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Sustainable investment objective



Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the sustainable investment objective of this financial product?

Selected Regenergy VSO A/S ultimately invests all of its equity in, Selected Waste-to-Life Fund I S.C.A. SICAV-RAIF (the “Fund”). The Fund aims to achieve a sustainable investment objective by using industrial waste heat—the excess energy produced during industrial processes that is typically discharged into water bodies or the atmosphere without being utilized for value-added purposes. Since this waste heat is utilized without adding more energy to the original process, it is neither fossil nor renewable and it does not increase emissions, as its climate impact is already accounted for in the original industrial process of other products. By using this energy that would otherwise be wasted, we can reduce the demand for primary energy sources, leading to lower overall energy consumption. Improving energy efficiency and decreasing energy use are key priorities for the European Union and play a vital role in the green transition. These efforts are essential for achieving the EU's goal of climate neutrality by 2050, which aligns with the long-term climate objectives set forth in the Paris Agreement.

This approach allows investors to make a measurable and lasting contribution to climate change mitigation, in alignment with Article 9 of Regulation (EU) 2020/852. Specifically, this is achieved through economic activities that generate heat or cooling by utilizing waste heat, as well as the construction or acquisition of industrial buildings designed to utilize this waste heat effectively.

No EU Climate Transition Benchmark, or EU Paris-aligned Benchmark as qualified in accordance with Regulation (EU) 2016/2011 for Private Equity and Venture Capital investments is available for the purpose of attaining the Fund’s sustainable investment objective. To measure the attainment of this objective, the Fund has developed a robust methodology based on the Energy Efficiency Directive (EU) 2023/1791, and Sweden’s Standard Measurement Protocols and emission factors set forth by the Heating Market Committee (VMK). To benchmark decarbonization pathways, the CRREM tool or similar is deployed.

● *What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?*

The sustainable investment objective is operationalized through the use of three indicators on which the Fund measures its sustainable investment objective – using industrial waste heat to lower the consumption of other primary energy sources.

- 1) **Waste heat utilization:** Measures the percentage of waste heat that is used annually compared to the total waste heat available for purchase. It is calculated by dividing the amount of waste heat used by the total waste heat available, then multiplying by 100 to get a percentage.
- 2) **Reduction in primary energy consumption:** Calculates the reduction in primary energy consumption achieved through the use of waste heat. It is measured in gigawatt-hours (GWh) and involves comparing the amount of primary energy (such as industrial facility backup solutions) that would have been consumed without the use of waste heat to the actual amount consumed with the use.
- 3) **Carbon emissions avoided:** Evaluates the amount of carbon emissions avoided through the use of waste heat rather than relying on primary energy sources, such as industrial facility backup solutions. It is expressed in metric tons of CO₂ equivalent (CO₂e) and involves comparing the quantity of primary energy that would have been consumed without the use of waste heat to the actual amount consumed when waste heat is used.

By implementing these metrics, the Fund can provide transparent and reliable data to investors, demonstrating the effectiveness of its sustainable investment objective.

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 do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

In accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR), the Fund ensures that sustainable investments do not cause significant harm (DNSH) to any environmental or social objectives by integrating Environmental, Social, and Governance (ESG) factors into investment decision-making processes. The Private Placement Memorandum (PPM), Sustainability Policy (SP), and Risk Policy (RP) outline the approach to managing sustainability risks and disclosing Principal Adverse Impacts (PAIs) on sustainability factors through ESG risk integration.

ESG risks are systematically incorporated into investment decisions and are part of the Risk Profiling exercise. This involves disclosing the Fund's objectives and restrictions as outlined in its documentation, ensuring compliance with its environmental objective, and implementing both internal and external controls for monitoring these factors. Sustainability indicators are used throughout the Fund's lifecycle for this purpose. The Risk Profile details the data sources used to monitor the ESG performance of underlying assets, measures taken to ensure data quality, and the proportion of estimated data. Additionally, the Fund conducts a Sustainability Risk Assessment for each Sub-Fund, listing all applicable criteria. Transparent reporting on potential sustainability risks is provided as part of the Fund's decision-making processes, highlighting that materialization of these risks could negatively affect investment returns.

The Oversight team continuously monitors the Investment Manager, ensuring that due diligence practices for underlying assets and relevant internal and external controls are verified. The PPM emphasizes clear, standardized disclosures to enhance transparency and accountability in sustainable investing, in alignment with the SFDR objectives of improving the comparability and reliability of sustainability-related information.

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

The Fund integrates the indicators specified in Table 1 of Annex I of the Delegated Regulation regarding investments in "investee companies" and "real estate assets", along with relevant indicators from Tables 2 and 3, into its investment decision-making process, as described in the PPM. All indicators are continuously monitored and reported through the Fund's Periodic Disclosure. The Fund's procedures, in accordance with Chapter II and Annex I of the Delegated Regulation, include the following steps:

Identification, Integration, and Monitoring: The Fund identifies and prioritizes PAIs by assessing material ESG risks for all investments. PAIs are integrated into the investment process through pre-investment screening, due diligence, and ongoing monitoring.

Engagement and Reporting: The Fund actively engages with investee companies to mitigate adverse impacts and regularly report on these impacts. The main objectives of the Fund's engagement strategy are to: 1) thoroughly screen all potential investments prior to investment decisions, 2) build strong relationships with suppliers, operators, and other investment partners, and 3) ensure that all necessary routines, processes, and frameworks are in place, so investments and relevant stakeholders uphold international, national, and local laws.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The Fund ensures that its sustainable investments comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This compliance involves adherence to the principles and rights outlined in the eight fundamental conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, as well as the International Bill of Human Rights.

To support this alignment, the Fund has implemented policies, such as its SP and RP, which are regularly reassessed. These measures integrate the application of Minimum Safeguards (MS) in accordance with Articles 3 and 18 of the Taxonomy Regulation (TR), as well as the social PAIs of the SFDR, during the screening and selection of investments.



Does this financial product consider principal adverse impacts on sustainability factors?



Yes



No

The Fund considers PAIs on sustainability factors by integrating them into policies, such as the SP, RP and PPM, and procedures. Relevant indicators are disclosed in the annual PAI disclosure at the product level and referred to in the periodic report.



What investment strategy does this financial product follow?

The Fund follows a sustainable investment strategy focused on utilizing waste heat, achieving substantial contributions to the environmental objective of climate change mitigation in accordance with the SFDR and the TR. Specifically, the Fund invests in the generation of heat or cooling by using waste heat, as well as in the construction or acquisition of industrial buildings designed to utilize this waste heat effectively.

This strategy is continuously implemented through screening and due diligence procedures to ensure alignment with the sustainable investment objective and regulatory requirements.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

The Fund's investment strategy is designed to attain the sustainable investment objective by incorporating the following binding elements, as outlined in the PPM:

Ethical Standards and Code of Conduct: The Fund adheres to a publicly available Code of Conduct, which sets ethical standards and guidelines for all investment activities. The Engagement Strategy serves as a safeguard to support the identification of any potential breaches of laws, norms, or the Code of Conduct. The Fund reserves the right to request remediation of any identified breaches and the right to divest the holding if necessary.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Screening and Assessment Mechanisms: The Fund employs various screening and assessment mechanisms, such as exclusion lists, norm-based screening and general screening criteria, to evaluate potential investments.

PAI Integration: The Fund identifies, prioritizes, and manages PAIs by assessing material ESG risks for all investments. This integration occurs through pre-investment screening, due Diligence, and ongoing monitoring.

Engagement and Reporting: Requiring investee companies to report on sustainability data regularly and reserve the right to request remediation of any identified breaches and to divest holdings if necessary.

Alignment with regulatory standards: Ensures that investments align with the TR, meaning that investments in environmentally sustainable economic activities are automatically qualified as sustainable investments under the SFDR.

● ***What is the policy to assess good governance practices of the investee companies?***

The Fund's policy to assess good governance practices of investee companies is integral to its sustainable investment strategy and is outlined in the PPM and RP. It includes evaluating the following key aspects:

Management Structures: Ensuring that investee companies have sound and transparent management structures that facilitate effective decision-making and accountability.

Employee Relations: Reviewing practices related to employee welfare, labour relations, and workplace conditions to ensure fair and ethical treatment of employees.

Remuneration of Staff: Assessing the compensation structures to ensure they are aligned with long-term performance and sustainability goals, avoiding excessive or unjustified remuneration.

Tax Compliance: Verifying that investee companies adhere to applicable tax laws and regulations, demonstrating responsible fiscal practices.

The Fund implements this policy, along with its Code of Conduct, through screening and due diligence processes, utilizing a wide range of data, research, and analysis. This ensures that all investments are made in companies that adhere to good governance practices, thereby aligning with the sustainable investment objectives and regulatory requirements set forth in Article 9 of the Regulation (EU) 2020/852.

What is the asset allocation and the minimum share of sustainable investments?

The Fund invests in the generation of heat or cooling by using waste heat, as well as in the construction or acquisition of industrial buildings designed to utilize this waste heat effectively. These investments are labelled as sustainable according to Regulation (EU) 2020/852. The Fund commits to maintaining a minimum proportion of 85% of its investments to meet the sustainable investment objective, by 2030. The binding elements of the investment strategy are essential for ensuring the Fund's sustainable investment objective is consistently achieved.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



Enabling activities

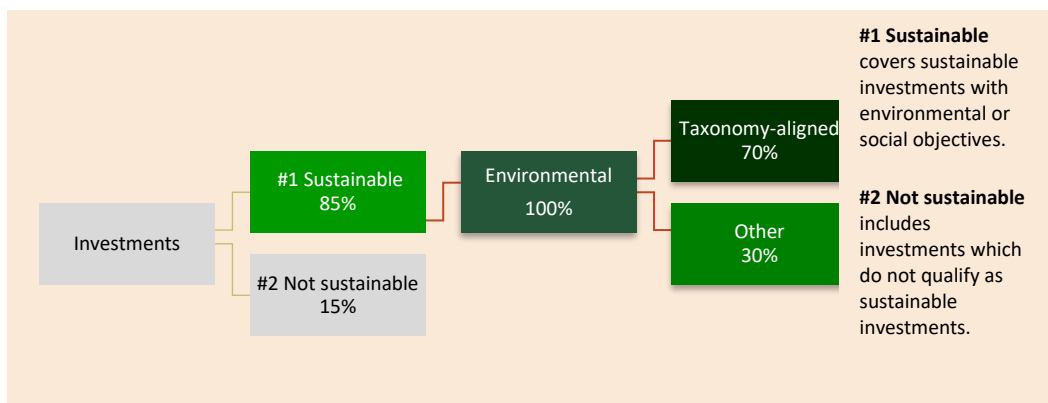
directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are

activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



● **How does the use of derivatives attain the sustainable investment objective?**

The fund does not use financial derivatives, except for hedging purposes.



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

The Fund's investments contribute substantially to the environmental objective of climate change mitigation, in accordance with Article 9 of Regulation (EU) 2020/852. This is achieved through economic activities that generate heat or cooling by utilizing waste heat, as well as through the construction or acquisition of industrial buildings designed to utilize this waste heat effectively. All these economic activities qualify as sustainable under Article 3 of Regulation (EU) 2020/852. A taxonomy-alignment assessment is conducted to determine the sustainability of all the fund's investments and forms an integral part of the investment process, as outlined in the PPM and SP. This ensures that the investments do not cause significant harm to any other environmental objectives, comply with the Minimum Safeguards, and adhere to the Technical Screening Criteria (TSC). The compliance of the investments with EU Taxonomy is subject to a third-party assessment.

The minimum percentage of capital expenditures (CapEx) aligned with the EU Taxonomy is 70%, while the minimum percentage of turnover is 50%, and operational expenditures (OpEx) is 0%. The distributed EU Taxonomy alignment on underlying investments varies by economic activity and will be reported in the periodic disclosure.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹²?**



Yes:



In fossil gas



In nuclear energy



No

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 objectives - 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.

● **What is the minimum share of investments in transitional and enabling activities?**

The Fund does not have a minimum share of investments in transitional and enabling activities.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund invests in economic activities that contribute to the environmental objective of climate change mitigation but may not fully meet the criteria for Taxonomy alignment due to lack of access to data, credible verifications, or other supporting documentation. The minimum share of this is 30%. These investments are made to support the green transition, recognizing that some activities, while not yet Taxonomy-aligned, still play a central role in achieving the environmental objective of climate change mitigation. By bridging the gap between current practices and future sustainable operations, these investments aim to improve energy efficiency and reduce primary energy consumption.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Investments categorized as “#2 Not Sustainable” make up 15% of the Fund and are primarily held for purposes such as hedging or maintaining cash for ancillary liquidity. These investments are crucial for managing the Fund's overall risk and ensuring liquidity, which helps the Fund meet redemption requests and other operational needs. The inclusion of “#2 Not Sustainable” investments does not compromise the sustainable investment objective on a continuous basis. These investments are carefully managed to ensure they do not undermine the Fund's overall sustainability goals. The primary focus remains on making significant contributions to the environmental objective of climate change mitigation, as outlined in the Fund's investment strategy. While these investments are not classified as sustainable, they are still subject to certain safeguards as outlined in the PPM and SP. These safeguards include:

Exclusion Lists and Norm-Based Screening: Ensuring investments avoid activities excluded due to ethical, environmental, or social norms.

General Screening Criteria: Applied prior to making an investment to minimize the possibility of investing in projects that negatively impact sustainability factors and to ensure good governance.

DNSH: Identifying, managing, and mitigating principal adverse impacts by integrating considerations of these impacts into all investment decision-making processes.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable as no specific index designated as a reference benchmark.



Where can I find more product specific information online?

More product-specific information can be found on the website:
<https://selectedalternatives.com/>



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.