with the principle of proportionality. This decision was made due to the complexity and resource-intensive nature of collecting accurate Scope 3 data within the



initial timeframe. Fund III remains committed to strengthening its sustainability efforts and will begin tracking Scope 3 emissions starting after the first year.

### 3. Challenges in Collecting Specific Indicators

Collecting detailed data on certain indicators can be complex and time-consuming, especially for new portfolio companies. Fund III is addressing these challenges by gradually incorporating more comprehensive data collection processes while focusing initially on mandatory PAI indicators.

### 4. OECD and UNGPs Compliance

The assessment of adherence to **OECD Guidelines** for Multinational Enterprises and the **UN Guiding Principles (UNGPs)** on Business and Human Rights is managed through the PAI platform. This process follows EU guidelines on **Minimum Safeguards** and allows portfolio companies to identify areas for improvement. The methodology used is proportionate to the size and nature of each company, ensuring that progress toward full compliance is achievable over time.

## 10. Due diligence

Fund III screens investments at the due diligence stage using an ESG due diligence questionnaire. These are questions related to ESG that the portfolio company has to answer during the DD phase of the investment.

The ESG results are one of the deciding factors. If red flags occur during the DD phase as an outcome of the ESG questionnaire, we will first start a conversation with the portfolio company to see if mitigation is possible pre-investment. If they turn out to be unwilling to change their ESG related processes, we will not continue with the investment.

Additionally, the results of the DD can, but do not have to, be used as a starting point for engagement on sustainability-related matters with Fund III portfolio companies.

Depending on the answers and room for improvement, we set out an improvement plan.

## 11. Engagement policies

Fund III acknowledges its role as sustainable steward for positive impact and actively engages with its portfolio companies to ensure their positive contribution towards the Fund's sustainable objective(s).

By engaging with its investee companies, Fund III seeks to meet the following objectives:



- to discuss ESG performance with portfolio firms and promote ongoing improvement;
- to assist portfolio companies in minimising their Principal Adverse Impacts ('PAIs');
- to ensure the Fund's strategy maximises impact and ensures the progress and results are tangible;
- to identify, assess, and manage sustainability risks associated with portfolio companies, as highlighted in the ESG due diligence questionnaire.

To ensure coherent engagement with its portfolio companies, Fund III employs the following tools as prescribed by 's Engagement policy:

- annual meetings;
- assistance in setting ESG performance improvement plans.