



MAJ INVEST FINANCIAL  
INCLUSION FUND II K/S

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Annual report 2022

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# STATEMENTS

## STATEMENT BY MANAGEMENT

The Board of Directors has today discussed and approved the annual report for Maj Invest Financial Inclusion Fund II K/S for the financial year 1 January – 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the limited partnership's assets, liabilities and financial position at 31 December 2022 and of the results of the limited partnership's operations and cash flows for the financial year 1 January – 31 December 2022.

We believe that the Management commentary and the supplementary report in accordance with the Sustainable Financial Disclosure Regulation (EU) include a fair review of the affairs and conditions referred to therein.

We recommend the annual report 2022 for adoption at the annual general meeting.

Copenhagen, 22 March 2023

General partner:  
Fonden MIFIF II GP

Board of directors:

*Kasper Svarrer*  
(chairman)

*Bjarne Thorup*  
(vice chairman)

*Frank Visti Møbjerg*

The annual report is presented and adopted at the annual general meeting.

on \_\_\_\_\_ / \_\_\_\_\_ 2023

Chairman: \_\_\_\_\_

# STATEMENTS

## INDEPENDENT AUDITORS' REPORT

To the limited partners in Maj Invest Financial Inclusion Fund II K/S

### **Opinion**

We have audited the financial statements of Maj Invest Financial Inclusion Fund II K/S for the financial year 1 January – 31 December 2022, which comprise accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Limited Partnership at 31 December 2022 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2022 in accordance with 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

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.

### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as 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, Management is responsible for assessing the Limited Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Limited Partnership or to cease operations, or has no realistic alternative but to do so.

# STATEMENTS

## INDEPENDENT AUDITORS' REPORT

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 Limited Partnership'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 Limited Partnership'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 Limited Partnership to cease to continue as a going concern.

# STATEMENTS

## INDEPENDENT AUDITORS' REPORT

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's commentary and other information in accordance with SFDR**  
Management is responsible for the Management's commentary, and other information in accordance with SFDR, hereafter referred to "other information" .

Our opinion on the financial statements does not cover the Management's commentary or other information, 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's commentary as well as other information and, in doing so, consider whether the Management's commentary and other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's commentary and other information is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's commentary or other information.

Copenhagen, 22 March 2023

EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Lars Rhod Søndergaard  
State Authorised  
Public Accountant  
mne28632

Rasmus Berntsen  
State Authorised  
Public Accountant  
mne35461

# MANAGEMENT COMMENTARY

## FUND INFORMATION

<b>The limited partnership</b>	Maj Invest Financial Inclusion Fund II K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
<b>Contact information</b>	E-mail: <a href="mailto:kontakt@majinvest.com">kontakt@majinvest.com</a> Website: <a href="http://majinvest.com">majinvest.com</a>
<b>CVR no.</b>	35 43 71 34
<b>Financial year</b>	1 January – 31 December
<b>Registered office</b>	Copenhagen
<b>General partner</b>	Fonden MIFIF II GP
<b>Board of directors in Fonden MIFIF II GP</b>	Kasper Svarrer Bjarne Thorup Frank Visti Møbjerg
<b>Manager</b>	Maj Invest Equity A/S
<b>Depository</b>	Private Equity Administrators Depository Services ApS
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg Denmark

# MANAGEMENT COMMENTARY

## KEY FIGURES AND RATIOS

'000 USD	2022	2021	2020	2019	2018
<b>Key figures</b>					
<b>Income statement</b>					
Value adjustment of investments in portfolio companies	(20,692)	(12,567)	14,824	27,070	8,133
Operating profit/loss	(22,936)	(14,939)	12,550	24,050	5,086
Profit/loss	(22,972)	(14,950)	12,403	23,704	4,655
<b>Balance sheet</b>					
Investments in portfolio companies	126,754	144,540	157,128	139,355	96,627
Total assets	127,737	145,713	158,314	140,567	98,159
Equity	127,719	145,690	158,292	129,468	82,669
<b>Financial resources</b>					
Cash	60	66	15	-	-
Remaining commitment	6,696	11,710	14,075	30,524	53,655
Total financial resources	6,756	11,776	14,090	30,524	53,655
<b>Cash flow</b>					
Cash flows from operating activities	(2,083)	(2,297)	(2,392)	(2,969)	(4,758)
Cash flows from investing activities	(2,924)	-	(2,985)	(15,690)	(34,521)
Cash flows from financing activities	5,001	2,347	5,392	18,659	37,834
Net change in cash	(6)	51	15	-	(1,445)
<b>Ratios</b>					
Equity ratio	100%	100%	100%	92%	84%
Paid-in capital to committed capital (%)	95%	91%	90%	78%	61%



# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

### **Maj Invest Financial Inclusion Fund II K/S**

The sector-focused private equity fund Maj Invest Financial Inclusion Fund II K/S (Maj Invest Financial Inclusion Fund II) was established on 23 June 2015 as a limited partnership and is owned by a number of Danish investors. The investors have entered into a limited partnership agreement (LPA).

Maj Invest Financial Inclusion Fund II has a total commitment of USD 137.06 million. The investment period ended in December 2019 and consequently only follow-on investments in existing portfolio companies will be made going forward. The Fund has invested in seven portfolio companies since inception.

### **Investment policy and strategy in Maj Invest Financial Inclusion Fund II**

Maj Invest Financial Inclusion Fund II has invested directly in top tier financial institutions which provide micro- and SME financial services. These financial inclusion institutions have a strong growth strategy and are in compliance with recognized social impact standards.

The financial inclusion institutions offer a range of financial products and services depending on country, market and regulations. All of them provide micro-credits which are small loans with short maturities. Other services are saving and insurance products and payment handling. Loans are granted to groups, individual clients or small companies almost exclusively for income generating activities. The customers are low-income groups, with limited or no access to financial services in traditional commercial banks.

The Fund has invested in financial inclusion institutions in Latin America, Asia and Africa and has only acquired significant minority positions. Investments are primarily made in unquoted companies. One investment has been made in a quoted company, but the nature of the investment is to be considered as an illiquid asset.

It is very important that the financial inclusion institutions are well reputed, and it has been preferable that investment was conducted together with/or into a likeminded ownership group. The Fund closely monitors investments to ensure that their value potential is realised and assesses exit opportunities on a continuous basis.

### **Sustainability Policy**

The Sustainability Policy outlines the Fund's commitment and approach to promoting a positive environmental, social and governance development. We believe that supporting responsible business conduct is part of the Fund's value creation to investments and generates a positive development. This includes, among other things, access to affordable financial services, outreach, gender equality, client protection, job creation and community initiatives, ensuring good corporate governance and clients' protection against climate change. Investing in financial institutions with a strong social mission contributes to the improvement of

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

clients' economic development and livelihood by providing access to formal and fair financial services. Also, financial inclusion is imperative for giving people access to basic needs such as education, skill training, healthcare, clean water, sanitation facilities and clean energy.

The Fund considers sustainability as an integrated part of the overall framework for responsible investment. The Fund integrates sustainability risks into the Fund's investment decisions in accordance with Article 6 of the EU Sustainable Finance Disclosure Regulation (SFDR). The Fund is classified in accordance with Article 8 of SFDR and promotes, among other characteristics, environmental and social characteristics but does not have sustainable investment as its objective. This annual report includes a supplementary report in accordance with SFDR (EU), to which we refer for further information.

The Sustainability Policy of the Fund considers the provisions laid down in international ESG standards. These include the Client Protection Principles, the Universal Standards for Social Performance Management of the Social Performance Task Force, the Principles for Investors in Inclusive Finance as well as IFC's Exclusion List. Through earnest implementation of its Sustainability Policy, The Fund strives to achieve its vision of generating a sound financial return as well as positive ESG development for its investors.

### **Maj Invest Financial Inclusion Fund II organisation**

The advisory team consists of one Managing Partner for Financial Inclusion (FI), the Executive Board of Fondsmæglerselskabet Maj Invest A/S (Maj Invest), two partners, one investment principal, one investment manager, two sustainability managers, three associates, two analysts as well as three back-office staff involved in finance, legal matters and administrative duties.

### **Ownership**

Maj Invest Financial Inclusion Fund II is owned by a number of professional and institutional investors holding a stake of 97.3%. Maj Invest Equity Management and staff involved in investments as well as three of the four external members of the Fund's Investment Committee have all invested as special limited partners in Maj Invest Financial Inclusion Fund II. Any profits earned by such special limited partners are subject to tax under current Danish and local tax rules. The special limited partners do not pay management fees and partnership formation costs to the Fund.

# MANAGEMENT COMMENTARY

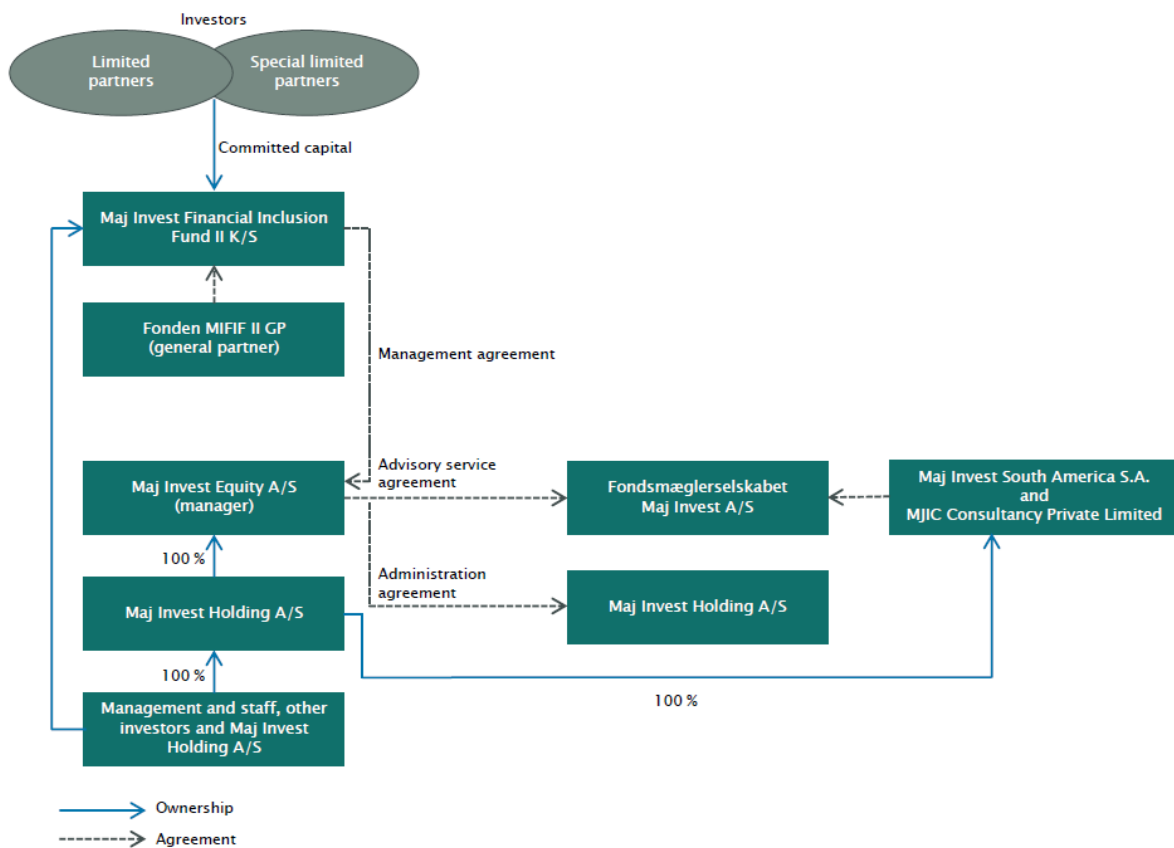
## BUSINESS REVIEW

Investors	Commitment USDm	Interest in percent
Danish Pension funds	45.00	32.8%
Other Danish professional investors	88.50	64.5%
Maj Invest Holding A/S	2.90	2.1%
Management and staff in Maj Invest Equity International	0.56	0.4%
Investment Committee	0.10	0.1%
	<b>137.06</b>	<b>100.0%</b>

### Legal structure

Maj Invest Financial Inclusion Fund II is a Danish limited partnership with a commercial foundation as general partner. The general partner, Fonden MIFIF II GP, is managed by a board of directors consisting of three members.

#### Legal structure of Maj Invest Financial Inclusion Fund II



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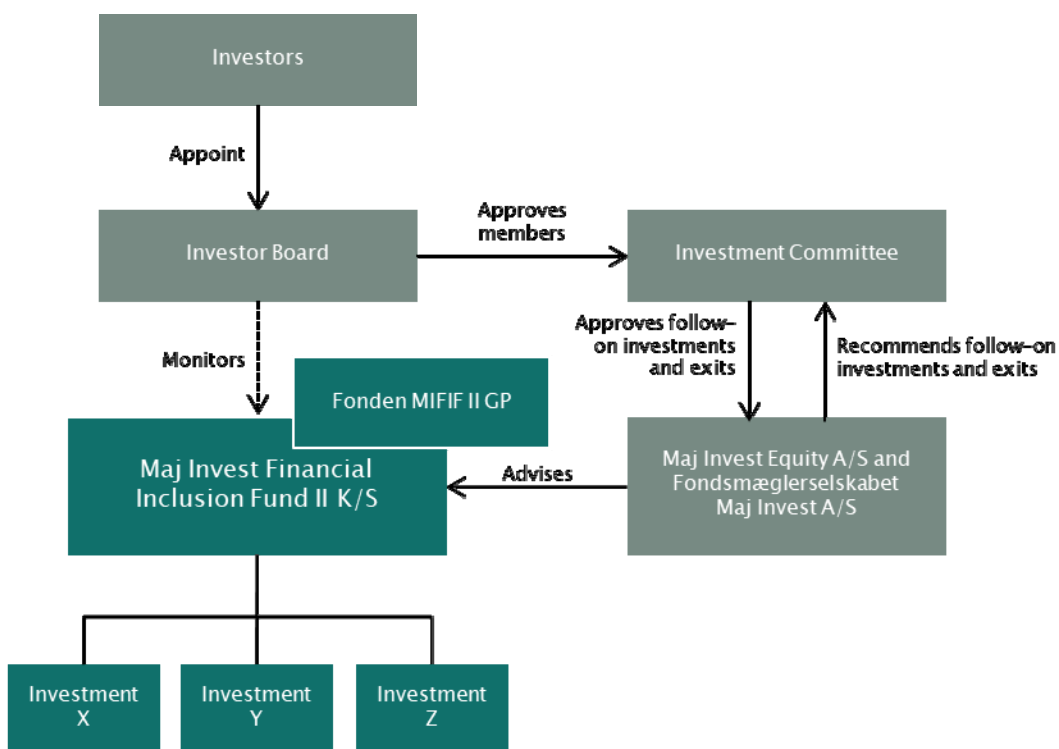
## BUSINESS REVIEW

The general partner is responsible for management and also signs for the Fund. Under a management agreement, the Manager handles all investment-related and administrative tasks for Maj Invest Financial Inclusion Fund II. Consequently, Maj Invest Financial Inclusion Fund II has no staff employed. The Manager has made an advisory service agreement with Maj Invest in respect of some of the investment-related tasks and an agreement with Maj Invest Holding A/S in respect of administrative tasks.

### Decision structure

The investors in Maj Invest Financial Inclusion Fund II have set up an Investor Board with representatives appointed by the investors. The Investor Board is the investor's representative body which evaluates the overall developments in the Fund. The Investor Board approves the Investment Committee and various other specific decision points.

#### Decision structure in Maj Invest Financial Inclusion Fund II



The general partner has established an Investment Committee. The Investment Committee is responsible for reviewing and considering all follow-on investment or divestment proposals prepared and submitted by the Investment Advisor and based on such review to make recommendations to the general partner. No follow-on investments or realisation can be made without the prior approval of the Investment Committee. The Investment Committee consist of six members – four external members, with business experience and the CEO of Maj In-

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vest and the Managing Partner, Financial Inclusion. All members of the Investment Committee shall be approved by the Investor Board.

Investment Committee members do not participate in the particular companies and never invest in the portfolio companies in a discretionary manner.

### **License as manager with the Danish FSA**

The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Maj Invest Financial Inclusion Fund II has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity A/S is disclosed in the annual report of Maj Invest Equity A/S. Information is given at Manager level. The annual report for Maj Invest Equity A/S is available on the website [majinvest.com](http://majinvest.com).

### **Carried interest**

Maj Invest Financial Inclusion Fund II has been established with a management fee structure which is normal in relation to the private equity market. This means that the Manager receives a fixed management fee and the general partner receives carried interest depending on the investors' returns on their investments.

Carried interest is payable if the returns on investments adjusted for costs exceed a predetermined hurdle rate of 9% p.a. The carried interest is calculated as 20% of investor profits over the predetermined hurdle rate.

No carried interest had been allocated or paid as of 31 December 2022.

### **Reporting**

One of the things governed by the LPA is the aspect of reporting on fund activities, its development and financial position in relation to investors. The Fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual investments and investment returns.
- Memoranda on investments and follow-on investments.
- Memoranda on exits.
- Annual reports.
- Investor meetings.

# MANAGEMENT COMMENTARY

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- Annual Sustainability Reports.
- Replies to current investor queries.

The quarterly reports to investors are prepared in compliance with Invest Europe Investor Reporting Guidelines. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

In addition to the reports specified in the LPA, a Financial Inclusion Newsletter is sent to the investors.

### Market development

The financial inclusion sector has proven resilient based on experience from previous crises. It tends to bounce back well in the medium term as it caters to the informal sector that must continue business operations to provide for their basic needs despite macroeconomic challenges. Selectivity in asset selection, valuations, and entry points will be paramount in today's environment, given the unique combination of disruptions to the global economy (monetary interventions of unprecedented scale due to supply-chain disruptions, conflict in Europe, volatile energy prices, etc.).<sup>1</sup>

The Fed hiked rates much faster in 2022 than they have ever done, going all the way back to World War II. The US inflation appears to have peaked in June 2022, with the Consumer Price Index (CPI) showing a sign of downward trend. The market expects the FED funds rate to peak from its current level 4.25%–4.5% to around 5.0% in June 2023 based on the FED Funds Futures. Consequently, the slower pace of interest rates hikes of FED will alleviate the pressure of the central banks in emerging markets to slower the increase in interest rates to sustain parity with the US dollar (USD). In the short term, this situation will strain the purchasing power of the financial inclusion client group, increasing business input costs and financial costs, affecting the financial inclusion industry's performance. As interest rates continue to rise less, capital will still become more expensive. This has a negative impact on valuations in private FI markets, creating an investment opportunity in the FI sector.

The terms-of-trade shock resulting from the Russia-Ukraine conflict has had a net positive impact on Latin America's growth outlook. Rising commodity prices will buoy growth in several major markets by incentivizing investment and creating new opportunities for agro-exporters and commodity producers to capture market share abroad. This will create a significant opportunity for the regional portfolio companies to accelerate agricultural loans and contribute further to a sustainable development. Also, recently elected left-wing Latin American governments have included the FI sector among their key priorities, recognizing its po-

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<sup>1</sup> Torsten Sløk – 2023 Economic and Capital Markets Outlook – December 2022

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

tential to maintain household and social living for low-income people along with government initiatives to promote fair competition and improve the national payment system.

However, the Peruvian left-wing government, presided by Dina Boluarte, has faced widespread protests since taking office in December following a failed coup by the former president, Pedro Castillo (2021-22). Thus, political instability, a large informal economy and reliance on a few commodity exports will constrain both market opportunities and long-term growth. However, Peru's strengths include a low public debt/GDP ratio, large foreign reserves and a credible central bank which may hinder significant currency depreciation.<sup>2</sup>

In India, the rupee is expected to depreciate more mildly in 2023 than it did in 2022. This trend will be supported by a resumption of foreign capital flows to India, and other emerging markets, amid slower growth in Western nations. Moderating global commodity prices will narrow India's current-account deficit and inflation is expected to be lower in 2023. This may rekindle investor appetite for emerging market assets, which will be supportive for the rupee.<sup>3</sup> Thus, the stronger USD has decreased the current portfolio companies' valuation in India. In the short term, the strong USD creates an opportunity to invest in new FI institutions in India.

Expecting lower inflation rates and stabilizing interest rates in the midterm will result in a weaker USD, increasing the value of the existing portfolio companies. Further positive effects of financial inclusion will be seen in the broader adoption of technology to enhance client outreach to deliver faster and lower cost-lending processes and more convenient ways for more people to become financially included. Also, a greater supply-chain efficiency in the agricultural sector will make rural India more resilient to climate change. A stronger agricultural sector and declining fertility rates will enhance the loans disbursed to safe agricultural projects.<sup>4</sup>

The potential market to make a social impact is significant, with more than 1.4 billion people still counted as financially excluded.<sup>5</sup>

### **Follow-on investments in 2022:**

In March 2022, Maj Invest Financial Inclusion Fund II participated in the first out of two tranches of a capital raise in Belstar. Maj Invest Financial Inclusion Fund II did not participate with full share in the first tranche and did not participate at all in the second tranche of the capital raise in June 2022 and hence was diluted to an ownership of 9.81%.

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<sup>2</sup> Economist Intelligence Unit – Country Report Peru - 2 February 2023

<sup>3</sup> Economist Intelligence Unit – Country Report India - 5 January 2023

<sup>4</sup> Economist Intelligence Unit – Country Report India - 5 January 2023

<sup>5</sup> World Bank Global Findex Database 2021

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More information on investments is available below.

### **Result for the year**

The bottom-line for 2022 is a loss of USD 23 million (against a loss in 2021 of USD 15 million). The result for the year is negatively affected by unrealised value adjustments of the investments of USD 20.7 million. The value adjustments consist of USD 14.6 million due to currency adjustments and USD 6.1 million is related to value adjustments mainly related to one portfolio company which has been fully written down. Apart from this, it is the management's assessment that the portfolio companies are developing well.

### **Development in portfolio companies in 2022**

#### **Baobab S.A.S. (Baobab)**

Baobab was established in 2005 and currently operates in 8 countries (7 African countries and China) providing loans to micro, small and medium enterprises. Baobab is a financial inclusion group focusing on serving individuals, micro and small businesses in Africa and China. Baobab is progressing with its digital transformation for faster scaling and more efficient distribution of tailored products to these client groups. During 2022, Baobab's operations have continued to grow, with stronger performance in terms of growth of loan portfolio and savings portfolio, mainly in the Africa Region. For 2022, Baobab is forecasted to generate a positive net profit driven by operational efficiencies thanks to improved controls and early warnings to ensure better portfolio quality and collections. In the coming years, the company will focus on continuous growth in those key markets and achieve leadership position in these regions by accelerating digitalization, building brand value, and strengthening the group structure. Maj Invest Financial Inclusion Fund II has a seat in the Supervisory Board. For further information about the company please refer to the portfolio company's homepage [baobab.bz](http://baobab.bz).

#### **Diviso Group Financiero S.A. (Diviso)**

Diviso was founded in 2003 and listed on the Lima Stock Exchange in 2007. Diviso is a Peru-based holding company engaged in the acquisition and management of financial inclusion companies (Financiera Credinka), public equities and other financial related instruments. For further information about the company please refer to the portfolio company's homepage [diviso.pe](http://diviso.pe).

#### **Arohan Financial Services Limited (Arohan)**

Arohan is a non-deposit taking financial inclusion institution at growth stage in India founded in 2006. It targets rural and urban population in regions with very low market penetration and immense demand for financial services. It is one of the largest MFIs in Eastern India, with 749 branches operating across 17 states in India and servicing nearly 2 million clients. The company regained momentum quickly post COVID and has been growing steadily while also launching new digital products for their clients this year.



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Maj Invest Financial Inclusion Fund II has a seat in the Board of Arohan. For further information about the company please refer to the portfolio company's homepage [arohan.in](http://arohan.in).

### **Mibanco S.A. (Mibanco)**

Mibanco is a Colombian banking institution founded in 1988 as an NGO to support low-income segments in the Colombian economy. The bank is the 4th largest privately owned bank offering micro, small and medium loans to enterprises in Colombia. The bank has a nationwide footprint of 131 branches covering 27 out of 33 provinces and servicing over 600k clients. Mibanco is committed to social development attending and accompanying Colombian micro and small entrepreneurs and their families for the progress, development, and improvement of their quality of life. Despite macroeconomic unfavourable conditions, the bank has proven its strong resilience and leadership by showing steady growth and stable margins while maintaining a good portfolio performance and expanding its outreach during 2022; however, the increase in market funding costs slightly impacted top margins, thus performance fell marginally below budget. Moreover, the company has incorporated strong digital strategies to gain efficiencies and strengthen its customer value proposition. Maj Invest Financial Inclusion Fund II has a seat in the Board of Mibanco. For further information about the company please refer to the portfolio company's homepage [mibanco.com.co](http://mibanco.com.co).

### **Belstar Microfinance Limited (Belstar)**

Belstar is a non-deposit taking financial inclusion Institution at growth stage in India that offers group loans. Founded in 1988, the company is among the top performing Indian MFIs and has become the market leading player in India's southern states via Self-Help Group lending model, with 799 branches (including 85 service provider points) operating across 18 states and servicing almost 1.9 million clients. During the year, the company has been growing fast while simultaneously maintaining its portfolio quality which is better than the industry average. Given Belstar's high performance even during Covid, the company was able to raise equity capital of USD 48m from a new investor and existing investors – including USD 3m as a follow-on investment from Maj Invest Financial Inclusion Fund II. Maj Invest Financial Inclusion Fund II has a seat in the Board of Belstar. For further information about the company please refer to the portfolio company's homepage [belstar.in](http://belstar.in).

### **Aye Finance Private Limited (Aye Finance)**

Aye Finance is an Indian Non-Banking Financial Company (NBFC), fully regulated by the Reserve Bank of India, non-deposit taking and dedicated to lending to Micro and Small Enterprises (MSMEs). Founded in 2014 with a vision to be a leader in facilitating affordable and adequate credit solutions to MSMEs in India through an industry-cluster approach. Aye Finance has continued with its expansion by increasing its workforce and expanding its branch network. The company has operations in 18 states in India with over 311 branches managing an AUM of roughly USD 237m. Due to its innovative business model and data techniques, the

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## BUSINESS REVIEW

company has shown impressive growth since its inception attracting strategic and highly reputed investors such as Google Capital. The company has been growing steadily and is on track to meet its growth targets for the year. Maj Invest Financial Inclusion Fund II has an observer seat in the Board of Aye Finance. For further information about the company please refer to the portfolio company's homepage [ayefin.com](http://ayefin.com).

### **Sub-K Impact Solutions Limited (Sub-K)**

Sub-K was established in 2010. Sub-K carries out basic banking, payment and loan management services for financial institutions through its network of agents/Business Correspondents Outlets (BCOs) and FinTech platform. Sub-K's business model has a tech platform that enables low-cost shop outlet for financial inclusion products and banking services through BCOs in rural and semi urban areas where other institutions cannot reach without significant cost. Sub-K has rapidly expanded operations since its inception and is present in 26 states. Due to some regulatory changes during the year, Sub-K faced some operational challenges and business was disrupted shortly. However, Sub-K is exploring an acquisition strategy to achieve inorganic growth/diversify geographically where the Maj Invest team is providing strategic in-puts and due diligence support.

Maj Invest Financial Inclusion Fund II has a seat in the Board of Sub-K. For further information about the company please refer to the portfolio company's homepage [subk.co.in](http://subk.co.in).

### **Capital resources**

Maj Invest Financial Inclusion Fund II has a total capital commitment of USD 137.1 million. As of 31 December 2022, investors had paid USD 130.4 million, equal to 95% of their capital commitments. The remaining capital commitment is USD 6.7 million (USD 11.7 million on 31 December 2021). Maj Invest Financial Inclusion Fund II's equity amounted to USD 127.7 million on 31 December 2022, corresponding to an equity ratio of 100%.

Maj Invest Financial Inclusion Fund II is able to finance follow-on investments from the time of investment and up to six months through bridge financing loans from financial institutions. A bridge loan must be repaid in connection with a capital call from investors. As of 31 December 2022, Maj Invest Financial Inclusion Fund II has no bridge financing loans or bank loans.

### **Financial risks**

The objective of Maj Invest Financial Inclusion Fund II is to invest in portfolio companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies. Changes in the macroeconomic environment, including effects of inflation, the Ukraine/Russia situation, currency risk, and the political risk in the countries of the investments, can have an impact on the potential for value creation in the portfolio companies and consequently also of the performance of Maj Invest Financial Inclusion Fund II.

# MANAGEMENT COMMENTARY

## BUSINESS REVIEW

Global inflation increased significantly in 2022. Therefore, central banks increased reference interest rates to reduce inflation rates to the respective inflation targets. This global phenomenon increased borrowing costs for the financial industry. The full impact of inflation can still not be made up, but the financial inclusion sector is still expected to grow catering to the large financially excluded population in Emerging Markets. The investment team is following the situation closely encouraging portfolio companies to mitigate the higher funding cost by operational efficiencies applying rising technologies and streamlining processes.

On the Ukraine/Russia situation, at this point, the overall impact on the portfolio companies and the FI industry generally is modest. However, over time, the effects may negatively impact the portfolio companies and the FI industry. The investment team is following the situation closely.

### **Uncertainties relating to recognition and measurement in the financial statements**

The investments in portfolio companies are valued at their fair values, according to the description in Accounting policies. The valuation includes accounting estimates, and such valuation is therefore subject to some uncertainty.

The uncertainty is also related to the effects of the global economy, e.g., increasing inflation and interest, and effects from the conflict in Ukraine, we also refer to the section “Market development” in this annual report.

### **Events after the balance sheet day**

There have been no events after the balance sheet day and to date that materially affect the assessment of the annual report.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### GENERAL

Maj Invest Equity Financial Inclusion Fund II K/S has voluntarily chosen to present the financial statements in accordance with the provisions of the Danish Financial Statements Act for class A entities with the adoption of a cash flow statement and certain notes. Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn up by the IPEV Board.

The annual report is prepared in USD. USD/DKK: 31 December 2022 = 697.22  
(31 December 2021 = 656.12)

The accounting policies are the same as last year.

### Recognition and measurement

All income and expenses relating to the financial year are recognised in the income statement regardless of time of payment. Value adjustments in respect of investments in portfolio companies, which are measured at fair value, are also recognised in the income statement.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the limited partnership, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the limited partnership, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the financial statements, either affirming or not affirming conditions existing on the balance sheet date.

### Foreign currency translation

Transactions in other currencies than USD are translated into USD using the exchange rates applicable on the transaction date. Assets and liabilities in other currencies than USD are translated into USD using the rates on the balance sheet date.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### INCOME STATEMENT

#### **Value adjustment of investments in portfolio companies**

Realised gains/losses on investments and unrealised value adjustments of investments in portfolio companies are recognised in the income statement. Dividends received from portfolio companies and carried interest will also be classified as "Value adjustment of investments in portfolio companies".

#### **Administrative expenses**

Administrative expenses mainly consist of management fees, broken deal costs, depositary fee and other administrative costs.

#### **Financial income and expenses**

Financial income and expenses include interest on bank deposits, interest expense due to credit facilities and bridge loans, financial risk premium to the general partner and currency adjustments.

#### **Tax**

Maj Invest Financial Inclusion Fund II K/S is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investor in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends by the portfolio companies will be recognized in the income statement under "Withholding tax".

### BALANCE SHEET

#### **ASSETS**

#### **Investments in portfolio companies**

On initial recognition, investments in portfolio companies are measured at cost, with the addition of transaction costs. On subsequent recognition, investments are measured at fair value. Value adjustments are recognised in the income statement.

The fair value of investments in unquoted portfolio companies are measured at the most recent market price for a limited period following the date of the relevant transaction, for instance in the form of an expansion of capital or partial sale or through the use of traditional valuation methods for financial inclusion institutions, e.g. P/B and P/Rev multiples.

The fair value of investments in quoted companies will for actively traded (quoted) investments be available market prices. If shares are not actively traded, investments will be measured as investments in unquoted portfolio companies.

# FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### **Receivables**

Other receivables are measured at the lower of amortised cost or net realisable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

### **Prepayments**

Prepayments recognised under assets consist of prepaid management fees.

### **Cash**

Cash includes deposits with financial institutions.

## LIABILITIES

### **Financial liabilities**

Bank loans regarding bridge financing are measured at amortised cost, corresponding to the outstanding debt.

Other short-term liabilities are measured at amortised cost, usually corresponding to the nominal value.

## CASH FLOW STATEMENT

### **Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities as well as the year's movements in cash flows and the limited partnership's cash at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities include the net profit or loss for the year, adjusted for changes in working capital and non-cash operating items, such as value adjustments of investments in portfolio companies and provisions. The working capital includes current assets less short-term liabilities, exclusive of items included in cash and bank loans.

### **Cash flows from investing activities**

Cash flows from investing activities include payments in respect of acquisitions or divestments of portfolio companies.

### **Cash flows from financing activities**

Cash flows from financing activities include payments to and from limited partners as well as any changes in bank loans.

# FINANCIAL STATEMENTS

## INCOME STATEMENT

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'000 USD	Note	2022	2021
Value adjustment of investments in portfolio companies	1	(20,692)	(12,567)
Administrative expenses		(2,244)	(2,372)
<b>Operating profit</b>		<b>(22,936)</b>	<b>(14,939)</b>
Financial income	2	1	-
Financial expenses	3	(33)	(7)
<b>Profit before tax</b>		<b>(22,968)</b>	<b>(14,946)</b>
Withholding tax		(4)	(4)
<b>Profit for the year</b>		<b>(22,972)</b>	<b>(14,950)</b>
<b>Proposed distribution of net profit</b>			
Retained earnings		(22,972)	(14,950)
		<b>(22,972)</b>	<b>(14,950)</b>

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# FINANCIAL STATEMENTS

## BALANCE SHEET

'000 USD	Note	31/12/2022	31/12/2021
<b>ASSETS</b>			
Investments in portfolio companies	4	126,754	144,540
<b>Total investments in portfolio companies</b>		<b>126,754</b>	<b>144,540</b>
<b>Total non-current assets</b>		<b>126,754</b>	<b>144,540</b>
Prepayments		911	1,107
Other receivables		12	-
<b>Total receivables</b>		<b>923</b>	<b>1,107</b>
<b>Cash</b>		<b>60</b>	<b>66</b>
<b>Total current assets</b>		<b>983</b>	<b>1,173</b>
<b>Total assets</b>		<b>127,737</b>	<b>145,713</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital		130,365	125,350
Distributions		(95)	(81)
Retained earnings		(2,551)	20,421
<b>Total equity</b>	5	<b>127,719</b>	<b>145,690</b>
Trade payables		18	23
<b>Total short-term liabilities</b>		<b>18</b>	<b>23</b>
<b>Total liabilities</b>		<b>18</b>	<b>23</b>
<b>Total equity and liabilities</b>		<b>127,737</b>	<b>145,713</b>
Cash flow statement – adjustments	6		
Cash flow statement – change in working capital	7		
Contingent liabilities	8		
Other notes	9		



# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

'000 USD	Note	2022	2021
Profit for the year		(22,972)	(14,950)
Adjustments	5	20,746	12,598
Change in working capital	6	179	66
<b>Cash flows from operating activities before net financials</b>		<b>(2,047)</b>	<b>(2,286)</b>
Financial income		1	-
Financial expenses		(33)	(7)
Paid withholding tax		(4)	(4)
<b>Cash flows from operating activities</b>		<b>(2,083)</b>	<b>(2,297)</b>
Purchase of investments in portfolio companies		(2,924)	-
<b>Cash flows from investing activities</b>		<b>(2,924)</b>	<b>-</b>
Paid-in capital from limited partners		5,015	2,364
Distributions to limited partners		(14)	(17)
Changes in bank loans		-	-
<b>Cash flows from financing activities</b>		<b>5,001</b>	<b>2,347</b>
<b>Cash flows for the year, net</b>		<b>(6)</b>	<b>51</b>
Cash at the beginning of the year		66	15
<b>Cash at the end of the year</b>		<b>60</b>	<b>66</b>

# FINANCIAL STATEMENTS

## NOTES

'000 USD	2022	2021
<b>NOTE 1 Value adjustment of investments in portfolio companies</b>		
Unrealised value adjustments	(20,710)	(12,587)
Dividend received from portfolio companies	18	20
Other income from portfolio companies	-	-
	<b>(20,692)</b>	<b>(12,567)</b>
<b>NOTE 2 Financial income</b>		
Other financial income	1	-
	<b>1</b>	<b>-</b>
<b>NOTE 3 Financial expenses</b>		
General Partner, annual financial risk premium	9	6
Other financial expenses	24	1
	<b>33</b>	<b>7</b>
<b>NOTE 4 Investments in portfolio companies</b>		
Cost at 1/1	104,210	104,210
Additions during the year	2,924	-
Disposals during the year	-	-
Cost at 31/12	<b>107,134</b>	<b>104,210</b>
Value adjustments at 1/1	40,330	52,917
Value adjustments during the year	(6,151)	(5,830)
Currency adjustments during the year	(14,559)	(6,757)
Value adjustments at 31/12	<b>19,620</b>	<b>40,330</b>
<b>Carrying amount at 31/12</b>	<b>126,754</b>	<b>144,540</b>

Investments in portfolio companies are minority investments with an ownership interest less than 19%, which are valued according to the fair value measurements in Level 3 of the fair value hierarchy.

The fair market value for each portfolio company is primarily measured based on P/B and P/Rev multiples, which is the common method for financial inclusion institutions. The multiples are determined using the following criterias: the company's revenue, profitability and growth potential, growth in equity, actual return on equity, the company's and management's ability to accomplish the growth strategy, but also the country's economic and political conditions and legal framework.

# FINANCIAL STATEMENTS

## NOTES

### NOTE 4 Investments in portfolio companies (continued)

Name of investments in portfolio companies	Registered office	Ownership interest	Share capital	Equity	Profit/loss for the year
Baobab S.A.S.	France	7.00%	77,807,571	207,134	23,569
Diviso Group Financiero S.A.	Peru	18.50%	181,807,000	58,535	-1,293
Arohan Financial Services Limited*	India	12.71%	1,201,773,000	135,044	8,042
Mibanco S.A.	Colombia	12.26%	213,342,000	55,357	3,960
Belstar Microfinance Limited*	India	9.81%	456,090,000	112,937	5,955
Aye Finance Private Limited*	India	7.24%	304,526,540	93,155	-6,033
Sub-K Impact Solutions Limited*	India	14.05%	73,658,980	17,033	-3,903

Share capital, equity and profit/loss for the year are from the latest annual reports published, which for Baobab, Diviso and Mibanco is 2021. The latest annual report published for Arohan Financial Services Limited, Belstar Microfinance Limited, Aye Finance Private Limited and Sub-K Impact Solutions Limited is for the financial year 2021/22.

\* Financial year is 1 April to 31 March.

# FINANCIAL STATEMENTS

## NOTES

'000 USD	31/12/2022	31/12/2021
<b>NOTE 5 Equity</b>		
Equity at beginning of year	145,690	158,292
Paid-in capital from limited partners	5,015	2,364
Distributions to limited partners	(14)	(17)
Retained earnings	(22,972)	(14,950)
<b>Equity at end year</b>	<b>127,719</b>	<b>145,690</b>
The limited partners are liable for their share of the remaining commitment 31/12/2022	<b>6,696</b>	<b>11,710</b>

	2022	2021
<b>NOTE 6 Cash flow statement – adjustments</b>		
Financial income	(1)	–
Financial expenses	33	7
Unrealised value adjustments in portfolio companies	20,710	12,587
Withholding tax	4	4
	<b>20,746</b>	<b>12,598</b>

<b>NOTE 7 Cash flow statement – change in working capital</b>		
Change in receivables	(12)	–
Change in prepayments	196	64
Change in other short-term liabilities	(5)	2
	<b>179</b>	<b>66</b>

### **NOTE 8 Contingent liabilities**

#### ***Contingent liabilities***

Maj Invest Financial Inclusion Fund II K/S has entered into a management agreement with Maj Invest Equity A/S for the Manager's administration of Maj Invest Financial Inclusion Fund II K/S as well as the provision of investment advisory services to Maj Invest Financial Inclusion Fund II K/S.

On termination, Maj Invest Financial Inclusion Fund II K/S may in certain circumstances be obliged to pay management fees for up to 12 months. At 31 December 2022, the fee amounted to approx. USD 1.8 million (at 31 December 2021 approx. USD 2.2 million).

# FINANCIAL STATEMENTS

## NOTES

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### NOTE 9 Board of Directors of the general partner

#### ***Kasper Svarrer (chairman)***

##### ***Director of:***

Kasper Svarrer Holding ApS, Harbour Group Holding ApS, DMP Holding 1 ApS, Danish Microfinance Partners General Partner ApS, Danish Microfinance Partners Management ApS, Management Equity Vietnam I ApS, General Partner Equity Vietnam ApS, MIFIN GP ApS and MIFIF III GP ApS.

##### ***Board member of:***

Jutlandia Terminal A/S, A/S J. Lauritzen's Eftf., Esbjerg, Jantzen Group A/S, Copco A/S, Copco Chem A/S, Baobab S.A.S, France, MJIC Consultancy Private Limited, India and Maj Invest South America S.A., Peru.

##### ***Member of Investment Committee of:***

Maj Invest Financial Inclusion Fund III K/S.

#### ***Bjarne Thorup***

##### ***Director of:***

Thorup ApS, Promentum I General Partner ApS, AEP Komplementar ApS, AEP Bolig+ I Komplementar ApS Private Equity III K/S, Secure Byggefinansiering 3 K/S, AEP Logistics Properties I Komplementar ApS and Byggefinansiering III Komplementar ApS.

##### ***Chairman of:***

Fonden Maj Invest Equity General Partner, Pesitho ApS, Sæbefabrikken A/S and Fonden MIE 5 GP.

##### ***Vice Chairman of the boards of:***

Jysk Display A/S and Holdingselskabet Jysk Display A/S.

##### ***Board member of:***

Fonden MIE 6 GP.

#### ***Frank Visti Møbjerg***

##### ***Director of:***

Fravis Holding ApS.

##### ***Chairman of:***

H & M Invest A/S and Goldmind Holding ApS.

##### ***Board member of:***

Fravis Holding ApS, Fonden Maj Invest Equity General Partner, Fonden LDE 2 GP, Fonden LDE 3 GP and Fonden MIE 5 GP.

# OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

## ANNEX IV

### Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> it made <b>sustainable investments with an environmental objective</b> : __pct.  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> it <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of __ pct. sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective
<input type="checkbox"/> it made <b>sustainable investments with a social objective</b> : __pct.	<input checked="" type="checkbox"/> promoted E/S characteristics, but <b>did not make any sustainable investments</b>

**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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### 1. To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promotes environmental and social characteristics, which have been promoted through selected Sustainable Development Goals (SDGs): SDG 1, 5, and 8. The Fund met all environmental and social characteristics promoted, as all companies in the Fund contributed to at least one of the promoted SDGs.

## OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### 1.1. How did the sustainability indicators perform?

The sustainability indicators' performance is presented below (as an average of four data points for year 2022):

- SDG 1: No Poverty – indicators:
  - # of clients served via Fund's portfolio companies: 14.5 million
  - % of microloans of total loan portfolio: 70%
  
- SDG 5: Gender Equality – indicators:
  - % of female clients served via Fund's portfolio companies: 36%
  - % of female board members in portfolio companies: 16%
  - % of female employees in portfolio companies: 24%
  
- SDG 8: Decent Work and Economic Growth
  - # of employees in portfolio companies: 29,020 employees
  - % of loans to SMEs of total portfolio: 28%

### 1.2. ...and compared to previous periods?

1.3. What were the objectives of the sustainable investments that the financial products partially made and how did the sustainable investment contribute to such objectives?

1.4. How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

1.4.1. How were the indicators for adverse impacts on sustainability factors taken into account?

1.5. Were sustainable investments aligned with the OECD Guidelines for Multi-national Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

## OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

**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.

### 2. How did this financial product consider principal adverse impacts on sustainability factors?

The Fund incorporates information on principal adverse impacts on sustainability factors in the investment process. In the investment decision making and in relation to active ownership, the investment team together with the sustainability team seek to reduce principal adverse impacts.

### 3. What were the top investments of this financial product?

As half of the investments in the fund count 3.5 investments, information on the largest four investments is disclosed below.

Name	Country	Sector	Avg. Weight
Arohan Financial Services Ltd	India	Financials	28%
Belstar Microfinance Limited	India	Financials	16%
Baobab S.A.S	Africa/China	Financials	13%
Aye Finance Private Limited	India	Financials	11%

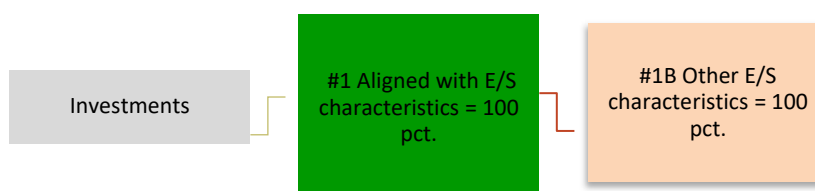
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 2022

### 4. What was the proportion of sustainability-related investments?

100 pct. of the Fund's investments in 2022 was in line with sustainability-related investments.

#### 4.1. What was the asset allocation?

100 pct. of the investments in the Fund was aligned with the environmental and social characteristics promoted by the Fund, as described earlier.



#### 4.2. In which economic sectors were the investments made?

The Fund is invested in one sector:

- Financials



## OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

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.

### 5. To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

In 2022, 0% of the investments were sustainable with an environmental objective aligned with the EU Taxonomy.

#### 5.1. Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?

- Yes
- In fossil gas       In nuclear energy
- No

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<sup>1</sup> 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 objective – 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.

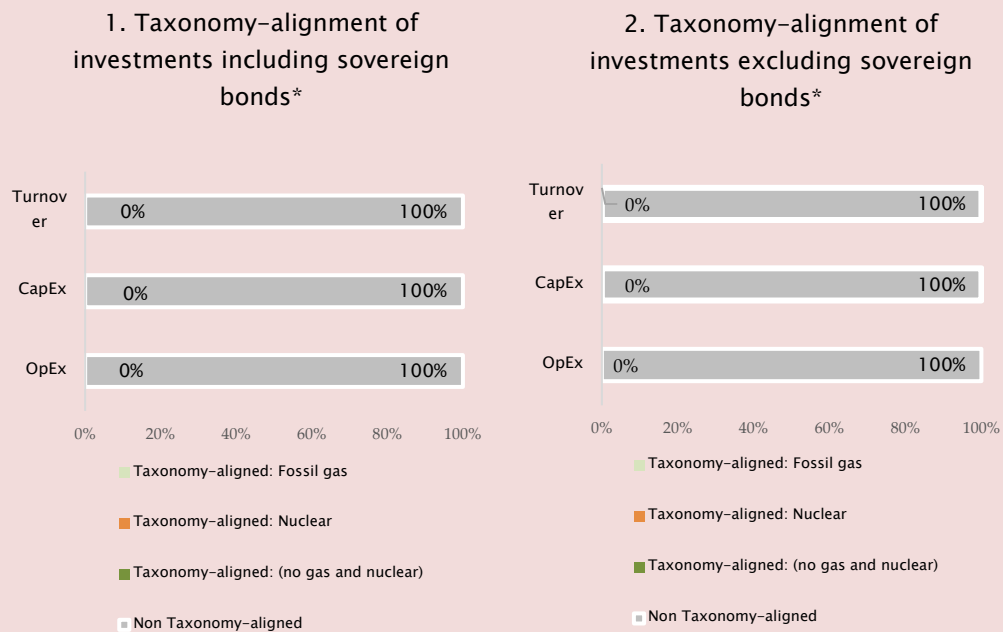
## OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully 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.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The graphs below show in green the percentage of investments that were 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.



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

### 5.2. What was the share of investments made in transitional and enabling activities?

In 2022, 0% of investments were made in transitional and enabling activities.

### 5.3. How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

## OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

6. What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

7. What was the share of socially sustainable investments?

8. What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

**9. What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

An ESG assessment of potential portfolio companies is part of the investment process, and the process also includes integrating specific guidelines as well as an evaluation of the companies' contribution to the SDGs. During the ownership period, the Fund works together with portfolio companies on establishing and developing the companies' ESG approach and strategy.

10. How did this financial product perform compared to the reference benchmark?

10.1. How did this financial product perform regarding the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

10.2. How did this financial product perform compared with the reference benchmark?

10.3. How did this financial product perform compared with the broad market index?