Norfund

Annual report

2023

Board of Directors' report

The global economy in 2023 developed better than many predicted at the start of the year. Inflation decreased toward the end, and the global growth rate of 3.1% exceeded expectations. However, we see large variations, also in Norfund's markets. India's economy grew by 6.7%, Ivory Coast's by 6.2%, while Malawi and South Africa saw growth below 1%. South Africa's GDP per capita has regressed to 2016 levels. Additionally, the combined GDP of Least Developed Countries (LDCs) in 2023 was 10% lower than if the growth rates pre-pandemic had persisted.

Interest rates remained high in 2023, and the consistently high dollar rate, combined with macroeconomic instability, led to capital being withdrawn from many emerging economies. The burden of debt in several of Norfund's markets increased significantly throughout the year. There is a substantial liquidity problem in many of our markets and combined foreign direct investments in developing countries fell last year by 9% to 841 billion USD. UNCTAD reported a fall of 12% in developing countries in Asia and 1% in Africa. The IMF estimates that low-income countries will need to refinance around 60 billion USD external debt each year, three times higher than the average in the decade leading up to 2020. The macroeconomic picture for Norfund's markets is still characterized by uncertainty.

Job creation continues to be one of the biggest challenges in many of Norfund's markets. A study from the Global Center for Development shows that we should expect around 1.4 billion new job seekers in low- and middle-income countries by 2050, most of them in Sub-Saharan Africa. At the current rate there will only be job opportunities for 590 million, which will only cover just over a third of them. In South Africa, youth unemployment is estimated at between 60 and 70%. This illustrates how growth and job creation are central challenges in Norfund's markets.

In Norway and other OECD countries, significant attention and increasing development aid has been directed to Ukraine, the climate, and, in the wake of the war in Gaza, to Palestine. This means less development aid budgets are available for job creation and the fight against poverty. Transfers to Norfund's Development Mandate have been stable in nominal Norwegian kroner for several years, and during the 2019-2023 period Norfund's portion of the Norwegian aid budget sank from 5.2% to 2.9% (not including transfers to the Climate Investment Fund). The World Bank's new strategy has expanded to include climate-related issues. This is also an example of how many actors are tasked to do more and deliver on several fronts while budgets are tight.

2023 was the warmest year on record. A report from Climate Policy Initiative estimated that climate finance needs to at least quintuple from 1.3 billion USD in 2021-2022. In emerging markets, it needs to grow even more. This shows what an important role the Climate Investment Fund plays.

Despite this backdrop, Norfund's investments in 2023 remained stable: 6.5 billion NOK combined for the two mandates (Development and Climate). A stable commitment level partly reflects a challenging market in 2023, and that some larger investments were committed at the start of 2024 and not the end of 2023. A high commitment level was made possible partly by the sale of SN Power (completed in 2021), alongside the recycling of capital through exits from investments and repayment of loans, as well as the annual capital injections from the Norwegian State.

With continued capital injections from the state to both mandates, Norfund will be able to maintain a stable investment level in the years to come.

About Norfund

Norfund's mandates and strategy

Norfund was founded in 1997 as Norway's most important tool for private sector development in developing countries. Through equity and other risk capital, as well as loans and guarantees, Norfund helps to develop sustainable businesses in developing countries. The aim is to establish viable, profitable activities that otherwise would not be initiated because of the high risk involved.

Norfund is a responsible owner that adjusts its ownership approach depending on the sector, instrument, and risk. For some investments (such as equity investments where we have a significant minority share) we will have an active role, while with others we will be less active (for example with loans to banks). However, we always consider ourselves a responsible owner with high ethical requirements. We always aim to exit the investment when our role as investor is no longer necessary so that the capital can be recycled and be put to work through new investments.

In all investments, Norfund works with strong, local partners. These partners include the businesses we invest in, their owners, leadership, employees, and co-investors locally and internationally. This is central to our investment approach and positions us to invest responsibly and deliver significant development and climate effects alongside a healthy profit.

Since 2022 Norfund has also been responsible for the Climate Investment Fund. This new mandate builds on Norfund's long experience with investments in renewable energy, and there are strong synergy effects between the two mandates.

For the **Development Mandate**, Norfund's goal is to create jobs and improve lives by investing in business that contribute to sustainable development. This mandate comprises four investment areas, with Financial Inclusion being the largest. This area invests in banks and other financial institutions, microfinance, insurance, and finance technology. The second largest investment area is Renewable Energy, which includes solar, wind, hydropower, and decentralized energy solutions. The investment area Scalable Enterprises comprises agribusiness, manufacturing, and fund investments. Finally, Green Infrastructure invests in water and waste management. Each of these four investment areas have goals that directly contribute to the UN's Sustainable Development Goals. Under the Development Mandate, Norfund prioritizes investments in countries with limited access to capital, and especially Least Development Countries as well as Sub-Saharan Africa and uses equity as the preferred instrument. The Norwegian Ministry of Foreign Affairs (MFA) has decided that around 60% of the state budget portion allocated to Norfund should be invested in renewable energy (starting in 2022).

For the **Climate Mandate** (Climate Investment Fund), Norfund's goal is to promote the transition to net zero in emerging markets. Under the Climate Mandate Norfund mainly invests in the production and development of renewable energy, as well as areas enabling technologies. Norfund prioritizes equity investments for this mandate as well. The Climate Mandate is primarily for middle-income countries where there are even bigger opportunities for reducing emissions.

Financing

Norfund is financed through annual capital allocations from the Norwegian State, along with the returns from the investments. In 2023, the state allocated 1.7 billion NOK under the Development Mandate and 1 billion NOK under the Climate Mandate. In addition to the capital allocation, Norfund received 15 million NOK for Business Support, a technical assistance scheme.

Returns in the form of interest and dividends from investments, loan repayments, and exits from investments make up an increasing portion of the fund's available investment capital. This allows Norfund to increase its investment activity, thereby contributing even larger positive effects for development and the climate.

Additionality

Most countries Norfund invests in are not very attractive to international investors due to high risk. Norfund’s competence, willingness, and ability to manage risk is therefore important when investing capital in these countries and is the key to successful investments. Norfund needs to be additional in all investments. The fund is *financially additional* by investing capital that companies would otherwise have trouble accessing, due to a scarcity of capital and the high risk. Norfund is *value additional* by contributing value beyond capital, by being an active owner, promoting environmental and social standards, and by improving business practices. Norfund is a minority investor and in this way also helps to mobilize capital from other investors both in Norway and internationally. Norfund's ambitions for additionality in each investment area are registered and reported to the OECD development committee, as well as on Norfund's website.

Norfund's total portfolio in 2023

In 2023, the portfolio (both mandates combined) delivered an internal rate of return (IRR)[1] of 2.7% in local currency and 4.7% in NOK. Since inception the portfolio has yielded an IRR of 4.9% in local currency and 7.9% in NOK. As of 31.12.2023 Norfund's total committed portfolio was 36.2 billion NOK. During 2023 the fund committed 6.5 billion NOK. The results of the Development Mandate and Climate Mandate are detailed below.

Development Mandate – portfolio in 2023

In 2023 the Development Mandate yielded returns measured by IRR of 1.8% in investment currency and 4.1% in NOK. Since inception, the portfolio has had an IRR of 4.9% measured in investment currency and 7.8% in NOK. The returns for 2023 are well below the historical average, primarily due to lower returns in renewable energy driven by higher capital costs. We still consider this an acceptable return, given how turbulent the markets were in 2023 and considering that the overall portfolio has a return in line with expectations.

At the close of 2023, the committed portfolio was 32.5 billion NOK. Norfund committed 4.9 billion NOK under the Development Mandate in 2023, spread across 21 new investments and 18 follow on investments.

The commitments for the year were spread across Norfund's investment areas, with 2.3 billion NOK in Financial Inclusion and 1.4 billion NOK in Renewable Energy. Commitments in Scalable Enterprises (agribusiness and manufacturing) comprised 804 million NOK, while 412 million NOK was committed via funds.

Commitments in Least Developed Countries (LDCs) made up 38% of the portfolio at the close of 2023, while Sub-Saharan Africa made up 64%. Equity made up 71% of the portfolio at the end of the year. The key performance indicator (KPI) for renewable energy was at 68% at the close of 2023. Norfund's portfolio is therefore in line with the KPIs set by the board, which mandate at least 33% of the portfolio in LDCs and 50% in Sub-Saharan Africa and 70% equity investments. Additionally, Norfund’s statutes require that 60% of Norfund’s capital allocation over time should be invested in renewable energy, a target that was also met.

Norfund prioritizes investment areas where there are significant opportunities for development effect and impact. There has been developed a theory of change for each investment area, that shows how Norfund's capital and competence contributes to development effects. Norfund's investments contribute directly to 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). Norfund annually gathers data on development effects from our portfolio companies, both from direct and indirect investments through platforms and funds. The data is gathered based on harmonized indicators. In 2023, Norfund gathered data from 954 companies (with a 100% response rate). To highlight development in portfolio companies, we also report changes from 2022 to 2023 for the companies in the portfolio that have reported for two consecutive years (82% of the companies) .

As part of the strategy for 2023-2026, Norfund has set ambitions for each investment area that reflect the accumulated organic growth (the development in a company after Norfund invested) based on sector relevant parameters. The ambitions are set for the whole strategy period and not for each year. After the first year of the strategy period, we see that investments in Financial Inclusion and direct investments in Scalable Enterprises are well on their way to reaching their ambitions for the period. Indirect investments through funds will reach the ambitions for revenue growth if the same trend continues. At the same time, these investments have created fewer jobs than needed to meet the ambition for the period. Further, investments in Renewable Energy delivered markedly lower results than are needed to meet the ambitions for this period.

In addition to these quantified ambitions, Norfund measures development effects at the portfolio level. At the close of 2023, there were 625,000 jobs in portfolio companies under the Development Mandate. 64% of these were in Africa and 27% were in LDCs. Women comprised 38% of the jobs and youth under 25 years comprised 19%. In 2023, there were 37,200 new net jobs, reflecting a 9%

increase and with the majority of these jobs in Africa. Taxes and fees paid by portfolio companies totaled 32.7 billion NOK, with 21 billion NOK paid in Africa. Norfund uses the Joint Impact Model to estimate indirect effects of investments. These estimates show that the ripple effects of Norfund both upstream (value chain and suppliers) and downstream (possible effects on access to finance and energy) are substantially higher than the direct effects. These are described in more detail in the annual report. It should be emphasized, however, that these numbers are modelled estimates and as such come with a high degree of uncertainty.

The numbers for development effects are unattributed, meaning they show the total effect of the portfolio companies and do not consider Norfund's investment share. More information on Norfund's development effects is available in the annual report.

Climate Mandate (the Climate Investment Fund) - portfolio in 2023

The Climate Mandate came into effect in 2022. In 2023, the Climate Mandate delivered an IRR of 21.9% measured in investment currency and 17.8% in NOK. Since inception, the portfolio has had an IRR of 24.4% in investment currency and 20.4% in NOK. These numbers must be viewed in the context that this is a new fund with few investments and no exits. At the close of 2023, the portfolio had 3.8 billion NOK in commitments. In 2023, large investments included SAEL, a company that produces renewable energy based on solar and biomass in India. For the Climate Mandate, the board has set a guiding risk threshold for exposure to any one country at 25%. The fund is primarily invested in India and South Africa, with a smaller investment in Sri Lanka. Work is being done to diversify the portfolio geographically.

The Climate Mandate investments also contribute directly to the UN Sustainable Development Goals. These are SDG 13 (Climate action), 7 (Affordable and clean energy) and 8 (Decent work and economic growth). In 2023, Norfund's commitments financed 4,244 MW of renewable energy and avoided an estimated 8.5 million tons of emissions annually (ex ante). In addition to this, Norfund invested in a transmission line that will connect to several wind power plants, leading to an estimated 5.8 million tons of avoided annual emissions. These are strong results seen against the ambitions for the strategy period for the Climate Mandate (2022-2026) of 9 GW renewable energy financed and 14 million tons of avoided annual emissions. At the close of 2023, there were 8,000 jobs in portfolio companies under the Climate Mandate. Most of these were temporary jobs because of high activity in the construction phase of power plants. These numbers, as is the case with the Development Mandate, are not attributed, and do not account for Norfund's investment share.

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•

Financial statements

Norfund ended the year with an operating income of 1,554 million NOK and a positive result after taxes of 1,896 million NOK. The result was significantly influenced by currency effects due to the weaker Norwegian krone against our primary currency, the USD, although this impact was less pronounced than in 2022. Currency effects on the results were 0.4 billion NOK compared to 2.1 billion NOK in 2022.

The historically weak NOK gives investments and cash holdings a higher value measured in kroner and shows the impact that currency fluctuations have on income and financial statements. The effects will reverse if we see a corresponding strengthening of the NOK. For the board, the relevant indicator is IRR in investment currency as this better captures Norfund's underlying performance.

Without currency effects, the result for 2023 is 1.5 billion NOK, an increase of 1.4 billion NOK compared to 2022. This is primarily due to a significant increase in interest income from the investment portfolio, realized gains as well as liquid assets placed in a bond portfolio.

The interest income from the portfolio has increased significantly to 680 million NOK as the loan portfolio grew by 26% in NOK while the floating interest rates have continued to increase throughout 2023. The accounts show a realized gain of 467 million NOK, mostly from Green Resources (213 million NOK) and Scatec

Upington (186 million NOK). Further, the company received 370 million NOK in dividends, with the most important of these being Arise B.V. (180 million NOK), AfricInvest Financial Inclusion Vehicle (44 million NOK) and Klinchenberg B.V. (40 million NOK).

Labor costs have increased by 20% compared to 2022, to 219 million NOK. Both the investment and corporate functions at Norfund were strengthened throughout the year. This also means an increase for other cost areas, but on balance within expectations. Total costs measured in percentage of committed portfolio remain stable at 1%.

The investment portfolio has been written down by 460 million NOK in 2023, of which 121 million NOK is realized loss. The ongoing conflict in Ukraine still affects the portfolio and additional write downs were necessary last year. This also applies to the situation in Myanmar where the situation continues to be challenging.

Norfund's total balance at the close of 2023 was 42 billion NOK. The balance increased by 4.6 billion NOK from 31.12.2022. Total earnings added to equity were 1.9 billion NOK and the annual capital allocation from the state budget was 2.7 billion NOK. Value adjusted equity based on estimated market value for Norfund's portfolio as of 31.12.2023 was 46.6 billion NOK.

At the close of 2023 Norfund had outstanding, unpaid commitments of 7.4 billion NOK. Cash holdings were 5 billion NOK, in addition to current assets of 8.1 billion NOK. Of the liquidity holdings, 3 billion NOK is earmarked for the Climate Investment Fund for investments during 2024-2026. The board considers the liquidity as sound and confirms that the going concern assumption applies. The Board of Directors’ assessment concluded that the financial statements for 2023 provide a true and fair view of Norfund's financial position.

Organization, environment, and responsible corporate tax

Corporate governance

The General Assembly is Norfund's supreme body. Corporate governance is undertaken through General Assembly resolutions, including the adoption of and any amendments to the Norfund statutes. In 2023, there was an extraordinary General Assembly in conjunction with choosing a new accountant. The Ministry of Foreign Affairs receives quarterly reports and there are regular contact meetings between Norfund and the Ministry throughout the year.

Norfund's Board of Directors is elected by the General Assembly. Two employee members are elected by and among the fund's employees. The board consists of nine members. The Risk and Audit Committee consists of a committee leader and two members selected among the board's members. The committee serves as a preparatory committee and final decisions are made by the board. In 2023, the board held seven meetings and there were seven meetings of the Risk and Audit Committee. The board and Risk and Audit Committee works on an annual schedule that includes a reporting cycle, regular updates, deep dives, and competence building. Norfund has Directors and Officers liability insurance through AIG that covers board members and externally appointed board members in portfolio companies.

Norfund has a framework of governing ranging from the Norfund Act, statues and policies adopted by the board to operational guidelines, routines, and procedures for the follow-up on investment activities.

The structure and guidelines are updated regularly and tailored to Norfund's work. The investment committee reviews investment proposals and contributes to quality assurance. In 2023, the committee consisted of nine people, three of whom are external. The credit committee reviews loans to financial institutions and consists of five members, one of whom is external. Both committees review investments of between 4 million USD and 20 million USD, and investments are approved by the CEO. Both committees also submit their recommendations on investments above 20 million USD, but these are approved by the board. Smaller investments are raised with the board when needed, for example if there is high risk or reputational sensitivity. Investments up to 4 million USD are reviewed and approved by the management team.

Data, risk management, and internal audits

Taking on risk is key to Norfund's mandate. The types of risks Norfund takes and how they are managed are outlined in Norfund's Risk Appetite Statement, approved by the board. The statement describes two risk categories. The first relates to where and in what Norfund invests (markets, instruments, and currency risk). These risks are managed through Norfund's market insight, local presence, and portfolio diversification. The second category relates to how investment partners are selected and how Norfund operates and runs investment and operational processes (for example partner and corruption risk, environmental and social factors, and health and safety). These risks can be mitigated by implementing appropriate systems and processes, conducting regular training, contractual requirements, and internal audits and compliance.

The Enterprise Risk Management framework is a tool for the leadership and board to identify, understand, and address key operational risks. The framework's risk oversight is updated every six months and involves dedicated risk owners. The management team's recommendations for the top ten risk areas are discussed with the Risk and Audit Committee before being presented to the board. Proposals for areas subject to external audit are considered in conjunction with the top ten risk areas. The committee reviews proposals for potential areas for audit and provides recommendations, which are addressed and approved by the board.

Two important risk areas highlighted in 2023, were the unstable macroeconomic and political landscape, and the revision process of the framework for private sector investment as Official Development Assistance (ODA) eligible within the OECD - a process spanning many years. The latter was particularly important for Norfund, as it determined whether capital allocations to Norfund could be approved as ODA. After a long and challenging process with intensive efforts from Norfund in collaboration with the Ministry of Foreign Affairs and Norad, the revised framework is suitable also for an organization like Norfund.

Norfund has expanded its country risk tool, allowing the monitoring of portfolio exposure across political, economic, environmental, social, and business risks. Using this tool, the board has defined risk thresholds for individual countries and groups of countries. For the Climate Mandate, exposure in India and South Africa is currently high, but this is expected as the fund is still in its initial phase.

Norfund has zero tolerance for corruption and financial irregularities in its portfolio companies and has established systems to prevent, uncover, report, and address such cases. In 2023, there were 18 cases of alleged or actual financial irregularities in the portfolio. These cases were followed up in line with established procedures, primarily within the affected portfolio companies. A few cases are still being followed up, and one case was reported to the Ministry of Foreign Affairs.

In addition to reports of purported financial irregularities from portfolio companies, Norfund received four reports concerning other issues, mostly related to employment conflicts. Furthermore, four reports were received through our external whistleblowing channels, which primarily concerned undocumented allegations. Norfund has followed up on all cases maintaining confidentiality and integrity of the whistleblowers in accordance with internal procedures. None of the allegations have resulted in criminal or formal proceedings.

Organization and operational efficiency

Norfund has experienced significant growth over the last few years, in the form of increased investment volume, a growing portfolio, and more employees. In 2023, recruitment focused on strengthening corporate staff in finance and legal, as well as increasing the capacity of the Renewable Energy department. The regional offices also grew, reflecting the ambition to primarily grow the organization close to the markets in which Norfund invests, with 30% of new employees joining a regional office. Approximately two thirds of Norfund's employees work directly with investments, while one third work in corporate functions.

In 2023, an external study was undertaken to evaluate Norfund's cost effectiveness compared to a selection of other DFIs. The study showed that Norfund is the most cost effective, measured by operating costs as share of assets under management. For both 2022 and 2023, this ratio was 1%. The goal is to remain below the average for comparable institutions in development finance. However, it is important to emphasize that this ratio should not be as low as possible; the goal is to find the right cost level that ensures a robust organization suitable for Norfund's mandate and risk profile.

Increased complexity poses a risk as an organization grows. Norfund recognizes the importance of a strong culture to ensure that the organization grows and develops well. This is expressed through "The Norfund Way", which consists of five values that describe the attitudes and behaviors essential for delivering on Norfund's mandate. In 2023, the organization placed special emphasis on diversity, equity, and inclusion. With external support, Norfund mapped how these themes are experienced within the organization and identified ways to strengthen inclusion and psychological safety. The results were followed up with awareness raising measures throughout the organization. An internal advisory group was also established, featuring employees representing a diversity of gender, age, position, and background. The work continues in 2024.

At the close of 2023, Norfund had 144 employees, with 134 of them in permanent positions, representing 24 nationalities. In addition to the office in Oslo, Norfund has five regional offices in Accra, Cape Town, and Nairobi in Africa, Bangkok in Asia, and San José in Central America. Strong regional offices with experienced teams that work closely in our markets are decisive for a successful investment strategy.

The activity duty and the duty to issue a statement (aktivitets- og redegjørelsesplikten) is provided in a separate report on Norfund's website. Norfund has guidelines for recruitment, competence building, and gender equality, as well as procedures for employee follow-up and remuneration. In 2023, 11 employees participated in Norfund's "desk swap" program, which allows employees to work at another office for a short period. These desk swaps have proven beneficial for employees, strengthening company culture, promoting knowledge sharing, and increasing motivation amongst employees.

Norfund is hiring more young employees, reducing the average age from 41.4 years old in 2019 to 40.1 years old in 2023. The gender balance is strong, with 49% women and 51% men. In leadership roles, 43% of the leaders are women. In 2023, Norfund hired 28 new employees, of which 10 are temporarily employed. Measured in permanent FTEs, Norfund's turnover in 2023 was 6%.

During 2023, the intern program continued, which aims to increase diversity and profile Norfund as an attractive workplace. Six new graduates participated.

Sick leave amongst employees was at 2.9% in 2023. The internal goal is to not exceed 3%. 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.

Norfund monitors the annual salary levels across functions with a particular focus on gender-related salary discrepancies. The findings show there are no systematic differences in salary between genders. More information can be found in the activity duty statement (aktivitets- og redegjørelsesplikten). Norfund aims to be competitive, but not leading when it comes to salary. The company finds is increasingly difficult to offer compensation and benefits that attract the right talent, and therefore a task force has been established to assess compensation and benefits in Norfund. Guidelines for executive pay and reports on salaries and other remuneration of senior executives are both published on Norfund's website.

Responsible business

Social responsibility is a key starting point for Norfund, both for our own operations and our portfolio companies. The cross-cutting issues of Norwegian development aid – human rights, gender equality, anti-corruption, and climate & environment – are all integrated into our efforts. Norfund is a responsible investor that contributes to the value creation of its portfolio companies. In companies where we invest significant equity, we can appoint board members who also receive regular information and competence building in areas particularly important for Norfund, such as corporate governance, climate, and responsible business.

In 2023, Norfund strengthened its work on climate significantly. The ambitions and initiatives in this area reflect several factors: that climate risk can impact a company's ability to succeed; the expectations of our owner; and Norfund's role as an investor in developing countries with challenges and opportunities different from those in developed markets. Like the other European Development Finance Institutions, Norfund aims for net zero emissions in the portfolio by 2050 and assesses Paris alignment and climate risk for all new investments. Norfund reports according to the TCFD framework, a separate publication on the website.

In 2023, we developed a tool to assess whether new investments align with the Paris Agreement and initiated a process for Norfund's work towards net zero. We estimated the portfolio's emissions for the first time. Due to data challenges, the estimates are based on 2022 numbers and covering 71% of the portfolio. The emissions of Norfund's portfolio companies are at just over 4 million tons of CO2-equivalents in scope 1 and 2. Attributed to Norfund emissions are approximately 265,000 tons, calculated using the PCAF (Partnership for Carbon Accounting Financials) method for attribution. Scope 3 emissions, which include emissions from companies in financial institutions' loan portfolios, are significantly larger and come with even greater uncertainty. The quality and availability of data is a challenge in our markets. Effective integration of climate assessments is challenging, and the work will continue next year.

Norfund is certified as an Eco-Lighthouse and uses this framework to improve the internal environmental work. Emissions from Norfund's operations were 997 tons of CO2-equivalents in 2023, which mostly comes from air travel.

Norfund systematically integrates environmental and social factors throughout the investment process. We adhere to the International Finance Corporations (IFC) performance standards in this work, specifically designed for investments in developing countries. By applying these operational standards, Norfund meets the expectations of responsible business conduct in the whitepaper on ownership policy, that applies to all companies with direct state ownership (Meld. St. 6 (2022-2023)). Norfund's work is therefore in line with the state's expectations for due diligence using established methods.

In 2023, Norfund's work with environmental and social factors was strengthened through an enhancement of our Environmental and Social Management System (ESMS) and through competence building for investment employees.

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 2023, Norfund regrettably registered 19 work-related deaths in companies where we are directly invested. These incidents are reported to the board and, in special cases, also to the Ministry of Foreign Affairs. Two such incidents were reported to the MFA in 2023. 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. 12 of the fatalities reported in 2023 were traffic related. Norfund has decided to allocate funds from the Business Support facility to support portfolio companies' work to strengthen traffic safety.

Norfund has a firm policy on responsible tax which is aligned with the European DFIs. To supplement existing guidelines, we introduced routines for external assessment of structures used when investing through third countries, to ensure responsible taxation beyond the choice of domicile. Overall, the use of third countries is relatively high, which is due to the number of investments in regional funds and through structures where use of third countries is seen as necessary.

Through assessing both domicile and structure in line with Norfund's responsible tax policy, the use of third countries is considered responsible.

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 2023, 16 new projects received funding through this scheme. 22.6 million NOK went to this portfolio which consists of 53 active projects.

Norfund takes part in 2x Global, an international collaboration between investors to advance gender equality. In 2023, we continued to strengthen gender equality in individual investments, especially in Latin America, and expanded our program for leadership development with The Boardroom Africa, aimed at female leaders. We also collaborated with our British sister organization to pilot a training program addressing gender-based violence and harassment (GBVH), which will be launched in 2024. Many of these initiatives depend on financing through the scheme, which has limited funding.

Norfund maintains regular dialogue and cooperation with civil society organizations and other partners. In 2023, there was a dialogue meeting on Norfund's development effects and responsible business for all interested civil society organizations. There were also bilateral meetings on topics like textile production, the cocoa industry, transparency, climate, renewable energy in Latin America, and gender equality. At the annual Norfund Conference, we again raised dilemmas and challenges. Norfund also participated in several debates during Arendalsuka.

The Norwegian parliament established a separate Project Development and Risk Mitigation Facility (PDRMF) in 2019 now named *Frontier Facility* to better communicate its purpose. 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 of 123.7 million NOK in total investments. Through the Frontier Facility, Norfund invested a 2 million EUR convertible loan in Wecyclers Nigeria Limited, a recycling company based in Lagos.

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 annual investment gap has now increased from 2.5 billion USD to 4 billion USD in emerging markets, equal to 2.5 Norwegian oil funds.

Global growth outlooks are better in 2024 than in 2023, with inflation falling faster than expected in many regions. Still, predicted global growth for 2024 and 2025, at 3.1% and 3.2% respectively, is lower than the historical average of 3.8% for the period 2000-2019. There are, however, significant variations between countries. India, a key market for the Climate Investment Fund, is expected to maintain strong growth of 6.5% in both 2024 and 2025. Sub-Saharan Africa is expected to increase growth from 3.3% in 2023 to 3.8% in 2024, though this still lags behind the region’s population growth. The growth figures for Africa are burdened by sluggish growth in South Africa.

In 2024, half the world's population lives in countries where elections are taking place. The Economist has termed 2024 a “giant test of nerves for democracy.” There are concerns about the global decline of democracy and an increase in election interference, enabled by new technologies. Several of Norfund's core countries, including South Africa, Indonesia, India, Bangladesh, and Senegal (where the election has been cancelled), will be going to the polls this year. Norfund will remain a long-term, patient investor, but we must also prepare for turbulent times, both politically and economically.

The situation creates new challenges for companies in Norfund's portfolio, but also shows the need for a patient and counter-cyclical investor like us. When capital flows out of a developing country, Norfund's role becomes even more important. High unemployment rates in many markets require viable and profitable companies that can create jobs, and a robust finance sector that can finance them. These jobs must also be created within frameworks that nature and climate can thrive in.

Even under difficult conditions, Norfund has many investment opportunities for both mandates. At the close of 2024, we estimate that our committed portfolio will be around 35.5 billion NOK for the Development Mandate and 5.3 billion NOK for the Climate Mandate. However, these numbers depend on market conditions and continued pipeline development. 2023 was the first full year that Norfund managed the Climate Investment Fund. Our work now spans two mandates – development and climate: "Norfund invests to create jobs, improve lives and support the transition to net zero." These mandates are distinct yet strengthen each other. 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. Norfund 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.

Norfund cannot succeed alone. We find strength through collaboration with our partners: portfolio companies, co-investors, our owner, and other stakeholders. We are grateful for the trust they have put in us in 2023 and will do our utmost to deliver in 2024.

The board views Norfund as well-prepared to deliver on the strategy and goals that have been set. We thank the management and employees at Norfund for their important work during a challenging year. Diversity and a strong presence in our regions position us well for the years to come. 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, 15 May 2024

Olaug J. Svarva

Chair

Pablo Alberto Barrera Lopez

Martin Skancke

Vidar Helgesen

Vegard Benterud

Brit Rugland

Jarle Roth

Åslaug Haga

Karoline Teien Blystad

Income Statement

(Figures in 1000s of NOK)	Note	2023	2022
Interest income loans	2	679 886	474 888
Realised gains	2, 3	467 210	136 065
Dividends received	2	370 154	421 255
Other operating income	2	37 120	38 251
Total operating income		**1 554 370**	**1 070 459**
Operating expenses			
Payroll expenses	4	218 575	181 587
Depreciation fixed assets	5	2 745	3 639
Other operating expenses	4, 6	147 897	131 309
Total operating expenses prior to exchange rate adjustment of loans and write-down on investment projects		**369 218**	**316 535**
Adjustment for gain/loss on FX, project loans	2	109 601	791 555
Realised losses and net changes in value, investments	2	-460 316	-242 788
Profit/loss on operations		**834 437**	**1 302 691**
Net financial items	**7**	**1 073 371**	**948 402**
Profit/loss before tax		**1 907 808**	**2 251 093**
Taxes	8	-11 922	-7 777
Profit/loss for the year		**1 895 886**	**2 243 316**
Allocations			
Transferred to / from surplus fund	9	1 895 886	2 243 316
Total allocations		**1 895 886**	**2 243 316**

Balance

Balance Sheet Assets			
(Figures in 1000s of NOK)	**Note**	**2023**	**2022**
Assets			
Non-current assets			
Fixed assets			
Equipment and vehicles, fittings and fixtures, etc.	5	16 623	5 764
Total fixed assets		**16 623**	**5 764**
Financial fixed assets			
Pension plan assets	4	26 620	23 914
Total financial fixed assets		**26 620**	**23 914**
Total non-current assets		**43 243**	**29 678**
Current assets			
Receivables			
Other receivables	10	2 362 800	2 229 848
Total receivables		**2 362 800**	**2 229 848**
Investments			
Capitalised project development costs		0	0
Loans to investment projects	2, 11	8 146 847	6 470 661
Investments in equities and funds	2, 11	18 428 121	14 940 616
Other short-term Investments	12	8 081 447	8 272 899
Total investments		**34 656 415**	**29 684 176**
Bank deposits, cash and cash equivalents			
Bank deposits, cash and cash equivalents	12	4 979 289	5 499 614
Total bank deposits		**4 979 289**	**5 499 614**
Total current assets		**41 998 504**	**37 413 639**

Balance Sheet Assets			
(Figures in 1000s of NOK)	Note	2023	2022
Total assets		**41 998 504**	**37 413 639**

Balance Sheet - Equity and liabilities			
(Figures in 1000s of NOK)	Note	2023	2022
Equity and liabilities			
Equity			
Called and fully paid capital			
Primary capital	9	19 793 717	17 803 853
Reserve capital	9	6 840 790	6 152 502
Total called and fully paid capital		**26 634 507**	**23 956 355**
Retained earnings			
Surplus fund	9	15 014 835	13 121 368
Total retained earnings		15 014 835	13 121 368
Total equity		**41 649 341**	**37 077 723**
Liabilities			
Provision for obligations and charges			
Pension obligations	5	58 935	59 952
Total provision for obligations		**58 935**	**59 952**
Current liabilities			
Accounts payable		15 269	14 761
Taxes		298	1 329
Unpaid government charges and special taxes		18 156	13 712
Grants from the Ministry of Foreign Affairs	13	175 505	168 859
Other current liabilities	14	124 243	106 982
Total current liabilities		**333 471**	**305 642**

Balance Sheet - Equity and liabilities			
(Figures in 1000s of NOK)	Note	2023	2022
Total liabilities		**392 406**	**365 594**
Total equity and liabilities		**42 041 747**	**37 443 317**

Oslo, 15 May 2024

Olaug J. Svarva

Chair

Jan Tellef Thorleifsson

Chief Executive Officer

Pablo Alberto Barrera Lopez

Martin Skancke

Vidar Helgesen

Vegard Benterud

Brit Rugland

Jarle Roth

Åslaug Haga

Karoline Teien Blystad

Cashflow Statement

(Figures in 1000s of NOK)	Note	2023	2022
Cash flows from operations			
Profit before tax		1 907 808	2 251 093
Taxes paid		-11 625	-6 448
Ordinary depreciation	5	2 745	3 639
Gain/loss (-) on sales		-467 210	-136 065
Reversal of write-down (-) / Write-down investment projects		460 316	242 788
Differences in pension expenses and receipts/disbursements, pension plan		2 429	4 004
Effect of exchange rate changes		-305 924	-1 676 622
Investments in fixed assets	5	-14 218	-1 311
Change in other accruals		-107 304	1 298 953
Net disbursements of grant capital	13	-22 650	-6 296
Net cash flow from operations		**1 444 367**	**1 973 735**
Cash flows from investment activities			
Proceeds of sales/reflows from shares/holdings recorded at historical cost		812 790	906 904
Disbursements in connection with acquisition of shares/interests in other enterprises		-4 088 352	-3 106 212
Disbursements – investment loans		-3 360 092	-2 238 992
Receipts - repayment of principal, investment loans		1 607 258	1 309 212
Changes current investments	12	356 052	-276 151
Net cash flow from investments		**-4 672 343**	**-3 405 239**
Cash flow from financing activities			

(Figures in 1000s of NOK)	Note	2023	2022
Receipts - grant resources carried as current liabilities	13	29 500	15 000
Increase in/repayment of equity	12	2 678 152	2 678 152
Net cash flow from financing activities		2 707 652	2 693 152
Net change in cash and cash equivalents		-520 324	1 261 648
Bank deposits, cash and cash equivalents at 01.01		**5 499 614**	**4 237 965**
Bank deposits, cash and cash equivalents at 31.12	**12**	**4 979 289**	**5 499 614**

Notes

Note 1 - Accounting policies

The financial statements for Norfund consist of the following:

1. Income statement
2. Balance sheet
3. Cash flow statement
4. 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 2023. 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.

5. Transactions are recorded at their value at the time of the transaction.
6. Revenue is recognised when it accrues and expenses are matched with the related revenue.
7. 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.
8. 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 carrying 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 recognized 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.

Investments in equities and funds

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 non-liquid 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 carrying 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 section 10. '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 utilizes 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 placements 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.

Unrealized 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 under “Realized losses and net changes in value”.

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 financial items as they mature.

Bank deposits and other short-term investments

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

Other short-term placements 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 Inclusion, Renewable Energy, Green Infrastructure and Scalable Enterprises. The Climate Investment Fund is additionally presented in a separate column. 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 mandate
		Funds	Financial Inclusion	Renewable Energy	Green Infrastructure	Scalable Enterprises	Administration etc.	Climate Investment Fund
Operating income								
Interest - invested portfolio	679 886	483	485 949	137 105	959	55 390	0	0
Realised gains	467 210	42 958	12 878	197 889	0	213 484	0	0
Dividends received	370 154	7 226	306 201	46 804	0	2 242	0	7 682
Other project revenues	37 121	385	16 684	10 730	0	5 703	3 619	0
Total operating income	**1 554 371**	**51 051**	**821 712**	**392 528**	**959**	**276 819**	**3 619**	**7 682**
Operating expenses								
Payroll expenses	-218 575	-11 614	-34 939	-49 211	-5 090	-36 387	-81 320	-15
Depreciation fixed assets	-2 745	0	0	0	0	0	-2 745	0

	Norfund total	Development mandate						Climate mandate
		Funds	Financial Inclusion	Renewable Energy	Green Infrastructure	Scalable Enterprises	Administration etc.	Climate Investment Fund
Other operating expenses	-147 897	-2 962	-13 058	-24 560	-2 360	-22 581	-59 387	-25 651
Total operating expenses	**-369 218**	**-14 576**	**-47 996**	**-73 771**	**-7 450**	**-58 968**	**-143 452**	**-25 666**
	0							
Gain/loss (-) on FX, project loans	109 601	292	147 388	-25 461	383	-657	0	-12 347
Realised losses and net changes in value,	-460 316	-174 489	44 543	-208 930	-2 210	-121 380	3 828	-1 678
Profit/loss on operations	834 439	-137 722	965 647	84 366	-8 317	95 813	-136 005	-32 009
Net financial items**	1 073 371	0	0	0	0	0	1 073 371	3 528
Profit/loss before tax	1 907 809	-137 722	965 647	84 366	-8 317	95 813	937 366	-28 481
Taxes	-11 922	0	0	0	0	0	-11 922	0
Profit/loss for the year	1 895 887	-137 722	965 647	84 366	-8 317	95 813	925 444	-28 481

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

Balance sheet (investments and loans) net carrying values							
	Norfund total	Funds	Financial Inclusion	Renewable Energy	Scalable Enterprises	Green Infrastructure	Climate Investment Fund
Investments	28 717 119	3 784 040	10 371 199	8 876 500	3 550 991	46 218	2 088 171
Accumulated loan loss provision	-2 142 150	-672 021	-564 701	-415 540	-486 000	-2 210	-1 678
Total investments per segment	**37 443 968**	**3 112 019**	**9 806 499**	**8 460 959**	**3 064 990**	**44 008**	**2 086 494**

Segment information by geographical region						
Balance sheet	Africa	Asia	America	Global	Accumulated loan loss provisions	Total
Loans to investments	3 656 374	1 144 349	3 097 599	158 201	-301 871	7 754 653
Equity investments	11 636 029	3 336 603	1 242 678	2 788 629	-1 838 602	17 165 337
Loans for investment in the Climate Investment Fund	321 278	70 916	0	0	0	392 194
Equity investment in Climate Investment Fund	212 745	1 051 716	0	0	-1 678	1 262 784
Total balance sheet	**15 826 426**	**5 603 585**	**4 340 277**	**2 946 830**	**-2 142 149**	**26 574 969**
Interest income loans	268 001	108 475	281 760	21 650	0	679 886
Realized gain on shares	427 883	19 772	18 696	859	0	467 210

Segment information by geographical region						
Balance sheet	**Africa**	**Asia**	**America**	**Global**	**Accumulated loan loss provisions**	**Total**
Dividends received	286 944	2 562	33 084	57 624	0	380 213
Other project income	15 423	8 594	7 337	5 765	0	37 120
Total operating income	**998 251**	**139 403**	**340 877**	**85 898**	**0**	**1 564 430**
Gain/loss on FX, project loans	174 391	23 211	124 045	7 393	0	109 601
Realized losses and net changes in value	344 071	123 757	4 914	-12 427	0	460 316

Note 3 - Exited investments

In 2023 Norfund exited from three funds and four equity investments, resulting in the following IRR in NOK during the ownership period.

	Brac Bank	Green Resources	H1 Upington	Scatec Mocuba	TPS Dar es Salaam	Prospero Fund	Kinangop
Annual IRR during Norfund's ownership period	11.7%	14.2%	77.2%	-17.3%	12.5%	11.4%	-100.0%

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 2023.

Guidelines for Norfund on the setting of salaries and other remuneration in 2023

The following guidelines apply to the setting of salaries for senior Norfund employees up to the ordinary General Meeting in 2024.

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 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.

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% 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 0–7.0 G, and 20% 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)	2023	2022
Wages and salaries	150 561	126 375
Employer's social security contribution	27 965	21 356
Pension expenses	23 008	21 542
Other benefits	17 042	12 314
Total wages, salaries and other payroll expenses	**218 575**	**181 587**

Remuneration for the management 2023						
	Title	Salary	Bonuses*	Insurance and other payments in kind	Pension	Total
Jan Tellef Thorleifsson	CEO	3 191 303	0	20 067	225 387	3 436 757
Ylva Lindberg	EVP Strategy & Communication	2 019 038	0	87 867	230 055	2 336 959

Remuneration for the management 2023

	Title	Salary	Bonuses*	Insurance and other payments in kind	Pension	Total
Fride Andrea Hærem	EVP CFRO	2 019 038	0	29 411	234 095	2 282 544
Thomas Fjeld Heltne	EVP Legal	2 019 038	0	22 403	221 709	2 263 149
Erik Sandersen	EVP Financial Inclusion	2 122 312	0	63 450	517 607	2 703 369
Mark Davis	EVP Renewable Energy	2 309 012	0	46 347	1 317 000	3 672 359
Ellen C. Rasmussen	EVP Scalable Enterprises	2 122 302	0	39 923	233 716	2 395 940

*The bonus scheme for senior employees was discontinued with effect from the 2023 accounting year.

Remuneration for the management 2022						
	Title	**Salary**	**Bonuses**	**Insurance and other payments in kind**	**Pension**	**Total**
Jan Tellef Thorleifsson	CEO	2 966 629	0	20 239	201 069	3 187 938
Ylva Lindberg	EVP Strategy & Communication	1 770 974	50 000	21 401	199 475	2 041 849
Fride Andrea Hærem	EVP CFRO	1 766 988	50 000	19 242	202 397	2 038 627
Thomas Fjeld Heltne	EVP Legal	1 768 159	50 000	19 621	195 835	2 033 615
Erik Sandersen	EVP Financial Inclusion	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 Enterprises	1 819 032	50 000	22 386	202 397	2 093 815

Remuneration to Norfund's Board of Directors

Norfund's Board of Directors consisted in 2023 of the Chair and 8 Board members. In 2023 the General Meeting set remuneration to the Chair at NOK 308 200 (295 000 in 2022), while remuneration to the Board members, with the exception of the two employee representatives, was set at NOK 153 600. In 2023 the General Meeting set remuneration for the chair of the Risk and Audit Committee at NOK 83 600 and for the members of the committee at NOK 72 100.

Bonuses

The company has no share or option schemes for its employees, and there are no plans for such schemes. In all 89 employees of a total of 115 eligible for bonuses received a bonus for 2023. The highest total bonus award in 2023 was NOK 100 000. The bonus scheme accounted for 3.1 per cent of Norfund's payroll expenses in 2022, a total of NOK 3 920 000. Bonuses are paid for extraordinary performance, and the average payment in 2022 was NOK 44 045. The highest payment represented 10.1 per cent of the individual's salary. Bonuses for senior executives were discontinued with effect from 2023.

A separate Executive Pay Statement has been prepared which contains more details on pay for senior employees.

Auditor's fee		
(Figures in 1000s of NOK)	**2023**	**2022**
Statutory audit	1 373	723
Other services (including legal services)	541	345
Total	**1 914**	**1 068**

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 1.6 million (NOK 0.9 million in 2022) excl. VAT.

Number of permanent employees

The company had 134 (127) employees at the end of 2023. The number of full-time equivalents at year-end was 131 (123.5).

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 2023, NOK 2 322 000 (NOK 1 775 000 in 2022) was expensed in connection with these schemes.

Financial assumptions

	2023	2022
Discount rate	3.10%	3.00%
Expected return on plan assets	3.10%	3.00%
Salary adjustment	3.50%	3.50%
Pension adjustment	3.25%	3.25%
Adjustment of the basic amount (G) in the National Insurance System	3.25%	3.25%
Turnover	9.00%	9.00%
Employer's social security contribution	19.10%	19.10%

Financial assumptions

(Figures in 1000s of NOK)	2023	2022
Net present value of pension earned in the period	9 997	10 666
Capital cost of previously earned pensions	4 678	2 893
Expected return on plan assets	-3 371	-1 919
Administrative costs	92	87
Accrued employer’s social security contribution*		2 240
Net pension expenses for the year incl. employer’s contribution	13 573	13 967

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

Estimated pension obligations	Funded	Unfunded	2023
Estimated pension obligations	149 390	22 545	171 935
Estimated plan assets*	122 451	0	122 451
Net pension obligations 31.12.	26 939	22 545	49 484
Accrued employer's social security contribution**	5 145	4 306	9 451
Net pension obligations 31.12.	**32 084**	**26 851**	**58 934**

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

Reconciliation opening/closing balance	2023	2022
Carrying amount net pension liabilities 01.01 incl. employer's social security contribution	59 951	72 108
Net pension expenses for the year incl. employer's social security contribution	13 573	13 967
Actuarial gain/loss charged directly to equity	2 419	-17 037
Pensions paid, early retirement / unfunded, incl. employer's social security contribution	-1 492	-499
Investment in plan assets, etc., incl. employer's social security contribution	-15 517	-8 588
Carrying amount net pension obligations 31.12 incl. employer's social security contribution	**58 934**	**59 951**

Nordea Life's asset mix*		
	30.09.2023	30.09.2022
Property	12.5%	14.0%
Equities	11.5%	11.0%
Bonds at amortised cost	72.3%	65.0%
Short-term bonds/certificates	3.6%	9.0%
Other	0.0%	1.0%
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 carrying 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	26 284	1 463	27 748
+ acquisitions during the period	14 218	0	14 218
Historical cost at end of period	40 503	1 463	41 966
Accumulated ordinary depreciation at 01.01	23 024	0	23 024
+ ordinary depreciation for the period	2 745	0	2 745
Acc. ordinary depreciation at 31 December	25 770	0	25 770
Carrying value for accounting purposes at end of period	**14 732**	**1 463**	**16 196**
Depreciation period	*3-5 years*	*Non-depreciable*	

Acquisitions for the year include NOK 5.5 million for redecoration of Norfund's premises at Klingenberggata 4.
A deposit of NOK 427 000 is additionally recorded under this item.

Note 6 - Other operating expenses

(Figures in 1000s of NOK)	2023	2022
Seminars, conferences, upgrading of competencies	8 372	6 240
Travel expenses	24 799	18 088
External assistance, projects	53 590	44 866
External assistance, other	18 376	15 546
Rent, Oslo, including shared costs	11 411	10 075
Rent regional offices	5 764	4 637
Other expenses	26 306	31 857
Total operating expenses	**147 897**	**131 309**

	Lease duration	Annual rental costs
Premises at Fridtjof Nansens Plass 4, Oslo	15.11.2016 - 31.12.2026	7 425 994
Premises 4th floor Klingenberggaten 4	01.06.2023 - 31.12.2027	3 136 826

In addition there are lease contracts for our regional offices.

Note 7 - Net financial items

(Figures in 1000s of NOK)	2023	2022
Other interest income	657 816	427 083
Other financial income	558 820	877 630
Other financial expenses	-143 264	-356 311
Net financial items	**1 073 371**	**948 402**

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

Note 8 - Taxes

Tax expenses consist of withholding tax on dividends and interest on foreign investments. In addition some of our regional offices pay tax on their operations and as at 31.12.2023, NOK 0.5 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

(Figures in 1000s of NOK)	Primary capital	Reserve capital	Surplus fund	Total equity
Capital at 31.12.2022	17 803 853	6 152 502	13 121 368	37 077 723
Capital supplied in 2023	1 989 864	688 288	0	2 678 152
Actuarial gains/losses, pensions	0	0	-2 419	-2 419
Net surplus	0	0	1 895 886	1 895 886
Capital at 31.12.2023	**19 793 717**	**6 840 790**	**15 014 835**	**41 649 342**
Of which the Climate Investment Fund	*1 500 000*	*500 000*	*1 966 680*	*3 966 680*

Legal 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 2023, 75% was allocated to primary capital and 25% to reserve capital, of which 1 billion NOK belongs to the Climate investment Fund.

Note 10 - Other receivables

(Figures in 1000s of NOK)	2023	2022
Accrued interest	146 545	216 714
Other receivables	2 216 255	2 013 134
Total receivables	**2 362 800**	**2 229 848**

Other receivables consist largely of an interest-bearing seller credit (3.26% interest up to January 2028, after which the interest rate increases to 30%) to Scatec in connection with the sale of SN Power for NOK 2 042 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**	**Carrying value**
Financial Inclusion	5 656 364	4 864 740	-35 112	4 829 627
Green Infrastructure	20 345	15 767	0	15 767
Renewable Energy	2 132 701	1 753 893	-179 865	1 574 027
Scalable Enterprises	1 526 213	1 411 952	-86 893	1 325 059
Funds	10 172	10 172	0	10 172
Climate Investment Fund	835 210	392 194	0	392 194
Total loans	**10 337 061**	**8 448 718**	**-301 871**	**8 146 847**

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 31.12.2023 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 10 (6 in 2022) non-performing loans with total interest and repayments due of NOK 188 million (NOK 126 million in 2022) and a total outstanding amount of NOK 255 million (157 million in 2022). 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 in 1000s of NOK
0-60*	4
61-120	3
Over 121	182
Total	**189**

*Amounts due that are less than 60 days late are associated with loan agreements where there are also claims that are more than 60 days past the due date.

Loans are written down by up to 100% of the outstanding principal and accumulated interest, depending on the likelihood of the amount being repaid. Four loans were considered partially lost, with a total loss of NOK 28.3 million in 2023.

Repayment

Sixteen loans were repaid in the course of the year (8 in 2022), while two were converted into equity.

Equity investments in funds				
(Figures in 1000s of NOK)	**Committed investment**	**Historical cost**	**Accumulated write-downs**	**Carrying value**
Financial Inclusion	1 027 838	773 709	-60 115	713 594
Green Infrastructure	139 285	30 451	-2 210	28 241
Renewable Energy	781 889	342 943	-36 387	306 555
Scalable Enterprises	943 100	712 547	-36 581	675 966
Funds	6 034 467	3 672 711	-662 103	3 010 608
Total invested in funds	**8 926 579**	**5 532 361**	**-797 397**	**4 734 964**

Equity investments in companies				
(Figures in 1000s of NOK)	**Committed investment**	**Historical cost**	**Accumulated write-downs**	**Carrying value**
Financial Inclusion	5 043 652	4 732 750	-469 474	4 263 277
Renewable Energy	7 365 589	7 779 664	-199 289	6 580 375
Scalable Enterprises	1 612 717	1 426 492	-362 526	1 063 966
Funds	184 245	101 156	-9 918	91 238
Climate Investment Fund	2 657 139	1 695 977	-1 678	1 694 299
Total invested in equity and funds	**24 276 608**	**20 268 401**	**-1 840 281**	**18 428 121**

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 at

31.12.2023 is used for the part that is not disbursed. As at 31.12 there is a committed, not yet disbursed commitment of NOK 5 897 million to our partners.

Accumulated write-downs are accrued, not realized losses on portfolio investments.

Note 12 - Bank deposits and other short-term placements

Bank deposits, cash and cash equivalents		
(Figures in 1000s of NOK)	**2023**	**2022**
Deposits in Norges Bank	3 817 751	3 482 160
Tax deductions	21 679	11 783
Ordinary bank deposits	1 139 859	2 005 671
Total bank deposits	**4 979 289**	**5 499 614**
The following bank deposits are earmarked for:		
Grants from the Ministry of Foreign Affairs (see note 13)	175 505	168 859
Climate Investment Fund	2 309 231	1 567 180

Other short-term Investments		
(Figures in 1000s of NOK)	**2023**	**2022**
Fixed-term deposits (1 to 6 months)	2 208 569	1 797 087
Lending to banks of excess liquidity in our markets	1 380 564	2 059 080
Bonds	4 492 314	4 416 731
Other short-term placements	**8 272 899**	**8 272 899**

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% + SOFR 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 1.8 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. 41% of the portfolio is invested in euros and 5% in sterling, but hedged against USD by means of 3-month rolling futures contracts. Hedging contracts have been made for EUR 167.25 million and GBP 20.1 million.

The value of the portfolio has fallen in pace with expectations of higher policy rates, and we expect that most of the fall is now reflected in the portfolio. Norfund intends to hold the portfolio until maturity, with the result that the average annual return is estimated at 1.5% for the life of the portfolio.

Bonds

	Instrument currency	Fair value in instr. currency	Historical cost in USD	Fair value in USD	Change in value	Carrying value in NOK
Enterprises			**169 950**	**151 401**	**-18 549**	**1 497 345**
Financial Institutions	EUR	75 593	94 990	83 504	-11 485	836 397
	USD	31 670	33 698	31 670	-2 028	297 152
Manufacturing	EUR	2 989	3 749	3 302	-447	33 136
	USD	17 022	18 709	17 022	-1 686	164 453
Supply	EUR	14 396	18 805	15 903	-2 902	166 207
Public authorities			**330 629**	**292 499**	**-38 130**	**2 898 959**

Bonds						
	Instrument currency	**Fair value in instr. currency**	**Historical cost in USD**	**Fair value in USD**	**Change in value**	**Carrying value in NOK**
Development finance institutions	EUR	20 464	27 893	22 605	-5 288	221 487
	USD	19 910	20 212	19 910	-302	264 103
Local authorities	EUR	6 815	10 433	7 528	-2 905	71 727
Independent organisations	USD	7 158	7 857	7 158	-699	69 486
Supranational authorities	EUR	45 630	57 910	50 405	-7 506	510 453
	GBP	18 735	27 328	23 883	-3 445	241 277
	USD	161 010	178 995	161 010	-17 985	1 520 427
Cash and accrued interest			**10 115**	**10 115**	**-**	**95 834**
	EUR	2 051	2 265	2 265	-	23 059
	GBP	1 389	1 759	1 759	-	17 970
	USD	5 388	6 091	6 091	-	54 805
Total			**510 694**	**454 015**	**-56 679**	**4 492 138**

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. In 2023, the Storting granted NOK 23 million for the scheme. This is included under equity. At the end of 2023, 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 15 million in 2022) 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 2023, NOK 6.2 million remained to be allocated to projects, while NOK 46.71 million of allocated capital had not yet been disbursed.

The grant facility earmarked for Balkan projects has invested EUR 2.5 million in a fund in the region. The outstanding amount below is to be used as a capital buffer for management of the fund.

	Grant facilities		Balkan Trust Fund	
(Figures in 1000s of NOK)	**2023**	**2022**	**2023**	**2022**

(Figures in 1000s of NOK)	Grant facilities 2023	Grant facilities 2022	Balkan Trust Fund 2023	Balkan Trust Fund 2022
Receipts				
Carried over from previous year	164 359	144 195	4 501	16 111
Transferred from Ministry of Foreign Affairs	15 000	15 000	0	0
Reversals	0	26 820	559	7 867
Total receipts	**179 359**	**186 015**	**4 501**	**23 978**
Income	5	0	312	11
Disbursements				
General costs			108	
Fund management		0		0
General follow-up	0	0	-200	-150
Intervention				
Project development:	-259	-519	-849	0
Amplify and support project development effects	-20 453	-11 631	0	0
Promote social responsibility	-1 938	-1 560	0	0
Local investment funds				
Follow-up costs	0	0	-27	0
Loans / investment projects	0	-7 947	0	-19 477
Total disbursements	**-22 650**	**-21 656**	**-368**	**-19 477**
Non-disbursed resources	**156 709**	**164 359**	**4 296**	**4 501**
Resources received from KLD (Klima og Miljødepartement) to be transferred to Abler Nordic in 2024.	14 500			
Total non-disbursed resources at 31.12.2023	**175 505**			

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 interests in the African Forestry Impact Fund held by Norfund at year-end 2023.

Guarantees

As part of its activities, Norfund has issued 4 guarantees totaling NOK 51 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 31.12.23, 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 capital 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, in that they provide access to capital and expertise to 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. Efforts to actively minimize 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. Minimizing 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 summarized 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 with a view to securing an appropriate return prior to investment in the future.

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 placements.

FX rates used in conversion				
		31.12.2023	**31.12.2022**	**Change during the year**
US dollar	USD	10.172	9.857	3.2%
South African rand	ZAR	0.552	0.581	-4.9%
Indian rupee	INR	0.122	0.119	2.6%
Kenyan shilling	KES	0.065	0.079	-18.2%
Ugandan shilling	UGS	0.003	0.003	2.2%
Mozambican metical	MZN	0.161	0.153	5.1%
Bangladeshi taka	BDT	0.093	0.096	-3.0%
Ghana shilling	GHS	0.849	0.963	-11.8%
Tanzania shilling	TZS	0.004	0.004	-3.7%
Euros	EUR	11.241	10.514	6.9%

Operational risk

Operational risk is the risk of financial losses occurring as a consequence of faults in internal processes and systemic failure, human error or 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 organization. If weaknesses are detected, they are reported to the organization's management team.

Norfund places emphasis on authorization 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

There have been no major events since balance-sheet date that affect the assessments forming the basis for our submission of the financial statements.

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 2023, the income statement, statement of cash flows 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 2023, 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, May 15, 2024
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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NO-0103 Oslo
Norway

+47 23 27 90 00
www.deloitte.no

Til generalforsamlingen i Norfund

UAVHENGIG REVISORS BERETNING

Konklusjon

Vi har revidert årsregnskapet for Norfund som består av balanse per 31. desember 2023, resultatregnskap, 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 2023 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 årsregnskapet, 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, 15.05.2024
Deloitte AS

Grete Elgåen
statsautorisert revisor
(elektronisk signert)

Uavhengig revisors beretning

Name

ELGÅEN, GRETE

Date

2024-05-22

Identification

bankID ELGÅEN, GRETE