Report on Operations 2021

Letter from the CEO

Since our inception in 1997, Norfund's mandate has focused on investing to build sustainable businesses and alleviate poverty through job creation. This year marks 25 years since the Norwegian Parliament brought Norfund to life, and filled a need for an active, strategic investment fund for developing countries. Our focus though is on the future, and the next 25 years and beyond.

We very recently reached another milestone: the Ministry of Foreign Affairs, acting on one of the most pressing challenges of our time, entrusted Norfund with an additional mandate — to manage the Climate Investment Fund. While the world is taking steps toward addressing the climate crisis, the recent IPCC Report is a stark reminder that more action is needed. Norfund's Climate Investment Fund is allocating 10 billion NOK over five years to invest in the transition to net zero in emerging markets. Each year, for the next ten years, one billion NOK from Norfund's capital and one billion NOK from the state budget will be invested in renewable energy in the growing economies where the climate effect will be greatest. Norfund's total investments in renewable energy during the past 25 years have already contributed to avoiding 9 million tonnes of CO_2 emissions annually — equivalent to almost one fifth of Norway's annual emissions, or all Norwegian road traffic.

The market landscape is being hit by not only the remaining negative impact of the COVID-19 pandemic, but also the impact of rising interest rates and climate change all at once. While this outlook may appear grim, it makes the role of development finance even more crucial. Norfund increased its investments in developing countries by 10% in 2021 — hitting a record high of 5.3 billion NOK. This is a testament to the drive of our team and investees, who have been able to deliver despite facing unprecedented challenges and circumstances.

Last year, Norfund received 1.68 billion NOK from the development assistance budget and invested three times as much — increasing our contribution to job creation and the fight against poverty, despite the endurance of the pandemic. In total, Norfund made 32 new investments and 13 follow-up investments in existing companies in 2021. Last year we also made our first investment in water supply, an exciting new area for us. Through returns and sales, we can use the same money several times, and thus contribute to creating even more jobs, making a difference, effectively.

Visiting the South Africa team in October 2021

During large parts of 2021, we had to work from our home offices. Travelling was also highly restricted. COVID-restrictions put a large burden on the Norfund team, but they taught us that we are able to unite to achieve a common goal. With travel resuming in some regions in the second half of the year, I was lucky enough to travel to Kenya and South Africa in October where I amongst others visited Marginpar, an East African flower producer that was initially hit hard by the effects of COVID but managed to recover.

I also was able to visit our partners at Fourth Partner Energy (4PEL) on a trip to India in November. 4PEL is one of India's leading distributed solar platforms, providing on- and off-site power supply to larger commercial and industrial (C&I) clients. The company is targeting 3 GW of installed solar capacity by 2025 and expansion of capabilities across energy storage and EV charging infrastructure. It was great to see our investment and team in action in the field!

Finally, the war in Ukraine shocked the world with full force early this year. The toll it has taken on human life is heartbreaking, while also causing increasing food, energy and fertilizer prices in our markets, leading to increased food insecurity. There is no blueprint to deal with a crisis like this, but we can adjust our operations to address the situation at hand. That is something Norfund excels at: we are nimble, and able to adapt quickly to face dilemmas head on.

The next quarter century

Over the years we have grown as an organization, in terms of resources and staff, and in terms of the depth of our reach, our responsibility and our relationships; with our stakeholders, with the public and crucially, with our investees. Our mandates are becoming ever more pressing as issues of inequality and climate change reach critical tipping points. These topics will remain front and center in Norfund's focus and will clearly articulate the drivers and markets we will focus on to deliver our goals and create significant impact. We firmly believe that by using public funds to strengthen business and the private sector, we have the power to change lives.

Tellef Thorleifsson

Chief Executive Officer
May 18, 2022

History

1997

Norfund is established

Chairman: Arve Johnsen, Managing director: Per Emil Lindøe. (Photo: Norsk olje og gass, via Wikimedia Commons)

1999

30 EDFI
Partners for impact since 1992

Norfund enters into co-operations with the World Bank's International Finance Corporation (IFC) and the Association of European Development Finance Institutions (EDFI)

2000

A grant facility for Norfund is established by the Norwegian Ministry of Foreign Affairs

2001

A regional office for Latin America is opened in San Jose

Aureos Capital Limited (ACL) was established
It was established as a joint venture between CDC and Norfund in 2001, and became a leading fund manager for SME investments in emerging markets.

2002

Norfund's investments are untied from Norwegian industry

SN Power was established

SN Power Invest was established – a joint venture between Norfund and Statkraft. The company grew to be a leading commercial investor and hydropower project developer in emerging markets. In 2020 Scatec acquired SN Power (see highlight).

2003

A regional office for Southern Africa is opened in Johannesburg

2004

A system for measuring development effects is introduced

Agribusiness Development Corporation (LAAD)

Norfund invests in Latin American Agribusiness Development Corporation (LAAD), a specialized lender that finances small and medium-sized agribusiness companies in Latin America. In 2017, Norfund supported LAAD further by providing an additional loan.

2006

Kjell Roland was appointed as Managing Director for Norfund

European Financing Partners (EFP)

Norfund invested in EFP, a private limited liability company owned by 12 European Development Finance Institutions (DFIs) and the European Investment Bank.

2007

Kristin Clemet is appointed chair of the board of Norfund, and a new focused strategy is adopted

A regional office for East Africa is opened in Nairobi

Hattha Kaksekar (HKL)

Norfund's equity investments, loans and active shareholding in HKL contributed to its extensive development, from a small NGO to one of Cambodia's leading mid-size microfinance institutions. In 2016 the institution was ready for investment from an experienced shareholder in the banking sector, and Norfund sold our shares.

2008

The Norwegian Microfinance Initiative (NMI) is established

NMI gives poor people in developing countries access to financial services by uniting private and public capital. Established in 2008 by Norfund and a group of Norwegian private investors, the Initiative aims to be the leading Nordic microfinance platform. In 2016 the Danish Investment Fund for Developing

Countries (IFU) joined, and the name was changed to Nordic Microfinance Initiative.

2009

Africado

Africado – an agricultural investment that has succeeded in commercialising a traditionally low-value crop. New techniques and agricultural training are creating jobs and new sources of revenue for small-scale avocado farmers in Tanzania. This also enabled them to expand production and reach export markets.

Bugoye Hydropower Plant

The 13 MW plant in Uganda was a joint development project between Trønder Energi and Norfund.

2010

Agri-Vie Fund

Agri-Vie Fund I, a fund focused on the food and agribusiness sector in Sub-Saharan Africa. In 2017 Norfund worked closely with the management to also establish Agri-Vie II.

2011

A regional office for Asia is opened in Bangkok

2012

A regional office is opened in Maputo, Mozambique

Scatec Solar Kalkbult

The Kalkbult plant in South Africa's Northern Cape region is one of Africa's largest solar plants. The 75MWp plant, developed by Scatec Solar, became operational in late 2013.

Kinyeti Venture Capital

– a pioneering investment company in the recently independent Republic of South Sudan, investing in SMEs, was established as a joint venture between Norfund and Swedfund.

2013

KLP Norfund Investment AS (KNI) is established

KNI is a co-investment vehicle financed jointly by KLP and Norfund. KNI invests equity in selected finance and renewable energy projects within Norfund's investment strategy.

Lake Turkana Wind Power Project (LTWP)

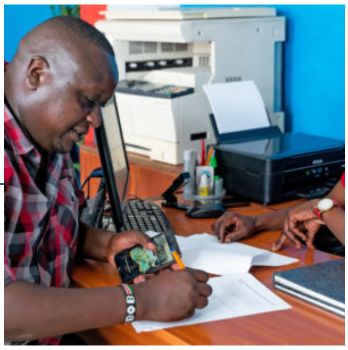
LTWP is the largest wind power plant of its kind on the African continent, providing almost 17% of Kenya's installed capacity with 365 wind turbines installed in a dry and arid area in Northern Kenya. The LTWP is the largest single private investment in Kenya's history. The windfarm was connected to the national grid in 2018. In July 2021, Norfund sold all its shares to the Anergi Group.

2014

Globeleq

In 2014, Norfund and CDC took full ownership of Globeleq, one of Africa's leading electricity generation developers and operators. With 13 power plants total Globeleq currently generates more than 1,400 MW and has another 2,000 MW in development.

2015



Equity Bank

One of East Africa's leading banking groups, Equity Bank has over 9 million customer accounts in Kenya, South Sudan, Uganda, and Rwanda. Few banks have succeeded as well as Equity Bank in developing efficient services for mass markets in developing countries. Its services include insurance agency, investment banking, securities brokerage and information and telecommunications technology outsourcing services.

2016

Arise

Norfund, FMO, NorFinance, and Rabobank joined forces in establishing Arise. The aim is to strengthen the financial sector in Sub-Saharan Africa and increase SMEs' and poor unbanked peoples' access to capital. Arise partners with sustainable, locally-owned Financial Services Providers and has become a leading African investment company.

The Johannesburg office is closed, and staff are transferred to Arise

A regional office for West Africa is decided to be opened in Accra, Ghana

2017

M-KOPA

Norfund was part of a lender consortium that provided M-Kopa with USD 80 million in local currency debt to expand its business of supplying pay-go solar home systems in Kenya and Uganda. This was the largest single financing to date in the off-grid segment.

Neofresh

– a South African company that specializes in the production, packing and marketing of papaya and other sub-tropical fruits. Norfund's investment contributes to skills development and a more efficient production line and value chain with higher yields.

2018

The Nordic Horn of Africa Opportunities Fund

Norfund, together with Shuraako and the Danish development finance institution, IFU, established a USD 10 million fund to support small and medium sized companies in Somalia. The Fund is among the first commercial investment funds in Somalia and the business environment in Somalia is extremely challenging.

Marginpar

An integrated group of flower producers in Kenya and Ethiopia. Norfund's investment in Marginpar enabled the acquisition and development of several underperforming farms which have secured decent jobs. Additionally, during the COVID-19 pandemic in 2020 Norfund stepped in with an emergency loan to keep people employed and the company going.

Tellef Thorleifsson becomes new CEO of Norfund

2019

Arise makes a direct equity investment in Ecobank

A pan-African bank operating in 33 countries, including in the Sahel region where very few other financial institutions are present. Ecobank has a strong brand recognition through a substantial network of over 24 million customers served by some 14,000 employees and 690 branches across the continent.

First Fintech investment

Norfund invested in Quona Capital, a venture firm and an experienced investor in the Fintech sector focusing on financial inclusion in emerging markets.

2020

SN Power sold to Scatec

After building SN Power into a leading hydropower company in developing countries, Norfund sells all the shares to Norwegian energy developer Scatec for 1,17 billion dollars.

Lilongwe Dairy

Norfund invests in a company that has grown to be Malawi's leading dairy producer. A year after the investment, the number of smallholder farmers delivering milk to the dairy has increased by from 8000 to 9000.

Joint Impact Model (JIM)

Norfund applies a new model to estimate the number of jobs our investments support indirectly. The results are calculated using economic modelling and do not represent actual figures, but still give a new insight into the overall impact of our investments.

2021

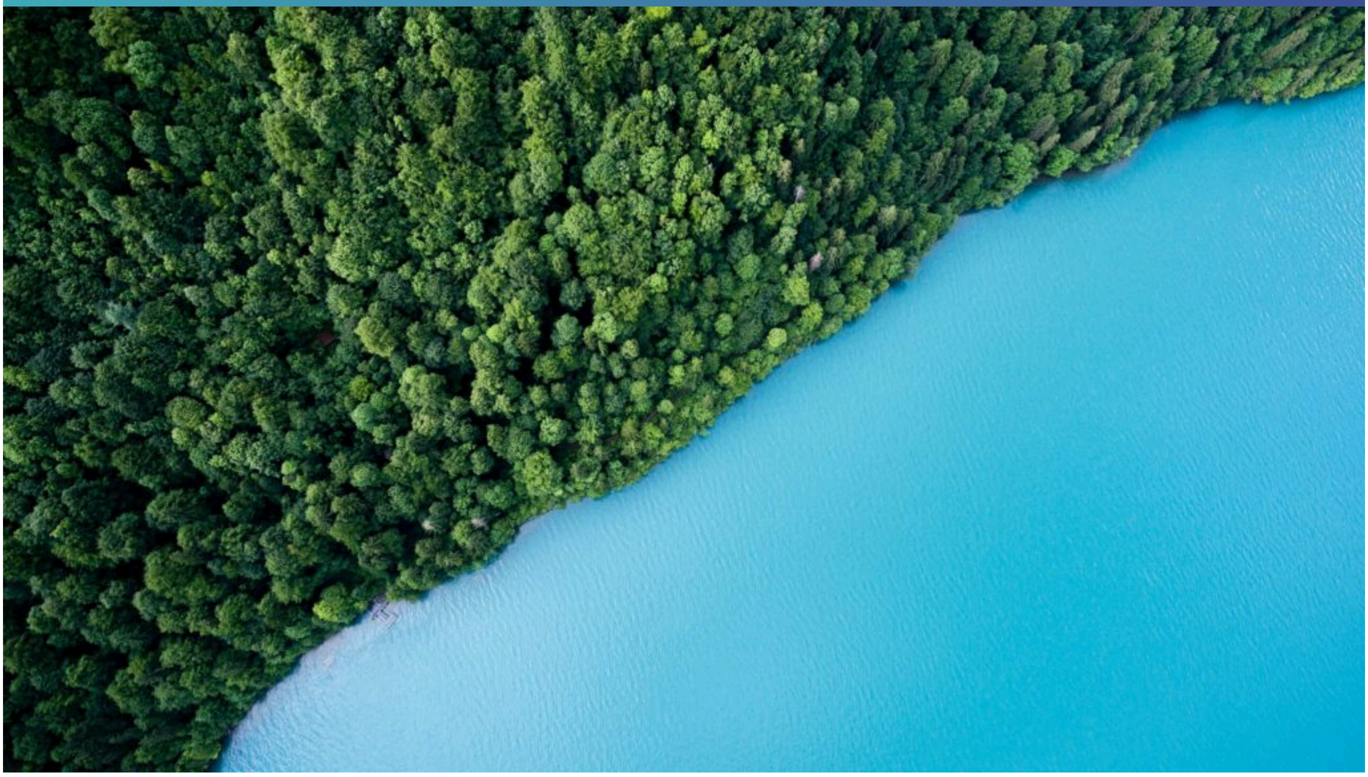
Norfund asked to manage new climate investment fund

The Norwegian government plans to allocate NOK 10 billion over five years to a new fund that will invest in renewable energy in developing countries with the aim of contributing to reduced greenhouse gas emissions. One billion NOK from Norfund's capital and one billion NOK from the state budget will be set aside annually for the fund. Read more here.

Phatisa Food Fund 2

Together with BII, Finnfund, FinDev Canada, and BIO, Norfund jointly committed 83 million USD to the fund which will invest across the African food value chain, considering investments in mechanisation, inputs, poultry and meat production, food processing and manufacturing, logistics, aggregation and distribution across Sub-Saharan Africa. Norfund's commitment totalled 20 million USD.

Norfund to manage new climate investment fund



The Norwegian government has decided to set up a new climate investment fund to be managed by Norfund. The goal is to contribute to avoiding greenhouse gas emissions, by investing in renewable energy in developing countries.

Clean energy is Norfund’s largest investment area. This priority has been set based on the knowledge of how a lack of access to energy is a key constraint for businesses in low-income countries, and how essential reliable and affordable energy is for business activity and job creation.

However, investments in renewable energy in developing countries are also key to limit the climate crisis, meaning that Norfund's contributions also to avoiding emissions have steadily gained more attention.

The average return on Norfund’s clean energy investments has been 6.2% since inception.

The renewable energy projects of Norfund’s investees since the fund’s inception in 1997 contribute annually to 9 million tonnes of CO_2 in avoided greenhouse gas emissions. That is equivalent to almost one fifth of Norway's annual emissions, or all Norwegian road traffic.

Proposal in the state budget

In the state budget for 2022, the Norwegian government proposed to establish a climate investment fund for developing countries. The government proposed to allocate 10 billion NOK over five years. The financing will come from the state budget and Norfund. The government proposed that the fund should be managed by Norfund.

According to the proposal, the Climate Investment Fund will contribute by reducing or avoiding greenhouse gas emissions from the power sector, especially from coal power plants, through investments in renewable energy in developing countries. The fund will trigger investments that would not otherwise be realized and provide risk-relieving capital.

The fund may use appropriate financial instruments (equity, loans, guarantees, etc.) to achieve the purpose. The fund's investments will be made on a commercial basis and in accordance with national climate and energy plans of the countries it invests in.

H1 investment announcement in South Africa, 2022.

Already operational

In December 2021, a unanimous Parliament approved the decision to establish the fund and allocate the first billion NOK to the fund.

In March 2022, Norfund announced what will become the first investment under the new climate mandate, in the company H1, to finance large scale solar and wind plants in South Africa.

> *'We have no time to lose, so I am very happy that we have succeeded in making the new climate investment fund operational in record time, so that the money can be put into work in energy investments that are crucial to stopping the climate crisis'*

Minister of Development Anne Beathe Tvinnereim

Amendments to the Norfund Act were proposed to the Parliament in April 2022, and the statutes of Norfund were amended at a General Assembly in May 2022, to include the management of the new fund, along with a new directive from the Ministry of Foreign Affairs. That means that the fund is now operational.

Read more about the strategy and plans for the fund here.

Record year for Norfund despite pandemic

Norfund increased investments by 10% to a record 5.3 billion NOK in 2021.

"We're proud that even in the middle of the pandemic we have increased our investments toward job creation and fighting poverty", says Norfund CEO Tellef Thorleifsson.

This is the third year in a row Norfund has increased investments to a record high. In 2020, the first year of the pandemic, Norfund also increased investments by 20%, to 4.8 billion NOK.

→ Key figures 2021

While in 2020 the pandemic caused a reduction in the overall investment level of the European Development Finance Institutions (DFIs), last year they reported a recovery to pre-pandemic levels of investment.

Overall recovery in 2021

Following the economic downturn for the world economy that followed the outbreak of the COVID-19 pandemic in 2020, the world experienced an economic recovery in 2021 with a GDP growth of 5.5% and a strong growth in cross-border direct investment. Investments are important for employment and economic growth, but only 1.7% of global direct investment in 2021 found its way to the least developed countries (LDCs). The small share of world investments flowing to the poorest countries underlines the necessity of development finance institutions (DFIs) like Norfund, channeling investment capital to cover investment needs in LDCs and Sub-Saharan Africa.

Future world economic development has become more uncertain. The Russian invasion in Ukraine has led to a marked deterioration in global business sentiment and is likely to weaken global activity. Norfund's key markets such as LDCs and Sub-Saharan countries will primarily be impacted through higher commodity prices in the world market, especially the prices of food, fertilisers and energy. However, this comes on top of the impact of COVID-19 still being felt, as well as increasing interest rates which is making financing pricier.

Invested three times the awarded budget

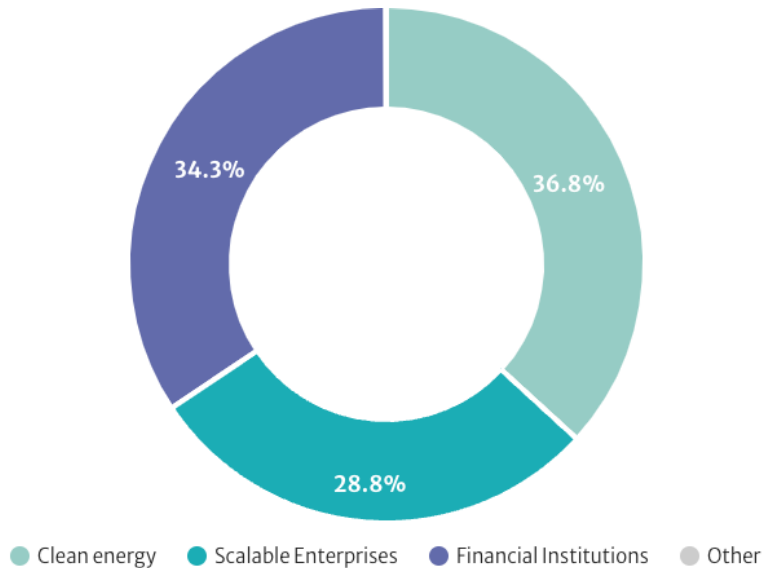
Norfund was awarded 1.68 billion NOK in last year's development budget, but invested three times as much.

"We can see how effective it is to make a difference through investing the capital, as our returns and profits can be used to reinvest again and again, creating more impact", says

Thorleifsson.

In total Norfund made 32 new investments and 13 follow-on investments in existing companies. Clean Energy was the biggest investment area with 2.7 billion NOK in new investments. The remaining capital was invested in Scalable Enterprises and Financial Institutions. Norfund also made its first investment related to water supply.

Total portfolio in 2021 by investment area



Defied the pandemic

"We are particularly glad to have increased the pace of our investments the last two years. It has been even more important during the pandemic to create jobs and prevent job losses", says Thorleifsson. "That has also made our work more challenging."

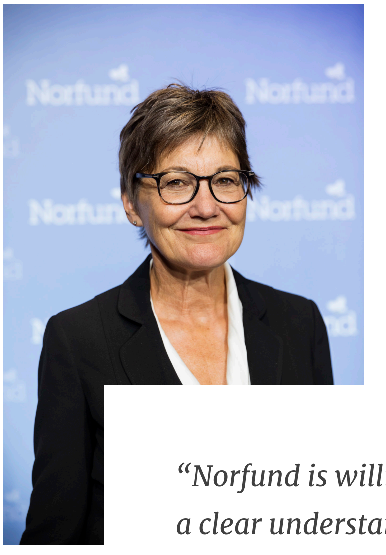
More than 700 million people lived in extreme poverty in 2021. That is over 50 million more than in 2019 and nearly 100 million more than there would have been without the pandemic.

"We are particularly glad to have increased the pace of our investments the last two years, when the pandemic has made our work to create jobs and prevent job losses even more important, but also more challenging", says Thorleifsson.

Improving our enterprise risk management

Norfund continuously seeks to increase our understanding of the risks involved in fulfilling our mandate and improve the way we manage them.

As a Development Finance Institution, Norfund is set up to take more risk than commercial investors, creating jobs and reducing poverty by investing in the private sector in developing countries. It is, however, important to understand how these risks are identified, managed, and monitored. The risks range from those connected to specific countries, markets, and sectors, to the risks involved in selecting the right management teams and raising environmental, social and governance standards, while maximizing impact.



"Norfund is willing to assume more risk than most other investors. To have a clear understanding of both the risks Norfund is set up to take and the risks we seek to minimize is crucial, and this requires an organization working systematically based on a dynamic risk approach."

Olaug Svarva, Chair, Norfund's Board of Directors

Defining our risk appetite

The Board of Directors in Norfund has further developed our risk management over the last few years. An important part of this work has been to define a risk appetite statement. The statement makes it clear which risks we are willing to take. These are primarily about where and in what we invest, risks that are essential for us to take to deliver on our development mandate. They include country and political risk, financial risk to achieve development impact and positive financial return, as well as currency risk, including local currency exposure. Norfund will also take risk in investing in greenfield projects, ventures, SME's and micro-finance; take exit risk by investing in equity, and equity funds, and be a first mover in new markets and sectors where the potential for development is high.

Norfund manages these risks by using 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 we seek to minimize are primarily about how we select our investment partners and how we operate and run our investment and other operational processes. These include the risk of corruption – where Norfund has zero tolerance, triggering an immediate response if uncovered, risks related to environmental, social and governance compliance defined by DFI (Development Finance Institution) best practice, as well as the business integrity of our investees. The same applies for risks connected to the health, safety, and security of our employees, security and integrity of our IT systems, and integrity and reliability of our financial controls and payment systems. Norfund minimizes these risks by designing and implementing appropriate systems and processes, regular training, contractual requirements, internal control, and compliance.

Assigning responsible risk owners

Through the implementation of an Enterprise Risk Management framework, relevant risk categories have been defined. All individual risks identified within the various categories are assigned to a designated risk owner responsible for suggesting mitigating actions and monitoring the development of the actual risk. The Risk and Audit committee works closely with the administration in presenting the overall risk picture to the Board of Directors twice a year.

A dynamic risk approach

The last two years, the pandemic has illustrated the need for a dynamic risk approach where emerging risks are considered. While the COVID situation led to travel restrictions and prevented physical encounters, it has been possible to continue investments in the private sector even at a distance. Cooperation among European DFIs has continued to grow during the pandemic and helped the institutions achieve their investment objectives.

Key figures

5.3	**New commitments** billion NOK in 2021* **Excluding Business Support and PDRMF*
26.9	**Total commitments** billion NOK in portfolio

33/11	**Investments** new / follow-on investments in 2021
198/855	**Companies** total direct/indirect investees in the portfolio

Committed investments per year (MNOK)

451,000	**Jobs** in Norfund portfolio companies
13400	**Jobs created** new jobs created in portfolio companies
34 %	**Female employees** in Norfund portfolio companies

More about job creation

1578 MW	**New electricity capacity** New capacity financed in 2021, 100% renewable
13.8TWh	**Electricity produced** Equivalent to the combined electricity consumption of Tanzania, Botswana, and Namibia
9/ 4.5mill	**CO2** avoided annually from new renewable

tonnes	capacity since inception/ 2021 portfolio

[Investments and results - Clean Energy]

7.5 million	**New clients** Offered financial services in 2021
54 million	**Total clients** Offered financial services in 2021
48.5 BNOK	**Increased lending** Increase in total lending volume (+12%)

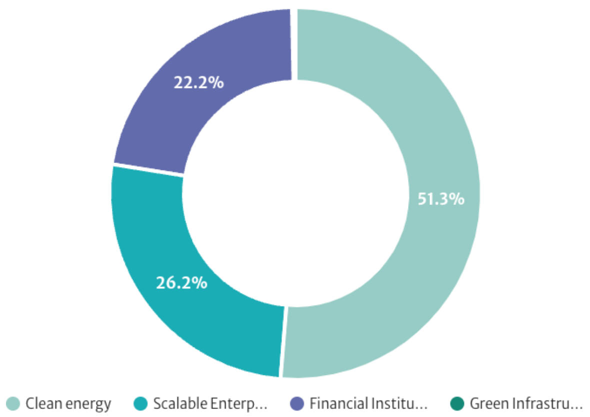
[Investments and results - Financial Institutions]

1.5%	**IRR in 2021** in investment currency 3.8% in NOK
4.9%	**IRR since inception** in investment currency 7.4% in NOK

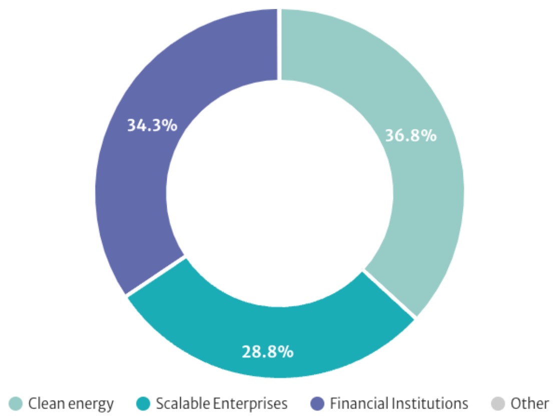
[More about IRR and financial results]

Commitments per investment area

In 2021 (MNOK)

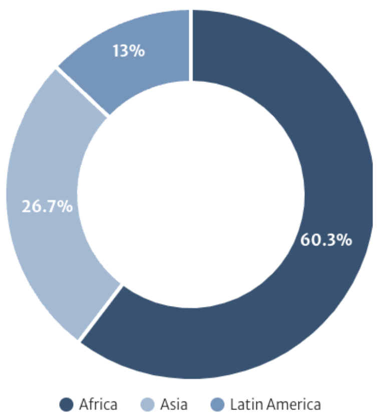


Total portfolio (MNOK)

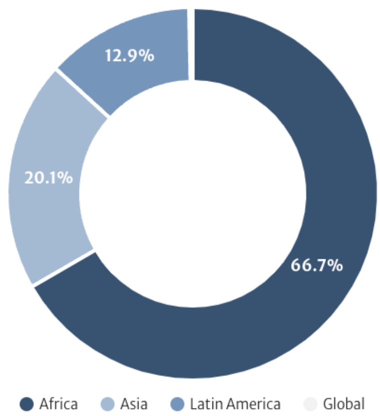


Commitments per region

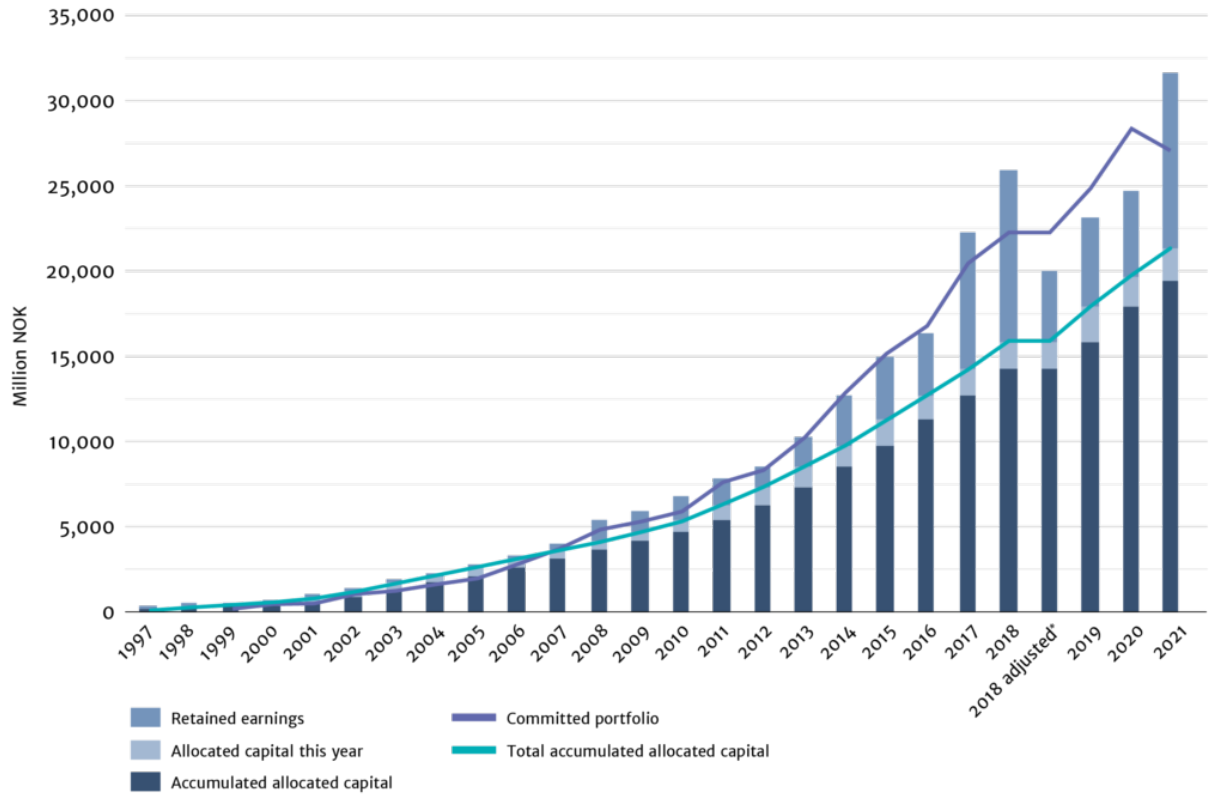
In 2021 (MNOK)



Total portfolio (MNOK)



Portfolio since inception



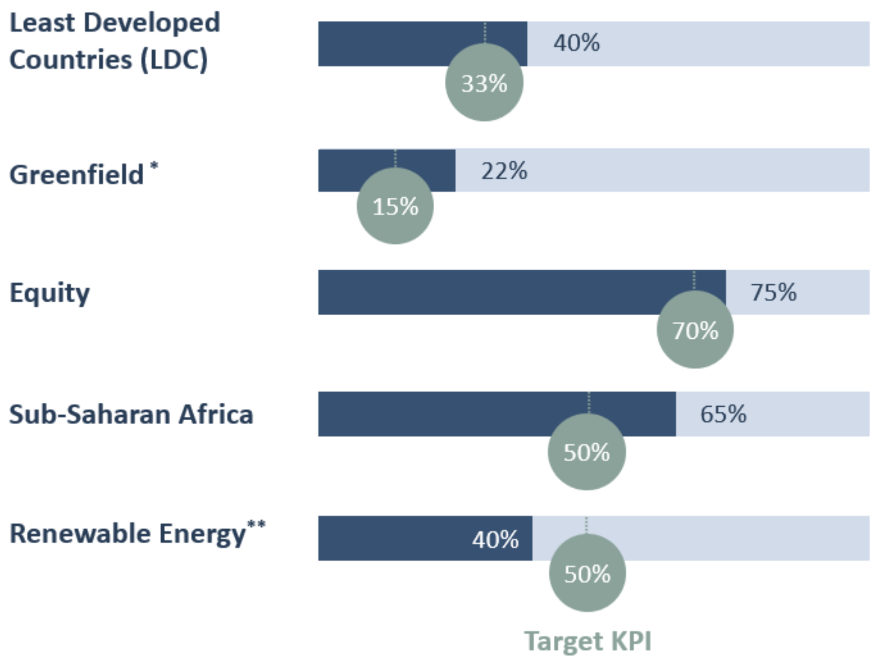
** Norfund changed the presentation of its accounts in 2019. Figures for 2018 have been adjusted accordingly. Preadjusted figures for 2018 are presented in lighter tints.*

[Portfolio overview]

Norfund Key Performance Indicators

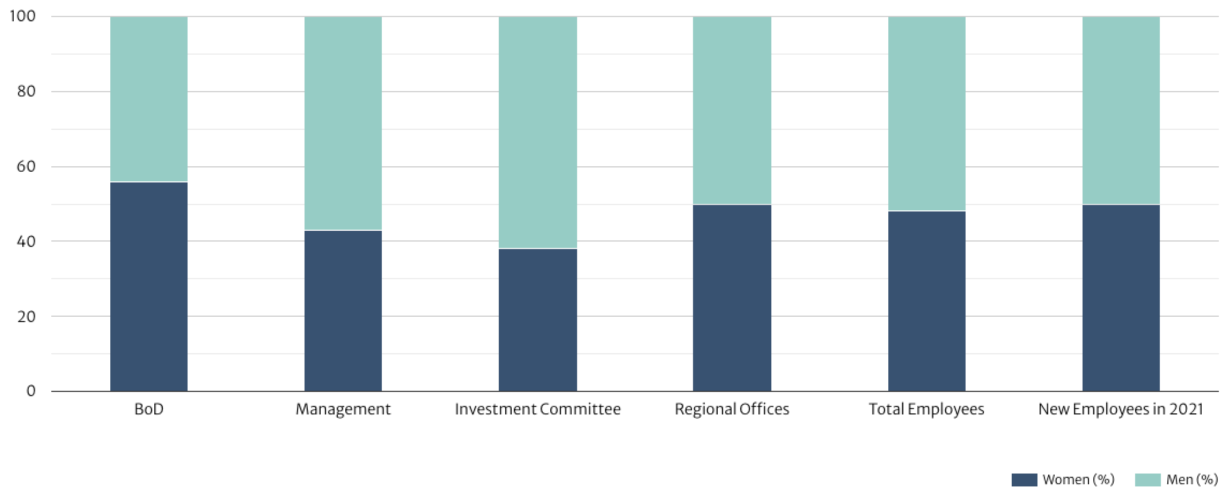
Five key performance indicators (KPIs) are developed as a tool to secure that the portfolio develops according to Norfund's mandate. The KPIs are all measured at the portfolio level, though also monitored year by year (see table below).

The drop in the share of accumulated allocated capital from the government invested in renewable energy, from 54% in 2020 to 40% in 2021, is primarily due to the sale of SN Power. The sale of SN Power also caused a drop in the share of our investments in Asia, and is hence the main reason for the increase in the share in Sub-Saharan Africa, from 54% in 2020 to 65% in 2021.



Estimates as of 31.12.21
*Percentage of three years moving average of annual commitments
**Per 31.12.21, share of accumulated allocated capital from government

Gender Equality in Norfund, 2021



→ More about gender equality

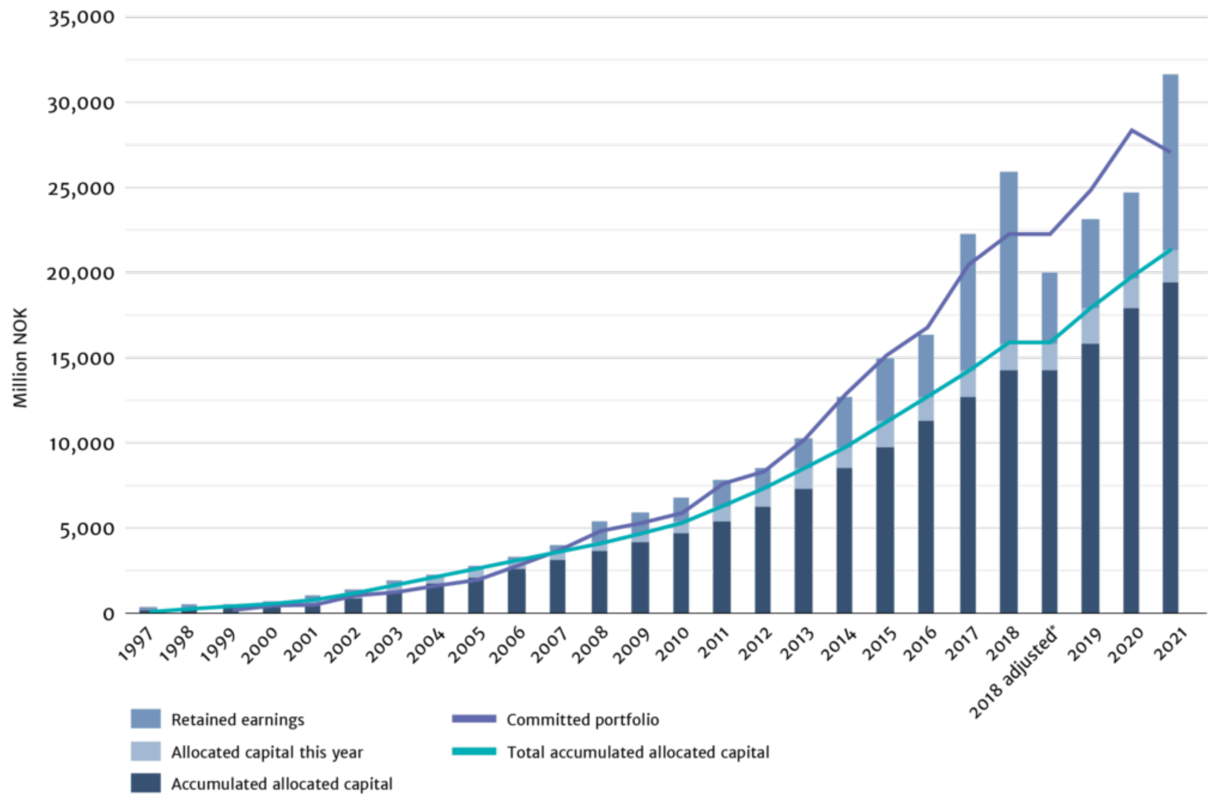
Key figures per year

Key figures	2015	2016	2017	2018	2019	2020	2021
Committed Portfolio (MNOK)	15 127	16 762	20 439	22 253	24 944	28 352	26 924
Return on invested capital (IRR) (inv. currency)	3.5%	2.9%	14%	4.6%	6.3%	-0.1%	1.5%
New investments (MNOK)	2 395	2 784	3 600	3 511	4 015	4 839	5 320
Number of direct investments in portfolio	129	124	136	149	163	170	195
Capital allocated by the owner (MNOK)*	1 480	1 478	1 500	1 690	1 905	1 820	1 680
KPI: Share of investments in least developed countries	29%	33%	36%	41%	40%	39%	40%
KPI: Share of investments in Sub Saharan Africa	53%	52%	50%	55%	53%	53%	65%
KPI: Share of greenfield investments	18%	20%	27%	32%	31%	25%	22%
KPI: Share of equity and indirect equity	85%	85%	85%	81%	79%	79%	75%
KPI: Renewable energy share of allocated capital	22%	62%	145%	60%	55%	54%	40%
Number of employees in Norfund	69	69	71	75	82	96	111
Number of jobs in portfolio companies	382 000	276 000	292 000	304 000	380 000	377 000	451 000
Taxes paid by portfolio companies (BNOK)	8.6	10.9	9.3	13.9	14.1	16.9	16.9

Portfolio overview

By year end 2021, Norfund had committed investments totalling 26.9 billion NOK in 195 projects. In 2021 Clean Energy made up over a third of investments. It was also the first year a Green Infrastructure investment was made.

Portfolio since inception



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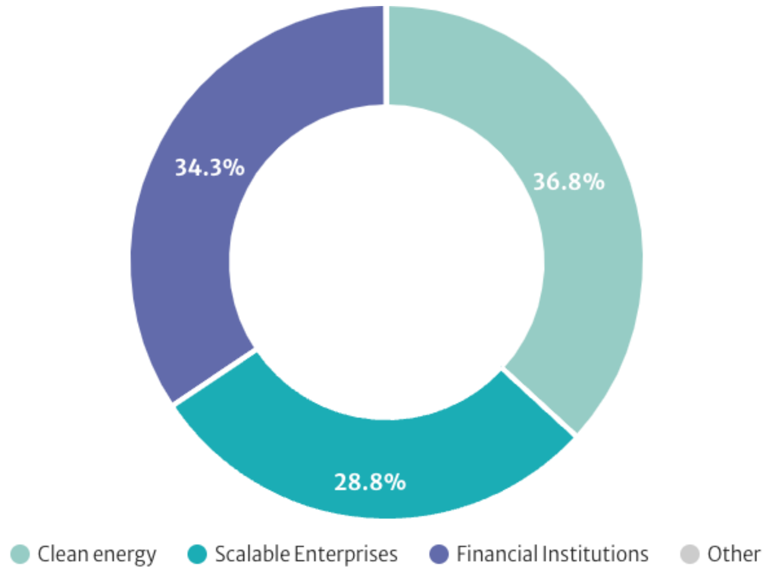
Priority investment areas

Norfund invests in four areas where the potential for development impact is substantial and that are aligned with the SDGs: Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure.

Portfolio per investment area (MNOK)



Key Performance Indicators (KPIs) for Norfund's portfolio

Four Key Performance Indicators are defined for Norfund's portfolio.

Least Developed Countries >33%

The scarcity of capital available in Least Developed Countries (LDC) means the needs for our investments are high. 40% of Norfund's total portfolio is in these markets.

40	Total portfolio in LDCs

Sub-Saharan Africa >50%

In line with Norfund’s strategic target, 50% of all commitments in 2021 were in Sub-Saharan Africa. The sale of SN Power caused a drop in the share of our investments in

Asia, and is hence the main reason for the increase in the share in Sub-Saharan Africa, from 54% in 2020 to 65% in 2021.

65 Investments in Sub-Saharan Africa

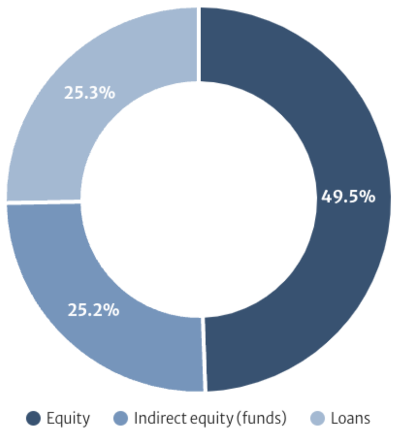
Greenfield >15% of three years' moving average

Investments in new power plants, startups and first-generation funds are classified as greenfield investments. Greenfield investments often carry high risk, but may be particularly important to development. The greenfield KPI is different to the other KPIs. This is a floating average of commitments over the past three years and not a portfolio level measure.

22 Total portfolio in greenfield

Equity and indirect equity >70%

Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments – both direct investments and through funds – because in most developing countries equity is the scarcest type of capital available to enterprises.



Exited companies

Norfund creates the greatest development effects by ensuring that its capital is constantly deployed where it contributes most. We strive to be a predictable, long-term investor that does not retain ownership for longer than necessary.

When an investment is made, its duration and the exit strategy are planned at the same time. Typically, Norfund exits equity investments after 5-10 years, debt holdings after 5-7 years and fund investments after 10-12 years. A few investments might be exited earlier or later than planned due to unexpected circumstances.

Capital and profit generated by investments are reinvested in new businesses in which there is a greater need for our risk capital.

SN Power

- Region: Global
- Business sector: Energy
- First investment year: 2013
- Investment: 5.4 billion NOK
- IRR (investment currency): 12.4%

After building SN Power into a leading hydropower company in developing countries, Norfund sold its shares to Norwegian energy developer Scatec for 1.17 billion USD. Each year, SN Power plants produce power equivalent to the electricity consumption of 7 million people and help avoid 3 million tonnes of carbon emissions. Read more about the sale in the 2020 annual report here.

Lake Turkana Wind Power

- Country: Kenya
- Business sector: energy
- First investment year: 2011
- Investment: 112.2 million NOK

Lake Turkana Wind Power is the largest windfarm of its kind on the African continent. Norfund has been a patient and long-term investor since since our first involvement through a Project Development Facility in 2011, and later with an equity investment in 2014 through KLP Norfund Investments, a company financed by Norfund and KLP. The windfarm was connected to the national grid in 2018, and now constitutes approximately 17% of Kenya’s installed capacity. In July 2021, KLP Norfund Investments sold all its shares to the Anergi Group. Read more here.

Financial Institutions

By investing in banks, microfinance and other financial institutions, Norfund contributes to increased financial inclusion and in particular to more jobs in small and medium sized companies.

Key achievements in 2021

1175 MNOK committed

7.57 million	new clients served
48.5 BNOK	increase in lending to clients

Development Rationale

Inclusive financial systems provide businesses and individuals with greater access to resources to meet their financial needs, such as capitalising on business opportunities, investing in homebuilding or education and managing unforeseen circumstances.

In low- and middle-income regions, the financial sector is often underdeveloped. Businesses and individuals have limited access to basic financial services, such as bank accounts, payment services and credit facilities. Across developing countries, it is estimated that 65 million formal Micro-, Small- and Medium-sized enterprises (MSMEs) have unmet financing needs, and about 1.7 billion adults remain unbanked.

Investment Needs

Banks and microfinance institutions rely on access to debt and equity when extending loans to their clients.

Increasing the availability of capital enables them not only to grow existing credit facilities, but also to develop products, increase their market reach and pay for costly yet crucial capital investments. IT systems for example are expensive, but are needed to provide high-quality, effective, and secure services.

Norfund's Strategy

Norfund provides debt and equity to financially viable banks and microfinance institutions that want to grow appropriate, valuable services in our core countries. Our investments are made both directly and through investment platforms and funds and focus on growing locally owned financial institutions.

In response to the COVID-19 pandemic, Norfund's strategy is to help our countries' own banking systems to become better positioned to provide additional loans to businesses to see them through the crisis. Our investments in banks target medium-sized and large banks that have a focus which includes SMEs and the retail market and have clients who previously lacked access to financial services.

Our main vehicle for equity investments in African banks is Arise, a 1 billion USD bank investment company in which Norfund owns more than 40 percent of the shares. We invest directly in microfinance institutions in our core countries as well as indirectly through the Nordic Microfinance Initiative (NMI).

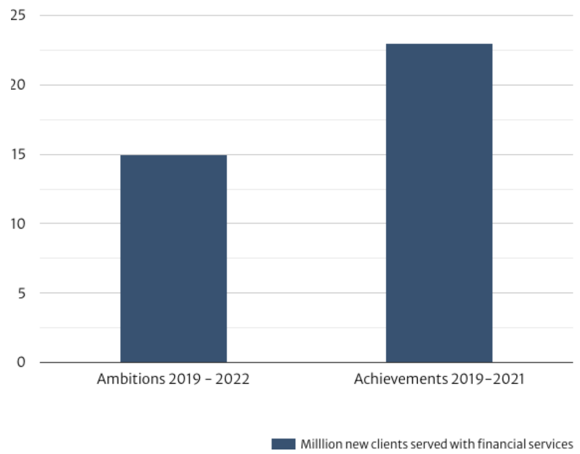
Strategic ambitions

Norfund has defined two ambitions for its direct investments in financial institutions for the strategy period 2019 - 2022:

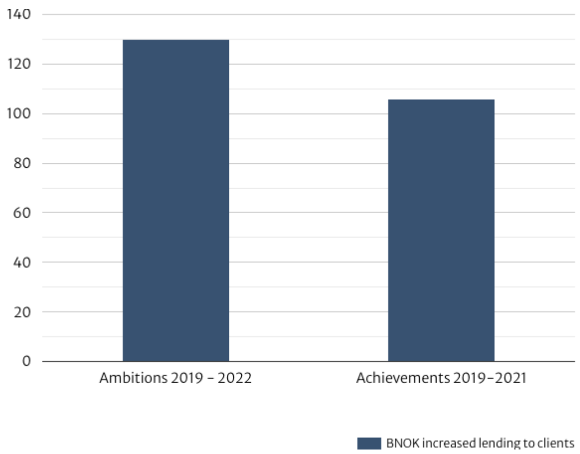
- Offer financial services to 15 million new clients
- Extend 130 billion NOK more in loans to clients

Accumulated achievements 2019 – 2021

Million new clients



Increased lending (BNOK)



Investments and Results in 2021

Norfund is invested directly in 61 financial institutions (FI), ranging from regional banking groups and funds that invest in banks to local microfinance institutions.

1175 MNOK	committed in 2021
9241 MNOK	committed in total FI portfolio

Impact 2021

23.1 million new clients provided with financial services during the strategy period

Taking into account investments only and companies with two consecutive years of reporting, the number of new unique clients reach 23.1 million with accumulation from the previous years. There was 450 billion NOK in total deposits by the end of 2021.

106.9 billion NOK increased loans to clients during the strategy period

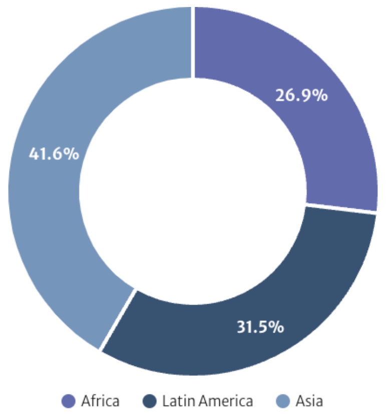
With a 48.5 billion NOK increase in lending (12% growth) during 2021, on top of accumulation from previous years, the total lending volume reached 464 billion NOK. Of this, 106.9 billion NOK was accumulated during the strategy period 2019-2021 thus far.

7.6 million clients were provided with credit, of which 4.2 million were retail customers, 2.1 million were microfinance clients, and 528,000 were loans to SMEs.

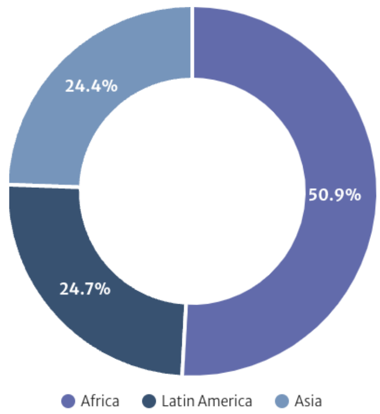
Investments per region

In 2021, a total of 12 commitments were signed with financial institutions in Sub-Saharan Africa, Asia and Latin America.

Investments per region in 2021



Total Portfolio per region



COVID-19: A cautious recovery

The start of the pandemic in 2020 posed challenges, including a liquidity crisis for several of the microfinance institutions with which we are involved, in response to which Norfund provided additional short- and medium-term loans as well as additional equity. However, 2021 heralded a cautious pick-up after the initial slowdown. Though there were concerns banks would not be able to pay back their loans, there were in fact no COVID-related payment defaults during 2021. The portfolio developed positively during this period, and Norfund made eight new loans, in addition to the previous portfolio.

Myanmar

Another challenge during 2021 was the economic situation in Myanmar, precipitated by the military coup early in the year. Though the country had been a major focus for several years, economic development has now slowed. Norfund maintains three investments in the country with Yoma Bank and the microfinance institutions Myanmar Finance and Advans Myanmar. However, due to the economic slowdown there have not been any new investments in the area in 2021, and we have lengthened loans that could not be paid back in time.

Highlights of 2021

8	new investee companies
4	follow-on investments

Arise

In 2021 the biggest single investment was through Arise, Norfund's main vehicle for large scale equity investments in banks in Africa. Arise is a unique specialized investment company with a growing portfolio of leading financial institutions across sub-Saharan Africa, established in August 2016 when its four founding owners – Norfund, Rabobank, FMO and NorFinance – agreed to transfer their various equity holdings in financial institutions in sub-Saharan Africa.

The aim of Arise is to contribute to the building of economic growth and poverty reduction by developing strong and stable financial service providers.

In 2021 Arise completed a USD 75 million investment in Alternative Tier 1 (AT1) capital into ETI, the holding company of Ecobank. This was a ground-breaking deal and the first AT1 investment ever in Sub-Saharan Africa outside of South Africa.

ETI was founded in 1985 and progressively expanded its presence across 33 sub-Saharan Africa countries. Ecobank has a strong brand recognition through a substantial network of over 24 million customers served by some 14,000 employees and 690 branches across the continent.

FinTech

Access to high quality, affordable financial services is essential for social and economic development, gender equality, resilience, and livelihoods. Unfortunately, globally around 1.7 billion people are unbanked. It is also a gender issue: women are disproportionately affected, with around 1 billion lacking access to financial institutions. Additionally, lack of financial access is an issue for businesses: 70% of SMEs cite lack of access to finance as a barrier to growth.

While many individuals may not have access to financial services, two out of three of them have mobile phone access, making this a useful tool to bridge this gap. FinTech can increase the breadth of available financial services. Our mandate is to increase financial inclusion, making FinTech a natural area of interest for Norfund.

In 2021 several commitments were made in this area:

- Norfund committed 65.4 million NOK to Amartha, a peer-to-peer lending platform in Indonesia with a focus on funding rural women. Amartha has disbursed more than USD 250 mill and empowered 678,502 women across more than 18,900 villages in Jawa, Sumatra, and Sulawesi. Norfund's senior loan to the company is an initiative to help them provide microcredit to many more female micropreneurs in the bottom of the pyramid and to promote financial inclusion of the unbanked in Indonesia. In addition to providing capital, Norfund will provide technical assistance and global expertise assisting Amartha to promote global environmental and social standards.

- Quona Capital, a venture firm focused on financial inclusion in emerging markets, announced the Accion Quona Inclusion Fund in 2019 which Norfund then invested into. The fund invests in financial technology companies to increase access to financial services for businesses and consumers in developing countries. Norfund committed an additional 15 million NOK to a new fund, Quona III, in 2021 with the same investment focus.
- 41.3 million NOK was committed in a loan to Lula Lend, a technology driven financial institution with a credit scoring model that enables them to more efficiently assess the risk of SMEs in South Africa. Lula Lend is able to offer credit to underserved and financially excluded SMEs, many of them accessing credit for the first time. Accion Quona is a shareholder in Lula Lend.

Increasing SME's access to capital in Sri Lanka

In early 2021, Norfund announced an agreement with the National Development Bank in Sri Lanka, for Norfund to invest new equity for up to 9.9% ownership in the bank. This is the first foreign equity placement agreement for NDB bank, and the investment increased its foreign shareholding percentage to around 21%.

National Development Bank PLC (NDB) is a premier bank with 113 branches and over 150 ATMs and CRMs across the island, serving millions of Sri Lankans through a host of financial services.

In addition to investing equity capital, Norfund will provide technical assistance and global expertise assisting the bank to promote global environmental and social standards, and to achieve best in class corporate governance.

This was Norfund's first equity investment in Sri Lanka, and the second investment in the country.

By investing in The National Development Bank in Sri Lanka, Norfund aims to contribute to increased access to capital for SMEs and the unbanked in a country hard hit by COVID-19.

First investments for Colombia, Indonesia, Senegal

In line with the 2019 updated strategy, three new countries were invested in during 2021.

- The first investment in Indonesia was Amartha (see above), followed by Bina Artha, a fast-growing microfinance institution. Bina Artha provides its services through an extensive network of almost 346 branches reaching over 382,412 clients in Java and Sulawesi islands and plans to gradually expand to other islands of Indonesia. Norfund committed 43.5 million NOK in 2021.
- In Colombia, a 131.7 million NOK commitment was made to Kandeo, a private debt fund targeting mid-sized companies in Colombia and Peru. The fund will focus on providing USD 4-10m in debt to companies in various economic sectors.
- In Senegal, Norfund committed 131.7 million NOK to Cofina Senegal, a microfinance institution focusing on meso-finance, meaning the missing middle of SMEs that are too large for traditional micro lending, but still too small or informal to source funding from ordinary banks. The loan from Norfund will promote access to financial services for entrepreneurs and MSMEs in Senegal.

Financial Institutions portfolio

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
National Development Bank	Sri Lanka	2021	Banking	Equity	10%	Sri Lanka	141.8
Kandeo Fund 3 Debt	Regional	2021	Microfinance	Funds	8%	Canada	132.3
Ecobank Transnational Incorporated (ETI)	Regional	2021	Banking	Loans	0%	Togo	132.3
Quona Inclusion Fund III	Global	2021	Investment funds	Funds	0%	Cayman Islands	132.3
Amartha	Indonesia	2021	Microfinance	Loans	0%	Indonesia	66.5
Cofina Senegal SA	Senegal	2021	Microfinance	Loans	0%	Senegal	49.9
PT Bina Artha Ventura	Indonesia	2021	Microfinance	Loans	0%	Indonesia	44.3
Lula Lend Proprietary Limited	South Africa	2021	Microfinance	Loans	0%	South Africa	39.5
First National Bank Ghana	Ghana	2020	Banking	Loans	0%	Ghana	132.3
Softlogic Life	Sri Lanka	2020	Other financial services	Loans	0%	Sri Lanka	66.1
LOCFUND NEXT L.P.	Regional	2020	Microfinance	Funds	30%	Canada	53.4
LOLC (Cambodia) PLC.	Cambodia	2020	Microfinance	Loans	0%	Cambodia	52.9
Yoma Bank Limited	Myanmar	2019	Banking	Equity	11%	Myanmar	295.0
Mutual Trust Bank Limited	Bangladesh	2019	Banking	Loans Equity	10%	Bangladesh	294.2
Equity Bank	Regional	2019	Banking	Loans	0%	Kenya	132.3
FCMB	Nigeria	2019	Banking	Loans	0%	Nigeria	88.2
Accion Quona Inclusion Fund LP	Global	2019	Investment funds	Funds	6%	Cayman Islands	82.9
Banco BCT	Costa Rica	2019	Banking	Loans	0%	Costa Rica	80.8

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Optima Servicios Financieros SA de CV	El Salvador	2019	Microfinance	Equity	36%	El Salvador	53.7
Credicomer	El Salvador	2019	Microfinance	Loans	0%	El Salvador	41.2
AfricInvest Financial Inclusion Vehicle (FIVE)	Regional	2018	Banking	Equity	21%	Mauritius	276.7
Banco Promerica Costa Rica	Costa Rica	2018	Banking	Loans	0%	Costa Rica	220.5
NMI Fund IV	Global	2018	Microfinance	Funds	25%		216.0
ONE Bank Limited	Bangladesh	2018	Banking	Loans	0%	Bangladesh	49.6
NMI GP IV AS	Global	2018	Microfinance	Equity	22%	Norway	24.0
Banco BDF	Nicaragua	2017	Banking	Loans	0%	Nicaragua	143.3
AB Bank	Vietnam	2017	Banking	Loans	0%	Vietnam	88.2
Access Bank Plc.	Nigeria	2017	Banking	Loans	0%	Nigeria	49.6
Arise B.V.	Regional	2016	Banking	Equity	33%	Netherlands	2813.9
Fedecredito	El Salvador	2016	Microfinance	Loans	0%	El Salvador	161.7
Banco Promerica Guatemala	Guatemala	2016	Banking	Loans	0%	Guatemala	88.2
Banco Promerica El Salvador	El Salvador	2015	Banking	Loans	0%	El Salvador	176.4
ARREND Central America	Regional	2015	Other financial services	Loans Equity	22%	Guatemala	82.8
Advans MFI Myanmar Company Limited	Myanmar	2015	Microfinance	Loans Equity	40%	Myanmar	55.4
Myanmar Finance International Limited	Myanmar	2015	Microfinance	Loans Equity	25%	Myanmar	24.7
LAFISE NICARAGUA	Nicaragua	2014	Banking	Loans	0%	Nicaragua	176.4
ACLEDA Bank Lao Ltd.	Laos	2014	Banking	Loans	0%	Laos	13.6

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NorFinance AS	Regional	2013	Banking	Equity	50%	Norway	495.1
NMI Fund III	Global	2013	Microfinance	Funds	26%		241.1
Prasac Microfinance Institution Plc.	Cambodia	2013	Microfinance	Loans	0%	Cambodia	202.8
FDL	Nicaragua	2013	Microfinance	Loans Equity	13%	Nicaragua	91.2
Amret Plc.	Cambodia	2013	Microfinance	Loans	0%	Cambodia	61.7
LOCFUND II	Regional	2013	Microfinance	Funds	26%	Canada	26.6
First Finance Plc.	Cambodia	2013	Microfinance	Loans Equity	15%	Cambodia	26.1
NMBZ Bank	Zimbabwe	2013	Banking	Loans	0%	Zimbabwe	12.3

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→ About Norfund's investments in financial institutions in 2020

→ Financial institutions - impact ambitions and results

Scalable Enterprises

Growing sustainable scalable enterprises drives industrialisation, economic growth and job creation.

Results in 2021

1408 MNOK	Committed through direct investments and funds
6700 new jobs	Created in direct investments and investee companies within funds portfolio
682 MNOK	Increase in revenue (32% increase)

Development Rationale

Jobs are vital to reducing poverty. Jobs generate income, are a basis for taxation, provide security, and can enable knowledge and skills development. In most countries, private enterprises create the vast majority of jobs. This is especially true in developing countries, where more than 90% of jobs are in the private sector.

The COVID-19 pandemic has had a serious negative impact on businesses in developing countries and on global working hours and income levels, further increasing already high unemployment rates in many of Norfund's markets. Avoiding further job losses and creating a substantial number of new jobs in developing countries is therefore more important now than ever.

The agribusiness sector is labour intensive and employs a large portion of the Sub-Saharan African population. The sector, however, remains largely underdeveloped in terms of productivity and participation in the most value-adding activities in global value chains. Investing in businesses throughout the agribusiness value chain can thus enable more job creation, increased competitiveness, import substitution and economic growth.

Manufacturing similarly holds great potential as an enabler of economic growth and transformation in Africa. Few countries have developed their economies without developing a strong manufacturing base.

In Africa, more than 80% of the jobs are within the informal sector. This means that the workers are unregistered, have no insurance or sick leave schemes and have limited access to training. As such, it is crucial to develop formal job opportunities and ensure that these are quality jobs where workers' rights are protected.

Norfund's investments in scalable, sustainable businesses help to create jobs, generate government revenue and provide the goods and services that people need.

Investment Needs

Lack of finance is a significant obstacle to business growth. The volume of foreign direct investment in developing regions is low. Additionally, the COVID-19 crisis has resulted in considerable capital outflow from emerging markets.

Growth capital, sector expertise and investors who are willing to take risks are needed to unlock the potential of scalable enterprises in developing countries.

Norfund's Strategy

Norfund invests in businesses both directly and through funds. Our direct investments are focused on scalable enterprises within agribusiness and manufacturing in Sub-Saharan Africa. These investments are always made in collaboration with strong industrial or financial partners.
As a direct equity investor, Norfund acts as a responsible owner. We assist developing businesses in becoming robust and sustainable while supporting their growth strategies. Norfund also provides advice to identify and mitigate environmental and social risks.

Fund investments enable us to reach a broader range of businesses and sectors together with fund managers with local knowledge and business insight than what we have capacity to do on our own. Investments are funnelled through 4 different strategic areas called (1) large-cap funds, (2) SME-funds, (3) venture funds and (4) purpose funds. The large cap funds create jobs and growth through established and well-run companies with a potential to further scale and expand its business activities. SME funds access smaller businesses that traditionally don't have sufficient access to the capital markets. Venture funds support the establishment of new businesses, most often with a technological approach to their markets which enable them to create new and innovative business models. Lastly, purpose funds target fragile states and areas in developing countries where private capital is most scarce, and where our investments are highly additional.

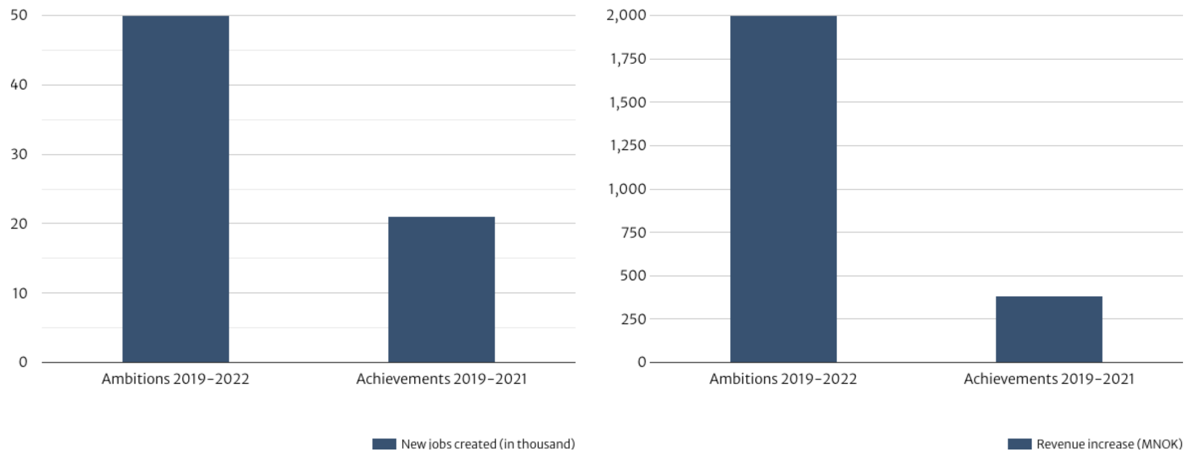
Strategic ambitions

Norfund's impact objective for this business area is to foster growth in portfolio companies, both in the form of increased employment and increased revenues.

Norfund has defined the following ambitions for the strategy period 2019-2022:

- **Create 50,000 jobs** through direct investments and funds, whereof 3,000 jobs created in direct investments
- **2 billion NOK revenue increase** in direct investments

Accumulated achievements 2019 - 2021



Investments and Results in 2021

Scalable enterprises account for 28% of Norfund portfolio. By the end of 2021, the portfolio included 28 direct investments and 62 fund investments.

1408 MNOK	Committed in 2021
7754 MNOK	Committed in total SE portfolio

Impact 2021

6,700 jobs created

In 2021, the number of jobs in Scalable Enterprises' direct investments increased by 2,400. When including the investee companies within our funds portfolio, the total number of new jobs created was 6700.

The total number of direct jobs in the Scalable Enterprises portfolio (incl. funds) was over 200,000.

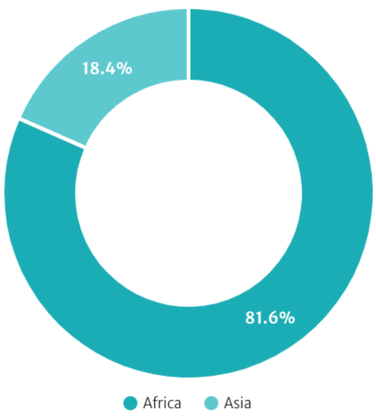
32% revenue increase

In 2021, revenues in Scalable Enterprise's direct investments increased by 682 million NOK (32%). This is a substantial improvement from 2020, when revenues decreased by 18%, largely due to the COVID-19 pandemic.

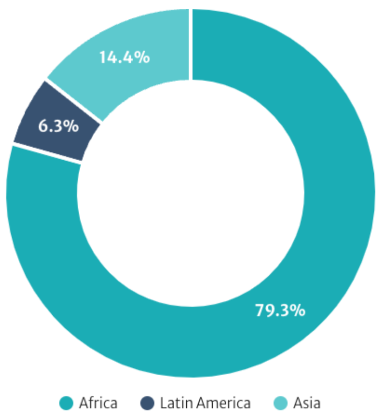
Investments per region

Sub-Saharan Africa is the priority region of direct investments in agribusiness and manufacturing. Norfund's staff in South Africa, Kenya and Ghana played key roles in identifying and monitoring our direct investments.

Investments in 2021



Total Scalable Enterprise portfolio



Highlights of 2021

6	New investee companies
8	New fund investments
4	Follow-on investments

Marginpar

Norfund initially invested in Marginpar in 2018. The company is a successful import agent and flower producer operating in East Africa, and Norfund invested after seeing the close alignment of our geographic and sectoral priorities with the company which covers the value chain from breeding of flowers to distribution. There were risks, but Norfund saw long-term growth opportunities and from the start was an active owner.

In 2020 though the pandemic hit, and Marginpar lost all business overnight. The Amsterdam flower market collapsed and air freight out of Africa was simultaneously affected, so flowers could neither be sold nor exported.

With 3,000 employees and no one to buy its flowers, Marginpar was in a crisis. The management of Marginpar and Norfund as investor faced an exceptionally difficult situation. Instead of implementing layoffs, all employees voluntarily took a 50% pay cut and Norfund stepped in with an emergency loan to keep people employed and the company going. Six months later, the flower demand picked up and people came back to work with 100% pay and compensation for the 50% pay reduction that they had contributed with.

Since then, Marginpar has recuperated and delivered record figures for the year ending June 2021. Stories like Agnes (see video below) illustrate the value of long-term relationships and active ownership with our investees, even during challenging events like the pandemic.

Phatisa Food Fund 2

In the beginning of 2021 Norfund, together with CDC Group (now BII), Finnfund, FinDev Canada and BIO, announced an 82 million USD joint commitment to Phatisa Food Fund 2, managed by Phatisa. PFF 2 will invest across the African food value chain, considering investments in mechanisation, inputs, poultry and meat production, food processing and manufacturing, logistics, aggregation and distribution across Sub-Saharan Africa.

Norfund committed 20 million USD to the investment that aims to strengthen and increase food supply, local production and distribution across the region.

The fund, via its investment in companies in the food value chain, targets over 90,000 small-holder farmers and micro-entrepreneurs and aims to create over 2,000 permanent jobs and sustain another 10,000 jobs. The investment follows the success of Phatisa's African Agriculture Fund (AAF), which has created more than 1,800 jobs and benefitted 86,000 farmers operating in over 20 markets across the continent.

Building on AAF, Phatisa Food Fund 2 will enable small-holder farmers and micro-entrepreneurs to develop their skills, broadening access to markets and economic opportunities. The new fund will also address access to, and affordability of products among farmers and promote smart agricultural methods – enhancing crop resilience, reducing food loss and waste by 50% in the companies it finances, while increasing outputs, yields and incomes.

Scalable Enterprises direct investments portfolio

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Phatisa Food Fund 2	Africa	2021	Agriculture forestry and fishing	Funds	0%	Mauritius	172.8
SPECIAL ICE COMPANY LIMITED	Ghana	2021	Manufacture of beverages	Loans	0%	Ghana	61.7
Seba Foods	Zambia	2021	Manufacture of beverages	Loans	0%	Zambia	44.1
Kagera Sugar Limited	Tanzania	2020	Crop and animal production	Loans	0%	Tanzania	132.2
FES	Malawi	2020	Agriculture forestry and fishing	Loans Equity	23%	Mauritius	117.4
Lilongwe Dairy (2001) Limited	Malawi	2020	Crop and animal production	Loans	0%	Malawi	86.4
Sundry Foods	Nigeria	2019	Manufacture of food products	Equity	13%	Nigeria	65.1
Marginpar Group	Africa	2018	Crop and animal production	Equity	18%	Mauritius	93.3
Neofresh	Africa	2017	Crop and animal production	Loans Equity	34%	Mauritius	78.9
Nyama World Malawi Ltd	Malawi	2017	Crop and animal production	Loans	0%	Malawi	29.1
African Century Nampula	Mozambique	2017	Real estate activities	Equity	32%	Mozambique	4.9
Associated Foods Zimbabwe (AFZ)	Zimbabwe	2016	Manufacture of food products	Loans	0%	Zimbabwe	17.6
Freight in Time	Africa	2015	Transportation and storage	Loans Equity	24%	Mauritius	70.3
African Century Real Estates Ltd.	Mozambique	2015	Construction of buildings	Equity	21%	Mauritius	32.9
African Century Infrastructure Services Ltd.	Africa	2014	Other service activities	Loans Equity	17%	Mauritius	81.6

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Vertical Agro (Sunripe & Serengeti Fresh)	Africa	2014	Crop and animal production	Loans	0%	Mauritius	53.6
Lake Harvest Group	Africa	2013	Fishing and aquaculture	Loans Equity	33%	Mauritius	140.2
ASILIA (African Spirit Group Limited)	Africa	2013	Tourism	Loans Equity	32%	Mauritius	132.8
UAP Properties Limited	South Sudan	2013	Real estate activities	Loans	0%	South Sudan	8.8
Agrivision	Zambia	2012	Agriculture forestry and fishing	Equity	24%	Mauritius	161.6
Across Forest AS	Nicaragua	2012	Forestry and logging	Loans	0%	Norway	1.3
TPS Dar es Salaam	Tanzania	2011	Tourism	Loans	29%	Kenya	5.3
Basecamp Explorer	Kenya	2010	Tourism	Equity	39%	Kenya	36.4
Green Resources USD	Africa	2009	Forestry and logging	Equity	51%	Norway	560.8
Africado Ltd.	Tanzania	2009	Agriculture forestry and fishing	Equity	33%	Mauritius	7.1
European Financing Partners SA	Global	2006	Investment funds	Loans Equity	6%	None	525.9
Afrinord Hotel Investments	Africa	2005	Tourism	Loans Equity	20%	Denmark	25.4

Scalable Enterprises funds portfolio

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Helios IV	Africa	2021	Investment funds	Funds	0%	Guernsey	220.5

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Vantage Mezzanine Fund IV - USD	Africa	2021	Investment funds	Funds	0%	South Africa	211.7
Meridiam Africa Fund II	Africa	2021	Investment funds	Funds	0%	France	199.8
Vietnam Investments Fund IV	Vietnam	2021	Investment funds	Funds	0%	Cayman Islands	132.3
African Rivers Fund III	Africa	2021	Investment funds	Funds	0%	Mauritius	132.2
AFMF: ASEAN Frontier Markets Fund	Asia & Pacific	2021	Investment funds	Funds	0%		88.2
Vantage Mezzanine Fund IV - ZAR	Africa	2021	Investment funds	Funds	0%	South Africa	49.8
ACI Motors Ltd	Bangladesh	2021	Manufacture of motor vehicles trailers and semi-trailers	Equity	5%	Netherlands	41.0
AfricInvest Fund IV	Africa	2020	Investment funds	Funds	10%	Mauritius	262.6
Navis CLMV	Asia & Pacific	2020	Investment funds	Funds	17%	Cayman Islands	216.8
CASEIF IV	America	2020	Investment funds	Funds	26%	Canada	176.3
Excelsior Vietnam	Vietnam	2020	Investment funds	Funds	19%	Singapore	131.7
Openspace Ventures III	Asia & Pacific	2020	Investment funds	Funds	8%	Cayman Islands	131.6
Ascent Rift Valley Fund II	Africa	2020	Investment funds	Funds	12%	Mauritius	87.9
Novastar Ventures Africa Fund II	Africa	2020	Investment funds	Funds	7%	Mauritius	71.1
Solon Capital Holdings	Africa	2020	Investment funds	Funds	30%	Mauritius	35.0
Antler East Africa Fund I	Africa	2020	Investment funds	Funds	20%	Cayman Islands	13.2
Development Partners International III	Africa	2019	Investment funds	Funds	4%	Guernsey	355.4
Verod Capital Growth Fund III	Africa	2019	Investment funds	Funds	10%	Mauritius	178.0

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Frontiir Co. Ltd.	Myanmar	2019	Information service activities	Equity	2%	British Virgin Islands	26.9
ECP Africa Fund IV	Africa	2018	Investment funds	Funds	8%	Mauritius	242.3
Cepheus Growth Capital Fund	Ethiopia	2018	Investment funds	Funds	18%	Mauritius	135.3
Myanmar Opportunities Fund II	Myanmar	2018	Investment funds	Funds	14%	Cayman Islands	72.8
EcoEnterprises Partners III LP	America	2018	Investment funds	Funds	5%	Ireland	54.5
Nordic Horn of Africa Opportunities Fund	Somalia	2018	Investment funds	Funds	11%	Canada	34.3
Agri-Vie II	Africa	2017	Investment funds	Funds	11%	Mauritius	130.4
Fanisi Capital Fund II	Africa	2017	Investment funds	Funds	35%	Mauritius	109.0
Spear Africa Holding II	Africa	2017	Manufacturing	Funds	21%	Mauritius	66.7
Oasis Africa Fund	Africa	2017	Investment funds	Funds	10%	Ghana	42.7
Fanisi Management II	Africa	2017	Investment funds	Loans Equity	25%	Mauritius	22.1
FIPA II	Africa	2016	Investment funds	Funds	38%	Luxembourg	156.7
Frontier Fund II	Bangladesh	2016	Investment funds	Funds	10%	Cayman Islands	29.4
GroFin SGB Fund Limited Partnership	Africa	2015	Investment funds	Funds	19%	Mauritius	125.6
Cambodia Laos Myanmar Development Fund II	Asia & Pacific	2015	Investment funds	Funds	16%	Singapore	93.3
BPI East Africa LLC	Africa	2015	Investment funds	Funds	17%	Mauritius	51.1
CASEIF III	America	2014	Investment funds	Funds	24%	Canada	80.9
Ascent Rift Valley Fund Ltd	Africa	2013	Investment funds	Funds	13%	Mauritius	84.4

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Novastar Ventures East Africa Fund	Africa	2013	Investment funds	Funds	13%	Mauritius	83.1
CORECO	America	2012	Other financial services	Funds	22%	Delaware	75.0
Kinyeti Capital Ltd	South Sudan	2012	Other financial services	Loans Equity	50%	South Sudan	35.4
Africa Health Fund (Aureos)	Africa	2011	Investment funds	Funds	9%	South Africa	44.5
Voxtra East Africa Agribusiness Ini	Africa	2011	Agriculture forestry and fishing	Funds	30%	Norway	31.7
Vantage Mezzanine Fund II	Africa	2011	Investment funds	Funds	5%	South Africa	23.1
Frontier Fund	Bangladesh	2010	Investment funds	Funds	11%	Cayman Islands	49.5
Neoma South-East Asia Fund II	Regional	2010	Investment funds	Funds	2%	Canada	27.2
Agri-Vie	Africa	2010	Agriculture forestry and fishing	Funds	9%	South Africa	22.7

Scalable enterprises – Funds portfolio 2021

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Helios IV	Africa	2021	Investment funds	Funds	0%	Guernsey	220.5
Vantage Mezzanine Fund IV - USD	Africa	2021	Investment funds	Funds	0%	South Africa	211.7
Meridiam Africa Fund II	Africa	2021	Investment funds	Funds	0%	France	199.8
Vietnam Investments Fund IV	Vietnam	2021	Investment funds	Funds	0%	Cayman Islands	132.3
African Rivers Fund III	Africa	2021	Investment funds	Funds	0%	Mauritius	132.2
AFMF: ASEAN Frontier Markets Fund	Asia & Pacific	2021	Investment funds	Funds	0%		88.2
Vantage Mezzanine Fund IV - ZAR	Africa	2021	Investment funds	Funds	0%	South Africa	49.8
ACI Motors Ltd	Bangladesh	2021	Manufacture of motor vehicles trailers and semi-trailers	Equity	5%	Netherlands	41.0
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Ascent Rift Valley Fund II	Africa	2020	Investment funds	Funds	12%	Mauritius	87.9
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Myanmar Opportunities Fund II	Myanmar	2018	Investment funds	Funds	14%	Cayman Islands	72.8
EcoEnterprises Partners III LP	America	2018	Investment funds	Funds	5%	Ireland	54.5
Nordic Horn of Africa Opportunities Fund	Somalia	2018	Investment funds	Funds	11%	Canada	34.3
Agri-Vie II	Africa	2017	Investment funds	Funds	11%	Mauritius	130.4
Fanisi Capital Fund II	Africa	2017	Investment funds	Funds	35%	Mauritius	109.0
Spear Africa Holding II	Africa	2017	Manufacturing	Funds	21%	Mauritius	66.7
Oasis Africa Fund	Africa	2017	Investment funds	Funds	10%	Ghana	42.7
Fanisi Management II	Africa	2017	Investment funds	Loans Equity	25%	Mauritius	22.1
FIPA II	Africa	2016	Investment funds	Funds	38%	Luxembourg	156.7

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Frontier Fund II	Bangladesh	2016	Investment funds	Funds	10%	Cayman Islands	29.4
GroFin SGB Fund Limited Partnership	Africa	2015	Investment funds	Funds	19%	Mauritius	125.6
Cambodia Laos Myanmar Development Fund II	Asia & Pacific	2015	Investment funds	Funds	16%	Singapore	93.3
BPI East Africa LLC	Africa	2015	Investment funds	Funds	17%	Mauritius	51.1
CASEIF III	America	2014	Investment funds	Funds	24%	Canada	80.9
Ascent Rift Valley Fund Ltd	Africa	2013	Investment funds	Funds	13%	Mauritius	84.4
Novastar Ventures East Africa Fund	Africa	2013	Investment funds	Funds	13%	Mauritius	83.1
CORECO	America	2012	Other financial services	Funds	22%	Delaware	75.0
Kinyeti Capital Ltd	South Sudan	2012	Other financial services	Loans Equity	50%	South Sudan	35.4
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Vantage Mezzanine Fund II	Africa	2011	Investment funds	Funds	5%	South Africa	23.1
Frontier Fund	Bangladesh	2010	Investment funds	Funds	11%	Cayman Islands	49.5
Neoma South-East Asia Fund II	Regional	2010	Investment funds	Funds	2%	Canada	27.2
Agri-Vie	Africa	2010	Agriculture forestry and fishing	Funds	9%	South Africa	22.7

Scalable Enterprises – Direct portfolio 2021

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Phatisa Food Fund 2	Africa	2021	Agriculture forestry and fishing	Funds	0%	Mauritius	172.8
SPECIAL ICE COMPANY LIMITED	Ghana	2021	Manufacture of beverages	Loans	0%	Ghana	61.7
Seba Foods	Zambia	2021	Manufacture of beverages	Loans	0%	Zambia	44.1
Kagera Sugar Limited	Tanzania	2020	Crop and animal production	Loans	0%	Tanzania	132.2
FES	Malawi	2020	Agriculture forestry and fishing	Loans Equity	23%	Mauritius	117.4
Lilongwe Dairy (2001) Limited	Malawi	2020	Crop and animal production	Loans	0%	Malawi	86.4
Sundry Foods	Nigeria	2019	Manufacture of food products	Equity	13%	Nigeria	65.1
Marginpar Group	Africa	2018	Crop and animal production	Equity	18%	Mauritius	93.3
Neofresh	Africa	2017	Crop and animal production	Loans Equity	34%	Mauritius	78.9
Nyama World Malawi Ltd	Malawi	2017	Crop and animal production	Loans	0%	Malawi	29.1
African Century Nampula	Mozambique	2017	Real estate activities	Equity	32%	Mozambique	4.9

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Associated Foods Zimbabwe (AFZ)	Zimbabwe	2016	Manufacture of food products	Loans	0%	Zimbabwe	17.6
Freight in Time	Africa	2015	Transportation and storage	Loans Equity	24%	Mauritius	70.3
African Century Real Estates Ltd.	Mozambique	2015	Construction of buildings	Equity	21%	Mauritius	32.9
African Century Infrastructure Services Ltd.	Africa	2014	Other service activities	Loans Equity	17%	Mauritius	81.6
Vertical Agro (Sunripe & Serengeti Fresh)	Africa	2014	Crop and animal production	Loans	0%	Mauritius	53.6
Lake Harvest Group	Africa	2013	Fishing and aquaculture	Loans Equity	33%	Mauritius	140.2
ASILIA (African Spirit Group Limited)	Africa	2013	Tourism	Loans Equity	32%	Mauritius	132.8
UAP Properties Limited	South Sudan	2013	Real estate activities	Loans	0%	South Sudan	8.8
Agrivision	Zambia	2012	Agriculture forestry and fishing	Equity	24%	Mauritius	161.6
Across Forest AS	Nicaragua	2012	Forestry and logging	Loans	0%	Norway	1.3
TPS Dar es Salaam	Tanzania	2011	Tourism	Loans	29%	Kenya	5.3
Basecamp Explorer	Kenya	2010	Tourism	Equity	39%	Kenya	36.4
Green Resources USD	Africa	2009	Forestry and logging	Equity	51%	Norway	560.8
Africado Ltd.	Tanzania	2009	Agriculture forestry and fishing	Equity	33%	Mauritius	7.1
European Financing Partners SA	Global	2006	Investment funds	Loans Equity	6%	None	525.9
Afrinord Hotel Investments	Africa	2005	Tourism	Loans Equity	20%	Denmark	25.4

Green Infrastructure

Green Infrastructure is a new investment area for Norfund. The goal is to develop projects and companies by investing with partners to improve water and waste management – challenging investment areas, but vital parts of the infrastructure of our target countries.

450 million NOK To be committed in 3–7 investments by the end of 2022

Development rationale

Today, for the first time in history, more people live in urban than in rural areas. The total number of people living in cities is expected to grow from approximately 4.4 billion today to 6.7 billion in 2050. The cities need to grow in a way that creates economic growth, jobs and prosperity without putting a strain on land and resources.

While 93% of waste is dumped in low-income countries, waste management has the potential to be profitable, create many new jobs and build local supply of recycled raw material. Waste also contributes with 20% of global methane gas emissions, fuelling climate change.

In Sub-Saharan Africa alone, 315 million people lack access to safe drinking water and a 300% increase in demand is projected between 2005 and 2030. Contaminated water has enormous consequences on health, causing 6% of deaths in low-income countries. Fetching water is also a barrier towards school attendance. In all, every 1 USD invested in water is considered to return 4 USD on a societal level by countering these issues.

By investing in urban infrastructure, such as the safe removal and management of waste as well as increased access to clean water and sanitation, we can help address urbanisation challenges while improving resource use, reducing pollution and contributing to job creation.

Investment needs

35 billion USD of investments are needed annually in Sub-Saharan Africa to reach SDGs 6.1 and 6.2. Green infrastructure-related areas have achieved increased global attention and funding. Several major funds are turning their attention to investments in waste, water and oceans. Still, the difficulty to secure funding to provide basic services and necessary water- and waste-infrastructure is a major challenge in Africa.

The African infrastructure paradox

While many projects are in search for financing and investor interest is high, it is difficult to find commercially sustainable and bankable projects. This is Africa's infrastructure paradox.

Operational challenges and risks often lead projects to collapse before they can reach financial close. Only very few projects manage to get passed the feasibility stage and to financial close. Out of 30 water projects the team has reviewed, only two have turned out to been at an investable stage. Within Waste to energy projects, the ratio is nine out of a hundred.

Where Norfund can play a role

Water and waste management are especially challenging sectors given the limited willingness to pay for the services offered.

In developing countries, people are often not used to paying for access to clean water, and the responsibility for and ownership of waste collection is often lacking. This leads to complex projects with high inherent ESG and business integrity risks and therefore start-ups struggle with profitability and growth.

While commercial investors shy away from immature opportunities where risk adjusted returns become unattractive, Norfund can fill a gap by taking higher (but thoroughly considered) risks to validate nascent business models and pave the way for commercial investors.

Norfund strategy:

Green Infrastructure's aim is to improve essential infrastructure services in:

- Waste management, including waste-to-energy
- Water supply and sanitation, including waste-water treatment

The priority is direct investments in Sub-Saharan Africa. Our focus so far has been to carefully assess and understand market dynamics and business models to pinpoint commercially sustainable business opportunities. As described above, investments in this sector will require strong technology and market knowledge to identify commercially viable projects early on.

Norfund prefers to invest in collaboration with experienced industry partners who are able to transfer best practices to investee companies. Local or regional smaller players will also be considered.

Strategic ambitions

Norfund has defined the following ambitions:

- Improve essential infrastructure, primarily in Sub-Saharan Africa
- Establish partnerships and make investments in waste management and water
- Invest NOK 0.5 billion annually

Highlights

First investment for Green Infrastructure

After being established in 2020, Green Infrastructure made its first investment in 2021. A convertible loan of 2 million USD was provided to TransAfrica Water Systems, a water solutions company involved in the distribution of equipment and services related to water pumping solutions, water treatment, wastewater management solutions, swimming pool equipment, solar powered water borehole rigs, solar powered water heating systems and generators. The company is one of the recognised distributors of world-renowned water and solar systems in East Africa.

The company was incorporated in the year 2011 and has presence in Kenya and Tanzania with focus on regional expansion. Norfund has provided the company with a loan in 2021 to aid its expansion strategy.

The loan will accelerate access to clean and affordable water to households and institutions in East Africa, deepen the water sector, and facilitate jobs creation directly through the company's expansion and indirectly through improved economic activities, for example, use of water for irrigation. In addition, TransAfrica is a family-owned business and remains so, while Norfund assists in institutionalising the business with proper governance and structures.

Norfund's investment in the company will enable it to achieve its full growth potential and further develop the water industry in East Africa.

Special Ice Company Limited produces bottles for carbonated beverages. Norfund set up business support to finance plastic waste collection.

Potential in plastic recycling

An area of great potential is plastic recycling. We see a clear demand from multinational companies that want to take responsibility for the waste they are generating, and in March 2022 the UN Environment Assembly adopted a resolution addressing plastics through the entire lifecycle, including reuse and recycling of plastics.

In 2021 Scalable Enterprises – Agri and Manufacturing made a 61.7 million NOK commitment to Special Ice Company Limited, an indigenous -owned mineral water and carbonated soft drinks production company established in 2011 in Ghana.

The company's portfolio of products includes mineral water in bottles and sachets of various sizes ranging from 500 ml to 18.5 litre jar bottles and carbonated soft drinks in

500- and 350-ml PET bottles. As part of the deal Norfund set up business support to finance plastic waste collection. This was led by Agri and Manufacturing, but Green Infrastructure contributed with input. Some manufacturers of plastic have backward integrated into recycling, and there is not always a sharp line between manufacturing and waste management. In the future we may look at helping to build the ecosystem between manufacturing and recycling.

Green Infrastructure portfolio

Investments	Country/Region	Investment year	Sector	Instrument	Owner share	Domicile	Committed amount (MNOK)
Transafrica Water Systems Limited	Africa	2021	Water supply	Loan		Kenya	17 638

Clean Energy

Increased supply and access to clean and reliable energy enables economic growth, job creation, improved living standards and mitigates climate change.

Key Achievements in 2021

2720 MNOK	Committed
1587 MW	New capacity financed, 100% renewable
3.5 million	New households gained access to electricity

Development Rationale

Although most developing countries have considerable solar, wind and hydropower resources, the power sector is largely underdeveloped in terms of installed capacity, access to energy and per capita consumption.

Investments in clean energy generation enable economic growth and job creation and mitigate climate change. Better, more reliable energy supplies, resulting in fewer and shorter outages, help foster job creation and economic growth as new businesses are established and productivity improves. Access to renewable energy is crucial for developing countries to grow out of poverty without exacerbating the climate crisis.

Contributing to increased access to electricity improves living standards by substituting other fuels and reducing indoor air pollution, providing access to quality lighting and electronic communication, and improving health care services, security and educational outcomes.

Investment Needs

The World Bank has estimated a need for USD 900 billion in renewable energy investments by 2025 to meet the energy needs of developing countries.

The pandemic has also set back efforts to provide sustainable energy for all. In 2020 energy use fell by 4% due to pandemic effects on the world economy via lockdowns. In 2021 use recovered by 4.6%, rising above pre-pandemic levels. Still, according to the International Energy Agency, on our current policy trajectory around 660 million people will lack access to electricity in 2030. Most of them will be in Sub-Saharan Africa. This makes Norfund's work in the region even more urgent.

Despite being home to 16% of the world's population, Africa currently accounts for just 4% of global power supply investment. The demand for power in this region is expected to more than triple by 2040. Previous focus on renewable energy in Africa has largely been limited to publicly funded hydro power. The shift to privately financed renewables like wind and solar can deliver low-cost power to new regions, while also limiting carbon emissions. However, currently the generation of new, clean electricity is not expanding fast enough in high-risk and capital-constrained markets.

One of the key barriers to widening the deployment and diffusion of clean and renewable energy is the shortage of well-prepared, 'bankable' projects for investors. The journey from the planning and development of clean energy projects through to their implementation is complex and long. To ensure successful project completion, risk-tolerant and long-term investors, such as Norfund, are needed.

Norfund's Strategy

Historically, the majority of Norfund's energy investments have been in hydropower, wind, and solar energy, and in utility scale, grid-connected power plants. However, in 2021 more than 50% of new commitments in Clean Energy were to distributed generation, i.e. smaller scale projects or off-grid solutions typically supplying power directly to the end-user. After the sale of SN Power in 2020, hydropower became a smaller part of the portfolio, and there will be a more diversified technology mix in the portfolio going forward. The sale of SN Power also meant that Asia now accounts for a smaller part of our energy portfolio, but we expect to see new investments in countries such as Vietnam, Indonesia and India.

Norfund's strategy is to invest with – or via – industrial partners. Approximately 1,000 MWp of solar power has been financed in partnership with Scatec. Norfund has a 30% stake in Globeleq – one of Africa's leading independent power companies currently having more than 1,500 MW of installed capacity, and another 700 MW in development. Following the sale of SN Power, we have a joint venture with Scatec to expand in hydropower in Africa. And in the distributed generation market, the 2021 investment into Fourth Partner Energy Ltd in India was one of the biggest transactions Norfund has ever done, at 100 million USD.

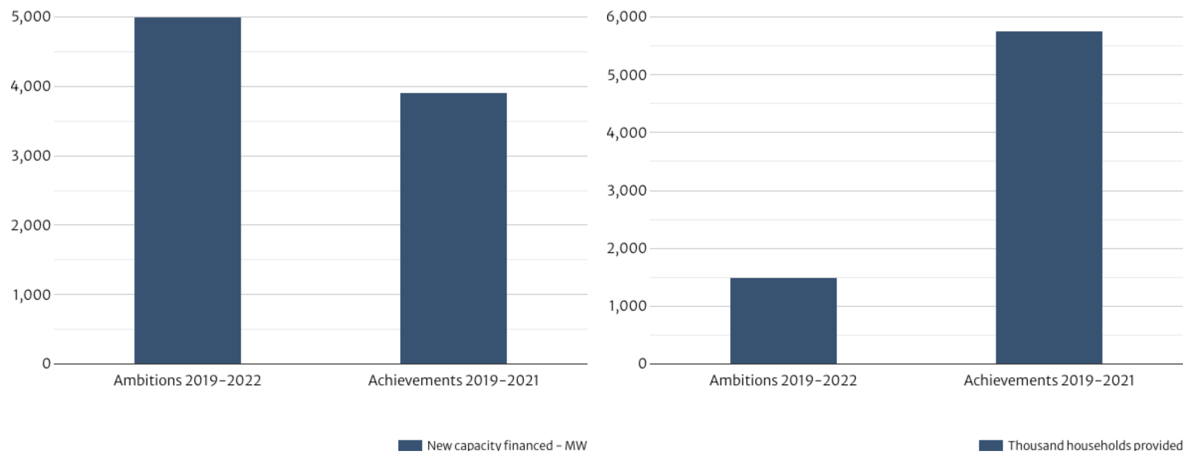
In the coming years, we will continue to increase Norfund's portfolio in renewable power generation in our target markets, building on existing investment platforms and partnerships as well as working with new partners.

Strategic ambitions

Norfund has defined the following ambitions for the strategy period 2019-2022:

- **5,000 MW** new capacity, of which **4,000 MW** is renewable
- **1.5 million households** provided with access to electricity

Accumulated achievements 2019 – 2021



Investments and Results in 2021

2720 MNOK	committed in 2021
9912 MNOK	committed in total CE portfolio

Impact 2021

1,578 MW increased energy supply

In 2021, Norfund financed 1,578 MW of new electricity generation capacity.

The total capacity in our portfolio was 7,225 MW, of which 1,385 MW is under construction. The power plants produced a total of 13.8 TWh of electricity, an amount equivalent to the combined annual electricity consumption of Tanzania, Botswana, and Namibia.

According to our estimates on indirect job creation, around 448,000 jobs were supported by the electricity produced by the power plants in Norfund's portfolio in 2021.

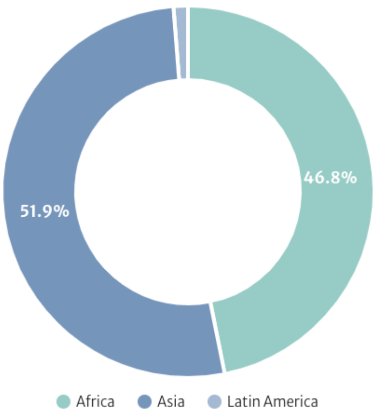
100% of the new capacity financed was renewable in 2021

In 2021, 100 percent of the new capacity financed was renewable. A total of 5,709 MW of the capacity in our portfolio is renewable.

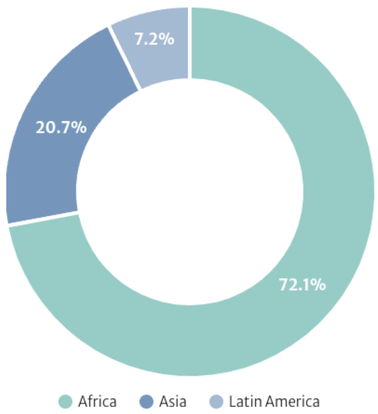
Together, the renewable power plants in our current portfolio produced 8.7 TWh electricity and have contributed to avoiding an estimated 4.5 million tonnes of CO2 emissions in 2021. This has been calculated using the harmonized IFI approach 'Methodological Approach for the Common Default Grid Emission Factor Dataset' (2022).

Investments per Region

CE Investments in 2021



Total CE Portfolio



Ongoing effects of the COVID-19 pandemic

The ongoing effects of the COVID-19 pandemic are still being felt. As in 2020, access to personnel was sometimes limited. With construction being affected by lockdowns and illness some projects were delayed. In addition, the supply chain has not recovered. Facing a microchip shortage, the off-grid business sector, which relies on higher value products, was affected by consumers going back to more basic options for lighting and energy.

Highlights of 2021

10	New investee companies
7	Follow-on investments

Climate Investment Mandate

One of the most significant developments in 2021 was the announcement that Norfund would manage the new Climate Investment Mandate for Renewable Energy. “It is a great honour that the Norwegian Government gives Norfund this responsibility”, said CEO Tellef Thorleifsson.

"The growth in energy demand in developing countries is enormous”, explained Thorleifsson. “We have experience from the most relevant markets and a network of partners, and we are confident that we can put the capital to work effectively and in line with host country energy plans.”

One billion NOK of Norfund’s capital and one billion NOK from the state budget will be set aside annually over five years for a NOK 10 billion capital base.

The money will be administered by Norfund’s Clean Energy team, bringing an even greater emphasis on renewable energy with the mandate to combat climate change in Official Development Assistance countries.

To read more about this highlight, click here.

Sale of SN Power

The sale of SN Power closed in early 2021, with Norfund selling the company to the Norwegian renewable energy company Scatec for 1.166 million USD. As part of the transaction, Scatec and Norfund agreed to establish a new joint venture for hydropower in Africa. Norfund also retained ownership of SN Power’s stakes in hydropower plants in Zambia and Panama. The sale released capital for reinvestment in renewable energy.

As investor in SN Power, Norfund was instrumental in developing hydropower projects in developing countries. SN Power plants produce power equivalent to the electricity consumption of 7 million people and help avoid 3 million tonnes of carbon emissions annually.

Read more about the significance of this sale in last year’s annual report.

Growth in Globeleq

Globeleq is a leading independent power producer in Africa which develops, owns and operates power plants utilising various technologies across the African continent. The company is headquartered in London and has operations in South Africa, Tanzania, Kenya, Cote d'Ivoire and Cameroon. Norfund and CDC partnered to invest in Globeleq in 2015.

Two projects were under construction during 2021: Malindi Solar photovoltaic plant in Kenya and an expansion of Azito gas-fired power plant in Cote d'Ivoire.

In late 2021 Malindi was completed and started supplying power to the national grid in December 2021. The power plant is delivering enough clean and renewable power to supply approximately 250,000 residential customers and will avoid 44,500 tons of CO2-equivalent emissions annually.

Globeleq had two new projects reach financial close, both in Mozambique: The 450 MW Temane power plant, and the Cuamba solar/battery project. The company was also named as preferred bidder, together with Mainstream, for 1,400 MW of renewables in the South African renewable auction – a major milestone for the company.

In 2021 Globeleq paid a USD 15m dividend to Norfund.

Fourth Partner Energy – Enabling clean energy transition for India's commercial and industrial businesses

Fourth Partner Energy is India's leading distributed renewable energy company, focused on building and financing energy solutions for commercial & industrial businesses. In June 2021 Norfund committed 100 million USD, the largest Norfund investment to date in India. TPG's RISE fund committed an additional 25 million USD alongside Norfund.

With an asset base of 850+ MW across both rooftop and ground-mounted solar installations – the firm is diversifying to offer customised clean energy solutions including wind-solar hybrid, floating solar, battery storage and EV charging infrastructure. Fourth Partner Energy is head-quartered in Hyderabad and has a pan-India presence with offices in 11 cities. The company has executed projects for over 150 marquee clients like Walmart, Unilever, Colgate Palmolive, Coca-Cola, PepsiCo, Skoda, Akzo Nobel, Schneider Electric, Ferrero, Mars, TCS and the Mahindra Group.

H1 partnership in South Africa

In late 2021 Norfund, together with Macquarie-managed UK Climate Investments, announced funding for a joint venture partnership between H1 Holdings and Pele Green

Energy to develop wind power assets in South Africa. This is one of South Africa's largest renewable energy equity deals valued at around 100 million USD. The investment will aim to accelerate South Africa's transition to a low carbon economy.

The resulting projects will contribute to avoid an average of 2.2 million tonnes of CO_2 emissions annually, or 43.8 million tonnes over the lifetime of the projects. That is equivalent to the emissions of half of the total number of cars in Norway.

In total Norfund committed 403 million NOK to the H1/Pele joint venture in 2021.

New partnerships and projects

In addition to supporting existing investees such as Globeleq, Serengeti Energy, M-Kopa and Greenlight Planet, in 2021 Norfund built new partnerships in hydropower, distributed solar and off-grid energy supply:

- In the Philippines Norfund committed 77 million NOK to the Kiangan hydropower project. This is a 17,5 MW hydropower plant in the Philippines being developed by the Japanese renewable energy company Renova and local partner Alternergy and

St Clara International.

- In Vietnam a 360 million NOK equity commitment was made to Green Roof Asia, a distributed generation company. This investment was made in partnership with Climate Fund Managers and Shire Oak International.
- In Cambodia, Norfund participated in a syndicate to provide USD 30m of debt financing to the 78 MWp Prime Road solar power plant – one of the first utility scale solar projects in the country.
- Norfund provided a loan of 9 million EUR in co-operation with the debt fund Facility for Energy Inclusion (FEI – also a Norfund investee) to Aktivco, a subsidiary of Camusat Holding which provides energy service solutions to telecom towers owned by mobile network operators. AktivCo has incorporated five subsidiaries in Niger, Chad, Cote d'Ivoire, Cameroon, and Burkina Faso where the energy services are being provided.
- In the off-grid space, we made a 10 million EUR equity investment in Baobab+, the leading distributor of solar home systems in West Africa and Madagascar. Baobab+, a Pan-African group already present in Côte d’Ivoire, Mali, Senegal and Madagascar, has equipped 220,000 households and served more than 1,200,000 beneficiaries in the past five years. This funding will allow the company to strengthen its presence in its existing countries and extend operations in Nigeria and the Democratic Republic of Congo.

Clean Energy portfolio

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
Klinchenberg	Africa	2021	Hydropower	Loans Equity	49%	Netherlands	1566.2
Agua Imara	Global	2021	Energy	Loans Equity	19%	Norway	893.5
Fourth Partner Energy	India	2021	Solar power	Equity	25%	India	879.8
H1 Pele SPV	South Africa	2021	Wind power	Loans	0%	South Africa	395.3
CN Green Roof Asia	Asia & Pacific	2021	Solar power	Equity	50%	Singapore	369.7
H1 Capital	South Africa	2021	Energy	Equity	25%	South Africa	199.1
Baobab+	Africa	2021	Solar power	Equity	30%	France	99.3
AktivCo	Africa	2021	Solar power	Loans	0%	Regional	86.3
Kiangan	Philippines	2021	Hydropower	Loans	0%	Singapore	78.5
SUSI Asia Energy Transition Fund (Through KNI)	Asia & Pacific	2021	Energy	Funds	19%	Luxembourg	67.4
Prime Road Solar	Cambodia	2021	Solar power	Loans	0%	Cambodia	36.0
Lobu Dolom HPP	Indonesia	2021	Hydropower	Loans	0%	Norway	8.8
Berkeley Energy Commercial & Industrial Solutions	Asia & Pacific	2020	Energy	Equity	24%	Singapore	241.5
Brighter Life Kenya 1	Africa	2020	Solar power	Loans	0%	Jersey	132.3
ESCOTEL	Africa	2020	Solar power	Loans Equity	31%	Mauritius	95.5
FEI – Facility for Energy Inclusion	Africa	2019	Energy	Funds	18%	Mauritius	176.5
Metier Sustainable Capital Fund II	Africa	2019	Energy	Funds	17%	Mauritius	175.3
Evolution Fund II (Through KNI)	Global	2019	Energy	Funds	14%	Mauritius	132.0
Greenlight Planet	Global	2019	Solar power	Loans	0%	Kenya	127.3
responsAbility ACPF	Global	2019	Energy	Funds	8%	Luxembourg	105.4
Starsight	Africa	2019	Solar power	Loans	0%	Nigeria	75.2
Schneider Electric Energy Access Asia	Asia & Pacific	2019	Energy	Funds	30%	France	63.2

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (MNOK)
WeLight	Africa	2019	Energy	Loans Equity	30%	Mauritius	45.4
Eco-Nor	Africa	2019	Hydropower	Equity	0%	Mauritius	8.1
Neo1 PV	Lesotho	2018	Solar power	Equity	21%	Lesotho	7.5
Serengeti Energy	Africa	2017	Hydropower	Loans Equity	26%	Mauritius	423.6
M-Kopa	Africa	2017	Solar power	Loans	0%	Kenya	124.1
Yoma Micro Power	Myanmar	2017	Solar power	Loans Equity	15%	Singapore	93.3
Sunshine	America	2017	Solar power	Loans Equity	0%	Costa Rica	18.3
New Africa Power	Zambia	2017	Hydropower	Equity	29%	Mauritius	16.0
Scatec Mocuba	Mozambique	2016	Solar power	Loans Equity	11%	Mozambique	52.7
d.light	Global	2016	Solar power	Loans Equity	0%	United States of America	51.5
Scatec Solar Los Prados	Honduras	2015	Solar power	Equity	0%	Honduras	101.9
Scatec Upington	South Africa	2015	Solar power	Loans Equity	30%	Netherlands	71.1
Scatec Benban	Egypt	2015	Solar power	Equity	12%	Netherlands	58.5
Rwimi	Uganda	2015	Hydropower	Loans	0%	Uganda	13.6
Globeleq	Africa	2014	Energy	Loans Equity	30%	United Kingdom	2086.7
Scatec Solar Agua Fria	Honduras	2014	Solar power	Loans Equity	30%	Honduras	196.7
Scatec ASYV	Rwanda	2014	Solar power	Loans Equity	16%	Rwanda	34.6
Renewable Energy Holdings	South Africa	2014	Hydropower	Loans	0%	South Africa	17.9
Bio2Watt Cape Dairy	South Africa	2014	Biomass	Loans	0%	South Africa	5.7
Kinangop	Kenya	2013	Wind power	Equity	19%	British Virgin Islands	94.3
Nam Sim	Laos	2011	Hydropower	Loans	38%	Laos	32.6
Bronkhorstspruit Biogas Plant	South Africa	2011	Biomass	Equity	11%	South Africa	25.5
ICCF	Global	2010	Energy	Loans	3%	Luxembourg	328.2

CLEAN ENERGY portfolio 2021

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→ About Norfund's investments in clean energy in 2020

Financial results

Norfund's financial results in 2021 are heavily positively affected by the sale of SN Power to Scatec. Further, a substantial share of our previous years write-downs due to the pandemic could be reversed as business conditions slightly have improved throughout 2021 in many markets. However, we have had to take write-downs of investments especially in Myanmar due to the military intervention at the beginning of 2021.

The sale of SN Power, contributed to an exceptional profit of 5 815 million NOK after tax. Norfund's overall balance at the end of 2021 was 32.5 billion NOK. Our total investment portfolio at estimated market value has decreased by 1.4 billion NOK throughout 2021, as a result of the sale of SN Power.

Due to a growing balance sheet in foreign currencies, we see significant fluctuations in our values in Norwegian kroner. This year we end with a substantial foreign exchange gain.

The Internal Rate of Return (IRR) for 2021 was 1.5%, compared to -0.1% in 2020, calculated in investment currency. Calculated in Norwegian kroner, the IRR for 2021 was 3.8%, compared to -3.6% in 2020.

1.5 %	IRR for 2021 (investment currency)
4.9 %	IRR since inception (investment currency)

As we see significant annual variations, the return on our investment is better reflected in IRR calculations since inception. As of 31 December 2021, Norfund's IRR since inception, calculated in investment currency, was 4.9%. In Norwegian kroner, the IRR since inception was 7.4%.

→ Annual Accounts and Notes 2021

Clean Energy portfolio

In 2021, Norfund's *Clean Energy* portfolio had an IRR in investment currency of 0%, mainly due to adjusted values related to the sale of SN Power. Except this, the IRR is 3.5%, which is higher than in 2020. The portfolio has been improving well during the year and major new investments will be finalized, including our first investment in India.

Financial Institutions portfolio

Investments in *Financial Institutions* have had a positive development with an IRR of 1.5% in investment currency. This result was higher than the negative IRR of -2.2% in 2020. The main drivers for this were a recover of the values of the bank investment portfolio in Arise, while write-downs have had to be taken in Myanmar. However, there has been limited need for restructuring, and new investments were made during the year.

Scalable Enterprises – funds

The IRR of our portfolio in *Scalable Enterprises – Funds* increased from minus 12.2% in 2020 to plus 5.6% in investment currency in 2021. The performance of funds in emerging and frontier markets is still negative, however there is a positive return in larger, institutional and venture funds. We have seen several improvements across all markets, with exception for the situation in Myanmar.

Scalable Enterprises – direct investments

The *Scalable Enterprises – Agriculture & Manufacturing* portfolio had an IRR of 6.5 per cent in 2021, substantially improving from -9.8% in 2020, measured in investment currency. After major write-downs in 2020, the main investments recovered quickly and contributed to the positive IRR.

The realised values from exits from all the above sectors will be reinvested in new investments that exhibit high development impact potential.

Internal Rate of Return (IRR) in investment currency

	Since inception	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Green Infrastructure	8.7	8.7										
Clean Energy	6.2	0	2.8	7.4	7.1	19.5	0.1	2	-9	-4	12	10
Financial Institutions	5	1.5	-2.2	7.1	3.3	5.8	8.2	12	6	4	9	6
Scalable Enterprises Direct	-2.7	6.5	-9.8	3.3	-5.0	4.1	-5.2	-4	-10	-4	-10	2
Scalable Enterprises Funds	-0.4	5.6	-12.2	-7.4	-14.4	-4.0	-1.6	0	-3	12	9	3
Total	4.9	1.5	-0.1	6.3	4.6	14.0	1.6	3.5	-6	-1	8	8

→ Exited companies in 2021

→ Key Figures 2021

Increased energy access and supply

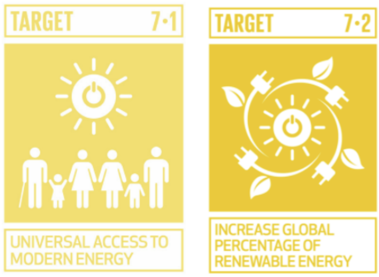
Access to energy is a precondition for job creation, economic growth and improved living standards in developing countries. To limit the climate crisis, the world needs to transition to an energy system based on renewables.

1578 MW	New capacity financed, 100% renewable
3521000 households	Provided with access to electricity through micro/mini-grid or solar home systems
4.5 million tonnes	Tonnes CO2 emissions avoided by investments in total portfolio in 2021*

*When including all greenfield renewable capacity Norfund has supported since inception, calculations show that 9 million tonnes CO2 emissions are avoided annually

Development rationale

Although most developing countries have considerable solar, wind and hydropower resources, the power sector is largely underdeveloped in terms of installed capacity, access to energy and per capita consumption.



Norfund's investments in clean energy contribute directly to achieving SDG 7-1 and SDG 7-2.

Investments in **clean energy generation** enables economic growth and job creation. More reliable energy supply, as well as fewer and shorter power outages, help foster more stable operating conditions, and increased productivity for local businesses.

Contributing to **increased access to electricity** improves living standards by substituting other fuels and reducing indoor air pollution, providing access to quality lighting and electronic communication, and improving health care services, security and educational conditions.

Renewable energy can substitute fossil energy and thus mitigate climate change.

Norfund's impact objectives

Norfund’s impact objective for our clean energy investments is threefold:

1. Increasing the supply of energy
2. Increasing the share of energy from renewable sources
3. Increasing access to energy

Doing so leads to economic growth, job creation and improved living standards, while mitigating climate change.

Results 2021

Increased energy supply

In 2021, Norfund financed 1,578 MW of new electricity generation capacity. The total capacity in our portfolio was 7,225 MW, of which 1,385 MW is under construction.

In 2021, the power plants produced a total of 13.8 TWh.

This is equivalent to the combined annual electricity consumption of Tanzania, Botswana, and Namibia.

The total energy production in Norfund’s portfolio has decreased in comparison to 2020, due to Norfund’s sale of SN Power to Scatec.

Increased share of energy from renewable sources

In 2021, 1,587 (100%) MW of the new capacity financed was renewable. A total of 5,709 MW of the capacity in our portfolio is renewable.

5709 MW total capacity from renewable sources in Norfund portfolio

Together, the renewable power plants in our current portfolio have contributed to avoiding an estimated 4.5 million tonnes of CO2 emissions in 2021. This has been calculated using the harmonized IFI approach ‘Methodological Approach for the Common Default Grid Emission Factor Dataset’ (2022). The estimation includes all power producers where Norfund has an ownership share or has extended a loan to, that are providing electricity to the grid or substituting power from the grid (such as “captive power” solutions that provide power directly to a consumer, for instance rooftop solar). It does not include companies providing pure off-grid solutions such as Solar Home Systems.

Increased access to energy

3,521,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2021. This represents a doubling of last year’s achievements in new households provided with access to electricity. This record high figure is mainly due to the performance of one of our funds in this segment.

Additionally, 2 million units of smaller solar-powered solutions, such as lanterns, were sold to households in 2021.

According to our estimates on indirect job creation, around 448,000 jobs were supported by the electricity produced by the power plants in Norfund’s portfolio in 2021.

Avoiding CO2 emissions

When it comes to greenhouse gas emissions, our impact is made by adding new energy from renewable sources that replace energy that would otherwise have been generated from fossil sources.

Norfund's investments have, since the fund was established in 1997, supported the installation of a total of almost 6,800 MW new renewable energy capacity. These investments contribute to **avoiding 9 million tonnes of CO2 emissions annually**. This corresponds to total annual emissions from road transport and domestic flights in Norway. Around 1,800 MW greenfield renewable capacity has been exited but are still up and running.

The power projects Norfund has invested in have a total combined accumulated capacity of more than 12,000 MW. They are estimated to produce 34 TWh of electricity annually.

This is equivalent to the combined electricity consumption of Kenya, Tanzania, Zimbabwe and Ethiopia.

A total of 10,000 MW of the capacity financed is in renewable energy.

Tax revenues

Norfund portfolio companies contribute to sustainable development by paying taxes and fees to the countries in which they operate.

Taxes paid in 2021

16.9 BNOK	Total taxes paid by portfolio companies
13.1 BNOK	Total taxes paid in Africa
16 %	Increase in total taxes paid by portfolio companies*

*In companies with two consecutive years of reporting

Development rationale

Domestic resource mobilisation is one of the most important ways to facilitate sustainable development. A tax base provides governments with essential resources to spend on infrastructure and public services, such as health, education and social protection.

Norfund's investments contribute both directly and indirectly to achieving SDG Target 17.1

Results 2021

Profitable businesses pay taxes to governments in the countries in which they operate. Taxes and fees are paid by Norfund's portfolio companies and by companies in their value chains.

In 2021, an amount equivalent to NOK 16.9 billion had been paid in taxes and fees by the companies in which Norfund is invested, both directly and through funds. This corresponds to 42% of the total Norwegian development aid in 2021.

45 % was paid as corporate income tax and 55 % was paid as other transfers, such as sales taxes, withholding taxes, net VAT, royalties, license fees and social security payments.

From the end of 2020 to the end of 2021, the total taxes and fees paid by companies with two consecutive years of reporting increased by NOK 1.84 billion.

6.6 BNOK Taxes and fees in LDCs

Around 6.6 billion NOK was paid in taxes and fees by companies operating in Least Developed Countries (LDCs).

About 77% of the taxes and fees paid by Norfund portfolio companies were paid by companies operating in Africa. Kenya, Ghana and Uganda alone accounted for 19%.

Norfund's tax policy

A responsible tax policy is fundamental to Norfund's operations. Our tax policy is based on the principles of the Norfund Act of 1997, Norfund's statutes and EDFI's principles for responsible tax in developing countries. It sets out the principles that guide our approach to tax-related issues and what we expect from our portfolio companies and co-investors.

The tax policy includes requirements regarding transparency, that Norfund's investees shall pay taxes to the countries in which they operate and where the income occurs, and that third countries must only be used when necessary to meet the fund's development priority of investing in high-risk markets and to protect the fund's capital.

In 2021 Norfund´s investments in funds increased, and hence so did the use of third countries. Norfund is actively tracking and monitoring the use of third countries.

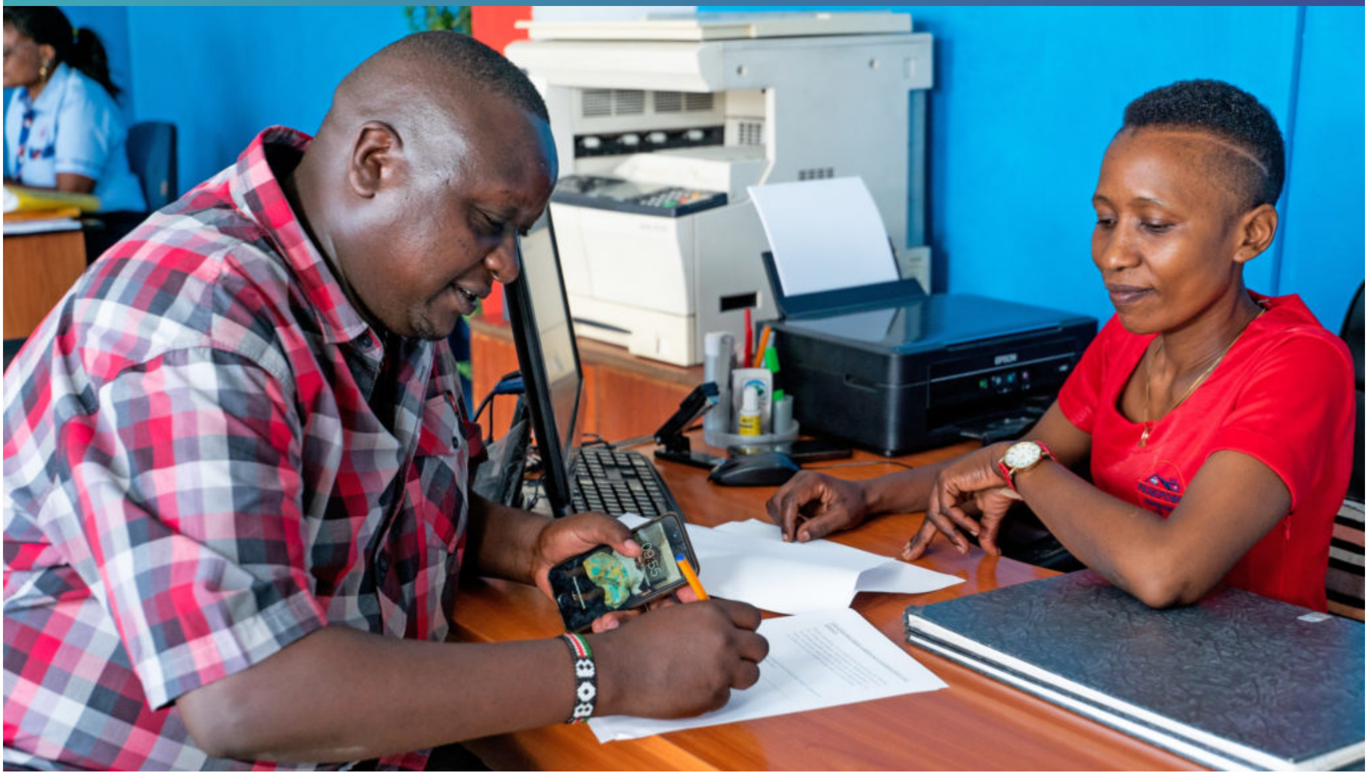
More about taxes and Norfund's Responsible Tax Policy

→ at norfund.no

Why DFIs use offshore financial centers

→ at norfund.no

Financial inclusion

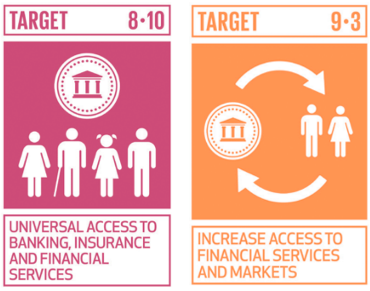


Lack of access to finance is regarded as the most important constraint to the development and growth of businesses in low-income countries. Contributing to increased financial inclusion is a key priority for Norfund.

7.5 million	New clients served by direct investments
48.5 billion NOK	Increase in lending to clients by direct investments

Development Rationale

Inclusive financial systems provide businesses and individuals with greater access to resources to meet their financial needs, such as capitalizing on business opportunities, investing in homebuilding or education and managing unforeseen circumstances.



Norfund's investments in financial institutions contribute directly to SDG 8-10 and 9-3.

In low- and middle-income regions, the financial sector is often underdeveloped. Businesses and individuals have limited access to basic financial services, such as bank accounts, payment services and credit facilities.

Across developing countries, it is estimated by the International Finance Corporation (IFC) that 65 million formal micro-, small- and medium-sized enterprises (MSMEs) have unmet financing needs, and about 1.7 billion adults remain unbanked.

Norfund's impact objectives

Norfund has the following impact objective for investments in financial institutions:

1. Increasing the provision of financial services
2. Increasing the provision of credit to clients

This enables economic growth and job creation in low- and middle-income regions and helps to improve living standards

Results 2021

Increased provision of financial services

The direct investments in our portfolio provided services to around 54 million clients in total.

Portfolio companies with two consecutive years of reporting increased the total number of clients by 7.5 million (17% growth) during 2021.

54 million	Clients received financial services from portfolio companies in 2021
17 %	Increase in number of clients since 2020

In addition, the financial institutions we have invested in through funds, with two consecutive years of reporting, have provided 831,000 new clients with access to financial services and in total provided services to around 21 million clients.

Increased provision of credit to clients

The combined loan book of the direct investments in our portfolio reached a total of 464 billion NOK by the end of 2021.

The total number of clients provided with credit was 7.6 million, including 4.2 million to retail clients, 2.1 million to microfinance clients and 528,000 to SMEs. Institutions with two consecutive years of reporting had increased their credit provision by NOK 48.5 billion (12% growth) during the year.

464 million	NOK in combined loan book
12 %	Increase in credit provision since 2020

The financial institutions in which we have invested through funds have provided an additional 13 million loans to clients, at a combined value of 67 billion NOK. Institutions with two consecutive years of reporting increased lending by 5.1 billion NOK during the year.

→ More about Norfund's investments in financial institutions in 2021

Jobs created

Norfund contributes to creating jobs directly in portfolio companies and indirectly through their value chains.

Results in 2021

13400	New jobs created in portfolio companies*
451000	Total jobs in portfolio companies

* In companies with two consecutive years of reporting

Development rationale

Jobs are vital to reducing poverty. Jobs generate income, are a basis for taxation, provide security, and can enable knowledge and skills development.

Norfund's investments contribute both directly and indirectly to the achievement of SDG Target 8.5.

In 2021, the International Labour Organization estimated that 207 million jobs were needed to address the current levels of unemployment, an increase from 187 million in 2019. The COVID-19 pandemic has had a serious negative impact on businesses in developing countries and on working hours and income levels in Norfund's markets where unemployment rates were already high.

Norfund's investments contribute both directly and indirectly to the achievement of SDG Target 8.5.

Record high investment level

In Africa, more than 80% of the jobs are within the informal sector*. This means that the workers are unregistered, have no insurance or sick leave schemes and have limited access to training. As such, it is crucial to develop formal job opportunities and ensure that these are jobs where workers' rights are protected.

Avoiding further job losses and creating a substantial number of new jobs in the formal sector in developing countries is therefore more important now than ever. It is also a prerequisite that the jobs are in businesses that are financially viable to sustain the impacts.

Read more about our financial results here.

Results 2021

451,000 jobs in Norfund portfolio companies

By the end of 2021, a total of 451,000 people were employed in the companies in which Norfund is invested, either directly or through funds. 85% of these were permanent jobs.

From the end of 2020 to the end of 2021, Norfund's portfolio companies (with two consecutive years of reporting) reported a net increase of new jobs by 4%, or more than 13,400 jobs.

Approximately 34% of the total people employed in Norfund's investees were women, and 22% were youth, defined as below 25 years.

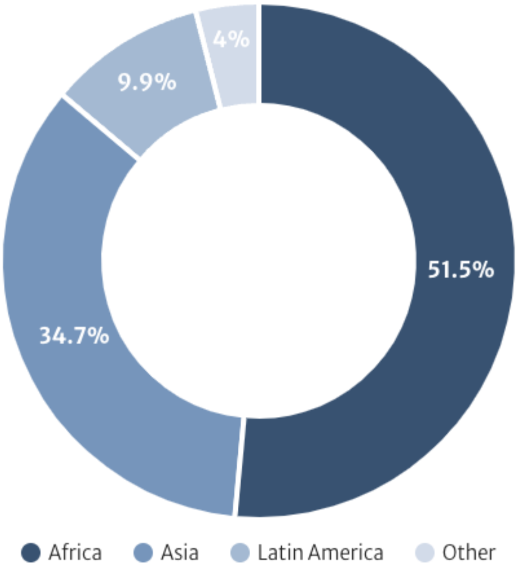
34	Female employees in Norfund portfolio companies
22	Youth employees in Norfund portfolio companies

→ Gender equality

217,000 people were employed in companies operating in Africa, or 52% of total employees in Norfund's investees.

26% of the jobs are in Least Developed Countries (LDC).

Jobs per region



35% were employed in companies in Asia, 10% were employed in companies in Latin America and 4% were employed in companies operating globally.

As there is currently no consensus on how to quantify investor contribution to company growth and development impact, Norfund attributes the impact reported solely to our portfolio companies.

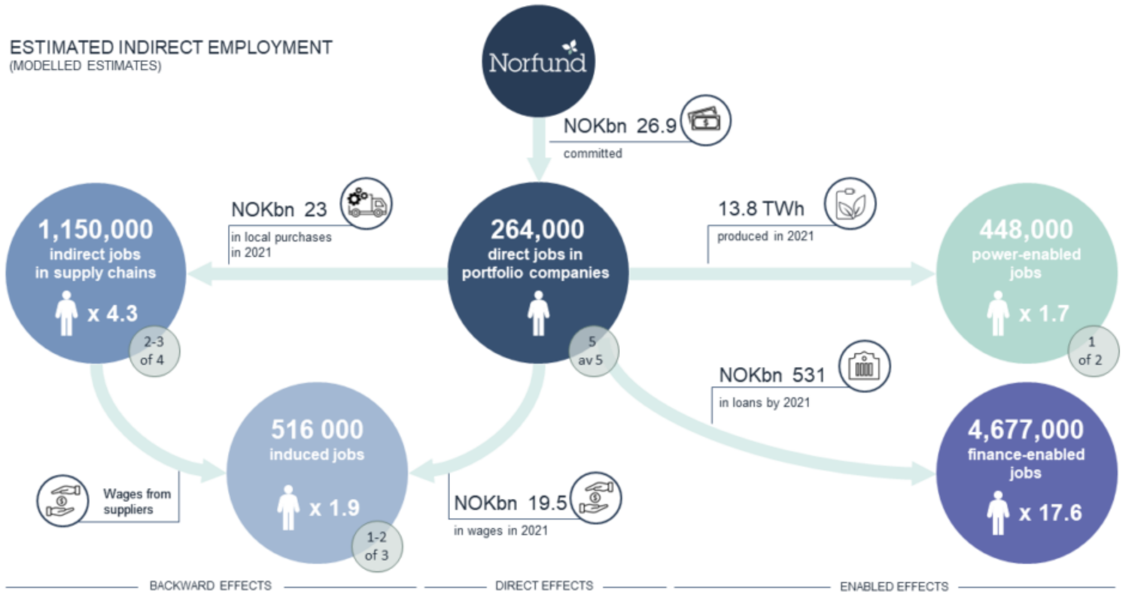
JIM Model: Jobs indirectly supported

Norfund's portfolio companies also contribute indirectly to employment and job creation through purchases of goods and services from other enterprises and when the employees or suppliers' employees spend their salaries.

Portfolio companies also support employment through energy production and access to finance. Finally, all the companies contribute to government revenues and spending ability by paying taxes, stimulating further job creation in public service sectors such as healthcare and education.

In 2020, Norfund applied the Joint Impact Model (JIM) for the first time, to estimate the scope of indirect employment impacts. The model is continuously subject to updates and improvements. Norfund has also used the model to estimate indirect employment for

2021.



Source: Norfund development effects reporting 2021; Joint Impact Model version 2.0 estimates.

Disclaimer: Impact results are calculated using the Joint Impact Model, a web-based tool for impact oriented investors in developing markets developed by Steward Redqueen, in coordination with CDC, FMO, BIO, Proparco, AfDB, and FinDev Canada. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such.

Direct jobs

A total of 264,000 jobs are held directly in the subset of Norfund's portfolio companies for which the model is applied. These are actual figures reported by investees and do not include third party hires. 33% of the direct jobs are in LDC, and just over half the jobs are in Africa. Around one third of the direct jobs are held by women, and around 1/5 is held by youth employees. The confidence level for the actual figures is high (5 of 5).

Indirect jobs from supply chains: During 2021, the companies in Norfund's portfolio purchased 23 billion NOK of inputs from local providers.

This is estimated to have supported around **1,150,000** jobs in the supply chains, or 4.3 times as many jobs as held directly in Norfund's portfolio companies.

25% of the jobs from supply chains are in LDC and the majority are in Africa. The model estimates that 44% of the jobs are held by women, while one in five jobs are held by youth (aged 15-25).

The confidence level for the modelled estimates ranges from 2 to 3 (of 4), depending on investee data availability.

Induced jobs from spending of wages: During 2021, the companies in Norfund's portfolio companies reported paying 19.5 billion NOK in wages to employees. Wages spent by workers in the supply chain companies also support economic activity.

It is estimated that around **516,000** jobs were supported by this local spending, or 1.9 times as many jobs as held directly in Norfund's portfolio companies.

34% of the induced jobs are in LDC and 72% are in Africa.

It is estimated that 45% of the jobs are held by women and one in five of the jobs are held by youth (aged 15-25).

The confidence level for the modelled estimates ranges from 1 to 2 (of 3), depending on investee data availability and due to using 2021 fiscal year data.

Enabled jobs by power: During 2021, the companies in Norfund's portfolio generated a total of 13.8 TWh electricity. This is equated to output in electricity-using sectors, which in turn is translated to estimates of the number of workers needed to produce this output.

In 2021, around **448,000 jobs** were supported by the power produced by Norfund's clients, or 1.7 times as many jobs as held directly in Norfund's portfolio companies.

63% of the jobs are in LDC and nearly all of the jobs are in Africa.

The confidence level for the modelled estimates is 1 (of 2), due to using 2021 fiscal year data.

Enabled jobs by finance: The banks in Norfund's portfolio had lent NOK 531 billion to businesses by the end of 2021.

This supported an estimated **4,677,000** workers in borrowing companies, or 17.6 times as many jobs as held directly in Norfund's portfolio companies. 62% of the jobs are in LDC and while 58% of the jobs are in Africa.

It is estimated that an additional 2,808,000 jobs are supported through these companies' supply chains, and 1,925,000 jobs are supported by spending of wages.

The model does not estimate jobs in the public sector financed through increases in tax income, although there are good reasons to believe that there are such indirect effects as well.

→ Read more about the JIM in Norfund's Annual Report 2020

Promoting job quality

Norfund promotes job quality using the IFC Performance Standards (PS) on Environmental and Social Sustainability in our investment processes.

The IFC PS is the key tool used by development finance institutions, such as Norfund, to assess the environmental and social risks of investments. One of the PS focuses on

Labour and Working conditions and includes provisions for issues such as workers' rights, health and safety, anti-discrimination and equal opportunity. The standards are aligned with the ILO's core conventions.

More about harmonised indicators for private sector at Norfund.no

Norfund and the SDGs

Norfund is committed to contributing to implementing and supporting the UN Sustainable Development Goals.

Norfund is the Norwegian government's main instrument for strengthening the private sector in developing countries to contribute to poverty reduction (SDG 1: No Poverty).

Our mission and strategy for 2019-2022 are based on the UN Sustainable Development Goals.

Norfund's mission is to create jobs and improve lives by investing in businesses that drive sustainable development (SDG 8: Decent Work and Economic Growth).

As defined in Norfund's strategy, the investments are concentrated in four investment areas that each also contribute directly to SDG targets:

- Clean Energy investments contribute to SDG 7-1 (universal access to energy services) and SDG 7-2 (increase share of renewables in the global energy mix)
- Financial Institutions investments contribute to SDG 8-10 (universal access to financial services) and SDG 9-3 (increased access to financial services for small and medium sized enterprises (SMEs)
- Scalable Enterprises investments contribute to SDG 8-5 (productive employment and decent work for all) and SDG 9-2 (promote inclusive and sustainable industrialization)
- Green Infrastructure investments contribute to SDG 11-6 (clean cities) and SDG 12-5 (reduce waste generation)

→ [More about Norfund strategy 2019 – 2022]

In addition, Norfund's work to mobilise capital from other investors contributes to reducing inequalities between countries (SDG 10) and to increasing investments in developing countries (SDG 17).

Cross-cutting issues

The cross-cutting issues in Norway's development policy - human rights (SDG 8), anti-corruption (SDG 16), gender equality (SDG 5), climate and environment (SDG 13) - are assessed in all our investments.

Human rights

The responsibility to respect human rights is a global standard of expected conduct for businesses and their responsibility as employers worldwide (SDG 8.7). As Norfund's role is to contribute to building sustainable businesses, we require our investees to respect human rights by adhering to the IFC Performance Standards. These standards cover relevant parts of the Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights – such as the core conventions of the International Labour Organisation (ILO) and indigenous peoples' rights.

8 DECENT WORK AND ECONOMIC GROWTH

Zero tolerance for corruption

Norfund has zero tolerance for corruption in all its investments and activities. We make clear to our portfolio companies that we do not accept any form of corruption and require them to implement anti-corruption programmes. In addition, all Norfund employees and representatives (including external board members appointed to portfolio companies) are required to sign and abide by Norfund's Code of Conduct, which prohibits all forms of corruption. If financial irregularities or corruption are suspected, Norfund has a formal channel to support whistle-blowers.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Gender Equality

Norfund is committed to addressing gender equality in our own organisation as well as in our investments. We use active ownership to promote equal opportunities for men and women across all levels in our investee companies.

Read more about Norfund's work with gender here.

5 GENDER EQUALITY

Climate

The climate crisis disproportionally affects poor people in developing countries and is a major threat to the goal of eradicating poverty.

In 2021 the Norwegian government gave Norfund the mandate to manage the new Climate Investment Fund. Read more about it here.

13 CLIMATE ACTION

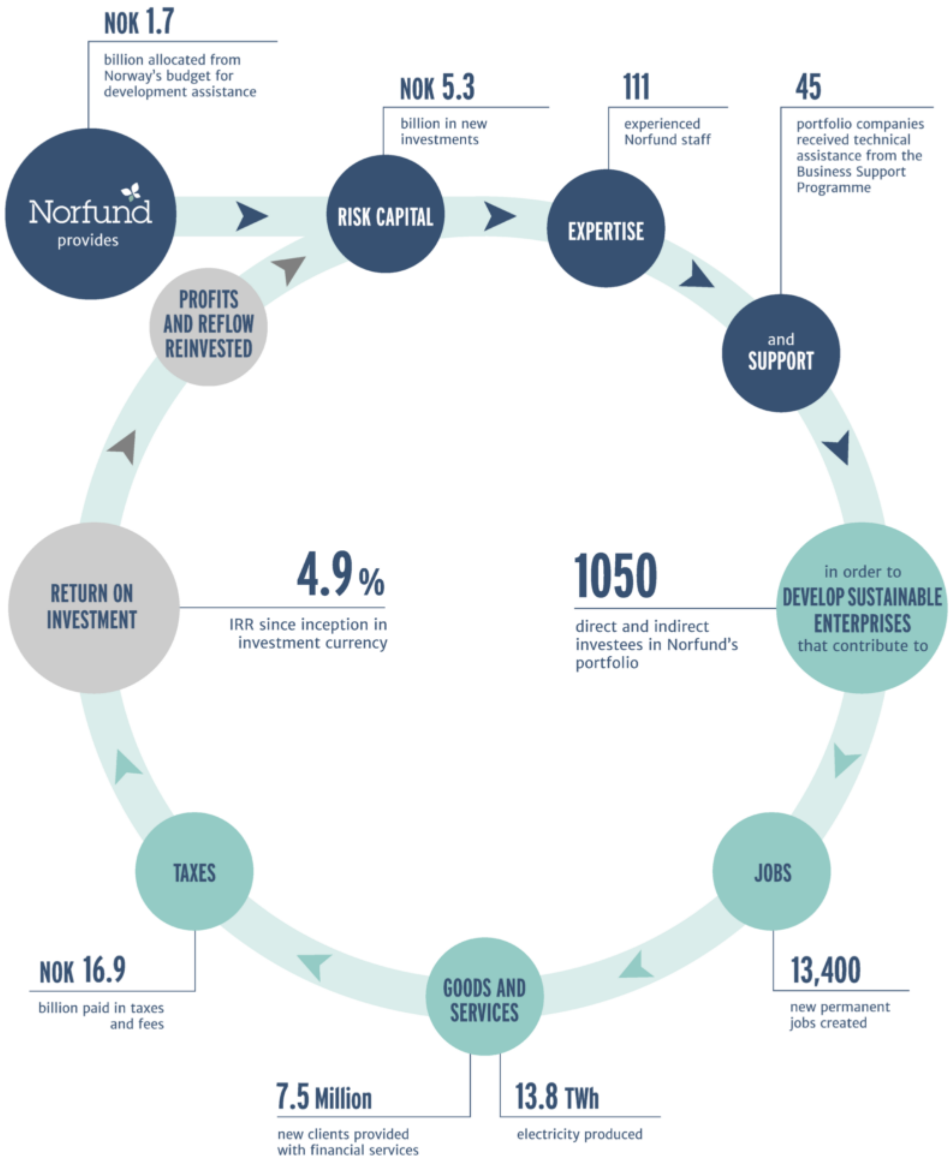
How we work

Norfund's mandate is to establish viable, profitable businesses in developing countries that would not otherwise be initiated because of the high risk involved.

The development of sustainable enterprises is essential in promoting economic growth and reducing poverty.

To fulfil our mandate effectively, we focus on countries and investment areas in which capital is scarce and our development impact is likely to be strong. Capital is scarce where other investors are reluctant to invest because of high levels of real or perceived risk. The extent to which an investment contributes to an outcome that would not have happened otherwise is often referred to as 'additionality'. These two criteria – additionality and impact – constitute the backbone of our strategy.

The illustration below shows how Norfund works and how investments in 2021 contributed to creating jobs, increasing energy access and supply and strengthening financial inclusion. When Norfund is no longer considered additional, the investments are exited. The proceeds are then reinvested in new enterprises with greater need for risk capital.



Norfund strategy 2019-2022

Norfund's strategy is rooted in the mandate, informed by the UN Sustainable Development Goals and reflects the priorities of the Norwegian government's development assistance policy.

Norfund invests in four areas where the potential for development impact is substantial and that are aligned with the SDGs.

Eight ambitions are defined for these investment areas to be achieved by the end of 2022:

Clean Energy

- 5,000 MW new capacity financed, of which 4000 MW is renewable
- 1.5 million households provided with access to electricity

Clean Energy investments and results 2021

7 AFFORDABLE AND CLEAN ENERGY

Financial Institutions

- 15 million new clients are offered financial services
- 130 billion NOK more extended in loans to clients

Financial Institutions investments and results 2021

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Scalable Enterprises

- 50,000 jobs created through direct investments and funds, whereof 3,000 jobs created in direct investments
- 2 billion NOK increased total revenues due to realised growth

Scalable Enterprises investments and results 2021

8 DECENT WORK AND ECONOMIC GROWTH

Green Infrastructure

- NOK 450 million to be committed in 3-7 investments by the end of 2022

Green Infrastructure investments and results 2021

Key Performance Indicators

To track progress Norfund also measure progress towards five key performance indicators (KPIs):

- Sub-Saharan Africa > 50%
- Least Developed Countries > 33%
- Equity Investments > 70%
- Greenfield Investments > 15% of three-years moving average of annual commitments
- Renewable energy > 50% share of accumulated allocated capital from government

Portfolio status in 2021 according to Key Performance Indicators

A responsible and active investor

Norfund is an active owner of our portfolio companies, contributing expertise and sound corporate governance – helping our investees to improve their environmental and social performance.

→ **Norfund's Environmental and Social policy**

If environmental and social risks are not addressed appropriately, harm can be caused both to people and to the environment. The management of environmental and social risks is therefore an integral part of Norfund's investment process. Norfund uses the Environmental and Social Sustainability Performance Standards of the World Bank's International Finance Corporation (IFC). This framework covers eight standards that form the basis for our assessments and follow-up interventions.

Norfund requires high standards of business integrity from employees and business partners and communicates its no-tolerance approach to all stakeholders.

→ **More about Norfund's business integrity policy and other governing documents at norfund.no**

Principles for Responsible Investments (PRI)

Since 2017, Norfund has been a signatory to the Principles for Responsible Investment (PRI) initiative. The PRI outlines six principles for responsible investment that Norfund has committed to and report on annually. The six principles reflect the increasing relevance of environmental, social and corporate governance issues to investment practices.

Operating Principles for Impact Management

The "Operating Principles for Impact Management" is a new investment tool that has established a market consensus for the management of investments for impact. The principles were developed by the International Finance Corporation (IFC), in consultation with a core group of stakeholders and draw on emerging best practices. They provide a reference point against which the impact management systems of funds and institutions may be assessed.

Norfund was among the first founding signatories. In April 2020, Norfund signed its first Disclosure Statement which affirms that Norfund investments and operations are managed in alignment with these Principles.

→ **Norfund Disclosure Statement Operating Principles for Impact Management**

A minority investor

Norfund invests jointly with other partners, and always as a minority investor. By being a significant minority investor, Norfund has influence, while supporting local ownership and encouraging other investors to invest in developing countries.

Strategic partners and co-investors

Norfund's ownership will normally not exceed 35 percent of a company. This means we always depend on competent and trusted partners. Norfund has clear guidelines for how to analyse and evaluate potential partners. The partner's areas of expertise and knowledge, previous and existing positions and relationships, other roles in the society and reputation are among the factors that are carefully considered.

Being a minority investor is a principle that is defined in Norfund's mandate. This can enable other international investors to invest in developing countries and supports local ownership.

Co-investing this way enables Norfund to leverage additional capital and to provide the industrial and local knowledge needed for each investment.

Overview of Norfund partners at norfund.no

Responsible Tax Policy

Norfund's Responsible Tax Policy, adopted by the Board of Directors in 2019, sets out the principles that guide our approach to tax-related issues and what we expect from our portfolio companies and co-investors. The guidelines are based on internationally agreed principles and were drawn up with input from civil society. It consists of seven fundamental principles. They include requirements regarding transparency, that Norfund's investees shall pay taxes to the countries in which they operate and where the income occurs, and that third countries must only be used when necessary to meet the fund's development priority of investing in high-risk markets and to protect the fund's capital.

To ensure consistency with evolving international standards and best practice of multilateral and bilateral development finance institutions, Norfund reviewed its responsible tax policy in 2021. As part of this review, an external study on Norfund's use of third countries was carried out by PwC.

The report from PwC was made public and shared with representatives from the Norwegian civil society, who were also invited to participate in the review of the policy. The review concluded there was no need to revise the current policy, but certain operational measures were updated to include more focus on tax structures to complement the assessment of domiciles. Norfund increased its investment volume in 2021, including several large fund investments, which led to extensive use of third countries also in 2021.

Business Support

The Norfund Business Support Programme is a tool to enhance the sustainability and capacity development of our investees (SDG 12-6). The Programme addresses several thematic focus areas in line with the strategy developed in 2021

ESG and OHS, Climate, Corporate Governance and Business Integrity, Gender Equality, and focuses on operational improvements and training for board, management and staff.

In addition to supporting our investees, Norfund in certain cases supports projects that consolidate local development effects in host communities by supporting a company's local community outreach efforts. And sector-related initiatives which are projects that support an entire sector, for example E&S training for the banking sector in a particular country.

→ More about Norfund Business Support projects in 2021

The Project Development and Risk Mitigation Facility (PDRMF)

The Project Development and Risk Mitigation Facility is funded by the Norwegian Ministry of Foreign Affairs.

The facility has two purposes:

- Enabling early phase project development within Norfund's investment areas
- Risk mitigation for commercial investors that wish to invest in Norfund funded projects, throughout the project cycle

The Project Development and Risk Mitigation Facility is used for projects that have a risk level which is higher than other investments in Norfund's core portfolio. These projects are managed as a separate facility and are not included in Norfund's overall portfolio valuation.

No new projects were approved in 2021, however there is a strong pipeline that addresses the need for this kind of financing in renewable energy and waste and water management.

For a list of PDRMF projects see the bottom of our Investments page here.

Organisation and team

Norfund has Norway's largest specialist team investing in developing countries based in our office in Oslo, but also ensures local presence and expertise through five regional offices in Africa, Latin-America and Asia.

Investment expertise

In 2021, 70 out of 111 employees were working directly on investments, following the projects through all the phases of the investment process. This includes eight dedicated personal dealing with Environmental and Social issues (E&S).

Norfund has four sector-based investment areas: Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure.

Country presence

Thirty-four Norfund staff members are employed across five regional offices (Nairobi, Cape Town, Accra, San José and Bangkok) to ensure local proximity and knowledge. The regional offices generate investments, monitor existing commitments and provide all the sector-based departments with support.

→ [More about Norfund regional offices at Norfund.no]

Impact expertise, financial analysis, organisational development and legal support

The Strategy and Communication department leads strategy development and implementation, analyses development effects and additionality. They also manage stakeholder relations and communication, as well as dialogue with Norfund's owner, the Norwegian Ministry of Foreign Affairs.

The Finance, IT, Risk and HR departments are responsible for Norfund's accounts, financial analysis and portfolio reporting, as well as for recruitment, skills and staff development. This department is also responsible for Enterprise Risk Management, IT, the Business Support scheme and the Project Development and Risk Mitigation Facility.

The Legal department is responsible for legal and compliance issues.

Norfund Academy

As a result of the Norfund competence project, "Competence development", "Teams" and "Knowledge sharing" was identified as key building blocks to improving the way we work. Subsequently, the Norfund Academy was established in order to strengthen and structure organisational learning initiatives.

Norfund Academy was well-received in the organisation, and during 2020-2021 new courses and content were added. By the end of 2021 topics such as IFC performance standards, Business Integrity and Core investment competencies were chosen to be the focus areas for competence development going forward. Alongside the revision of the investment manual, various internal contributors will work to produce content related to investment core competencies. The current course catalogue contains courses like New Joiner, Cyber Security, E&S training, Project Management, sessions for IT-systems in Norfund as well as courses arranged by European Development Finance Institutions (EDFI).

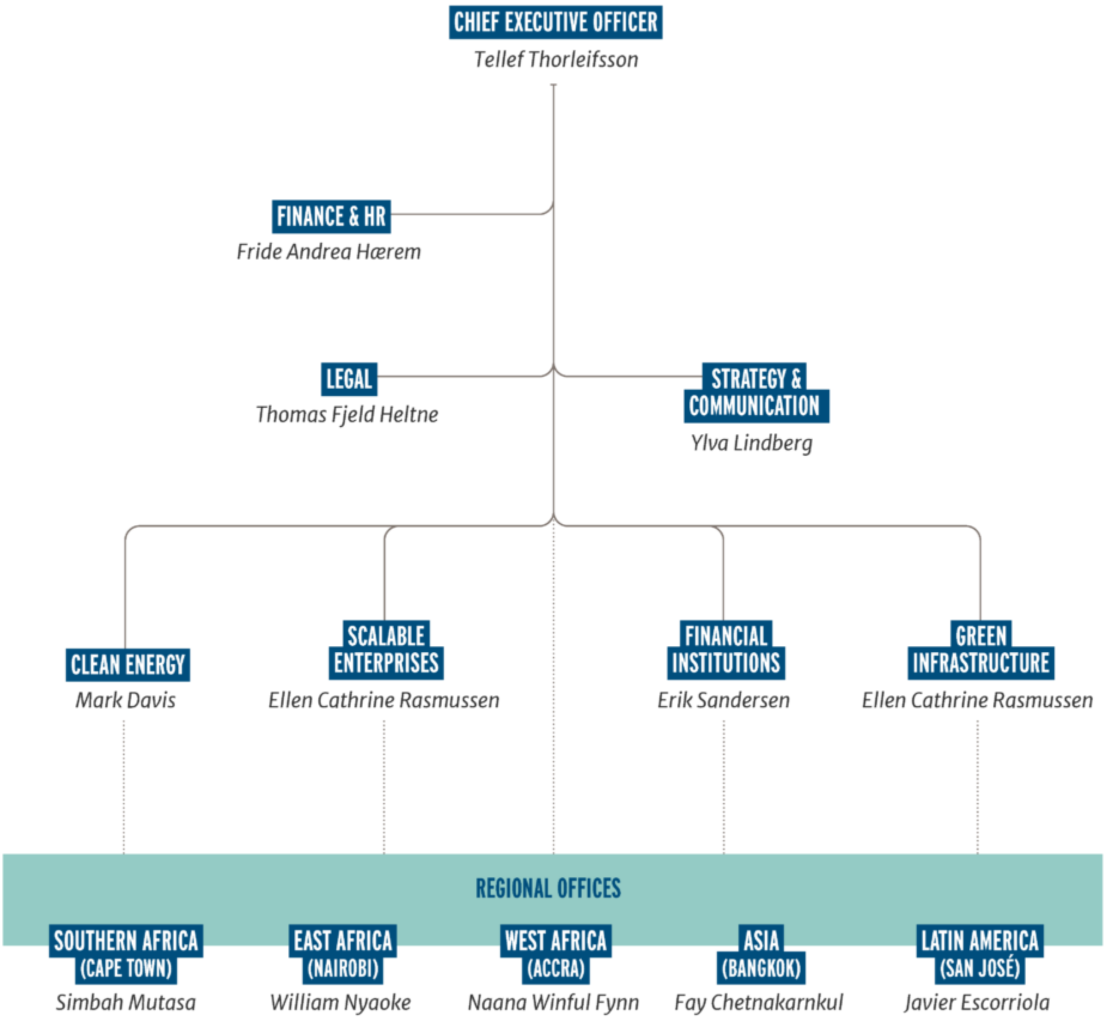
Investment committee

Norfund's Investment Committee (IC) is important, both for quality assurance and for strengthening decision-making. While the CEO/Management Team decide on investments up to USD 4 million, the IC is mandated to decide on investments between USD 4-15 million. The IC also reviews investment proposals exceeding USD 15 million; these proposals are given final approval by the Board of Directors.

The IC is chaired by the CEO, Tellef Thorleifsson and has seven additional members:

- Two external members: Per Aage Jacobsen and Kathryn Baker,
- Four management team members; Mark Davis, Erik Sandersen, Ellen Cathrine Rasmussen and Thomas Fjeld Heltne
- One ESG advisor; Karin Bianca Gullman.

Management



Tellef Thorleifsson
Chief Executive Officer

Fride Andrea Hærem
Chief Financial Risk Officer & HR

Thomas Fjeld Heltne
Executive Vice President, General Counsel

Mark Davis
Executive Vice President

Ylva Lindberg
Executive Vice President, Strategy & Communication

Erik Sandersen
Executive Vice President, Financial Institutions

Ellen Cathrine Rasmussen
Executive Vice President, Scalable Enterprises

Foto: Hanne Marie Lenth Solbø / Norfund

Tellef Thorleifsson

Chief Executive Officer

Tellef Thorleifsson has been CEO of Norfund since Autumn 2018. Prior to Norfund, he was a co-founder and managing partner of Northzone. Thorleifsson was instrumental in building Northzone to become a leading international venture fund. Since inception in 1996 it has raised more than EUR 1.5 billion through nine funds and invested in more than 130 companies. Thorleifsson is also a co-founder of the Voxtra Foundation which has been making targeted investments and grants within agribusiness in East Africa. Thorleifsson has held several directorships.

Fride Andrea Hærem - from December 2021

Chief Financial Risk Officer & Head of HR

Fride Andrea Hærem took the position as CFRO and Head of HR in Norfund in 2021. Before joining Norfund, she was EVP for HR, Marketing and Communication, IT and Strategy at Norconsult. She has more than 10 years of experience in HR directorship roles and has held several finance manager positions, including at Posten and Cermaq. She holds a Master of Management with a specialisation in international business leadership from BI Norwegian Business School.

Cathrine Kaasen Conradi – until December 2021

Chief Financial Risk Officer & Head of HR

Prior to joining Norfund, Cathrine was a partner in Cinclus Equity Partner. She has more than 10 years' experience in private equity and has held several board positions in companies within the oil service sector, IT and retail. She also has a background from Accenture's Strategy Department working with clients within telecom, energy and the financial sector.

Thomas Fjeld Heltne

Executive Vice President, General Counsel

Thomas Fjeld Heltne took the position as General Counsel in Norfund in 2019. Before joining Norfund, he was Director M&A at Norsk Hydro. Heltne has throughout his career worked with transactions, financing and international projects, both from the legal and commercial side. He holds a degree in law from Norway as well as a Master of Laws from LSE and Corporate Finance from the Norwegian School of Management. Heltne has been member of and observer to boards of Norwegian industrial companies and served on the Trade Policy Panel for the Confederation of Norwegian Enterprise (NHO).

Ylva Lindberg

Executive Vice President, Strategy & Communication

Prior to joining Norfund, Ylva was founding partner of SIGLA, a boutique consultancy on sustainability and business, for 13 years. She has worked with sustainable and impact investments for almost 20 years and has experience with asset management and consumer goods. Ylva is a senior associate of the University of Cambridge Institute for Sustainability Leadership, board member of Lærdal Medical and member of the Responsible Investment Advisory Council of BMO Global Asset Management.

Erik Sandersen

Executive Vice President, Financial Institutions

Erik joined Norfund in 2014 and has represented Norfund on several boards of banks and microfinance institutions. He is currently a board member of the South Africa-based bank investment firm Arise and of the Nordic Microfinance Initiative. Prior to joining Norfund, Erik worked for 10 years as a co-founder and partner in a venture capital firm in the Nordic region. He has also worked as an executive in the IT sector and for the Boston Consulting Group in London and Oslo. He holds a master's degree in engineering from the Norwegian University of Science and Technology (NTNU) and an MBA from Stanford University.

Mark Davis

Executive Vice President, Clean Energy

Mark has worked extensively with renewable energy investments, regulation and policy in developing countries, with a focus on Africa. Prior to joining Norfund he was a partner at ECON Analysis, and previously was Postgraduate Director at the Energy & Development Research Centre, University of Cape Town. He holds a PhD in energy economics from the University of Sussex, and earlier degrees in mathematics and applied science from the University of Cape Town.

Ellen Cathrine Rasmussen

Executive Vice President, Green Infrastructure and Scalable Enterprises

Ellen Cathrine Rasmussen joined Norfund as EVP for Scalable Enterprises in March 2020. In 2021 she also took on the role of EVP for Green Infrastructure. Prior to Norfund, Ellen held several senior positions at Yara, the world's leading fertilizer company. Her last position in Yara was as VP of Sustainability Programs and Global Projects. Prior to that, she was country manager for the Ivory Coast. Earlier in her career Ellen spent four years as EVP for Agrinos, an international agriculture input provider, responsible for Europe, Middle East, Africa and Asia. Ellen has also had various management positions at Norsk Hydro and served as a board member for SINTEF. She studied economics in Norway and France.

Board of Directors

Norfund's Board of Directors is appointed by the General Assembly. The General Assembly is constituted by the Norwegian Minister of International Development who governs the state's ownership in Norfund.

Norfund's Board of Directors ensures that the Fund operates in accordance with the Norfund Act of 1997 and the fund's statutes. The Board defines Norfund's strategy and approves individual investments exceeding specified thresholds. Other investment decisions are delegated to the CEO and Investment Committee.

In 2020, the Board decided to appoint a Risk and Audit committee consisting of three Board members with the aim to strengthen risk management. The members are Tove Stuhr Sjøblom, Martin Skancke and Brit Rugland.

In 2021, the Board held a total of 9 board meetings. The Board did not travel abroad in 2021.

Olaug Svarva
Chair

Brit Rugland
Director

Martin Skancke
Director

Lasse David Nergaard
Director (Employee Elected)

Finn Jebsen
Director

Tove Stuhr Sjøblom
Director

Vibeke Hammer Madsen
Director

Vidar Helgesen
Director

Karoline Teien Blystad
Director (Employee Elected)

Additionality

Norfund is committed to making a difference by investing where capital is scarce and through active ownership.

The Norfund Act states that Norfund shall contribute to establishing viable, profitable undertakings that would not otherwise be initiated because of the high risk involved.

The extent to which an action contributes to an outcome that would not have happened otherwise is often referred to as 'additionality'. Proving the additionality of our investments is challenging because it requires insights into what could have happened had we not invested.

What does it mean that an investment is additional?

Financially additional

According to the OECD, an investment is financially additional if it supports capital-constrained markets in which private sector partners are unable to obtain commercial financing or if it mobilises investment from the private sector that would not otherwise have invested.

Value additional

An investment is value additional if it provides non-financial value that the private sector is not offering through active ownership, promoting environmental and social standards or supporting enterprise improvement. Through our value additionality, we contribute to improving both the profitability and the development impact of the businesses in which we invest.

Ten ambitions on additionality

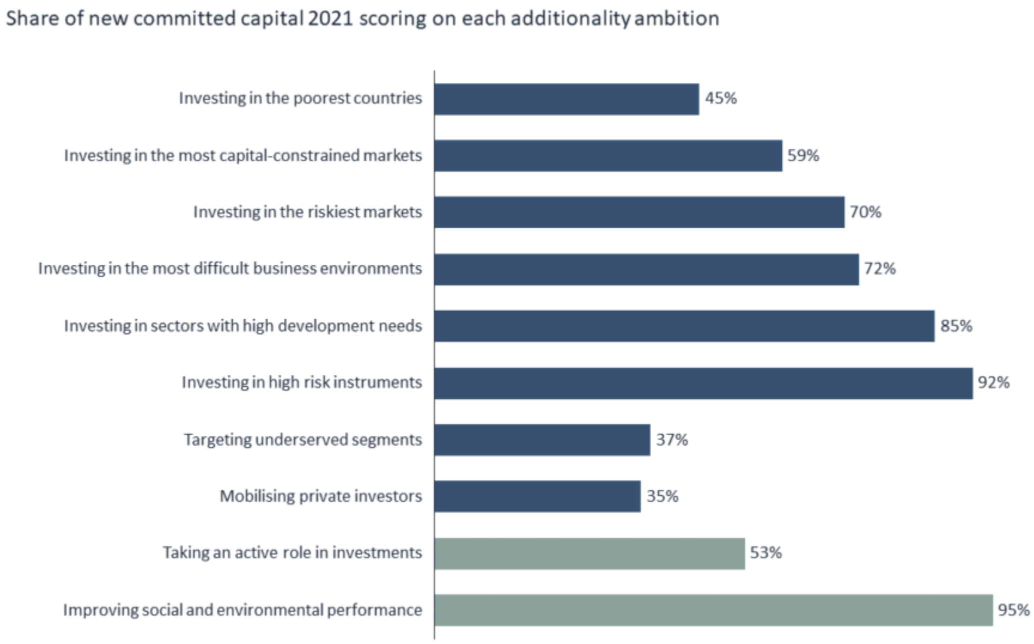
Norfund has a defined additionality framework that helps assess the additionality of our investments and ensure alignment with the OECD definition. This framework consists of ten additionality ambitions (see table below) reflecting both the financial and value additionality of our investments. For each ambition, we have identified relevant indicators to assess the extent to which we meet these ambitions.

Based on our experience with the use of the framework since 2018, the framework was revised in 2020 to better reflect the markets we operate in.

Additionality informs our investment decisions

The framework informs our investment decisions and the way we report on additionality. Each new potential investment is assessed against the ten ambitions, explained in the graph below, and is accompanied by a narrative description of additionality. In 2021, Norfund invested in 29 new companies and funds that were all assessed using the additionality framework. More information on which ambitions the investment is particularly additional on is listed on the individual investment webpage.

Percentage of committed capital to new projects in 2021 scoring materially on each additionality ambition (follow-on investments are not included):



Climate

The climate crisis disproportionally affects poor people in developing countries and is a major threat to the goal of eradicating poverty. Norfund's climate position outlines the way in which Norfund intends to invest in a clean and climate resilient future in developing countries.

Norfund's climate position is built on three pillars: resilience, reduction, and risk, as illustrated in the diagram below.

Resilience

Norfund's contribution:

- Building climate resilience by prioritizing investments and job creation in the Least Developed Countries (LDCs) and Sub-Saharan Africa

Reduction

Norfund's contribution:

- Investing in climate solutions such as large-scale renewable energy, transmission, waste management and water solutions to help avoid emissions and facilitate the transition to a low-carbon economy. We invest at least half of the capital allocated by our owner in renewables. In the period 2021-2023, the ambition is to finance eight GW of new capacity, of which more than 90% is renewable, and provide access to electricity to more than two million new households.

- Aligning all new investments with the objectives of the Paris Agreement by 2022 (in line with the EDFI climate and energy statement)

- Transitioning the total investment portfolio to net zero GHG emissions by 2050 at the latest (in line with the EDFI climate and energy statement)

- Avoiding fossil fuel investments in line with our fossil fuel exclusion list (with exemptions for Paris-aligned gas-fired power until 2030)

2021 achievements:

- Norfund was awarded the management of a new climate investment fund from the

Norwegian Government and will step up climate funding significantly going forward. The plan is to allocate NOK ten billion over five years to the fund, of which half will come from Norfund's own account, that will invest in renewable energy in developing countries with the aim of avoiding GHG emissions.

- 1,578 MW of new capacity was financed, of which 100% was renewable. This is a significant jump up from 695 MW renewable in 2020.
- Our investments in renewable energy produced 8.7 TWh
- These investments contributed to avoiding 4.5 million tonnes of CO_2 emissions in 2021, down from 5.7 million tonnes of CO_2 avoided in 2020. The reduction is due to the sale of SN Power. Avoided emissions are calculated using the harmonized IFI approach 'Methodological Approach for the Common Default Grid Emission Factor Dataset' (2022). The estimation includes all power producers where Norfund has an ownership share or has extended a loan to, that are providing electricity to the grid or substituting power from the grid (such as "captive power" solutions that provide power directly to a consumer, for instance rooftop solar). It does not include companies providing pure off-grid solutions such as Solar Home Systems.

Norfund's investments have, since the fund was established in 1997, supported the installation of a total of almost 6,800 MW new renewable energy capacity. These investments contribute to avoiding 9 million tonnes of CO_2 emissions annually, which corresponds to all total emissions from road transport and domestic flights in Norway.

Risk

Norfund's contribution:

- Assessing material climate risks (physical and transition) for sectors, geographies and investees
- Using our role as owner to build capacity and support our investees to manage climate impacts, reduce financial risk and seize climate-related business opportunities where relevant
- Disclosing information in line with the Task force on Climate related Financial Disclosures (TCFD) recommendations

- Integrating climate risk in our Enterprise Risk Framework

TCFD (Task force on Climate related Financial Disclosures) report summary

At the link below you can find a summary of Norfund's first report in line with the TCFD recommendations. We acknowledge that improving management of climate-related risks and opportunities is a journey, and we will continuously improve our practices.

→ TCFD 2021 at norfund.no

Gender equality

Norfund is committed to promoting gender equality, in our own organisation and in our portfolio companies.

Norfund was one of the first development finance institutions (DFIs) to develop a Gender Strategy in 2016. In 2020, Norfund developed a new Gender Position based on the previous strategy and consultations with internal and external stakeholders.⊠Norfund reports annually on the Gender Position and the related action plan to the Board of Directors and in the report on operations.

Norfund's position on gender equality and women's economic empowerment has three objectives:

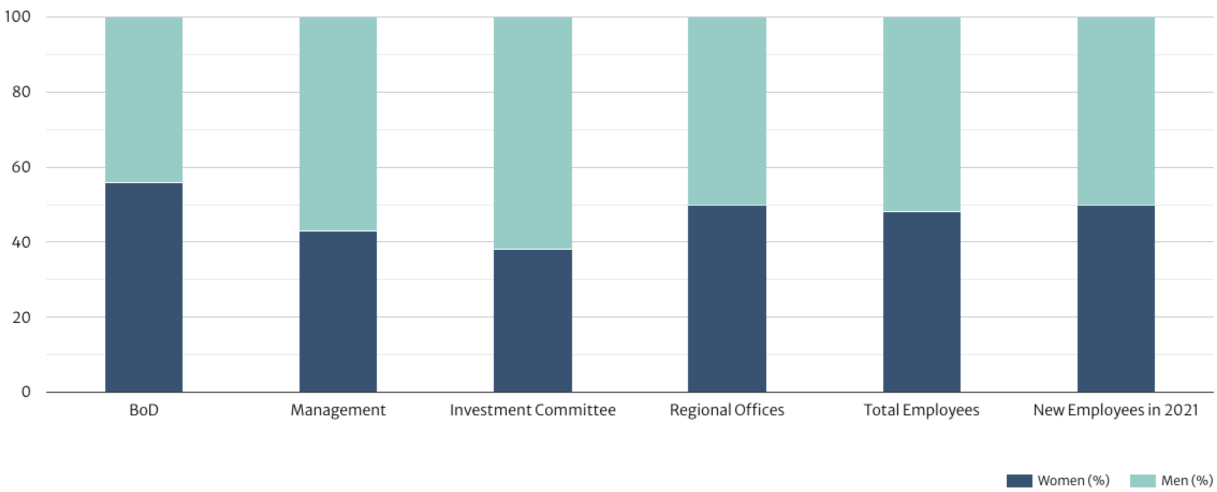
1. To ensure equal opportunities and promote gender balance across all levels in Norfund
2. To promote equal opportunities for men and women across all levels in investee companies and through access to finance
3. To engage with relevant stakeholders to learn and where possible influence others to promote gender equality

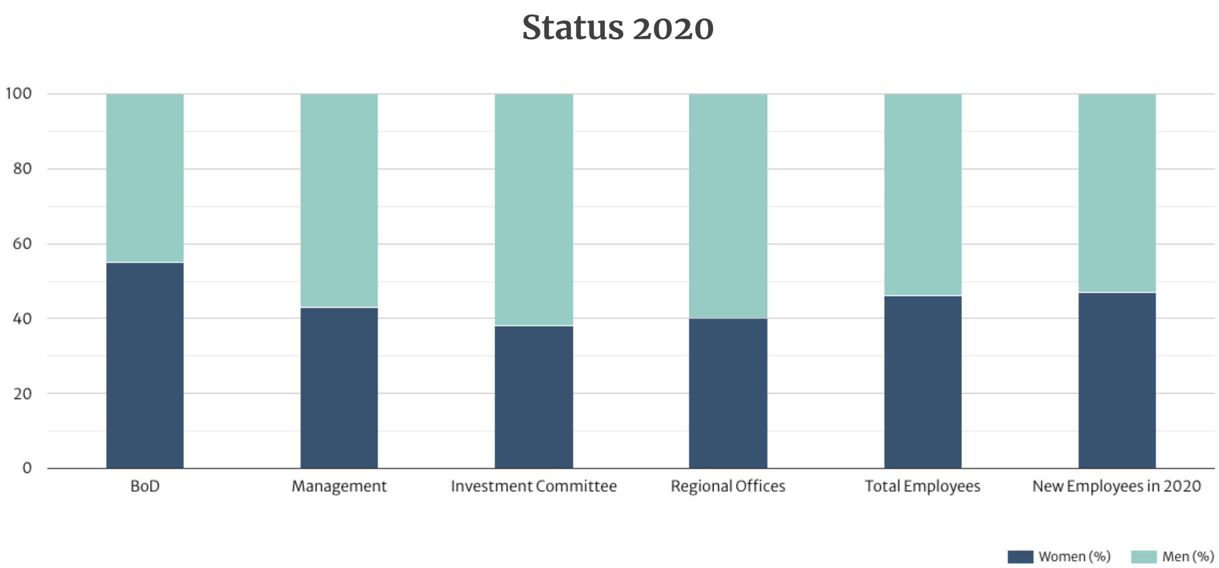
→ More about Norfund's Gender Position and our work to promote gender equality

Gender balance in Norfund

Norfund recognises the importance of starting with our own organisation. We track the gender balance in our own organisation annually.

Status 2021





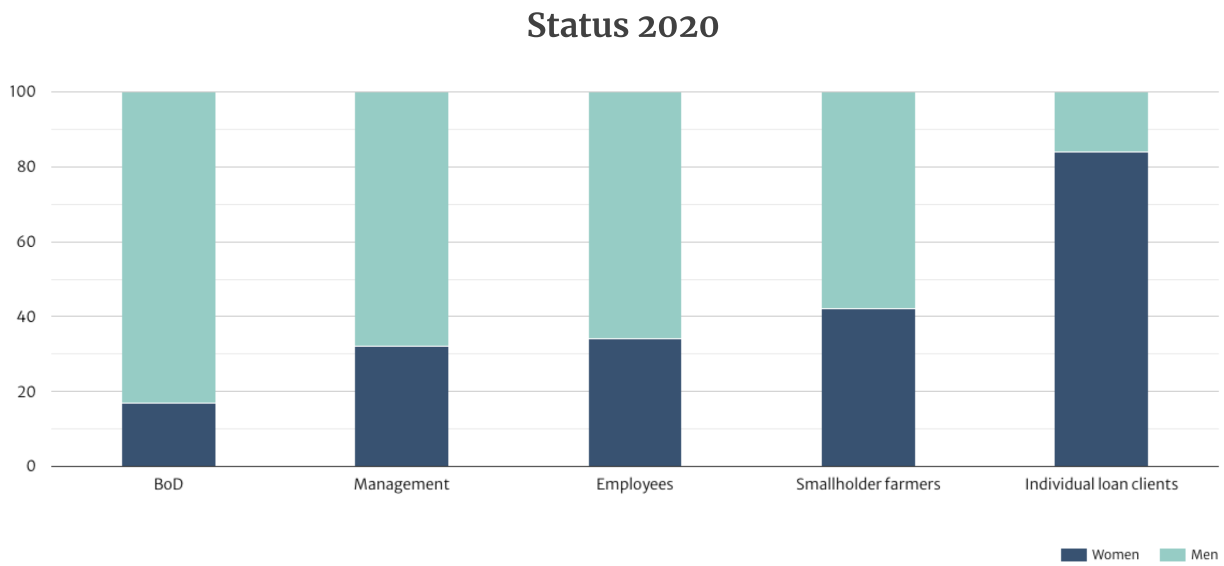
Gender balance in Norfund's portfolio companies

Each year, we collect gender disaggregated data from all investees. This enables us to carry out gender analyses at investee and portfolio level, and helps us to create awareness, both internally and externally.

Note: The figures below are not directly comparable across years due to changes in Norfund's portfolio.

In 2021, the number of direct jobs held by females increased by 3 320 jobs, or 3 per cent, within the Norfund's portfolio companies (with two consecutive years of reporting). This compares to a decrease of 1 700 jobs, or 2 per cent, in 2020.*

** Includes investees directly in Norfund portfolio as well as investees through platforms and funds*



Jobs indirectly supported through Norfund's portfolio companies

Literature suggests that direct employment is only a fraction of the indirect employment that is supported by an investment. Norfund applies the Joint Impact Model (JIM) to estimate such indirect employment impacts supported through our portfolio companies, also disaggregated by gender.

The indirect employment impacts are divided in backward effects, from local purchases and spending of wages, and enabled effects, from power produced and loans provided by banks and other financial institutions.

The model is applied on a subset of Norfund's active portfolio by end of 2021, directly or through funds, for which sufficient data are available.

Jobs indirectly supported

509000 jobs	held by women supported in supply chains
230000 jobs	held by women supported through spending of wages
2045000 jobs	finance-enabled jobs held by women through loans from banks and other financial institutions

The subset covers 56% of Norfund's portfolio companies, direct and through funds, or 82% of committed capital by end of 2021. Norfund uses ex-post estimations and figures are reported without attribution.

→ More about job creation in Norfund

Collaboration and 2X Challenge

Norfund continuously works to improve our approach to gender equality and works actively with external stakeholders to learn about and promote gender equality more widely.

Norfund was a founding member of the Gender Finance Collaborative, the predecessor of the newly established 2X Collaborative where Norfund engages actively with peers to deliver tangible results with our partners on the ground. Norfund has decided to also become a member of the 2X Challenge from the beginning of 2022.

Case: CASEIF IV – 2X Flagship Fund

Norfund is also exploring ways to better capture and promote other diversity, equity, and inclusion aspects in collaboration with peers through the 2X Collaborative and with other partners.

Promoting gender equality in investment agreements

Greenlight Planet is a leading PAYG ("pay-as-you-go") solar company that designs, produces, distributes, and in many cases, finances distributed off-grid solar powered energy solutions for off-grid and weak-grid households across sub-Saharan Africa and Asia. Norfund provided a first loan to the Greenlight Planet Group in 2018 together with the Dutch DFI (FMO) and British DFI (BII, formerly CDC group) and a local currency refinancing at the Kenyan level in 2021, this time joined by BII and the two commercial banks Citi and Stanbic.

Greenlight Planet has conducted an internal gender balance assessment and identified areas to further support gender balance in its field sales teams to better match the Greenlight consumer base or its beneficiaries. Norfund, though our Business Support programme, and BII are supporting two specific activities to close this gap. The first is support to women Area Business Managers in sustaining their success and retention through professional and leadership training. The second is to increase the volume of high performing women sales agents that are ready to step into an Area Business Manager role.

Additionally, and together with the co-lenders, three sustainability KPIs have been agreed with Greenlight Planet and linked to the margin of the provided loan, such that an achievement of the KPI will lead to a reduction in the margin and vice versa. One of the KPIs is gender related, namely the percentage of women in Greenlight Planet's management.

Read more

- Business Support
- Female Future Program - Norfund

Gender Equality at CASEIF IV

To build a brighter future, invest in women

On the 8th of March 2022, Lafise Investment Management (LIM) publicly announced that their CASEIF IV fund will be a Flagship Fund under the 2X Challenge. CASEIF IV is the first flagship fund in the region and achieving this status of a Flagship Fund is built on many years of experience with working on gender equality in investees through CASEIF I, II and III.

The Norfund team recently spoke with the Director General of LIM, Erick Lagos, Humberto Suarez, Corporate Governance Officer and Sustainability and Gender Officer, Patricia Velez, to discuss the motivation and implications of the recent commitment for CASEIF IV under the 2X Challenge.

Paradise Ingredients – change from the top

LIM has long recognized the importance of gender equality. One of the success stories in this regard is the portfolio company, Paradise Ingredients, a food and beverage company in Costa Rica that was acquired by CASEIF III in 2016.

Since 2017, the company has adopted a code of ethic, seeking to integrate gender equality into organizational practices, by requirement of CASEIF III. Several concrete initiatives followed this code which led to an increase in women as line managers and middle management promotion.

The LIM team emphasizes that change was possible because Paradise Ingredients embraced such changes.

> *'There was commitment from the top, and the rest of the organization followed'*

Humberto Suarez, Corporate Governance Officer and Sustainability and Gender Officer

CASEIF IV's commitment under the 2X Challenge

LIM has monitored and reported on gender balance in its portfolio companies to, among others, Norfund for several years and had already adopted the 2X criteria before certification.

As part of CASEIF IV's commitment under the 2X Challenge, the fund is adopting a gender lens investing approach to build a minimum of 30% 2X qualified deals at the portfolio level. The team is hence receiving support from IDB on gender lens investing training.

There is a commitment to support portfolio companies of CASEIF IV to implement gender smart practices, including the implementation of gender action plans. Patricia Velez has been hired as a new gender officer and together with external providers, she will support portfolio companies in their journey towards gender equality. Mr. Erick Lagos emphasizes that it is essential to make a difference during the lifetime of the investment that will last, even after exit.

> *'To empower women and advance women to management positions will lead to positive results and is part of the strategic growth of our companies'*
>
> ***Patricia Velez***

Norfund will support the implementation of the gender smart initiatives through its contribution to the CASEIF IV Technical Assistance Facility (TAF).

Commitment also at the fund manager level

LIM also has the ambition that CASEIF IV, as a 2X Flagship Fund, will be catalytic in the region. The team recognizes that this also requires commitment at fund manager level and will maintain women's representation within its team at 40% or more. Current level is 50%, up from 27% under CASIEF III. In addition, one seat in the CASIEF IV Investment Committee is occupied by a woman.

‘This commitment on the part of CASEIF is a clear example of Lafise Investment Management’s foresightedness and this is no surprise as we have seen them being pioneers in the region leading many progressive initiatives over our 20-year partnership. We look forward to seeing more fund managers in the region taking up the 2x challenge since we view this as not only what is right but also as, just good business.’

Heidi Achong, Investment Manager Norfund

CASEIF IV and Norfund

- CASEIF IV is the fourth private equity fund raised by LAFISE Investment Management Limited (“LIM” or “The Manager”), a General Partner joint venture between Norfund and LAFISE Group.
- CASEIF IV will focus on small and medium sized growth-oriented companies in Central America, Colombia and Dominican Republic.
- In 2020, Norfund committed a USDM 20 investment to CASEIF IV
- Norfund is also providing Business Support to the CASEIF IV Technical Assistance Facility through which LIM will directly support its portfolio companies on gender equality

Environmental and Social Risk Management

Appropriate Environmental & Social (E&S) measures reduce risk to workers, the environment, local communities and other stakeholders and provide business benefits which increase our impact. The management of environmental and social risks is therefore an integral part of Norfund's investment process.

IFC PERFORMANCE STANDARDS

The IFC Performance Standards for Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines are the main standards for operationalising Norfund's sustainability commitments. These standards are globally recognised benchmarks for environmental and social risk management in the private sector. The standards are used by development finance institutions, commercial banks and other similar institutions.

The eight Performance Standards define clients' responsibilities for managing their environmental and social risks. The following aspects are included:

1: Assessment and Management of Environmental and Social Risks and Impacts
2: Labour and Working Conditions
3: Resource Efficiency and Pollution Prevention
4: Community Health, Safety and Security
5: Land Acquisition and Involuntary Resettlement
6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
7: Indigenous Peoples
8: Cultural Heritage

Our sustainability commitments

Norfund's Environmental, Social and Governance Policy (ESG Policy) is approved by the Board of Directors. The policy sets direction for Norfund's E&S work and presents our sustainability commitments and the main standards we use in our work. The policy also describes how we work to identify, assess and manage the environmental and social risks associated with the operations of our clients, and provides an overview of the cross-cutting issues that guide our work.

Integrated part of investment process

E&S risk management is an integrated part of our investment process and specific actions are required for each step of the project cycle: initial screening, due diligence, legal agreements and monitoring.

Understanding the risk profile of our portfolio companies

In the initial screening phase, Norfund evaluates the project against the EDFI Exclusion list and performs a high-level assessment of key E&S risks. An inherent risk category is assigned which will determine the depth of due diligence and the degree of E&S expert involvement. Our approach is aligned with EDFI's E&S Standards and was revised in 2021 to include new tools and training modules.

Assessing E&S risks and impacts

If the project is approved by our investment committee, the E&S due diligence commences. This includes a comprehensive assessment of E&S risks and performance based on document reviews, site visits and interviews with key stakeholders. Gaging the potential client's capacity and commitment to E&S risk management is an important aspect of this process. Shortcomings and value add opportunities identified in due diligence are described in an Environmental and Social Action Plan which forms part of the investment agreement.

E&S requirements included in legal agreements

Our portfolio companies are required to comply with applicable national laws and regulations as well as international standards such as IFC Performance Standards and World Bank Group Environmental Health and Safety Guidelines. This includes a requirement to develop an Environmental and Social Management System (ESMS) containing an ESG policy, procedures for identifying, managing and monitoring risks, sufficient organisational capacity, emergency preparedness measures and stakeholder engagement.

Monitoring compliance and supporting capacity building

Norfund is a responsible owner and monitors portfolio companies' compliance with our E&S requirements. Investees are required to report at least annually to Norfund on their E&S risk management performance. Our business support facility is an important tool for building E&S capacity and is often used to strengthen portfolio companies' ESMS and provide training.

Improving our system

Over the past year, Norfund has spent considerable resources revising our internal

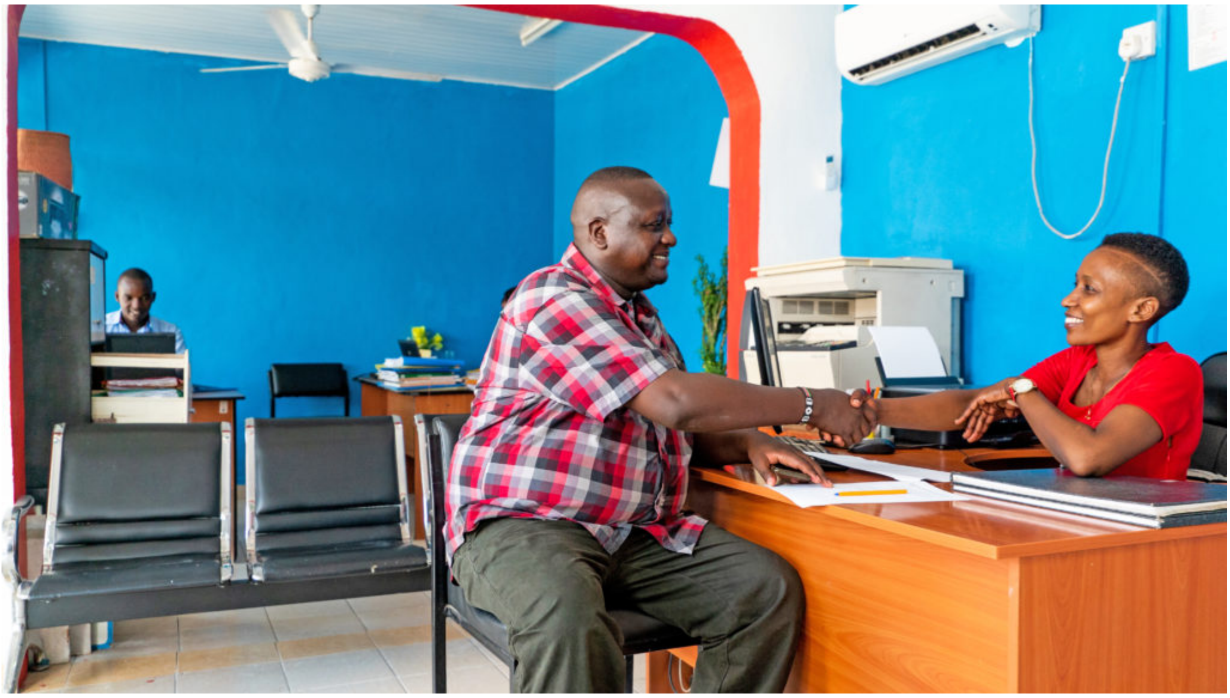
ESMS. This has strengthened our understanding of recurring issues in the Norfund portfolio and led to the identification of new thematic priorities for internal training and business support projects. Road traffic incidents, for example, are the main reason behind injuries and fatalities reported by our investees. Supporting investees to improve management of road traffic risks is one of our priorities going forward.

Business Support

Norfund's Business Support facility aims to enhance the sustainability and development effects of our investments.

Norfund's Business Support is therefore an important instrument in exercising active ownership and creating value additionality for our investments in high-risk sectors and segments.

Following the Norfund strategy, Business Support projects actively target the four cross-cutting issues of human rights, anti-corruption, climate and environment, and gender equality.



Business Support facility

→ at www.norfund.no

Business Support projects in 2021

In 2021, Norfund received NOK 32 million from the Norwegian MFA to provide technical assistance to our portfolio companies. Throughout the year, the Business Support portfolio consisted of 45 active projects, totaling a committed amount of NOK 64 million. Seventeen of these were new projects to which a total amount of NOK 15 million was committed.

Typical areas in the 2021 projects were capacity development and ESG improvement to our investment funds and their portfolio companies.

Our work in 2021

In 2021, Norfund developed a new Business Support strategy that introduces a new structure, a focus on climate adaptation and mitigation, and a Business Support toolbox. The main purpose of this strategy was to make our Business Support facility fit for the future, and to incorporate the facility in Norfund's overall work and priorities.

The strategy reintroduces the three main target groups for Business Support, but are slightly adjusted considering the establishment of the Project Development and Risk Mitigation Facility (PDRMF) in 2019:

- Investees and prospective investees
- Local community surrounding our investments
- Certain sector initiatives

The strategy, in addition, makes a distinction between two kinds of projects:

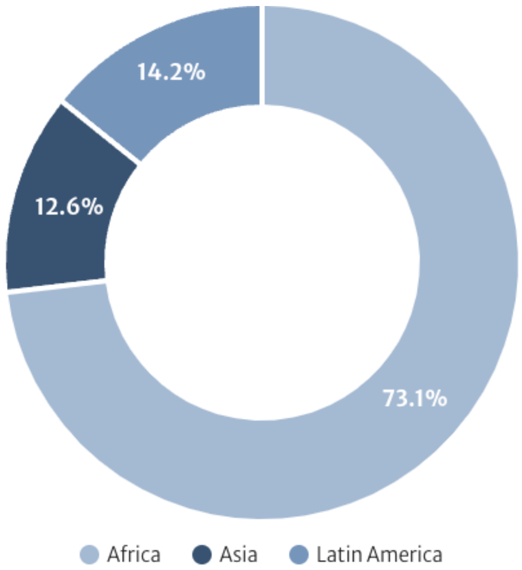
1. Tailor-made projects – projects developed together with investees – mainly demand driven

2. Standard offers through the Business Support toolbox. Standardized projects are readily defined and developed, and available to all Norfund portfolio companies. Existing offers are the Female Future Program, a Business Integrity assessment

and ESG training for our Fund managers and investees.

Business Support project per region

The largest share of new projects approved in 2021 focused on Sub-Saharan Africa. The second region that receives most support is Latin America, mainly because Norfund supports indirect SMEs and MFIs in the region through Technical Assistance Facilities. (More information about the impact of this kind of support can be found in the 2021 Business Support annual report).



Business support: Smallholder farmers

Smallholder agriculture is an important economic activity and source of employment in Sub-Saharan Africa. Over 50% of the Sub-Saharan African population is employed in agriculture, and the majority of these are smallholder farmers. Enabling the inclusion of smallholders in larger business value chains, through for instance outgrower schemes, can facilitate numerous benefits, including higher incomes and food security.

Ensuring food security and stable incomes for subsistence farmers is also a key priority in Norway's foreign and development policy, as laid out in the 2019-23 action plan for sustainable food systems.

In Norfund's Agri and Manufacturing portfolio, the number of associated farmers has increased substantially in recent years, with over 35 000 in 2021. This increase has largely been driven by a strategic shift in the department's focus, from primary agriculture to investing in the value chain. This growth is therefore expected to persist in the coming years.

Partnerships

Smallholder farmers have therefore become a focus area for Business Support, where we see numerous opportunities to drive value through strengthening capabilities and relationships, as well as promoting women's inclusion and climate adaptation. It is, however, important for us to conduct this work together with experienced partners that have the relevant required expertise. 2021 was an important year in this regard, as we entered a partnership with TechnoServe under the UK government's FCDO Commercial Agriculture for Smallholder and Agribusiness (CASA) Technical Assistance Facility (TAF) Through the TAF, CASA supports agribusinesses on the African continent that source from smallholder farmers and works alongside investors and companies to strengthen upstream supply chains and promote returns, development impact and resilience.

Active projects

Business Support has conducted several interventions directed at smallholders and associated farmers in our portfolio companies. With Vertical Agro, for instance, Business Support facilitated the expansion of the company's outgrower scheme and provided input supply, training, and certification for new contract farmers. With all our interventions we look for opportunities to integrate elements from the Business Support focus areas. For instance, we encourage incorporating a gender component, and as of 2021, 41% of all associated farmers in Norfund's portfolio companies are female. Climate mitigation and adaptation is another key priority within our smallholder focus.

Business Support: Digital transformation in Central America

Locfund II is a second-generation local currency debt fund which is exclusively focused on the microfinance sector. Besides providing mid-term local currency loans to smaller MFIs in Latin America, and financial services to MFIs that are ready to access capital markets, the fund manages a Technical Support Facility.

Since 2007, Norfund has, in addition to its investment, supported Locfund's MFIs through technical assistance. One of the largest achievements through this Technical Support Facility (TSF) is the progress that has been made in supporting MFIs in their digital transformation.

Digital assessment

To make MFIs market ready, and competitive, digital transformation is essential. For this purpose, the management company responsible for Locfund II (BIM) developed a digital assessment tool in 2019 together with an external consultant. This tool allows MFIs to get insight into where progress can be made, and where change is needed in comparison on a country and portfolio level. Based on this assessment, with support from the Locfund TSF digital expert, a technical support project is developed in collaboration with the MFI. Where needed external experts are hired, and Locfund II has for this purpose collaborated in various instances with FinTech experts in the region.

Outcome

Since 2019, the digital assessment tool has been used by 54 MFIs, and, following the results of this assessment, 17 projects were approved across eight countries. Projects that are developed and focus on digital transformation include roadmap development mobile banking apps and training but also digital onboarding. One of the most crucial steps is developing a digital roadmap, which includes key performance indicators and is an important first step in further digitalization.

In 2021, of the 27 new projects approved under the Locfund II TSF II, 13 projects focus on digital transformation. These initiatives that drive technological development and disruption have become even more important because of the pandemic. The support through the TSF can therefore provide a gentle push toward creating a level playing field.

"For MFIs to continue to be able to compete with other actors, for example tech start-ups, the drive to digitalisation is crucial"

Digitalisation expert at Locfund

Business Support: Supporting our fund managers and indirect investees

Investments through Funds make up 25% of Norfund's total investment portfolio, and is an instrument used across all sectors. For Business Support the capacity building focuses on both the fund managers and their portfolio companies.

Norfund investee Novastar has invested in sustainable forestry company Komaza.

Through this structure we are able to strengthen our fund managers, increase their capacity on Technical Assistance, lean on their local expertise in certain sectors and reach an increasing number of companies, beyond our own capacity.

During 2021, Norfund's Business Support Committee approved the support of five new Technical Assistance Facilities (TAF), thereby increasing the number of TAFs we support to a total of nine. The new projects target Fund managers, SMEs and MFIs from both the Scalable Enterprises and Financial Institutions departments.

Through the Scalable Enterprises department, Business Support has been allocated to funds investing in early-stage enterprises and SMEs in challenging markets, and for a fund investing in agribusinesses on the African continent. In the department for Financial Institutions, the key focus for the support has been, and will be, Micro Finance Institutions (MFIs). Norfund also supports the Arise investment banks through the Arise TAF.

Supporting our fund managers' TAFs is an opportunity for us to reach companies beyond our core focus, building local business sectors and strengthen the portfolio companies of our investment funds. Topics that will be covered by the TAFs include improving E&S capabilities, strengthening financial controls and heightening efforts on key topics such as climate and gender.

Another indirect investee through Novastar is Sanergy, an urban non-sewered sanitation solutions company.

Novastar

Novastar is one example of a fund manager receiving Business Support in 2021. Novastar is a venture capital manager dedicated to finding and supporting the next generation of exceptional entrepreneurs designing and executing innovative business models to profitably serve Africa's mass market. In 2020 Norfund invested 8 million USD in Novastar Ventures Africa Fund II. The strategy of the fund is designed to manage the specific risks related to start-up and early-stage companies, whilst meeting the needs of the entrepreneurs for financial and management support.

The objective of the TAF is to support capacity development of Novastar's portfolio companies. The focus is on providing technical assistance for ESG improvements, feasibility studies, leadership training and operational improvements. With this support, Novastar can address specific challenges and opportunities faced by early-stage companies in the Fund's geographies which are difficult for commercial capital to fund.

Outcome

Through supporting TAFs, Norfund has supported over 70 indirect investees since 2018. These projects have for example resulted in the development of Gender Action Plans, increased understanding of ESG standards, added capacity development training of managers, and improved corporate governance and knowledge sharing through seminars for fund managers' portfolio companies. This reach in capacity building would not be possible without the establishment of the TAF vehicle and through support to new TAFs approved this year it is expected that this impact will increase.

Governance and Business Integrity

High Business Integrity standards are prerequisites for succeeding in delivering on Norfund's mandate.

Corruption, money-laundering and other economic crime have wide-ranging negative effects on societies and are detrimental to reach the United Nation's Sustainable Development Goals (SDGs). Norfund has a zero-tolerance approach to corruption and other forms of economic crime, and we are committed to promoting integrity, transparency and accountability in all our investments.

The framework that governs our work

Overall framework

Norfund has adopted a governance framework consisting of overarching policies adopted by our Board of Directors, relevant underlying guidelines and requirements approved by the management and detailed procedures and templates to help ensure compliance and consistency throughout the organization. The governance framework underwent a major overhaul in 2020 and implementation efforts continued throughout 2021. The governance framework is regularly reviewed to make sure it is up to date and relevant.

Business Integrity framework

The management of Business Integrity risks is an integral part of Norfund's investment process. We require the companies we invest in, our business partners and our employees to promote and adhere to high standards, including:

- Norfund Code of Conduct
- Norfund Supplier Code of Conduct
- Norfund Compliance System
- Norfund Business Integrity Policy
- Norfund Responsible Tax Policy
- Gift and Hospitality Guidelines

The framework describes how we work to identify, assess and manage the Business Integrity risks associated with the operations of our investments, and provides an overview of the cross-cutting principles that guide our work, including our risk-based approach.

Responsible Tax Policy

Appropriate, prudent and transparent tax behavior is a key component of corporate responsibility for investors and the investees. As a responsible investor, Norfund requires that all its investees have good corporate governance and sound environmental and social practices.

Norfund adopted a Responsible Tax Policy in 2019 with seven fundamental principles for handling of tax-related issues. In 2021, the tax policy was reviewed to ensure it was relevant and up to date. As part of this review, Norfund's investments through third countries was assessed by an independent expert. The findings from this assessment were published and discussed with representatives of the civil society. The review, including the external assessment and the engagement with civil society, concluded the existing policy was satisfactory, but certain operational adjustments were initiated to improve the assessment of corporate structures alongside tax domicile when considering investments through third countries. In large part because of the volume of fund investments committed, Norfund made extensive use of third countries in 2021.

Dedicated resources

A dedicated Compliance function was added to Norfund's legal department in 2021, in order to strengthen and further develop the organization's capacity and competence within Governance and Business Integrity. The Compliance & Legal Counsel holds a second line of defence role in Norfund's "three lines of defence" model and is responsible for providing a sound compliance infrastructure to enable the first line of defence to fulfil its compliance responsibility. Together with the FIHR department, the Compliance & Legal Counsel shall develop and maintain Norfund's governance framework, facilitate implementation of Policies and Standards and provide support, guidance and advice to investment teams and the organization on compliance issues and risk management activities. The Compliance & Legal Counsel reports to the CEO, and the function is located in Oslo.

To further raise awareness and secure harmonized practices between all offices, one Business Integrity Ambassador has been appointed for each of Norfund's regional offices. The Ambassadors work closely together with the Compliance & Legal Counsel and participate in a joint Business Integrity Ambassador network.

Business Integrity Week

Norfund's first Business Integrity Week took place in November 2021. The purpose of the event is to spread awareness and provide training in important Business Integrity practices to the whole organization and continue to build a strong Compliance culture. The Business Integrity Week will be conducted on an annual basis.