www.setventures.com
T +31 (0)20 320 01 04
SET Ventures
Keizersgracht 756
1017 EZ Amsterdam | The Netherlands

SET Fund IV - Article 9 SFDR

The investments of SET Fund III are qualified as sustainable investments as meant in article 9 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector ('SFDR').

Sustainable investment objective

The purpose of the Fund is to realize long-term capital appreciation through making equity and/or quasi-equity venture capital investments in early stage, development stage and growth stage European businesses that positively impact the energy system transition, with special attention to companies providing smart and/or technology solutions (software and services).

The foregoing means that SET will select portfolio companies that are instrumental to a shift from the use of fossil fuels (that inter alia produce co2) to renewable energy sources like wind and solar energy to accelerate the transition to a carbon-free energy system. Investments that do not positively impact the energy system transition are not in the investment focus of SET.

Do no significant harm ("DNHS")

Our exclusion policy does not allow us to invest in companies that engage in harmful activities defined in our exclusion list, which includes portfolio companies which have a material negative impact score on the PAI indicators for investee companies as set out in Annex I to the SFDR RTS, as formulated in the exclusion policy of SET. In the investment decision making process as applied by SET, it is verified whether an investment is excluded based on the exclusion policy of SET and if so, SET will not invest in it.

EU Taxonomy alignment

100% of the investments of the Fund will be sustainable investments within the meaning of article 2 sub 17 of the SFDR. The Fund does not have the objective to make taxonomy aligned investments. The Fund may make taxonomy aligned investments but currently does not have a minimum commitment to make taxonomy aligned investments.

Investment strategy

The investment objective of the Fund as set forth in the (binding) fund documentation is that the purpose of the Fund is to realize long-term capital appreciation through making equity and/or quasi-equity venture capital investments in early stage, development stage and growth stage European businesses that positively impact the energy system transition, with special attention to companies providing smart and/or technology solutions (software and services).

Also, the determination of environmental KPIs and the monitoring of results in this respect are obligations under the same governing documents. Moreover, any the distributions of part of the carried interest entitlement realized with SETs investments is made subject to SET achieving the determined environmental KPIs.

Integration of ESG and sustainability risk

All investments go through an initial screening of whether they "positively impact the future of energy". In addition to the screening and monitoring of ESG risk (or 'internal' sustainability risk), this process ensures that any external sustainability vulnerabilities at companies are identified and considered.

Sustainability risk, both internal and external, is therefore integrated from the beginning of the investment decision process by means of the positive and negative screening process as described. It is also incorporated into the individual valuations of SET Ventures products.

Sustainability related impact by sustainability indicators

When SET makes an investment in a portfolio company, it will determine on a case-by-case basis how the potential portfolio company positively impacts the energy transition. For example, whether such portfolio company is active in the automated charging of electric vehicles or produces software that will make industry more efficient. On the basis of the business of the portfolio company, SET will formulate one to five environmental KPIs that the portfolio company should be able to achieve during SET's holding period. These KPIs will for instance be expressed in (i) with respect to the business of automated charging (x) the number of charges placed (that increase the accessibility to electric infrastructure) and (z) the CO_2 reductions realized through the use of the charging system (including in the production process and while driving compared to larger and heavier batteries) and (ii) with respect to optimization software providers for wind turbines and/or hydropower plants (x) the amount (KwH or MWH) of additional renewable energy generated through use of the application and (y) the CO_2 reductions realized through the use of the application. The applicable environmental KPIs determined per investment are submitted to and approved by the Advisory Committee (a body of investor representatives) for each portfolio investment made. As the remuneration of the SET investment management team is inter alia dependent on whether the environmental KPIs are achieved by SET's portfolio companies, SET is also held to continuously monitor whether the aforementioned measurable reductions, consumptions and the like are reached by the portfolio companies.

- kWh energy saved
- kWh renewable energy generated
- kWh renewable energy consumed
- kWh energy traded
- CO_2 reductions

Sustainability risk linked to remuneration

SET Ventures employees receive an annual bonus based on objectives determined by the Management Board of SET Ventures that reflect the success of the company along multiple parameters, including the implementation of the ESG policy. Additionally, the carry of SET Fund III is linked to Environmental Impact achievements of each portfolio company, the specific targets of each being established at investment and in consultation with the Limited Partner Advisory Committee. These objectives and targets cannot be met without adequate management of sustainability risks performed in accordance with the SET ESG Policy.

Principle Adverse Impacts

SET has a long history of ESG integration and the use of ESG data in its investment processes and has due diligence policies in place to identify and prioritize relevant adverse impacts and indicators on sustainability factors. The requirements under the SFDR Level 2 RTS are detailed and require additional ESG data, predominantly on asset-level, that are currently not fully available. Once the relevant data are available, the methodologies to measure principal adverse sustainability impacts can be finalized and will be added to this statement.