

Tax policy

IFU invests in developing countries and emerging markets, primarily in collaboration with Danish companies. The purpose is to contribute to the economic and social development in the countries we invest in. IFU reinvests its profits in new projects, so the right balance between financial and development return must be struck, contributing to enhanced global economic growth, development impact and more equitable income distribution. Since IFU's profits are reinvested in new projects, IFU is exempt from paying corporate income tax in Denmark. IFU aims at delivering on its developmental success criteria, and hereby achieving positive development effects, including creation of jobs and income, payment of taxes, contribution to government revenue, transfer of know-how and cleaner technologies, training and education.

IFU will manage its tax affairs according to the following three principles:

1. Compliance and payment of local tax

The companies in which IFU invests must at all times comply with local tax laws and pay taxes where they have their economic activity.

The companies in which IFU invests must pay the taxes levied in the countries in which they operate and have their economic activity, and comply in any other way with local tax law.

IFU recognises the right of governments to design their tax policies so that specific industries or areas become developed and for companies to make such incentive schemes result in sustainable investments.

2. Use of holding company structures and third jurisdictions

IFU may use holding company structures in its investments for several reasons, including tax, if such structures are considered normal and usual. IFU will not use holding companies in third jurisdictions that are on the EU list of non-cooperative jurisdictions for tax purposes or do not comply with OECD's Global Forum.

IFU may use holding company structures to mitigate adverse effects of lacking or insufficient double taxation treaties. In investments with multiple partners, IFU may participate in holding company structures designed to facilitate multiple jurisdiction issues. For the avoidance of doubt, IFU may always use holding company structures for reasons such as insulating companies from legal risk, acquiring relevant ownership thresholds with partners, insulating assets, improving financial terms or security, etc. Structures must in all cases be legal, transparent and not designed to work against the spirit of the law.

IFU will not participate in holding company or fund structures in third jurisdictions that are on the EU list of non-cooperative jurisdictions for tax purposes or do not work towards complying with the peer review process of OECD's Global Forum on

Transparency and Exchange of Information for Tax Purposes. Regarding the peer review process this means that jurisdictions that will not complete the peer review process or which have completed the process but are not deemed “compliant” or “largely compliant” are not used.

3. Transparency

IFU is transparent about its use of holding company structures and publishes the aggregate tax expenses of companies in which IFU invests.

IFU publishes information on its entire portfolio, including whether a holding company is used in each investment and where the holding company is domiciled.

Taxes paid to host countries are an important element of the development effect of IFU’s investments. IFU annually discloses the aggregate amount of tax expenses as reported in the accounts of companies in which IFU invests.

As approved by the board of directors at the board meeting on 1 December 2015 and amended after the board meeting on 13 December 2017.

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