

Sustainability-related disclosures¹ for fair-finance SEVECA 1 GmbH & Co KG

Disclosure of product information for financial products in accordance with EU 2019/2088

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SUMMARY

The fund is a “financial product” as defined by Art 2 SFDR and according to Art 9 SFDR.

No reference benchmark has been designated for the fund.

The “fair-finance SEVECA 1 GmbH & Co KG” fund primarily invests in social enterprises that address societal challenges while maintaining financial self-sufficiency. The fund is committed to sustainable investments, with 90% focusing on social objectives, such as employment generation and social inclusion, and 10% on environmental objectives, like reducing CO2 emissions. Investments are aligned with fair-finance’s Sustainable Investment Guideline, applying rigorous exclusion criteria and focusing on the DACH region (Germany, Austria, Switzerland). The monitoring process involves quarterly evaluations, impact measurement based on the Social Impact Performance Methodology, and continuous data collection directly from portfolio companies. Despite minor data limitations, the fund’s processes ensure the reliable attainment of its sustainability goals. The fund's investments aim at driving measurable social and environmental outcomes, fulfilling the sustainable objectives set for the respective year.

NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

“fair-finance SEVECA 1 GmbH & Co KG”’s investments do not compromise any of the sustainable investment objectives. This is ensured by considering the adverse effects of investment decisions on sustainability factors (principal adverse impacts, hereinafter PAIs) from the due diligence phase of the investment process onwards. The PAIs of the fund’s portfolio companies are reviewed when preparing an impact analysis/report and regularly as part of the reporting process.

The fund lists all PAIs in Table 1 of the Regulatory Technical Standard (EU) 2022/1288 (RTS) on SFDR. The fund also bases its investment review and selection in particular on the United Nations Sustainable Development Goals. The PAI Report can also be found on the fund’s website.

SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The “fair-finance SEVECA 1 GmbH & Co KG” fund has a clear sustainable investment objective: to provide capital and strategic support to social enterprises that drive positive social and environmental change. The fund operates under a *Theory of Change*, which emphasizes the provision of venture capital to early-stage and growth companies that have limited access to external financing. This capital is directly used for operational and capital expenditures that support the achievement of the companies’ social missions. By offering financial resources to these enterprises, the fund aims to create additionality, thereby catalyzing the impact investing market in Austria and encouraging further investment in socially and environmentally impactful businesses.

INVESTMENT STRATEGY

The investment strategy focuses on financing social enterprises that provide innovative and scalable solutions to societal challenges. These enterprises are designed to be financially self-sustaining while

¹ According to Art 10 paragraph 1 of SFDR (Sustainable Finance Disclosure Regulation (EU) 2019/2088) in conjunction with Articles 37 to 49 of Delegated Regulation (EU) 2022/1288 (Regulatory Technical Standards supplementing SFDR)

delivering significant social or environmental benefits. The fund not only provides capital but also offers guidance, support, and expertise to help nurture and scale these social enterprises.

A methodically comprehensive approach is depicted, and sustainable evaluations are undertaken in accordance with the applicable "*Sustainable Investment Guideline*" by fair-finance Vorsorgekasse AG.

The "*Sustainable Investment Guideline*" integrates sustainability factors such as environmental, social and employee issues, as well as respect for human rights and the combat against corruption and bribery, in its specific investment process.

Investments are made in start-up and growth-stage companies, primarily in the DACH region, that have already proven their concept (Proof-of-Concept) and achieved initial market entry with some sales. Before any investment is made, companies must undergo a structured due diligence process, including presenting their impact model to the fund's independent impact advisory board. An investment is only considered if this board makes a positive decision. The fund's active management approach ensures that investee companies consistently work towards their impact objectives, demonstrating that social and environmental impact can be integrated into profitable business models.

PROPORTION OF INVESTMENTS

100% of the fund's investments align with its sustainability objectives. Approximately 90% focus on social goals, such as creating jobs for disadvantaged groups and supporting companies that develop innovative solutions to social problems. The remaining 10% are allocated to environmental goals, including investments in energy efficiency measures or environmentally friendly technologies. The fund's diversified portfolio enables investors to spread risk across different industries and phases of development while ensuring that each investment contributes to positive social and environmental outcomes.

MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

The monitoring of the sustainable investment objective within the "fair-finance SEVECA 1 GmbH & Co KG" fund is a systematic and ongoing process designed to ensure that each portfolio company is on track to achieve its impact goals. Each portfolio company is required to develop and regularly update a *Theory of Change*, which serves as the foundation for understanding how their activities lead to desired societal changes. This *Theory of Change* outlines the long-term goals of the company's social mission, the necessary conditions for achieving these goals, and the logical sequence of steps that connect activities to outcomes.

To ensure the objectives are met, specific impact metrics, including the number of people reached, jobs created, and CO2 emissions reduced, are tracked annually. These metrics are critical for evaluating the fund's overall impact on a portfolio level. Furthermore, social impact performance is continuously assessed and adjusted based on the outcomes, ensuring that the fund's investments remain aligned with its sustainable objectives throughout the investment lifecycle.

METHODOLOGIES

The methodologies used to measure the attainment of the sustainable investment objectives are grounded in the *Social Impact Performance Measurement Methodology* (developed by the European Investment Fund). This methodology ensures that each portfolio company has specific social impact key performance indicators (*Social KPIs*) that are developed in collaboration with the fund manager during the due diligence phase. The KPIs are designed to capture a range of outcomes, including immediate outputs, intermediate outcomes, and long-term impacts.

The process of setting these KPIs includes:

- **Definition of Social KPIs:** For each investment, one to five social KPIs are defined, reflecting the goal of enhancing social impact. These KPIs are clearly defined with specific measurement methods to avoid misunderstandings.
- **Target Setting:** Quantifiable targets for each Social KPI are established, representing the cumulative or average impact over the investment's lifespan. Sub-targets are also developed for each year of the fund's duration.
- **Validation:** The proposed KPIs and targets are validated by the fund's management, ensuring they are realistic and aligned with the company's development trajectory.

This approach is aligned with established frameworks, such as the *SDG Impact Standards* and the *Impact Management Project*, ensuring consistency and reliability in measuring social impact.

DATA SOURCES AND PROCESSING

Data collection is a critical component of the impact management process. Each portfolio company continuously collects data on their defined Social KPIs, PAIs and Financial KPIs and reports this data to the fund management monthly, in some cases at least annually. The data is validated by the fund management to ensure accuracy and alignment with the predefined targets.

The validated data is then consolidated into a central database and is used for the Annual Impact Report. This database allows the fund management to systematically track and analyze the performance of each investment, ensuring that all social and environmental impacts are accurately documented and reported.

LIMITATIONS TO METHODOLOGIES AND DATA

While the methodologies and data sources employed by the fund are robust, there are inherent limitations. These include the potential for discrepancies in data collection due to differences in reporting standards across portfolio companies, or delays in data submission. Additionally, the evolving nature of social impact measurement may introduce challenges in maintaining consistency across reporting periods.

To mitigate these risks, the fund has implemented rigorous validation processes and collaborates closely with portfolio companies to ensure that data is accurate and comprehensive. Regular reviews and adjustments of KPIs and targets help to address any emerging challenges, ensuring that the measurement process remains relevant and effective.

Any data can be incomplete, inaccurate, or temporarily unavailable. The risk of insufficient data is being managed by applying the internal processes and the analysis carried out on the basis of it.

DUE DILIGENCE

Due diligence within the "fair-finance SEVECA 1 GmbH & Co KG" fund is a thorough and iterative process that ensures all potential investments align with the fund's sustainable investment objectives. The due diligence process is guided by the following criteria, which are critical for assessing the suitability of an investment:

- **Innovative Business Model:** The business model must be innovative, meaning the company addresses a societal challenge in a new way or develops a novel combination of existing solutions.
- **Social Entrepreneurship:** The founders must be entrepreneurs who combine societal engagement with entrepreneurial drive.
- **Measurable Impact:** The impact on society and/or the environment must be measurable and demonstrable.

- **Scalability and Growth:** The company must aim for regional or national growth while simultaneously increasing its impact.
- **Technical and Economic Analysis:** Evaluating whether the companies meet both financial and sustainability requirements.
- **Legal Review:** Ensuring that all investments comply with legal standards, particularly regarding environmental and social governance.
- **Proof of Concept:** The company must have a proof of concept, be already in the market, and typically demonstrate existing revenue streams.

These criteria are assessed through a comprehensive due diligence process that includes impact, commercial, market, financial, legal, tech, management, and ESG evaluations. For specific areas, external experts may be consulted to provide additional insights. A critical component of this process is the requirement for the company to present its impact model to the fund's independent impact advisory board. An investment is only considered if this board makes a positive decision.

(The results of the due diligence process are then used by the Investment Committee as the basis for making investment decisions.)

ENGAGEMENT POLICIES

Various measures are taken to support the portfolio companies in achieving the sustainable investment objective. If an investment is successfully realised, the targeted impact, its measurement and management are anchored in the investment agreement. The portfolio companies are obliged to report the information and ESG data required for the impact analysis to the fund on a monthly basis. Through its role as a shareholder, in some cases through an advisory board seat, the fund also ensures that the social purpose of the portfolio company cannot be changed without the consent of the fund in order to prevent “mission drift”.

ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

The comparison of reported impact KPIs and planned target values results in a target achievement per investment. By aggregating the target achievement of all investments, the overall portfolio impact target achievement is determined in a further step at fund level. These key figures are calculated on an ongoing basis, but at least once a year and published in the fund's Annual Impact Report.