

Norfund's risk appetite

The risks we are **willing to take** are primarily about **where and in what we invest**. This is essential to deliver on our development mandate:

- Country & political risk based on our mandate – such as in Sub-Saharan Africa and other LDCs;
- Equity/financial risk to achieve development impact and positive financial return;
- Currency risk including local currency exposures;
- Risk in investing in greenfield projects, venture, SMEs and micro-finance;
- Exit risk by investing in equity, and equity funds; and
- First mover in new markets and sectors where the potential for development is high.

We **manage** these risks by market insight, local presence, and portfolio diversification. Norfund seeks to have a diversified portfolio of countries, instruments, currencies and sectors, thereby being able to reduce the impact of adverse events in one or more markets.

The risks that we must **seek to minimize to an acceptable level through mitigation** are primarily about **how we select our investment partners and how we operate and run our investment and other operational processes**. This enables us to responsibly and prudently take on the risk appetite inherent in our mandate:

- Risk of corruption – where Norfund has zero tolerance and if uncovered triggers an immediate response;
- Risks related to environmental, social and governance compliance defined by DFI best practice as well as business integrity of our investees;
- Risks connected to the health, safety and wellbeing as well as security of our employees;
- Security and integrity of our IT-systems; and
- Integrity, reliability of our financial controls and payment systems.

We minimize these risks by designing and implementing appropriate systems and processes, regular training, contractual requirements, internal control and compliance.

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