

## **Sustainability-related website product disclosures**

### **– Den Sociale Kapitalfond Effekt I K/S**

**December 2024**

#### **Sustainable Finance Disclosure Regulation**

Den Sociale Kapitalfond Effekt I K/S ('the Fund') is considered a financial product under Article 9 of the Regulation, as sustainability is an integrated objective in the investment strategy.

Sustainability-related disclosures – Den Sociale Kapitalfond Effekt I K/S

The following sustainability-related information is prepared in accordance with the Sustainable Finance Disclosure Regulation / Regulation (EU) 2019/2088 ('the Regulation') on requirements for sustainability-related documentation, effective from March 10, 2021. Updates and changes in the information may occur due to, for example, the publication of additional legislation, guidelines, and recommendations related to the Regulation.

#### **Summary**

Den Sociale Kapitalfond Effekt I K/S ('the Fund') is considered a financial product under Article 9 of the Regulation, as sustainability is an integrated objective in the investment strategy.

All of the Fund's investments are sustainable with a social focus. The investment strategy of the Fund focuses on impact-generating initiatives and social efforts aimed at improving the lives of vulnerable citizens and creating savings in public budgets. The investments are structured as social impact bonds (SIBs), referred to as social impact investments in Danish, where the social impact and financial return are directly linked.

The sustainability goals of the Fund are of a social nature, focusing on improving the lives of approximately 3,000 vulnerable Danes. Social sustainability indicators, such as the number of citizens involved in the Fund's initiatives, the number of employed citizens, the number of months of employment created, or other relevant indicators, are continuously measured.

The Fund's due diligence process validates the service providers' ability to achieve social impacts, and there is ongoing evaluation of social KPIs in collaboration with the outcome payer.

The Fund adheres to the "do no significant harm" principle and annually evaluates that investments do not cause material harm to environmental or social sustainability goals. No investments are assessed to cause harm.

## **Investment Strategy**

The Fund's investment strategy is aimed at impact-generating initiatives or social efforts focused on ensuring a better life for vulnerable citizens and making improvements in public budgets. The investments take the form of social impact bonds (SIBs), where the investments are structured as defined project financing and are characterized by the direct linkage between social impact and financial return.

The Fund focuses on various areas in Denmark addressing significant challenges while also having substantial socio-economic savings potential, including:

- Individuals with stress, anxiety, or depression.
- Psychologically vulnerable individuals outside the regular job market or in need of assistance or support.
- Vulnerable families struggling with domestic violence or other social challenges.
- Citizens with complex challenges such as homelessness or those spanning multiple departments or interventions.
- Work environment areas related to stress, sick leave, or similar issues.
- Health-related initiatives targeting issues like obesity, diabetes, or other relevant health challenges, including lifestyle diseases in particular.
- Geographically defined areas where there is a need for social housing interventions such as public housing areas or similar.
- To a lesser extent, other related investments.

## **The Fund's Social Characteristics**

The Fund's sustainability goals are of a social nature, with an overall objective of improving the lives of approximately 3,000 vulnerable Danes during the Fund's lifetime. The Fund measures ongoing impact creation across the following social sustainability indicators:

- Number of citizens the Fund has invested in.
- Number of citizens employed.
- Number of months of employment created.
- Other relevant social impacts.

## **Do no significant harm**

The Fund does not externally report on principal adverse impact (PAI) indicators. However, an evaluation of PAI indicators is part of the Fund's pre-contractual due diligence process for new investments to ensure compliance with the "do no significant harm" principle (avoiding material harm to environmental or social sustainability goals). PAI indicators for investments are re-evaluated annually to ensure continued adherence to the "do no significant harm" principle.

None of the investments are assessed to cause material harm to environmental or social sustainability goals.

The Fund adheres to the European Securities and Markets Authority's (ESMA) "Guidelines Funds' names using ESG or sustainability terms" and will exclude investments in companies referred to in Article 12(1)(a) to (c) of CDR (EU) 2020/1818.

## **Share of investments**

All of the Fund's investments are sustainable investments with a social focus.

## **Monitoring of Social Characteristics**

The Fund's investments are structured as social impact bonds (SIBs), and the Fund's returns, along with the service provider's margin (together 'outcome payments'), are directly correlated with the achievement of relevant social objectives.

The Fund's due diligence process validates the service providers' experience and qualifications to deliver on the investment's social objectives.

In the post-contractual monitoring of social KPIs, the service providers' ability to deliver on social objectives is evaluated continuously during the project period. This monitoring occurs quarterly, and data and methodology are validated by the outcome payer (e.g., a municipality).

## **Method**

The number of citizens the Fund has invested in is calculated as the sum of the number of citizens each initiative is designed to accommodate. Since there may be some ongoing influx and attrition of citizens for individual reasons, the number of citizens benefiting from the initiative during the project period is typically slightly higher than the stated number of citizens the initiative can accommodate.

The number of months of employment created is calculated by the service provider and validated by the municipality based on information from internal systems on service delivery.

The number of citizens employed is calculated in the same manner as the number of months of employment. All citizens who have been employed during the project period are counted. Therefore, some citizens who have been employed and later lost their jobs during the project period may be included.

Other relevant social impacts are determined based on the given investment focus and the outcome payer's willingness to pay.

### **Data Sources and Processing**

In the Fund's investments, sensitive personal data is exchanged between the service provider and the municipality in connection with the validation of performance reports. Therefore, data processing agreements exist between these parties.

The Fund only receives anonymized data for ongoing monitoring.

### **Methodological and Data-Related Limitations**

No material limitations in data and method are expected concerning sustainability.

### **Due Diligence**

The due diligence process validates the service providers' ability to deliver on the investment's social objectives based on, among other factors, historical results, organizational and financial robustness, legal risk assessment, and various market conditions.

The Fund's due diligence process also evaluates Principal Adverse Impact (PAI) indicators for a given investment as part of ensuring compliance with the "do no significant harm" principle. The Fund does not externally report on PAI.

### **Policies for Active Ownership**

The Fund invests solely through defined project financing and thus not through ownership. The Fund continuously evaluates service providers participating in investment projects based on sustainability characteristics.