

Fund Alignment with the U.N.'s Sustainable Development Goals

A Case Study

Provided by Denham Capital in Association with the EMPEA ESG Community

Denham International Power Fund



The Fund's Story

Denham International Power seeks to build and opportunistically buy low-cost and long-term contracted clean power generation assets in high-growth economies. Denham has been executing its international power strategy since 2007 and, as of 2018, has six active teams across 19 global offices with over 3,000 megawatts (MW) in operation, under construction or with power purchase agreements (PPAs). Senior members of the global team have been investing together for over 11 years, and the entire team comprises ten investment professionals with over 130 years combined experience in the power sector.

Denham has recently launched an International Power Fund investing via portfolio company management teams from Fund VI and one additional Africa-focused team. The fund is primarily focused on investments in renewables—including wind, solar and hydro—and gas-fired power generation projects in high-growth economies including those in Latin America, Africa and Southeast Asia.

The Role Played by Private Capital

Denham International Power Fund's strategy to invest in renewable energy and gas-fired power generation projects in Latin America, Africa and Southeast Asia is helping to bring environmentally friendly, low-cost power to the underserved. Goal 7 of the U.N. Sustainable Development Goals is to "ensure access to affordable, reliable, sustainable and modern energy for all." As the U.N. reports, 1.2 billion people do not have access to electricity, with the majority concentrated in about a dozen countries in Africa and Asia. The fund's strategy, therefore directly and specifically contributes to SDG 1 (No Poverty) and SDG 7 (Affordable and Clean Energy). Denham will report on the renewable energy

installed and amount of renewable energy generated by source as well as the number of people powered. By focusing on renewable energy, Denham will also directly contribute to SDG 13 (Climate Action). The fund will report on project greenhouse gas emissions and greenhouse gas emissions avoided.

The SDGs have encouraged the firm to consider reporting on areas of impact that Denham had previously recorded but on which it had not formally reported, including employment generated during the construction and operation of power assets. The SDGs have also provided a reporting framework to record the number of jobs created in total, jobs created in low-income areas and women employed. Denham will thus be able to report on its contributions to SDG 8 (Decent Work and Economic Growth), SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities).

In addition, Denham's management teams work closely with project stakeholders and local communities, with management typically implementing community-related projects alongside the development of power assets. This approach allows for qualitative and quantitative reporting on additional SDGs. For example, Denham's Brazilian renewable power portfolio company, Rio Energy, provided hospital beds and equipment to a hospital in the vicinity of one of its wind projects. For such projects, Denham will be able to report on SDG 3 (Good Health and Well-being) by communicating the number of people treated. Denham's other Latin American renewable power portfolio company, Jenner Renewables, is developing a solar project in Northern Chile. As part of its corporate social responsibility program, the project is providing support to the energy and water resources post-graduate program at the University of Atacama in Chile, thereby making a contribution towards SDG 4 (Quality Education).

Whilst the adoption of the SDGs has not required a change in the fund's investment

strategy, it has helped Denham implement an improved reporting system to track multiple SDGs and goal components and amalgamate this data into one reporting framework.

DENHAM INTERNATIONAL POWER FUND



Essentials

Vintage Year: 2017

Status as of 2018: Fundraising

Geographic Focus: Africa, Latin America and Southeast Asia

Fund Type: Infrastructure

Sector Focus: Power

Size: US\$400 million (US\$1 billion target)

GP: Denham Capital, an energy and resources private equity firm investing in mining, oil & gas and power (www.denhamcapital.com)

Range of Investment Size: Up to US\$250 million to each management team

Highlights

Adoption of the SDGs has helped Denham implement an improved reporting system to track multiple SDGs and goal components and amalgamate this data into one reporting framework.

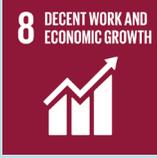
Whilst several SDGs have overlapping themes, Denham decided to group the SDGs according to primary contributions (goals to which the development of power assets makes direct contributions) and secondary contributions (those supported through community-related projects).

Measuring Impact

Whilst several SDGs have overlapping themes, Denham decided to group the SDGs according to primary contributions (goals to which the development of power assets makes direct contributions) and secondary contributions (those supported through community-related projects).

The primary SDGs on which Denham will report are SDG 1 (No Poverty), SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action). The fund will report on SDGs applicable to the employment of workers during construction and operation, such as SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). Denham chose these SDGs because of their alignment with the fund's investment strategy. Reporting on these primary SDGs also allows the firm to compare the relative contributions of different management teams.

Community-related projects will contribute to several of the other SDGs, such as SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-being), SDG 6 (Clean Water and Sanitation) and SDG 15 (Life on Land). Denham will report on these secondary SDGs, but these are likely to be specific to each management team. Due to the nature of the type of community-related projects being undertaken, the reporting of these SDGs may be more qualitative in nature.

SDG	Contribution(s) to the SDGs
	<ul style="list-style-type: none">Number of people with access to electricity
	<ul style="list-style-type: none">Renewable energy produced (mega-watt-hours (MWh))
	<ul style="list-style-type: none">Avoided greenhouse gas (GHG) emissions, (carbon dioxide equivalent (CO2eq))
	<ul style="list-style-type: none">Number of jobs created (full-time equivalent)
	<ul style="list-style-type: none">Number of jobs created in low-income areas (full-time equivalent)



Membership in the EMPEA ESG Community is open to all individuals at EMPEA member firms who have an active interest in ESG in the emerging markets space. This Community provides a platform to share resources and advice for EMPEA members considering how to build and/or expand their ESG management strategy, as well as offers practitioners and experts a forum to advance the development of ESG best practices through information exchange, research and the aggregation and development of innovative resources.

Find out more and get involved at [EMPEA.org](https://www.empea.org)