SmartCap ESG Report 2025

Contents

Message from the CEO

We are pleased to share SmartCap's ESG Report for 2025, our second annual overview of how we approach environmental, social and governance matters in our own organisation and across our investment activities.

If 2024 was a year of new beginnings, 2025 was a year of implementation. In the previous year, we published our first ESG report, launched the SmartCap Defence Fund, introduced new ESG tools and strengthened our internal sustainability practices. In 2025, our focus shifted to putting these principles into action more consistently in our daily operations, investment processes and portfolio engagement.

> **If 2024 was a year of new beginnings, 2025 was a year of implementation.**

As Estonia's national fund manager, SmartCap has a responsibility to use public capital efficiently and on market terms, while also helping to raise responsible investment standards in the Estonian market. ESG is part of how we assess risks, make investment decisions, support stronger companies and create long-term value.

In 2025, SmartCap's investment activity continued to grow. Our assets under management increased to 476 million euros and our funds reached 495 investee companies. We continued to conduct ESG due diligence for all new investments, and all investees had ESG policies in place. These are important steps in making responsible investment practices more systematic across our portfolio.

> **In 2025, the fund made 14 investments, including three fund investments and 11 direct investments, making it the most active year since its launch.**

The SmartCap Green Fund remained central to our environmental impact. In 2025, the fund made 14 investments, including three fund investments and 11 direct investments, making it the most active year since its launch. Through these investments, we continued to support companies and funds that contribute to climate change mitigation, the transition to a circular economy, and the protection and restoration of biodiversity and ecosystems.

The past year also brought a more mature discussion about the role of ESG in defence investments. Defence is a complex sector from a sustainability perspective, and responsible investment in this field requires careful judgement. Like any other sector, defence must take environmental impacts seriously, respect human rights, prioritise the safety and well-being of people, and uphold strong governance standards.

At the same time, defence innovation has an important role in protecting peace, democratic values and the resilience of society. These are essential foundations for any sustainable future. For SmartCap, responsible defence investment means identifying and managing ESG risks deliberately, applying strong due diligence, and supporting technologies and companies that contribute to Estonia's and Europe's security in a responsible way. This includes attention to human rights, export controls, governance and risk mitigation.

responsible defence investment means identifying and managing ESG risks deliberately, applying strong due diligence, and supporting technologies and companies that contribute to Estonia's and Europe's security in a responsible way.

Within SmartCap, we continued to apply our values in practice. We monitored our carbon footprint, introduced a regular employee satisfaction survey, paid attention to team well-being, and remained actively engaged with our stakeholders and industry organisations. 2025 was a busy year, and these principles helped us stay focused on responsible growth.

The broader ESG landscape remains complex, with evolving reporting requirements and changing expectations. Our view remains clear: understanding and managing environmental, social and governance risks is part of sound investment practice. It helps investors and entrepreneurs make better decisions, build more resilient companies and create long-term value.

We hope this report gives a clear view of how SmartCap has moved from setting principles to implementing them in practice, and how we intend to continue developing our approach together with our partners.

Sille Pettai
CEO

About SmartCap

SmartCap is Estonia's national fund manager, established to develop the domestic capital market and contribute to long-term economic growth. We invest in venture capital funds on market terms and make direct investments in Greentech and Defence startups and scale-ups, supporting the international expansion of innovative Estonian companies.

We manage three alternative investment funds:

1. **The SmartCap Venture Capital Fund**
   Focuses on investing in private venture capital funds, strengthening the availability of risk capital and fostering a sustainable financing environment for early-stage and growth-stage Estonian companies.
2. **The SmartCap Green Fund**
   Invests in venture capital funds with a Greentech focus, as well as directly in companies developing environmentally sustainable technologies, supporting the transition to a low-carbon economy.
3. **The SmartCap Defence Fund**
   Invests in companies developing military and dual-use technologies and in specialised private funds, contributing to the resilience and capability of Estonia's Defence sector.

We operate as a fund management company licensed by the Estonian Financial Supervision Authority. It is a subsidiary of the Estonian Business and Innovation Agency. The Republic of Estonia is the sole unitholder of all SmartCap-managed funds.

Investment Principles

Despite our state ownership, we operate fully on a market-based basis. All investments are made alongside private investors under equal terms, ensuring alignment in rights, risks, and return expectations. We do not provide subsidies or preferential treatment. Our investment activities are commercially driven, designed to promote fair competition, and fully compliant with European Union state aid regulations.

SmartCap´s impact in 2025

SmartCap AS

43%	4.64 tCO_2e	100%
Board gender diversity[1] (2024: 29%)	Per employee (2024: 3.59 tCO_2e)[2]	ESG DD conducted for investments (2024: 100%)

SmartCap Funds

€ 476 M Assets under management (2024: € 404 M)	32 Investments[3] (2024: 20)	495 Investee companies[2]
€ 2 229 M Revenue created[4] (2024: € 1 744 M)	3 540 No of Employees[4] (2024: € 2 704 M)	100% ESG policy in place[6] (2024: 85%)
€ 109 M Tax revenue[4] (2024: € 95 M)[2]	17% Board gender diversity[5] (only direct investees) (2024: 18%)	SMART CAP

[1] *Average ratio of female to male board members, expressed as a percentage of all board members*
[2] *Amended due to changes in calculation methodology*
[3] *Including unique direct investments and fund investments*
[4] *Based on open data provided by Estonian Tax and Customs Board therefore the figure covers only Estonian entities, including subsidiaries and VAT groups*
[5] *Average ratio of female to male board members, expressed as a percentage of all board members, including only direct investments*
[6] *Including 2025 fund investments*

Our values

We are committed to contributing to a sustainable future. Our business strategy, governance framework, investment processes, daily operations, and stakeholder engagement are guided by our core values:

Strong integrity

- Being a transparent, trustworthy, and open partner to our stakeholders, investors, investees, business partners, as well as to the general public;
- Acting in good faith;
- Engaging only in ethical, honest, and fair business practices;
- Upholding a good reputation and public image;
- Favouring socially responsible partners, investments, and business opportunities.

Environmentally-friendly practices

- Limiting the impacts of climate change;
- Practicing responsible resource management;
- Reducing pollution.

Social awareness

- Being mindful of equality, diversity, and inclusion;
- Caring for the well-being of our employees, the people around us, and society as a whole;
- Creating a supportive, safe, fair, and dignified workplace.

Good governance

- Using the best corporate governance, disclosure, and reporting practices;
- Having a transparent ownership and management structure;
- Applying high standards to internal policies, and compliance with regulatory requirements;
- Avoiding conflicts of interest, breaches of confidentiality or any other transgressions.

Our operating principles

Impact	To develop Estonian capital market and contribute to Estonian economic growth
Profitability	To be self-sustainable and earn market level long-term investment income for the shareholder/state
Co-operation with market partners	Each investment is made hand-in-hand and on equal terms with a private investor(s)
Day-to-day responsibility	Address and promote responsible principles in our operations.

Principles of responsible investing

As a responsible investor, we integrate environmental, social, and governance (ESG) principles alongside our financial objectives. We believe that high sustainability standards enhance long-term investment performance, strengthen competitiveness, and mitigate ESG-related risks while generating positive impact. Accordingly, we are committed to applying and promoting sustainable practices across all our activities.

We generate our primary positive sustainability impact through our investment activities by applying responsible investment practices. Our approach to responsible investing is based on two key elements:

- ESG integration: incorporating sustainability risks and positive ESG-related impacts into the investment decision-making process;
- Active ownership: improving investees' ESG performance through ownership rights

ESG integration

ESG integration means systematically considering sustainability risks when analysing investments and making investment decisions. Should an investment case have an excessive ESG risk or otherwise fail to meet our minimum sustainability standards (for example, SmartCap ESG Exclusion List), we are willing to exclude the investment from our deal flow.

In addition to risk mitigation, ESG integration can serve the purpose of making investments with positive ESG impact. If our investment fund has a sustainability objective, these objectives are realised by integrating relevant ESG criteria into our analysis and decision-making process.

Active ownership

Any impact has ripple effects; so, we're not relying only on our actions. We want our investees to achieve their own impact. This is where active ownership comes into play.

With active ownership, we encourage and support our investees in improving their ESG management systems and adopting more sustainable business practices. This may include agreeing on specific actions to address relevant ESG shortcomings, regularly reviewing progress, and engaging in ongoing dialogue to enhance the overall sustainability approach and performance.

Reporting

Tracking and reporting progress is a key component of our sustainability approach. We are committed to transparent disclosure of our sustainability performance to stakeholders and the public. To this end, we publish annual ESG reports outlining the sustainability objectives and outcomes of our investment activities, as well as our organisational practices.

We rely on our investees to support this commitment to transparency and accountability. Accordingly, we expect our portfolio funds and companies to report on their ESG performance. Specific sustainability reporting requirements are incorporated into our investment agreements.

Integrating ESG into investment process

Sourcing

During the sourcing phase, investment cases that pose unacceptable sustainability risks to SmartCap are excluded, based on the SmartCap ESG Exclusion List.

Analysis

During the due diligence phase, the potential ESG risks of an investment case are assessed to mitigate possible negative impacts. In addition, it is evaluated whether the investment case aligns with the relevant sustainability objectives set out in the Fund Call.

Negotiation & Execution

Based on the main findings from the analysis phase, an ESG action plan is agreed upon between SmartCap and the investee (fund or company), alongside other investment documents.

Monitoring & Review

We support our investees in building value-creating ESG management systems, including appropriate KPIs, monitoring, and reporting practices. We set transparent ESG disclosure routines for all investees.

Exit

Transparent communication to prospective owners about the ESG status of the company, improvements during our ownership and areas for further development are part of an exit process. SmartCap aims to exit investments to parties committed to sustainability.

Article 4 of the EU Sustainable Finance Disclosure Regulation (SFDR)

Sustainability is an integral part of our values, which is why we consider ESG criteria in our responsible investment practices. We firmly believe that taking sustainability factors into account when making investments is a vital part of not only ensuring a sustainable future but also creating a competitive advantage, and achieving better returns on our investments. The SmartCap Green Fund promotes environmental characteristics within the meaning of Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR) and thus qualifies as a ‘light green’ fund.

However, in our approach, we do not consider the adverse impacts of investment decisions on sustainability factors within the meaning of Article 4 of the EU Sustainable Finance Disclosure Regulation (SFDR) at this time. Due to the nature of venture capital investments, it is unreasonable or, in some cases, impossible to request the kind of data required under the SFDR from startup companies and early-stage investment funds. For the detailed overview, please see chapter SFDR Annex IV.

Membership in industry organisations

Taking an active role in international and local industry associations helps us to share and learn, stay engaged with stakeholder expectations and industry best practice. We acknowledge that sustainable investment ecosystem can only be created in collaboration with like-minded players. In 2025, we continued to contribute as a member to the following organisations:

Invest Europe is the association representing Europe's private equity, venture capital, and infrastructure sectors, as well as their investors. As an active member of Invest Europe, SmartCap also abides by Invest Europe's professional guidance, including in ESG matters.

Estonian Private Equity and Venture Capital Association (EstVCA) is the representative body of private equity and venture capital industry players and related support services providers in Estonia. Since its founding in 2009, its main focus has been on strengthening and developing the local ecosystem and international relations, as well as providing industry knowledge, research, and training to its members, associate members, and other key stakeholders. We proudly follow EstVCAs openness and transparency guidelines. Mari Kuhi, COO of SmartCap was named as a Board Member in 2025.

Sustainability Estonia (KELL) is a non-profit organisation focused on fostering corporate sustainability in the Estonian business sector. It serves as a platform for sustainability and ESG-focused competence-building, as well as a forum of sharing experience among the members.

The European Venture Fund Investors Network (EVFIN) is a platform for dialogue launched in 2011 by major national VC investors. EVFIN aims to strengthen the EU VC ecosystem by sharing best practices, supporting policy discussions for a sustainable market, promoting cross-border collaboration, and fostering dialogue between the VC industry and EU institutions.

ESG focus areas for SmartCap operations

2025 was the year of implementation for our own ESG focus areas:

Monitoring our carbon emissions and improving environmental footprint

We started monitoring our carbon emissions already in 2021. We have not calculated our scope 3 category 15 portfolio emissions, considering that most of our portfolio companies are early-stage investments with limited data availability. Therefore, over the years, the main contributor to our footprint has been our indirect emissions in scope 3, namely employee commuting and business travel (73% of total emissions in 2025). Total emissions in 2025 have increased by 70% from 36 tCO_2e to 62 tCO_2e due to increased office space, increase in number of employees as well as in business travel. However, emissions per employee only raised approximately 29% (from 3,59 to 4,64 tCO_2e).

Measuring and managing our carbon footprint, along with implementing other sustainable practices, is part of our daily operations — allowing us to set an example for our portfolio companies, from whom we expect the same commitment.

Ensuring employee well-being

To give our employees a regular opportunity to share their feedback on their satisfaction with work environment and relationships, we implemented in 2025 a quarterly eNPS satisfaction survey. The survey focuses on measuring satisfaction with work-life balance, flexibility in work, transparency and feedback, expectations and appreciation and whether our employees see and feel meaning in their work so that they could recommend SmartCap as a good place to work.

Survey results have given us the direction where to focus. In 2025 we aimed at improving work-life balance by increasing our team and efficiency of processes while also paying attention on team integration and teamwork efficiency.

Maintaining good relations with our stakeholders, community and partners

Community engagement has been the core of our business from the beginning. Whether organising or co-organising community events, having meetings and daily conversations with our investors and portfolio companies or participating in membership organisations' events, we contribute to building stronger investment community and raise awareness of responsible investment practice.

Promoting high responsibility standards and best corporate governance practices

Our biggest impact is in our portfolio, and we expect only highest standards from the funds and companies where we are investing to. We exclude investments with unacceptable sustainability risks based on our ESG exclusion list. We perform ESG due diligence to each investment to identify and mitigate possible negative impacts. In Green Fund, we work closely with our investees to strengthen their ESG management systems and promote more sustainable business practices. This involves agreeing on targeted actions to address key ESG gaps, monitoring progress on a regular basis, including regular reporting of ESG metrics, and maintaining ongoing dialogue to continuously improve their sustainability approach and overall performance.

The SmartCap Green Fund

The SmartCap Green Fund is designed to accelerate the availability of venture capital for Estonian greentech companies. It operates both as a fund-of-funds and a direct investor, focusing on greentech funds as well as innovative, research-driven green technology companies. Its core priority is to support early-stage Estonian greentech ventures with strong growth potential.

The SmartCap Green Fund

Through its investments, the fund seeks to raise awareness of pressing environmental challenges and contribute to their resolution by supporting and advancing promising, innovative green technologies.

The Green Fund also plays a role in advancing the goals of the "Estonia 2035" strategy and supports the environmental objectives set out in Article 9 of the EU Taxonomy Regulation. In particular, it promotes:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

The SmartCap Green Fund is financed by the European Union's NextGenerationEU Recovery and Resilience Facility funds. Its investment period ends 30.06.2026

In 2025 the SmartCap Green Fund made altogether 14 investments, including 3 fund investments and 11 direct investments making it the most productive year since its launch.

All our current investments contribute to four EU Taxonomy objectives:

Climate change mitigation	means taking action to reduce greenhouse gas emissions and slow down global warming. It refers to activities that help lower emissions—like using renewable energy, improving energy efficiency, or developing low-carbon technologies. These actions support the EU's goal to become climate-neutral by 2050.
The transition to a circular economy	means using resources more wisely by designing products to last longer, reusing materials, and reducing waste. Instead of the traditional "take–make–dispose" approach, it keeps materials in use for as long as possible, helping to protect the environment, and support sustainable growth.
Protection and restoration of biodiversity and ecosystems	mean taking action to safeguard nature and bring damaged natural areas back to health. This includes preserving wildlife, protecting natural habitats like forests and wetlands, and restoring ecosystems that have been harmed by pollution, deforestation, or climate change.
Pollution prevention and control	means helping either directly or through enabling activities to prevent and control pollution. This includes cutting harmful emissions, improving air, water, soil quality, reducing risks from chemicals and helping to clean up pollution and waste.

Portfolio as of 2025

Fund investments

Name	Investment year	Commitment size	2025 ESG report
2C Ventures Fund I	2023 and 2025	EUR 20 M	
Taaleri Solar Wind III	2025	EUR 25 M	REPORT >>
Norrsken Evolve Fund II	2025	EUR 6 M	

Strengthening early-stage green technology ecosystem in Estonia and across the region

The SmartCap Green Fund has invested in Norrsken Evolve Fund II, a €57 million pre-seed fund based in Stockholm that supports early-stage, impact-driven startups across Europe.

Norrsken Evolve focuses on building sustainable and resilient technologies, investing approximately €250,000 per company alongside hands-on accelerator-style support.

The fund is an evolution of the Norrsken Accelerator and aims to back 20–30 high-impact startups annually in sectors such as renewable energy, advanced materials, and climate technologies with initial portfolio companies including Estonian deeptech startup Jälle Technologies.

Norrsken Evolve is backed by a strong group of institutional and private investors, including the European Investment Fund, Saminvest, and leading technology entrepreneurs.

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Direct investments in 2025

Company name	Investment year	Contribution to EU environmental goals
Fractory	2024 and 2025	Transition to a circular economy
SkySelect	2025	
PowerUp	2025	Climate change mitigation
Skeleton Technologies	2025	
Stargate Hydrogen	2024 and 2025	
eAgronom	2023 and 2025	
Vok Bikes	2023 and 2025	
Bisly	2023 and 2025	
Starship Technologies	2025	Pollution prevention and control
Paul-Tech	2023 and 2025	Protection & restoration of biodiversity and ecosystems

Bisly | Scalable Building Automation Systems

Bisly is a smart building automation platform for residential and commercial real estate, delivering cost efficient energy management and intelligent building control. Its patented architecture, combined with a digital twin approach, enables seamless system integration, remote operation, and scalable deployment at significantly lower costs than traditional solutions. Bisly's technology optimizes the control of lighting, heating, ventilation, security, and overall energy consumption, enhancing efficiency and performance across modern buildings.

Bisly ESG policy statements:	
E	Bisly prioritizes environmental sustainability by reducing waste, conserving resources, and promoting responsible practices across their operations. This includes designing durable, repairable hardware, partnering with e-waste recyclers, minimizing digital waste, and using renewable-energy-powered data storage, while fully complying with environmental regulations.
S	Bisly promotes a people focused and responsible workplace by prioritizing employee well being, continuous development, and equal opportunities. The company fosters an inclusive, non discriminatory culture, protects data privacy and security, and ensures responsible sourcing. It also supports community engagement, philanthropy, and ethical collaboration with partners and stakeholders.
G	Bisly upholds strong governance by promoting ethical conduct, transparency, and accountability across all operations. The company ensures effective oversight through its Board, integrates ESG into decision making, manages risks responsibly, and maintains fair, transparent policies. It also encourages stakeholder engagement and requires integrity, compliance, and the avoidance of conflicts of interest

Key Impact Metrics (2025):

- Annual CO_2 emission reduction (tCO_2e)* - 244 tCO_2e
- Investments into green technologies (R&D)** - 0.6 million euros
- Reusable or recyclable materials used in Bisly products – approximately 55-60% in total weight

** Estimated annual reduction in greenhouse gas emissions achieved through energy optimisation enabled by Bisly's solutions.*

***Main proportion of investments were directed into developing the wireless energy management product suite accompanied with investments to next-generation Building Management System (BMS).*

skyselect

SkySelect

SkySelect is a technology company focused on transforming aircraft parts procurement for airlines and maintenance providers (MROs). SkySelect's main offering is an AI-powered procurement platform that automates aircraft parts sourcing and purchasing, matches suppliers and compares quotes in real time, manages orders and delivery tracking, provides supply chain visibility with analytics, and integrates seamlessly with maintenance and Enterprise Resource Planning (ERP) systems.

The platform can automate most purchasing activities and manage the entire lifecycle—from demand to sourcing, ordering, and shipment tracking. By doing that, it helps companies save costs, improve efficiency, and gain full control and visibility over their supply chains.

SkySelect's contribution to ESG:

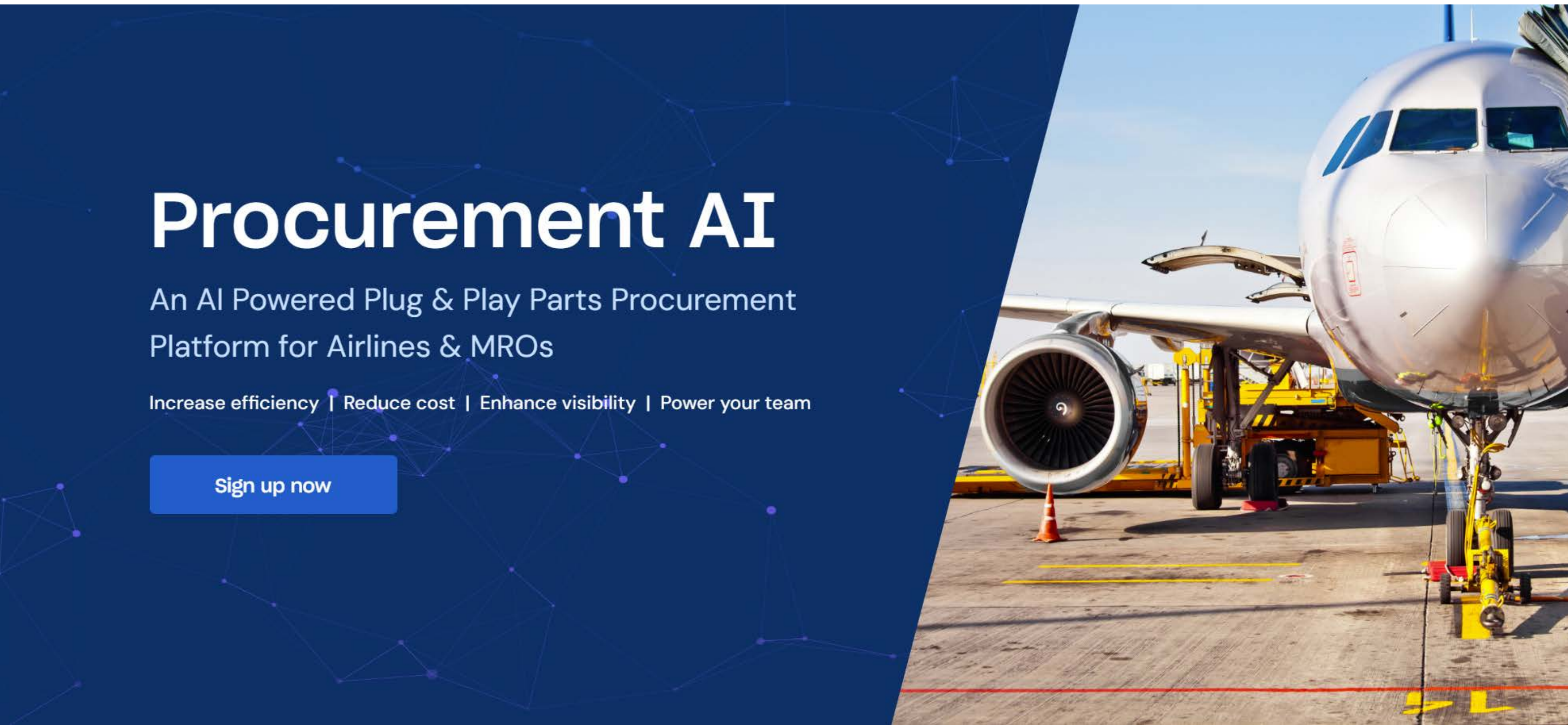
SkySelect integrates sustainability into its procurement technology:

- AI-driven inventory optimization to reduce waste.
- Emphasis on surplus and aftermarket parts to support circular economy principles.
- Demand forecasting to minimize unnecessary shipments and carbon emissions.
- Supplier sourcing prioritization based on environmental performance.

Key Impact Metrics (2025):

- Share of spare parts purchased from aftermarket*: 14,32 % in 2025 (11,29% in 2024)
- CO_2 emissions avoided through shipment consolidation: 890 tCO_2e
- Shipment reduction by consolidation: 8% from 2024 to 2025
- Number of spare parts purchased on SkySelect platform: 227 293 in 2025 (159 670 in 2024)

** Calculated as the percentage of purchases of recycled/remanufactured spare parts in relation to total purchases*



STARSHIP

Starship Technologies | Autonomous robot delivery - The future of delivery - today!

Starship Technologies is a robotics company that revolutionizes last mile delivery using small autonomous robots that transport goods locally. Its mission is to make delivery more efficient, affordable, and sustainable compared to traditional methods.

Starship's core product is a fleet of autonomous delivery robots, supported by a mobile app and operating platform, that use self driving technology to deliver groceries, food, and packages locally through contactless, on demand services across cities, campuses, and communities worldwide.

Its key benefits include cost efficiency through lower delivery costs, sustainability via electric low impact robots, convenience with fast on demand contactless service, and proven scalability with millions of deliveries completed across hundreds of locations worldwide.

Starship's contribution to ESG:

E	Starship contributes to sustainability by using battery powered, zero emission delivery robots that replace short car trips and reduce congestion, significantly lowering CO_2 and air pollution. The company also seeks to further reduce its footprint by using renewable energy for charging and improving energy efficiency.
S	Starship improves quality of life by offering convenient, contactless delivery services, reducing the need for travel and increasing accessibility for communities and campus users. It supports safer, cleaner urban environments by lowering traffic and pollution, and helps local businesses and communities by enabling efficient last mile logistics.
G	Starship demonstrates responsible governance through transparent measurement and reporting of environmental impact, collaboration with public authorities (e.g., city councils), and alignment with broader sustainability goals such as carbon neutrality initiatives. Its commitment to innovation, data driven operations, and partnerships reflects a structured approach to ethical, responsible, and scalable business practices in the logistics sector.

Key Impact Metrics (2025):

- CO_2 savings per robot per lifetime: 3 241 tCO_2e
- CO_2 emissions avoided in 2025: 323,7 tCO_2e
- Average energy consumption per delivery: less than 50Wh
- Average material recovery per product (of Bill of Materials value): 30%

The SmartCap Venture Capital Fund

Through its **Venture Capital Fund**, SmartCap seeks to strengthen the local capital market and support the growth of innovative Estonian companies.

The fund primarily invests in venture capital funds that focus on Estonia or deliver meaningful value to the Estonian venture capital ecosystem. A key requirement is that all investments contribute to the development of the local capital market. International venture capital funds are also considered, provided they demonstrate clear added value to Estonia's VC ecosystem or broader capital market.

The SmartCap Venture Capital Fund

The SmartCap Venture Capital Fund pursues the following key objectives:

- to broaden and increase the availability of capital for innovative Estonian companies with strong international growth potential;
- to attract private investors and facilitate their access to the Estonian venture capital market;
- to complement the local capital market by addressing the specific needs of companies through relevant expertise and experience;
- to promote the adoption of best market practices and enhance the global competitiveness of Estonian companies;
- to strengthen the overall development and resilience of the Estonian capital market.

Portfolio as of 2025

Name		Investment year	Commitment size	2025 ESG report
NORDIC SCIENCE INVESTMENTS	Nordic Science Investment I	2025	EUR 3 M	
Siena	Siena Secondary Fund II	2025	EUR 10 M	
ANTLER	Antler Nordic Fund II	2024	EUR 5 M	REPORT >>
	Plural Fund II	2024	EUR 10 M	
NIF	NATO Innovation Fund - NATO Sub Fund I	2023	EUR 26.91 M	
SUPERANGEL	Superangel Two	2022	EUR 15 M	
SUPERANGEL	Superangel One	2018	EUR 4.2 M	
TERA VENTURES	Tera Ventures I	2017	EUR 27.09 M	

Bringing academia and business together - SmartCap invests €3M in Nordic Science Investment I Fund

The SmartCap Venture Capital Fund invested €3 million in Nordic Science Investments I (NSI), an early-stage venture capital fund focused on commercialising scientific research and supporting deeptech startups. NSI bridges the gap between academia and business by investing in science-based startups and university spinouts across the Nordic region, working closely with leading universities, including those in Estonia.

Launched in 2024, the fund has already backed 19 companies in sectors such as deeptech, health tech, and life sciences, including Estonian startup Mu-Ray Tech.

Through this investment, SmartCap aims to strengthen technology transfer, support the commercialisation of research, and enhance collaboration between Estonian and Nordic innovation ecosystems, contributing to the development of globally competitive science-based companies.

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What matters to NSI

ENVIRONMENTAL

Climate change and climate impact, including carbon-footprint baseline, energy/material intensity and personnel travel-related environmental impact.

- Climate impact
- Carbon baseline
- Travel impact

SOCIAL

Employee well-being, diversity, equity and inclusion, and human and labour rights as the core social topics for a science-based early-stage portfolio.

- Well-being
- Diversity
- Human rights

GOVERNANCE

Business ethics, transparency, monitoring and reporting, including basic policies, board-level accountability and ESG data maturity.

- Ethics
- Transparency
- Reporting

The SmartCap Defence Fund

The SmartCap Defence Fund is designed to strengthen the Estonian defence industry and support the development of innovative defence and security capabilities in response to growing global demand. The fund operates both, as a fund-of-funds, investing 3–20 million EUR into up to four venture capital or private equity funds that focus on military or dual-use technologies, and as a minority investor, typically investing 0.5 - 10 million EUR into early-stage dual-use technology companies.

The SmartCap Defence Fund

These underlying funds invest in companies developing defence-specific or dual-use solutions, with a strong emphasis on supporting businesses established or operating in Estonia, while also allowing selective investments across NATO countries where there is clear benefit to the Estonian ecosystem.

Overall, the Defence Fund aims to expand access to capital, foster innovation, and enhance Estonia's and Europe's defence and security capabilities while contributing to economic growth.

ESG principles for the Defence Fund

In December 2025, the European Commission published a notice (C/2025/4950) on how to apply sustainable finance framework and other sustainability regulations on the defence sector. We have taken this as a guideline to frame our ESG principles for the Defence Fund investments.

Defence and sustainability can appear to pull in opposite directions. Our view: pursued responsibly, defence innovation protects the very conditions — peace, democratic values, and a free and resilient society — on which any lasting sustainable future depends. The dilemmas in this field are real, and we believe they must be engaged rather than avoided.

> Our view: pursued responsibly, defence innovation protects the very conditions — peace, democratic values, and a free and resilient society

We acknowledge that investments in the defence sector can be compatible with ESG principles, but they should be assessed on a case-by-case basis and accompanied by strong due diligence. We as an investor are expected to ensure compliance with international standards such as human rights frameworks and OECD guidelines, as well as strict export control and regulatory requirements governing defence activities. We ensure that investments meet the "do no significant harm" principle and are supported by robust governance and risk mitigation practices. At the same time, we recognise that defence investments can contribute positively to security, societal resilience, and peace, provided the associated ESG risks are deliberately identified and managed. We will be enhancing our ESG principles with a special focus on the defence sector throughout the year 2026.

Portfolio as of 2025

In 2025, SmartCap Defence Fund made its first 2 investments – a direct investment to Kraken Technology Group and to a Darkstar Fund I.

SmartCap's first Defence Fund commitment to pan-European military and dual-use technology VC fund

The SmartCap Defence Fund invested €10 million in Darkstar Ventures Fund I, pan-European venture capital fund registered and based in Estonia, with a focus on military and dual-use technologies. Darkstar aims to support early-stage defence startups in Estonia and across Europe developing solutions validated in real-world conditions, particularly drawing on battlefield experience from Ukraine.

The €25 million fund provides pre-seed investments of up to €1 million per company and combines capital with hands-on support, including testing and validation of technologies in operational environments. During its first year, Darkstar has made investments in seven companies; six of them have an Estonian parent company. In partnership with the Estonian Founders Society, Darkstar is co-organizing bi-monthly DefenceTech Meetup conferences in Estonia, each attended by more than 250 participants from ten countries. Speakers have included representatives of the Estonian and Ukrainian armed forces, senior government officials, and prominent leaders from the global defense technology ecosystem.

This investment represents the first commitment from the SmartCap Defence Fund and supports the development of a stronger defence technology ecosystem in Estonia and across Europe, while addressing growing demand for modern defence capabilities.

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DefenceTech Meetup conference

The Defence Fund's first direct investment goes to development of autonomous maritime platforms

Kraken Technology Group is a UK-based defence technology company developing autonomous and remotely operated maritime platforms for military and security applications. The company focuses on uncrewed surface and hybrid vessels that support missions such as surveillance, reconnaissance, logistics, and precision operations in contested environments. Its modular, low-signature systems—such as the K3 Scout and K4 Manta—are designed to enhance naval capabilities while reducing risk to personnel. Kraken is rapidly scaling production and has secured contracts and backing from major defence stakeholders, including NATO and the UK and US defence sectors.

Kraken has repeatedly expressed interest in establishing a permanent presence in the Gulf of Finland region. This is evidenced both by a high-level visit by the company's leadership to Estonia in late 2025.

SmartCap's investment in Kraken is aligned with the objectives of the Defence Fund to foster the emergence and development of new defence technologies, support the production of new or enhanced defence capabilities in Estonia, and, where possible, attract the business activities of international companies developing or manufacturing military or dual-use technologies to Estonia, thereby strengthening the country's strategic autonomy and independent defence capability.

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SFDR Annex IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: SmartCap Green Fund **Legal entity identifier:** AS SmartCap

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

- [ ] **Yes**
  - [ ] It made **sustainable investments with an environmental objective:** ___%
    - [ ] in economic activities that qualify as environmentally sustainable under the EU Taxonomy
    - [ ] in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
  - [ ] It made **sustainable investments with a social objective:** ___%
- [x] **No**
  - [x] It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 95 % of sustainable investments
    - [ ] with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
    - [x] with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
    - [ ] with a social objective
  - [ ] It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

According to its fund rules, SmartCap Green Fund makes investments, either directly or through other investment funds, into innovative and/or research-intensive green technology companies the activities of which contribute to climate-neutral economy, improving resilience to climate change, solving environmental problems or the development and introduction of new products, services or technologies which reduce or sequester greenhouse gas emissions. The investments of SmartCap Green Fund aim to promote the objectives provided in

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01.01.2025 – 31.12.2025

Article 9 of the EU Taxonomy and, thereby, also contribute to the fulfilment of the objectives arising from the strategy "Estonia 2035".

Investments made in 2025 promoted climate change mitigation, transition to a circular economy, pollution prevention and control, protection & restoration of biodiversity and ecosystem objectives provided in Article 9 of the EU Taxonomy. All investments also comply with the "Do No Significant Harm" principle (hereinafter DNSH) of EU Taxonomy.

- ***How did the sustainability indicators perform?***

  Investments made in 2025 promoted climate change mitigation, transition to a circular economy, pollution prevention and control, protection & restoration of biodiversity and ecosystem objectives provided in Article 9 of the EU Taxonomy.

- ***…and compared to previous periods?***

  Investments in the previous period promoted climate change mitigation and transition to a circular economy. No investments to promote pollution prevention and control or protection and restoration of biodiversity and ecosystems were made.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

  Investments made in 2025 promoted climate change mitigation, transition to a circular economy, pollution prevention and control, protection & restoration of biodiversity and ecosystem objectives provided in Article 9 of the EU Taxonomy.

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

  Direct investments must comply with the "Do No Significant Harm" (DNSH) Technical Guidance (2021/C58/01), ensuring that financed activities do not negatively impact environmental objectives. As part of the investment due diligence process, an environmental expert analysed the compliance with the do no significant harm principle for all direct investments.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

  How were the indicators for adverse impacts on sustainability factors taken into account?

  Due to the nature of venture capital investments, it has not yet been possible to collect PAI indicator data from all investees as they are startup companies with limited sustainability data management systems

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Investment due diligence included an assessment of good governance practices that are included in the OECD guidelines (incl. do not breach employee-related rights, are not engaged in money laundering, corruption or financial offences, and do not otherwise apply unethical or unprofessional governance practices). However, as the investees are startups and early-stage investment fund, full compliance with the OECD guidelines is not guaranteed for all investments.

How did this financial product consider principal adverse impacts on sustainability factors?

Due to the nature of venture capital investments, it has not yet been possible to collect PAI indicator data from all investees as they are startup companies and early-stage investment funds with limited sustainability data management systems.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01.01.2025 - 31.12.2025

Largest investments	Sector (NACE/EMTAK)	% Assets*	Country
2C Ventures Fund I	Financial, investment fund	20%	Estonia
Taaleri Solar Wind III	Financial, investment fund	25%	Finland
Norrsken Evolve Fund II	Financial, investment fund	6%	Sweden
Stargate Hydrogen	Manufacturer of other electrical equipment (27901)	N/A	Estonia
PowerUp	Research and experimental development on natural sciences and engineering (72101)	N/A	Estonia
SkySelect	Computer programming activities (62101)	N/A	Estonia

Starship Technologies	Research and experimental development on natural sciences and engineering (72101)	N/A	Estonia
Skeleton Technologies	Research and experimental development on natural sciences and engineering (72101)	N/A	*Estonia*
Fractory Solutions	Other information service activities (63921)	N/A	*Estonia*
eAgronom	Computer consultancy activities (62201)	N/A	*Estonia*
Vok Bikes (Optigon OÜ)	Manufacture of other transport equipment n.e.c. (30991)	N/A	*Estonia*
Bisly	Research and experimental development on natural sciences and engineering (72101)	N/A	*Estonia*
Paul-Tech	Other information technology and computer service activites (62901)	N/A	*Estonia*
	TOTAL	90%**	

* Of total SmartCap Green Fund net assets as of 31 December 2025. The percentage of assets allocated to individual direct investments is not publicly disclosed due to confidentiality considerations.

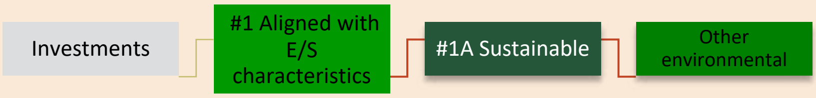
** Total commitments to total SmartCap Green Fund net assets as of 31 December 2025.

Asset allocation describes the share of investments in specific assets.

What was the proportion of sustainability-related investments?

100% of the investments were sustainability-related.

What was the asset allocation?



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.

In which economic sectors were the investments made?

Financial, investment fund;

Manufacturer of other electrical equipment;

Research and experimental development on natural sciences and engineering;

Computer programming activities;

Computer consultancy activities;

Manufacture of other transport equipment n.e.c.;

Other information service activities;

Other information technology and computer service activites;

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

0% of investments were aligned with the EU Taxonomy.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[12]?

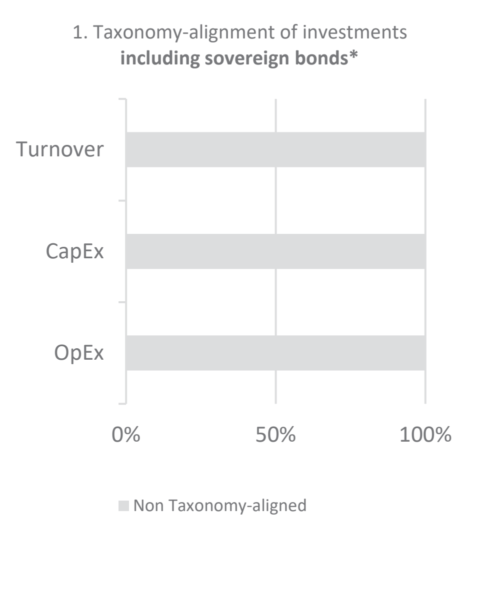
Yes:

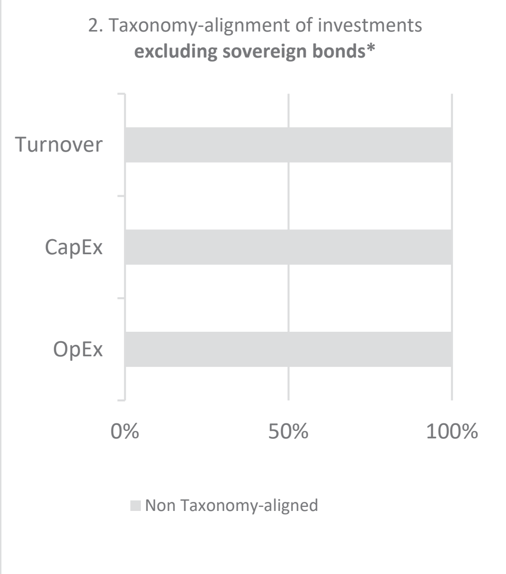
In fossil gas   In nuclear energy

[12] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

✖ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents 100% of the total investments.

* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

What was the share of investments made in transitional and enabling activities?

No taxonomy aligned investments in transitional or enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Previous period also had no Taxonomy aligned investments.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

100% of investments with an environmental objective were not aligned with the EU Taxonomy as the financial product does not assess Taxonomy alignment.

What was the share of socially sustainable investments?
Financial product does not include investments with a social objective.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

There were no investments under the "other" category.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the reference period, the environmental characteristics were met by following the investment strategy and monitored to ensure adherence with the environmental and good governance practices.

How did this financial product perform compared to the reference benchmark?

Financial product is not compared to a reference benchmark.

- ***How does the reference benchmark differ from a broad market index?***

  N/A

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  N/A

- ***How did this financial product perform compared with the reference benchmark?***

  N/A

- ***How did this financial product perform compared with the broad market index?***

  N/A

SMART CAP