

Sustainability-related website product disclosures

– Den Sociale Kapitalfond Effekt II K/S

December 2024

Sustainable Finance Disclosure Regulation

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 II 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), 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 4,000 vulnerable citizens in Denmark. 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 outcomes, and there is ongoing evaluation of social KPIs.

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 do significant 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 finances. The investments take the form of social impact bonds (SIBs), where the investments are structured as limited project financing and are characterized by the direct linkage between social impact and financial return.

The Fund focuses on addressing significant social challenges, including but not limited to:

- 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 challenges 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 4,000 vulnerable citizens in Denmark during the Fund's lifetime. The Fund measures ongoing social impact across the following social sustainability indicators:

- Fund reach: The number of citizens receiving direct support and/or treatment via the Fund's investments.
- SROI: Social return on investment estimates the value of the economic and social impact created for the target group and society as a whole via the Fund's initiatives.
- Employment: The number of citizens gaining employment or education via the Fund's investments.
- Employment duration: The number of months of employment facilitated by the Fund's investments.

- Individual KPIs: Performance of KPIs against targets relevant to each investment.

Do no significant harm

The Fund does not report externally on principal adverse impact (PAI) indicators. 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).

Methodology

The number of citizens the Fund has invested in is defined 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.

Social Return on Investment (SROI) is developed to quantify and value the impacts that projects and organizations create for target groups and society. The financial and social impacts of an investment for the target group and society as a whole are estimated and assigned a monetary value (outcome). An SROI ratio is calculated by comparing the total outcome with the total input, which includes costs related to e.g. fund management and delivery of the intervention. Therefore, the ratio shows the monetary impact created for each DKK spent on the project.

Other relevant social impacts are determined based on a given investment's target group and social focus.

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