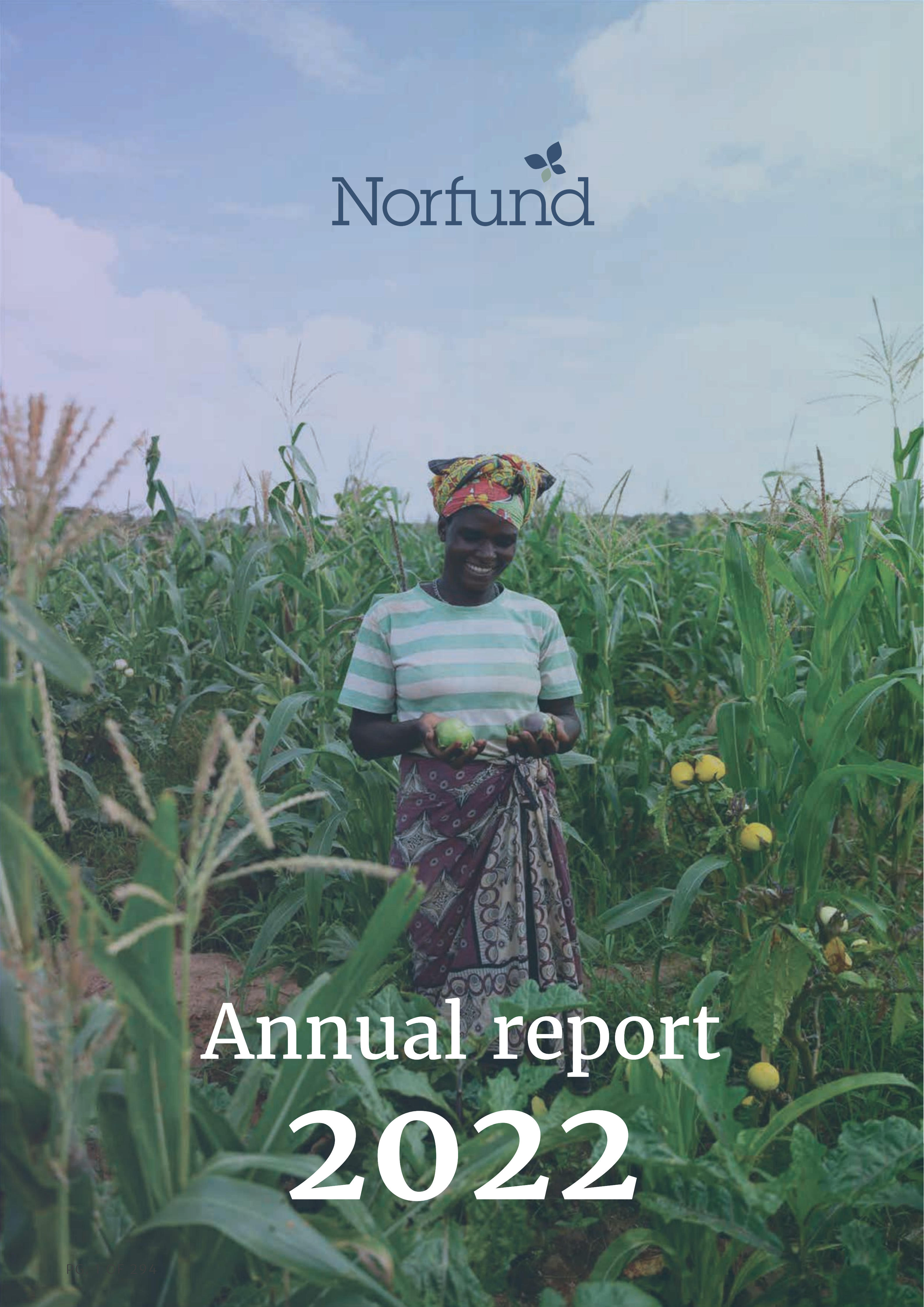
Norfund

# Annual report 2022



# Letter from the CEO

*Tellef visiting Norfund investee Hela*

## At the onset of 2022, none of us could have imagined the year that was to come. The war that is ravaging not only Ukraine, but the world economy, is far from over. Foreign direct investment flows are retracting from emerging markets, as the reverberations of war and the lasting impact of COVID-19 are being felt in the markets we operate in.

Despite heightened political and macro instability, Norfund is making record investments in these markets. In 2022 Norfund increased its investment in developing countries by 22.5 per cent, to another record-high 6.5 billion NOK. With this capital, we dare to invest in a resilient future.

The climate crisis is one of the most daunting challenges in all of our markets, but combating climate change also opens new investment opportunities that can build a green economy able to both reduce emissions and lift the disenfranchised out of poverty. Norfund's Climate Investment Fund, will invest in renewable energy in developing countries with the aim of contributing to reduced greenhouse gas emissions. The new Climate Mandate became operational in 2022, and at the end of 2022 the total committed portfolio was NOK 2.14 billion. Each year, during a five-year period, one billion NOK from Norfund's capital and one billion NOK from the state budget will go toward investments in developing markets where the climate effect will be greatest, to meet the energy demand of growing economies, sustainably.

This is not going to detract from our existing mission to create jobs and improve lives. In 2022, Norfund committed 4.5 billion NOK and made 34 new and 18 follow-on investments under what we now call our Development Mandate. Investments were broadly distributed within Norfund's investment areas. By delivering on both our development and climate mandates, as well as understanding the interlinkages between the two, we have a strong foundation for continued growth.

We experience broad support for Norfund's mandates and mission from not only our owners, but our partners, stakeholders, and the Norwegian public. To use the funding we are entrusted with even more effectively, we plan to recycle more capital and continue to contribute directly to the attainment of the UN Sustainable Development goals.

2022 marked the end of our strategy period, and we started 2023 with an updated strategy. The new strategy builds on our previous direction, but clearly articulates the drivers and markets where we can create significant impact. Notably, we have launched a Fragile States strategy, with a focus on the Sahel region.

Global challenges such as climate change, ongoing wars, financial volatility, and increasing inequality, make Norfund's mandates even more pressing. To meet increased expectations and needs, Norfund is growing in terms of resources and staff, the depth of our reach, responsibility, and relationships with stakeholders, the public and investees. Working together across cultures, borders, and time zones is challenging, but also exciting, as we endeavour to learn from each other, as well as from our own successes and failures, and continuously improve how we deliver on our mandates.

Norfund's ambitions are high, and our job is without a doubt complicated. We are facing daunting challenges. However, it's a privilege to be helming a highly competent and multi-cultural Norfund team. I am confident that we are well positioned to meet our ambitions and to make an even bigger difference in the years to come.

**Tellef Thorleifsson**

Chief Executive Officer
March 10, 2023

# Climate investment fund operational

**The new climate investment fund became operational in May 2022, less than a year after the plans were first announced by the Norwegian government. New commitments of 2.14 billion NOK were announced during a year where the need for the fund became even greater.**

*"We have no time to lose in the fight against climate change. Having operationalized the new climate investment fund in record time, the money can now be put towards crucial investments in renewable energy in developing countries."*

***Minister of Development Anne Beathe Tvinnereim at the launch of the fund***

The Climate Investment Fund will play a central role in fulfilling the Government's ambition to double Norway's annual global climate financing, and in getting the maximum climate effect out of every NOK the Government allocates.

The goal is to contribute to avoiding greenhouse gas emissions, by investing in renewable energy in developing countries with large emissions from coal power and other fossil power production. Based on financed capacity and expected production, the investments made in 2022 alone are estimated to contribute to avoided emissions of 6.2mill tCO2e per year.

Norfund's experience and network in the relevant countries has made it possible to quickly get started with the fund, which is to be capitalized with 2 billion NOK each year for the next five years.

In managing the new climate mandate, Norfund builds on 25 years of experience from having renewable energy as a core focus area for the fund.

→ **Read more about investments in renewable energy under the development mandate here.**

## Mandate to maximize climate impact

In December 2021, a unanimous Parliament approved the decision to set aside the first billion NOK. 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 regulating the fund from the Ministry of Foreign Affairs.

### Climate Fund Instructions

→ (in Norwegian)

Under the new climate mandate, investments will be targeted at maximizing the climate impact. The instructions for the mandate state that "The purpose of the Climate Investment Fund is to contribute to reducing or avoiding greenhouse gas emissions by investing in renewable energy in developing countries with large emissions from coal and other fossil fuel production".

As with all Norfund's operations, the goal is to help activate investments "that would otherwise not be made".

Norfund's board has adopted a strategy for the fund that sets out priories and strategic choices. Based on the selection criteria of Climate Impact, Additionality and Feasibility, it has chosen eight core countries: India, Vietnam, Philippines, Cambodia, Indonesia, Sri Lanka, Bangladesh and South Africa.

→ **Read more about the strategy for the climate investment fund here.**

During the first year of operations, Norfund made six commitments for new investments, three in India and three in South Africa. The deals include both large scale solar, wind power plants and bio waste to energy.

→ **Read more about the investments made in 2022 here.**

→ Read about the measuring of impact for the fund here.

## Increasing need of investment in renewable energy in emerging markets

“We are in the fight of our lives, and we are losing”, was the sobering statement of United Nations secretary general Antonio Guterres at the opening of COP27 in November.

Meeting the enormous needs of emerging markets of investment in renewables to power their growth out of poverty is one of the most crucial battles in this fight.

As a recent study from Standard Chartered Bank underlines, “while developed markets emit the most and have the biggest job to do to transition their economies away from carbon by 2050 ... if developed markets fail to channel net-zero investment into emerging markets while working on their own transition, there will be devastating implications for the planet”.

While developed-world emissions would plateau without any efforts to further the transition, emerging market emissions would continue to rise, because of both economic and population growth.

Emerging markets need around 94.8 trillion USD worth of additional investment to help them transition to a net-zero economy by 2060 while continuing to grow their economies, according to Standard Chartered Bank. That is greater than global GDP.

In renewable energy alone, annual capital spending in developing economies needs to expand by more than seven times, to above USD 1 trillion, by the end of the 2020s, in order to put the world on track to reach net-zero emissions by 2050, according to the IEA.

## The cases of India and South Africa

India and South Africa, the two countries where Norfund made investments under the climate mandate during its first year, face some of the greatest challenges.

To meet growth in electricity demand over the next twenty years, India will need to add a power system the size of the EU, making it the country with the world's greatest need for growth in the energy sector, according to the IEA. According to BloombergNEF the country needs 233 billion USD in investment, just to meet its goals for development of wind and solar energy by 2030.

In 2022, India's power output grew at the fastest pace in 33 years, and coal-fired power output grew by a staggering 12.4%. That also meant that emissions from power generation rose by nearly a sixth, to 1.15 billion tons, according to a Reuters analysis.

In South Africa, which accounts for around 16% of Africa's energy consumption, coal meets around 70% of installed power generation capacity (IEA). While the country has been experiencing power outages for several years, the situation has significantly deteriorated the last year.

In November, Cyril Ramaphosa, the South Africa president, said the country needs USD 84 billion over the next five years for its plans to cut carbon emissions and speed up the energy transition.

## Capital moving the wrong way

The past year has seen rapidly raised interest rates to contain persistently high inflation across the globe. In combination with global insecurity and a world moving towards more regionalisation at the expense of globalisation, this means capital seems to be moving away from emerging markets.

Within the renewables space, this tendency is further aggravated by new subsidies offered through the Inflation Reduction Act (IRA) in the United States, and existing and expected new subsidies to counter those in the EU. In emerging markets, this may make it especially hard to convince energy developers to prioritise capital to their projects, rather than projects developed in the West.

These developments all point in the direction for important role for the climate investment fund in being countercyclical and offering capital at terms that can make it possible for emerging economies to cover increasing energy needs with renewables.

# Investing in a volatile world

**The Russian war on Ukraine has had far-reaching consequences, including a shock to global trade that disrupted global food and energy markets. In many developing countries, soaring prices have created a cost of living crisis that threaten to undo years of progress in poverty eradication.**

The invasion of Ukraine by Russia on February 24th, 2022 has had implications beyond Europe, impacting businesses in Norfund's markets as they navigate a new geopolitical landscape and its effects on supply chains and resource availability. This has resulted in soaring food and energy prices, that have remained high in many low- and middle-income countries, even as food commodity prices saw moderations toward the end of 2022.

The market price of some commodities such as wheat, corn, and sunflower, have proven to be particularly volatile as Russia and Ukraine combined accounted for a significant share of global exports. Additionally, Russia and Belarus are major producers of urea, phosphate, and potash, which are key nutrients in fertilizers. The fertilizer trade was already hit by supply chain disruptions stemming from COVID-19. Soaring energy prices, international sanctions, and disruptions to Black Sea trade routes further amplified uncertainties and sent prices to record levels.

The increase in food prices has particularly impacted poor and middle-income households in developing countries, where a significant portion of income is spent on food. According to UN statistics, compared to pre-pandemic projections, there are now an estimated 75 million more people living in extreme poverty. The World Bank estimates that, given current trends, nearly 7% of the world's population— will still be living on less than $2.15 a day in 2030. In Africa, more than a quarter of the population live in countries that saw more than 20% increase in food prices in 2022.

Even though food commodity prices eased somewhat towards the end of 2022, the negative spiral of inflation and increasing cost of living will take longer to overcome. Rising inflation has exacerbated the reversal of global poverty which happened during the COVID-19 pandemic. At the same time interest rates are increasing globally, which will put additional stress on governments in low-income countries, where according to the IMF, 53% of countries are in debt distress, or at high risk of debt distress, a doubling since 2015. Rising debt-service payments will further limit these countries ability to tackle increasing poverty rates.

## Need for countercyclical investors

Developing countries are often more susceptible to global market shocks due to limited diversification and financial resilience. A combination of a difficult business environment and increased interest rates have led to investments in developing countries stalling again, despite an initial hope for recovery post-pandemic. According to UNCTAD growth prospects remain gloomy for most developing countries.

Norfund and other Development Finance Institutions (DFIs) can play a critical role in being countercyclical and deploying capital in the most challenging markets. In 2022, Norfund demonstrated this through increasing the fund's investments by over 20% to a record high 6.5 billion NOK, almost 2.5 times the total amount transferred from the Norwegian state development budget.

Ghana, a core country for Norfund, is one example of a country heavily impacted by the cost of living crisis, with inflation reaching unprecedented levels in 2022, ending the year at an official inflation rate of 54.1%, the country's highest since 2001, after starting the year at an inflation rate of 13.9%. The Real Consumer Price Index (CPI) for most households was observed to be +100%, with food prices being the most affected. This has led to significant increases in the cost of living and overall costs for individuals, businesses, and households, making planning and budgeting challenging. The depreciation of the Ghanaian cedi (GHS) of 39% over the year, with a peak depreciation of 58%, has further compounded the increased costs of living and uncertainties.

In neighboring Nigeria, Norfund portfolio company Sundry Foods has had to adapt to disruptions in their supply chain due to the war in Ukraine. Sundry Foods, a Quick Service Restaurant, Bakery, and Catering Service operating in over 100 branches across Nigeria, has been impacted by the availability of inputs such as wheat, of which Ukraine was a key supplier, and proteins. The company has had to seek alternative sources for these inputs, which has negatively affected its margins, as it does not want to transfer the higher costs to its customers. The company is now sourcing more locally and regionally, which brings about new opportunities, but also challenges.

*Photo: Samanu*

## With crisis comes opportunity

Increased prices on imports also create new opportunities to develop local production and processing at competitive cost levels, creating local jobs and increased income for farmers. Norfund's investment in Samanu, committed at the end of 2022, is a good example. Through increased local production of edible oil, the goal is to create jobs, increase food security, and provide income for up to 200,000 smallholder farmers.

Policymakers in many of Norfund's focus countries are now re-evaluating their countries' resilience due to overdependence on critical imports from a small number of exporters. The volatility of food commodity prices has drawn increased attention to local and regional production, sourcing, and value creation.

The African Free Trade agreement is an example of initiatives that will strengthen regional integration and build more resilient food systems. This will create new opportunities for investment in agricultural value chains with a focus on local sourcing and regional markets, reducing reliance on imported foods that are vulnerable to inflation and exchange rate fluctuations and freeing up hard currency for other areas.

Governments in the most affected countries are also working to implement policies that aim to control inflation, increase agricultural productivity, and provide social safety nets to support vulnerable populations. To succeed, they need to attract commercial investments that allow them to diversify their economy, create jobs, and invest in modern technology that boosts domestic agricultural output and processing. The need for investors like Norfund has thus never been greater.

# New strategy for Development Mandate

## Setting the direction for the next four years.

Developing economies, still reeling from the effects of the pandemic and the macroeconomic impacts of Russia's invasion of Ukraine, are confronted with an increasingly uncertain outlook, intensified by the effects of climate change. The convergence of these events has created difficult conditions in developing countries, causing progress towards achieving SDG1, “No poverty”, to falter for the first time in three decades.

Norfund's 2019-2022 strategy has proven resilient even in these unprecedented circumstances, exhibiting flexibility in adapting to the challenges of developing markets. We achieved record commitments every year and supported our investees through difficult periods, while also managing the biggest sale in Norfund's history, SN Power. This demonstrates our commitment to being a responsible minority investor and circulating capital. As the current strategy period comes to a close, Norfund has developed a new strategy to ensure continued delivery on our mandate in an increasingly challenging global landscape.

The new strategy, approved by the Norfund board in December 2022, is anchored in the fund's mandate, informed by the UN Sustainable Development Goals, and reflective of the priorities of the Norwegian government's development assistance policy. Leveraging our position as a responsible minority investor, the new strategy builds upon the elements of the previous period to ensure continuity and build upon our strong track record and competence.

***"Norfund's strong performance has demonstrated the resilience of our strategy. Going forward, we will stay true to our four investment areas and core countries, whilst strengthening the recycling of capital to maximise impact."***

Ylva Lindberg, Executive Vice President Strategy & Communication

At the heart of the new strategy for the development mandate are the four investment areas (Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure), 30 core investment countries, quantified impact ambitions for each investment area and portfolio KPIs to ensure additionality. Norfund believes that targeted asset allocation is the best way to deliver impact, and the strategy underpins this. Compared to the last strategy period we aim to strengthen catalysation of private capital to developing countries and have a more systematic approach to circulating capital. Our work on climate will also be strengthened and is an important priority during the next four years.

→ Click here for a more comprehensive understanding of Norfund's new development mandate strategy

# Key figures

For the first time this year, Norfund reports on both the Development Mandate and the new Climate Mandate, as the Climate Investment Fund became operational starting in 2022. For some key figures such as commitments and investments we present both here, while on others such as certain development effects we report only on the Development Mandate due to the current relatively small size of the Climate Mandate.

→ Read more about the Development Mandate

→ Read more about the Climate Mandate

*For more detailed reporting on each mandate refer to their individual sections in the content menu above.*

## New commitments

**4.54** **Development Mandate**
billion NOK in 2022*

**Excluding Business Support and PDRMF*

**2.1** **Climate Mandate**
billion NOK in 2022

## Total commitments

**29.5** **Development Mandate**
billion NOK in portfolio

| | |
|---|---|
| **2.14** | **Climate Mandate**<br>billion NOK in portfolio |

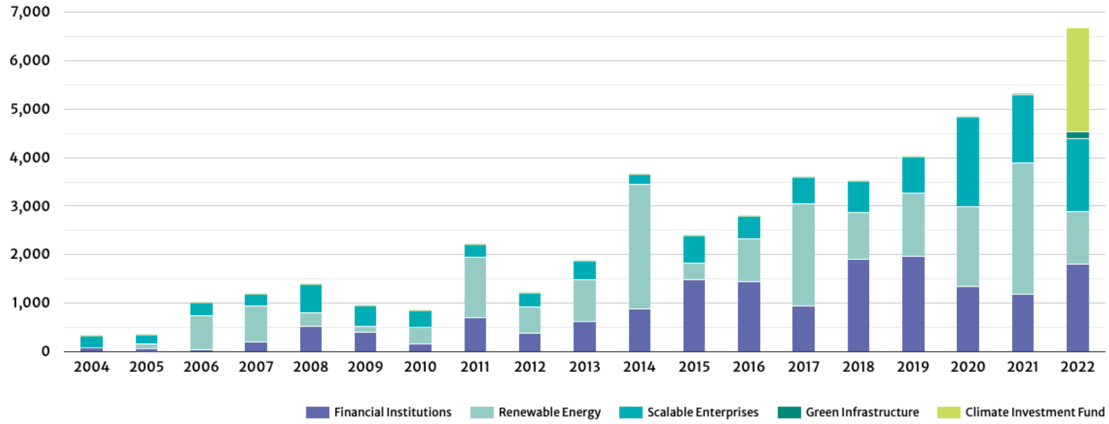
## Investments

| | |
|---|---|
| **34/18** | **Development Mandate**<br>New/follow-on investments in 2022 |
| **7** | **Climate Mandate**<br>New investments in 2022 |

## Companies

| | |
|---|---|
| **219/970** | **Development Mandate**<br>total direct/indirect investees in the portfolio |
| **7** | **Climate Mandate**<br>total direct investees in the portfolio |

## Committed investments per year (MNOK)




| | |
|---|---|
| **514,000** | **Jobs**<br>in Norfund portfolio companies under Development Mandate |
| **24,500** | **Jobs created**<br>new jobs created (net) in portfolio companies under Development Mandate |
| **37%** | **Female employees**<br>in Norfund portfolio companies under Development Mandate, a 10% net increase |

→ Read more about job creation and the Development Mandate here

## New electricity capacity

| | |
|---|---|
| **1,415 MW** | **Development Mandate**<br>financed in 2022 |

**2,433 MW**

**Climate Mandate**
financed in 2022

## Development Mandate

**15.9 TWh**

**electricity produced**

**Almost equivalent to the combined annual electricity consumption of Kenya, Tanzania, and Uganda**

## CO2

**10/6.3 million tonnes**

**Development Mandate**
Avoided annually from new renewable capacity since inception/2022 portfolio

**6.176 million tonnes**

**Climate Mandate**
Expected avoided emissions*

*Based on financed capacity and expected production, the expected avoided emissions are calculated to be 6.2mill tCO2e per year.

→ Read more about energy and the Development Mandate

→ Read more about increased renewable energy and the Climate Mandate

| | |
|---|---|
| **8.9 million** | **New clients**<br>offered financial services in 2022<br>under the Development Mandate |
| **32.1 million** | **Total clients**<br>offered financial services in 2022<br>under the Development Mandate |
| **89 BNOK** | **Increased lending**<br>increase in total lending volume<br>under the Development Mandate |

→ Read more about access to finance

| | |
|---|---|
| **5.1%** | **IRR in 2022**<br>in investment currency<br>14.8% in NOK |
| **5.1%** | **IRR since inception**<br>in investment currency<br>8.1% in NOK |

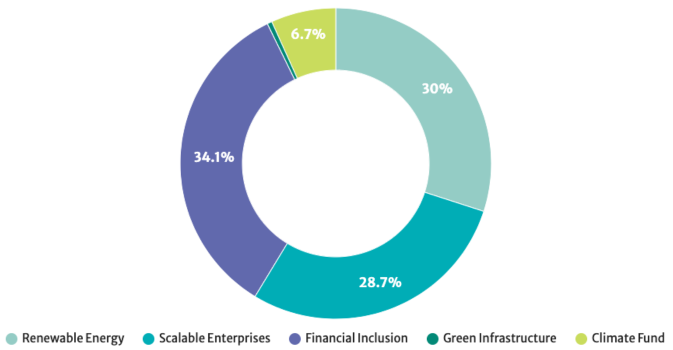
The IRR in 2022 is only calculated with Development Mandate investments included.

*(The IRR for 2022 and since inception are both 5.1%, and is not a typo.)*

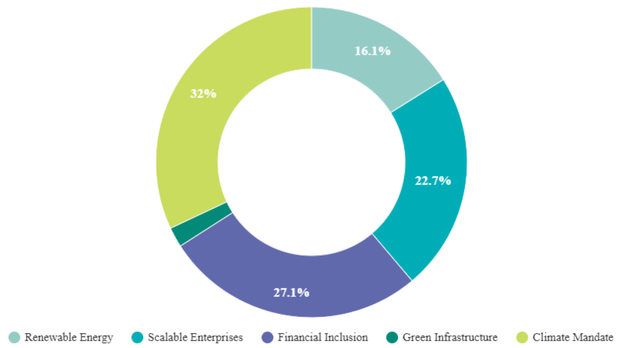
→ Read more about IRR and financial results

## Commitments per investment area

### Total portfolio (MNOK)

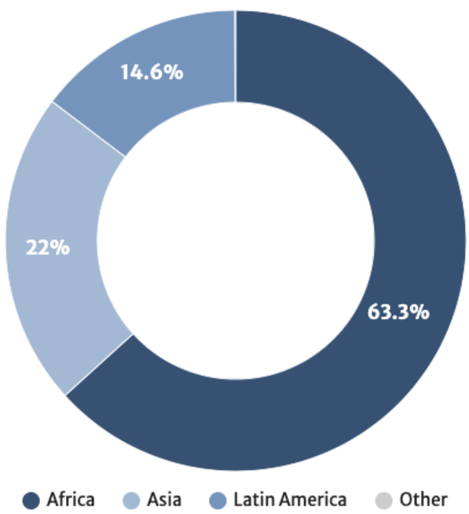



### In 2022 (MNOK)

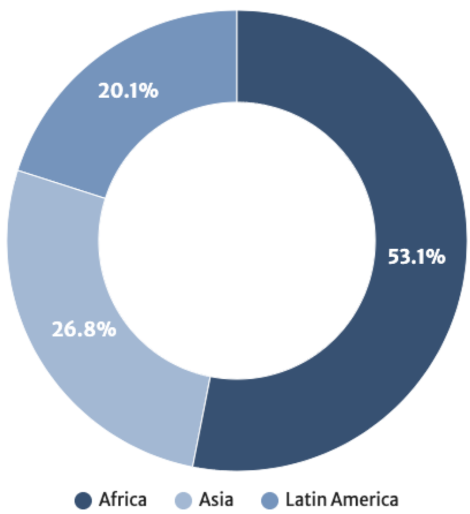


# Commitments per region

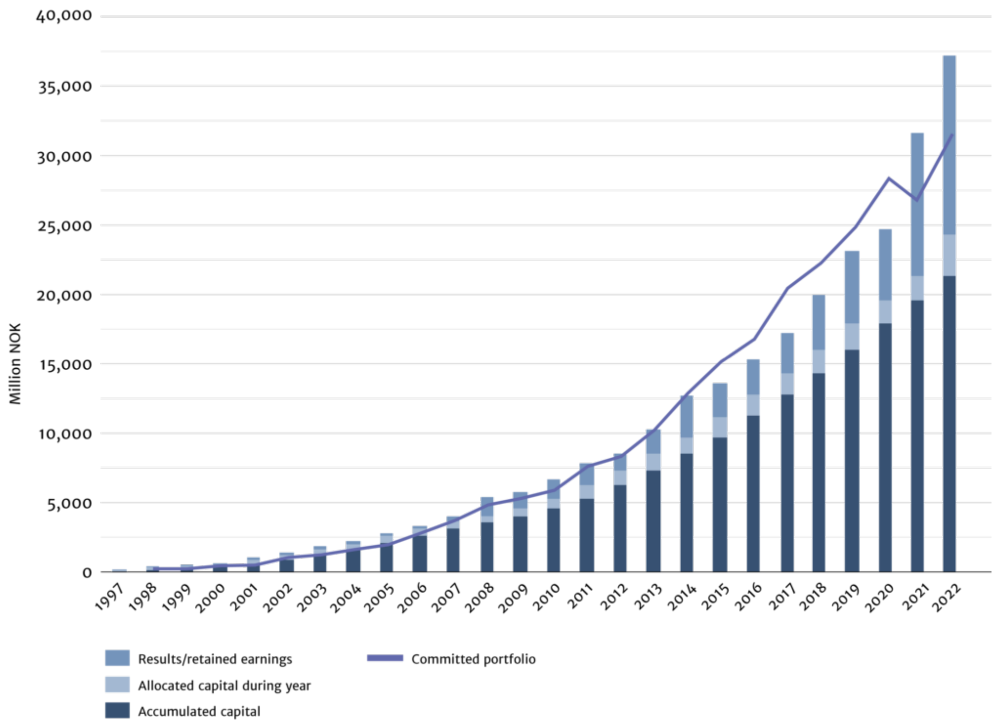
### Total portfolio (MNOK)




### In 2022 (MNOK)

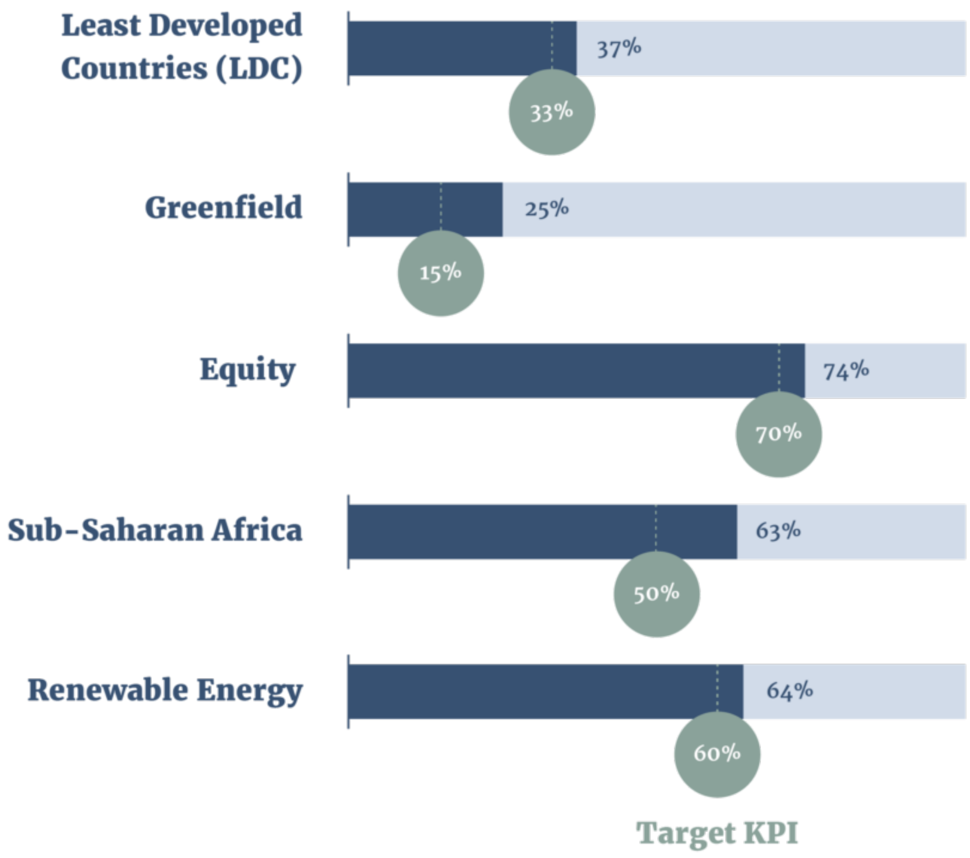



# Portfolio since inception

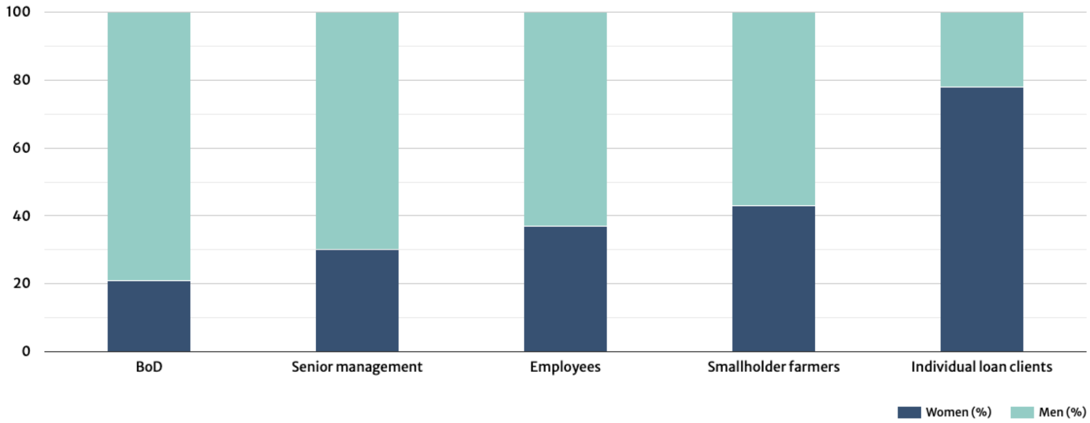


# Norfund Key Performance Indicators (Development Mandate)

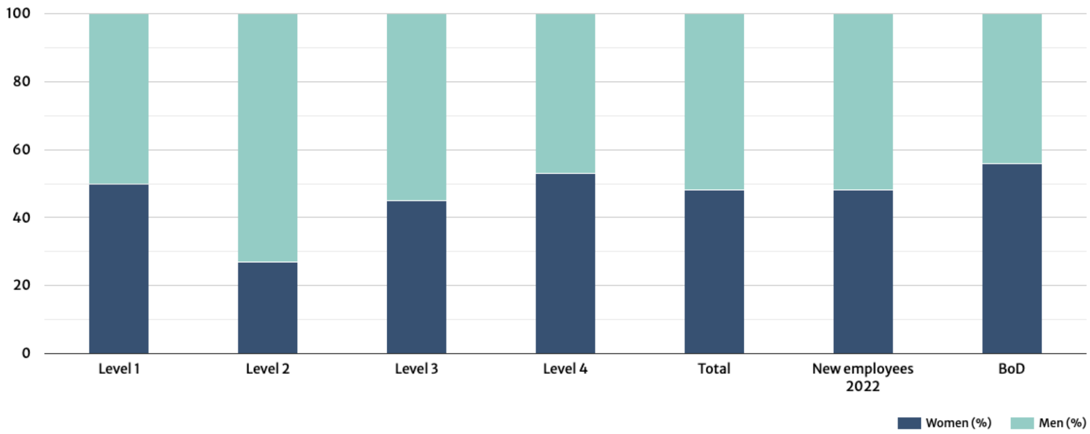
Five key performance indicators (KPIs) are developed as a tool to secure that the portfolio develops according to Norfund's mandate. The KPIs are all measured at the portfolio level, though also monitored year by year (see table below).



# Gender equality in Norfund's investees 2022




# Gender equality in Norfund 2022




→ Read more about gender

# Key figures per year

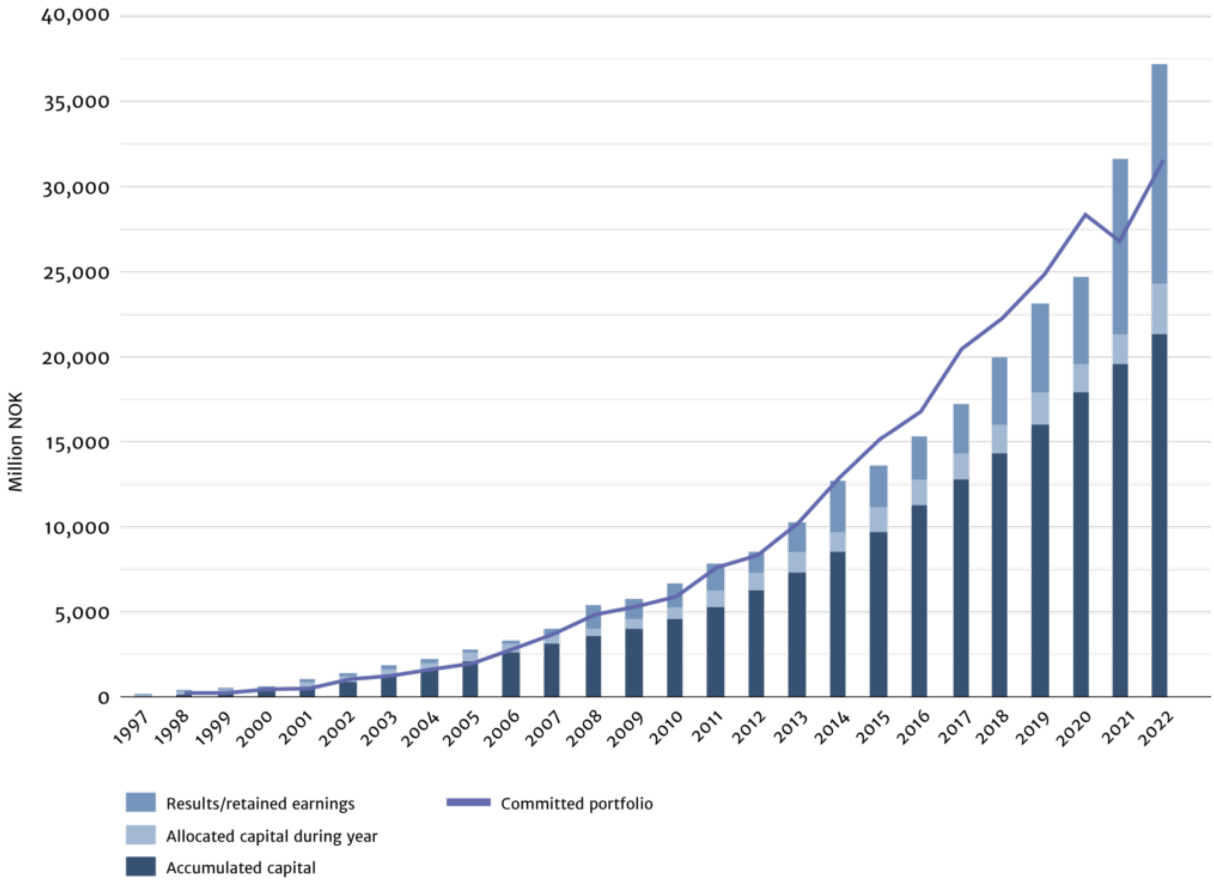
| Key figures | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Climate and Development Mandates | | | | | | | |
| Committed portfolio (MNOK) | 16 762 | 20 439 | 22 253 | 24 944 | 28 352 | 26 924 | 31 650 |
| New investments (MNOK) | 2 784 | 3 600 | 3 511 | 4 015 | 4 839 | 5 320 | 6 513 |
| Number of direct investments in portfolio | 124 | 136 | 149 | 163 | 170 | 195 | 226 |
| Capital allocated by the owner (MNOK) | 1 478 | 1 500 | 1 690 | 1 905 | 1 820 | 1 680 | 2680 |
| Number of employees in Norfund | 69 | 71 | 75 | 82 | 96 | 111 | 113 |
| Development Mandate | | | | | | | |
| Committed portfolio (MNOK) | 16 762 | 20 439 | 22 253 | 24 944 | 28 352 | 26 924 | 29 516 |
| New investments (MNOK) | 2 784 | 3 600 | 3 511 | 4 015 | 4 839 | 5 320 | 4 540 |
| Return on invested capital (IRR) (inv. currency) | 2.9% | 14% | 4.6% | 6.3% | -0.1% | 5.2% | 5.1% |
| Number of direct investments in portfolio | 124 | 136 | 149 | 163 | 170 | 195 | 219 |
| KPI: Share of investments in least developed countries | 33% | 36% | 41% | 40% | 39% | 40% | 37% |
| KPI: Share of investments in Sub Saharan Africa | 52% | 50% | 55% | 53% | 53% | 65% | 63% |
| KPI: Share of greenfield investments | 20% | 27% | 32% | 31% | 25% | 22% | 25% |
| KPI: Share of equity and indirect equity | 85% | 85% | 81% | 79% | 79% | 75% | 74% |
| KPI: Renewable energy share of allocated capital >50% (ended 2021) | 62% | 145% | 60% | 55% | 54% | 40% | – |
| KPI: Renewable energy share of allocated capital >60% | | | | | | | 64% |

| Key figures | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Number of jobs in portfolio companies | 276 000 | 292 000 | 304 000 | 380 000 | 377 000 | 452 000 | 514 000 |
| Taxes paid by portfolio companies (BNOK) | 10.9 | 9.3 | 13.9 | 14.1 | 16.9 | 16.9 | 23.2 |
| Climate Mandate | | | | | | | |
| Committed portfolio (MNOK) | – | – | – | – | – | – | 2 135 |
| New investments (MNOK) | – | – | – | – | – | – | 2135 |
| Number of direct investments in portfolio | – | – | – | – | – | – | 7 |

# Portfolio overview

**By year end 2022, Norfund had committed investments totaling 31.65 billion NOK in 226 projects. The Development Mandate accounted for 29.5 billion NOK in 219 projects, and the new Climate Mandate accounted for 2.14 billion NOK in seven projects.**

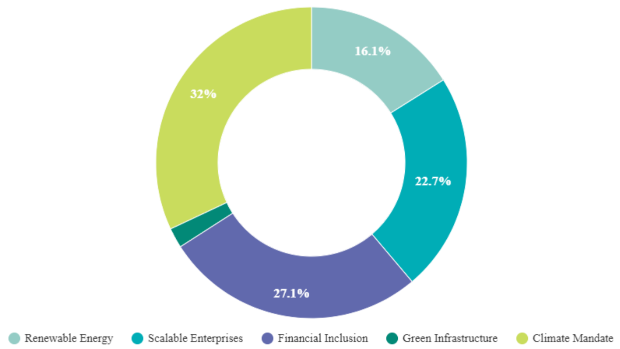
## Portfolio since inception




# Priority investment areas

Norfund invests in four areas under the Development Mandate. These are areas where the potential for development impact is substantial and that are aligned with the SDGs: Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure. In addition we now invest through the new Climate Mandate with the Climate Investment Fund, in order to accelerate the global energy transition by investing in renewable energy in developing countries with large emissions from coal and other fossil power production.

## Portfolio per investment area (MNOK)




## Key Performance Indicators (KPIs) for Norfund's Development Mandate portfolio

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

## Least Developed Countries >33%

The scarcity of capital available in Least Developed Countries (LDC) means the needs for our investments are high. 37% of Norfund's portfolio is in these markets.

**37** % Total portfolio in LDCs

## Sub-Saharan Africa >50%

In line with Norfund’s strategic target, 61% of all new commitments in 2022 were in Sub-Saharan Africa, and 63% of the portfolio is now allocated in the region.

**63** % Investments in Sub-Saharan Africa

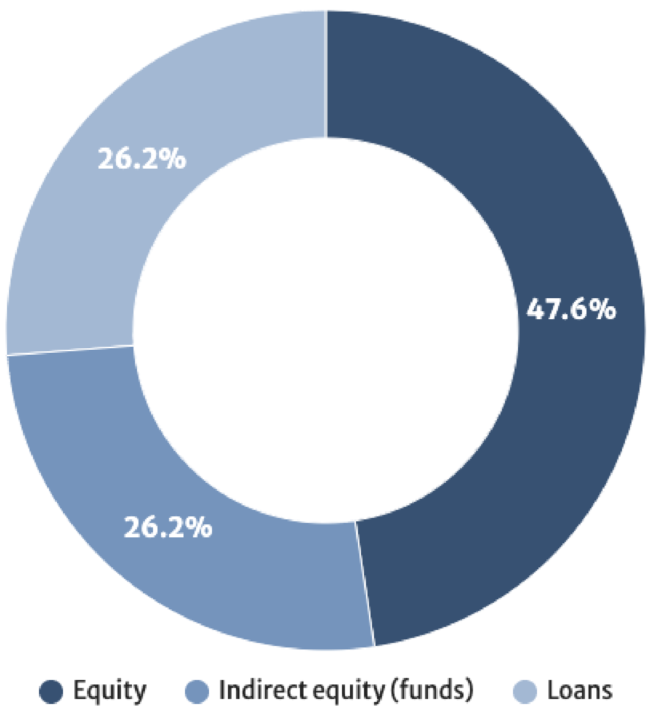
## Greenfield >15% of three years' moving average

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. This KPI ended in 2022.

**25 %** 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.



*Note: This diagram only includes the Development Mandate*

→ Key figures for 2022

## Norfund investment portfolio overview

**(as of 31.12.2022)**

Renewable Energy portfolio 2022

Financial Inclusion portfolio 2022

Scalable enterprises – Funds portfolio 2022

Scalable Enterprises – Direct portfolio 2022

Green Infrastructure Portfolio 2022

# How we make a difference

**Norfund invests to create jobs, improve lives and support the transition to net zero.**

To fulfil our mandates 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.

→ More about additionality

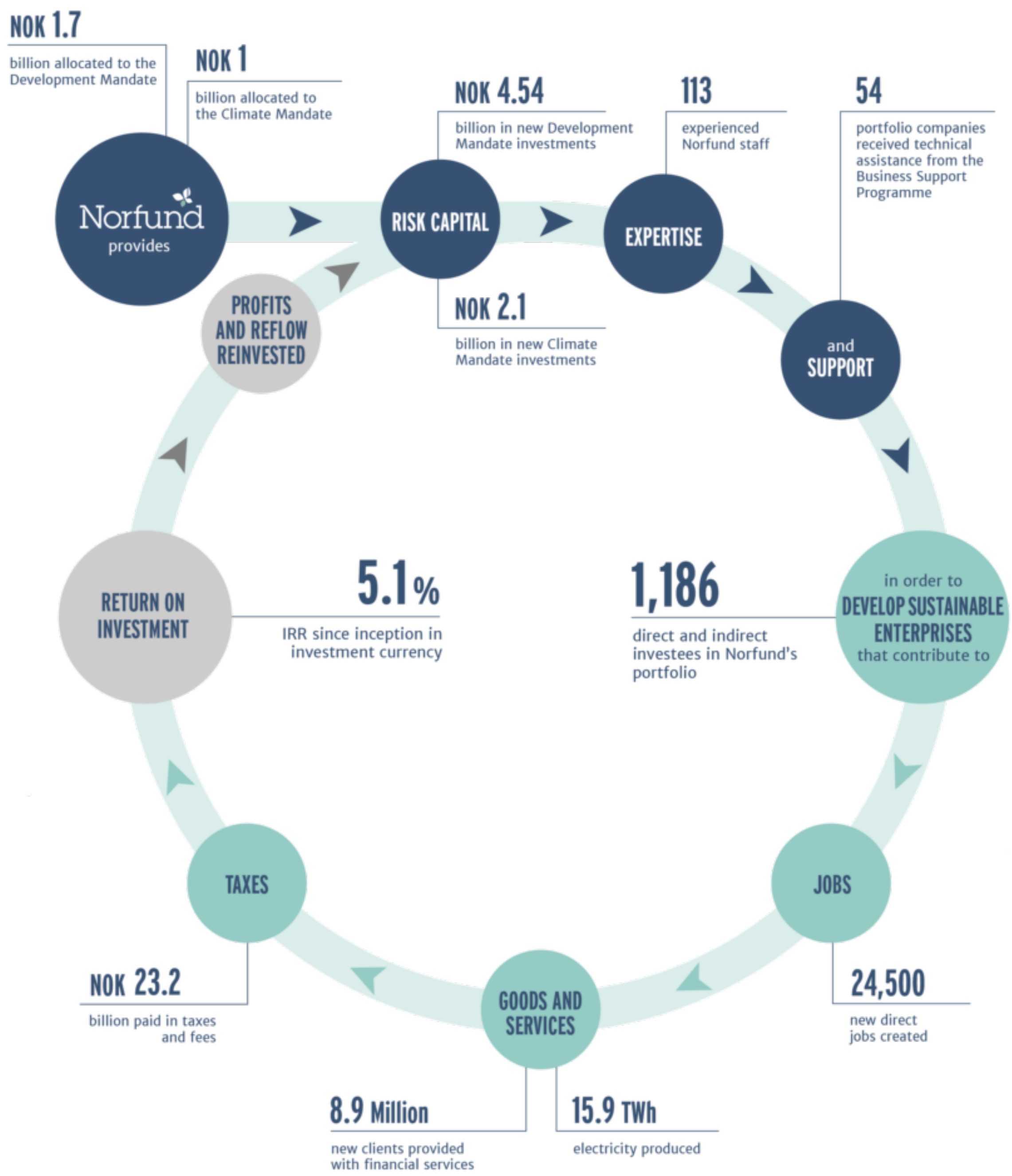
### Read about Norfund's Development Mandate and Climate Mandate

Investing in the transition to net zero

Creating jobs, improving lives

The illustration below shows how Norfund works and how investments in 2022 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.

→ [Discover Norfund's impact here]



### A responsible and active investor

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

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→ **Norfund's Environmental and Social Risk Management**

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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. Since 2020, Norfund has annually published a Disclosure Statement describing how Norfund is working to align its investments and operations with the Impact Principles. In 2022, the statement and Norfund's impact management approach was verified by BlueMark.

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. Equity is our preferred instrument, and we often take up Board positions in our portfolio companies.

### 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.

## Business Support

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

By leveraging Business Support, we can exercise responsible ownership and create value additionality for our investments in high-risk sectors and segments.

Following the Norfund Development Mandate strategy, Business Support projects actively target human rights, anti-corruption, climate and environment, and gender equality.

→ More about Norfund Business Support projects in 2022

## Frontier Facility

The Frontier Facility (formerly known as the Project Development and Risk Mitigation Facility) is funded by the Norwegian Ministry of Foreign Affairs.

**The facility serves 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 Frontier Facility is primarily used for projects that have a risk level which is higher than other investments in Norfund's core portfolio and to be used in our most demanding markets - in particular fragile states and Least Developed Countries (LDCs). These projects are therefore managed as a separate facility and are not included in Norfund's overall portfolio valuation.

→ Read more about the Frontier Facility

# Norfund and the SDGs

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

Norfund invests to create jobs, improve lives and support the transition to net zero.

Norfund's work under the Development Mandate is the Norwegian government's main instrument for strengthening the private sector in developing countries to contribute to poverty reduction.

Norfund's work under the Climate Mandate is the Norwegian government's main instrument for accelerating the global energy transition by investing in renewable energy in developing countries with large emissions from coal and other fossil power production.

Both our Development Mandate mission and strategy for 2023-2026 and our Climate Mandate mission and strategy for 2022-2026 are based on the UN Sustainable Development Goals.


Norfund's mission under the development mandate 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 the development mandate strategy, the investments are concentrated in four investment areas that each also contribute directly to SDG targets:

- Renewable 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 Inclusion 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), SDG 12-5 (reduce waste generation), and SDG 6-1 (safe drinking water)

→ More about Norfund's strategy for the development mandate 2023-2026

Norfund's mission under the development mandate is to invest in the transition to net zero in emerging markets (SDG 13: Climate Action). As defined in the strategy for the climate mandate, investments are made in renewable energy directly contributing to SDG 7-1 (universal access to energy services) and SDG 7-2 (increase share of renewables in the global energy mix).

→ More about Norfund's strategy for the climate mandate 2022-2026

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. You can read more about this under E&S.

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. 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. Read more about this under Governance and Business Integrity.

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.

Read more about Norfund's work with climate and environment here.

13 CLIMATE ACTION

# Organisation and team

**Norfund has a large specialist team investing in developing countries. To ensure local presence and expertise, Norfund has five regional offices with locally recruited staff in Africa, Latin-America and Asia. Norfund's headquarter is in Oslo.**

## Investment expertise

In 2022, 85 out of 127 employees were working directly on investments, following the projects through all the phases of the investment process. This includes eight dedicated employees dealing with Environmental and Social issues (E&S).

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

## Country presence

Thirty-eight 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

→ Information about our work with gender equality in Norfund can be found here

## Impact expertise, financial analysis, organisational development and legal support

The Strategy and Communication department leads strategy development and implementation, analyses development effects and additionality. The department also works with gender, media, and climate. Finally, they 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 department is 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.

## The Norfund Way

As a responsible investor, Norfund is committed to act in accordance with applicable laws and with the highest ethical standards, every day. We call it the Norfund Way.

The Norfund Way includes five values and forms the basis for our corporate culture as well as our Code of Conduct. The aim is to establish a corporate culture that is specific and concrete, and that describes what type of attitudes and actions we believe promote Norfund's mandate the best.

Be courageous
Serve the mandate
Be kind
Walk the talk
Make a difference

## Norfund Academy

Competence development, knowledge sharing and strengthening of teams are identified as key building blocks to improving the way we work. The Norfund Academy is one of Norfund's means to strengthening and structuring organisational learning.

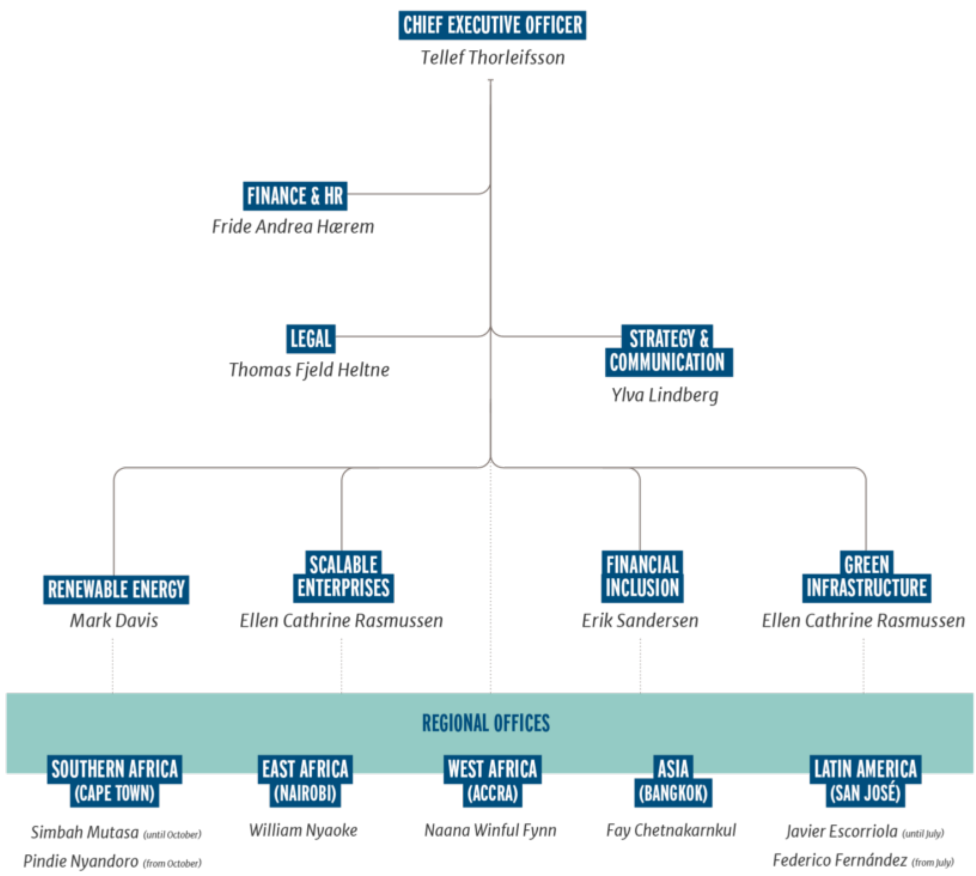
Topics such as IFC performance standards, Business Integrity, the Investment Manual and other core investment competencies among the focus areas selected for competence development going forward. The current course catalogue contains courses like New Joiner, Cyber Security, E&S training, Project Management, Investment Manual training, Travel security videos, 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 E&S 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**

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.

**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 2022, the Board held a total of 8 board meetings and made a trip to England where they participated in the University of Cambridge's Institute for Sustainability Leadership (CISL) Board Program. They also met with the Norwegian Ambassador to the U.K., several portfolio companies, such as Globeleq, AgDevCo, Helios, and with British International Investment (BII).

Three of the Board members - Tove Stuhr Sjøblom, Martin Skancke and Brit Rugland – are also members of the Risk and Audit committee. The role of this committee is to strengthen Norfund's risk management.

**Olaug Svarva**
*Chair*

**Brit Rugland**
*Director*

**Martin Skancke**
*Director*

**Finn Jebsen**
*Director*

**Lasse David Nergaard**
*Director (Employee Elected)*

**Tove Stuhr Sjøblom**
*Director*

**Vibeke Hammer Madsen (until June)**
*Director*

**Åslaug Haga (appointed from August)**
*Director*

**Karoline Teien Blystad**
*Director (Employee Elected)*

**Vidar Helgesen**
*Director*

# 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 with similar terms or quantities, 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.

### Development additionality

Development additionality is described as the development impact that arise as a result of investment that otherwise would not have occurred.

## Ten ambitions on additionality

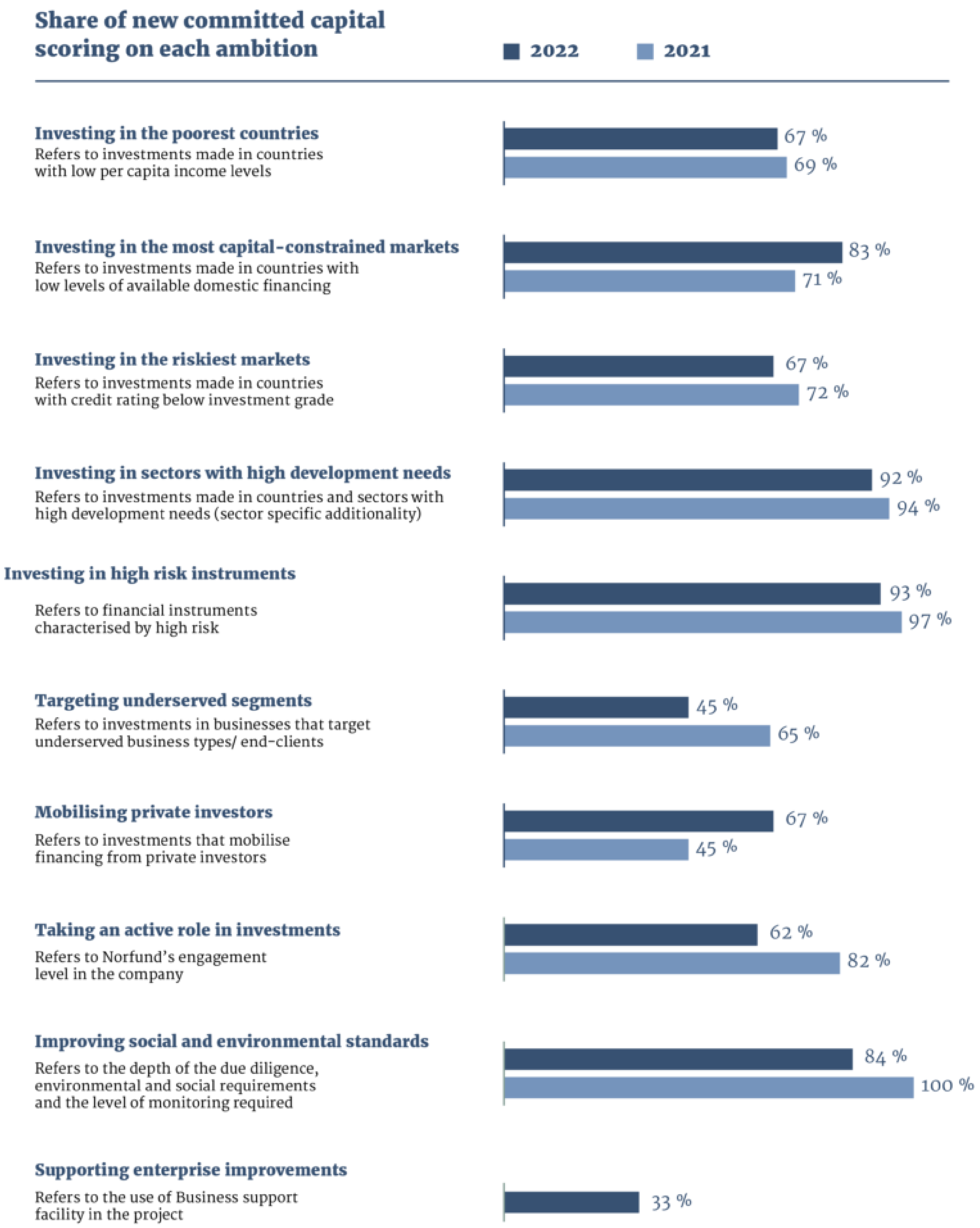
Norfund has a defined additionality framework that helps assess the additionality of our investments and ensure alignment with the OECD definition. This framework consists of ten additionality ambitions (see table below) reflecting both the financial and value additionality of our investments. For each ambition, we have identified relevant indicators to assess the extent to which we meet these ambitions. Investments under the new Climate Investment Mandate are subject to the same additionality assessment. Development additionality is assessed for each new investment by setting baseline and target values for key impact/ climate ambitions, describing what the investment aims to achieve.

Based on our experience with the use of the framework since 2018, the framework has been revised twice 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 2022, Norfund invested in 34 new companies and funds that were all assessed using the additionality framework. More information on which ambitions each investment is particularly additional on, is listed on the individual investment webpages on the Norfund website.

Percentage of committed capital to new projects in 2022 scoring materially on each additionality ambition (follow-on investments are not included):




Compared with last year's results, new investments in 2022 scored slightly lower on several of the ambitions, but significantly higher on mobilising private investors. However, more of our committed capital was invested in economies with low access to capital (domestic credit to private sector) than in 2021. "Supporting enterprise improvements" through the use of our Business Support facility is a new indicator as of 2022.

# A responsible investor

Environmental and social risk management

Governance and business integrity

Climate and environment


Business Support

Gender

# Environmental and social risk management

**Appropriate Environmental & Social (E&S) measures reduce risk to workers, the environment and local communities 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.**

## 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.

## 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

## Clear roles and responsibilities

Our Environmental and Social Management System (ESMS) describes roles and responsibilities relating to E&S risk management, including governance, oversight, and E&S day-to-day working practices.  Investment staff take part in a training programme which includes modules on our ESMS, the IFC PS and how to identify environmental, health and safety issues on site-visits.

## 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 lists 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 2022 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. Gauging 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 (ESAP) 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. In 2022, we revised our approach for assessing the E&S performance of the projects in our portfolio and created a new E&S monitoring system. This helps us better understand the E&S risk and performance of the portfolio and analyse changes over time.  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.

# 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 2022. The governance framework is regularly reviewed to make sure it is up to date and relevant. In 2022, we introduced an HR Policy, updated both our Code of Conduct and our Compliance System and made numerous updates and additions to our underlying steering documents.

## 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
- Whistleblowing and reporting procedures

## Risk-based approach

The Business Integrity 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. To further enhance this framework, a risk assessment of our investment portfolio was conducted in 2022. In addition to outlining the Business Integrity risks that Norfund is exposed to, the assessment includes a review of existing mitigating measures and suggested additional measures. The assessment has provided a valuable external benchmarking and will help strengthen Norfund's Business Integrity processes and procedures going forward.

## Dedicated resources

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 held its second, annual Business Integrity Week in November 2022. The topic of the event was anti-corruption, which is one of Norfund's four cross-cutting issues. 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 in Norfund.

## Whistleblowing and reports

Norfund encourages the reporting of any suspected breach of its governance framework or applicable laws or regulations in connection with or related to its investments or activities. Norfund staff can report suspected violations to internal functions, and such reporting is also encouraged via Norfund's external whistleblowing channel. The whistleblowing channel caters for anonymous reporting of illegal, unethical or other unacceptable circumstances within Norfund and our investments. The whistleblowing channel is also open to Norfund representatives, business partners and other stakeholders, and reviewing and following up on Business Integrity incidents has a high priority in Norfund.

# Climate and environment

**Climate change is one of the most pressing challenges of our time, with severe consequences for both people, nature and economies. The impact disproportionally affects developing countries and is a major threat to the goal of eradicating poverty. Norfund is committed to supporting a just transition towards net zero in developing countries, in line with the Paris agreement.**

*Our work on biodiversity and nature is core to our work on environmental and social risks, integrated in the investment process.*

Norfund's climate position outlines the way in which Norfund intends to invest in a clean and climate resilient future in developing countries. It is built on three pillars: resilience, reduction, and risk.

## Resilience

*By resilience, we mean the capacity of individuals, economies and societies to cope with the effects – physical and economic – of climate change. Job creation and economic development enables such resilience.*

Norfund's contribution:

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

-Increasing resilience in Norfund's existing investments by implementing risk reducing measures

-Exploring opportunities to enhance adaptation and build resilience in the countries where we operate by investing in adaptation and resilience solutions

## Reduction

*By reduction, we mean reducing or avoiding emissions to enable the transition to an energy system aligned with the Paris Agreement.*

Norfund's contribution:

-Managing the Climate Investment Fund on behalf of the Norwegian Government, with the primary goal of avoiding and reducing greenhouse gas emissions

-Investing in climate solutions such as large-scale renewable energy (where the Climate Investment Fund is the most important vehicle), transmission, waste management and water solutions to help avoid emissions and facilitate the transition to a low-carbon economy.

-Aligning all new investments with the objectives of the Paris Agreement, in line with the EDFI Statement on Climate and Energy Finance)

-Charting a path to achieve net zero portfolio emissions by 2050, in line with the EDFI Statement on Climate and Energy Finance. This path must balance the need for rapid decarbonization at the global level with the needs for development and growth in emerging economies. Further, it will be a stepwise process, reflecting uncertainties, lack of data and our investees´ capacity for implementation.

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

## Risk

*By risk, we mean the physical risks, such as flooding, drought and cyclones, and transition risks, such as policy, technology and reputational risk, that impact companies. These risks can also be turned into opportunities.*

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

## Norfund's 2022 key climate contributions

| | |
|---|---|
| **1415 MW** | **New electricity capacity**<br>New capacity financed in 2022, 100% renewable |
| **3208 MNOK** | **Climate finance**<br>Committed climate finance in 2022* |
| **6.3 million tonnes CO2e** | **Avoided emissions**<br>estimated avoided emissions in 2022** |

**Norfund uses the OECD DAC Rio Markers for Climate to define climate finance. By evaluating projects against the Rio Markers, Norfund identifies activities targeting the Rio convention objectives for climate change on adaptation and mitigation.*

***Avoided emissions are estimated using the harmonized IFI approach "GHG Accounting for Grid Connected Renewable Energy Projects" (see more about the calculation of the emissions factors in the document: 'Methodological Approach for the Common Default Grid Emission Factor Dataset' (2022)). The estimation includes all operational renewable power producers where Norfund has an ownership share or has extended a loan, that are providing electricity to the grid (such as large-scale solar power plants), 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. The figures are not attributed to Norfund's share.*

Norfund's portfolio companies have, since the fund was established in 1997, installed around 8,900 MW new renewable energy capacity (incl. capacity under construction) under the development mandate. These portfolio companies contribute to avoiding an estimated 10 million tonnes of CO2 emissions annually. This is equivalent to twice the capacity of the Norwegian government's CCS project Langskip, which will be able to store 5 mill tonnes CO2e (once fully operational).

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

Norfund's 2022 report, in line with the TCFD recommendations, can be found at the link below. We recognize that managing climate-related risks and opportunities is an ongoing process and we remain committed to enhancing our practices and processes.

→ TCFD 2022 at norfund.no

### Norfund’s climate footprint

Norfund aims to report on absolute emissions scope 1, 2, and 3 in line with PCAF and the GHG protocol. Norfund’s climate footprint consists of emissions from Norfund’s own operations, but most importantly, financed emissions – emissions from the companies in Norfund’s investment portfolio. The latter is by far the largest and also the most challenging to measure.

Financing a just transition to net zero in developing countries will require us to not only invest in already low-emitting sectors, but also sectors that are key to economic development with high initial emissions and contribute to their decarbonization path. These investments will add to our portfolio carbon footprint in the short to medium term.

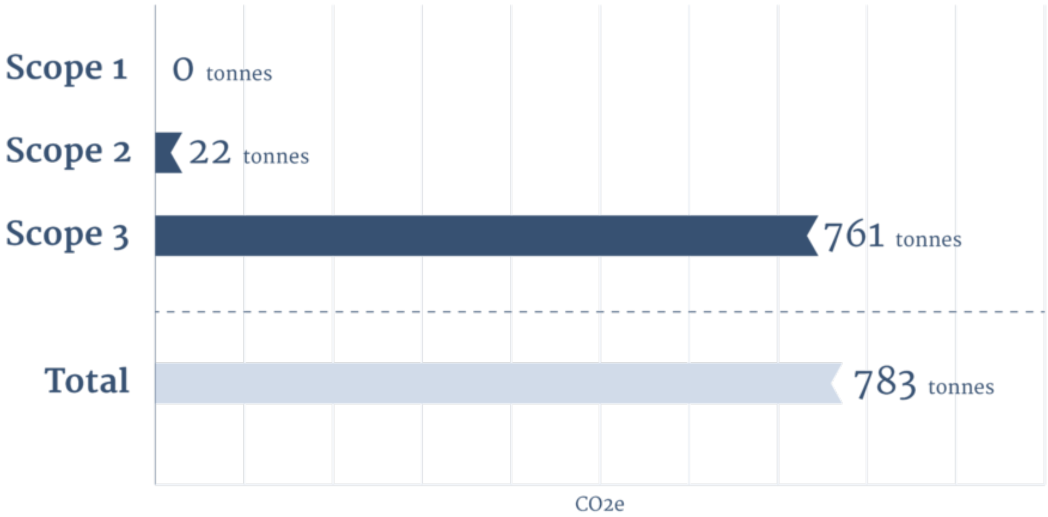
## What is scope 1, 2 and 3?

Scope 1 emissions refer to the direct greenhouse gas emissions that result from an organization's activities or are within its control (e.g. emissions associated with fuel combustion in boilers, furnaces, or vehicles). Scope 2 emissions refer to the indirect emissions resulting from an organization's consumption of energy (e.g., purchase of electricity, steam, heat, or cooling). Scope 3 emissions refer to all other indirect emissions that occur throughout an organization's value chain, such as those resulting from business travel, the purchase or sale of goods and services, the disposal of waste, or a company's investment portfolio.

### GHG emissions from Norfund’s own operations

As an investor, the activities in our investment portfolio constitute the majority of Norfund’s emissions, while emissions from own operations are primarily office related. Nonetheless, Norfund requires companies to have strong environmental management, and we believe it is important to start with ourselves by working to minimise our own footprint and continuously improve our operations.

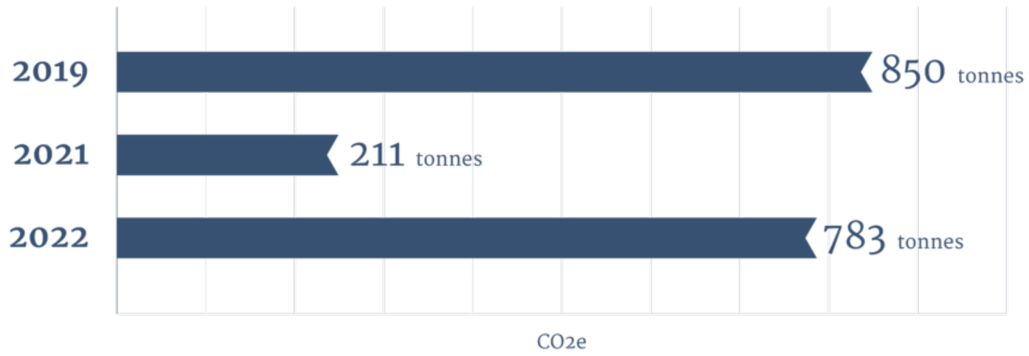
## Norfund's 2022 emissions in tonnes Co2e per scope




*Norfund has no scope 1 emissions. Emissions in scope 2 indirect upstream activities are from electricity and heating for the Oslo office, but for now excluding the regional offices. Within scope 3 indirect upstream activities, emissions are from business travels and waste. Emissions from business travels via air travel are from all Norfund offices, whereas emissions from waste are only from the Oslo office.*

Norfund's Oslo office was certified as an Eco-Lighthouse (Miljøfyrtårn) in 2022 and uses this framework to improve our internal environmental performance. As part of the framework, Norfund reports GHG emissions from its own operations annually.

## Norfund's emissions in tonnes Co2e per year




*Covid-19 affected the activity and thereby GHG emissions for Norfund in 2021, and there is reason to believe that Covid-19 has affected the result for 2022 in the same way, especially affecting travel activity in Q1 and Q2. For 2022, we reported emissions from air travel for all Norfund offices, while for 2019 and 2021 the report covers the Oslo office only. As Norfund obtained the Eco-Lighthouse certification in 2022, we calculated emissions for 2019 in addition to 2021, in order to have a baseline with pre-covid data, hence no report for 2020.*

Air travel accounts for more than 95% of Norfund's emissions from own operations, and this is an indication of where Norfund should focus efforts to reduce emissions. According to Norfund's business travel guidelines, we always assess the need for physical meetings, and if digital meetings could be a suitable option. In 2023, we aim to report GHG emissions for more activities and define goals per scope 1,2, and 3.

We work continuously to create more environmentally friendly operations and better working environments, and we have identified approximately 25 measures to be implemented and followed up within the organisation in 2023, covering travel, energy, waste management, procurement, working environment and canteen.

## Eco-Lighthouse certification

Eco-lighthouse is Norway's most widely used certification scheme for enterprises seeking to document environmental efforts and demonstrate social responsibility. The certification has been approved by the European Commission and is valid in the EU. As an integral part of the certification, an annual climate and environmental report is submitted. The GHG emission calculations in the Eco-Lighthouse portal correspond to the GHG protocol. The portal also includes a holistic environmental management system with a valuable tool to monitor progress or regression in our work to create more environmentally friendly operations and safer work environments. As an Eco-Lighthouse, Norfund works towards satisfying requirements and implementing environmental measures on a systematic and ongoing basis.

## Norfund's financed emissions

Financed emissions are emissions from the activities of companies and projects in which Norfund is invested. This is where Norfund's largest share of emissions are, and estimating these is a priority for us.

During 2022, we have made significant progress on collecting and mapping the availability and quality of data as well as the tools available for estimating emissions. But data availability and quality are a challenge in ours markets: only around 10% of portfolio companies were able to report some GHG emission data, most of it unverified by an external party. We have been testing the Joint Impact Model (JIM) to estimate GHG emissions from our portfolio companies (scope 1, 2 and 3) and attribute them to Norfund, but it turned out to be more difficult than we thought. We were therefore not able to estimate our financed emissions from our investment portfolio as we aspired to do this year. We do report on scope 1, 2 and 3 for own operations. Going forward we will continue to work on our methodologies and data capturing to be able to report on financed emissions.

## Use of the Joint Impact Model (JIM) to estimate GHG emissions

Since 2020, Norfund uses the Joint Impact Model (JIM) to estimate the indirect job effects of our portfolio companies. In 2022, we have assessed how this can also be used to estimate greenhouse gas emissions from the companies in Norfund's portfolio. The JIM is a publicly accessible tool developed as a result of a collaboration between several development finance institutions (DFIs) and multilateral development banks (MDBs). The JIM and its methodology for attribution is fully aligned with the Partnership for Carbon Accounting Financials (PCAF) Global Standard for the Financial Industry.

However, as with any model, the JIM has its limitations. Estimates of indirect impact are based on industry averages, which may differ from individual company characteristics - and so company specific (rather than industry wide) GHG emissions reductions will not be captured. It relies on data that may be incomplete or inaccurate, and it does not account for indirect emissions from changes in land use. Despite these limitations, we believe the JIM will provide valuable insights into where the emissions in the portfolio are, including scope 1, 2 and 3 and will seek to apply the model for 2023.

# Gender

**Norfund is committed to promoting gender equality in our own organization and in our investees.**

Norfund's Gender position was updated in 2021, building on the ambitions already set out in 2016 when Norfund was one of the first development finance institutions (DFIs) to develop a gender position. 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

→ Information about our work with gender equality in our own organization can be found here


## Gender balance in Norfund's portfolio companies

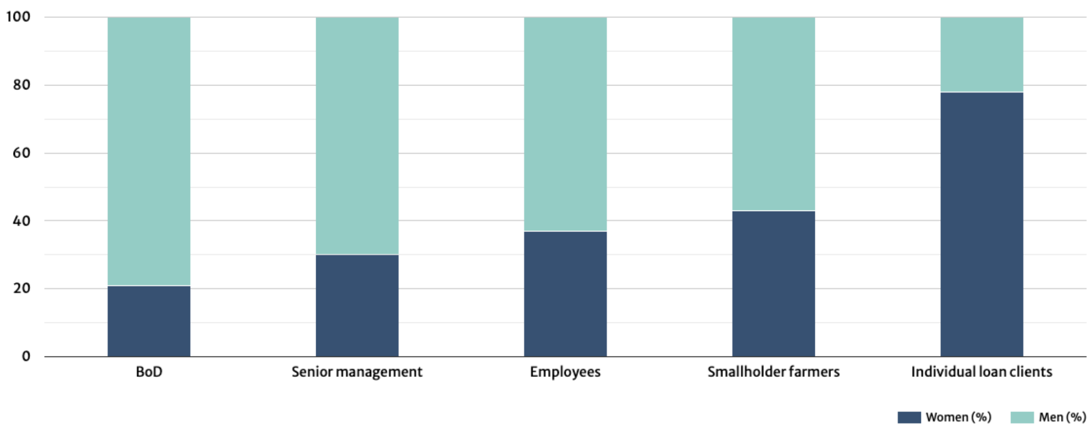
Each year, we collect gender disaggregated data from all investees. This enables us to carry out gender analyses at investee and portfolio level, and helps us to create awareness, both internally and externally.

In 2022, the number of direct jobs held by females increased by 11 200 jobs, or 10 per cent, within Norfund's portfolio companies (with two consecutive years of reporting)*. This compares to an increase of 3 300 jobs, or 3 per cent, in 2021.

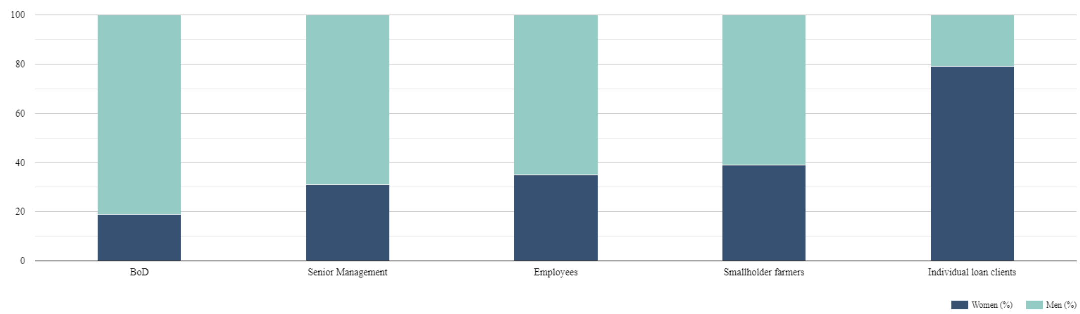
** Includes investees directly in Norfund portfolio as well as investees through platforms and funds*

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

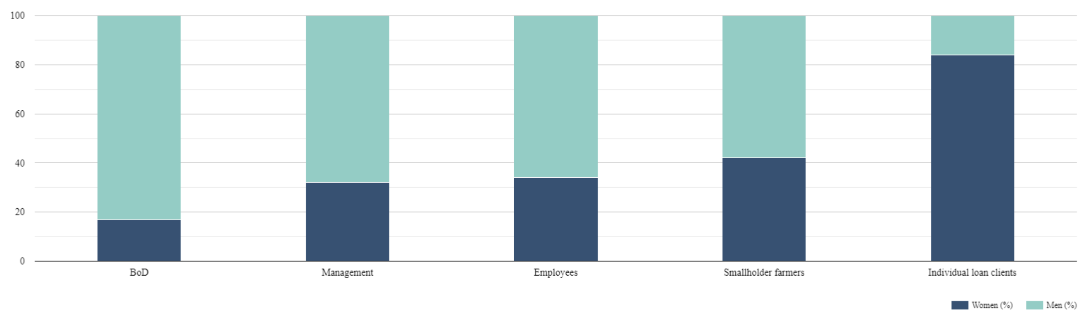
## Status 2022




## Status 2021




## Status 2020




# 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 2022, directly or through funds, for which sufficient data are available. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such. The estimates are reported without attribution, i.e. not taking account of Norfund's investment share in the companies.

### Jobs indirectly supported

| | |
|---|---|
| **590000** % | held by women supported in supply chains |
| **370000** % | held by women supported through spending of wages |
| **2760000** % | finance-enabled jobs held by women through loans from banks and other financial institutions |

→ More about job creation in Norfund

## Engagement with our investees

Norfund promotes entrepreneurship and self-employment through access to finance as well as equal opportunities for men and women in our investees. Norfund requests information and data on gender balance already as part of the due diligence process to explore areas for improvement and the companies' intentionality towards gender equality. We also look for gender diversity when taking up board positions with our investees.

The Business Support facility is an important tool in Norfund's work to support our investees, e.g., through external support on gender gap assessment, gender/diversity strategy development or training.

An example of this support towards intentionality is Norfund's investment in Finsocial in Colombia. The company already performs well at most levels, but as part of our due diligence we found an eagerness to intentionally improve their work with gender equality. Through the Business Support facility, Norfund supports Finsocial with the development of a gender strategy and action plan for the financial institution to further strengthen their work.

→ Investment in Colombian Finsocial to reduce economic vulnerability

Another example is support for leadership training for women in Norfund's investees. Norfund has since 2016 closely collaborated with NHO (The Confederation of Norwegian Enterprises) and we support talented women from our investees in attending the Female Future Program in Ghana, Tanzania, Uganda and Kenya.

"My my participation in the Female Future Program in Kenya provided me a lot of insight and practical advice for my day-to-day responsibilities. In addition, the session on board competence made me realize the challenges and liabilities of being a board member and increased my awareness about the dynamics between the management and board "

*HR Manager Serengeti Energy*

## Engagement with the wider society

To deliver on our gender position, we are also committed to enhancing existing and exploring new ways of collaboration addressing gender equality & diversity. As a minority investor, collaboration with other partners is essential.

Norfund is a member of the 2X Global and has supported the organisation since its inception. The 2X Global is an international membership and field-building organization and a result of an ambition of G7 countries to increase investments in women in developing countries.

Norfund's membership is important as it allows us to have a voice in these meetings, learn and share experiences, and we participate in specific working groups, e.g., on diversity, equity and inclusion and gender-based violence and harassment.

→ 2X Global

During 2022, we strengthened our collaboration with the Nordic DFIs, IFU (Denmark), Swedfund (Sweden) and Finnfund (Finland), on gender equality by creating a forum for sharing and learning as well as exploring collaboration towards investees in which we have co-invested.

We also rely on other partners with subject matter expertise to learn and discuss our approach and challenges. In collaboration with CARE, we also hosted a breakfast seminar ‘Investing in Women is simply good business’ in March 2022.

## Greater equality leads to better outcomes for small holder farmers

In early 2022, Norfund invested 20m USD of equity in AgDevCo, a specialist investor focusing on developing African agribusiness.

AgDevCo was established in 2009 with initial endowment funding from the UK government. The organization has already created more than 15,000 jobs and increased the income of 750,000 small holder farmers.

Norfund joined AgDevCo, together with the British BII and American DFC as an active co-owner. And in December 2022, all Development Finance Institutions signed an MoU with AgDevCo which established AgDevCo as a 2X Flagship Fund. This MoU sets out specific objectives in the area of gender equality and diversity, such as promoting and maintaining a gender balance at facility manager level.

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**→ Norfund invests 20 million USD in African agriculture and food production**

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# Business Support

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

By leveraging Business Support, we can exercise responsible ownership and create value additionality for our investments in high-risk sectors and segments.

Following the Norfund strategy, Business Support projects actively target human rights, anti-corruption, climate and environment, and gender equality. These cross-cutting issues are an integral part of Norfund's investment strategy.

### Business Support projects in 2022

In 2022, Norfund received 15 million NOK from the Norwegian MFA to provide technical assistance to our portfolio companies.

The Business Support portfolio consisted of 54 active projects with a committed amount of NOK 69 million, including 19 new projects. During 2022, 27.4 million NOK in new projects was committed.

We saw an increase in Business Support projects focusing on diversity and gender equality and continued to support the Technical Assistance Facilities of some of our fund managers.

Check out our case studies (below) for more details.

### Our work in 2022

In September 2022, Norfund organized the EDFI Technical Assistance working group meeting with a focus on climate. The discussions allowed for knowledge exchange on how to support investees in their alignment with the Paris Agreement objectives, their journey towards Net Zero, and their climate adaptation and resilience needs.

To gain a clearer understanding of the impact of our Business Support projects, we designed a Theory of Change and Monitoring and Evaluation framework, which we plan to employ in future projects.

### Business Support project per region

In 2022, a significant number of new projects were approved in Sub-Saharan Africa, making it the region with the largest share of support.

Our focus in Latin America is to provide assistance to MFIs and SMEs through Technical Assistance Facilities, which is the second largest region receiving support.

For more information about the outcome of this kind of support, please refer to the 2022 Business Support annual report.

## Business Support stories

Bringing Norwegian expertise to build competence in aquaculture

Reaching smallholder farmers through the Business Support Facility

Climate action for small enterprises in Latin America

Improving gender equality and diversity in our investees

# Bringing Norwegian expertise to build competence in aquaculture

**Lake Harvest Group is Sub-Saharan Africa's largest aquaculture producer, and their supply of protein is important in countries facing challenges related to food supply.  The company is a significant employer, directly employing 588 people, and indirectly employs many thousand in the downstream and upstream supply chain. However, there is lack of high-quality vocational training on aquaculture available.**

### Building an online aquaculture program

Since 2019 Norfund has supported Lake Harvest Group with grant funding and Norwegian expertise and know-how to build an online aquaculture training program for their staff. This has laid the foundation for an aquaculture program at an academic institution in Zimbabwe. Currently, it is not possible for the industry itself to afford the development of training programs, but over time it may be commercially sustainable.

### Norwegian aquaculture expertise key for success

Using Norwegian aquaculture competence and know-how, private business and facilities, and existing education programs, Norfund has develop a modern e-learning platform and training program for tilapia farming. This has been based on BluePlanet Academy's software developed for salmon farming in Norway. Collaboration and grant support to a local College in Zimbabwe, Blackfordby College, has been instrumental to start the process of increasing access to skilled workers in a growing aquaculture industry in Southern Africa. This has been done by introducing an aquaculture component in the diploma course and constructing fishponds at the College premises for practical training to accompany theory.

> "It was a real asset having BluePlanet on site asking challenging questions on our procedures and how we operate in the hatchery"

*Samatha Chibanda, Hatchery Coordinator, Lake Harvest, Lake Kariba Operations*

### Competence development and developing a pool of skilled recruits

The e-learning platform and training program developed by BluePlanet is a way of institutionalizing knowledge and ensuring quality assurance of the company's Standard Operating Procedures. It consists of academic, practical, and operational modules on tilapia farming. The e-learning platform is now incorporated in the Lake Harvest

Training Program available to all staff. The online version makes it easy to continuously improve and update content in line with industry best practices, for both Lake Harvest and the industry and for academic institutions. Going forward, the growing aquaculture industry hopes to see an increase in locally skilled workers. In 2022, 96 students at Blackfordby College have completed an aquaculture component of a diploma course. This has included a mix of theoretical and practical training. The result is that Lake Harvest Group and the industry have a pool of qualified resources to recruit from. Lake Harvest Group has also taken it a step longer, and a Graduate Trainee Program open for Blackfordby diploma students will assist the company in accessing local talent going forward.

## E-learning works despite connectivity challenges

Embarking on an online training program entailed high risk in terms of connectivity and possibility to access all content on the e-learning platform. It is clear from the initial evaluation that the technical infrastructure, both at Lake Harvest and Blackfordby College, is not yet fully in place for digital solutions. However, all partners do believe digital tools, also for training, will be a larger part of the future as most countries are changing rapidly into more digital societies.

> "E-learning program has been key in building unity among employees and I have understood the economic impact on operations of feed and feeding"

***Leonard Ushewokunze, Cage Attendant, Lake Harvest, Lake Kariba Operations***

Employees at Lake Harvest Group that has been through the training program report that they see it as a high quality, helpful and effective program. They feel empowered, more motivated and that the program, looking at all parts of operations, is building stronger unity in the company. However, there is a need to continue roll-out of the program, and track progress and result to ensure best possible outcomes, and Norfund will continue to follow this closely.

# Climate action for small enterprises in Latin America

**The year 2022 saw an increased focus on climate adaptation and resilience, through the Technical Assistance Facilities of our fund managers targeted at indirect investees. Two examples of this are the EcoEnterprises Fund III Technical Assistance Facility and the Locfund Next Technical Support Facility that supported the use of new and existing digital tools to measure climate risk.**

## EcoEnterprises Fund III

EcoEnterprises is a women-led venture fund with an unparalleled track record of over twenty years of building nature-positive, gender-smart investment portfolios in Latin

America. Norfund invested in 2018 and following this investment was approached by the EcoEnterprises team to support their Technical Assistance Facility (TAF).

In 2022, Norfund approved to co-fund this TAF that has a specific focus on gender equality and climate solutions together with FinDev Canada.

EcoEnterprises has been able to support portfolio companies on reviewing their climate change strategies with the aim of finding tools to mitigate risk and build resilience.

An example of such an intervention is the application of the Cool Farm Tool, which is an online greenhouse gas, water and biodiversity calculator for farmers. Using this tool has allowed for better communication on environmental benefits.

With the decision to support EcoEnterprises on these interventions, Norfund was also able to mobilize additional TA funding from the Belgian Investment Company for Developing Countries (BIO). This additional support will allow EcoEnterprises to reach more investees and deliver on the pipeline of projects presented to Norfund at the time of application.

## Locfund Next Technical Support Facility

Climate is a subcomponent under the Technical Support Facility of Locfund Next, aiming to address climate adaptation and resilience in microfinance institutions. As Norfund has been supporting the Locfund Technical Support Facilities since 2007, a focus on this specific topic was as a requirement for continuous support.

In 2022, Locfund implemented three bespoke activities and one program focusing on climate risk analysis, digital solutions and the development of a manual. The program developed aimed to create awareness and basic guidelines for over 380 staff in 10 microfinance institutions (MFIs).

Furthermore, Locfund conducted an analysis of its portfolio to understand where MFIs are with regard to understanding climate risk. Findings are that 14% of the MFI of Locfund Next evaluate the environmental risk of their clients. Of those MFI evaluated, 43% implement internal actions to reduce the ecological footprint of the MFI.

At fund manager level, Locfund has also increased its efforts to address climate change and all staff have participated in training related to environmental and climate risks.

This training, in addition to existing ESG due diligence tools, has led to Locfund starting to promote green finance and the development of green products.

# Reaching smallholder farmers through the Business Support Facility

**More than half of Sub-Saharan Africa's population works in agriculture, yet Africa does not produce enough food to feed the continent. Norfund's investments in the agribusiness value chain drive productivity, create jobs, link smallholder farmers to markets and increase production.**

Through the Business Support Facility, we are working to increase local supply for our investees by finding avenues for increased local sourcing. We are working with established smallholder farmers that are already linked to Norfund's portfolio companies or portfolio companies to our fund managers, as well as growing and building new outgrower programs. The key aim when supporting smallholder farmers is to increase productivity, quality, and income of these farmers. During 2022 a couple of new Business Support projects were started with the aim of reaching these smallholder farmers. See three examples below.

### Phatisa Food Fund 2 – Technical Assistance Facility

Norfund together with our sister organizations BII, BiO and FinDev Canada has supported Phatisa Food Fund 2 with technical assistance funding to strengthen development effects of their investments, with a strong focus on smallholder farmers and entrepreneurs, while also driving business value.

### AgDevCo – Technical Assistance Facility

Norfund together with BII have supported AgDevCo with funding to deliver expertise to support AgDevCo investees to grow in a financially, environmentally, and socially sustainable way. Special focus on inclusive programs targeting smallholders in the supply chain.

### Lilongwe Dairy – secure milk supply by establishing new farmers

Norfund is supporting Lilongwe Dairy in establishing 200 new farmers as milk producers. Female farmers that are heading vulnerable households are prioritized and new farmers receive support for training, capacity building, cow shed and heifer.

# Improving gender equality and diversity in our investees

**In 2020 Norfund updated its Gender Strategy (first developed in 2016) and one of the pillars of this strategy is working with investees. Following our membership in the 2X Collaborative it has therefore been an ambition to support those investees that want to work with gender equality and diversity and create value additionality during our ownership period. Therefore, Business Support is provided based on the specific need an investee wants to address concerning diversity and gender equality.**

→ A Responsible Investor – Gender

## Ficohsa gender digitalisation project

In 2022, Norfund decided to support Ficohsa in Guatamala to further develop their offer to women clients. Ficohsa has a strong record of working on gender equality rooted in a gender strategy and has provided unconscious bias training to their management and credit officers. In addition, the bank has developed a specific loan offer for women clients, in particular women entrepreneurs. The bank identified a need to create specific digital training program for women and Norfund is supporting this initiative in 2022 and 2023. The expected outcome is that this kind of training for women entrepreneurs will increase their access to loans and support their growth.

## Greenlight Planet mentorship program

Greenlight Planet (SunKing) is another investee that did a lot of work internally on gender equality before reaching out to Norfund. Based on internal assessment the company concluded that their internal gender balance did not reflect their customer base. The program that Norfund supports is to train men and women within the company to allow equal opportunities when it comes to career growth. This will allow women to grow into Area Business Manager positions and prepares Greenlight Planet for the future.

By the end of 2022, Greenlight Planet had developed the training program and will start rolling this out in 2023. This initiative is co-financed by British International Investment (BII).

## Finsocial gender project

Following Norfund's due diligence process and before investing in Finsocial, the Norfund team identified that Finsocial is 2X eligible, but could use support in addressing gender equality more strategically through conducting a gender assessment and developing a gender strategy. This project was approved during Q4 2022 and will kick off in January 2023.

"Supporting Finsocial through the Business Support facility allowed us to encourage the financial institution to dive deeper into the intentionality of their strategy on gender equality, beyond the gender advantages that might exist within the MFI sector"

***Heidi Achong, Investment Manager Financial Inclusion, Norfund***

# Creating jobs, improving lives

## Development Mandate

The share of the world's population living in poverty has fallen substantially in the past 30 years. Covid-19 reversed the trend, increasing the number of people living in extreme poverty by 70 million. Today, an estimated 685 million people (around 8% of the world) still live in extreme poverty. The global macroeconomic effects of the war in Ukraine are further worsening the situation in developing markets with the combination of these two crises hitting hard.

> “Geography may dictate the location of war, but its impact transcends borders and has impacted our operating environment in West Africa.”
>
> *Naana Winful Fynn, Regional Director West Africa*

Key figures clearly show the need for creating jobs, improving access to energy and finance as well as strengthening infrastructure:

- **344 million new jobs need to be created by 2030**, in addition to the 205 million jobs needed to address current unemployment. To worsen this ILO estimates that working hours equivalent of 255 million full-time jobs were lost during Covid.
- **770 million people live without access to electricity**, mostly in Africa and Asia. Covid-19 put an end to several years of continued progress and worsened the already-lower energy purchasing power of households in developing countries.
- **1.4 billion people remain unbanked** although Covid-19 accelerated the adoption of digital financial services.
- **771 million people cannot access basic drinking water services** and globally only **9% of plastic waste is recycled.** In particular the pandemic saw the use of single use plastics skyrocket because of sanitary concerns.

Before Covid the funding gap to reach the UN Sustainable Development Goals for developing countries was USD 2.5 trillion, however the global economic contraction caused by the pandemic is estimated to have increased the gap by at least 50%, putting the annual funding gap at USD 3.7 trillion.

A significant increase in private capital inflows is required to bridge the gap. Norfund is the Norwegian government’s main instrument for strengthening the private sector in developing countries and therefore an important tool to help close this gap.

Norfund’s mission is to create jobs and improve lives by investing in businesses that drive sustainable development, thereby contributing to SDG 1: No Poverty. Norfund’s investments are concentrated in four investment areas that contribute directly to specific targets of the SDGs: Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure. Additionality and capital mobilisation are key priorities and help to reduce inequalities (SDG 10) between countries and to mobilise funding to developing countries (SDG 17). Norfund is a responsible investor and assesses crosscutting issues such as gender equality (SDG 5) and climate and environment (SDG 13) in our investment process.


## Our strategy

In 2022, Norfund's current strategy period came to an end, having guided us through the challenges of the Covid pandemic and the first year of the war in Ukraine. Despite a downturn in the global economy, Norfund proved to be resilient adapting the strategy to changes seen both globally and in developing markets. The Norfund team maintained record commitment levels each year in while supporting existing portfolio companies through challenging times.

### Norfund's strategy during the last four years (2019-2022)

To fulfill our mandate over the last four years, we focused on countries, sectors and instruments where capital is scarce and our development impact is likely to be strong.

This is also the foundation for our work over the next four years.

→ [Read about our new Development Mandate strategy for 2023-2026]

Capital is scarce where other investors are reluctant to invest because of high risk. These two criteria – additionality and impact – constitute the backbone of our strategy. Being additional also means adding non-financial value in the form of expertise and active ownership to the investments we make. Through our value-additionality, we can improve both profitability and development impact of the companies. Through the strategy period we have continuously tracked additionality and all investments have been assessed against Norfund's additionality framework.

→ [You can read more about Norfund's approach to additionality here]

## Investment Areas

Norfund invests in four areas where the potential for development impact is substantial and that are aligned with the SDGs: Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure. Access to electricity and finance are crucial for growing businesses. Scalable enterprises are companies with significant potential for growth and job creation. Green Infrastructure was a new investment area in 2019 with the aim of improving essential infrastructure in cities and urban areas.

Investments in these sectors contribute to job creation and improved lives in developing countries. At the start of the strategy period clear impact ambitions were set for each investment department and progress towards these has been tracked every year.

As part of the Norfund strategy for 2019-2022 ambitions were set for each investment area to reflect accumulated organic growth (that is, development in the companies after Norfund invested) on sector-relevant parameters.

- Renewable energy delivered over its ambitions with access to energy at 7.7

million new households (2022 goal: 1.5 million) and new capacity financed at 5.3 GW (2022 goal: 5 GW).
- Financial Inclusion also delivered over its ambitions with 34.7 million new banking clients (2022 goal: 15 million clients) and an increased loan portfolio of 195.9 billion NOK (2022 goal: 130 billion NOK).
- For Scalable Enterprises, the situation was more challenging, particularly due to COVID-19. Ambitions were not met, with increased revenues for portfolio companies at 1.1 billion NOK (2022 goal: 2 billion NOK) and 32,300 new jobs created (2022 goal: 50,000).

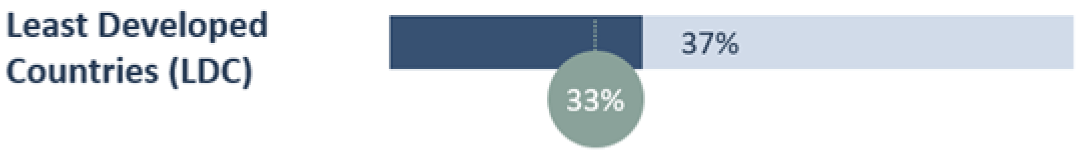
All numbers for development effects are unattributed, meaning they show the total effect of Norfund's portfolio companies and do not necessarily indicate Norfund's ownership stake.

## Priority countries

Norfund targets 29 core countries that were selected based on three criteria:

- Competence - Norfund has solid market knowledge of and expertise in these countries.
- Additionality - they have considerable investment needs but few alternative investors.
- Attractiveness - each country has sufficient investment opportunities within Norfund's investment areas.

Norfund prioritizes investments in Least Developed Countries and Sub-Saharan Africa with our portfolio delivering the related KPIs at the end of the strategy period. It is increasingly important to be countercyclical in a world where investors are becoming more risk averse because of the uncertainty of the macroeconomic outlook. As UNCTAD wrote in their report: "Although the COVID-19 pandemic has affected all countries, the impact on LDCs has been particularly severe because of their reduced resilience and diminished capacity to react to the COVID-19 shock and its aftermath".





## Priority instruments

Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments because in most developing countries, this is the scarcest type of capital, but we also invest through loans and funds. Our provision of debt to financial institutions increases the ability of companies to provide loans to clients. Debt investment also helps diversify Norfund's portfolio, both in terms of risk and capital reflows.

Investing in funds via trusted and skilled partners is a way to channel funds to companies that may be difficult to invest in directly, for example due to size or market and to build competent local fund managers. During the strategy period our equity share remained stable with more than 70% of our committed portfolio invested through equity.


## Circulating capital for increased additionality

Circulating capital strengthens our ability to fulfill our mandate because it releases capital for new investments. Norfund uses an active, structured, and planned approach when exiting companies (for example, through sales, mergers, and initial public offerings (IPOs)). One of the highlights of the strategy period was the exit of SN Power to Scatec, the most successful exit in Norfund's history circulating more than 1 billion dollars for new investments in developing countries.

# Financial results

Norfund's financial results in 2022 are heavily positively influenced by the strengthening of our main investment currencies against NOK, in addition to increasing interest rates in our loan portfolio and dividends from investments in renewable energy. Norfund ended the year with a positive result after tax of 2.2 billion NOK.

We received total dividends of 421 million NOK and interest income has increased significantly to 475 million NOK due to a growth of 28% of our loan portfolio in investment currency while floating interest rates have soared.

| | |
|---|---|
| **5.1 %** | IRR for 2022 (investment currency) |
| **5.1 %** | IRR since inception (investment currency) |

*(The IRR for 2022 and since inception are both 5.1%, and is not a typo.)*

→ Find the income statement and all other financial accounts here

Net write-down of investments was 243 million NOK. While some investment areas have seen improvements as COVID-19 restrictions have been lifted, repercussions of the pandemic as well as the Russian invasion of Ukraine have led to high inflation rates in many markets, with negative effects on our investments and subsequent write-downs. Additionally, as the situation in Myanmar remains challenging, we have further written down our investments in the country.

Norfund's overall balance at the end of 2022 was 37.4 billion NOK. Capital allocations from the Norwegian government of 2.7 billion NOK and the net profit of 2.2 billion NOK has increased the balance by 4.9 billion NOK since the end of 2021. The net asset value at the end of 2022 based on the estimated market value of Norfund's portfolio, was 39.8

billion NOK. Norfund's Climate Investment Fund accounts for 2.0 billion NOK of Norfund's balance and 1.0 billion NOK of the capital allocation.

Read more about the Climate Investment Fund here.

In 2022 Norfund had an Internal Rate of Return (IRR) of 5.1% compared to 5.2% in 2021, calculated in investment currency. In NOK, Norfund obtained an IRR of 14.8 % during 2022 compared to 7.2% in 2021.

As we see significant annual variations, the return on our investment is better reflected in IRR calculations since inception. As of 31 December 2022, Norfund's IRR since inception, calculated in investment currency, was 5.1%. In NOK, the IRR since inception was 8.1%.

## Renewable Energy portfolio

In 2022, Norfund's Renewable Energy portfolio had an IRR in investment currency of 11.3%. Despite an increase in the cost of capital with corresponding negative value adjustments, we have seen significant returns generated in some of the larger platform companies. Since inception, the IRR is 6.4%.

## Financial Inclusion portfolio

Investments in Financial Institutions had an IRR of 0.2% in investment currency in 2022. This is significantly lower than the IRR of 10.2% in 2021. Since inception, the IRR has been 5.5%. The main drivers for the low IRR in 2022 were declining equity valuations for investments in financial institutions in Ghana, Myanmar and Sri Lanka due to the macroeconomic situations in those countries combined with generally higher cost of capital for banks. Outside of these cases the portfolio performed well, especially the loan portfolio with interest rates on the rise and fewer covenant breaches.

## Scalable Enterprises – funds

The IRR in investment currency of our portfolio in Scalable Enterprises – Funds decreased from 5.6% in 2021 to 1.8% in 2022. Since inception the IRR is 0.4%. The negative performance in listed markets is affecting the pricing of privately held assets, which the portfolio almost exclusively consists of. We have moreover experienced that funds which we have committed to over the past five years perform better than older funds.

### Scalable Enterprises – direct investments

The Scalable Enterprises – Agriculture & Manufacturing portfolio had an IRR of 6.9 per cent in 2022, about the same level as in 2021 with an IRR of 6.5%, measured in investment currency. The IRR since inception is negative 1.6% but has been steadily improving with two consecutive years of an IRR above 6%. The recent years investments are performing well while some legacy investments are still lagging.

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

→ Exited Development Mandate companies 2022

## Internal Rate of Return (IRR) in investment currency

| | Since inception | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Green Infrastructure | 11.4 | 12.2 | 8.7 | | | | | | | | | |
| Renewable Energy | 6.4 | 11.3 | 0 | 2.8 | 7.4 | 7.1 | 19.5 | 2.6 | 2 | -9 | -4 | 12 |
| Financial Inclusion | 5.5 | 0.2 | 10.2 | -2.2 | 7.1 | 3.3 | 5.8 | 7.3 | 12 | 6 | 4 | 9 |
| Scalable Enterprises Direct | -1.6 | 6.9 | 6.5 | -9.8 | 3.3 | -5 | 4.1 | -5.2 | -4 | -10 | -4 | -10 |
| Scalable Enterprises Funds | 0.4 | 1.8 | 5.6 | -12.2 | -7.4 | -14.4 | -4 | -0.4 | 0 | -3 | 12 | 9 |
| Total | 5.1 | 5.1 | 5.2 | -0.1 | 6.3 | 4.6 | 14 | 1.6 | 3.5 | -6 | -1 | 8 |

# Investment areas


Renewable Energy


Financial Inclusion


Scalable Enterprises


Green Infrastructure

# Renewable Energy

**Development Mandate**

**Increased supply and access to reliable energy enables economic growth, job creation, public services and improved living standards. The climate crisis means we must do so with low-carbon solutions.**

## Key Achievements in 2022

| | |
|---|---|
| **1073 %** | committed |
| **1415 %** | new capacity financed, 100% renewable |
| **1.8 %** | new households gained access to electricity |

### Development Rationale

Energy is essential for development. In particular, electricity underpins much of a modern economy. Without access to reliable power supply, businesses and public sector services struggle to maintain operations. Household energy use is also closed linked to welfare and people's engagement with the society around them.

Meeting these growing energy needs through conventional thermal power supply is simply no longer an option. The climate crisis dictates that we must transition the energy sector in all countries to a renewable and carbon free future. And the opportunity is there – many developing countries have abundant renewable resources and have the opportunity to leapfrog directly to renewable technologies that are now technically and commercially viable.

### Investment Needs

Some of Norfund's investment countries are primarily concerned with meeting the future growth of demand – current consumption levels in many developing countries are low and the challenge is to meet that demand growth with low-carbon solutions. Others sit with a legacy infrastructure based on fossil fuels which ultimately must be phased out and replaced with renewables.

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 post-pandemic period is, for many developing countries, characterized by high inflation, currency devaluations and capital flight. Investing in infrastructure is capital intensive, requiring considerable foreign capital. And yet power is sold to local consumers in local currency. Currency devaluation puts pressure on already strained utilities, increasing credit risk at a time when fiscal space is constrained with limited capacity to provide government support. Development finance institutions such as Norfund have a leading role to support power sector investment in such an environment.

Undoubtedly the opportunity is huge, at a time when renewable solutions are mature and competitive. However, commodity price instabilities together with supply bottlenecks in 2022 led to considerable capex inflation for capital goods, including renewable solutions. While we are starting to see prices stabilise and logistics bottlenecks loosening, a number of power concessions have been awarded at prices that are hard to deliver and may well be stranded.

Despite these challenges, governments are increasingly committed to building a power sector based on renewables and are developing policies and regulations to encourage this. Consumers too are increasingly insisting that their supply chains are low-carbon and wish to directly contract with renewable producers. New business models are emerging in our markets where companies build, own and operate renewable solutions either at a customers' premises or at a centralised location and distributed over the power grid. While each such project may be small, the cumulative impact can be considerable.

The past few years have also seen dramatic changes in approaches to supplying electricity to customers living far from the grid. The combination of low-cost solar panels, new battery technologies, high efficiency appliances combined with mobile money and telecommunications reaching remote communities has transformed rural power supply. Solar home systems are increasingly affordable, and can be paid for with electronic micro-payments. Such companies need increasingly amounts of working capital to support growth. Mini-grid solutions, with a small power plant supplying a local area, are also gaining traction and have the ability to meet higher energy requirements associated with productive use.

## Norfund's Strategy

Norfund’s energy strategy targets three areas:

1. Grid-connected, utility scale power plants, typically supplying power under long term contract to the utility;

2. Smaller scale power plants supplying energy directly to commercial and industrial consumers, either located on the customer’s site (“behind the meter”) or by wheeling power over the transmission system;

3. Off-grid power supply, either in the form of solar home solutions combining solar panels, batteries and appliances, or mini-grid solutions combining power generation, storage and reticulation to consumers.

We see that one of the consequences of integrating large-scale renewables onto the grid is both manging intermittency and ensuring adequate grid capacity to connection regions with renewable resources to regions with high power demand. Consequently, we include both stand-alone storage investments as well as investments in the grid within our energy strategy.

In line with Norfund’s overall strategy, we primarily provide equity as the highest risk and often the most scarce form of capital. Our energy investments are mostly directly into companies with other investors and industrial partners, rather than via intermediaries such as funds. Our debt portfolio has mainly targeted the off-grid segment, where there is a need for solutions that address their growing working capital requirements.

Our strategy has led to the establishment of platform companies and/or strategic partnerships. We value the role that Globeleq plays as a pan-African independent power producer, as well as our partnerships with industrial players such as Scatec and Enel Green Power. We have also helped finance some of the players that bring scale to the distributed and off-grid space in Africa.

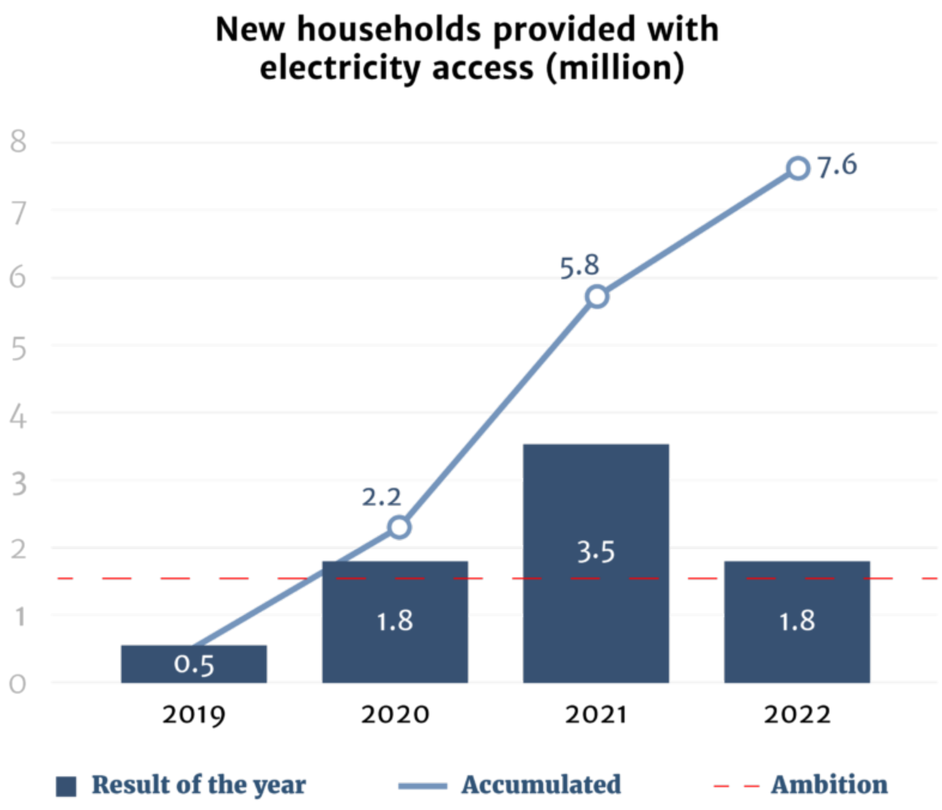
In the coming years, we will continue to increase Norfund's portfolio in renewable power generation in our target markets, building on existing investment platforms and partnerships as well as working with new partners.

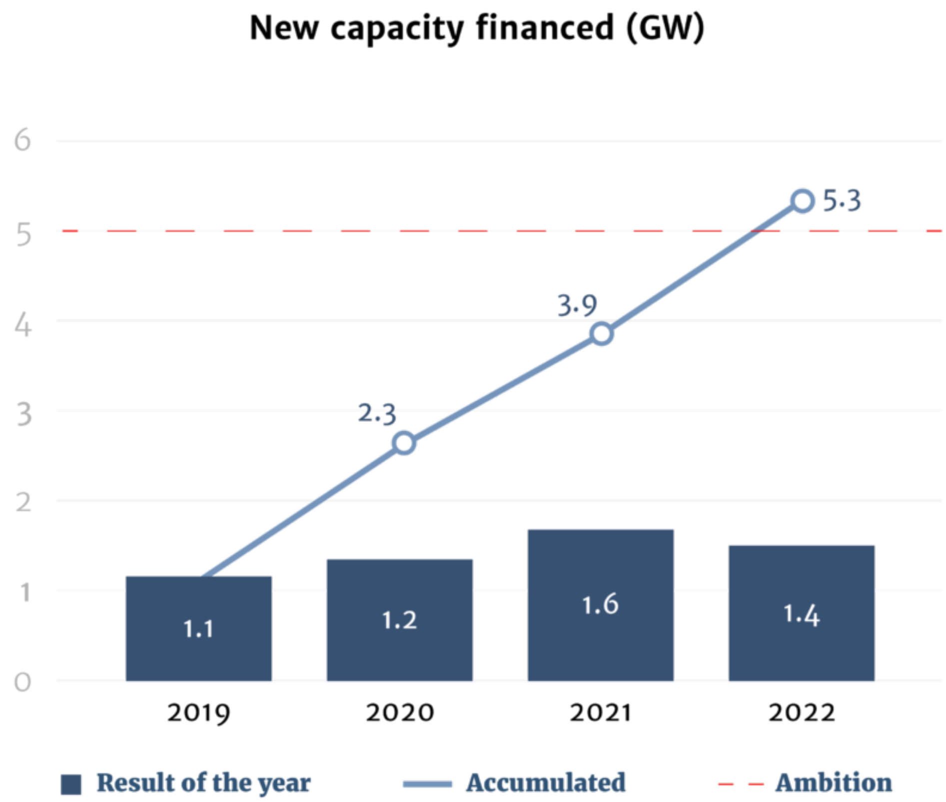
## Strategic ambitions

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 2022

| | |
|---|---|
| **1073 %** | committed in 2022 |
| **9489 %** | committed in total RE portfolio |

## Impact 2022

### 1,415 MW increased energy supply

In 2022, Norfund financed 1,415 MW of new electricity generation capacity.

The total capacity in our portfolio was 6,593 MW, of which 1,696 MW is under construction. The power plants produced a total of 15.9 TWh of electricity, an amount close to the equivalent of the combined annual electricity consumption of Kenya, Tanzania, and Uganda. This figure is up from 13.8 TWh produced in 2021 due to new assets coming online and others with an increased production.

According to our estimates on indirect job creation, around 467,000 jobs were supported by the electricity produced by the power plants in Norfund's portfolio in 2022.

## 100 percent of the new capacity financed was renewable in 2022

In 2022, 100 percent of the new capacity financed was renewable. A total of 4,936 MW of the capacity in our portfolio is renewable.

Together, the renewable power plants in our current portfolio (excl. the Climate Investment Fund) produced 9.3 TWh electricity and have contributed to avoiding an estimated 6.3 million tonnes of CO2e emissions in 2022. Excluding acquired assets, the avoided emissions figure is 4.5 million tonnes CO2e. This has been calculated using the harmonized IFI approach and connected grid emission factors 'Methodological Approach for the Common Default Grid Emission Factor Dataset' (2022).

**6.3**

**million tonnes greenhouse gas emissions avoided in 2022**

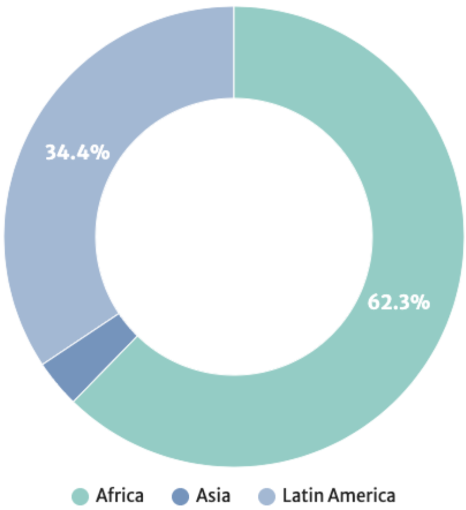
### More than 1.8 million new household connections

1,814,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2022.

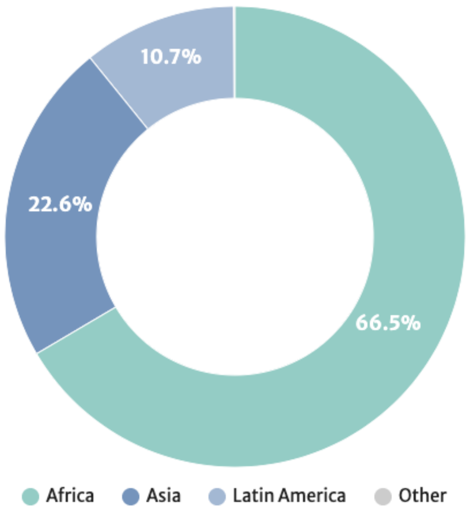
Additionally, 4.1 million units of smaller solar-powered solutions, such as lanterns, were sold to households in 2022.

## Investments per Region

### Investments per region in 2022




### Total portfolio per region

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## Highlights of 2022

### Extending the investment partnership with BII

British International Investments (BII) is the UK's development finance institution, with whom Norfund has enjoyed a close working relationship over many years across diverse sectors. In 2022 BII joined Norfund in our African hydropower joint venture with Scatec and became a shareholder with a 24% interest in this partnership. This investment by BII released USD 88m in capital back to Norfund and lays the basis for future capital commitments from each of the three partners to future hydropower developments on the continent.

### Construction activities

During 2022 there was considerable construction activity in the portfolio:

- Globeleq continued the construction of the expansion at the Azito power plant in

Cote d'Ivoire with expected commercial operations in early 2023. Globeleq also commenced the construction of the Temane 450 MW power plant and the 19 MW Cuamba solar/battery plant in Mozambique.

- Serengeti Energy advanced the construction of the 21 MW Nkhotakota 1 solar power plant in Malawi, which is expected to reach commercial operations early 2023. They also initiated the construction of the 5 MW Baoma 1 solar power plant in Sierra Leone.
- Norfund has part financed the equity requirements of H1 Capital in the Karusa and Soetwater wind projects which both were connected to the grid in 2022 bringing an additional 300 MW to South Africa.
- Norfund is a member of the ADB led consortium financing the 77 MW Prime Road solar power plant in Cambodia. This plant is now operational.

## ERCO Energia

ERCO Energia is a leading player in the Colombian distributed energy market, providing on-site generation to commercial and industrial companies, as well as owning a stake in a renewables-based power retailer to regulated customers. Norfund provided a commitment of USD 30 million equity to the business in 2022 to support the growth of the company's activities. It represents our first energy investment in Colombia since this country was included in our investment scope.

## Nordic Impact Cooperation

Nordic Impact Cooperation is a company jointly owned by Norsk Solar, Finnfund and Norfund. The company develops, owns and operates rooftop solar projects in Vietnam, South Africa and Brazil. Norfund committed USD 7,4 million to the company in 2022 to fund further growth.

## CrossBoundary Energy

CrossBoundary Energy is a leading supplier of on-site power to commercial and industrial companies in Africa, including both rooftop solar as well as ground-mounted installations and small scale wind projects. In 2022 Norfund and KLP together committed USD 40million in equity to the company to finance growth.

## Empower New Energy

Norfund was one of the founding investors in Empower New Energy – a Norwegian based financier of rooftop solar in Africa. In 2022 the company closed its second round of financing with Climate Fund Managers as the anchor investor. Norfund participated with a USD 15 million equity investment in a total USD 74 million equity raise.

## Brighter Life Kenya 2

In 2020 Norfund joined the Development Finance Corporation in one of the first off-balance sheet receivables financing structure for the off-grid industry in "Brighter Life Kenya 1". This entity purchases receivables from d.light's sales of solar home and other systems in Kenya, thereby releasing capital for further growth. In 2022, we followed up with a new receivables financing structure, Brighter Life Kenya 2, where Norfund provided local currency financing in Kenyan shillings equivalent to NOK 173 million.

## WeLight

In 2019 Norfund joined with Sagemcom of France and the Axion Group of Madagascar to establish the company WeLight with the goal of building and operating mini-grids in Madagascar. This initial capital contribution allowed the company to pilot the business model and gain operational experience from supplying power to 35 villages. In 2022 the company launched its expansion beyond the pilot phase and successfully raised new capital from lenders, and existing shareholders, including Norfund, committed to providing additional equity in both 2022 and 2023 to support growth with the ambition to bring power to an additional 118 villages in Madagascar and expand operations into Mali.

# Renewable Energy portfolio

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Globeleq | Regional | 2014 | Energy | Loans Equity | 30% | United Kingdom | 2047.4 |
| Fourth Partner Energy | India | 2021 | Solar power | Equity | N/A | India | 904.9 |
| Agua Imara | Global | 2021 | Hydropower | Loans Equity | 100% | Norway | 822.9 |
| Klinchenberg | Regional | 2021 | Hydropower | Equity | 50% | Netherlands | 784.6 |
| H1 Pele SPV | South Africa | 2021 | Wind power | Loans | N/A | South Africa | 441.6 |
| CN Green Roof Asia | Vietnam | 2021 | Solar power | Equity | 50% | Singapore | 405 |
| ERCO Energia | Colombia | 2022 | Solar power | Equity | 15% | Colombia | 295.7 |
| Serengeti Energy | Regional | 2017 | Hydropower | Equity | 14% | Mauritius | 273.7 |
| Berkeley Energy Commercial & Industrial Solutions | Regional | 2020 | Other/hybrid renewables | Equity | 25% | Singapore | 260.8 |
| ICCF | Global | 2010 | Energy | Loans | N/A | Luxembourg | 208.8 |
| Cross Boundary Energy | Regional | 2022 | Solar power | Equity | 45% | Mauritius | 205.3 |
| Scatec Agua Fria | Honduras | 2014 | Solar power | Loans Equity | 45% | Honduras | 199.1 |
| FEI – Facility for Energy Inclusion | Regional | 2019 | Energy | Funds | 18% | Mauritius | 195.8 |
| Metier Sustainable Capital Fund II | Regional | 2019 | Renewable energy fund | Funds | 17% | Mauritius | 189.9 |
| Brighter Life Kenya 2 | Kenya | 2022 | Solar power | Loans | N/A | Jersey | 180.9 |
| Empower | Regional | 2022 | Energy | Equity | 18% | Norway | 149.9 |
| Evolution Fund II (Through KNI) | Global | 2019 | Energy | Funds | 14% | Mauritius | 141.2 |
| AktivCo | Regional | 2021 | Solar power | Loans | N/A | France | 134.3 |
| Greenlight Planet | Kenya | 2019 | Solar power | Loans | N/A | Kenya | 130.4 |
| M-Kopa | Regional | 2017 | Solar power | Loans | N/A | Kenya | 128.7 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| responsAbility ACPF | Global | 2019 | Renewable energy fund | Funds | 8% | Luxembourg | 112.4 |
| Yoma Micro Power | Myanmar | 2017 | Solar power | Loans Equity | 15% | Singapore | 100.7 |
| Baobab+ | Regional | 2021 | Solar power | Equity | 28% | France | 100.7 |
| Kiangan | Philippines | 2021 | Hydropower | Loans | N/A | Singapore | 95.4 |
| Scatec Los Prados | Honduras | 2015 | Solar power | Equity | 15% | Honduras | 93.1 |
| ESCOTEL | Regional | 2020 | Solar power | Loans Equity | 31% | Mauritius | 92.8 |
| Nordic Impact Cooperation (NIC) | Global | 2022 | Solar power | Equity | 35% | Norway | 71.7 |
| d.light | Global | 2016 | Solar power | Loans Equity | 0% | United States of America | 69.8 |
| SUSI Asia Energy Transition Fund (Through KNI) | Regional | 2021 | Energy | Funds | 19% | Luxembourg | 67.5 |
| Schneider Electric Energy Access Asia | Regional | 2019 | Energy | Funds | 30% | France | 65.6 |
| Scatec Upington | South Africa | 2015 | Solar power | Loans Equity | 30% | Netherlands | 55.9 |
| WeLight | Regional | 2019 | Energy | Loans Equity | 30% | Mauritius | 55.7 |
| Scatec Mocuba | Mozambique | 2016 | Solar power | Loans Equity | 11% | Mozambique | 52.8 |
| Prime Road Solar | Cambodia | 2021 | Solar power | Loans | N/A | Cambodia | 40.2 |
| Scatec ASYV | Rwanda | 2014 | Solar power | Loans Equity | 16% | Rwanda | 37.7 |
| Nam Sim | Laos | 2011 | Hydropower | Loans | N/A | Laos | 33.6 |
| Scatec Benban | Egypt | 2015 | Solar power | Equity | 12% | Netherlands | 30.9 |
| Brighter Life Kenya 1 | Kenya | 2020 | Solar power | Loans | N/A | Jersey | 27.5 |
| Neo1 Solar Plant | Lesotho | 2018 | Solar power | Equity | 21% | Lesotho | 21.8 |
| Sunshine | Regional | 2017 | Solar power | Loans Equity | 0% | Costa Rica | 18.5 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Renewable Energy Holdings | South Africa | 2014 | Hydropower | Loans | N/A | South Africa | 13.4 |
| Rwimi | Uganda | 2015 | Hydropower | Loans | N/A | Uganda | 12.1 |
| Lobu Dolom HPP | Indonesia | 2021 | Hydropower | Loans | N/A | Norway | 9.9 |
| Eco-Nor | Regional | 2019 | Hydropower | Equity | 15% | Mauritius | 8.1 |

# Financial Inclusion

**Development Mandate**

**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 2022

**1809 %** committed

| | |
|---|---|
| **8.9 %** | new clients served |
| **89 %** | 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 globally about 1.4 billion adults remain unbanked and even more are underbanked.

## 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, microfinance institutions and fintech companies that want to grow in underbanked customer segments 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 Abler Nordic (formerly the Nordic Microfinance Initiative (NMI)).

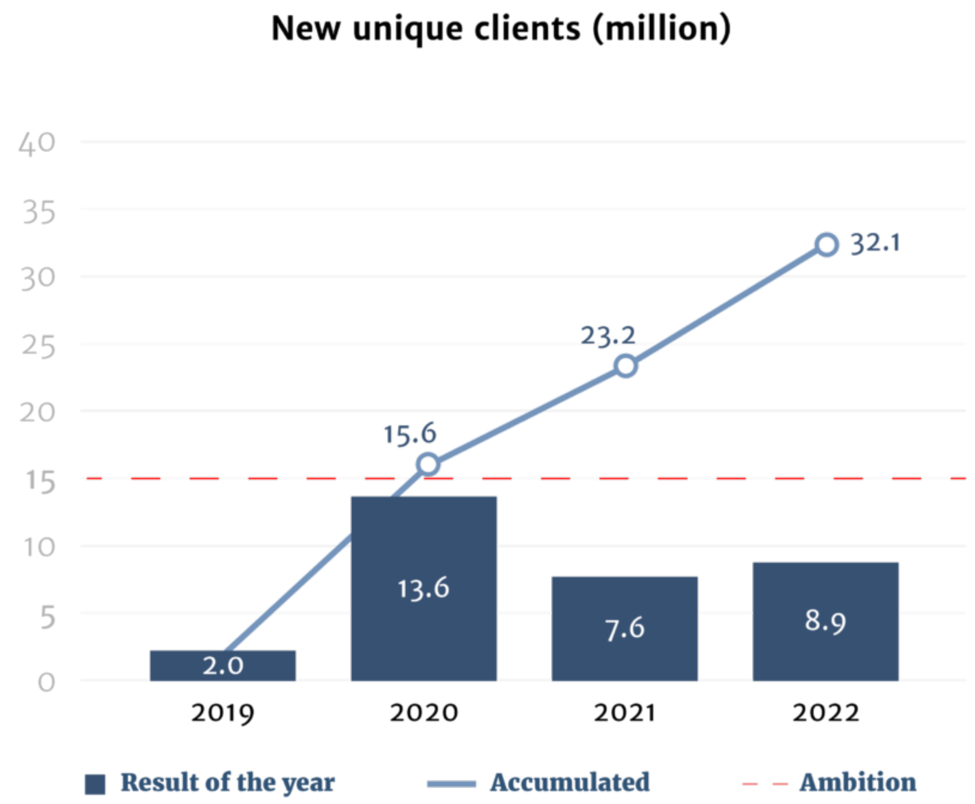
## Strategic ambitions

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

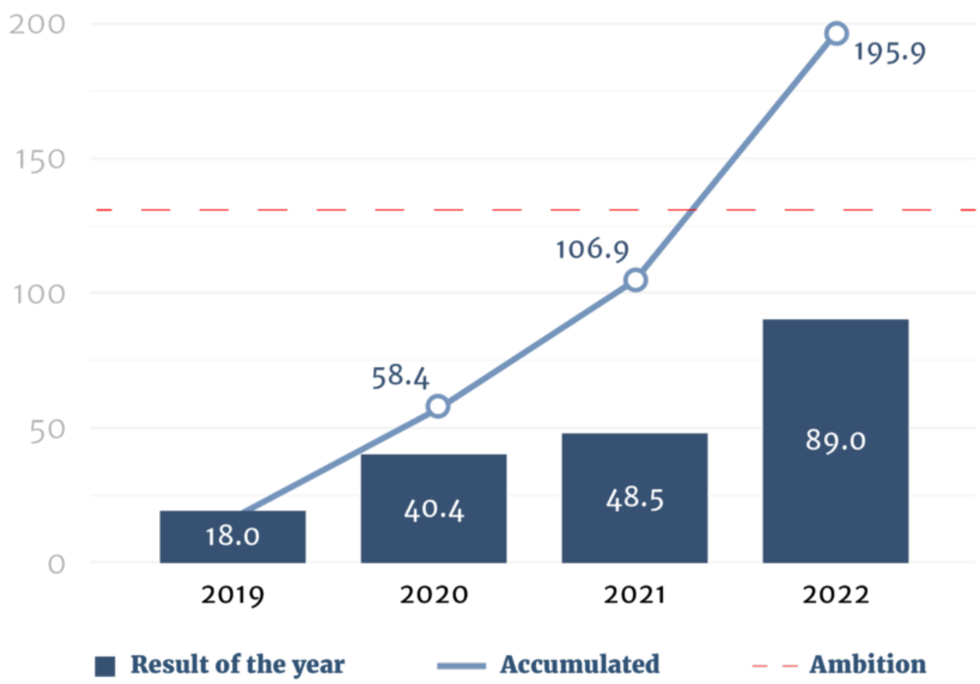
- Offer financial services to 15 million new clients
- Extend 130 billion NOK more in loans to clients

Both of these targets were reached with good margin.

## Accumulated achievements 2019 – 2022



**Increase in outstanding loans (billion NOK)**




## Investments and Results in 2022

Norfund is invested directly in 74 financial institutions (FI), ranging from regional banking groups and funds that invest in banks to local microfinance institutions.

| | |
|---|---|
| **1809 %** | committed in 2022 |
| **10786 %** | committed in total FI portfolio |

## Impact during the strategy period 2019-2022

**32.1 million new clients provided with financial services during the strategy period**

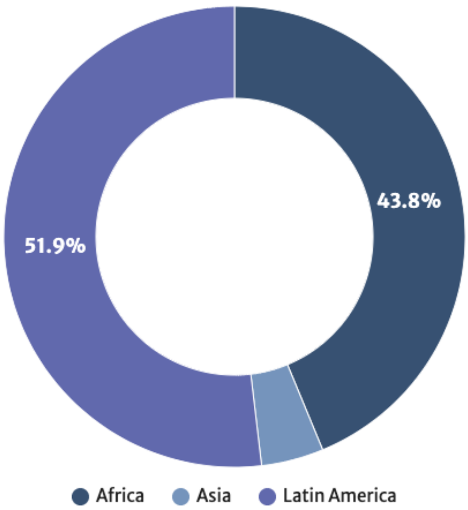
**195.9 billion NOK increased loans to clients during the strategy period**

→ Read more about the impact of access to finance

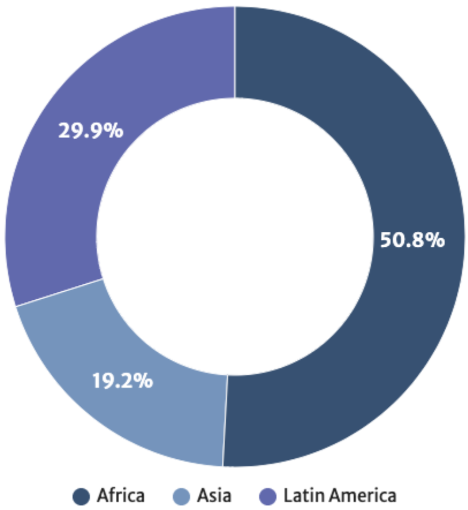
## Investments per region

In 2022, a total of 15 commitments were signed with financial institutions in Sub-Saharan Africa, Asia and Latin America.

### Investments per region in 2022




### Total portfolio per region



## Challenging macro environment

Increased interest rates and sovereign risk are the main trends that affected the FI markets in our countries and posed challenges during 2022. For the banks we are invested in and for Norfund's return, increased interest rates have positive effects short-term. However, in the medium-term, we are more concerned about the asset quality and the loan growth of the banks we are invested in. The increased interest rates combined with high levels of government debt in our investment countries, lead to increased default risk. For example, Sri Lanka defaulted on its foreign debt in April 2022, where we are invested in NDB Bank, which suffered as a consequence of the default. The government in Ghana also defaulted on its debt in December 2022, which may result in knock-on effects on businesses and banks' balance sheets going forward.

## Myanmar

A challenge during 2022 was the economic situation in Myanmar, precipitated by the military coup early in 2021. Economic development started to slow in 2021, and due to the continued economic slowdown, there have not been any new investments in the area in 2022. Norfund maintains three investments in the country with Yoma Bank and the microfinance institutions Myanmar Finance and Advans Myanmar, trying to operate in a very complicated commercial and regulatory environment.

## Highlights of 2021

| | |
|---|---|
| 12 % | new investee companies |
| 3 % | follow-on investments |

The FI loan portfolio developed positively in 2022, with 11 new loans of a total of USD 151.5 million, in addition to the previous portfolio. Despite covid-effects and a challenging macro environment, the FI loan portfolio only has four non-performing loans out of a total of 55 loan engagements.

## Large investment in Banco BDI

In 2022, the largest single investment was in Banco BDI in the Dominican Republic. Norfund completed a USD 17.8 million equity investment, which is equivalent to a 20% stake as of December 2022. BDI is a family-owned local bank that offers finance solutions to SMEs. It was founded in 1974 and is currently the 10th largest bank out of 17 in the country, and one of a few banks with SMEs as its main focus. As of December 2022, BDI has a strong brand recognition through a network of 22,718 customers served by 355 employees and 11 branches across the country. This was Norfund's first investment in the Dominican Republic.

## First investment in Democratic Republic of the Congo (DRC)

Norfund completed a USD 6.75 million investment in CRDB, which will be used to establish CRDB Bank DRC S.A in Lubumbashi, the Democratic Republic of Congo. It will be a banking subsidiary of CRDB Bank Plc., the second largest bank in Tanzania, which sees a business opportunity on increased trade between Tanzania and DRC. CRDB will be the majority shareholder (55%) and Norfund (22.5%) and IFU (22.5) as the minority strategic investors. DRC is the country with the lowest banking penetration in Africa, making this a highly additional investment. The investment from Norfund will be used for capital expenditures, licenses, and initial operating costs. The bank is at end of year 2022 waiting to receive the necessary banking licenses in order to start operations.

## FinTech

Access to high quality, affordable financial services is essential for social and economic development, gender equality, resilience, and livelihoods. Unfortunately, globally around 1.4 billion people are unbanked. It is also a gender issue: women are disproportionately affected: 74% of men and 68% of women in developing countries have account ownership.

While many individuals may not have access to financial services, many more 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 2022, two commitments were made in this area:

- Norfund committed EUR 10 million to Wave Money, a digital payments company in West Africa. The investment is part of a syndicated loan led by IFC, of a total of up to EUR 90 million. Norfund's senior secured loan will support the company's growth and promote access to affordable financial services for low-income households in Norfund core countries.
- Norfund committed USD 8 million to Integra Partners Fund II, which was launched in 2021. The main investment thesis to drive access and affordability for financial services and insurance in South-East Asia. Norfund's investment will provide capital to early growth stage fintech companies and hence improve access to financial services for underserved population in Norfund core countries in Asia.

# Financial Inclusion portfolio

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Arise B.V. | Regional | 2016 | Banking | Equity | 33% | Netherlands | 2835.8 |
| NorFinance AS | Regional | 2013 | Banking | Equity | 50% | Norway | 502.5 |
| Yoma Bank Limited | Myanmar | 2019 | Banking | Equity | 11% | Myanmar | 294.9 |
| AfricInvest Financial Inclusion Vehicle (FIVE) | Regional | 2018 | Banking | Equity | 21% | Mauritius | 273.6 |
| Mutual Trust Bank Limited | Bangladesh | 2019 | Banking | Loans Equity | 10% | Bangladesh | 264.2 |
| Banco Promerica Costa Rica | Costa Rica | 2018 | Banking | Loans | N/A | Costa Rica | 229.2 |
| Banco Promerica Guatemala | Guatemala | 2016 | Banking | Loans | N/A | Guatemala | 226.7 |
| LAAD | Regional | 2004 | Other financial services | Loans | N/A | Netherlands Antilles | 226.7 |
| NMI Fund IV | Global | 2018 | Microfinance | Funds | 25% | Norway | 216 |
| Access Bank (Ghana) Plc | Ghana | 2022 | Banking | Loans | N/A | Ghana | 197.1 |
| Banco Cuscatlan El Salvador | El Salvador | 2022 | Banking | Loans | N/A | El Salvador | 197.1 |
| Ficohsa Honduras | Honduras | 2012 | Banking | Loans | N/A | Honduras | 197.1 |
| Hattha Bank Plc | Cambodia | 2007 | Microfinance | Loans | N/A | Cambodia | 197.1 |
| LAFISE NICARAGUA | Nicaragua | 2014 | Banking | Loans | N/A | Nicaragua | 197.1 |
| Banco Promerica El Salvador | El Salvador | 2015 | Banking | Loans | N/A | El Salvador | 187.3 |
| BDI | Dominican Republic | 2022 | Banking | Equity | 20% | Dominican Republic | 184.3 |
| NMI Fund III | Global | 2013 | Microfinance | Funds | 26% | Norway | 165.6 |
| Prasac Microfinance Institution Plc. | Cambodia | 2013 | Microfinance | Loans | N/A | Cambodia | 157.7 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| The Co-operative Bank of Kenya Limited | Kenya | 2022 | Banking | Loans | N/A | Kenya | 157.7 |
| Fedecredito | El Salvador | 2016 | Microfinance | Loans | N/A | El Salvador | 149.5 |
| CRDB Tanzania-AFDB CRP | Tanzania | 2022 | Banking | Loans | N/A | Tanzania | 147.9 |
| Ecobank Transnational Incorporated (ETI) | Regional | 2021 | Banking | Loans | N/A | Togo | 147.9 |
| Equity Bank | Regional | 2019 | Banking | Loans | N/A | Kenya | 147.9 |
| Sathapana | Cambodia | 2008 | Banking | Loans | N/A | Cambodia | 147.9 |
| Kandeo Fund 3 Debt | Regional | 2021 | Microfinance | Funds | 8% | Canada | 147.1 |
| Banco BDF | Nicaragua | 2017 | Banking | Loans | N/A | Nicaragua | 135.5 |
| Banco Atlantida S.A. | Honduras | 2022 | Banking | Loans | N/A | Honduras | 132 |
| Quona Inclusion Fund III | Global | 2021 | Investment funds | Funds | 5% | Cayman Islands | 127.3 |
| Wave Mobile Money S.A./Wave Côte d'Ivoire S.A. | Senegal | 2022 | Other financial services | Loans | N/A | Senegal | 126.2 |
| National Development Bank | Sri Lanka | 2021 | Banking | Equity | 10% | Sri Lanka | 120.6 |
| First National Bank Ghana | Ghana | 2020 | Banking | Loans | N/A | Ghana | 118.3 |
| CIFI | Regional | 2004 | Other financial services | Equity | 34% | Panama | 116.2 |
| Banco Ficohsa Nicaragua S.A. | Regional | 2022 | Banking | Loans | N/A | Nicaragua | 98.6 |
| FCMB | Nigeria | 2019 | Banking | Loans | N/A | Nigeria | 98.6 |
| MI BANCO | El Salvador | 2022 | Banking | Loans | N/A | El Salvador | 98.6 |
| Finsocial | Colombia | 2022 | Other financial services | Loans | N/A | Colombia | 98.4 |
| Bayport Mozambique | Mozambique | 2022 | Microfinance | Loans | N/A | Mozambique | 96.8 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Evolution Credit Limited | South Africa | 2009 | Other financial services | Loans Equity | 12% | South Africa | 95.9 |
| LOCFUND NEXT, L.P. | Regional | 2020 | Microfinance | Funds | 29% | Canada | 93 |
| Accion Quona Inclusion Fund LP | Global | 2019 | Investment funds | Funds | 5% | Cayman Islands | 84.1 |
| Desyfin | Costa Rica | 2011 | Other financial services | Loans Equity | 23% | Costa Rica | 82.8 |
| ARREND Central America | Regional | 2015 | Other financial services | Loans Equity | 22% | Guatemala | 79.2 |
| Integra Partners Fund II LP | Regional | 2022 | Fintech fund | Equity | 10% | Singapore | 78.8 |
| Softlogic Life | Sri Lanka | 2020 | Other financial services | Loans | N/A | Sri Lanka | 73.9 |
| Banco BCT | Costa Rica | 2019 | Banking | Loans | N/A | Costa Rica | 73.9 |

# Scalable Enterprises

**Development Mandate**

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

## Results in 2022

| | |
|---|---|
| **1519 %** | committed through direct investments and funds |
| **11300 %** | jobs created by companies in the Scalable Enterprises portfolio |
| **731 %** | increase in revenue* (32% increase) |

*direct investments only

### 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.

While the aftereffects of the COVID-19 pandemic are still lingering, the war in Ukraine has caused further turmoil in many of our markets. Fuel and electricity costs have increased, food inflation is rampant, and accessing capital has become both harder and more expensive. Providing patient capital and contributing to economic growth 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. Supporting and enabling agricultural production on the African continent is also critical to improving food security.

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 resulted in considerable capital outflows 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

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### Read about Norfund's work in African agriculture and food systems

→ Creating new jobs in the agriculture sector and value chain

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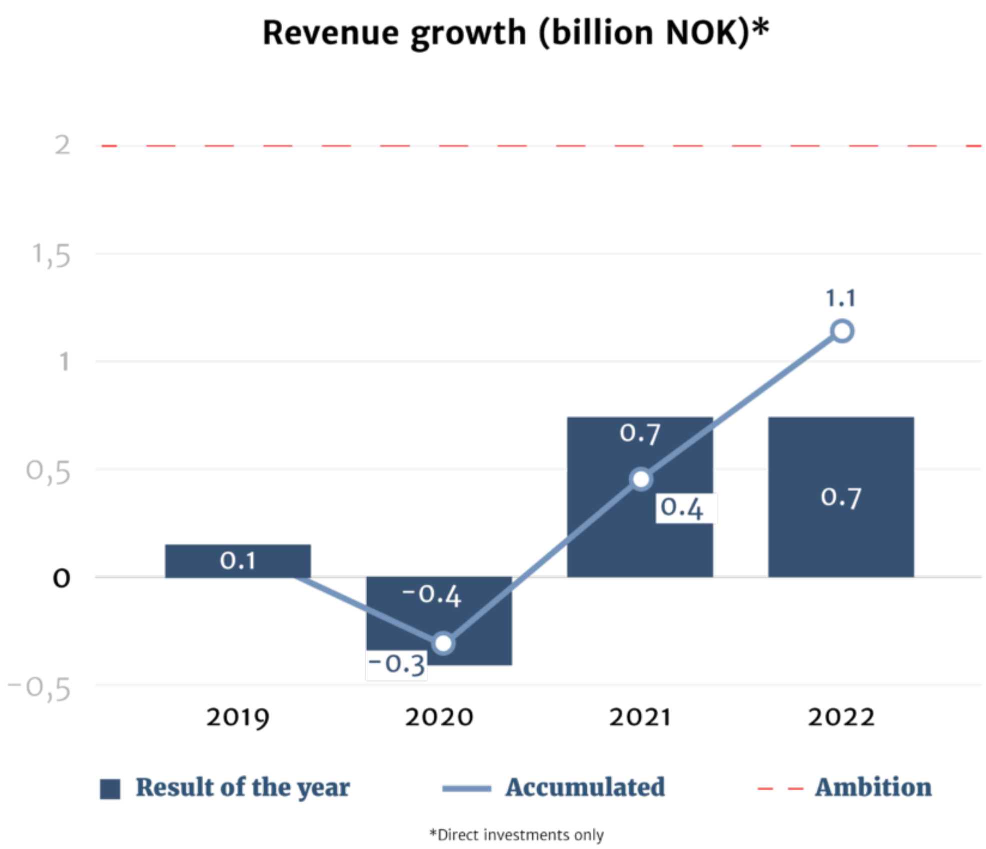
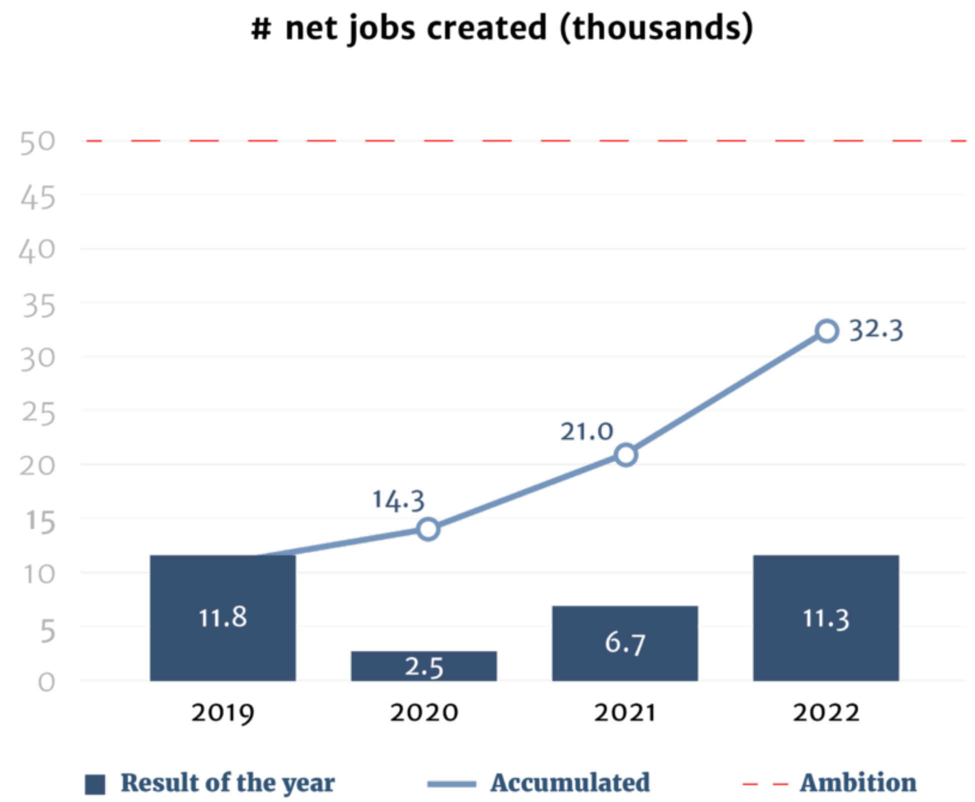
# Accumulated achievements 2019 - 2022






## Investments and Results in 2022

Scalable enterprises account for 34% of the Norfund Development Mandate portfolio. By the end of 2022, the portfolio included 37 direct investments and 59 fund investments.

| | |
|---|---|
| **1519 %** | Committed in 2022 |
| **9080 %** | Committed in total SE portfolio |

# Impact 2022

## 11,300 jobs created

In 2022, the number of jobs in Scalable Enterprises' direct investments increased by 900. When including the investee companies within our funds portfolio, the total number of new jobs created was 11 300.

The total number of direct jobs in the Scalable Enterprises portfolio (incl. funds) was over 280,000.

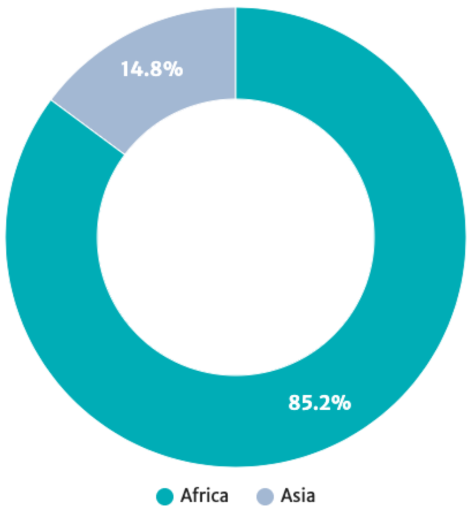
## 32% revenue increase

In 2022, revenues in Scalable Enterprise's direct investments increased by 731 MNOK (19%). This is a substantial improvement compared to 2020, when revenues decreased by 18%, largely due to the Covid-19 pandemic.

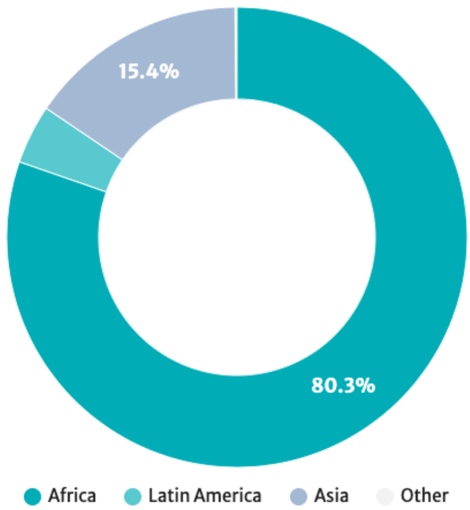
# Investments per region

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 per region in 2022




### Total portfolio per region



## Highlights of 2022

| | |
|---|---|
| 9 % | new investee companies |
| 5 % | new fund investments |
| 6 % | follow-on investments |

### AgDevCo

In early 2022, Norfund committed 20 million USD in AgDevCo, an investment fund that specializes on investments in early-stage African agribusinesses to deliver jobs, income, and food security. Norfund invested alongside the British (BII) and American (DFC) development finance institutions, who contributed 50m and 20m USD, respectively.

Established in 2009, AgDevCo's vision is a thriving commercial African agriculture sector that benefits people, economies and the environment. The organisation contributes to this goal by providing investment capital and technical assistance to grow sustainable and impactful businesses across the agricultural value chain. In doing so, it aims to promote resilience, gender equality and the production of better-quality, more nutritious food.

Since establishment, AgDevCo has invested in 80 agribusiness spread across nine countries – Ghana, Cote d'Ivoire, Kenya, Tanzania, Uganda, Rwanda, Zambia, Mozambique and Malawi. This has contributed to the creation of more than 15,000 jobs and increased income for more than 750,000 smallholder farmers.

AgDevCo's investments range between 2m and 10m USD. The companies are active in a number of sectors and with different types of crops, both export crops such as avocado and macadamia, food industry for domestic markets, and affordable meat protein such as poultry and fisheries. The portfolio companies are in the entire food sector from primary production, via processing to retail.

One example is the company Tropha in Malawi, which deals in macadamia nuts, chillies and peppers in the north of the country and links 2,500 small farmers to the market. To generate income while the macadamia trees grow, Tropha, in collaboration with small farmers, has provided drip irrigation so that small farmers can grow chilies and peppers that are sold to the company. In addition, AgDevCo partnered with Tropha to train farmers in integrated pest management.

## CBI

In April of 2022, Norfund announced its investment in the Ghanian cement producer, Continental Blue Investments Ltd (CBI). CBI operates a facility in Tema in Ghana that produces 550,000 tons of cement per year for industrial and residential construction and infrastructure. This was the first direct investment within manufacturing that the department has done.

Cement accounts for about 7% of the world's $CO_2$ emissions. Most of the emissions come from the production of clinker, the most important input factor in cement. Through proven technology, however, a significant part of the clinker can be replaced with calcined clay.

By building a 405,000 tons per annum clay calcination unit, CBI will significantly reduce $CO_2$ emissions from the production of cement, while also increasing local sourcing. The project will be the world's largest clay calcination production unit. By replacing 30-40% of the clinker in the final product, it is expected to cut up to 20% of the overall $CO_2$ emissions from the production of the cement compared to current practices, and 30-40% compared to standard production of Ordinary Portland Cement (including the production of imported clinker). This means estimated avoided emissions of 300 000 $tCO_2e$/year.

CBI will be the first company in Ghana to introduce this technology, and the company plans to increase its footprint in underserved markets in Ghana by more than doubling its total cement production capacity from 555,000 tons to 1.4 metric tons per year. CBI is already one of Ghana's top five producers of cement and directly employs over 120 people. The company has demonstrated strong growth since inception in 2018 and notable resilience during the Covid-19 crisis.

Norfund is investing alongside the Danish Investment Fund for Developing Countries (IFU) and the engineering firm FLSmidth as equity investors, with Société-Générale providing senior debt that is guaranteed by the Danish Export Agency. FLSmidth will also serve as the EPC provider of the calcined clay plant.

# Scalable Enterprises direct investments portfolio

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Across Forest AS | Nicaragua | 2012 | Forestry and logging | Loans | N/A | Norway | 0.315 |
| Green Resources USD | Regional | 2009 | Forestry and logging | Equity | 51% | Norway | 558.9 |
| European Financing Partners SA | Global | 2006 | Investment funds | Loans Equity | 8% | None | 267.7 |
| AgDevCo | Regional | 2022 | Agriculture, forestry and fishing | Equity | 8% | United Kingdom | 197.1 |
| Phatisa Food Fund 2 | Regional | 2021 | Agriculture, forestry and fishing | Funds | 14% | Mauritius | 189.5 |
| Agrivision | Zambia | 2012 | Agriculture, forestry and fishing | Equity | 24% | Mauritius | 161.6 |
| Lake Harvest Group | Regional | 2013 | Fishing and aquaculture | Loans Equity | 33% | Mauritius | 159.3 |
| Kagera Sugar Limited | Tanzania | 2020 | Crop and animal production, hunting and related service activities | Loans | N/A | Tanzania | 145.3 |
| ASILIA (African Spirit Group Limited) | Regional | 2013 | Tourism | Loans Equity | 32% | Mauritius | 140.4 |
| Hela Investment Holdings | Regional | 2022 | Manufacture of textiles | Loans | N/A | Mauritius | 138 |
| FES Limited | Regional | 2020 | Agriculture, forestry and fishing | Loans Equity | 23% | Mauritius | 126.3 |
| SAMANU | Ethiopia | 2022 | Manufacturing | Equity | | Mauritius | 108.4 |
| Valency International Trading SARL | Ivory Coast | 2022 | Agriculture, forestry and fishing | Loans | N/A | Singapore | 98.6 |
| Lilongwe Dairy (2001) Limited | Malawi | 2020 | Crop and animal production, hunting and related service activities | Loans | N/A | Malawi | 96.6 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Neofresh | Regional | 2017 | Crop and animal production, hunting and related service activities | Loans Equity | 34% | Mauritius | 94.2 |
| Marginpar Group | Regional | 2018 | Crop and animal production, hunting and related service activities | Equity | 26% | Mauritius | 93.3 |
| Continental Blue Investment (CBI) Ltd. | Ghana | 2022 | Manufacture of other non-metallic mineral products | Equity | | Ghana | 70.3 |
| Redsun Raisins and Nuts | South Africa | 2022 | Manufacture of food products | Equity | 23% | South Africa | 70 |
| Vertical Agro (Sunripe & Serengeti Fresh) | Regional | 2014 | Crop and animal production, hunting and related service activities | Loans | N/A | Mauritius | 59.9 |
| Mars Investment Holdings | Mozambique | 2022 | Wholesale trade, except of motor vehicles and motorcycles | Equity | | Mauritius | 57.9 |
| Freight in Time | Regional | 2015 | Transportation and storage | Loans Equity | 24% | Mauritius | 55.6 |
| Seba Foods | Zambia | 2021 | Manufacture of beverages | Loans | N/A | Zambia | 49.3 |
| Lona Group | South Africa | 2022 | Crop and animal production, hunting and related service activities | Equity | 17% | Mauritius | 48.6 |
| Synercore Holdings Proprietary Limited | South Africa | 2022 | Manufacture of food products | Loans | N/A | South Africa | 46.5 |
| Basecamp Explorer | Kenya | 2010 | Tourism | Equity | 34% | Kenya | 36.4 |
| African Century Infrastructure Services Ltd. | Regional | 2014 | Other service activities | Loans Equity | 20% | Mauritius | 35.1 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| African Century Real Estates Ltd. | Mozambique | 2015 | Construction of buildings | Loans Equity | 21% | Mauritius | 33.9 |
| Nyama World Malawi Ltd | Malawi | 2017 | Crop and animal production, hunting and related service activities | Loans | N/A | Malawi | 32.5 |
| Afrinord Hotel Investments | Regional | 2005 | Tourism | Loans Equity | 20% | Denmark | 24.4 |
| Associated Foods Zimbabwe (AFZ) | Zimbabwe | 2016 | Manufacture of food products | Loans Equity | 0% | Zimbabwe | 14.8 |
| Africado Ltd. | Tanzania | 2009 | Agriculture, forestry and fishing | Equity | 33% | Mauritius | 7.1 |
| African Century Nampula | Mozambique | 2017 | Real estate activities | Equity | 32% | Mozambique | 5.1 |
| UAP Properties Limited | South Sudan | 2013 | Real estate activities | Loans | N/A | South Sudan | 3.3 |
| TPS Dar es Salaam | Tanzania | 2011 | Tourism | Loans | 29% | Kenya | 3 |
| Sundry Foods | Nigeria | 2019 | Manufacture of food products | Equity | 33% | Nigeria | 80.8 |

## Scalable Enterprises funds portfolio

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Development Partners International III | Regional | 2019 | Investment funds | Funds | 4% | Guernsey | 385.3 |
| AfricInvest Fund IV | Regional | 2020 | Investment funds | Funds | 7% | Mauritius | 286.5 |
| Helios IV | Regional | 2021 | Investment funds | Funds | 8% | Guernsey | 241.3 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| ECP Africa Fund IV | Regional | 2018 | Investment funds | Funds | 8% | Mauritius | 237.3 |
| Navis CLMV | Regional | 2020 | Investment funds | Funds | 17% | Cayman Islands | 237 |
| Vantage Mezzanine Fund IV - USD | Regional | 2021 | Sector-agnostic fund | Funds | 10% | South Africa | 235.8 |
| Meridiam Africa Fund II | Regional | 2021 | Investment funds | Funds | 4% | France | 209 |
| Adenia Capital V | Regional | 2022 | Investment funds | Funds | 8.8% | Mauritius | 197.2 |
| Alterra Africa Accelerator Fund | Regional | 2022 | Investment funds | Funds | 16.7% | Mauritius | 197.1 |
| Verod Capital Growth Fund III | Regional | 2019 | Investment funds | Funds | 11% | Mauritius | 190.8 |
| FIPA II | Regional | 2016 | Investment funds | Funds | 38% | Luxembourg | 155.5 |
| KV Asia Fund II | Regional | 2022 | Investment funds | Funds | 8% | Cayman Islands | 147.9 |
| Vietnam Investments Fund IV | Vietnam | 2021 | Investment funds | Funds | 19% | Cayman Islands | 147.7 |
| CASEIF IV | Regional | 2020 | Investment funds | Funds | 26% | Canada | 145.4 |
| Cepheus Growth Capital Fund | Ethiopia | 2018 | Investment funds | Funds | 20% | Mauritius | 144.1 |
| Openspace Ventures III | Regional | 2020 | Investment funds | Funds | 8% | Cayman Islands | 142.2 |
| African Rivers Fund III | Regional | 2021 | Investment funds | Funds | 19% | Mauritius | 140.8 |
| Excelsior Vietnam | Vietnam | 2020 | Investment funds | Funds | 19% | Singapore | 140.2 |
| Agri-Vie II | Regional | 2017 | Investment funds | Funds | 11% | Mauritius | 136.3 |
| GroFin SGB Fund Limited Partnership | Regional | 2015 | Investment funds | Funds | 19% | Mauritius | 125.6 |
| Fanisi Capital Fund II | Regional | 2017 | Investment funds | Funds | 43% | Mauritius | 116.1 |
| AFMF: ASEAN Frontier Markets Fund | Regional | 2021 | Investment funds | Funds | 19.8% | Singapore | 98.6 |
| Ascent Rift Valley Fund II | Regional | 2020 | Investment funds | Funds | 9% | Mauritius | 96.3 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| Cambodia Laos Myanmar Development Fund II | Regional | 2015 | Investment funds | Funds | 16% | Singapore | 94.5 |
| Ascent Rift Valley Fund Ltd | Regional | 2013 | Investment funds | Funds | 13% | Mauritius | 85.1 |
| Novastar Ventures East Africa Fund | Regional | 2013 | Investment funds | Funds | 13% | Mauritius | 83.3 |
| Novastar Ventures Africa Fund II | Regional | 2020 | Investment funds | Funds | 7% | Mauritius | 74.1 |
| Myanmar Opportunities Fund II | Myanmar | 2018 | Investment funds | Funds | 14% | Cayman Islands | 73.4 |
| CASEIF III | Regional | 2014 | Investment funds | Funds | 24% | Canada | 73.2 |
| CORECO | Regional | 2012 | Other financial services | Funds | 22% | Delaware | 73.1 |
| TNB Aura Fund II | Regional | 2022 | Investment funds | Funds | 11% | Singapore | 72.3 |
| Neoma Africa Fund | Regional | 2008 | Investment funds | Funds | 11% | Mauritius | 71.9 |
| Kinyeti Capital Ltd | South Sudan | 2012 | Other financial services | Loans Equity | 50% | South Sudan | 71.4 |
| Spear Africa Holding II | Regional | 2017 | Manufacturing | Funds | 19% | Mauritius | 69.3 |
| Fundo de Investimento Privado-Angol | Angola | 2009 | Investment funds | Funds | 26% | Luxembourg | 61.9 |
| EcoEnterprises Partners III, LP | Regional | 2018 | Investment funds | Funds | 5% | Ireland | 56.9 |
| Vantage Mezzanine Fund IV - ZAR | Regional | 2021 | Investment funds | Funds | 6% | South Africa | 52.2 |
| BPI East Africa LLC | Regional | 2015 | Investment funds | Funds | 17% | Mauritius | 51 |
| Frontier Fund | Bangladesh | 2010 | Investment funds | Funds | 11% | Cayman Islands | 49.5 |
| Africa Health Fund (Aureos) | Regional | 2011 | Investment funds | Funds | 9% | South Africa | 42.7 |
| Oasis Africa Fund | Regional | 2017 | Investment funds | Funds | 10% | Ghana | 42.2 |
| Aureos South Asia Fund (Holdings) | Regional | 2006 | Investment funds | Funds | 24% | Mauritius | 42.1 |

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| ACI Motors Ltd | Bangladesh | 2021 | Manufacture of motor vehicles, trailers and semi-trailers | Equity | 5% | Netherlands | 41.5 |
| GroFin Africa Fund | Regional | 2008 | Investment funds | Funds | 9% | Mauritius | 40.2 |
| Solon Capital Holdings | Regional | 2020 | Investment funds | Funds | 30% | Mauritius | 35.8 |

# Green Infrastructure

**Development Mandate**

**Green Infrastructure is Norfund's newest investment area. 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.**

## 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. A city such as Lagos in Nigeria is forecasted to grow from 20 to 70 million inhabitants during the same time frame. The cities need to grow in a way that allows for economic growth, jobs and prosperity without putting a strain on the environment and human well-being.

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, a gas which is up to 70 times more potent than $CO_2$.

In Africa alone, 418 million people lack access to safe drinking water and a 12-fold increase in current rates of progress is needed to meet SDG targets.

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

35.5 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 for many projects.

### 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 130 reviewed water projects, only two have turned out to been at an investable stage. Within Waste to energy projects, the ratio is nine out of a hundred. Screening for those projects which are more likely to reach bankability has been a core focus throughout the first two years of this investment area.

### 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. During the year projects have also been explored in South East Asia with countries of significant development needs but more mature regulatory environments allowing for projects to collect revenues for e.g. waste treatment, thus making those projects investable.

The 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 are also considered. During the year several such collaborations have been initiated with world leading companies in waste and water, however not yet led to investments. An additional pathway for building experience, network and footprint is to selectively invest in specialized funds, focusing on water and waste. Such fund investments also serve the purpose of offering co-investment opportunities and building companies which are yet too small for Norfund to invest directly in.

## Strategic ambitions

Norfund has defined the following ambitions for Green Infrastructure:

- Improve essential infrastructure, primarily in Sub-Saharan Africa and to some extent in South East Asia
- Establish partnerships and make investments in waste management and water
- Invest NOK 0.45 billion annually

## Highlights

### Portfolio taking shape

In Green Infrastructure, three commitments have been made since the inception in 2020; TransAfrica Water Systems, The Water Access Accelaration fund and InfraImpact Mid-market Infrastructure fund.

### TransAfrica Water Systems

During its first year of operation, Green Infrastructure provided a loan of 2 million USD to TransAfrica Water Systems, a Kenyan water solutions company engaging in the production and distribution of equipment and services related to water pumping solutions, water treatment, wastewater management solutions, solar powered water borehole rigs and solar powered water heating systems. The company is one of the recognised distributors of world-renowned water and solar systems in East Africa.

The loan has accelerated access to clean and affordable water to households and institutions in East Africa, deepened the water sector, and facilitated jobs creation directly through the company's expansion and indirectly through improved economic activities, for example, use of water for irrigation. The company itself has managed to expand its sales significantly following Norfund's financing and a private investor has invested in the company, further strengthening its position.

Norfund has in addition during the year assisted the company through its business support financing in building a management system for improving environmental and social standards.

## Water Access Acceleration Fund

As part of Green Infrastructure's strategy of investing in specialized funds within water and waste, a commitment of EUR 5 million was made to the Water Access Acceleration Fund (W2AF), managed by the fund manager Incofin. Norfund's early contribution contributed to unlocking an additional EUR 30 million in commitments.

W2AF invests in innovative water businesses that provide affordable, safe drinking water to underserved populations. W2AF is the first private equity initiative in a sector that traditionally gets its financing from governments,  donors and foundations. The fund aims to demonstrate the financial viability of the safe drinking water market worldwide.  It rests on a unique blended finance structure – an  approach to use part of the public financing from governmental agencies to lower the risk for private investors to come in.

W2AF aims to provide safe drinking to 30 million people, mainly in Africa and Asia.

## InfraImpact Mid-Market Infrastructure Fund

A commitment of ZAR 150 million was done to InfraImpact Investment Managers' Mid-Market Infrastructure fund as part of a ZAR 1500 million fund. The fund aims to provide growth capital for South African focused mid-market infrastructure businesses, which own real assets that provide essential services and that have a value creation potential within primarily water and waste related sectors. Infra Impact is composed of a team of local specialist investors which are well positioned to unlock the many challenges when investing in this segment with a ZAR 1.7 trillion funding shortfall.

The fund targets to create 2200 jobs and contribute to the supply of one billion litres of water meeting the needs of 88 million people and to diverting 3.7 million tons of waste from landfills.

Norfund will actively work with the fund manager on deals as direct parallel co-investor where suitable.

## Green Infrastructure portfolio

| Investment | Country | Investment year | Sector | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|---|
| InfraImpact Mid-Market Infrastructure Fund 1 | South Africa | 2022 | Waste/water fund | Funds | 18% | | 87.1 |
| Water Access Accelerator Fund | Global | 2022 | Waste/water fund | Funds | 13% | | 52.6 |
| Transafrica Water Systems Limited | Regional | 2021 | Water supply, sewerage, waste management and remediation activities | Loans | N/A | Kenya | 19.7 |

# 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 patient, long-term investor that exits investments when we are no longer additional (needed) and others can take over.**

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. However, investments might be exited earlier or later than planned due to unexpected circumstances.

Returns and dividends from investments, as well as sales proceeds following an exit are reinvested in new businesses in which there is a greater need for our capital.

## Exit and post-exit analysis

Contribute to creating sustainable companies that leave a lasting impact is at the core of Norfund's mandate. At the same time, we are expected to take risk. At regular intervals we take stock and assess whether we succeed in delivering on our mandate and balance the two. The first exit analysis Norfund did was in 2015, followed by a 2019 analysis. In 2022 Norfund undertook an exit and post-exit analysis of 70 companies, with 51 of these qualifying for post-exit analysis as well.

In the exit analysis, companies are followed from time of investment, to exit, and to three years after Norfund's exit ("post-exit") to understand whether they survive, and if they thrive.

### What is defined as an exit?

A project is considered exited when all Norfund's instruments with the investee are exited and no direct or indirect relationship exists any longer.

## What is post-exit?

The post-exit period is defined as three years after Norfund's exit. The dataset consisted of 70 projects that have been exited to date. Of these, 51 are eligible for post-exit analysis – meaning more than three years have elapsed since Norfund exited the projects.

## Limitations

- Dataset is not complete for all companies, and skewed towards large companies
- Different holding periods – and total figures are not weighted for holding period
- Loans are overrepresented in the dataset because they are self-exiting
- A liquidation is an automatic exit and may result in overrepresentation
- Fund investments are not included
- Data is not attributed to Norfund's contribution

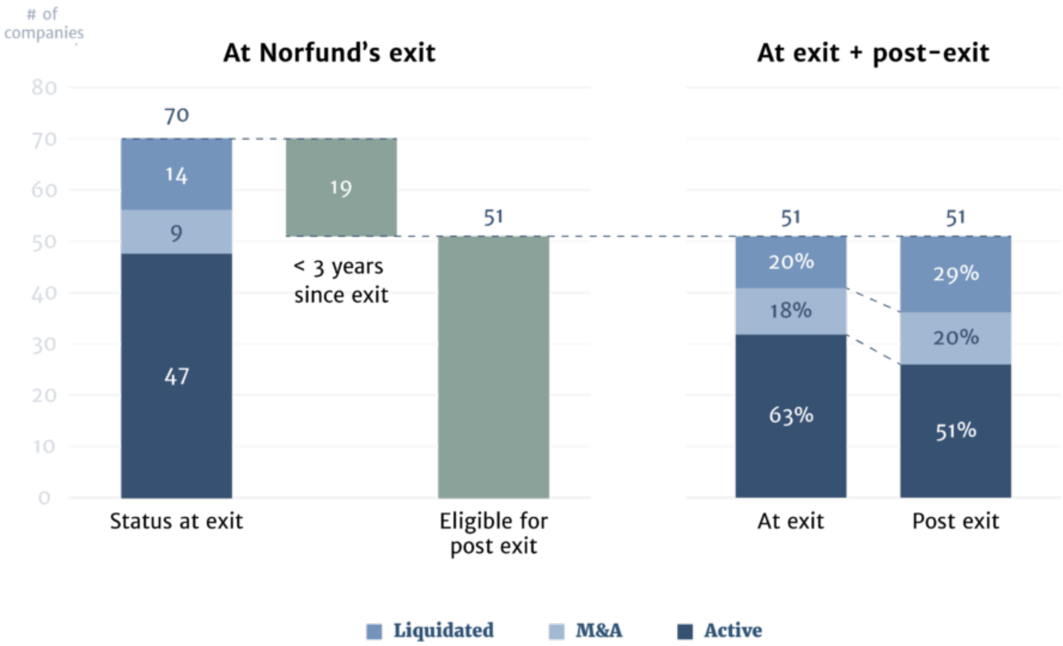
## Key results

At the time of exit:

- 80% of companies were active (in original form or merged)
- 20% of companies were liquidated during Norfund's holding period
- Equity investments had a higher share liquidated companies than loans

Three years post-exit:

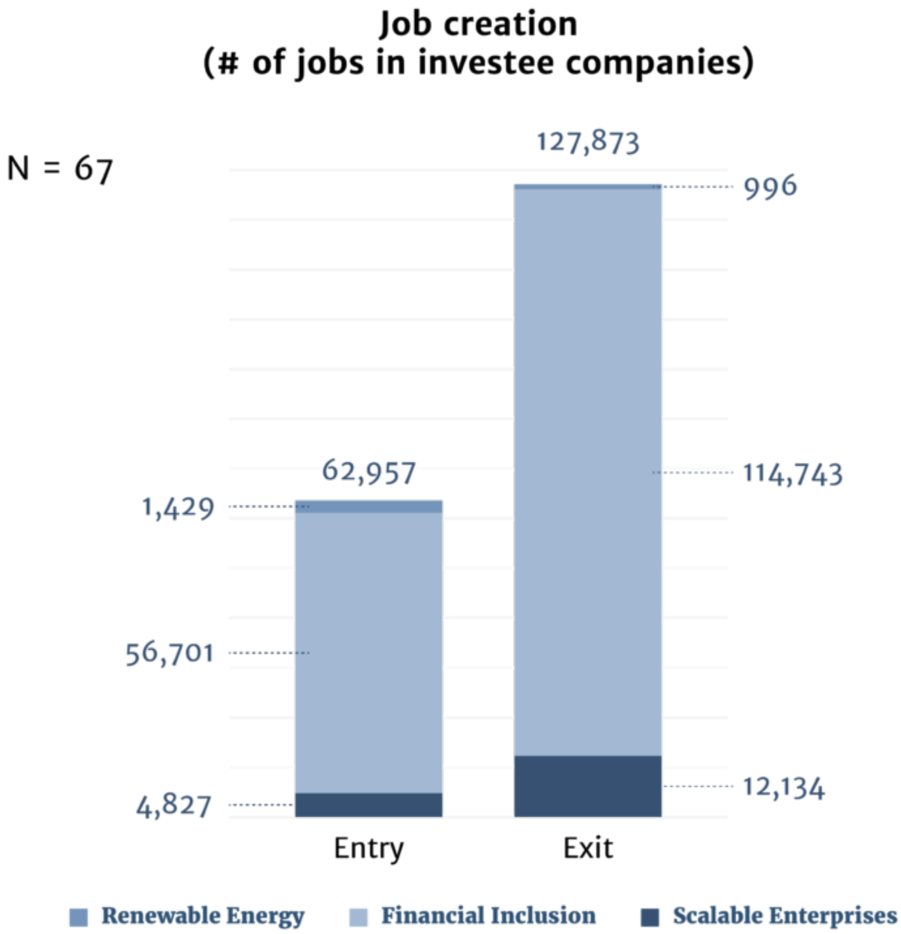
- 87% of the companies that were active at Norfund's exit were still active
- All companies that Norfund had exited at fair price were still active
- 75% of companies where Norfund had taken a write-off or write-down at exit, were liquidated

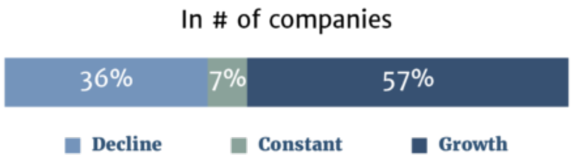



## Job creation in exited portfolio companies *

- Just over half of the companies saw an increase in the number of jobs from entry to exit
- In total, there is a near doubling in number of jobs from entry to exit, mainly driven by a few large financial institutions
- From exit to post exit, more than half the companies continue to see an increase in jobs, albeit at a significantly lower rate
- Companies with a decline in jobs post exit are a combination of renewable energy investments (to be expected as they move from construction to operation), financial institutions, and companies liquidated

**with available data at entry and exit*




Moreover, the analysis looked at taxes paid, turnover, and net income – all with average annual growth (CAGR) of 17-20%, both during Norfund ownership as well as post-exit.

## Financial return

- Positive IRR seems to be correlated with higher job growth both during Norfund ownership and post Norfund exit

# Exited companies 2022

## ACLEDA Bank Lao Ltd.

- Region: Asia
- Sector: Financial Inclusion
- First investment year: 2014
- Investment: 141.9 MNOK
- IRR: 10%

## Aureos Latin America Fund

- Region: Latin America
- Sector: SME Funds
- First investment year: 2007
- Investment: 183.1 MNOK
- IRR: 5.3%

## Bronkhorstspruit Biogas Plant

- Region: Africa
- Sector: Renewable Energy
- First investment year: 2011
- Investment: 26.3 MNOK
- IRR: -11.4%

## Fanisi Venture Management Company

- Region: Africa

- Sector: SME Funds
- First investment year: 2009
- Investment: 0.9 MNOK
- IRR: -100%

## New Africa Power

- Region: Africa
- Sector: Renewable Energy
- First investment year: 2017
- Investment: 8.7 MNOK
- IRR: N/A

## Starsight

- Region: Africa
- Sector: Renewable Energy
- First investment year: 2019
- Investment: 54.4 MNOK
- IRR: 11.63%

# Impact – Development Mandate


Jobs created


Increased energy access and supply


Access to finance


Emissions avoided


Tax revenues

# Increased energy access and supply

**Development Mandate**

**Access to energy is a fundamental requirement for economic growth, job opportunities, and enhanced living standards in developing countries. Transitioning to a renewable energy system is essential for combating the climate crisis and ensuring a more sustainable future for the world.**

**1415 MW** 100% renewable new capacity financed

**1.8 million** households granted with access to electricity through micro/mini-grid or solar-home systems

→ Read about our development rationale

## Norfund's impact objectives

Norfund's impact objective for our renewable energy investments under the development mandate 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 2022

### Increased energy supply

In 2022, Norfund financed 1,415 MW of new electricity generation capacity including on-grid (IPP) projects and commercial & industrial (C&I) projects. The total capacity in our portfolio was 6,593 MW, of which 1,696 MW was under construction.

In 2022, the power plants produced a total of 15.9 TWh. This is almost equivalent to the combined annual electricity consumption of Kenya, Tanzania, and Uganda.

## Increased share of energy from renewable sources

In 2022, 100 percent of the new capacity financed was renewable. A total of 4,936 MW of the capacity in our portfolio is renewable. These companies produced 9.3 TWh in 2022.

**4,936 MW**

**renewable capacity in Norfund's portfolio**

## Increased access to energy

1,814,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2022. This is a clear reduction from last year’s record high 3.5 million, that was due to the performance of one of our renewable energy funds.

Additionally, 4.1 million units of smaller solar-powered solutions, such as lanterns, were sold to households in 2022. This is twice last year’s sales.

According to our estimates on indirect job creation, around 467,000 jobs were supported by the electricity produced by the power plants in Norfund’s portfolio in 2022.

# Jobs created

**Development Mandate**

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

## Results in 2022

**24500 %** New jobs created in portfolio companies*

**514000 %** Total jobs in portfolio companies

* In companies with two consecutive years of reporting

→ [Read about Norfund's Development Mandate strategy]

**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. It is a prerequisite that the jobs are in businesses that are financially viable to sustain the impacts. In 2022, 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.*

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.

### Read about Norfund's work in African agriculture and food systems

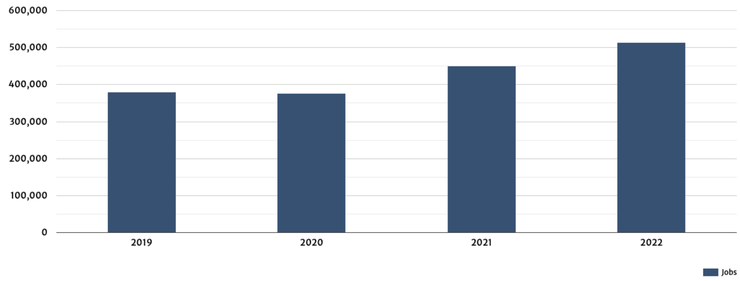
→ [Creating new jobs in the agriculture sector and value chain]

## Results 2022


### Record high number of jobs in Norfund portfolio companies

By the end of 2022, a total of 514,000 people were employed in the companies in which Norfund is invested, either directly or through funds. This is the first time that Norfund supports more than half a million jobs through our investments. 83% of these were permanent jobs.

## Total jobs in Norfund's portfolio companies




From the end of 2021 to the end of 2022, Norfund's portfolio companies (with two consecutive years of reporting) reported a net increase of new jobs by 7%, or 24,500 new jobs.

Over the same period, the development mandate delivered an estimated return, measured as IRR, of 5.1% measured in the investment currency and 14.8% measured in NOK.

→ Read more about our financial results


Approximately 37% of the total people employed in Norfund's investees by the end of 2022 were women, and 18% were youth, defined as below 25 years.

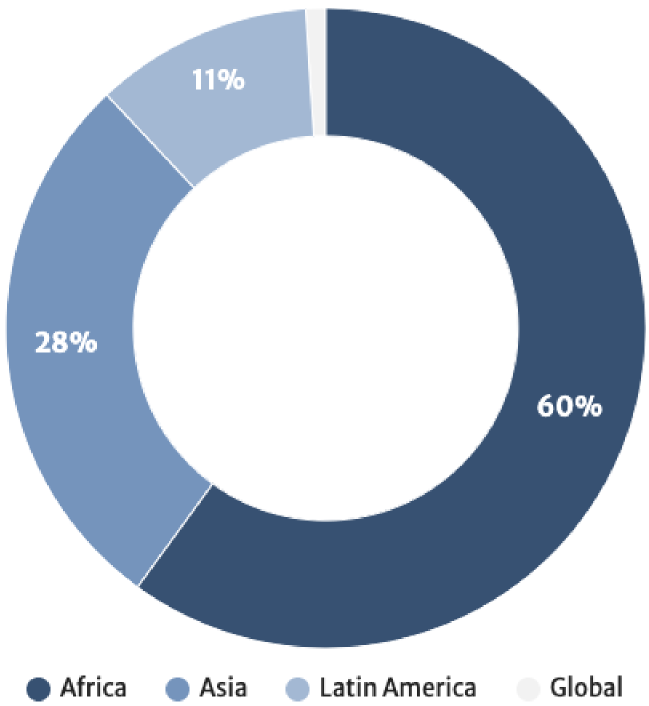
| | |
|---|---|
| **37 %** | Female employees in Norfund portfolio companies |
| **18 %** | Youth employees in Norfund portfolio companies |

→ Read more about gender equality and Norfund

More than 300,000 people were employed in companies operating in Africa, or 60% of total employees in Norfund's portfolio companies.

More than 145,000, 28%, of the jobs are in Least Developed Countries (LDC).

## Jobs per region




28% were employed in companies in Asia, 11% were employed in companies in Latin America and 1% were employed in companies operating globally.

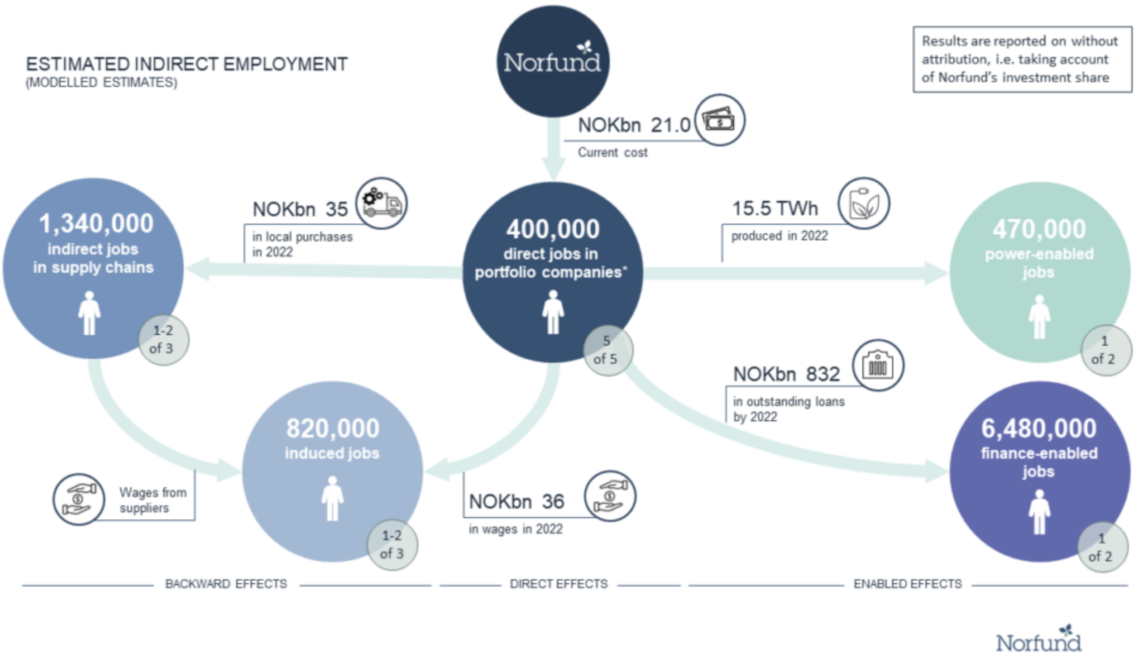
As there is currently no consensus on how to quantify investor contribution to company growth and development impact, Norfund attributes the impact reported solely to our portfolio companies.

## 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 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 2022.




*Source: Norfund development effects reporting 2022; 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. The figures are reported without attribution, i.e. not taking account of Norfund's investment share in the companies.*

## Direct jobs

A total of 400,000 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. 32% of the direct jobs are in LDC, and just over half the jobs are in Africa. More than one third of the direct jobs are held by women, and around 10 per cent is held by youth employees. The confidence level for the actual figures is high (5 of 5).

## Indirect jobs

***Indirect jobs from supply chains:*** During 2022, the companies in Norfund's portfolio purchased 35 billion NOK of inputs from local providers.

This is estimated to have supported around **1,340,000** jobs in the supply chains.

1/4 of the jobs in supply chains are in LDC and 4/5 are in Africa. The model estimates that more than 2/5 of the jobs in supply chains are held by women, while 10 per cent 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.

***Induced jobs from spending of wages:*** During 2022, the companies in Norfund's portfolio companies reported paying 36 billion NOK in wages to employees. Wages spent by workers in the supply chain companies also support economic activity.

It is estimated that around **820,000** jobs were supported by this local spending.

A little less than 1/5 of the induced jobs are in LDC and almost 3/4 jobs are in Africa.

It is estimated that 45 per cent of the jobs are held by women and 15 per cent 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 2022 fiscal year data.

***Enabled jobs by power:*** During 2022, the companies in Norfund's portfolio generated a total of 15 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 2022, around **467,000 jobs** were supported by the power produced by Norfund's clients.

3/5 of the power-enabled jobs are in LDC and nearly all are in Africa.

The confidence level for the modelled estimates is 1 (of 2), due to using 2022 fiscal year data.

***Enabled jobs by finance:*** The banks in Norfund's portfolio had outstanding loans totaling NOK 832 billion to businesses by the end of 2022.

This supported an estimated **6,480,000** workers in borrowing companies. Almost 3/5 of the finance-enabled jobs are in LDC and half of the jobs are in Africa.

It is estimated that an additional 4.0 million jobs are supported through these companies' supply chains, and 2.7 million 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

# Access to finance

### Development Mandate

**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.**

| | |
|---|---|
| **8.9 million** | new clients served by direct investments |
| **89 billion NOK** | increase in lending to clients by direct investments |

→ Read about our development rationale

## 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 2022

### Increased provision of financial services

The direct investments in our portfolio provided financial services to around 72 million clients in total.

Portfolio companies with two consecutive years of reporting increased the total number of clients by 8.9 million (16% growth) during 2022.

The financial institutions we have invested in through funds provided access to financial services to an additional 20 million clients.

### Increased provision of credit to clients

The combined loan book of the direct investments in our portfolio reached a total of 726 billion NOK by the end of 2022. Institutions with two consecutive years of reporting had increased their credit provision by 89 billion NOK (20% growth) during the year.

The total number of loans provided to clients by the direct investments in our portfolio was 7.6 million, including 5.1 million to retail clients, 1.3 million to microfinance clients and 365,000 to SMEs.

| | |
|---|---|
| **726 %** | NOK in combined loan book |
| **20 %** | Increase in credit provision since 2021* |

**For companies with two consecutive years of reporting*

The financial institutions in which we have invested through funds have provided an additional 21 million loans to clients, at a combined value of 131 billion NOK. Institutions with two consecutive years of reporting increased lending by 12.5 billion NOK during the year.

→ [Read more about Financial Inclusion investments]

### Increased provision of deposits

The direct investments in our portfolio provided a total of 388 billion NOK in combined deposits to 37.7 million clients, of which 33.1 million went to retail and SME clients. Portfolio companies with two consecutive years of reporting increased the total number of deposits by 8.1 million (15% growth) during 2022.

The financial institutions in which we have invested through funds provided an additional 78 billion NOK in deposits to 7.8 million clients.

# Emissions avoided

**Development Mandate**

**Scaling up generation of renewable energy in developing countries is crucial for mitigating climate change and reducing emissions. It also provides an opportunity to bypass traditional fossil fuel-based development pathways and build more sustainable and resilient energy systems.**

# 6.3 million

**tonnes of CO2 emissions avoided by power plants in 2022**

→ Read about our development rationale

## Results 2022

By investing in renewables, Norfund is helping to replace energy that would otherwise have been generated from fossil sources, thus avoiding greenhouse gas emissions. The renewable power plants in our current portfolio under the development mandate, have contributed to avoiding an estimated 6.3 million tonnes of CO2 emissions in 2022 (a significant increase from 4.5 million tonnes last year). Excluding acquired assets, the figure is 4.5 million tonnes avoided emissions from power plants where Norfund has helped finance the construction.

The avoided emission figures are calculated using the harmonized IFI approach 'Methodological Approach for the Common Default Grid Emission Factor Dataset' (2022). The estimation includes 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. The figures are not attributed to Norfund's share.

→ [Read about the Climate Mandate and avoided emissions]

All *new* renewable power projects Norfund has invested in since the fund was established in 1997, avoid an estimated **10 million tonnes of CO2 emissions annually.** This is equivalent to twice the capacity of the Norwegian government's CCS project Longship, which will be able to store 5 million tonnes CO2e (once fully operational).

# Tax revenues

## Development Mandate

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

### Taxes paid in 2022

**23.2 %** Total taxes paid by portfolio companies

| | |
|---|---|
| **17 %** | Total taxes paid in Africa |
| **0.5 %** | 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 in 2022

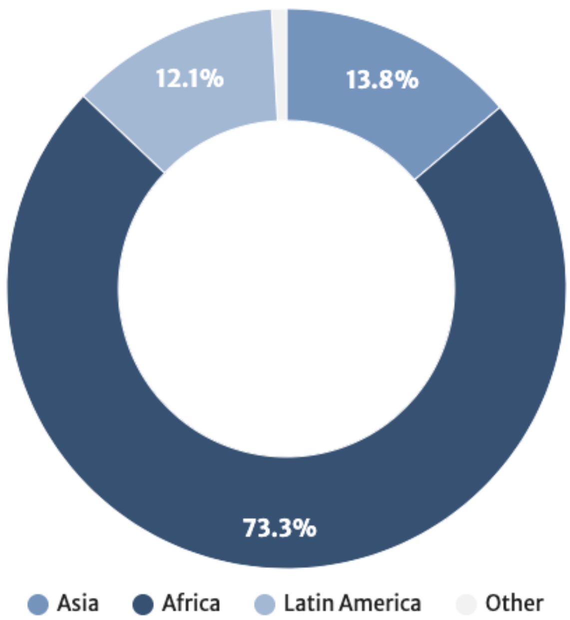
Profitable businesses pay taxes to governments in the countries in which they operate. Taxes and fees are paid by Norfund's portfolio companies and by companies in their value chains.

In 2022, an amount equivalent to NOK 23.2 billion had been paid in taxes and fees by the companies in which Norfund is invested, both directly and through funds. This corresponds to almost 47 % of the total Norwegian development aid in 2022.

43% was paid as corporate income tax and 57% was paid as other transfers, such as sales taxes, withholding taxes, net VAT, royalties, license fees and social security payments.

From the end of 2021 to the end of 2022, the total taxes and fees paid by companies with two consecutive years of reporting increased by NOK 0.5 billion.

## Tax revenues per region




About 73 % of the taxes and fees paid by Norfund portfolio companies were paid by companies operating in Africa.

### 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.

Based on a review conducted in 2021, operational adjustments, including more focus on tax structure elements and adjustments in the investment manual, were initiated in 2022.

→ More about taxes and Norfund's Responsible Tax Policy

→ Why DFIs use offshore financial centers

# Norfund's investments in African agriculture and food systems

**In sub-Saharan Africa, 70–80 % of the population works in agriculture and fishing. The agriculture sector is a key part of Norfund's strategy to create jobs and improve lives by investing in companies that promote sustainable development.**

Successful investments in the agriculture sector and value chain help to combat poverty by creating jobs, boosting incomes, promoting climate change adaptation and enhancing food security. Agriculture is a demanding sector where risk is high and financial returns are often limited. There is therefore a great need for more risk capital than what is available in the market.

By investing directly in companies that produce and process food, Norfund helps to increase production efficiency and ease access to local or export markets. Combining a partner company's own production with contract cultivation by smallholders often gives them more secure market access, increased competence and inputs such as seeds and fertilizer. In recent years, Norfund has increased investments in companies that create markets for small-scale farmers.

Norfund has 22 direct investments within the food and agriculture sector with total commitments of NOK 2,444 million.

In 13 of the companies Norfund has invested directly in, Norfund has a board position, and 16 of the companies have received support through the Business Support scheme. Through active ownership, the fund contributes to increased expertise in addition to much-needed capital.

In early 2022, Norfund committed 20 million USD in the investment fund, AgDevCo, that specializes on investments in early-stage African agribusinesses to deliver jobs, income, and food security. Read more here.

Norfund also aims to enhance the sustainability and development effects of our investments in the sector through our Business Support facility.

By the end of 2022, more than 160 000 small-scale farmers were associated with the companies in Norfund's Scalable Enterprise portfolio, 43 percent of whom were women.


"We see that we can make a significant difference by investing in companies that provide small scale farmers long-term agreements with the possibility to sell their products at a decent price", says Andreas Davidsen, Vice President and head of Agribusiness and Manufacturing at Norfund.

## Giving farmers access to loans

Historically, traditional banks in Africa have seen a disproportionately low share of loan portfolio lending to primary agricultural and food and agricultural value chain clients. By investing in the development of banks and microfinance institutions, more farmers can get access to loans to invest in anything from new tools and seed varieties to artificial fertilizers and irrigation systems, thereby increasing their productivity and making production more climate resilient.

Arise is Norfund's main vehicle for large scale equity investments in banks in Africa. The platform, which Norfund owns together with FMO, the Dutch DFI, and Rabobank, one of the world's largest agricultural banks, has minority stakes in nine financial institutions based in eight countries, with an additional presence in over 33 countries across the continent. Arise sees great potential in the agricultural lending segment and is engaged in active dialogue with partner banks to realize more of this.

By the end of the 2022, Arise's sum of outstanding loans to farmers and farmer cooperatives (extended to primary Agri sector) was 11.4 billion NOK.

→ Read more about access to finance here

By using the Joint Impact Model, it is estimated that Norfund's investments support 600,000 indirect and induced jobs within agribusiness in the portfolio companies' supply chains and through spending of wages by employees and workers in the supply chains, and more than half of these indirect jobs are held by women. The model further estimates that an additional 4,100,000 jobs are enabled in agribusiness sectors through loans from banks and other financial institutions in Norfund's portfolio.

→ Read more about job creation and indirect jobs supported here

# Frontier Facility

**The Frontier Facility (formerly known as Project Development and Risk Mitigation facility) is managed as a separate facility and has a specific mandate set out by the MFA.**

### The facility serves 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 Frontier Facility is primarily used for projects that have a risk level which is higher than other investments in Norfund's core portfolio and to be used in our most demanding markets - in particular fragile states and Least Developed Countries (LDCs). These projects are therefore managed as a separate facility and are not included in Norfund's overall portfolio valuation.

In 2022, we approved two new projects, of which one was committed. In addition, Norfund successfully converted one of its Frontier investments into equity (see below). To optimize the Frontier mandate, we developed a new strategy for the facility, indicating our ambition to use this funding for fragile states and project development within Green Infrastructure.

Through the facility we committed to an investment in a pilot fund, the Katapult Africa Seed Fund. This fund is expected to fund and assist African start-ups within agri-tech and climate-tech.

→ **Norfund and SOS Children's Villages invest in African startups**

For a more comprehensive overview of the facility and active portfolio please refer to the Norfund website.

## Empower

Empower was established in 2017 with a strategy to provide equity financing for smaller 1-10 MW clean energy projects across sub-Saharan Africa. Such projects (below 10 MW) have historically been too small for international developers and providers of non-resource project finance.

Empower closed its first funding round in September 2019, with EDFI MC's ElectriFi as a cornerstone investor together with Norfund though the Frontier Facility. Other investors consist of Norwegian/European corporate and private investors.

This seed capital from Frontier was used to demonstrate Empower's business and financial concept, aiming to finance the underlying pipeline of renewable energy projects.

Norfund has been an active investor during this initial phase – with participation in the investment committee and Board through an external representative as well as a shareholder.

In 2022, Norfund continued its support to Empower as it closed its second funding round. This follow-on investment meant a first successful exit through the Frontier Facility.

# Investing in the transition to net zero

**Climate Mandate**

## About the Climate Investment Fund

**In 2022 the Climate Investment Fund managed by Norfund became operational. The fund is Norway's most important tool in accelerating the global energy transition by investing in renewable energy in developing countries with large emissions from coal and other fossil power production.**

To help developing countries build their economy on the backbone of renewable energy, the Climate Investment Fund (CIM) will allocate 10 billion NOK from 2022-2027 to invest in renewable energy and low carbon technologies.

Norfund will manage the fund on behalf of the Ministry of Foreign Affairs. The investments under the Climate Investment Fund will be made under Norfund's own name, but the fund's investments and portfolio will be managed separately from Norfund's other activities.

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### Climate Fund Instructions

→ (in Norwegian)

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## The strategy for the climate investment fund

The Climate Investment Fund shall contribute to reduce or avoid GHG emissions from coal fired power and other fossil energy production and ensure that economic growth is built on low carbon technologies through investments in renewable energy and enabling technologies in emerging markets where GHG emissions are or are expected to become large.

Within our mandate, we need to prioritize. Our strategic choices with respect to prioritization have been assessed against three criteria: climate impact, additionality and feasibility. Our strategy builds on strategic choices along nine dimensions that will allow us to effectively invest the funds in line with the given mandate.

### Geography

The Climate Investment Fund will prioritize existing Norfund strategy countries in order to maintain focus and build on existing capabilities. Among existing strategy countries, we will prioritize 8 core countries: India, Vietnam, Philippines, Cambodia, Indonesia, Sri Lanka, Bangladesh and South Africa. We will allow exposure limits of up to 25% for large, core countries such as India and South Africa.

Investment countries under the Climate Investment Mandate

**CORE COUNTRIES**

Bangladesh
Cambodia
India
Indonesia
Philippines
Sri Lanka
South Africa
Vietnam

## Sectors

We will invest in both large scale renewables such as wind farms and smaller C&I opportunities such as rooftop solar. We may also invest in enabling technologies with high climate impact (e.g., storage, transmission), focusing on verticals where Norfund has strong competences, can be additional and where there are investable opportunities in our markets.

*Photo: Globeleq*

## Risk profile

The CIM will adopt the risk appetite statement of Norfund, but with the opportunity to take somewhat higher technology commercialization risk. In this way, Norfund can help accelerate the implementation of clean energy technologies in our markets through investments that private sector players hesitate to take on.

## Partners and platforms

The climate mandate will, in line with Norfund's overarching strategy, aim to establish new as well as strengthen existing platforms and partnerships.

This strategy of sharing risk can enable industrial investors to realize more projects or enter into new markets, thereby multiplying the impact of Norfund's capital, and leading to sustainable business ventures.

## Exits

Under the CIM we have an ambition to actively seek exit of mature or de-risked investments to circulate capital and multiply the climate impact we can have per dollar committed to the fund. To achieve this, we will build on the improving practices regarding exits already emerging for the past years, including assessing exit opportunities at investment and structure investments with exit in mind

## Ambitions

The climate fund have the following ambitions to measure how successful we have been in delivering on the mandate:

- **9 GW** new renewable energy capacity financed
- **14 million** tons CO2 avoided per year[2] – equivalent to 30% of Norway's annual GHG emissions
- **1bn invested** into "next wave" technologies
- **10X multiplier effect** per $ invested by Norfund

# Investments 2022

**Climate Mandate**

**The Climate Investment Fund became formally operative in May 2022. Since then, several significant investments have been made, putting over 2 billion NOK to work.**

## SAEL Industries, India

SAEL Group was founded in 1999 and prior to Norfund investment was 100% owned by the Singh Awla family. The Group was initially focused on agricultural solutions including agri-processing (rice milling) and agricultural warehouses. More recently, the group has expanded into energy solutions, building on their agricultural base to establish a number of power plants utilizing agricultural wastes, primarily paddy straw, as feedstock. SAEL Industries now has committed 166 MW of waste-to-energy plant and 382 MWp of solar power capacity. The waste-to-energy business procures feedstock from farmers in the Punjab region, reducing farmers burning of stubble and so helping address the concern with air pollution linked to this practice. The business provides an additional income stream to farmers as well as contributing baseload renewable power to the grid. SAEL also owns and operates a solar module assembly plant in India which provides modules to their own solar installations.

Norfund committed ca NOK 600 million in equity to the business to support growth. The expectation is that the business will be able to grow to over 3 GW of installed capacity across both the biomass and solar technologies, which would result in ca 7 million tons of CO2 avoided annually.

## Enel Green Power, India

Enel Green Power, founded in 2008 within the Enel Group to develop and manage renewable power projects globally, operates over 59 GW of installed renewable capacity in Europe, Asia, Africa and the Americas. In July 2020 Norfund and Enel Green Power entered into a joint investment agreement for renewable energy projects in India.

The first project financed under this partnership was the 420 MWp Thar solar plant in Rajasthan. Enel was awarded the rights to this project under a government run auction, and the plant sells power to the state-owned Solar Energy Corporation of India (SECI) under a 25 year power purchase agreement. Norfund and KLP via the investment partnership KNI India together invested ca NOK 350 million and own 49% of the plant which had a capital expenditure of USD 180 million. The plant is expected to produce ca 800 GWh per year and avoid ca 656,000 tons CO2 per year. Norfund and KLP have also provided loan guarantees so that Norfund's total commitment level is NOK 282 million.

The second project financed with Enel Green Power is a 168 MW wind project ("Coral") in Gujarat state. As with Thar, Enel was awarded the rights to sell power to SECI under a government run auction and has entered into a 25 year power purchase agreement. KLP has also invested in this project with Norfund and jointly we have committed ca NOK 317 million in equity capital towards the construction of the project, in addition to loan guarantees of up to NOK 530 million. Once operational, the plant is expected to produce ca 700 GWh per year and avoid ca 573,000 tons CO2 per year.

## H1 Group, South Africa

H1 Capital is a South African owned company, qualified as a Black Economic Empowerment ("BEE") entity, which is active in the renewables industry. They have partnered with international power companies including Enel Green Power, EdF, Scatec and Mainstream, and own minority stakes in a number of large power plants including wind, solar and hydropower plants as well as a small waste heat recovery plant.

Norfund has provided NOK 212 million equity to H1 Capital in the form of preference shares, as well as providing mezzanine debt to subsidiaries to support financing of underlying projects. The projects Norfund's climate fund has supported with mezzanine debt include:

- **Kenhardt**: This is Scatec's solar battery project that provides dispatchable power to the grid. The project was awarded under the "Risk Mitigation" auction where the Government tendered for dispatchable power. Scatec's project was the only pure renewables solution awarded. The installation comprises 540 MWp of solar capacity and 225 MW/1,140 MWh of battery storage under a 20 year power purchase agreement where 150 MW of power should be available 16.5 hours per day. With a total capex of ca USD 1 billion, this project is one of the largest solar and storage projects in the world. Norfund has provided a local currency loan of NOK 407 million to a subsidiary of H1 Capital to part finance H1's 49% stake in the project. The project is expected to deliver ca 900 GWh per annum and will avoid ca 766,000 tons CO2 per annum.

- **EdF wind portfolio**: H1 has partnered with EdF for 3 x 140 MW wind projects which were awarded contracts in the 5$^{th}$ round of the South African renewable energy auctions. The EdF projects were the first of this auction round to reach financial close. The projects are expected to deliver 1,400 GWh per year and avoid 1,800,000 tons CO2 per year. H1 has a 29% stake in the projects, and Norfund has provided a local currency loan of ca NOK 181 million to an H1 subsidiary to part finance the equity requirement.

## Koppal Narendra, India

ReNew is one of the largest renewable energy independent power producers in India. In 2019-20 ReNew contributed nearly 1% of the total electricity generated in India. The company develops, builds, owns, and operates utility-scale wind energy, solar energy, and hydro projects.

To meet growth in electricity demand over the next twenty years, according to the IEA, India will need to add a power system the size of the EU. Scaling up solar and wind energy requires significant investments in transmission lines to stabilize the grid and transport energy from the areas most suitable for solar and wind.

The Koppal Narendra investment, made together with ReNew and KLP, is a 137 km high voltage transmission line and substation in Karnataka, India under a build-own-operate concession. ReNew is one of India's largest renewable generation companies with close to 8 GW of capacity in operation. The Koppal Narendra project is ReNew and Norfund's first investment in an independent transmission asset and will allow up to 2.5 GW of renewable power to be dispatched to the national grid. The line is currently under construction and should be operational end 2023.

Norfund is investing alongside KLP, and together we will invest around 900 million INR (109 million NOK) for 49% ownership stake in the transmission project, with ambitions for further joint investments.

| Investment | Country | Investment year | Instrument | Ownership share | Domicile | Committed (MNOK) |
|---|---|---|---|---|---|---|
| Enel Thar Solar | India | 2022 | Equity and guarantees | 25% | India | 285.2 |
| ENEL Coral | India | 2022 | Equity and guarantees | 25% | India | 410.4 |
| H1 Capital | South Africa | 2022 | Equity | N/A | South Africa | 212.7 |
| H1 Kenhardt | South Africa | 2022 | Loans | N/A | South Africa | 406.3 |
| H1 EDF | South Africa | 2022 | Loans | N/A | South Africa | 180.4 |
| Koppal Narendra | India | 2022 | Equity | 25% | India | 55.3 |
| SAEL | India | 2022 | Equity | N/A | India | 636.4 |

# Impact – Climate Mandate

Emissions avoided

Increased renewable energy supply

Jobs and taxes

# Emissions avoided

**Climate Mandate**

**Norfund plays a vital role in unlocking investments in renewable energy that would not otherwise be realized, thereby avoiding emissions and mitigating climate change. Investing in renewable energy in developing countries is crucial for building sustainable and resilient energy systems while reducing emissions.**

# 6.2 million tonnes CO2e

**estimated ex-ante CO2e emissions avoided from projects financed in 2022**

→ Investing in the transition to net zero

## Results 2022

### Expected avoided emissions (ex-ante)

Norfund's investments in renewable energy are contributing to the replacement of electricity that would otherwise have been produced from fossil fuels, thereby preventing the emission of greenhouse gases. In 2022, Norfund financed 5 investment projects that, when operational, are estimated to avoid 6.2 million tonnes of CO2e emissions annually.

Additionally, Norfund financed a transmission line in India that will enable 2.5 GW of wind power to feed onto the grid, resulting in an estimated 7.2 million CO2e avoided annually.

### Avoided emissions in 2022 (ex-post)

As of 31.12.2022, too few investments under the Climate mandate were operational to be included in the reporting.

### Methodology for calculating avoided emissions:

Norfund uses the harmonized IFI approach ‘Methodological Approach for the Common Default Grid Emission Factor Dataset’ (2022) to estimate avoided emissions from our energy investments. For ex-ante estimated avoided emissions, we use the “Combined margin[1]”, while for estimating avoided emissions ex-post, we use the emission factor for the reporting year, in line with PCAF reporting standard.

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[1] Combined margin: combines “Operating Margin” - existing power plants whose operation will be most affected by the project, and “Build Margin” - average emission intensities for new electricity generation projected over the next 8 years according to the most recent World Energy Outlook (IEA).

# Increased renewable energy supply

**Climate Mandate**

> **Renewable energy is vital for economic growth, job opportunities, and improved living standards in developing countries. It provides affordable and sustainable electricity, creates jobs, and reduces greenhouse gas emissions. Supporting the transition to renewable energy systems in developing countries is crucial for sustainable development and addressing the climate crisis.**

| | |
|---|---|
| **2443 MW** | **Results 2022**<br>100% renewable new capacity financed |
| **9 GW** | **Target 2022-2026**<br>new renewable capacity financed |

In 2022, Norfund financed 2,443 MW of new renewable electricity generation capacity over the Climate Mandate.

# Jobs and taxes

### Climate Mandate

## Job creation

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

In the power sector, jobs are created both in the companies during construction and in the operations phase. Most importantly, a more stable power supply can enable businesses to increase their business output and thereby indirect job creation.

*Norfund's investments contribute both directly and indirectly to achieving SDG Target 8.5*

## Results in 2022

Norfund collects data on jobs in the portfolio companies and use the Joint Impact Model to estimate power enabled jobs. However, due to limited number of investments in the Climate Investment Fund by end of 2022, aggregate data on jobs are not publicly disclosed for the Climate Mandate.

→ Read more about jobs in the Development Mandate

## Tax revenues

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

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 in 2022

Norfund collects data on tax revenues from the portfolio companies. However, as the Climate Investment Fund became operational in 2022 and due to a limited number of investments, aggregate data on tax revenues are not publicly disclosed for the Climate Mandate.

→ Read more about tax revenues in the Development Mandate

# Financial statements

| Income Statement | | |
|---|---|---|
| **(Figures in 1000s of NOK)** | **Note** | **2022** |
| Dividends received | 2 | 0 |
| **Total operating income** | | **0** |
| | | |
| Operating expenses | | |
| Payroll expenses | | 0 |
| Management costs | 3 | 4 714 |
| Other operating expenses | | 0 |
| **Operating expenses** | | **4 714** |
| | | |
| **Profit/loss (-) on operations** | | **-4 714** |
| | | |
| Net financial items | | 0 |
| | | |
| Profit/loss for the year | | -4 714 |
| | | |
| Allocations | | |
| Transferred to / from surplus fund | 5 | -4 714 |
| **Total allocations** | | **-4 714** |

| Balance Sheet | | |
|---|---|---|
| (Figures in 1000s of NOK) | | |
| Assets | | |
| Investments in equities and funds | 4 | 0 |
| **Total investments** | | **0** |
| | | |
| **Bank deposits, cash and cash equivalents** | | **1 567 180** |
| | | |
| **Total current assets** | | **1 567 180** |
| | | |
| **Total assets** | | **1 567 180** |
| | | |
| Equity | | |
| | | |
| Called and fully paid capital | | |
| Primary capital | 5 | 0 |
| Reserve capital | 5 | 0 |
| **Total called and fully paid capital** | | **0** |
| | | |
| Retained earnings | | |
| Surplus fund | 5 | -4 714 |
| **Total retained earnings** | | **-4 714** |
| | | |
| Total equity | | |
| | | |
| **Liabilities** | | **0** |
| | | |
| **Total equity and liabilities** | | **-4 714** |

## Note 1

These accounts for the Climate Investment Fund (CIF) follow the same principles as Norfund's annual accounts.

## Note 2

Dividend received from our first investment of NOK 601 thousand in H1 Capital, South

Africa.

## Note 3

Management fees are calculated on the basis of the CIF’s share of Norfund's total portfolio and total expenses. The portfolio share is based on the historical cost of the investments. In 2022 the CIF accounted for 1.84% of Norfund's total investments.

We also refer to the above in the board's report under the section "Organisation and operational efficiency".

## Note 4

The CIF made the following investments in 2022. Additional information can be found in the Climate Investment Fund's report under "Climate Mandate - Investments 2022":

| | Committed amount | Current cost |
|---|---|---|
| KNI INDIA AS | 738 000 | 215 235 |
| H1 Capital* | 805 000 | 212 745 |
| SAEL Industries | 593 000 | 0 |
| **Total** | **2 136 000** | **427 981** |

*One of the investments with H1 Capital (213 MNOK) was committed under the Development Mandate in December 2021 and transferred to the Climate Investment Fund in 2022.

## Note 5

| Equity | | | | |
|---|---|---|---|---|
| | Primary capital | Reserve capital | Surplus fund | Equity |
| Transferred from Ministry of Foreign Affairs | 750 000 | 250 000 | 0 | |
| Earmarking of Norfund's surplus fund | | | 1 000 000 | |
| Profit/loss for the year | | | −4 714 | |
| **Capital at 31.12.2022** | **750 000** | **250 000** | **995 286** | **1 995 286** |

# Board of Directors' Report and Annual Financial Accounts

# Board of Directors' report

The president of Ghana stated in an address in May of 2022 that, "Though the bombs are falling far away, they are hitting us here in Africa", a pertinent observation of the fact that as with COVID-19, the impacts of the war in the Ukraine and macroeconomic instability are hitting hard in the poorest countries.

Following an economic rebound in 2021, the world economy was hit by inflation, rising interest rates and a slowdown in economic growth in 2022. The Russian invasion of Ukraine drove up the prices of energy, food and fertilizers in particular. According to the World Bank, inflation reached almost 10 per cent in emerging and developing economies (EMDEs), its highest level since 2008, and in advanced economies it reached just over 9 per cent, the highest since 1982.

Monetary tightening, rising interest rates and risk aversion led to depreciation of many currencies and capital outflows from many EMDEs. While food prices eased somewhat toward the end of 2022, food price inflation remained very high in some EMDEs. For Low Income Countries (LICs) the number of people living in food insecurity increased from around 92 to 104 million people between 2021 and 2022. This is further exacerbated by a significant increase in the number of extreme weather-related events in LICs.

Increased poverty and an inequitable distribution of global investments heightens the need for Norfund's activity. The International Energy Agency has reported that clean energy investments grew by 8 per cent in 2022, but half of this increase is linked to rising costs. However, the growth is concentrated in advanced economies with EMDEs stuck at 2015 levels. This illustrates the importance of the establishment of the Climate Investment Fund.

In 2022 Norfund increased its investment in developing countries by 22.5 per cent, to another record-high 6.5 billion NOK. This was possible through a combination of available funds from the sale of SN Power (completed in 2021), recycling of funds through selling assets and stable, annual capital injections from the Norwegian government.

With continued capital injections from the Norwegian government, Norfund is in a position to maintain a high level of investment in the years ahead.

# About Norfund

## Norfund's mandates and strategy

Norfund was founded in 1997 as Norway's key instrument for promoting investment in developing countries. The fund's mandate is to contribute to the development of sustainable business and industry in developing countries by providing equity and other risk capital and furnishing loans and guarantees. The aim is to establish viable, profitable businesses that would not otherwise be initiated because of the high risk involved.

In addition to Norfund's original development mandate given in the Norfund Act, Norfund was in 2022 assigned the management of the Climate Investment Fund on behalf of the Norwegian state. The aim of the fund is to accelerate global energy transition by investing in renewable energy in developing countries with large emissions from coal and other fossil power production. The new mandate builds on Norfund's long track record of investing in renewable energy and there are considerable synergies between the two mandates. The fund is managed according to a separate instruction issued by the Ministry of Foreign Affairs, anchored in a revision of the Norfund Act. This means that Norfund now has two mandates – a development mandate and a climate mandate.

The mission of the ***development mandate*** is to create jobs and improve lives by investing in companies that contribute to sustainable development. Here, Norfund has four investment areas, the largest being Financial Inclusion, which invests in banks, microfinance, as well as insurance and fintech. The second largest is Renewable Energy, which invests in solar, wind and hydropower plants as well as distributed energy solutions. Scalable Enterprises covers investment in the agricultural value chain, manufacturing industry and funds. Green Infrastructure covers investment in water supply and waste management. Each investment area has ambitions that contribute directly and in a measurable way to the achievement of the UN Sustainable Development Goals. Under the ***development mandate***, Norfund prioritises investing in countries where capital is scarce, such as Least Developed Countries (LDCs) and Sub-Saharan Africa and is primarily an equity investor. Further, the Ministry of Foreign Affairs has decided that approximately 60 per cent of capital injections from the state budget should over time be invested in renewable energy (starting as of 2022).

For the ***climate mandate*** the mission is to contribute to the transition to net zero in emerging markets. Here, Norfund invests primarily in large-scale renewable power plants as well as commercial and industrial energy solutions. Also for this mandate, Norfund prioritises equity. For the climate mandate, the geography is primarily middle-income countries where the potential to avoid large-scale greenhouse gas emissions is significant.

Under ***both mandates***, Norfund strives to be a responsible owner, tailoring our engagement to the industry, instrument and risk level of our investment. For some investments (such as equity investments with a substantial stake), we will take an active role, for others (such as loans to banks), we will be less active, but still ensure that we are a responsible owner with high ethical standards. We will always seek to exit when our role as investor is no longer needed so that capital can be recycled and put to work in new investments.

For all of Norfund's investments we collaborate with and rely on strong, local partners. These partners are the companies in which we invest, their owners, management teams and employees as well as our co-investors, both locally and internationally. This is core to our model and to how we can invest responsibly and with healthy returns in our markets.

## Financing

Norfund is financed through annual capital allocations from the Norwegian government and the surplus generated by its investment activities. In 2022, government allocations amounted to 1.7 billion NOK to the development mandate and 1 billion NOK to the climate mandate. In addition to the capital allocations, Norfund received a grant of 15 million NOK for the Business Support programme. As of 31 December 2022, Norfund's committed portfolio amounted to 31.65 billion NOK. The return in the form of interest and return on investment, repayment of loans and realisation of earlier investments makes up a growing share of the Fund's available investment capital and enables Norfund to increase the volume of its investment and contribute to even stronger development and climate effects going forward.

### Additionality

Most countries in which Norfund invests hold limited attraction for international investors because the risk associated with them is considered too high. Norfund's expertise, willingness and ability to manage risk are therefore important for bringing capital to and succeeding in these countries. Additionality is therefore key to how Norfund invests. The Fund is financially additional in that it supplies capital that businesses would otherwise have difficulty securing because of a shortage of capital and high risk. Norfund is value additional in that it contributes beyond the financial capital through active ownership, promoting environmental and social standards, and business improvements. Norfund is a minority investor and thereby also contributes to mobilising capital from other investors, both in Norway and worldwide. Norfund's additionality ambitions for the individual investments are registered and reported to the OECD Development Assistance Committee and reported on Norfund's website.

## Investments and results in 2022

### Investments and results in 2022 – Development mandate portfolio

In 2022, the development mandate delivered an estimated return, measured as IRR,[1] of 5.1 per cent measured in the investment currency and 14.8 per cent measured in NOK. Since its inception, the portfolio has had an IRR of 5.1 per cent measured in investment currencies and 8.1 per cent measured in NOK. The profitability of the portfolio was in line with expectations. As of end 2022, committed portfolio was 29.5 billion NOK, an increase of 2.6 billion NOK. The rise reflects this year's commitments and FX effects due to the weakening of the NOK, with the transfer for one project to the climate mandate and a significant exit tempering the increase.

For the development mandate, Norfund committed 4.5 billion NOK and made 34 new and 18 follow-on investments. Investments were broadly distributed within Norfund's investment areas, with 1.8 billion NOK in Financial Inclusion and 1.1 billion NOK in Renewable Energy. Direct investment in Scalable Enterprises (agricultural value chain and manufacturing) amounted to 839 million NOK, and 680 million NOK was invested in Scalable Enterprises through funds. The newest investment area Green Infrastructure remains small, with 139 million NOK invested in 2022.

Investment in LDCs accounted for 37 per cent of the portfolio at the end of 2022, while investment in Sub-Saharan Africa accounted for 63 per cent of the portfolio. Equity investment accounted for 74 per cent of the portfolio at the end of the year. The new Renewable Energy KPI ended at 64 Per cent at the end of 2022. Norfund's portfolio is thus well within the key performance indicators set by the Board, which stipulate that at least 33 per cent of the portfolio must be in LDCs, 50 per cent must be in Sub-Saharan Africa, 70 per cent in equity, as well as approximately 60 per cent of capital allocations to Norfund over time should be invested in renewable energy.

Norfund's investments contribute directly to the attainment of the UN Sustainable Development Goals. For the development mandate, these are SDG 1 (No poverty), 7 (Affordable and clean energy), 8 (Decent work and economic growth) and 9 (Industry innovation and infrastructure. Each year, Norfund gathers data on development effects in our portfolio companies. These include companies we are invested in both directly and indirectly through platforms and funds. The data is gathered based on harmonized indicators. In 2022 Norfund received data from 915 companies (a 97% response rate) for the Development Mandate. To highlight the actual development in portfolio companies, we also report changes from 2021 to 2022 for those which were part of the portfolio and reported also 2022/2021 data (71%).

At the close of 2022 there were a total of 514,000 jobs in Norfund's portfolio companies. 60% of these were in Africa, and 28% were in Least Developed Countries. Women held 37% of these jobs; youth under the age of 25 held 18% of them. There was a net increase of 24,500 new jobs in Norfund's portfolio companies in 2022, equivalent to a 7% increase, the largest part being in Africa. Taxes and fees paid by portfolio companies constituted 23.2 billion NOK, of which 17 billion NOK was paid in Africa.

Norfund uses the Joint Impact Model to estimate the indirect effects of our investments. These estimates show that the ripple effects of Norfund's investments both backwards (value chain and suppliers) and enabled (effects of access to finance and energy) are substantially bigger than the direct effects. It should be noted though that these numbers are modeled estimates and come with a significant degree of uncertainty.

As part of the Norfund strategy for 2019-2022 ambitions were set for each investment area to reflect accumulated organic growth (that is, development in the companies after

Norfund invested) on sector-relevant parameters. Clean energy delivered above ambitions with access to energy at 7.6 million new households (2022 goal: 1.5 million) and new capacity financed at 5.3 GW (2022 goal: 5 GW). Financial Institutions also delivered above ambitions with 32.1 million new banking clients (2022 goal: 15 million clients) and an increased loan portfolio of 195.9 billion NOK (2022 goal: 130 billion NOK). For Scalable Enterprises, the situation was more challenging, particularly due to COVID-19. Ambitions were not met, with increased revenues for portfolio companies at 1.1 billion NOK 2022 goal: 2 billion NOK) and 32,300 new jobs created (2022 goal: 50,000).

All numbers for development effects are unattributed, meaning they show the total effect of Norfund's portfolio companies and do not account for Norfund's ownership stake. More comprehensive information on Norfund's development effects is available in the annual report.

[1] *IRR in Norfund is at a gross rate as costs related to investing in the instrument such as due diligence, evaluation and other direct or indirect costs are not considered.*

## Investments and results in 2022 – Climate mandate portfolio

The climate mandate became operational in 2022, making it too early to report meaningful numbers on financial returns. At the end of 2022, the total committed portfolio was 2.14 billion NOK. The investments were primarily in large-scale integrated power producers (IPPs), and one in transmission. For the climate mandate, the board has set an indicative risk threshold for individual country exposure of 25 per cent. 2022 was the first year of investment and the fund invested in only two countries (India and South Africa), which means it is too early to apply the risk threshold.

Also for the climate mandate, Norfund's investments contribute directly to the attainment of the UN Sustainable Development Goals. These are SDG 13 (Climate action), 7 (Affordable and clean energy) and 8 (Decent work and economic growth). For 2022 Norfund contributed to financing 2 443 MW renewable energy and estimated ex ante avoided greenhouse gas emissions of 6,2 million tonnes CO2 equivalents. This is in line with the ambitions for the strategy period for the climate mandate (2022-2026) of 9 GW renewable energy financed and 14 million tonnes of avoided emissions. Due to the fact that only a limited number of companies in the climate mandate portfolio reported data for 2022 it is not possible to report on jobs and taxes. This will be reported for 2023. As for the development mandate, this numbers are not unattributed.

## Review of the financial statements

Norfund ended the year with an operating income of 1070 million NOK and a positive result after tax of 2.243 billion NOK. We received total dividends of 421.2 million NOK where KLP Norfund Invest AS (138 million NOK), Agua Imara (92 million NOK), Klinchenberg B.V. (82 million NOK), a joint venture with Scatec, and Arise B.V. (33 million NOK), were the most significant. Interest income has increased significantly to 475 million NOK as we have achieved a growth of 28 per cent of our loan portfolio in local currency, while floating interest rates have soared as national banks have increased their interest rates from around zero to levels we have not had since prior to the financial crisis. However, the most significant effect on income and financial statements for 2022 is the significantly weaker NOK with a 11.8 per cent decrease against USD, our main currency. The historically weak NOK results in a higher value of investments and cash holdings converted into NOK. This shows the significant impact that NOK fluctuations have on income and financial statements, an effect that will be reversed if there is a similar strengthening of the NOK. To the board, however, the relevant indicator is IRR measured in local currency as this better captures Norfund’s underlying performance.

While some investment areas have seen improvements as COVID-19 restrictions have been lifted, repercussions of the pandemic as well as the Russian invasion of Ukraine have led to high inflation rates in many markets, with negative effects on our investments and subsequent write-downs. Further, as the situation in Myanmar remains challenging, we have further written down our investments in the country with NOK 63 million and have now written down an average of 72 per cent of these assets. All in all, we have accounted for net write-downs of 243 million NOK in 2022.

Last year, overall labor costs rose by 14 per cent, to 180 million NOK, after further strengthening both corporate and investment departments to be able to deliver on the climate investment mandate. This also means increases in the other cost areas, but on balance within the expectations for 2022. Travel costs remained at a lower level than we expected as travel has been still restricted throughout the first quarter of 2022.

Norfund's overall balance at the end of 2022 was 37.4 billion NOK, an increase of 4.9 billion NOK on 31.12.2021. The total earnings added to the earned equity amounted to 2.2 billion NOK. As of 31.12.2022 the net asset value, based on the estimated market value of Norfund's portfolio, was 39.8 billion NOK.

At the end of 2022, Norfund had outstanding, undisbursed commitments totaling 8.5 billion NOK. Cash holdings were 5.5 billion NOK, in addition to current assets of 8.3 billion NOK. When the Climate Investment Fund was established, 5 billion NOK of Norfund’s cash and current asset reserves were reserved for this purpose. The Board regards liquidity as sound and confirms that the going concern assumption applies. In the opinion of the Board of Directors, the financial statements for 2022 provide a true and fair view of Norfund’s financial position.

## Organisation, environment and corporate social responsibility

### Corporate governance

The General Assembly is Norfund’s supreme body. Corporate governance is exercised through decisions taken by the General Assembly, including the adoption of and any amendments to the Norfund statutes. In 2022 an extraordinary general meeting was held to pass a resolution to amend Norfund’s statutes to include a new article on the management of the Climate Investment Fund and raise the expectation on Norfund’s investments in renewable energy. In addition, a resolution was passed to formalise the governance instructions for the Climate Investment Fund. These resolutions were anchored in a revision of the Norfund Act, passed by the Norwegian parliament, to reflect the fact that Norfund has now been tasked with managing the new fund. The Norwegian Ministry of Foreign Affairs receives quarterly reports, and four contact meetings are held through the year. Norfund’s Board of Directors is elected by the General Meeting, and two members are elected by and among the Fund’s employees. The Board consists of nine members. In 2022, the Board held a total of eight Board meetings. In addition, the Board travelled to London and Cambridge for a session on Norfund’s role in a changing world and meetings with key partners. Norfund has taken out a Directors and Officers Liability Insurance with AIG.

Norfund has a framework of governing documents ranging from the Norfund Act and statutes to policies adopted by the board, guidelines for important areas, to procedures for the conduct and follow-up of investment activities. The structure is geared to Norfund's activities. The Investment Committee considers investment proposals and contributes to quality assurance. In 2022 the committee consisted of eight members, two of whom are external. The Credit Committee considers and approves loans to financial institutions and consists of five members, one of whom is external. Both committees are authorised to approve individual investments of between 4 million USD and 20 million USD. Both committees also submit their recommendations for investments of over 20 million USD, but it is the Board that approves them. Investments of less than 4 million USD are considered and approved by the management.

## Risk management and internal control

It is at the core of Norfund's mandate to take risk. The risks taken and how these are managed are set up in Norfund's risk appetite statement. This statement describes two categories of risks. The first is about where and in what Norfund invests (such as markets, instruments, and currency risks). These risks are managed by market insight, local presence, and portfolio diversification. The second category is risks related to how investment partners are selected and how Norfund operates and runs investment and operational processes (such as risk of corruption, ESG compliance and health & safety). These risks are minimized by designing and implementing appropriate systems and processes, regular training, contractual requirements, internal control and compliance. The risk appetite statement was updated in 2022 to also include climate risk.

In 2022, Norfund worked to strengthen and operationalise the recently introduced risk management initiatives. This includes the systematic use of the framework for Enterprise Risk Management (ERM) which is a tool for the management and board to identify, monitor and manage key operational risks. Under the current framework, the risk overview is updated and reported to the management team, Risk and Audit Committee and the Board every six months. IT security continued to be a priority and a new IT strategy was developed. An external audit of the IT operations was performed, concluding that governance and control of the IT operations and IT security has been significantly improved.

Financial operations continued to streamline processes and implemented further checks and segregation of duties to minimize risk of fraud and unintended error, especially regarding payments. A new accounting system was introduced in 2022 to improve overview of the daily business and to enable automatization of processes and reconciliations to reduce risk with manual tasks.

Norfund has developed a country risk tool to assess, understand and manage country risk. This tool enables Norfund to monitor portfolio exposure by country and the risk level of the country with respect to political, economic, E&S and business integrity. Based on the country risk tool the board has set risk thresholds on exposure to individual countries and groups of countries. The country exposure under both the development and climate mandate are in line with the indicative risk thresholds set by the board.

Norfund has zero tolerance for corruption and financial irregularities in its portfolio companies. There were six reports of purported financial irregularities in the portfolio, of which two cases were documented irregularities and four cases remain unsubstantiated allegations. Norfund has established systems for preventing, reporting and handling irregularities in its portfolio. One of the confirmed cases was reported further to the Ministry of Foreign Affairs.

In addition to the reports on purported financial irregularities from our portfolio companies, Norfund received a total of six whistleblowing reports through our externally managed whistleblowing channel. Norfund has followed up, maintaining confidentiality and integrity of the whistleblowers in accordance with internal procedures. No allegations or claims raised through the whistleblowing channel in 2022 have led to any further criminal or formal proceedings.  A dedicated business integrity week was launched in 2021 and carried out for the second time in 2022 with corruption as the main theme.

## Organisation and operational efficiency

Norfund has experienced substantial growth over the past few years, both in new investments, size of portfolio and number of employees. As the organisation grows it has been necessary to strengthen corporate staff functions to ensure that the growth is monitored and supported sufficiently. Recruitments during 2022 have primarily been related to the responsibility for the climate mandate as well as increased expectations and requirements for measurement and reporting. The regional offices have also grown, reflecting the ambition to primarily grow the organisation close to the markets in which Norfund invests. In 2022 Norfund initiated a cost efficiency study, mapping Norfund against a selection of other DFIs. Preliminary findings show that Norfund is among the most cost efficient, as measured by the share of operational costs of committed capital. Norfund’s ambition is that this number will remain below the average of comparable development finance institutions. This, combined with the efforts to strengthen and improve processes as described under «Risk management and internal control» will going forward strengthen Norfund’s work on operational efficiency.

Increased complexity due to organisational growth has been defined as a key risk. Acknowledging that a specific and concrete corporate culture is paramount to ensure that the organisation develops and grows smart, Norfund initiated a project in 2022 to further strengthen the corporate culture. This resulted in *The Norfund Way* – five action driven values that describe the attitudes and behaviours we believe are most important to promote and deliver on Norfund’s mandate.

By year end 2022 Norfund had 127 employees; of those 121 are permanent positions, representing 24 nationalities. Strong regional offices with experienced teams that are close to our markets are vital to succeed with Norfund’s investment strategy. In addition to the office in Oslo, Norfund consists of five regional offices in Accra, Cape Town and Nairobi in Africa, Bangkok in Asia, and San José in Central America.

The activity duty and the duty to issue a statement (aktivitets- og redegjørelsesplikten) is provided in a separate report on the Norfund website, available under the annual report. Norfund has guidelines for recruitment, competence building and gender equality and procedures for employee follow-up and remuneration. In 2022, “desk swap” was introduced, whereby employees can work at a different office for a short period of time. The aim is to strengthen company culture and promote learning across the organisation as well as increase employee motivation. In 2022, 10 employees were assigned to desk swaps.

Norfund is hiring more young employees, and the average age has fallen from 41.4 in 2019 to 40.4 in 2022. The gender balance remains stable with 48 per cent female and 52 per cent male employees. In 2022, Norfund had 23 new employees, 48 per cent women and 70 per cent aged 30 or under. The internal network "Young Norfund" ran a self-leadership training and provided an arena for young employees to develop professional skills and share experience. In 2022 Norfund continued the internship programme, which aims to enhance diversity and support employer branding. Six students/recent graduates participated.

Sick leave in 2022 amounted to two per cent of working hours. This is one per centage point lower than in 2021, and the Board of Directors does not deem it necessary to implement special measures relating to the working environment or designed to promote the aims of the Norwegian Anti-Discrimination Act and Anti-Discrimination and Accessibility Act.

In 2022, Norfund continued to monitor salary levels across functions, including conducting an annual gender pay gap analysis. Following the adjustments that were made in 2021, no further adjustments were required in 2022. Guidelines for executive pay and reports on salaries and other remuneration of senior executives are both published on the Norfund website.

## Corporate social responsibility

Social responsibility is a foundation for Norfund's activities, both for its own operations and the portfolio companies. The cross-cutting considerations of Norwegian development policy – human rights, gender equality, anti-corruption, climate and environment – all form part of these efforts.

Norfund has significantly strengthened its work on climate in 2022. The ambitions and actions in this area reflect owner expectations and the fact that Norfund is an investor in developing countries, which presents different challenges and opportunities than for organisations in more developed markets. Norfund is aligned with the other European DFIs in its commitment to net zero by 2050, aligning all new investments with the Paris agreement and assessing climate risk for all new investments. Norfund also reports in line with TCFD. In 2022, improvements were made to strengthen climate competence and integrate risk assessments into the investment process. Integrating climate effectively is challenging and this work will continue in the coming years.

With regards to Norfund's own operations, Norfund was certified as an Eco-Lighthouse (Miljøfyrtårn) in 2022 and uses this framework to improve our internal environmental performance. Emissions from operations and the process to estimate emissions from the investment portfolio can be found in Norfund's annual report.

For the ***development mandate***, there is a requirement that approximately 60 per cent (previously 50 per cent) of capital allocations from the government should over time be invested in renewable energy, an important contribution to mitigating climate change. In line with the mandate, the organization will also continue to prioritise the least developed countries and Sub-Saharan Africa, which are expected to be hardest hit by climate change.

For the ***climate mandate***, established in 2022, the mission is to avoid greenhouse gas emissions and hence this is a cornerstone of Norfund's contribution to mitigating climate change.

Norfund works systematically with environmental and social (E&S) risk throughout the investment process, applying the environmental and social standards of the International Finance Corporation (IFC). The IFC standards are tailored to investments in developing countries. By applying these operational standards, Norfund meets the expectations of responsible business conduct in Meld. St. 8 (2019–2020) (The state's direct ownership of companies) including the expectation that due diligence should be performed to avoid harm to people, society or the environment as described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP). In 2022, EDFI published a summary statement on human rights that describes the DFIs' ambitions and commitments in this important area, including support for the Guiding Principles on Business and Human Rights (UNGP). In 2022, Norfund's work on E&S was further strengthened by the expansion of our ESMS (Environmental and Social Management System), development of a new E&S monitoring system as well as recruitment (9 FTEs now work as dedicated E&S advisors) and competence building (improved mandatory E&S training for all investment staff).

Good working conditions are a requirement for all companies in Norfund's portfolio. Norfund monitors health, safety and environment (HSE) in all its investments, with a particular focus on training and compliance with HSE procedures. The investment agreements contain a requirement that serious accidents and fatalities must be reported. In 2022 Norfund regrettably experienced 13 fatalities in directly held portfolio companies. Seven of the fatalities were the result of traffic accidents. These incidents are reported to the Board, and in special cases also to the Ministry of Foreign Affairs. One of these was reported to the Ministry of Foreign Affairs. Norfund follows up all fatalities related to its investments to ensure that they are investigated, that safety procedures are modified if necessary, and that the next of kin receive the compensation to which they are entitled.

Norfund has a firm policy on responsible tax which is aligned with the European DFIs based on a review conducted in 2021, operational adjustments, including more focus on tax structure elements and adjustments in the investment manual, were initiated in 2022. There was substantial investment in funds and companies with regional outreach in 2022, and hence extensive use of third countries also in 2022.

Norfund has a Business Support Program funded by the Ministry of Foreign Affairs. The purpose of this facility is to enhance the development effects of investments. For example, Norfund supports capacity development and climate adaptation training for smallholder farmers and digitalization of a training program for women entrepreneurs. In 2022, 19 new Business Support projects were approved, a total of 27.4 million NOK was committed, and the portfolio consisted of 54 active projects.

In 2021 Norfund signed up to the “2X Challenge”, designed to promote investors' work for equal opportunities in their investment activities. In 2022, the primary focus was to strengthen implementation of the Norfund's gender position by enhancing the investment process and working through the business support program. As a result, 2022 saw an increase of Business Support projects focusing on this issue. Dialogue with external stakeholders continued.

Norfund regularly engages in dialogue and collaborates with civil society organisations and other partners. In 2022, a dialogue meeting on Norfund's impact took place with all interested organisations, and several bilateral meetings were held with individual organisations on issues such as climate and environment, gender equality, child labour, microfinance and job creation.

The Norwegian parliament established a separate Project Development and Risk Mitigation Facility (PDRMF) in 2019, renamed the Frontier Facility to better communicate its purpose in a simple way. Through this, Norfund can provide early-stage project development and risk mitigation. The facility is used for projects with higher risk than the investments in Norfund's core portfolio and is managed separately. The current portfolio consists of eight projects with 94.8 million NOK committed. In 2022 one PDRMF project was converted into an equity investment, which allowed for a replenishment to the facility of 26.8 million NOK.

## Outlook for the future

The UN Sustainable Development Goals (SDGs) and the climate ambitions set out in the Paris agreement provide important guidelines for development going forward, also for Norfund. The funding gap to reach the SGDs was formidable in developing countries already before the COVID pandemic and the Russian invasion of Ukraine. The investment gap has now widened even more.

The economic outlook for developing countries is bleak. The World Bank estimates that over the next two years, per capita income growth in emerging and developing economies will average 2.8 per cent, a full percentage point below the 2010-2019 average. In Sub-Saharan Africa – which accounts for 60 per cent of the world's poor – growth in per capita income over 2023-24 is expected to average just 1.2 per cent, a rate that could cause poverty rates to rise, not fall. By the end of 2024, GDP levels in emerging and developing countries will be roughly 6 per cent below levels expected before the pandemic. The Bank further estimates that over the 2022-24 period, gross investment in these economies is likely to grow by 3.5 per cent on average – less than half the rate of the previous two decades. In fragile and conflict-affected areas, average per-capita incomes are expected to decline by 2024.

After the balance sheet date, there has been substantial turbulence in the financial industry where several banks, especially in Europe and the United States, face significant challenges. This has led to uncertainty in the financial markets. At the time of submission of the annual accounts it is the board's assessment that this does not present significant uncertainty for Norfund's financial position. Still, it should be underlined that this economic backdrop, combined with uncertainty about possible new corona virus outbreaks and the development of the war in the Ukraine creates instability and uncertainty, not least for Norfund's markets.

This situation entails new challenges for companies in Norfund's portfolio, but it also clearly shows the need for a patient, countercyclical investor like us. When capital flows are moving out of developing countries, Norfund's role becomes even more important. It also shows the importance of investing in the priority sectors, for example strengthening the agricultural value chains, not least in Sub-Saharan Africa, a region which is a large net importer of food. With the high energy prices and a return to fossil fuels in many parts of the world, it also positions the Climate Investment Fund as part of the solution to avoiding large-scale emissions from countries such as India and Indonesia.

Even in challenging conditions, Norfund's pipeline remains strong for both mandates. By the end of 2023, we estimate that the committed portfolio will be approximately 31.2 billion NOK for the development mandate and 3.6 billion NOK for the climate mandate. However, these numbers depend on market conditions and continued development of pipeline.

Norfund has revised its strategy for the 2023-26 period. Our mission now reflects the two mandates – development and climate: "Norfund invests to create jobs, improve lives and support the transition to net zero by investing in companies that drive sustainable development". The four investment areas for the development mandate – Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure – still address key development needs in our markets and will remain. The strategy for the new climate mandate has been developed to deliver on the mission to avoid large scale climate emissions. By clearly delivering on both our development and climate mandates, as well as understanding the interlinkages between the two, we have a strong foundation for continued growth in the next strategy period. The Fund is in position to keep its level of investment high in the years ahead but maintaining the investment level is contingent on continued annual injections of capital from the Norwegian government for both the development and the climate mandate.

As Norfund, we never succeed on our own, but rely on collaboration with our partners – our investees, co-investors, owner and other stakeholders. We are grateful for the trust that they have put in us in 2022 and will do our utmost to deliver also in 2023.

The Board views Norfund as well equipped to deliver on the strategy and goals that have been set, and thanks the management and employees for their important work through a demanding year. Norfund will continue to make an important contribution to the success of an ambitious development and climate agenda and contribute to creating jobs, improving lives and supporting the transition to net zero in the developing countries of the world.

*Oslo, 8 May 2023*

Olaug Svarva

Brit Rugland

Åslaug Haga

Jarle Roth

Lasse David Nergaard

Tove Stuhr Sjøblom

Martin Skancke

Karoline Teien Blystad

Vidar Helgesen

# Income Statement

| (Figures in 1000s of NOK) | Note | 2022 | 2021 |
|---|---|---|---|
| Interest income loans | 2 | 474 888 | 297 674 |
| Realised gains | 2, 3 | 136 065 | 4 794 267 |
| Dividends received | 2 | 421 255 | 878 634 |
| Other operating income | 2 | 38 251 | 21 265 |
| **Total operating income** | | **1 070 459** | **5 991 841** |
| | | | |
| Operating expenses | | | |
| Payroll expenses | 4 | 181 587 | 158 142 |
| Depreciation fixed assets | 5 | 3 639 | 2 767 |
| Other operating expenses | 4, 6 | 131 309 | 111 086 |
| | | | |
| Total operating expenses prior to exchange rate adjustment of loans and write-down on investment projects | | 316 535 | 271 994 |
| Adjustment for gain/loss on FX, project loans | 2 | 791 555 | 198 299 |
| Realised losses and net changes in value, investments | 2 | -242 788 | -390 365 |
| Profit/loss on operations | | 1 302 691 | 5 527 781 |
| | | | |
| **Net financial items** | **7** | **948 402** | **295 171** |
| **Profit/loss before tax** | | **2 251 093** | **5 822 952** |
| | | | |
| Taxes | 8 | -7 777 | -7 655 |
| | | | |
| **Profit/loss for the year** | | **2 243 316** | **5 815 297** |
| | | | |
| Allocations | | | |
| Transferred to / from surplus fund | 9 | 2 243 316 | 5 815 297 |
| **Total allocations** | | **2 243 316** | **5 815 297** |

# Balance

| Balance Sheet Assets | | | |
|---|---|---|---|
| (Figures in 1000s of NOK) | Note | 2022 | 2021 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| **Equipment and vehicles, fittings and fixtures, etc.** | **5** | **5 764** | **8 132** |
| **Total fixed assets** | | **5 764** | **8 132** |
| Financial fixed assets | | | |
| Pension plan assets | 4 | 23 914 | 24 242 |
| **Total financial fixed assets** | | **23 914** | **24 242** |
| **Total non-current assets** | | **29 678** | **32 374** |
| Current assets | | | |
| Receivables | | | |
| Other receivables | 10 | 2 229 848 | 3 527 783 |
| **Total receivables** | | **2 229 848** | **3 527 783** |
| Investments | | | |
| Capitalised project development costs | | 0 | 8 717 |
| Loans to investment projects | 2, 11 | 6 470 661 | 4 803 865 |
| Investments in equities and funds | 2, 11 | 14 940 616 | 11 906 383 |
| Other short-term Investments | 12 | 8 272 899 | 7 996 748 |
| **Total investments** | | **29 684 176** | **24 715 713** |
| Bank deposits, cash and cash equivalents | | | |
| Bank deposits, cash and cash equivalents | 12 | 5 499 614 | 4 237 965 |
| **Total bank deposits** | | **5 499 614** | **4 237 965** |
| **Total current assets** | | **37 413 639** | **32 481 462** |
| **Total assets** | | **37 443 317** | **32 513 835** |

| Balance Sheet – Equity and liabilities | | | |
|---|---|---|---|
| **(Figures in 1000s of NOK)** | **Note** | **2022** | **2021** |
| Equity and liabilities | | | |
| Equity | | | |
| Called and fully paid capital | | | |
| Primary capital | 9 | 17 803 853 | 15 813 989 |
| Reserve capital | 9 | 6 152 502 | 5 464 214 |
| **Total called and fully paid capital** | | **23 956 355** | **21 278 203** |
| Retained earnings | | | |
| Surplus fund | 9 | 13 121 368 | 10 861 015 |
| Total retained earnings | | 13 121 368 | 10 861 015 |
| **Total equity** | | **37 077 723** | **32 139 218** |
| Liabilities | | | |
| Provision for obligations and charges | | | |
| Pension obligations | 5 | 59 952 | 72 109 |
| **Total provision for obligations** | | **59 952** | **72 109** |
| Current liabilities | | | |
| Accounts payable | | 14 761 | 11 753 |
| Taxes | | 1 329 | 0 |
| Unpaid government charges and special taxes | | 13 712 | 11 538 |
| Grants from the Ministry of Foreign Affairs | 13 | 168 859 | 160 306 |
| Other current liabilities | 14 | 106 982 | |
| **Total current liabilities** | | **305 642** | **118 912** |
| **Total liabilities** | | **365 594** | **374 617** |
| **Total equity and liabilities** | | **37 443 317** | **32 513 835** |

*Oslo, 8 May 2023*

Brit Rugland

Åslaug Haga

Jarle Roth

Lasse David Nergaard

Tove Stuhr Sjøblom

Martin Skancke

Karoline Teien Blystad

Vidar Helgesen

# Cashflow Statement

| (Figures in 1000s of NOK) | Note | 2022 | 2021 |
|---|---|---|---|
| Cash flows from operations | | | |
| Profit before tax | | 2 251 093 | 5 822 952 |
| Taxes paid | | -6 448 | -7 655 |
| Ordinary depreciation | 5 | 3 639 | 2 767 |
| Gain/loss (-) on sales | | -136 065 | -4 794 267 |
| Reversal of write-down (-) / Write-down investment projects | | 242 788 | 390 365 |
| Differences in pension expenses and receipts/disbursements, pension plan | | 4 004 | 121 |
| Effect of exchange rate changes | | -1 676 622 | -220 016 |
| Investments in fixed assets | 5 | -1 311 | -2 456 |
| Change in other accruals | | 1 298 953 | -3 299 321 |
| Net disbursements of grant capital | 13 | -6 296 | -29 393 |
| **Net cash flow from operations** | | **1 973 735** | **-2 136 904** |
| Cash flows from investment activities | | | |
| Proceeds of sales/reflows from shares/holdings recorded at historical cost | | 906 904 | 12 160 721 |
| Disbursements in connection with acquisition of shares/interests in other enterprises | | -3 106 212 | -3 098 611 |
| Disbursements – investment loans | | -2 238 992 | -1 389 654 |
| Receipts - repayment of principal, investment loans | | 1 309 212 | 1 207 133 |
| Changes current investments | 12 | -276 151 | -7 112 074 |
| **Net cash flow from investments** | | **-3 405 239** | **1 767 515** |
| Cash flow from financing activities | | | |
| Receipts - grant resources carried as current liabilities | 13 | 15 000 | 32 000 |
| Increase in/repayment of equity | 12 | 2 678 152 | 1 678 152 |
| Net cash flow from financing activities | | 2 693 152 | 1 710 152 |
| Net change in cash and cash equivalents | | 1 261 648 | 1 340 762 |

| (Figures in 1000s of NOK) | Note | 2022 | 2021 |
|---|---|---|---|
| **Bank deposits, cash and cash equivalents at 01.01** | | **4 237 965** | **2 897 203** |
| **Bank deposits, cash and cash equivalents at 31.12** | **12** | **5 499 614** | **4 237 965** |

# Notes

# Note 1 – Accounting policies

### The financial statements for Norfund consist of the following:

- Income statement
- Balance sheet
- Cash flow statement
- Notes

In accordance with Section 25 of the Norfund Act the financial statements are presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2022. The financial statements provide a true and fair view of assets and liabilities, financial standing and results.

With effect from the 2022 accounting year, Norfund also manages the Government Climate Investment Fund for Renewable Energy in Developing Countries (Climate Investment Fund - CIF) on behalf of the Ministry of Foreign Affairs in accordance with instructions for management. The mission of the Climate Management Fund is to help to reduce or avoid greenhouse gas emissions by investing in renewable energy in developing countries. Resources are allocated over the government budget or from surplus capital. Norfund is to invest in its own name in appropriate financial instruments such as equity, loans, guarantees etc. Balance sheet and profit and loss items associated with the CIF are presented separately in the notes where relevant. Transactions related to the CIF will be subject to the same accounting principles as Norfund generally.

### Fundamental principles

The financial statements have been prepared on the basis of fundamental principles governing historical cost accounting, comparability, the going concern assumption, congruence and prudence.

A more detailed account of the accounting policies is provided below. When actual figures are not available at the time the accounts are closed, generally accepted accounting principles require management to make the best possible estimate for use in the income statement and the balance sheet. Actual results could differ from these estimates.

## Valuation and classification

The most important valuation and classification principles applied to Norfund's balance sheet and profit and loss items are described below.

- Transactions are recorded at their value at the time of the transaction.
- Revenue is recognised when it accrues and expenses are matched with the related revenue.
- Current assets/liabilities, including the bond portfolio, are recorded at the lower/higher of historical cost or fair value. The definition of fair value is estimated future sales price reduced by expected sales costs.
- Other assets are classified as non-current assets. Non-current assets are carried in the accounts at historical cost, with deductions for depreciation.

Some exceptions are made to the general valuation rules, and these are commented upon in relevant notes. When applying the accounting policies and disclosure of transactions and other items, the "substance over form" rule is applied. Contingent losses that are probable and quantifiable are expensed. The segmentation is based on Norfund's internal management and reporting requirements as well as on risk and earnings. Figures are presented for geographical markets, since the geographical distribution of activities is of material importance to the users of the financial statements.

## Principles for revenue recognition

Operating income includes dividends, gain on sale of shares/ownership interests in other companies, interest on loans made to other companies, directors' fees and other project income.

Gains on sales of shares/ownership interests in other companies are recognised in the year in which the sale takes place.

Changes in the value of investments in funds are calculated for the individual fund as they arise. Receipts are recorded either as dividend or as reflow of capital which is deducted from the book value.

Interest is recorded as and when it is estimated to be earned. When loans to development projects are classified as problem loans, a decision is taken as to whether interest should continue to be recorded. If the evaluation indicates that interest cannot be expected, no accrued interest is recorded. In the event of known losses, recorded interest is reversed.

Front-end fees invoiced when a loan is set up are recognised over the life of the loan. If the loan is redeemed, any remaining part of the fee recorded on the balance sheet is taken to income.

## Financial income and expenses

Interest on Norfund’s liquidity reserve in Norges Bank and other banks, plus income from other liquidity deposits and seller credit, is recorded as financial income.

## Project development expenses

Development expenses are entered on the balance sheet when it is probable that they will lead to future investments and a positive return on the investment. Determining such probabilities entails using judgement based on experience and best estimate of future developments. In view of Norfund's investment strategy and geographical investment areas, expectations of future developments are shrouded in uncertainty.

## Equity investments

Pursuant to Norfund’s Statute 12, Norfund’s injection of capital into a portfolio company shall not exceed 35 per cent of the company’s total equity. Norfund's share of the equity may be higher in special cases, but nonetheless such that the Fund's total equity holding does not exceed 49 per cent of the portfolio company's total equity.

Norfund treats its equity investments in other companies as current assets. In other words, the equity method is not used, even though Norfund’s shareholdings provide it with considerable influence. This is because the purpose with the investments is to dispose of all or part of each investment, normally after 3–10 years. According to generally accepted accounting practice, such investments are temporary by their very nature and should therefore be included under current assets.

Substantial uncertainty is associated with the valuation of Norfund's investments, which consist almost exclusively of equities that are not listed, or that are traded in nonliquid markets. Investments are valued on the basis of available information, in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines.

Equity investments in companies are valued at the lower of historical cost or assumed fair value in Norwegian kroner (NOK) on the basis of a concrete evaluation of each investment. Norfund makes individual valuations of all its investments, and adjusts the value on the basis of the assets' assumed fair value.

Because of the nature and volume of the investment portfolio, the management calculates estimates, makes discretionary assessments and makes assumptions that affect the book values of investments. Estimates of fair value are calculated continuously and are based on historical experience, known information and other factors that are regarded as probable and relevant on balance sheet date. No group write-downs are made on the company's equity investments.

When investments are exited wholly or in part, the gain/loss is calculated on the basis of the original cost in NOK compared with the exchange rate on the date of the exiting transaction. This means that gain or loss presented in the accounts will be a function of changes in exchange rates and the change in the value of the investment expressed in foreign currency. See also the section 'Forex items' below.

By "committed investments" is meant an external future commitment for a specified amount. Commitments are not entered on the balance sheet as they are uncertain, and Norfund may make them subject to the fulfilment of specific criteria.

Norfund often utilises various instruments – such as options, conversion options and so forth – in investment agreements in order to reduce risk. These are taken into account when valuing the individual investment.

## Loans

Loans forming part of Norfund's investment portfolio are regarded as current assets and carried at amortised cost according to the straight-line allocation method.

When estimating write-down of loans, both the current and the anticipated future financial position of the borrower in question are considered. Key considerations when assessing whether the client will be able to repay the loan are for example the general market situation, company-specific factors, the risk of bankruptcy and associated collateral.

If it is laid down in the agreement, accrued interest will be capitalised and added to the principal.

Valuations and any write-downs are made for the individual loans. Group write-downs are not made on the company's loan portfolio.

There will be uncertainty associated with valuation of the loan portfolio and associated collateral.

## Guarantees

In some cases, Norfund issues guarantees in connection with investments. Accounting provisions are made when the likelihood of the guarantee being invoked is 50% or higher. On the balance sheet, the guarantee provision is entered under 'Other current liabilities'.

## Known losses on equity investments and loans

Losses as a result of insolvency, the winding-up of a company and the like, and losses on sale of shares are recorded as known losses.

## Forex items

Bank deposits and other short-term investments are recorded at the exchange rate at the end of the accounting year, and any unrealised gain/loss on these is recorded as financial income or expense.

Unrealised exchange rate gain/loss on loans as part of the investment portfolio is presented as part of the operating results as gain/loss on exchange on loans to projects.

In the valuation of equity investments, changes in value as a result of the exchange rate are presented as part of the operating results.

Since 2021 Norfund has had a fair-value hedge against USD for a bond portfolio consisting of securities denominated in EUR and GDP as well as USD. Futures contracts are used as a hedging instrument, with daily settlements that are not recorded on the balance sheet, but are recorded on the income statement as they mature.

### Bank deposits and other short-term investments

Liquid assets consist of bank deposits without any kind of binding.

Other short-term investments consist of instruments (time deposits, loans and bonds) with a longer or shorter fixed term intended for temporary placement of surplus liquidity intended for investment within Norfund's mandate. Interest income from these is recorded as other financial income.

### Current receivables/Accounts receivable

Current receivables, seller credit and accounts receivable are recorded at their estimated value.

### Fixed assets

Fixed assets are recorded at historical cost reduced by commercial depreciation based on the estimated economic life of the asset in question.

### Leases

Rent paid under leases that are not recorded on the balance sheet is treated as an operating cost and allocated systematically over the whole term of the lease.

### Equity

Norfund’s capital is divided into primary, reserve and surplus capital. This breakdown is made on the basis of the framework conditions for Norfund’s activities, which specify that the Ministry of Foreign Affairs must be notified if the institution’s losses are so great that its primary capital is affected. Any net profit is added to surplus capital, while any net losses are deducted from the surplus capital or from reserve capital if the former fund is insufficient to cover the net loss.

## Government grants

Norfund receives government grants that are treated in accordance with Norwegian Accounting Standard 4 (NRS 4). In Norfund’s view, net recording of government grants received by the institution provides the best picture of the accounts.

## Related parties

Two parties are related if one party can influence the other's decisions. Relations between such parties are regarded as normal in business.

Norfund's related parties are classified as investments, and Norfund buys services from or sells services to these companies. The company has direct transactions with a limited number of companies in its investment portfolio. There are some transactions of an administrative nature with companies we have a stake in, including Norfinance AS, KNI India AS and KLP Norfund Investments AS. All transactions are according to separate agreements and pricing based on the arm's length principle.

## Deferred tax and tax expense

Norfund is exempt from tax pursuant to a separate section in the Taxation Act. In certain countries, Norfund is obliged to pay withholding tax on interest and dividends.

## Cash flow statement

The cash flow statement is compiled using the indirect method.

## Pension obligations and costs

Norfund has pension plans known as defined benefit plans which entitle employees in Norway to defined future benefits. In 2018 the company closed its defined benefit plan and introduced defined contribution plans for new employees in Norway. The company therefore has two different pension schemes for employees in Norway. In addition the company has defined contribution plans for employees at regional offices outside Norway.

Pension obligations are calculated on a straight-line earnings basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in pay, pensions and National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. The chosen principle is the IAS 19R option of NRS 6, with unamortised actuarial losses over equity.

Plan assets are stated at fair market value. Net pension obligation comprises gross pension obligation less the fair value of plan assets. Net pension obligations from underfunded pension plans are included on the balance sheet as a provision, while net plan assets in overfunded schemes are included as long-term interest-free receivables if it is likely that the overfunding can be utilised. Employer's social security contribution is made on the basis of net plan assets.

The effect of changes in pension plans with retroactive effect not conditional on future earnings is defined as an actuarial gain or loss and charged directly to the company's equity.

Net pension expenses, which consist of gross pension expenses less estimated return on plan assets, are classified as an ordinary operating expense and presented as part of the payroll expenses item. All actuarial gains or losses are charged directly to the company's equity. Employer's social security contribution is calculated on contributions paid to the pension plans.

### Estimates and uncertainties

Determining estimates and probabilities entails using judgement based on experience and best estimate of future developments. Given Norfund's investment strategy and geographical investment areas, there is a high degree of uncertainty associated with expectations regarding future developments. Specific areas that include extensive estimation and judgement are net asset value / valuation of equity investments, write-down on equity investments and provision for losses on loans to investment projects.

# Note 2 – Segment information

Norfund's operations fall into five segments: Funds, Financial Institutions, Clean Energy, Green Infrastructure and Scalable Enterprises. The table below provides an overview of the results in each segment. The costs of shared functions have largely been allocated according to the number of employees in each segment and are recorded as part of other operating expenses.

| | Norfund total | Development mandate | | | | | | Climate Investment Fund |
|---|---|---|---|---|---|---|---|---|
| | | Funds | Financial Institutions | Renewable Energy | Green Infrastructure | Scalable Enterprises | Administration etc. | |
| Operating income | | | | | | | | |
| Interest – invested portfolio | 474 888 | 368 | 288 038 | 143 077 | 890 | 42 515 | 0 | 0 |
| Realised gains | 136 065 | 13 484 | 18 898 | 93 608 | 0 | 10 075 | 0 | 0 |
| Dividends received | 421 255 | 12 811 | 61 678 | 346 164 | 0 | 0 | 0 | 601 |
| Other project revenues | 38 251 | 135 | 17 271 | 18 595 | 0 | 1 950 | 300 | 0 |
| **Total operating income** | **1 070 459** | **26 798** | **385 887** | **601 443** | **890** | **54 540** | **300** | **601** |
| | | | | | | | | |
| Operating expenses | | | | | | | | |
| Payroll expenses | -181 587 | -5 078 | -33 099 | -35 071 | -4 601 | -39 562 | -64 176 | 0 |
| Depreciation fixed assets | -3 639 | 0 | 0 | 0 | 0 | 0 | -3 639 | 0 |
| Other operating expenses | -131 309 | -1 220 | -12 875 | -26 929 | -1 820 | -29 772 | -58 693 | 0 |
| Allocation Climate Investment Fund* | 0 | | | | | | 4 714 | -4 714 |
| **Total operating expenses** | **-316 535** | **-6 298** | **-45 974** | **-62 000** | **-6 422** | **-69 334** | **-121 793** | **-4 714** |

| | Norfund total | Development mandate | | | | | | Climate Investment Fund |
|---|---|---|---|---|---|---|---|---|
| | | Funds | Financial Institutions | Renewable Energy | Green Infrastructure | Scalable Enterprises | Administration etc. | |
| | 0 | | | | | | | |
| Gain/loss (-) on FX, project loans | 791 555 | 4 867 | 389 710 | 312 454 | -2 668 | 87 193 | 0 | 0 |
| Realised losses and net changes in value, | -242 788 | 30 804 | -168 817 | -46 433 | 0 | -58 343 | 0 | 0 |
| Profit/loss on operations | 1 302 691 | 56 171 | 560 805 | 805 465 | -8 200 | 14 056 | -121 493 | -4 113 |
| Net financial items** | 948 402 | 0 | 0 | 0 | 0 | 0 | 948 402 | 0 |
| Profit/loss before tax | 2 251 093 | 56 171 | 560 805 | 805 465 | -8 200 | 14 056 | 826 909 | -4 113 |
| Taxes | -7 777 | 0 | 0 | 0 | 0 | 0 | -7 777 | 0 |
| Profit/loss for the year | 2 243 316 | 56 171 | 560 805 | 805 465 | -8 200 | 14 056 | 819 132 | -4 113 |

*Indirect costs have been allocated in proportion to the Climate Investment Fund's share of total investment in Norfund.
**Financial items include gain/loss on FX bank deposits and current liabilities.

## Balance sheet (investments and loans) net book values

| | Norfund total | Funds | Financial Institutions | Renewable Energy | Scalable Institutions | Climate Investment Fund |
|---|---|---|---|---|---|---|
| Investments | 23 224 484 | 2 991 296 | 9 548 265 | 7 604 469 | 2 652 473 | 427 981 |
| Write-downs | -1 813 207 | -524 627 | -601 139 | -313 289 | -374 152 | 0 |
| **Total investments per segment** | **21 411 277** | **2 466 669** | **8 947 126** | **7 291 180** | **2 278 321** | **427 981** |
| | | | | | | |
| Segment information by geographical region: | | | | | | |

| Balance sheet (investments and loans) net book values | | | | | | |
|---|---|---|---|---|---|---|
| | **Norfund total** | **Funds** | **Financial Institutions** | **Renewable Energy** | **Scalable Institutions** | **Climate Investment Fund** |
| Balance sheet | Africa | Asia | America | Global | Accumulated write-downs | Total |
| Loans to investments | 2 670 337 | 1 070 210 | 2 460 252 | 411 410 | -141 548 | 6 470 661 |
| Equity investment in Climate Investment Fund | 212 745 | 215 235 | 0 | 0 | 0 | 427 980 |
| Equity investments | 10 497 314 | 2 519 180 | 808 982 | 2 358 818 | -1 671 659 | 14 512 635 |
| **Total balance sheet** | **13 380 396** | **3 804 625** | **3 269 234** | **2 770 228** | **-1 813 206** | **21 411 277** |
| | | | | | | |
| Interest income loans | 211 152 | 97 079 | 145 245 | 21 412 | 0 | 474 888 |
| Realised gain on shares | 68 944 | 12 829 | 14 427 | 39 865 | 0 | 136 065 |
| Dividends received | 144 652 | 453 | 44 435 | 231 714 | 0 | 421 254 |
| Other project revenues | 22 574 | 6 075 | 6 001 | 3 601 | 0 | 38 251 |
| **Total operating income** | **447 322** | **116 436** | **210 108** | **296 592** | **0** | **1 070 458** |
| | | | | | | |
| **Gain/loss on FX, project loans** | **174 391** | **126 244** | **226 684** | **264 236** | **0** | **791 555** |

# Note 3 – Exited investments

In 2022 Norfund exited from three funds and four equity investments:

| | Aureos Latin America Fund | HEFF | LOCFUND II | Bronkhorstspruit Biogas Plant | Fanisi Management II | Fanisi Venture Management Company | First Finance |
|---|---|---|---|---|---|---|---|
| Annual IRR during Norfund's ownership period | 5.3% | 0.7% | 8.1% | -11.4% | -10.9% | -100.0% | 6.2% |

# Note 4 – Payroll expenses

### Statement on the setting of salaries and other remuneration to senior employees

Norfund complies with the government guidelines laid down on 13 February 2015 with respect to the setting of salaries and other remuneration for senior employees. These are based on changes published in the white paper *A diverse and value-creating ownership. The State's guidelines for remuneration for senior executives in companies with state ownership* (Meld. St. 27 (2013-1014)). The changes were adopted with effect from 30 April 2021 and form the basis for the preparation of the Board of Directors' statement for 2022.

### Guidelines for Norfund on the setting of salaries and other remuneration in 2022

The following guidelines apply to the setting of salaries for senior Norfund employees up to the ordinary General Meeting in 2023.

The remuneration system is designed to attract and retain competent personnel. In setting salaries, emphasis is placed on the individual's contribution to fulfilling Norfund's mandate.

Norfund wishes to promote moderation in executive salaries. The aim in setting salaries is that senior Norfund employees should have pay conditions that are competitive, but not at the top end of the scale, to ensure that Norfund secures and retains sufficient expertise in the Fund.

Norfund considers that other government funds such as the National Insurance Scheme Fund, Export Credit Norway and Investinor form a relevant benchmark.

### Setting of salaries

The Board sets the salary of the managing director. The managing director sets the salaries and bonuses of the corporate heads of department who report to him, after executive salary conditions have been endorsed by the Board. This group consists of senior Fund employees. Norfund's pay conditions for senior employees consist of fixed salary, pension and insurance schemes and other benefits that cover newspapers, electronic communications etc. The fixed salary is subject to regulation in line with pay developments  in the financial sector, represented by reference figures from Finance Norway, the results of the main settlement and for the companies Norfund has defined as its peers, and an assessment of the individual's performance and goal achievement. The managing director sets annual goals for the individual member of the executive group and the Board sets goals for the managing director.

Senior employees have three months notice of termination. The CEO has an agreement for pay after termination of employment equivalent to 6 months' salary. This arrangement is in line with the guidelines for salary and other remuneration.

## Bonus scheme

Norfund has a bonus scheme that covers all company employees except the managing director. The bonus scheme is in line with the guidelines' requirement of variable pay. Bonus candidates are proposed by an individual's line manager for an overall assessment by the management team. Bonuses awarded to both senior and other employees are fixed by the managing director. Bonuses are awarded once a year, and individual bonuses vary from NOK 10 000 to NOK 100 000 per award, with NOK 100 000 as the maximum amount per year.

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## Pension and insurance conditions

In 2018 Norfund closed its defined benefit pension scheme to new employees, and now offers a defined contribution scheme to all company employees, including managers. The transition to the new scheme was voluntary for existing employees. This means that Norfund has both a defined benefit and a defined contribution scheme for agreements entered into before the closure of the former in 2018. The defined benefit scheme entitles the individual to defined future benefits and depends primarily on the number of qualifying years, pay level on reaching retirement age and the size of National Insurance benefits. Agreements entered into prior to 2018 exceed the current guidelines for senior executive salaries, as the previous scheme entailed a full qualifying period of 30 years and pension payments of 70 per cent of salaries up to 12 G The pension scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. There are currently 64 employees covered by the defined contribution scheme and 28 by the defined benefit scheme. Norfund also has a scheme which entitles employees to pension rights for salaries in excess of 12 G. This scheme was closed to new members in 2012. The scheme, which is funded from operations, consists of 66 per cent of pay in excess of 12 G with a retirement age of 67 and a full qualification period of 30 years in the calculation base. If the service period is calculated as being less than 30 years, the pension is reduced proportionately. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. This scheme currently covers 4 employees. In the defined contribution scheme, 7 per cent of salary is set aside from pay from 0–7 G, and 20 per cent from salaries of 7.1–12 G. The costs of both schemes are included in the calculation of pension expenses.

Senior Norfund employees are covered by insurance schemes that apply to all Norfund employees.

| Wages, salaries and other payroll expenses | Norfund | |
|---|---|---|
| (Figures in 1000s of NOK) | 2022 | 2021 |
| Wages and salaries | 126 375 | 106 928 |
| Employer's social security contribution | 21 356 | 19 818 |
| Pension expenses | 21 542 | 18 330 |
| Other benefits | 12 314 | 13 065 |
| **Total wages, salaries and other payroll expenses** | **181 587** | **158 142** |

| Remuneration for the management 2022 | | | | | | |
|---|---|---|---|---|---|---|
| | **Title** | **Salary** | **Bonuses** | **Insurance and other payment in kind** | **Pension** | **Total** |
| Jan Tellef Thorleifsson | CEO | 2 966 629 | 0 | 20 239 | 201 069 | 3 187 938 |
| Ylva Lindberg | EVP Strategy & Analysis | 1 770 974 | 50 000 | 21 401 | 199 475 | 2 041 849 |
| Fride Andrea Hærem | EVP CFRO from 01.12. | 1 766 988 | 50 000 | 19 242 | 202 397 | 2 038 627 |
| Thomas Fjeld Heltne | EVP Legal Department | 1 768 159 | 50 000 | 19 621 | 195 835 | 2 033 615 |
| Erik Sandersen | EVP Financial Institutions | 1 965 055 | 50 000 | 21 756 | 519 677 | 2 556 488 |
| Mark Davis | EVP Renewable Energy | 2 143 596 | 50 000 | 63 151 | 1 256 791 | 3 513 538 |
| Ellen C. Rasmussen | EVP Scalable | 1 819 032 | 50 000 | 22 386 | 202 397 | 2 093 815 |

| Remuneration for the management 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | Title | Salary | Bonuses | Insurance and other payments in kind | Pension | Total |
| Jan Tellef Thorleifsson | CEO | 2 954 288 | 0 | 20 305 | 203 367 | 3 177 961 |
| Ylva Lindberg | EVP Strategy & Analysis | 1 708 654 | 50 000 | 19 880 | 198 484 | 1 977 018 |
| Cathrine Kaasen Conradi | EVP CFRO until 30.11. | 1 703 836 | 50 000 | 23 414 | 196 254 | 1 973 504 |
| Fride Andrea Hærem | EVP CFRO from 01.12. | 555 096 | 0 | 8 949 | 68 945 | 632 990 |
| Thomas Fjeld Heltne | EVP Legal Department | 1 705 421 | 50 000 | 20 038 | 197 925 | 1 973 384 |
| Erik Sandersen | EVP Financial Institutions | 1 926 602 | 50 000 | 19 795 | 366 865 | 2 363 262 |
| Mark Davis | EVP Renewable Energy | 2 109 094 | 50 000 | 83 636 | 1 055 051 | 3 297 781 |
| Ellen C. Rasmussen | EVP Scalable | 1 750 350 | 50 000 | 19 896 | 200 248 | 2 020 494 |

Salaries for senior employees are reported for the whole year, including the period when they were not senior employees.

## Remuneration to Norfund's Board of Directors

Norfund's Board of Directors consisted in 2022 of the Chair and 8 Board members. In 2022 the General Meeting set remuneration to the Chair at NOK 295 000 (285 000 in 2021), while remuneration to the Board members, with the exception of the two employee representatives, was set at NOK 147 000. In 2022 the General Meeting set remuneration for the chair of the Risk and Audit Committee at NOK 80 000 and for the members of the committee at NOK 69 000.

## Bonuses

The company has no share or option schemes for its employees, and there are no plans for such schemes. In all 77 employees of a total of 100 eligible for bonuses received a bonus for 2022. The highest total bonus award in 2022 was NOK 100 000. The bonus scheme accounted for 3.1 per cent of Norfund's payroll expenses in 2022, a total of NOK 3 190 000. Bonuses are paid for extraordinary performance, and the average payment in 2022 was NOK 41 429. The highest payment represented 10.4 per cent of the individual's salary. Six members of the management team received a bonus of NOK 50 000 in 2022.

See also Norfund's Executive Pay Statement for 2022.

| Auditor's fee | | |
|---|---|---|
| **(Figures in 1000s of NOK)** | **2022** | **2021** |
| Statutory audit | 723 | 627 |
| Other services (including legal services) | 345 | 685 |
| **Total** | **1 068** | **1 312** |

Auditor's fee is inclusive of VAT.

In addition, business partners of Deloitte AS in other countries delivered other services expensed in the amount of NOK 0.7 million (NOK 1.6 million in 2021).

## Number of permanent employees

The company had 127 (111) employees at the end of 2022. The number of full-time equivalents was 123.5 (106).

## Pensions

In addition to the employee pension plans described in the Executive Pay Statement, local employees at Norfund's regional offices in South Africa, Ghana, Thailand, Kenya and Costa Rica have defined contribution pension plans. Norfund therefore has no obligations other than what has been paid through the year. In 2022, NOK 1 775 000 (NOK 1 709 000 in 2021) was expensed in connection with these schemes.

| Financial assumptions | 2022 | 2021 |
|---|---|---|
| Discount rate | 3.00% | 1.90 % |
| Expected return on plan assets | 3.00% | 1.90 % |
| Salary adjustment | 3.50% | 2.75 % |
| Pension adjustment | 3.25% | 2.50 % |
| Adjustment of the basic amount (G) in the National Insurance System | 3.25% | 2.50 % |
| Turnover | 9.00% | 9.00 % |
| Employer's social security contribution | 19.10% | 19.10% |

| Financial assumptions (Figures in 1000s of NOK) | 2022 | 2021 |
|---|---|---|
| Net present value of pension earned in the period | 10 666 | 9 948 |
| Capital cost of previously earned pensions | 2 893 | 2 202 |
| Expected return on plan assets | -1 919 | -1 421 |
| Administrative costs | 87 | 1 133 |
| Accrued employer's social security contribution* | 2 240 | 2 065 |
| Net pension expenses for the year incl. employer's contribution | 13 967 | 13 928 |

*Employer's social security contribution is calculated on the amount paid in.

## Estimated pension obligations

| | Funded | Unfunded | 2022 |
|---|---|---|---|
| Estimated pension obligations | 133 928 | 22 845 | 156 773 |
| Estimated plan assets* | 106 436 | 0 | 106 436 |
| Net pension obligations 31.12. | 27 492 | 22 845 | 50 337 |
| Accrued employer's social security contribution** | 5 251 | 4 363 | 9 614 |
| **Net pension obligations 31.12.** | **32 743** | **27 208** | **59 951** |

*Estimated plan assets consist of paid premiums invested in Nordea Life & Pension.
**Accrued employer's social security contribution is based on net pension obligation.

## Reconciliation opening/closing balance

| | 2022 | 2021 |
|---|---|---|
| Carrying amount net pension obligations 01.01 incl. employer's social security contribution | 72 108 | 58 074 |
| Net pension expenses for the year incl. employer's social security contribution | 13 967 | 13 928 |
| Actuarial gain/loss charged directly to equity | -17 037 | 14 975 |
| Pensions paid, early retirement / unfunded, incl. employer's social security contribution | -499 | -1 916 |
| Investment in plan assets, etc., incl. employer's social security contribution | -8 588 | -12 953 |
| **Carrying amount net pension obligations 31.12 incl. employer's social security contribution** | **59 951** | **72 108** |

| Nordea Life & Pension's asset mix* | | |
|---|---|---|
| | **30.09.2022** | **30.09.2021** |
| Property | 14.0% | 14.4% |
| Equities | 11.0% | 12.2% |
| Bonds at amortised cost | 65.0% | 12.7% |
| Short-term bonds/certificates | 9.0% | 60.5% |
| Other | 1.0% | 0.0% |
| Total financial assets | 100% | 100% |

*Known values at calculation date

Norfund has paid into a separate fund intended to meet future obligations related to the unfunded scheme, the book value of which was NOK 23.9 million as of 31.12.

# Note 5 – Fixed assets

| Fixed assets | | | |
|---|---|---|---|
| **(Figures in 1000s of NOK)** | **Equipment and vehicles, fittings and fixtures etc.** | **Works of art** | **Total** |
| Historical cost at 01.01 | 24 093 | 1 463 | 25 556 |
| + acquisitions during the period | 1 311 | 0 | 1 311 |
| Historical cost at end of period | 25 404 | 1 463 | 26 867 |
| Accumulated ordinary depreciation at 01.01 | 17 891 | 0 | 17 891 |
| + ordinary depreciation for the period | 3 639 | 0 | 3 639 |
| Acc. ordinary depreciation at 31 December | 21 530 | 0 | 21 530 |
| **Book value for accounting purposes at end of period** | **3 874** | **1 463** | **5 337** |
| | | | |
| *Depreciation period* | *3–4 years* | *Non-depreciable* | |

A deposit of NOK 427 000 is additionally recorded under this item.

# Note 6 – Other operating expenses

| (Figures in 1000s of NOK) | 2022 | 2021 |
|---|---|---|
| Seminars, conferences, upgrading of competencies | 6 240 | 4 030 |
| Travel expenses | 18 088 | 4 135 |
| External assistance, projects | 44 866 | 51 095 |
| External assistance, other | 15 546 | 12 471 |
| Rent, Oslo, including shared costs | 10 075 | 8 199 |
| Rent regional offices | 4 637 | 3 083 |
| Other expenses | 31 857 | 28 073 |
| **Total operating expenses** | **131 309** | **111 086** |

| | Lease duration | Annual rental costs |
|---|---|---|
| Premises at Fridtjof Nansens Plass 4, Oslo | 15.11.16 – 31.12.2026 | 6 310 836 |

In addition there are lease contracts for our regional offices.

# Note 7 – Net financial items

| (Figures in 1000s of NOK) | 2022 | 2021 |
|---|---|---|
| Other interest income | 427 083 | 128 438 |
| Other financial income | 877 630 | 647 719 |
| Other financial expenses | –356 311 | –480 987 |
| **Total financial income/expenses** | **948 402** | **295 171** |

Other interest income comes from the bond portfolio and liquidity placements in loans in addition to placements in banks.

# Note 8 – Taxes

Tax expenses are attributable to withholding tax on dividends and interest on foreign investments. In addition some of our regional offices pay tax on their operations and as at 31.12.2022, NOK 1.3 million has been allocated for paying tax at the regional offices. Norfund is exempt from tax in Norway; see Section 2-30 (1e) of the Norwegian Taxation Act.

# Note 9 – Capital movements

| Company | | | | |
|---|---|---|---|---|
| **(Figures in 1000s of NOK)** | **Primary capital** | **Reserve capital** | **Surplus fund** | **Total equity** |
| Capital at 31.12.2021 | 15 813 989 | 5 464 214 | 10 861 016 | 32 139 219 |
| Capital supplied in 2022 | 1 989 864 | 688 288 | 0 | 2 678 152 |
| Other changes | | | | |
| Actuarial gains/losses, pensions | 0 | 0 | 17 037 | 17 037 |
| Net surplus/deficit (–) | 0 | 0 | 2 243 316 | 2 243 316 |
| **Capital at 31.12.2022** | **17 803 853** | **6 152 502** | **13 121 368** | **37 077 723** |
| *Of which the Climate Investment Fund* | *750 000* | *250 000* | *995 887* | *1 995 887* |

Reserve capital can only be used to cover losses that cannot be covered from other reserves apart from primary capital.

Of the capital received in 2022, 75% was allocated to primary capital and 25% to reserve capital, 1 billion of which belongs to Climate Fund investments.

# Note 10 – Other receivables

| (Figures in 1000s of NOK) | 2022 | 2021 |
|---|---|---|
| Accrued interest | 216 714 | 118 322 |
| Other receivables | 2 013 134 | 3 409 461 |
| **Total receivables** | **2 229 848** | **3 527 783** |

Other receivables consist largely of an interest-bearing seller credit (3% interest for 7 years, after which the interest rate increases to 30%) to Scatec in connection with the sale of SN Power for NOK 1 971 million (USD 200 million).

# Note 11 – Loans and investments

| Loans to companies | | | | |
|---|---|---|---|---|
| **(Figures in 1000s of NOK)** | **Committed investment** | **Historical cost** | **Accumulated loan loss provision** | **Book value** |
| Financial Institutions | 4 673 149 | 4 159 546 | -28 313 | 4 131 233 |
| Green Infrastructure | 19 715 | 9 857 | | 9 857 |
| Renewable Energy | 1 828 148 | 1 450 193 | -48 634 | 1 401 559 |
| Scalable Enterprises | 1 213 632 | 982 755 | -64 601 | 918 155 |
| Funds | 9 857 | 9 857 | | 9 857 |
| Climate Investment Fund | 991 266 | | | |
| **Total loans** | **8 735 767** | **6 612 209** | **-141 548** | **6 470 661** |

By 'committed investment' is meant that there is an external commitment for a specific amount. For conversions to NOK, the exchange rate on the disbursement date is used for the part of the amount that is disbursed. The exchange rate at 31.12.2022 is used for the part that has not been disbursed.

Norfund makes a semi-annual assessment of each of the loans in the loan portfolio, including provisions for losses.

## Loan loss provision and known loan losses

A loan is regarded as non-performing when borrower has not made due payments within 60 days of the due date. On balance sheet date Norfund had 6 (12 in 2021) non-performing loans with total interest and repayments due of NOK 126 million (NOK 115 million in 2021) and a total outstanding amount of NOK 157 million (NOK 275 million in 2021). Examples of default or losses are significant financial problems on the part of debtor, restrictions on foreign exchange transfers in countries in which debtor operates, debt settlement proceedings or winding up of a business.

| Days past due date | Amount due |
|---|---|
| 0-60* | 7 288 |
| 61–120 | 4 963 |
| 121 | 113 589 |
| **Total** | **125 840** |

Loans are written down by up to 100% of the outstanding principal and accumulated interest, depending on the likelihood of the amount being repaid.

Three loans were considered partially lost, with a total loss of NOK 6.4 million.

## Repayment

Eight loans were repaid in the course of the year (12 in 2021), while one was converted into equity.

| Equity investments in funds | | | | |
|---|---|---|---|---|
| (Figures in 1000s of NOK) | Committed investment | Historical cost | Accumulated loan loss | Book value |
| Financial Institutions | 1 001 002 | 606 937 | -41 963 | 564 974 |
| Green Infrastructure | 139 704 | | | 0 |
| Renewable Energy | 772 376 | 177 872 | -5 696 | 172 176 |
| Scalable Enterprises | 189 516 | 98 400 | -22 637 | 75 763 |
| Funds | 5 628 742 | 2 890 109 | -518 234 | 2 371 875 |
| **Total invested in funds** | **7 731 340** | **3 773 318** | **-588 530** | **3 184 788** |

| Equity investments in companies | | | | |
|---|---|---|---|---|
| **(Figures in 1000s of NOK)** | **Committed investment** | **Historical cost** | **Accumulated loan loss** | **Book value** |
| Financial Institutions | 5 112 299 | 4 781 782 | -530 864 | 4 250 919 |
| Renewable Energy | 6 888 852 | 5 976 355 | -258 916 | 5 717 439 |
| Scalable Enterprises | 1 907 151 | 1 561 461 | -286 914 | 1 274 547 |
| Funds | 131 391 | 91 330 | -6 387 | 84 942 |
| Climate Investment Fund | 1 143 827 | 427 981 | | 427 981 |
| **Total invested in equity** | **15 183 520** | **12 838 908** | **-1 083 081** | **11 755 828** |

By 'committed investment' is meant that there is an external commitment for a specific amount. For conversions to NOK, the exchange rate on the disbursement date is used for the part of the amount that is disbursed. The exchange rate as of 31.12.2022 is used for the part that is not disbursed.

Accumulated loan loss provisions are accrued, not realised losses on portfolio investments.

# Note 12 – Bank deposits and other short-term placements

| Bank deposits, cash and cash equivalents | | |
|---|---|---|
| **(Figures in 1000s of NOK)** | **2022** | **2021** |
| Deposits in Norges Bank | 3 482 160 | 3 256 120 |
| Tax deductions | 11 783 | 6 118 |
| Ordinary bank deposits | 2 005 671 | 975 726 |
| **Total bank deposits** | **5 499 614** | **4 237 965** |
| | | |
| **The following bank deposits are earmarked for:** | | |
| Grants from the Ministry of Foreign Affairs (see note 13) | 168 859 | 176 417 |
| Climate Investment Fund | 1 567 180 | 0 |

| Other short-term Investments | | |
|---|---|---|
| **(Figures in 1000s of NOK)** | **2022** | **2021** |
| Fixed-term deposits (1 to 6 months) | 1 797 087 | 1 767 915 |
| Lending to banks of excess liquidity in our markets | 2 059 080 | 1 867 067 |
| Bonds | 4 416 731 | 4 361 787 |
| **Other short-term placements** | **8 272 899** | **7 996 769** |

As a consequence of the exit from SN Power, substantial liquidity became available and was placed in temporary investments: First, loans were extended to three banks with an average interest rate of 1.5% + LIBOR and a term of 5 years, with linear repayment after the first year. Second, USD deposits with fixed terms of 1–6 months were placed in banks.

In addition, Allianz has been commissioned to manage USD 500 million. The portfolio consists of highly liquid covered bonds and has a weighted credit rate of AA- and average term of 2.8 years. The portfolio is to be mainly invested in development banks, i.e. within the sector in which we operate ourselves. Up to 40% can be invested in other sectors, however, but the bonds must then meet the requirements of either being green and sustainable or having a social impact. Norges Bank's Investment Management's exclusion list is also applied. 38% of the portfolio is invested in euros and 7% in sterling, but hedged against USD by means of 3-month rolling futures contracts. Hedging contracts have been made for EUR 164.0 million and GBP 24.1 million.

The value of the portfolio has fallen in pace with rising expectations of higher key policy rates, and we expect further falls in the period ahead. However, Norfund intends to hold the portfolio until maturity, such that the average annual return is estimated at 1.5% for the life of the portfolio.

**Bonds**

| | Instrument currency | Fair value of instr. currency | Historical cost in USD | Fair value in USD | Change in value | Book value in NOK |
|---|---|---|---|---|---|---|
| **Enterprises** | | | **169 488** | **150 640** | **-18 848** | **1 484 903** |
| Financial Institutions | EUR | 77 756 | 93 104 | 82 985 | -10 119 | 818 004 |
| | USD | 30 370 | 33 698 | 30 370 | -3 328 | 299 364 |
| Manufacturing | EUR | 2 896 | 3 408 | 3 091 | -317 | 30 469 |
| | USD | 16 381 | 18 709 | 16 381 | -2 327 | 161 476 |
| Supply | EUR | 16 691 | 20 569 | 17 813 | -2 756 | 175 588 |
| **Public authorities** | | | **316 258** | **288 201** | **-28 057** | **2 840 888** |
| Agencies | EUR | 17 108 | 20 421 | 18 259 | -2 162 | 179 983 |
| | USD | 24 899 | 26 435 | 24 899 | -1 535 | 245 440 |
| Local authorities | EUR | 3 707 | 4 357 | 3 957 | -401 | 39 001 |
| Independent organisations | USD | 7 128 | 7 857 | 7 128 | -729 | 70 266 |
| Supranational authorities | EUR | 44 223 | 52 706 | 47 197 | -5 509 | 465 233 |

| Bonds | | | | | | |
|---|---|---|---|---|---|---|
| | Instrument currency | Fair value of instr. currency | Historical cost in USD | Fair value in USD | Change in value | Book value in NOK |
| | GBP | 24 012 | 30 969 | 28 883 | −2 086 | 284 710 |
| | USD | 157 878 | 173 513 | 157 878 | −15 635 | 1 556 255 |
| **Cash and accrued interest** | | | **9 226** | **9 226** | **-** | **90 941** |
| | EUR | 997 | 1 064 | 1 064 | – | 10 492 |
| | GBP | 454 | 546 | 546 | – | 5 386 |
| | USD | 7 615 | 7 615 | 7 615 | – | 75 062 |
| **Total** | | | **494 971** | **448 067** | **-46 904** | **4 416 731** |

# Note 13 – Unused resources (Norfund's grant schemes)

In 2019 the Storting established a special scheme, the Frontier Facility (formerly the Norwegian Investment Fund for Developing Countries). The scheme enables Norfund to make risk capital available in the most demanding markets, which are especially vulnerable states and the least developed countries (LDCs), where access to risk capital is limited. The scheme is to be used for projects with higher risk than investments in Norfund's ordinary portfolio, and is to be administered as a separate scheme. The Storting granted NOK 100 million for the scheme in 2019, of which NOK 75 million was disbursed in 2019 and NOK 25 million in 2020. At the end of 2022, NOK 12.63 million remained to be allocated, while NOK 65.37 million of allocated capital had not yet been disbursed.

Norfund additionally received NOK 15 million (NOK 32 million in 2021) of grants under the previously established Business Support scheme, which is to be used to increase the development effects of Norfund's investments by improving businesses and through local community development. Support may, for example, be provided for training and transfer of expertise and equal opportunity programmes, workers' rights, improvement of internal control, corporate governance and leadership development. The resources are treated as current liabilities, and undisbursed amounts are included in Norfund's liquid assets. When costs are met from the resources, the liability is reduced by an equivalent amount. At the end of 2022, NOK 8.4 million remained to be allocated to projects, while NOK 41.3 million of allocated capital had not yet been disbursed.

In 2022 the grant facility earmarked for Balkan projects was restructured and three loans were repaid, freeing up EUR 2.5 million for investment in a fund in the region.

**Grant facilities Balkan Trust Fund**

| (Figures in 1000s of NOK) | 2022 | 2021 | 2022 | 2021 |
|---|---|---|---|---|
| Receipts | | | | |
| Carried over from previous year | 144 195 | 141 588 | 16 111 | 17 247 |
| Transferred from Ministry of Foreign Affairs | 15 000 | 32 000 | 0 | 0 |
| Reversals | 26 820 | 0 | 7 867 | 0 |
| **Total receipts** | **186 015** | **173 588** | **23 978** | **17 247** |
| Income | 0 | 0 | 11 | 12 |
| Disbursements | | | | |
| General costs | | | | |
| Fund management | 0 | 0 | 0 | 0 |
| General follow-up | 0 | 0 | -150 | -380 |
| Intervention | | | | |
| Project development: | -519 | -557 | 0 | 0 |
| Amplify and support project development effects | -11 631 | -5 705 | 0 | 0 |
| Promote social responsibility | -1 560 | -2 542 | 0 | 0 |
| Local investment funds | | | | |
| Follow-up costs | 0 | 0 | 0 | -768 |
| Loans / investment projects | -7 947 | -20 589 | -19 327 | 0 |
| **Total disbursements** | **-21 656** | **-29 393** | **-19 477** | **-1 148** |
| **Non-disbursed resources** | **164 359** | **144 195** | **4 501** | **16 111** |
| **Total non-disbursed resources at 31.12.2022** | **168 859** | | | |

# Note 14 – Current liabilities and guarantees

## Other current liabilities

Included in other current liabilities is an item of NOK 98.2 million to the Dutch bank FMO in connection with the acquisition of shares in Green Resources, of which Norfund was the owner at year-end 2022.

## Guarantees

As part of its activities, Norfund has issued 8 guarantees totalling NOK 245 million. An annual assessment is made by the project manager of whether the guarantee is at risk of being invoked, and a proportional provision is made accordingly. As of 31.12.22, no allocation had been made for guarantee commitments.[[

## Other commitments

In connection with the exit from SN Power AS, there are some latent liabilities related to gains tax in particular which may be invoked by Scatec ASA. The claim is uncertain, with a probably outcome of USD 0.25 million, but may be up to USD 6 million under certain conditions. As the probability is not high, and the size of the claim is uncertain, no allocation is made in the accounts for this commitment.

# Note 15 – Risk management and use of financial instruments

Norfund has a mandate whereby investments made by the company are required to be additional, by providing access to capital and expertise for companies that would not otherwise have received such financing because of the high risk involved. Norfund's investments are evaluated through an extensive selection process that consists of checking against Norfund's mandate, thorough evaluations and analysis of legal, financial, commercial and ESG-related aspects. The Investment Committee and/or the Board take the final decision regarding investment.

Efforts are made to diversify portfolio risk by achieving portfolio breadth in terms of countries, industries, business partners, instruments and time of making investments. Norfund exercises active ownership in the largest investments in its portfolio through representation on boards, investment committees or other governance bodies

Norfund is exposed to several different types of risk, including liquidity risk, credit risk, currency risk, interest-rate risk and other market risk, including political risk. The financial risk management has been established to identify and analyse these risks, and to establish appropriate risk limits and risk controls. Norfund regularly reviews the established risk management guidelines and the system that has been established to ensure that changes in markets are reflected in the risk limits.

The Board has adopted Norfund’s zero tolerance policy, which is based on the risk Norfund is willing to take in order to deliver on its mandate. This includes country risk and political risk, and in 2021 developing a system for managing country risk has been a high priority task. Efforts to actively minimise risk are largely about how Norfund chooses its investment partners and how the investment process and other operational processes in the business are carried out. This concerns risk of corruption, for example, and if this is detected an immediate response is triggered. Minimising and managing risk associated with ESG and questions concerning the integrity of our business partners are based on best practice for development finance institutions (DFIs). Norfund's approach to risk is summarised in a Risk Appetite Statement adopted by the Board and published on Norfund’s website.

## Market risk

Market risk is an umbrella term for the risk of losses occurring as a consequence of changes in conditions, exchange rates or prices that influence the earning capacity of the companies in which we have invested. Norfund's mandate is to invest in developing countries, which means that the macroeconomic conditions and uncertainties are more complex, and the risk is accordingly higher. Future returns depend among other things on the ability to manage and mitigate risk in all phases of an investment.

## Interest

Norfund's income is also substantially affected by fluctuations in the fixed income market, as 30 per cent of the investment portfolio is in the form of loans, 57 per cent of which have a floating interest rate, with Libor/SOFR + margin making up the largest proportion.  In addition, Norfund has significant cash holdings and a bond portfolio (see Note 12) which accrue interest. Thus the interest rate level has a substantial direct effect on Norfund’s operating and financial revenue.

## Credit risk

Norfund has a significant number of loans, and individual semi-annual reviews are conducted of the borrowers’ financial standing, history and other relevant factors. If default on a loan is considered highly likely, it is written down. A loan is regarded as non-performing when a payment has not been made within 60 days of the due date. In the event of default, our total investment in the borrower is evaluated.

Norfund does not carry any general loss provisions for the loan portfolio, but makes a specific allocation for each loan; see also Note 3.

## Liquidity risk

Liquidity risk is the risk of Norfund being unable to fulfil its commitments, which are therefore monitored closely in relation to available liquidity. To ensure strong financial freedom of manoeuvre, Norfund aims to maintain a real and solid liquidity reserve that must at least cover future committed investments plus a minimum amount. Liquidity is strengthened through annual allocations from the Owner and through repayments from the investment portfolio in the form of  interest, repayment of the principal, dividends and exits from companies. Norfund does not use debt instruments in its liquidity management.

The liquidity reserve consists of bank deposits, short-term placements in banks with terms of up to one year, and a bond portfolio. Placements in anything other than Norfund's relationship banks must be in accordance with the investment mandate laid down by the Board, which regulates amounts and terms.

The Finance Department monitors Norfund's liquidity and adapts the placement of resources to ensure an appropriate return on the liquidity placements and according to the expected cash flow prior to investment.

## Currency risk

Norfund's operations are strongly exposed  to currency risk, as we receive our allocations in NOK, while investments largely take place in other currencies, USD being by far the largest. In consequence, costs associated with investments will also largely be in currencies other than NOK.

Norfund's base currency is NOK, which means that its future returns and gains/losses for accounting purposes are strongly influenced by the exchange rate between NOK and other currencies. Investments are subject to a greater or lesser extent to fluctuations in the exchange rate between USD and the local currency in the individual country, which in turn may affect the results and values of these companies in Norfund’s balance sheet.

Three-month forward contracts are used to hedge the portion of the bond portfolio denominated in EUR and GBP against USD; see Note 12.

Norfund’s liquid assets are mainly placed in NOK-denominated, interest-bearing accounts in Norges Bank, while its USD-denominated liquid assets are mainly placed in DNB and short-term investments.

| FX rates used in conversion | | | | |
|---|---|---|---|---|
| | | **31.12.2022** | **31.12.2021** | **Change during the year** |
| US dollar | USD | 9.857 | 8.819 | 11.8% |
| South African rand | ZAR | 0.581 | 0.553 | 5.0% |
| Indian rupee | INR | 0.119 | 0.118 | 0.9% |
| Kenyan shilling | KES | 0.079 | 0.077 | 2.4% |
| Ugandan shilling | UGS | 0.003 | 0.002 | 6.4% |
| Mozambican metical | MZN | 0.153 | 0.137 | 12.1% |
| Bangladeshi taka | BDT | 0.096 | 0.101 | -5.2% |
| Ghana shilling | GHS | 0.963 | 1.424 | -32.4% |
| Tanzania shilling | TZS | 0.004 | 0.004 | 10.0% |
| Euros | EUR | 10.514 | 9.989 | 5.3% |

## Operational risk

Operational risk is the risk of financial losses occurring as a consequence of errors in internal processes and systems, human error or as a consequence of external events such as criminality or natural disasters.. Management of operational risk has become increasingly important in Norfund in recent years, as the company is growing significantly and becoming a more complex organisation.

The identification, management and control of operational risk is a management task, and is coordinated through Norfund's Enterprise Risk Management System. The management's most important aid is semi-annual reviews of the risk picture and action plans, and systematic work to maintain these. There is also continuous work on awareness-raising and knowledge-building in the organisation. If weaknesses are detected, they are reported to the organisation's management team.

Norfund places emphasis on authorisation hierarchies, clear descriptions of procedures and well defined areas of authority as elements of our framework for managing operational risk.

Norfund's risk exposure and management thereof are followed up by the company's external internal auditor, and reports are submitted regularly to the Board and the Risk and Audit Committee.

# Note 16 – Events after balance-sheet date

Since balance sheet day, there has been turbulence in the financial sector and several banks, particularly in Europe and the US, have faced significant financial challenges. This has created uncertainty in the financial market, and given a steadily rising interest rate level, this uncertainty has not, as yet, abated. However, at the time of submitting the financial statements, we cannot see that this situation significantly affects the valuation of Norfund's investment activities, and we can therefore establish that it does not create any major uncertainty with respect to Norfund's financial position.

# Auditor's report

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To the General Meeting of Norfund

INDEPENDENT AUDITOR’S REPORT

*Opinion*
We have audited the financial statements of Norfund (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

*Basis for Opinion*
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors’ report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors’ report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors’ report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors’ report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors’ report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors’ report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors’ report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

*Responsibilities of Management for the Financial Statements*
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for

such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

*Auditor's Responsibilities for the Audit of the Financial Statements*
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 8 May 2023
Deloitte AS

Grete Elgåen
State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*

# Revisors beretning

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Til generalforsamlingen i Norfund

UAVHENGIG REVISORS BERETNING

*Konklusjon*
Vi har revidert årsregnskapet for Norfund som består av balanse per 31. desember 2022, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2022, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

*Grunnlag for konklusjonen*
Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

*Øvrig informasjon*
Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen og annen øvrig informasjon som er publisert sammen med årsregnskapet. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker verken informasjonen i årsberetningen eller annen øvrig informasjon.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen og annen øvrig informasjon. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen, annen øvrig informasjon og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen og annen øvrig informasjon ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen eller annen øvrig informasjon fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

*Ledelsens ansvar for årsregnskapet*
Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

*Revisors oppgaver og plikter ved revisjonen av årsregnskapet*
Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av intern kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke kan fortsette driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte innholdet i og tidspunkt for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i intern kontroll som vi avdekker gjennom revisjonen.

Oslo, 8. mai 2023
Deloitte AS

**Grete Elgåen**
statsautorisert revisor

Denne revisjonsberetningen er signert elektronisk.