

Sustainability-related disclosure

Product Name: Maj Invest Financial Inclusion Fund II K/S

LEI-code: 549300T04MGCPNFZ2V77

Summary

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

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

The Fund exceeds the ESMA minimum threshold of 80% alignment required for funds using sustainability-related terms in their names, with 100% of investments contributing to the promoted social characteristics.

Environmental and social characteristics are 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 SFDR and does not use a reference benchmark.

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

No sustainable investment objective

This financial product promotes social characteristics but does not have 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.

Promoted social outcomes include:

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

The Fund ensures that at least 80% of investments align with the promoted characteristics; in practice, 100% of investments contribute to these characteristics.

Investment strategy

The Fund is a closed-end private equity fund investing in top-tier financial institutions providing microfinance and SME services in emerging markets. Investments are made through direct equity, typically as significant minority positions with board representation alongside trusted co-investors.

Target institutions are medium-to-large in size (loan portfolios above USD 100 million), mature, with advanced operational infrastructure, strong governance, and attractive growth potential.

Sustainability risks are integrated into investment selection and monitoring. Given the focus on well-governed financial institutions in regulated markets, sustainability risks are expected to have a limited negative impact on financial performance.

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. Furthermore, the Fund is covered by the EU Climate Transition Benchmark, in accordance with Article 12(1)(a) to (c) of Commission Delegated Regulation (EU) 2020/1818.
- **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.

Policy to assess good governance

Governance is assessed through the Fund's Social Impact Policy, which references IFC and EDFI Exclusion Lists, AML/anti-corruption requirements, and CGAP Client Protection Principles. Governance review covers management structures, employee relations, remuneration, and tax compliance.

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.

This allocation ensures the Fund complies with ESMA's guidelines on the naming of funds using sustainability-related terms, while maintaining sufficient flexibility for operational needs.

Monitoring of environmental or social characteristics

Monitoring is based on sustainability indicators, including:

- Share of investments primarily serving underserved clients,
- Number of clients, including rural clients,
- Share of income-generating loans,
- Share of female clients, employees, and board members.

Data is collected quarterly and reported through quarterly updates, the annual sustainability report, and periodic SFDR 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.