



Danish Sustainable Development Goals Investment Fund II K/S

Fredericiagade 27
1310 Copenhagen K
CVR No. 44366371

Annual report 05.10.2023 - 31.12.2024

The Annual General Meeting adopted the
annual report on 30.04.2025

Frederik Bjørn
Chairman of the General Meeting

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Fund details

Fund

Danish Sustainable Development Goals Investment Fund II K/S

Fredericiagade 27

1310 Copenhagen K

Business Registration No.: 44366371

Date of foundation: 05.10.2023

Registered office: Copenhagen

Financial period: 05.10.2023 - 31.12.2024

General Partner

DSDG II GP P/S

Board of Directors in [not found]

Frederik Bjørn

Lars Bo Bertram

Niels Gravgaard Laursen

Fund Manager

IFU - Investment Fund for Developing Countries

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Denmark

Statement by the Management on the annual report

The Manager and the General Partner have today considered and approved the annual report of Danish Sustainable Development Goals Investment Fund II K/S for the financial year 05.10.2023 - 31.12.2024 .

The annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Fund's financial position at 31.12.2024 and of the results of its operations and the cash flows for the financial year 05.10.2023 - 31.12.2024 .

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Furthermore, the supplementary report has been prepared in accordance with the Sustainable Finance Disclosure Regulation (SFDR) and contains a fair review of the affairs and conditions referred to therein.

København, 11.04.2025

DSDG II GP P/S

Frederik Bjørn

Lars Bo Bertram

Niels Gravgaard Laursen

Management commentary

Primary activity

In December 2024, the SDG Fund II was established as a public-private partnership with total capital committed on DKK 2,666 million. It is expected that the remaining capital commitments can be realized in a second close in 2025.

SDG Fund II purpose is to generate returns on the limited partnership's capital by investing in commercial projects in developing countries across various sectors, including renewable energy, agriculture, infrastructure, water and sanitation, industry, services, and finance, in line with the investment strategy.

Development in activities and finances

The Fund has experienced a solid flow of investment opportunities, though no investments were made in 2024.

Uncertainty relating to recognition and measurement

When preparing the financial statements, Management makes a number of estimates about future conditions that may affect the financial value of assets and liabilities. The area most affected by the estimates made by Management is the valuation of share capital investments at fair market value.

Events after the balance sheet date

No events have occurred after the balance sheet date, which have materially affected SDG Fund II's financial position.

Result of the year

This year's gross profit for SDG II K/S amounts to DKK - 5,445 thousand.

This year's net profit for SDG II K/S amounts to DKK - 5,446 thousand.

Supplementary report on disclosures in accordance with SFDR

The fund has sustainable investment as its objective in line with the criteria in Article 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR). The fund is not subject to the reporting requirements of SFDR, but the annual report is voluntarily prepared in accordance with the requirements of the disclosure regulation.

Further information is available in the section on sustainability-related disclosures (SFDR), which is presented after the fund's financial statements and forms part of the management report for the fund.

Independent auditor's report

To the shareholders of Danish Sustainable Development Goals Investment Fund II K/S

Opinion

We have audited the financial statements of Danish Sustainable Development Goals Investment Fund II K/S for the financial period 05.10.2023 - 31.12.2024, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Fund's financial position at 31.12.2024 of the results of its operations and cash flows for the financial period 05.10.2023 - 31.12.2024 in accordance with the IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless the Management either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary and statement on the supplementary report provided for in accordance with the Sustainable Finance Disclosure Regulation (SFDR)

The General Partner is responsible for the management commentary, as well as for the supplementary report on disclosures in accordance with the Sustainable Finance Disclosure Regulation (SFDR), hereinafter referred to as "the supplementary report".

Our opinion on the financial statements does not cover the management commentary or the supplementary report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and the supplementary report and, in doing so, consider whether the management commentary and the supplementary report is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary and the supplementary report provides the information required under the Danish Financial Statements Act and the Sustainable Finance Disclosure Regulation respectively.

Based on the work we have performed, we conclude that the management commentary and the supplementary report is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the Sustainable Finance Disclosure Regulation respectively. We did not identify any material misstatement of the management commentary or the supplementary report.

Copenhagen, 11.04.2025

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Jens Ringbæk

State Authorised Public Accountant

Identification No (MNE) mne27735

Lars Hillebrand

State Authorised Public Accountant

Identification No (MNE) mne26712

Statement of comprehensive income

	Notes	2023/24 DKK'000
Administrative expenses	3	(5,445)
Operating expenses		(5,445)
Operating profit/(loss) (EBIT)		(5,445)
Financial expenses	4	(1)
Increase / (decrease) in net assets attributable to Limited Partners		(5,446)
Comprehensive income		(5,446)

Statement of financial position as at 31.12.2024

Assets

	2023/24 DKK'000
<hr/>	
Total assets	0

Net assets and liabilities

	Notes	2023/24 DKK'000
Retained earnings		(5,446)
Net assets attributable to Limited Partners		(5,446)
Other payables	6	5,446
Current liabilities		5,446
Total liabilities		5,446
Total liabilities and net assets attributable to Limited Partners		0

Statement of changes in net assets attributable to the Limited Partners

	Retained earnings DKK'000	Total DKK'000
Profit/(loss) for the period	(5,446)	(5,446)
Net assets 31.12.2024	(5,446)	(5,446)

The net assets attributable to Limited Partners in the Fund is negative but, the Limited Partners have committed themselves to contributing up to DKK 2,666,666,667 into the Fund, as and when new capital is required for making investments, paying Fund costs etc. Of the total committed capital, Limited Partners have paid-in DKK 0 thousand at 31.12.2024 and the remaining contribution balance is DKK 2,666,666,667.

The limited partnership capital is divided into shares of DKK 1.

The Limited Partnership is owned by the Limited Partners in proportion to their contributed capital and they receive a return on their investment that is dependent on the yield of the underlying investments throughout the lifetime of the Fund. Some specific commitment classes have an associated right to receive carried interest and do not pay management fee.

Statement of cash flows

	Notes	2023/24 DKK'000
Operating profit/(loss) (EBIT)		(5,445)
Change in payables		5,446
		1
Paid financial expenses	4	(1)
Cash flows from operating activities		0

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Notes to the financial statements

1 Accounting policies

Reporting class

The financial statements are prepared in accordance with the IFRS Accounting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

This is the Fund's first financial statements which comprise the period from 05.10.2023 - 31.12.2024, and hence no comparative figures have been presented.

The financial statements are presented in , ~~DKK~~ is the functional currency of the Fund.

The Fund's income consists of value increases on investments, and the Fund has no contracts covered by IFRS 15. The Fund has not entered into any lease contracts covered by IFRS 16.

Where relevant, assessments made by Management when applying IFRS and which have had a significant impact on the financial statements are presented in the relevant notes to the financial statements.

The financial statements are presented on the basis of going concern. The Limited Partners' undrawn commitment are sufficient to ensure that the Partnership will be able to meet its obligations in full for a period of at least 12 months from the balance sheet dated 31.12.2024.

All amounts in the financial statements are presented in whole thousand ~~DKK~~. Every figure is rounded off separately and, for that reason, minor differences between the stated totals and the sum of underlying figures may occur.

Significant accounting judgment and estimates

As part of the preparation of the financial statements, the Management makes accounting judgments which form the basis of presentation, recognition and measurement of the Fund's assets and liabilities. The most significant accounting judgements are evident from note to the financial statements.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Fund, and the value of the asset can be measured reliably. Assets are derecognised in the balance sheet when it is no longer probable that future economic benefits will flow to the Fund.

Purchase and sale of financial assets and liabilities are recognised in the balance sheet at the commitment date.

Liabilities are recognised in the balance sheet when the Fund has a legal or actual obligation as a result of an event before or on the balance sheet date, and it is probable that future economic benefits will flow out of the Fund, and the value of the liability can be measured reliably. Liabilities are derecognised in the balance sheet when it is no longer probable that economic benefits will have to be given up to settle the liability.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the statement of comprehensive income when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

Transactions denominated in other currencies than the Fund's functional currency are translated at initial recognition using the exchange rate at the balance sheet date.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Statement of comprehensive income

Administrative expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

Administrative expenses and other operating expenses comprise expenses incurred during the reporting period not directly related to the Fund's investment activities. The Fund pays the Fund Manager an annual fee for carrying out investment related activities and administration. The fee is calculated in accordance with the criteria set out in the Limited Partnership Agreement.

Financial income and expenses

Financial expenses include interest income and financial expenses include bank fees and interest expenses.

Taxation

Under current Danish law governing the Fund, it is not independently taxable because the Fund's profit/loss for the year is included in the Limited Partners' taxable income.

Balance sheet

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement is presented according to the indirect method and shows cash flows for operations, investments and financing, and cash and cash equivalents at the beginning and end of the year.

Cash flows relating to operating activities are calculated as the operating profit, adjusted for non-cash operating items and changes in working capital attributable to operating activities.

Cash flows for investing activities include payments related to the acquisition and sale of portfolio companies.

Cash flows relating to financing activities comprise changes in the Fund's capital.

2 Significant accounting estimates, assumptions, and uncertainties

The Fund makes investments in non-listed companies, where the ability to divest and the companies' earnings are influenced by various factors, and the fair market valuation includes judgements and estimates. The fair market valuation of the investments in portfolio companies is therefore subject to uncertainties and the investments will not at all times be liquid as different market conditions may influence liquidity.

This uncertainty may be greater in periods of high volatility in the financial markets, and the business cycle also affects earnings in the underlying companies.

As of 31.12.2024 no investments have been made.

3 Administrative expenses

The Fund has no employees.

Administrative expenses include management fee for the period to IFU - Investment Fund for Developing Countries, in accordance with the Limited Partnership Agreement and management agreement. For further information about management fee, please refer to note . Administrative expenses also include establishment cost, fee to administration, audit, advisors and other professional fees.

4 Financial expenses

	2023/24
	DKK'000
Other interest expenses and fees	1
Interest expenses for financial liabilities	1

5 Limited partnership capital

The limited partnership capital is divided into shares of DKK 1.

The Limited Partnership is owned by the Partners in proportion to their contributed capital and they receive a return on their investment that is dependent on the yield of the underlying investments throughout the lifetime of the fund. Some specific commitment classes have an associated right to receive carried interest and do not pay management fee.

6 Other payables

	2023/24
	DKK'000
Auditor and other advisors	57
Payable to Fund Manager	5,389
Other payables	5,446

The carrying amount of payables relates to unpaid management fee, establishment costs and other fees for legal assistance, auditors and administrative services. The amount recognised corresponds to the fair value of the liabilities.

Other payables fall due for payment within 12 months.

7 Financial instruments

Categories of financial instruments:

	2023/24
	DKK'000
Other payables	5,446
Financial liabilities measured at amortised cost	5,446

All financial liabilities are due for payment within 12 months.

8 Financial risk management

The Management is ultimately responsible for the overall risk management within the Fund but has delegated the responsibility to the Fund Manager.

The Fund continuously manages and reduces risks by:

- in-depth business, technical, financial and legal due diligence before an investment is made;
- the conclusion of shareholder agreements in order to ensure the best possible protection and freedom of action of the Fund;
- continuous close monitoring of portfolio companies and active ownership.

Key financial risk factors and exposure regarding the financial statements for 2023/24 are categorised as follows:

Financial risk factors

Liquidity risks

The liquidity risk relates to the risk that the Fund may not fulfil its contractual obligations due to an insufficient amount of liquidity. The Fund is able to draw on uncalled commitments from its investors to meet its obligations, if needed. In addition, no indication of the Limited Partners' inability to contribute the remaining fund commitment exists.

There are no investment commitments to the portfolio companies, while the remaining commitments of the Limited Partners amount to DKK 2,666,666,667. The liquidity risk is therefore considered to be very limited.

Credit risks

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. The credit risks of the Fund are considered limited.

The Fund's credit risk primarily arises from:

- cash and cash equivalents at banks
- guarantees

The management manages its credit risk exposure by transacting the Fund's contractual commitment activities with well-established banks, regulated exchanges and business partners which the Management consider to be reputable.

Currency risk

The currency risk of the Fund is related to the investments made in foreign portfolio companies. The Fund does not hedge this risk, but considers it to be an integrated and less important part of the aggregate risk of a portfolio company.

9 Financial instruments measured at fair value

The fair values of the individual portfolio companies are calculated on the basis of methods that best reflect individual investment risks, life cycle, and industry conditions. Generally applicable, the fair value is calculated in accordance with IPEV valuation guidelines and accepted valuation methods, including multiple analysis/benchmarking or other relevant methods.

The fair value of the investments are measured on a quarterly basis, or more frequently if significant changes occur.

The Fund Manager has implemented procedures and methodology to ensure that the valuation is carried out consistently over time and across investments.

However, as of 31.12.2024 the Fund has not yet made any investments.

10 Related parties

Related parties with a controlling interest

The Fund has no investors or related parties with a controlling interest.

Related party transactions

	2023/24
	DKK'000
IFU - Investeringsfonden for Udviklingslande (Fund Manager) has covered the costs related to the establishment.	
Other cost	2,671
IFU - Investeringsfonden for Udviklingslande is considered a related party of the Fund due to its role as being Fund Manager.	
Management fee	2,831

Management fee is calculated based on the Limited Partners' commitments to the Fund multiplied by a fee percentage.

In addition to this, no transactions with related parties have been conducted during the year.

11 Contingent liabilities

There are no guarantees or contingent liabilities of the Fund.

No provisions for expected credit loss have been recognised. Refer to note 8 for further.

12 Investors

The Limited Partnership has registered the following Limited Partner as holding more than 5% of the voting rights or nominal value of the contributed capital:

Limited Partner	Residence	Ownership percentage
PFA Pension, Forsikringsaktieselskab	Sundkrogsgade 4, 2100 Copenhagen Ø Denmark	14.99
PenSam Pension forsikringsaktieselskab	Jørgen Knudsens Vej 2 3520 Farum Denmark	14.99
P+, Pensionskassen for Akademikere	Dirch Passers Alle 76 2000 Frederiksberg Denmark	14.99
Pensionskassen for Sygeplejersker og Lægeseekretærer	Tuborg Boulevard 3 2900 Hellerup Denmark	7.19
Investeringsfonden for Udviklingslande (IFU)	Fredericiagade 27 1310 Copenhagen K Denmark	39.99

13 Events after the balance sheet date

From the balance sheet date until the date of the presentation of this annual report, no events have occurred that would materially affect the assessment of the annual report.

14 Authorisation of the annual report for issue

At the meeting held on 11.04.2025 the General Partner authorised this annual report for issue on 11.04.2025.

The annual report will be presented to the limited partners of the Fund for approval at the Annual General Meeting on 30.04.2025.

Appendix 1 - Supplementary report on disclosures in accordance with the SFDR

ANNEX III

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: SDG Fund II (referred to as "the Fund" in this document)
Legal entity identifier: 44366371

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Does this financial product have a sustainable investment objective?	
●● <input checked="" type="checkbox"/> Yes	●● <input type="checkbox"/> No
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 60% <ul style="list-style-type: none"> <input checked="" type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with a social objective: 40%	<input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



What is the sustainable investment objective of this financial product?

The SDG Fund II's ("Fund") overarching sustainable investment objectives are to contribute to (i) the building of a green economy and (ii) the building of a just and inclusive economy. These overarching sustainable investment objectives are supported by specific investment-level environmental and social objectives. Environmental objectives include contributing to (i) climate change mitigation; (ii) climate change adaptation; (iii) transition to a circular economy; (iv) pollution prevention and control; and (v) protection and/or restoration of biodiversity and ecosystems. Social objectives include (i) investment into fragile and conflict states; (ii) increase in bottom 40% income segment that earn a living wage; (iii) increase in access for the underserved to products and services; and (iv) gender lens investment.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

In furtherance of its sustainable investment objectives, the Fund will invest, either directly or indirectly, in four key sectors: (i) green energy and infrastructure; (ii) sustainable food systems (including forestry); (iii) financial services; and (iv) healthcare in developing countries and emerging economies. All objectives focus on improvements in sustainable outcomes when compared to pre-investment baseline based on sector, region, and investment-specific targets identified by investment and sustainability professionals and the Fund’s sustainability framework.

The Fund does not use an index as a reference benchmark or rely on an EU Climate Transition Benchmark or EU Paris-aligned Benchmark and thus does not seek to align with the methodological requirements set out in the related Delegated Regulation (EU) 2020/1818.

● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

The Fund will invest in the above-mentioned sectors and related economic activities and will use some of the following non-exhaustive list of sustainability indicators:

Fund-level objective	Investment-level objective	Indicator
Building a green economy	Climate change mitigation	<ul style="list-style-type: none"> • EU Taxonomy aligned • GHG emissions generated (scope 1, 2 & 3) (tCO2e) • GHG emissions avoided / reduced / removed (tCO2e)
	Climate change adaptation	<ul style="list-style-type: none"> • Volume invested supporting resilience and coping strategies (EUR)
	Transition to a circular economy	<ul style="list-style-type: none"> • Waste collected and diverted from disposal (dumping, landfilling) (tons) • Material recycled/recovered (tons)
	Pollution prevention and control	<ul style="list-style-type: none"> • Volume invested into pollution prevention and control (EUR)
	Protection and/or restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> • Sustainably-managed natural resources (ha) • Volume invested into protection / restoration of biodiversity / ecosystems (EUR)
Building a just and inclusive economy	Increase in bottom 40% income segment that earn a living wage	<ul style="list-style-type: none"> • Number of direct jobs that pay a living wage (no.)
	Increase access for underserved, to products and services	Green energy & infrastructure: <ul style="list-style-type: none"> • Access to clean energy (GWh) • Number of new connections to energy (no.)
		Sustainable food systems: <ul style="list-style-type: none"> • Access to food supporting a healthy diet (tons) • Number of smallholder farmers reached (no.)
		Financial services: <ul style="list-style-type: none"> • Number of microfinance / female / MSME clients (no.) Healthcare: <ul style="list-style-type: none"> • Number of patients served (total / female) • Volume invested into certified healthcare products and / or services (EUR)
Gender lens investment	<ul style="list-style-type: none"> • Volume invested in gender projects supporting equality and inclusion (EUR) 	

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

To select only those investments that do not cause significant harm to the Fund's environmental and social objectives, every new investment is assessed and monitored for compliance with:

- IFU's Sustainability Policy (and its underlying Environmental, Social, and Governance standards) based on internationally recognized frameworks such as the IFC Performance Standards, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, (now referred to as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct), UN Global Compact Principles, UN Convention Against Corruption, OECD Principles of Corporate Governance, and others;
- IFU's Exclusion List, avoiding investments involving forced or child labour, radioactive and phased-out materials, controversial activities and products, fossil fuels, deforestation or destruction of High Conservation Values, amongst others;
- EU Taxonomy's Do No Significant Harm criteria (for Taxonomy-aligned activities and as set forth in the draft Environmental Delegated Act and associated Annexes) and the Do No Significant Harm criteria in the Fund's sustainability framework, capturing environmental and social criteria tailored to the specific investment and its objective, as well as integrating the IFC Performance Standards and local specifics (laws, best available techniques/practices); and
- The Sustainable Finance Disclosure Regulation's ("SFDR") Principle Adverse Impact Indicators, as set out in Annex I of Regulation 2022/1288 ("SFDR Level 2"), are taken into account, as applicable, in the investment process.

How have the indicators for adverse impacts on sustainability factors been taken into account?

All mandatory indicators and two optional indicators for adverse impacts on sustainability factors are evaluated as part of the Fund's investment process. IFU has selected one environmental optional principal adverse impact ("PAI") indicator from Table 2 and one social optional PAI indicator from Table 3 of the SFDR Level 2, specifically No.8 Exposure to areas of high water stress and No.3 Number of days lost to injuries, fatalities, or illness, respectively.

The risks related to PAI indicators are considered during investment screening, using quantitative and/or qualitative methods. If deemed to be a higher risk, these PAI indicators are investigated during due diligence with mitigation measures included in the Environmental and Social Action Plan ("ESAP") and/or Corporate Governance Action Plan ("CGAP") with improvement tracked over the investment period. Lower risk PAI indicators are monitored for non-deterioration. Typically, IFU also targets non-financial additionality, thereby further reducing risks.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

IFU's investment process (screening, appraisal, due diligence, active ownership, and exit) is aligned with the UN Guiding Principles on Business and Human Rights ("UNGPs") and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct ("OECD MNEs"). As part of IFU's due diligence process, all new investments are evaluated for compliance with the aforementioned standards on responsible business conduct (RBC) upon investment. Accordingly, investees should have and implement relevant policies, management and operational systems, human rights due diligence, and other relevant measures to prevent, detect and where relevant restore negative impacts they have caused or contributed to. Such systems must include reporting (grievance) mechanisms.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

and as relevant, development of an ESAP and/or CGAP, including establishing or strengthening the Environmental and Social Management System (ESMS) and documented sustainability policy.

- Active ownership and exit – exercise and build leverage through board membership, ensure timely implementation of the ESMS and the ESAP and/or CGAP, monitor compliance with IFU’s policy requirements (including sustainable investment objective attainment, do no significant harm, minimum safeguards, and good governance), drive ESG improvements, require Annual Sustainability Reports, Impact Results Framework Reports and PAI indicator reports.

The investment process is driven and overseen by investment and sustainability professionals, as well as the boards from IFU and the Fund, with regular Investee Committee meetings and four decision gates. High risk investments and investments with irremediable negative impacts, or those that are assessed as unlikely to support satisfactory impact (sustainability) and return potential, are not pursued. Sustainability-related risks and impacts are considered in relation to the Fund’s return during decision-making, with ongoing monitoring and management during the investment lifetime. Most investments require improved management of E&S and corporate governance (“CG”) risks, and in doing so the value of investments are improved, notably by the time of exit.

● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The Fund only invests in investments/investees that:

- Do not finance new activities on IFU’s exclusion list;
- Contribute to the Fund’s objectives (building a green, just, and inclusive economy);
- Comply with the Fund’s sustainability framework, including do no significant harm criteria, minimum safeguards, and good governance practices;
- Are able to demonstrate both financial and non-financial additionality through IFU’s involvement; and
- Are willing to report on the sustainable investment objective’s attainment, ESAP and/or CGAP implementation, and do no significant harm criteria (including of PAIs and minimum safeguards).

● **What is the policy to assess good governance practices of the investee companies?**

The assessment of investees’ good governance practices is part of the Fund’s investment strategy and IFU’s investment process. It follows the OECD Principles of Corporate Governance. In the pre-investment stage, IFU evaluates whether investees have (i) effective governance structures (e.g., clearly defined roles and responsibilities of governing bodies and ESG factors integration in decisionmaking processes), (ii) adequate due diligence processes assessing ESG risks and impacts of the investees’ business operations, and (iii) processes for ESG integration in investment decisions.

With regards to corporate governance, the evaluation assesses structures and processes for the direction and control of companies, anti-corruption and bribery, anti-money laundering, fair competition, taxation, sanctions, conflict of interests and others. Upon investment, an action plan is followed for mitigating risks identified during the corporate governance assessment.

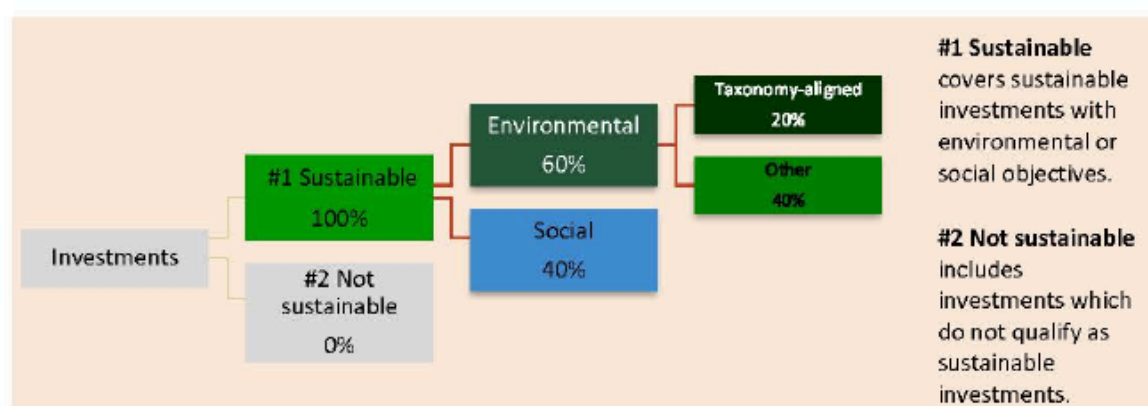
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



What is the asset allocation and the minimum share of sustainable investments?

The Fund will pursue sustainable investment objectives outlined above for 100% of the investments made by the Fund. These will be split between sustainable investments with an environmental objective (minimum 60%) and sustainable investments with a social objective (minimum 40%).



How does the use of derivatives attain the sustainable investment objective?

The Fund does not include derivatives or holding cash for hedging purposes.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

A minimum proportion of 20% of the Fund will be invested in sustainable investments with an environmental objective aligned with the EU Taxonomy, i.e., investments within the meaning of “environmentally sustainable economic activities” as defined in and screened against the criteria of Article 3 of the EU Taxonomy. The Taxonomy-alignment assessment will not be subject to third-party assurance in all cases.

Taxonomy alignment will be measured by total CapEx. The Fund mostly invests in greenfield investments that are in a construction (built-up) phase, during which little or no revenue is generated and therefore total CapEx is the most appropriate indicator.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

- Yes:
 - In fossil gas
 - In nuclear energy
- No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

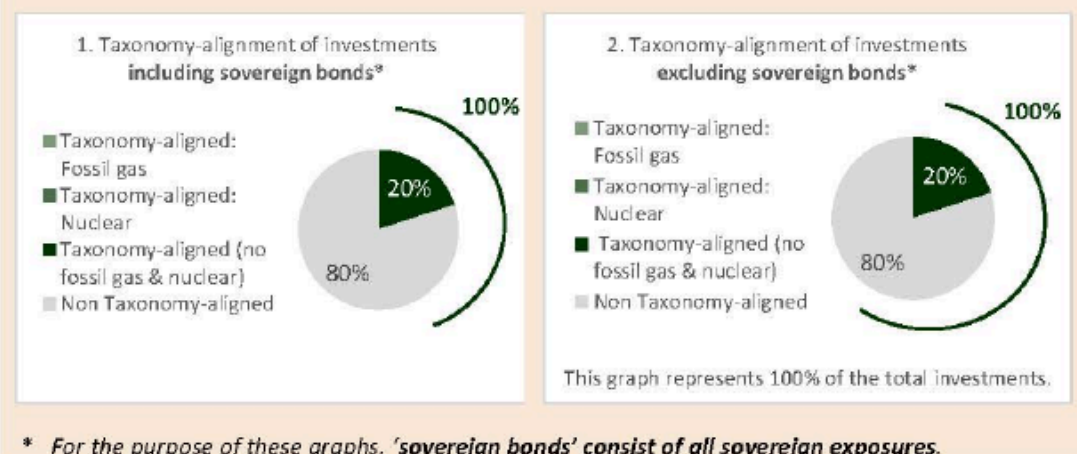
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.



Sustainable investments can be with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



● **What is the minimum share of investments in transitional and enabling activities?**

The minimum share of investments in transitional and enabling activities is expected to be 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

A minimum of 40% of the Fund's investments will be allocated to sustainable investments that do not meet the criteria for environmental sustainability outlined in Article 3 of the Taxonomy Regulation.

While some of these investments may be Taxonomy-eligible, the related criteria are not practical to achieve outside of the EU. IFU has therefore developed the Fund's sustainability framework to assess the sustainability objectives attainment and do no significant harm criteria (for non-EU Taxonomy aligned activities), building on the EU Taxonomy technical screening criteria, the IFC Performance Standards requirements, the Multilateral Development Banks Common Principles for Climate Mitigation Finance Tracking 2021, and IFU's Climate Policy 2022.



What is the minimum share of sustainable investments with a social objective?

A minimum of 40% of the Fund's investments are expected to be sustainable investments with a social objective. Such investments will primarily, but not exclusively, be within the healthcare, financial services, and sustainable food systems sectors which contribute to the Fund's objective of building a just and inclusive economy.



What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

Not applicable – the Fund will not make other investments which are "not sustainable".



Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable – the Fund will not use an index as a reference benchmark.

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**
n/a

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
n/a

- **How does the designated index differ from a relevant broad market index?**
n/a

- **Where can the methodology used for the calculation of the designated index be found?**
n/a



Where can I find more product specific information online?

More product-specific information can be found on the website:

[SDG Fund II SFDR article 9 website disclosure](#)