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Notice on Sustainable Finance Disclosure Regulations (SFDR)

SET Ventures is a venture capital firm managing investments in early and growth stage European technology companies with high growth potential as well as impact on the future of energy in the world. SET Ventures strives to be a frontrunner in its market and aspires to invest and operate in a sustainable and responsible manner and to manage Environmental, Social and Governance (ESG) risks on a structural basis. To this end, SET Ventures has committed itself to six Responsible and Sustainable Investment Principles, of which Principles 1-3 and 6 enable compliance with the Sustainable Finance Disclosure Regulations (SFDR):

1) SET Ventures incorporates ESG issues into investment analysis and decision-making processes;
2) SET Ventures is a proactive owner and incorporates ESG issues into ownership policies and practices;
3) SET Ventures seeks transparency on ESG issues from Portfolio Companies;
6) SET Ventures will report on activities and progress towards implementing this Responsible Investing policy.

To consistently and structurally apply Principles 1,2,3 and 6 to its investment operations, SET has adopted eleven ESG Investment Principles and developed an Environmental, Social and Governance Management System (ESGMS) to put the ESG Investment Principles in to practice. The Principles are divided into General, Human Rights, Labour, Environment and Anti-Corruption categories. They detail the activities a company *should* and *should not* be doing, as well as mandate the usage of an Exclusion List to identify activities that portfolio companies are *excluded* from doing. Further to this, 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. The SET Ventures portfolio is unlikely to consist of companies that perform activities or own assets that are significantly exposed to such risks, given the investment scope of the funds. However, in the situation that an external risk does impact upon a portfolio company, this is recorded by means of the following criteria within the product Valuation Checklist;
“There has been a significant adverse change in the technological, market, economic, financial condition, legal or regulatory environment in which the business operates.”

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, and into each stage thereafter by use of the ESGMS. It is also incorporated into the individual valuations of SET Ventures products.

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.

Article 8 qualification of SET Ventures products:

We believe our products qualify as Article 8 products and will work to further define them as such with the finalisation of the Technical Standards (RTS). SET Ventures will only make investments within its scope of sustainable energy technologies and will not make an investment into any company of which the primary business activities are harmful to society. This is in accordance with Principle 1 of the SET Ventures Responsible and Sustainable Investment Principles and is implemented by means of the ESG Investment Principles, including the Exclusion List. Thereafter, ESG risks are continually assessed and managed by means of the ESGMS in accordance with Principles 2 and 3 of the SET Ventures Responsible and Sustainable Investment Principles.

SET Ventures defines ESG risk as the following:

"ESG risk is a combination of the probability of certain hazard occurrences due to the nature and scale of a client's business activities and the severity of environmental, social and governance impacts resulting from such an occurrence, as well as its financial, legal and reputational consequences."

SET Ventures discerns three different types of risk for an investment that need to be categorised independently: Environmental (E), Social (S) and Governance (G) risk. These are classified as high, medium or low as per the following criteria:

High: Business activities of this category are likely to have significant adverse environmental, social and/or corporate governance impacts that are sensitive, diverse or unprecedented,

Medium: The business activity may result in specific environmental, social and/or corporate governance impacts, but these impacts are site specific and few if any of them are irreversible,

Low: The business activity is likely to have minimal or no adverse environmental, social and/or corporate governance impacts.

Once defined, these risks are mitigated through an ESG Action Plan and monitored and reported upon using the ESG risk management toolkit. This information can be found in quarterly reports to Limited Partners. The impact of SET products is reported upon in the annual Impact Report.

With this structure in place, SET Ventures is confident that all SET Ventures products qualify as Article 8. All companies have an inherent requirement to have a positive impact on the energy system transition and this is combined with a structured ESG risk management system to ensure no significant harm is done against other ESG characteristics.

No consideration of sustainability adverse impacts:

We do not currently consider adverse impacts of investment decisions on sustainability factors. We will wait for the Principal Adverse Conditions (PAI) to be finalised within the RTS and intend to consider adverse impacts once this is in place.