

Introduction

The fight against corruption has intensified over the last decade. IFU's sustainability policy states that IFU strives to create shared value by "securing **good corporate governance and business ethics**, including **anti-corruption**, anti-fraud, transparency and stakeholder engagement". Project companies must therefore take a clear stand against corruption.

Corruption is recognised as one of the greatest barriers to sustainable development with a disproportionate impact on developing countries. Combating corruption is a key element to poverty alleviation. IFU is member of Transparency International Denmark.

IFU's anti-corruption guidelines cover bribery of public officials, private-to-private transactions and other aspects of corruption such as fraud and money laundering of the proceeds of corruption. Facilitation payments are also considered a form of bribery and are prohibited by law in most countries. These are payments or gifts to secure or expedite the performance of a routine action or service to which the project company is entitled, and are typically demanded by low-level or low-income government officials.

Legal framework

IFU's anti-corruption guidelines are based on Danish law, the UN Convention against Corruption, OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Global Compact's Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery."

IFU requirements to project companies

In addition to complying with legislation in the country in which it operates, IFU requires that a project company assesses the risk of corruption, establishes an anti-corruption culture, avoids facilitation payments and makes its anti-corruption commitment known to business partners.

Assess the risk of corruption

The project company must identify and assess the risk of becoming involved in corruption in all parts of company operations and in relation to both the public and the private sector. The company must initiate the necessary preventive measures to counter the risks identified.

IFU recommends that the project company implements procedures for managing corruption risks, including a policy and clear instructions to avoid corruption. It is recommended that the board of directors ask the project company for an annual evaluation of the potential business risk to the project company associated with bribery.

Establishes an anti-corruption culture

The project company must create and maintain an organisational culture that does not tolerate corruption.

The project company must train all relevant employees to avoid and deal with corruption. Employees should be introduced to good business practices such as always sending two or more people to critical meetings to discourage bribery. Employees must also be introduced to dilemmas and how to handle them.

Avoids facilitation payments

Experience shows that it is worthwhile denying requests for facilitation payments. The project company must prepare employees in advance to avoid facilitation payment and instruct them how to handle the payment, only if it cannot be avoided, e.g. by requesting a receipt and reporting it to management. Project companies must also establish a procedure for recording facilitation payments.

Makes their anti-corruption commitment known to business partners

The project company must make its commitment to fighting corruption known to its major suppliers, contractors and other business partners.

Using third parties does not exempt the project company from its responsibility to fight corruption. The company must therefore ensure that agents, intermediaries and consultants acting on behalf of the company are not involved in corruption.

Recommended tools

IFU recommends that project companies implement adequate procedures for managing corruption risks, including an anti-corruption policy and clear instructions. To this end, IFU recommends the anti-corruption section of the UN Global Compact Self-Assessment tool (www.ungcsa.org) and the Business Anti-Corruption Portal (www.business-anti-corruption.com). These portals are comprehensive and practical tools targeted in particular to small and medium-sized companies to support them in identifying risk areas and fighting corruption.

IFU's response to corruption

The basis of IFU's approach is cooperation in good faith with its partners, e.g. at the board level, in determining whether a violation has occurred and which actions should be taken. In case of non-compliance with IFU's anti-corruption policies IFU is allowed to require an investigation of the project company and to recommend measures for a continuous operation within the law.

If IFU receives credible and sufficiently complete information about bribery involving one of IFU's portfolio companies or a business partner of IFU and the alleged bribery is connected to IFU's investment, IFU will immediately pass on this information to local or Danish law enforcement authorities. IFU will inform its Danish project partner before passing on any information.

As a last resort, IFU is entitled to demand repayment of a loan or to sell its shares on the terms set out in its standard legal agreements.

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