

Sustainability-related disclosure

Product name: Danish Microfinance Partners K/S

LEI-code: 549300FWEF72IZOL2P82

Summary

This financial product promotes social characteristics by investing in financial institutions and service providers that advance financial inclusion in emerging markets. The Fund supports business models that:

- Improve access to and use of responsible financial services,
- Enhance financial health, and
- Increase gender equality.

These characteristics are attained through a thematic investment strategy focused on financial inclusion, supported by binding elements such as exclusions, ESG integration, thematic relevance, and active ownership

The Fund does not commit to making sustainable investments as defined by the EU Sustainable Finance Disclosure Regulation (SFDR) and does not use a reference benchmark.

The Fund invests 100% in portfolio companies that comply with the social characteristics promoted by the Fund.

Monitoring is conducted through sustainability indicators, including the share of portfolio companies serving underserved clients, the number of clients (rural and total), the share of income-generating loans, and gender-related indicators (female clients, female employees, and female board members)

No sustainable investment objective

This financial product promotes social characteristics, but does not have it as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund promotes social characteristics by investing in financial institutions that expand access to responsible financial services for underserved populations in Latin America, Asia, and Africa.

The promoted social outcomes include:

- Improved access to and use of financial services,
- Improved financial health, and
- Increased gender equality.

No commitment is made to sustainable investments as defined under SFDR. No reference benchmark is used.

Investment strategy

The Fund is a closed-end private equity vehicle investing through direct equity in medium to large financial institutions with loan portfolios typically above USD 100 million. Target companies must have substantial growth potential, strong governance, mature operations, and the ability to benefit from growth in financial inclusion.

The Fund typically acquires significant minority positions with board representation and minority protection rights. Value is added through growth equity, strategy formulation, and implementation of best practices.

Sustainability risks are integrated in the investment process and assessed during due diligence and monitoring. Given the focus on well-managed institutions with strong governance, sustainability risks are expected to have a limited negative impact on financial performance.

Policy to assess good governance

Good governance is assessed through due diligence, referencing the Fund's CSR Policy, IFC's Microfinance Exclusion List, Anti-Money Laundering and Anti-Corruption requirements, and the CGAP Client Protection Principles. Portfolio companies must demonstrate sound management structures, employee relations, human rights compliance, remuneration practices, and tax compliance. Ongoing monitoring is conducted through board participation, visits, and reporting.

Binding elements

The binding elements of the investment strategy used to attain the social characteristics of the Fund encompass exclusions, ESG-integration, thematic relevance, and active ownership.

- Exclusions: The Fund's exclusions comply with the IFC's Microfinance Exclusion list, and the Maj Invest Minimum Standards.

- **ESG–Integration:** As part of ESG integration the Fund is committed to working with the portfolio companies on creating long–term social impact, as well as mitigating ESG–related risks. During the management phase, the Fund will monitor the portfolio company's social impact activities through the Fund's board participation, visits and/or reporting and dialogue.
- **Thematic Relevance:** All portfolio companies are required to comply with the Fund's social characteristics. This is evaluated using the Fund's sustainability indicators. ESG data is collected quarterly from each company to assess their contribution to the Fund's thematic focus. The results are presented in the Fund's quarterly reports, annual sustainability report and the periodic reporting template
- **Active Ownership:** Through board participation and dialogue, the Fund works with portfolio companies to improve ESG practices, strengthen financial inclusion outcomes, and align with international standards.

Proportion of investments

The Fund invests 100% in portfolio companies that comply with the social characteristics promoted by the Fund, specifically financial inclusion, measured at fair value.

The Fund does not plan to hold cash or use derivatives as part of its investment strategy. However, immaterial amounts of cash may be temporarily held for administrative purposes only. Such cash balances are considered ancillary liquidity and are not part of the planned allocation.

Monitoring of environmental or social characteristics

The Fund monitors attainment of its social characteristics through sustainability indicators, including:

- Share of investments primarily serving underserved clients,
- Number of clients served, including rural clients,
- Share of income–generating loans in total loan portfolios,
- Gender–related indicators (female clients, employees, and board members).

Data is collected quarterly and included in quarterly reports, the annual sustainability report, and periodic disclosures.

Methodologies

Methodologies include:

- Screening portfolio companies for compliance with the Fund's social characteristics,
- ESG integration and monitoring through board participation, visits, and reporting,
- Active ownership via engagement and governance participation.

Data sources and processing

The Fund collects ESG data quarterly from portfolio companies. This data is supplemented by dialogue, visits, and reporting through board seats.

Data quality is supported by active engagement with portfolio companies, though limitations exist due to varying reporting capacities across emerging market financial institutions.

Limitations to methodologies and data

Limitations include inconsistent reporting, data gaps, and reliance on portfolio companies' own systems. These limitations are mitigated through continuous dialogue, capacity-building, and board-level oversight. While limitations may affect data granularity, they do not undermine the Fund's ability to attain its promoted social characteristics.

Due diligence

Due diligence is carried out prior to investment to ensure compliance with international standards and the Fund's CSR Policy. It includes financial analysis, ESG assessment, and governance review. Internal controls include systematic ESG integration; external validation is achieved through dialogue and cooperation with investee institutions.

Engagement policies

Engagement is a core part of the strategy. Through board participation and dialogue, the Fund works with portfolio companies to improve ESG practices, strengthen financial inclusion outcomes, and align with international standards. Engagement is also used to address controversies, with escalation up to divestment if necessary.

Designated reference benchmark

No index has been designated as a reference benchmark for this financial product.