



## FACTS ABOUT THE DANISH SDG INVESTMENT FUND II

*The Danish pension funds PKA, PFA, P+ and PenSam have established the Danish SDG Investment Fund II in collaboration with IFU. Through commercial investments, the Fund will contribute to the realisation of the UN Sustainable Development Goals, with particular focus on the green transition, as well as just and inclusive development in developing economies in Africa, Asia and Latin America.*

The UN's 17 Sustainable Development Goals (SDGs) set an ambitious agenda to improve the living conditions of the world's population by 2030. Public investment is not sufficient to achieve the objectives, and therefore private capital needs to be mobilised.

Against this background, IFU and four Danish pension funds have established the Danish SDG Investment Fund II (SDG Fund II), which will contribute to the realisation of the SDGs through commercial private sector investments in developing countries, while delivering a competitive risk-adjusted return.

SDG Fund II is a public-private partnership, in which private investors contribute 60% of the total capital commitment, and IFU contributes 40%. The objective is a fund with a capital commitment of DKK 5bn. The capital commitment in the first closing is DKK 2.7bn. It is expected that the remaining capital commitments can be realised in a second closing in 2025.

The capital commitments of the first closing are distributed as follows:

PKA	DKK 400m
PFA	DKK 400m
P+	DKK 400m
Pensam	DKK 400m
IFU	DKK 1,066m
I alt	DKK 2,666m

### Investments and impact

SDG Fund II will invest in the private sector in several developing countries. The investments must create sustainable companies that can contribute to the green transition, as well as just and inclusive development.

With its investment strategy, the Fund will make a positive contribution to the SDGs. Across the investments, the fund will in particular contribute to SDGs 5, 8, 10 and 13, which cover 'gender equality', 'decent jobs', 'reduced inequality' and 'climate action'. In addition, investments in individual sectors will affect other SDGs.

The fund will continuously measure and report on how it contributes to achieving the SDGs.

### Solid return for investors

SDG Fund II is a commercial fund that, in addition to positive impact, will also deliver a competitive risk-adjusted return to investors. The expectation is an annual net return of 12-15 %.

### Preference return and loss guarantee

To reduce the risk of the private investors, the fund has a built-in preferential return and a loss guarantee. The preference return means that private investors have a first right of return of 6 %, with a subsequent catch-up for IFU. The loss guarantee is provided by the EU and covers the private investors' loss on individual investments of up to DKK 535m.

### One krone makes five kroner

SDG Fund II mobilises private capital directly in the fund and in individual investments. It is expected that for every public krone invested by IFU, an additional five kroner will be mobilised in private capital.

### 13 focus countries in Africa, Asia and Latin America

SDG II has 13 focus countries where most of the investments are expected to be made. The 13 countries are: India, Indonesia, Vietnam, Egypt, Kenya, Morocco, Nigeria, Senegal, South Africa, Brazil, Colombia, Mexico and Peru.



It is expected that 40 to 50 % of the Fund's resources will be invested in Asia, 30 to 40 % in Africa and 10 to 20 % in Latin America.

### **Investments of DKK 150-300m in individual companies**

SDG II will invest equity directly in individual companies in the investment countries. The investment size will vary from DKK 150m to DKK 300m in the companies. It is expected that the fund will invest in around 20 companies.

### **Investment in strategic sectors**

SDG II will invest in four sectors: green energy and infrastructure, health, sustainable food systems and financial services. It is expected that 40% of the investments will be in green energy and infrastructure, while health, sustainable food systems and financial services are expected to account for 20% each.

### **Four-year investment period**

SDG II is designed as a private equity fund. The investment period is four years. Subsequently, the fund will sell the investments to other investors. The expected maturity of the fund is 11 years.

### **Focus on the environment and social sustainability**

SDG Fund II will comply with IFU's sustainability policy, which is based on the Global Compact and a number of international conventions such as the UN Guiding Principles on Business and Human Rights, workers' rights, the environment, safety and health at work, anti-corruption, etc. The investment companies must establish their own sustainability policy, which must be reported to the company's board of directors on a regular basis.

SDG Fund II is a so-called Article 9 fund under the EU's SDFR regulation, which is the most sustainable type of fund. This means that the fund has specific sustainability objectives that are equated with targets for returns. In addition, the companies in the funds must comply with the principle of "do no significant harm", which means that the sustainable objectives cannot be achieved at the expense of, for example, the environment or social conditions.

### **IFU is fund manager**

IFU - the Investment Fund for Developing Countries is fund manager for SDG Fund II. Since 1967, IFU has invested in more than 1,300 companies in over 100 developing countries, making it Denmark's most experienced impact investor in developing countries. IFU was named one of the world's best impact investors by BlueMark in 2024.

At the end of 2023, IFU's capital under management totalled DKK 15.5bn. As part of a reform of IFU, capital under management is expected to increase to around DKK 35bn in 2030.

### **IFU's board of directors and management**

IFU's executive board: Lars Bo Bertram, CEO, Søren Peter Andreasen, Deputy CEO and Lars Krogsgaard, Chief Investment Officer.

IFU's board of directors: Michael Rasmussen, Chairman, CEO of Nykredit, Anette Eberhard, Deputy Chairman, Birgitte Qvist-Sørensen, former Secretary General of Folkekirkens Nødhjælp, Emilie Dam Klarskov, Head of Analysis at AE, Fleming Voetmann, VP External Relations & Sustainability at Velux, Hanna Line Jakobsen, Director, Social & Humanitarian, Novo Nordisk Fonden, Jakob Ellemann-Jensen, former Chairman of Venstre and former Deputy Prime Minister and Minister for Economic Affairs, Jarl Krausing, Deputy Director and International Manager, CONCITO, Thomas Bustrup, Deputy CEO, DI and Tommy Ahlers, Chairman of Concito and former Minister. Observer: Karin Poulsen, Ambassador, Head of Division, Green Diplomacy and Climate, Ministry of Foreign Affairs.

### **Facts about the investors:**

#### **PKA**

PKA is one of Denmark's largest pension funds. We provide life-long security to a community of over 360,000 members, predominantly from the social and health sectors. Our members are also our owners. On behalf of them, we manage a fortune of DKK 440bn, which we invest in, among other things, solar, wind and the Sustainable Development Goals.



### **PFA**

PFA Pension was founded in 1917 by a number of employers' and employees' organisations with the aim of securing their members financially. Today, PFA is Denmark's largest pension fund with approximately 1.3 million customers, and PFA still has a strong cooperation with the organisations. PFA's mission is to create as much value as possible for its customers. Therefore, almost all of the value that PFA creates goes to customers and not to shareholders. PFA has approximately DKK 640bn under management.

### **P+**

P+ is the pension fund for academics. We have more than 117,000 members, who own P+, and together we have around DKK 170bn. This makes us one of Denmark's 10 largest pension funds.

### **PenSam**

PenSam provides occupational pensions to approximately 500,000 employees, who perform citizen-related core tasks in the Danish welfare state, primarily in the municipalities within the social and health area. In 2023, PenSam's total premium income was DKK 6.8bn, so customers' total investable savings reached DKK 180bn.