



Climate Investment Fund Report

# 2023

## Letter from the CEO

**Last year, while traveling through some of our markets, I had the opportunity to spend time with investees, partners, and local team members. Beyond the insights and knowledge I gain from such travels, I find it particularly inspiring to meet entrepreneurs. The resilience and optimism they demonstrate give me hope and renew my drive as CEO of Norfund.**

For instance, I met with the management team of the Kenyan textile producer Balaji. The founder, Mr. Pankaj Bedi, informed me that they employ 12,000 people, including 500 former inmates and 500 individuals with physical impairments. Their salaries support ten times as many people, with approximately 120,000 people dependent on Balaji's business. They are indeed making a significant difference.

2023 proved to be a challenging year in the developing world. First, we faced the aftermath of COVID-19, followed by the repercussions of the Ukraine War. Inflation surged, interest rates spiked, and currency volatility, along with a strong USD, affected many of our markets. State finances were severely strained, and many companies struggled to survive at the micro level. Nonetheless, our entrepreneurs continued to demonstrate that defying the odds and achieving remarkable results is possible.

While total foreign direct investment in developing countries [dropped by 9% to 841 billion USD last year](#), Norfund committed over 6.5 billion NOK, reflecting our record investment from the previous year. Our approach has not only shown resilience in demanding times but has also enabled us to generate a profit. The total annual investments now amount to 2.5 times the funds transferred from the state budget due to returns and sales.

Since our inception in 1997, Norfund has consistently grown and increased its impact. Our progress was built on Norfund's clear mandate and stable governance structure. We have benefited from strong political support across the political

spectrum, with additional funding provided each year. On this solid foundation, Norfund has recruited a highly competent team of dedicated professionals and established a strong presence with local offices in our key markets.

Norfund operates under two mandates: the Development Mandate, where our primary goal is to reduce poverty through job creation, and the Climate Mandate, where we aim to maximize CO2 emissions avoidance. Under the Development Mandate, seeking to maximize our additionality, 38% of our funding is invested in the Least Developed Countries, and no less than 64% is invested in Sub-Saharan Africa.

The Climate Mandate targets ODA countries heavily reliant on fossil fuels, such as India and South Africa. In 2023, we committed 1.6 billion NOK through the Climate Mandate and also mobilized substantial private funding. In total, the projects funded by the Climate Investment Fund are expected to avoid 8.5 tons of CO2 emissions annually.

Earlier this year, I travelled to India and Sri Lanka with our board of directors. In addition to visiting some of our large-scale renewable investments, we met with some of our microfinance clients on the outskirts of New Delhi. Meeting families who have secured loans enabling them to buy proper houses leaves a profound impression. They also shared how life-changing it was to own a fridge and not have to buy groceries every single day.

I am proud to serve as the CEO of Norfund. I have the privilege of leading a group of dedicated and highly competent staff. Working with exceptional entrepreneurs in challenging markets makes our mission incredibly rewarding. Through our investments we are making a significant difference, and our goal is to further increase our impact in the years to come.

**Tellef Thorleifsson**

Chief Executive Officer

May 2, 2024

## Key figures

**While total foreign direct investment to developing countries fell last year, Norfund committed almost NOK 6.5 billion, mirroring our record investment from the previous year.**

2023 is the second year Norfund reports on both the Development Mandate and the Climate Mandate. For some key figures such as commitments and investments, we present both here, while on others such as certain development effects we report only on the Development Mandate, due to the current relatively small size of the Climate Mandate.

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→ [Read more about the Development Mandate](#)

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→ [Read more about the Climate Mandate](#)

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

### New commitments

**4.9**    **Development Mandate**  
billion NOK in 2023

*Excluding Business Support and Frontier Facility*

**1.6**    **Climate Mandate**  
billion NOK in 2023

## Total commitments

<b>32.5</b>	<b>Development Mandate</b> billion NOK in portfolio
<b>3.8</b>	<b>Climate Mandate</b> billion NOK in portfolio

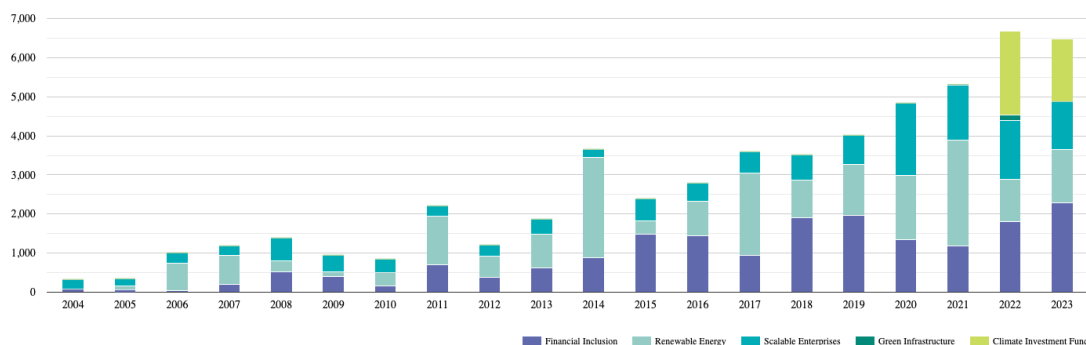
## Investments

<b>21/18</b>	<b>Development Mandate</b> New/follow-on investments in 2023
<b>5/1</b>	<b>Climate Mandate</b> New/follow-on investments in 2023

## Companies

<b>219/1030</b>	<b>Development Mandate</b> total direct/indirect investees in the portfolio
<b>12</b>	<b>Climate Mandate</b> total direct investees in the portfolio

## Committed investments per year (MNOK)



## Jobs

**625,000**

### Jobs

in Norfund portfolio companies under Development Mandate

**37,200**

### Jobs created

new jobs created (net) in portfolio companies under Development Mandate

**38%**

### Female employees

in Norfund portfolio companies under Development Mandate

→ [Read more about job creation and the Development Mandate here](#)

## Avoided emissions

**6.2 million  
tons**

**Development Mandate**

CO<sub>2</sub>e emissions avoided annually from  
greenfield projects in 2023 portfolio

**2.2 million  
tons**

**Climate Mandate**

CO<sub>2</sub>e emissions avoided annually from  
greenfield projects in 2023 portfolio

**Climate Mandate**  
**8.5 million tons**

CO<sub>2</sub>e expected annual avoided emissions from projects financed in 2023

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→ [Read more about avoided emissions from the Development Mandate](#)

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→ [Read more about avoided emissions from the Climate Mandate](#)

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## New electricity capacity

**557 MW**

**Development Mandate**  
financed in 2023

**4,244 MW**

**Climate Mandate**  
financed in 2023

**17.9 TWh**

**Development Mandate**  
electricity produced in portfolio companies

**5.7 TWh**

**Climate Mandate**  
electricity produced in portfolio companies

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→ [Read more about increased energy access and supply from the Development Mandate](#)

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→ [Read more about increased renewable energy supply from the Climate Mandate](#)

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## Access to finance

**11.5 million**

**New clients**

offered financial services in 2023

under the Development Mandate

**121 million**

**Total clients**

offered financial services in 2023

under the Development Mandate

**56 BNOK**

**Increased lending**

increase in total lending volume

under the Development Mandate

→ [Read more about access to finance](#)

## Internal rate of return

**1.8%**

**IRR in 2023**

in investment currency (4.1 % in NOK)

**Development Mandate**

**4.8%**

**IRR since inception**

in investment currency (7.8 % in NOK)

**Development Mandate**

## IRR in 2023

# 21.9%

In investment currency (17.8% in NOK)

Climate Mandate

## IRR since inception

# 24.5%

In investment currency (20.4% in NOK)

Climate Mandate

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→ [Read more about IRR and financial results under the Development Mandate](#)

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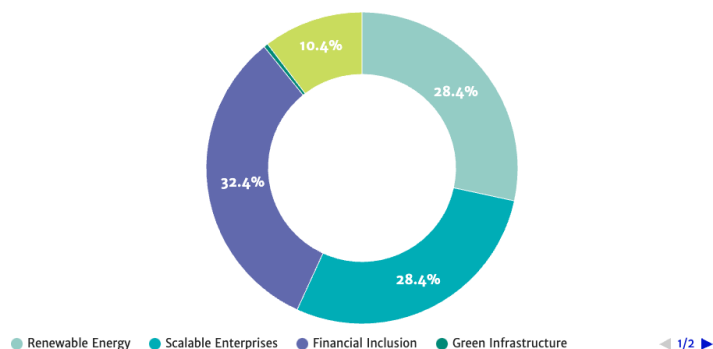
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→ [Read more about IRR and financial results under the Climate Mandate](#)

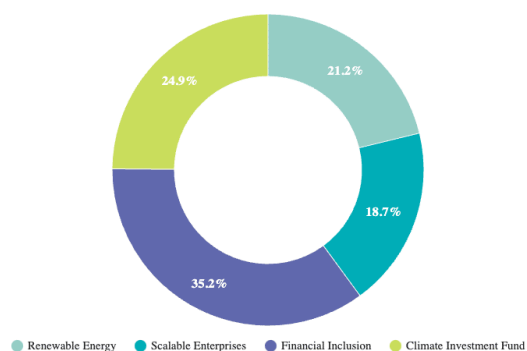
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## Commitments per investment area

### Total portfolio (MNOK)

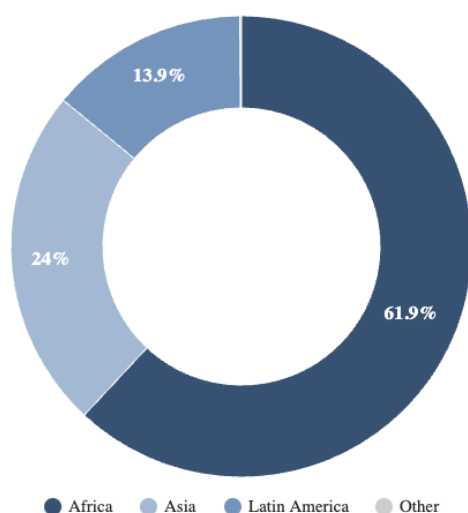


### In 2023 (MNOK)

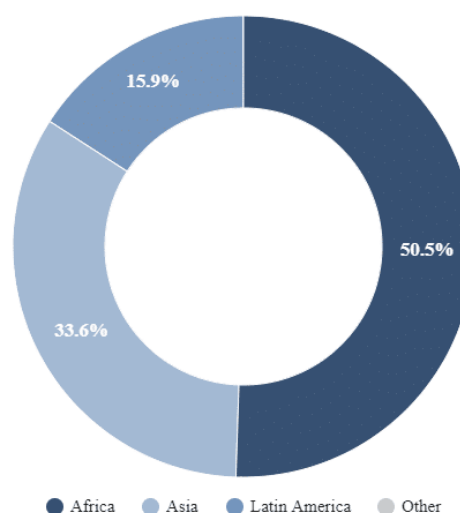


## Commitments per region

Total portfolio (MNOK)

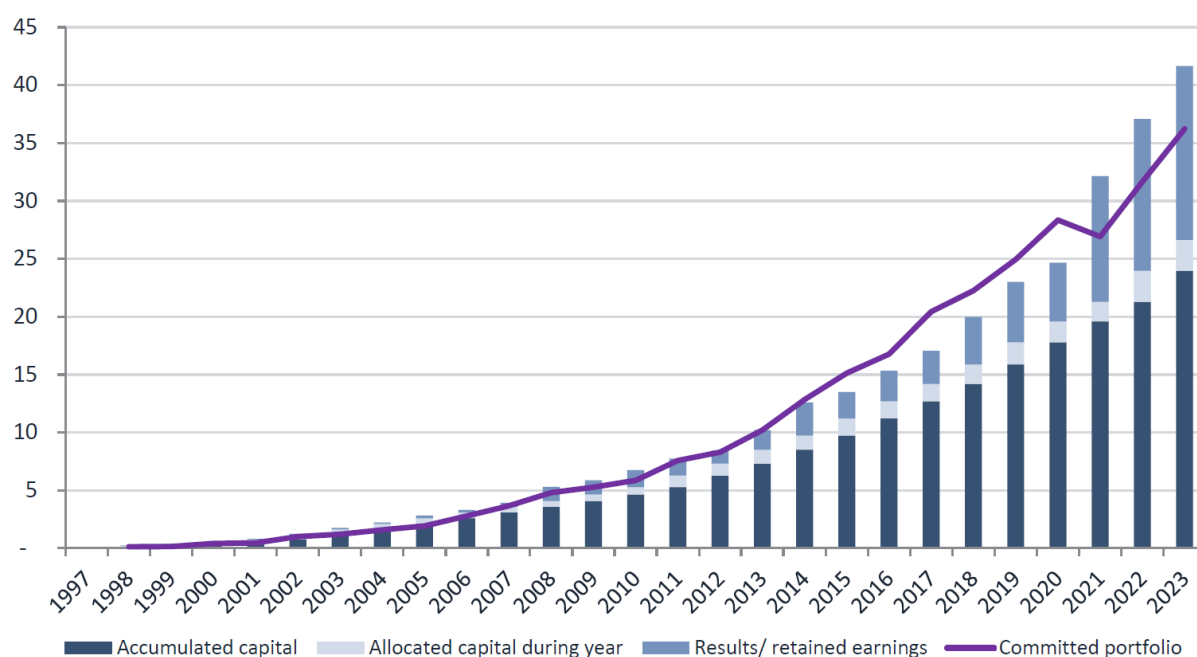


In 2023 (MNOK)



## Portfolio since inception

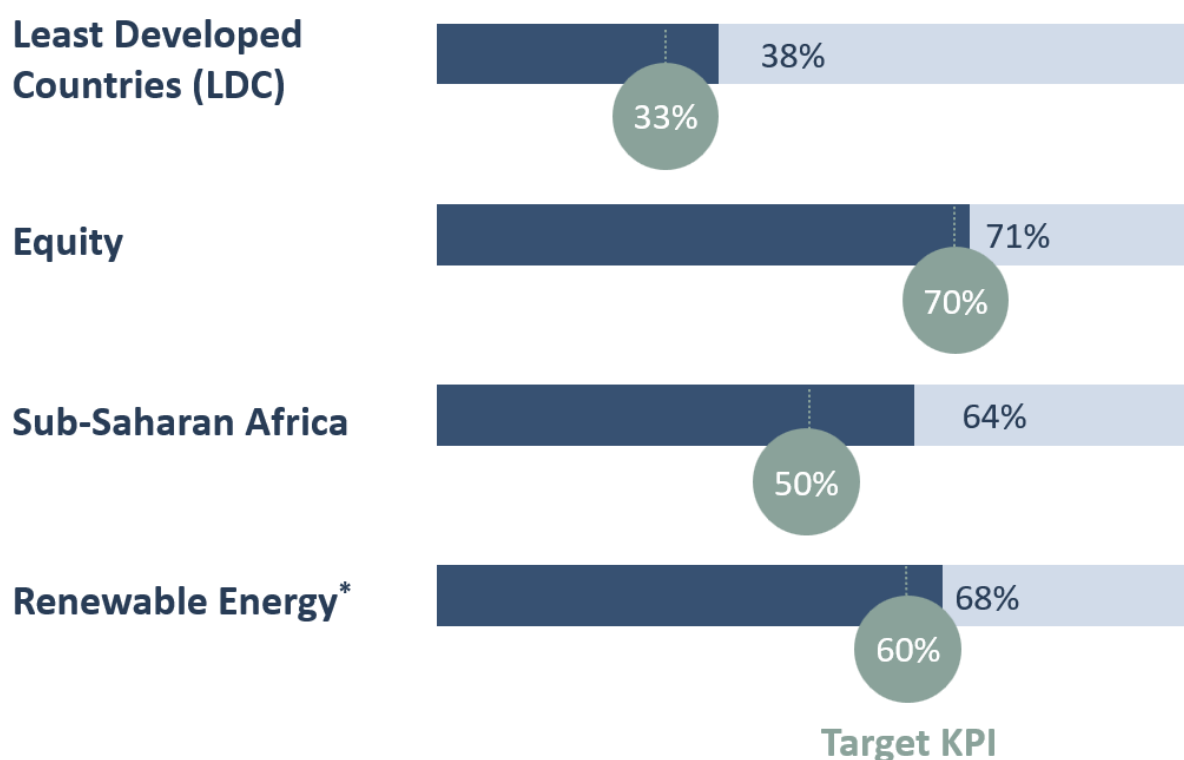
Committed Portfolio and Capital composition (End-of-year, Billion NOK)\*



## Norfund Key Performance Indicators

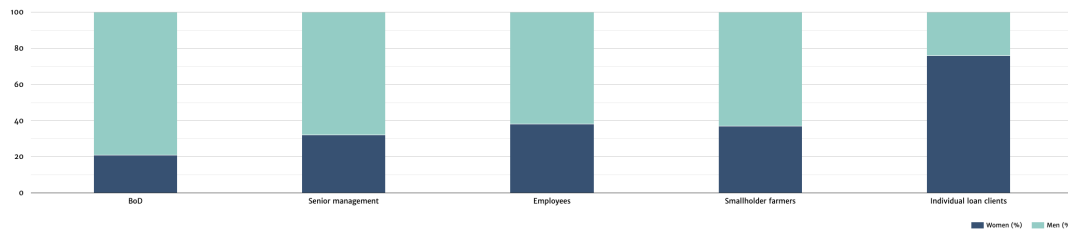
### Development Mandate

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

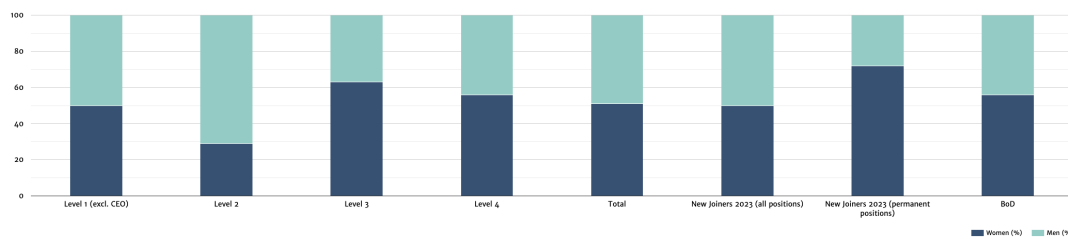


*\*The RE KPI was new for 2022 and is different from the other portfolio KPI's. The RE KPI is defined as total RE-commitments (at commitment date fx-rate) divided by total allocation from MFA, starting from 2022. This should over time be at least 60%.*

## Gender equality in Norfund's investees 2023



## Gender equality in Norfund 2023



→ [Read more about gender](#)

## Key figures per year

Key figures	2016	2017	2018	2019	2020	2021	2022	2023
Climate and Development Mandates								
Committed portfolio (MNOK)	16 762	20 439	22 253	24 944	28 352	26 924	31 650	36 225
New investments (MNOK)	2 784	3 600	3 511	4 015	4 839	5 320	6 513	6 487
Number of direct investments in portfolio	124	136	149	163	170	198	226	230
Capital allocated by the owner (MNOK)	1 478	1 500	1 690	1 905	1 820	1 680	2 678	2 678
Number of employees in Norfund	69	71	75	82	96	111	113	138
Development Mandate								
Committed portfolio (MNOK)	16 762	20 439	22 253	24 944	28 352	26 924	29 516	32 468
New investments (MNOK)	2 784	3 600	3 511	4 015	4 839	5 320	4 540	4 873
Return on invested capital (IRR) (inv. currency)*	2.9%	14%	4.6%	6.3%	-0.1%	5.2%	5.1%	1.8%
Number of direct investments in portfolio	124	136	149	163	170	195	219	219
KPI: Share of investments in least developed countries	33%	36%	41%	40%	39%	40%	37%	38%

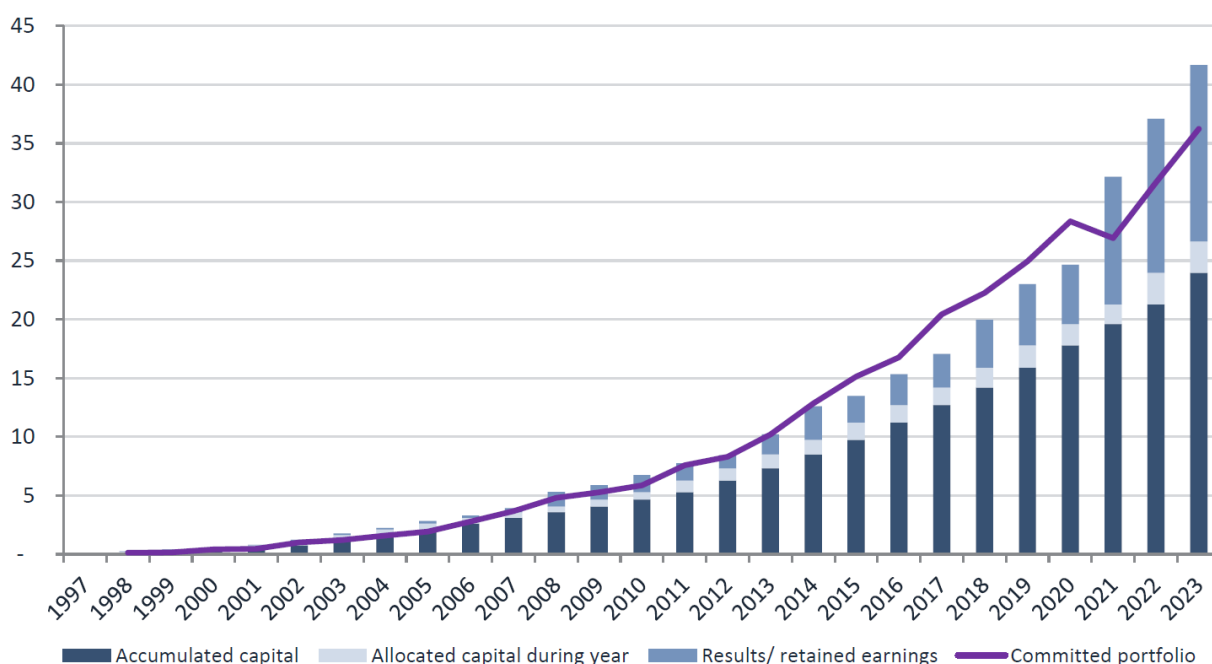
Key figures	2016	2017	2018	2019	2020	2021	2022	2023
KPI: Share of investments in Sub Saharan Africa	52%	50%	55%	53%	53%	65%	63%	64%
KPI: Share of equity and indirect equity	85%	85%	81%	79%	79%	75%	74%	71%
KPI: Renewable energy share of allocated capital >50% (ended 2021)	62%	145%	60%	55%	54%	40%	-	-
KPI: Renewable energy share of allocated capital >60%							64%	68%
Number of jobs in portfolio companies	276 000	292 000	304 000	380 000	377 000	452 000	514 000	625 000
Taxes paid by portfolio companies (BNOK)	10.9	9.3	13.9	14.1	16.9	16.9	23.2	33
Climate Mandate								
Committed portfolio (MNOK)	-	-	-	-	-	-	2 135	3 757
New investments (MNOK)	-	-	-	-	-	-	2135	1 614
Number of direct investments in portfolio	-	-	-	-	-	-	7	12



## Portfolio overview

Norfund's total committed portfolio of 36.2 billion NOK by year end of 2023, consists of 230 direct investees and 1030 indirect investees. Out of the total committed portfolio, 3.76 billion NOK and 12 of the investees were under the Climate Mandate. During 2023, Norfund made a total of 26 new investments and 19 follow-on investments.

### Portfolio since inception



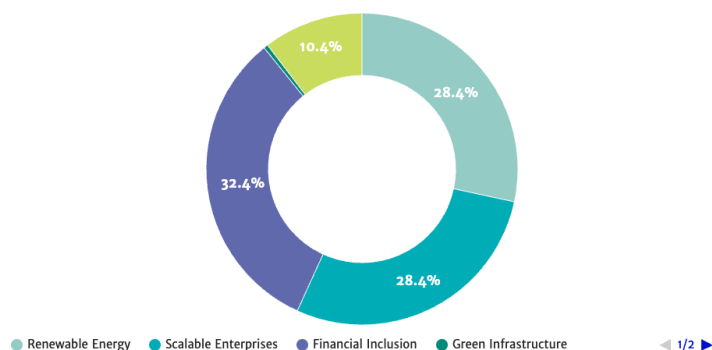
### Priority investment areas

Under the Development Mandate, Norfund invests in four areas where the potential for development impact is substantial and aligned with the SDGs: Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure.

Under the Climate Mandate, we invest in renewable energy to accelerate the energy transition in developing countries with large emissions from coal and other

fossil power production.

## Portfolio per investment area (MNOK)



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

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

### Least Developed Countries >33%

The scarcity of capital available in Least Developed Countries (LDC) means the needs for our investments are high. 38% of Norfund's portfolio is in these markets.

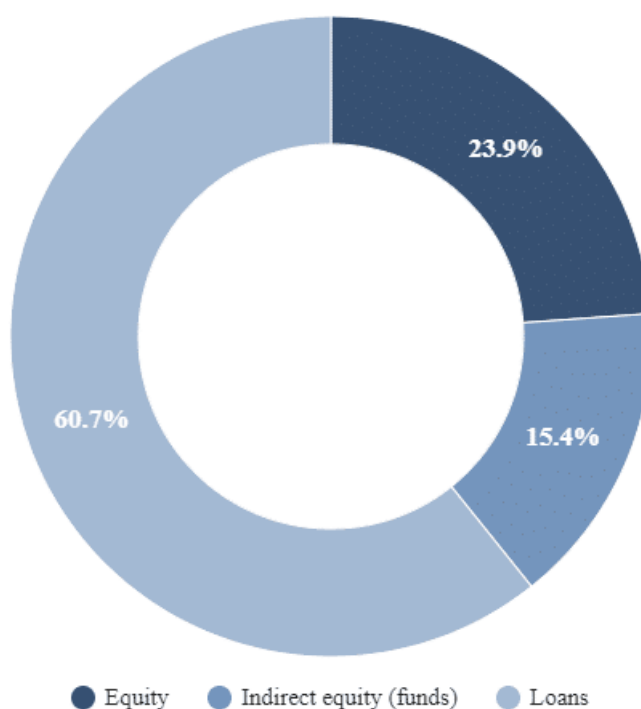
**38 %** Total portfolio in LDCs

## Sub-Saharan Africa >50%

In line with Norfund's strategic target, 59% of all new commitments in 2023 were in Sub-Saharan Africa, and 64% of the portfolio is now allocated in the region.

**64 %** Investments in Sub-Saharan Africa

## Equity and indirect equity >70%



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

The equity KPI fell to 71% by the end of 2023. This fall was caused by the

dominance of loans in new commitments, with only 39% of commitments in equity/funds, as well as some equity exits during the year.

## Renewable energy > 60%

The Renewable Energy KPI was new for 2022 and is different from the other portfolio KPI's. The RE KPI is defined as total RE-commitments (at commitment date fx-rate) divided by total allocation from MFA, starting from 2022. This should over time be at least 60%. As of Q4 2023 this KPI stood at 68.4%.

**68** % Renewable energy

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→ [Key figures for 2023](#)

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# How we make a difference

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

Throughout 2023, we continued to invest in regions where access to capital was notably scarce. We maximize developmental impact and additionality in our investments by focusing on select sectors and countries, thereby significantly contributing to economic growth in these regions. Our approach includes prioritizing equity investments, mobilizing and circulating capital for greater impact, and meeting high ESG standards.

Norfund's strategies towards 2026 are focused on impactful investments in Renewable Energy, Financial Inclusion, Scalable Enterprises and Green Infrastructure.

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→ [More about additionality](#)

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



[Creating jobs, improving lives](#)



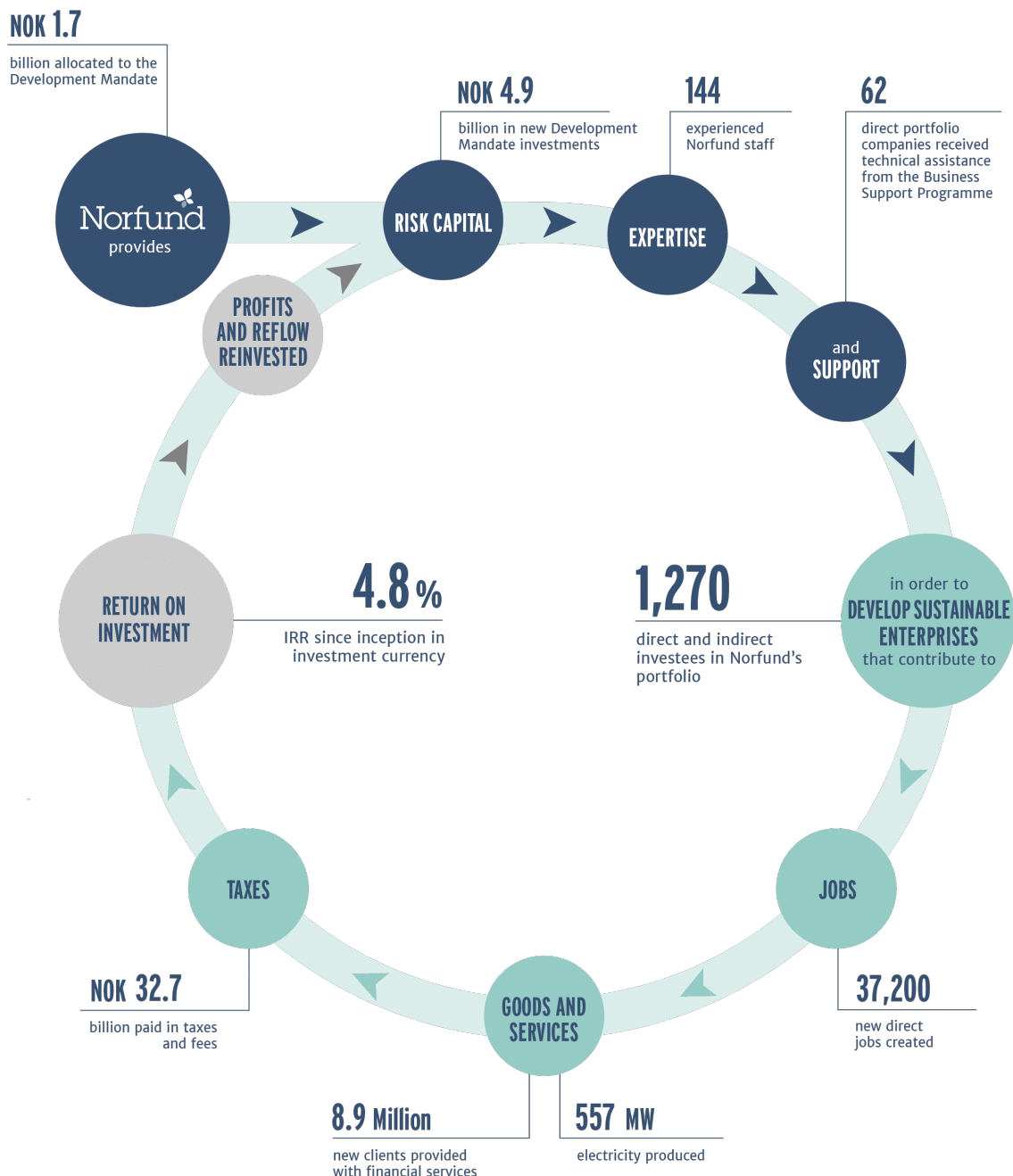
[Investing in the transition to net zero](#)

The diagram below illustrates Norfund's operations and impact in 2023, showcasing the efforts in job creation, expanding energy accessibility, and advancing financial inclusion. Investments are strategically exited once they no longer require additional support, with the proceeds reinvested in enterprises that have a greater need for risk capital. This ensures a continuous cycle of impact and sustainable development in the specified areas.

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→ [Discover Norfund's impact here](#)

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## Being a responsible investor

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

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## → [Norfund's Environmental and Social Risk Management](#)

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Recognizing that inadequate management of environmental and social risks can lead to harm for both people and the environment, addressing these risks remained an integral part of Norfund's investment process last year. We are aligned with the Environmental and Social Sustainability Performance Standards of the World Bank's International Finance Corporation (IFC), utilizing these eight standards as the foundation for our assessments and ongoing interventions.

At Norfund, we held our employees and business partners to high standards of business integrity and maintained a clear no-tolerance approach, which we communicated to all stakeholders.

[More about Norfund's business integrity policy and other governing documents](#)

## Commitment to responsible investment principles

Since 2017, Norfund has been a signatory to the [Principles for Responsible Investment \(PRI\) initiative](#). These principles, six in total, underscore the growing significance of environmental, social, and corporate governance considerations in investment practices. Norfund also provides [annual reports](#) on its adherence to them.

## Impact management

Norfund is a founding signatory of the "[Operating Principles for Impact Management](#)." These principles, introduced by the International Finance Corporation (IFC) and developed in consultation with key stakeholders, establish a market consensus for impact investment management. They serve as a benchmark against which the impact management systems of funds and institutions can be evaluated. We have published Disclosure Statements annually since 2020, outlining the efforts to align investments and operations with the



Impact Principles.

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### **Our approach to impact**

→ [You can read more about our approach to impact here.](#)

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## **A minority investor with strategical partners and co-investors**

Norfund invests jointly with other [partners](#), and always as a minority investor – a principle defined in the mandate. By being a significant minority investor, Norfund has influence, while supporting local ownership and encouraging other investors to invest in developing countries.

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

Our ownership always remains below 35 percent, reinforcing our reliance on capable and trusted collaborators. We meticulously assess potential partners, considering factors such as their expertise, track record, societal roles, and reputation. Co-investing this way enables us to leverage additional capital and to provide the industrial and local knowledge needed for each investment.

## **Responsible tax policy**

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

## Business Support

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

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

The Business Support strategy aligns with our overall strategies, and targets ESG risks and the four cross-cutting issues: human rights, anti-corruption, climate and environment, and gender equality.

## Frontier Facility

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

Frontier Facility is funded by the Norwegian Ministry of Foreign Affairs and serves two purposes:

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

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→ [Read more about the Frontier Facility](#)

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# Norfund and the SDGs

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

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

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

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

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



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

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

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

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→ [\*\*More about Norfund's strategy for the development mandate 2023-2026\*\*](#)

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

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→ [\*\*More about Norfund's strategy for the climate mandate 2022-2026\*\*](#)

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

## Cross-cutting issues

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

### Gender Equality

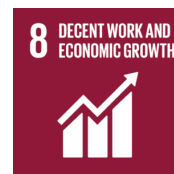
Norfund is committed to addressing gender equality in our own organisation as well as in our investments. We engage with our investees to promote equal opportunities for men and women across all levels in our investee companies.

[Read more about Norfund's work with gender.](#)



### Human rights

The responsibility to respect human rights is a global standard of expected conduct for businesses and their responsibility as employers worldwide (SDG 8.7). We require our investees to respect human rights by adhering to the IFC Performance Standards. These standards cover relevant parts of the Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. [Read more about this in the E&S page.](#)



### Climate

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

[Read more about Norfund's work with climate and environment here.](#)



### Zero tolerance for corruption

Norfund has zero tolerance for corruption in all its investments and activities. We make that clear to our portfolio companies and require them to implement anti-corruption programs. All Norfund employees and representatives (including external board members appointed to portfolio companies) have to sign and abide by Norfund's Code of Conduct, which prohibits all forms of corruption. If financial irregularities or corruption are suspected, Norfund has a formal channel to support whistle-blowers. [Read more about this under Governance and Business Integrity.](#)



## Read more about Norfund as a responsible investor:

→ [Environmental and social risk management](#)

→ [Governance and business integrity](#)

→ [Climate and environment](#)

→ [Gender](#)

→ [Business Support](#)

# Organization and team

**Norfund's mandate is to assist in building sustainable businesses and industries in developing countries. Our mandate is complex, and our most valuable resource to meet this mandate is our employees. We believe that with a relatively small organization built on local presence and competence spread across the globe, Norfund is a unique place to work both in terms of our mandate, as well as incorporating the Norfund culture - The Norfund Way.**

## Investment expertise

By year-end 2023, 83 out of 134 permanent employees were working directly on investments, following the projects through all phases of the investment process. This includes eleven dedicated employees dealing with Environmental and Social issues (E&S).

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

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

About 1/3 of Norfund's employees work in one of our corporate departments. The Strategy and Communication department leads strategy development and implementation, analyses development effects and additionality. The department also works with gender, media, and climate. Finally, they manage stakeholder relations and communication, as well as dialogue with Norfund's owner, the Norwegian Ministry of Foreign Affairs.

The Finance, IT, Risk and HR department is responsible for Norfund's accounts, financial analysis, and portfolio reporting, as well as for recruitment, skills, and



staff development. This department is also responsible for Enterprise Risk Management, IT, the Business Support facility, and the Frontier Facility.

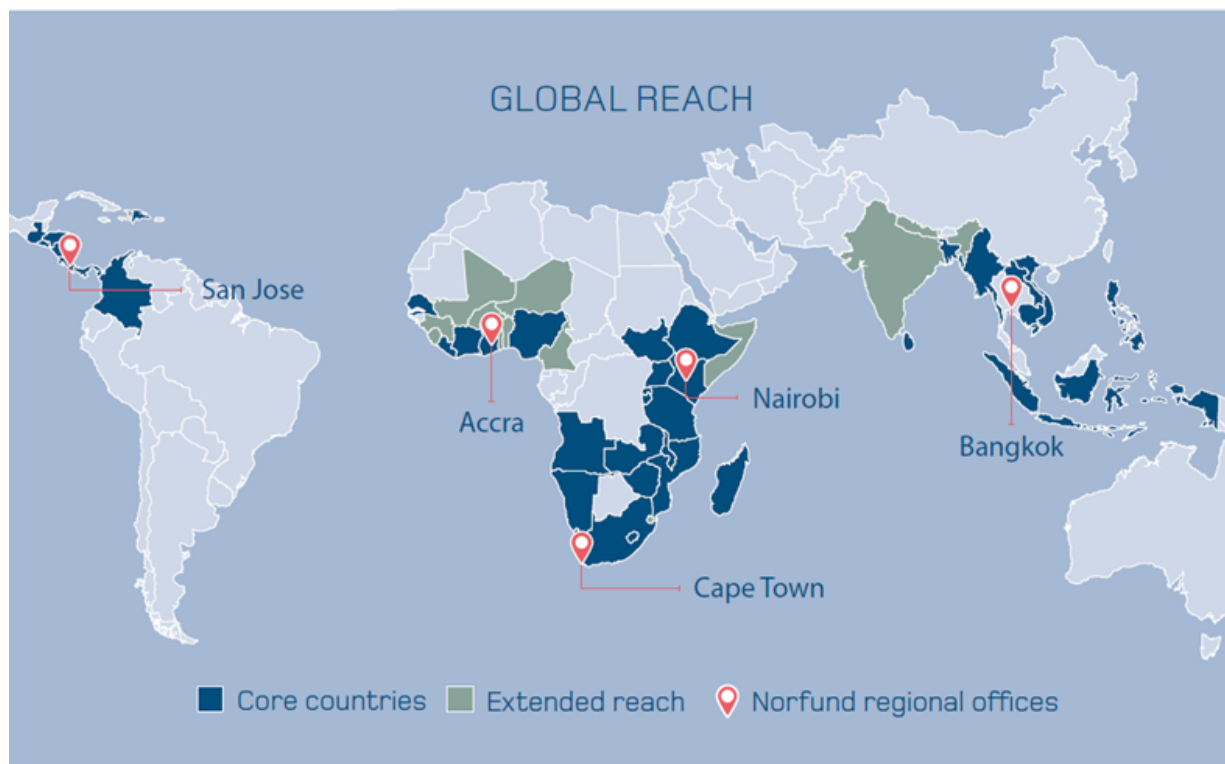
The Legal department is responsible for legal and compliance issues. For more information on gender equality and work with inclusion please refer to the annual report on equality.

[Norfund Annual Report Gender Equality & Inclusion 2023Download](#)

## Country presence

To ensure local proximity and knowledge Norfund has five regional offices located in Accra, Bangkok, Cape Town, Nairobi, and San José. The regional offices generate investments, monitor existing commitments, and provide all the sector-based departments with support. 44 Norfund staff members are employed across our regional offices.

The Bangkok office manages Norfund's investments in Asia, focusing on financial services, funds, and renewable energy. Norfund has over 20 years of experience investing in East Africa, focusing on scalable enterprises and financial inclusion. The office in San José handles Norfund's investments in Latin America, focusing on financial inclusion and renewable energy. The office has a particular focus on debt and equity investments and business support projects. The Southern African office is based in Cape Town, and oversees Norfund's investments in key Southern African countries, focusing on scalable enterprises and renewable energy. The Accra office has since its opening in 2018 managed Norfund's investments across West Africa, covering all our sectors.



## The Norfund Way

The Norfund Way forms the basis for our corporate culture. It is an integrated part of the company’s Governance Framework, Code of Conduct, as well as the business processes. We aim to have a corporate culture which is specific and concrete, describing what types of attitudes and actions we believe best promote Norfund’s mandate.

The Norfund Way is an expression of how we act when we are working for Norfund, when delivering at our best. It is illustrated by circles that represent the five dimensions of the Norfund culture, starting with our individual attitude and behavior and ending with how we interact with our community.



The integrity to be ME:

**Be courageous**

How I do my WORK:

**Serve the mandate**

How I interact with my TEAM:

**Be kind**

My responsibility as a LEADER:

**Walk the talk**

How we relate to our COMMUNITY:

**Make a difference**

## Board of Directors

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

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

In 2023, the Board held a total of 7 board meetings.

**Olaug Svarva**

*Chair*

**Brit Rugland**

*Director*

**Martin Skancke**

*Director*

**Jarle Roth**

*Director*

**Karoline Teien Blystad**

*Director (Employee Elected)*

**Lasse David Nergaard**

*Director (Employee elected, until September)*

**Pablo Barrera**

*Director (from June)*

**Tove Stuhr Sjøblom**

*Director (until June)*

**Vegard Benterud**

*Director (Employee elected)*

**Vidar Helgesen**

*Director*

**Åslaug Haga**

*Director*

## Management Team

The management team manages the Fund according to Norfund's mandate of creating jobs and improving lives in developing countries. There have been no changes in the management team in 2023.



Foto: Hanne Marie Lenth Solbø  
/ Norfund

### **Tellef Thorleifsson**

Chief Executive Officer

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



### **Frida Andrea Hærem**

Chief Financial Risk Officer & Head of HR

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



**Thomas Fjeld Heltne**

Executive Vice President, General Counsel

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



**Ylva Lindberg**

Executive Vice President, Strategy & Communication

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



**Erik Sandersen**

Executive Vice President, Financial Institutions

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



### Mark Davis

Executive Vice President, Renewable Energy

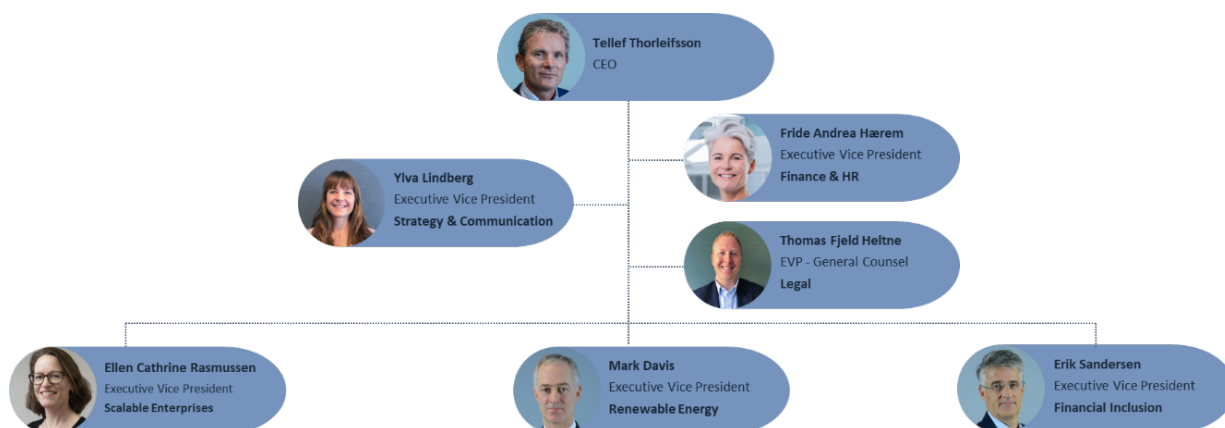
Mark has worked extensively with renewable energy investments, regulation and policy in developing countries, with a focus on Africa. Prior to joining Norfund he was a partner at ECON Analysis, and previously was Postgraduate Director at the Energy & Development Research Centre, University of Cape Town.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



### Ellen Cathrine Rasmussen

Executive Vice President, Green Infrastructure and Scalable Enterprises

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



## **Norfund Investment Committee**

Norfund's Investment Committee (IC) is important for quality assurance and for strengthening decision-making. The IC is chaired by the CEO, Tellef Thorleifsson and has seven additional members:

1. Three external members: Per Aage Jacobsen, Kathryn Baker and Jacob Kholi.
2. Four management team members; Mark Davis, Erik Sandersen, Ellen Cathrine Rasmussen and Thomas Fjeld Heltne.
3. One E&S advisor; Karin Bianca Gullman.

## **Norfund Credit Committee**

Norfund Credit Committee (CC) approves loans to banks.

The committee consists of:

4. Tellef Thorleifsson
5. Thomas Fjeld Heltne
6. Naana Winful Fynn
7. Erik Sandersen
8. Kristin Imafidon
9. Tore Olaf Rimmereid (External)

## **Norfund Risk and Audit Committee**

The Risk and Audit Committee is a preparation and advisory committee for the Board of Directors.

Its function is twofold:

10. Assess the company's overall operational and financial risk and recommend any measures to the board.
11. Assist the Board of Directors in overseeing the company's financial reporting and



control systems and recommend improvements.

The committee consists of three representatives from the Board:

- 12. Martin Skancke
- 13. Vidar Helgesen
- 14. Brit Kristin Sæbø Rugland

And two representatives from Norfund, where Chief Financial and Risk Officer is leading the committee secretariat:

- 15. Fride Andrea Hærem
- 16. Hege Elisabeth Seel

# Additionality

**Norfund is committed to making a difference by ensuring that our capital contributes to outcomes that would otherwise not have happened. This is referred to as “additionality” and is a key criterion for Norfund’s investments.**

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

Proving the additionality of our investments is challenging because it requires insights into what could have happened had we not invested. Norfund substantiates additionality claims by evaluating all potential investments against our additionality framework. We also have portfolio level KPIs and thresholds that ensure that we allocate capital to instruments and markets with high inherent risk.

## What does it mean that an investment is additional?

### Financially additionality

An investment is financially additional when the private sector partners are unable to obtain financing from capital markets (local or international) for a specific activity at the necessary terms and/or scale, or where it mobilizes finance from the private sector that would otherwise not have been invested.

### Value additionality

An investment is value additional in cases where it mobilizes, alongside its investment, non-financial value to private sector partners that the capital markets would not offer and which will lead to better development outcomes. It is often pursued through active ownerships (e.g. board participation), capacity building activities, advisory services and other technical assistance and other ways.

## **Development additionality**

Development additionality is that the investment will deliver development impact that would not have occurred without the partnership between the official and the private sector.

## **Ten ambitions on additionality**

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

Based on our experience with the use of the framework since 2018, the framework has been revised twice to better reflect the markets we operate in. In 2024 Norfund's framework will be updated to align with the new OECD-DAC Private Sector Instrument requirements for additionality.

## **Additionality informs our investment decisions**

The framework informs our investment decisions and the way we report on additionality. Each new potential investment is assessed against the ten ambitions, explained in the graph below, and is accompanied by a narrative description of additionality. More information on which ambitions each investment is particularly additional on, is listed on the individual investment webpages on the Norfund website.

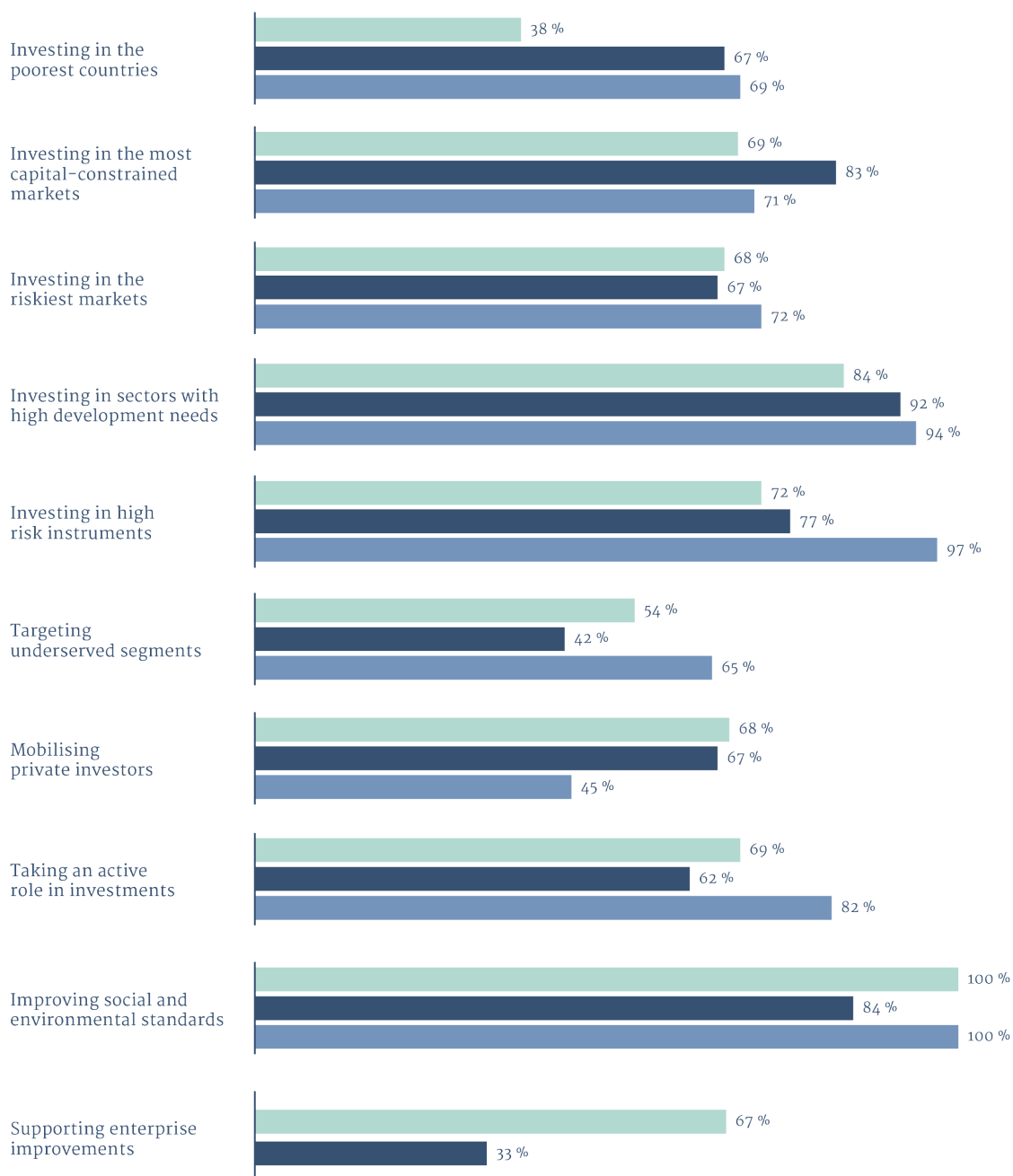
**Share of committed capital to new projects**

**in 2023 scoring materially on each additionality ambition**

2023

2022

2021



From the above table you see that the share of committed capital scoring on the ambition "Investing in the poorest countries" has dropped compared to previous years. However, if we look at the number of new committed projects (instead of

share of committed capital) we see that 27 out of a total of 45 new project scored on this ambition. This shows that Norfund had a high level of activity towards these countries. This also reflects that average ticket size in least developed countries often is smaller compared to investments in low- and middle-income countries.

More than half of the investments made by Norfund in 2023 were investments that target sector-specific underserved segments, meaning the beneficiary are underserved business types or end-clients. This could for instance be a loan issued to a financial institution that target microenterprises or an investment into a company providing off-grid solutions to poor households.

## Case - Sun King Financing

To better illustrate how Norfund assesses our additionality in an investment we can use our recent investment in [Sun King Financing](#) as an example. The investments, which was made in 2023, offers a local currency loan that funds a leasing solution (pay-as-you-go model) for customers of the solar home systems sold under the “Sun King” brand in Kenya. The clients of Sun-King are typically low-income households or micro-enterprises.

<b>Additionality ambitions</b>	<b>Score</b>
Investing in the poorest countries	0.5
Investing in the most capital-constrained markets	1
Investing in the riskiest markets	1
Investing in sectors with high development needs	1
Investing in high risk instruments	0.5
Targeting underserved segments	1
Mobilising private investors	0
Taking an active role in investments	0.5
Improving social and environmental performance	0.5
Supporting enterprise improvements	0
<b>Total</b>	<b>6.0</b>

By providing the loan in Kenya Shilling (giving 0.5 points on “Investing in high risk instrument”), Norfund and the other lenders take on the currency risk which otherwise would be passed on to the client in the form of a premium. This will enable even more low-income households to access this attractive financing option for their solar home system.

Leasing ensures that Sun King’s clients can afford solar home systems without having to put up the up-front payment. The pay-as-you-go model also provides Sun-King clients with added flexibility compared to a fixed monthly lease.

# A responsible investor

# Environmental and social risk management

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

## Our sustainability commitments

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

### IFC PERFORMANCE STANDARDS

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

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



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

## **Clear roles and responsibilities**

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

## **Integrated part of investment process**

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

## **Understanding the risk profile of our portfolio companies**

In the initial screening phase, Norfund evaluates the project against the EDFI Exclusion lists and performs a high-level assessment of key E&S risks. An inherent risk category is assigned which will determine the depth of due diligence and the

degree of E&S expert involvement. Our approach is aligned with EDFI's E&S Standards.

## **Assessing E&S risks and impacts**

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

## **E&S requirements included in legal agreements**

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

## **Monitoring compliance and supporting capacity building**

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

## **Transparent reporting**

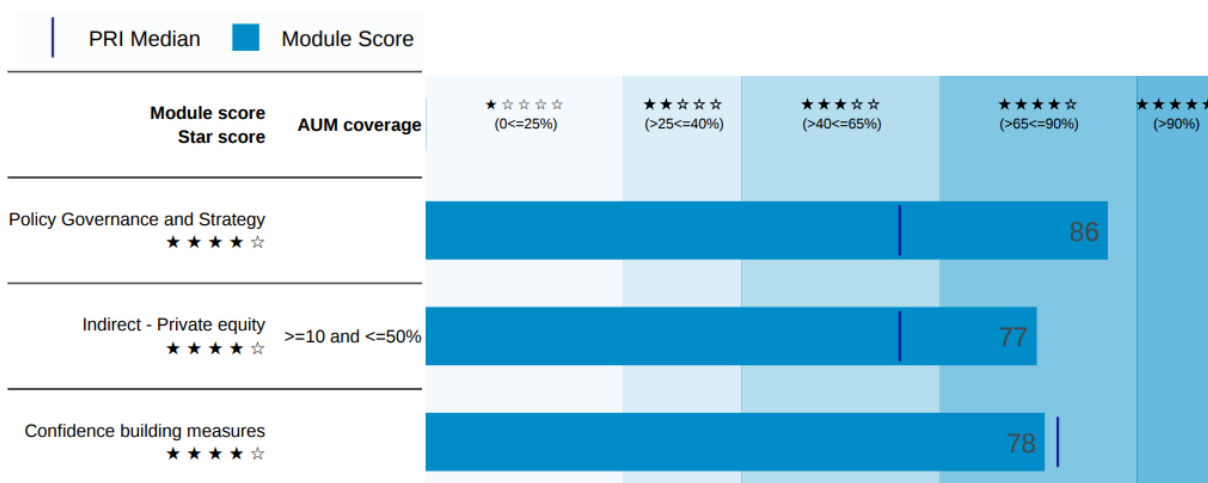
Norfund seeks to be transparent about our approach to risk management. Norfund is a signatory of the UN Principles for Responsible Investment (UNPRI) and the Operating Principles for Impact Management (OPIM) and annually reports on our approach to responsible investments.

## UNPRI

Norfund has been a signatory to the UNPRI since 2017. These principles, six in total, underscore the growing significance of environmental, social, and corporate governance considerations in investment practices. Norfund also provides a report annually on how the principles are integrated in our investments, according to principle six. Read our report to get an overview of Norfund's approach to responsible investments [here](#).

## UNPRI score

### SUMMARY SCORECARD



See full UNPRI Assessment Report Summary Scorecard [here](#).

# Governance and business integrity

**High business integrity standards are prerequisites for successfully delivering on Norfund's mandate.**

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

## The framework that governs our work

### Overall framework

Norfund has adopted a governance framework consisting of overarching policies adopted by our Board of Directors, relevant underlying guidelines and requirements approved by the management, and detailed procedures and templates to help ensure compliance and consistency throughout the organization. The governance framework underwent a major overhaul in 2020 and implementation efforts continued throughout 2023. The governance framework is regularly reviewed to make sure it is up to date and relevant. In 2023, Norfund further updated the Code of Conduct, Business Integrity Policy, IT requirements and other underlying steering documents. Changes to streamline and enhance Norfund's internal systems and reporting were also implemented, both in relation to the overall governance framework and corresponding working procedures, as well as Business Integrity incident reporting.

### Business Integrity framework

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

#### 1. Norfund Code of Conduct

2. Norfund Supplier Code of Conduct
3. Norfund Compliance System
4. Norfund Business Integrity Policy
5. Norfund Responsible Tax Policy
6. Norfund Gifts and Hospitality Guidelines
7. Whistleblowing and Incident Standard

## **Risk-based approach**

The Business Integrity framework describes how we work to identify, assess and manage the Business Integrity risks associated with the operations of our investments, and provides an overview of the cross-cutting principles that guide our work. In 2023 the focus was on updating existing due diligence routines in response to the risk assessment of our investment portfolio that was conducted in 2022 through 2023. The assessment outlined and weighed Business Integrity risks Norfund is exposed to, reviewed existing mitigating measures and suggested certain additional measures. The assessment has provided valuable external benchmarking and will help strengthen Norfund's Business Integrity processes and procedures going forward.

## **Dedicated resources**

To further raise awareness and secure harmonized practices between all offices, one Business Integrity Ambassador has been appointed for each of Norfund's regional offices. The Ambassadors work together with the Compliance function and participate in a joint Business Integrity Ambassador network. In 2023, Norfund implemented a new screening tool and enhanced the training requirements of employees. In addition, the Compliance team was strengthened by hiring an Integrity Due Diligence analyst, who will contribute to enhancing Norfund's Business Integrity capabilities and routines on an ongoing basis.

## **Whistleblowing and reports**

Norfund encourages the reporting of any suspected breach of its governance framework or applicable laws or regulations in connection with or related to its investments or activities. Norfund staff can report suspected violations to internal functions, and such reporting is also encouraged via Norfund's external

whistleblowing channel. The whistleblowing channel caters for anonymous reporting of illegal, unethical or other unacceptable circumstances within Norfund and our investments. The whistleblowing channel is also open to Norfund representatives, business partners and other stakeholders, and reviewing and following up on Business Integrity incidents has a high priority in Norfund. An assessment of Norfund's whistleblowing channel against the Norwegian Working Environment Act was conducted by a consultancy firm in 2023, which provided valuable input into further enhancing Norfund's whistleblowing channel and working procedures.

# Climate and environment

Ready for corrections week

**Climate change poses a significant threat to global development, disproportionately impacting developing countries. In response, Norfund has steadfastly advanced its commitment to supporting the transition to net zero.**

In 2023, we've made substantial progress in refining our approach to combating climate change. We have increased climate finance, successfully developed our net zero strategy, updated our stance on fossil fuel exclusion, and achieved considerable improvements in our Paris alignment assessments.

## Net zero strategy

Our newly developed net zero strategy describes the role Norfund plays in the net zero transition in developing countries. It has been key to Norfund that the approach makes sense in the developing world context we operate in, as well as the mission we have: Developing countries require significant growth if we are to reach the Sustainable Development Goals, which likely will entail increased emissions. Additionally, there is a lack of decarbonization pathways for the markets we operate in, and investees are often unable to measure and report on emissions.

The strategy focuses on what Norfund will do in the short term and seeks to be actionable in each of the investment areas, despite data challenges. In the coming year, more department and sector specific climate action plans will be developed.

**Four principles underpin Norfund's work on net zero:**

2. **Real-economy decarbonization:** Norfund shall aim to foster real-economy decarbonization through emission reductions of investees, rather than reducing portfolio emissions through divestments and reallocations.
3. **Just transition:** Norfund shall adopt a nuanced approach – transition to net zero in our markets should be just and inclusive. This includes investing in sectors essential to development, including hard-to-abate, with the aim of decarbonizing over time.
4. **Materiality:** Norfund shall focus efforts where the climate effects are large, and where Norfund can play a role.
5. **Investee focus:** Norfund shall support and engage individual investees by designing action plans and solutions that fit each investee's characteristics and climate maturity.

## **Norfund will contribute to the transition to net zero in developing countries in four ways:**

Norfund's strategy aligns with international frameworks and standards and is informed by peer analysis of other developmental finance institutions. SBTi approaches will likely be applied to select investees that are ready for it. However, specific SBTi approval of Norfund or external verification of targets is currently not planned.

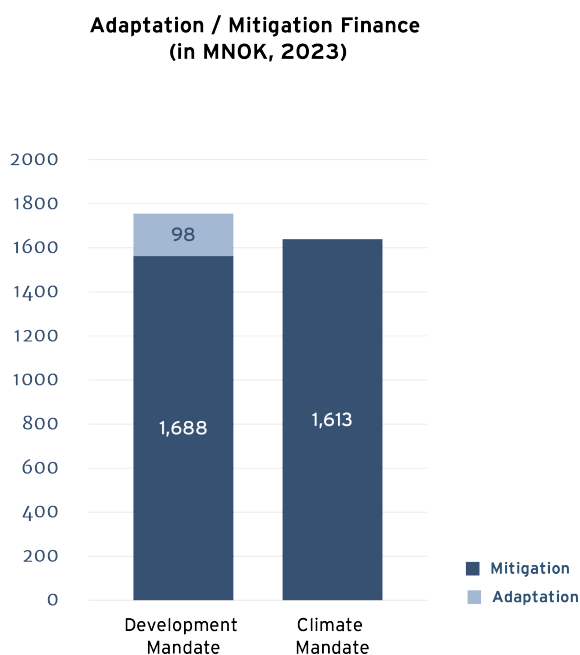
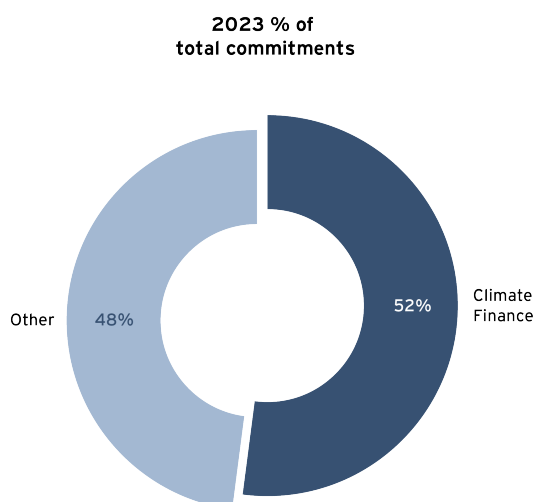
Norfund's ambitions and actions are informed by an iterative approach that will evolve as data availability, accuracy, and climate standards develop. To improve data quality and climate engagement, Norfund is working towards improving its investees' capabilities in measuring and reporting emissions.

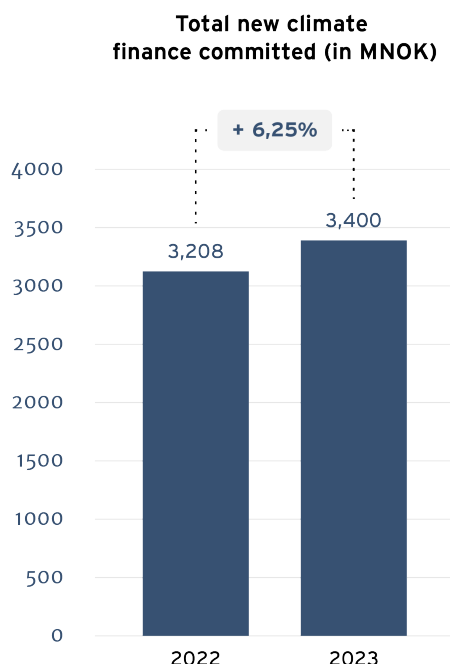
## **Climate finance**

Climate finance refers to the financial investments mobilized to support climate change mitigation and adaptation projects, aiming to reduce emissions and adapt to climate impacts. The criteria used to assess climate finance at Norfund are defined in the [IDC/MDB's Common Principles for Climate Mitigation Finance Tracking](#), and The MDB's [Joint Methodology for Tracking Climate Change](#)



**Adaptation Finance.** Norfund increased its climate finance commitments in 2023 by 6.25% compared to 2022 totaling to almost 3,5 billion NOK. As explained above, climate finance is also an integral part of our net zero strategy.





## Climate-related risks and opportunities

Norfund is subject to a wide range of climate-related risks, with substantial exposure to regions and sectors vulnerable to the physical impact of climate change, while also opening up for opportunities. Climate risks and opportunities have a large potential impact on the viability of the businesses in Norfund's portfolio. Therefore, climate risk and opportunity assessments are incorporated into our investment process. Still, we are committed to further enhancing our practices and processes and are working on improving tools and procedures to assess climate risk and enable the investees to reduce climate risks.

Norfund has disclosed our exposure, strategy, targets, and governance related to climate risk in accordance with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD) in our 2023 report in the link below.

### [TCFD report for 2023](#)

## Norfund's financed emissions

Norfund's largest emissions are in the activities of the investees we have invested in. Norfund has estimated its portfolio carbon footprint for the first time. While we have encountered various challenges and experienced high data uncertainty, we use this exercise to learn and improve. The methodology is based on the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard. For Norfund's operational emissions, [read below](#). This assessment, based on data from 2022 due to issues with retrieving data, covers 71% of Norfund's portfolio in terms of financial volume.

### Methodology & challenges

In alignment with the PCAF standard, there are different data options to assess the emissions of an investee. Each of these options has a corresponding data quality score, which provides an indication of how much uncertainty results carry. The scoring ranges from 1-5 with 1 referring to the highest data quality by using verified emission data from the investee. Across Norfund's assessed portfolio, 10% of the investees submitted emission data. The remaining were assessed using economic activity input data (e.g., revenues), modelled via the Joint Impact Model, a widely used tool among EDFIs and banks. This results in a relatively low data quality score.

Norfund reports on investees' scope 1 and 2 this year. The investees' scope 3 emissions, which among others include emissions from companies that are customers of banks in which Norfund has invested, are expected to be significantly higher than the scope 1 and 2 emissions, and associated with even higher levels of uncertainty.

Norfund presents both attributed and non-attributed emissions results. Other impacts, such as avoided emissions and employment impacts, are presented as non-attributed. This reflects ongoing challenges in aligning attribution practices across different institutions and metrics. In this context, it is important to point out to be careful when comparing avoided emissions with financed emissions. You can read more about it how we contribute to climate action by avoiding emissions [here](#).

Norfund's 2022 financed emissions, by scope			
	Attributed	Non-attributed	PCAF Data Quality
Financed Scope 1 (tCO <sub>2</sub> e)	~220'000	~3'500'000	3.7
Financed Scope 2 (tCO <sub>2</sub> e)	~45'000	~620'000	3.8
Emission Intensity (tCO <sub>2</sub> e/MUSD invested)	136	-	-

Despite these various challenges, the analysis has yielded insights that will help Norfund better understand and mitigate its GHG emissions. Future efforts will focus on improving the reliability of footprint calculations and reducing uncertainties in emissions estimations.

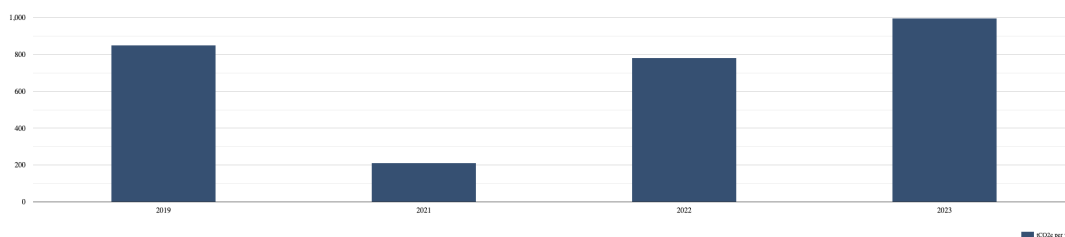
## Responsible Workplace Climate & Environment

**Beyond our climate-related activities in our investment, we also strive to minimize the footprint of and continuously work to improve our operations.**

Norfund's Oslo office was certified as an Eco-Lighthouse (Miljøfyrtårn) in 2022.

We use this framework to advance our internal environmental and social performance. As part of the framework, Norfund reports operational emissions annually.

## Operational emissions per year



*\*For 2019, we reported emissions from air travel, waste and energy for the Oslo office*

*\*For 2021, we reported emissions from air travel, waste and energy for the Oslo office*

*\*For 2022, we reported emissions from air travel for all Norfund offices, waste and energy for the Oslo office*

*\*For 2023, we reported emissions from air travel, employee commute and energy for all Norfund offices, waste and water for the Oslo office*

The increased emissions are largely due to the introduction of new indicators and reporting emissions on behalf of the whole organization and not only the Oslo office. If we were to report on the same indicators in 2023 as in 2019, the emissions reports for 2023 would be appr. 800 tCO2e.

Air travel accounts for more than 95% of Norfund's operational emissions. According to Norfund's business travel guidelines, we always assess the need for physical meetings, and if digital meetings could be a suitable option.

We work continuously to build more responsible operations and better working environments, and we have identified approximately 25 measures to be implemented and followed up within the organization in 2024. Not updated, waiting for Stem:

## Norfund's 2023 Operational Emissions, by scope

<b>0 tCO<sub>2</sub>e</b>	<b>Scope 1</b>
<b>67 tCO<sub>2</sub>e</b>	<b>Scope 2</b>
<b>931 tCO<sub>2</sub>e</b>	<b>Scope 3</b> Category 1-4
<b>998 tCO<sub>2</sub>e</b>	<b>TOTAL</b>

*\*Scope 2 includes emissions from energy for all Norfund offices. Scope 3 emissions within category 1-14, includes emissions from air travel and employee commute for all Norfund offices, and emissions from waste and water for the Oslo office.*

# Gender equality

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

Norfund's work on gender equality is guided by our Gender Position which is regularly updated. Norfund reports annually on the gender balance in Norfund and the companies we are invested in to the Board of Directors and in the annual report.

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

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

[Norfund Annual Report Gender Equality & Inclusion 2023Download](#)

## **Gender balance in Norfund's portfolio companies**

We collect gender disaggregated data from all investees annually. This enables us to carry out gender analyses at investee and portfolio level, and helps us to create awareness, both internally and externally, about gender equality.

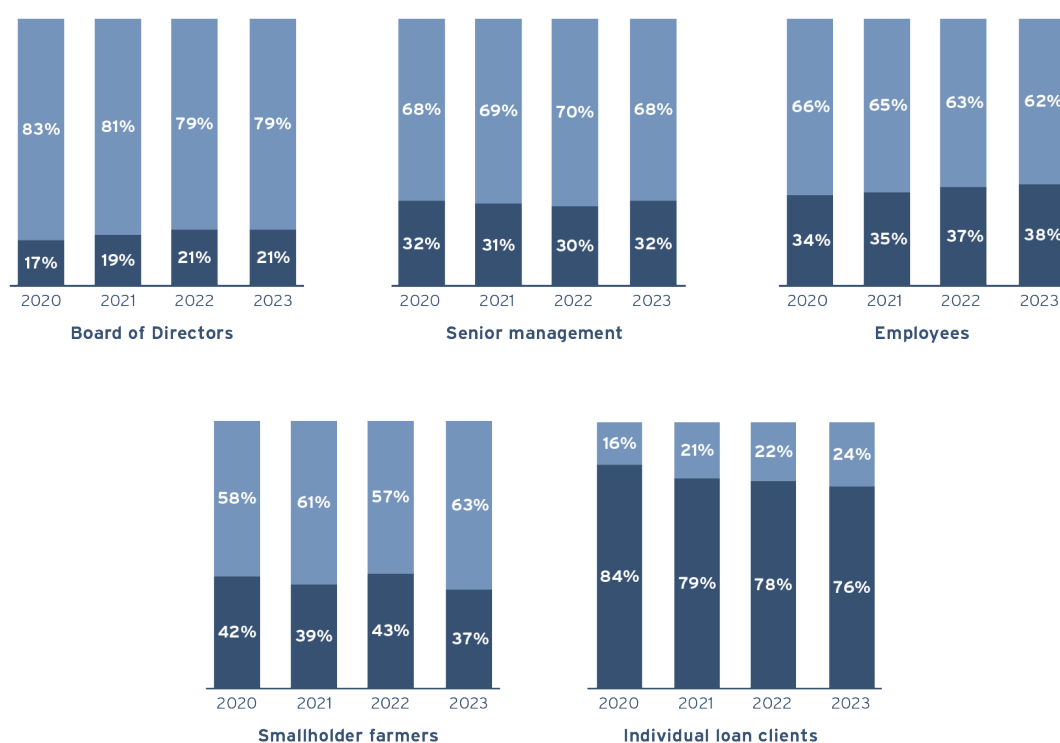
In 2023, the number of direct jobs held by females increased by 10 200 jobs, or 10.2 %, within Norfund's portfolio companies (with two consecutive years of reporting)\*.

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

**Status 2020-2023:**

**Gender balance in Norfund's portfolio companies**

■ Women ■ Men



## Empowering women through job creation in the textile industry

In 2023, Norfund made its first investments in Kenya's textile industry. One of the companies Norfund invested in was Hela Apparel Holdings PLC, a social capital-focused, global apparel supply chain solutions provider. Over the years, Hela as an organization has initiated multiple projects to empower and upskill women from underprivileged communities, by providing them with safe and stable working environments and growth opportunities.

Hela employs over 1,800 female workers in Kenya, approximately 70% of the total workforce. As a part of the organization's commitment to improving the



livelihoods of team members and their families, Hela operates Project Freshi, an initiative which provides 20 liters of clean water to each team member across its manufacturing facility in Kenya.

Hela Creche is another key project implemented in Kenya to enable young mothers to return to work with ease while their children are being well taken care of. Through the project, children up to 3 years receive nutritious meals, diapers, warm clothing, and access to enriching early childhood development activities, easing the economic burdens and stress of female employees.

Additionally, Hela is currently working together with the International Finance Corporation (IFC) to implement project Kenya2Equal (K2E). Project K2E is a program designed to bridge the gender gaps, ensuring enhanced access to quality jobs and growth opportunities for women and creating more gender-balanced working environments.

Norfund invested in Hela to further strengthen its strategic vision and growth trajectory for the African region and its communities.

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→ [More about job creation in Norfund](#)

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## Engagement with our investees

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

Our Business Support facility is an important tool in Norfund's work to support our investees. This can facilitate external support on gender gap assessments, gender and diversity strategy development or training.

An example of this support is the work **Fichosa** bank in Honduras, Guatemala, Panama and Nicaragua has performed in collaboration with Norfund to support women entrepreneurs in developing their businesses. In 2023, Fichosa launched an educational, online platform for women entrepreneurs to showcase their business and enroll in educational programs. During the year, more than 3,000 women enrolled in programs to learn about topics such as taxation, labor laws, entrepreneurship, strategy and digital marketing, all tailored to the markets in Honduras, Panama and Nicaragua. They are currently working on broadening the course offer to reach even more women through the platform.

Another example is the business support project "Equal voices" carried out with **Sun King** (formerly known as Greenlight Planet) in 2023. Sun King identified the need for women in entry sales positions to receive upskilling and mentoring to grow into more senior roles and to enable networks for women in more senior sales positions. By engaging women employees in a series of workshops the company has recorded several positive outcomes. After completion of the initial program the results indicated that the employees who had participated feel more confident in their roles and in approaching leaders within the organization. This also affects the employees' contribution and productivity at work. Sun King is currently setting this up as a permanently ongoing program for women employees due to the great results achieved.

***Participant in Equal voices program***

*"Equal voices has helped me in many ways in building my career and helping me overcome my fears,"*

In 2023 we also engaged in a partnership with **TheBoardroom Africa**, offering tailored leadership programs to women in senior management or C-suite level positions. The program is being offered to talented women in our portfolio companies. So far Norfund has supported eight women to complete this training, which is supplementing the engagement we still actively pursue with the **Female Future Program**, developed and supported by the Confederation of Norwegian Enterprises (NHO).

**See the link below for a more detailed description of TheBoardroom Africa and**

**the Female Future Program.**



[Improving gender equality and diversity in our investees](#)

## **Addressing gender-based violence and harassment**

Encouraging gender equality and diversity across all levels in investees and through their products and services also requires addressing gender-based discrimination, violence and harassment (GBVH), a pervasive and critical global challenge. Norfund is committed to promoting compliance with the ILO Convention on Violence and Harassment C190.

In 2023, several Norfund investees attended a virtual Basic Training on GBVH to learn about core concepts and what risk and incident management entail. Five investees also attended an in-person Advanced Training on GBVH for smaller groups. Both trainings were provided by British International Investment (BII), the British development finance institution.

## **Engagement with the wider society**

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

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

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### → [2X Global](#)

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During 2023, we further strengthened our collaboration with the Nordic DFIs, IFU (Denmark), Swedfund (Sweden) and Finnfund (Finland), on gender equality by sharing and learning as well as exploring collaboration on work related to gender equality within investees in which we have co-invested. In addition, we rely on other partners with subject matter expertise to learn and discuss our approach and challenges.

# Investing in the transition to net zero

## Climate Mandate

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

To help developing countries build their economy on the backbone of renewable energy, the Climate Investment Fund (CIM) will allocate 10 billion NOK from 2022-2026 to invest in renewable energy and enabling technologies.

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

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### Climate Fund Instructions

→ [\(in Norwegian\)](#)

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## Ambitions 2022-2026

1. **9 GW** new renewable energy capacity financed
2. **14 million** tons CO<sub>2</sub> avoided per year<sup>2</sup> - equivalent to 30% of Norway's annual GHG emissions
3. **1bn** invested into "next wave" technologies

## The strategy for the Climate Investment Fund

The Climate Investment Fund shall contribute to reduce or avoid GHG emissions from coal fired power and other fossil energy production. The fund aims to ensure that economic growth is built on low carbon technologies in emerging markets, especially where GHG emissions are significant today, or are expected to become large in the future. Within our mandate, we need to prioritize. Our strategic choices have therefore been assessed against three criteria: climate impact, additionality and feasibility.

### Geography

The Climate Investment Fund prioritizes existing Norfund strategy countries to maintain focus and build on existing capabilities. Among existing strategy countries, we prioritize 8 core countries: India, Vietnam, Philippines, Cambodia, Indonesia, Sri Lanka, Bangladesh and South Africa.

#### Investment countries under the Climate Investment Mandate

##### CORE COUNTRIES

Bangladesh

Cambodia

India

Indonesia

Philippines

Sri Lanka

South Africa

Vietnam



### Sectors

We invest in both large scale grid connected renewables such as wind farms and smaller projects selling directly to commercial and industrial customers such as

rooftop solar. We may also invest in enabling technologies with high climate impact (e.g., storage, transmission), focusing on verticals where Norfund has strong competence, can be additional and where there are investable opportunities in our markets.

## **Risk profile**

The CIM applies the risk appetite statement of Norfund, but with the opportunity to take somewhat higher technology commercialization risk for example within floating solar and offshore wind. In this way, Norfund can help accelerate the implementation of renewable energy technologies in our markets through investments that private sector players hesitate to take on. The investments will be done on commercial terms.

## **Partners and platforms**

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

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

## **Exits**

Under the CIM we have an ambition to actively seek exit of mature or de-risked investments to circulate capital and multiply the climate impact we can have per dollar committed to the fund. Norfund has for the past years worked on improving our practices regarding exits, including assessing exit opportunities at time of investment and structure investment with exits in mind. We will build upon this work in the year to come.

# Investments 2023

## Climate Mandate

**2023 marked the first full year of operations for the Climate Investment Fund. During the year, four new investments were made. In addition, two follow-on investments supporting the growth of existing Climate Investment Fund portfolio companies were also made. In total, new commitments of NOK 1.6 billion were made, taking the total Climate Investment Fund portfolio to NOK 3.8 billion. The investments made in 2023 are expected to contribute to avoid 8.5 million tons of CO2e emissions when the projects are operational.**

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**→ [Read about avoided emissions under the climate mandate](#)**

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## Highlights of 2023

### Pele Green Energy

Pele Green Energy is a South African owned Independent Power Producer that develops, owns, constructs and operates renewable energy power projects, including both small scale embedded generation and utility scale power plants. Pele is partnering with international utilities like Engie, Enel and EDF. Norfund has committed ZAR 658 million as part of a consortium together with Nedbank and the Industrial Development Corporation (IDC) of South Africa. The funding is part of a ZAR 2.5 billion loan with a preference share clause. The funding will enable Pele to move forward and construct a pipeline of more than 1 GW of awarded solar and wind projects in South Africa together with partners. The projects are a mix of projects delivering power to the national grid and projects delivering directly to industrial customers.



## **Gadag**

Norfund and KLP have extended their co-operation Renew, India's largest independent renewable energy company, to develop transmission infrastructure that connects areas of renewable resources to the main grid. The Gadag project is 144 kV of high voltage transmission lines that will provide enough capacity to evacuate 2,5 GW of renewables to the grid, located in Karnataka, India.

## **Follow-up investment in SAEL**

After the initial 60 million USD equity investment in 2022, a follow-up investment of 50 million USD was done in 2023. SAEL has developed a business model where crop residues are used as fuel in waste-to-energy projects. Normally farmers in India burn crop stubble in their fields to remove paddy residue, resulting in severe air pollution in the region. SAEL is an emerging renewable company in India with presence across solar and agri waste to energy projects. SAEL is India's largest agri waste to energy producer. SAEL currently has more than 20 projects both operating and under construction in solar and agri waste to energy space.

Investment	Country	Investment year	Sector	Instrument	Ownership share	Domicile	Committed (MNOK)
SAEL	India	2022	Solar / biomass	Equity	N/A	India	1126.5
Fourth Partner Energy	India	2023	Solar power	Equity	TBD	India	431.5
Enel Coral	India	2022	Wind power	Loans Equity	25%	India	430.2
H1 Kenhardt	South Africa	2022	Solar power	Loans	N/A	South Africa	388.9
Pele Green Energy	South Africa	2023	Other/hybrid renewables	Loans Equity	N/A	South Africa	363.8
Enel Thar Solar	India	2022	Solar power	Loans Equity	25%	India	276.5
H1 Capital	South Africa	2021	Other/hybrid renewables	Equity	25%	South Africa	212.7
H1 EDF NFBII	South Africa	2022	Wind power	Loans	N/A	South Africa	172.6
Gadag Transmission	India	2023	Transmission	Loans Equity	25%	India	107.3
SEACEF II	Regional	2023	Energy	Funds	8%	Singapore	101.7
Volta INTL	Sri Lanka	2023	Solar power	Equity	30%	France	83.1
Koppal Narendra	India	2022	Transmission	Loans Equity	25%	India	61.9

# Impact - Climate Mandate

# Avoided emissions

## Climate Mandate

Norfund's investments in renewable energy contribute to replacing either current or future electricity that otherwise would have been produced from fossil fuels, thereby preventing the emission of greenhouse gases.

**8.5 million tons CO<sub>2</sub>e**

expected annual avoided emissions from projects financed in 2023, when they are fully operational.

Corresponding to 17% of Norway's CO<sub>2</sub>e emissions in 2022\*\*

**2.2 million tons CO<sub>2</sub>e**

avoided emissions in 2023 from operational power plants

\*\* Statistics Norway: [Emissions to air - SSB](#)

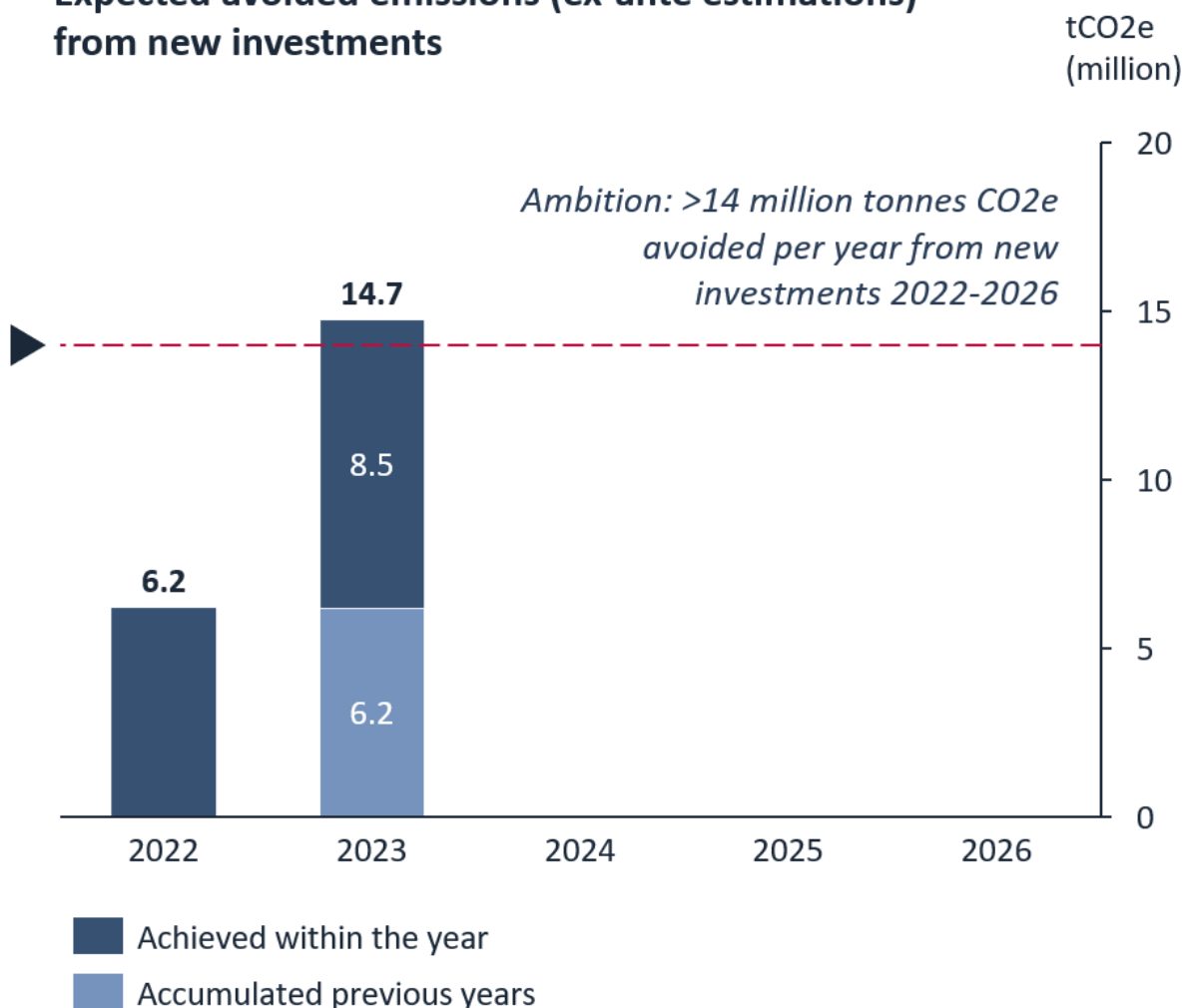
## Results 2023

### Expected avoided emissions (ex-ante)

In 2023, Norfund financed five projects under the climate mandate that, when operational, are estimated to avoid 8.5 million tons of CO<sub>2</sub>e emissions annually (greenfield\*). This corresponds to approximately 17% of Norway's total emissions of CO<sub>2</sub>e in 2022. Independent Power Producers in India and South Africa are the main contributors to the emission avoidance.

Adding this to the 6.2 million tons of estimated annual avoided CO<sub>2</sub>e emissions from investments in 2022, Norfund has already surpassed the ambition for the current strategy period 2022-2026 to avoid 14 million tons of CO<sub>2</sub>e emissions annually.

## Expected avoided emissions (ex-ante estimations) from new investments



Separately, Norfund financed a transmission line in India that will enable 2.4 GW of wind and solar power to feed onto the grid, resulting in an estimated 5.8 million tons of CO<sub>2</sub>e avoided annually.

\*Greenfield refers to the capacity Norfund has **helped finance the construction of**. Hence, it excludes the capacity already installed in the portfolio companies at the time of the investment.

## Avoided emissions in 2023 (ex-post)

In 2023, portfolio companies under the climate mandate produced renewable energy corresponding to annual avoided emissions of 5.8 million tons of CO<sub>2</sub>e. Of this, 2.2 million tons of CO<sub>2</sub>e were avoided by greenfield projects.

Projects in South Africa and India are the main drivers for the avoided emissions,

both because these countries have the largest shares of the portfolio, but also because they have very high grid emission factor (i.e., fossil intensive energy mix).

## Avoided emissions since Norfund's inception

All new renewable energy projects Norfund has invested in since the fund was established in 1997, avoid an estimated **13 million tons of CO<sub>2</sub>e emissions annually (greenfield)**. This equals approximately 26% of Norway's annual CO<sub>2</sub>e emissions a of 2022\*\*.

\*\* Statistics Norway: [Emissions to air - SSB](#)

# Increased renewable energy supply

## Climate Mandate

Transitioning to a renewable energy system is essential for combating the climate crisis and ensuring a more sustainable future. Norfund contributes to this by investing in renewable energy in emerging markets under both the climate mandate and the [development mandate](#).

Furthermore, access to energy is a fundamental prerequisite for economic growth, job opportunities, and enhanced living standards in developing countries.

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→ [Investing in the transition to net zero under the climate mandate](#)

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### Results 2023

# 4,244 MW

total new renewable generation capacity financed in 2023

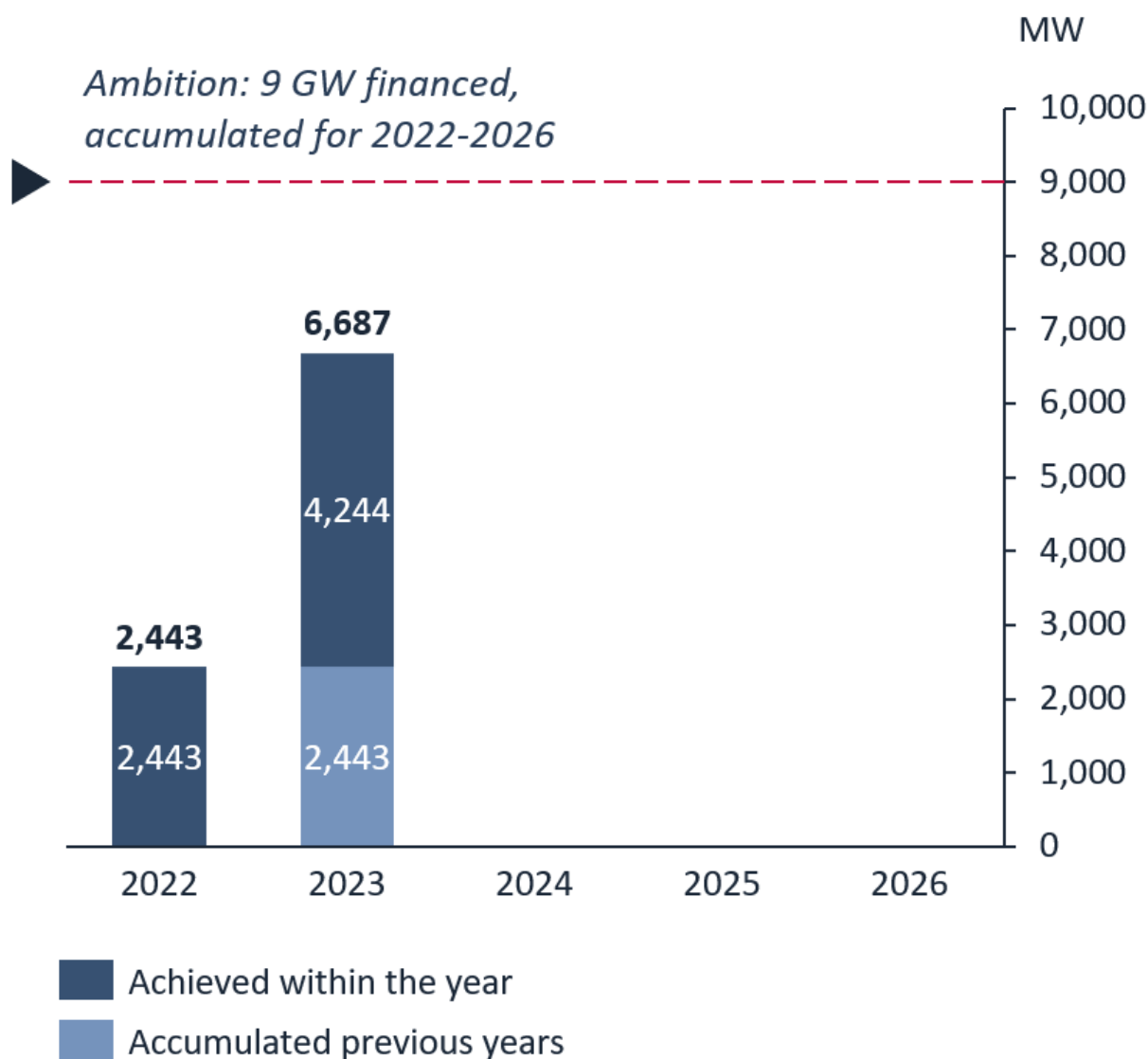
## Increased supply of renewable energy

In 2023, Norfund helped finance the construction of 4,244 MW of new electricity generation capacity under the climate mandate, including on-grid (IPP) projects and commercial & industrial (C&I) projects. This is a significant increase from 2,443 MW in 2022. With a total of 6,687 MW over the two years, Norfund is well on track to deliver on the ambition to finance 9 GW new capacity under the



climate mandate during the strategy period 2022-2026.

## New capacity financed, climate mandate

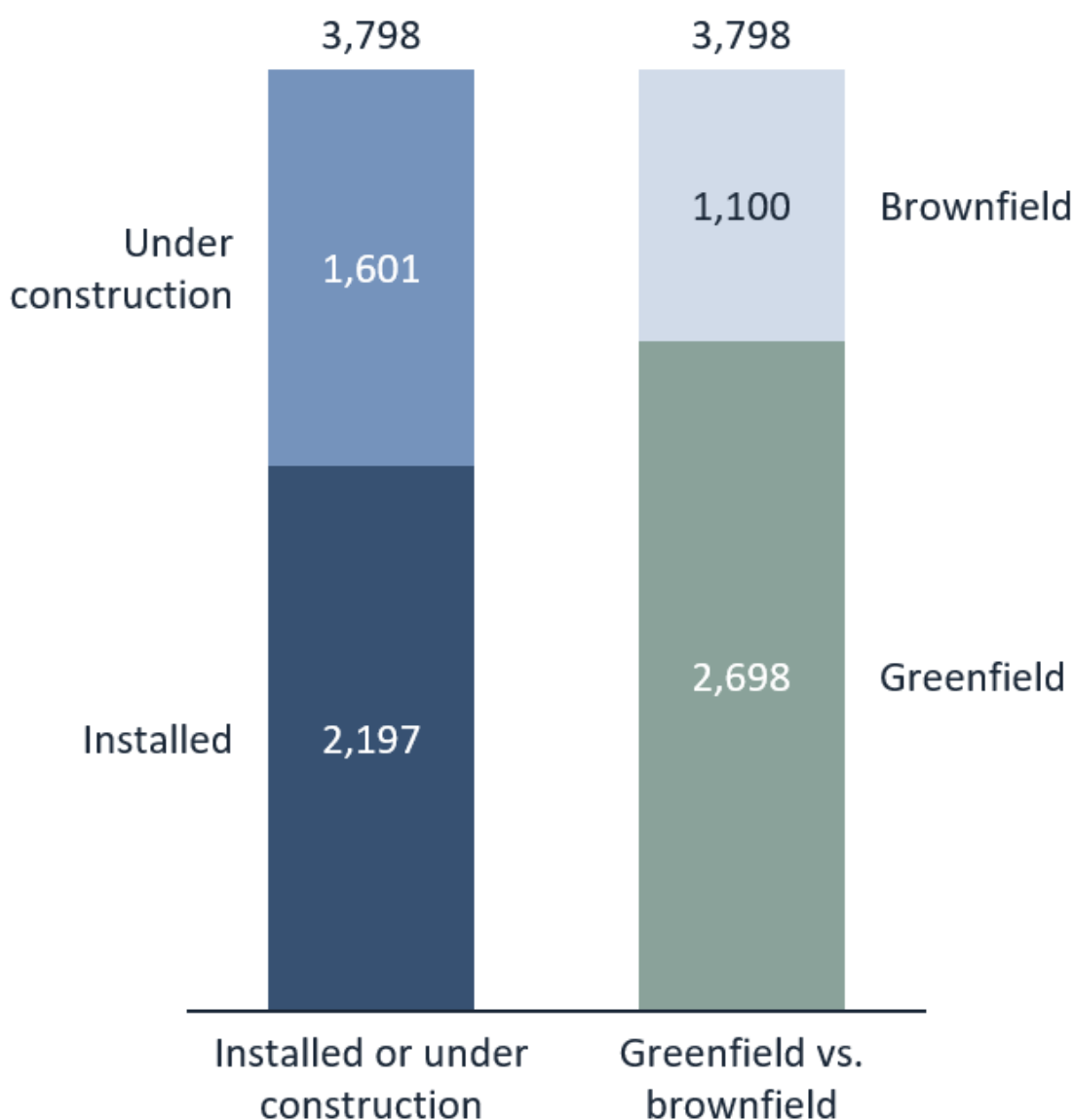


As of 31.12.2023, the total capacity in Norfund's portfolio companies was 3,798 MW, of which 2,197 MW was installed and 1,601 MW was under construction. Of this, Norfund has helped finance the construction of 2,698 MW (greenfield\*). Most of the capacity financed in 2023 has yet to reach construction and so the total capacity in the portfolio is expected to increase significantly.

*\*Greenfield refers to the capacity Norfund has **helped finance the construction of**. Hence, it excludes the capacity already installed in the portfolio companies at*

*the time of the investment.*

## Total capacity in portfolio by end of 2023 (MW)



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→ [Read this if you want to understand how the renewable capacity translates into avoided emissions of CO<sub>2</sub>e](#)

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### **Power plants**

In 2023, the power plants in our portfolio under the climate mandate produced **5.7 TWh**. Of this, **2.0 TWh** was produced by power plants where Norfund has helped finance the construction. We expect this number to increase significantly the following years when more financed power plants get operational.

# Jobs and taxes

## Climate Mandate

### Job creation

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

In the power sector, jobs are created both in the companies during the construction period and in the operations phase. Most importantly, a higher and more reliable power supply enables businesses to increase their business output and is thereby contributing indirectly to job creation. A reliable power supply hinders losses due to power outages, and investments in off-grid enable the substitution of costly and unsafe options such as candles and kerosene lamps for lighting.



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

### Results in 2023

Norfund annually collects data on jobs held in the portfolio companies. In 2023 the companies under CIM held more than 8 000 jobs, and more than 80 % of these were construction workers. Most of the jobs are held in Africa. The share of

permanent jobs is significantly lower for the companies under CIM than in the other parts of Norfund's portfolio, due to the large need for construction workers and limited need for workers for operations and maintenance of the power plants once construction is complete and the plants are operational.

In these companies women make up only 11 % of the work force. However, among senior managers there are 33 % women in the companies in the CIM portfolio.

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→ [Read more about jobs in the Development Mandate](#)

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## Financial results

**In 2023, the Climate Investment Fund delivered an estimated return (IRR) of 21.9 per cent in investment currency and 17.8 per cent in NOK. Since inception, the portfolio has had an average return (IRR) of 24.4% measured in investment currency and 20.4% measured in NOK.**

The Climate Investment Fund ended the year with an operating income of NOK 7,6 million and a negative result after tax of NOK 28,5 million. In this early phase of the fund, investment and management costs are exceeding the income. The investments made so far have performed broadly as expected, and income from interests and dividends are expected to increase significantly.

The Fund has rounded its second year and by the end of 2023, a total of NOK 2.086 million have been invested, while the total equity is at NOK 3.966 million NOK, after the planned capital increase by NOK 2 billion during the year.

**21.9 %** IRR for 2023 (investment currency)

**24.4 %** IRR since inception (investment currency)

The return figures must be seen in light of the fact that the fund is relatively new with still few investments and no exits. At the end of 2023, the committed portfolio totaled NOK 3.8 billion.

## Financial statements

Income Statement			
(Figures in 1000s of NOK)	Note	2023	2022
<b>Assets</b>		<b>259</b>	<b>0</b>
Total receivables			0
<b>Investments</b>	<b>4</b>	<b>1 694 299</b>	<b>427 981</b>
Investments in equities and funds	4	392 194	0
Loans to investment projects			
<b>Total investments</b>		<b>2 086 494</b>	<b>427 981</b>
Bank deposits		1 879 927	1 567 180
<b>Total current assets</b>		<b>3 966 680</b>	<b>1 995 161</b>
<b>Total assets</b>		<b>3 966 680</b>	<b>1 995 161</b>
<b>Equity</b>			
<b>Called and fully paid capital</b>	<b>5</b>	<b>1 500 000</b>	<b>750 000</b>
Primary capital	5	500 000	250 000
Reserve capital		2 000 000	1 000 000
Total called and fully paid capital			
<b>Earned equity</b>			
Surplus fund	5	1 966 680	995 161
total retained earnings		1 966 680	995 161
<b>Total equity</b>			
Debt		0	0
<b>Total equity and debt</b>		<b>3 966 680</b>	<b>1 995 161</b>

## Note 1

The current accounts for the Climate Investment Fund (CIM) follow the same principles as Norfund's annual accounts.

## Note 2

Dividends have been received from our investment in H1 Capital in South Africa of NOK 7,682 thousand.

## Note 3

The management fee is calculated based on the Climate Investment Fund's portfolio share of Norfund's total

portfolio and Norfund's total costs. The portfolio share is based on the recorded historical cost of the investments. The management fee is allocated quarterly and at the end of 2023 CIM accounted for 7.3% of Norfund's total investments.

We also refer to the mention in the board's report under the chapter organization and efficient operation.

## Note 4

The Climate Investment Fund has the following investments at the end of 2023. Further information can be found in the Climate Investment Fund's business report.

Equity	Committed amount	Accounted value
KNI INDIA AS (India	875 961	429 435
H1 Capital (South Africa)	212 745	212 745
SAEL Industries (India)	1 126 507	611 582
Volta Ltd (Sri Lanka)	10 410	9 021
Fourth Partner Energy Limited (India)	431 515	431 515
<b>Total</b>	<b>2 657 139</b>	<b>1 694 299</b>



Loan	Committed amount	Accounted value
H1 Kenhardt (South Africa)	400 096	312 992
Pele Green Energy (South Africa)	363 809	8 286
Volta Ltd (Sri Lanka)	835 210	392 194
	<b>835 210</b>	<b>392 194</b>

## Note 5

Equity				
	Primary capital	Risk capital	Surplus funds	Total equity
Capital 31.12.2022	750 000	250 000	995 161	1 995 161
Transfer from the Ministry of Foreign Affairs	750 000	250 000	0	
Earmarking of Norfund's surplus fund profit for the year			1 000 000	
<b>Capital at 31.12.2023</b>	<b>1 500 000</b>	<b>500 000</b>	<b>1 966 680</b>	<b>3 966 680</b>

[Independent auditors report](#)

[Download](#)

## 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)<sup>1</sup> 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, statutes 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 it 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 CO<sub>2</sub>-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 SDGs 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

# Auditor's report

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

Til generalforsamlingen i Norfund

## UAVHENGIG REVISORS BERETNING

### Konklusjon

Vi har revidert årsregnskapet for Norfund som består av balanse per 31. desember 2023, resultatregnskap, kontantstrømpoppstilling 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 rettviseende 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 rettviseende 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 modifierer 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 rettviseende 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

 ELGÅEN, GRETE

