DANISH SDG INVESTMENT FUND IMPACT REPORT 2022

INVESTMENT FUND FOR DEVELOPING COUNTRIES

DANISH SDG INVESTMENT FUND

CONTENTS

About this report

This Impact Report covers activities in the Danish SDG Investment Fund, managed by IFU, for the financial year 1 January to 31 December 2022. For further information on IFU and IFU managed funds and their contribution to sustainable development, please see IFU Annual Report 2022, available on IFU's website.

LETTER FROM IFU's CEO

OVERALL, MORE THAN HALF OF THE SDG FUND HAS BEEN INVESTED IN 22 INVESTMENTS ACROSS THE GLOBAL SOUTH TO DATE

The Sustainable Development Goals (SDGs) are a universal call to create a better and more equitable world by 2030. In 2022, we were reminded more than ever how relevant these goals still are in the face of economic headwinds and challenges to livelihoods around the world. After decades of gradual reductions in the poverty rate, the UN's 2022 report on SDG progress noted an unfortunate reversal with increases in recent years, particularly due to the Covid-19 pandemic, rising food prices and broader impacts of war. Indeed, the report estimated that these factors contributed to an additional 95 million people being pushed into poverty since the start of the pandemic.[1]

The UN report provides a reminder of the continued relevance of the objectives and ambitions of the Danish SDG Investment Fund. In recognition that the ambitions of the SDG agenda require significantly more financing than available through traditional forms of public development assistance,[2] IFU together with several large Danish pension funds launched the Danish SDG Investment Fund in 2018. With a total capital commitment of DKK 4.86 billion (€0.65 billion), the fund makes private sector investments that support the SDGs in developing countries.[3]

Overall, more than half of the SDG Fund has been invested in 22 investments across the Global South to date. In 2022, these included three new investments in organic food production, renewable energy and low carbon cement production. During the year, the SDG Fund also exited three investments in South Africa (United Exports), India (Acme Aklera) and Nigeria (Daystar Power Group).

Altogether 39 per cent of the investments have targeted emerging economies in Sub-Saharan Africa, while the remaining funds have been invested across Asia, Latin America and Eastern Europe. In 2022, this translated into support for some 25,500 direct employment opportunities globally, provision of business development loans to close to 250,000 clients in Latin America, almost 1.2 million patients accessing healthcare consultations in developing countries, and more than 1,000 MW capacity of renewable energy installed.

In 2022, the SDG Fund was also assessed through an independent mid-term review, commissioned by the Danish Ministry of Foreign Affairs, which found that the SDG Fund was a "largely successful endeavour to mobilise private capital for the SDGs". IFU is now integrating the report recommendations into new innovative public-private initiatives to mobilise private capital towards climate and SDG objectives, building on the experience with the SDG Fund.

In 2023, the SDG Fund will make the final series of new investment commitments. These are currently being finalised, and will be aligned with core investment sectors of financial services, healthcare, green energy and infrastructure, and sustainable food systems.

We hope you will enjoy reading the report.

Torben Huss, CEO, IFU.

1) Sustainable Development Goals report 2022
2) From Billions to Trillions: Transforming Development Finance post-2015 Financing for Development: Multilateral Development Finance. (2015), Development Committee (Joint Ministerial Committee of World Bank and IMF). https://www.devcommittee.org/sites/dc/files/download/Documentation/DC2015-0002%28E%29FinancingforDevelopment.pdf
3) Throughout the report figures have been provided in DKK with the equivalent amount in EUR in brackets. The EUR equivalents have been calculated using the rate published by Danmarks Nationalbank on 30 December 2022 of Danish kroner 7.4365 for 1 euro, and are approximate due to rounded figures.

THE SDG INVESTMENT FUND IN 2022

HIGHLIGHTS

- 22 investments active during the year totalling DKK 2.74 billion (€0.4 billion).
- Three new investments contracted during the year totalling DKK 615 million (€83 million).
- Three investments exited during the year totalling DKK 300 million (€40 million).
- Overall DKK 6.5 billion (€0.9 billion) private finance mobilised to support private sector in developing countries.
- All new investments in 2022 qualify as climate finance and meet the thresholds defined in the EU taxonomy.

SDG	IMPACT SUMMARY [4]
1 NO POVERTY	Almost 250,000 MSME clients supported in 2022 (7% increase from 2021).
2 ZERO HUNGER	An estimated 538,900 poor customers served by grain storage silos in 2022 (9% increase from 2021).
3 GOOD HEALTH AND WELL-BEING	Close to 1.2 million patients served in 2022 (5% increase from 2021).
5 GENDER EQUALITY	33% of employees in investee companies were women in 2022 (8% points more than in 2021).
7 AFFORDABLE AND CLEAN ENERGY	1,361 MW renewable energy capacity installed by 2022 (37% increase from 2021).
8 DECENT WORK AND ECONOMIC GROWTH	More than 25,000 jobs supported in investee companies in 2022 (6% increase from 2021).
13 CLIMATE ACTION	Investments in renewable energy are expected to contribute to an avoidance of more than 6 million tCO_2 equivalents annually at exit.
17 PARTNERSHIPS FOR THE GOALS	DKK 328 million (€44 million) reported in corporate taxes to support national governments in investment countries.

4) See annex 2 for explanatory notes on methodology and presentation of results in the report.

THE DANISH SDG INVESTMENT FUND

THE SDG FUND CONTRIBUTES TO THE MOBILISATION OF ADDITIONAL CAPITAL FOR INDIVIDUAL INVESTMENTS IN DEVELOPING COUNTRIES

The Danish SDG Investment Fund 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 SDG Fund, which culminated in a total commitment of DKK 4.86 billion (€0.65 billion).

The Danish SDG Investment Fund (also referred to as 'the SDG Fund' in this report) was mandated to invest in private sector companies in developing countries, while also supporting the Sustainable Development Goals (SDGs). The establishment of the SDG Fund constituted a landmark within public-private partnerships for development finance in Denmark.

Since 2018 more than half of the funds have been invested. In line with original expectations the funds have been invested into the private sector of developing countries, particularly in Sub-Saharan Africa. The investments are primarily in focus sectors of green energy and infrastructure, sustainable food systems, healthcare and financial services.

In 2021, the SDG Fund published its first impact report, spanning the period of 2018 to 2021. This report presents an update on additional development impact results achieved in the 2022 financial year.[5]

Mobilisation of capital

Of the DKK 4.86 billion (€0.65 billion) committed to the SDG Fund, DKK 2.9 billion (€0.4 billion) was committed by Danish pension funds and private investors. The remaining DKK 1.9 billion (€0.3 billion) was committed by IFU, including DKK 100 million (€13 million) from the state development aid and a DKK 800 million (€108 million) loan from the Danmarks Nationalbank, guaranteed by the Danish state.

The SDG Fund contributes to the mobilisation of additional capital for individual investments in developing countries. The total volume of investment for the 22 project investments made by the end of 2022 amounts to DKK 13 billion (€1.8 billion), which includes DKK 6.5 billion (€0.9 billion) of private investment, and DKK 2.7 billion (€0.4 billion) invested by the SDG Fund, of which private investors have provided 60 per cent. Thus, for every DKK or EUR of public funds invested through IFU, it is estimated that 5.7 DKK or EUR of private capital has been mobilised.

Cleanmax, India.

5) See annex 2 for explanatory notes on methodology and presentation of results in the report.

INVESTING FOR IMPACT

The SDG Fund has been designed to mobilise additional private capital towards supporting the 2030 Agenda for Sustainable Development. The UN Sustainable Development Goals are articulated in 17 interconnected goals, which include 169 more specific targets, and provide a common agenda for all countries, organisations and businesses engaged in working towards peace and prosperity for people and the planet.

Much progress has been made since the SDGs were launched in 2015. Increasingly the private sector is playing a critical role in this ambitious agenda, with the UN noting that trillions of dollars are required to meet the ambitions of the SDG – much more than is available through traditional forms of development assistance.

Through a blending of public and private capital investments, and supported by IFU's expertise and know-how in developing the potential of investee companies, the SDG Fund is well placed to contribute to sustainable outcomes in job creation, resilient infrastructure, access to clean energy as well as responsible business conduct, which contribute to the achievement of SDGs and related targets. These align well with IFU's overall impact priorities of building green societies and building just and inclusive soci-

IFU'S INVESTMENT AND IMPACT MODEL

Investing risk capital in private companies in developing countries with the purpose of creating impact and return to investors.

INVESTEES

INPUT

IFU invests...
- Capital
- Knowledge and competencies
- Experience

in private companies in developing countries

SECTOR

...into focus sectors
- Green energy & infrastructure
- Sustainable food systems
- Financial services
- Healthcare

having impact creation plans with specific targets

IFU

OUTPUT

...to achieve measurable results
- Circular business model
- Climate mitigation and adaptation
- Improved access to (basic) goods and services
- Quality jobs
- Women empowerment

and value creation plans for generating profits

RETURN ON INVESTMENT

and commercial returns...
- Interest
- Dividends
- Capital gains

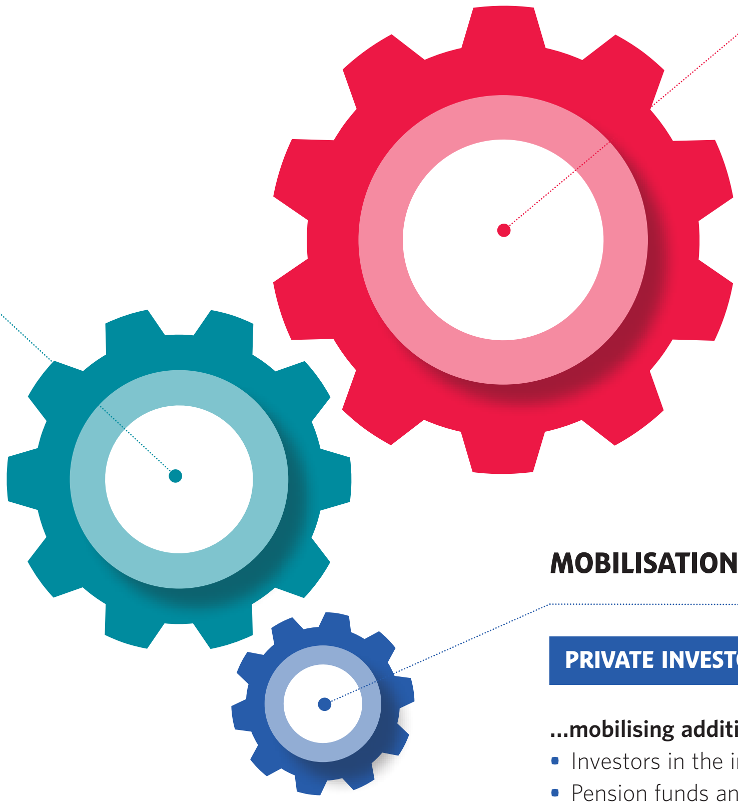
that are reinvested

eties that steer the selection of all new investments. This is summarised in IFU's investment and impact model presented below.

The SDG Fund places particular emphasis on mobilising private sector funds towards SDGs 8, Decent Work and Economic Growth; 10, Reduced Inequality and 13, Climate Action. To ensure SDG alignment, investment decisions are screened against a set of impact priorities that steer towards the three selected SDGs. Additional SDGs are sector-specific and are included and monitored in relation to the four focus sectors.

Consequently, development impact is centrally positioned and integrated in the investment cycle. Furthermore, a project must not only positively contribute to at least one of IFU's two impact priorities, but also show sufficient potential to provide the required financial returns.

Investment project performance is monitored through IFU's 'active ownership' approach, which ensures that both financial and non-financial aspects of performance are considered and managed during the lifetime of the investment. While financial performance is managed through established systems, IFU creates an impact results framework for each SDG Fund investment to monitor and manage performance related to development impact creation. This forms part of the investment agreement and is used to track the project's impact performance until exit. This track record, combined with a robust and risk focused ESG management framework,[6] is expected to increase a project's financial value at time of exit, as well as better positioning investee companies to navigate global sustainability challenges.



SOCIETY

OUTCOME

...contributing to
- Decent work and economic growth
- Reduced inequality
- Climate action
- Gender equality

IMPACT

...ultimately contributing to impact priorities
- Building a green economy
- Building a just and inclusive economy

MOBILISATION

PRIVATE INVESTORS

...mobilising additional capital from and distributing earnings to
- Investors in the individual investments
- Pension funds and private investors in IFU public-private funds

6) See 'managing sustainability' on page 21.

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

The SDG Fund focuses on three specific SDGs at portfolio level

Projects contribute to additional SDGs linked to sector focus areas

Suminter Organics, India, Uganda and the Philippines.

THE SDG FUND PORTFOLIO

Between 2018 and 2022, the SDG Fund has invested a total of DKK 2.7 billion in 22 companies (€0.4 billion), almost exclusively as equity. In 2022, this included an additional DKK 615 million (€83 million) in three new investment projects in renewable energy (Augment Origo DG, Brazil), low carbon cement (CBI Ghana, Ghana) and sustainable food systems (Suminter Organics, India). During 2022, the SDG Fund also exited two renewable energy investments (Daystar Power Group, Nigeria; Acme Aklera, India), and an agribusiness investment (United Exports, South Africa). Table 1 lists the investments made by the end of 2022, with details on the year of investment, country, sector and amount invested into each project.[7] Table 2 lists portfolio investments which were exited during the 2022 financial year.

Table 1: SDG Fund investments 2018 - 2022

No.	Investment	Year	Country	Sector	Amount contracted DKKm (€m)
1	Better Energy Ganska	2018	Ukraine	Green energy & infrastructure	37.3 (€5.0)
2	Hospital Holdings Investment	2019	Africa (regional)	Healthcare	62.5 (€8.4)
3	Africa Education Holdings	2019	Africa (regional)	Education - tertiary	45.9 (€6.2)
4	Frontiir Myanmar	2019	Myanmar	Information & communications	73.1 (€9.8)
5	Pakistan Clean Energy[8]	2019	Pakistan	Green energy & infrastructure	86.9 (€11.7)
6	JCM Power Corporation	2019	Global[9]	Green energy & infrastructure	170.1 (€22.9)
7	Leap India[10]	2019	India	Sustainable food systems	94.9 (€12.8)
8	DC-Viaduto	2020	Brazil	Other services	39.2 (€5.3)
9	Humania North Africa	2020	Egypt	Healthcare	291.2 (€39.2)
10	Bancosol	2020	Bolivia	Financial services	195.3 (€26.3)
11	Vinte	2020	Mexico	Housing	127.3 (€17.1)
12	DCDC Health Services	2020	India	Healthcare	70.1 (€9.4)
13	Eranove	2020	Cote D'Ivoire	Renewable energy and water supply	186.6 (€25.1)
14	Global Tea Limited	2021	Africa (regional)	Sustainable food systems	69.6 (€9.4)
15	SASAII	2021	South Africa	Student housing	91.0 (€12.2)
16	Cleanmax	2021	India	Green energy & infrastructure	185.0 (€24.9)
17	CBI Ghana[8]	2022	Ghana	Low carbon cement	107.3 (€14.4)
18	Augment Origo DG	2022	Brazil	Green energy & infrastructure	303.1 (€40.8)
19	Suminter Organics	2022	India	Sustainable food fystems	204.1 (€27.4)

Table 2: Exited SDG Fund investments in 2022

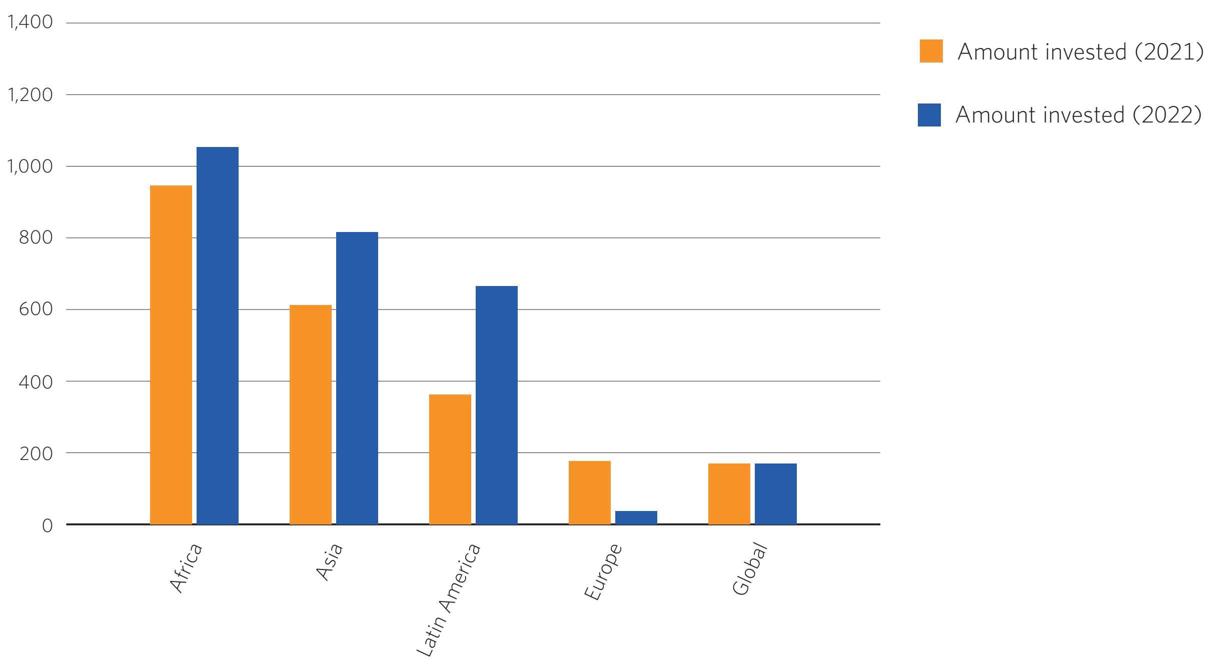
No.	Investment	Year	Country	Sector	Amount contracted (DKKm/€m)
1	United Exports[10]	2018	South Africa	Sustainable food systems	74.6 (€10.0)
2	Daystar Power Group	2020	Nigeria	Green energy & infrastructure	124.2 (€16.7)
3	Acme Aklera[8]	2021	India	Green energy & infrastructure	102.1 (€13.7)

7) The table does not include an investment in Radisson Telegraph Hotel, Georgia, which was reported in 2021. The investment did not proceed and was cancelled in 2022 before funds were disbursed. As such, the investment is not included in 2022 reporting.
8) Mixed (loan and equity) investments.
9) Global: investments that span regions.
10) Loans only.

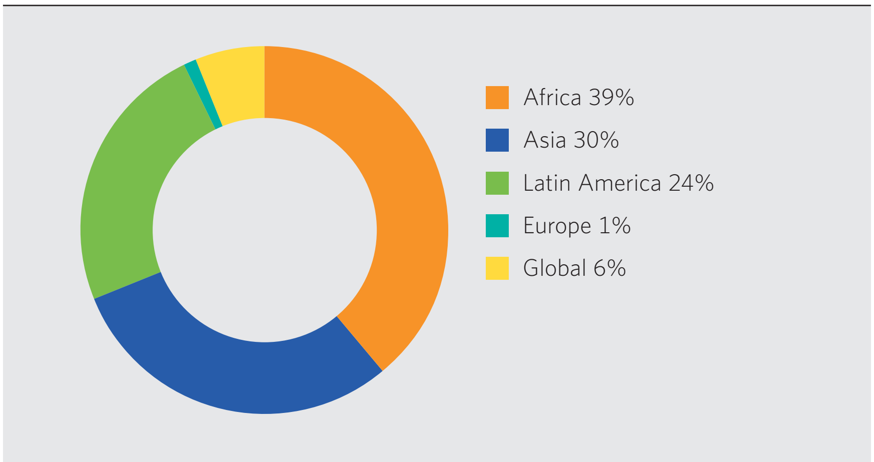
REGIONAL PORTFOLIO

The SDG Fund invests exclusively in developing countries, as defined by the OECD. Since 2018, the SDG Fund has invested in 12 developing countries across Africa, Asia, Europe and Latin America, with additional investments targeted at a regional or global level. To date, the largest proportion of funds continues to be invested in Africa with investments of DKK 1,053 million (€142 million) – a slight increase in volume since 2021. Asia has formed the second largest share of investment, such that investments in Africa and Asia regions together comprise more than two thirds of the invested funds overall. However, the largest proportional change regionally in 2022 was in Latin America, which saw an increase from 16% in 2021 to 24% in 2022. This can be explained by the finalisation of a significant investment in Brazil's renewable energy sector.

SDG Fund investments by region (2021 & 2022 compared: mDKK)



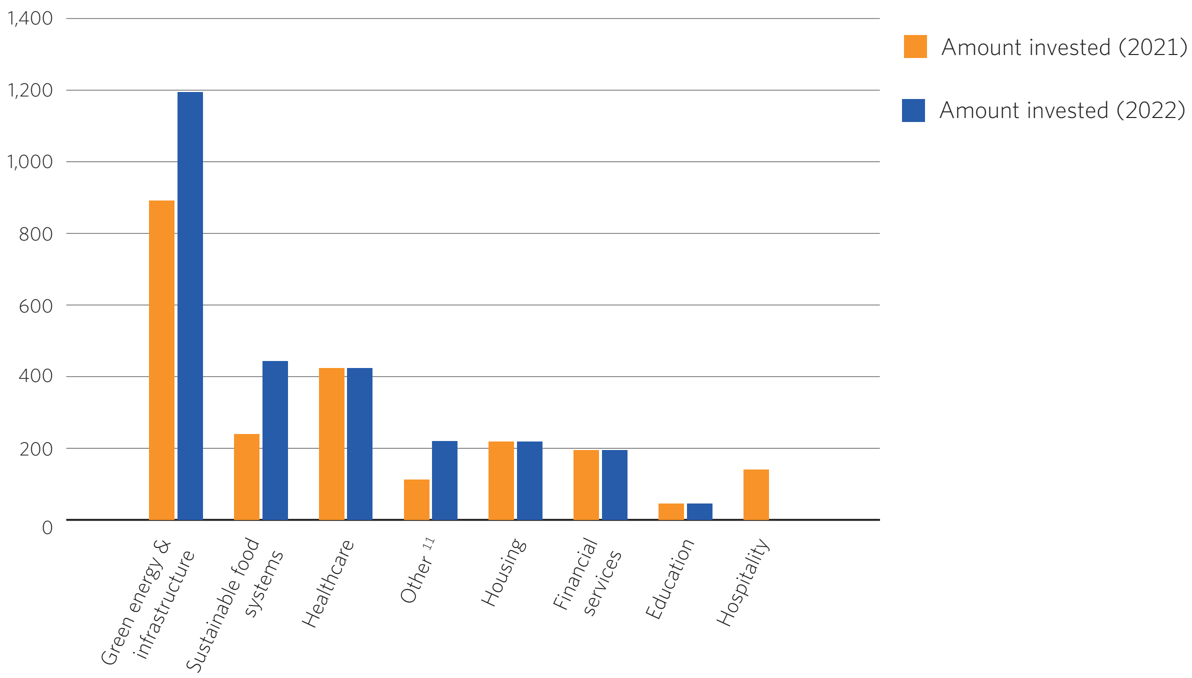
SDG Fund investments by region (%; 2022)



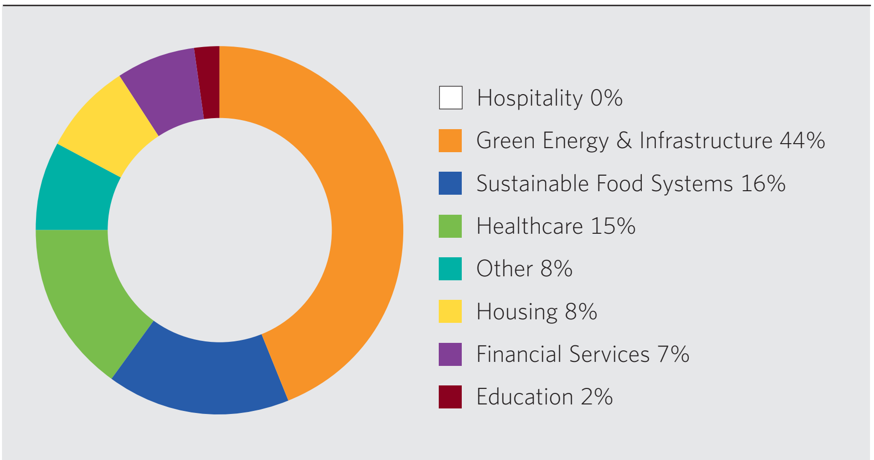
SECTORAL PORTFOLIO

The SDG Fund not only invests in difficult markets, where private capital is scarce; it also invests in sectors with a high impact potential. To date the green energy and infrastructure sector has been the largest proportion of SDG Fund investments, increasing to 44% of total investments in 2022. Other significant sectors of investment included sustainable food systems (16%) and healthcare (15%). Together, investments in green energy and infrastructure, healthcare and sustainable food systems total DKK 2,062 million (€277 million), representing 75% of SDG Fund investments. Proportionally, the sustainable food systems sector experienced the largest increase in 2022, now representing 16% of SDG Fund investments, compared to 10% in 2021.

SDG Fund investments by sector (2021 & 2022 compared: mDKK)



SDG Fund investments by sector (%; 2022)



11) Other: Investments into logistics (DC-Viaduto, Brazil), information and technology (Frontiir, Myanmar), low carbon cement, (CBI Ghana, Ghana).

INVESTMENT IN HIGH IMPACT SECTORS

HEALTHCARE

Access to adequate and affordable healthcare is a global challenge. This is not least the case in the developing countries, where access to healthcare services is far from being a universal right. A significant proportion of global healthcare is delivered by private providers. Consequently, 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).

DCDC Health Services, India.

NEARLY 1.2 MILLION PATIENTS SERVED IN 2022

The SDG sub-goals supported by the SDG Fund's investments into healthcare include:
- 3.7 Ensure universal access to sexual and reproductive healthcare services
- 3.8 Achieve universal health coverage

The SDG Fund has undertaken three investments in the healthcare sector with a total commitment of DKK 424 million (€57 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 Investment owns hospitals and clinics in Kenya, Tanzania and Uganda

Table 3: Results in the healthcare sector

Investment	Country	UHC index	Investment (DKKm/€m)	Number of patients served per year		Total employment	
				2022	2021	2022	2021
DCDC Health Services	India	61	70.1 (€9.4)	7,946	6,946	984	661
Humania North Africa	Egypt Morocco	70 73	291.2 (€39.2)	345,523	300,000	1,700	1,488
Hospital Holdings Investment	Kenya Tanzania Uganda	56 46 50	62.5 (€8.4)	816,245	806,407	1,450	1,515
Total			**423.8 (€57.0)**	**1,169,714**	**1,113,353**	**4,134**	**3,664**

Currently, the three investments are annually serving close to 1.2 million people with primary healthcare 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.

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 HUMANIA NORTH AFRICA

ABOUT

Investment year: 2020
SDG Fund investment: DKK 291.2m (€39.2m)
Expected total investment: DKK 2,426.4m (€326.3m)

INVESTING IN UNIVERSAL HEALTH COVERAGE FOR ALL

One of the healthcare SDG targets is to increase universal healthcare coverage. Many developing countries are lagging behind in this regard, and Morocco and Egypt are no exception. Both countries view private sector healthcare as an important component of an integrated strategy to achieve universal health coverage for all. Both countries also face rapid growth in rates of non-communicable diseases such as cancer and diabetes, which places pressure on public healthcare systems.

In 2020, the SDG Fund committed to invest DKK 291 million (€39 million) in Humania to finance construction of two new greenfield hospitals and a medical tower with 70 clinics in addition to the already operational hospital in Egypt and Morocco. The investment is expected to contribute to add approximately 600 hospital beds and service 1.6 million patients annually when fully implemented. By the end of 2022, the first newly built hospital in Alexandria was about to start operations, while a second in Casablanca was in early construction phases. Humania's approach is especially relevant to the two countries, and is expected to increase accessibility and affordability of quality healthcare.

IMPACT

345,000 patients served annually

1,700 people are employed by Humania

600 additional hospital beds on completion

GREEN ENERGY AND INFRASTRUCTURE

Access to clean energy remains a significant challenge in developing countries. Globally the expansion of clean energy has shown steady growth in the past decade, rising from 19.7% in 2010 to 26.2% in 2019.[12] Nevertheless an unprecedented increase in clean energy spending is required to ensure that new energy needs in developing countries remain on track to meet SDGs by 2030, with the IEA estimating more than USD 1 trillion still needed.[13] Further, more than 700 million people in the developing world still have no access to electricity, with over 77% living in Sub-Saharan Africa.

This makes the SDG Fund's focus on renewable energy investments highly relevant. Many developing countries have abundant renewable energy resources, being located in regions where solar radiation and wind are abundant, and can benefit economically from cost-efficient energy generation associated with these energy sources.[14] This means that timely investments, which help harness the latest renewable technologies are invaluable in reducing use of fossil fuels over the longer term.

The SDG Fund contributes to SDG 7 by investing in power companies that generate cleaner and cheaper energy than existing fossil fuel-based alternatives. In addition, the SDG Fund contributes to SDG 13 by raising additional private climate funding as part of the global mobilisation for climate action and promoting the transition to cleaner energy. This helps developing countries increase the share of clean power supply, thereby also contributing to SDG 7.

The SDG sub-goals supported by the SDG 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

At year-end 2022, the SDG Fund had six ongoing investments in renewable energy companies. During the year a new investment of DKK 303 million (€41 million) in Augment Origo, Brazil, was finalised, while two investments were exited: Daystar Power in Nigeria and Acme Aklera in India.

Together with Augment Origo, three larger existing investments account for more than 87% of the current SDG Fund investment in renewable energy: Cleanmax in India; JCM Power, which is a fund sub-investing globally across several locations in Africa and Asia;

Table 4: Results in the renewable energy sector

Investment	Country	Investment (DKKm/€m)	Planned capacity at exit (MW)	Energy generated (GWh/year)	
		2022	2022	2022	2021
JCM Power Corporation	Global	170.1 (€22.9)	130	177	177
Pakistan Clean Energy	Pakistan	86.9 (€11.7)	50	163	163
Acme Aklera	India	102.1 (€13.7)	250	Under construction	
Better Energy Ganska	Ukraine	37.3 (€5.0)	19	20	22
Daystar Power Group	Nigeria	124.2 (€16.7)	70	16	12
Cleanmax	India	185.0 (€24.9)	2,823	787	
Eranove[15]	Cote d'Ivoire	186.6 (€25.1)	604[16]	1,470	1,897
Augment Origo DG	Brazil	303.1 (€40.8)	1,309	No data in 2022	
Total		**1,195.3 (€160.7)**	**5,255**	**2,634**	**2,271**

12) The Sustainable Development Goals Report, 2022 (United Nations).
13) Financing Clean Energy Transitions in Emerging and Developing Economies. World Energy Investment 2021 Special Report in collaboration with the World Bank and the World Economic Forum (International Energy Agency)
https://iea.blob.core.windows.net/assets/6756ccd2-0772-4ffd-85e4-b73428ff9c72/FinancingCleanEnergyTransitionsinEMDEs_WorldEnergyInvestment2021SpecialReport.pdf
14) The importance of renewable energy in developing countries, blog, accessed 6th March 2023.
https://borgenproject.org/renewable-energy-in-developing-countries/#:~:text=Wind%20power%20is%20one%20of,abundant%20supply%20that%20is%20inexhaustible.
15) Eranove provides various utilities (energy and water) in sub-Saharan Africa. The investment amount is included here due to Eranove's generation of hydropower, but it is acknowledged that the investment contributes to other utility services and forms of energy generation provided by the company.
16) Estimated figure based on current capacity.

and Eranove, which is a utility company, whose portfolio also includes significant hydropower generation. Altogether, including current and exited investments, the total SDG Fund investment in the sector by 2022 year-end was DKK 1,195 million (€161 million).

To date, SDG Fund investments have contributed to expanding installed renewable energy capacity by 1,361 MW across SDG Fund investments. In 2022, more than 2,600 GWh clean energy was generated, which primarily contributed electricity for the national grid of respective countries.

Overall, the investments are expected to achieve a total installed capacity of 5,255 MW once the investments are fully implemented, representing a fourfold increase from initial capacity at the time of investment. Moreover, the investments will contribute to a total avoidance of more than 6 million tCO_2 equivalents annually across the respective countries.

The overall target is significantly influenced by just three of the investments, which altogether account for 90% of installed capacity expectations (Eranove, Augment Origo and Cleanmax).

CASE ERANOVE

ABOUT

Investment year: 2020
SDG Fund investment: DKK 186.6m (€25.1m)
Expected total investment: DKK 1,494.4m (€201.0m)

PROVIDING MODERN ELECTRICITY SERVICES TO THOUSANDS OF PEOPLE IN AFRICA

In 2021, the SDG Fund finalised an investment into Eranove, through participating in ECP Power & Water Holding shareholder group of the company. Eranove is a utility company supplying millions with electricity and drinking water in Africa, with operations in in Côte d'Ivoire and Togo and a number of pipeline opportunities in other countries in Africa.

The investment will enable the company to prioritise its clean energy investments, supporting the green transition. In electricity generation, the group has two baseload power plants under construction and a strong pipeline of renewable energy projects – hydroelectric and solar – across Africa. Eranove will further strengthen its commitment to societal and environmental responsibility, and to develop projects to meet the growing demand for electricity on the continent.[17]

In Côte d'Ivoire, for example, almost half of the electricity provided to the national grid through Eranove's subsidiary, CIE, is sourced from hydroelectric power. Further, the company participates in the national government's 'electricity for all' programme, providing subsidised rates or connections to those who might not otherwise be able to afford the costs of an electricity connection, since the incomes for a vast majority of customers in both rural and urban areas remain low, insecure and seasonal. Since the programme started in 2014, CIE has connected more than 1 million households, including more than 200,000 in 2021 alone. The programme involves CIE representatives crossing Côte d'Ivoire village by village, neighbourhood to neighbourhood, to provide indoor installation kits and to carry out subscriptions and connections so households can benefit from modern electricity services.[18]

IMPACT

1,470 GWH
of renewable energy produced annually

200,000
more poor household gained subsidised access to electricity in 2021

8,000
people are employed by Eranove

17) "Emerging Capital Partners, A.P. Moller Capital, DEG and IFU join forces to invest in Eranove." (2021, IFU Press Release).
18) Eranove annual report 2021.

SUSTAINABLE FOOD SYSTEMS

Hunger and malnutrition remain a global challenge, as well as a barrier to development in many countries. In 2022, the UN reported that global food supply systems were being undermined by a combination of conflicts, climate-related shocks and widening inequalities, with the result that 828 million people may have suffered from hunger in 2021.[19] The SDG Fund's investments in sustainable food systems play a crucial role in contributing to SDG 2, while also creating economic growth and social progress. Moreover, they contribute to SDG 12 by promoting responsible consumption and production, since much food loss and food waste in developing countries is due to insufficient and ineffective storage and transport facilities. Investments within the sector also play an important role in supporting climate adaptation for millions of small-scale farmers, who have to increase productivity and resilience in the face of higher temperatures and erratic rainfall.

The SDG sub-goals supported by the SDG 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

DKK 440 MILLION HAS BEEN INVESTED IN AGRIBUSINESS

The SDG Fund has invested DKK 440 million (€59 million) in four companies in the agriculture sector to date. 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. In 2022, the SDG Fund exited this investment.
- Leap India 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 storage serving approximately 30,000 farmers annually and reduce post-harvest losses significantly.

Table 5: Results in the agribusiness sector

Investment	Country	Investment (DKKm/€m)	Domestic purchase[20] reported (2022) (DKKm/€m)	Domestic purchase reported (2021) (DKKm/€m)	Total employment reported (2022)	Total employment reported (2021)
United Exports	South Africa	74.6 (€10.0)	128.6 (€17.3)	122.4 (€16.5)	841	942
Leap India	India	94.9 (€12.8)	16.1 (€2.2)	22 (€3.0)	106	103
Global Tea Limited	Kenya	69.6 (€9.4)	12.5 (€1.7)	-	685	616
	Malawi				1,858	1,858
Suminter Organics[21]	India	204.1 (€27.4)	No data in 2022			
Total		**440.1 (€59.2)**	**157.3 (€21.2)**	**144.4 (€19.4)**	**3,490**	**3,519**

19) The Sustainable Development Goals Report, 2022 (United Nations)
20) Sourced from FY2021 reporting. See annex 2 for explanatory notes on methodology and presentation of results in the report.
21) The investment in Suminter Organics was contracted in 2022 and company reporting will be received in 2023. There is currently no data available for this investment.

- 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.
- Suminter Organics produces high quality natural organic ingredients and materials under socially responsible and environmentally sustainable conditions. The company works closely with over 90,000 smallholder farmers to grow, harvest and process organics goods using fair and ethical practices.

CASE SUMINTER ORGANICS

ABOUT

Investment year: 2022
SDG Fund investment: DKK 204.1m (€27.4m)
Expected total investment: DKK 385.3m (€51.8m)

SUPPORTING SMALLHOLDER FARMERS IN GOING ORGANIC

In 2022, the SDG Fund finalised an investment into Suminter Organics, an Indian based B2B supply chain management company for organic agricultural products. The company sources, processes and exports organic GMO-free agricultural products to more than 250 food brands spread across 20+ countries in the Americas and European regions, including several of the world's largest consumer brands for supply of products.

Agricultural produce, such as soybean, cotton, coconut, spices, oilseeds and sugar, is sourced from small-scale farmers, whom Suminter Organics assists in converting to certified organic cultivation. Currently, Suminter Organics has a farmer base of about 90,000, who cultivate some 175,000 hectares, primarily in India, the Philippines and Uganda. The new financing will contribute to business expansion and double the number of farmers to 180,000.

Suminter Organics is focused on triple bottom line benefits: Economic – market access for small farmers, better yield & pricing and low input costs; Environmental – elimination of chemicals, reduced water requirement; Social – fairtrade practices, support for farming communities. The company has been recognized with several national awards and recognition for its market leadership in key commodities.

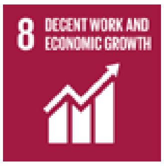
IMPACT

175,000
hectares converted to organic production

861
people are employed by Suminter Organics

180,000
farmers to be certified organic by 2027

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 owners and farmers. Microfinance institutions are considered an important mechanism to stimulate economic growth, through providing loans and financial services to clients who would not usually have sufficient credit history to access loans through mainstream banks.

SASAII, South Africa.

MORE THAN

300,000

CREDIT CLIENTS SERVED IN 2022

Strengthening the capacity of domestic financial institutions contributes to SDG 8, and providing the poor access to micro-finance contributes to SDG 1. Financial inclusion also has a natural gender focus, since the vast majority of micro-credit loan recipients are women. Through access to loans, women gain better options for managing their own lives and becoming financially independent.

The SDG sub-goals supported by the SDG 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

The SDG Fund invested DKK 195 million (€26 million) in Bancosol in 2020, which in 2022 supported 322,000 credit clients, and provided more than a million clients with bank accounts.

Table 6: Results in the financial services [22]

Indicator	Unit	Reported 2022	Reported 2021	Expected 2024
Loan portfolio	DKK€/(€bn)	13.5 (€1.8)	12.6 (€1.7)	14.6 (€2.0)
Individual credit clients	No.	322,288	296,372	396,985
Depositors	No.	1,134,328	1,073,698	1,193,482
Clients living below the national poverty line	%	26	26	25
MSME clients	No.	246,820	229,503	303,000
Clients trained in financial literacy	No.	47,957	89,007	95,000
Employees	No.	3,222	3,069	3,500
Female employees	No.	1,659	1,548	1,765

22) Converted to DKKbn, from: USDm 1,621 (2018); 1,781 (2020); 1,918 (2021); 2,053 (2022) 2,406 (2024)

CASE BANCOSOL

ABOUT

Investment year:
2020
SDG Fund investment:
DKK 195.3m
(€26.3m)
Expected total investment:
DKK 273.5m
(€36.8m)

INVESTING IN THE LARGEST MICROFINANCE BANK IN BOLIVIA

In 2020, the SDG Fund invested DKK 195 million (€26 million) in the largest microfinance bank in Bolivia. Bancosol was established in 1992 as one of the first commercial microfinance banks globally, having started as an NGO initiative in the 1980s. Today it is considered a leading global microfinance bank. Its focus is provision of loans and financial services to micro, small and medium-sized enterprises (MSME). In 2022, more than 300,000 clients benefitted from Bancosol loans, of which almost 80% were MSMEs. 26% had earnings below the national poverty line, and 45% of the borrowers were women.

The provision of financial services to MSMEs is important in Bolivia. Micro and small enterprises are the main source of subsistence for most low-income families. In addition, they are considered significant because of their role in contribution to employment generation, contribution to GDP and improvement of income distribution and family savings.[23]

The bank has for many years been ceritified against the client protection principles, and in 2021 achieved the highest rating (Gold) based on an independent third-party assessment for recertification. During 2022, Bancosol also became a signatory to the principles for responsible investment, a UN-led initiative which publicly demonstrates commitment to environmental, social and governance in investment decision-making and ownership. Bancosol furthermore measured its carbon footprint for the first time in 2022, a sign of commitment to contribute to a low-carbon, resilient and sustainable world.

IMPACT

322,000 credit clients

26% clients below national poverty line

45% of clients are women

23) Small and Medium Enterprises in Bolivia, a Look Back to the Future, 1900 - 2020, (Journal of Evolutionary Studies in Business, 2022)

OVERALL RESULTS

The SDG Fund investee companies are directly contributing to nine SDGs. A selection of key achievements are summarised through the indicators and results detailed in table 7. These represent the overall contribution of the investments to the SDG global agenda, measured from the inception of the SDG Fund in 2018. The results are based on annual reporting received from investments and show good progress towards achieving the expected results.

Table 7: Development impact for the SDG Fund portfolio

	Indicator	Unit	Status in 2022	Status in 2021	Expected results at exit
	Number of clients borrowing less than 5,000 USD	No.	43,166	41,978	67,488
	Number of MSME clients	No.	246,820	229,503	303,000
	Total volume of loans to MSMEs	DKKbn/(€bn)	10.8 (€1.5)	10.2 (€1.4)	12.8 (€1.7)
	Total volume of outstanding loans	DKKbn/(€bn)	13.5 (€1.8)	12.6 (€1.7)	15.8 (€2.1)
	Estimated number of poor customers served by grain storage silos	No.	538,900	493,000	5,100,000
	Number of patients served annually	Million no.	1.17	1.11	3.88
	Number of female patients served annually	No.	406,490	403,203	961,631
	Number of gender lens investments [24]	%	47%	30%	40%
	Volume of gender lens investments [24]	%	35%	41%	40%
	Number of female clients in financial institutions	No.	144,424	124,924	180,000
	Renewable energy capacity installed	MW	1,361	992	5,255
	Renewable energy generated annually	GWh	2,634	2,271	7,536
	Access to electricity for poor households	No.	1,230,000	1,020,000	2,000,000
	Total direct employment [24]	No.	25,536	24,104	n/a
	Women employed [24]	No.	8,472	6,167	n/a
	Youth employed [24]	No.	4,588	1,945	n/a
	Domestic purchase annually [24]	DKKbn/(€bn)	1.9 (€0.3)	1.1 (€0.1)	n/a
	Total wages paid to employees annually [24]	DKKbn/(€bn)	1.8 (€0.2)	0.5 (€0.1)	n/a
	SDG volume invested in LMICs or LDCs	%	71%	72%	n/a
	Total avoided GHG emissions annually (no attribution) through renewable energy [25]	Million tCO_2e	1.6	1.2	6.2
	Attributed avoided GHG emissions annually through renewable energy [25]	Million tCO_2e	0.09	0.06	0.41
	Attributed GHG emissions for SDG portfolio [24, 25]	tCO_2e	161,121	77,24	n/a
	SDG portfolio emission intensity [24, 25]	tCO_2e/DKKm	110	100	n/a
	Annual taxes reported [24]	DKKm/(€m)	328 (€44.1)	29.7 (€4.0)	n/a

24) Sourced from FY2021 reporting. See annex 2 for explanatory notes on methodology and presentation of results in the report.
25) Note that SDG 13 includes figures for avoided emissions, which refer to renewable energy investments only, as well as figures for overall GHG emissions referring to the entire SDG Fund portfolio.

MANAGING SUSTAINABILITY IN PROJECTS

IFU encourages all projects to work strategically with sustainability and formally anchor sustainability activities in their business plans and daily practices. As fund manager, IFU screens and assesses potential investment projects for the SDG Fund against its exclusion list during the initial stages of the investment process.[26] Before contracting, each investment is then assessed in more detail during due diligence against the IFC Environmental and Social Performance Standards – an internationally recognised framework for managing sustainability risks and impacts based on a number of international core conventions, declarations and agreements, including the ILO conventions and the UN Guiding Principles on Business and Human Rights. The IFC Performance Standards cover issues relating to labour and working conditions, resource efficiency and pollution prevention, community health, safety and security, land acquisition and involuntary resettlement, biodiversity conservation and sustainable management of natural resources, protection of indigenous peoples and cultural heritage. Human rights issues are thus an integral part of the standards. However, if risks of severe adverse human rights impacts are identified, IFU will conduct a more thorough human rights impact assessment to identity the need for additional mitigation measures to those affected, thereby complying with the IFC Performance Standards.[27]

At contracting phase, each investee company commits to a written environmental social action plan describing the specific mitigation measures to be implemented to respond to identified gaps in relation to the requirements in IFU's sustainability policy and the relevant IFC Performance Standards. All projects are also required to adopt a written sustainability policy and a written stand against corruption as well as establish an environmental and social management system and a grievance mechanism for receiving, processing, and settling complaints by individuals and communities. The requirements must be met within a reasonable timeframe and are thus not an entry condition for funding. IFU's active ownership throughout the investment period includes monitoring project performance and ensuring implementation of the measures in the action plan.

The table below provides an overview of the current progress made by SDG Fund investments in relation to a selection of ESG management indicators, as reported by portfolio companies. The indicators demonstrate compliance with IFU's sustainability policy. The table demonstrates significant and welcome progress in these key areas of ESG performance, which can be explained through incremental improvements across the indicators, as new investees progressively adopt IFU requirements during the initial period of investment.

Table 8: Selected ESG performance of SDG Fund projects

Indicators showing % projects with:	At the time of investment:	Status in 2022	Status in 2021[28]
Written sustainability policy	62%	100%	69%
Written stand against corruption	62%	95%	77%
Environmental and Social Management System	46%	89%	54%
Dedicated person responsible for sustainability	69%	95%	85%
Grievance mechanism for external stakeholders	38%	84%	46%

26) IFU's exclusion list is aligned with EDFI's exclusion list, which prohibits funding of listed activities that have a detrimental environmental and social effect, including the destruction of high conservation areas, forced and/or child labour and fossil-fuel related activities, amongst others. The list was updated in April 2022 to include more stringent requirements relating to its climate policy.

27) https://www.ifu.dk/wp-content/uploads/2023/02/Risks-of-forced-labour-in-solar-panel-supply-chain.pdf

28) 13 SDG Fund investments reported on sustainability performance at end of 2020; 19 SDG investments reported on sustainability performance at end of 2021. FY 2022 data for these statistics will be available and reported in FY 2023.

CASE JCM POWER CORPORATION

Golomoti, Malawi.

Equal opportunites in renewable energy, Malawi

By promoting gender equality in the private sector, IFU can contribute to unlocking business opportunities for female entrepreneurs and advance women as business leaders, employees and consumers. Accordingly, IFU seeks to integrate "gender lens" decision-making into its investment processes. To date 47% of SDG Fund investments are categorised as gender lens investments. In addition, IFC Performance Standards commit employers to equal opportunity and prohibiting against any form of harassment in the workplace, especially with regards to women. Through the SDG Fund's investment in JCM Power, the SDG Fund has contributed to the construction of a solar power park in Golomoti, Malawi. Here the company has taken a proactive approach to empowering women and preventing gender-based harassment through new gender inclusive policies in response to identified risk. IFU assessed the risk through its due diligence procedures and contributed with other investors to a grant supporting the company to undertake a package of gender-inclusive initiatives.

Consequently, the Golomoti project has worked hard to sustain a gender-inclusive culture, including senior level promotion of the business case for equality, and the appointment of a gender inclusion specialist in May 2020. This has led to a range of gender-inclusive policies, such as an employee code of conduct, a labour policy, and a gender-based violence and harassment (GBVH) policy. Implementation is ensured through a gender equality promotion component in all project inductions to raise awareness and promote fair behaviour, which includes prevention and response to GBVH. In addition, the project has also worked with a number of employees with children under the age of five to find ways to help them raise their children while still working. Gender balance is also taken into account when nominating representatives for the workplace committee, so that women can voice their issues.

The measures appear to be already bearing fruit: gender-based violence incidences are being reported through its grievance mechanism, demonstrating that JCM has developed an accessible and transparent complaint mechanism for workers and community members.

OUTLOOK FOR THE SDG FUND IN 2023 AND BEYOND

IFU'S EXPERIENCE SHOWS THAT PUBLIC-PRIVATE INITIATIVES TO DEPLOY RISK CAPITAL WITH A POSITIVE CLIMATE AND SDG IMPACT WILL BE CRUCIAL TO DELIVERING ON THE 2030 AGENDA

In 2023, the SDG Fund will make the final series of new investment commitments and then close for further investments, apart from some potential follow-on financing. During 2023, additional investments are expected in the priority sectors of financial services, healthcare, green energy and infrastructure, and sustainable food systems. As such, the SDG Fund continues to pursue its mandate as a vehicle for mobilising private finance to contribute to the SDGs.

As we approach the midpoint to accomplish the 2030 Agenda for Sustainable Development, the UN has made clear that urgent, scalable multi-stakeholder action is needed to achieve the 17 SDGs by 2030 – and that the private sector should demonstrate bold leadership by setting measurable, credible and ambitious targets to advance the SDGs. Accordingly, IFU will seek to build on the successes of the SDG Fund, by exploring new innovative impact investment fund initiatives. IFU's experience shows that public-private initiatives to deploy risk capital with a positive climate and SDG impact will be crucial to delivering on the 2030 agenda, and should be scaled up in the coming years.

ANNEX 1: ACRONYMS

ATP	ATP Livslang Pension
B2B	Business to business
DKK	Danish kroner
ESG	Environmental, Social and Governance
GBVH	Gender-based violence and harassment
GHG	Greenhouse gas
GWh	Gigawatt hours
IEA	International Energy Agency
IFC	International Finance Corporation
IFU	Investment Fund for Developing Countries
JCI	Joint Commission International
LDC	Least Developed Country
LMIC	Low and Middle Income Country
MAYO	Mayo Clinic Healthcare
MSME	Micro, Small and Medium Entrprises
MW	Megawatts
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
P+	P Plus
PenSam	PenSam Pension
PFA	PFA Pension Forsikringsaktieselskab
PKA	Pensionskassernes Administration A/S
SDG	Sustainable Development Goal
TEMOS	Temos International Healthcare
UHC	Universal Health Coverage
UN	United Nations

ANNEX 2: A NOTE ON METHODOLOGY

- The SDG Fund has made 22 investments to date, including three investments exited during 2021. The report presents the cumulative results of the fund since its launch, including the results achieved from investments exited during 2022.
- Results are calculated based on results received from SDG Fund investments, which were finalised prior to 2022, and therefore do not include data on three new investments finalised during 2022. However, as appropriate, targets for exit have been revised to reflect anticipated achievements of the new investments finalised in 2022.
- Results presented represent the achievements of the fund in each sector. Where multiple investments have reported against the same indicator, results have been aggregated to the extent possible.
- Results are drawn primarily from results framework reporting which was received from investee companies in Q4 2022. In some cases, 2022 data was not yet available or incomplete. These results have therefore been calculated based on 2022 data where available, and 2021 results data where appropriate. In other cases, figures are calculated based on FY2021 financial reporting or FY2021 annual company sustainability reporting, which was collected by IFU from investee companies in mid-2022. Figures sourced from FY2021 financial and sustainability reporting are indicated throughout the report in footnotes.
- Throughout the report financial figures have been provided in DKK with the equivalent amount in EUR in brackets. The EUR equivalents have been calculated using the rate published by Danmarks Nationalbank on 30 December 2022 of Danish kroner 7.4365 for 1 euro, and are approximate due to rounded figures.

INVESTMENT FUND FOR
DEVELOPING COUNTRIES

Cover photo: Órigo's solar farm, Tiradentes-São Francisco, Minas Gerais, Brazil. Other fotos by Ernst Tobisch, IFU project companies and staff.

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