DANISH SDG INVESTMENT FUND IMPACT REPORT 2021

INVESTMENT FUND FOR DEVELOPING COUNTRIES

DANISH SDG INVESTMENT FUND

CONTENTS

LETTER FROM IFU's CEO

IN ALL INVESTMENTS, IFU IS FOCUSED ON CREATING COMMERCIALLY VIABLE BUSINESSES THAT CREATE A POSITIVE IMPACT IN THE INVESTMENT COUNTRIES AND A RETURN TO INVESTORS

The Sustainable Development Goals are a universal call to create a better and more just world towards 2030. To reach the goals, private capital is needed. This is not least the case in developing countries.

In 2018, IFU together with several large Danish pension funds and private investors launched the Danish SDG Investment Fund. This blended financial arrangement was ground-breaking and marked a new way to increase private sector investments in developing countries, as well as support the realisation of the Sustainable Development Goals.

The Danish SDG Investment Fund had a total capital commitment of DKK 5 billion. Now almost half of the capital has been invested. In this report we take stock of the impact achieved, so far.

The report covers 20 investments within primarily healthcare, renewable energy, agribusiness and financial services.

These sectors are significant to improving the livelihood of people in developing countries and are an integrated part of the Sustainable Development Goals, aiming at ending hunger, creating better access to energy, acting on climate change and expanding quality healthcare, for example.

In all investments, IFU is focused on creating commercially viable businesses that create a positive impact in the investment countries and a return to investors. We believe that this is the best way for activities to create a lasting effect.

Before signing an investment agreement, IFU conducts a thorough due diligence focusing on financial, ESG issues and creating positive impact. This is followed by clear value and impact creation plans that are monitored and executed through active ownership.

The achievements until now have been satisfying. Almost a thousand megawatts of renewable energy have been installed, and the current investments are expected to more than triple the capacity in the coming years. Measured in megawatts this is more than five times the size of the largest existing wind park in Denmark.

Access to healthcare in developing countries is scarce. The SDG Fund's investments within the sector are currently serving more than one million patients annually with primary healthcare, as well as supporting treatment for specific issues like kidney diseases. The number of patients served is expected to grow to almost four million annually, once the projects are fully implemented.

The investments in the agribusiness sector have so far supported the production of coffee, tea, blueberries and macadamia nuts and led to increased storage of crops, thereby reducing food waste. Also, financial services have been improved by investing in microfinance, thus creating better opportunities for people to invest into small businesses, for example.

Payment of wages and taxes, as well as domestic purchases by the investees have a wider impact on societies by, amongst other things, increasing economic growth and improving people's purchasing power. The 20 investments have currently led to a total annual payment of wages of DKK 514 million and annual domestic purchases of DKK 1.1 billion.

IFU will continue to follow up on the current investments and invest the remaining funds. This will lead to an even higher mobilisation of additional capital to private sector development in developing countries and increase our contribution to support the realisation of the Sustainable Development Goals.

We hope you will enjoy reading the report.

Torben Huss, CEO, IFU.

EXECUTIVE SUMMARY

ACHIEVEMENTS 2018 - 2021

- 20 investments across 20 countries[1] in Africa, Asia, Latin America and Europe
- Contracted investments at a total of DKK 2.3 billion
- Investments in renewable energy have led to the installation of almost one thousand megawatts
- Avoided greenhouse gas emissions are 1.2 million tCO_2e annually
- Serving more than one million healthcare patients annually
- Agribusiness investments cover food storage and primary crops within coffee, tea, macadamia nuts and blueberries
- Creating access to a bank account for one million people
- Total direct employment in the investees is more than 20,000 people
- Annual wages paid to employees were DKK 500 million
- Reported taxes of DKK 30 million
- Annual domestic purchases by investees were DKK 1.1 billion

EXPECTED END RESULTS FOR CURRENT INVESTMENTS

- Renewable energy installed of 3,500 megawatts
- Annual production of renewable energy will be 9,000 GWh
- 2.5 million new connections to energy
- Total avoided greenhouse gas emissions of 4.8 million tCO_2e annually
- Serving 3.9 million patients annually
- Serving 67,000 microfinance clients
- Total direct employment by the investees will be close to 45,000 people
- Annual wages paid to employees will be DKK 1.3 billion
- Taxes of DKK 1.3 billion

1) Direct investment or through portfolio companies within platform investments across 19 countries as follows: Bolivia, Brazil, Côte d'Ivoire, Egypt, Georgia, India, Kenya, Malawi, Mali, Mexico, Morocco, Myanmar, Nigeria, Pakistan, Senegal, South Africa, Tanzania, Uganda, Ukraine and Zambia.

THE DANISH SDG INVESTMENT FUND

THE ESTABLISHMENT OF THE SDG FUND CONSTITUTED A LANDMARK WITHIN PUBLIC-PRIVATE PARTNERSHIPS FOR DEVELOPMENT FINANCE IN DENMARK

The Danish SDG Investment Fund (also referred to as 'the Fund', or 'the SDG Fund' in this report) was established in June 2018 by the Investment Fund for Developing Countries (IFU) and six Danish pension funds, including PKA, PensionDanmark, PFA, ATP, P+ and PenSam. Subsequently, more investors contributed to the Fund, achieving a total commitment of DKK 4.85 billion. IFU is the fund manager of the SDG Fund.

The SDG Fund was mandated to invest into private sector companies in developing countries, while also supporting the Sustainable Development Goals (SDGs). The Fund invests into various regions and sectors, including, but not limited to, renewable energy, agribusiness, infrastructure, water and sanitation, industry and service, as well as the financial sector and technologies.

The establishment of the SDG Fund constituted a landmark within public-private partnerships for development finance in Denmark. More than three years later, and with half of the available capital invested, this report presents the development impacts supported by the Fund and investee companies (also referred to as 'projects' in this report), for the period 2018 to 2021.

From JCM Power Corporation investment in solar park in Malawi.

INVESTING WITH IMPACT PURPOSE

The Sustainable Development Goals constitute a broad agenda for change towards sustainable development. The SDG Fund portfolio supports this agenda. IFU's investment decisions are guided by a set of impact priorities that steer towards three selected SDGs. This ensures that all projects included in the SDG Fund portfolio support economic growth, decent work, climate action and reduced inequalities. Furthermore, additional SDGs are supported by projects, depending on the investment sector.

Figure 1: The SDG Fund portfolio contributes towards three specific SDGs. Additional SDGs are supported and depend on the investment sector.

SDG Fund focusses on three specific SDGs at portfolio level

Projects contribute to additional SDGs linked to sector focus areas

PROJECT PERFORMANCE IS MONITORED DURING ACTIVE OWNERSHIP, WITH BOTH FINANCIAL AND NON-FINANCIAL ASPECTS CONSIDERED AND MANAGED

Development impact is centrally positioned and integrated in IFU's investment cycle, to support a sustainable impact from SDG Fund investments. IFU screens and assesses projects to avoid investments on the EDFI exclusion list[1]. Furthermore, a project must positively contribute to IFU's impact priorities, as well as show sufficient potential to provide the required financial returns.

Project performance is monitored during active ownership, with both financial and non-financial aspects considered and managed. While financial performance is managed through established systems, IFU has established a Results Framework for each SDG Fund investment to monitor and manage performance related to development impact.

The Results Framework forms part of the investment agreement and is used to track the project's impact performance until divestment. This track record, together with a robust and risk focussed ESG management framework, increases a project's financial value at time of exit and also better positions a company to navigate global sustainability challenges.

1) EDFI members have agreed not to finance a number of listed activities that have detrimental environmental and social effects, including the destruction of high conservation areas, forced and/or child labour and fossil-fuel related activities, amongst others.

SDG FUND PORTFOLIO

The SDG Fund has since inception in 2018 invested a total of DKK 2.3 billion in 20 companies, almost exclusively as equity. Table 1 lists the current portfolio, with details on the year of investment, country, sector and amount invested into each project.

Most investments in Africa

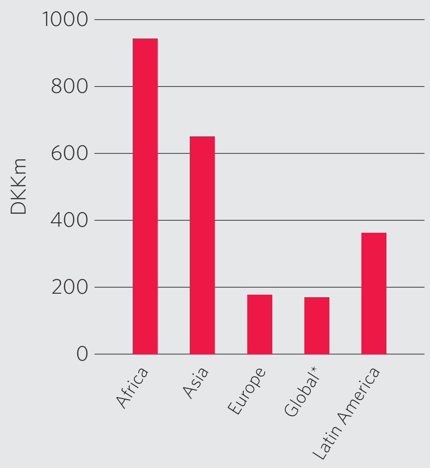
IFU and the SDG Investment Fund can only invest in countries defined as developing countries by the Organisation for Economic Co-operation and Development (OECD). When investing in the developing countries, the Fund contributes to achieving the Sustainable Development Goals where it is needed most. There is a considerable income range between different developing countries and in general, poorer countries are struggling more to attract private investments, than wealthier countries. With eight of the 20 investments on the African continent, the Fund has demonstrated that it can operate in difficult markets.

Table 1: SDG Investment Fund investments 2018 - 2021

No.	Investment	Year	Country	Sector	Amount (DKKm)
1.	United Exports	2018	South Africa	Agribusiness	74.6[1]
2.	Better Energy Ganska	2018	Ukraine	Renewable energy	37.3
3.	Pakistan Clean Energy	2019	Pakistan	Renewable energy	86.9[2]
4.	JCM Power Corporation	2019	Global	Renewable energy	170.1
5.	Hospital Holdings Investments	2019	Africa (regional)	Health	62.5
6.	Leap India	2019	India	Agribusiness	94.9[1]
7.	Africa Education Holdings	2019	Africa (regional)	Education - tertiary	45.9
8.	Frontiir Myanmar	2019	Myanmar	Information & communications	73.1
9.	Bancosol	2020	Bolivia	Financial services	195.3
10.	Radisson Telegraph Hotel	2020	Georgia	Hospitality	139.8
11.	DC-Viaduto	2020	Brazil	Other services	39.2
12.	DCDC Health Services	2020	India	Health	70.1
13.	Humania North Africa	2020	Egypt	Health	291.2
14.	Eranove	2020	Côte d'Ivoire	Renewable energy and water supply	186.6
15.	Vinte	2020	Mexico	Housing	127.3
16.	Daystar Power Group	2020	Nigeria	Renewable energy	124.2
17.	Acme Solar	2021	India	Renewable energy	102.1[2]
18.	Global Tea Limited	2021	Africa (regional)	Agribusiness	66.5
19.	SASAII	2021	South Africa	Student housing	91.0
20.	Cleanmax Solar	2021	India	Renewable energy	222.4
	Total invested				**2,301.0**

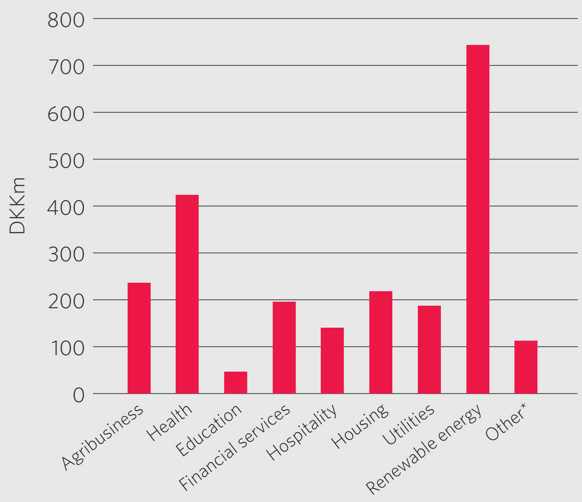
1) Loans and 2) mixed (loan and equity) investments.

Figure 2: SDG Fund investments by region



* Investments that span regions.

Figure 3: SDG Fund investments by sector



* Investments into logistics (DC-Viaduto, Brazil), information and technology (Frontiir, Myanmar).

THE AFRICAN REGION HAS RECEIVED THE LARGEST INVESTMENT VOLUME FROM THE FUND, CURRENTLY AMOUNTING TO MORE THAN DKK 942 MILLION

As indicated in figure 2, the African region has received the largest investment volume from the Fund, currently amounting to more than DKK 942 million (41%). With six investments and almost DKK 650 million (28%), Asia ranks as the second largest investment region. This reflects the importance of the emerging market in India, where almost DKK 490 million has been invested.

Renewable energy is the largest sector

The SDG Fund not only invests in difficult markets, where private capital is scarce; it also invests in sectors with a high impact potential. The sector distribution of SDG investments is illustrated in figure 3.

The renewable energy sector has received the largest investment volume amounting to DKK 743 million (32%), with the second largest being the health sector, totalling DKK 424 million (18%). Investments into these two sectors contribute to supporting both climate action (SDG 13) and good health and well-being (SDG 3).

Mobilisation of capital

Of the DKK 4.85 billion committed to the SDG Fund, nearly DKK 3 billion was committed by Danish pension funds and private investors. The remaining DKK 2 billion was committed by IFU, including DKK 100 million from the state development aid and a DKK 800 million loan from the National Bank, guaranteed by the Danish state.

The fund contributes to the mobilisation of additional capital for individual investments in developing countries. The total volume of investment in connection with the 20 investment projects amounts to DKK 11.88 billion of which DKK 2.3 billion is invested by the SDG Fund. The mobilisation of capital is thus just above four times the capital invested by the SDG Fund. The Fund's total mobilisation of private capital in the 20 investment projects is DKK 5.6 billion.

SASAII, student accommodation, South Africa.

INVESTMENT IN HIGH IMPACT SECTORS

HEALTHCARE

Access to adequate and affordable healthcare is a global challenge. This is also the case in developing countries, where health services are far from being a universal right.

A significant proportion of global healthcare is delivered by private providers. By providing capital to the establishment or expansion of private healthcare facilities, the SDG Fund has assisted low and middle-income countries to work towards universal healthcare (SDG 3).

CLOSE TO DKK 425 MILLION HAS BEEN INVESTED IN HEALTHCARE

The SDG sub-goals supported by the Fund's investments into healthcare include:

- 3.7 Ensure universal access to sexual and reproductive healthcare services
- 3.8 Achieve universal health coverage

Private actors in the health sector can however also have a negative impact on the health ecosystem in which they operate. Understanding and mitigating these risks are important. An impact assessment following a methodology developed by the Imperial College London is undertaken for new health sector investments, and the risks are monitored during the investment period. Ensuring that healthcare services remain accessible and affordable, as defined by the national context, remains an investment priority for the Fund.

Serving more than one million patients annually

The SDG Fund has undertaken three investments in the health sector with a total commitment of DKK 423.8 million:

- DCDC Health Services provides dialysis treatment to patients in a number of states in India. DCDC takes part in a public-private partnership, where treatments to disadvantaged patients are funded by the Indian federal government.
- Humania North Africa builds and operates new hospitals in Morocco and Egypt and an expansion of an existing hospital in Cairo.
- Hospital Holdings owns hospitals and clinics in Kenya, Tanzania and Uganda

Currently, the three investments are annually serving more than one million people with primary healthcare

Table 2: Results in the healthcare sector

Investment	Country	Universal health coverage index[1]	Investment (DKKm)	Number of patients served per year	Total employment
DCDC Health Services	India	61	70.1	6,946	661
Humania North Africa	Egypt Morocco	70 73	291.2	300,000	1,488
Hospital Holdings	Kenya Tanzania Uganda	56 46 50	62.5	806,407	1,515
Total			**423.8**	**1,113,353**	**3,664**

1) Universal Health Coverage index, WHO. Scale from 0-100.

and treatment for specific diseases. When the projects are fully implemented, the number of patients served annually is expected to increase to close to four million.

During the covid-pandemic, hospitals and other health institutions have been essential for treatment of infected patients, but they have also been affected negatively by the economic consequences following the pandemic.

The investments are made in countries that rank between 46 (lowest) and 73 (highest) on the World Health Organisation Universal Health Coverage Index, which shows that investments are being made in countries where there is a high need for developing healthcare.

CASE DCDC

ABOUT

Investment year:
2020
SDG Fund investment:
DKK 70m
Expected total investment:
DKK 109m

DCDC TREATS CLOSE TO 7,000 PATIENTS WITH KIDNEY DISEASE

More than one million people in India suffer from severe kidney disease, and the number is growing. To increase access to dialysis treatment, the Indian government has launched the National Dialysis Program to set up more dialysis clinics across India, in collaboration with private operators.

Most of DCDC Kidney Care's more than 100 clinics are run as shop-in-shop within the premises of public hospitals. The company is the leading public-private partnership operator in India and is directly targeting the economically weaker section of the Indian population.

The social dimension is an integral part of DCDC's business model, and the company regularly organises training and awareness programmes for both patients and medical professionals promoting best-practice prevention and treatment of kidney disease. The company aims to double its capacity before 2025 to improve access to affordable treatment for patients near their home.

IMPACT

7,000
patients served annually

650+
people are employed by DCDC

750+
machines are used for treatment

GREEN ENERGY

The use of energy is one of the large emitters of greenhouse gas, but also a prerequisite for generating economic wealth and welfare. Globally, more than 750 million people still do not have access to energy, with the vast majority of these people living in developing countries.

This is a major challenge, and the only responsible response is to assist developing countries in building renewable energy infrastructure. Otherwise, global sustainability will be jeopardised.

Invest in cleaner, cheaper and more reliable energy
The SDG Fund invests in power companies that generate cleaner, cheaper and more reliable energy than existing fossil fuel-based alternatives. This helps developing countries increase the clean power supply, thereby contributing to SDG 7. Moreover, the investments promote the transition to cleaner energy and raise private climate funding as a contribution to SDG 13.

The SDG sub-goals supported by the Fund's investments into renewable energy include:

- 7.1 Ensure access to affordable, reliable and modern energy services
- 7.2 Increase the share of renewable energy efficiency
- 13 a. Mobilise capital to address needs of developing countries related to meaningful climate mitigation

Electricity for the national grids
Most of the investee power companies generate electricity for the national grid. In countries where fossil fuel-based power production constitutes an important share of the energy for the national electricity grid, investing in renewable energy contributes to replacing fossil fuel-based expansion of the power supply, thereby avoiding future CO_2 emissions.

Countries dependent on renewable energy from hydropower face uncertainties due to the climate-induced changes in rainfall patterns, which pose an increased risk to their water resources. Wind and solar power can constitute an important element of climate adaptation for these countries and increase the resilience of their power supply. Renewable energy installations are also important job generators. Direct jobs are especially generated during the construction phase and indirect jobs are supported through the generation of electricity.

Made seven renewable energy investments
The SDG Fund has thus far undertaken seven investments in renewable energy with a total commitment of DKK 743 million. This includes DKK 124.2 million in two wind turbine parks in Pakistan and Ukraine with a total capacity of 69 MW. Other renewable energy investments include more than DKK 102 million in a 250 MW solar park in Rajasthan in India. Furthermore, the Fund has invested in three independent power producers undertaking development, construction and operation of renewable energy facilities in a range of countries, including India, Pakistan, Malawi and Côte d'Ivoire.

Table 3: Results in the renewable energy sector

Investment	Country	Investment (DKKm)	Planned capacity (MW)	Energy generated (GWh/year)
JCM Power	Global	170.1	180	340
Pakistan Clean Energy	Pakistan	86.9	50	163
ACME Solar	India	102.1	250	Under construction
Better Energy Ganska	Ukraine	37.3	19	22
Daystar Power Group	Nigeria	124.2	70	12
Cleanmax Solar	India	222.4	2,345	No data[1]
Eranove	Côte d'Ivoire	-[2]	604[3]	1,897
Total		**743.0**	**3,518**	**2,434**

1) The investment in Cleanmax Solar was undertaken in 2021 and company reporting will be received in 2022. There is currently no data available for electricity produced.
2) Eranove provides various utilities (energy and water). The investment amount is not included under renewable energy and is allocated to the utilities sector in figure 3.
3) Renewable energy from Eranove is accounted for here.

Five times the size of the largest existing wind park in Denmark

It is expected that the current investment will lead to the installation of just over 3,500 megawatts of renewable energy. Measured in megawatts, this is more than five times the size of the largest existing wind park in Denmark.

Today, 992 megawatts have been installed and commissioned. In total this has led to the production of more than 2,400 gigawatt hours per year.

The generation of renewable energy as a consequence of the investments reduces fossil fuel energy production, and thus avoids greenhouse gas (GHG) emissions, currently estimated at a total of 1.2 million tCO_2 equivalents per year.

CASE DAYSTAR POWER

ABOUT

Investment year:
2020
SDG Fund investment:
DKK 124m
Expected total investment:
DKK 203m

DAYSTAR POWER, SUPPLYING SOLAR POWER IN WEST AFRICA

In Nigeria, the national grid only provides around 20 per cent of the electricity demand, leaving corporate and industrial businesses to address the large energy gap through self-generation, which is achieved by installing diesel generators. Consequently, Nigeria is home to more than five million diesel generators, which results in GHG emissions from fossil fuel use, as well as significant local air and noise pollution.

Daystar, a West African solar company, assists corporate and industrial businesses in solving the energy challenges by offering turnkey solar power solutions that can reduce cost and are more reliable and cleaner. The innovative Daystar concept is provided as either Power as a Service or Solar as a Service, where Daystar takes over total responsibility for the supply of power or installs solar power as a supplement. Both solutions are based on an operational lease model replacing upfront cost for the customer with a monthly fee.

Daystar Power is present in four countries and runs over 240 power installations, with installed capacity of 26 MW.

IMPACT

12 GWH
of renewable energy produced annually

70 MW
installed capacity is the planned target

40%
share of women in workforce to be reached by 2025

SUSTAINABLE FOOD SYSTEMS

Hunger and malnutrition remain a global challenge, as well as a barrier to development in many countries. Investments in agribusiness are crucial for contributing to SDG 2 and creating economic growth and social progress. Food loss and food waste are also global problems with repercussions for climate, nutrition and livelihoods. In developing countries, one of the main reasons for food waste is insufficient and ineffective storage and transport facilities (SDG 12).

The SDG sub-goals supported by the Fund's investments in agribusiness include:
- 2.3 Double agricultural productivity and incomes of small-scale food producers
- 2.4 Ensure sustainable food production systems and implement resilient agricultural practices
- 12.2 Achieve sustainable management and efficient use of natural resources
- 12.4 Reduce food losses along the production and supply chains

Agriculture is responsible for up to a quarter of all GHG emissions, but the sector also holds the key to addressing climate adaptation for millions of small-scale farmers who have to increase productivity and resilience in the face of higher temperatures and erratic rainfall.

Berry pickers at a United Exports blueberry farm.

DKK 236 MILLION HAS BEEN INVESTED IN AGRIBUSINESS

Impacts several challenges in the agribusiness sector
The SDG Fund has invested DKK 236m in three companies in the agriculture sector. These companies address very diverse challenges in the value chain, and include:
- United Exports produces blueberries in South Africa and purchases blueberries for packaging from Zimbabwe, Zambia and South Africa. During harvesting, the company employs more than 5,000 seasonal workers, of whom 90 per cent are women.
- Leap India Food & Logistics is constructing and will manage grain storage facilities for the government of India. With this investment, Leap India plans to erect storage capacity for 450,000 tonnes of grain from approximately 30,000 farmers annually and reduce post-harvest losses significantly.

Table 4: Results in the agribusiness sector

Investment	Country	Investment (DKKm)	Domestic purchase (DKKm)	Total employment
United Exports	South Africa	74.6	122.4	942
Leap India	India	94.9	22.0	103
Global Tea*	Kenya Malawi	66.5	No data[1]	2,737
Total		**236.0**	**144.4**	**3,782**

1) The investment in Global Tea was undertaken in 2021, and company reporting will be received in 2022. No data is therefore currently available.

- Global Tea produces tea, coffee and macadamia nuts and is a major employer, especially of women, in Kenya and Malawi. The company's products are Fair Trade and Rainforest Alliance certified. The investment will assist Global Tea in building a new tea packaging facility in Mombasa and support expansion plans in East Africa.

An investment in the food sector often has consequences in the entire value chain, and investments in processing and marketing may have an effect on thousands of small-scale farmers and farm workers. While these are important considerations for the analysis before an investment, these indirect effects are not measured.

CASE LEAP INDIA

ABOUT

Investment year: 2019
SDG Fund investment: DKK 95m
Expected total investment: DKK 859m

LEAP INDIA ASSISTS IN REDUCING INDIA'S HUGE FOOD LOSS

In India, some estimates suggest that around 40 per cent of grain production is lost every year. The lack of quality storage facilities is a key contributing factor to India's 'paradox of plenty' – insufficient availability of food grain despite sufficient annual production in the country, which is home to over 190 million undernourished people. Furthermore, food loss reduction also decreases GHG emissions related to the agricultural sector, a significant contributor to global GHG emissions.

To address this challenge, the Indian government has initiated a programme that invites private companies to finance, build and operate new storage facilities across the country. Leap India has won tenders for erecting a total 450,000 tons of storage facilities.

A single facility consists of modern steel silos with a capacity of 50,000 tons, including adjacent infrastructure such as road and rail. The silos have a sophisticated monitoring system installed, allowing close quality control of the stored grain. The sites are operated on a 30-year take-or-pay contract and anticipated to serve 30,000 farmers.

IMPACT

450
direct jobs expected to be created

30,000
farmers gain access to grain storage

450,000
tons of storage capacity to be installed

FINANCIAL SERVICES

In many developing countries, access to financial services is sporadic and severely limited. This is not least the case in rural areas, and it hampers the ability for people to invest in and grow their business.

According to World Bank data, 73% of the people living below the poverty line are unbanked. In Latin America it is a major challenge to achieve overall inclusion of the population in the financial sector. Banks often offer services that are not necessarily suited to the needs of more vulnerable groups, such as women, young people, rural business owners and farmers.

DKK 195 MILLION HAS BEEN INVESTED IN MICROFINANCE

Bancosol microfinance provides financial services to low-income groups.

Bolivia is one of the poorest countries in Latin America, but it has one of the highest rates of financial inclusion on the continent. Such microfinance participation in the national financial system, is a key aspect to achieve these financial inclusion levels.

Strengthening the capacity of domestic financial institutions contribute to SDG 8, and providing the poor access to microfinance contributes to SDG 1. Gender focus in financial inclusion contributes to giving women better options for managing their own lives and becoming financially independent.

The SDG sub-goals supported by the Fund's investments in financial institutions include:

- 1.4 Ensure men and women have equal rights to economic resources, including microfinance
- 8.8 Protect labour rights and promote safe and secure working environments

Table 5: Results in the financial sector

Indicator	Unit	Baseline 2018	Reported 2020	Expected 2024
Loan portfolio	DKKbn	9.8	10.8	14.6
Individual credit clients	#	275,758	279,856	396,985
Of which are microfinance clients	#	n.a.	41,978	67,487
Depositors	#	943,275	1,020,194	1,193,482
SME clients	#	209,671	214,065	303,000
Clients trained	#	69,374	72,701	95,000
Employees	#	3,044	2,955	3,500
Female employees	#	1,518	1,464	1,765

Providing access to microfinance

IFU has recognised the need to invest into microfinance institutions (MFIs), and through the SDG Fund DKK 195.3 million has been invested in Bancosol in Bolivia. Bancosol aims to be a leader, reference and innovator of microfinance at a national and an international level, contributing to the progress and quality of life of people with lower incomes, in a sustainable way.

CASE BANCOSOL

ABOUT

Investment year:
2020

SDG Fund investment:
DKK 195m

Expected total investment:
DKK 286m

BANCOSOL, PROVIDING FINANCIAL SERVICES TO THE UNDERSERVED

In Bolivia, only half the population has access to a bank account or a mobile-money service provider. This is hampering economic growth and makes it difficult for people to invest in their business and improve their livelihood.

Bancosol is one of the leading microfinance institutions in the country. The company has a clear social mission of providing financial services to low-income groups. With more than 1 million depositors and 280,000 credit clients, Bancosol has a sizeable effect on income generation and poverty reduction.

Almost half of the clients are women. Thereby Bancosol is also giving women better opportunities for engaging in business and increasing their economic independence. An integrated part of the business is to reduce financial illiteracy by offering training to clients. The target is to train 75,000 clients annually by 2025.

According to IFU's sustainability policy, Bancosol must adhere to the Client Protection Principles.

IMPACT

1 million depositors

280,000 credit clients

48% of clients are women

OVERALL RESULTS

The SDG Fund is currently supporting seven SDGs, according to the indicators and results detailed in table 6. These total portfolio results represent the status in 2021, measured from the inception of the Fund in 2018.

These aggregated results are predominantly based on 2020 reporting, with available 2021 data (at the time of publishing this report) included. Avoided GHG emissions under SDG 13 are also attributed.

Table 6: Development impact for the SDG Fund portfolio

SDG	Indicator	Unit	Status in 2021	Expected Results at divestment
1	Number of microfinance clients	No.	41,978	67,487
	Total volume of loans	DKKbn	19.4	26.4
3	Number of patients served annually	Million no.	1.11	3.88
	Number of female patients served annually	No.	403,203	961,631
5	Number of gender lens investments	%	30%	40%
	Volume of gender lens investments	%	41%	40%
	Number of female clients in financial institutions	No.	124,924	145,000
7	Renewable energy capacity installed	MW	992	3,518
	Renewable energy generated annually	GWh	2,434	9,000
	Number of new connections to energy	No.	254,836	2,500,000
8	Total direct employment	No.	24,104[1]	44,855
	Women employed	No.	6,167	9,242
	Youth employed	No.	1,945	2,247
	Domestic purchase annually	DKKbn	1.1	-[2]
	Total wages paid to employees annually	DKKbn	0.5	1.3
13	Total avoided GHG emissions annually (no attribution)	Million tCO_2e	1.2	4.8
	Attributed avoided GHG emissions annually	Million tCO_2e	0.1	2.2
17	Annual accumulated taxes reported	DKKm	29,7	1,267

1) Total employment in 2021. 2) The expected result remains undetermined at divestment.

The above results are based on annual reporting received from the projects and show good progress towards achieving the expected results. More recent projects will report results in 2022, be included in future reporting and will result in further improvement of the above development impacts.

MANAGING SUSTAINABILITY IN PROJECTS

THE PROJECTS REPORT ANNUALLY ACROSS ALL THE IFU POLICY AND INTERNATIONAL STANDARD REQUIREMENTS

IFU encourages all projects to work strategically with sustainability and formally anchor the activities in their business plans and daily practices. Sustainability requirements are included into investment agreements and include contributing towards creating both impacts and managing ESG risks.

When ESG risk avoidance is not possible, negative effects from projects are reduced and mitigated. The IFC Performance Standards provide a well-established method to respond to ESG risks and are applied across all projects. In response to such standards, project-specific mitigation measures are identified during due diligence and implemented by the project.

To illustrate environmental risk management in a tangible manner, projects for instance have a GHG footprint, use water and electricity, produce waste and may have a detrimental effect on biodiversity. On the social side, companies must for instance meet labour and human rights standards, engage with external stakeholders and manage impacts on surrounding local communities. Through IFU's policy framework, projects are obliged to meet international standards that address these issues. Progress made on managing these risks is reported annually during sustainability reporting.

Projects are obliged to meet sustainability requirements within a reasonable timeframe. As new investments are contracted every year, there will always be new projects that do not initially meet the ESG requirements, yet are in the process of implementing them. The table below provides an overview of the current progress made with SDG Fund investments in relation to a selection of ESG management systems.

Improved performance in table 7 is indicated by the increase in percentage compliance across all indicators, showing that progress has been made. At the time of this report, projects had not yet achieved 100%. This is due to ongoing work within companies to strengthen sustainability management and achieve the agreed upon sustainability requirements, particularly for new projects in the portfolio.

All SDG Fund projects are required to submit sustainability reporting on an annual basis, which includes the below example of reporting on ESG performance. The projects report annually across all the IFU policy and international standard requirements. The results are used to monitor and strengthen sustainability management at the company level.

Table 7: Selected ESG performance of SDG Fund projects

Indicators showing % projects with:	At the time of investment	Reporting at end-2020
Written sustainability policy	62%	69%
Written stand against corruption	62%	77%
Environmental and social management system	46%	54%
Dedicated person responsible for sustainability	69%	85%
Grievance mechanism for external stakeholders	38%	46%

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Cover photo from Cleanmax, India. Other photos by Ernst Tobisch and SDG Fund investment companies.

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