2020

IFU ANNUAL REPORT

INVESTMENT FUND FOR DEVELOPING COUNTRIES

CONTENTS

The annual report represents our statutory statement on corporate social responsibility and gender diversity at management level, in accordance with section 99 a and b of the Danish Financial Statements Act. The statement is a recap of IFU's Sustainability and Impact Report 2020, available at www.ifu.dk that serves as our Communication on Progress to the UN Global Compact.

LETTER FROM THE CEO

DKK 2BN IN ANNUAL INVESTMENTS IS AN ALL-TIME RECORD

In 2020, IFU and IFU managed funds contracted investments of DKK 2bn. This is an all-time high investment level and an increase of 80 per cent compared to 2019.

The investments will create a positive impact and support the Sustainable Development Goals by generating jobs, expanding renewable energy production, extending financial services to more people and increasing access to high quality healthcare services in developing countries.

The Covid-19 pandemic has had a strong negative impact in developing countries, and IFU has carefully been monitoring the development in its own portfolio and assisted companies in handling the consequences related to their business and employees. During the year we have made Covid-19 related investments of DKK 323m and issued several grants through our Sustainability Facility to buy protective equipment and train employees to prevent the spread of Covid-19.

Africa continues to have high priority, and in 2020 almost half of the contracted investments were made on the continent. IFU also increased the investments in the poorer Sub-Saharan countries. One of these investments was in aBi Finance that provides funding for farmers in Uganda. This investment also included financing from the EU, which IFU has been approved to obtain.

IFU made its first investment through Denmark's Green Future Fund, which was established by the Danish government to support the green transition in Denmark and abroad. The investment was in a 94-megawatt wind power plant in one of the poorest regions in Brazil. The wind power plant will be built by European Energy and use wind turbines from Vestas. Going forward, IFU will continue its effort to engage Danish companies in doing business in developing countries.

Looking ahead, the ambition is that IFU's new investment strategy will enable IFU to become a best-in-class impact investor and steer our investments towards building green, just and inclusive economies. IFU's investments will support economic growth and decent job creation in companies, financial institutions and funds that contribute to the green transition and improve access to basic needs and services for the vulnerable poor. Consequently, our investments will deliver on climate action and reducing inequalities.

In November 2020, we joined the other European Development Finance Institutions (EDFIs) in a commitment to align all new financing decisions with the objectives of the Paris Agreement by 2022 and to ensure that our portfolio will demonstrate net zero emissions by 2050 at the latest. These commitments are in line with IFU's Climate Policy.

Furthermore, we have for the first time structured our reporting on climate change in accordance with the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and have with the support from UNEP DTU calculated the portfolio GHG footprint from our investments. We will continue developing these practices in the coming years.

We have also developed a Gender Strategy that further seeks to roll out our existing Gender Policy and ensure that we continue to expand the number of investments that qualify for the 2X Challenge launched by development finance institutions (DFIs) to advance opportunities for women.

The financial net result of IFU was a loss of DKK (174)m, which was heavily influenced by the effects of Covid-19 restrictions and – in particular – by large currency depreciations for almost all developing countries as well as for the US dollar against the Danish krone. Apart from the effects of lower currencies, the portfolio performed reasonably well considering the Covid-19 effects. ▪

Torben Huss, CEO.

IFU IN BRIEF

END OF YEAR, TOTAL CAPITAL UNDER MANAGEMENT WAS DKK 12.8BN

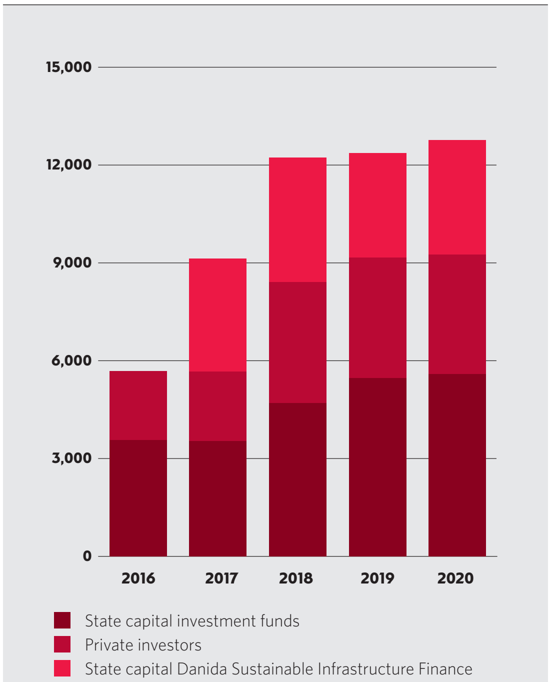
The Investment Fund for Developing Countries (IFU) is Denmark's development finance institution acting as a Danish impact investor contributing to green, just and inclusive societies as well as supporting the Sustainable Development Goals in developing countries. IFU provides risk capital in the form of equity, loans and guarantees to companies operating in developing countries across Africa, Asia, Latin America and parts of Europe.

IFU's investments are focused in five primary sectors:

- Healthy lives
- Healthy foods
- Financial inclusion
- Energy, water and waste
- Transformational business

To be eligible for investments, companies must have a strong impact potential in host countries, be commercially viable and located in a DAC-listed developing country.

Development in capital under management in DKKm



Comprised of i) IFU and IØ equity and loan facilities from Danmarks Nationalbank and the Nordic Investment Bank (drawn and available) ii) for the PPP funds (SDG, DCIF, DAF and IIP) either capital from private investors (the investment period) or private investors share of project commitments (holding period) iii) guarantees outstanding for DSIF.

Investments create development
When investing, IFU is always focused on the double bottom line, creating development and profitable business, as this approach creates the best basis for a lasting positive impact in the investment countries.

The overall purpose of IFU's investments is to contribute to economic and social development with impact priorities addressing building green, just and inclusive societies enabling people and businesses to prosper without jeopardising global sustainability. Therefore, IFU is steering towards impacts that can: reduce inequalities by increasing access to basic need and services, reduce emissions and the use of resources, improve the supply of sustainable products, services and solutions as well as create more decent jobs and increase income, profits and local tax bases.

Moreover, development issues such as gender, human rights, skills development and climate change are included as impact denominators across all investments.

IFU as a fund manager
IFU is fund manager of several investment funds and facilities based on public or public-private capital. See overview on page 5.

Over time, IFU and IFU managed funds have invested in 1,318 projects covering more than 100 different countries in Africa, Asia, Latin America and Europe. The total expected investment in these projects is close to DKK 227bn, with IFU and IFU managed funds contributing almost DKK 25bn.

This makes IFU the most experienced Danish investor in developing countries and emerging markets.

Statutory framework
IFU was established by the Danish State in 1967 and is governed by the Danish Act on International Development Cooperation. The fund's revenues are comprised of income from interest, dividends and capital gains.

As per 2020, total capital under management by IFU was DKK 12.8bn. Capital under management is comprised by IFU and IØ's equity and financing from Danmarks Nationalbank and the Nordic Investment Bank of DKK 5.6bn, capital from private investors in the Danish SDG Investment Fund, DCIF, DAF and IIP of DKK 3.7bn and outstanding DSIF guarantees of DKK 3.5bn.

IFU managed funds and facilities – an overview	Established	Purpose	Capital** DKKm	Capital provided by
IFU and IFU managed funds				
IFU	1967	Private sector development in developing countries supporting the Sustainable Development Goals	4,040	State and accumulated profit
The Investment Fund for Central and Eastern Europe*/***	1989	Private sector development in Eastern Europe (being wound down)	92	State and accumulated profit
IFU Investment Partners*	2012	Joint investments in larger IFU projects	500	Two Danish pension funds
The Danish Climate Investment Fund*	2014	Climate investments in developing countries	1,290	IFU and institutional and private investors
The Danish Agribusiness Fund*	2016	Agribusiness and food investments in developing countries	800	IFU and institutional investors
The Danish SDG Investment Fund	2018	Large investments supporting the Sustainable Development Goals in developing countries	4,858	IFU and institutional and private investors
Investment facilities within IFU				
Project Development Programme	2016	Project development	50	State
NEIF – Neighbourhood Investment Facility	2018	Investments in energy efficiency and renewable energy in Ukraine and Georgia	131	State
High Risk High Impact	2019	High risk investments in Africa with high impact potential	200	State
Denmark's Green Future Fund	2020	Financing predominantly in the form of loans for climate investments in developing countries	1,000	State
Grant facilities outside IFU				
SME facility	2014	Grants for improving investments with Danish small and medium-sized enterprises in developing countries	60	State
NEIF – Neighbourhood Investment Facility	2018	Grants for improving investments in Ukraine and Georgia	10	State
DSIF				
Danida Sustainable Infrastructure Finance	2017	Loan guarantees with a grant element for public infrastructure projects, which cannot be funded through private investments	3,525	State
Project Development Facility - Danida Sustainable Infrastructure Finance	2017	Project development of infrastructure proposals for possible financing under Danida Sustainable Infrastructure Finance.	50	State

* Closed for new investments.
** Either current equity capital for IFU and IØ, outstanding guarantee commitment for DSIF or originally committed capital or loan facilities for other funds and facilities. Figures for capital cannot be added, as part of IFU's equity is invested in other IFU managed funds and capital contributions to the investment facilities HRHI, PDP and NEIF are included in IFU's equity.
*** Total capital contribution to IØ was DKK 1,898m in the period 1990-2001, and DKK 3,740m has been paid back as per end of 2020. Both figures in nominal prices.

EXECUTIVE SUMMARY 2020

IFU AND IFU MANAGED FUNDS

- IFU and IFU managed funds contracted 31 investments totalling a record high investment volume of DKK 2bn
- A new investment strategy focusing on creating green, just and inclusive economies was adopted
- Close to 50 per cent of investments were made in Africa
- Projects in the active portfolio employed close to 280,000 people
- Companies in the active portfolio reported DKK 3.5bn in annual local corporate taxes
- Investments in renewable energy reached a total of 1,950 megawatts
- Microfinance investments serviced 13.5 million clients
- Four new DSIF projects were approved at a record high total of DKK 1.25bn in subsidies supporting e.g. water supply and sanitation projects in Kenya and Uganda
- For the first time the overall portfolio GHG footprint has been calculated totalling 453,000 tCO_2e annually
- Total capital under management increased to DKK 12.8bn

IFU

- IFU contracted 21 investments at a total of DKK 745m
- DKK 323m was invested to assist companies in handling the negative effects of Covid-19
- IFU issued grants to buy protective equipment, train staff and assist healthcare workers and patients in preventing the spread of Covid-19
- IFU made its first investment in a Brazilian wind farm through Denmark's Green Future Fund
- DKK 81m was invested under the High Risk High Impact initiative
- IFU was approved to manage EU development funds
- Net income of DKK (174)m

FINANCIAL HIGHLIGHTS 2016 - 2020

	2020 DKKm	2019 DKKm	2018 DKKm	2017 DKKm	2016 DKKm
INCOME STATEMENT					
Contribution from projects [1]	(160)	46	(121)	200	269
Operating income [2]	(170)	31	(155)	141	220
Net income for the year	(174)	28	(161)	141	218
BALANCE SHEET AT 31 DECEMBER					
Share capital investment in projects at cost	3,247	2,829	2,332	1,765	1,621
Project loans at cost	1,069	1,053	1,002	923	1,102
Total investment in projects at cost	4,316	3,883	3,334	2,688	2,723
Accumulated value adjustments	(300)	(87)	(29)	133	82
Investments in projects, net [1]	4,016	3,796	3,306	2,821	2,805
Cash and bonds, net	330	518	538	406	191
Paid-in capital during the year	60	337	306	217	14
Repaid capital/Paid-out dividend during the year	0	(50)	(50)	(50)	0
Total equity capital	4,040	4,161	3,802	3,288	2,984
Total balance	4,442	4,416	3,970	3,410	3,125
ADDITIONAL DATA					
New projects contracted (no.)	10	9	25	13	25
Portfolio of projects end of year (no.)	161	170	178	177	184
Investments contracted	745	670	3,070	640	1,103
Investments disbursed	775	903	849	478	667
Undisbursed contracted investments incl. guarantees end of year	2,877	2,977	3,645	1,264	1,395
Binding commitments not yet contracted end of year	723	460	765	410	347
KEY RATIOS					
Yield from share capital investments [3]	(4.5%)	1.1%	(7.6%)	6.2%	11.1%
Yield from project loans and guarantees [3]	(2.2%)	2.2%	5.4%	6.6%	7.9%
Yield from projects (total) [3]	(4.1%)	1.3%	(3.9%)	7.1%	10.0%
Net income for the year/Average total equity capital	(4.2%)	0.7%	(4.3%)	4,.5%	7.5%
Solidity ratio	90.9%	94.2%	95.8%	96.4%	95.5%
Average number of full-time employees	92	88	89	84	78

Totals may not add up due to rounded figures.

1) Information about composition of the contribution from projects including value adjustments and allowance for impairment can be found in "Financial review 2020" on page 48.

2) Operating income comprises contribution from projects management fees, other income and less operating expenses.

3) Contribution from projects/Average investment in projects - value adjusted.
Contribution from share capital investments/Average share capital in projects - value adjusted.
Contribution from project loans and guarantees/Average project loans - net of allowance for impairment.

PROJECTS IN THE ACTIVE PORTFOLIO EMPLOY CLOSE TO 280,000 PEOPLE

MANAGEMENT'S REVIEW

NEW INVESTMENT STRATEGY WITH INCREASED FOCUS ON IMPACT AND PRIORITISED SECTORS AND COUNTRIES

The ambition is that IFU's new investment strategy will enable IFU to become a best-in-class impact investor. Therefore, new investments are guided by a set of impact priorities that steer the selection based on the investments' potential and ability to assist developing countries in improving the livelihood of people without jeopardising global sustainability.

The rationale is that there is a strong need for building a green, just and inclusive economy. A green economy will assist the world in reducing the use of resources, preventing the global temperature to rise, creating a circular economy and allowing developing countries to avoid the unsustainable development path that high-income countries have followed. A just and inclusive economy is a necessity because there is a strong need to reduce inequalities and poverty by addressing the fact that billions of people lack access to essential goods, services and rights.

IFU WANTS TO BECOME A BEST-IN-CLASS IMPACT INVESTOR

This entails that IFU must sharpen its investment focus. Consequently, the new investment strategy determines priorities related to impact, sectors and countries, which are selected based on a combination of IFU's experience and track-record, development needs, and how best to maximise IFU's additionality and the outcome of the investments.

The priority impacts are selected to steer IFU's investments towards projects that can: reduce inequalities by increasing access to basic needs and services, reduce emissions and the use of resources, improve the supply of sustainable products, services and solutions as well as create more decent jobs and increase income, profits and local tax bases.

Moreover, development issues such as gender, human rights, skills development and reduced emissions are included as impact denominators across all investments.

The prioritised sectors are: healthy foods, healthy lives, financial inclusion, energy, water and waste as well as transformational businesses. These sectors are selected because they have high value for people in developing countries and hold solid potential for supporting the ambition to assist in building green, just and inclusive societies. Moreover, the selection is based on IFU's existing competences and our ability to drive impact within these sectors. ▸

HEALTHY FOODS

Investments in nutritious, healthy and sustainable food value chains and agribusinesses that contribute to reducing food insecurity, balanced diets and reduced food waste.

HEALTHY LIVES

Investments in healthcare and service provider business in areas of high need, in support of national health development plans.

FINANCIAL INCLUSION

Investments in financial inclusion, with particular focus on SME banking and microfinance to underserved communities.

ENERGY, WATER AND WASTE

Investments in circular and renewable models with particular focus on wind and solar energy, waste management and waste-to-energy, and water infrastructure.

TRANSFORMATIONAL BUSINESSES

Investments in businesses outside main focus areas that help transform their industries towards more green, just and inclusive economies with exceptional impact cases.

The prioritised countries are selected based on country-specific needs, deal availability, and IFU's own reach and track-record. The four groups are: core focus, high risk high impact, green transformation and extended reach.[1]

The core focus group includes 22 countries across Africa, Asia, Latin America and Europe, which hold a good mix of green and inclusive opportunities and a sizeable deal universe. Moreover, IFU has a strong track-record and a high potential to be additional in these countries.

The high risk high impact group includes 35 Sub-Saharan countries where IFU is evaluating new investments through a correlated high risk high impact approach, meaning that IFU is willing to take a higher risk if there is a substantial impact potential.

IFU CONTINUES TO HAVE STRONG FOCUS ON ASSISTING DANISH COMPANIES IN DOING BUSINESS IN DEVELOPING COUNTRIES

Within the core focus and high risk high impact groups IFU can invest across all priority sectors.

The green transformation group includes 27 countries. In general, these countries have more stable business environments and higher levels of access to finance, thus IFU's financial additionality is lower. But there is still a high need for supporting the green transition not least because these middle-income countries experience a high growth in demand for energy, which needs to be met by renewable energy. Moreover, management of waste and cleaning of wastewater are still important areas for action, for example. To be eligible, investments within the green transformation group need to support the transition to a more green economy.

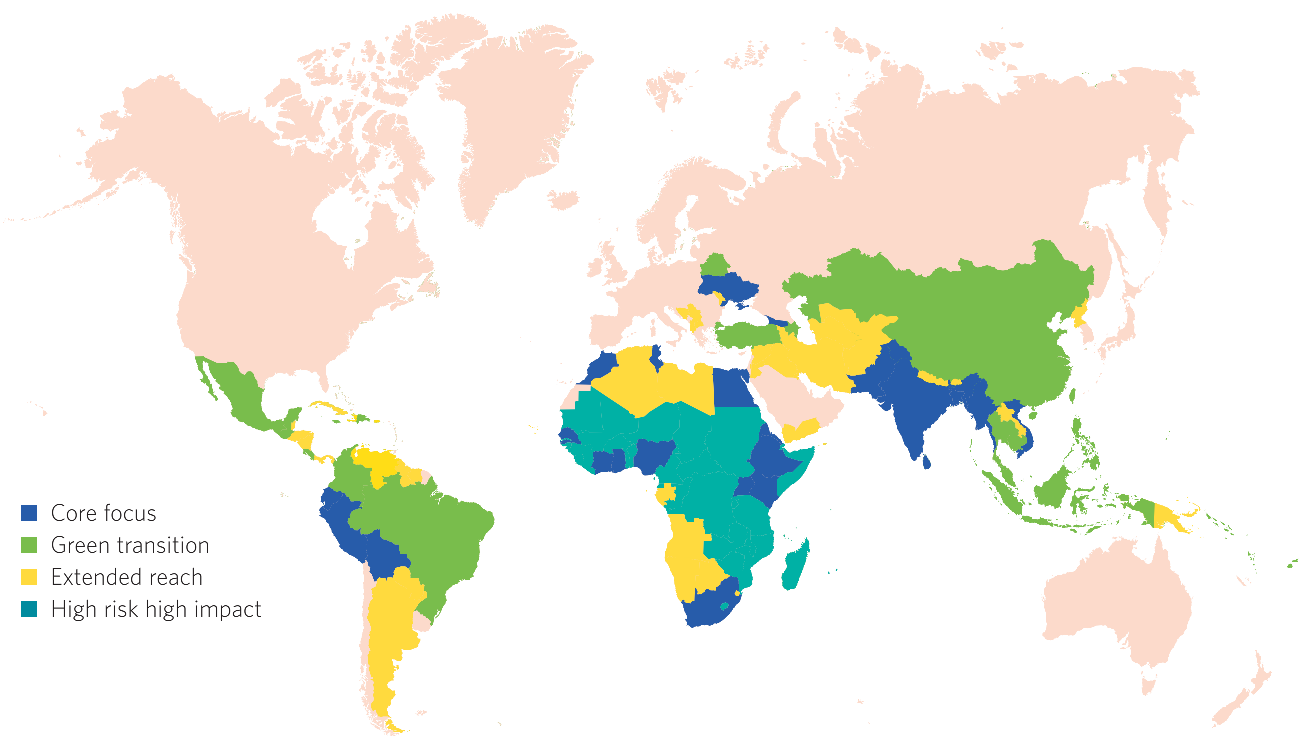
The extended reach group includes 63 countries, which are high risk countries with a low IFU track-record and few eligible deals. Consequently, for IFU to consider investments in these countries there must be an extraordinary impact potential.

Supporting Danish companies

IFU continues to have strong focus on assisting Danish companies in doing business in developing countries. Within the five selected sectors, Danish businesses hold world-class technology and have proven solutions and business concepts that have the potential to make a difference in developing countries.

To assist Danish companies in exploring these opportunities, IFU has set up a dedicated SME facility to support small and medium-sized Danish companies in maturing business concepts and establishing companies in developing countries. The SME facility can support companies in the preparation as well as the implementation phase with a maximum of DKK 750,000 in each phase.

IFU country segmentation of current 142 DAC countries



1) Number of countries in the four groups cannot be added as a few countries are included in more than one group.


C-LEAP, China, providing small loans to farmers.

IFU IS FOCUSING ON CREATING PROFITABLE BUSINESS WITH HIGH IMPACT

Moreover, IFU has a Project Development Programme assisting e.g. larger Danish companies in developing projects creating new business opportunities as well as impact and value in developing countries. IFU can share the initial development cost of up to DKK 5m in single projects.

Read more about the SME facility and the Project Development Programme at ifu.dk.

IFU is an active owner with strong focus on value and impact

It is IFU's experience that there is a clear correlation between good financial performance and the impact that project companies have in the host country. Consequently, IFU is focusing on creating profitable business with high impact.

To steer on impact and value throughout IFU's engagement in projects, a framework for evaluating potential impact, planning, monitoring and following up on investments has been developed.

Initial screening of all potential projects is based on a set of criteria to settle if they meet the requirements regarding priority sectors and countries, return expectations and impacts supporting green, just and inclusive societies.

For green investments, the EU taxonomy is the overall reference, with a clear focus on mitigating or adapting pressures from climate change, circular business models, change of production and consumption patterns, or providing other environmental services and benefits. For inclusive investments the focus is on providing access to essential services, goods and solutions, including to underserved groups such as women, youth and smallholders.

As part of IFU's active ownership, value and impact creation plans are defined for all investments. These plans govern our active ownership programme, where IFU, based on e.g. board membership and engagement with management in the project companies, ensures that the planned priorities are operationalised and reported back to IFU. ▪

INVESTMENTS IN 2020

INVESTMENTS WILL CREATE A POSITIVE IMPACT AND SUPPORT THE SUSTAINABLE DEVELOPMENT GOALS

IFU and IFU managed funds contracted investments at a total of DKK 2bn in 2020, which is at an all-time high and an increase of close to 80 per cent compared to 2019.

The Danish SDG Investment Fund contracted eight new investments at DKK 1.2bn and one additional investment in an ongoing project at DKK 48m. The investments were distributed across e.g. healthcare, renewable energy, microfinance and sustainable housing.

IFU itself contracted ten new investments and 11 additional investments in ongoing projects at a total investment of DKK 459m and DKK 286m, respectively.

The investments will create a positive impact and support the Sustainable Development Goals, by generating jobs, expanding renewable energy production, extending financial services to more people and increasing access to high quality healthcare services in developing countries.

Aligned with the new investment strategy, ten of the new investments were made within three of the priority sectors, including healthy lives, energy, water and waste as well as financial inclusion (see figure below).

The investments within healthy lives continued with new investments in a hospital group in North Africa and a dialysis company in India. Both companies will use the investment proceed to expand their facilities and capacity to serve more people.

Investments to create financial inclusion have been increasing for several years. In 2020, IFU and the Danish SDG Investment Fund made three new investments in microfinance covering Uganda, Bolivia and China. Moreover, IFU made four additional investments in banks, microfinance funds and institutions.

Another priority sector is energy, water and waste. During the year, IFU and the Danish SDG Investment Fund made three new investments in the energy sector. Two in Africa and one in Brazil. The investments will add to the already large portfolio of renewables, which has now reached 1,950 megawatts.

New investments 2020

HEALTHY LIVES
- Two investments in Africa and Asia
- Total expected investment of DKK 2.5bn
- IFU's share of total investment is DKK 361m

ENERGY, WATER AND WASTE
- Five investments in Africa, Asia and Latin America
- Total expected investment of DKK 3.1bn
- IFU's share of total investment is DKK 457m

EXPECTED IMPACT
- Direct employment of 26,000 people
- 600 additional hospital beds
- Serving 1.6 million healthcare patients annualy
- Close to 800 megawatt of renewable energy to be installed or sustained
- Reduction of 200,000 tons Co_2e annually
- Service 1.8 million clients with financial services annually
- 30,000 sustainable houses to be built

FINANCIAL INCLUSION
- Three investments in Africa, Asia and Latin America
- Total expected investment of DKK 741m
- IFU's share of total investment is DKK 344m

OTHER
- Eight investments covering e.g. tourism, housing, leather production and Covid-19 financing
- Total expected investment of DKK 5.2bn
- IFU's share of total investment is DKK 459m

Vinte, sustainable housing in Mexico.

INVESTMENTS IN AFRICA WERE DKK 938M, CORRESPONDING TO CLOSE TO 50 PER CENT OF TOTAL INVESTMENTS

Across funds, investments in Africa were DKK 938m, which corresponds to close to 50 per cent of total investments. DKK 481m, representing 25 per cent of investments, was invested in Latin America, while the remaining part was invested in Asia, Europe and in projects with a global focus.

The new investments are expected to directly employ close to 26,000 people once full capacity is reached. But the actual direct employment effect from the investments is anticipated to be higher. This is because for some of the new investments, e.g. investment funds and platform companies, IFU cannot estimate the expected direct employment at the appraisal stage, as jobs are sustained and created in portfolio companies, which have not yet been established or acquired.

Actual direct employment in the projects receiving additional financing adds up to almost 34,000 people.

One important aspect of the investments is to use IFU and IFU managed funds' own resources as leverage for attracting additional capital to the project companies, as this leads to an overall higher development impact. Measured against the total expected investment in new projects, IFU's share of the investments had a leverage factor across funds of 6.2 in 2020.

Over a rolling period of three years, at least 50 per cent of IFU's investments must be made in poorer developing countries, i.e. countries with a maximum GNI per capita of USD 3,196 in 2020. The threshold is calculated as 80 per cent of the upper limit for Lower Middle-Income Countries, according to the World Bank's classification.

In 2020, 68 per cent of the investments were below the threshold. Investments in projects with a regional focus, typically fund investments, covering countries above as well as below the threshold, where the actual distribution is not yet known, are included partially in the calculation based on an annually updated weighted actual distribution for similar regional investments entered into in the period 2009-18. Seen over the three-year period 2018-2020, the share of investments below the threshold is 71 per cent.

As part of the High Risk High Impact agreement with Danida, IFU is committed to invest on average at least 30 per cent of its own funds in the poorest countries in Africa, in 2020 and 2021. In 2020, IFU's investment in said countries was 45 per cent.

IFU and IFU managed funds overall

At year-end 2020, IFU had engaged in a total of 883 projects. The contracted investments in these projects was DKK 18.7bn, including IFU's own investments in IFU managed funds.

On a consolidated basis, IFU and IFU managed funds have overall engaged in 1,318 projects with a total contracted investment amount of close to DKK 25bn.

At year-end, the active portfolio covering all funds contained 192 project companies. ▪

Active portfolio at 31 December 2020 (no. of projects)

IFU	161
SDG	16
DCIF	12
DAF	4
IIP	3
IØ	6
Total	**202**
Eliminations*	(10)
Consolidated total	**192**

* Ten projects are eliminated due to inter-fund investments, or because they have received financing from more than one fund.

INVESTMENTS CONTRACTED IN 2020

	PROJECT NAME	COUNTRY	FUND/ FACILITY	IFU'S CONTRACTED INVESTMENTS IN DKKM			EXPECTED DIRECT EMPLOYMENT (PEOPLE)
				SHARES*	LOANS**	TOTAL	
	NEW PROJECTS						
	AFRICA						
1	aBi Finance	Uganda	IFU/HRHI	127.1		127.1	50
	of which to be financed by EU			*62.2*		*62,2*	
	of which financed by HRHI			*64.8*		*64.8*	
2	Africa GreenCo	Zambia	IFU/PDP		6.4	6.4	
3	Asilia Africa	Africa (Regional)	IFU		26.6	26.6	775
4	Daystar Power Group	Nigeria	SDG	124.2		124.2	106
5	Eranove	Côte d'Ivoire	SDG	186.6		186.6	9,000
6	Humania North Africa	Egypt	SDG	291.2		291.2	6,600
	Subtotal Africa			**729.1**	**33.0**	**762.1**	**16,531**
	ASIA						
7	Azur WtE	Thailand	IFU/PDP		9.3	9.3	
8	C-LEAP	China	IFU	21.1		21.1	15
9	Dbramante	India	IFU		3.0	3.0	600
10	DCDC Health Services	India	SDG	70.1		70.1	2,400
	Subtotal Asia			**91.2**	**12.3**	**103.5**	**3,015**
	EUROPE						
11	Queen Tarim Flowers	Turkey	IFU		22.4	22.4	332
12	Radisson Telegraph Hotel	Georgia	SDG	139.8		139.8	400
	Subtotal Europe			**139.8**	**22.4**	**162.2**	**732**
	GLOBAL						
13	EDFI Management Company	DAC developing countries	IFU	1.2		1.2	18
14	EFP VI	DAC developing countries	IFU	111.6		111.6	
	Subtotal Global			**112.8**		**112.8**	**18**
	LATIN AMERICA						
15	Bancosol	Bolivia	SDG	195.3		195.3	3,087
16	DC-Viaduto	Brazil	SDG	26.9		26.9	398
17	Ouro Branco	Brazil	IFU/GFF		130.0	130.0	10
18	Vinte	Mexico	SDG	127.3		127.3	2,000
	Subtotal Latin America			**349.6**	**130.0**	**479.6**	**5,495**
	TOTAL NEW PROJECTS			**1,422.5**	**197.7**	**1,620.2**	**25,791**

ADDITIONAL FINANCING OF ONGOING PROJECTS

	PROJECT NAME	COUNTRY	FUND/ FACILITY	IFU'S CONTRACTED INVESTMENTS IN DKKM			ACTUAL DIRECT EMPLOYMENT (PEOPLE)
				SHARES*	LOANS**	TOTAL	
	AFRICA						
19	Africa Coffee Roasters	Kenya	IFU		6.5	6.5	28
20	Al Quseir Hotel Company	Egypt	IFU		4.5	4.5	127
21	Horn of Africa Fund	Somalia	IFU/HRHI	33.9		33.9	668
	of which financed by HRHI			15.7			
22	TDB Bank	Africa (Regional)	IFU	127.3		127.3	145
	Subtotal Africa			**161.2**	**11.0**	**172.2**	**968**

	ASIA						
23	Alliance Myanmar	Myanmar	IFU	8.1		8.1	1,427
24	BOPA	Cambodia	IFU	52.4		52.4	2,402
25	Frontiir Myanmar	Myanmar	SDG	48.0		48.0	2,263
26	Ramagundam Fertilizers	India	IFU	6.3		6.3	264
	Ramagundam Fertilizers	India	DAF	6.3		6.3	
27	Scandinavian Farms Pig Industries	China	IFU		3.4	3.4	22
	Scandinavian Farms Pig Industries	China	DAF		3.4	3.4	
	Subtotal Asia			**121.1**	**6.8**	**127.9**	**6,378**
	GLOBAL						
28	NMI III	DAC developing countries	IFU	38.4		38.4	25,598
29	NMI III A/S	DAC developing countries	IFU	5.0		5.0	14
	Subtotal Global			**43.4**		**43.4**	**25,612**
	LATIN AMERICA						
30	Gustu Restaurant	Bolivia	IFU		0.6	0.6	40
31	Coexca S.A.	Chile	DAF	1.1		1.1	675
	Subtotal Latin America			**1.1**	**0.6**	**1.7**	**715**
	TOTAL ADDITIONAL FINANCING			**326.8**	**18.4**	**345.2**	**33,673**

	TOTAL IFU						
	Total new projects			261.0	197.7	458.7	1,800
	Total additional financing			271.4	15.0	286.4	30,735
	TOTAL			**532.5**	**212.7**	**745.1**	
	of which financed by HRHI			*80.5*			
	of which financed by GFF				*130.0*		
	of which financed by PDP				*15.7*		
	TOTAL SDG						
	Total new projects			1,161.5		1,161.5	23,991
	Total additional financing			48.0		48.0	2,263
	TOTAL			**1,209.4**		**1,209.4**	
	TOTAL DAF						
	Total new projects						
	Total additional financing			7,4	3,4	10,8	675
	TOTAL			**7,4**	**3,4**	**10,8**	**675**

TOTAL IFU + SDG + DAF

	PROJECT NAME	COUNTRY	FUND/ FACILITY	IFU'S CONTRACTED INVESTMENTS IN DKKM			
				SHARES*	LOANS**	TOTAL	
18	**Total new projects**			1,422,5	197.7	1,620.2	25,791
13	**Total additional financing**			326.8	18.4	345.2	33,673
31	**GRAND TOTAL IFU AND IFU MANAGED FUNDS**			**1,749.3**	**216.1**	**1,965.4**	

Totals may not add up due to rounded figures.

* Including overrun commitments.

** Including guarantees.

THE DANISH SDG INVESTMENT FUND

THE DANISH SDG INVESTMENT FUND CONTRACTED INVESTMENTS AT A TOTAL OF DKK 1.2BN

The Danish SDG Investment Fund is a public-private partnership, which includes the Danish State, IFU and the institutional and private investors PKA, PensionDanmark, PFA, ATP, P+, Pensam, Navest, SEB Life & Pension, Secure SDG Fund and Chr. Augustinus Fabrikker Akts. The fund was established in 2018 with the purpose of investing in projects in developing countries supporting the Sustainable Development Goals. Total committed capital is DKK 4.86bn.

In 2020, the Danish SDG Investment Fund made eight new and one additional investment at a total of DKK 1.2bn.

Two of the new investments were made within healthcare in North Africa and India aiming at increasing access to essential high-quality healthcare in the two countries.

The fund continued investing in energy and made two new investments in Africa, where access to energy is limited. Moreover, the fund invested in a microfinance business in Bolivia, a large sustainable housing project in Mexico, a hotel in Georgia and rental business in Brazil.

At year-end 2020, the Danish SDG Investment Fund had contracted investments of a total of DKK 1.8bn in 16 projects corresponding to 38 per cent of the total committed capital to the fund.

NEW INVESTMENT IN 2020

DAYSTAR TO SPARK SOLAR POWER IN AFRICA

Daystar, a West African solar company, is set up to assist corporate and industrial businesses in solving the energy challenges by offering turnkey solar power solutions that can reduce cost and are more reliable and cleaner. The innovative Daystar concept is provided as either Power as a Service or Solar as a Service, where Daystar takes over total responsibility for the supply of power or installs solar power as a supplement. Both solutions are based on an operational lease model replacing upfront cost for the customer with a monthly fee.

SDG fund invested DKK 124m
In recent years, Daystar has installed more than 10 megawatts of solar power and has a strong pipeline. To scale up the business, IFU has on behalf of the Danish SDG Investment Fund invested DKK 124m.

HIGH RISK HIGH IMPACT INVESTMENTS

THE DANISH MINISTRY OF FOREIGN AFFAIRS HAS ALLOCATED DKK 200M TO IFU FOR INVESTMENTS IN THE POOREST AFRICAN COUNTRIES

Private-sector investments are vital for development. However, investors are generally reluctant to invest in the poorest developing countries due to high political and commercial risk. To address this, the Danish Ministry of Foreign Affairs has allocated DKK 200m to IFU for investments in projects with high impact in the poorest countries in Africa.

Supporting the Sustainable Development Goals

The facility is focused on the African countries with a maximum GNI per capita of 40 per cent of the upper limit for Lower Middle-Income Countries, according to the World Bank's classification. This currently includes 35 countries, such as Benin, Burkina Faso, Malawi and Uganda. Special thematic focus is on creating decent jobs, installing renewable energy, supporting smallholders within agribusiness and increasing access to clean water, for example. In total, IFU contracted DKK 80m in two projects under the high risk high impact investment corresponding to 40 per cent of the allocated funds of DKK 200m. ▪

NEW INVESTMENT IN 2020

HORN OF AFRICA FUND

For decades, Somalia has been haunted by war, refugees and terrorism. More private companies creating jobs is one of the key elements of creating prosperity and peace. But making direct investments in fragile states is often difficult for IFU. To counter this, IFU has invested in cooperation with Danida in the Horn of Africa Fund, which has experience and a strong network in Somalia.

Sustainable egg trays

One of the outcomes is AADCO, which is the only paper factory in Somalia and Somaliland. The company has grown steadily, and today it has 50 employees, of whom one third are women. With risk capital and advice from the Horn of Africa Fund, AADCO has started a new business line making egg trays out of recycled paper from its own production and other companies. Previously, egg trays were imported from China and Dubai, but today the local egg producers are buying egg trays from AADCO, which is cheaper and creates local jobs and income as well as increased sustainability.

In total, IFU and Danida have invested DKK 63m in the Horn of Africa Fund, which has supported 50 local companies so far.

DANIDA SUSTAINABLE INFRASTRUCTURE FINANCE

DSIF TO SUPPORT LARGE-SCALE WATER SUPPLY AND SANITATION PROJECTS IN KENYA AND UGANDA

2020 saw several highlights for Danida Sustainable Infrastructure Finance (DSIF).

In October, DSIF issued final commitment letter of DKK 511m to the Assela Wind Farm Project in Ethiopia after the final agreements were signed. The project was ratified by the Ethiopian Parliament, and implementation officially commenced in November. 29 wind turbines producing 330 GWh of electricity yearly will diversify power production and prevent 175,080 tonnes of CO_2 from being released into the atmosphere.

In addition, the Danish minister for development co-operation approved four new projects for DSIF financing, granting a record high amount of DKK 1.25bn in subsidies in total. These projects are not signed yet.

Two of them are large-scale water supply and sanitation projects – Thika & Githunguri in Kenya and Wakiso West in Uganda with a total estimated contract value of DKK 2.12bn. The two projects will provide clean and affordable water to 1,250,000 people.

Further, two projects in Ukraine, the Kremenchuk District Heating Renovation Project and the Zaporizhzhia Wastewater Treatment Plant Project with a total estimated contract value of DKK 230m, obtained final approval by the minister for development cooperation in 2020. Both projects will significantly improve aging and inefficient infrastructure with state-of-the-art technology built on Danish expertise and know-how. The projects are financed under a framework agreement between NEFCO (the Nordic Environment Finance Corporation) and DSIF signed in 2020, that allows for co-financing of sustainable infrastructure projects in Ukraine.

Finally, two new projects, the Lviv Wastewater Treatment Plant in Ukraine and Assela II Wind Farm in Ethiopia, were cleared in principle in order to ascertain the feasibility of the projects. The Lviv WWTP will contribute to reduce pollution to the Baltic Sea Catchment Area, while Assela II will be another push towards sustainable electricity production to an Ethiopian population in dire need. •

PHOTO BY NEFCO

Signing of DSIF grant agreement with city of Kremenchuk, Ukraine.

DENMARK'S GREEN FUTURE FUND MADE ITS FIRST INVESTMENT

DKK 1BN WAS ALLOCATED TO IFU FOR FINANCING CLIMATE-RELATED PROJECTS IN DEVELOPING COUNTRIES

The Danish Government has launched "Denmark's Green Future Fund" with the aim of supporting the green transition in Denmark and abroad. The total fund size is DKK 25bn, of which DKK 1bn was allocated to IFU for financing climate-related projects in developing countries.

The DKK 1bn is provided to IFU through access to the central government re-lending scheme at Danmarks Nationalbank.

In general, IFU has good experience with investing in projects supporting the green transition in developing countries. The additional funds made available will enable IFU to grow the already substantial climate-related portfolio further, increase the use of climate-friendly technologies and reduce CO_2 emissions across developing countries.

In 2020, IFU signed the first loan agreement on behalf of Denmark's Green Future Fond. It was for a DKK 130m investment in a 94-megawatt wind power project in Brazil. ▪

NEW INVESTMENT IN 2020

BRAZILIAN WIND POWER PROJECT FINANCED BY GREEN FUTURE FUND

In the north-eastern Brazilian state of Pernambuco, one of the poorest regions in the country, three new wind parks with a total capacity of 94 megawatts are ready to be built. The project was developed by Brazilian developer Eólica Tecnoligia and Nordic Power Partners, which is a joint venture set up by European Energy and the IFU-managed Danish Climate Investment Fund to develop renewable energy projects in developing countries.

Two million tons CO_2 reduction

The three wind parks, Ouro Branco I & II and Quatro Ventos, will use 21 type V150-4.5 wind turbines supplied by Vestas and are expected to produce close to 420 GWh a year and reduce carbon emissions by more than 2.2 million tons over the 20-year lifetime of the project. Construction started in February 2021, and it is expected that the wind parks will be operational at the end of 2022.

During construction and operation, the three new wind parks will create local jobs and economic development in the region, improve electricity supply and be a supplement to hydro power, which is challenged by long periods of drought.

The wind project is partly financed through Denmark's Green Future Fund by a loan of DKK 130m, which represents close to 20 per cent of the total construction costs

IFU TO MANAGE EU DEVELOPMENT FUNDS

IFU HAS PASSED AND BEEN APPROVED BY EU'S PILLAR ASSESSMENT

IFU has completed an EU Pillar Assessment consisting of a comprehensive review of IFU's internal procedures in several key areas. The assessment and approval by EU mandates IFU to manage EU development funds on behalf of the European Union.

Consequently, IFU can now apply for additional risk capital to finance projects and thereby increase IFU's financial engagement in developing countries further.

In 2020, IFU has obtained co-financing for one project with a total commitment of DKK 127m, of which EU financing is DKK 62m. ▪

NEW INVESTMENT IN 2020

FINANCING FOR FARMERS IN UGANDA

In Uganda, the agricultural sector is imperative for development, as it accounts for more than 70 per cent of total employment and 60 per cent of the country's export earnings. But the growth potential is hampered by lack of access to financial services, not least for small farmers in rural areas.

aBI Finance established by Danida

To improve financial services and financial inclusion in Uganda, Denmark's development cooperation, Danida, a few years ago established aBi Finance, which is providing funding for agribusiness through lines of credit and agriculture loan guarantees to financial institutions.

To take aBi Finance to the next level, additional funding is required, and IFU has now approved an equity investment of DKK 127m in the company. DKK 62m was provided through the EU blending facility Africa Investment Facility.

SUPPORTING DANISH SMEs IN MAKING SUCCESSFUL BUSINESS IN DEVELOPING COUNTRIES

IN 2020, THREE DANISH SMES HAVE RECEIVED SME GRANTS

Small and medium-sized enterprises form a large part of Danish trade and industry, but these companies often lack the necessary resources to make investments in difficult markets. To support them in the preparation and implementation of projects in developing countries, Danida and IFU have established an SME facility.

The SME facility can assist with financial grants in the preparation as well as the implementation phases of a project. The prerequisite for obtaining support is that the project is deemed commercially viable and is eligible for an IFU investment, has a positive development impact in the host country, e.g. creating employment, and is backed financially by a qualified Danish partner.

Financial support can be obtained for e.g. preparation of a business strategy, organisational and managerial development, check of critical assumptions, environmental studies, training and implementation of CSR initiatives. The maximum amount for a single project is DKK 1.5m covering a maximum of 50 per cent of actual eligible costs.

In 2020, three Danish SMEs received SME grants, of which two have materialised into projects receiving loan financing from IFU on commercial terms. ▪

NEW INVESTMENT IN 2020

DANISH LEATHER PRODUCTION IN INDIA BECOMES CARBON NEUTRAL

Many small Danish companies have the potential to make a difference in developing countries. A good example is dbramante1928 that is producing leather bags and covers for mobile phones, tablets and laptops. During ten years of operation in India, the number of employees has increased from 65 to 600, and in 2020 the company relocated all employees to a new carbon neutral factory. This is the first of its kind in Kolkata, India, which is known for substantial leather production.

IFU has provided loan financing

To build the new 5,000 m^2 factory, IFU has provided a loan of DKK 3m, which among other things has been used to install 1,000m^2 solar panels on the roof, supplying all the energy for the production, rainwater collection as well as new machines and refurbishing of the facilities. Moreover, IFU has provided financial support through its SME facility for training of the employees in using new production technology, handling alternative energy resources, strengthening the supply chain and CSR initiatives.

"We are very happy to work with IFU, because they have contributed with valuable knowledge and clear demands, which has led to a modern factory ensuring a positive work environment for our employees as well as a positive contribution to the local as well as the global climate," said Dennis Dress, CEO of dbramante1928.

DEVELOPING COUNTRIES HIT HARD BY COVID-19

IFU MADE COVID-19 RELATED INVESTMENTS OF DKK 323M

The Covid-19 pandemic has had a strong negative impact on the global economy. That is also the case in developing countries where years of economic and human progress has seen a huge setback. Millions of people have lost their jobs, and many companies are struggling to survive.

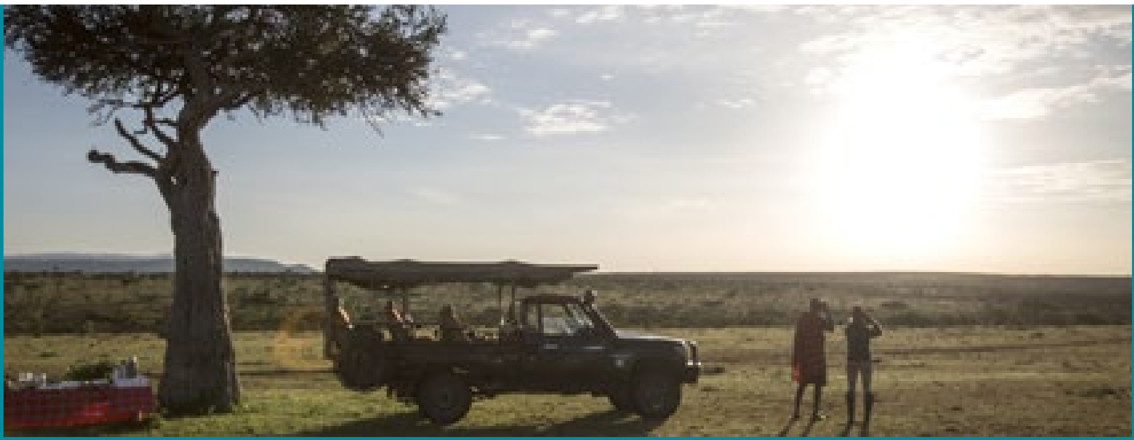
During 2020, IFU carefully monitored the development in its own portfolio and assisted companies in handling the consequences related to their business and employees.

At year-end, IFU had made Covid-19 related investments of DKK 323m in new as well as existing project companies. DKK 113m was invested in a DKK 2bn joint initiative by the European DFIs and the European Investment Bank that will allow for substantial funding to mitigate liquidity constraints or shortfall of funding from commercial banks following Covid-19, for example.

Based on the Ministry of Foreign Affairs' decision to forgo the payment of dividend of DKK 13m, IFU has allocated DKK 7.5m for Covid-19 related grants. The remaining funds were included in IFU's investment capital for Covid-19 related investments.

The allocated funds for grants have been distributed on several initiatives, including buying protective equipment and train employees in handling Covid-19 related issues as well as assisting healthcare workers and patients in preventing the spread of Covid-19. •

NEW GRANT IN 2020



ASILIA AFRICA IS TRAINING YOUNG EMPLOYEES

The tourism and hospitality sector in Africa has been hit hard by Covid-19. One of the affected companies is Asilia, which operates several lodges in Kenya and Tanzania. IFU has provided loan financing for the company to sustain jobs and continue its social and wildlife projects within the local communities during the pandemic. Moreover, IFU has granted financial support for a training programme giving up to 70 young employees the opportunity to use the standstill in the tourism sector to acquire new competences, giving them better job and career opportunities when things return to normal.

Training with a diploma

The training programme is based on combining theoretical and practical learning directly on the job, followed by mentoring programmes providing the participants with further theoretical and practical competences.

In Africa, employee training is often based on peer training without a theoretical foundation, and therefore the qualifications obtained cannot be transferred to a certificate or diploma. This makes it difficult for employees to provide documentation to new employers when they move on in their career.

Consequently, the training programme carried out at Asilia Africa is certified by internationally recognised training institutions within the hospitality and safari guiding sector. All participants will receive a diploma to prove that they have completed a professional training course.

SUSTAINABILITY IN IFU'S INVESTMENT PROCESS

MANAGING SUSTAINABILITY RISKS AND IMPACTS IS AN INTEGRAL PART OF THE INVESTMENT PROCESS

IFU has a comprehensive framework for managing sustainability risks and impacts as an integral part of the investment process for both direct investments and investments in funds and financial institutions. This ensures that the investments contribute to building a green, just and inclusive economy and that environmental and social (E&S) risks and adverse impacts are mitigated.

Sustainability policy framework

IFU's Sustainability Policy is the foundation that sets out IFU's commitment to invest in sustainable development and to contribute to the realisation of the Sustainable Development Goals (SDGs). The policy highlights sustainability issues that IFU considers particularly relevant in order for investments to contribute to the SDGs. Furthermore, the policy has annexes with specific sustainability requirements for IFU's direct investments in the form of equity and loans to project companies, as well as investments in private equity funds, financial institutions and other financial intermediaries. IFU's commitments in relation to major global sustainability issues are clarified in underlying policies, which further explain how IFU implements responsible business conduct measures.

Investment process overview

IFU's investment process follows four main phases that are aligned with the standards adopted by the European Development Finance Institutions (EDFIs). The process will therefore be applied in a similar way when co-financing among EDFIs occurs.

During appraisal, IFU assesses and approves investments according to a gradually increased engagement level passing several approval stages from the initial screening phase, through a thorough due diligence phase to final approval. ▸

IFU'S SUSTAINABILITY POLICY

Environmental policies:
- Climate Policy
- Animal Welfare Policy

Social policies:
- Human Rights Policy
- Gender Equality Policy

Governance policies:
- Corporate Governance Policy
- Anti-Corruption Policy
- Tax Policy

IFU's sustainability policy framework consists of a sustainability policy and seven underlying policies. All policies are available at www.ifu.dk.

REPORTING SCOPE

The following figures are based on sustainability reports submitted to IFU by 83 direct investments, 39 funds and five financial institutions. This is 92 per cent of projects required to report in this reporting period. Additional analysis of the performance of the portfolio on specific issues like greenhouse gas emissions are also included in the report.

An important note is that a third of the portfolio are projects contracted before 2015 where IFU's sustainability policy was strengthened significantly. These projects are not required to meet the same sustainability requirements as projects contracted in the period 2015-2020, and IFU cannot reopen contracts to add additional requirements. However, IFU is pleased to see that many projects contracted before 2015 are meeting the new requirements.

See more about reporting principles on page 33 in IFU's Sustainability and Impact Report 2020.

Sustainability in the investment process

SCREENING	• Creation of impact hypothesis • First gate impact screening against investment strategy • Identification of project-related sustainability risks and opportunities, and impact potential • Pre-assessment of potential adverse impacts on human rights • Evaluation of projects' sustainability awareness, capability and track record • Categorisation of projects according to environmental and social risk level
DUE DILIGENCE	• Development of impact areas aligned with the SDGs in a results framework • UN Global Compact Self Assessment for low-risk projects • Environmental and Social Impact Assessment (ESIA) for high-risk projects • Complementary assessment of severe adverse human rights impacts • Site visit, including stakeholder identification and engagement for high-risk projects
APPROVAL	• Binding commitment to IFU's sustainability requirements and to environmental and social action plan and impact creation plan • Agreement on results framework with indicators and targets for reporting
ACTIVE OWNERSHIP	• Ongoing monitoring of sustainability performance • Follow-up on environmental and social action plan and impact creation plan • Annual sustainability status report, including impact reporting

ONLY PROJECTS WITH A POSITIVE IMPACT SCORE GET THROUGH THE FIRST GATE

First gate impact screening

In 2020, IFU developed a new project screening tool integrating impact criteria with the general investment criteria, which all project ideas are submitted to. This ensures that IFU does not engage in preparing a project that is on the investment exclusion list or a project that does not positively contribute to IFU's impact priorities of building green, just and inclusive economies.

The project screening tool will positively score an investment as contributing to the green economy if it supports climate mitigation and/or adaptation, circular economy, pollution prevention and control, sustainable protection of water and marine resources, or the protection and restoration of biodiversity and ecosystems. A requirement of do-no-significant harm to any of these environmental priorities is also included in the assessment. Similarly, a positive score

INTERNATIONAL COMMITMENTS

IFU's policies are based upon and aligned with the following internationally agreed UN, ILO and OECD conventions, declarations, agreements and principles for sustainable development:

- UN Sustainable Development Goals
- UNFCCC Paris Declaration
- Addis Ababa Action Agenda on Finance for Development
- UN Global Compact
- UN Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for Multinational Enterprises
- Rio Declaration on Environment and Development
- Paris Agreement on Climate Change
- UN Convention Against Corruption
- UN Principles for Responsible Investment (UNPRI)

is given on building a just and inclusive economy if the investment company is a social impact business, targets the bottom-of-the-pyramid, and/or increases incomes for the 40 per cent lowest income segment.

Only projects and investments that score positive on at least one of these priorities will advance to the next stage of the investment process.

DURING DUE DILIGENCE, THE IMPACT POTENTIAL IS ASSESSED FURTHER IN RELATION TO THE SDGS

E&S categorisation of risks

In the screening phase, IFU identifies project-related E&S risks and impacts to be assessed during the due diligence phase. This includes a pre-investment screening of potential adverse impacts on human rights for relevant rightsholders related to the project. IFU categorises the projects based on the identified E&S risk, using the risk categories A, B+, B and C that are defined and used by all EDFIs.
Category A projects are projects with significant potential adverse environmental or social impacts or risks, e.g. large wind farms and cement manufacturing. Contrary to this, category C projects are projects with minimal or no adverse social or environmental impacts or risks, e.g. offices or IT development companies. IFU also evaluates the project sponsor's track record, commitment and capability to manage sustainability issues. This is especially relevant for greenfield projects where project management is yet to be established.

Impact and E&S due diligence

When an investment opportunity is approved for consideration, IFU engages in a thorough due diligence of the project. The impact potential is assessed further in relation to the SDGs, and project-specific impact areas are identified. The due diligence also includes a comprehensive assessment of E&S risks, adverse impacts and mitigation measures related to the specific project based on the E&S categorisation. As improved E&S standards of the project have a positive impact, for example on the environment and on the quality of jobs, mitigation efforts will also contribute to impact creation.

IFU requires direct investments to follow international standards and principles in addition to complying with national regulations. The primary standards for high-risk projects (A and B+) that guide the scoping of IFU's due diligence of investments are the IFC Environmental and Social Performance Standards (2012), which are based on a number of international core conventions, declarations and agreements. For high-risk projects, IFU ensures that an Environmental and Social Impact Assessment (ESIA) is conducted where required by authorities, and IFU initiates an Environmental and Social Due Diligence against the IFC Performance Standards and the related IFC Environmental, Health, & Safety (EHS) Guidelines. The EHS Guidelines contain sector-specific performance levels and measures that are generally considered to be achievable in new facilities at reasonable costs by existing technology.

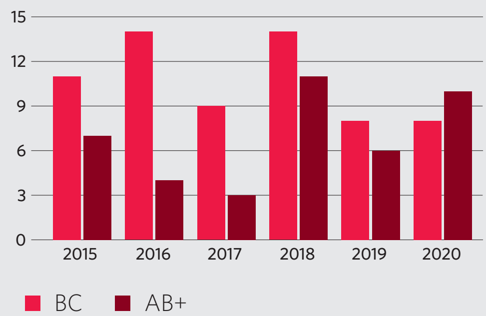
In low-risk projects (B and C), the E&S performance is assessed using the UN Global Compact Self Assessment Tool co-developed by IFU. Furthermore, it may be relevant to apply other international standards like ISO 14001, OHSAS 18001 and SA 8000.

In all projects, IFU conducts an anti-corruption due diligence, either by using the anti-corruption module of the UN Global Compact Self Assessment Tool or by conducting a full review of current anti-corruption policy and practises.

If the human rights screening shows that there is a risk of severe adverse human rights impacts, IFU will assess to what extent these impacts are covered by the IFC Performance Standards, or there is a need for a separate and more thorough human rights impact assessment. Read about IFU's human rights due diligence on page 35.

IFU also assesses the climate impacts of the direct investments by calculating the GHG emissions they cause and by identifying climate change resilient technologies and adaptation measures to be put in place as part of the investment. Read about IFU's climate actions on page 37. ▸

Risk categorisation of IFU's portfolio



During the last five years, IFU has invested in larger and more complex projects that are categorised as high-risk (A or B+), which requires more in-depth due diligence as well as more intensive active ownership work after signing. At year-end 2020, 56 per cent of the active portfolio are high-risk investments compared to 39 per cent in 2015.

In addition, IFU conducts site visits to identify areas that require further attention. For high-risk projects with issues regarding community health, safety, and security, land acquisition and involuntary resettlement or indigenous peoples, site visits include stakeholder identification and engagement.

In greenfield projects with a construction phase, IFU also focuses on special risk and impact during construction. This could include occupational, health and safety risks, issues related to land ownership and land use as well as impacts on the local community.

IFU'S INVESTMENT STRATEGY INVOLVES ADDING VALUE TO THE PROJECT

The purpose of all assessments during due diligence is to identify potential gaps in the current performance or planned measures in the project, and indicate which improvements are necessary to meet the requirements of IFU's sustainability policy and the relevant sustainability standards over time.

Exercising active ownership

IFU's investment strategy involves adding value to the project by playing an active role throughout the investment period. With regards to sustainability, this translates into ensuring commitment to a written environmental and social action plan describing the measures to be implemented within an agreed time frame to meet the requirements of IFU's sustainability policy and the relevant sustainability standards. Likewise, an impact creation plan with a project-specific results framework, including specific targets, is prepared and agreed upon with the project and other investors. These tools provide a framework for IFU's ongoing management and monitoring of the sustainability performance of the project.

IFU uses its leverage to initiate improvement of the sustainability and impact performance of the project. However, IFU is usually a minority shareholder and thus does not have the opportunity to exercise management control. IFU's investment professionals have the overall responsibility for ensuring that the sustainability and impact requirements are met, and typically they participate in the board of directors of the direct investments. In 2020, IFU was board member or observer in 73 per cent of the total direct investment portfolio. IFU's Sustainability and Impact Unit assists the investment professionals and provides them with tools and training.

Projects are required to prepare an annual sustainability report to be discussed and approved by its board

The IFC Performance Standards (PS)

PS1: Assessment and Management of Environmental and Social Risks and Impacts	**PS1** concerns management of environmental and social performance throughout the life of the project, and it applies to all projects. It establishes the importance of integrated assessment to identify the environmental and social impacts, risks and opportunities of projects; effective community engagement through disclosure of project-related information, and consultation with local communities on matters that directly affect them.
PS2: Labour and Working Conditions	
PS3: Resource Efficiency and Pollution Prevention	
PS4: Community Health, Safety, and Security	
PS5: Land Acquisition and Involuntary Resettlement	**PS2-8** describe potential environmental and social risks and impacts that require particular attention and that may apply depending on project circumstances and the identified environmental and social impacts and risks. These standards establish objectives and requirements to avoid, minimise, and where residual impacts remain, to compensate for risks and impacts to workers, affected communities and the environment. They address a number of crosscutting topics such as climate change, gender, human rights and water.
PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	
PS7: Indigenous Peoples	
PS8: Cultural Heritage	

Lake Turkana Wind Power, Kenya.

of directors. The report serves as an important tool for the annual stocktaking of the project's sustainability performance and development impacts. The annual reports must be submitted to IFU and are essential for IFU's ability to perform active ownership and provide transparent sustainability information about its investments.

Furthermore, projects are required to report progress on impact targets annually. The impact reporting reflects the combined results of the project, including IFU's investments, requirements and advice provided as part of the investment.

In 2020, 83 of 89 direct investments required to report submitted a sustainability report to IFU. Two of the remaining projects have reported in a not applicable format, whereas four projects are in distress and have not prepared a report in this reporting period. On top of the 89 projects, 11 new projects are not required to report yet.

IFU has invested in ten financial institutions. Five of these have submitted a sustainability report to IFU in 2020. The remaining are four new investments not yet required to report, whereas one is in default.

Out of 51 fund investments, 39 submitted a sustainability report in 2020. Five are new fund investments not yet required to report, three have been exempted from reporting, and four did not report in the reporting period.

Providing tools and training for projects

IFU has a variety of tools to support the projects in their sustainability efforts. These include a Sustainable Investments Handbook that explains how IFU's sustainability requirements should be interpreted and can be implemented to ensure that sustainability is an integrated part of the strategic and daily operation of a company. The handbook applies to all direct investments, but funds and financial institutions may also use the handbook in their dialogue with their portfolio companies and clients. IFU also has a Sustainability Facility for IFU companies to promote sustainability aspects. In 2020, the Sustainability Facility supported two projects on gender equality and nine projects on Covid-19 protection. Read about IFU's Covid-19 grants on page 22.

Resolving grievances regarding investments

IFU has a grievance mechanism through which external stakeholders can report alleged breaches of IFU's Sustainability Policy. This includes grievances from individuals and communities affected by an IFU project.

Grievance reports will be received through a web portal established in collaboration with an external provider, who will assist IFU in administrating the reports. IFU will investigate the grievances and seek to resolve any breaches of IFU's policy. Measures may include third-party investigations, negotiated settlements, contractual remedies and considering the future relationship with the breaching parties. Furthermore, IFU will whenever justified use its leverage to seek to ensure access to remedy for affected individuals and communities and/or notify the appropriate authorities.

In 2020, IFU received one report regarding its investments. The report concerned workplace-related offences. ▸

EXTERNAL STAKEHOLDERS CAN REPORT ALLEGED BREACHES THROUGH IFU'S GRIEVANCE MECHANISM

Stakeholder engagement and international cooperation

IFU participates in several fora to keep up to date with stakeholder expectations and the international developments within sustainability and responsible business conduct. IFU is a member of European Development Finance Institutions (EDFI), UN Global Compact Network Denmark, Transparency International Denmark, The Tax Dialogue, the Danish Ethical Trading Initiative (DIEH), Concito and the DFI Gender Finance Collaborative.

In 2019, IFU signed IFC's Operating Principles for Impact Management. These principles provide a piece of the framework to IFU's overall impact management ambition and will become subject to regular independent verification. In July 2020, IFU submitted its annual first disclosure statement on the status of implementing the OPIM, which is published on IFU's website and IFC's OPIM site.

Several elements of IFU's overall sustainability and impact approach are still under development and will continuously be elaborated in order to improve our contribution to the SDGs. Besides engaging in the collaboration and harmonisation efforts in EDFI, IFU in 2020 also became a member of the Global Impact Investment Network (GIIN), which established a range of standards within impact management and measurement. The GIIN forum provides opportunities for exchange and learning with private sector impact investors.

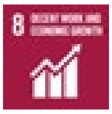
In addition, IFU has its own Sustainability Advisory Board with members appointed in their personal capacity, each representing issues of particular importance to IFU. The advisory board meets regularly to discuss and advise on key issues. ▪

Broom, cold stores, Chile.

IMPACT CREATION WITHIN INVESTMENTS

In the following, IFU's approach to become a best-in-class impact investor is further explained, and key results in 2020 within IFU's impact priority areas are presented. Focus is on the investments' contribution to improving equality and supporting the green transition through creating decent jobs and skills development, financial inclusion of underserved groups, promoting human rights and empowerment of women as well as climate mitigation and adaptation efforts and biodiversity protection.

IFU'S INVESTMENTS CONTRIBUTE TO



GOOD, BETTER AND DECENT JOBS

The absence of a welfare system in developing countries leaves little option for being unemployed for a large part of the population. Rather, the poor find themselves in precarious jobs with poor and insecure working conditions in sectors with low productivity. Underemployment is widespread in most developing countries, and 55 per cent of the working population in Africa earns less than 3 USD per day and falls into the category of working poor. It means that their wages are not enough to provide a decent life for a family.

On the African continent, more than 80 per cent of the workforce is earning its income in the informal economy. Growing the formal sector is a precondition for the workforce to move to better and more decent jobs and an important strategy towards overall economic and social development. Moving into formal employment not only benefits the individual and the family, but also benefits society, notably in the form of enhanced human capital.

Commitments and approach

IFU is committed to support growth of businesses in the formal sector in developing countries and to contribute to securing decent jobs.

When IFU invests, existing jobs are sustained, and new jobs are created. But the new employees do not necessarily come from unemployment. It is essential to IFU not only to contribute to creating new jobs, but to create better jobs. The purpose of job creation is to replace informal, unstable jobs that pay poorly with formal, stable jobs that pay well. ▸

Indirect employment effects

IFU does not have reliable data on the employment effects outside the project company, for instance in the supply chain or the effect induced in the economy from employees spending their salaries.

Most likely, the direct employment and income opportunities provided by IFU's project companies only constitute a small part of the total job effects in the economy. However, measuring these effects is highly complex. IFU's sister organisations in Britain (CDC), the Netherlands (FMO) and France (PROPARCO) have developed a Joint Impact Model that provides an estimate of the indirect employment effects. The estimates are modelled with a so-called input-output model for each project company based on its annual turnover. and includes an estimation of the induced effects, supply chain effects and power enabling effects, which are employment effects stemming from increased power supply from energy projects.

IFU is currently testing the model in order to obtain an overall estimate of the indirect employment effects of its portfolio. Preliminary results indicate that 20 of the 23 companies IFU undertook direct investments in during 2018 and 2019 supported annually more than 4,000 jobs in the supply chain and more than 3,500 jobs through the induced effects in the economy. In comparison, the 20 companies reported 4,452 direct jobs in 2020. The three companies not included in the calculation are renewable energy projects under construction. Moreover, the power enabling employment effects of energy projects have not been included. This supports that a significant number of indirect jobs are created outside the project companies.

AVK, water supply, Southern Africa.

IFU ensures that jobs in project companies live up to international labour standards. This means that all workers must have an employment contract specifying the terms of employment, including reasonable wages and working hours, and migrant workers must have adequate housing and living conditions. IFU's requirements for decent work also include occupational health and safety initiatives that effectively prevent and protect workers against health and safety risks in the workplace. Furthermore, projects must respect workers' right to privacy, freedom of association and collective bargaining, and promote equal opportunities and prevent discrimination.

IT IS ESSENTIAL TO IFU NOT ONLY TO CONTRIBUTE TO CREATING NEW JOBS, BUT TO CREATE BETTER JOBS

In many of IFU's potential investments, employment conditions can be improved. And if IFU decides to invest, IFU and the project company agree on an action plan on what measures to take in order to ensure that the project company not only respects domestic legal requirements but bring the company up to international standards.

Results and outlook

In 2020, close to 280,000 people were employed in the projects included in IFU's active portfolio. Almost 137,000 are employed in Asia and more than 74,000 in Africa. In addition, almost 68,000 people are employed in companies in Latin America, Europe and in the global companies.

In 2020, 72 per cent of the direct investments reported that they pay workers more than the national minimum wage, 23 per cent pay the national minimum wage, whereas five per cent have not reported pay levels. IFU finds these numbers satisfactory. However, only 71 per cent of the direct investments stated that they pay overtime. These numbers are in the lower range of the acceptable, and IFU will explore this further.

In 2020, 71 per cent of the direct investments reported that they had taken initiatives to promote equal opportunities and prevent discrimination. The most common initiative implemented by 61 per cent of the project companies is a non-discrimination policy that ensures unbiased and transparent criteria for hiring, wages, promotion, training, discipline, retirement and termination. However, only 45 per cent of the companies ensure that their hiring managers receive training in the non-discrimination policy. IFU will therefore strengthen the dialogue with the project companies to encourage them to implement a non-discrimination policy as well as associated training programmes.

Non-discrimination measures taken to prevent and address harassment and exploitation in regard to women are accounted for on page 33.

In 2020, 37 per cent of the direct investments reported that they had had accidents involving workers. The total number of accidents were 292. One of these accidents was fatal and happened when the employee was driving home from work. Although the number of accidents is lower than the 380 accidents in 2019, every accident is one too many, and IFU closely follows up on each project company's initiatives to reduce the number of accidents and ensures that all project companies have the necessary precautionary measures in place relevant for the sector in question. 89 per cent of the project companies reported that they have safety procedures in place, and 93 per cent conduct safety training of the employees. Only 67 per cent of the project companies conduct fire drills, and 79 per cent provide personal protective equipment. Although IFU sees improvements, these number are still not satisfactory, since the majority of the direct investments are manufacturing companies. IFU will step up the efforts to follow up on action plans to ensure compliance.

IFU'S INVESTMENTS CONTRIBUTE TO

IMPROVING SKILLS DEVELOPMENT

Productive companies need well qualified employees, and this is a constraining factor in many developing countries. The existing vocational education and training is inadequate and, in many countries, not well enough aligned to the requirements of the private sector. In African countries alone, 12 million young people join the labour market each year, and providing education and training for this new generation is one of the major development challenges.

Not only could more skilled labour enable better employment and income, it could also facilitate the growth of key sectors of the economy where competences are badly needed. One of the major issues is a lack of formal certification of competences for people who have received training through apprenticeship or through other forms of training in the private sector. This makes it difficult for employees to provide documentation to new employers when they move on in their career.

Commitments and approach

IFU considers skills development as an important area for impact creation and encourages project companies to engage and empower youth by providing jobs, training and mentorship programmes.

IFU project companies undertake training of employees through on-the-job training or through more structured courses or training events. Further qualification of the workforce contributes to productivity and enhanced competitiveness of the company. However, this training often takes place in an informal way that does not provide the employees with a qualification certificate that increases his or her employability in the future outside the company. As part of its effort in impact creation, IFU focuses on improving skills development and its value both for the company and for the employee. Most often the focus will be on skills development for company employees, but in some sectors, it could also be training of people outside the company. This could include for instance training of supply chain actors, e.g. small-scale farmers supplying to an agribusiness company or training of clients in microfinance.

Results and outlook

Young people are especially challenged in finding decent jobs in the formal economy, especially in Africa. In 2019, the share of employees below 25 years of age in the project companies was 20 per cent.

IFU is in the process of assessing its experience with skills development in order to strengthen this impact area further as an aspect of the impact creation of future investments. The study has a focus on Africa and includes ten cases selected from IFU project companies in the financial sector, renewable energy, health and hospitality. Amongst other things this could include promoting a closer cooperation between project companies and relevant vocational training institutes. Through this focus IFU wants to contribute to including more young people in the labour market.

Silverlands Tanzania provides training for smallholders within poultry farming.

INVESTMENT IN BANK WITH CLEAR SOCIAL MISSION

In Bolivia, only 55 per cent of the poorest 40 per cent of the population have access to a bank account. Many businesses rely on informal financing, especially female-owned businesses, of which only 19 per cent have bank loans.

Through the Danish SDG Investment Fund, IFU in 2020 invested DKK 195.3m in BancoSol which has a clear social mission of serving low-income groups, rural people and small and micro enterprises in the productive sectors. 48 per cent of BancoSol's clients are women, and 13 per cent are rural clients, and thus the investment is in line with IFU's impact priorities by providing essential services to underserved groups such as women and smallholders. With more than 1.1 million depositors and 270,000 microloan clients, BancoSol has sizeable effect on poverty reduction, incomes and the Bolivian national economy.

By developing new digital products, BancoSol is deepening financial services without turning to exorbitant interest rates. BancoSol has a financial education programme, which provides financial training to tens of thousands of people each year. All new clients receive a welcome folder with important information allowing them to know the benefits and risks that they assume when accessing a loan, and BancoSol also provides tutorial videos on the bank's services and channels, such as how to use different tools, the ATMs and the BancoSol App.

Emerging microentrepreneur clients are offered technical training in business planning and entrepreneurship, and BancoSol visits clients at markets, universities, neighbourhood councils and institutions of the different cities, giving face-to-face lectures on financial consumer rights and obligations.

With 3,000 employees, of whom 50 per cent are women, BancoSol is a large employer. The bank has comprehensive human resource policies and procedures in place. These include a great extent of job security, staff induction programmes, comfortable and suitable work environment, and scheduled vacations. The policies also ensure gender equality in the promotion to senior management and in the bank's talent development programme. As an example, all female officers in leading positions have received professional coaching in exercising conscious leadership effectively within their work, family and personal environment.

Furthermore, BancoSol supports employee health and has conducted awareness campaigns for early prevention of possible diseases with information, advice and care for various diseases.

IFU'S INVESTMENTS CONTRIBUTE TO

FINANCIAL INCLUSION OF UNDERSERVED GROUPS

According to the World Bank, more than a quarter of the world's population was living on less than USD 3.20 per day in 2015, and nearly half of the population was living on less than USD 5.50. Although many developing countries experience economic growth, vulnerable groups such as indigenous people and smallholders are often left behind. Furthermore, women and youth have in general less access to assets and services which could propel them out of poverty. And we have not yet seen what the Covid-19 crisis has done to these numbers. In addition to the threat to public health, the economic and social disruption caused by the pandemic threatens the long-term livelihoods and wellbeing of millions.

Financial inclusion is a key to reducing poverty and inequalities, but in most developing countries, access to financial services is sporadic. This is not least the case in rural areas, and it hampers the ability for people to invest in and grow their business. According to the IMF, only 37 per cent of women in Sub-Saharan Africa have a bank account, compared with 48 per cent of men. Furthermore, only 21 per cent of companies in Sub-Saharan Africa have a line of credit.

Commitments and approach

Financial inclusion is a focus area in IFUs new investment strategy, and IFU is committed to support essential financial service provision to underserved populations and small and micro companies, thereby helping to build markets and create opportunities.

IFU is financing local banks in developing countries, supporting them in targeting small and micro companies, which can develop and grow their business through loan financing. Investing in banks enables IFU to better reach the local business community compared to direct investments in individual companies.

Furthermore, IFU is integrating a gender lens to its investments in financial inclusion to contribute to redress power imbalances and give women better options for managing their own lives and becoming financially independent.

Results and outlook

At year-end 2020, IFU had an active portfolio of seven microfinance funds and five microfinance institutions (MFIs) in Africa, Asia and Latin America. IFU's total contracted investments in these projects exceed DKK 900m. In 2020, IFU made new investments for more than DKK 216m in two microfinance institutions.

IFU's investments in microfinance institutions were serving a total of 13.5 million clients in 2020, of whom 84 per cent are women.

Going forward, IFU will support financial and microfinance institutions in measuring the social impact at client level and in improving the reporting on social impact results both related to decent jobs for their own employees and improved livelihood of their clients.

IFU'S INVESTMENTS CONTRIBUTE TO

EMPOWERMENT OF WOMEN IN THE WORKPLACE

Gender inequalities are still deep-rooted in many societies where IFU invests. Women lack of access to decent work and face occupational segregation and gender wage gaps. In many places, they have limited access to leadership positions and career development and health care and are victims of violence and discrimination.

Gender inequality is not only a pressing moral and social issue but also a critical economic challenge. If women could use their full potential in the global economy, the world could add USD 12 trillion to global growth.

Commitments and approach

IFU is committed to apply a gender lens when making decisions in its investment process and to contribute to unlocking business opportunities for female entrepreneurs and advance women as business leaders, employees and consumers. IFU firmly believes that opportunities exist to create value in companies and communities by integrating gender equality in company leadership and corporate culture as well as in workplace policies and health initiatives.

IFU is in the process of integrating gender equality issues into the impact screening and due diligence. This means that Women Economic Empowerment (WEE) opportunities like equal pay, gender equality in management and board work, leadership training, leave/return procedures and improved health at the workplace and gender-inclusive community engagements become a part of the impact discussions with project partners and that specific targets for gender equality are included in the impact creation plan.

In 2020, IFU finalised the Gender Equality Scorecard (GES) tool developed to support projects in identifying gender equality gaps and impact opportunities. The scorecard is structured around six issues related to equal pay, workforce participation, leadership, benefits and professional development, women-powered value chains and workplace environment. Workplace environment includes initiatives that improve women's health and sexual and reproductive health. Due to the coronavirus pandemic the roll-out of the tool was delayed, and internal training of investment professional is postponed to 2021.

IFU takes part in the 2X Challenge launched by development finance institutions (DFIs) of the G7 countries in 2018. The aim is to advance opportunities for women through enterprise support, leadership and career progression, quality employment and products, as well as services that enhance women's economic participation. Thirteen DFIs have joined, and together by far reached the first target to achieve a total of USD 3bn in commitments to finance project with an intentional gender equality focus by the end of 2020.

IFU encourages projects to go public with their gender equality policy and activities, and handles the registration under the 2X Challenge. In total, IFU has registered five projects equivalent to approximately DKK 100m invested.

Results and outlook

In 2020, a third of the project companies were owned by one or more women. 18 per cent of the projects

The Paris Development Banks statement on Gender Equality and Women's Empowerment

In November 2020, IFU participated in the first ever Global Summit for Public Development Banks (PDBs) of the world. At this summit, it was acknowledged that progress towards gender equality has yet been far too slow. The participants expressed their deepest concerns that women and girls, particularly in developing countries, are disproportionally impacted by the economic and social consequences of the Covid-19 crisis and it was recognized that they are at the core of the fight against the pandemic as key players of the economic and social recovery. All participants signed The Paris Development Banks statement on Gender Equality and Women's Empowerment and thereby committed themselves to work together on different goals and outcomes, to present collectively some concrete results during the Generation Equality Forum in 2021.

GENDER EQUALITY CAN JUMP-START CLIMATE ACTION

Women suffer disproportionately from the adverse effects of climate change. That is because women are more likely to live in poverty than men, have less access to basic human rights like the ability to freely move and acquire land, and face systematic violence that escalates during periods of instability.

By the same token, gender equality and women's leadership can jump-start climate action and climate smart solutions, to build environmental sustainability and resilience. By applying an integrated gender and climate lens to investment decisions, IFU seeks to unlock huge untapped opportunities. Widely regarded as one of the least gender diverse parts of the economy, the energy sector needs to shift the dial by drawing on all talents to deliver more innovative and inclusive solutions for clean energy transitions all over the world.

To showcase the energy sector, the clearest opportunities lie in expanding renewable energy access that responds to the gender differentiated needs of women, their households, businesses, and communities; but a gender lens may also be applied to large-scale climate mitigation projects such as wind farms as well, increasing opportunities for women's employment and innovation.

Through the Danish SDG Investment Fund, IFU has invested DKK 170m in JCM Power, a Canadian independent power producer building and operating renewable energy projects in developing countries in Africa, Asia and Latin America. The aim is to install 800 megawatt solar and wind power. So far, JCM Power has developed wind projects in Pakistan and solar projects in Malawi, and a solar project in Nicaragua is underway.

Women's empowerment is a core impact objective for JCM Power, and all projects must have a Gender Equality Management Plan in place within 12 months of financial close.

JCM Power provides a toolkit on how to increase the employment of women. Measures may include:

- Promote gender equality in hiring and review of hiring requirements to detect criteria that potentially exclude women.
- Include women in training activities to carry out construction, operation and maintenance work that does not require specific qualifications.
- Improve working environment, e.g. create bathrooms, lactation rooms or other exclusive facilities for women in construction areas and make uniforms available in sizes appropriate for women, including pregnant women. Also promote an environment free from sexual harassment.

JCM Power is a signatory to the UN Women's Economics Principles and the project is considering to register under the 2X Challenge.

IFU TAKES PART IN THE 2X CHALLENGE TO ADVANCE OPPORTUNITIES FOR WOMEN

have reported that the share of women in senior management is more than 40 per cent. However, in half of the projects, the share of women in leading positions is less than ten per cent. Half of the companies have reported that they have taken initiatives to advance women in the workforce. The most common initiatives are gender wage equity, fair career advancement and flexible work arrangements. IFU expects the new investment strategy to improve this gender balance, and going forward IFU continues to seek to foster opportunities for leadership empowerment of women. Initiatives include the roll-out of the Gender Equality Scorecard (GES) tool.

A constant focus area is encouraging projects to address and promote health and reproductive health for all employees. This includes providing flexibility at work for women to relieve the double burden of managing work and family demands concurrently and ensuring women's health in the workplace.

In 2020, 73 per cent of the direct investments have reported that they have taken initiatives to promote health and reproductive health, and 58 per cent stated that they respect all genders' rights to time off for medical care. The most common initiatives taken by half of the project companies include offering health insurance for employees and providing health check-ups. IFU acknowledges that 20 per cent of the companies provide male workers with parental leave and will work to ensure that male workers use this possibility. Furthermore, IFU will focus on access to maternal health and flexible working hours for young mothers returning to work.

Another important focus area is gender-based violence and harassment (GBVH) that have a range of negative impacts on the health and wellbeing of individuals and their families. GBVH covers sexual, physical, psychological and economic abuse and is rooted in gender inequality and unequal power, which can leave especially women and girls vulnerable to violence and harassment and prevent them from reporting it.

In fact, reports from projects to IFU on GBVH cases can be counted on one hand, and in the future IFU will strongly encourage projects to have clear policies on GBVH in relevant local languages and ensure that the message is communicated already at recruitment and repeated at relevant occasions. Projects are required to have a grievance mechanism in place, and IFU also strongly encourages projects to raise awareness that the grievance mechanism can be used for reporting misconduct.

IFU'S INVESTMENTS CONTRIBUTE TO

STRENGTHENED HUMAN RIGHTS DUE DILIGENCE

Sustainable development and human rights of all must be realised in a mutually reinforcing manner. The 2030 Agenda is explicitly grounded in human rights, and the pledge to leave no one behind reflects the fundamental human rights principles of non-discrimination and equality. Implementing the SDGs therefore implicitly promotes human rights, and vice versa, and the SDGs can in some ways be seen as a way of operationalising human rights commitments.

Commitments and approach

As a state-owned institution IFU has a special responsibility and duty to protect human rights as described in the International Bill of Human Rights. IFU considers respect for human rights to be a minimum standard applied in all its operations, and expects its employees and its projects to actively encourage those involved in their business activities to adopt the same or similar standards.

In 2019, IFU strengthened its human rights due diligence process for direct investments. First step is a pre-investment screening of potential adverse impacts on human rights for relevant rightsholders related to the project. The assessment takes into account country and project risks like projects in fragile states, projects in countries with no guarantee of workers' rights, projects in countries with high risk of corruption and projects involving a number of risk aspects such as land take, use of migrant workers, location in water scarce areas or handling of personal data, etc.

If this screening shows that there is a risk of severe adverse human rights impacts, the next step is to assess to what extent these impacts are covered by the IFC Performance Standards. To support the assessment, IFU has mapped the link between the IFC Performance Standards and the human rights and developed a human rights due diligence matrix. The result is either additional mitigation measures to those included to comply with the IFC Performance Standards or a separate full human rights impact assessment of the potential severe adverse impacts.

IFU continuously works to improve the assessment of human rights impacts throughout the investment period. In 2020, IFU expanded its annual questionnaire for collecting performance data in all direct investments with additional questions about grievances received from both workers and local communities; management of privacy data; and management of supply chain in order to assess potential impacts on human rights in the supply chains.

IFU shares knowledge and best practices with other EDFIs on approaches to assess the investments' impacts on human rights. IFU in 2020 supported an initiative to develop a common EDFI guidance on assessing the human rights impact of both direct and indirect investments. When the guidance is available, IFU will review its current due diligence process and ensure alignment with the EDFI approach.

Results and outlook

In 2020, IFU screened all ten potential direct investments for potential adverse impacts on human rights. The screenings identified risks of severe impacts in all investments and thus, the human rights due diligence matrix was used for a more comprehensive assessment of all investments. These assessments showed that the majority of the potential adverse impacts on human rights were already managed in the environmental and social action plans prepared to ensure compliance with IFC Performance Standards, and that no investments required an additional full human rights impact assessment.

However, additional mitigation measures were included in the environmental and social action plans for five of the ten investments, IFU signed in 2020. These measures ensure implementation of environmental and social management system, e.g. the right organisational set-up and available resources at the project companies. Other additional measures are protection of human rights in the supply chain, and protection of right to privacy, especially in relation to management of privacy data for healthcare facilities.

The link between IFC Performance Standards and human rights

As IFU and its investments work towards compliance with the IFC Performance Standards, IFU has mapped the link between the eight performance standards (PS1 – P8) and human rights.

Most relevant for IFU within PS1 (Assessment and Management of Environmental and Social Risks and Impacts) is the right to life as aspects of emergency preparedness and response. Other relevant rights covered by PS1 are the right to non-discrimination and the right to public participation related to stakeholder engagement and access to grievance mechanism.

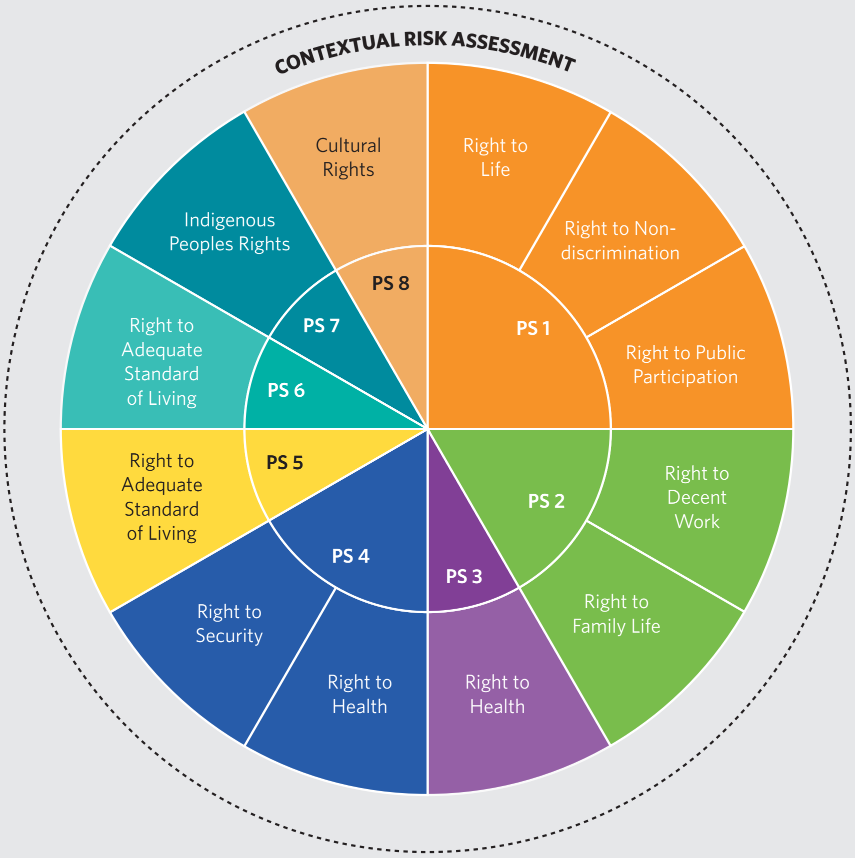
The right to decent work covers all human rights related to working conditions, e.g. right to work, right to enjoy just and favourable conditions of work, right to form and join trade unions and the right to strike as well as avoiding child labour and forced labour etc., which are all covered by PS2 (Labour and Working Conditions).

Rights covered by PS4 (Community Health, Safety and Security) include the right to health and the right to security. For PS5 (Land Acquisition and Involuntary Resettlement) the right to adequate standard of living is of most relevance to IFU projects.

Environmental impacts under PS3 (Resource Efficiency and Pollution Prevention) and PS6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) only lead to human rights impacts when affecting the right-holders, through impacts on the right to health (PS4) and the right to adequate standards of living (PS5). In the figure, these indirect impacts are indicated with shaded colours. Impacts on biodiversity that do not affect the livelihood or other ecosystem services of communities do not necessarily translate into a human rights impact. This could be the case for e.g. impacts on birds and bats from wind farms.

PS7 (Indigenous People) and PS8 (Cultural Heritage) are covered by indigenous people's rights and cultural rights, respectively.

While most of the human rights are an integral part of IFC PS, two specific human rights risks are not covered sufficiently. One is human rights risks in the supply chain, which needs specific attention related to impacts on all human rights. The other is right to privacy that is particularly relevant for companies handling significant amounts of personal data, such as private banking, microfinance, health providers and Information and Communication Technology (ICT). The right to privacy also relates to companies' surveillance, workers personal information kept by the company and personal information of community member collected by the company in relation to e.g. land acquisition and resettlement. By using the human rights due diligence matrix, IFU ensures additional mitigation measures within these issues, if needed.



IFU'S INVESTMENTS CONTRIBUTE TO

THE PATHWAY TOWARDS NET ZERO EMISSIONS

2019 was the second warmest year on record and the end of the warmest decade. In addition, with a global average temperature of 1.1°C above estimated pre-industrial levels, the global community is far off track to meet the 1.5 °C target called for in the Paris Agreement.

Many developing countries are the ones facing the most severe consequences of climate change, affecting livelihoods, private sector development and economic growth. At the same time, access to water and affordable and clean energy are big challenges for both people and businesses. In Sub-Saharan Africa alone, around 50 per cent on average do not have access to electricity, and 40 per cent of businesses report that access to energy is a major operational constraint. Consequently, the need for investments supporting the green transition including transformational changes to lower greenhouse gas emissions and renewable energy in developing countries is high.

Commitments and approach

IFU is committed to contribute to the transformational changes that the 1.5 °C target of the Paris Agreement entails over the coming years, and make its investment flows consistent with a pathway towards zero greenhouse gas (GHG) emissions and climate-resilient development.

IFU WILL ENSURE THAT ITS PORTFOLIO ACHIEVE NET ZERO EMISSIONS BY 2050 AT THE LATEST

IFU will no longer make new investments in fossil fuel-based power production to the grid, but can in a transition period until 2023 invest in transitional hybrid technologies e.g. gas in combination with renewables for power production, if strong development impact criteria are met. Aligned with the Paris Agreement such criteria could be that the investment is in a low-income country, and it is in accordance with the country's national long-term energy plans, and that it meets an acute energy need or secures broader access to energy.

In November 2020, the European Development Finance Institutions (EDFIs) announced that all member institutions will align all new financing decisions with the objectives of the Paris Agreement by 2022 and will ensure that their portfolios achieve net zero emissions by 2050 at the latest. This is in line with the commitment in IFU's Climate Policy.

Furthermore, EDFIs will make climate-related financial disclosures in line with high international standards, specifically adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and embed climate action and climate risk management at every level of its institutions.

Working with the TCFD recommendations requires comprehensive analysis of climate issues, and IFU will develop and continue improving its approach and practices in the coming years. In the following, IFU's approach to climate action is structured around the four thematic areas in the TCFD recommendations.

1. Governance

IFU's Board of Directors adopted the Climate Policy in 2019 and oversees the implementation of the policy including approval of planned revisions of the Policy. A revision is planned before 2023 to broaden the scope of the Climate Policy, as the policy currently focuses on energy.

IFU's climate commitments and initiative are also discussed with IFU's Sustainability Advisory Board. Climate-related risks and opportunities are covered across various functions in IFU. This ranges from financial and investment teams preparing due diligence and business plans to dedicated sustainability teams advising on definitions, policy and position statements, and monitoring and reporting performance.

2. Strategy

Climate action is a key factor in IFU's new investment strategy and an impact priority. IFU recognises the importance of integrating climate change into its operations, from early screening of an investment opportunity throughout the active ownership to exit. Included in IFU's screening tool is EDFI's exclusion list, which in 2020 has been under revision to exclude more high emissions activities. In the preparation of investments, IFU assesses the potential climate impacts of its investments by calculating the absolute GHG emissions they cause and by identifying climate change resilient technologies and adaptation measures to be put in place as part of the investment. Furthermore, IFU estimates the avoided emissions from investing in renewable energy or the reduced emissions from investing in energy efficiency actions.

IFU also acknowledges the need and responsibility for considering and assessing broader climate-related issues, as climate change may affect clients vulnerable to the material consequences of and the transition to a low-carbon economy. Moreover, climate actions are not only about climate risks but also a way to ensure environmentally sustainable economic activities and a pathway to a green transition.

3. Risk management

There is an increasing understanding that changes in climate, like rising temperatures and changes in precipitation patterns affect economic output and productivity, and that extreme weather events can lead to

Queen Tarim Flowers, Turkey.

IFU HAS FOR THE FIRST TIME CALCULATED THE CLIMATE FOOTPRINT OF ITS ACTIVE PORTFOLIO

damage, operational downtime and lost production for fixed assets. Moreover, there are growing political initiatives to reduce GHG emissions especially from high emitting activities to ensure alignment with the Paris Agreement. Therefore, there is an increasing focus amongst investors to assess risks of climate changes, both physical risks caused by extreme weather and transitions risks that could lead to financial losses through stranded assets, reducing valuations of equity investments and decreasing fundraising opportunities due to reputation risks.

IFU has in 2020 increased its focus on how climate change can impact IFU's investments, and has started to discuss how to improve adaptation and resilience with its clients. Currently, IFU is developing a due diligence tool for assessing these risks of climate change (physical and transition) and identify measures to be included in the Environmental and Social Action plan as well as relevant monitoring parameters.

As an example, IFU has required one investment in a renewable energy platform investing in solar and wind energy projects to establish an approach for assessing their physical risks of climate change. IFU plans to share the learnings from this investment in IFU's other renewable energy investments, as these are especially vulnerable for the physical climate changes.

IFU will continue to improve the quantification of risks, but raising the questions and having a dialogue with the clients on the risks related to climate change creates a general awareness and allows IFU to manage the risks together with the clients.

4. Metrics and targets

During appraisal, IFU estimates the absolute carbon emissions and avoided emissions due to investment in renewable energy projects. The estimations are calculated by an independent consultant. Projects emitting more than 25,000 tonnes of CO_2 equivalent annually are required to monitor and report on emissions to IFU. The information on emissions will be used to discuss how to reduce the emissions in terms of choice of technology, introduction of mitigation measures, etc.

All projects are required to take all necessary measures to ensure that the project is energy efficient, thereby reducing contributions to global warming to a minimum. The project should over time work towards a level in line with best practice within its sector or set a goal of reducing its GHG emissions.

Results and outlook

In recent years, IFU has increased its investments in wind and solar projects in several developing countries like Brazil, Ukraine, Egypt, Nigeria and Mongolia.

In 2020, IFU contracted two new climate investments; one wind project in Brazil with three sites of a total capacity of 94 MW and one investment in a solar company in West Africa with secured funding up to 100MW, assisting corporate and industrial businesses in solving the energy challenges by offering turnkey solar power solutions that can reduce cost and are more reliable and cleaner.

In Africa, the current lack of credit-worthy purchasers of power act as a brake on private sector investment in energy projects. In 2020, IFU has also invested in Africa GreenCo that via its operating entity GreenCo Power Services Limited acts as an intermediary between Independent Power Producers (IPPs), public utility companies and large corporate off-takers. The concept is based on the company being a well-capitalised off-taker buying power from IPPs and selling it on to African utilities, large private companies or through the Southern African Power Pool (SAPP), where power can be traded across countries connected to a common grid.

In total, IFU's current portfolio includes renewable energy projects with an overall capacity of 1,950 megawatts distributed on 775 megawatts in wind power, 575 megawatts in solar power and 600 megawatts hydropower. In total, the portfolio generated 6,215 GWh renewable energy in 2020 (including 1,860 from hydro power). This corresponds to 2.14 million tCO_2e emission avoided in 2020.

IFU's two new climate investments are expected to represent GHG avoidance of approximately 200,000 tCO_2e per year.

IFU's climate footprint

IFU has for the first time calculated the climate footprint of its outstanding portfolio, meaning accounting for the total absolute emission estimated, and assessing them at a fixed point in time, in line with the financial accounting period.

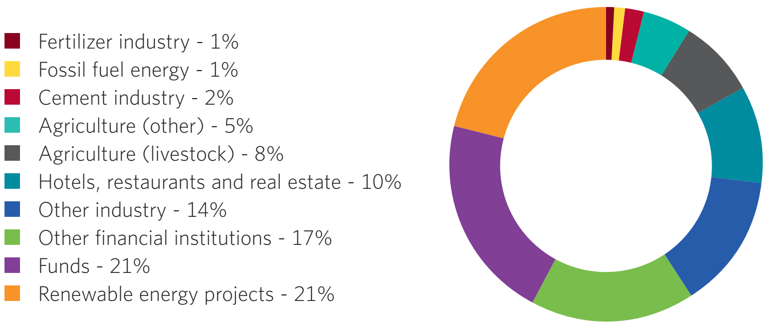
The calculation is based on the methodology described in the PCAF Global GHG Accounting Standard. However, the methodology applied included considerations that are specific to IFU, and expand on the PCAF standard, in order to allow for a full assessment of IFU's portfolio. A full methodology paper is available on IFU's website.

The emissions calculated are related to the Scope 1, 2 and 3 emissions of companies and projects in which IFU is investing. The financed emissions are defined in alignment with the "follow the money" principle, meaning that the money from loans and investments should be followed as far as possible to understand and account for the climate impact in the real economy.

Furthermore, in order to avoid double-counting, the footprint results account for attribution, in accordance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The attribution factor is defined so that GHG emissions from loans and investments are allocated to the reporting financial institutions based on the proportional share of lending or investment in the borrower or investee. The attribution factor is then multiplied with the emissions of the company or project.

IFU plans to repeat the calculation of the climate footprint every year in order to measure how IFU's portfolio is performing on GHG over time and allowing IFU to track the journey to net-zero emissions in 2050. IFU will also consider how to use the results of the footprinting exercise and the detailed underlying information for future investment decisions.

Volume (IFU's outstanding)



The figure shows how IFU's total investments are distributed between sectors, based on the information included in the carbon footprint calculation. The results show that 21 per cent of IFU's total investment is in renewable energy, 21 per cent in funds and 17 per cent in financial institutions, whereas only one per cent is in cement plants and one per cent in fossil fuel energy plants.

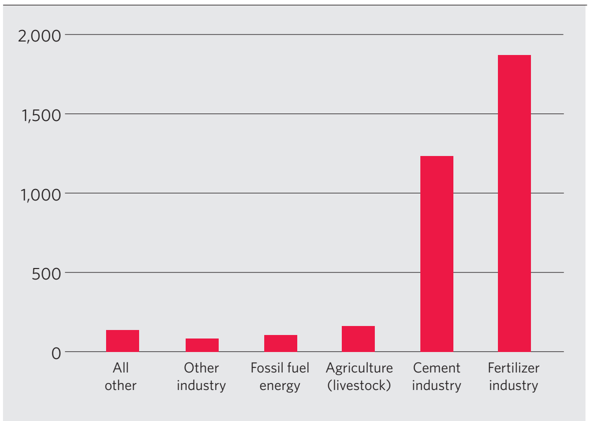
Emissions attributed

Sector (level II)	tCO_2e/year
Agriculture (other)	2,299
Fossil fuel energy*	7,026
Hotels, restaurants and real estate	14,289
Renewable energy projects	20,846
Other financial institutions	31,621
Funds	41,677
Other industry	57,479
Agriculture (livestock)	68,252
Fertilizer industry	72,730
Cement industry	136,538
Total	**452,778**

*The emissions from the four fossil fuel energy plants are based on actual generated energy, which is low due to a low utilization of the plants' capacities.

The figure shows the emission footprint per sector from IFU's portfolio. IFU's total portfolio GHG footprint is close to 453,000 tCO_2e in 2020. All emissions presented are attributed to IFU's share of the investment.

Emissions intensity by sector (tCO_2e/mDKK)



The figure shows the emission intensity per sector per invested mDKK. Highest emission intensities are seen in the cement and fertilizer industry.

ENVIRONMENTAL AND SOCIAL IMPACTS OF WIND FARMS

The Ouro Branco wind farm project in Brazil is based on three individual wind farms, Ouro Branco I & II and Quatro Ventos.

During the development of the project, IFU has assessed the potential environmental and social impact of the wind farms both during construction and operation of the wind farms.

The main development impact of the wind farms is generation of renewable energy. The wind farms are expected to generate close to 420 GWh a year and reduce carbon emissions by more than 2.2 million tons over the 20-year lifetime of the project. The wind farm will also create local jobs, especially during construction of the wind farms, and workers at the sites will gain skills which could be of use for other wind farm projects. Furthermore, the land lease agreement will generate an attractive income for the landowners, in an area with limited income sources.

When operating an onshore wind farm, the main environmental concern is potential impacts on biodiversity, especially on birds and bats, due to risks of collision with the turbines. To assess potential impacts, a baseline study of birds and bats migration was carried out by an international consultant together with a local consultant who was trained in international requirements for birds and bats impacts. A biodiversity management plan including a plan for monitoring of birds and bats, has been included in the action plan.

A key negative social impact for a wind farm is in relation to use of land for the turbines and potential associated facilities such as transmission lines, access road and substation. All land lease agreement with the landowners of the sites for the turbines have been settled.

An early design proposal for location of one of the transmission lines was close to the Xukuru territory (indigenous groups), but it has been changed to avoid potential impact on their land. Stakeholder engagement activities have been conducted, and more engagement activities are planned going forward also with the Xukuru group to assess how they can benefit from the wind farm. All stakeholder engagement activities with the Xukuru group will be managed in close collaboration with the authorities.

There are also potential negative social impacts related to the workforce, both at the contractor and the subcontractors, especially risks when working in height. The action plan includes a plan for occupation, health and safety at the site for both contractor and subcontractors as well as a HR policy and HR procedures to ensure compliance with core labour rights.

Finally, the community may experience inconveniences during construction of the wind farms like noise and dust as well as widening of roads for transporting of blades and towers to site. To avoid or reduce the impact on the community, a community health and safety programme and a traffic management plan are included in the action plan. Another action is establishment of a grievance mechanism which will enable the workers and the community to raise a claim.

IFU'S INVESTMENTS CONTRIBUTE TO

PROTECTING BIODIVERSITY

Species extinction, which threatens sustainable development and compromises global heritage, is driven primarily through habitat loss from unsustainable agriculture, harvest and trade; deforestation; and invasive alien species. Globally, the species extinction risk has worsened by about 10 per cent over the past three decades and from 2000 to 2020, forest areas in Latin America, Sub-Saharan Africa and Southeast Asia significantly decreased driven by land conversion to agriculture.

Commitments and approach

IFU is committed to continuously focusing on preventing and minimising adverse impacts on the environment and nature related to its investments and ensuring that local stakeholders are not exposed to unhealthy environments, and that they have access to and benefit from biodiversity and ecosystem services.

IN 2020, IFU CONDUCTED ASSESSMENTS OF POTENTIAL IMPACTS ON BIODIVERSITY IN TWO RENEWABLE ENERGY PROJECTS

During appraisal, IFU uses a risk screening tool on biodiversity (IBAT) to identify potential impacts on biodiversity and help IFU incorporate biodiversity considerations into the project planning. Based on the geographical location of a potential project, IBAT can provide up-to-date information on potential impact on key biodiversity areas and critical habitats within or close to a project boundary, including critically endangered or endangered species. IBAT draws information from a number of IUCN's Knowledge Products: IUCN Red List of Threatened Species, Key Biodiversity Areas (priority sites for conservation) and Protected Planet/ The World Database on Protected Areas.

IFU uses the screening results to inform the decision of the location of the project and to scope the due diligence, if the screening reveals that a special focus on biodiversity is required. IFU involves biodiversity experts in the due diligence, if special competences are needed.

If there is risk of adverse impacts on biodiversity, IFU requires the project to operate in accordance with IFC Performance Standards 6 on Biodiversity Conservation and Sustainable Management of Living Resources. As a matter of priority, the project should seek to avoid impacts on biodiversity and ecosystem services. When avoidance of the impacts is not possible, measures to minimise impacts and restore the biodiversity and ecosystem services should be implemented, through a biodiversity management plan that also includes monitoring measures. A biodiversity offset plan may also be required under special circumstances.

The increasing demand for renewable energy has raised the concern how wind farms and solar plants impact biodiversity and ecosystem services, not only during construction and operation of the plants but also in connection with the use of minerals and metals for the renewable energy technologies. IFU always conducts an assessment of potential impacts on biodiversity for wind farms and solar plants, including adverse impacts on birds and bats due to risks of collision with wind turbines or transmission lines and impacts on biodiversity in the land used for turbines and solar plants. The assessment will be based on collection of baseline information, often through two seasons. And if adverse impacts cannot be avoided, a biodiversity plan to minimise the impacts will be developed. This could include lockdown of selected wind turbines during migration periods or offsetting of biodiversity from the land footprint area in an area nearby.

Results and outlook

In 2020, IFU conducted assessments of potential impacts on biodiversity in two renewable energy projects. At a wind farm project in Brazil, the assessment of impacts on birds and bats included a baseline study of migration, and the result was that no mitigation actions were needed apart from monitoring of collision of birds and bats (see case on page 40). The design of a solar plant in India included early consideration of installations of diverters on the transmission line to avoid potential collision of birds. ▪

COMMITMENTS IN SUPPORT OF THE SDGS AND KEY FIGURES

This overview summarises IFU's policy commitments and impact priorities in support of the SDG agenda and the SDG targets that IFU's investments contribute to the achievement of. Listed are also key figures for the development impacts in 2020. These figures are either aggregated to portfolio level based on data reported by project companies or the result of analysis of the performance of the portfolio. IFU will continue to set up more commitments, align the performance indicators with the SDG targets and improve the data collection to strengthen the reporting on the development impact of IFU's investments. This includes more performance analysis within IFUs impact priority areas.

SDG	IFU commitments and priorities	SDG targets relevant to IFU	Key figures 2020
1 NO POVERTY	Prioritising investments furthering financial inclusion. Especially promoting quality financial services to women, including female entrepreneurs.	**1.1** Eradicate extreme poverty. **1.4** Ensure that all men and women have equal rights to economic resources, including microfinance.	• More than DKK 216 million invested in microfinance institutions in 2020. • Total active microfinance portfolio exceeds DKK 900 million in 2020. • 13.5 million microfinance clients served. • 84% of microfinance loans granted to female clients.
2 ZERO HUNGER	Prioritising agri-business investments with clear link to small-scale farmers. Enhancing sustainable and climate smart agriculture and protecting biodiversity.	**2.3** Double the agricultural productivity and incomes of small-scale food producers. **2.4** Ensure sustainable food production systems and implement resilient agricultural practices.	• 25 projects supporting more than 43,000 small-scale farmers, mainly as direct suppliers in 2020. • 275,000 small-scale farmers benefitting through one fund investment.
3 GOOD HEALTH AND WELL-BEING	Prioritising investments providing enhanced access to health services. Supporting companies to demonstrate a commitment to healthy lives, including issues related to women's health and sexual and reproductive health.	**3.7** Ensure universal access to sexual and reproductive health-care services. **3.8** Achieve universal health coverage.	• DKK 360 million invested in two healthcare projects. • 73% of direct investments have taken initiatives to promote health and reproductive health activities.
4 QUALITY EDUCATION	Supporting skills development, especially for young people in Africa.	**4.3** Ensure equal access to affordable and quality technical, vocational and tertiary education. **4.4** Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills.	• 20% of employees in direct investments are below the age of 25 (2019 figure). Indicators under development.
5 GENDER EQUALITY	Supporting companies to address and demonstrate a commitment to empowerment of women related to e.g. leadership, pay equity, workplace benefits, workforce participation and workplace environment.	**5.1** End all forms of discrimination against all women and girls. **5.5** Ensure women's full and effective participation and equal opportunities for leadership.	• 23% female employees in direct investments (2019 figure). • 18% of direct investments have more than 40% women in senior management.
6 CLEAN WATER AND SANITATION	Investments in the water sector fall under IFU's investments in climate adaptation (see SDG 7).	**6.1** Achieve universal and equitable access to safe and affordable drinking water for all.	Indicators under development.
7 AFFORDABLE AND CLEAN ENERGY	Promoting renewable energy investments and investments on greener technologies as part of supporting the green transition. Specifically, increasing the share of climate-relevant projects like renewable energy, energy efficiency and climate adaptation to at least 40 per cent of IFU's portfolio by 2030.	**7.1** Ensure universal access to affordable, reliable and modern energy services. **7.2** Increase the share of renewable energy efficiency. **7.3** Double the global rate of improvement in energy efficiency	• A total capacity of 1,950 MW for renewable energy investments of which 792 MW is from new investments contracted (including 604 MW hydropower). • A total of 6,215 GWh produced in all renewable energy investments in operation.

8	Supporting and promoting decent work, covering working conditions and terms of employment, collective dismissals, gender equality, privacy, occupational health and safety, grievance mechanisms and worker accommodation.	**8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation. **8.5** Achieve full and productive employment and decent work for all. **8.8** Protect labour rights and promote safe and secure working environments.	• 277,177 direct employees in total in all investments • 72% of direct investments pay more than the national minimum wage and 71% pay overtime. • 71% of direct investments have taken initiatives to promote equal opportunities and prevent discrimination. • 37% of direct investments had accidents involving workers. • 292 accidents in total of which one accident was fatal.
9	Overall contribution to industrialisation and infrastructure development, but these are not focus areas.	**9.2** Promote inclusive and sustainable industrialization and significantly raise industry's share of employment and gross domestic product.	No new direct investments in manufacturing outside the agriculture sector.
10	Promoting economic inclusion of poor people by extending access to services and goods to underserved populations. Respecting that all human beings are equally entitled to human rights without discrimination.	**10.2** Empower and promote the social, economic and political inclusion of all. **10.b** Encourage official development assistance foreign direct investment to states where the need is greatest, including least developed countries and African countries.	• 45% of investments were allocated to the poorest countries in Africa.
11	No specific commitment	**11.1** Ensure access for all to adequate, safe and affordable housing.	No suitable indicator yet.
12	Supporting and promoting a preventive and precautionary approach to environmental challenges. Ensuring that local stakeholders are not exposed to unhealthy environments, and that they have access to and benefit from biodiversity and ecosystem services.	**12.2** Achieve the sustainable management and efficient use of natural resources. **12.3** Reduce food losses along production and supply chains. **12.4** Achieve the environmentally sound management of chemicals and all wastes and significantly reduce their release to air, water and soil. **12.5** Reduce waste generation through prevention, reduction, recycling and reuse.	• 71% of direct investments have an environmental management plan in place to manage and monitor the environmental performance.
13	Adopting an investment approach that is aligned with the objective of the Paris Agreement.	**13.a** Mobilise capital to address the needs of developing countries in the context of meaningful mitigation actions.	• A total of 2.14 million tCO_2e avoided emissions based on 6,215 GWh renewable energy produced.
14	No specific commitment	Not applicable yet	No suitable indicator yet.
15	Striving to protect biodiversity and invest in sustainable and resilient agriculture and forestry.	**15.2** Promote the implementation of sustainable management of forests. **15.5** Take action to reduce the degradation of natural habitats and halt the loss of biodiversity.	No suitable indicators yet.
16	Maintaining a zero-tolerance policy regarding corruption, including bribery, fraud and facilitation payment as well as avoiding money laundering.	**16.5** Reduce corruption and bribery in all their forms.	• 64% of direct investments have an anti-corruption policy. • 89% of funds and 100% of financial institutions have a written stand against corruption.
17	Ensuring proper payment of taxes to host countries.	**17.1** Strengthen domestic resource mobilization to improve domestic capacity for tax and other revenue collection. **17.17** Encourage and promote effective public, public-private and civil society partnerships.	• DKK 3.5 billion reported in corporate taxes from 147 investments.* • Corporate tax per continent (in DKK '000) Africa 1,975,548 Europe 19,768 Asia 1,013,939 Global 322,154 Latin America 145,794 **Total 3,477,203**

* Tax information regarding 18 projects under establishment, 21 inactive projects, four PDP projects and two projects where reporting is missing/unavailable has been excluded.

SUSTAINABILITY MANAGEMENT IN PROJECTS

THE SUSTAINABILITY POLICY OFFERS CLEAR EVIDENCE OF THE PROJECT'S SUSTAINABILITY COMMITMENT

IFU encourages all projects to work strategically with sustainability and formally anchor the activities in the business plans and daily practices. Since 2015, projects have been required to adopt a written sustainability policy and establish an Environmental and Social Management System (ESMS). The requirements must be met within a reasonable timeframe and are thus not an entry condition for funding. As IFU contracts tens of projects each year, there will always be new projects that do not meet the requirements yet, but are in the process of implementing them.

Policy commitments

IFU views the sustainability policy as a key performance indicator that states the level of sustainability ambition and offers clear evidence of the project's sustainability commitment. 77 per cent of the direct investments have reported that they have a written sustainability policy, while 12 per cent are in the process of preparing one. The remaining 11 per cent without a policy are projects contracted before 2015. However, IFU finds it very satisfactory that the majority of projects contracted before 2015 voluntarily have adopted a sustainability policy.

Likewise, it is very satisfactory that all the reporting funds and financial institutions have a policy or investment code, which includes sustainability commitments.

Two out of the five reporting financial institutions are microfinance institutions (MFIs) that have endorsed the Client Protection Principles. This is a IFU requirement to ensure prudent, transparent and respectful treatment of clients. It includes appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution.

IFU is maintaining a zero-tolerance policy regarding corruption, including bribery, fraud and facilitation payment, and all projects must take a clear, written stand against corruption. 64 per cent of the direct investments have an anti-corruption policy, while 89 per cent of the funds and all financial institutions have a written stand against corruption. Going forward, IFU will work to ensure that all projects have an anti-corruption policy and make their anti-corruption commitment known to business partners. Furthermore, IFU will encourage projects to include a clause on anti-corruption in contracts with business partners.

Sustainability performance of IFU projects

Share of projects with	Direct investments[1]	Funds[2]	Financial institutions[3]
Written sustainability policy	77 %	100 %	100 %
Written stand against corruption	63 %	89 %	100 %
Environmental and Social Management System	51 %	87 %	100 %
Dedicated person responsible for sustainability	81%	92 %	100 %
Grievance mechanism for external stakeholders	45 %	82 %	100 %

1) 40 out of the 83 direct investments that have submitted a report in 2020 are contracted after 2015.
2) 25 out of the 38 funds that have submitted a report in 2020 are contracted after 2015.
3) All five financial institutions that have submitted a report in 2020 are contracted after 2015.

THE MANAGEMENT SYSTEM ENSURES CONTINUOUS IMPROVEMENT OF THE PROJECT'S SUSTAINABILITY PERFORMANCE

New initiatives to strengthen anti-corruption effort

The risk of corruption and other malpractices is a condition when investing in developing countries. To deal with this, IFU has a comprehensive anti-corruption policy and procedures in place.

Nonetheless, one energy project in Mali has been involved in an alleged corruption case, which was brought to IFU's attention by the Danish partner Burmeister & Wain Scandinavian Contractor, who had received information from a whistle-blower and engaged the Danish law firm Kammeradvokaten to investigate the case.

The investigation led to firm action from Burmeister & Wain Scandinavian Contractor, as the company expelled a number of employees and reported some to the police.

As a follow-up, IFU has made a thorough review of its anti-corruption policy and procedures in cooperation with the Ministry of Foreign Affairs to evaluate if they could be strengthened to further reduce the risk of corruption in IFU's portfolio companies, going forward.

The review was presented to the minister for development cooperation and contains several recommendations, including:

- Improve staff training in anti-corruption matters.
- Strengthen the local audit of the portfolio companies to include systematic control of anti-corruption, including a specific requirement to report to the board of the portfolio company.
- In all portfolio companies, IFU will assess if specific anti-corruption training of the staff in the company is needed.

Processes in place

For investments contracted after 2015, IFU requires that the investees establish an Environmental and Social Management System (ESMS) ensuring that the projects continually identify and assess all significant sustainability risks and impacts, address any identified shortcomings in relation to sustainability issues and ensure continuous improvement of the sustainability performance. The requirement is applicable for direct investments as well as indirect investments in funds and financial institutions.

51 per cent of the direct investments have an Environmental and Social Management System and 23 per cent are in the process of implementing one. As many new projects are greenfield investments, the establishment of the management system awaits the company/facilities becoming operational. The remaining 26 per cent without a management system are projects contracted before 2015.

87 per cent of the funds have an Environmental and Social Management System, while this goes for all the financial institutions.

All investments contracted after 2015 are also required to appoint a person with the overall responsibility for sustainability at operational level and ensure that the person is suitably trained and have appropriate knowledge of sustainability issues related to the project. 81 per cent of the direct investments have a dedicated person responsible for sustainability, while this applies to 92 per cent of the funds and all the financial institutions.

The requirements for managing sustainability in direct investments include promoting sustainability issues in interaction with suppliers and business partners. In 2020, 43 per cent of the direct investments have reported that they have taken initiatives to promote, demand and monitor ESG requirements on suppliers.

Although the sustainability management of the projects is considered satisfactory, IFU will strengthen its efforts to make the sustainability requirements explicit and the support for projects that do not meet the sustainability requirements through active ownership.

Grievance mechanism

Since 2019, projects have been required to establish a grievance mechanism for receiving, processing and settling complaints by individuals and communities. This includes providing clear and easily accessible information on how complaints can be submitted, what kind of complaints can be reported, and how complaints are processed and resolved. Furthermore, the projects must ensure access to remedy for the affected persons and/or notify the appropriate authorities.

45 per cent of the direct investments have a grievance mechanism for external stakeholders. In 2020, 11 per cent of the project companies have reported that they have received complaints. Grievance mechanisms are in place in 82 per cent of funds and all the financial institutions. This is expected to increase in the coming years as IFU contracts new projects where this is a requirement. ▪

INVESTMENTS IN RENEWABLE ENERGY REACHED A TOTAL OF 1,950 MEGAWATTS

ORGANISATION

DURING 2020, THE AVERAGE STAFF AMOUNTED TO 92 FULLTIME EMPLOYEES

IFU staff comes from diverse backgrounds, but we all share the same mission – the aim of building green, just and inclusive societies as well as supporting the Sustainable Development Goals.

Whether working in one of the corporate functions or in the investment activity, IFU recruits, retains and develops the very best people available to build an organisation reflective of society and the regions in which we invest. We believe diversity brings strength to our organisation.

IFU is a knowledge-based organisation with a culture that supports learning and knowledge sharing. All employees are encouraged to obtain and develop competences. In the investment activity, individual development is anchored in competences defined in a career model, which guides learning initiatives on an individual and organisational level. Deal teams are staffed based on inherent competences and development needs, and it is expected that feedback is sought as well as offered. Development and performance are regularly followed up upon, to guide and support the individuals' careers.

Headquartered in Copenhagen, with regional presence in Asia, Africa, Latin America and Europe, we work across geographies, and all jobs in IFU offer the opportunity to work and deliver results in a global context.

Gender composition

IFU's policy and objectives for the gender composition of the board and leadership positions in IFU follow the guidelines of the Danish Business Authority, Section 11 (2) of the Danish Gender Equality Act and Section 99 b of the Danish Financial Statements Act.

IFU's board of directors consists of up to ten members and is appointed by the minister for development cooperation. To have a balanced composition on the board of directors, the objective is to have representation of at least one third of each gender. Currently, the board consists of six members and one observer[2]. Five are male (83 per cent), and one is female (17 per cent).

The objective for the gender composition of leadership positions at IFU is the same as the above. IFU did not meet the objective in 2020, given a 27/73 per cent female/male split end of 2020. It is IFU's policy to increase the share of the under-represented gender in leadership positions.

HR statistics

During 2020, the average staff amounted to 92 full-time employees (FTE). 82 per cent of the staff was employed in Copenhagen and 18 per cent across Africa, Asia, Latin America and Eastern Europe. Twenty-one different nationalities are represented among IFU's employees.

The average age of IFU's employees is 46 years, and the average seniority is eight years.* There is a 56/44 percentage split between male and female employees.

Employee turnover *	4.9%
Retention (five years of seniority or more) *	42.2%
New people on-boarded *	14

* Excluding students and others on hourly wage.

2) Observers are not included as per the guidelines from the Danish Business Authority.

FINANCIAL REVIEW

THE RESULT FOR THE YEAR ENDED UP BEING HIGHLY IMPACTED BY THE EFFECTS OF THE COVID-19

IFU recorded a loss of DKK (174)m in 2020 compared to a profit of DKK 28m in 2019.

As was cautioned in the expectations from last year, the result for the year ended up being highly impacted by the effects of the Covid-19 related lockdown introduced in almost all geographies throughout most of the year. Especially the microfinance sector, with borrowers being mainly small retailers, and the hospitality sector were affected, but loss or deferral of revenue, e.g. due to delays in construction and implementation of projects, was observed for other sectors as well. Also, loan repayments were rescheduled for several loans, as projects needed to preserve liquidity, affecting the need for provisions on the loan portfolio. Last but not least, large currency depreciations in most developing countries and a much lower USD versus DKK weighed heavily on the return. Apart from the effects of lower currencies, the portfolio performed reasonably well, considering the difficult market conditions following the Covid-19 lockdown.

Yield from share capital investments was negative at (4.5) per cent against 1.1 per cent in 2019. For the reasons mentioned above, the yield in 2020 was strongly affected by lower currencies and Covid-19 related effects, whereas the 2019 yield was impacted negatively by the development in a few larger share capital investments, including a disease outbreak at a large-scale pig farm in China.

Yield from loans was (2.2) per cent against 2.2 per cent in 2019, with the 2020 result being affected by the consequences of several rescheduled loans due to Covid-19 and thereby the need for higher provisions relating to IFRS 9. Further impacting the loan portfolio and the result in 2020 was the sharp decline in both the USD, affecting the unhedged part of the USD portfolio, but also in the INR, where IFU's exposure is unhedged.

Management fees and other income was more or less unchanged in 2020. Operating expenses fell, even though number of staff was increased, mainly due to a sharp drop in travel expenses as well as lower expenses for external assistance, much of the development being directly or indirectly related to Covid-19 restrictions. Net financial income was unchanged from last year at negative DKK (4)m, mainly due to the negative interest rate environment and currency exchange rate adjustments.

IFU's equity end of year 2020 was DKK 4,040m.

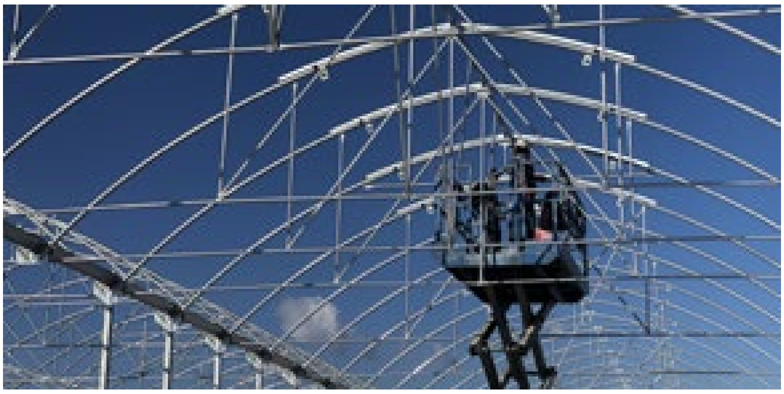
Appropriation of net income for the year
Due to the negative result and in accordance with IFU's dividend policy, no declaration of dividend for 2020 is proposed. Last year, the board recommended to the minister for development cooperation that a dividend of DKK 13m for 2019 was paid out in 2021. However, in light of the Covid-19 pandemic, the minister decided that the funds should remain in IFU to enhance IFU's ability to assist in mitigation of the pandemic. In total DKK 7.5m was transferred to IFU's grant facility for various Covid-19 related initiatives, whereas DKK 5.5m was reverted to strengthen IFU's equity capital.

Contribution from projects
Total contributions from IFU's primary project-related activities were DKK (160)m against DKK 46m in 2019.

Share capital investments contributed DKK (136)m in 2020 against DKK 30m in 2019. Out of the total contribution, DKK (76)m directly relates to microfinance and hospitality, however other sectors were also affected by delays and lower demand because of the pandemic, impacting valuation. Currency development in 2020 was extraordinarily negative for developing countries and emerging markets with many African countries seeing depreciation of 10-15 per cent or more, and with major markets like India and Brazil declining 12 per cent and 29 per cent, respectively, exerting a drag on the performance. The effect on the contribution from share capital investments from currency depreciation in 2020 is estimated at DKK (264)m and seen in this light, i.e. without the isolated effect of currency depreciation, the portfolio withstood the crisis in 2020 reasonably well, yielding a return of 4.1 per cent.

Project loans and guarantees contributed DKK (21)m against DKK 21m in 2019. Allowance for impairment of DKK (49)m in 2020 were basically unchanged compared to 2019, but with the major part now being attributable to Covid-19 related rescheduling and subsequent requirement for increased IFRS 9 provisions (credit deterioration). Net effect of exchange rate adjustments and hedges was DKK (30)m, a sharp downturn from DKK (4)m in 2019, and due especially to the lower USD and to a lesser extent the lower INR. Interest and fees income, after provisions but before hedging arrangements, decreased to DKK 63m from DKK 70m in 2019.

Other contributions from projects was DKK (4)m in 2020 against DKK (5)m in 2019. The negative contribution in 2020 was mainly due diligence expenses.



Queen Tarim Flowers, Turkey.

Management income and operating expenses
Management income was DKK 103m in 2020, slightly up from DKK 100m in 2019.

Overall expenses covering both IFU and IFU managed funds fell to DKK 113m from DKK 115m in 2019. Salary expenses were higher as IFU increased number of staff to meet more complex due diligence requirements, whereas expenses for travel, external assistance (advisers, consultants and similar) and various declined markedly.

THE AVERAGE VALUE-ADJUSTED PORTFOLIO OF SHARE CAPITAL INVESTMENTS GREW TO DKK 3.0BN IN 2020

Financial income, cash flows and balance sheet items
Net financial income was DKK (4)m compared to DKK (5)m in 2019. The result mainly reflects the negative interest rate environment during the year.

Net cash flow for the year was DKK (39)m after sale of DKK 149m in bonds. Financing activities provided a net of DKK 219m comprised mainly of new capital contributions from the State with DKK 60m and loan financing from Danmarks Nationalbank and the Nordic Investment Bank of in total DKK 132m. New disbursements to investments were DKK 775m, and IFU received DKK 393m from investments and investment-related receivables.

The capital contribution from the State of DKK 60m is an earmarked contribution that will partly finance an increase in the capital of the African Guarantee Fund (AGF) for increased green lending, that will take place in 2021. AGF provides guarantees to African financial institutions to facilitate lending to especially small and medium-sized companies.

The average value-adjusted portfolio of share capital investments grew to DKK 3.0bn in 2020 from DKK 2.6bn in 2019. For loans and guarantees, the average value-adjusted portfolio was unchanged from 2019 at DKK 0.9bn.

Cash and bonds end of year was DKK 330m, down from DKK 545m in 2019, and undisbursed commitments were DKK 3.6bn, up from DKK 3.4bn in 2019. No draw was made on credit facilities end of year compared to a draw of DKK 28m in 2019.

The continued very high level of commitments compared to cash underlines the continued need for stringent management of IFU's liquidity position. Commitments, however, only translate into disbursements over a multi-year period, which for example is the case for the funds managed by IFU, making up 1.8bn out of the undisbursed commitments end of 2020.

According to IFU's liquidity policy, the aim is to always have a positive cash position. The liquidity position is backed by the following credit and loan facilities: ▸

				Status on 31 December 2020 (DKKm)	
Type	**Purpose**	**Issuer**	**Amount (DKKm)**	**Drawn (by IFU)**	**Available**
Credit facility[1]	General	Danske Bank	300	0	298
Loan facility	Financing of SDG Fund	Nationalbanken	800	200	600
Loan facility	Financing of Denmark's Green Future Fund (DGFF)	Nationalbanken	300	0	300
Loan facility[2]	Refinancing of IFU loans fullfilling NIB mandate	The Nordic Investment Bank	372	82	290
Total credit and loan facilities					1,488

1) Shared with IØ.
2) Loan facility is EUR 50m.

IT IS EXPECTED THAT IFU AND IFU MANAGED FUNDS WILL INVEST IN THERANGE OF DKK 1,700-2,100M, IN 2021

Including cash and bonds of DKK 330m, total liquidity resources available to IFU thus amounted to DKK 1.8bn at year-end 2020.

In 2021, the loan facility related to DGFF will be increased to a total of DKK 600m and further to DKK 1,000 in 2022.

As per 31 December 2020, IFU had equity of DKK 4,040m, down from DKK 4,161m at 31 December 2019. The net change reflects the net loss, the paid-in capital, the reversal of the dividend from last year and the related appropriation to IFU's Sustainability Facility.

Risk management

IFU invests in projects located in developing countries. Political and economic conditions may be volatile, and the projects are often subject to high commercial risk.

As a result of this exposure, and in particular because IFU measures its investments at estimated fair value or recoverable amount in accordance with the accounting principles set out in the Danish Financial Statements Act, IFU's net results may fluctuate considerably from year to year due to value adjustments on the investments.

In preparing the financial statements, management makes a number of estimates and assumptions of future events that will affect the carrying amount of assets and liabilities. The areas where estimates and assumptions are most critical to the financial statements are the fair value measurement of share capital investments and the assessment of the need for specific allowances for impairment on project loans. The notes to the financial statements provide more details.

To minimise the overall risk in IFU's investment portfolio, a set of risk policies have been implemented in the investment policy. These policies include guidelines for appraisal of commercial risk for project, partner and country risk exposure as well as guidelines for managing direct financial risk.

Commercial risk for each project is evaluated at the time of appraisal using a risk model based on IFU's large experience from previously exited projects as well as on sensitivity analyses of key performance parameters specific to the project in question.

Project risk (and commercial risk) is further managed by the indicative limit for IFU's participation in individual projects, which is DKK 100m to 150m, whereas partner risk is limited through the indicative limit that a partner (at group level) should not account for more than 20 per cent of the fund's total project commitments (the sum of investments at acquisition cost, remaining commitments and binding commitments).

Country risk is managed by the indicative limit that the total commitment in any single country should not exceed 30 per cent of the fund's total project commitments.

Details on equity, credit, currency, interest rate risk and liquidity risk are provided in notes 23 to 26 to the financial statement.

Distribution of project commitments as at 31 December 2020 – five largest single country portfolios *

Country	2020 (%)	2019 (%)
China	6.0	7.7
Ukraine	5.8	9.4
India	5.6	5.5
Egypt	5.5	3.9
Kenya	4.8	5.9

* Based on IFU and IFU's share of portfolio investments in own managed funds

Events after the balance sheet date

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

IFU's outstanding exposure towards Myanmar was DKK 182m at end of 2020. No significant impairment as consequence of the February 2021 military coup is seen at this stage, however IFU is monitoring the situation closely.

Outlook for 2021

In 2021, IFU expects to invest own funds in the range of DKK 800-1,000m, including investments with Denmark's Green Future Fund. The figure includes additional financing to existing investments. IFU expects a positive result in 2021.

Including IFU managed funds, IFU expects to invest in the range of DKK 1,700-2,100m.

Both the result and the investment volume for the year remain subject to considerable uncertainty related to Covid-19, specifically the timing and scope of the lifting of restrictions as well as the risk of new waves and mutations materialising.

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The executive management and the board of directors have today considered and approved the annual report of the Investment Fund for Developing Countries (IFU) for the financial year 1 January – 31 December 2020.

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

In our opinion, the annual report gives a true and fair view of IFU's financial position as per 31 December 2020 and of the results of IFU's operations and cash flows for 2020.

Further, it is our opinion that business procedures and internal controls have been set up to ensure that the transactions covered by the financial statements comply with the appropriations granted, legislation and other regulations and with agreements entered into and usual practice; and that due financial consideration has been taken of the management of funds and operations covered by the financial statements.

In addition, it is our opinion that systems and processes have been established to support economy, productivity and efficiency.

It is further our opinion that the management's review includes a true and fair account of the development in the operations and financial circumstances of the fund of the results for the year and the financial position of IFU.

Copenhagen, 8 April 2021

Executive management:

Torben Huss, CEO

Lars Krogsgaard, CIO

Board of Directors:

Michael Rasmussen, Chairman

Lars Andersen, Deputy Chairman

Jens Jørgen Kollerup

Bjarne H. Sørensen

Mads Kjær

Anne Broeng

INDEPENDENT AUDITORS' REPORT

To the board of directors of the Investment Fund for Developing Countries (IFU)

Opinion

We have audited the financial statements of IFU for the financial year 1 January – 31 December 2020, which comprise an income statement, 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 Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of IFU's financial position at 31 December 2020 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2020 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. In addition, the audit was performed in accordance with generally accepted public auditing standards as required by the Articles of Association of IFU. 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 IFU in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 IFU'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 Company 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 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 IFU'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 IFU'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IFU to cease to continue as a going concern.

- 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 review
Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, 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 review and, in doing so, consider whether the management's review 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 review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the management's review.

Report on other legal and regulatory requirements
Statement on compliance audit and performance audit
Management is responsible for ensuring that the transactions covered by the financial reporting comply with appropriations granted, legislation and other regulations and with agreements entered into and usual practice; and that due financial consideration has been taken of the management of funds and operations covered by the financial statements.

In performing our audit of the financial statements, it is our responsibility in accordance with generally accepted public auditing standards to select relevant items for both compliance audit and performance audit purposes. When conducting a compliance audit, we test the selected items to obtain reasonable assurance as to whether the transactions covered by the financial reporting comply with the appropriations granted, legislation and other regulations as well as agreements entered into and usual practice. When conducting a performance audit, we perform assessments to obtain reasonable assurance as to whether the tested systems, processes or transactions support due financial consideration in relation to the management of funds and operations covered by the financial statements.

We must report on any grounds for significant critical comments should we find such in performing our procedures.

We have no significant critical comments to report in this connection.

Copenhagen, 8 April 2021

EY Godkendt Revisionspartnerselskab
CVR no 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Anne Tønsberg
State Authorised Public Accountant
mne32121

PROJECT COMPANIES REPORTED LOCAL CORPORATE TAXES OF DKK 3.5 BILLION

INCOME STATEMENT

Note		2020	2019
		DKK 1,000	DKK 1,000
2/	Contribution from share capital investments	(135,536)	30,054
3/	Contribution from project loans and guarantees	(20,697)	21,405
4/	Other contributions from projects	(3,573)	(5,004)
	CONTRIBUTION FROM PROJECTS	**(159,806)**	**46,455**
5/	Management fees and other income	102,614	100,241
5/	Operating expenses	(112,533)	(115,348)
	OPERATING INCOME	**(169,725)**	**31,348**
6/	Financial income, net	(4,329)	(3,673)
	NET INCOME FOR THE YEAR	**(174,054)**	**27,675**

BALANCE SHEET AT 31 DECEMBER

ASSETS

Note		2020	2019
		DKK 1,000	DKK 1,000
	FIXED ASSETS		
	Share capital investment in projects at cost	3,246,979	2,829,473
	Value adjustments	(145,872)	29,778
7/	Share capital investment in projects	3,101,107	2,859,251
	Project loans at cost	1,068,522	1,053,112
	Allowance for impairment	(153,938)	(116,629)
8/	Project loans, net	914,584	936,483
9/	Investment in subsidiaries	2,230	2,230
10/	Fixed assets and leasehold improvements	2,695	3,113
	Total fixed assets	**4,020,616**	**3,801,077**
	CURRENT ASSETS		
11/	Interest receivable related to projects	53,178	38,053
12/	Other receivables	38,649	31,374
	Bonds	111,402	260,176
	Cash	218,549	285,249
	Total current assets	**421,778**	**614,852**
	TOTAL ASSETS	**4,442,394**	**4,415,929**

BALANCE SHEET AT 31 DECEMBER

LIABILITIES AND EQUITY

Note		2020	2019
		DKK 1,000	DKK 1,000
	EQUITY		
	Paid-in capital	2,538,342	2,478,342
	Repaid capital	(1,250,000)	(1,250,000)
	Proposed dividend	0	13,000
	Retained earnings	2,751,200	2,919,754
13/	**Total equity**	**4,039,542**	**4,161,096**
	PROVISION FOR LOSSES		
14/	Provisions for guarantees and loan commitments	6,985	1,861
	NON CURRENT LIABILITIES		
15/	Long-term debt	280,461	149,468
	CURRENT LIABILITIES		
	Drawn on bank credit facility	0	27,870
16/	Other current liabilities	115,406	75,634
		115,406	103,504
	Total liabilities	**395,867**	**252,972**
	TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES	**4,442,394**	**4,415,929**

1/ ACCOUNTING POLICIES
17/ UNDISBURSED COMMITMENTS TO PROJECTS
18/ CONTINGENT LIABILITIES
19/ RELATED PARTY DISCLOSURES
20/ RECOMMENDED APPROPRIATION OF NET INCOME
21/ FINANCIAL HIGHLIGHTS AND INVESTMENTS CONTRACTED IN 2020
22/ FINANCIAL RISK MANAGEMENT
23/ EQUITY AND CREDIT RISK
24/ CURRENCY RISK
25/ INTEREST RATE RISK
26/ LIQUIDITY RISK
27/ CLASSIFICATION OF FINANCIAL INSTRUMENTS
28/ FAIR VALUE MEASUREMENT BASIS

CASH FLOW STATEMENT

Note		2020 DKK 1,000	2019 DKK 1,000
	CASH FLOW FROM OPERATING ACTIVITIES		
	Dividends from projects received	30,329	43,895
	Interest from projects received	36,464	55,251
	Other project-related payments	16,748	(1,585)
	Operating expenses, net	(18,779)	(1,087)
	Net payments related to financial income and expenses	(5,561)	(2,318)
	Net cash from operating activities	**59,201**	**94,156**
	CASH FLOW FROM (TO) INVESTING ACTIVITIES		
	Received from sale of shares	187,251	86,583
	Received from project loans	126,584	277,778
	Received from derivatives, loans	(4,583)	(11,469)
	Collateral received regarding derivatives	5,000	0
	Paid-in share capital in projects	(586,667)	(583,986)
	Disbursement of project loans	(188,559)	(318,989)
	Received from (invested in) bonds	149,106	(79,421)
	Net cash from (to) investing activities	**(311,868)**	**(629,504)**
	CASH FLOW FROM (TO) FINANCING ACTIVITIES		
	Loan from Danmarks Nationalbank	50,005	149,815
	Loan from Nordic Investment Bank	81,832	0
	Paid-in capital received during the year	60,000	336,500
	Paid-out dividend during the year	0	(50,000)
	Received payment from MFA related to planned project loan	22,000	0
	Net cash from (to) financing activities	**213,837**	**436,315**
	NET CHANGE IN CASH	(38,830)	(99,033)
	NET CASH BEGINNING OF YEAR	**257,379**	**356,412**
	NET CASH END OF YEAR	**218,549**	**257,379**
	- Shown as cash in current assets	**218,549**	**285,249**
	- Shown as drawn on bank credit facility	**0**	**(27,870)**

NOTES

Note

1⁄ Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning Class C enterprises (large).

In accordance with Section 37 (5) in the Danish Financial Statements Act, IFU applies the International Financial Reporting Standards (IFRS) as regards measurement of financial assets and financial liabilities (IFRS 9) and related disclosures (IFRS 7).

The accounting principles applied are unchanged from previous year.

Presentation and classification
To better reflect IFU's activities, the presentation of the income statement and balance sheet as well as the order of the line items in the income statement deviate from the standard format in the Danish Financial Statements Act. By presenting the primary statements on the basis of IFU's special character as an investment fund (long-term investments), the financial statements hereby provide the reader with the best possible overview of IFU's activities. The deviation is in accordance with Section 23 (4) of the Danish Financial Statements Act.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to IFU, and provided that the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when IFU has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of IFU, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Adjustment subsequent to initial recognition is affected as described below for each item.

Information brought to IFU's attention before the time of finalising the presentation of the annual report, and which confirms or invalidates affairs and conditions existing at the balance sheet date, is included in the recognition and measurement.

Income other than value adjustments is recognised in the income statement when earned, just as costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement as value adjustments. Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. ▸

NOTES

For assets and liabilities that are measured at fair value on a recurring basis, IFU identifies transfers to and from the three levels of the fair value hierarchy by reassessing the categorisation, and deems transfers to have occurred at the beginning of each reporting period.

Foreign currency adjustment
Foreign currency transactions are initially recognised in DKK using the exchange rate at the transaction date. Loans, receivables, payables and other monetary items denominated in foreign currencies, which have not been settled at the balance sheet date, are converted into DKK using the exchange rate at the balance sheet date. All exchange rate adjustments, including those that arise at the payment date, are recognised in the income statement as contribution from projects or financial income and expenses, depending on their nature.

Non-monetary items
Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates.

Derivative financial instruments
On initial recognition in the balance sheet and subsequently, derivative financial instruments are measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables or other payables, respectively, and are only offset when IFU has the legal right and the intention to settle several financial instruments net.

Changes in the fair value of derivative financial instruments are recognised in the income statement as either "Contribution from project loans and guarantees", if related to economical hedging of project loans, or "Other contributions from projects", if related to economical hedging of receivables from sale of shares.

INCOME STATEMENT

Contribution from share capital investments
Contribution from share capital investments includes declared dividends (net of non-refundable taxes), gains and losses from divested share capital investments and value adjustments in relation to the outstanding portfolio at year-end. Dividends are included in the income statement at the declaration date.

Contribution from project loans and guarantees
Contribution from project loans and guarantees includes interest income, guarantee commissions and value adjustments, including impairment provisions, reversals of impairment provisions and exchange rate adjustments.

Other contributions from projects
Other contributions from projects include value adjustments, including exchange rate adjustments in relation to receivables, the effect of derivative hedges and interest from receivables.

Management fees and other income
Management fees comprise fees received for the management of IFU managed funds.

Operating expenses
Operating expenses comprise expenses for management, administrative staff, office expenses, depreciation of fixed assets and leasehold improvements, etc.

Income from investments in associates and subsidiaries
Dividends from associates and subsidiaries are included in the income statement at the declaration date.

Financial income, net
Financial income, net comprises interest income on cash and bonds, realised and unrealised capital gains and losses on bonds, interest expenses, exchange rate adjustments on cash and bank charges.

NOTES

BALANCE SHEET

Share capital investment in projects
Share capital investments in projects are recognised when they are disbursed. Share capital investments in projects are measured both at initial recognition and throughout the investment period at fair value with changes recognised through profit or loss as contribution from share capital investments.

Share capital investments in projects where IFU has significant influence (typically 20-50 per cent of the voting rights) are associates and are accounted for as share capital investments.

Project loans
Project loans are designated as loans and receivables, and are recognised when they are disbursed. Project loans are initially recognised at fair value and are subsequently measured at amortised cost less an allowance for impairment.

The allowance for impairment is measured in accordance with IFRS 9 by applying the simplified approach, whereby the expected loss in the remaining life of the loan is recognised irrespective of whether the loan is allocated to stage 3 (credit impaired), stage 2 (significant increase in credit risk) or stage 1 (all other loans).

The expected loss is measured loan by loan by applying an estimated loss percentage based on IFU's past experience, current expectations and internal rating of the individual project loans.

Provisions for losses on guarantees and loan commitments are calculated in the same way as the allowance for impairment of project loans.

Impaired project loans, together with the associated allowance amount, are written off when there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to IFU. If a previous write-off is later recovered, the recovery is credited to "Contribution from project loans and guarantees".

Investments in subsidiaries
Investments in subsidiaries are included in the balance at cost less accumulated impairment losses. Subsidiaries are insignificant in size and consolidated accounts have therefore not been made.

Fixed assets and leasehold improvements
Fixed assets and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Straight-line depreciation is made on the basis of an estimated useful life of the fixed asset varying from three to ten years. Depreciation is recognised in the income statement under operating expenses.

Fixed assets and leasehold improvements costing less than DKK 50,000 per unit are recognised as costs in the income statement at the time of acquisition.

Interest receivable related to projects and other receivables
Interest receivables related to projects and other receivables are designated as receivables and are recognised over the period when they are earned.

Interest receivables related to projects and other receivables are recognised at nominal value less any allowance for impairment.

Interest receivable related to projects includes accrued interest on project loans. Other receivables include receivables from sale of shares and loans, dividends receivables, administrative and other project-related receivables. ▸

NOTES

Cash and cash equivalents
Bonds are stated at the official prices quoted on the balance sheet date except for drawn bonds, which are stated at par value. Realised and unrealised gains or losses on bonds are recognised in the income statement under financial income, net.

Non-current liabilities
Non-current liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, non-current liabilities are measured at amortised cost. Liabilities are designated as long-term debt according to the repayment conditions.

Current liabilities
Current liabilities are initially recognised at cost, which is fair value, and are subsequently measured at amortised cost.

Commitments
Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. The existence of such liabilities will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within IFU's control.

CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the direct method and shows IFU's cash flow from operating, investing and financing activities as well as IFU's cash position at the beginning and end of the year. Cash comprises cash at hand less short-term bank debt. ▪

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
2/	Contribution from share capital investments		
	Dividends from projects	30,364	44,066
	Realised gain (loss) from divested share capital investments	3,396	24,712
	Value adjustments, portfolio	(169,296)	(38,724)
	Contribution from share capital investments	**(135,536)**	**30,054**
3/	Contribution from project loans and guarantees		
	Interest income and fees related to project loans and guarantees	80,829	79,354
	Allowance for impairment, interest and fees	(18,237)	(8,913)
	Allowance for impairment, loan portfolio	(48,587)	(46,316)
	Allowance for impairment, remanining commitments on loan portfolio	(5,221)	1,080
	Allowance for impairment, guarantees	98	(8)
	Exchange rate adjustments, project loans	(45,337)	9,787
	Value adjustments, derivatives	15,758	(13,579)
	Contribution from project loans and guarantees	**(20,697)**	**21,405**
4/	Other contributions from projects		
	Value adjustments, receivables, excl. exchange rate adjustments	(1,358)	(116)
	Exchange rate adjustments, receivables	198	(233)
	Interest from receivables	321	269
	Other income and expenses	(2,734)	(4,924)
	Other contributions from projects	**(3,573)**	**(5,004)**

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
5/	Management fees, other income and operating expenses		
	Management fees and other income		
	Management fees	102,053	99,700
	Board member fees	461	434
	Various income	100	107
	Total management fees and other income	102,614	100,241
	Expenses		
	Salaries, head office	67,780	58,453
	Rental expenses	7,257	7,271
	Travel expenses	1,514	5,381
	Regional office expenses	11,965	13,561
	Fees for board of directors	1,135	1,302
	Fees for external assistance	4,115	7,937
	IT expenses	8,191	6,645
	Office expenses	1,330	1,305
	Various expenses	6,177	9,564
	Depreciation of fixed assets and leasehold improvements (note 10)	664	1,120
	Total expenses before payroll tax	110,128	112,539
	Payroll tax	2,405	2,809
	Total operating expenses	112,533	115,348
	Fee to the auditor of the funds included in "Fees for external assistance" and "Various expenses":	**636**	**1,111**
	- hereof audit fees	476	467
	- hereof other assurance engagements	95	544
	- hereof tax and VAT advice	31	12
	- hereof other non-audit services	34	88

NOTES

Note		2020	2019
		DKK 1,000	DKK 1,000
	Specification of personnel expenses (salaries etc.)*		
	Salaries, remunerations etc.	70,500	63,810
	Pension contributions	7,114	5,564
	Other expenses for social security	280	321
	Payroll tax	2,405	2,809
	Personnel expenses in total	**80,299**	**72,504**
	*) The figures are included in "Salaries, head office", "Travel expenses", "Regional office expenses", "Fees for board of directors" and "Payroll tax".		
	Remuneration to the board of directors:		
	Michael Rasmussen, Chairman	271	271
	Lars Andersen, Deputy Chairman	199	199
	Jens Jørgen Kollerup	145	145
	Bjarne H. Sørensen	145	145
	Dorrit Vanglo	0	97
	Mads Kjær	145	145
	Charlotte Jepsen *	85	145
	Anne Broeng	145	155
	Total remuneration to the board of directors	1,135	1,302
	*) Member of the board of directors until 31. July 2020		
	Remuneration to the executive board:		
	Salaries and pension:		
	Torben Huss *	2,706	2,133
	Lars Krogsgaard ** / ***	2,197	1,243
	Performance remuneration:		
	Torben Huss	0	391
	Lars Krogsgaard	152	231
	Total remuneration to the executive board	5,055	3,998
	Total remuneration to the board of directors and executive board	**6,190**	**5,300**
	*) Hereof pension 365 (299 in 2019)		
	**) Hereof pension 296 (170 in 2019)		
	***) Member of the excecutive board from April 2019		
	Average number of employees, head office	76	72
	Average number of employees, regional offices	16	16
		92	**88**

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
6/	Financial income, net		
	Financial income		
	Interest income, cash and bonds	0	235
	Gain on bonds	332	0
	Financial income	**332**	**235**
	Financial expenses		
	Interest expenses, bank charges and exchange rate adjustments	(4,661)	(3,445)
	Loss on bonds	0	(463)
	Financial expenses	**(4,661)**	**(3,908)**
	Financial income, net	**(4,329)**	**(3,673)**

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
7/	Share capital investment in projects		
	Share capital investment in projects beginning of year at cost	2,829,473	2,332,435
	Paid-in share capital in projects during the year	586,667	583,986
	Proceeds from divestment of shares	(178,913)	(87,437)
	Realised gain (loss) from divestment of shares relative to cost, net	9,752	489
	Share capital investment in projects end of year at cost *	**3,246,979**	**2,829,473**
	Accumulated value adjustments beginning of year	29,778	44,280
	Reversed value adjustments, divested share capital investments	(6,354)	24,222
	Value adjustments, portfolio during the year	(169,296)	(38,724)
	Accumulated value adjustments end of year	**(145,872)**	**29,778**
	Share capital investment in projects end of year	**3,101,107**	**2,859,251**
	Herof associated companies:		
	Share capital investment in projects end of year at cost	1,651,172	1,399,092
	Accumulated value adjustments end of year	(163,754)	(69,635)
		1,487,417	**1,329,457**
	Accumulated value adjustments end of year are comprised of:		
	Positive value adjustments	503,553	467,179
	Negative value adjustments	(649,425)	(437,401)
		(145,872)	**29,778**

*) DKK 159.6m guaranteed by the Danish State (DKK 61.8m in 2019).

NOTES

Note

7/ Share capital investment in projects, net

Associated companies:

DKK 1,000

Name/domicile:	Form of company:	IFU's ownership interest (%)	2020 Result	2020 Equity*
			According to the latest approved annual report	
AC Capitales Infrastructure Fund II, *Canada*	Fund	20.27%	N/A	N/A
Aerial & Maritime Ltd., *Mauritius*	Ltd.	35.18%	(4,676)	66,342
Africa Coffee Roasters Limited, *Kenya*	Ltd.	20.00%	(4,355)	1,017
AfriNord Hotel Investment A/S, *Denmark*	A/S	20.00%	(23)	3,130
Afro Farm Limited, *Tanzania*	Ltd.	40.22%	(313)	(1,007)
Al Quseir Hotel Company SAE, *Egypt*	SAE	20.00%	5,043	26,203
Aller Aqua China A/S, *Denmark*	A/S	38.00%	(9)	40,225
Alliance for Microfinance in Myanmar Limited, *Myanmar*	Ltd.	23.43%	11,083	159,592
Birger Christensen China Holding A/S, *Denmark*	A/S	40.00%	(1,637)	518
BOPA PTE Ltd, *Cambodia*	Ltd.	30.31%	17,527	127,632
Bukkehave Distribution ApS under tvangsopløsning, *Denmark*	ApS	40.00%	N/A	N/A
CerCa A/S, *Denmark*	A/S	48.00%	(232)	1,253
COT Africa Limited , *Mauritius*	Ltd.	49.99%	(22,220)	77
Danish Agribusiness Fund K/S, *Denmark*	K/S	37.50%	15,859	251,047
Danish Climate Investment Fund I K/S, *Denmark*	K/S	39.92%	38,360	741,292
Danish Microfinance Partners K/S, *Denmark*	K/S	24.92%	3,923	471,846
Danish Sustainable Development Goals				
Investment Fund K/S, *Denmark*	K/S	40.00%	(67,896)	259,650
Danper Agricola La Venturosa S.A.C., *Peru*	S.A.C	45.00%	(9,801)	36,103
Danper Agricola Olmos S.A.C., *Peru*	S.A.C	25.00%	(21,735)	140,869
Dansani Kina Holding A/S, *Denmark*	A/S	50.00%	(1,834)	2,179
Dynatest South America Holding ApS, *Denmark*	ApS	33.33%	(281)	(7,522)
Elgon Road Developments Ltd, *Kenya*	Ltd.	30.08%	(28,736)	236,856
Emerging Markets Power (Ghana) Limited, *Ghana*	Ltd.	27.00%	N/A	N/A
EMF Cooling Systems Hong Kong Limited, *Hong Kong*	Ltd.	26.77%	(6,427)	38,723
Enara Bahrain SPV W.L.L., *Bahrain*	WLL	41.43%	4,837	100,671
Equilibrium Management Co. Ltd., *China*	Ltd.	31.60%	(2,398)	(2,454)
Fertin India Private Limited, *India*	Ltd.	25.00%	(7,665)	9,292
Fiberline Asia Limited, *Hong Kong*	Ltd.	24.89%	3,713	5,630
Fibertex South Africa, *South Africa*	Pty. Ltd.	25.80%	(19,100)	(3,172)
Foss India Private Limited, *India*	Ltd.	24.15%	(4,523)	(2,467)

NOTES

Note

Associated companies:

DKK 1,000

Name/domicile:	Form of company:	IFU's ownership interest (%)	2020 Result	2020 Equity*
			According to the latest approved annual report	
Frontier Trading Co. Ltd., *China*	Ltd.	40.00%	N/A	N/A
Ghana Emulsion Limited, *Ghana*	Ltd.	26.10%	N/A	N/A
Gustu Gastronomia S.A., *Bolivia*	S.A.	45.00%	433	9,297
House of Odin Ltd., *Nigeria*	Ltd.	20.20%	874	6,705
IBF Uganda ApS, *Denmark*	ApS	36.00%	(134)	(160)
Jema Autolife Co., Ltd, *China*	Ltd.	44.01%	(1,931)	(1,802)
Kenya Property Holding ApS, *Denmark*	ApS	49.00%	(67)	5,819
Kjaer Group A/S, *Denmark*	A/S	20.00%	1,666	92,664
Merkur Udviklingslån A/S, *Denmark*	A/S	50.00%	155	11,058
NMI Fund IV KS, *Norway*	KS	20.03%	(11,528)	158,927
NMI GP IV AS, *Norway*	AS	22.37%	(576)	59,515
Nordic Horn of Africa Opportunities Fund, *Canada*	Fund	25.50%	(730)	44,792
Nordic Microfinance Initiative AS, *Norway*	AS	33.33%	8,776	73,716
Nordic Microfinance Initiative Fund III KS, *Norway*	KS	24.40%	25,569	507,778
Rabai Power Holdings Limited, *United Kingdom*	Ltd.	20.00%	40,723	327,292
Sing-Scandi Fish-Tech Management Pte.Ltd, *China*	Ltd.	46.67%	N/A	N/A
Smart Solar International Holding, *France*	SA	49.00%	(1,384)	(1,377)
Wagner China ApS, *Denmark*	ApS	40.00%	(90)	(12,841)

*) Excluding undisbursed commitments/not paid-in capital.

NOTES

Note		2020	2019
		DKK 1,000	DKK 1,000
8/	Project loans, net		
	Project loans beginning of year at cost	1,053,112	1,002,037
	Disbursements during the year	188,559	318,989
	Interest and fees converted into project loans during the year	10,766	2,787
	Repayments during the year	(126,584)	(277,778)
	Exchange rate adjustments, project loans	(45,337)	9,787
	Write-offs during the year	(11,994)	(2,710)
	Project loans end of year at cost *	**1,068,522**	**1,053,112**
	Accumulated value adjustments incl. allowance for impairment beginning of year	(116,629)	(72,933)
	Reversed allowance for impairment, loans written off	(7,661)	0
	Value adjustments including allowance for impairment for the year	(28,931)	(43,606)
	Allowance for impairment related to conversions during the year	(717)	(90)
	Accumulated value adjustments incl. allowance for impairment end of year	**(153,938)**	**(116,629)**
	Project loans, net end of year	**914,584**	**936,483**
	*) Project loans end of year at cost are comprised of:		
	Senior project loans	719,293	682,362
	Subordinated loans	308,026	326,966
	Equity loans	41,203	43,784
		1,068,522	**1,053,112**

NOTES

Note			2020 DKK 1,000	2019 DKK 1,000

*) Project loans end of year at cost in DKK distributed according to currency denomination:

	2020 Currency	2019 Currency	2020 DKK 1,000	2019 DKK 1,000
DKK			196,818	173,033
USD [1]	62,980	62,075	381,507	414,407
EUR	58,513	54,194	435,294	404,815
INR	519,000	519,000	42,973	48,578
Other currencies			11,930	12,279
			1,068,522	**1,053,112**

[1] USD 27.5m is hedged against DKK (USD 32.3m in 2019)

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
9/	Investment in subsidiaries		
	Investment in subsidiaries beginning of year at cost	2,230	2,230
	New investments during the year	0	0
	Investment in subsidiaries end of year at cost	**2,230**	**2,230**
	Accumulated value adjustments end of year	**0**	**0**
	Investment in subsidiaries, net end of year	**2,230**	**2,230**

Investment in subsidiaries comprises of:

Name/domicile:	Form of company:	IFU's ownership interest (%)	2020 Result	2020 Equity
			According to the latest approved annual report	
IFU Investment Komplementar, Copenhagen, *Denmark*	ApS	100%	17	181
IFU Investment Partners GP, Copenhagen, *Denmark*	P/S	100%	(28)	346
DCIF I GP Komplementar, Copenhagen, *Denmark*	ApS	100%	8	92
DCIF I GP, Copenhagen, *Denmark*	P/S	100%	(16)	424
DAF I GP Komplementar, Copenhagen, *Denmark*	ApS	100%	7	74
DAF I GP, Copenhagen, *Denmark*	P/S	100%	(14)	454
DSDG GP Komplementar, Copenhagen, *Denmark*	ApS	100%	5	61
DSDG GP, Copenhagen, *Denmark*	P/S	100%	(12)	480

Subsidiaries are insignificant in size and consolidated accounts have not been made.

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
10/	Fixed assets and leasehold improvements		
	Cost beginning of year	12,035	12,425
	Additions during the year	246	58
	Disposals during the year	0	(448)
	Cost end of year	**12,281**	**12,035**
	Depreciation beginning of year	8,922	8,250
	Depreciation for the year (note 5)	664	1,120
	Depreciation for disposal of the year	0	(448)
	Depreciation end of year	**9,586**	**8,922**
	Book value end of year	**2,695**	**3,113**
11/	Interest receivable related to projects		
	Interest receivable related to projects before allowance for impairment	87,900	66,822
	Allowance for impairment	(34,722)	(28,769)
	Interest receivable related to projects	**53,178**	**38,053**
12/	Other receivables		
	Dividend receivables	381	385
	Receivables from sale of shares	10,877	10,878
	Receivables from sale of loan	911	911
	Receivable front-end fees	1,213	2,304
	Other project-related receivables	126	2,845
		13,508	17,323
	Value adjustments	(2,754)	(1,630)
		10,754	15,693
	Derivatives *	14,788	1,545
	Administrative receivables	10,208	11,498
	Current accounts	4	0
	Accrued interest receivables from bonds	0	0
	Rental deposits	2,895	2,638
		38,649	**31,374**

*) Stated amount for 2020 concerns a hedged amount of USD 26.8m with term from 2021 to 2026.

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
13/	Total equity		
	Paid-in capital beginning of year	2,478,342	2,141,842
	Neighbourhood Energy Investment Fund	0	69,000
	Blended concessional finance	0	199,500
	Climate Investor 2	0	50,000
	Nordic Fund Project	0	18,000
	African Guarantee Fund	60,000	0
	Paid-in capital end of year	**2,538,342**	**2,478,342**
	Repaid capital beginning of year	(1,250,000)	(1,250,000)
	Repaid capital end of year	**(1,250,000)**	**(1,250,000)**
	Dividend proposed for the year	**0**	**13,000**
	Retained earnings beginning of year	2,919,754	2,910,079
	Cancelled dividend regarding previous year	13,000	0
	Distribution to IFU Sustainability Facility	(7,500)	0
	Transfered income for the year	(174,054)	9,675
	Retained earnings end of year	**2,751,200**	**2,919,754**
	Total equity end of year	**4,039,542**	**4,161,096**

Note		2020	2019
14/	Provisions for guarantees and loan commitments		
	Allowance for impairment on remaining commitments beginning of year	1,861	2,933
	Allowance for impairment on remaining commitments on loans	5,222	(1,080)
	Allowance for impairment on remaining commitments on guarantees	(98)	8
	Allowance for impairment on remaining commitments end of year	**6,985**	**1,861**

NOTES

Note		2020 DKK 1,000	2019 DKK 1,000
15/	Long-term debt		
	Loan from Danmarks Nationalbank	198,629	149,468
	Loan from Nordic Investment Bank	81,832	0
		280,461	**149,468**

The term of the bullet loan issued by Danmarks Nationalbank is nine years and with an annual interest rate of 0.5% and an annual fee to the Danish State of 0.15%.

The term of the equal instalment loan issued by Nordic Investment Bank is eight years and with a semi-annual variable interest rate.

Note		2020	2019
16/	Other current liabilities		
	Other project-related debt	8,614	807
		8,614	807
	Derivatives *	754	7,852
	Colatteral received regarding derivatives	5,000	0
	IFU Sustainability Facility	15,045	7,975
	Administrative debt	48,157	53,427
	Current accounts	889	4,775
	Received payment from MFA related to planned project loan	22,000	0
	Other liabilities	14,947	798
		115,406	**75,634**

*) Stated amount for 2020 concerns a hedged amount of USD 0.7m with term from 2021 to 2028.

17/ Undisbursed commitments to projects

Undisbursed commitments to projects are comprised of undisbursed contractual commitments and binding commitments not yet contracted. The stated amount of guarantees is net of provision for losses, if any.

	2020	2019
Amounts payable on share capital and loan agreements	2,846,399	2,944,049
Guarantees *	30,655	32,791
Binding commitments	723,462	459,746
Undisbursed commitments to projects	**3,600,516**	**3,436,586**

*) Net outstanding guarantees after provision for losses amount to 30,650 (32,688 in 2019)

NOTES

Note	2020 DKK 1,000	2019 DKK 1,000

18/ Contingent liabilities

The total lease and rental commitments amount to DKK 6.6m (DKK 7.0m in 2019) - hereof due within the following year DKK 6.6m (DKK 6.8m in 2019).

19/ Related party disclosures

IFU project investments - shares and loans
For a list of project investments where IFU has significant influence, see note 7.

Transactions conducted during the year with the project companies include dividends, interest income and fees and directors' fees from the companies in which IFU representatives are board members.

In accordance with section 98 c (7) of the Danish Financial Statements Act, the amount of the related party transactions have not been disclosed in the final statements, as they were conducted on an arm's length basis.

Board of directors and executive board
IFU's other related parties are the members of the board of directors and the executive board.

During 2020, IFU had business transactions with Nykredt Bank A/S (part of the Nykredit Group, in which the chairman is CEO) and Royal Danish Fish Group A/S, in which board member Jens Jørgen Kollerup is a board member, and was shareholder in Kjær Group A/S, which is majority-owned by board member Mads Kjær.

The rules of procedure for the board contain detailed rules regarding conflict of interest - as well as a reference to the conflict of interest rules in the Danish Public Administrations Act, which the board is subject to - and the above-mentioned business transactions are not considered to be of a nature as to impair the general independence of the board members.

Furthermore remuneration was paid to the members of the board of directors and the executive board.

20/ Recommended appropriation of net income

	2020	2019
Dividend proposed for the year	0	13,000
Distribution to IFU Sustainability Facility	0	5,000
Transfered to reserve under equity	(174,054)	9,675
	(174,054)	**27,675**

21/ Financial highlights and Investments contracted in 2020
Financial highlights (table) - see page 7
Investments contracted in 2020 (table) - see page 14

NOTES

Note

22/ Financial risk management

Introduction

Through investments, IFU is exposed to financial risks such as equity and credit risk on investments, currency risk, interest rate risk and liquidity risk.

The board of directors has established limits to avoid excessive concentrations of risk, and through its investment policy and due diligence procedures IFU further seeks to identify and mitigate the equity and credit risk.

23/ Equity and credit risk

Equity risk
Equity risk arises from changes in the fair values of share capital investments in projects.

Credit risk
Credit risk is the risk that IFU will incur a financial loss due to a counterparty not fulfilling its obligation. These credit exposures occur from project loans, derivatives and other transactions.

Managing equity and credit risk
At portfolio level, IFU mitigates equity risk and credit risk by investing in a variety of countries and by limiting the concentration of risks per partner. IFU assesses concentrations of risk on the basis of total commitments, which include acquisition cost of both share capital investments and project loans, binding commitments and amounts payable on share capital and loan agreements. Further through the due diligence process IFU assesses the specific risks for each share capital investment and project loan and seeks to mitigate associated equity and credit risks.
For some of IFU's share capital investments, IFU has the opportunity to sell the shares through pre-agreed exit agreements. In this way, IFU mitigates the risk of not being able to exit the investments. See note 28 for fair value measurement basis.

On an ongoing basis, the credit quality of the projects is assessed based on among other things:
- Specific terms as agreed
- Current and expected operational results of the company
- Expected sales value and pledges
- Historical records of debt service

NOTES

Note

The table below shows the distribution of the cost of IFU's investments by the OECD country risk classification. This classification takes into account the political and economic environment of each country, including risk of force majeure such as war, etc. The classification of each country is updated twice a year.

2020	Share capital investments		Project loans		Total		Commitments (off balance)	
OECD	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
2	189,675	6%	114,034	11%	303,709	7%	41,843	1%
3	203,614	6%	86,621	8%	290,235	7%	175,435	5%
4	188,631	6%	58,132	5%	246,763	6%	34,823	1%
5	193,160	6%	54,691	5%	247,851	6%	384,504	11%
6	622,165	19%	502,477	47%	1,124,642	26%	246,625	7%
7	91,048	3%	195,674	18%	286,722	7%	166,036	5%
Africa regional	627,980	19%	19,555	2%	647,535	15%	256,697	7%
DAC	1,054,125	32%	0	0%	1,054,125	25%	2,071,366	58%
Asia regional	74,842	2%	0	0%	74,842	2%	24,248	1%
Latin America Regional	1,739	0%	0	0%	1,739	0%	43,864	1%
Not rated	0	0%	37,338	3%	0	0%	155,075	4%
Total	**3,246,979**	**100%**	**1,068,522**	**100%**	**4,278,163**	**100%**	**3,600,516**	**100%**

2019	Share capital investments		Project loans		Total		Commitments (off balance)	
OECD	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
2	167,001	6%	118,319	11%	285,320	7%	62,110	2%
3	187,279	7%	136,038	13%	323,317	8%	87,747	3%
4	232,458	8%	43,126	4%	275,584	7%	65,724	2%
5	178,433	6%	46,191	4%	224,624	6%	135,748	4%
6	552,499	20%	306,751	29%	859,250	22%	293,659	9%
7	109,470	4%	387,045	37%	496,515	13%	268,441	8%
Africa regional	502,975	18%	1,467	0%	504,442	13%	148,874	4%
DAC	821,432	29%	0	0%	821,432	21%	2,229,987	65%
Asia regional	77,926	3%	0	0%	77,926	2%	47,963	1%
Latin America Regional	0	0%	0	0%	0	0%	50,069	1%
Not rated	0	0%	14,175	1%	0	0%	46,264	1%
Total	**2,829,473**	**100%**	**1,053,112**	**100%**	**3,868,410**	**100%**	**3,436,586**	**100%**

NOTES

Note

Credit quality/impairment (IFRS 9)

All outstanding project loans have been classified into three stages:

- Stage 1 includes project loans with no credit deterioration and no specific allowance for impairment.
  The allowance for impairment according to IFRS 9 are based on IFU's historical annual credit loss.
- Stage 2 includes project loans where payments are delayed with more than 30 days at the end of the year but without specific allowance for impairment.
  The allowance for impairment according to IFRS 9 are based on IFU's historical credit loss.
- Stage 3 includes credit impaired project loans with a specific allowance for impairment.

The table below shows the project loans at cost according to stages.

DKK 1,000	2020	2019
Project loans (stage 1)	586,205	804,796
Project loans (stage 2)	313,259	131,923
Project loans (stage 3)	169,058	116,393
Total	**1,068,522**	**1,053,112**

The table below illustrates the credit quality by OECD country risk for project loans in stage 1.

DKK 1,000	2020	2019
OECD 0	0	14,174
OECD 2	38,277	52,804
OECD 3	82,836	136,037
OECD 4	16,500	10,841
OECD 5	34,866	27,054
OECD 6	306,266	246,568
OECD 7	106,631	315,851
Africa regional	829	1,467
Total	**586,205**	**804,796**

NOTES

Note

The table below shows project loans according to stages.

DKK 1,000	Allowance for impairment %	Project loans at cost	Accumulated allowance for impairment	**Project loans carrying amount 2020**
Project loans (stage 1)	(1.6)%	586,205	(9,305)	576,900
Project loans (stage 2)	(8.7)%	313,259	(27,265)	285,994
Project loans (stage 3)	(69.4)%	169,058	(117,368)	51,690
Total		**1,068,522**	**(153,938)**	**914,584**

DKK 1,000	Allowance for impairment %	Project loans at cost	Accumulated allowance for impairment	**Project loans carrying amount 2019**
Project loans (stage 1)	(1.3)%	804,796	(10,677)	794,119
Project loans (stage 2)	(5.5)%	131,923	(7,308)	124,615
Project loans (stage 3)	(84.8)%	116,393	(98,644)	17,749
Total		**1,053,112**	**(116,629)**	**936,483**

NOTES

Note

Project loans at amortised cost before allowance for impairment	Stage 1	Stage 2	Stage 3	Total 2020
Project loans beginning of year at cost	804,796	131,923	116,393	1,053,112
Disbursements during the year	159,577	28,601	381	188,559
Interest and fees converted into project loans during the year	10,079	147	540	10,766
Repayments during the year	(114,177)	(1,671)	(10,736)	(126,584)
Exchange rate adjustments, project loans	(41,913)	(443)	(2,981)	(45,337)
Write-offs during the year	(1,833)	0	(10,161)	(11,994)
Project loans end of year at cost before change of stages	816,529	158,557	93,436	1,068,522
Change in loan value from stage 1	(239,153)	192,235	46,918	0
Change in loan value from stage 2	6,396	(37,533)	31,137	0
Change in loan value from stage 3	2,433	0	(2,433)	0
Project loans end of year at cost	**586,205**	**313,259**	**169,058**	**1,068,522**

Accumulated value adjustment including allowance for impairment	Stage 1	Stage 2	Stage 3	Total
Accumulated value adjustments including allowance for impairment beginning of year	(10,677)	(7,308)	(98,644)	(116,629)
Reversed allowance for impairment, loans written off	0	0	(7,661)	(7,661)
Value adjustments including allowance for impairment for the year	(44,530)	(6,531)	22,130	(28,931)
Allowance for impairment related to conversions during the year	(177)	0	(540)	(717)
Accumulated value adjustments including allowance for impairment end of year before change of stages	(55,384)	(13,839)	(84,715)	(153,938)
Change in loan value from stage 1	46,342	(24,874)	(21,468)	0
Change in loan value from stage 2	(191)	11,448	(11,257)	0
Change in loan value from stage 3	(72)	0	72	0
Accumulated value adjustments including allowance for impairment end of year	**(9,305)**	**(27,265)**	**(117,368)**	**(153,938)**

NOTES

Note

Project loans at amortised cost before allowance for impairment	Stage 1	Stage 2	Stage 3	Total 2019
Project loans beginning of year at cost	892,806	33,963	75,268	1,002,037
Disbursements during the year	315,989	3,000	0	318,989
Interest and fees converted into project loans during the year	2,697	0	90	2,787
Repayments during the year	(266,867)	(8,109)	(2,802)	(277,778)
Exchange rate adjustments, project loans	8,910	476	401	9,787
Write-offs during the year	(2,710)	0	0	(2,710)
Project loans end of year at cost before change of stages	950,825	29,330	72,957	1,053,112
Change in loan value from stage 1	(146,029)	114,731	31,298	0
Change in loan value from stage 2	0	(12,138)	12,138	0
Project loans end of year at cost	**804,796**	**131,923**	**116,393**	**1,053,112**

Accumulated value adjustment including allowance for impairment	Stage 1	Stage 2	Stage 3	Total
Accumulated value adjustments including allowance for impairment beginning of year	(11,595)	(6,200)	(55,138)	(72,933)
Value adjustments including allowance for impairment for the year	(26,674)	(1,884)	(15,048)	(43,606)
Allowance for impairment related to conversions during the year	0	0	(90)	(90)
Accumulated value adjustments including allowance for impairment end of year before change of stages	(38,269)	(8,084)	(70,276)	(116,629)
Change in loan value from stage 1	27,592	(5,293)	(22,299)	0
Change in loan value from stage 2	0	6,069	(6,069)	0
Accumulated value adjustments including allowance for impairment end of year	**(10,677)**	**(7,308)**	**(98,644)**	**(116,629)**

NOTES

Note

Maximum exposure to credit risk
The following table shows the maximum exposure to credit risk for IFU. The table only includes derivatives with positive market value.

	2020		2019	
DKK 1,000	Carrying amount	Maximum credit exposure (contractual cash flow)	Carrying amount	Maximum credit exposure (contractual cash flow)
Project loans	914,584	1,068,522	936,483	1,053,112
Interest receivable related to projects	53,178	87,900	38,053	66,822
Other receivables	10,754	13,508	15,693	17,323
Derivatives	14,788	14,788	1,545	1,545
Cash	218,549	218,549	285,249	285,249
Commitments	0	562,840	0	396,815
Total	**1,211,853**	**1,966,107**	**1,277,023**	**1,820,866**

Description of collateral held and fair value hereof (accessibility of pledged assets for project loans)
In a number of cases, IFU has received securities to minimise credit exposure. IFU has received the following types of securities:
- Pledges
- Indemnities and counter-guarantees

The fair value of the pledges is DKK 259m (2019: DKK 258m) and for indemnity and counter-guarantee the fair value is DKK 181m (2019: DKK 180m).

NOTES

Note

24/ Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates.

IFU is exposed to currency risk through its investments that are denominated in currencies other than the functional currency (DKK). It is IFU's general policy to hedge foreign exchange exposures originated from project loans in other currencies than EUR, when the principal of the loan is greater than the equivalent of USD 1m, and internal credit rating is above a certain threshold.

IFU does not hedge local currency exposure in share capital investments, as costs are typically very high and by way of operation investments may have a natural built-in hedge, e.g. export-oriented businesses. IFU does not hedge commitments to disburse either, as timing and amounts are often difficult to foresee.

IFU primarily uses cross currency swaps to hedge the exposure towards changes in foreign exchange rates on project loans. As exchange rate adjustments of the hedged item and fair value adjustments of the derivative financial instruments are recognised in the income statement, hedge accounting in accordance with IFRS 9 is not applied.

Currency exposure and sensitivity

The following table indicates the currencies to which IFU had significant exposure as of 31 December on its financial assets and liabilities excluding share capital investments. The analysis calculates the effect of a reasonably likely movement of the currency rate against DKK on profit or loss with all other variables held constant. There is no sensitivity effect on equity as IFU has no assets classified as available-for-sale or designated hedging instruments.

2020

DKK 1,000	Project loans	Interest receivables	Other project-related receivables	Hedged	Provision for losses Guarantees and loan commitments	Other project-related debt	Net exposure	Increase in foreign exchange rates	Effects on profit or loss
USD	324,465	14,383	278	(166,622)	(2,737)	0	169,767	10%	16,977
EUR	386,857	29,871	541	0	(3,178)	0	414,091	1%	4,141
INR	42,586	0	0	0	0	0	42,586	10%	4,259
DKK	160,676	8,924	9,806	166,622	(1,066)	0	344,962	N/A	0
Other	0	0	129	0	(4)	(8,614)	(8,489)	10%	(849)
Total	**914,584**	**53,178**	**10,754**	**0**	**(6,985)**	**(8,614)**	**962,917**		

2019

DKK 1,000	Project loans	Interest receivables	Other project-related receivables	Hedged	Provision for losses Guarantees and loan commitments	Other project-related debt	Net exposure	Increase in foreign exchange rates	Effects on profit or loss
USD	377,111	16,078	784	(216,054)	(1,053)	(389)	176,477	10%	17,648
EUR	357,463	14,895	1,182	0	(542)	0	372,998	1%	3,730
INR	48,467	0	102	0	0	0	48,569	10%	4,857
DKK	153,442	7,080	13,542	216,054	(266)	(263)	389,589	N/A	0
Other	0	0	83	0	0	(155)	(72)	10%	(7)
Total	**936,483**	**38,053**	**15,693**	**0**	**(1,861)**	**(807)**	**987,561**		

NOTES

Note

25/ Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Most of IFU's investments in project loans carry variable interbank interest rates, thus changes in interest rates will mainly affect future cash flows and income.

Interest rate exposure and sensitivity

The annual effect of changes in the interest rate only affects the fair value of fixed rate loans. For variable rate loans, the effect on profit and loss will be a change in the interest payments for the coming year.
The annual effect of an increase in the interest rate of 100 basis points is shown in the table below for fixed and variable interest rate loans.

2020					
DKK 1,000	Project loans	SWAP	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	259,558	(72,799)	186,759	100 bp	0
Variable	655,026	72,799	727,825	100 bp	7,278
Total	**914,584**	**0**	**914,584**		

2019					
DKK 1,000	Project loans	SWAP	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	269,795	(27,571)	242,224	100 bp	0
Variable	666,688	27,571	694,259	100 bp	6,943
Total	**936,483**	**0**	**936,483**		

26/ Liquidity risk

Liquidity risk is defined as the risk that IFU will encounter difficulty in meeting financial obligations.

IFU has no external funding and is primarily equity financed except for current liabilities comprised of administrative debt and negative fair value of derivative financial instruments and long-term debt comprised of loan from Danmarks Nationalbank and Nordic Investment Bank.
IFU's primary exposure to liquidity risk arises from commitments to disburse share capital investments and project loans. To meet these and other obligations, IFU, apart from capital contributions net of dividends, relies on a continuous positive cash flow from interest and repayments on project loans as well as dividends and sales of share capital investments to meet its obligations. It is IFU's policy to maintain a positive cash position. A DKK 300 million credit facility shared with IØ is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 298 million was available for drawing. Furthermore, IFU has access to loan financing of DKK 1,100m from Danmarks Nationalbank on two lending lines. At the end of 2020 DKK 200 was drawn on these lending lines. Finally, IFU entered into a EUR 50m loan facility with the Nordic Investment Bank for refinancing of larger loan engagements fulfilling Nordic Investment Bank's mandate. End of 2020, DKK 82 was drawn on this loan facility. Total liquidity ressources available to IFU amount to DKK 1,818m at year-end 2020.

NOTES

Note

Contractual maturities

The contractual maturities based on undiscounted contractual cash flows are shown below for financial assets, liabilities, guarantees and commitments.

2020

DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
Assets							
Project loans	914,584	1,068,522	60,710	186,326	525,080	296,406	0
Interest receivable related to projects	53,178	87,900	87,900	0	0	0	0
Other receivables	23,861	26,615	1,720	11,123	10,877	0	2,895
Derivatives	14,788	14,788	0	4,328	9,740	720	0
Cash and cash equivalents	329,951	329,951	218,549	0	111,402	0	0
Total assets	**1,336,362**	**1,527,776**	**368,879**	**201,777**	**657,099**	**297,126**	**2,895**
Liabilities							
Derivatives	754	754	0	0	0	754	0
Other current liabilities	114,652	114,652	0	114,652	0	0	0
Loan from Danmarks Nationalbank	198,629	187,821	0	0	0	187,821	0
Loan from Nordic Investment Bank	81,832	81,832	0	10,229	40,916	30,687	0
Drawn on bank credit facilities	0	0	0	0	0	0	0
Total liabilities	**395,867**	**385,059**	**0**	**124,881**	**40,916**	**219,262**	**0**
Off-balance							
Guarantees		30,655	0	0	0	0	30,655
Amounts payable on share capital and loan agreements		2,846,399	2,846,399	0	0	0	0
Binding commitments		723,462	0	723,462	0	0	0
Total off-balance		**3,600,516**	**2,846,399**	**723,462**	**0**	**0**	**30,655**

NOTES

Note

2019							
DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
Assets							
Project loans	936,483	1,053,112	48,615	184,808	513,467	306,222	0
Interest receivable related to projects	38,053	66,822	66,822	0	0	0	0
Other receivables	29,829	31,459	6,913	13,114	8,794	0	2,638
Derivatives	1,545	1,545	0	426	1,056	63	0
Cash and cash equivalents	545,425	545,425	(27,751)	313,000	260,176	0	0
Total assets	**1,551,335**	**1,698,363**	**94,599**	**511,348**	**783,493**	**306,285**	**2,638**
Liabilities							
Derivatives	7,852	7,852	0	1,969	4,765	1,118	0
Other current liabilities	67,782	67,782	0	67,782	0	0	0
Loan from Danmarks Nationalbank	149,468	141,661	0	0	0	141,661	0
Drawn on bank credit facilities	27,870	27,870	0	27,870	0	0	0
Total liabilities	**252,972**	**245,165**	**0**	**97,621**	**4,765**	**142,779**	**0**
Off-balance							
Guarantees		32,791	0	0	0	0	32,791
Amounts payable on share capital and loan agreements		2,944,049	2,944,049	0	0	0	0
Binding commitments		459,746	0	459,746	0	0	0
Total off-balance		**3,436,586**	**2,944,049**	**459,746**	**0**	**0**	**32,791**

NOTES

Note

27/ Classification of financial instruments

The following table provides a reconciliation between line items in the balance sheet and categories of financial instruments.

2020 DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
Financial assets				
Share capital investment in projects	3,101,107	0	0	3,101,107
Project loans	0	914,584	0	914,584
Interest receivable related to projects	0	53,178	0	53,178
Other receivables	10,628	13,233	0	23,861
Derivatives	14,788	0	0	14,788
Bonds	111,402	0	0	111,402
Cash and cash equivalents	0	218,549	0	218,549
Total financial assets	**3,237,925**	**1,199,544**	**0**	**4,437,469**
Financial liabilities				
Current liabilities:				
Derivatives	754	0	0	754
Other current liabilities	0	0	114,652	114,652
Long-term debt	0	0	280,461	280,461
Total financial liabilities	**754**	**0**	**395,113**	**395,867**

2019 DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Other liabilities at amortised cost	Total
Financial assets				
Share capital investment in projects	2,859,251	0	0	2,859,251
Project loans	0	936,483	0	936,483
Interest receivable related to projects	0	38,053	0	38,053
Other receivables	10,410	19,419	0	29,829
Derivatives	1,545	0	0	1,545
Bonds	260,176	0	0	260,176
Cash and cash equivalents	0	257,379	0	257,379
Total financial assets	**3,131,382**	**1,251,334**	**0**	**4,382,716**
Financial liabilities				
Current liabilities:				
Derivatives	7,852	0	0	7,852
Other current liabilities	0	0	67,782	67,782
Long-term debt	0	0	149,468	149,468
Total financial liabilities	**7,852**	**0**	**217,250**	**225,102**

NOTES

Note

The carrying amount of project loans with fixed interest terms amounts to DKK 260m (2019: 270m). The fair value of these project loans amounts to DKK 272m (2019: DKK 286m) measured as the net present value of the future cash flow. The inputs used to measure the fair value for project loans are all level 2 inputs in the fair value hierarchy. For more information see disclosure on fair value measurement, note 28. For other loans and receivables and other liabilities the carrying amount is measured at amortised cost at reasonable approximation of fair value.

28/ Fair value measurement basis

The calculation of fair value is based on a fair value hierarchy that reflects the level of judgement associated with the inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs that have been applied in valuing the respective assets or liabilities.

In the following sections a short description of the overall principle for IFU's calculation of fair value is provided. For all investments the value determined by using the methods described below will be adjusted, if considered necessary and appropriate, by taking the following factors into account:

1) Current and expected operational results of the project company
2) Risk of remittance, if any
3) Specific circumstances relating to the partners, project, country, region and/or sector
4) Current market conditions
5) Tax issues

Share capital investments

Most of IFU's fair value estimates are based on unobservable market data (level 3).
Indirect investments through financial intermediaries (funds) where the underlying investments are valued according to a fair value principle will be valued at net assets value according to the most recent financial statement received by IFU. Financial intermediaries include own managed funds, loan funds, (externally managed) funds where IFU has a managerial role and externally managed private equity funds. For own managed funds, IFU has made the fair value assessment of the indirect investments following the same principles as described here.

Direct investments are valued as follows:

- In the initial phase all investments are valued at cost price less any impairment adjustment, as this is deemed to provide a good indication of fair value. Hereafter investments will be valued at either the Discounted Cash Flow method (DCF), by an earnings multiple if appropriate and reliable transaction/earnings multiples are available, or by the net assets methodology, if appropriate. For direct investments in financial institutions, book value of equity is applied in cases where it reflects fair value. For smaller investments, see below.
- If during the 12-month period prior to the reporting date IFU has received a binding offer in writing from a third party, or a significant transaction has taken place, the shares will normally be valued based on the offer or the recent transaction.

NOTES

Note

The following general assumptions are applied when performing DCF or earnings multiple calculations:

- For DCF calculations, budgets and forecasts for the investments form the basis for the valuation.
- A weighted average cost of capital based on the cost of equity and the cost of debt weighted by the targeted financial leverage from the industry. Growth in terminal period is based on the estimated long-term inflation rate of the country.
- An illiquidity discount is applied and other specific adjustments may be applied where relevant for both DCF and earnings multiple calculations.

Valuing private investments in developing countries at fair value involves a large inherent uncertainty. Due to this uncertainty, a degree of caution is applied when exercising judgements and making the necessary estimates. For smaller investments (cost price or book value of equity below DKK 25m) uncertainties are deemed to be even higher and therefore these will be valued at book value of equity to reflect IFU's share of earnings in the companies. These investments constitute a minor part of IFU's portfolio.

Some share capital investments include a pre-agreed exit agreement. In these cases the value of the exit agreements is taken into consideration as part of the fair value calculation. Investments valued according to exit agreements are in the table below disclosed together with investments valued based on a recent binding offer or transaction.

NOTES

Note

Fair value measurements and reconciliation

The following table shows financial instruments recognised at fair value by level in the fair value hierarchy and a reconciliation of all movements in the fair value of items categorised within level 3.

2020				
DKK 1,000	Level 1	Level 2	Level 3	Total
Share capital investments				
Opening balance	112,042	0	2,747,209	2,859,251
Transfers out of the level	(89,499)	0	89,499	0
Total gains/losses for the period included in profit or loss [1]	(7,025)	0	(158,873)	(165,898)
Paid-in share capital in projects	0	0	586,667	586,667
Proceeds from divestment of shares	0	0	(178,913)	(178,913)
Closing balance	**15,518**	**0**	**3,085,589**	**3,101,107**
Other receivables				
Opening balance	0	10,410	0	10,410
Closing balance	0	10,628	0	10,628
Derivative financial instruments (Assets)				
Opening balance	0	1,545	0	1,545
Closing balance	0	14,788	0	14,788
Derivative financial instruments (Liabilities)				
Opening balance	0	7,852	0	7,852
Closing balance	0	754	0	754
Total recurring fair value measurements	**15,518**	**26,170**	**3,085,589**	**3,127,277**

1) Recognised in Contribution from share capital investments.
Hereof DKK (162)m (2019: DKK (37)m) is attributable to assets held at 31 December for level 3.

NOTES

Note

2019				
DKK 1,000	Level 1	Level 2	Level 3	Total
Share capital investments				
Opening balance	20,935	0	2,355,780	2,376,715
Total gains/ losses for the period included in profit or loss [1]	1,609	0	(15,622)	(14,013)
Paid-in share capital in projects	89,498	0	494,488	583,986
Proceeds from divestment of shares	0	0	(87,437)	(87,437)
Closing balance	**112,042**	**0**	**2,747,209**	**2,859,251**
Other receivables				
Opening balance	0	10,800	0	10,800
Closing balance	0	10,410	0	10,410
Derivative financial instruments (Assets)				
Opening balance	0	5,144	0	5,144
Closing balance	0	1,545	0	1,545
Derivative financial instruments (Liabilities)				
Opening balance	0	9,342	0	9,342
Closing balance	0	7,852	0	7,852
Total recurring fair value measurements	**112,042**	**19,807**	**2,747,209**	**2,879,058**

1) Recognised in Contribution from share capital investments.
Hereof DKK (162)m (2019: DKK (37)m) is attributable to assets held at 31 December for level 3.

NOTES

Note

Valuation techniques and unobservable inputs used measuring fair value of level 3 fair value measurements.

2020

DKK 1,000 Type of investment	Fair value at 31/12/2020	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
Indirect investments through financial intermediaries					
Own managed funds, loan funds and funds where IFU has a managerial role	1,089,201	Net assets value			
Externally managed funds	739,871	Net assets value			
Direct investments	44,316	Cost			
	503,049	Binding offers/transaction/ exit terms			
	22,944	Book value of equity			
	406,047	Discounted Cash Flow	WACC Growth in terminal value	+ 10% - 20%	(64,861) (4,648)
	231,810	Multiple valuation	EV/EBITDA	- 10%	(4,262)
			Price/Book	- 10%	(19,175)
	48,351	Book value of equity (small investments)			
Share capital investments	**3,085,589**				

2019

DKK 1,000 Type of investment	Fair value at 31/12/2019	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
Indirect investments through financial intermediaries					
Own managed funds, loan funds and funds where IFU has a managerial role	921,200	Net assets value			
Externally managed funds	751,148	Net assets value			
Direct investments	371,190	Cost			
	148,244	Binding offers/transaction/ exit terms			
	126,756	Book value of equity			
	252,585	Discounted Cash Flow	WACC Growth in terminal value	+ 10% - 20%	(33,281) (6,661)
	125,996	Multiple valuation	EV/EBITDA	- 10%	(6,698)
	50,090	Book value of equity (small investments)	Price/Book	- 10%	(6,902)
Share capital investments	**2,747,209**				

TOTAL CAPITAL UNDER MANAGEMENT IS DKK 12.8 BILLION

MANAGEMENT

BOARD OF DIRECTORS

The Danish minister for development cooperation appoints the chairman, the deputy chairman and the other members of the board of directors for three-year terms, according to Section 9 of the Danish Act on International Development Cooperation. Each appointment is personal. The current three-year term ends on 31 July 2021.

Since 1 January 2013, an observer from the Ministry of Foreign Affairs has been appointed to IFU's board of directors.

The board of directors usually convenes six to eight times a year. On the recommendation of the executive management, it makes decisions about investments and key issues.

It is noted that the chairman and deputy chairman have both been members of the board for more than 12 years and as such cannot be considered independent in accordance with the recommendations by the Danish Committee on Corporate Governance. ▪

MICHAEL RASMUSSEN
Chairman, board member since 2000.
CEO, Nykredit.
Other board memberships: Nykredit Bank A/S (chairman), Totalkredit A/S (chairman), Finance Denmark (deputy chairman), Copenhagen Business School (deputy chairman), Sparinvest Holding SE (chairman).

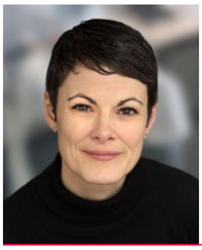
LARS ANDERSEN
Deputy Chairman, board member since 1994.
Managing Director, The Economic Council of the Labour Movement.
Other board memberships: Industriens Pensionsforsikring A/S, Arbejdernes Landsbank A/S, Divérs.

JENS JØRGEN KOLLERUP
Board member since 2009.
Managing Director, Ormholt A/S.
Other board memberships:
Vermund Larsen A/S (chairman),
Royal Danish Fish Group A/S.

BJARNE H. SØRENSEN
Board member since 2012.
Ambassador (retired).

MADS KJÆR
Board member since 2015.
Managing Director, Kjaer Group A/S.
Other board memberships:
Kjaer Group A/S, Udsyn A/S,
Ejendomsselskabet Svendborg ApS.

ANNE BROENG
Board member since 2019.
Professional board member.
Other board memberships: Velliv (chairman), NNIT A/S,
VKR Holding A/S, ATP, Sleep Cycle AB, Aquaporin A/S,
Rodinia aps, Asta og Jul. P Justesen Fond (chairman).



SIGNE SKOVBAKKE WINDING
Board observer since 2020.
Head of Department, Ministry of Foreign Affairs.

EXECUTIVE MANAGEMENT

The Danish minister for development cooperation appoints the CEO.

TORBEN HUSS
CEO
Board memberships: Nordic Microfinance Initiative.

LARS KROGSGAARD
CIO
Board memberships: ViroGates A/S, Samplix A/S, DCR Solution A/S.

STAFF

Staff - See www.ifu.dk - click here

GLOBAL PRESENCE

INVESTMENT FUND FOR
DEVELOPING COUNTRIES

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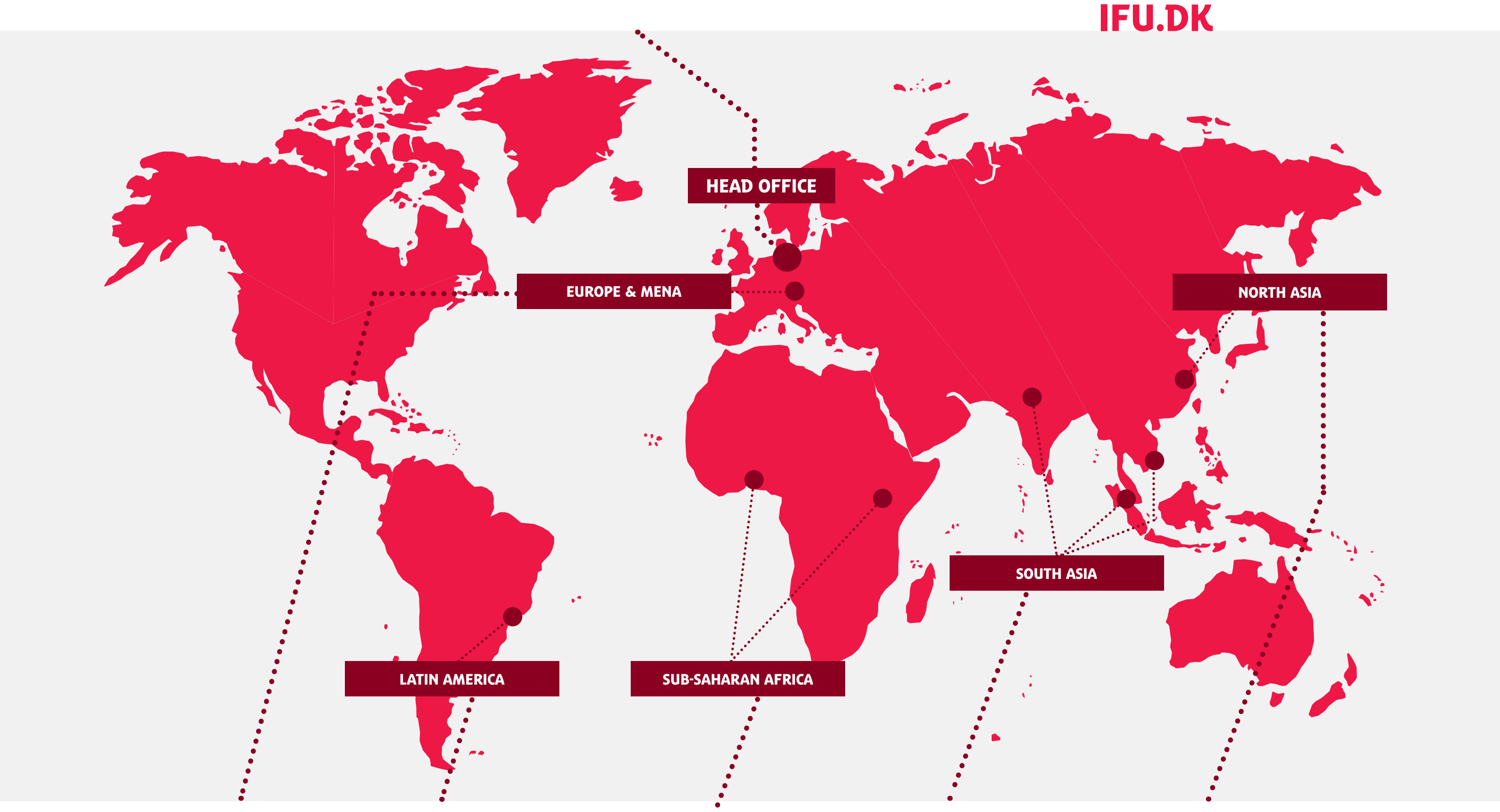

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IFU HAS OFFICES ABROAD, COVERING AFRICA, ASIA, LATIN AMERICA AND EUROPE

INVESTMENT FUND FOR
DEVELOPING COUNTRIES

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