



# IFU ANNUAL REPORT 2021



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This report covers activities in IFU and IFU managed funds for the financial year 1 January to 31 December 2021. The report also represents IFU's 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. Furthermore, it serves as IFU's Communication on Progress to the UN Global Compact. See reporting scope and principles on page 97.

# LETTER FROM THE CEO

The global challenges are becoming more and more evident. Especially the alarming effects of global warming and its negative impact on the livelihood of people are causes for great concern. This is not least the case for developing countries that are highly affected by climate change and still struggling to combat poverty.

Consequently, it is imperative that investment flows to developing countries deliver on human needs without jeopardising global sustainability. IFU's investment strategy is built on this ambition, and only projects that are commercially viable and support the building of green, just and inclusive societies are eligible for financing.

Going forward, IFU wants to become a best-in-class impact investor. We have started the journey and are gradually improving our work. Now, impact, alongside ESG, is considered throughout the investment process. This includes clear targets for value and impact creation in all investments, as well as portfolio reporting to track, evaluate and document results. Available in the report is a thorough presentation and explanation of the many types of impacts that IFU's investments contribute to.

Total contracted investments in 2021 were DKK 1bn. During the year, IFU and IFU managed funds continued to invest in renewable energy. Three of the new investments are expected to add additional 2,600 megawatts capacity of wind and solar power to the already large portfolio within the sector. One project that was financed through Denmark's Green Future Fund is a 20-megawatt solar park in Malawi, where only around 10 per cent of the population has access to electricity. The new investments are also expected to create



and sustain close to 4,000 direct jobs and more than 330,000 indirect jobs. Moreover, it is expected that investments will have a positive impact on sustainable food production, the livelihood of small-scale farmers and financing opportunities for private companies. Finally, one of the new investments includes the development and operation of affordable accommodation for up to 15,000 students in South Africa.

IFU maintained its focus on Africa and invested DKK 653m on the continent in 2021, corresponding to 65 per cent of total investments. Using funds allocated by Danida to the High Risk High Impact initiative, IFU also continued investing in the poorest African countries.

The companies in the portfolio achieved solid impact results as well. In total, more than 300,000 people were employed, almost 18 million clients were served by microfinance institutions, and over 340,000 small-scale farmers were supported.

During the year, the minister for development cooperation appointed a new IFU board. The aim was to further strengthen the fund's focus on impact and a continued emphasis on creating solid returns.

For many years, Ukraine has been a priority country for IFU, and the fund had an exposure of DKK 350m towards the country at year-end 2021. We are appalled by the Russian invasion, and our hope is that a peaceful resolution of the war can be found soon. We stand ready to support Ukraine and the Ukrainian people in rebuilding their country.

The financial net result of IFU was a profit of DKK 182m, which was a big improvement compared to the loss of DKK (174)m in 2020. Contrary to 2020, IFU experienced a large positive contribution from appreciation of many currencies in developing countries. At the investment level there were large positive contributions, but also investments that experienced considerable challenges, among other things related to the military coup in Myanmar in February.

For 2022, the negative effects on the portfolio in Ukraine are not yet known, however it must be expected that the war will have a significant effect on IFU's result. •

Torben Huss, CEO

# IFU AT A GLANCE

Life on the planet is challenged. The world population is growing, the global temperature is rising, and poverty is still widespread. This has severe consequences for the livelihood of people, not least in developing countries.

The Investment Fund for Developing Countries (IFU) is Denmark's development finance institution. It is founded and financially supported by the Danish State and acts as an integrated part of Denmark's development aid strategy. Moreover, IFU is providing opportunities for institutional and private investors to deploy capital in developing countries, based on blending finance arrangements.

IFU's purpose is to promote commercially viable investments that support sustainable development

in developing countries and contribute to the realisation of the Sustainable Development Goals.

To deliver on our purpose and address global challenges, IFU's investments are based on a set of impact priorities aiming at creating green, just and inclusive societies.

Green societies will support climate mitigation and/or adaption, circular economy, pollution prevention and control, sustainable protection of water and marine resources and/or the protection or restoration of biodiversity and ecosystems.

Just and inclusive societies will reduce inequalities and poverty by addressing the fact that billions of people lack access to essential goods, services and equal rights.



Silverlands Fund, agricultural investment fund, Southern Africa.

## IFU managed funds and facilities – an overview

	Estab- lished	Purpose	Capital** DKKm of 2021	Capital available DKKm from 2022****	Capital provided by
IFU and IFU managed funds					
IFU's own capital	1967	Private sector development in developing countries supporting the SDGs	4,276	N/A (revolving fund)	State and accumulated profit
Investment Fund for Central and Eastern Europe*/***	1989	Private sector development in Eastern Europe (being wound down)	34	N/A (winding down)	State and accumulated profit
IFU Investment Partners*	2012	Joint investments in larger IFU projects	500	0 (holding period)	Two Danish pension funds
Danish Climate Investment Fund*	2014	Climate investments in developing countries	1,290	0 (holding period)	IFU and institutional and private investors
Danish Agribusiness Fund*	2016	Agribusiness and food investments in developing countries	800	0 (holding period)	IFU and institutional investors
Danish SDG Investment Fund	2018	Large investments supporting the SDGs in developing countries	4,858	1,390	IFU and institutional and private investors

## Investment facilities within IFU

Project Development Programme (PDP)	2016	Project development	50	3	State
NEIF – Neighbourhood Energy Investment Fund	2018	Investments in energy efficiency and renewable energy in Ukraine and Georgia	131	34	State
High Risk High Impact (HRHI)	2019	High risk investments in Africa with high impact potential	350 (including 100 refill in 2022)	44	State
Denmark's Green Future Fund (GFF)	2020	Financing for climate investments in developing countries	1,000	677	State

## Grant facilities within IFU

IFU Sustainability Facility	2019	Grants to IFU projects for training and other support related to ESG, impact and Covid-19 relief	21	9	
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## Grant facilities outside IFU

SME facility	2014	Grants for improving investments with Danish SMEs in developing countries	60	31	State
NEIF – Neighbourhood Energy Investment Fund	2018	Grants for improving energy investments in Ukraine and Georgia	10	6	State

## Danida Sustainable Infrastructure Finance Danida Sustainable (DSIF)

Danida Sustainable Infrastructure Finance	2017	Loan guarantees with a grant element for public infrastructure projects, which cannot be funded through private investments	2,877	N/A (depends on size of grant element)	State
Project Development Facility - DSIF	2017	Project development of infrastructure proposals for possible financing under DSIF	100 (including 50 refill in 2022)	58.5	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 PDP, NEIF and HRHI are included in IFU's equity.

\*\*\* Total capital contribution to IØ was DKK 1,898m in the period 1990-2001, and DKK 3,800m has been paid back as per end of 2021. Both figures in nominal prices.

\*\*\*\* For new commitments in active funds/facilities at balance sheet date. Stated amount after deduction of internally approved commitments (binding commitments) that may not materialise into contracts. Available capital for the SDG Fund assumes 80 per cent investment of Fund.



IFU PROVIDES  
RISK CAPITAL IN  
THE FORM OF  
EQUITY, LOANS  
AND GUARANTEES

IFU's investments are focused in four primary sectors:

- Sustainable food systems
- Green energy & infrastructure
- Healthcare
- Financial services

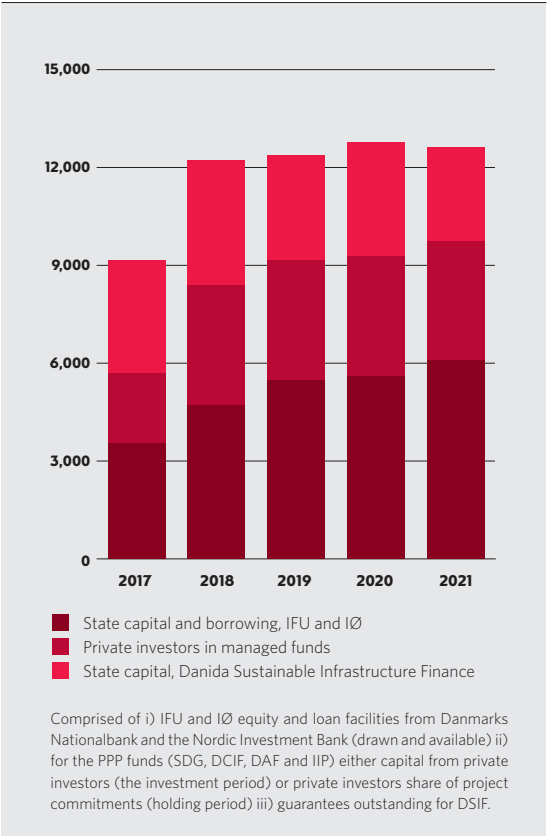
Based on its investment strategy, IFU provides risk capital in the form of equity, loans and guarantees to companies operating in OECD DAC defined developing countries across Africa, Asia, Latin America and parts of Europe.

**IFU and IFU managed funds overall**

Over time, IFU and IFU managed funds have invested in 1,325 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 235bn, with IFU and IFU managed funds contributing close to DKK 26bn.

Excluding managed funds, IFU has engaged in a total of 886 projects. The contracted investments by IFU in these projects are DKK 19.2bn, including IFU's own investments in IFU managed funds.

**Development in capital under management in DKKm**



Active portfolio at 31 December 2021	
Investment Fund for Developing Countries (IFU)	145
Danish SDG Investemt Fund (SDG Fund)	20
Danish Climate Investment Fund (DCIF)	12
Danish Agribusiness Fund (DAF)	4
IFU Investement Partners (IIP)	3
Investment Fund for Central and Eastern Europe (IØ)	4
<b>Total</b>	<b>188</b>
Eliminations*	(9)
<b>Consolidated total</b>	<b>179</b>

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

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

At year-end, the active portfolio covering all funds contained 179 project companies.

**IFU as a fund manager**

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

**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 2021, total capital under management by IFU was DKK 12.6bn. Capital under management is comprised by IFU's and IØ's equity and financing from Danmarks Nationalbank and the Nordic Investment Bank of DKK 6.1bn, capital from private investors in the SDG Fund, DCIF, DAF and IIP of DKK 3.7bn and outstanding DSIF guarantees of DKK 2.9bn (figures do not add up due to rounding).



SASAIL, student accommodation, South Africa.

# EXECUTIVE SUMMARY 2021

## IFU AND IFU MANAGED FUNDS

- IFU and IFU managed funds contracted investments at a total of DKK 1bn
- 65 per cent of investments were made in Africa
- Projects in the active portfolio employed more than 300,000 people
- Companies in the active portfolio reported DKK 3.2bn in annual local corporate taxes
- The portfolio of installed renewable energy reached a total of more than 2,000 megawatts
- Microfinance investments serviced close to 18 million clients
- The total annual portfolio GHG footprint was 740,000 tCO<sub>2</sub>e
- GHG emissions avoided was 2.9m tCO<sub>2</sub>e
- IFU and IFU managed funds' total exposure towards Ukraine was DKK 450m
- Total capital under management was DKK 12.6bn

## IFU

- IFU contracted investments at a total of DKK 500m
- Close to DKK 100m was invested under the High Risk High Impact initiative
- DKK 85m was invested through Denmark's Green Future Fund
- IFU's exposure towards Ukraine was DKK 350m
- Net income of DKK 182m

## HOW TO READ THE REPORT

When reading this Annual Report, it is important to note that IFU is investing both its own capital, as well as capital on behalf of a number of investment funds and facilities based on public and private funds.

Typically, the reported facts and figures on impacts and development effects are consolidated across investment funds and facilities, whereas figures in the financial statement, including key figures, are for IFU only. To underline this, the term "IFU and IFU managed Funds" is used. Where facts and figures are not consolidated there is a specific reference to the fund or facility in question. The blended finance programme, Danida Sustainable Infrastructure Finance, which is managed by IFU on behalf of the Ministry of Foreign Affairs, is only included in the capital under management overview and in a separate section in the report.

# MANAGEMENT'S REVIEW

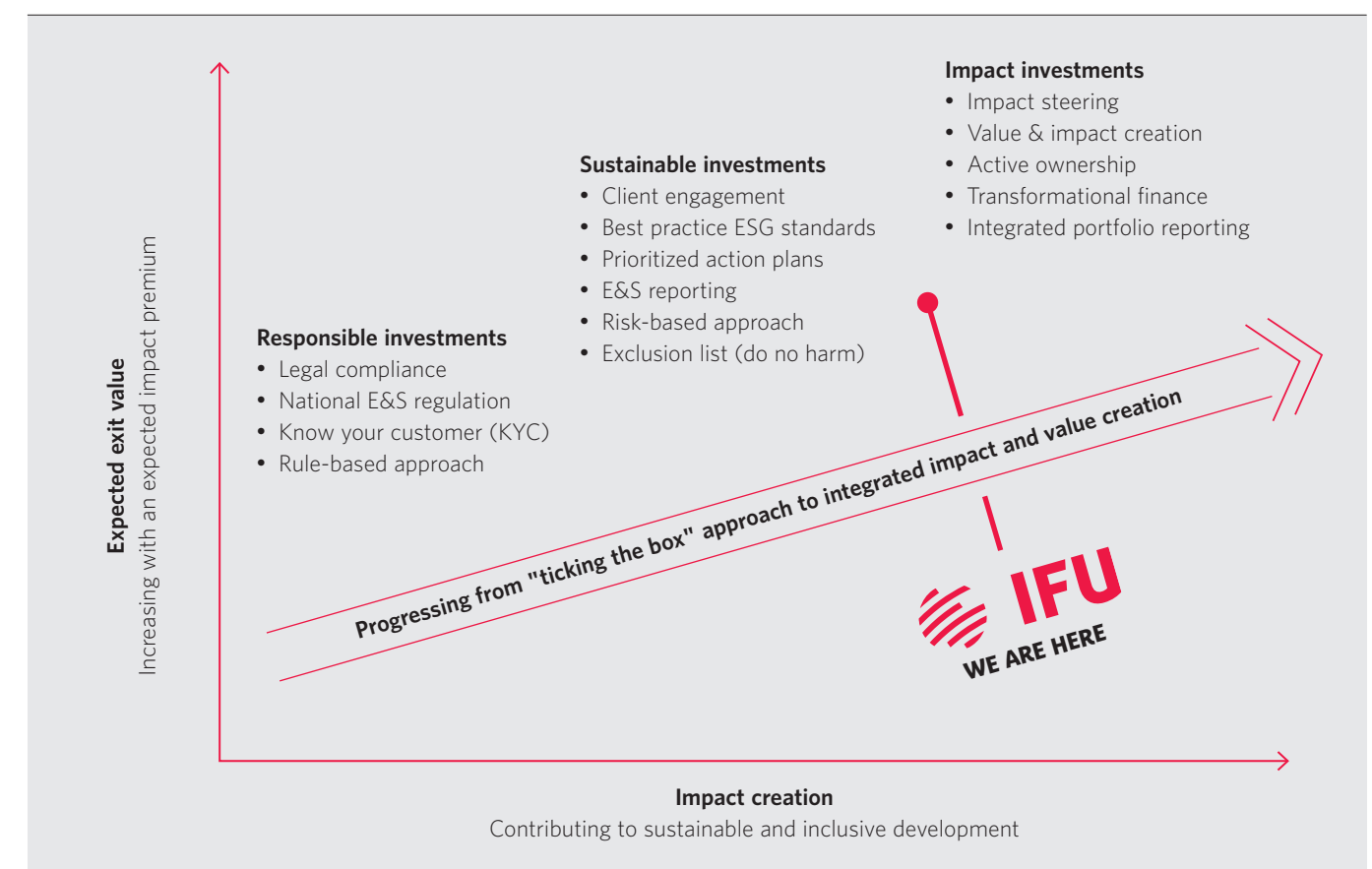
## BEING AN IMPACT INVESTOR

**IFU'S OVERARCHING AMBITION IS TO BECOME A BEST-IN-CLASS IMPACT INVESTOR**

By making private sector investments, IFU wants to contribute to the creation of a world where growing populations live well and achieve their fullest potential within the boundaries of the planet. IFU's investment strategy supports this vision by only making investments that contribute to building green, just and inclusive societies, as well as supporting the SDGs. IFU's investment strategy also requires that investments are commercially viable, thereby having the potential to secure a durable impact and a return to investors.

IFU's overarching ambition is to become a best-in-class impact investor. With the investment strategy, IFU has taken another step on this journey. Now, impact, alongside ESG, is considered throughout the investment process. This ensures that all investments contribute to building a better world, in which both green and social issues are given priority, and where countries and populations benefit from the investments.

### IFU's journey towards becoming a fully-fledged impact investor





IT IS IMPERATIVE THAT WE REDUCE THE ECOLOGICAL FOOTPRINT, WHILE ALSO INCREASING HUMAN DEVELOPMENT

Consequently, IFU is steering its investments based on a set of impact priorities and a strategy for active ownership. This includes clear targets for value and impact creation in all investments, as well as portfolio reporting to track, evaluate and document results. Going forward, this will enable IFU to gradually improve the allocation of capital towards investments with the best possible impact potential, while of course ensuring good ESG performance.

Steering on impact

Currently, the global development path has proven to be unsustainable. If we want to improve living conditions for people in developing countries, it is imperative that we reduce the ecological footprint, while also increasing human development.

Therefore, all potential investments are initially screened on their ability to support IFU's impact priorities of building green, just and inclusive societies. Only investments that will support climate mitigation and/or adaption, circular economy, pollution prevention and control, sustainable protection of water and marine resources, and/or the protection and restoration of biodiversity and ecosystems are considered green. IFU uses the EU taxonomy as a yardstick in this determination.

For investments to be considered just and inclusive they need to create decent jobs and provide access to essential services, goods and solutions, including to underserved groups such as women, youth and smallholders. Moreover, IFU has a strong focus on crosscutting development issues like income generation, local tax payment, skills development and gender equality. Investments that potentially meet the impact priorities are considered eligible and will be reviewed in a thorough due diligence.

Contributing to the SDGs

IFU's impact priorities support the SDGs. Building green, just and inclusive societies is directly linked to SDG 8, Decent work and economic growth, SDG 10, Reduced inequalities, and SDG 13, Climate action. Impact in relation to these are tracked at portfolio level. Additional SDGs are sector-specific and included and monitored in relation to the four selected sectors, in which IFU invests.

Creating value and impact

Through active ownership IFU ensures that the impact priorities are operationalised, and that the projects are complying with IFU's requirements regarding ESG. These are laid down by international standards and

Impact and value creation

Value creation

Improving and growing viable businesses that create financial value for the company, its owners and for IFU's shareholders (Danish State, Danish pension funds).

- Sales growth
- Cost optimization
- Working capital rationalisation
- Operating efficiencies
- Risk management
- ESG performance



Impact creation

Ensuring that the company contributes to building green, just and inclusive societies, creates decent jobs and enhances skills development.

- Green transition
- Reduced inequality
- Decent jobs
- Inclusive economic growth
- Skills development
- Women's empowerment

IFU sees value and impact as interlinked. With rapidly changing global environmental and social challenges, adaptation is a prerequisite to a successful business. Such success can no longer be confined by strong financial performance alone. To be successful, especially in developing countries that face the harsh effects of climate change for instance, businesses need to deliver on impact. IFU thus supports future-proofing businesses, to ensure increased value and maximise the delivery of impacts, locally and globally.

IMPACT PRIORITIES

Building green societies

Building just and inclusive societies

PORTFOLIO REPORTING



SELECTED SECTORS

Sustainable food systems

Green energy & infrastructure

Healthcare

Financial services

PROJECT-SPECIFIC REPORTING



principles, as well as IFU's own policies regarding human rights, climate, anti-corruption and tax, for example.

A part of the due diligence is to agree on value and impact creation plans, where ESG action plans and impact result frameworks provide baselines and introduce agreed actions and targets. The plans are developed in cooperation with co-investors and top management of the companies. The purpose is on one hand to ensure that the company has clear targets for growing the value of the company, which will improve the commercial viability. On the other hand, the purpose is to engage the company in developing strategic goals on how to implement ESG measures and optimise impact, which can support IFU's impact priorities, increase the outcome of the money invested and maximise local benefit for society at large.

The plans serve as a reference point in IFU's ongoing dialogue with management and the board of the company, as well as in the final evaluation of the investment to generate an overall assessment of IFU's achievements.

Read more about IFU's screening of impact during the decision-making process, due diligence approach, and

impact, planning, monitoring and evaluation as an integrated part of the investment process on page 36.

Introducing integrated reporting

Given IFU's strengthened approach to impact, the time has come to reshape IFU's reporting efforts and present results in an integrated manner across different types of capital. Going forward, IFU will further develop integrated reporting, as this will provide a more coherent and comprehensive impression on how IFU's strategy, governance, performance and prospects lead to the creation of value and impact over the short, medium and long term. In other words, it will demonstrate the links between IFU's input, the output from the investees and the wider social, environmental and economic impact.

It is IFU's ambition to maximise the impact of every dollar invested. To achieve this, it is necessary to integrate the resources used, the externalities of the activities and the value and impact created in one overall assessment. For example, building a windfarm includes more than capital input and energy output.

During the process, materials like concrete and epoxy that use natural resources and emit greenhouse gases are needed. Local communities close to the windfarm could also be negatively affected, and there is a risk of destroying biodiversity. On the positive side, the output of renewable energy will avoid GHG emissions and likely lead to a more sustainable economic and social development.

As a start, IFU has established a systematic approach that links IFU's input in the form of financing and human resources with the impacts on financial, intellectual, human, social and natural capital. This approach gives IFU the opportunity to present a

year-on-year portfolio review, which documents the progress achieved by the investees and shows if IFU is on the right track in meeting its impact priorities and improving output from the investments made.

To monitor the delivery of impact, IFU has begun setting impact targets at portfolio level. To date, portfolio targets have been set for gender lens investing and climate finance. Targets are also in place within specific funding vehicles within IFU.

Read more about IFU's targets and key results within IFU's active portfolio on page 32. ▪

Integrated reporting on value and impact creation



Cleanmax, renewable energy, India.



INVESTMENTS IN 2021

INVESTMENTS IN AFRICA WERE AT DKK 653M

IFU and IFU managed funds contracted investments at a total of DKK 1bn in 2021.

IFU contracted three new investments and six additional investments in ongoing projects, at a total of DKK 322m and DKK 180m, respectively.

Four new investments at DKK 480m and two additional investments in ongoing projects at DKK 16m were contracted on behalf of the Danish SDG Investment Fund.

Across funds, investments in Africa were at DKK 653m, which corresponds to 65 per cent of total contracted investments. DKK 338m, representing 34 per cent of total contracted investments, was invested in Asia. The remaining small part was invested in Latin America.

Creating impact

Aligned with IFU's investment strategy, the new investments were made within the prioritised sectors of sustainable food systems, green energy & infrastructure and financial services.

Based on the input from IFU and IFU managed funds in the form of DKK 800m in new investments and IFU's staff efforts during the year, it is expected that the new investments will create substantial impact when the projects are fully implemented.

Financial capital is an indicator of the financial impact the investments will have on society at large.

In general, access to finance in developing countries is scarce. Consequently, one important aspect is IFU's



Horn of Africa Fund, loans to SMEs, Somalia.

NEW INVESTMENTS AND EXPECTED IMPACT

INPUT	INVESTMENTS	IMPACT
<b>Financing</b> Equity: 515m Loan: 289m	<b>Green energy &amp; infrastructure</b> Investments (no.): 3 Total investment (DKKm): 1,714 IFU investment (DKKm): 410	<b>Financial capital</b> Value added (salaries, taxes & profits) (DKKm): 14,055 Leverage factor 3.2
<b>Human resources</b> Employees (FTE): 98	<b>Sustainable food systems</b> Investments (no.): 1 Total investment (DKKm): 136 IFU investment (DKKm): 67	<b>Intellectual capital</b> No data
	<b>Financial services</b> Investments (no.): 2 Total investment (DKKm): 4,534 IFU investment (DKKm): 237	<b>Human capital</b> Direct employment (no.): 3,838 Gender lens investments (no.): 3 Gender lens investments (%): 43
	<b>Other</b> Investments (no.): 1 Total investment (DKKm): 341 IFU investment (DKKm): 91	<b>Social capital</b> Indirect employment (no.): 336,769 Small-scale farmers supported (no.): 2,814 Student accommodation (no. of beds): 15,402
		<b>Natural capital</b> Renewable energy installed (MW): 2,615 Annual renewable energy produced (GWh): 4,465 Annual total GHG emissions avoided (million tCO <sub>2</sub> e): 3.31 Annual attributed GHG emissions avoided (million tCO <sub>2</sub> e): 0.29

ability to use own funds as leverage for attracting additional capital to the project companies, as this leads to an overall higher impact. Measured against the total expected investment in new projects, IFU's share of the investments had a leverage factor across funds of 3.2 in 2021.

Overall, the total investment volume will indirectly impact the general economy in the investment countries through salaries, taxes and profits. The total added value derived from the new investments is expected to be around DKK 14bn.

Intellectual capital refers to knowledge and systems development within ESG issues like anti-corruption, sustainability policies and ES management systems, for example. How the investment companies comply with such requirements will be tracked on an annual basis and included in the portfolio reporting, going forward.

When it comes to impact on human capital, it is expected that the investments will create and sustain close to 4,000 direct jobs in the investment countries.

The expected number of direct jobs is likely to be higher. The reason is that for the two investments within inclusive finance, IFU cannot estimate the expected employment figure at the appraisal stage, as jobs are created and sustained in portfolio companies, which have not yet been established or acquired. Con-

sequently, these investments have initially been set to zero in the case of expected direct employment.

For social capital the investments will have an impact related to indirect jobs, gender equality, small-scale farmers and students. It is thus expected that more than 330,000 indirect jobs are created and sustained, that close to 3,000 small-scale farmers will benefit, and over 15,000 students will get access to accommodation. This will in general support the livelihood of people and especially the underserved, as smallholders are normally in a vulnerable position, and the student accommodation investment primarily is targeting young people from low-income families.

Gender lens investing is a strategic priority, and in 2021, IFU set a gender equality target, which states that 30 per cent of new investments must be 2X Challenge eligible. In 2021, 43 per cent qualified as 2X Challenge investments, thereby exceeding the target. This represents an investment volume of DKK 270m. The 2X Challenge is a joint initiative by a wide range of Development Finance Institutions to finance projects with an intentional gender equality focus.

Regarding natural capital it is expected that the investments will support at total capacity of 2,600 megawatts of renewable energy and avoid 3.3 million tons of greenhouse gas emission, annually. Attributed to IFU's share of the investments in the projects, the avoided emissions amount to 290,000 tons. ■



INVESTMENTS CONTRACTED IN 2021

PROJECT NAME	COUNTRY	FUND/ FACILITY	IFU'S CONTRACTED INVESTMENTS IN DKKM			EXPECTED DIRECT EMPLOYMENT (PEOPLE)
			SHARES*	LOANS**	TOTAL	
NEW PROJECTS						
AFRICA						
1 ADP III	Africa (Regional)	IFU	93.9		93.9	
2 Global Tea Limited	Africa (Regional)	SDG	66.5		66.5	3,200
3 Golomoti	Malawi	IFU/GFF		85.1	85.1	250
4 SASAI	South Africa	SDG	91.0		91.0	47
5 Symbiotics	Africa (Regional)	IFU/HRHI		142.7	142.7	
of which financed by HRHI				49.9		
Subtotal Africa			251.4	227.8	479.1	3,497
ASIA						
6 Acme Aklera	India	SDG	40.8	61.3	102.1	75
7 Cleanmax	India	SDG	222.4		222.4	266
Subtotal Asia			263.2	61.3	324.4	341
TOTAL NEW PROJECTS			514.5	289.0	803.6	3,838
ADDITIONAL FINANCING OF ONGOING PROJECTS						
PROJECT NAME	COUNTRY	FUND/ FACILITY	IFU'S CONTRACTED INVESTMENTS IN DKKM			ACTUAL DIRECT EMPLOYMENT (PEOPLE)
			SHARES*	LOANS**	TOTAL	
AFRICA						
8 Africa Coffee Roasters	Kenya	IFU	1.3	2.9	4.2	53
9 African Guarantee Fund	Africa (Regional)	IFU/HRHI	122.6		122.6	139
of which financed by HRHI			46.3			
10 Horn of Africa Fund	Somalia	IFU/EU	46.6		46.6	1,516
of which financed by EU			37.2			
Subtotal Africa			170.5	2.9	173.4	1,708
ASIA						
11 Pakistan Clean Energy	Pakistan	SDG		3.6	3.6	33
12 Ramagundam Fertilizers	India	IFU	2.2		2.2	306
Ramagundam Fertilizers	India	DAF	2.2		2.2	
13 Scandinavian Farms Pig Industries	China	IFU		3.0	3.0	76
Scandinavian Farms Pig Industries	China	DAF		3.0	3.0	
Subtotal Asia			4.4	9.6	14.0	415
LATIN AMERICA						
14 DC-Viaduto	Brazil	SDG	12.2		12.2	252
15 Gustu Restaurant	Bolivia	IFU	1.6		1.6	17
Subtotal Latin America			13.9		13.9	269
TOTAL ADDITIONAL FINANCING			188.8	12.4	201.2	2,392

TOTAL IFU						
Total new projects	93.9	227.8	321.6	250		
Total additional financing	174.4	5.9	180.2	2,107		
TOTAL	268.2	233.6	501.9			
of which financed by HRHI	46.3	49.9				
of which financed by GFF		85.1				
of which financed by EU	37.2					
TOTAL SDG						
Total new projects	420.7	61.3	481.9	3,588		
Total additional financing	12.2	3.6	15.8	285		
TOTAL	432.9	64.8	497.7			
TOTAL DAF						
Total new projects						
Total additional financing	2.2	3.0	5.2	382		
TOTAL	2.2	3.0	5.2			
TOTAL IFU + SDG + DAF						
			IFU'S CONTRACTED INVESTMENTS IN DKKM			
			SHARES*	LOANS**	TOTAL	
7	Total new projects		514.5	289.0	803.6	3,838
8	Total additional financing		188.8	12.4	201.2	2,392
15	GRAND TOTAL IFU AND IFU MANAGED FUNDS		703.4	301.5	1,004.8	

Totals may not add up due to rounded figures.

\* Including overrun commitments.

\*\* Including guarantees.

IFU

DKK 1Bn  
FOR GREEN  
INVESTMENTS

IFU's own funds are based on capital injections from the Danish State, as well as contributions from the investments. Part of the capital injections is based on a number of facilities with a specific target, including the High Risk High Impact initiative and Denmark's Green Future Fund.

In 2021, IFU contracted three new investments and six additional investments in ongoing projects, at a total of DKK 322m and DKK 180m, respectively. The lower investment level compared to 2020 was primarily due to the restrictions and effects of Covid-19, affecting IFU's ability to build the pipeline and source new investments. In addition, IFU's ability to enter into new commitments funded by its own capital was affected by both large disbursements on new commitments, including Covid-19 relief investments, and postponement of inflow from the existing portfolio. This was also to a large degree seen as a consequence of the pandemic. As a revolving fund, IFU relies on inflow from the portfolio to fund new commitments.

Denmark's Green Future Fund

One of the investments was loan financing of DKK 85m for a 20-megawatt solar park in Malawi. This investment was made under Denmark's Green Future Fund, which was set up by the Danish State to support the national and global green transition.

The total fund size is DKK 25bn, of which DKK 1bn has been allocated to IFU through access to the central gov-

ernment re-lending scheme at Danmarks Nationalbank. At year-end, IFU had invested 20 per cent of the funds allocated to IFU with further projects in the pipeline.

High Risk High Impact initiative

In 2019, the Ministry of Foreign Affairs allocated DKK 200m to a new High Risk High Impact initiative (HRHI) managed by IFU. The purpose was to increase investments in projects with a high impact potential in the poorest countries in Africa.

The initiative has proven its relevance, as IFU had invested DKK 177m in four projects at the end of 2021, with additional projects in the pipeline for the remaining funds. Two of the contracted projects are in Somalia and Uganda, and two projects have a regional focus. In 2021, IFU made one new and one additional investment involving finance from the HRHI initiative. The total investment in the projects was DKK 266m, of which DKK 96m was financed by HRHI.

As the initial results have been satisfying, and the allocated funds almost invested, the Ministry of Foreign Affairs has decided to increase the funding. An additional DKK 50m was allocated in 2021, and further DKK 100m will be added in 2022.

The DKK 50m is to be invested in projects that can be reported as 100 per cent climate relevant in accordance with the OECD DAC criteria and Rio Markers.



Signing of increased capital commitment for African Guarantee Fund by Jules Ngankam, CEO of AGF, and Danish ambassador to Kenya, Ole Thonke.

Increasing funds for investment in the poorest countries

In general, investors are more reluctant to invest in the poorer developing countries, as the political and commercial risks in these countries are high. To mitigate this, IFU has set targets for investments in the poorer developing countries, overall as well as in Africa.

As part of HRHI it has been decided that at least 30 per cent of IFU's own capital on an average in 2020 - 2023 is to be invested in the 35 countries covered by the initiative. The average of the investment of IFU's own capital in the eligible countries for 2020 and 2021 was 35.7 per cent.

Moreover, at least 50 per cent of IFU's investments must over a three-year rolling period be made in poorer developing countries with a maximum 2019 GNI

per capita of USD 3,196 for investments contracted in 2021. The threshold is calculated as 80 per cent of the upper limit for Lower Middle-Income Countries, according to the World Bank's classification.

Investments in projects with a regional focus, typically fund investments, covering countries above and below the threshold, where the actual distribution is not yet known, are partially included. This is based on a weighted actual distribution for similar regional investments entered into in the period 2009-18. Over the three-year period 2019-2021, the share of investments below the threshold is 76 per cent.

In 2021, 82 per cent of the investments were below the threshold. •

CASE



FACTS

Investment year: 2021  
IFU investment: DKK 85.1m (loan)  
Expected total investment: DKK 196m

IFU's second solar park in Malawi

JCM Power Corporation, one of IFU's portfolio companies, has developed and built the 20-megawatt Golomoti solar power park in Malawi. This is the company's second solar project in the country following a 60-megawatt project in Salima.


As only around 10 per cent of the population in Malawi has access to electricity, the additional generating capacity is highly needed. It will contribute to increasing the share of renewable energy in the energy mix in Malawi and create more reliable power supply.


Golomoti is the first commercial solar park in Malawi to introduce a Battery Energy Storage System. The solar park will provide electricity for more than 100,000 households and avoid GHG emissions of around 3,000 tCO<sub>2</sub>e annually.

Denmark's Green Future Fund is providing loan financing

The financing of DKK 85m is provided by IFU through Denmark's Green Future Fund.

IMPACT

  
**20**  
megawatt of renewable energy

  
**3,000**  
tons of greenhouse gas emissions avoided annually

  
**30**  
direct jobs to be created

LINK TO SDGs





# THE DANISH SDG INVESTMENT FUND

The Danish SDG Investment Fund is a public-private partnership, which includes the Danish State, IFU and the institutional and private investors PKA, Pension-Danmark, 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 2021, the Danish SDG Investment Fund made four new and two additional investments at a total of DKK 498m.

Two of the new investments were made within renewable energy in India. One of the investments was in a 250-megawatt solar park that will provide electricity for approximately 500,000 households. The other investment was in Cleanmax, a provider of renewable

energy to leading corporates like Facebook, Adobe, Tata Group and Volvo. Both investments are in line with the India-Denmark Green Strategic Partnership that was signed by the Prime Ministers of India and Denmark in 2020.

The two additional investments were made in renewable energy in Pakistan and a rental business in Brazil.

**Total investments of DKK 2.3bn**  
At year-end 2021, the Danish SDG Investment Fund had contracted investments at a total of DKK 2.3bn in 20 projects corresponding to 47 per cent of the total committed capital to the fund. •

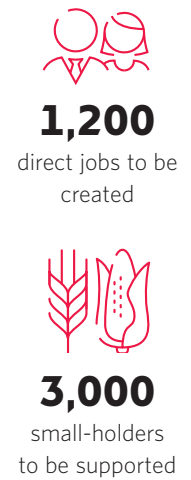


## CASE

**FACTS**  
**Investment year:** 2021  
**IFU investment:** DKK 66.5m (equity)  
**Expected total investment:** DKK 137m

**Growth capital to Global Tea**  
On behalf of the Danish SDG Investment Fund, IFU has provided growth capital to Global Tea & Commodities.  
  
The company was founded in 1992 as a trading firm and has since grown to include tea blending, coffee and macadamia plantations across East Africa. Today, it is supplying a variety of multinationals with products found in supermarkets and hospitality outlets across the world. The products are Fair Trade and Rainforest Alliance certified.  
  
**Supporting thousands of smallholder farmers**  
Global Tea is a major employer of women in Kenya and Malawi. Going forward the company expects to start sourcing from independent farmers and cooperatives, which will support the livelihoods of thousands of smallholder farmers.  
  
The proposed investment will assist Global Tea in building a new tea packaging facility in Mombasa and support the group's expansion plans in Africa.

## IMPACT



## LINK TO SDGs



# DANIDA SUSTAINABLE INFRASTRUCTURE FINANCE (DSIF)

IN 2021, DSIF FOCUSED ITS EFFORTS ON BUILDING AND DEVELOPING ITS PIPELINE

After a record year in 2020 with subsidies in the amount of DKK 1.25bn approved by the Danish minister for development cooperation, Danida Sustainable Infrastructure Finance (DSIF) focused its efforts in 2021 on building and developing its pipeline. During the year, DSIF initiated feasibility studies and fact findings for nine new projects in seven countries, primarily in the water sector, which continues to be a key sector for DSIF. The estimated contract value for the projects is around DKK 5bn.

In Mali, a feasibility study for the construction of transmission lines and transformer stations in the southwestern part of the country was finalised in 2021. The Mali project will extend the national electricity grid to a region where there is no coverage today and will create improved income and employment opportunities for the population. ▶

In Pakistan, where DSIF is currently planning the tender for the Faisalabad Wastewater Treatment Project, another wastewater treatment project was cleared in principle. Consequently, a feasibility study was initiated for the construction of a wastewater treatment plant in the city of Lahore, which is the second largest city of Pakistan. The city has a population of 11 million and a large production of textiles, chemicals and pharmaceuticals, as well as food processing, among other things.

With the aim of developing rural areas by bringing new opportunities to businesses, schools, health clinics and the rural population in general, another feasibility study was initiated for implementation of information and communications technology (ICT) on remote islands in Bangladesh.



Thika Water and Sewerage Company, water supply and sanitation, Kenya.



Water in Africa

Building on the strategic sector cooperation on urban water between Denmark and Ghana, a new water treatment plant in Aveyime in Ghana was cleared in principle. The project will provide the city of Tema and the eastern part of the capital city Accra with improved access to clean and stable water supply, which will significantly improve the livelihood and health conditions of people living in the area. The water treatment plant will also supply water to two new industrial zones, where lack of water is currently a constraint on growth, industrialisation and job creation.

A fact-finding mission was undertaken in Burkina Faso to assess a number of water project proposals presented by the government. The mission focused on

water supply to Bobo-Dioulasso, the second largest city of Burkina Faso, and to the capital city Ouagadougou. Construction of sludge treatment plants will also be included in the two projects.

More strategic sector cooperation (SSC)

Further fact findings within the SSC framework were initiated in Indonesia on Lombok Island, in the Indian state of Haryana and the city of Hyderabad in India within biomass power, wastewater and waste management, respectively.

At the end of the year, it was decided to include South Africa in DSIF fact findings in order to explore project opportunities within green transition. This will be initiated in 2022. •

CASE



FACTS

**Total project budget:**  
DKK 1.2bn  
**DSIF financing:**  
DKK 972m  
**Total DSIF grant commitment:**  
DKK 436m

Faisalabad Wastewater Treatment Project in Pakistan

Faisalabad is the third largest city of Pakistan with a population of 3.4 million, and a hub for industrial activities. Untreated wastewater from households and industries is discharged into drainage channels and flows to the rivers. The groundwater of the city is badly affected by the haphazard construction of industries discharging their untreated polluted effluent into open fields around them and by irrigation with untreated wastewater. The cultivation of vegetables irrigated with untreated wastewater constitutes a health hazard, apart from being illegal.

The capacity of the wastewater treatment plant will be 200,000 m<sup>3</sup> per day. The estimated contract value of the plant construction, including five years of operation and maintenance plus supervision, is DKK 975m.

Status: Tender for the construction of the plant will be called for in 4th quarter 2022.

IMPACT



**765,000**

people's wastewater will be treated



**100%**

of the facility's electricity consumption will be covered by own biogas



**200,000**

cubic meters of wastewater treated daily

LINK TO SDGs



Distribution of food packages in connection with Covid-19 assistance programme in Brazil.



# VALUE AND IMPACT CREATION IN THE PORTFOLIO

Creating value and impact through commercially viable investments in developing countries is IFU's primary objective. In the following sections, key results are presented in terms of created financial, intellectual, human, social and natural capital supported by IFU's active portfolio.

The impact results presented are from 2020 and 2019, respectively. The reason for not presenting figures for 2021 is that figures are primarily gathered based on direct reporting from the portfolio companies in the form of for example annual reports and sustainability reporting, which are only partially available at the time of preparing IFU's annual report 2021. Reporting on 2020 and 2019 ensures a more comprehensive data set for the periods reported and is considered to give a more correct representation. Some results like value added, indirect employment and greenhouse gas emissions are based on additional analyses of the performance of the portfolio. These analyses are related to 2020 and 2019 figures as well.

For a full overview of IFU's policy commitments and impact priorities in support of the SDGs, see table on page 32.

## PORTFOLIO INVESTMENTS AND REPORTED IMPACT

INPUT	INVESTMENTS	IMPACT			
		2020	2019	2020	2019
<b>Financing</b>	<b>Africa</b>	<b>Financial capital</b>			
Investments contracted (DKKm):	Investments (no):	74	74	Value added (DKKbn):	34.8
2020 - 9,350	Total investments (DKKm):	54,370	47,334	Including local taxes (DKKbn):	3.2
2019 - 7,939	IFU investment (DKKm):	3,658	2,993		3.1
	<b>Asia</b>	<b>Intellectual capital</b>			
Investments disbursed (DKKm):	Investments (no):	62	67	Written sustainability policy (%):	83
2020 - 6,536	Total investments (DKKm):	31,388	30,175	Written stand against corruption (%):	76
2019 - 5,825	IFU investment (DKKm):	2,535	2,445	ES Management System (%):	61
	<b>Latin America</b>	<b>Human capital</b>			
Human resources	Investments (no):	22	21	Dedicated sustainability person (%):	84
Employees (FTE):	Total investments (DKKm):	8,115	5,020	Grievance mechanism (%):	59
2020 - 92	IFU investment (DKKm):	1,396	1,010		52
2019 - 88	<b>Europe</b>	<b>Social capital</b>			
	Investments (no):	22	23	Indirect employment (million no.):	2.7
	Total investments (DKKm):	7,457	6,909	Microfinance clients reached (million no):	17.8
	IFU investment (DKKm):	871	737	Female microfinance clients reached (%):	62
	<b>Global</b>	<b>Natural capital</b>			
	Investments (no):	12	11	RE produced (GWh):	5,079
	Total investments (DKKm):	5,824	3,930	GHG emissions (tCO <sub>2</sub> e):	739,340
	IFU investment (DKKm):	891	755	GHG emissions avoided (million tCO <sub>2</sub> e):	2.86
				GHG emissions sequestered (tCO <sub>2</sub> e):	0

IN TOTAL, 61 PER CENT OF THE PROJECTS HAVE AN ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

## FINANCIAL CAPITAL

The financial impact of IFU's portfolio in 2020 is estimated using the Joint Impact Model. This model calculates the value added as direct economic impacts, as well as those within the project's supply chain and induced by the spending of wages earned by employees. The total value added by IFU's entire investment portfolio is estimated at DKK 34.8bn for the 2020 period, which includes the payment of local corporate taxes amounting to DKK 3.2bn. It is also worth noting that the value added is close to four times greater than the total contracted investment at year-end 2020.

## INTELLECTUAL CAPITAL

Improved governance in projects with sustainability policies and processes meeting international standards is an essential element in impact creation. 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. 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.

### Written policies

The sustainability policy is a key performance indicator that states the level of sustainability ambition and offers clear evidence of the projects' sustainability commitment. IFU finds it very satisfactory that 83 per cent of the reporting projects have a written sustainability policy.

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. In total, 76 per cent of the projects have a written stand against and/or an anti-corruption policy. This includes most funds and all financial institutions, but the direct investments are still lagging behind. IFU will continue its efforts to ensure that all projects have an anti-corruption policy and make their anti-corruption commitment known to business partners.

### Management processes

For direct investments, the Environmental and Social Management System is an indicator of the projects' ability to manage their specific adverse impacts, while for the funds and financial institutions it expresses their ability to address sustainability risks related to their portfolio companies and clients.



Community meeting near Ouro Branco wind farm, Brazil.

In total, 61 per cent of the projects have an Environmental and Social Management System. IFU finds it satisfactory, as many direct investments are greenfield projects, where the establishment of the management system awaits the company/facilities becoming operational. IFU is also very pleased to see that 84 per cent of the projects have appointed a dedicated person responsible for sustainability. It has been an IFU requirement since 2015 and is considered essential for managing sustainability at an operational level.

Since 2019, projects have been required to establish a grievance mechanism for receiving, processing and settling complaints by individuals and communities. In total, 59 per cent of the projects have a grievance mechanism for external stakeholders in place.

IFU will through active ownership continue to support projects in implementing processes to identify, assess and address sustainability risks and impacts and ensure continuous improvement of the sustainability performance.

IN 2020, MORE THAN 300,000 PEOPLE WERE EMPLOYED BY THE PROJECTS

HUMAN CAPITAL

The Covid-19 pandemic has disrupted economic activities around the world and has especially put workers in informal employment at risk. In the least developed countries, the proportion of informal employment in total employment was close to 90 per cent in 2019. Estimates suggest that three quarters of informal economy workers were significantly affected by lockdown measures and/or were working in the hardest-hit sectors. Young workers and women have been particularly affected and will experience greater challenges in regaining their livelihoods during the recovery.

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 individuals and their families, but also benefits society, notably in the form of enhanced human capital.

Securing decent jobs

IFU is committed to support growth of businesses in the formal sector in developing countries and to

contribute to securing decent jobs that 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.

In 2020, more than 300,000 people were employed in the projects included in IFU's active portfolio. The share of employees below 25 years of age in the project portfolio was 15 per cent, whereas the share of female employees was 37 per cent.

IFU finds it satisfactory that 65 per cent of the direct investments have reported that they pay workers more than the national minimum wage. However, only 76 per cent of the direct investments stated that they pay

overtime. This is in the lower range of the acceptable, and is an ongoing discussion as part of IFU's active ownership.

In 2020, 38 per cent of all projects reported that they had had accidents involving workers. The total number of accidents were 882. 24 of these accidents were fatal, of which 23 happened in 12 portfolio companies across seven funds. Every accident is one too many, and IFU closely follows up on each project's initiatives to reduce the number of accidents.

Skills development

Each year, 12 million young people in Africa enter the labour market. Too few obtain a relevant education, and the education offered is often not adequate for the labour market. This hampers the development in the private sector.

An external study to assess skills development efforts in a number of IFU investments in Africa was finalised in 2021. Overall, it concluded that IFU's commitment to employment and skills development is valuable, meaningful and has resulted in positive outcomes that may serve as recommendable practice or inspiration for other private investors in Africa. The study pointed out that companies can improve cooperation and dialogue between the private sector and education institutions, both within vocational training and higher education. Through this, they can attract qualified workforce and provide valuable inputs to the shaping of contents in vocational education, so it becomes relevant and up to date. Furthermore, companies can increase their intake of apprentices and interns who benefit from work-based learning. Going forward, these areas will increasingly be within the scope of IFU's impact creation programme with each company.

Gender lens investing

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. In 2021, new members joined and the DFIs set a new ambitious goal to achieve a total of USD 15bn in commitments to finance projects with an intentional gender equality focus by the end of 2022. In total, IFU has registered 14 projects that are 2X Challenge eligible. The contracted investment in these projects is more than DKK 800m.

With IFU as a founding member, a new global industry body, the 2X Collaborative, was launched in 2021 to convene the entire spectrum of investors to promote gender lens investing and thereby broaden the 2X Challenge. The 2X Collaborative provides members access to peer learning networks, knowledge, co-investment platforms, partnership and training opportunities, and innovative investment tools.

In addition to the yearly gender equality target for new investments, IFU is committed to ensuring that no less than 40 per cent of the portfolio must be either 2X eligible or have a plan in place to become 2X eligible by the end of 2024. By year-end 2020, 42 per cent of the projects are either 2X eligible or have a plan in place, which is a satisfying progress towards the 2024 target.

In 2021, IFU conducted extensive training of its investment professionals regarding IFU gender equality commitments and tools to ensure that they are capable of supporting potential investments and portfolio companies.

Empowerment of women

IFU is committed to contribute to unlocking business opportunities for female entrepreneurs and advance women as business leaders, employees and consumers. Thus, 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 are a part of the impact discussions with project partners, and specific targets for gender equality are included in the impact creation plan.

In 2020, 20 per cent of the projects reported that the share of women in senior management is more than 40 per cent. However, in 40 per cent of the projects, the share of women in leading positions is less than ten per cent. 61 per cent 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, fair compensation and flexible work arrangements.

In 2020, 77 per cent of the direct investments reported that they have taken initiatives to promote health and reproductive health. The most common initiatives include time off for medical care, providing health check-ups, separate functional facilities and offering health insurance for employees.

61 PER CENT OF THE COMPANIES HAVE TAKEN INITIATIVES TO ADVANCE WOMEN IN THE WORKFORCE



Training programme for vocational professions at Asilia safari and lodges, East Africa.





Gender adviser presentation at Acme Aklera, solar power plant, India.

IFU'S TOTAL  
CONTRACTED  
INVESTMENTS IN  
MICROFINANCE  
INSTITUTIONS  
EXCEEDED  
DKK 900M

SOCIAL CAPITAL

According to the World Bank, about a quarter of the global population was living on less than USD 3.20 per day in 2020, and almost half of the population was living on less than USD 5.50. Lockdowns and related public health measures due to Covid-19 have severely affected the informal economy, and the income losses threaten to roll back global progress on reducing working poverty. This is especially critical for vulnerable groups such as indigenous people and smallholders. Furthermore, women have in general less access to assets and services, which could propel them out of poverty. Worldwide, less than half of the people have a formal bank account, and for women it is only 37 per cent. These gender gaps affect, in particular, entrepreneurship, as they restrict women's access to finance and wider economic opportunities.

Financial inclusion

IFU is committed to support essential financial service provision to underserved populations and small and micro companies in developing countries, thereby helping to build markets and create business opportunities. Investing in local banks enables IFU to better reach the local business community compared to direct investments in individual companies.

At year-end 2020, IFU had an active portfolio of five microfinance institutions (MFIs) serving 17.8 million microfinance clients. IFU's total contracted investments in these projects exceed DKK 900m.

IFU is also integrating a gender lens to its investments in financial inclusion to contribute to redress power imbalances and give women better options for becoming financially independent. The share of female clients in microfinance institutions dropped from 81 per cent reported in 2019 to 62 per cent in 2020, because almost all of the microfinance funds and institutions had reductions in both total clients and the proportion of female clients from 2019 to 2020.

Indirect jobs

The direct employment and income opportunities provided by IFU's projects only constitute a small part of the total job effects in the economy. However, measuring the indirect employment effects, for instance in the supply chain or the effect induced in the economy from employees spending their salaries, is highly complex.

IFU uses the Joint Impact Model developed by IFU's sister organisations in the United Kingdom (CDC), the Netherlands (FMO) and France (PROPARCO) to obtain an overall estimate of the indirect employment effects of its portfolio. The results indicate that IFU's investments have supported approximately 2.7 million jobs in the supply chain and through the induced effects in the economy. This equates to over eight times the number of direct jobs supported by IFU's investment. This includes a total of 26 projects in IFU's portfolio that are directly supporting small-scale farmers, while 342,187 small-scale farmers are benefitting from this cooperation.

NATURAL CAPITAL

The Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) in February 2022 emphasizes the urgency of immediate and more ambitious action to address climate risks and states that half measures are no longer an option.

Climate change affects us all, but people in developing countries are much more vulnerable to its consequences, affecting livelihoods, private sector development and economic growth. At the same time, access to water and affordable and clean energy are big challenges for people, as well as 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.

So far, IFU's investments supporting the green transition have focused on transformational changes to lower greenhouse gas emissions and renewable energy in developing countries. Going forward, IFU will strengthen its focus on waste and water management and develop relevant performance indicators for reporting progress.

IFU's climate policy

Climate finance forms a significant portion of IFU's investments and is a main contributor to achieving a green economy. Mitigation investments are made in support of the Paris Agreement and its goal of keeping the increase in global average temperature to 1.5 degrees Celsius. Adaptation investments are helping developing countries prosper, increase their resilience and improve local livelihoods.

Task Force on Climate-related Financial Disclosures

All EDFI member institutions have decided to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Below is IFU's approach to climate action structured around the four thematic areas in the TCFD recommendations.

1. Governance

IFU's Board of Directors adopted a climate policy in 2019. Currently, efforts are underway to update this policy, including consultation with IFU's Sustainability Advisory Board. IFU's Board of Directors oversees the implementation of the policy, including approval of planned revisions of the policy.

2. Strategy

Climate action is a key factor in IFU's investment strategy and one of its main impact priorities. Thus, IFU identifies the green transition as a key business area, especially with climate-related business opportunities. Furthermore, IFU recognises the importance of integrating climate change into its operations, from early screening of an investment opportunity throughout the active ownership to exit.

3. Risk management

There is an increasing understanding that changes in climate affect economic output and productivity. Moreover, there are growing political initiatives to reduce GHG emissions, especially from high emitting activities, to ensure alignment with the Paris Agreement. IFU continued in 2021 to focus on how climate change can impact IFU's investments, and will in 2022 develop tools to assess the risks of climate change (physical and transition), in order to collect information in 2023 and report on it in 2024.

4. Metrics and targets

During appraisal, IFU estimates the absolute carbon emissions (scope 1, 2 and 3 where possible) for all investments and avoided emissions from investment in energy efficiency and renewable energy projects. The estimations are calculated by an independent consultant. The information on emissions is used to discuss how to reduce the emissions in terms of choice of technology, introduction of mitigation measures, etc.

Like many other DFIs, IFU has excluded investments into pure power generation from fossil fuels, as laid out in IFU's 2019 climate policy. The policy is mainly focused on greening the energy transition, yet IFU sees other sectors as equally important in achieving net-zero emissions. Therefore, the current policy is under revision to become even more ambitious.

The updated climate policy will be made publicly available in 2022.

Renewable energy

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 total, IFU's current portfolio includes renewable energy projects with an overall current installed capacity of 2,084 megawatts distributed on 1,480 megawatts in wind power and solar power and 604 megawatts in hydro power. In total, the portfolio generated 5,079 GWh renewable energy in 2020. This corresponds to 2.86 million tCO<sub>2</sub>e emissions avoided in 2020.

IFU's climate footprint

In the 2020 Annual Report, IFU calculated the climate footprint of its outstanding portfolio for the first time. The assessment was a pilot effort to learn and refine relevant methodologies. In 2021, IFU recalculated this footprint considering changes to the methodology and the availability of improved data collected through 2021. The climate footprint is estimated as the total annual emissions generated by IFU's outstanding portfolio.

The climate footprint calculation is based on the methodology described in the PCAF Global GHG Accounting Standard. It includes 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.

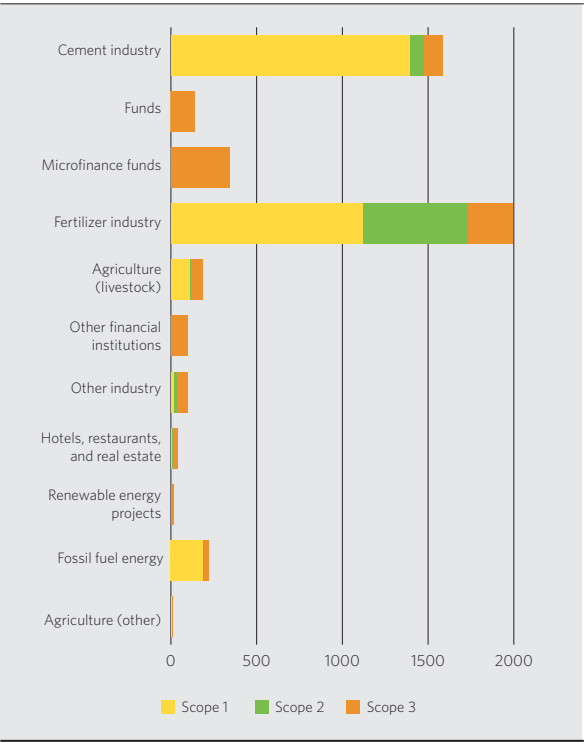
IFU will repeat the calculation of the climate footprint every year in order to measure how IFU's portfolio is performing on GHG over time and allowing IFU to track the journey to net-zero emissions. IFU will also consider how to use the results of the footprinting exercise and the detailed underlying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

Emissions attributed

Sector (level II)	tCO <sub>2</sub> e/year
Cement industry	175,473
Funds	114,910
Microfinance funds	96,155
Fertilizer industry	77,469
Agriculture (livestock)	77,183
Other financial institutions	72,604
Other industry	69,898
Hotels, restaurants and real estate	21,680
Renewable energy projects	16,701
Fossil fuel energy	14,610
Agriculture	2,659
<b>Total</b>	<b>739,340</b>

The table shows IFU's total portfolio climate footprint and the emission per sector presented as IFU's share of the investment. IFU's total portfolio carbon footprint was 739,340 tCO<sub>2</sub>e in 2020, where high-emission sectors such as cement, fertilizer and agriculture (livestock) account for 175,473 tCO<sub>2</sub>e, 77,469 tCO<sub>2</sub>e and 77,183 tCO<sub>2</sub>e, respectively. IFU's investments in other funds and financial institutions account in total for 283,669 tCO<sub>2</sub>e (equivalent to 38 per cent of the total footprint). The highest uncertainty in the methodology (PCAF) is with regard to investments in funds and financial institutions, as emissions are calculated based on financial turnover and related emissions factors (tCO<sub>2</sub>/total turnover), whereas emissions calculated to the different sectors are for the majority based on actual performance and related emissions factors (tCO<sub>2</sub>e/produced unit). The emission from the renewable energy of 16,701 tCO<sub>2</sub>e is due to emissions from construction of the plants (especially scope 3 emissions from suppliers).

Emissions intensity by sector (tCO<sub>2</sub>e/mDKK)



The figure above shows the emission intensity (tCO<sub>2</sub>e/mDKK outstanding) for the different sectors in IFU's portfolio by end of 2020. The highest emission intensity originated from IFU's investment in the cement and fertilizer industry. The figure also shows the distribution of emission between scope 1, 2 and 3. All emissions presented are attributed to IFU's share of the investment. IFU will use the information on the current emission intensity for each sector in the decision process for new investments to see how they fit into IFU's strategy and the ambition of a net-zero portfolio.

Volume (IFU's outstanding investments)

- Cement industry - 2%
- Funds - 16%
- Microfinance funds - 6%
- Fertilizer industry - 1%
- Agriculture - 8%
- Other financial institutions - 15%
- Other industry - 14%
- Restaurants and real estate - 11%
- Renewable energy projects - 21%
- Fossil fuel energy - 1%
- Agriculture (other) - 5%











The figure shows how IFU's total outstanding investments are distributed between sectors, based on the information included in the carbon footprint calculation. The result shows that 21 per cent of IFU's total outstanding investments is in renewable energy, 21 per cent in financial institutions (including 5.6 per cent in microfinance institutions) and 16 per cent in funds, whereas only 2.2 per cent is in cement plants and 1.3 per cent in fossil fuel energy plants.








OVERVIEW OF CONTRIBUTIONS TO THE SDGs

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 2019 and 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	Indicators	Unit	2020	2019
	Prioritising investments furthering financial inclusion. Especially promoting quality financial services to women, including female entrepreneurs.	<b>1.1</b> Eradicate extreme poverty. <b>1.4</b> Ensure that all men and women have equal rights to economic resources, including microfinance.	Invested in microfinance institutions.	DKK million	> 267	> 96
			Total active investment in microfinance (MF) portfolio.	DKK million	> 900	> 600
			MF clients served.	No. million	17.8	20.1
			MF loans granted to female clients.	%	62	81
	Prioritising agribusiness investments with clear link to small-scale farmers. Enhancing sustainable and climate smart agriculture and protecting biodiversity.	<b>2.3</b> Double the agricultural productivity and incomes of small-scale food producers. <b>2.4</b> Ensure sustainable food production systems and implement resilient agricultural practices.	Total projects supporting small-scale farmers.	No.	26	20
			Total small-scale farmers benefitting.	No.	342,187	107,600
	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.	<b>3.7</b> Ensure universal access to sexual and reproductive healthcare services. <b>3.8</b> Achieve universal health coverage.	Healthcare investment projects.	No.	2	1
			Invested into healthcare projects.	DKK million	360	63
			Direct investments that have taken initiatives to promote health & reproductive health activities.	%	77	73
	Supporting skills development, especially amongst young people in Africa.	<b>4.3</b> Ensure equal access to affordable and quality technical, vocational, and tertiary education. <b>4.4</b> Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills.	Employees in investments under the age of 25.	%	15	16
			Indicators under development.			
	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.	<b>5.1</b> End all forms of discrimination against all women and girls. <b>5.5</b> Ensure women's full and effective participation and equal opportunities for leadership.	Female employees in investments.	%	37	27
			Direct investments with more than 40% women in senior management.	%	20	18
	Investment in water sector fall under IFU's investments in climate adaptation (see SDG 7).	<b>6.1</b> Achieve universal and equitable access to safe and affordable drinking water for all.	Indicators under development.			
	Promoting renewable energy investments and investments in greener technologies as part of supporting the green transition. Share of climate-relevant projects like renewable energy, energy efficiency and climate adaptation by 2030.	<b>7.1</b> Ensure universal access to affordable, reliable and modern energy services. <b>7.2</b> Increase the share of renewable energy efficiency. <b>7.3</b> Double the global rate of improvement in energy efficiency.	Total capacity of renewable energy investments.	MW	2,084	1,292
			New capacity of renewable energy investments.	MW	2,615	792
			New capacity of renewable energy investments (hydropower only).	MW	0	604
			Renewable energy produced (all investments).	GWh	5,079	2,431
	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.	<b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation. <b>8.5</b> Achieve full and productive employment and decent work for all. <b>8.6</b> Reduce the proportion of youth not in employment, education or training. <b>8.8</b> Protecting labour rights and promote safe and secure working environments.	Total direct employees in all investments.	No.	308,174	259,068
			Direct investments that pay more than the national minimum wage.	%	65	72
			Direct investments that pay overtime.	%	76	71
			Investments reporting accidents involving workers.	%	38	32
			Total reported accidents in all investments	No.	882	533
			Fatal accidents in all investments	No.	24	18

SDG	IFU commitments and priorities	SDG targets relevant to IFU	Indicators	Unit	2020	2019
	Overall contribution to industrialisation (not focus areas) and infrastructure development.	<b>9.17</b> Promote inclusive and sustainable industrialisation and significantly raise industry's share of employment and gross domestic product.	New direct investments in manufacturing, outside the agricultural sector.	No.	0	0
	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.	<b>10.2</b> Empower and promote social, economic and political inclusion of all. <b>10.b</b> Encourage official development assistance foreign direct investment to states where the need is greatest, including least developed countries and African countries.	Percentage of IFU's own funds invested in the poorest countries in Africa, covered by the HRHI initiative.	%	31	N/A
	No specific commitment.	<b>11.1</b> Ensure access to adequate, safe and affordable housing.	No suitable indicator/s.			
	Supporting and promoting a preventative 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.	<b>12.2</b> Achieve the sustainable management and efficient use of natural resources. <b>12.3</b> Reduce food losses along production and supply chains. <b>12.4</b> Achieve and environmentally sound management of chemicals and all wastes and significantly reduce their release to air, water and soil. <b>12.5</b> Reduce waste generation through prevention, reduction, recycling and reuse. <b>12.6</b> Encourage companies to adapt sustainable practices and to integrate sustainability information into their reporting cycle.	Direct investments that have an environmental management plan in place to manage and monitor their environmental performance.	%	77	71
			All investments that have a written sustainability policy	%	83	83
			All investments that have an Environmental and Social Management System	%	61	59
			All investments that have a dedicated person responsible for sustainability	%	84	82
			All investments that have a grievance mechanism for external stakeholders	%	59	52
	Adopting an investment approach that is aligned with the objective of the Paris Agreement.	<b>13.a</b> Mobilise capital to address the needs of developing countries in the context of meaningful mitigation actions.	Avoided emissions (not attributed), based on GWh of renewable energy produced.	Million tCO <sub>2</sub> e	2.86	1.34
			Direct investments that report GHG emissions to IFU.	%	13	15
	No specific commitment.	Not applicable yet.	No suitable indicator/s.			
	Striving to protect biodiversity and invest in sustainable and resilient agriculture and forestry.	<b>15.2</b> Promote the implementation of sustainable management of forests. <b>15.5</b> Take action to reduce the degradation of natural habitats and halt loss of biodiversity.	Indicators under development.			
	Maintaining a zero-tolerance policy regarding corruption, including bribery, fraud and facilitation payment, as well as avoiding money laundering.	<b>16.5</b> Reduce corruption and bribery in all their forms.	All investments that have a written stand against corruption or an anti-corruption policy.	%	76	70
	Ensuring proper payment of taxes to host countries.	<b>17.1</b> Strengthen domestic resource mobilisation to improve domestic capacity for tax and other revenue collection. <b>17.17</b> Encourage and promote effective public, public-private and civil society partnerships.	Investments paying corporate tax.	No.	147	146
			Corporate taxes reported for all investments, with continent breakdown below:	DKK billion	3.2	3.1
			Africa	DKK '000	1,608,370	1,092,760
			Europe	DKK '000	(63,174)	80,813
			Asia	DKK '000	1,044,477	1,137,949
			Global	DKK '000	327,733	630,210
			Latin America	DKK '000	314,046	146,628
			<b>Total</b>	<b>DKK '000</b>	<b>3,231,453</b>	<b>3,088,361</b>



# SUSTAINABILITY IN IFU'S INVESTMENT PROCESS

IN 2021, IFU  
LAUNCHED AN  
UPDATED ANTI-  
CORRUPTION  
POLICY

IFU's investment strategy drives the sustainability policy, providing an environmental, social and governance (ESG) and impact framework for all investments. Identifying and managing ESG risks and impacts are thus integral to IFU's investment process for both direct investments and investments in funds and financial institutions. The framework ensures that the investments contribute to building green, just and inclusive societies, and that environmental and social (E&S) risks and adverse impacts are mitigated.




IFU is a signatory to the principles of the UN Global Compact, which outline the fundamental responsibilities of business in the areas of human rights, labour, environment and anti-corruption.

Commitments and policies

IFU's sustainability policy sets out IFU's commitment to invest in sustainable development and to contribute to the realisation of the Sustainable Development Goals (SDGs), highlighting the sustainability issues

that IFU considers particularly relevant in order for investments to contribute to the SDGs. Annexes to the policy clarify the specific sustainability requirements for IFU's direct investments, 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. All policies are based upon and aligned with international sustainability standards and best practice. The policies are available at [www.ifu.dk](http://www.ifu.dk).

In 2021, IFU launched an updated anti-corruption policy. The updated policy states that IFU keeps an internal anti-corruption warning list of companies and partners where IFU deems that a risk of corruption exists, that IFU has a whistleblower scheme, and that IFU has a duty to inform Rigsrevisionen in case of suspicion of irregularities, including corruption and bribery.

IFU'S SUSTAINABILITY POLICY			
Underlying policies	<div></div> <div><b>Environment &amp; social</b></div> <div><ul style="list-style-type: none"><li>Human Rights Policy</li><li>Animal Welfare Policy</li></ul></div>	<div></div> <div><b>Corporate Governance</b></div> <div><ul style="list-style-type: none"><li>Corporate Governance Policy</li><li>Anti-Corruption Policy</li><li>Tax Policy</li></ul></div>	<div></div> <div><b>Impact</b></div> <div><ul style="list-style-type: none"><li>Climate Policy</li><li>Gender Equality Policy</li></ul></div>
International standards and best-practice	<div><ul style="list-style-type: none"><li>IFC Performance Standards</li><li>EDFI E&amp;S Guidelines</li><li>UN Guiding Principles on Business and Human Rights</li></ul><div>UN, ILO and OECD Conventions, Declarations and Agreements</div><div>UN Principles for Responsible Investment</div><div>UN Global Compact</div><div>National Laws</div></div>	<div><ul style="list-style-type: none"><li>Corporate Governance Development Framework</li><li>OECD Principles of Corporate Governance</li></ul></div>	<div><ul style="list-style-type: none"><li>Sustainable Development Goals</li><li>COP26 Paris Agreement &amp; EU Taxonomy</li><li>2X Challenge on Gender</li></ul></div>

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

IN 2021, IFU  
REVISED ITS IMPACT  
SCREENING TOOL

New whistleblower scheme

IFU has established a new whistleblower scheme, maintained by an external law firm, which enables employees and other stakeholders to anonymously raise a concern of corruption or submit other complaints related to any of IFU's investments.

Reported concerns or complaints are processed by IFU's Grievances and Complaints Committee. 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. IFU received no reports in 2021.

Investment process in four phases

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.

Screening phase

IFU's investment strategy prioritises impact and helps identify projects that build green and/or just and inclusive societies, forming two pillars of consideration. To achieve this, the right projects need to be identified early in the investment process.

In 2021, IFU revised its impact screening tool developed to assist investment professionals with early-stage impact screening of investment opportunities. The aim is to eliminate unsuitable investment opportunities fast, in order to focus resources on high impact investments, thereby building a strong project pipeline that aligns with the investment strategy. Furthermore, all projects are screened against the EDFI exclusion list.

To align projects with the green pillar, use is made of the screening criteria detailed within the EU taxonomy. Both significant contribution and "do no significant harm" criteria are considered. For activities falling outside of those listed in the EU taxonomy, other internationally recognised frameworks are used as reference. To align projects with the just and



JCM Power Corporation is committed to address gender inequality and gender based violence and harassment.

IFU REQUIRES DIRECT INVESTMENTS TO FOLLOW INTERNATIONAL STANDARDS AND PRINCIPLES IN ADDITION TO COMPLYING WITH NATIONAL REGULATIONS

inclusive pillar, projects are positioned in relation to least developed countries, incomes for the bottom 40 per cent segment, underserved populations and gender lens investing.

If a project is successful in passing through screening, the findings from applying the screening tool provides a foundation to prepare the investment opportunity for further consideration. The screening tool results thus inform the impact creation plan, upon which further investment decisions are based.

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. The screening 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.

Due diligence phase

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. 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 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, 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 the current anti-corruption policy and practices.

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. The result is either additional mitigation measures to those included to comply with the IFC Performance Standards or a separate and more thorough human rights impact assessment.

IFU shares knowledge and best practices with other EDFIs on approaches to assess the investments' impacts on human rights. In 2021, IFU supported an initiative to develop an EDFI voluntary guidance note on human rights. A final version was distributed to all EDFIs end December 2021. Based on that, IFU en-

IN 2021, IFU WAS BOARD MEMBER OR OBSERVER IN 84 PER CENT OF THE TOTAL DIRECT INVESTMENTS

gaged the Danish Institute for Human Rights to review IFU's processes compared to the recommendations.

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.

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. Due to Covid-19, IFU has not been able to conduct physical site visits in 2021.

Approval phase

Before signing the investment agreement, IFU ensures 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. The results framework is attached to the investment agreement, and during the investment period the project will report to IFU on the progress within the impact areas and compared to the targets.

Active ownership phase

IFU's investment strategy involves adding value to the project by playing an active role throughout the investment period. IFU's investment professionals have the overall responsibility for ensuring that the sustaina-

bility and impact requirements are met, and typically they participate in the board of directors of the direct investments and use their leverage to initiate improvement of the sustainability and impact performance. In 2021, IFU was board member or observer in 84 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. In 2021, training sessions concerned climate, biodiversity, gender and the new ESG and impact control framework.

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

141 projects out of 192 projects in IFU's active portfolio submitted a sustainability report to IFU in 2021. The remaining projects are either new projects not yet required to report or projects in distress or in the process of being exited and exempted from reporting.

TOOLS AND COLLABORATIONS

New control framework

In November 2021, IFU launched an ESG and impact control framework document which collates the various sustainability practices, processes, guidelines and tools that have been developed and implemented

BlueMark verification 2021

In 2019, IFU signed IFC's Operating Principles for Impact Management (OPIM), and in 2021, IFU engaged BlueMark to undertake an independent verification of the alignment of IFU's impact management system with the principles set forth by OPIM.

The BlueMark verification concluded that IFU's policies, processes and tools related to impact management to a wide extent are aligned with the principles, but also recommended IFU to further strengthen processes and tools for demonstrating impact outcomes, as well as for engaging project companies in cases of impact or ESG underperformance. IFU has adopted the recommendations and strengthened the impact management processes, tools and data analysis as part of the development of the new ESG and impact control framework.



by IFU over many years – and also draws on good external resources and new tools.

The ESG and impact control framework describes how IFU manages ESG risks and impacts during the entire investment process, through defining ESG and impact tasks and responsibilities. It is therefore procedural in nature and is updated as needed. The framework is the go-to document for all staff at IFU to ensure that sustainability and impact remain central.

Stakeholder engagement

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.

IFU will continue to develop its sustainability and impact approach to improve IFU's contribution to the SDGs. Besides collaborating on harmonisation efforts in EDFI, IFU engages in 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.

CASE



FACTS

Investment year: 2018  
IFU investment: DKK 74.6m (loan)  
Expected total investment: DKK 415.3m

Supporting health activities

United Exports, a South African producer of blueberries, has received a grant for health activities. The activities include having qualified nurses conducting daily primary health care for 5,000 employees at the production sites and assisting in recognising symptoms needing referral.

Specialists in mental healthcare have provided one-on-one counselling to 145 employees, in addition to ongoing training and home packs for family and community relating to life skills.

United Exports has also initiated an internal unit of retired female workers sewing aprons, mouth masks and female sanitary kits for female employees. This unit has now grown to become an independent social enterprise – Ernita Sewing Enterprise – which has produced more than 3,000 re-usable female sanitary kits. They were distributed to female employees and girls in community schools to improve their quality of life by having access to sanitary kits, which is not a given, and help them avoid the risk of infection from the use of unclean liner solutions. The enterprise has become a registered Days for Girls Enterprise.

IMPACT



5,000

employees gained access to primary healthcare



145

employees trained in managing home-based violence, addictions etc. to increase welfare



1

social enterprise established

LINK TO SDGs



IFU'S SUSTAINABILITY FACILITY HAS SUPPORTED 14 PROJECTS WITH A TOTAL AMOUNT OF AROUND DKK 5.5M

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.

Working with experts

IFU works closely with sustainability experts to ensure that best practice methods and tools are applied in the investment process. This includes collaboration with The Danish Institute for Human Rights to strengthen IFU's human rights due diligence processes and the Danish Family Planning Association (Sex & Samfund) to develop tools for promoting gender equality in investments and company leadership.

Furthermore, IFU has a framework agreement with UNEP Copenhagen Climate Centre, which is a leading international research and advisory institution on energy, climate and sustainable development. UNEP Copenhagen Climate Centre supports IFU in calculating the expected absolute, reduced or avoided CO<sub>2</sub> emissions when preparing investments, as well as in the calculation of the climate footprint for the entire portfolio.

IFU Sustainability Facility

In 2018, IFU established its own Sustainability Facility. Funds for the Sustainability Facility are allocated discretionary by IFU's board of directors on a year-to-year basis as part of the board approval of the year-end-result and has been in the range of DKK 3-5m annually.

All project companies financed through IFU are eligible for a grant from the Sustainability Facility, but companies receiving a grant must finance 60 per cent of the activity themselves, thereby ensuring genuine commitment to the activities. Grants are mainly given for technical assistance to improve performance and impact of ongoing investment projects within impact themes and relevant ESG areas. The Sustainability Facility may also support joint collaborative efforts regarding information gathering, knowledge sharing and capacity building between commercial entities and local or international stakeholders, including NGOs that work together with IFU. Over the past three years, IFU has supported 14 projects with a total amount of around DKK 5.5m via the Sustainability Facility. In 2021, IFU supported three projects on gender equality and two on green transition and climate adaptation. Grant activities normally run for one to two years.

Furthermore, specific Sustainability Facility Covid-19 grants were given to nine project companies in 2020 and two companies in 2021 to cover part of their expenses for protective equipment and other precautionary measures. Altogether DKK 4.5m was granted. •



CASE

Community programme related to HIV/AIDS

Rabai Power in Kenya has received a grant for a community programme related to HIV/AIDS. The programme has involved training of 377 primary school teachers in using an animated story book "The Hiding Hyena" to teach pupils about adolescent sexual and reproduction health issues.

About 35,000 pupils aged 10-14 in 65 primary schools were reached, and the programme has significantly increased the number of pupils having proper knowledge about HIV/AIDS, as well as promoted a change of attitude towards individuals who are HIV positive and a broader positive behaviour of non-stigmatization.

FACTS

Investment year: 2008  
IFU investment: DKK 51m (equity)  
Expected total investment: DKK 778.6m

IMPACT



35,000  
pupils reached



377  
school teachers trained

LINK TO SDGs



IFU'S STAFF AND PREMISES

DURING 2021, THE AVERAGE STAFF AMOUNTED TO 97 FULL-TIME EMPLOYEES

IFU's staff comes from diverse backgrounds, but all share the same mission – building green, just and inclusive societies, as well as supporting the SDGs.

With its head office in Copenhagen and regional presence in Asia, Africa, Latin America and Europe, IFU works across geographies, and all jobs in IFU offer the opportunity to work and deliver results in a global context.

During 2021, the average staff amounted to 97 full-time employees (FTE). 84 per cent of the staff was employed in Copenhagen and 16 per cent across Africa, Asia, Latin America and Eastern Europe. Twenty different nationalities are represented among IFU's employees. The average age of IFU's employees is 43.7 years, and the average seniority is nine years\*. In 2021, the employee turnover was 9.2 per cent\*, and IFU on-boarded ten new people. There is a 58/42 percentage split between male and female employees.

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 eight members and one observer (observers are not included as per the guidelines from the Danish Business Authority). Three are male (38 per cent), and five are female (62 per cent).

The objective for the gender composition of leadership positions at IFU is the same as the above. IFU met the objective in 2021, given a 33/67 per cent female/male split end of 2021.

Environmental efforts

IFU's own environmental impacts are related to office activities and business travel. IFU took a number of initiatives in 2021 to focus more on energy consumption at the premises, apply energy-efficient solutions, and increase recycling of waste, and for the first time made a "green account". In 2021, IFU signed

IN IFU'S CANTEEN 60 PER CENT OF THE FOOD SERVED IS ORGANIC

a certificate with electricity supplier Norlys to supply 100 per cent renewable energy. IFU also includes environmental considerations in purchasing of goods and services. For example, all office paper is FSC certified and recycled paper and has the EU Ecolabel. Furthermore, environmental, as well as health and safety considerations are reflected in the terms and conditions of contractors working at IFU's premises. IFU's canteen in the head office in Copenhagen puts a lot of effort into preparing a lunch buffet with healthy food and a selection of vegetarian dishes. 60 per cent of the food served is organic.

IFU's total CO<sub>2</sub>e emissions constitute scope 2 and scope 3 emissions, as IFU has no direct emissions from owned or controlled sources (scope 1). Scope 2 emissions relate to IFU's consumption of purchased electricity and district heating for the head office in Copenhagen. Since 2021, all electricity comes from certified renewable sources, which explains the significant decrease in scope 2 emissions in 2021.

Scope 3 comprises CO<sub>2</sub>e emissions from paper usage and air travel by employees. Due to the ongoing pandemic, emissions from air travel in 2020 and 2021 were significantly lower than in 2019. The Covid-19 restrictions have provided good experience of replacing a number of physical meetings with digital, and IFU will strive to maintain reduced travel-related emissions on a more permanent basis. However, IFU's employees will still need to visit projects to conduct due diligence and participate in board meetings as part of our active ownership.

Figures on the emission from IFU's portfolio can be found on page 31.

Health and safety

IFU has a joint cooperation and health and safety committee (SMU) that discusses work-related issues, including health and safety. IFU also conducts workplace assessments (APV) on a regular basis. •

Indicator	2021 (tCO <sub>2</sub> e)	2020 (tCO <sub>2</sub> e)	2019 (tCO <sub>2</sub> e)
GHG emissions: Scope 2			
Electricity	0	56.0	57.3
Heating	16.4	13.4	18.5
GHG emissions: Scope 3			
Flights	184.6	213.7	971.8
Hotels	1.2	1.9	4.3
Canteen	6.2	13.8	13.8
	208.4	298.8	1,065.7

POLICY FOR DATA ETHICS

At the current stage, IFU does not use data extensively or structured, apart from the data and processes required to comply with relevant legislation, or as part of our recruitment efforts, and hence no policy for data ethics is currently relevant.

To clarify, IFU does not:

- Collect and compile large amounts of data for analyses
- Use personal data for segmentation, profiling or prediction
- Share or sell personal data
- Harvest data on social media platforms
- Apply artificial intelligence for decision support or automatization

IFU does acquire data from third parties for due diligence purposes, including for anti-money laundering and know your customer purposes. This data is however not used for cross-referencing or in any way used as part of any mosaic efforts. Recruitment data is kept and used only for the intended purpose. •



\* Excluding students and others on hourly wage.



# FINANCIAL HIGHLIGHTS 2017 - 2021

	2021 DKKm	2020 DKKm	2019 DKKm	2018 DKKm	2017 DKKm
<b>INCOME STATEMENT</b>					
Contribution from projects <sup>1</sup>	200	(160)	46	(121)	200
Operating income <sup>2</sup>	180	(170)	31	(155)	141
Net income for the year	182	(174)	28	(161)	141

<b>BALANCE SHEET AT 31 DECEMBER</b>					
Share capital investment in projects at cost	3,668	3,247	2,829	2,332	1,765
Project loans at cost	1,408	1,069	1,053	1,002	923
Total investment in projects at cost	5,076	4,316	3,883	3,334	2,688
Accumulated allowance for impairment and value adjustments	(293)	(300)	(87)	(29)	133
Investments in projects, net <sup>1</sup>	4,783	4,016	3,796	3,306	2,821
Cash and bonds, net	94	330	518	538	406
Paid-in capital during the year	50	60	337	306	217
Repaid capital/Paid-out dividend during the year	0	0	(50)	(50)	(50)
Total equity capital	4,276	4,040	4,161	3,802	3,288
Total balance	5,080	4,442	4,416	3,970	3,410

<b>ADDITIONAL DATA</b>					
New projects contracted (no.)	3	10	9	25	13
Portfolio of projects end of year (no.)	145	161	170	178	177
Investments contracted	502	745	670	3,070	640
Investments disbursed	978	775	903	849	478
Undisbursed contracted investments incl. guarantees end of year	2,417	2,877	2,977	3,645	1,264
Binding commitments not yet contracted end of year	279	723	460	765	410

<b>KEY RATIOS</b>					
Yield from share capital investments <sup>3</sup>	4.4%	(4.5%)	1.1%	(7.6%)	6.2%
Yield from project loans and guarantees <sup>3</sup>	5.6%	(2.2%)	2.2%	5.4%	6.6%
Yield from projects (total) <sup>3</sup>	4.5%	(4.1%)	1.3%	(3.9%)	7.1%
Net income for the year/Average total equity capital	4.4%	(4.2%)	0.7%	(4.3%)	4.5%
Solidity ratio	84.2%	90.9%	94.2%	95.8%	96.4%
Average number of full-time employees	97	92	88	89	84

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" on page 45.

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 and value adjustments.

## FINANCIAL REVIEW

IFU RECORDED  
A PROFIT OF  
DKK 182M IN 2021

IFU recorded a profit of DKK 182m in 2021 compared to a loss of DKK (174)m in 2020.

The positive result was expected and benefitted, contrary to 2020, from appreciation of many developing country currencies as well as the USD against the Danish krone. On the negative side the result was especially marked by the need for large provisions on two larger investments in Asia.

Yield from share capital investments was positive at 4.4 per cent against (4.5) per cent in 2020 with yields in both years strongly affected by currency movements and, especially for 2020, also by the effects of Covid-19 related lockdowns. Covid-19 effects are still believed to have impacted 2021 results negatively, as lockdowns continued in many countries through most of the year.

Yield from loans was 5.6 per cent against (2.2) per cent in 2020, again with both years being affected by currency movements, in particular for the USD against the Danish krone, affecting the unhedged part of the loan portfolio, and for 2020, the need for higher allowances for impairment for losses relating to IFRS 9.

Management fees and other income fell in 2021, mainly related to lower activity within the SME facility and lower management fees related to DSIF and DCIF, the latter fund gradually divesting. Operating expenses increased, mainly due to an increase in number of staff to ensure successful implementation of increasingly complex mandates. Net financial income was positive at DKK 3m in 2021 compared to DKK (4)m in 2020. The contribution was mainly due to currency gains on cash positions in USD, as the negative interest rate environment was unchanged in 2021.

IFU's equity end of year 2021 was DKK 4,276m.

*Appropriation of net income for the year*  
In accordance with IFU's dividend policy, a dividend of DKK 50m for 2021 to be paid in 2023 was due for recommendation to the minister for development cooperation. However, considering the development in Ukraine, the board recommends that the funds remain in IFU to enhance IFU's ability to assist the project companies in Ukraine with additional funds, and to strengthen IFUs capacity to confront global risks related to the ongoing crisis in Ukraine.



Construction site, Ouro Branco wind farm, Brazil.



Danish ambassador to Chile, Jens Godtfredsen, visited Pampa Elvira Solar in 2021.

Contribution from projects

Total contributions from IFU's primary project-related activities were DKK 200m against DKK (160)m in 2020.

Share capital investments contributed DKK 146m in 2021 against DKK (136)m in 2020. Currency development in 2021 was very positive for developing countries and emerging markets, and the effect on the contribution from share capital investments from currency appreciation in 2021 is estimated at DKK 156m. In 2020 the estimated negative effect on the contribution from currency depreciation was DKK (264)m for a combined net negative effect over the two years of DKK (108)m. Two larger investments in Asia, a micro-finance provider in Myanmar with valuation being affected by the February 2021 coup and a large-scale pig farm in China that saw a disease outbreak in late 2021 had a significant negative contribution of DKK (132)m. Other investments contributed positively, including significant contributions from a bank operating regionally in East Africa, and a solar energy project in Egypt.

Project loans and guarantees contributed DKK 63m against DKK (21)m in 2020, the turnaround being attributable to both lower need for allowances for impairment and tailwind on currency exchange rate development. Allowances for impairment were DKK (20)m in 2021 against much higher DKK (54)m in 2020, the latter to a large part 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 26m, a sharp reversal from DKK (30)m in 2020, and due especially to the higher USD. Interest and fees income, after allowances but before hedging arrangements, decreased to DKK 57m from DKK 63m in 2020.

Other contributions from projects were DKK (9)m in 2021 against DKK (4)m in 2020. The negative contribution in 2021 was mainly due diligence expenses.

Management income and operating expenses

Management income was DKK 97m in 2021, down from DKK 103m in 2020.

Overall expenses covering both IFU and IFU managed funds rose to DKK 118m from DKK 113m in 2020. Salary expenses were higher, as IFU increased the number of staff to meet more complex due diligence requirements.

Financial income, cash flows and balance sheet items

Net financial income was DKK 3m compared to DKK (4)m in 2020. The result mainly reflects currency gains on USD cash positions during the year.

Net cash flow for the year was DKK (13)m after sale of DKK 4m in bonds. Financing activities provided a net of DKK 353m comprised mainly of loan financing from Danmarks Nationalbank of DKK 205m and a repo arrangement on IFU's bond position providing DKK 108m. New capital contributions from the State were DKK 50m. New disbursements to investments were DKK 978m, and IFU received DKK 399m from investments and investment-related receivables.

The capital contribution from the State (Ministry of Foreign Affairs) of DKK 50m is funding of a climate envelope within the HRHI initiative (see page 18).

The average value-adjusted portfolio of share capital investments grew to DKK 3.3bn in 2021 from DKK 3.0bn in 2020. For loans and guarantees, the average value-adjusted portfolio grew to DKK 1.1bn from DKK 0.9bn in 2020.

AS PER 31 DECEMBER 2021, IFU HAD EQUITY OF DKK 4,276M

Including liabilities on repo transactions, cash and bonds end of year was DKK (13)m, down from DKK 330m in 2020, and undisbursed commitments were DKK 2.7bn, down from DKK 3.6bn in 2020. A draw of DKK 106m was made on overdraft facilities end of 2021 with no draw made end of 2020. Other cash balances were positive with DKK 92m end of 2021.

According to IFU's liquidity policy, the aim is to always have a positive cash position. With cash and bonds at DKK (13)m, the cash position at end 2021 deviated slightly from this objective. As also mentioned on page 18, this was mainly due to a combination of large disbursements on new commitments, including Covid-19 relief investments, as well as postponement of inflow from the existing portfolio, also to a large degree seen because of the pandemic.

The lower but still high level of commitments compared to cash underlines the continued need for stringent management of IFU's liquidity position. Commitments, however, normally only translate into disbursements over a multi-year period. Still, considering planned future cash flow, IFU is temporarily having a restrained approach to making commitments for new projects funded by IFU's own capital. Instead, focus is on funded initiatives like the HRHI initiative, Denmark's Green Future Fund and the SDG Fund, where large scope for new commitments exists (see available capital on page 5).

The liquidity position is backed by the overdraft and loan facilities shown below.

To further support available liquidity, IFU in 2021 agreed an additional overdraft facility with Danske Bank, and including the positive cash balances of DKK 92m, total liquidity resources available to IFU thus amounted to DKK 1.7bn at year-end 2021. Finally, and in addition to the DKK 1.7bn, IFU has agreed with the EU to provide funding for DKK 101m for two projects being part of the undisbursed commitments end of year.

In 2022, the loan facility related to Denmark's Green Future Fund will be increased by DKK 400m to a total of DKK 1,000m.

As per 31 December 2021, IFU had equity of DKK 4,276m, up from DKK 4,040m on 31 December 2020. The net change reflects the net income, the paid-in capital from the State (Ministry of Foreign Affairs) in the year of DKK 50m as well as DKK 10m received in 2020 that has been invested in the Horn of Africa Fund (see investment overview on page 16). Finally, a minor appropriation of DKK 5m made during the year to replenish IFU's Sustainability Facility is reflected.

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.

THE AVERAGE VALUE-ADJUSTED PORTFOLIO OF SHARE CAPITAL INVESTMENTS GREW TO DKK 3.3BN

				Status on 31 December 2021 (DKK m)	
Type	Purpose	Issuer	Amount (DKK m)	Drawn (by IFU)	Available
Overdraft facility <sup>1</sup>	General	Danske Bank	300	106	174
Overdraft facility	General	Danske Bank	200	0	200
Loan facility	Financing of SDG Fund	Nationalbanken	800	275	525
Loan facility	Financing of Denmark's Green Future Fund	Nationalbanken	600	130	470
Loan facility <sup>2</sup>	Refinancing of IFU loans fulfilling NIB mandate	The Nordic Investment Bank	372	104	268

Total credit and loan facilities 1,637

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



INCLUDING IFU  
MANAGED FUNDS,  
IFU EXPECTS TO  
INVEST IN THE  
RANGE OF  
DKK 1.6 - 1.8BN

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 limit for IFU's participation in individual projects, which is DKK 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.

Events after the balance sheet date

The tragic Russian invasion of Ukraine on 24 February 2022 has caused high uncertainty regarding the future implications for IFU's investments in Ukraine.

IFU's own portfolio of investments in Ukraine at end of 2021 consisted of 13 investments, two of which were being exited, and an additional two investments indirectly through the funds managed by IFU. In total, IFU's outstanding exposure towards Ukraine, including receivable interest, had a book value of around DKK 350m.

The degree of impairment on the Ukraine portfolio is at this stage very difficult to quantify, but it must be expected that the effect on IFU's equity will be material. In addition, there may be wider negative macroeconomic impacts on portfolio companies in other countries due to the war in Ukraine, e.g. following increasing food and fuel prices.

IFU has no exposure towards either Russia or Belarus.

Outlook for 2022

In 2022, IFU expects to invest own funds in the range of DKK 600-800m, primarily within Denmark's Green Future Fund and the High Risk High Impact initiative. Before the Ukraine war broke out, IFU expected a positive result for 2022, however given the war, IFU may end up with a result around break-even, or even negative, but with large uncertainty.

Including IFU managed funds, IFU expects to invest in the range of DKK 1,600-1,800m. •

Distribution of project commitments as at 31 December 2021 – five largest single country portfolios \*

Country	2021 (%)	2020 (%)
India	8.3	5.5
Ukraine	5.0	5.8
China	4.8	6.0
Brazil	4.6	4.6
Kenya	4.2	4.8

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

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 2021.

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 2021 and of the results of IFU's operations and cash flows for 2021.

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, 7 April 2022

Executive management:

  
Torben Huss, CEO

  
Lars Krogsgaard, CIO


Board of Directors:

  
Michael Rasmussen, Chairman

  
Anette Eberhard, Deputy Chairman

  
Thomas Bustrup

  
Emilie Agner Damm

  
Nanna Hvidt

  
Hanna Line Jakobsen

  
Jarl Krausing

  
Irene Quist Mortensen

# 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 2021, 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 2021 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 evi-

dence 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, 7 April 2022*

EY Godkendt Revisionspartnerselskab  
CVR no 30 70 02 28



Lars Rhod Søndergaard  
State Authorised Public Accountant  
mne28632



**IFU's PORTFOLIO  
COMPANIES  
EMPLOYED  
MORE THAN  
300,000 PEOPLE**

**INCOME STATEMENT**

	2021	2020
Note	DKK 1,000	DKK 1,000
2/ Contribution from share capital investments	146,264	(135,536)
3/ Contribution from project loans and guarantees	62,536	(20,697)
4/ Other contributions from projects	<u>(8,946)</u>	<u>(3,573)</u>
<b>CONTRIBUTION FROM PROJECTS</b>	<b><u>199,854</u></b>	<b><u>(159,806)</u></b>
5/ Management fees and other income	97,784	102,614
5/ Operating expenses	<u>(118,131)</u>	<u>(112,533)</u>
<b>OPERATING INCOME</b>	<b><u>179,507</u></b>	<b><u>(169,725)</u></b>
6/ Financial income, net	<u>2,878</u>	<u>(4,329)</u>
<b>NET INCOME FOR THE YEAR</b>	<b><u>182,385</u></b>	<b><u>(174,054)</u></b>

BALANCE SHEET AT 31 DECEMBER

ASSETS

	2021	2020
Note	DKK 1,000	DKK 1,000
FIXED ASSETS		
Share capital investment in projects at cost	3,667,595	3,246,979
Value adjustments	(120,295)	(145,872)
7/ Share capital investment in projects	3,547,300	3,101,107
Project loans at cost	1,408,298	1,068,522
Allowance for impairment and value adjustments	(172,276)	(153,938)
8/ Project loans, net	1,236,022	914,584
Investment in subsidiaries	2,230	2,230
10/ Fixed assets and leasehold improvements	2,610	2,695
<b>Total fixed assets</b>	<b>4,788,162</b>	<b>4,020,616</b>
CURRENT ASSETS		
11/ Interest receivable related to projects	50,897	53,178
12/ Other receivables	40,881	38,649
Bonds	107,673	111,402
Cash	92,293	218,549
<b>Total current assets</b>	<b>291,744</b>	<b>421,778</b>
<b>TOTAL ASSETS</b>	<b>5,079,906</b>	<b>4,442,394</b>

BALANCE SHEET AT 31 DECEMBER

LIABILITIES AND EQUITY

	2021	2020
Note	DKK 1,000	DKK 1,000
EQUITY		
Paid-in capital	2,597,717	2,538,342
Repaid capital	(1,250,000)	(1,250,000)
Proposed dividend	0	0
Retained earnings	2,928,585	2,751,200
13/ <b>Total equity</b>	<b>4,276,302</b>	<b>4,039,542</b>
PROVISION FOR LOSSES		
14/ Provisions for guarantees and loan commitments	3,450	6,985
NON CURRENT LIABILITIES		
15/ Long-term debt	496,383	280,461
CURRENT LIABILITIES		
Drawn on bank credit facility	105,519	0
REPO with Danske Bank	107,551	0
16/ Other current liabilities	90,701	115,406
	303,771	115,406
<b>Total liabilities</b>	<b>800,154</b>	<b>395,867</b>
<b>TOTAL EQUITY, PROVISION FOR LOSSES AND LIABILITIES</b>	<b>5,079,906</b>	<b>4,442,394</b>

- 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 2021
- 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

	2021	2020
Note	DKK 1,000	DKK 1,000
CASH FLOW FROM OPERATING ACTIVITIES		
Dividends from projects received	40,795	30,329
Interest from projects received	45,177	36,464
Other project-related payments	(25,006)	16,748
Operating expenses, net	(10,374)	(18,779)
Net payments related to financial income and expenses	6,399	(5,561)
<b>Net cash from operating activities</b>	<b>56,991</b>	<b>59,201</b>
CASH FLOW FROM (TO) INVESTING ACTIVITIES		
Received from sale of shares	250,386	187,251
Received from project loans	92,563	126,584
Received from derivatives, loans	(4,862)	(4,583)
Collateral received regarding derivatives	(5,000)	5,000
Paid-in share capital in projects	(596,318)	(586,667)
Disbursement of project loans	(381,940)	(188,559)
Received from (invested in) bonds	3,733	149,106
<b>Net cash from (to) investing activities</b>	<b>(641,438)</b>	<b>(311,868)</b>
CASH FLOW FROM (TO) FINANCING ACTIVITIES		
Loan from Danmarks Nationalbank	205,068	50,005
Loan from the Nordic Investment Bank	12,053	81,832
Financing from REPO	107,551	0
Paid-in capital received during the year	50,000	60,000
Paid-out dividend during the year	0	0
Paid-out/received payment from MFA related to planned project loan	(22,000)	22,000
<b>Net cash from (to) financing activities</b>	<b>352,672</b>	<b>213,837</b>
NET CHANGE IN CASH	(231,775)	(38,830)
<b>NET CASH BEGINNING OF YEAR</b>	<b>218,549</b>	<b>257,379</b>
<b>NET CASH END OF YEAR</b>	<b>(13,226)</b>	<b>218,549</b>
<b>- Shown as cash in current assets</b>	<b>92,293</b>	<b>218,549</b>
<b>- Shown as drawn on bank credit facility</b>	<b>(105,519)</b>	<b>0</b>

NOTES

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, financial assets and liabilities are measured at fair value, which is generally equivalent to 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 provided that they meet the so-called “SPPI” test (solely payments of principal and interest).

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”.

Project loans, which do not meet the “SPPI” test, e.g. loans which include equity features such as profit participation or equity conversion options, are measured at fair value. Value changes are recognised in profit or loss as contribution from project loans.

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 as the proceeds received less transaction costs paid. Subsequently, non-current liabilities are measured at amortised cost. Liabilities are designated as long-term debt according to the repayment conditions at the balance sheet date.

Current liabilities

Current liabilities are initially recognised at 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

	2021	2020
Note	DKK 1,000	DKK 1,000
2/ Contribution from share capital investments		
Dividends from projects	46,529	30,364
Realised gain (loss) from divested share capital investments	52,391	3,396
Value adjustments, portfolio	47,344	(169,296)
Contribution from share capital investments	146,264	(135,536)
3/ Contribution from project loans and guarantees		
Interest income and fees related to project loans and guarantees	66,962	80,829
Allowance for impairment, interest and fees	(10,280)	(18,237)
Allowance for impairment and value adjustments, loan portfolio	(24,018)	(48,587)
Allowance for impairment, remanining commitments on loan portfolio	3,872	(5,221)
Allowance for impairment, guarantees	(337)	98
Exchange rate adjustments, project loans	43,739	(45,337)
Value adjustments, derivatives	(17,402)	15,758
Contribution from project loans and guarantees	62,536	(20,697)
4/ Other contributions from projects		
Value adjustments, receivables, excl. exchange rate adjustments	(752)	(1,358)
Exchange rate adjustments, receivables	(1,627)	198
Interest from receivables	212	321
Other income and expenses	(6,779)	(2,734)
Other contributions from projects	(8,946)	(3,573)

## NOTES

2021

2020

Note DKK 1,000 DKK 1,000

<sup>5/</sup> Management fees, other income and operating expenses

Management fees and other income

Management fees	97,307	102,053
Board member fees	377	461
Various income	<u>100</u>	<u>100</u>
Total management fees and other income	<u>97,784</u>	<u>102,614</u>

Expenses

Salaries, head office	71,321	67,780
Rental expenses, head office	7,274	7,257
Travel expenses, head office	1,316	1,514
Regional office expenses	13,782	11,965
Fees for board of directors	1,122	1,135
Fees for external assistance	6,066	4,115
IT expenses	7,699	8,191
Office expenses, head office	1,258	1,330
Various expenses	6,031	6,177
Depreciation of fixed assets and leasehold improvements (note 10)	<u>493</u>	<u>664</u>
Total expenses before payroll tax	116,362	110,128
Payroll tax	<u>1,769</u>	<u>2,405</u>
Total operating expenses	<u>118,131</u>	<u>112,533</u>

Fee to the auditor of the funds included in

"Fees for external assistance" and "Various expenses": 1,070 636

- hereof audit fees	487	476
- hereof other assurance engagements	365	95
- hereof tax and VAT advice	0	31
- hereof other non-audit services	218	34

## NOTES

2021

2020

Note DKK 1,000 DKK 1,000

Specification of personnel expenses (salaries etc.)\*

Salaries, remunerations etc.	73,806	70,500
Pension contributions	7,352	7,114
Other expenses for social security	390	280
Payroll tax	<u>1,769</u>	<u>2,405</u>

Personnel expenses in total 83,317 80,299

\*) The figures are included in "Salaries, head office", "Travel expenses",  
"Regional office expenses", "Fees for board of directors" and "Payroll tax".

Total remuneration to the board of directors 1,122 1,135

Total remuneration to the executive board 5,068 5,055

Total remuneration to the board of directors and executive board 6,190 6,190

Average number of employees, head office 81 76

Average number of employees, regional offices 16 16

9792



## NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
6/ Financial income, net		
Financial income		
Interest income, cash and bonds	(74)	0
Gain on bonds	<u>4</u>	<u>332</u>
Financial income	<u><b>(70)</b></u>	<u><b>332</b></u>
Financial expenses		
Interest expenses, bank charges and exchange rate adjustments	2,948	(4,661)
Loss on bonds	<u>0</u>	<u>0</u>
Financial expenses	<u><b>2,948</b></u>	<u><b>(4,661)</b></u>
Financial income, net	<u><b>2,878</b></u>	<u><b>(4,329)</b></u>

## NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
7/ Share capital investment in projects		
Share capital investment in projects beginning of year at cost	3,246,979	2,829,473
Paid-in share capital in projects during the year	596,318	586,667
Project loans or interest converted into share capital during the year	1,644	0
Proceeds from divestment of shares	(249,860)	(178,913)
Realised gain (loss) from divestment of shares relative to cost, net	<u>72,514</u>	<u>9,752</u>
Share capital investment in projects end of year at cost *	<u><b>3,667,595</b></u>	<u><b>3,246,979</b></u>
Accumulated value adjustments beginning of year	(145,872)	29,778
Reversed value adjustments, divested share capital investments	(20,123)	(6,354)
Value adjustments, portfolio during the year	47,344	(169,296)
Value adjustments related to conversions during the year	<u>(1,644)</u>	<u>0</u>
Accumulated value adjustments end of year	<u><b>(120,295)</b></u>	<u><b>(145,872)</b></u>
Share capital investment in projects end of year	<u><b>3,547,300</b></u>	<u><b>3,101,107</b></u>
Hereof associated companies:		
Share capital investment in projects end of year at cost	1,931,931	1,651,172
Accumulated value adjustments end of year	<u>(236,623)</u>	<u>(163,754)</u>
	<u><b>1,695,307</b></u>	<u><b>1,487,417</b></u>
Accumulated value adjustments end of year are comprised of:		
Positive value adjustments	564,061	503,553
Negative value adjustments	<u>(684,356)</u>	<u>(649,425)</u>
	<u><b>(120,295)</b></u>	<u><b>(145,872)</b></u>
*) DKK 284.8m guaranteed by the Danish State (DKK 159.6m in 2020).		

NOTES

Note

7/ Share capital investment in projects, net

Associated companies:

DKK 1,000

DKK 1,000

			2021	
Name/domicile:	Form of company:	IFU's ownership interest (%)	Result <i>According to the latest approved annual report</i>	Equity *
AC Captales Infrastructure Fund II, <i>Canada</i>	Fund	20.27%	(8,166)	213
Aerial & Maritime Ltd., <i>Mauritius</i>	Ltd.	35.17%	(5,065)	71,858
Africa Coffee Roasters Limited, <i>Kenya</i>	Ltd.	20.00%	(5,682)	(6,095)
AfriNord Hotel Investment A/S, <i>Denmark</i>	A/S	20.00%	(303)	2,825
Afro Farm Limited, <i>Tanzania</i>	Ltd.	40.00%	(1,801)	(4,164)
Al Quseir Hotel Company SAE, <i>Egypt</i>	SAE	20.00%	(8,313)	20,108
Aller Aqua China A/S, <i>Denmark</i>	A/S	36.40%	(11)	40,214
Alliance for Microfinance in Myanmar Limited, <i>Myanmar</i>	Ltd.	23.55%	11,289	166,696
Birger Christensen China Holding A/S, <i>Denmark</i>	A/S	40.00%	(44)	53
BOPA PTE Ltd, <i>Cambodia</i>	Ltd.	30.31%	(15,448)	168,607
CerCa A/S, <i>Denmark</i>	A/S	48.00%	(66)	1,187
COT Africa Limited , <i>Mauritius</i>	Ltd.	49.99%	N/A	N/A
Danish Agribusiness Fund K/S, <i>Denmark</i>	K/S	37.50%	37,890	317,036
Danish Climate Investment Fund I K/S, <i>Denmark</i>	K/S	39.92%	(52,927)	702,168
Danish Microfinance Partners K/S, <i>Denmark</i>	K/S	24.92%	(29,762)	198,050
Danish Sustainable Development Goals Investment Fund K/S, <i>Denmark</i>	K/S	40.00%	(80,256)	777,338
Danper Agricola La Venturosa S.A.C., <i>Peru</i>	S.A.C	45.00%	3,077	41,381
Danper Agricola Olmos S.A.C., <i>Peru</i>	S.A.C	25.00%	10,354	162,934
Dansani Kina Holding A/S, <i>Denmark</i>	A/S	50.00%	(1,857)	2,228
Dynatest South America Holding ApS, <i>Denmark</i>	ApS	33.33%	364	(5,418)
Elgon Road Developments Ltd, <i>Kenya</i>	Ltd.	30.08%	(64,752)	188,933

NOTES

Note

Associated companies:

DKK 1,000

DKK 1,000

			2021	
Name/domicile:	Form of company:	IFU's ownership interest (%)	Result <i>According to the latest approved annual report</i>	Equity *
Emerging Markets Power (Ghana) Limited, <i>Ghana</i>	Ltd.	27.00%	(535)	964
Enara Bahrain SPV W.L.L., <i>Bahrain</i>	WLL	41.43%	15,109	113,345
Equilibrium Management Co. Ltd., <i>China</i>	Ltd.	31.60%	N/A	N/A
Fiberline Asia Limited, <i>Hong Kong</i>	Ltd.	24.89%	3,997	6,061
Fibertex South Africa, <i>South Africa</i>	Pty. Ltd.	25.80%	(9,826)	(12,995)
Foss India Private Limited, <i>India</i>	Ltd.	24.15%	(2,722)	(5,352)
Ghana Emulsion Limited, <i>Ghana</i>	Ltd.	26.10%	N/A	N/A
Gustu Gastronomía S.A., <i>Bolivia</i>	S.A.	45.00%	(2,351)	7,866
House of Odin Ltd., <i>Nigeria</i>	Ltd.	20.20%	1,339	8,059
Jema Autolife Co., Ltd, <i>China</i>	Ltd.	44.01%	N/A	N/A
Kenya Property Holding ApS, <i>Denmark</i>	ApS	49.00%	(240)	5,308
Kjaer Group A/S, <i>Denmark</i>	A/S	20.00%	(1,506)	74,430
NMI Fund IV KS, <i>Norway</i>	KS	20.03%	(21,370)	331,465
NMI GP IV AS, <i>Norway</i>	AS	22.37%	(4,465)	75,474
Nordic Horn of Africa Opportunities Fund, <i>Canada</i>	Fund	34.00%	(791)	48,515
Nordic Microfinance Initiative AS, <i>Norway</i>	AS	33.33%	(3,269)	74,691
Nordic Microfinance Initiative Fund III KS, <i>Norway</i>	KS	24.40%	(104,684)	445,309
Rabai Power Holdings Limited, <i>United Kingdom</i>	Ltd.	20.00%	45,256	339,818
Smart Solar International Holding, <i>France</i>	SA	49.00%	(1,384)	(1,376)
*) Excluding undisbursed commitments/not paid-in capital.				



## NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
8/ <u>Project loans, net</u>		
Project loans beginning of year at cost	1,068,522	1,053,112
Disbursements during the year	381,940	188,559
Interest and fees converted into project loans during the year	15,226	10,766
Repayments during the year	(92,563)	(126,584)
Project loans converted into share capital during the year	(1,564)	0
Exchange rate adjustments, project loans	43,739	(45,337)
Write-offs during the year	(7,002)	(11,994)
Project loans end of year at cost *	<u><b>1,408,298</b></u>	<u><b>1,068,522</b></u>
Accumulated value adjustments incl. allowance for impairment beginning of year	(153,938)	(116,629)
Reversed allowance for impairment, loans written off	(7,396)	(7,661)
Value adjustments including allowance for impairment for the year	(9,619)	(28,931)
Allowance for impairment related to conversions during the year	(1,323)	(717)
Accumulated value adjustments incl. allowance for impairment end of year	<u><b>(172,276)</b></u>	<u><b>(153,938)</b></u>
Project loans, net end of year	<u><b>1,236,022</b></u>	<u><b>914,584</b></u>
Hereof project loans at amortised cost:		
Project loans at amortised cost end of year at cost	1,329,564	1,068,522
Accumulated allowance for impairment end of year	(174,638)	(153,938)
	<u><b>1,154,926</b></u>	<u><b>914,584</b></u>
Hereof project loans at fair value:		
Project loans at fair value end of year at cost	78,734	0
Accumulated value adjustments end of year	2,362	0
	<u><b>81,096</b></u>	<u><b>0</b></u>
*) Project loans end of year at cost are comprised of:		
Senior project loans	1,050,111	719,293
Subordinated loans	315,273	308,026
Equity loans	42,914	41,203
	<u><b>1,408,298</b></u>	<u><b>1,068,522</b></u>

## NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
*) Project loans end of year at cost in DKK distributed according to currency denomination:		
	Currency	Currency
DKK		321,496
USD <sup>1</sup>	90,979	62,980
EUR	58,158	58,513
INR	500,000	519,000
Other currencies		13,231
	<u><b>1,408,298</b></u>	<u><b>1,068,522</b></u>

<sup>1)</sup> USD 32.6m is hedged against DKK (USD 27.5m in 2020)

NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
9/ <u>Investment in subsidiaries</u>		
Investment in subsidiaries beginning of year at cost	2,230	2,230
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 (%)	Result According to the latest approved annual report	Equity
IFU Investment Komplementar, Copenhagen, Denmark	ApS	100%	19	200
IFU Investment Partners GP, Copenhagen, Denmark	P/S	100%	(30)	316
DCIF I GP Komplementar, Copenhagen, Denmark	ApS	100%	9	101
DCIF I GP, Copenhagen, Denmark	P/S	100%	(17)	407
DAF I GP Komplementar, Copenhagen, Denmark	ApS	100%	8	82
DAF I GP, Copenhagen, Denmark	P/S	100%	(15)	440
DSDG GP Komplementar, Copenhagen, Denmark	ApS	100%	6	67
DSDG GP, Copenhagen, Denmark	P/S	100%	(13)	467

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

NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
10/ <u>Fixed assets and leasehold improvements</u>		
Cost beginning of year	12,281	12,035
Additions during the year	408	246
Cost end of year	12,689	12,281
Depreciation beginning of year	9,586	8,922
Depreciation for the year (note 5)	493	664
Depreciation end of year	10,079	9,586
Book value end of year	2,610	2,695
11/ <u>Interest receivable related to projects</u>		
Interest receivable related to projects before allowance for impairment	96,378	87,900
Allowance for impairment	(45,481)	(34,722)
Interest receivable related to projects	50,897	53,178
12/ <u>Other receivables</u>		
Dividend receivables	6,310	381
Receivables from sale of shares	10,706	10,877
Receivables from sale of loan	911	911
Receivable front-end fees	894	1,213
Other project-related receivables	141	126
Value adjustments	(3,465)	(2,754)
Derivatives *	2,249	14,788
Administrative receivables	20,129	10,208
Current accounts	0	4
Rental deposits	3,006	2,895
	40,881	38,649

\*) Stated amount for 2021 concerns a hedged amount of USD 19.6m with term from 2022 to 2026.



## NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
<b>13/ Total equity</b>		
Paid-in capital beginning of year	2,538,342	2,478,342
African Guarantee Fund	0	60,000
Nordic Fund Project (Horn of Africa)	9,375	0
High Risk High Impact Initiative	50,000	0
Paid-in capital end of year	<u>2,597,717</u>	<u>2,538,342</u>
Repaid capital beginning of year	(1,250,000)	(1,250,000)
Repaid capital end of year	<u>(1,250,000)</u>	<u>(1,250,000)</u>
Dividend proposed for the year	<u>0</u>	<u>0</u>
Retained earnings beginning of year	2,751,200	2,919,754
Cancelled dividend regarding previous year	0	13,000
Distribution to IFU Sustainability Facility	0	(7,500)
Transferred income for the year	177,385	(174,054)
Retained earnings end of year	<u>2,928,585</u>	<u>2,751,200</u>
Total equity end of year	<u>4,276,302</u>	<u>4,039,542</u>
<b>14/ Provisions for guarantees and loan commitments</b>		
Allowance for impairment on remaining commitments beginning of year	6,985	1,861
Allowance for impairment on remaining commitments on loans	(3,872)	5,222
Allowance for impairment on remaining commitments on guarantees	337	(98)
Allowance for impairment on remaining commitments end of year	<u>3,450</u>	<u>6,985</u>

## NOTES

	2021	2020
Note	DKK 1,000	DKK 1,000
<b>15/ Long-term debt</b>		
Loan from Danmarks Nationalbank	402,498	198,629
Loan from the Nordic Investment Bank	93,885	81,832
	<u>496,383</u>	<u>280,461</u>
<p>The term of the bullet loans issued by Danmarks Nationalbank are eight to ten years and with an annual interest rate of 0.5% - 0.0% and an annual fee to the Danish State of 0.15%.</p> <p>The term of the equal instalment loans issued by Nordic Investment Bank are six to seven years and with a semi-annual variable interest rate.</p>		
<b>16/ Other current liabilities</b>		
Other project-related debt	9,032	8,614
Derivatives *	4,674	754
Collateral received regarding derivatives	0	5,000
IFU Sustainability Facility	16,342	15,045
Administrative debt	35,985	48,157
Current accounts	24,182	889
Received payment from MFA related to planned project loan	0	22,000
Other liabilities	486	14,947
	<u>90,701</u>	<u>115,406</u>

\*) Stated amount for 2021 concerns a hedged amount of USD 12.9m with term from 2022 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.

Amounts payable on share capital and loan agreements	2,375,118	2,846,399
Guarantees *	42,228	30,655
Binding commitments	279,250	723,462
Undisbursed commitments to projects	<u>2,696,596</u>	<u>3,600,516</u>

\*) Net outstanding guarantees after provision for losses amount to 41,886 (30,650 in 2020).

NOTES

2021

2020

NoteDKK 1,000DKK 1,000

18/ Contingent liabilities

The total lease and rental commitments amount to DKK 9.2m (DKK 6.6m in 2020)  
- hereof due within the following year DKK 9.2m (DKK 6.6m in 2020).

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 2021, IFU had business transactions with Nykredit Bank A/S, part of the Nykredit Group, in which the chairman is CEO, and with PKA where four pension funds under PKA have invested in funds managed by IFU - these investments are managed for PKA by IIP Denmark, in which the deputy chairman is managing partner.

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 chairman or the deputy chairman.

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

20/ Recommended appropriation of net income

Dividend proposed for the year	0	0
Distribution to IFU Sustainability Facility	5,000	0
Transferred to reserve under equity	177,385	(174,054)

182,385(174,054)

21/ Financial highlights and Investments contracted in 2021

Financial highlights (table) - see page 44

Investments contracted in 2021 (table) - see page 16

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. Furthermore 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.

2021	Share capital investments		Project loans		Total		Commitments (off balance)	
OECD	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%	DKK 1,000	%
2	97,508	3%	109,942	8%	207,450	4%	49,350	2%
3	232,230	6%	80,394	6%	312,624	6%	169,263	6%
4	127,186	3%	53,098	4%	180,284	4%	16,289	1%
5	189,342	5%	186,484	13%	375,826	7%	27,690	1%
6	336,501	9%	481,997	34%	818,498	16%	164,100	6%
7	167,741	5%	238,721	17%	406,462	8%	246,635	9%
Africa regional	1,035,178	28%	180,417	13%	1,215,595	24%	193,184	7%
DAC	1,354,779	37%	15,083	1%	1,369,862	27%	1,751,100	65%
Asia regional	2,445	0%	0	0%	2,445	0%	32,215	1%
Latin America Regional	124,685	3%	0	0%	124,685	2%	46,770	2%
Not rated	0	0%	62,162	4%	0	0%	0	0%
Total	3,667,595	100%	1,408,298	100%	5,013,731	100%	2,696,596	100%

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%

NOTES

Note

Credit quality/impairment (IFRS 9)

All outstanding project loans valued at amortised cost 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	2021	2020
Project loans (stage 1)	844,419	586,205
Project loans (stage 2)	275,057	313,259
Project loans (stage 3)	210,088	169,058
Total	1,329,564	1,068,522

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

DKK 1,000	2021	2020
OECD 0	235,867	0
OECD 2	15,747	38,277
OECD 3	88,792	82,836
OECD 4	9,000	16,500
OECD 5	161,790	34,866
OECD 6	154,545	306,266
OECD 7	178,678	106,631
Africa regional	0	829
Total	844,419	586,205

NOTES

Note

The table below shows project loans according to stages.

	Allowance for impairment %	Project loans at cost	Accumulated allowance for impairment	Project loans carrying amount 2021
DKK 1,000				
Project loans (stage 1)	(1.8)%	844,419	(14,969)	829,450
Project loans (stage 2)	(13.6)%	275,057	(37,341)	237,716
Project loans (stage 3)	(58.2)%	210,088	(122,328)	87,760
Total		1,329,564	(174,638)	1,154,926

	Allowance for impairment %	Project loans at cost	Accumulated allowance for impairment	Project loans carrying amount 2020
DKK 1,000				
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

NOTES

Note

Project loans at amortised cost before allowance for impairment	Stage 1	Stage 2	Stage 3	Total 2021
Project loans beginning of year at cost	586,205	313,259	169,058	1,068,522
Disbursements during the year	360,020	21,675	245	381,940
Interest and fees converted into project loans during the year	5,233	1,836	8,157	15,226
Repayments during the year	(52,861)	(6,170)	(33,532)	(92,563)
Project loans converted into share capital during the year	0	0	(1,564)	(1,564)
Exchange rate adjustments, project loans	23,384	14,902	5,453	43,739
Transferred to loans at fair value	0	(78,734)	0	(78,734)
Write-offs during the year	197	0	(7,199)	(7,002)
Project loans end of year at cost before change of stages	922,178	266,768	140,618	1,329,564
Change in loan value from stage 1	(207,125)	192,676	14,449	0
Change in loan value from stage 2	120,366	(184,387)	64,021	0
Change in loan value from stage 3	9,000	0	(9,000)	0
Project loans end of year at cost	844,419	275,057	210,088	1,329,564

Accumulated allowance for impairment	Stage 1	Stage 2	Stage 3	Total
Accumulated allowance for impairment beginning of year	(9,305)	(27,265)	(117,368)	(153,938)
Reversed allowance for impairment, loans written off	(197)	0	(7,199)	(7,396)
Allowance for impairment, loans at fair value	0	(2,362)	0	(2,362)
Allowance for impairment for the year	(35,998)	3,226	23,153	(9,619)
Allowance for impairment related to conversions during the year	0	0	(1,323)	(1,323)
Accumulated allowance for impairment end of year before change of stages	(45,500)	(26,401)	(102,737)	(174,638)
Change in loan value from stage 1	32,513	(28,900)	(3,613)	0
Change in loan value from stage 2	(1,955)	17,960	(16,005)	0
Change in loan value from stage 3	(27)	0	27	0
Accumulated allowance for impairment end of year	(14,969)	(37,341)	(122,328)	(174,638)



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 allowance for impairment	Stage 1	Stage 2	Stage 3	Total
Accumulated 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)
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 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 allowance for impairment end of year	(9,305)	(27,265)	(117,368)	(153,938)

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.

	2021		2020	
DKK 1,000	Carrying amount	Maximum credit exposure (contractual cash flow)	Carrying amount	Maximum credit exposure (contractual cash flow)
Project loans	1,236,022	1,408,298	914,584	1,068,522
Interest receivable related to projects	50,897	96,378	53,178	87,900
Other receivables	15,497	18,962	10,754	13,508
Derivatives	2,249	2,249	14,788	14,788
Cash	63,237	63,237	218,549	218,549
Commitments	0	108,965	0	562,840
Total	1,367,902	1,698,089	1,211,853	1,966,107

**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 300m (2020: DKK 259m) and for indemnity and counter-guarantee the fair value is DKK 238m (2020: DKK 181m).

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.

2021									
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	562,081	22,360	6,212	(213,739)	(2,399)	(366)	374,149	10%	37,415
EUR	364,937	23,822	424	0	(1,040)	0	388,143	1%	3,881
INR	43,691	0	0	0	0	0	43,691	10%	4,369
DKK	265,313	4,715	8,844	213,739	(11)	(8,666)	483,933	N/A	0
Other	0	0	17	0	0	0	17	10%	2
Total	1,236,022	50,897	15,497	0	(3,450)	(9,032)	1,289,934		

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		

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.

2021					
DKK 1,000	Project loans	SWAP	Net exposure	Increase in interest rates	Effect on profit or loss
Fixed	302,063	(80,653)	221,410	100 bp	0
Variable	933,959	80,653	1,014,612	100 bp	10,146
Total	1,236,022	0	1,236,022		

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		

26/ Liquidity risk

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

IFU 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 loans from Danmarks Nationalbank and the 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 overdraft facility shared with IØ is in place to cover unexpected negative short-term fluctuations in cash flows. At year-end, DKK 174 million was available for drawing. A new overdraft facility of DKK 200 million has been established also to cover fluctuations in cash flows. At year-end, DKK 200 million was available for drawing. Furthermore, IFU has access to loan financing of DKK 1,400m from Danmarks Nationalbank on two lending lines. At the end of 2021, DKK 405m was drawn on these lending lines. In 2022, this lending line will be increased by an additional amount of DKK 400m. Finally, IFU has a EUR 50m loan facility with the Nordic Investment Bank for refinancing of larger loan engagements fulfilling the Nordic Investment Bank's mandate. End of 2021, DKK 104m was drawn on this loan facility. Total liquidity ressources available to IFU amount to DKK 1,729m at year-end 2021.

NOTES

Note

Contractual maturities

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

2021							
DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
<b>Assets</b>							
Project loans	1,236,022	1,408,298	61,616	228,403	661,489	456,790	0
Interest receivable related to projects	50,897	96,378	96,378	0	0	0	0
Other receivables	24,130	27,595	7,345	9,544	10,706	0	0
Derivatives	2,249	2,249	0	581	1,668	0	0
Cash and cash equivalents	170,910	170,910	63,237	0	107,673	0	0
<b>Total assets</b>	<b>1,484,208</b>	<b>1,705,430</b>	<b>228,576</b>	<b>238,528</b>	<b>781,536</b>	<b>456,790</b>	<b>0</b>
<b>Liabilities</b>							
Derivatives	4,674	4,674	0	868	3,318	488	0
Other current liabilities	49,301	49,301	0	49,301	0	0	0
Loan from Danmarks Nationalbank	402,498	394,012	0	0	0	394,012	0
Loan from the Nordic Investment Bank	93,885	93,885	0	12,456	58,747	22,681	0
Drawn on bank credit facilities	105,519	105,519	0	105,519	0	0	0
REPO with Danske Bank	107,551	107,551	0	107,551	0	0	0
<b>Total liabilities</b>	<b>763,428</b>	<b>754,942</b>	<b>0</b>	<b>275,695</b>	<b>62,065</b>	<b>417,181</b>	<b>0</b>
<b>Off-balance</b>							
Guarantees		42,228	0	0	0	0	42,228
Amounts payable on share capital and loan agreements		2,375,118	2,375,118	0	0	0	0
Binding commitments		279,250	0	279,250	0	0	0
<b>Total off-balance</b>		<b>2,696,596</b>	<b>2,375,118</b>	<b>279,250</b>	<b>0</b>	<b>0</b>	<b>42,228</b>

NOTES

Note

2020							
DKK 1,000	Carrying amount	Contractual cash flows	On demand	0-1 year	1-5 years	Over 5 years	No fixed maturity
<b>Assets</b>							
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
<b>Total assets</b>	<b>1,336,362</b>	<b>1,527,776</b>	<b>368,879</b>	<b>201,777</b>	<b>657,099</b>	<b>297,126</b>	<b>2,895</b>
<b>Liabilities</b>							
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 the 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
<b>Total liabilities</b>	<b>395,867</b>	<b>385,059</b>	<b>0</b>	<b>124,881</b>	<b>40,916</b>	<b>219,262</b>	<b>0</b>
<b>Off-balance</b>							
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
<b>Total off-balance</b>		<b>3,600,516</b>	<b>2,846,399</b>	<b>723,462</b>	<b>0</b>	<b>0</b>	<b>30,655</b>



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.

2021					
DKK 1,000	Designated at fair value through profit and loss	Loans and receivables at amortised cost	Loans and receivables at fair value	Other liabilities at amortised cost	Total
<b>Financial assets</b>					
Share capital investment in projects	3,547,300	0	0	0	3,547,300
Project loans	0	1,154,926	81,096	0	1,236,022
Interest receivable related to projects	0	36,181	14,716	0	50,897
Other receivables	15,356	8,774	0	0	24,130
Derivatives	2,249	0	0	0	2,249
Bonds	107,673	0	0	0	107,673
Cash and cash equivalents	0	(42,282)	0	0	(42,282)
<b>Total financial assets</b>	<b>3,672,578</b>	<b>1,157,599</b>	<b>95,812</b>	<b>0</b>	<b>4,925,989</b>
<b>Financial liabilities</b>					
Current liabilities:					
Derivatives	4,674	0	0	0	4,674
Other current liabilities	0	0	0	49,301	49,301
Long-term debt	0	0	0	496,383	496,383
<b>Total financial liabilities</b>	<b>4,674</b>	<b>0</b>	<b>0</b>	<b>545,684</b>	<b>550,358</b>

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

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Note

The carrying amount of project loans with fixed interest terms amounts to DKK 302m (2020: 260m). The fair value of these project loans amounts to DKK 307m (2020: DKK 272m) 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 by 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.

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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.

Project loans

Project loans, which do not meet the “SPPI” test (solely payments of principal and interest), e.g. loans which include equity features such as profit participation or equity conversion options, are measured at fair value.

In the initial phase all loans are valued at cost price less any impairment adjustment, as this is deemed to provide a good indication of fair value. Hereafter loans will be valued by the DCF method based on updated assumptions for future cash flow including equity features.

Valuing project loans in developing countries at fair value involves a large inherent uncertainty. For smaller project loans (cost price of loan below DKK 25m) uncertainties are deemed to be even higher and therefore these will be valued at amortised cost less an allowance for impairment. These project loans constitute a minor part of IFU's portfolio.

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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.

2021				
DKK 1,000	Level 1	Level 2	Level 3	Total
<b>Share capital investments</b>				
Opening balance	15,518	0	3,085,589	3,101,107
Total gains/losses for the period included in profit or loss <sup>1</sup>	(2,764)	0	102,499	99,735
Paid-in share capital in projects	0	0	596,318	596,318
Proceeds from divestment of shares	0	0	(249,860)	(249,860)
<b>Closing balance</b>	<b>12,754</b>	<b>0</b>	<b>3,534,546</b>	<b>3,547,300</b>
<b>Project loans at fair value</b>				
Opening balance	0	0	0	0
Transfers into the level	0	0	61,860	61,860
Exchange rate adjustments	0	0	6,043	6,043
Total gains/ losses for the period included in profit or loss	0	0	13,193	13,193
<b>Closing balance</b>	<b>0</b>	<b>0</b>	<b>81,096</b>	<b>81,096</b>
<b>Other receivables</b>				
Opening balance	0	10,628	0	10,628
Closing balance	0	15,356	0	15,356
<b>Derivative financial instruments (Assets)</b>				
Opening balance	0	14,788	0	14,788
Closing balance	0	2,249	0	2,249
<b>Derivative financial instruments (Liabilities)</b>				
Opening balance	0	754	0	754
Closing balance	0	4,674	0	4,674
<b>Total recurring fair value measurements</b>	<b>12,754</b>	<b>22,279</b>	<b>3,615,642</b>	<b>3,650,675</b>

1) Recognised in Contribution from share capital investments.  
Hereof DKK 112m (2020: DKK (162)m) is attributable to assets held at 31 December for level 3.

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Note

2020				
DKK 1,000	Level 1	Level 2	Level 3	Total
<b>Share capital investments</b>				
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 <sup>1</sup>	(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)
<b>Closing balance</b>	<b>15,518</b>	<b>0</b>	<b>3,085,589</b>	<b>3,101,107</b>
<b>Other receivables</b>				
Opening balance	0	10,410	0	10,410
Closing balance	0	10,628	0	10,628
<b>Derivative financial instruments (Assets)</b>				
Opening balance	0	1,545	0	1,545
Closing balance	0	14,788	0	14,788
<b>Derivative financial instruments (Liabilities)</b>				
Opening balance	0	7,852	0	7,852
Closing balance	0	754	0	754
<b>Total recurring fair value measurements</b>	<b>15,518</b>	<b>26,170</b>	<b>3,085,589</b>	<b>3,127,277</b>

1) Recognised in Contribution from share capital investments.  
Hereof DKK 112m (2020: DKK (162)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.

2021					
DKK 1,000 Type of investment	Fair value at 31/12/2021	Valuation technique	Unobservable inputs	Reasonable possible shift in %	Change in fair value
<b>Indirect investments through financial intermediaries</b>					
Own managed funds, loan funds and funds where IFU has a managerial role	1,320,926	Net assets value			
Externally managed funds	867,043	Net assets value			
<b>Direct investments</b>					
	35,741	Cost			
	52,759	Binding offers/transaction/exit terms			
	741,809	Book value of equity			
	366,914	Discounted Cash Flow	WACC Growth in terminal value	+10% - 20%	(59,324) (14,913)
	91,898	Multiple valuation	EV/EBITDA	- 10%	(2,148)
	57,457	Book value of equity (small investments)	Price/Book	- 10%	(7,965)
<b>Share capital investments</b>	<b>3,534,546</b>				
<b>Project loans at fair value</b>	<b>81,096</b>	Discounted Cash Flow	Discount rate	+10%	(2,422)
<b>Total investments at fair value</b>	<b>3,615,642</b>				

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
<b>Indirect investments through financial intermediaries</b>					
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			
<b>Direct investments</b>					
	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)
	48,351	Book value of equity (small investments)	Price/Book	- 10%	(19,175)
<b>Share capital investments</b>	<b>3,085,589</b>				



TOTAL  
CAPITAL UNDER  
MANAGEMENT IS  
DKK 12.6 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 August 2024.

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 has been a member 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), Sund og Bælt Holding A/S (chairman).



**ANETTE EBERHARD**

Deputy Chairman, board member since 2021.  
Managing Partner, IIP Denmark.  
Other board memberships: Alm. Brand A/S, chairman Audit and Risk Committee.



**THOMAS BUSTRUP**  
Board member since 2021.  
Deputy CEO, DI – Confederation of Danish Industry.  
Other board memberships: Baltic Development Forum (chairman),  
Business Europe US Network (chairman), Verdens Bedste Nyheder (deputy chairman),  
Global Compact Netværk Danmark, International Chamber of Commerce, Denmark,  
Creative Denmark, State of Green, Byggeriets Kvalitetskontrol.



**EMILIE AGNER DAMM**  
Board member since 2021.  
Senior Analyst, The Economic council of the Labour Movement.



**NANNA HVIDT**  
Board member since 2021.  
Former director, Danish Institute for International Studies and  
Director of Evaluation, Learning and Quality, Ministry of Foreign  
Affairs.



**HANNA LINE JAKOBSEN**  
Board member since 2021.  
Senior Vice President, Social & Humanitarian, Novo Nordisk Fonden.  
Other board memberships: The Social Capital Fund.



**JARL KRAUSING**  
Board member since 2021.  
Deputy CEO and International Director, CONCITO.  
Other board memberships: Udviklingspolitisk Råd (deputy chairman),  
Merkur Banks Klimafond, Rådet for Samfundsansvar  
og Verdensmål.



**IRENE QUIST MORTENSEN**  
Board member since 2021.  
Head of Sustainability, International Zone, Arla Foods.



**ADAM SPARRE SPLIID**  
Board observer since 2022.  
Deputy Head of Department for Green Diplomacy and Climate,  
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](http://www.ifu.dk) - click here

GLOBAL PRESENCE



INVESTMENT FUND FOR  
DEVELOPING COUNTRIES

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IFU.DK



**IFU EUROPE & MENA**  
Kyiv

**IFU LATIN AMERICA**  
São Paulo

**IFU EAST AFRICA**  
Nairobi

**IFU WEST AFRICA**  
Accra

**IFU SOUTH ASIA**  
New Delhi

**IFU SOUTH ASIA**  
Singapore

**IFU SOUTH ASIA**  
Ho Chi Minh City

**IFU CHINA**  
Shanghai

ANNEX: REPORTING SCOPE AND PRINCIPLES

In 2021, IFU began working with integrated reporting that includes the consideration of significant sustainability and development impact creation, alongside financial inputs and direct and indirect economic effects. The ambition is to give IFU's stakeholders a broader overview of IFU's performance, in a more integrated manner.

The impact data presented are from 2019 and 2020. The reason is that impact figures are primarily gathered based on direct reporting from the portfolio companies in the form of for example annual reports and sustainability reporting, which are only partially available for 2021 at the time of preparing this report. Hence presenting figures for 2019 and 2020 ensures a more comprehensive data set for the periods reported and is considered to give a more correct representation.

Furthermore, the relevant impact data from the 2019 and 2020 sustainability and impact reports have been revisited to strengthen year-on-year comparability. The aim is to build time series data to support the monitoring of data trends over multiple years. Next year, impact data from the 2021 period will be added to provide data points across three years and start trend analysis.

The 2021 report focuses on IFU's investments, which account for the significant part of IFU's impacts. The impacts of IFU's own activities are considered to be small in comparison, and only a few key figures on IFU's staff and premises are included in the report.

The report is based on sustainability reports submitted to IFU in 2021 by the projects, as well as on additional analysis of the performance of the portfolio on specific issues like value added, indirect employment and greenhouse gas emissions.

More specifically, the impact data for 2020 is based on a total of 192 investments. Five of these projects are PDP, two are indirect investments, and 18 are inactive. Of the remaining 167 project in IFU's active portfolio, 141 projects submitted sustainability reports to IFU in 2021:

- 88 of 105 direct investments submitted a sustainability report to IFU. Nine of the remaining projects are either in distress or in the process of being exited, and have not prepared a report in this reporting period. Of the remaining eight projects, five are new projects not yet required to report, and three are exempted from reporting.
- Nine of 11 financial institutions submitted a sustainability report to IFU. The remaining are two new investments not yet required to report.

- 44 of 51 fund investments submitted a sustainability report to IFU in 2021. Of the seven remaining, five are new fund investments not yet required to report, and two have been exempted from reporting.

The direct investments are obliged to use an online reporting template with fixed questions and answer options, e.g. standardised tick boxes. This template was introduced in 2019 to align the sustainability reports and enable aggregation of more data. However, procedures for gathering data in the projects will always be of varying quality, and IFU will continue to adjust the indicators and questions in the template to improve the answers and the data accuracy.

Funds and financial institutions use an IFU Word template to submit their annual sustainability reports to IFU. Funds are also allowed to use a template provided by another investment partner when co-financing with other EDFIs occurs.

As the projects typically have different financial years, the reported impact data covers different reporting periods within 2020-2021. Thus, the aggregated data is a representative snapshot of the portfolio's overall impact performance in 2020.

As IFU continuously contracts new projects and divests projects in the portfolio, the composition of the portfolio varies from year to year, thus introducing year-on-year variability across the portfolio impacts.

An important note is that 47 per cent of the portfolio are projects contracted before 2015, after which IFU's sustainability policy was significantly strengthened. These earlier projects are not required to meet the same sustainability requirements as projects contracted in the period 2015-2021, and IFU cannot reopen contracts to add additional requirements.

At portfolio level, IFU applies a range of indicators closely aligned to the HIPSO indicators and definitions, as agreed among European DFIs. These include crosscutting indicators applicable to all investments and sector-specific indicators for priority sectors. In addition to this annual report, IFU also reports annually to the UN Global Compact (UNGC) and the UN Principles for Responsible Investment (UNPRI). In 2021, IFU also published its 2nd Disclosure Statement that is available on the Operating Principles for Impact Management (OPIM) website.



