



Annual report  
**2020**

## Letter from the CEO



*"We grow people – people grow flowers". Marginpar Kariki farm in Kenya. (Photo: Sala Lewis)*

In March 2020, the East African flower producer Marginpar lost all business overnight. The COVID crisis had led to the collapse of both the Amsterdam flower market and the air freight out of Africa, so flowers could neither be sold nor exported.

With 3,000 employees and no one to buy its flowers, Marginpar was in a crisis. The management of Marginpar and Norfund as investor faced an exceptionally difficult situation. The company was adamant that laying off its employees to face an uncertain future in the midst of a crisis was not an option.

Instead, all employees voluntarily took a 50% pay cut and Norfund stepped in with an emergency loan to keep people employed and the company going. Six months later, the flower demand picked up and people came back to work with 100% pay and compensation for the 50% pay reduction that they had contributed with.

## **Investing for impact – responsibly**

The Marginpar-story above is one example of the challenging and often unpredictable situations we face in Norfund. Another is when we invest in areas of conflict such as Somalia, South Sudan or Myanmar.

We have been investing in Myanmar to create jobs and improve lives in a country with immense development needs. This is especially true now in the wake of the coup of early 2021 and COVID, which the UNDP estimates could plunge almost half of Myanmar's population into poverty. A prerequisite is that we invest responsibly and in accordance with recognised ethical standards. This entails supporting our investees in strengthening business integrity and compliance systems and understanding "where to draw the line".

The latter is not easy and has no obvious answer. Our investee Yoma Bank draws the line at banking military or military owned entities. Even this is difficult in a country where the military is pervasive. Here, we must carefully and continuously balance the positive impact we have as an investor against the risk that we and our investees do not live up to our ethical standards.

## **Go where others hesitate – together**

A second balancing act is the dual task of being both additional and catalytic. Norfund is set up to be additional – to invest where others hesitate due to the high risk involved. This is especially true for the least developed countries (LDCs), home to 39% of our investments. These are countries that are poor, often with weak governance systems and high risk – financial, social, environmental and reputational. These are also countries where private sector investments are essential for economic development and job creation. In addition to being additional, we are also set up to be a minority investor and tasked with being catalytic – that is to mobilise capital from other investors. This brings with it a constant tension – going where risk keeps many investors away, but mobilising others to invest with us.



*We will do our bit, investing where we are needed the most, mobilising others to invest with us and maximising the positive impact that we have on the economies, businesses and societies in developing countries.*

*Tellef Thorleifsson (Picture from Juba, South Sudan, January 2020)*

## Reporting our impact - effectively

We face a third challenge in our efforts to measure the impact of our investments. On the one hand, we must systematically understand and report the development effects of our portfolio companies, such as jobs created, taxes paid, how many new households have access to energy and how many new clients have received loans. This requires collecting data from each of our portfolio companies, a record 98% of which reported for 2020. It is not a simple process. Most companies in developing countries do not have advanced systems or teams dedicated to reporting. They are busy building a business that can survive and thrive, often in a difficult environment. We therefore tailor our data demands to their realities. If we do not have sufficient data, we cannot document the impact of our investments, but if we ask for too much data, we will stifle the companies and their ability to succeed in building sustainable businesses.

## The road ahead

2020 was a year of extremes for Norfund. A highlight was the sale of the hydropower company SN Power to Scatec, the largest transaction in Norfund's history, freeing up more than 10 billion NOK for new investments, primarily in renewable energy. At the other end of the scale, we faced our most difficult situation when Norfund fell victim to a serious case of digital fraud. In the wake of the fraud we have significantly strengthened our systems and been open about the incident to reduce risk of this happening again to us or to others.

For the world, the pandemic [erased](#) the equivalent of 255 million jobs and an additional 95 million people are estimated to have slipped into poverty - an unprecedented set-back. In Norfund we did our best to support our investees to protect jobs, and to keep investing despite the challenges in a

world of shutdowns and insecurity. We are proud to have increased our investments by 20% to a record 4,8 billion NOK, as flows of FDI to our markets plummeted. Even before COVID, the gap to finance the UN Sustainable Development Goals in developing countries was formidable, at around 2.5 trillion USD. Some estimates now put this gap at 4.5 trillion USD.

Private sector investments will of course not alone solve the challenges faced by developing countries.

But we will do our bit, investing where we are needed the most, mobilising others to invest with us and maximising the positive impact that we have on the economies, businesses and societies in developing countries.

Economic development, job protection and job creation will be even more important. And we will play our part, delivering on our mission to invest to create jobs and improve lives.



**Tellef Thorleifsson**

Chief Executive Officer

June 3, 2021

## Key events



### Investing during a pandemic

Despite the challenging circumstances due to COVID-19, Norfund made record high investments in 2020. Norfund's role as a countercyclical investor is more important than ever.

[Read more](#)



### Historic circulation of capital through the sale of SN Power

After building SN Power into a leading hydropower actor in developing countries, Norfund agreed in October 2020 to sell the company to the Norwegian energy developer Scatec.

[Read more](#)



### New model estimates indirect job effects

In 2020, Norfund has estimated, for the first time, the number of jobs supported by our investments indirectly through their value chains. The Joint Impact Model (JIM) combines macro statistics with client financials to estimate indirect impacts for which observed data is not available.

[Read more](#)



## A serious case of fraud

In March 2020, Norfund became the target of an unfortunate and serious case of fraud. Norfund's management immediately decided to be open and transparent, not least to contribute to reducing the risk of others falling victim to similar fraudulent activities.

[Read more](#)

## Investing during a pandemic

**Despite the challenging circumstances due to COVID-19, Norfund made record high investments in 2020. Our role as a countercyclical investor is more important than ever.**

<https://www.youtube.com/watch?v=WTi5UueOwmM>

While foreign direct investment in developing countries fell by 12% in 2020, Norfund increased investments by 20%, to a record of NOK 4.8 billion.

**4.8 BNOK**

---

**committed in 2020**

### Key figures 2020

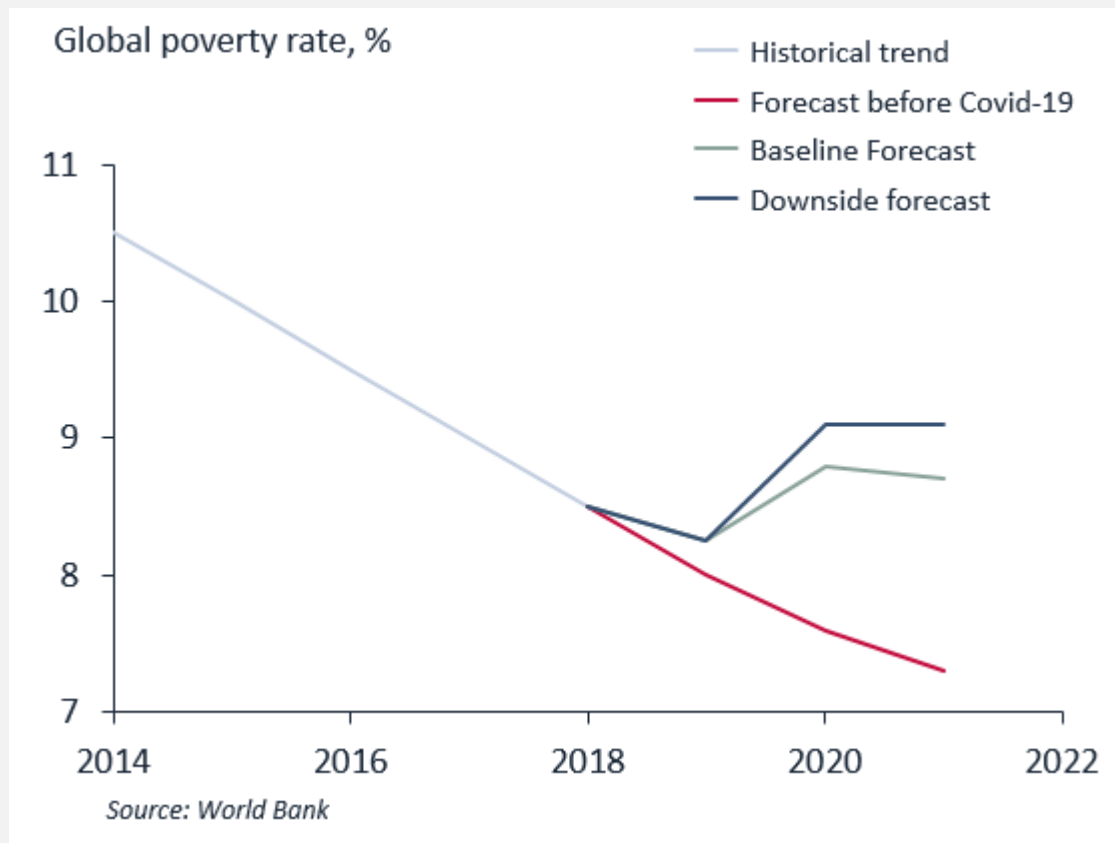
Despite travel restrictions and other extraordinary challenges when preparing and negotiating new investments in 2020, Norfund investment staff found ways to conduct solid due diligence processes remotely. In some countries, Norfund is in the fortunate situation of having staff on the ground. In other instances, we combined digital meetings with assistance from local consultants.

### **Contracted economy in all Norfund regions**

COVID-19 aggravated an already fragile situation in most of Norfund's markets. In many cases the economic decline in 2020 has undone growth that will take several years to regain. The pandemic has also resulted in unplanned government expenditure at a time when a reduction in tax receipts is anticipated.



## Halted progress towards Sustainable Development Goal 1 – No Poverty



Among Norfund's regions, Latin America had the sharpest average fall in GDP, contracting by 6.9% (Source: OECD, IIF).

Asia was also deeply affected, with some countries suffering significant output losses, led by the Philippines (-8.1%). The economic growth in Asia is anticipated to rebound moderately, but output is expected to remain 7.5% below pre-pandemic projections by 2022, although with significant cross-country differences.

In Sub-Saharan Africa, the full effect of the economic setback following the pandemic cannot yet be seen. It is expected that it will push millions of people back into extreme poverty, but with large cross-country differences.

## Revenue decrease and job losses in portfolio companies

Most of Norfund's portfolio companies have been affected by the pandemic directly or indirectly.

A survey including half of the portfolio companies indicates that 65% of the companies have experienced revenue decrease as a direct or indirect consequence of COVID-19. Only 32% report a negative impact on jobs, suggesting that many companies have been able to keep employees despite revenue decrease.

## Women and young people hardest hit

Women and young people have borne a disproportionate share of job losses, as have lower income households (ILO Monitor). Although there is high awareness of the risk of getting COVID-19, many people have little choice but to go out and look for work.



*We often forget the relatively high cost of COVID prevention for poor people; currently buying a disposable face mask and 50 ml of hand sanitiser costs the same as half a litre of milk and a loaf of bread – I won't even touch on the cost of going for a test, self-isolating or not being able to attend work.*

*SimbaH Mutasa, Norfund Regional Director, Southern Africa*

**65** portfolio companies

of surveyed portfolio companies  
experienced revenue decrease

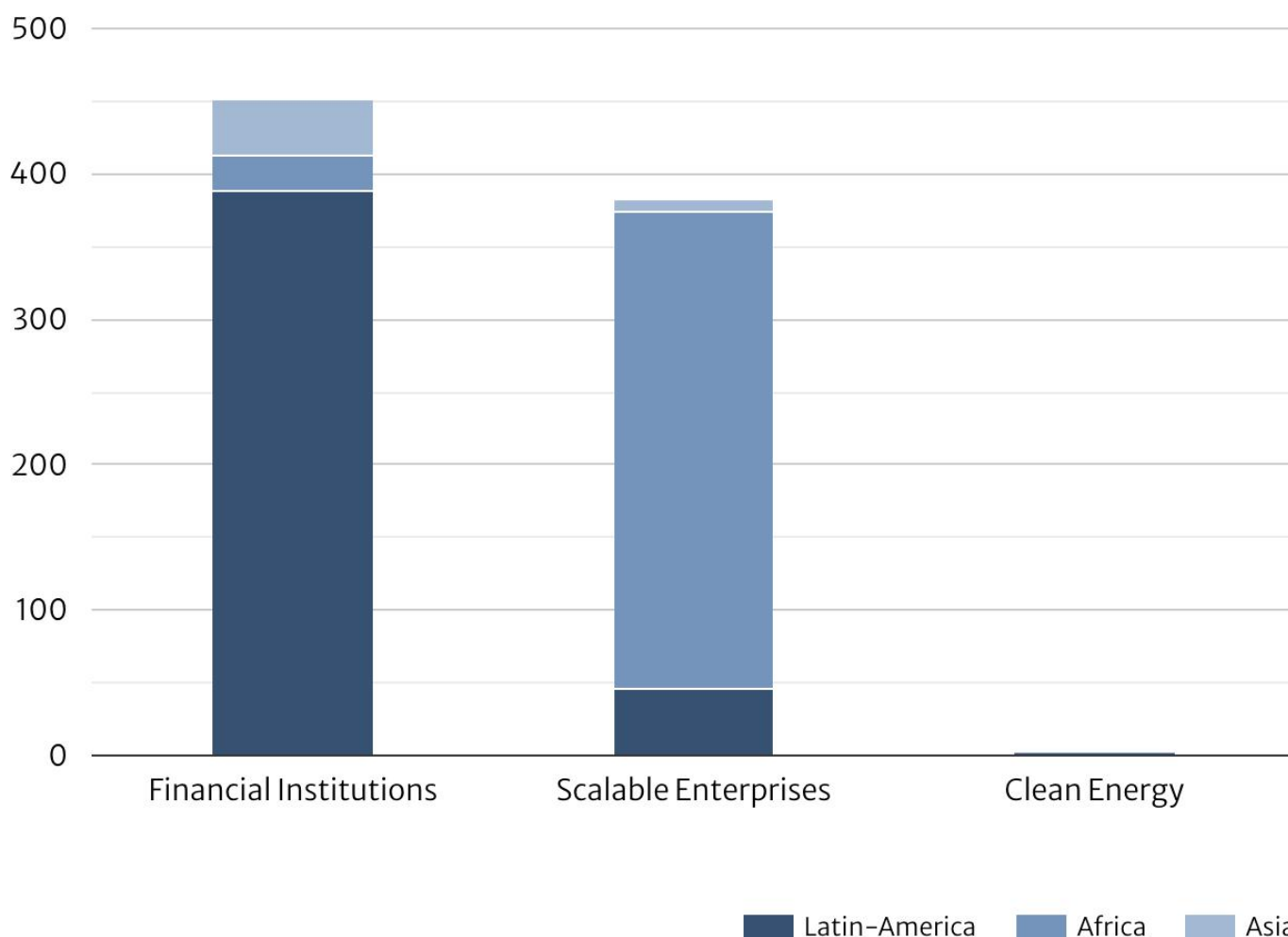
**32** portfolio companies

of surveyed portfolio companies  
reported job losses

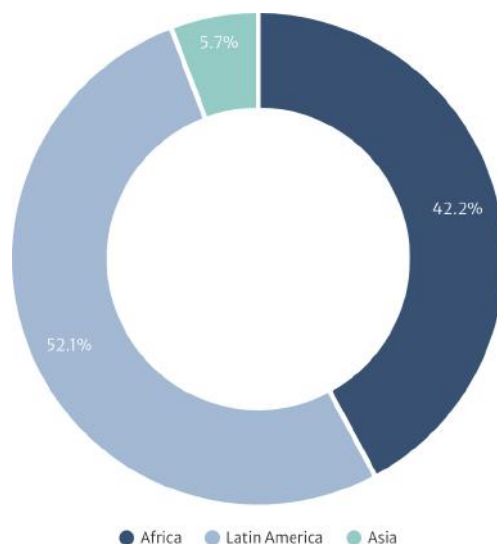
## NOK 836 million in COVID-19 support

Since the outbreak in March 2020, Norfund has monitored developments and supported those investee companies hardest hit with capital and other assistance. During the year, 14 investee companies received ‘emergency relief funding’ in the form of additional loans. The majority of the investments in COVID-19 support were within the Financial Institutions and Scalable Enterprises investment areas.

**Investments in COVID-19 support 2020, MNOK**



### Regional distribution of Norfund's Covid-19 support



Investment	mNOK	Sector	Country
European Financing Partner (EFP)	270	SE	Regional (LatAm + Africa)
LAAD	136	FI	Latin America
Banco Promerica	92	FI	Costa Rica
Desyfin	79	FI	Costa Rica
FDL	53	FI	Nicaragua
NMI Fund II	57	FI	Regional (Africa + Asia)
Marginpar	48	SE	Kenya, Ethiopia
Asilia	43	SE	Tanzania, Kenya, Uganda
Prospero	27	FI	Regional (Ecuador)
Cambodia Myanmar Development Fund	8	SE-Funds	Regional (Asia)
Nordic Microfinance Initiative	8	FI	Asia
ACRE	3	SE	Mozambique
Basecamp	3	SE	Kenya
Sunshine	2	CE	LatAm

In addition, NOK ~4.5 million was invested in Covid related support through Business Support – all allocated to Sub-Saharan Africa.

## [Business Support](#)

### **Adaptation and resilience**

Although the year has been challenging for all our investees, many have also demonstrated their resilience. Several investees report that through hard work and an impressive ability to adapt to changing circumstances, they have overcome the crisis so far without having to reduce staff numbers.

### **DFIs joined forces to respond to COVID-19**

Development Finance Institutions (DFIs) have been working together to help resolve the negative economic effects of COVID-19. Focus has been on liquidity issues in the financial sector, supporting existing investee companies impacted by the virus and promoting new investments in goods and services necessary for global health, safety and economic sustainability.

[More about the DFI's coordinated response at Norfund.no](#)



## New model estimates indirect job effects

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

Norfund's mission is to create jobs and improve lives. We do this by investing in and developing companies.

However, the companies in Norfund's portfolio also contribute *indirectly* to employment and job creation when they buy goods and services from other enterprises and when the employees or suppliers' employees spend their salaries.

Portfolio companies also enable employment through energy supply and access to finance – Norfund's two largest investment areas.

Finally, companies contribute to government revenues and spending ability by paying taxes, stimulating further job creation in public service sectors such as health and education.

## Estimated jobs indirectly supported

Although research and case studies have showed that these indirect employment effects are real and substantial, Norfund has not been able to quantify them in a meaningful way until now.

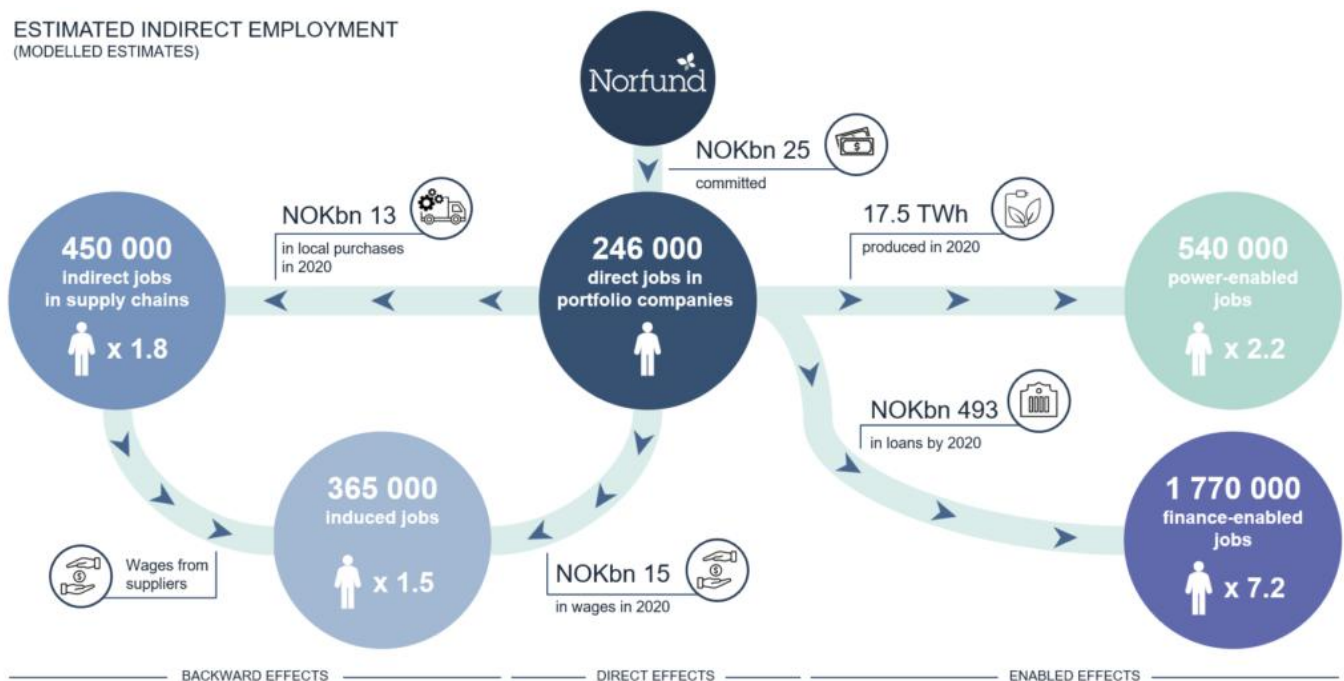
This year, we have, for the first time, applied the Joint Impact Model (JIM) to estimate the scope of the indirect employment effects from our investments. The JIM combines macro statistics with client financials to estimate indirect impacts for which observed data is not available.

The estimates are calculated using economic modelling and do not represent actual figures. Nevertheless, they provide interesting insight into the indirect impacts of our investments.

The analysis is based on the investments that we have sufficient data for the model from, which represent 54 per cent of all the portfolio companies, or 87 per cent of all committed capital in Norfund's active portfolio by the end of 2020.

Results are reported on an aggregate level, without attribution, i.e. not taking account of Norfund's investment share.

ESTIMATED INDIRECT EMPLOYMENT  
(MODELLED ESTIMATES)



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

*interpreted as such.*

## Direct jobs

By end of 2020, a total of 246,000 jobs are held directly in the subset of Norfund's portfolio companies for which the model is applied. These are actual figures reported by investees, but do not include third party hires, as opposed to the harmonised indicator on direct jobs that Norfund normally reports on. The confidence level for the actual figures is high, ranging from 4 to 5 (of 5).

39 per cent of the direct jobs are in Least Developed Countries (LDC) and just over half the jobs are in Africa. Around one third of the direct jobs are held by women.

## Indirect jobs



**Indirect jobs from supply chains:** During 2020, the companies in Norfund's portfolio purchased NOK 13 billion of inputs from local providers in 2020.

This is estimated to have supported around **450,000** jobs in the supply chains, or 1.8 times as many jobs as held directly in Norfund's portfolio companies.

55 per cent of the jobs from supply chains are in LDC and two-thirds are in Africa. The model estimates that 43 per cent of the jobs are held by women, while one in five jobs are held by youth (aged 15-25).

The confidence level for the modelled estimates range from 2 to 3 (of 4), depending on investee data availability and due to using 2020 fiscal year data (as the ideal is 2017-2019 fiscal years data for the current version of the model).



**Induced jobs from spending of wages:** During 2020, the companies in Norfund's portfolio companies reported paying NOK 15 billion in wages to employees. Wages spent by workers in the supply chain companies also support economic activity.



It is estimated that around **365,000 jobs** were supported by this local spending, or 1.5 times as many jobs as held directly in Norfund's portfolio companies.

46 per cent of the induced jobs are in LDC and 58 per cent are in Africa.

It is estimated that 44 per cent of the jobs are held by women and one in five of the jobs are held by youth (aged 15-25).

The confidence level for the modelled estimates range from 1 to 2 (of 3), depending on investee data availability and due to using 2020 fiscal year data.



**Enabled jobs by power:** During 2020, the companies in Norfund's portfolio generated a total of 17.5 TWh electricity. This is equated to output in electricity-using sectors, which in turn is translated to estimates of the number of workers needed to produce this output.

In 2020, around **540,000 jobs** were supported by the power produced by Norfund's clients, or 2.2 times as many jobs as held directly in Norfund's portfolio companies.

Over half the jobs are in LDC and almost nine in ten of the jobs are in Africa.

The confidence level for the modelled estimates is 1 (of 2), due to using 2020 fiscal year data.



**Enabled jobs by finance:** By the end of 2020, the banks and other financial institutions in Norfund's portfolio had a total outstanding loan portfolio of NOK 493 billion to businesses of all sizes.

This supported an estimated **1,770,000** workers in borrowing companies, or 7.2 times as many jobs as held directly in

Norfund's portfolio companies. 70 per cent of the jobs are in LDC and while close to half of the jobs are in Africa.

An additional 685,000 jobs are supported through these companies' supply chains, and 1,010,000 jobs are supported by the spending of wages.

The confidence level for the modelled estimates is 1 (of 2), due to using 2020 fiscal year data.

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

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



## The Joint Impact Model

The JIM can be applied to estimate indirect impacts such as value added, employment and GHG emissions. The model combines macro statistics with client financials to estimate these indirect impacts. The model is continuously improved and updated when new macro data is available.

### Objective

The purpose of the JIM is to enable users to estimate the gross direct and indirect economic, employment and environmental impacts of a portfolio of investments in developing markets in a single year, and to track changes in these impacts over time.

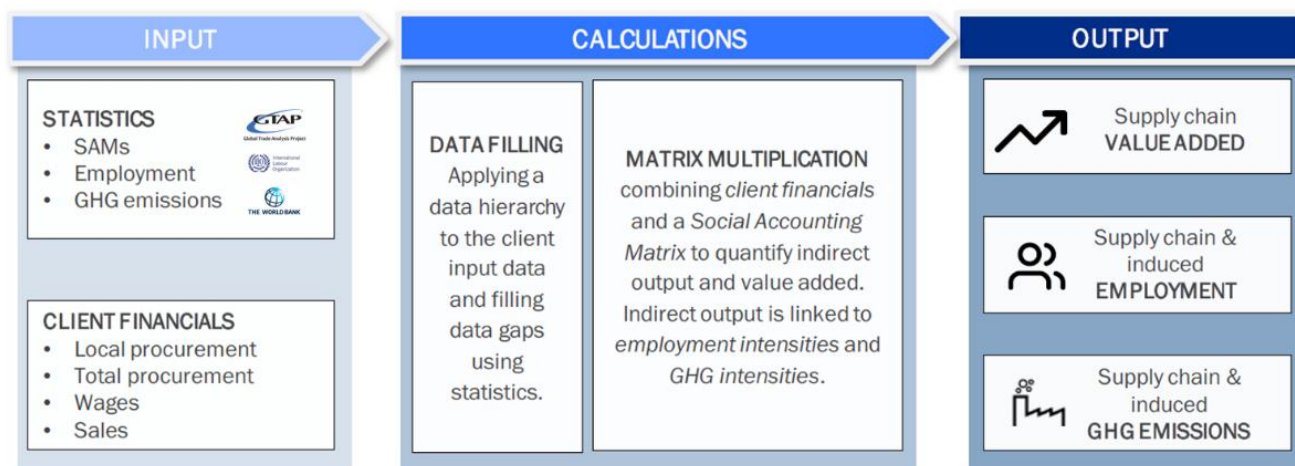
The JIM is a portfolio-level tool that relies on modelling, using statistics reflecting sector and country averages. Impact results from the model can be considered robust at the portfolio level. Results for individual investments or small portfolios will be indicative only; alternative impact measurement tools will generally be preferred.

The Joint Impact Model (JIM) was launched in 2020. The model was developed in collaboration between AfDB, BIO, CDC Group, FinDev Canada, FMO and Proparco with Steward Redqueen.

The model was piloted in 2020 before the official launch. Norfund participated in the pilot phase of the JIM and tested the model on a subset of our portfolio companies, covering 74 per cent of Norfund's committed portfolio by 2019. Based on the testing, Norfund provided feedback to the JIM project team.

## Methodology

### Overview of methodology supply chain and induced impact



Source: <https://jointimpactmodel.com/>

The main methodology used is Input-Output modelling (IO-modelling). The key ingredient of the IO model is a Social Accounting Matrix (SAM), which is a statistical and static representation of the economic structure of an economy. The SAM describes financial flows of all economic transactions within an economy. It shows, per sector, how much a sector spends – on average – on other sectors within the local economy, on imports, on salaries, taxes and profits. A SAM allows us to calculate how local procurement and spending of wages translate into output and value added for other sectors.

The supply chain and induced money flows is subsequently linked to employment intensities, i.e. number of jobs over the financial value of output produced, to estimate the employment impact. For enabled impacts, the model relies on proxy data to quantify the additional company revenues related to these investments.

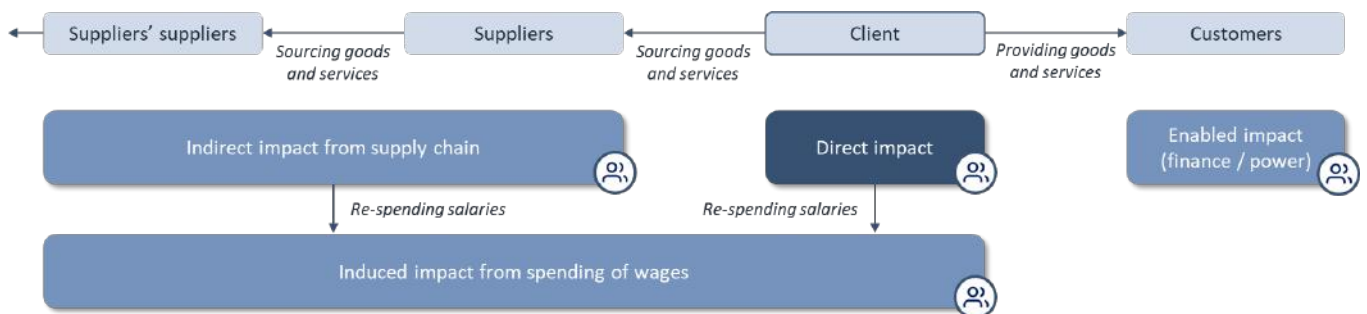
### Norfund's approach

Norfund has used the model to estimate indirect employment impacts supported through our portfolio companies where we have active commitments by end of 2020. Norfund uses ex-post estimations, i.e. based on the outstanding portfolio, and does not apply attribution, i.e. not taking account of Norfund's investment share.

The indirect impacts are calculated at investee level and then aggregated to portfolio level and should be interpreted as directionally correct modelled estimates.

Modelled estimation results cover 87 per cent of Norfund’s commitments by the end of 2020, or 54 per cent of all the portfolio companies in Norfund’s active portfolio, direct and through platforms and funds. The limited coverage is due to lack of sufficient data for the remaining part of the portfolio companies.

### Overview of direct and indirect impacts



Source: <https://jointimpactmodel.com/>

Norfund has so far not used the JIM to estimate indirect GHG emissions impacts or indirect value-added impacts.

More about the JIM at [jointimpactmodel.com](https://jointimpactmodel.com)

## A serious case of fraud

**In March 2020, Norfund became the target of an unfortunate and serious case of fraud.**

Norfund's management decided immediately to be open and transparent, not least to contribute to reducing the risk of others falling victim to similar fraudulent activities.

---

*This was a grave incident that we deeply regret. The fraud clearly showed that in our active use of digital channels we, as an international investor and development organisation, are vulnerable.*

*TELLEF THORLEIFSSON, NORFUND CEO*

---

## A sophisticated fraud

After successfully hacking a Norfund e-mail account, the fraudsters managed to access information concerning a loan of USD 10 million (approx. NOK 100 million) from Norfund to a microfinance institution in Cambodia. This information enabled the fraudsters to manipulate and falsify the information exchange between Norfund and the borrowing institution over time in a way that was realistic in structure, content and use of language. In addition, key documents and payment details were falsified.

As a result of this manipulation, the fraudsters were able to divert funds to an account in the name of the microfinance institution in Cambodia, but, in reality, an account under their control.

Norfund immediately set up a crisis management team, informed the Norwegian Ministry of Foreign Affairs, Norfund's owner, and contacted the police. Considerable resources were dedicated

to obtaining a full overview of the sequence of events and systematically reviewing and strengthening internal routines and controls.

Norfund's Board of Directors also engaged PwC to undertake an independent external evaluation. Norfund collaborated closely with the police, our bank DNB and other applicable stakeholders and authorities following the discovery of the fraud.

## **A combination of factors made Norfund vulnerable**

The report prepared by PwC concluded that a combination of factors made Norfund vulnerable to fraud. Amongst them were a delay to the implementation of security measures already adopted, insufficient internal IT security and IT supplier management expertise, inadequate focus on operational risk management and awareness training in the current digital threat landscape.

## **New security and control measures implemented**

Over the past two years, Norfund has implemented multiple measures to strengthen IT security, internal procedures and control systems. In 2020, the Board of Directors established a risk and audit committee and decided to set up an external internal- audit function. A number of operational measures have also been put into place, including a dedicated enterprise risk management function, consolidating financial controls, overhauling governance and compliance systems, recruiting dedicated internal resources and retaining an external provider of an IT security operation centre.

*We have done a lot to strengthen our routines and systems to prevent a similar incident happening again.*

*Tellef Thorleifsson, Norfund CEO*

## **Norfund's compliance program**

In 2020, a comprehensive overhaul of the governance and compliance system was carried out to update and provide better visibility and awareness internally of the regulations, policies, standards and ethical practices that apply to our organisation. This project was initiated prior to the discovery of the fraud, which emphasised the importance and value of having robust internal tools and systems in place.

**The following policies have been updated and /or adopted in 2020:**

- Code of Conduct
- Business Integrity Policy
- ESG Policy
- Compliance System
- Delegation of Authority

## **Digital crime – an increasing problem for Norwegian and international businesses**

According to the Norwegian Centre for Information Security and the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, fraud stemming from data breaches is a major and growing problem for businesses. Both organisations state that the number of unreported and undetected cases is also likely to be high. According to the Norwegian bank DNB's Annual Fraud Report 2019, the number of fraud cases, like the one experienced by Norfund, increased by 32% between 2018 and 2019, while the amount attempted to be stolen increased by 65%. The report describes the way in which cases are becoming more targeted and advanced, and several customers have suffered losses running into many millions.



*Fraud of this kind is perpetrated by very sophisticated criminals. With access to e-mail communication between two parties, they can familiarise themselves with the way in which the parties correspond.*

*The payment transactions they initiate therefore deviate very little from ordinary payments made by the victim company and become very hard to detect and prevent.*

*Terje A. Fjeldvær, DNB's head of fraud prevention*

## **Transparency can prevent future events**

The efforts to uncover vulnerabilities and to understand the digital threats facing Norfund have taught us valuable lessons in preventing similar incidents for other investors and operators working in the same markets. Norfund has made a conscious decision to be open about the incident. We have been contacted by others that have had similar experiences and leaders who would like to learn from us to reduce their risks. Norfund has participated in several seminars and meetings to share key lessons gained from the case.



## **HISTORIC CIRCULATION OF CAPITAL THROUGH SALE OF SN POWER**

**After building SN Power into a leading hydropower actor in developing countries, Norfund agreed in October 2020 to sell the company to the Norwegian energy developer Scatec.**

SN Power's plants produce power equivalent to the electricity consumption of 7 million people and help avoid 3 million tonnes of carbon emissions – each year. At the same time, it is estimated that the investment in SN Power has yielded an annual return (IRR) of 18 percent in NOK (13 percent in USD).



*Today, we are witnessing an excellent example of how smart, green and sustainable investments in developing countries can be profitable and thus help with both solving the climate crisis and reducing poverty.*

*NORWEGIAN MINISTER FOR INTERNATIONAL DEVELOPMENT DAG-INGE ULSTEIN SAID [TO REUTERS](#).*

The sale of SN Power to Scatec opens new opportunities for Norfund to reinvest capital in new projects that are crucial to fighting poverty and avoiding carbon emissions.

Settlement and transfer of shares took place in January 2021, and the realised gain – estimated at NOK 6 billion – will be recorded in 2021. The transaction therefore does not appear in the financial statements for 2020.



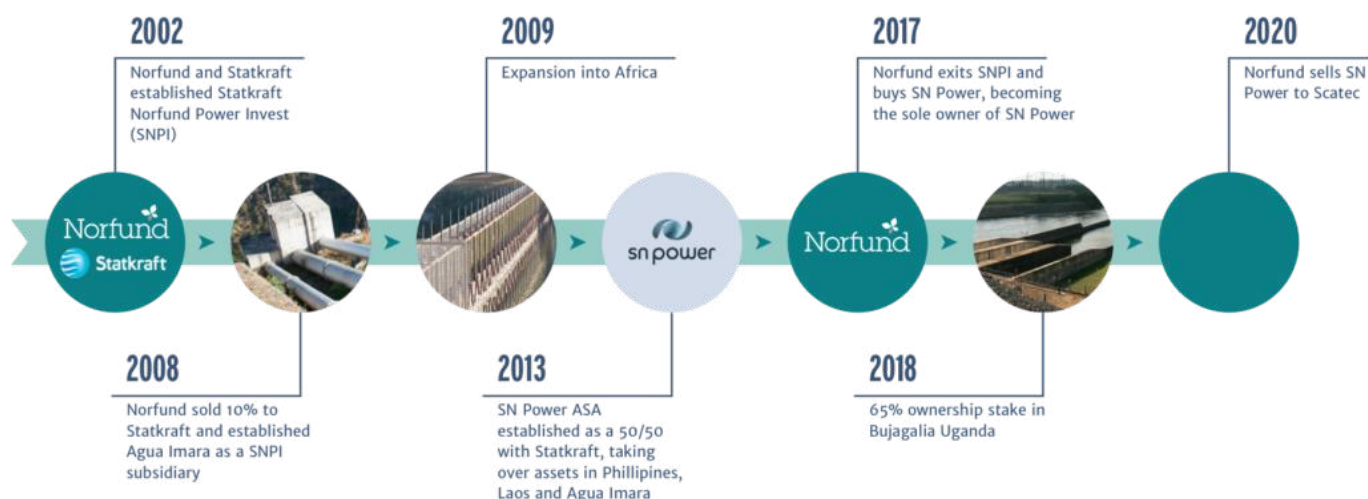
## The history of SN Power

The history of SN Power goes back to 2002, when Statkraft and Norfund joined forces to invest in hydropower in emerging markets. The goal was to mobilise Norwegian technical hydropower expertise to contribute to economic growth and sustainable development.

As owner of SN Power, Norfund has been instrumental in building a leading hydropower company in developing countries. The company has been one of Norfund's most important investment platforms in emerging markets, contributing to economic growth and poverty reduction by enabling increased access to renewable, stable energy for businesses in poor countries.

In 2017, Statkraft and Norfund agreed to swap shares in their jointly owned international hydropower assets. In these transactions, Norfund acquired 100 percent ownership of SN Power and increased presence in Africa and Southeast Asia.

## SN Power – a leading hydropower company in developing countries



### The deal

In 2019, Norfund initiated a structured sales process of SN Power aimed at international financial and industrial players. On 3 July 2020, Norfund’s Board decided to enter exclusive negotiations with Scatec Solar, and the agreement was signed on 16 October 2020.

With the sale of SN Power all shares and employees in the company were incorporated into Scatec, while Norfund received USD 966 million of the settlement in cash and USD 200 million as a seller credit. SN Power’s facilities in Zambia and Panama remain in Norfund’s hands. The parties will collaborate on SN Power’s projects in Africa, where Norfund retains a 49 percent stake. The transaction was completed on 29 January 2021.

*Our goal was to land the best deal to deliver on Norfund's mandate. Scatec presented the best offer, and we are pleased to contribute to a Norwegian company becoming a leader in both hydro and solar power. This is a strong foundation for our continued collaboration.*

*Tellef Thorleifsson, CEO of Norfund.*

---

**Read about the deal and press release as of October 2020**

[Article at www.norfund.no](http://www.norfund.no)

## **Circulating capital to meet the need for new energy investments**

Access to renewable energy is crucial for developing countries to grow out of poverty without exacerbating the climate crisis, and the annual gap in financing is huge. By circulating and reinvesting the capital from the sale of SN Power, Norfund can enhance our impact.

Out of Norfund's core/extended reach countries, 23 out of 49 of them had less than 1 GW installed renewable energy capacity and 17 of them had less than 1 GW installed total power capacity in 2019.

As a result of the pandemic, IEA estimates that the number of people living without access to electricity in Africa increased in 2020 for the first time in six years. The economic downturn makes it even more demanding to raise capital for the investments needed to reach the goal of sustainable energy for all (SDG7).

Circulating more capital is a part of [Norfund's strategy for 2019-2022](#), and the sale of SN Power is a major milestone.

Norfund will now effectively reinvest the proceeds by teaming up with existing and new partners. Because these projects take time to develop, the capital will in effect be 'put to work' long before it leaves our accounts.



## Key figures

**New commitments**

**4.8**

billion NOK in 2020\*

\*Excluding Business Support and PDRMF

**Total commitments**

**28.4**

billion NOK in portfolio

**Investments**

**19/26**

new / follow-on investments in 2020

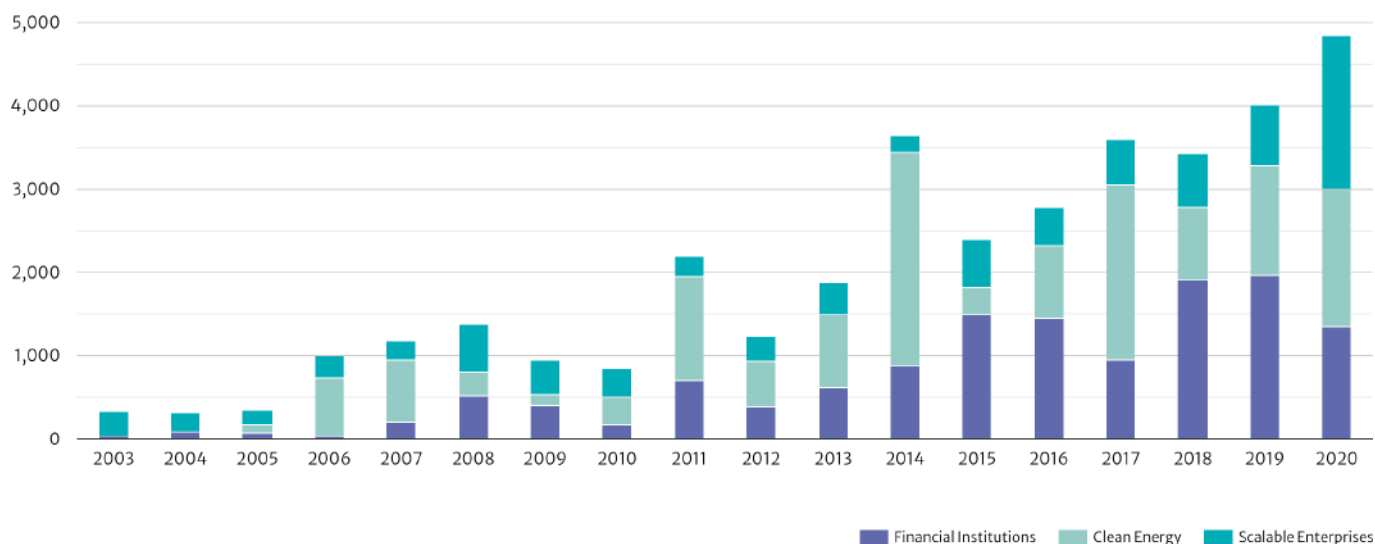
**Companies**

**170/750**

total direct/indirect investees in the  
portfolio



## Committed investments per year (MNOK)



**Jobs**  
**377,000**  
in Norfund portfolio  
companies

**Jobs created**  
**5,700**  
new jobs created in  
portfolio companies

**Female  
employees**  
**34 %**  
in Norfund portfolio  
companies

[More about job creation](#)

**New electricity  
capacity**

**1,236 MW**

New capacity financed in  
2020, whereof 695 MW  
renewable

**Electricity  
produced**

**17.5 TWh**

Equivalent to the  
combined electricity  
consumption of Uganda,  
Tanzania and Kenya

**CO2**

**8/ 5.7 mill  
tonnes**

avoided annually from  
new renewable capacity  
since inception/ 2020  
portfolio

Investments and results - Clean Energy

**New clients**

**1.5 million**

Offered financial services  
in 2020

**Total clients**

**52 million**

Offered financial services  
in 2020

**Increased  
lending**

**15 BNOK**

Increase in total lending  
volume (+11%)

Investments and results - Financial Institutions

**IRR in 2020**

**-0.1%**

in investment currency

-3.6% in NOK

**IRR since inception**

**5.2%**

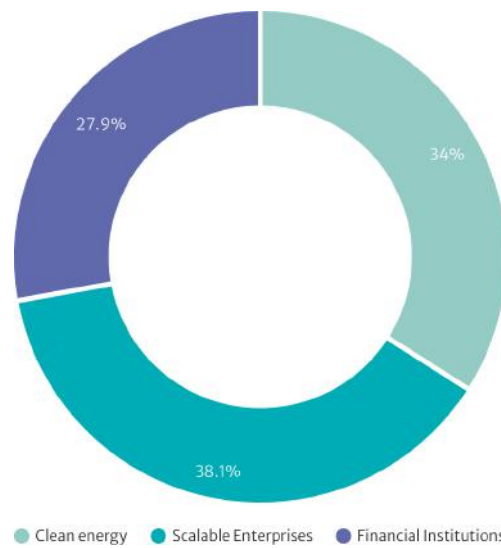
in investment currency

7.7% in NOK

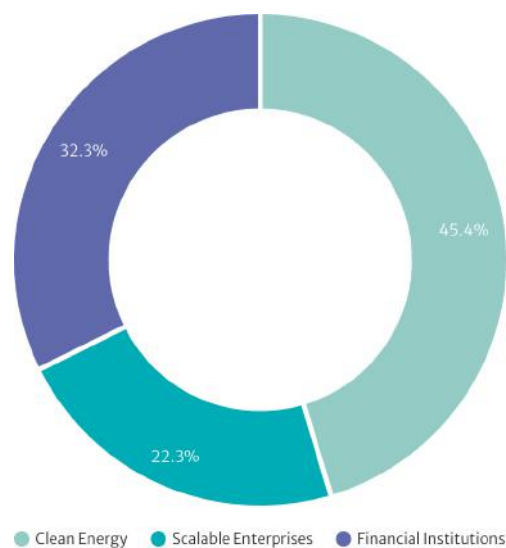
[More about IRR and financial results](#)

## Commitments per investment area

In 2020 (MNOK)

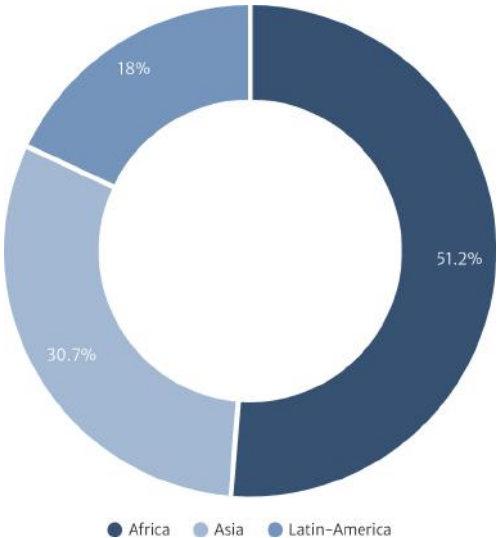


Total portfolio (MNOK)

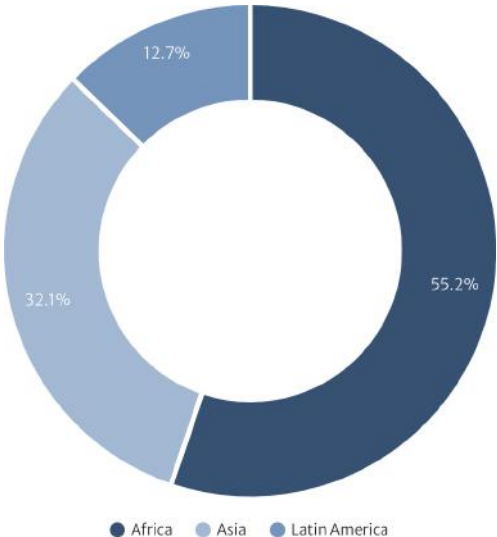


### Commitments per region

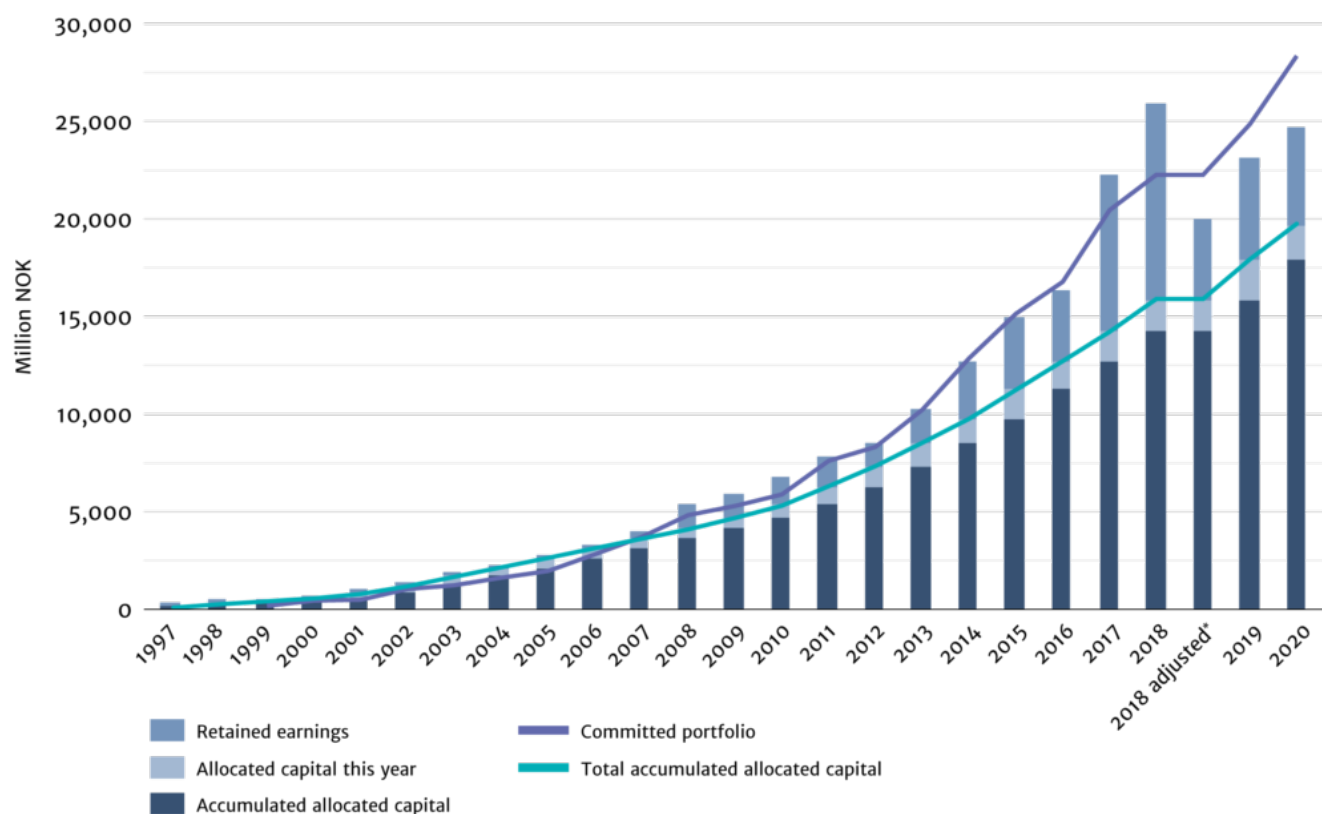
In 2020 (MNOK)



Total portfolio (MNOK)



## Portfolio since inception

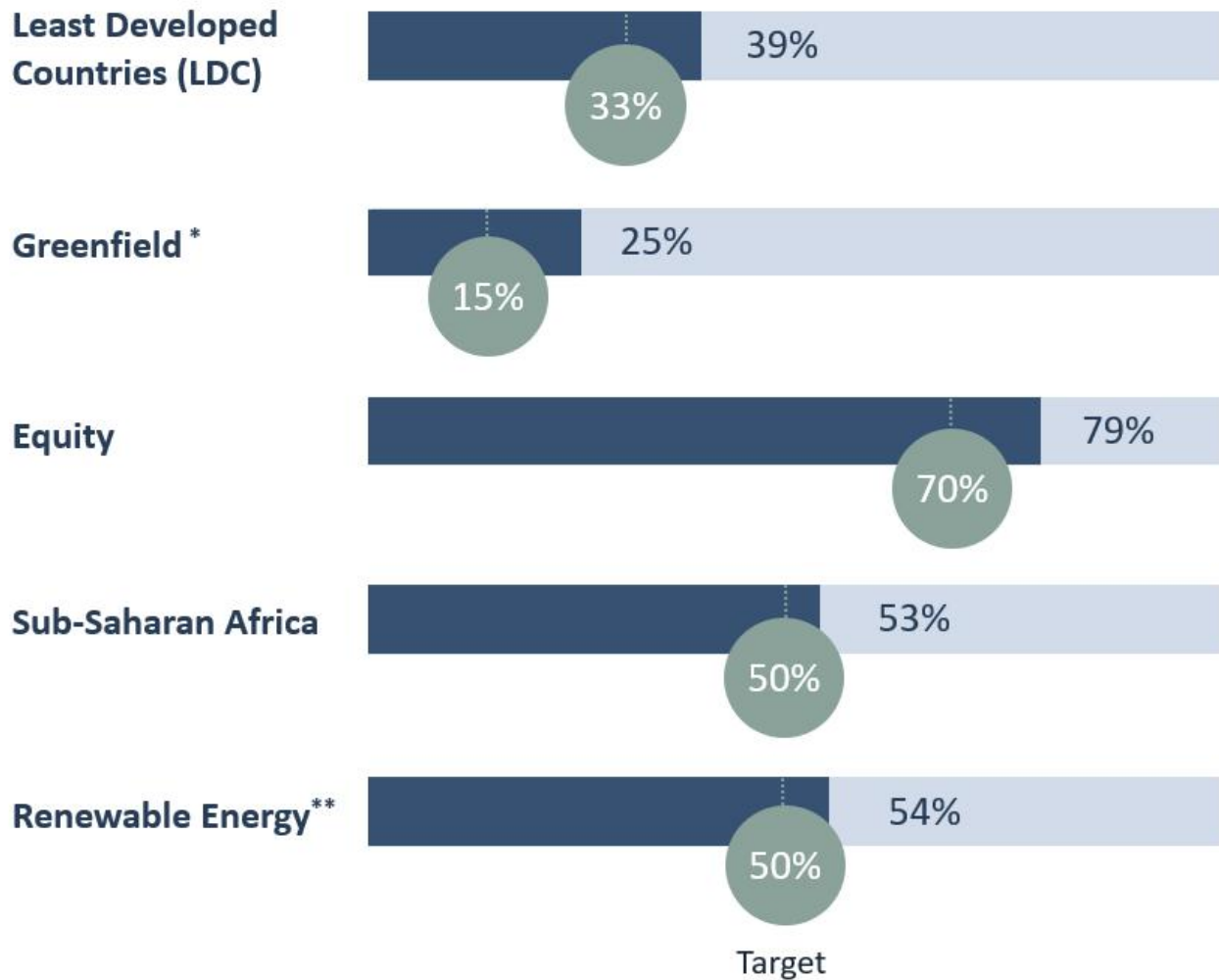


\*Norfund changed the presentation of the accounts in 2019. Figures for 2018 have therefore been adjusted accordingly.

### [Portfolio overview](#)

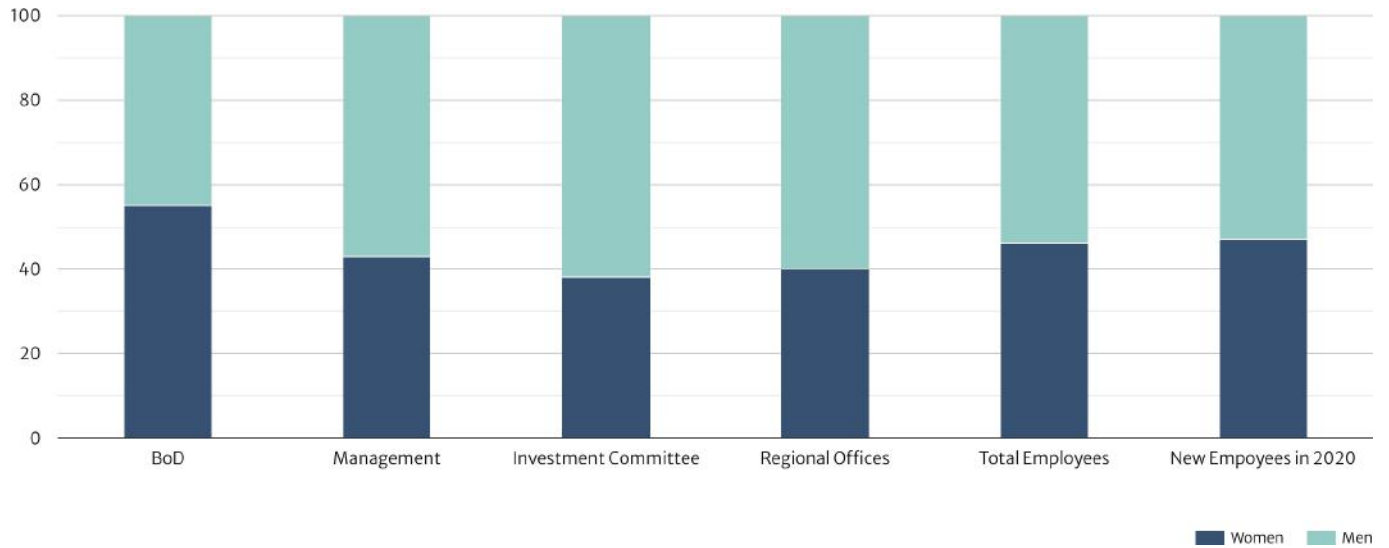
## Norfund Key Performance Indicators

Five key performance indicators (KPIs) are developed as a tool to secure that the portfolio develops according to Norfund's mandate. The KPIs are all measured at the portfolio level, though also monitored year by year (see table below). As of 2020, Norfund delivers on all KPIs.



*\*Percentage of three years moving average of annual commitments. \*\*Per 31.12.20, share of accumulated allocated capital from government*

## Gender Equality in Norfund, 2020



[More about gender equality](#)

---



## Key figures per year

Key figures	2015	2016	2017	2018	2019	2020
Committed Portfolio (MNOK)	15 127	16 762	20 439	22 253	24 944	28 352
Return on invested capital (IRR) (inv. currency)	3.5 %	2.9 %	14%	4.6%	6.3%	-0.1%
New investments (MNOK)	2 395	2 784	3 600	3 511	4 015	4 839
Number of direct investments in portfolio	129	124	136	149	163	170
Capital allocated by the owner (MNOK)*	1 480	1 478	1 500	1 690	1 905	1 820
KPI: Share of new investments in least developed countries	38 %	57 %	34%	47%	36%	31%
KPI: Share of new investments in Africa	85 %	73 %	35%	49%	61%	51%
KPI: Share of greenfield investments	18 %	20 %	38 %	32%	31%	14%
KPI: Share of equity and indirect equity	81 %	67 %	69 %	67%	64%	56%
KPI: Renewable energy share of allocated capital	22 %	62 %	133 %	60 %	55 %	54%
Number of employees in Norfund	69	69	71	75	82	96
Number of jobs in portfolio companies	382 000	276 000	292 000	304 000	380 000	377 000
Taxes paid by portfolio companies (BNOK)	8.6	10.9	9.3	13.9	14.1	16.1



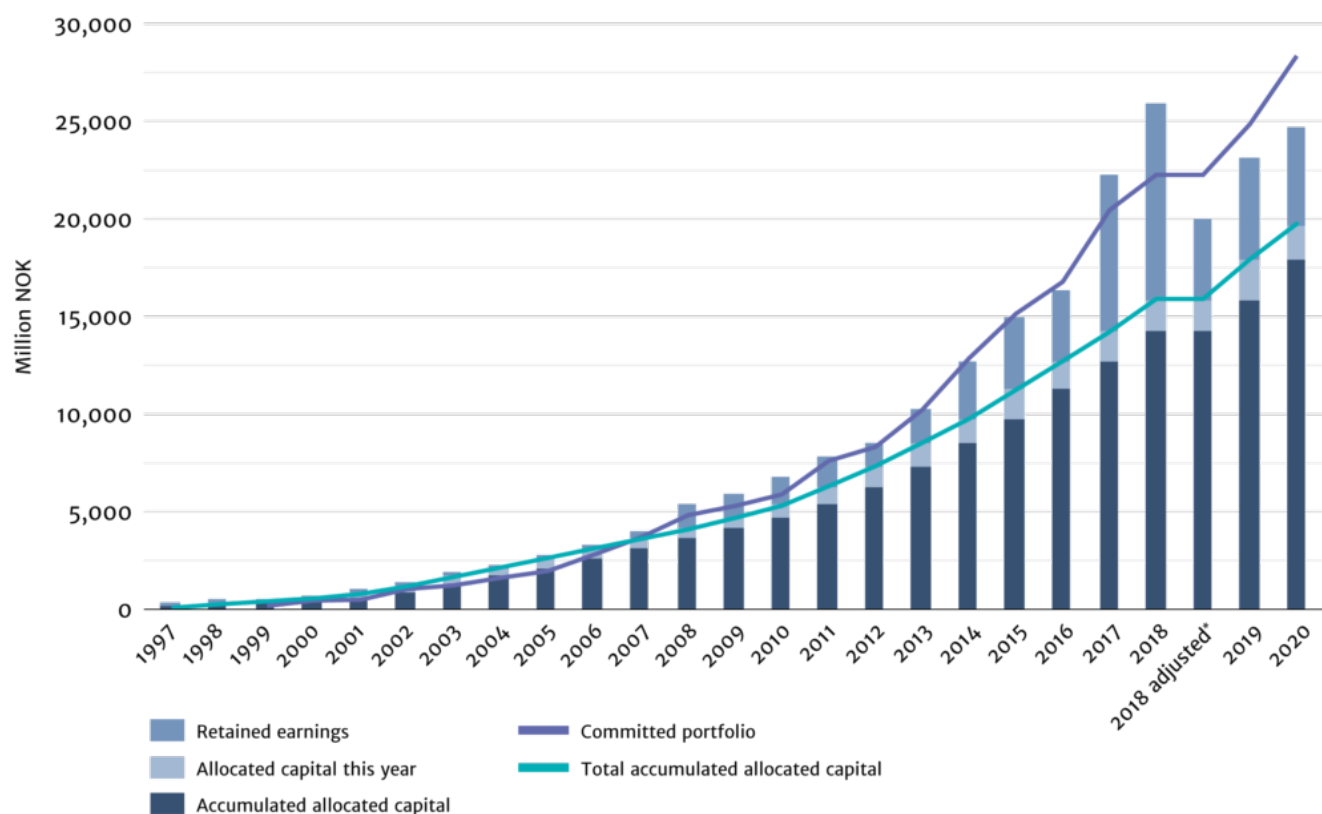
## Portfolio overview

**By year end 2020, Norfund had committed investments totaling NOK 28.4 billion in 170 projects. Almost half of the portfolio is invested in clean energy projects.**

Norfund's yearly investment activity has increased significantly since inception, with 2020 reaching an all-time high.

At of end of 2020, committed capital is higher than the cash available. However, the [exit from SN Power](#) has released NOK 10.9 billion, which is to be deployed in the years ahead in new, development-promoting investments. Emphasis will be on investment in renewable energy. Settlement and transfer of the SN Power shares took place in January 2021, and the realised gain will therefore be recorded in 2021.

## Portfolio since inception

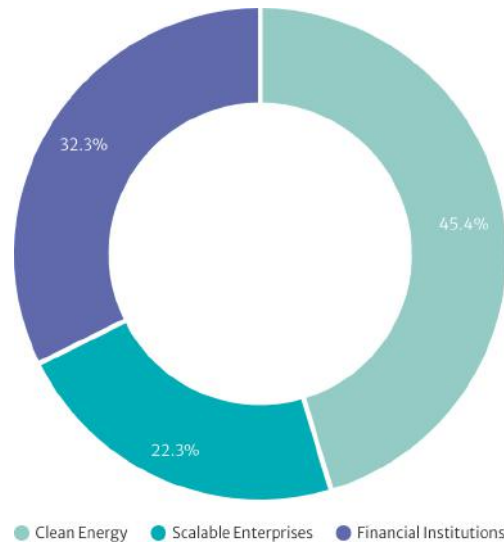


\* Norfund changed the presentation of its accounts in 2019. Figures for 2018 have been adjusted accordingly. Preadjusted figures for 2018 are presented in lighter tints.

## Priority investment areas

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

### Portfolio per investment area (MNOK)



\*Green Infrastructure is a new investment area and the first investment was made in 2021.



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

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

### Least Developed Countries >33%

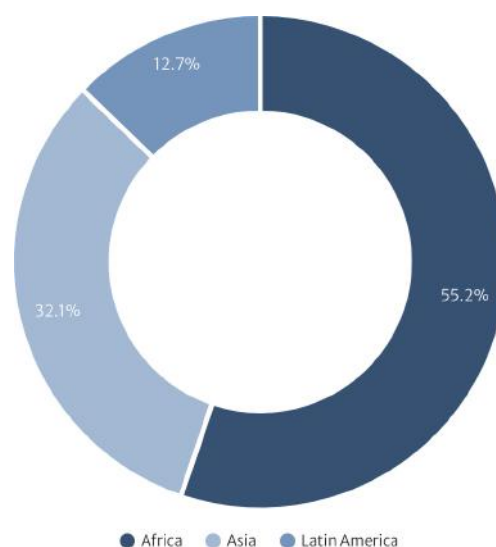
The scarcity of capital available in Least Developed Countries (LDC) means the needs for our investments are high. 39% of Norfund's total portfolio is in these markets.

**39 %**

**Total portfolio in LDCs**

### Sub-Saharan Africa >50%

Well in line with Norfund's strategic target, 51 percent of all commitments in 2020 were in Sub-Saharan Africa. Investments in Sub-Saharan Africa now account for 55 percent of Norfund's total portfolio.



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

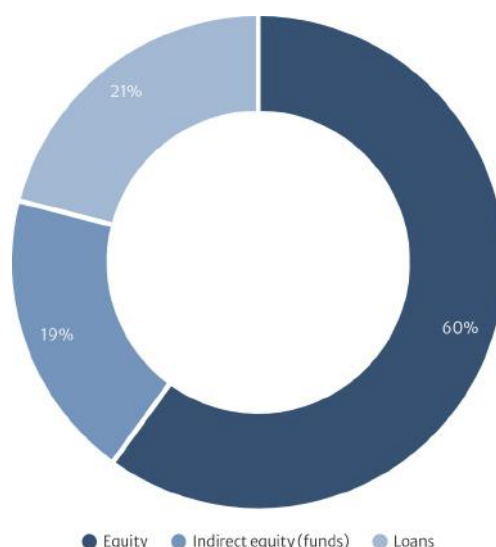
Investments in new power plants, startups and first-generation funds are classified as greenfield investments. Greenfield investments often carry high risk, but may be particularly important to development. The greenfield KPI is different to the other KPIs. This is a floating average of commitments over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

**14 %**

**Total portfolio in greenfield**

## Equity and indirect equity >70%

Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments – both direct investments and through funds – because in most developing countries equity is the scarcest type of capital available to enterprises. In 2020, a larger proportion of the investments than normal were loans (44%). This was a result of the challenging and uncertain situation due to COVID-19, which made companies more reluctant to accept equity investments.



Key Figures for 2020

---

## Norfund investment portfolio overview

(as of 31.12.2020)



CLEAN ENERGY portfolio 2020



Financial institutions portfolio 2020



Scalable Enterprises – Direct portfolio 2020



Scalable enterprises – Funds PORTFOLIO

## Exited companies

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

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

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

In 2020, Norfund made a historic exit selling SN Power to Scatec for a total value of NOK 10.9 billion. However, as the shares were not transferred until January 2021, the realised gain will be booked in 2021 and will not appear in the accounts for 2020.



[Historic sale of SN Power and reinvestment of capital](#)

In 2020, Norfund exited three fund investments:



## SEAF Sichuan Small Investment Fund

Country: China  
Business sector: Fund  
First investment year: 2000  
Investment: NOK 19.9 million  
IRR: 6%

SEAF Sichuan Small Investment Fund provided equity and assistance to SMEs in the Chengdu province of China. In 2020, all portfolio companies had been exited and the fund had returned a net IRR of ~6%. Norfund sold our remaining interests in the fund at a nominal value in 2020. There is some potential value and payment due to the fund remaining, and Norfund has secured the right to further distributions as if the fund were still in place, with SEAF undertaking to distribute further proceeds pro rata to the investors, in line with their initial ownership percentage.

## Horizon Equity Partners Fund III

Country: South Africa  
Business sector: Fund  
First investment year: 2007  
Investment: NOK 22.5 million  
IRR: -3%

Horizon Equity Partners Fund III was a South African equity capital fund that invested in SMEs in South Africa. Norfund committed NOK 22.5 million for a 9% stake in the fund. Other investors included DFIs such as CDC, Finnfund, Obviam and IFC, and some private South African investors. The fund invested in a total of seven South African SMEs. While several companies performed well, the fund faced challenges due to South African macroeconomic headwinds and liquidity issues and the

net final result to Norfund was -2.9% IRR. Norfund exited the fund in 2020.

## Fanisi Venture Capital Fund

Region: East Africa (Kenya, Rwanda, Tanzania and Uganda)

Business sector: Fund

First investment year: 2009

Investment: NOK 96.5 million

IRR: -27%

Fanisi Venture Capital Fund's principal objective was to achieve long-term capital appreciation through equity and quasi-equity investments in small- and medium-sized enterprises (SMEs) that were start-up, early stage and growth-oriented. Management was an entirely African team with particular appeal to local capital and African entrepreneurs. Norfund was the anchor investor and played an instrumental role in the establishment and further development for the purpose of addressing a market gap. Unfortunately, the strategy proved too ambitious, and the fund went into liquidation in January 2019, after nine years of operation. The fund will ultimately return only about 25 % of the capital drawn from investors.

**In 2020, a further four loans were repaid by companies within Norfund's active portfolio.**



## Financial Institutions

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

### Key achievements in 2020

**1348** MNOK

committed

**1.5** million

new clients served

**40** BNOK

increase in lending to  
clients

## **Development Rationale**

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

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

## **Investment Needs**

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

Increasing the availability of capital enables them to develop products, increase their market reach and pay for costly yet crucial capital investments. IT systems, for example, are expensive, but are needed to provide high-quality, effective and secure services.

## **Effects of Covid-19**

The COVID-19 pandemic has impacted the business and investment climate for financial institutions in all Norfund's markets. The ability of bank clients to service their debt has been reduced, and many banks have insufficient financial buffers in place to handle the situation over time. In 2020, many banks restricted their new lending and were forced to provide moratoriums and restructure existing loans. Growth has therefore slowed in most markets, and this has affected the need for funding from Norfund and other DFIs.

## **Norfund's Strategy**

Norfund provides debt and equity to financially viable banks and microfinance institutions that want to grow appropriate, valuable services in our core countries.

Our investments are made both directly and through investment platforms and funds and focus on growing locally owned financial institutions.

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

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

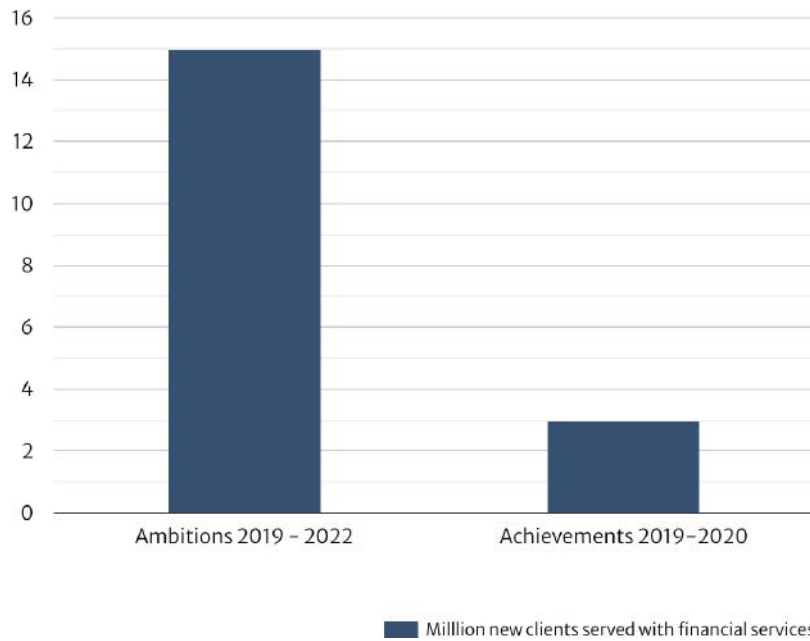
## **Strategic ambitions**

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

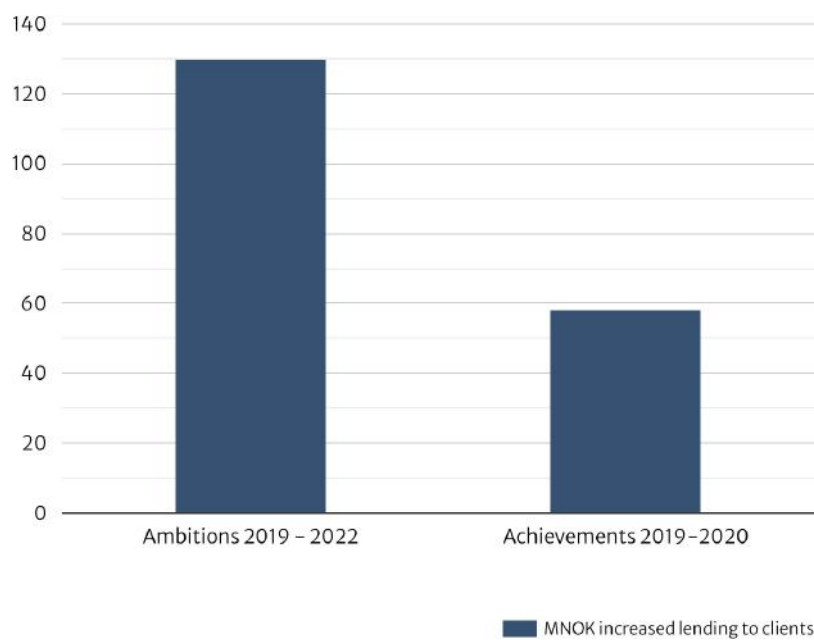
- Offer financial services to 15 million new clients
- Extend 130 billion NOK more in loans to clients

### Accumulated achievements 2019 – 2020

#### Million new clients



#### Increased lending (MNOK)





Calbank, Ghana

## Investments and Results in 2020

Norfund is invested directly in 56 financial institutions (FI), ranging from regional banking groups and funds that invest in banks to local microfinance institutions.

**1348** MNOK

committed in 2020

**9168** MNOK

committed in total FI portfolio

## Impact 2020

### 40.1 billion NOK increased loans to clients

The combined loan book of the direct investments in our portfolio reached a total of 398 billion NOK by the end of 2020. The total number of loans provided to clients was 6 million: 3 million to

retail clients, 1.3 million to microfinance clients and 460,000 to SMEs. Institutions with two consecutive years of reporting had increased their credit provision by NOK 40.1 billion (11 per cent growth) during the year.

In addition, the financial institutions we have invested in through funds, with two consecutive years of reporting, have provided 1 million new clients with access to financial services and in total provided services to around 12.5 million clients.

### **1.5 million new clients provided with financial services**

The direct investments in our portfolio provided services to around 52 million clients in total. Institutions with two consecutive years of reporting increased the total number of clients by 3 per cent - 1.5 million new clients - during 2020.

In addition, the financial institutions we have invested in through funds, with two consecutive years of reporting, have provided 1 million new clients with access to financial services and in total provided services to around 12.5 million clients.

[More about impact from Norfund's investments in financial institutions](#)

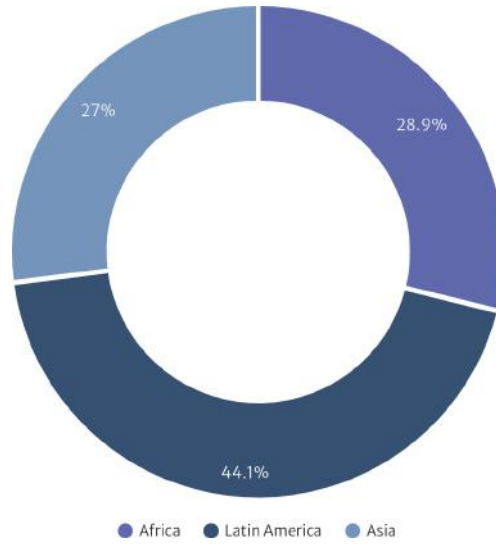
## **Investments per region**

In 2020, a total of 15 commitments were signed with financial institutions in Sub-Saharan Africa, Asia and Latin America.

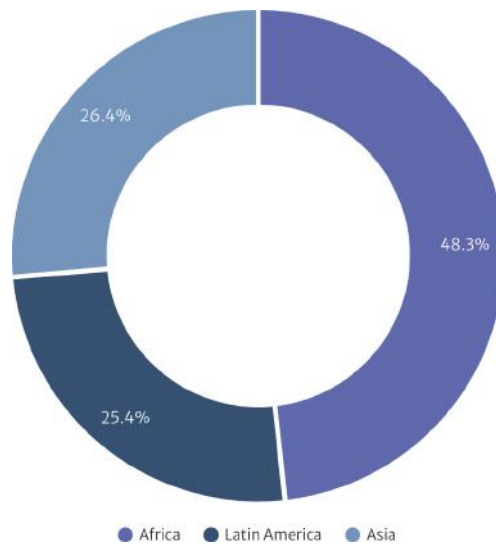
The majority of commitments were in Latin America – the region that has been hardest hit by COVID-19.



### Investments per region in 2020



### Total Portfolio per region



## Liquidity crisis as result of COVID-19

Most commitments in 2020 were to existing investees, while four investments were in new investee companies. The relatively low number of new investments is a result of the reduced growth of the financial sector during Covid-19 as well as a more complicated investment process and a larger dependence on external service providers as a result of the pandemic and its associated travel restrictions.

In 2020, several of the microfinance institutions, with which we are involved, experienced a liquidity crisis due to the pandemic. To help them continue serving their clients during the crisis, Norfund provided additional short- and medium-term loans to those in need of additional liquidity. We have also provided extensions of existing loans as well as covenant waivers for a large number of our investees, primarily small institutions as well as some of the larger banks.

### Investing during the pandemic

[More about the influence of Covid-19 on Norfund's work in 2020](#)

The need for equity investments in financial institutions has been limited in 2020 as most plans for capital expansion have been put on hold. However, we may see a greater need for equity going forward as financial institutions seek to restore their balance sheets following the pandemic.

## Highlights from 2020

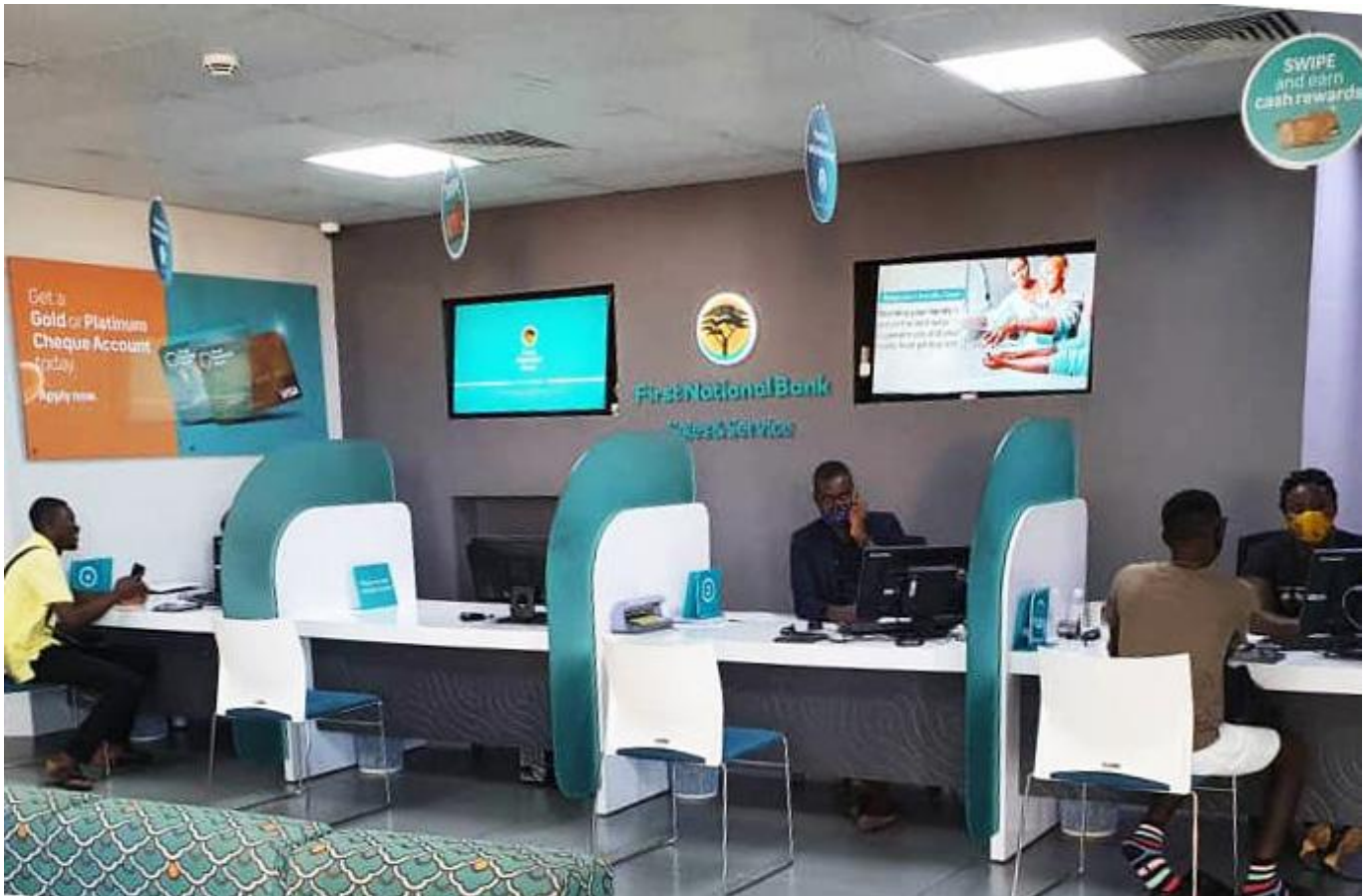
**4 %**

**new investee companies**

**11 %**

**follow-on investments**

## Strengthening the Ghanaian financial sector



First National Bank Ghana was one of Norfund's new investees in 2020. The bank is the result of a merger between a subsidiary of a South African bank and Ghana's largest mortgage provider. Norfund provided a loan of USD 15 million to support the operations of the newly merged bank as well as funding for small and medium-sized enterprises and home loans to private clients.

[Read more about the Ghanaian financial sector on Norfund.no.](https://www.norfund.no)

## Microfinance for farmers and entrepreneurs in Nicaragua



Fondo de Desarrollo Local (FDL) is the leading microfinance institution in Nicaragua with a large number of farmers among their clients. Norfund has been investing in FDL since 2013. COVID-19 and the problematic economic and political situation in Nicaragua made 2020 a challenging year for the institution. To help them continue supporting their clients, Norfund provided both additional debt and equity. Norfund is currently an 11 per cent shareholder in this institution.

[Read more about FDL at Norfund.no.](https://www.norfund.no)

## Strengthening microfinance institutions in Latin America

Locfund Next is an open-ended fund whose aim is to provide small- and medium-sized microfinance institutions in Latin America and the Caribbean with local currency financing. Norfund was instrumental in setting up the fund. With this new fund, the manager seeks to serve microfinance institutions in the region by offering local currency loans, other financial products and technical assistance with a focus on improving the technological capabilities of these

institutions.

[Read more about Locfund Next at Norfund.no.](#)

## Strengthening insurance coverage in Sri Lanka

Investing in technology-driven insurance companies in selected developing countries is a new element in [Norfund's strategy 2019-2022](#). In 2020, Norfund successfully made its first investment in this sector with Tier II capital for Softlogic Life in Sri Lanka. Softlogic Life is pioneering inclusive life and health insurance solutions in Sri Lanka and currently has more than half a million low- and mid-income customers. By offering affordable insurance to emerging customers, the company helps to increase resilience in unexpected situations.

[Read more about Softlogic Life at Norfund.no](#)

Softlogic Life	Sri Lanka	2020	Other financial services	Loans		Sri Lanka	63.9
First National Bank Ghana	Ghana	2020	Banking	Loans		Ghana	127.9
LOLC (Cambodia) PLC.	Cambodia	2020	Microfinance	Loans		Cambodia	85.3
LOCFUND NEXT, L.P.	America	2020	Microfinance	Funds	30 %	Canada	53.7
Equity Bank	Africa	2019	Banking	Loans		Kenya	127.9
Banco BCT	America	2019	Banking	Loans		Costa Rica	85.3
FCMB	Nigeria	2019	Banking	Loans		Nigeria	85.3
Yoma Bank Limited	Myanmar	2019	Banking	Equity	11 %	Myanmar	294.9
Optima Servicios Financieros SA de CV	America	2019	Microfinance	Equity	36 %	El Salvador	52.7
Mutual Trust Bank Limited	Bangladesh	2019	Banking	Equity and Loans	10 %	Bangladesh	324.7
Credicomer	El Salvador	2019	Microfinance	Loans		El Salvador	59.7

Accion Quona Inclusion Fund LP	Global	2019	Investment funds	Funds	6 %	Cayman Islands	82.2
ONE Bank Limited	Bangladesh	2018	Banking	Loans		Bangladesh	79.9
NMI GP IV AS	Global	2018	Microfinance	Equity	22 %	Norway	24.0
CAL Bank Limited	Ghana	2018	Banking	Loans		Ghana	34.1
AfricInvest Financial Inclusion Vehicle (FIVE)	Africa	2018	Banking	Equity	22 %	Mauritius	178.5
Banco Promerica Costa Rica	Costa Rica	2018	Banking	Loans		Costa Rica	213.3
NMI Fund IV	Global	2018	Microfinance	Funds	25 %	0	216.0
AB Bank	Vietnam	2017	Banking	Loans		Vietnam	142.2
Access Bank Plc.	Nigeria	2017	Banking	Loans		Nigeria	79.9
City Bank Limited	Bangladesh	2017	Banking	Loans		Bangladesh	85.3
Banco BDF	Nicaragua	2017	Banking	Loans		Nicaragua	74.6
Arise B.V.	Africa	2016	Banking	Equity	33 %	Netherlands	2,804.5
Fedecredito	El Salvador	2016	Microfinance	Loans		El Salvador	170.6
Banco Promerica Guatemala	Guatemala	2016	Banking	Loans		Guatemala	85.3
Advans MFI Myanmar Company Limited	Myanmar	2015	Microfinance	Equity and Loans	40 %	Myanmar	54.8
Banco Promerica El Salvador	El Salvador	2015	Banking	Loans		El Salvador	102.3
Myanmar Finance International Limited	Myanmar	2015	Microfinance	Equity and Loans	25 %	Myanmar	20.2
ARREND Central America	America	2015	Other financial services	Equity and Loans	22 %	Guatemala	89.6
LAFISE NICARAGUA	Nicaragua	2014	Banking	Loans		Nicaragua	187.7
ACLEDA Bank Lao Ltd.	Laos	2014	Banking	Loans		Laos	47.0
Amret Plc.	Cambodia	2013	Microfinance	Loans		Cambodia	93.8

NMBZ Bank	Zimbabwe	2013	Banking	Loans	9 %	Zimbabwe	11.9
Prasac Microfinance Institution Plc.	Cambodia	2013	Microfinance	Loans		Cambodia	247.4
FDL	Nicaragua	2013	Microfinance	Equity and Loans	13 %	Nicaragua	114.3
Norfinance AS	Africa	2013	Banking	Equity	50 %	Norway	483.0
First Finance Plc.	Cambodia	2013	Microfinance	Equity and Loans	15 %	Cambodia	34.0
NMI Fund III	Global	2013	Microfinance	Funds	26 %	0	241.1
LOCFUND II	America	2013	Microfinance	Funds	26 %	Canada	53.8
Alios Finance Tanzania Ltd	Tanzania	2012	Other financial services	Loans		Tanzania	2.8
Ficohsa Honduras	Honduras	2012	Banking	Loans		Honduras	170.6
Norsad	Africa	2011	Other financial services	Equity	15 %	Botswana	56.8
Desyfin	Costa Rica	2011	Other financial services	Equity and Loans	23 %	Costa Rica	106.7
HEFF	America	2011	Microfinance	Funds	33 %	Delaware	20.4
Prospero	America	2011	Microfinance	Funds	22 %	Cayman Islands	42.3
BRAC Bank Limited	Bangladesh	2010	Banking	Equity		Bangladesh	11.6
Real People	Africa	2009	Other financial services	Equity and Loans	12 %	South Africa	113.5
Sathapana	Cambodia	2008	Banking	Loans		Cambodia	162.1
Nordic Microfinance Initiative AS	Global	2008	Microfinance	Equity	33 %	Norway	31.6
Norwegian Microfinance Initiative AS	Global	2008	Microfinance	Equity	50 %	Norway	30.0
NMI Frontier Fund	Global	2008	Microfinance	Funds	45 %	Norway	54.6

NMI Global Fund	Global	2008	Microfinance	Funds	45 %	Norway	47.0
AfriCap Microfinance Investment Company Ltd.	Africa	2007	Microfinance	Funds	7 %	Mauritius	18.1
CIFI	America	2004	Other financial services	Equity and Loans	34 %	Panama	329.4
LAAD	America	2004	Other financial services	Loans		Netherlands Antilles	271.6



## Financial institutions portfolio 2020

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
Softlogic Life	Sri Lanka	2020	Other financial services	Loans		Sri Lanka	63.9
First National Bank Ghana	Ghana	2020	Banking	Loans		Ghana	127.9
LOLC (Cambodia) PLC.	Cambodia	2020	Microfinance	Loans		Cambodia	85.3
LOCFUND NEXT, L.P.	America	2020	Microfinance	Funds	30 %	Canada	53.7
Equity Bank	Africa	2019	Banking	Loans		Kenya	127.9
Banco BCT	America	2019	Banking	Loans		Costa Rica	85.3
FCMB	Nigeria	2019	Banking	Loans		Nigeria	85.3
Yoma Bank Limited	Myanmar	2019	Banking	Equity	11 %	Myanmar	294.9
Optima Servicios Financieros SA de CV	America	2019	Microfinance	Equity	36 %	El Salvador	52.7
Mutual Trust Bank Limited	Bangladesh	2019	Banking	Equity and Loans	10 %	Bangladesh	324.7
Credicomer	El Salvador	2019	Microfinance	Loans		El Salvador	59.7
Accion Quona Inclusion Fund LP	Global	2019	Investment funds	Funds	6 %	Cayman Islands	82.2
ONE Bank Limited	Bangladesh	2018	Banking	Loans		Bangladesh	79.9
NMI GPI V AS	Global	2018	Microfinance	Equity	22 %	Norway	24.0
CAL Bank Limited	Ghana	2018	Banking	Loans		Ghana	34.1

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
AfricInvest Financial Inclusion Vehicle (FIVE)	Africa	2018	Banking	Equity	22 %	Mauritius	178.5
Banco Promerica Costa Rica	Costa Rica	2018	Banking	Loans		Costa Rica	213.3
NMI Fund IV	Global	2018	Microfinance	Funds	25 %	0	216.0
AB Bank	Vietnam	2017	Banking	Loans		Vietnam	142.2
Access Bank Plc.	Nigeria	2017	Banking	Loans		Nigeria	79.9
City Bank Limited	Bangladesh	2017	Banking	Loans		Bangladesh	85.3
Banco BDF	Nicaragua	2017	Banking	Loans		Nicaragua	74.6
Arise B.V.	Africa	2016	Banking	Equity	33 %	Netherlands	2,804.5
Fedecredito	El Salvador	2016	Microfinance	Loans		El Salvador	170.6
Banco Promerica Guatemala	Guatemala	2016	Banking	Loans		Guatemala	85.3
Advans MFI Myanmar Company Limited	Myanmar	2015	Microfinance	Equity and Loans	40 %	Myanmar	54.8
Banco Promerica El Salvador	El Salvador	2015	Banking	Loans		El Salvador	102.3
Myanmar Finance International Limited	Myanmar	2015	Microfinance	Equity and Loans	25 %	Myanmar	20.2
ARREND Central America	America	2015	Other financial services	Equity and Loans	22 %	Guatemala	89.6
LAFISE NICARAGUA	Nicaragua	2014	Banking	Loans		Nicaragua	187.7

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
ACLEDA Bank Lao Ltd.	Laos	2014	Banking	Loans		Laos	47.0
Amret Plc.	Cambodia	2013	Microfinance	Loans		Cambodia	93.8
NMBZ Bank	Zimbabwe	2013	Banking	Loans	9 %	Zimbabwe	11.9
Prasac Microfinance Institution Plc.	Cambodia	2013	Microfinance	Loans		Cambodia	247.4
FDL	Nicaragua	2013	Microfinance	Equity and Loans	13 %	Nicaragua	114.3
Norfinance AS	Africa	2013	Banking	Equity	50 %	Norway	483.0
First Finance Plc.	Cambodia	2013	Microfinance	Equity and Loans	15 %	Cambodia	34.0
NMI Fund III	Global	2013	Microfinance	Funds	26 %	0	241.1
LOCFUND II	America	2013	Microfinance	Funds	26 %	Canada	53.8
Alios Finance Tanzania Ltd	Tanzania	2012	Other financial services	Loans		Tanzania	2.8
Ficohsa Honduras	Honduras	2012	Banking	Loans		Honduras	170.6
Norsad	Africa	2011	Other financial services	Equity	15 %	Botswana	56.8
Desyfin	Costa Rica	2011	Other financial services	Equity and Loans	23 %	Costa Rica	106.7
HEFF	America	2011	Microfinance	Funds	33 %	Delaware	20.4

## [About Norfund's investments in financial institutions in 2020](#)

## [Financial institutions - impact ambitions and results](#)



## Scalable Enterprises

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

### Results in 2020

**1.845 MNOK**

Committed through  
direct investments and  
funds

**9300 new jobs**

Created by companies in  
the scalable enterprises  
portfolio\*

**-430 MNOK**

Decrease in revenue  
(-16%)

\*9,300 new jobs were created within this investment area (including jobs in indirect investees through funds) although 800 jobs were lost in the direct portfolio companies.

## Development Rationale

Jobs are vital to reducing poverty. They generate income, and when in the formal sector, the jobs can provide a range of other benefits and help people to improve their knowledge and skills.

In most countries, private enterprises create the vast majority of jobs. This is especially true in developing countries, where more than 90 per cent of jobs are in the private sector<sup>1</sup>.

The COVID-19 pandemic has had a serious negative impact on global working hours and income in 2020, with the prospect of a slow, uneven and uncertain recovery in 2021. International Labour Organization (ILO) surveys show that 8.8 per cent of global working hours were lost for the entirety of 2020, equivalent to 255 million full-time jobs.

Avoiding further job losses and creating a substantial number of new jobs in developing countries is more important now than ever before because they are places that were struggling with high unemployment rates even before the pandemic.

The agribusiness sector is labour intensive and has a high demand for local suppliers and associated farmers and is thereby vital to economic growth and job creation. In Sub-Saharan Africa, this sector remains largely underdeveloped in terms of productivity and local value creation.

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

In Africa, more than 80 per cent of the jobs are within the informal sector<sup>\*</sup>. This means that the workers are not registered, they have no insurance, sick leave schemes, limited training and health & security rights. Therefore, the rationale is not only about creating a large number of jobs, but also as many jobs as possible in the formal sector where workers are treated well.

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

## Investment Needs

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

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

## Norfund's Strategy

Norfund invests in scalable enterprises (SE) both directly and through funds. Our direct investments are focused on scalable enterprises within agribusiness and manufacturing in Sub-Saharan Africa. These investments are always made in collaboration with strong industrial or financial partners.

As a direct equity investor, Norfund acts as a responsible owner. We assist developing businesses in becoming robust and sustainable while supporting their growth strategies. Norfund also provides advice to identify and mitigate environmental and social risks.

Smaller businesses also require access to capital and support. Fund investments help us to reach more companies and business areas than we are able to on our own. Funds also enable us to invest in enterprises in fragile states with challenging business environments. Fund managers contribute to developing local, sustainable and scalable businesses based on local knowledge, industry insight and efficiency initiatives.

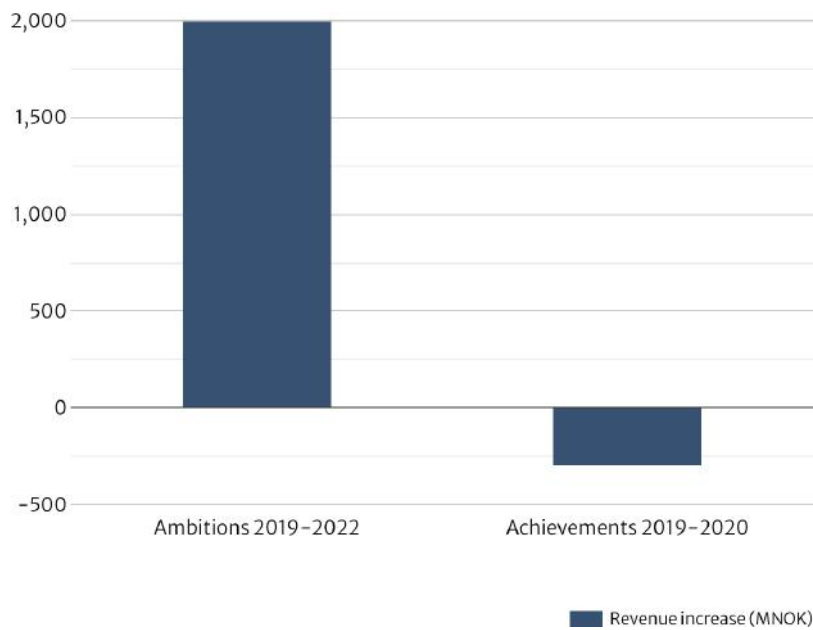
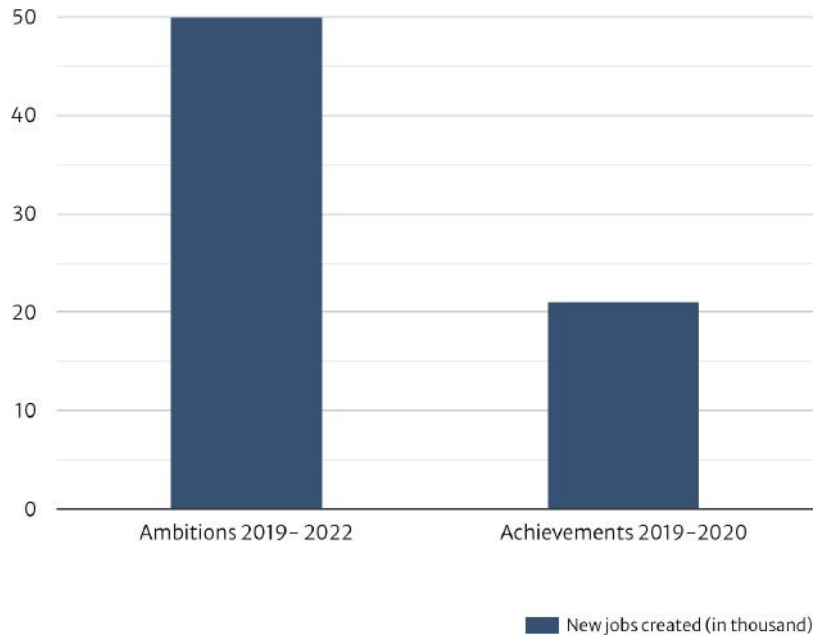
## Strategic ambitions

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

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

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

### Accumulated achievements 2019 - 2020





*Ananta Apparels Ltd is a leading garment manufacturer and exporter in Bangladesh.*

## Investments and Results in 2020

Scalable enterprises account for 23 per cent of Norfund portfolio. By the end of 2020, the portfolio included 25 direct investments and 55 fund investments.

**1845** MNOK

Committed in 2020

**6319** MNOK

Committed in total SE portfolio



## Impact 2020

2020 was a challenging year for most of Norfund's investees. A survey including half of Norfund's portfolio companies (all investment areas) indicates that more than 60 per cent of the companies have experienced revenue decrease as a direct or indirect consequence of COVID-19. Companies in the agribusiness, manufacturing and tourism sectors were especially hard hit.

### **9,300 new jobs created**

As a consequence of COVID-19, the number of jobs within Norfund's direct investments was reduced by 800. However, several of the investee companies within our funds portfolio were less influenced by the pandemic and succeeded to grow their businesses. When including these investee companies, the number of jobs in this investment area increased by 9,300 in 2020.

By the end of 2020, the total number of direct jobs in the Scalable Enterprise portfolio (excl. funds) was 12,470 and more than 200,000 when including the indirect investee companies through our fund investments.

### [Jobs created in Norfund's total portfolio in 2020](#)

### **16 per cent revenue decrease**

In 2020, revenues in Scalable Enterprise's direct investments decreased by 430 MNOK (-16 per cent).

17 out of 26 companies had a negative development, with an average growth rate of -34 per cent. This is to a large degree a consequence of the Covid-19 pandemic.

### [More about the effects of Covid-19](#)

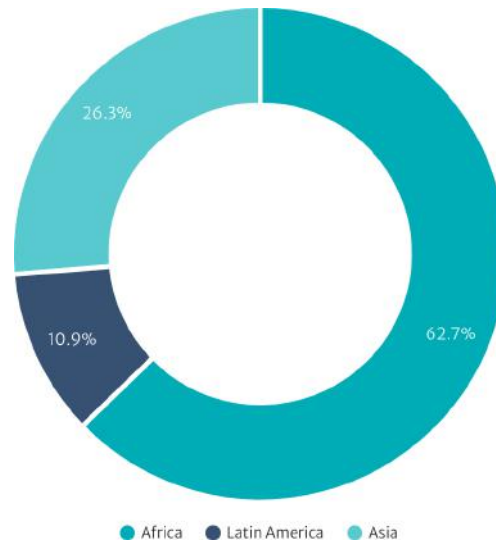


## Investments per region

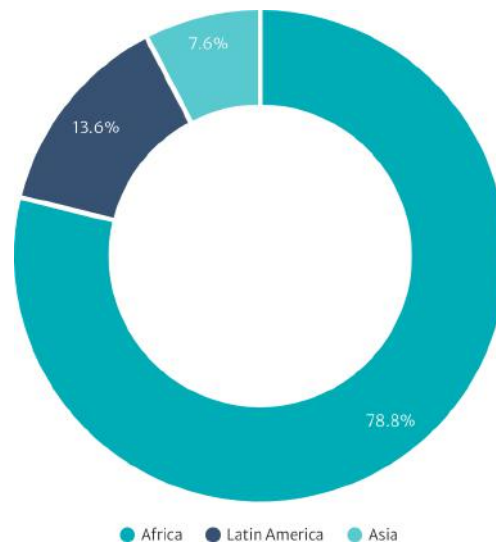
Sub-Saharan Africa is the priority region of direct investments in agribusiness and manufacturing. Norfund's staff in South Africa, Kenya and Ghana played key roles in identifying and monitoring our direct investments.

With the tight travel restrictions due to the pandemic, the value of local staff and the local resources of fund managers was truly highlighted.

### Investments in 2020



### Total Scalable Enterprise portfolio



In addition, to empower the fund managers with whom Norfund already had a relationship, as well as some new ones, Norfund invested a total of NOK 1.171 million in five funds in Africa, three funds in Southeast Asia and one in Latin America.

## Supporting existing investees in overcoming the COVID-19 crisis

Despite the pandemic, Norfund made direct investments of NOK 293 million in three companies: Farming and Engineering Services Limited (FES), Lilongwe Dairy in Malawi and Kagera Sugar Limited in Tanzania.

We also committed NOK 382 million in [COVID-19 relief loans](#) to scalable enterprises in 2020. In Africa, the agribusiness sector and the tourism sector were hit especially hard as their markets almost disappeared overnight when the pandemic hit Europe. However, the investees showed an impressive willingness and ability to adapt to the situation, and the agribusiness companies managed, to a large degree, to regain market position after the initial disruption of the supply chain.

For example, the two [tourism companies, Asilia and Basecamp](#), reduced their prices drastically and made visits affordable to local guests. The flower producer [Marginpar](#) handled the situation by temporarily reducing everyone's salary while continuing to grow flowers to be able to respond to renewed international demand.

## Highlights of 2020



## Investing in scalable agribusinesses in Sub-Saharan Africa.



**[Farming and Engineering Services Limited \(FES\)](#)** is a Malawian provider of agricultural equipment and services. The company aims to contribute to mechanising African agriculture, ensuring food security and enhancing farmer profitability. Norfund has committed an equity and loan investment of up to NOK 116 million to FES. This investment will support the company's growth strategy and help it expand into neighbouring countries.

<https://www.youtube.com/watch?v=cW6QDpLj2kw>

**[Lilongwe Dairy](#)** is the major dairy producer in Malawi and buys milk from 10,000 small-scale farmers in Malawi. With capital and active ownership, Norfund aims to contribute a sustainable expansion of the dairy. In addition to creating jobs within the dairy, this will help provide farmers with a stable income and meet the increasing demand for dairy products – with local production.

**[Kagera Sugar Limit](#)** is a sugar manufacturing company in Tanzania. The company is the third

largest sugar producer in the country and is involved in growing sugar cane and processing and distributing sugar. Norfund's investment forms part of a syndicated loan that will finance an expansion of the company's production capacity.

### Strengthening early-stage technology companies

[Openspace Ventures III](#) is one of the new funds Norfund invested in this year. It invests in early-stage technology companies in Southeast Asia, with an emphasis on Indonesia. Digital technologies create opportunities for the establishment and growth of new businesses and business models in Southeast Asia. In addition to creating jobs and economic growth, these companies will provide rural populations with access to previously unreachable services.

### Scalable Enterprises direct investments portfolio

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
Kagera Sugar Limited	Tanzania	2020	Agribusiness	Loans		Tanzania	127.6
Lilongwe Dairy (2001) Limited	Malawi	2020	Agribusiness	Loans		Malawi	49.4
FES	Malawi	2020	Agribusiness	Equity and Loans	23%	Mauritius	115.9

[Click here for total portfolio – scalable enterprise direct investments](#)

## Scalable Enterprises funds portfolio

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
CASEIF IV	America	2020	Investment funds	Funds	26 %	Canada	170.6
Navis CLMV	Asia & Pacific	2020	Investment funds	Funds	17 %	Cayman Islands	213.3
Antler East Africa Fund I	Africa	2020	Investment funds	Funds	20 %	Cayman Islands	12.8
Novastar Ventures Africa Fund II	Africa	2020	Investment funds	Funds	7 %	Mauritius	69.6
Ascent Rift Valley Fund II	Africa	2020	Investment funds	Funds	0 %	Mauritius	85.4
AfricInvest Fund IV	Africa	2020	Investment funds	Funds	0 %	Mauritius	255.8
Openspace Ventures III	Asia & Pacific	2020	Investment funds	Funds	8 %	Cayman Islands	127.6
Solon Capital Holdings	Africa	2020	Investment funds	Funds	30 %	Mauritius	34.5
Excelsior Vietnam	Vietnam	2020	Investment funds	Funds	19 %	Singapore	128.0

[Click here for total funds portfolio](#)

## Scalable enterprises – Funds PORTFOLIO

CASEIF IV	America	2020	Investment funds	Funds	26%	Canada	170.6
Navis CLMV	Asia & Pacific	2020	Investment funds	Funds	17%	Cayman Islands	213.3
Antler East Africa Fund I	Africa	2020	Investment funds	Funds	20%	Cayman Islands	12.8
Novastar Ventures Africa Fund II	Africa	2020	Investment funds	Funds	7%	Mauritius	69.6
Ascent Rift Valley Fund II	Africa	2020	Investment funds	Funds	0%	Mauritius	85.4
AfricInvest Fund IV	Africa	2020	Investment funds	Funds	0%	Mauritius	255.8
Openspace Ventures III	Asia & Pacific	2020	Investment funds	Funds	8%	Cayman Islands	127.6
Solon Capital Holdings	Africa	2020	Investment funds	Funds	30%	Mauritius	34.5
Excelsior Vietnam	Vietnam	2020	Investment funds	Funds	19%	Singapore	128.0
Frontiir Co. Ltd.	Asia & Pacific	2019	Information service activities	Equity	2%	British Virgin Islands	26.9
Development Partners International III	Africa	2019	Investment funds	Funds	9%	Guernsey	347.8
Verod Capital Growth Fund III	Africa	2019	Investment funds	Funds	10%	Mauritius	174.4
Nordic Horn of Africa Opportunities Fund	Somalia	2018	Investment funds	Funds	11%	Canada	34.1
EcoEnterprises Partners III, LP	America	2018	Investment funds	Funds	5%	Ireland	53.7
ECP Africa Fund IV	Africa	2018	Investment funds	Funds	8%	Mauritius	242.8
Myanmar Opportunities Fund II	Myanmar	2018	Investment funds	Funds	14%	Cayman Islands	85.3
Cepheus Growth Capital Fund	Ethiopia	2018	Investment funds	Funds	18%	Mauritius	133.8



Fanisi Management II	Africa	2017	Investment funds	Equity and Loans	25%	Mauritius	21.4
Oasis Africa Fund	Africa	2017	Investment funds	Funds	10%	Ghana	43.2
Agri-Vie II	Africa	2017	Investment funds	Funds	11%	Mauritius	128.4
Fanisi Capital Fund II	Africa	2017	Investment funds	Funds	35%	Mauritius	106.8
Spear Africa Holding II	Africa	2017	Manufacturing	Funds	21%	Mauritius	65.8
FIPA II	Africa	2016	Investment funds	Funds	38%	Luxembourg	153.2
Frontier Fund II	Bangladesh	2016	Investment funds	Funds	10%	Cayman Islands	29.6
BPI East Africa LLC	Africa	2015	Investment funds	Funds	17%	Mauritius	50.8
Cambodia Laos Myanmar Development Fund II	Asia & Pacific	2015	Investment funds	Funds	16%	Singapore	92.8
GroFin SGB Fund Limited Partnership	Africa	2015	Investment funds	Funds	19%	Mauritius	125.5
CASEIF III	America	2014	Investment funds	Funds	24%	Canada	81.7
Novastar Ventures East Africa Fund	Africa	2013	Investment funds	Funds	13%	Mauritius	78.1
Ascent Rift Valley Fund Ltd	Africa	2013	Investment funds	Funds	13%	Mauritius	79.6
Kinyeti Capital Ltd	South Sudan	2012	Other financial services	Equity and Loans	50%	South Sudan	39.4
CORECO	America	2012	Other financial services	Funds	22%	Delaware	74.8
Africa Health Fund (Aureos)	Africa	2011	Investment funds	Funds	9%	South Africa	48.3
Voxtra East Africa Agribusiness Ini	Africa	2011	Agriculture, forestry and fishing	Funds	30%	Norway	31.6
Vantage Mezzanine Fund II	Africa	2011	Investment funds	Funds	5%	South Africa	25.3

Frontier Fund	Bangladesh	2010	Investment funds	Funds	11%	Cayman Islands	49.5
Agri-Vie	Africa	2010	Agriculture, forestry and fishing	Funds	9%	South Africa	25.6
Neoma South-East Asia Fund II	Asia & Pacific	2010	Investment funds	Funds	2%	Canada	27.5
Angola Capital Partners LLC	Angola	2009	Investment funds	Equity	48%	Delaware	1.4
Fanisi Venture Management Company	Africa	2009	Investment funds	Equity and Loans	50%	Luxembourg	3.0
Cambodia-Laos Development Fund	Cambodia	2009	Investment funds	Funds	20%	Luxembourg	17.5
Evolution One Fund	Africa	2009	Energy	Funds	7%	South Africa	1.2
Fundo de Investimento Privado-Angol	Angola	2009	Investment funds	Funds	26%	Luxembourg	61.8
GroFin Africa Fund	Africa	2008	Investment funds	Funds	9%	Mauritius	40.8
Neoma Africa Fund	Africa	2008	Investment funds	Funds	11%	Mauritius	83.6
Aureos Latin America Fund (ALAF)	America	2007	Investment funds	Funds	14%	Canada	47.6
CASEIF II	America	2007	Investment funds	Funds	14%	Bahamas	4.2
Adenia Capital Ltd II	Africa	2007	Investment funds	Funds	13%	Mauritius	2.7
Aureos South Asia Fund (Holdings)	Asia & Pacific	2006	Investment funds	Funds	24%	Mauritius	42.1
APIDC Biotech Fund	India	2005	Investment funds	Funds	8%	Mauritius	15.9
Aureos Southern Africa Fund	Africa	2003	Investment funds	Funds	25%	Mauritius	7.4
Aureos West Africa Fund	Africa	2003	Investment funds	Funds	26%	Mauritius	2.2
Aureos East Africa Fund	Africa	2003	Investment funds	Funds	20%	Mauritius	3.8
Lafise Investment Management	Bahamas	1999	Investment funds	Equity	20%	Bahamas	17.0

[About Norfund's investments in scalable enterprises](#)

## Scalable Enterprises – Direct portfolio 2020

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
Kagera Sugar Limited	Tanzania	2020	Agribusiness	Loans		Tanzania	127.6
Lilongwe Dairy (2001) Limited	Malawi	2020	Agribusiness	Loans		Malawi	49.4
FES	Malawi	2020	Agribusiness	Equity and Loans	23 %	Mauritius	115.9
Sundry Foods	Nigeria	2019	Retail trade, except of motor vehicles and motorcycles	Equity	13 %	Nigeria	64.9
Marginpar Group	Africa	2018	Agribusiness	Equity and Loans	18 %	Mauritius	114.6
Verde Beef Processing	Ethiopia	2017	Agribusiness	Loans		United Kingdom	41.8
African Century Nampula	Mozambique	2017	Real estate	Equity	32 %	Mozambique	4.9
Neofresh	Africa	2017	Agribusiness	Equity and Loans	34 %	Mauritius	73.4
Nyama World Malawi Ltd	Malawi	2017	Agribusiness	Loans		Malawi	28.2
Associated Foods Zimbabwe (AFZ)	Zimbabwe	2016	Agribusiness	Loans		Zimbabwe	17.0
African Century Real Estates Ltd.	Mozambique	2015	Real estate	Equity	21 %	Mauritius	32.9
Freight in Time	Africa	2015	Transportation and storage	Equity and Loans	24 %	Mauritius	70.2
Vertical Agro (Sunripe & Serengeti Fresh)	Africa	2014	Agribusiness	Loans		Mauritius	51.8

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Committed amount (MNOK)
African Century Infrastructure Services Ltd.	Tanzania	2014	Other service activities	Equity and Loans	17 %	Mauritius	56.0
ASILIA (African Spirit Group Limited)	Africa	2013	Tourism	Equity and Loans	30 %	Mauritius	130.2
UAP Properties Limited	South Sudan	2013	Real estate	Loans		South Sudan	14.2
Lake Harvest Group	Africa	2013	Fishing and aquaculture	Equity and Loans	33 %	Mauritius	117.9
Agrivision	Zambia	2012	Agribusiness	Equity	24 %	Mauritius	161.5
Across Forest AS	Nicaragua	2012	Forestry and logging	Loans		Norway	1.0
TPS Dar es Salaam	Tanzania	2011	Tourism	Loans	29 %	Kenya	5.0
Basecamp Explorer	Kenya	2010	Tourism	Equity	39 %	Kenya	21.7
Africado Ltd.	Tanzania	2009	Agribusiness	Equity	33 %	Mauritius	7.1
Green Resources USD	Africa	2009	Forestry and logging	Equity	42 %	Norway	560.7
European Financing Partners SA	Global	2006	Investment funds	Equity and Loans	6 %	None	514.5
Afrinord Hotel Investments	Africa	2005	Tourism	Equity and Loans	20 %	Denmark	25.9

## [About Norfund's investments in scalable enterprises](#)



## **Green Infrastructure**

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

**1 Billion NOK**

---

**To be committed in 6-10 investments  
by the end of 2022**

## Development rationale

Today, for the first time in history, more people live in urban than in rural areas. The total number of people living in cities is expected to grow from approximately 4.4 billion today to 6.7 billion in 2050<sup>1</sup>. The cities need to grow in a way that creates economic growth, jobs and prosperity without putting a strain on land and resources.

While 93 per cent of waste is dumped in low-income countries, waste management has the potential to be profitable and create many new jobs. This requires that regulations be put in place and that the right business models be developed.



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

## Investment needs

Green infrastructure-related areas have achieved increased global attention and funding. Riding

the wave created by the UN Sustainable Development Goals, the news on plastics flooding the oceans and climate change impacting access to water, several major funds are turning their attention to investments in waste, water and oceans. Still, the difficulty to secure funding to provide basic services and necessary water- and waste-infrastructure is a major challenge in Africa.

## **The African infrastructure paradox**

While a large pipeline of potential projects is being developed and investor interest is high, it is difficult to find commercially sustainable and bankable projects.

This is Africa's infrastructure paradox.

Operational challenges and risks often lead projects to collapse before they can reach financial close. Only very few projects manage to get passed the feasibility stage and to financial close.

## **Where Norfund can play a role**

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

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

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

## **Norfund strategy:**

Green Infrastructure is a new investment area for Norfund. The aim is to improve essential infrastructure services in:

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



The priority is direct investments in Sub-Saharan Africa. Our focus in 2019 and 2020 has been to carefully assess and understand market dynamics and business models to pinpoint commercially sustainable business opportunities. As described above, investments in this sector will require strong technology and market knowledge to identify commercially viable projects early on.

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

## Strategic ambitions

Norfund has defined the following ambitions for the strategy period 2019–2022

- Improve essential infrastructure, primarily in Sub-Saharan Africa
- Establish partnerships and make investments in **waste management and water**
- Invest **NOK 1 billion** in 6–10 investments by the end of 2022



*Bio2Watt in South Africa produces electricity from organic waste.*

## Activities in 2020

The first step in Norfund's strategy for this business area has been to establish a team. Three team members were recruited in 2020, of whom two joined during the autumn. The new team has since built a pipeline of prospects which are being assessed with the ambition to close the first investment in early 2021.

Although no direct investments have so far been made, the Norfund Fund department has invested in funds with portfolio companies acting within the Green Infrastructure investment area, e.g. Commercial Plastic Company recycling bottles.

[Recycling plastic bottles in Myanmar](#) (an investment example at [norfund.no](http://norfund.no))

## **Effects of COVID-19**

The COVID-19 pandemic has further increased the need for access to clean water and sanitation. The surge of plastic waste from single-use applications (face masks, wipes) has also increased the need for the development of waste management services.

In some regions, the pandemic has resulted in increased governmental efforts to provide access to clean water and improved sanitation. For example, Brazilian water authorities have suspended water tariffs, and the Mexican government has subsidised chlorine treatment of water. However, in developing countries, the need for investment is still enormous.

### **[Investing during a pandemic](#)**



## Clean Energy

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

### Key Achievements in 2020

**1600** MNOK

Committed

**1200** MW

New capacity financed,  
where of 695 renewable

**1.8** million

New households gained  
access to electricity

## Development Rationale

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

Investments in **clean energy generation** enables economic growth, job creation and mitigates climate change. Better, more reliable energy supplies, resulting in fewer and shorter outages, are helping to foster job creation and economic growth as new businesses are established and productivity improves. Renewable energy can substitute fossil energy and mitigate climate change.

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

## Investment Needs

The World Bank has estimated a need for USD 900 billion in renewable energy investments by 2025 to meet the energy needs<sup>1</sup> of developing countries.

The pandemic has also set back efforts to provide sustainable energy for all, with the International Energy Agency (IEA) estimating that the number of people living without access to electricity in Africa increased in 2020 for the first time in six years. The downturn in the economy as a result of COVID-19 made raising the capital needed to make the necessary investments particularly demanding.

Despite being home to 17 per cent of the world's population, Africa currently accounts for just 4 per cent of global power supply investment. The demand for power in this region is expected to more than triple by 2040. The proportion of renewable energy in Sub-Saharan Africa's power sector is less than 50 per cent of total production at present. To limit carbon emissions, new capacity will need to come mostly from clean energy sources. However, the generation of new, clean electricity is not expanding fast enough in high-risk and capital-constrained markets.

One of the key barriers to widening the deployment and diffusion of clean and renewable energy is the shortage of well-prepared, 'bankable' projects for investors. The journey from the planning

and development of clean energy projects through to their implementation is complex and long. To ensure successful project completion, risk-tolerant and long-term investors, such as Norfund, are needed.

## Norfund's Strategy

The majority of Norfund's energy investments have been in hydropower, wind and solar energy, and in utility scale, grid-connected power plants.

After the [sale of SN Power in 2020](#), hydropower will become a smaller part of the portfolio and we expect a more diversified technology mix in the portfolio going forward.

Technological and regulatory changes are driving new opportunities and business models. Norfund is monitoring these developments and looking for new possibilities and solutions. Captive power, i.e. 'behind the meter', is on the rise, with industrial and commercial users increasingly looking at this option. In addition, off-grid and mini-grid solutions can provide households with alternatives to grid extension. Norfund has identified distributed generation as a growth area and is a leading investor in this rapidly changing and challenging market.

Norfund's strategy is to invest with – or via – industrial partners. Approximately 1,000 MWp of solar power has been financed in partnership with Scatec. Norfund has a 30 per cent stake in Globeleq – one of Africa's leading independent power companies currently having more than 1,400 MW of installed capacity, and another 2,000 MW in development. Following the sale of SN Power, we have a joint venture with Scatec to expand in hydropower in Africa.

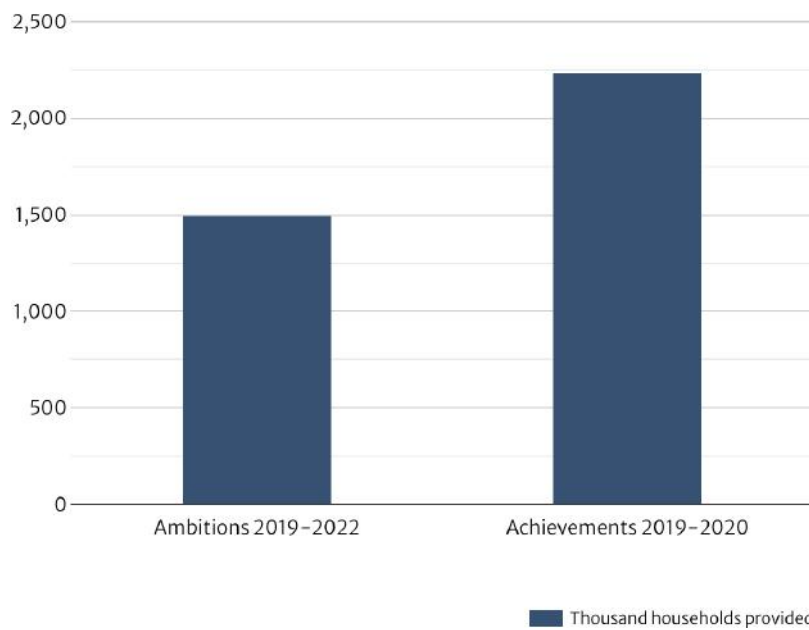
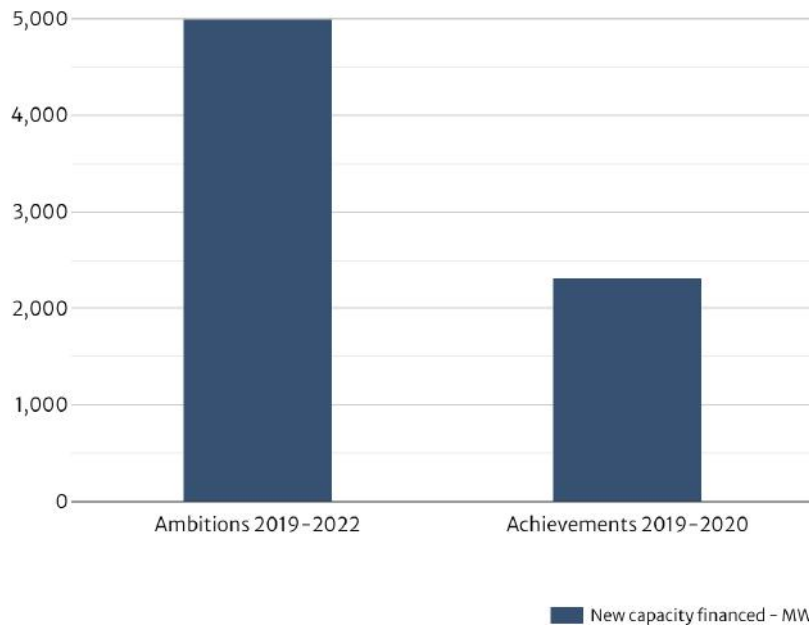
In the coming years, we will continue to increase Norfund's portfolio in renewable power generation in our target markets, building on existing investment platforms and partnerships.

## Strategic ambitions

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

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

### Accumulated achievements 2019 – 2020





## Investments and Results in 2020

Clean Energy (CE) is the largest component of Norfund's portfolio and accounts for 45 per cent of Norfund's portfolio. The equity share of the total clean energy portfolio is 85 per cent.

**1647** MNOK

committed in 2020

**12865** MNOK

committed in total CE portfolio



## Impact 2020

### 1,236 MW increased energy supply

In 2020, Norfund financed 1,236 MW of new electricity generation capacity.

The total capacity in our portfolio was 6,139 MW, of which 4,528 MW is renewable and 1,047 MW is under construction. The power plants produced a total of 17.5 TWh of electricity, an amount equivalent to the combined annual electricity consumption of Uganda, Tanzania and Kenya.

### 659 MW of new capacity from renewable sources

In 2020, 56 per cent of the new capacity financed, 659 MW, was renewable. A total of 4,781 MW of the capacity in our portfolio is from renewable sources.

Together, the renewable power plants in our current portfolio have contributed to avoiding an estimated 5.7 million tonnes of CO<sub>2</sub> emissions in 2020. This has been calculated using the harmonized IFI approach: ['GHG Accounting for Grid Connected Renewable Energy projects'](#).

### Increased access to energy

1,853,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2020. This record high figure is mainly due to the performance of our funds. Additionally, 2 million units of smaller solar-powered solutions such as lanterns were sold to households in 2020.

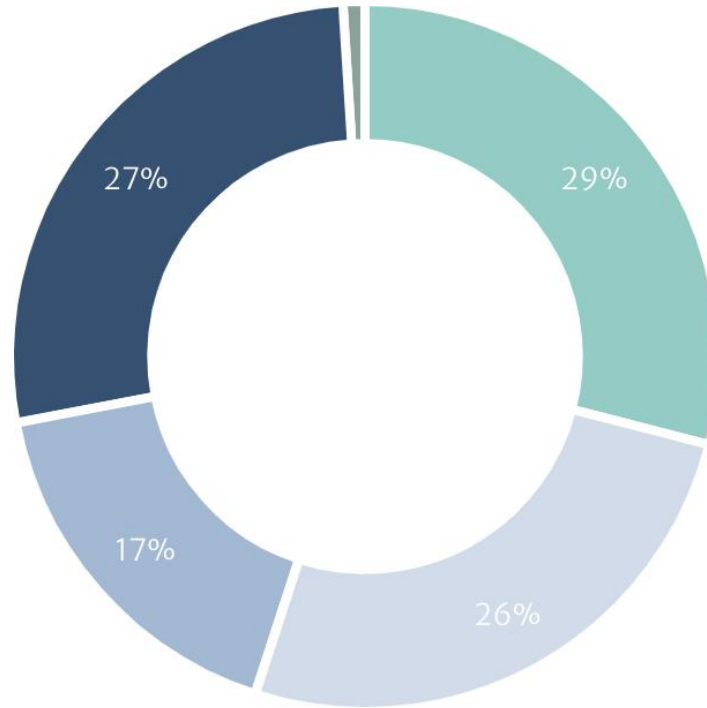
[More about the impact from Norfund's clean energy investments.](#)

## Investing in a variety of energy solutions

The majority of our investments in this investment area are in utility-scale, grid-connected power plants. However, technologies in this sector are changing, costs are declining and new opportunities are emerging.

Despite the challenges presented by COVID-19, we succeeded in making several investments in 2020 in captive power (i.e. supplying power directly to commercial and industrial customers), as well as in distributed generation and innovative energy solutions.

Clean Energy Portfolio as of December 2020

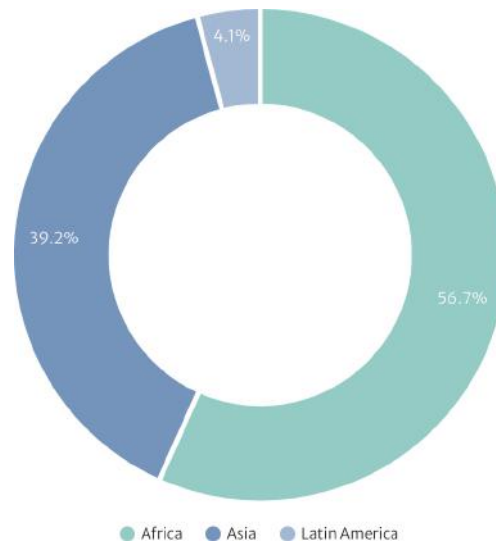


Norfund distinguishes between 'clean energy', which covers the whole energy portfolio, and 'renewable energy', which only covers energy based on renewable sources. The difference is accounted for by investments in gas-fired power plants in East and West Africa, through Globeleq.

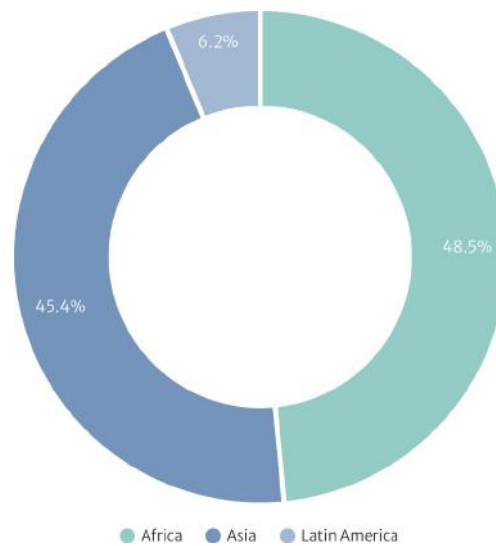
All new investments in 2020 were in renewable energy.

## Investments per Region

CE Investments in 2020



Total CE Portfolio



## Effects of COVID-19

In several markets, power demand dropped dramatically during the first half of 2020, in some cases resulting in surplus power and/or low prices. Precautionary 'emergency' measures had to be taken at power plants to ensure continuity in operations and stable power supply to the grid. By the end of the year, demand had recovered to pre-COVID levels in most markets, but it has set back plans for further capacity expansions in some countries.

Most of the year, access to expert personnel for maintenance and repairs, as well as construction, was restricted and several projects under construction have seen delays. This resulted in delays and risks to ongoing plant operations. In the off-grid segment, we saw supply chain bottlenecks, particularly in the second quarter of the year, meaning that many companies ran low on stock and had to curtail sales.

### [More about the influence of Covid-19 on Norfund's work in 2020](#)

## Highlights of 2020

**3 %**

**New investee companies**

**7 %**

**Follow-on investments**

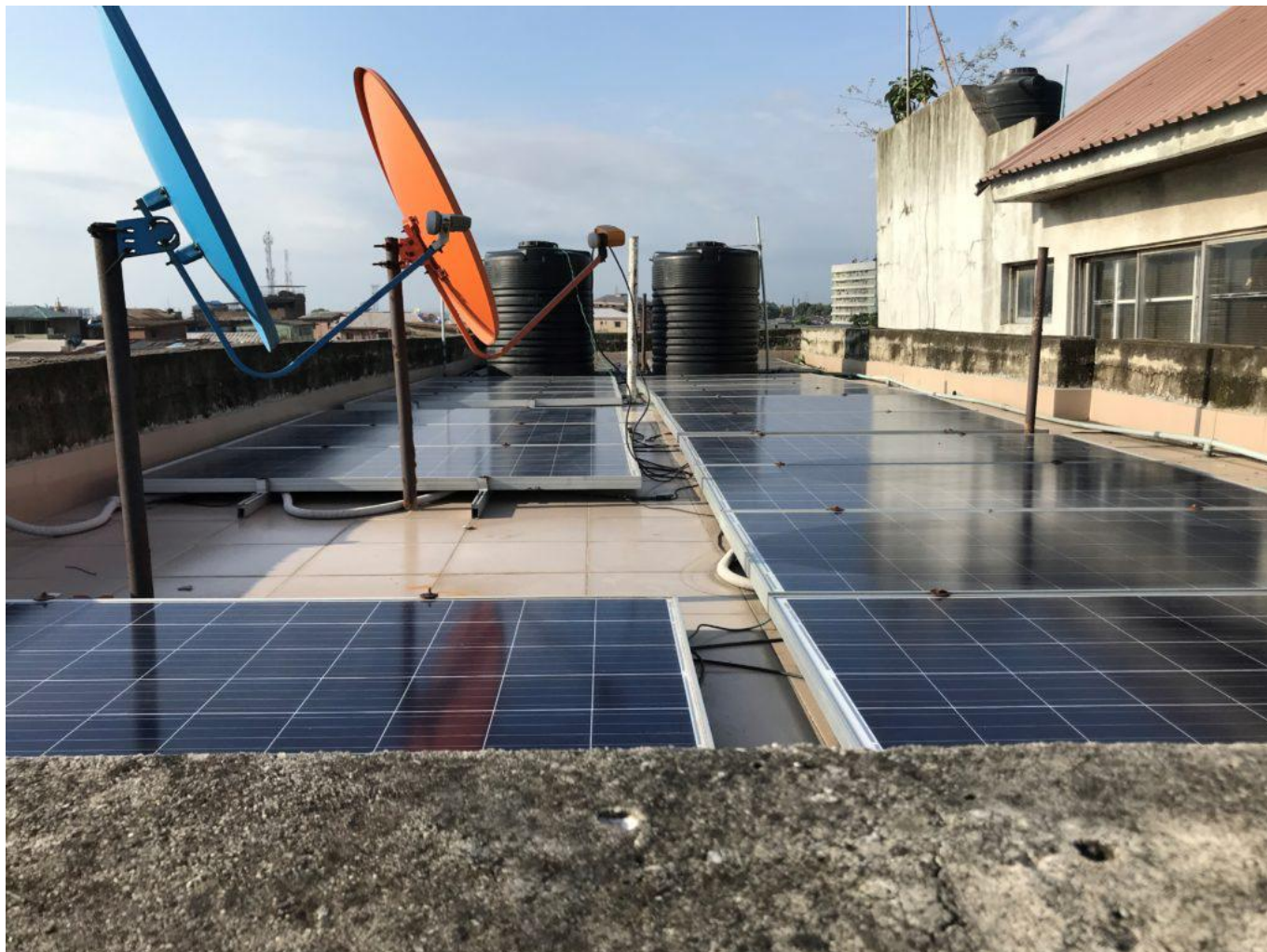
## Sale of SN Power to Scatec



After building SN Power into a leading hydropower company in developing countries, Norfund sold SN Power to Scatec for USD 1.2 billion. This was undoubtedly the most significant event of the year, and the released capital will be reinvested in new development-promoting companies in the years to come.

[More about the sale of SN Power](#)

## Investing in captive power



In 2020, Norfund invested in four companies that specialise in supplying power directly to commercial and industrial customers.

[Berkeley Energy Commercial and Industrial Solutions](#) is a full-service platform that invests, develops, constructs and operates distributed energy solutions, such as solar PV and bioenergy, for commercial and industrial customers in South and Southeast Asia.

[Yoma Micro Power](#), a company supplying solar-hybrid energy systems and reliable and clean energy to telecom towers and the rural population in Myanmar.

[Starsight](#), a Nigerian company supplying solar-hybrid energy solutions to commercial customers in Nigeria and Ghana.

[Escotel](#), a new company set up to provide modern, renewable power solutions for telecom networks all over Africa and thereby contribute to increased mobile service quality, reduced cost of ownership and decreased CO2 emissions.

### **Innovative financing solution for off-grid customers**

Brighter Light Kenya is an example of an off-balance sheet financing solution for the off-grid segment allowing d.light, an off-grid solar provider to plan long-term and increase its number of rural private customers.

[Read more about Brighter Light Kenya at Norfund.no](#)

### **Two large-scale projects under construction**

In 2020, Globeleq had two projects under construction: the 52 MWp Malindi PV solar plant in Kenya and the 253 MW expansion of the existing Azito gas plant in Côte d'Ivoire. The projects faced challenges due to the COVID lockdowns, but good progress is being made on construction at both sites.

### **The Scatec Upington projects successfully commissioned**

Scatec Solar Upington, a 258 MW solar power complex, was completed in South Africa on 6 April 2020. Despite the constraints of COVID restrictions, the three facilities situated on adjacent plots in the Northern Cape had a smooth transition to full operations.

[Read more about Scatec Solar Upington at Norfund.no](#)

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (NOK)
Brighter Life Kenya 1	Africa	2020	Solar power	Loans		Jersey	127.9
ESCOTEL	Africa	2020	Solar power	Equity and Loans	31 %	Mauritius	92.7
Berkeley Energy Commercial & Industrial Solutions	Asia & Pacific	2020	Energy	Equity	24 %	Singapore	239.3

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (NOK)
WeLight	Africa	2019	Energy	Equity and Loans	30 %	Mauritius	46.8
Greenlight Planet	Global	2019	Solar power	Loans		United States of America	91.7
Starsight	Africa	2019	Solar power	Loans		Nigeria	81.0
Eco-Nor	Africa	2019	Hydropower	Equity		Mauritius	8.0
responsAbility ACPF	Global	2019	Energy	Funds	8 %	Luxembourg	103.0
Metier Sustainable Capital Fund II	Africa	2019	Energy	Funds	17 %	Mauritius	170.9
FEI – Facility for Energy Inclusion	Africa	2019	Investment funds	Funds	18 %	Mauritius	170.8
Schneider Electric Energy Access Asia	Asia & Pacific	2019	Energy	Funds	30 %	France	65.9
Evolution Fund II (Through KNI)	Global	2019	Energy	Funds	14 %	Mauritius	130.4
Neo1 PV	Lesotho	2018	Solar power	Equity	21 %	Lesotho	7.2
rAREH	Africa	2017	Hydropower	Equity	26 %	Mauritius	272.8
Sunshine	America	2017	Solar power	Equity and Loans		Costa Rica	17.8
M-Kopa	Africa	2017	Solar power	Loans		Kenya	97.0
New Africa Power	Zambia	2017	Hydropower	Equity	28 %	Mauritius	15.8
Yoma Micro Power	Myanmar	2017	Solar power	Equity and Loans	15 %	Singapore	91.2
d.light	Global	2016	Solar power	Equity	5%	United States of America	43.9
Scatec Mocuba	Mozambique	2016	Solar power	Equity and Loans	11 %	Mozambique	51.5
Scatec Benban	Egypt	2015	Solar power	Equity	12 %	Netherlands	95.8
Scatec Solar Los Prados	Honduras	2015	Solar power	Equity		Honduras	108.3
Scatec Uppington	South Africa	2015	Solar power	Equity and Loans	30 %	Netherlands	86.2



Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (NOK)
Rwimi	Uganda	2015	Hydropower	Loans		Uganda	15.9
Scatec ASYV	Rwanda	2014	Solar power	Equity and Loans	16 %	Rwanda	33.9
Scatec Solar Agua Fria	Honduras	2014	Solar power	Equity and Loans	30 %	Honduras	193.5
Globeleq	Africa	2014	Energy	Equity and Loans	30 %	United Kingdom	2,323.6
Renewable Energy Holdings	South Africa	2014	Hydropower	Loans		South Africa	25.5
Bio2Watt Cape Dairy	South Africa	2014	Biomass	Loans		South Africa	5.2
Lake Turkana Wind Power (LTWP)	Kenya	2013	Wind power	Equity		Kenya	98.9
Kinangop	Kenya	2013	Wind power	Equity	19 %	British Virgin Islands	94.3
SN Power	Global	2013	Hydropower	Equity	100 %	Norway	7,444.5
Bronkhorstspruit Biogas Plant	South Africa	2011	Biomass	Equity	11 %	South Africa	25.5
Nam Sim	Laos	2011	Hydropower	Loans	38 %	Laos	31.5
ICCF	Global	2010	Energy	Loans	3 %	Luxembourg	355.1

## CLEAN ENERGY portfolio 2020

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (NOK)
Brighter Life Kenya 1	Africa	2020	Solar power	Loans		Jersey	127.9
ESCOTEL	Africa	2020	Solar power	Equity and Loans	31 %	Mauritius	92.7
Berkeley Energy Commercial & Industrial Solutions	Asia & Pacific	2020	Energy	Equity	24 %	Singapore	239.3
WeLight	Africa	2019	Energy	Equity and Loans	30 %	Mauritius	46.8
Greenlight Planet	Global	2019	Solar power	Loans		United States of America	91.7
Starsight	Africa	2019	Solar power	Loans		Nigeria	81.0
Eco-Nor	Africa	2019	Hydropower	Equity		Mauritius	8.0
responsAbility ACPF	Global	2019	Energy	Funds	8 %	Luxembourg	103.0
Metier Sustainable Capital Fund II	Africa	2019	Energy	Funds	17 %	Mauritius	170.9
FEI – Facility for Energy Inclusion	Africa	2019	Investment funds	Funds	18 %	Mauritius	170.8
Schneider Electric Energy Access Asia	Asia & Pacific	2019	Energy	Funds	30 %	France	65.9
Evolution Fund II (Through KNI)	Global	2019	Energy	Funds	14 %	Mauritius	130.4
Neo1 PV	Lesotho	2018	Solar power	Equity	21 %	Lesotho	7.2
rAREH	Africa	2017	Hydropower	Equity	26 %	Mauritius	272.8
Sunshine	America	2017	Solar power	Equity and Loans		Costa Rica	17.8
M-Kopa	Africa	2017	Solar power	Loans		Kenya	97.0
New Africa Power	Zambia	2017	Hydropower	Equity	28 %	Mauritius	15.8
Yoma Micro Power	Myanmar	2017	Solar power	Equity and Loans	15 %	Singapore	91.2

Investment	Country	Investment year	Sector	Instrument	Owner share	Domicile	Committed (NOK)
d.light	Global	2016	Solar power	Equity	5%	United States of America	43.9
Scatec Mocuba	Mozambique	2016	Solar power	Equity and Loans	11 %	Mozambique	51.5
Scatec Benban	Egypt	2015	Solar power	Equity	12 %	Netherlands	95.8
Scatec Solar Los Prados	Honduras	2015	Solar power	Equity		Honduras	108.3
Scatec Upington	South Africa	2015	Solar power	Equity and Loans	30 %	Netherlands	86.2
Rwimi	Uganda	2015	Hydropower	Loans		Uganda	15.9
Scatec ASYV	Rwanda	2014	Solar power	Equity and Loans	16 %	Rwanda	33.9
Scatec Solar Agua Fria	Honduras	2014	Solar power	Equity and Loans	30 %	Honduras	193.5
Globeleq	Africa	2014	Energy	Equity and Loans	30 %	United Kingdom	2,323.6
Renewable Energy Holdings	South Africa	2014	Hydropower	Loans		South Africa	25.5
Bio2Watt Cape Dairy	South Africa	2014	Biomass	Loans		South Africa	5.2
Lake Turkana Wind Power (LTWP)	Kenya	2013	Wind power	Equity		Kenya	98.9
Kinangop	Kenya	2013	Wind power	Equity	19 %	British Virgin Islands	94.3
SN Power	Global	2013	Hydropower	Equity	100 %	Norway	7,444.5
Bronkhorstspruit Biogas Plant	South Africa	2011	Biomass	Equity	11 %	South Africa	25.5
Nam Sim	Laos	2011	Hydropower	Loans	38 %	Laos	31.5
ICCF	Global	2010	Energy	Loans	3 %	Luxembourg	355.1

## [About Norfund's investments in clean energy in 2020](#)

## Financial results

**The COVID-19 pandemic affected Norfund's financial results in 2020 through write-down of values in the existing portfolio and in the form of lower dividends and fewer realisations of equity instruments and funds.**

Turbulence in the foreign exchange market through the early phase of the pandemic and subsequent strengthening of the Norwegian krone against our investment currencies resulted in substantial foreign exchange losses.

2020 ended for Norfund with a loss of NOK 128 million after tax. Norfund's overall balance at the end of 2020 was NOK 25 billion. Despite the pandemic, our total investment portfolio has been increased by NOK 1.8 billion throughout 2020.

The Internal Rate of Return (IRR) was -0.1 per cent, compared to 6.3 per cent in 2019, calculated in investment currency. Calculated in Norwegian kroner, the IRR for 2020 was -3.6 per cent, compared to +7.4 per cent in 2019.

**-0.1 %**

**5.2 %**

IRR for 2020 (investment currency)

IRR since inception (investment  
currency)

As we see significant annual variations, the return on our investment is better reflected in IRR calculations since inception. As of 31 December 2020, Norfund's IRR since inception, calculated in investment currency, was 5.2 per cent. In Norwegian kroner, the IRR since inception was 7.7 per cent.

[Annual Accounts and Notes 2020](#)

## Clean Energy portfolio

In 2020, Norfund's *Clean Energy* portfolio had an IRR in investment currency of 2.8 per cent. This is weaker than in 2019 as the performance of Globeleq, one of Norfund's platform investments, was influenced by the pandemic and another project encountered problems with poor wind speeds and reduced electricity demand.

---

Norfund received a dividend from SN Power of NOK 544 million.

---

With an IRR of 4.3 per cent, SN Power is the main contributor to the positive IRR for the whole Clean Energy portfolio.

## Financial Institutions portfolio

Investments in *Financial Institutions* were influenced by the ongoing global pandemic with an IRR of minus 2.2 per cent in investment currency. This result was notably weaker than the positive IRR of 7.4 per cent in 2019. The main drivers for this were the assumed loss on the fraud case and a general value reduction of the bank investment portfolio in Arise. We consider the valuation of Arise to be conservative, giving us an upside if and when market multiples improve. NMI's investments in microfinance institutions were generally hit harder by the pandemic than banks. However, there has been limited need for restructuring, and some new investments were made during the year.

## Scalable Enterprises – funds

The IRR of our portfolio in *Scalable Enterprises – Funds* decreased from -7.4 per cent in 2019 to -12.2 per cent in investment currency in 2020. The pandemic hit the portfolio hard, especially in

Africa and Latin America, while the value of Norfund's investments in Asia rose by 5 per cent in 2020. The largest negative contributor was a regional SME fund providing loans in Sub-Saharan Africa. Another large negative contributor to the IRR in 2020 was a fund in Latin America that is at the end of its lifetime. However, the fund has delivered a total positive IRR since its inception.

## Scalable Enterprises – direct investments

The *Scalable Enterprises – Agriculture & Manufacturing* portfolio had an IRR of -9.8 per cent in 2020, measured in investment currency. The result was significantly influenced by the difficult operational environment as a result of COVID-19.

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

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

	Since inception	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Clean Energy	6.6	2.8	7.4	7.1	19.5	0.1	2	-9	-4	12	10	11
Financial Institutions	5.6	-2.2	7.1	3.3	5.8	8.2	12	6	4	9	6	9
Scalable Enterprises Direct	-4.4	-9.8	3.3	-5.0	4.1	-5.2	-4	-10	-4	-10	2	7
Scalable Enterprises Funds	-0.1	-12.2	-7.4	-14.4	-4.0	-1.6	0	-3	12	9	3	10
Total	5.2	-0.1	6.3	4.6	14.0	1.6	3.5	-6	-1	10	8	10

### [Exited companies in 2020](#)

### [Key Figures 2020](#)



## Increase energy access and supply

Access to energy is a precondition for job creation, economic growth and improved living standards in developing countries. To combat climate change, most of the energy must be based on renewables.

**1236 MW**

New capacity financed,  
whereof 695 MW  
renewable

**1853000**  
households

Provided with access to  
electricity through  
micro/mini-grid or solar  
home systems

**5.7 million**  
tonnes

Tonnes CO2 emissions  
avoided by investments  
in total portfolio in  
2020\*

\*When including all greenfield renewable capacity Norfund has supported since inception calculations show that 8 million tonnes CO2 emissions are avoided annually

## Development rationale

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



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

Investments in **clean energy generation** enables economic growth and job creation. More reliable energy supplies, resulting in fewer and shorter outages are helping to foster job creation and economic growth as new businesses are established and productivity improves.

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

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



## Norfund's impact objectives

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

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

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

## Results 2020



*Central Solar de Mocuba, Mozambique*

## Increased energy supply

In 2020, Norfund financed 1,236 MW of new electricity generation capacity. The total capacity in our portfolio was 6,139 MW, of which 1,047 MW is under construction.

**In 2020, the power plants produced a total of 17.5 TWh.**

**This is equivalent to the combined annual electricity consumption of Uganda, Tanzania and Kenya.**

## Increased share of energy from renewable sources

In 2020, 695 (56%) MW of the new capacity financed was renewable. A total of 4,528 MW of the capacity in our portfolio is from renewable sources.

**4528 MW**

**total capacity from renewable sources in Norfund portfolio**

Together, the renewable power plants in our current portfolio have contributed to avoiding an estimated 5.7 million tonnes of CO<sub>2</sub> emissions in 2020. This has been calculated using the harmonized IFI approach '[GHG Accounting for Grid Connected Renewable Energy projects](#)' (2019)

## Increased access to energy

1,853,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2020. This record high figure is mainly due to the performance of our funds.

Additionally, 2 million units of smaller solar-powered solutions such as lanterns were sold to households in 2020.

According to our new estimates on indirect job creation, around [540,000 jobs were supported by the power produced by the power plants](#) in Norfund's portfolio in 2020.



## Avoiding CO2 emissions

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

Norfund's investments have, since the fund was established in 1997, supported the installation of a total of **5,000 MW new renewable energy capacity**. These investments avoid **8 million tonnes of CO2 emissions annually**, which corresponds to the emissions from all passenger cars and heavy vehicles in Norway, or 1/6<sup>th</sup> of Norway's annual emissions. Around 1,600 MW capacity have been exited but are still up and running.

**Norfund's investments in new renewable energy since inception avoid  
8 million tonnes of CO<sub>2</sub> emissions annually  
this corresponds to the emissions from  
all passenger cars and heavy vehicles in Norway.**

The power projects Norfund has invested in have a total combined capacity of 9,600 MW and are estimated to produce 31 TWh of electricity annually.

This is equivalent to the combined electricity consumption of Kenya, Tanzania, Zimbabwe and Ethiopia. A total of 7,400 MW of the capacity financed is generated by renewable sources.

[More about Norfund's investments in clean energy in 2020](#)



## Tax revenues

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

### Taxes paid in 2020

**16.9** BNOK

Total taxes paid by portfolio companies

**11.9** BNOK

Total taxes paid in Africa

**10** %

Increase in total taxes paid by portfolio companies\*

\*In companies with two consecutive years of reporting

## Development rationale

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



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



*Equity bank, Kenya*

## Results 2020

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

In 2020, an amount equivalent to NOK 16.9 billion had been paid in taxes and fees by the companies in which Norfund is invested, both directly and through funds. This corresponds to 43 per cent of the total Norwegian development aid in 2020.

**The taxes and fees paid by Norfund portfolio companies corresponds to 43 per cent of the total Norwegian development aid in 2020.**

40 per cent was paid as corporate income tax and 60 per cent was paid as other transfers, such as sales taxes, withholding taxes, net VAT, royalties, license fees and social security payments.

From the end of 2019 to the end of 2020, the total taxes and fees paid by companies with two consecutive years of reporting increased by NOK 1.2 billion, or 10 per cent.

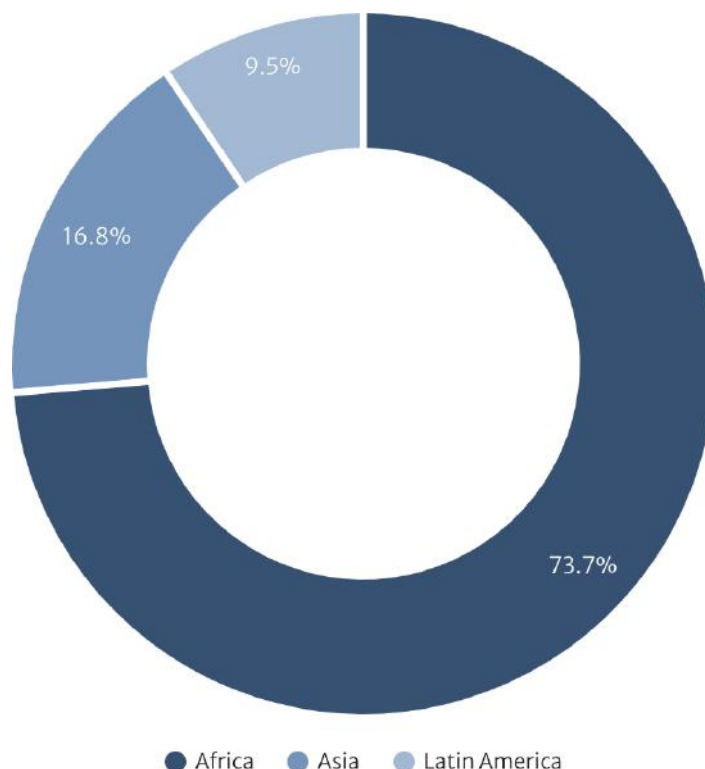
**5.5 BNOK**

---

**Taxes and fees in LDCs**

Around NOK 5.5 billion were paid in taxes and fees by companies operating in Least Developed Countries (LDCs).

### Tax revenues per region



About 70 per cent of the taxes and fees paid by Norfund portfolio companies were paid by companies operating in Africa. Kenya, Tanzania and Uganda alone accounted for 21 per cent of the total portfolio.

### Norfund's tax policy

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

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



In 2020 Norfund's investments in funds increased, and hence so did the use of third countries. Norfund is actively tracking and monitoring the use of third countries.

### **More about taxes and Norfund's Responsible Tax Policy**

[at norfund.no](https://www.norfund.no)

### **Why DFIs use offshore financial centers**

[at norfund.no](https://www.norfund.no)



## Strengthen financial inclusion

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

**1.5 million**

---

New clients served by direct investments

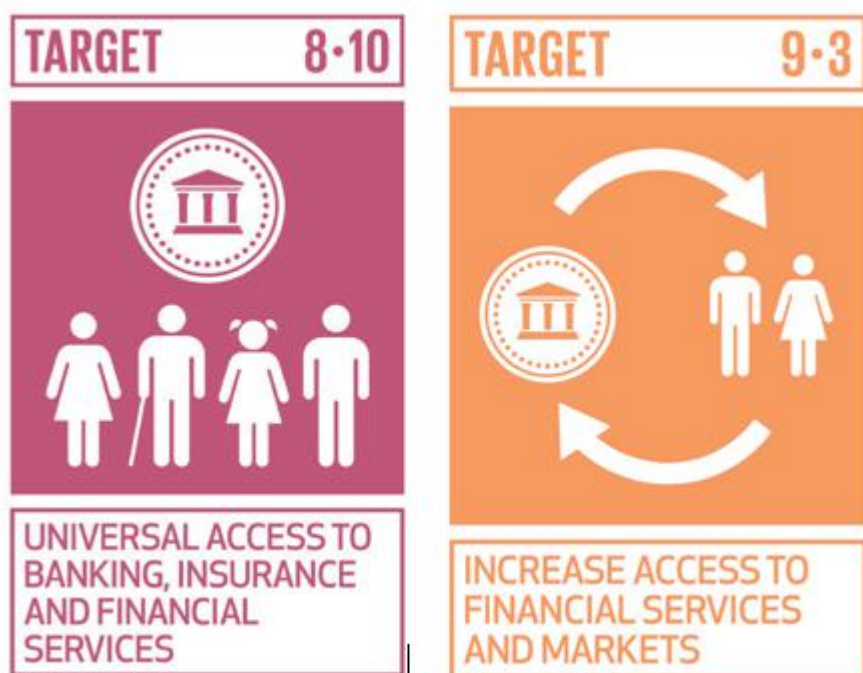
**40 billion NOK**

---

Increase in lending to clients by direct investments

## Development Rationale

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



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

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

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

## Norfund's impact objectives

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

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

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

## Results 2020



*Calbank, Ghana*

## Increased provision of financial services

The direct investments in our portfolio provided services around 52 million clients in total. Portfolio companies with two consecutive years of reporting increased the total number of clients by 1.5 million (3 per cent growth) during 2020.

**52 million**

**Clients received financial services from portfolio companies in 2020**

**3 %**

**Increase in number of clients since 2019**

In addition, the financial institutions we have invested in through funds, with two consecutive years of reporting, have provided 1 million new clients with access to financial services and in total provided services to around 12.5 million clients.

## Increased provision of credit to clients

The combined loan book of the direct investments in our portfolio reached a total of 398 billion NOK by the end of 2020.

The total number of loans provided to clients was 6 million: 3 million to retail clients, 1.3 million to microfinance clients and 460,000 to SMEs. Institutions with two consecutive years of reporting had increased their credit provision by NOK 40.1 billion (11 per cent growth) during the year.

**398 million**

**NOK in combined loan book**

**11 %**

**Increase in credit provision since 2019**

The financial institutions in which we have invested through funds have provided an additional 11 million loans to clients, at a combined value of 100 billion NOK. Institutions with two consecutive years of reporting increased lending by 8.6 billion NOK during the year.

[More about Norfund's investments in financial institutions in 2020](#)



## Job creation in 2020

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

### Results in 2020

**5700 %**

New jobs created in portfolio companies\*

**377000 %**

Total jobs in portfolio companies

\* In companies with two consecutive years of reporting

## Development rationale

Jobs are vital to reducing poverty. They generate income, and when in formal sector, the jobs can generate a range of other benefits and help people to improve their knowledge and skills.

In 2019, the International Labour Organization noted that 190 million jobs were needed to address the current levels of unemployment, and that a further 340 million jobs would need to be created by 2030.



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

The COVID-19 pandemic has had a serious negative impact on global working hours and income in 2020, with the prospect of a slow, uneven and uncertain recovery in 2021. The International Labour Organization (ILO) surveys show that 8.8 per cent of global working hours were lost for the entirety of 2020, equivalent to 255 million full-time jobs.

Avoiding further job losses and creating a substantial number of new jobs in developing countries is as important as ever because these countries were in general struggling with high unemployment rates even before the pandemic.

In Africa, more than 80% of the jobs are within the informal sector\*. This means that the workers are not registered, they have no insurance, sick leave schemes, limited training and health & security rights. Therefore, the rationale is not only about creating a large number of jobs, but also as many jobs as possible in the formal sector where workers are treated well.

## Results 2020



*Kagera Sugar*

### **377,000 jobs in Norfund portfolio companies**

By the end of 2020, a total of 377,000 people were employed in the companies in which Norfund is invested, either directly or through funds.

From the end of 2019 to the end of 2020, Norfund's portfolio companies (with two consecutive years of reporting) reported a net increase of new jobs by 2 per cent, or more than 5,700 jobs.

Approximately 34 per cent of the total people employed in Norfund's investees were women, and 26 per cent were youth, defined as below 25 years.



**34 %**

**Female employees in Norfund portfolio companies**

**26 %**

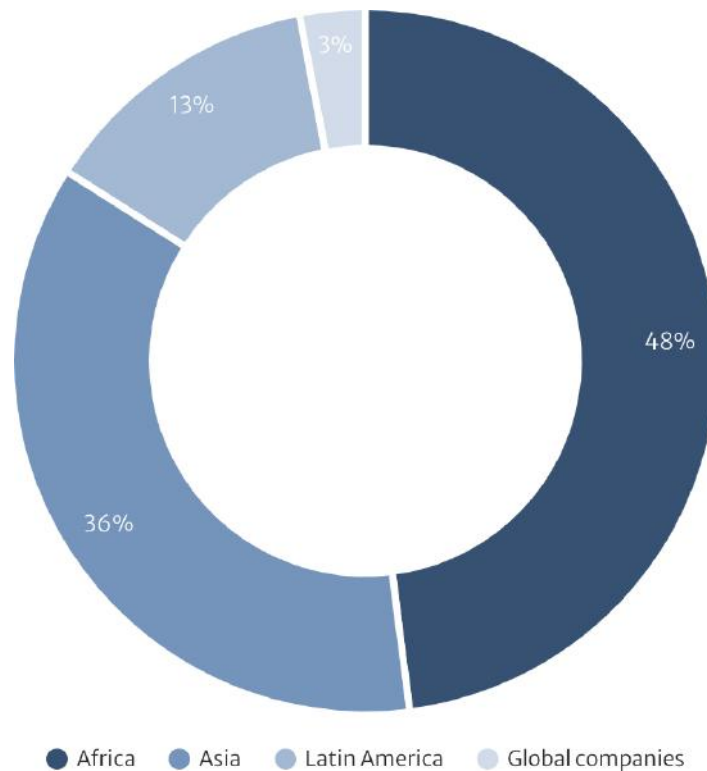
**Of employees in Norfund portfolio companies are youth**

**Gender equality**

More than 180,000 people were employed in companies operating in Africa, or 48 per cent of total employees in Norfund’s investees.

39 per cent of the jobs are in Least Developed Countries (LDC).

**Jobs per region**



36 per cent were employed in companies in Asia, 13 per cent were employed in companies in Latin

America and 3 per cent were employed in companies operating globally.

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

---

## Jobs indirectly supported

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

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

In 2020, Norfund has for the first time applied the [Joint Impact Model \(JIM\)](#) to estimate the scope of such indirect employment impacts.

### New model estimates indirect job effects

[The Joint Impact Model](#)

## Promoting job quality

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

The IFC PS is the key tool used by development finance institutions, such as Norfund, to assess the environmental and social risks of investments. One of the PS focuses on Labour and Working conditions and includes provisions for issues such as workers' rights, health and safety, anti-discrimination and equal opportunity. The standards are aligned with the ILO's core conventions.



Marginpar, Kenya

## Harmonised indicators for private sector operations

Each year, Norfund collects data on development effects from our investees. Where available, we apply [harmonised indicators for private sector operations \(HIPSO\)](#), including on direct jobs.

[More about harmonised indicators for private sector at Norfund.no](https://www.norfund.no)



## Norfund and the SDGs

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

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

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



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

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

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

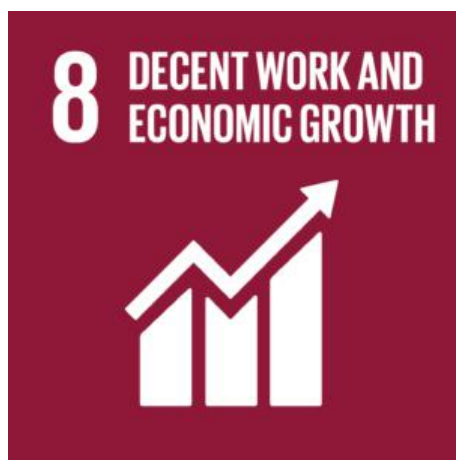
## [More about Norfund strategy 2019 - 2020](#)

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

## Cross-cutting issues

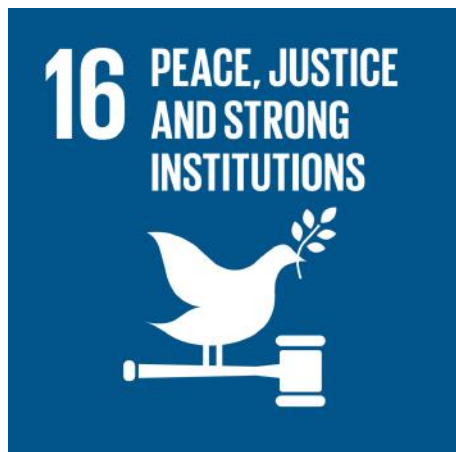
The cross-cutting issues in Norway's development policy - human rights (SDG 8), anti-corruption (SDG 16), gender equality (SDG 5), climate and environment (SDG 13) - are assessed in all of our investments.

## Human rights



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

## Zero tolerance for corruption



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

## Gender Equality



Norfund is committed to addressing **gender equality** in our own organisation as well as in our

investments. We use active ownership to promote equal opportunities for men and women across all levels in our investee companies.

In June 2020, a new gender position was published. Read more in the following link.

[Gender equality and Norfund's new Gender Position](#)

## Climate



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

In September 2020, Norfund published a **climate position** that outlines how Norfund will assess and address climate change going forward. Read more in the following link.

[Norfund's new Climate Position](#)





## HOW WE WORK

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

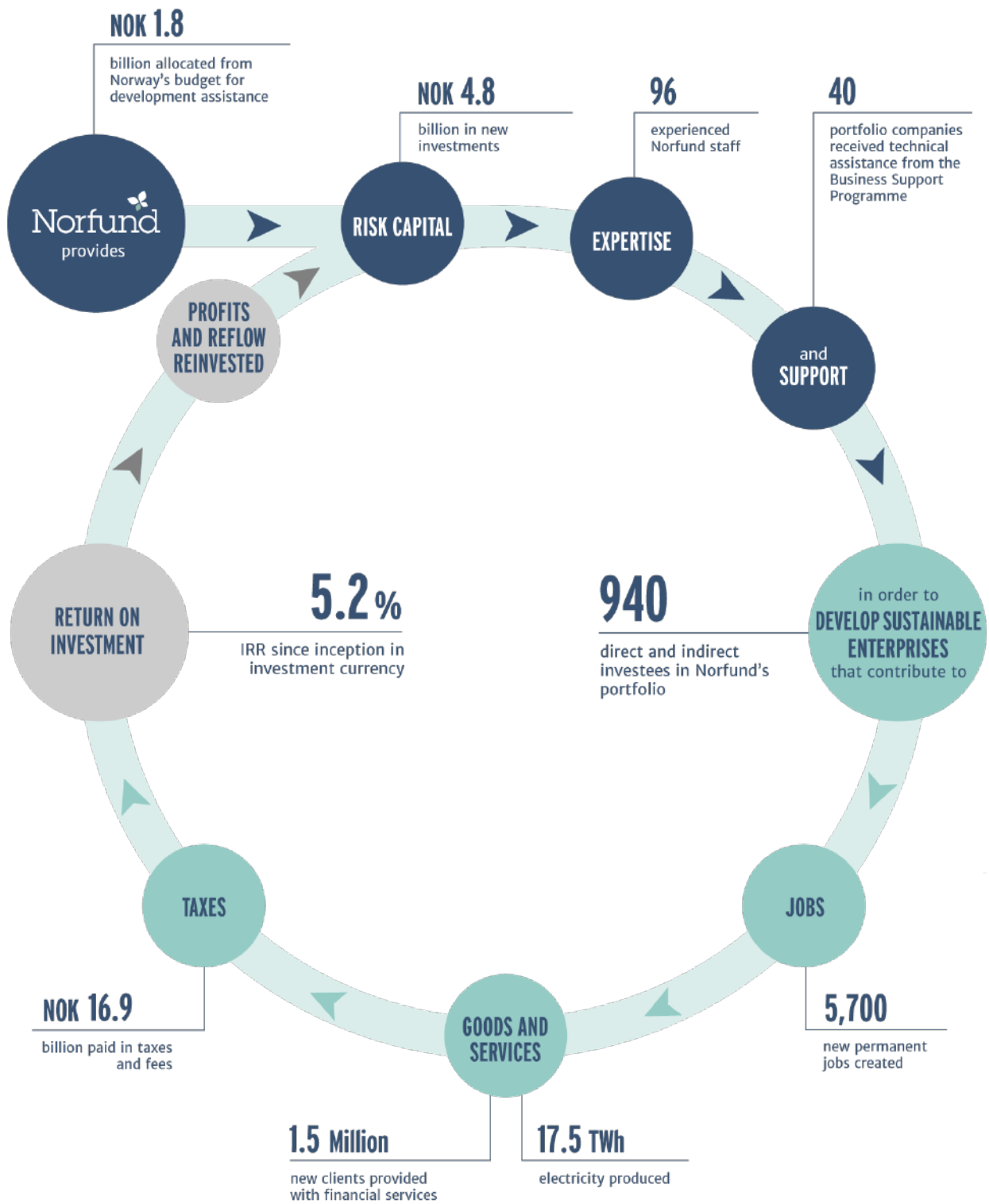
The development of sustainable enterprises is essential in promoting economic growth and reducing poverty.

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

## **More about additionality**

[Read how Norfund makes a difference](#)

The illustration below shows how Norfund works and how investments in 2020 contributed to creating jobs, increasing energy access and supply and strengthening financial inclusion. When Norfund is no longer considered additional, the investments are exited. The proceeds are then reinvested in new enterprises with greater need for risk capital. ([The exit from SN Power](#) released capital to be deployed in the years ahead, but the settlement and transfer of shares took place in January 2021 and does not appear in the financial statements for 2020).



## [Key Figures 2020](#)

### **Norfund strategy 2019–2022**

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

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

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

#### **Clean energy**



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

#### [Clean energy investments and results 2020](#)

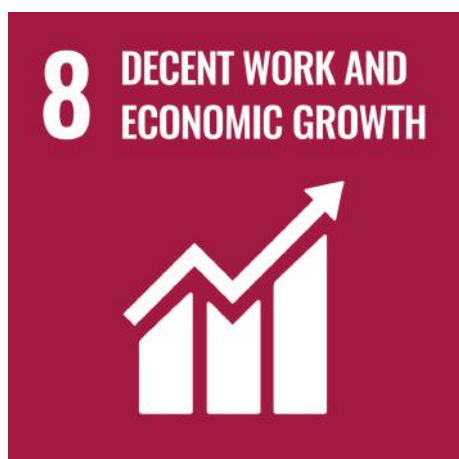
#### **Financial institutions**

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



#### [Financial institution investments and results 2020](#)

#### Scalable enterprises



- 50,000 jobs created through direct investments and funds
- 2 billion NOK increased total revenues due to realised growth
- Partnerships established with larger industrial actors

#### [Scalable enterprises investments and results 2020](#)

#### Green infrastructure

- 1 billion NOK invested in 6–10 investments in waste management, water and power networks/transmission



### [Green Infrastructures investments and results 2020](#)

#### **Key Performance Indicators**

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

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

### [Portfolio status in 2020 according to Key Performance Indicators](#)

#### **A responsible and active investor**

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

### [Norfund's new Environmental, Social and Governance policy](#)

If environmental and social risks are not addressed appropriately, harm can be caused both to people and to the environment. The management of environmental and social risks is therefore an integral part of Norfund's investment process. Norfund uses the Environmental and Social Sustainability Performance Standards of the World Bank's International Finance Corporation

(IFC). This framework covers eight standards that form the basis for our assessments and follow-up interventions.

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

[More about Norfund's business integrity policy and other governing documents at norfund.no](#)

## **Principles for Responsible Investments (PRI)**

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

## **Operating Principles for Impact Management**

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

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

[Norfund Disclosure Statement Operating Principles for Impact Management](#)

## A minority investor

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

### Strategic partners and co-investors

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

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

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

[Overview of Norfund partners at norfund.no](#)

### Responsible Tax Policy

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

In 2020 Norfund's investments in funds increased, and hence so did the use of third countries. Norfund is actively tracking and monitoring the use of third countries.

The policy shall be reviewed minimum every second year, with a view to remain consistent with evolving international standards and the best practice of multilateral and bilateral development finance institutions. It is thus due for a review in 2021.



## Business Support

The Norfund Business Support Programme is a tool to enhance the sustainability and capacity development of our investees (SDG 12-6). It is used by Norfund to support portfolio companies in the following areas:

- Enterprise improvement, climate and ESG: projects that aim to reinforce the climate and ESG standards, procedures and capacity of a company.
- Local community development: projects that consolidate local development effects in host communities by supporting a company's local community outreach efforts.
- Sector-related initiatives: projects that support an entire sector, for example E&S training for the banking sector in a particular country.

### [More about Norfund Business Support projects in 2020](#)

## The Project Development and Risk Mitigation Facility (PDRMF)

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

### **The facility has two purposes:**

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

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

### **Projects supported by the facility in 2020**

By the end of 2020, the PDRMF portfolio consisted of seven active projects, with a total value of

111.59 MNOK. In 2020, two new projects were committed under this facility:

- A foreign exchange guarantee to the Nordic Microfinance Initiative (NMI) for the benefit of NMI funds. This guarantee allows NMI to provide local currency to Microfinance Institutions making them able to provide microloans without taking on FX risk or transfer it to their borrowers.
- Investment in the Antler East Africa Fund. The fund invests in early stage and pre-seed entrepreneurs establishing businesses in East Africa.

## Organisation and team

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

### Investment expertise

In 2020, 62 out of 96 employees were working directly on investments, following the projects through all the phases of the investment process. This includes six dedicated personal dealing with Environmental and Social issues (E&S).

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



*Foto: Hanne Marie Lenth Solbø / Norfund*

## Country presence

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

[More about Norfund regional offices at Norfund.no](https://www.norfund.no)

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

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

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

The Legal department is responsible for legal and compliance issues.

## Working during the COVID-19 pandemic

In collaboration with the Working Environment Committee, Norfund Management has actively facilitated home offices and digital meeting places to maintain employee well-being and healthy working conditions during the pandemic.

[Investing in developing countries during COVID-19](#)

## Norfund Academy

As a result of the Norfund competence project that was run across the organisation during the fall of 2019, "Competence development", "Teams" and "Knowledge sharing" was identified as key

building blocks to improving the way we work. Subsequently, the Norfund Academy was established in order to strengthening those building blocks. During the spring of 2020, a Learning Management System was developed and implemented with an overall aim of driving the learning and training agenda in Norfund.

During the first year of operation, Norfund Academy hosted more than 100 training sessions, with external as well as internal content. The current course catalogue contains courses like New Joiner, Cyber Security, E&S training, Project Management, sessions for IT-systems in Norfund and courses arranged together with other European Development Finance Institutions.

Going forward the aim is to develop more content-related courses to strengthening the core competence in Norfund, including regular training on core operating procedures and the Norfund Investment Manual.

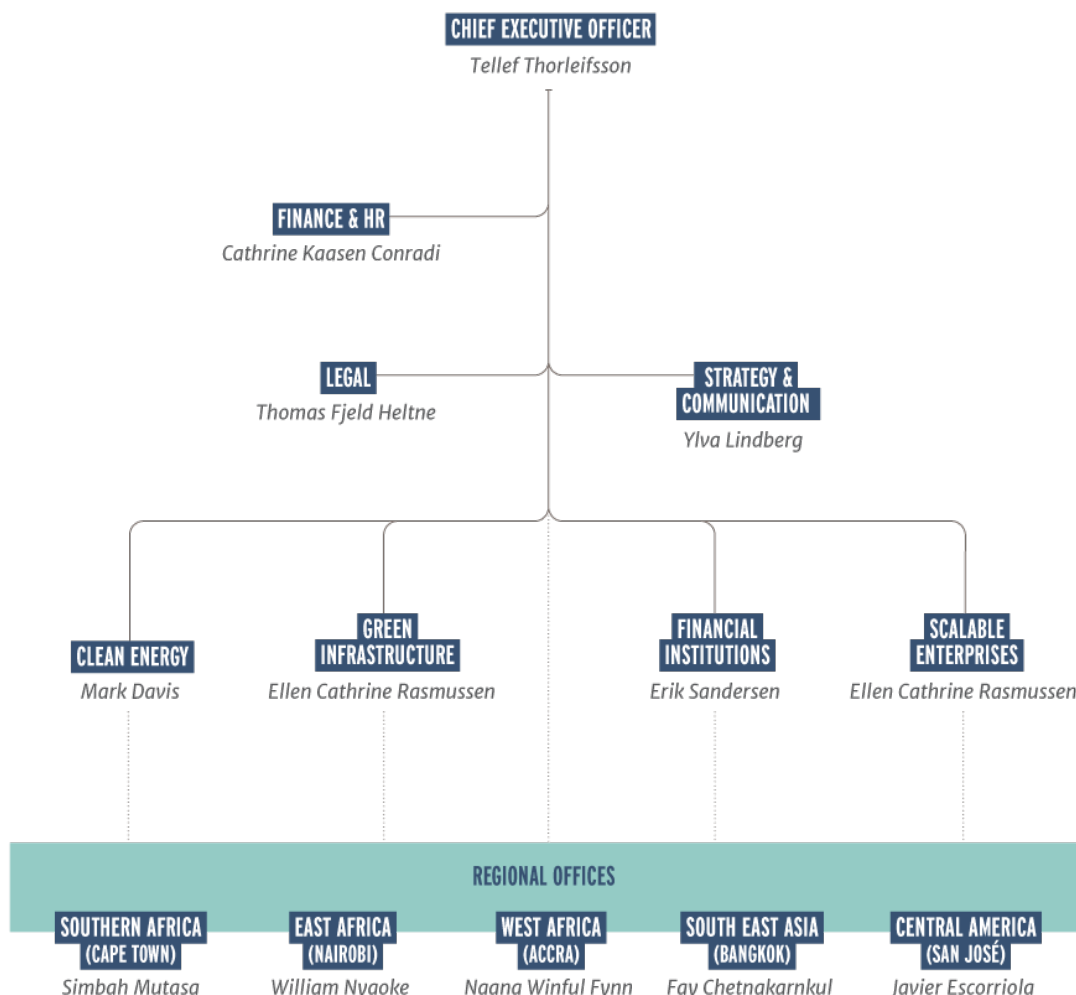
## Investment committee

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

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

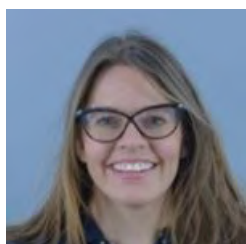
- Two external members: Per Aage Jacobsen and Kathryn Baker,
- Four management team members; Mark Davis, Erik Sandersen, Ellen Cathrine Rasmussen and Thomas Fjeld Heltne
- One ESG advisor; Karin Bianca Gullman.

## Management



**Tellef Thorleifsson**

Chief Executive Officer



**Cathrine Kaasen Conradi**

Chief Financial Risk Officer & Head of HR



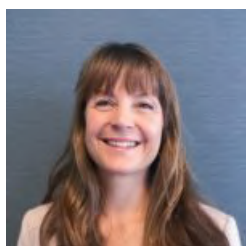
**Thomas Fjeld Heltne**

Executive Vice President, General Counsel



**Mark Davis**

Executive Vice President



**Ylva Lindberg**

Executive Vice President, Strategy & Communication



**Erik Sandersen**

Executive Vice President, Financial Institutions



**Ellen Cathrine Rasmussen**

Executive Vice President, Scalable Enterprises

## Board of Directors

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

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

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

In 2020, the Board held a total of 12 board meetings, of which 3 were extraordinary. The Board also travelled to Tanzania to visit a selection of Norfund's investments.



**Olaug Svarva**

Chair



**Finn Jebsen**

Director



**Martin Skancke**

Director



**Lasse David Nergaard**

Director (Employee Elected)





**Brit Rugland**

Director



**Tove Stuhr Sjøblom**

Director



**Vibeke Hammer Madsen**

Director



**Vidar Helgesen**

Director



**Marianne Halvorsen**

Director (Employee Elected)

# Additionality

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

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

The extent to which an action contributes to an outcome that would not have happened otherwise is often referred to as 'additionality'.

In 2020, Norfund's defined additionality framework was revised.

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

### Financially additional

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

### Value additional

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



## Ten ambitions on additionality

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

The framework was revised in 2020. Changes covered both inclusion of new and refinement of existing ambitions and indicators. The revised framework is applied to assess the additionality of all new investments from March 2021.

## Additionality informs our investment decisions

The framework informs our new investment decisions and the way in which we report on additionality. Each new investment is assessed against the ten ambitions, explained in the graph below, and is accompanied by a narrative description of additionality. In 2020, Norfund invested in 19 new companies and funds that were all assessed using the ten additionality ambitions.

Percentage of committed capital to new projects in 2020 meeting each additionality ambition. (Follow-on investments are not included)

NORFUND'S ADDITIONALITY AMBITIONS		% OF CAPITAL
Financial	Investing in the poorest countries	36%
	Investing in the most capital-constrained markets	90%
	Investing in the riskiest markets	89%
	Investing in the most difficult business environments	71%
	Investing in high-risk instruments	81%
	Contributing to starting new business activities	18%
	Mobilising private investors	61%
Value	Taking an active role in investments	77%
	Improving social and environmental performance	72%
	Supporting enterprise improvements	30%



## NEW CLIMATE POSITION

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

In September 2020, Norfund adopted a new climate position. The position describes the way in which Norfund works to limit and reduce greenhouse gas emissions, the way we handle climate-related risk and opportunity and the way we support businesses and communities that must adapt to a changing physical climate and to a low-carbon future.

**5.7 million**

tonnes CO2 emissions avoided by  
investments in total portfolio in 2020

**8 million**

tonnes CO2 emissions avoided  
annually by all greenfield renewable  
plants Norfund has supported since  
inception

Norfund contributes to avoiding emissions, mainly by investing in renewable energy. In 2020, our investments in clean energy contributed to avoiding 5.4 million tons of CO2 equivalents.

(Calculated using the harmonized IFI approach: «GHG Accounting for Grid Connected Renewable Energy projects» (2020))

However, our investments may also contribute to increased emissions, directly or through the supply chain.

Changes in climate expose our investments to increased physical climate risks - both acute (e.g. floods, droughts, cyclones) and chronic (e.g. changes in temperatures and weather patterns, sea-level rise) - that need to be assessed and managed. Transition risks resulting from political and technological changes to combat climate change may also affect the profitability and viability of our investments.

Our position builds on three pillars: resilience, reduction and risk, as illustrated in the diagram below.

## We build our climate position on three pillars



## Resilience

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

**Norfund's contribution:** The poor and vulnerable are the most affected by climate change. Norfund's priority to the Least Developed Countries (LDCs) and job creation helps make these groups more resilient to climate change.



[Business Support: Educating farmers in Nicaragua](#)

## Reduction

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

**Norfund's contribution:** By investing in renewable energy, Norfund helps avoid emissions and facilitates the transition to a low-carbon economy. We also enable access to clean energy. Having signed up to the [EDFI climate statement](#), Norfund will align all new investments with the objectives of the Paris Agreement by 2022 and transition the total investment portfolio to net zero GHG emissions by 2050 at the latest.

## **Risk**

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

**Norfund's contribution:** By assessing material climate risks (physical and transition) and opportunities for our investments, we help our investees succeed.

## **To deliver impact on each of these pillars we take four sets of strategic actions:**

### **1. We invest in climate solutions**

Clean Energy is Norfund's largest investment area, and over time, we invest at least half of the capital allocated by our owner in renewables. In the strategy period 2019–2022, our ambition is to develop 5,000 MW new capacity, of which 4,000 MW is renewable.

#### [More about Norfund's investments in Clean Energy in 2020](#)

We are also expanding into investments in waste management, water solutions and electric transmission and distribution. These investments will contribute to reduced emissions as well as improved climate resilience in our markets.

#### [More about Norfund's investments in Green Infrastructure](#)

### **2. We avoid fossil fuels**

We exclude investments in oil and coal. We also exclude investments in gas, except gas-fired power where it supports an energy transition aligned with the Paris Agreement. From 2030 new investments in gas-fired power will generally be excluded.

### **3. We integrate climate across investments**

We act as a responsible owner by building awareness and capacity in our investees to manage climate impact, reduce financial risk and seize climate-related business opportunities where relevant



#### **4. We build climate resilience**

We enable climate change adaptation for people and communities by investing in Least Developed Countries and Sub-Saharan Africa, which are the most vulnerable and least prepared to tackle the effects of climate change.

[Download the climate position \(pdf\)](#)

[The European Development Finance Institutions \(EDFI\) statement on climate](#)

## Gender equality

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

Norfund was one of the first development finance institutions to develop a Gender Strategy in 2016.

### A new gender position

In 2020, Norfund's new Gender Position was developed based on the previous strategy and consultations with internal and external stakeholders. Norfund reports annually on the Gender Position and the related action plan to the Board of Directors.

### **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

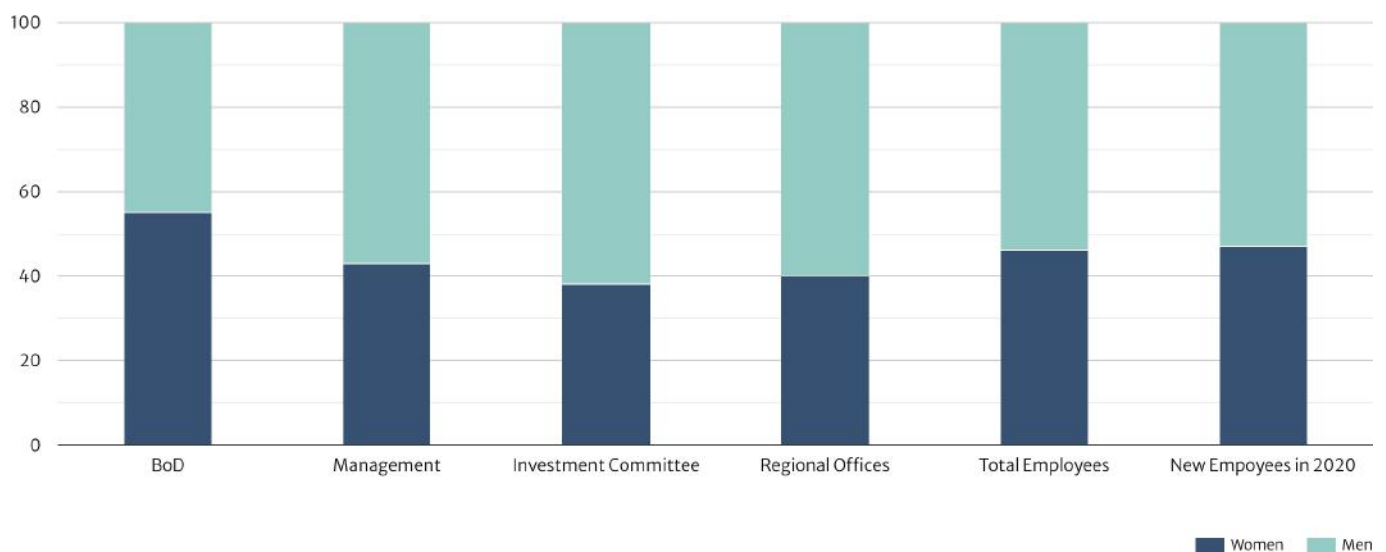


Marginpar, Kenya

## Gender balance in Norfund

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

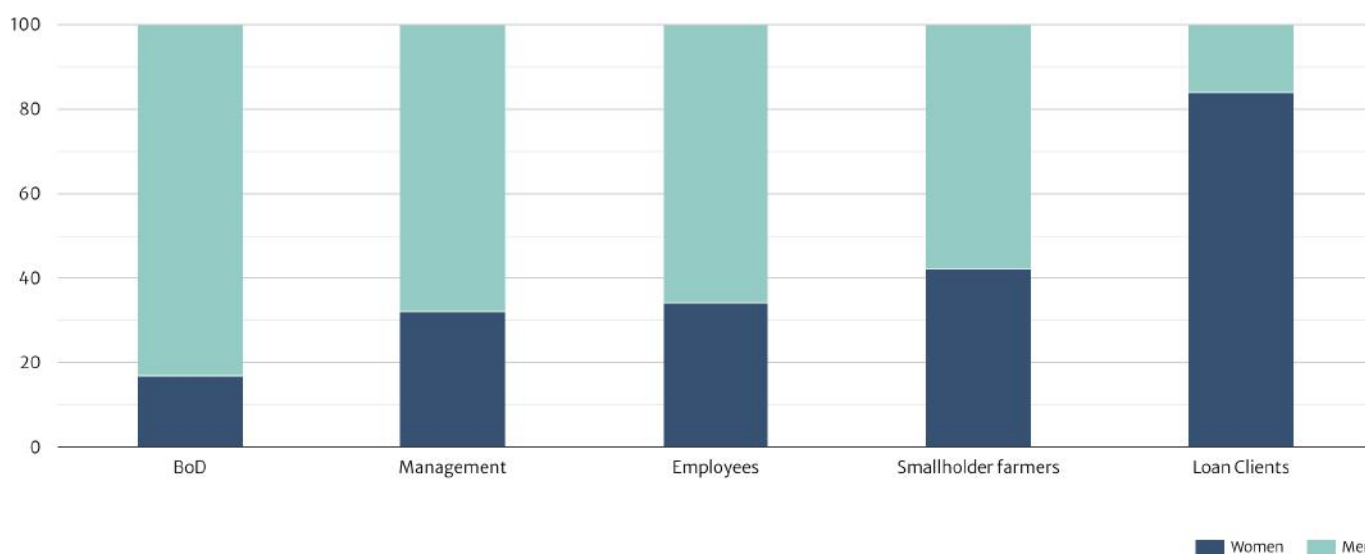
### Status 2020



## Gender balance in Norfund's portfolio companies

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

### Status 2020



## Disproportional impact of COVID-19 on women

Since the outbreak of the COVID-19 pandemic, the importance of promoting gender equality has increased. The pandemic has impacted women disproportionately, among others, through employment losses and decrease in labour force participation due to increased care burden (ILO).

In 2020, the number of direct jobs held by females decreased by 1 700 jobs, or 2 per cent, within the Norfund's portfolio companies (with two consecutive years of reporting)\*.

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

### [Investing during a pandemic](#)



*Equity bank agent, Kenya*

## Jobs indirectly supported through Norfund's portfolio companies

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

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

The model is applied on a subset of Norfund's active portfolio by end of 2020, direct or through funds, for which sufficient data are available.

## Jobs indirectly supported

**190000**  
jobs

held by women  
supported in supply  
chains

**160000**  
jobs

held by women  
supported through  
spending of wages

**840000**  
jobs

finance-enabled jobs  
held by women  
through loans from  
banks and other  
financial institutions

The subset covers 54 per cent of Norfund's portfolio companies, direct and through funds, or 87% of committed capital by end of 2020. Norfund uses ex-post estimations and figures are reported without attribution.

[New model estimates indirect job effects](#)

[More about job creation in Norfund](#)

More about Norfund's Gender Position and our work to promote gender equality  
[at www.norfund.no](http://www.norfund.no).

## Promoting gender equality through the Business Support Program

In 2020, Norfund approved two new [Business Support](#) projects focusing on gender equality.

### Gender empowerment as part of capacity development:

Over the next three years, Norfund will support the [ResponsAbility Technical Assistance Facility \(TAF\)](#) that is active mostly in Sub-Saharan Africa and in South and Southeast Asia. Through the TAF, the fund's early stage and portfolio companies are supported with advisory services, capacity development and exchange of best practices in the sector. Gender empowerment initiatives are supported as part of capacity development. Examples include setting up gender-smart policies, sales training targeting women and establishing HR policies that address gender equality.

### Training women in the local community:

The second Business Support project is run in partnership with [ENEL Green Power India](#), in which Norfund will support local community development surrounding a wind power project. As part of these initiatives, the focus is on women's empowerment by providing skills and leadership training.



[Gender Equality in Arnergy Solar](#)

## Gender Equality in Arnergy Solar

As an active owner, Norfund continuously learns how we can best support our investees in promoting gender equality. Norfund therefore recently spoke to Mariam Melchior, Chief Finance Officer (CFO) at Arnergy Solar Ltd, one of our portfolio companies in renewable energy.



### Arnergy and Norfund

- Arnergy Solar Ltd is a Nigerian-owned provider of solar systems (a start-up) that has built solar home systems for the residential and commercial sectors.
- In 2019, Norfund invested 2 million USD through the Project Development and Risk Mitigation Facility (PDRMF) to support Arnergy in a transition to focus on the SME segment across Nigeria.
- Norfund is providing the C-Suite with Business Support to co-fund management training in 2020 and 2021.



Mariam Melchior has been with Arnergy for just over a year. She has a background in the energy sector and started her career in a global oil trading company based in London. We spoke with her about the obstacles facing women wanting to work in the renewable energy sector and Norfund's role as investor.

## **Addressing Challenges**

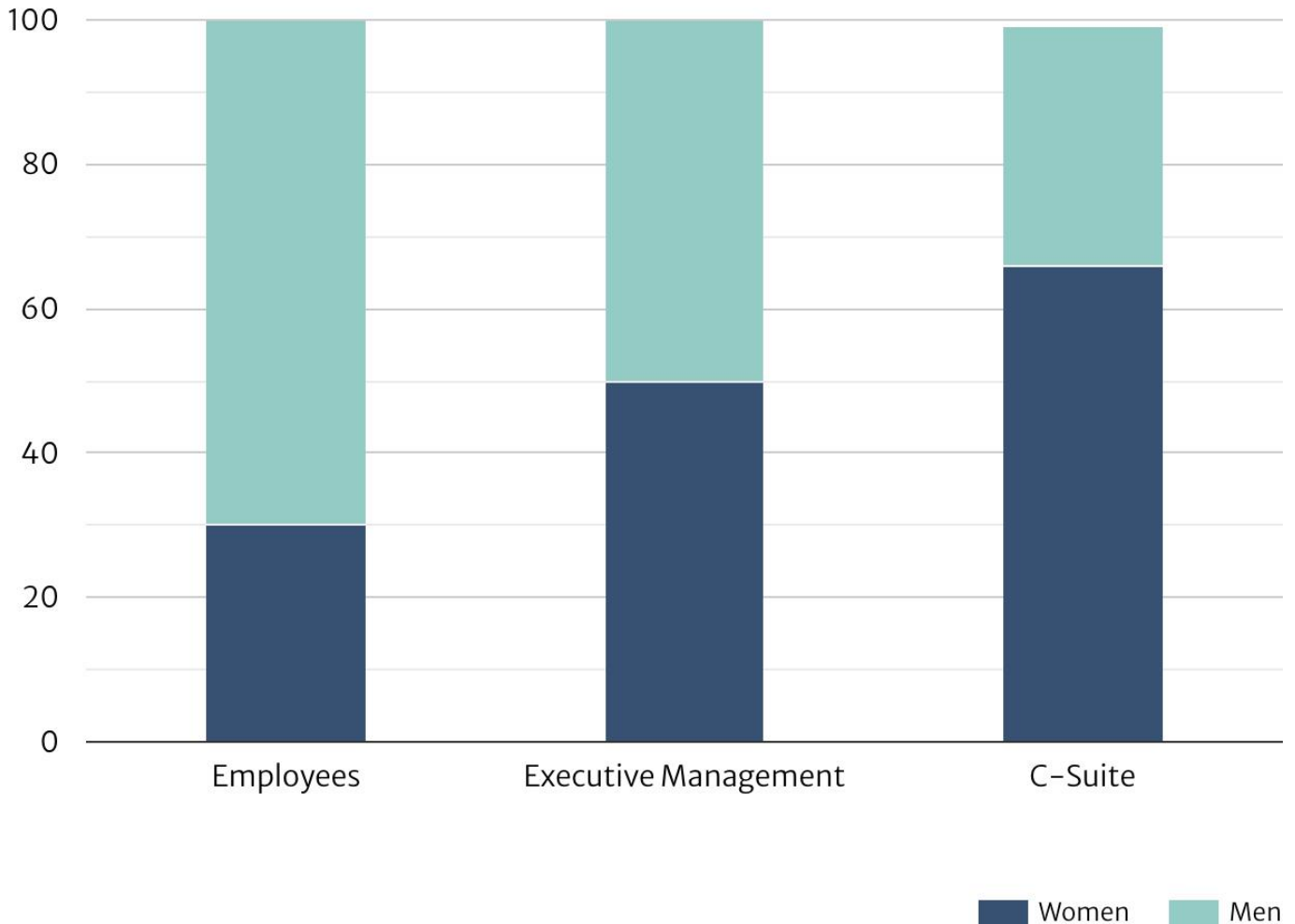
The energy sector is traditionally male dominated, which is true even in Norfund's clean energy portfolio. Despite this, Melchior believes that there is great potential for more diversity in the renewable energy sector, especially among young people. The key is being intentional.

When addressing how gender equality gaps can be overcome, Melchior highlights two important factors. The first is education, and importantly, equal access to education. However, even with equal access, there are challenges when entering the workforce - for example having a network. The second factor is female representation in a company, at all levels, together with mentorship from other women with a similar background. To overcome these obstacles, Melchior stresses the importance of buy-in at executive level, for example by using data and facts combined with passion for the sector and for change. Research shows that gender diversity brings both financial and non-financial value to a company.

*'Identify a business gender champion – a person who is passionate about it and can take the lead.' – Mariam Melchior*

Melchior also points to the fact that political decisions and the availability of childcare are vital to ensuring an environment in which equal opportunities can be achieved.

### Gender Equality in Arnergy



### Norfund as an Active Owner

The Norfund project team responsible for this investment indicates that, when addressing gender equality, it is important to reflect on what is possible given context and the company’s stage of development and capacity. For example, in Nigeria, diversity is more broadly defined to include all backgrounds.

At the time of investment, Arnergy was a start-up company which meant that Norfund was active and hands-on. One of the requirements Norfund and its co-investors set for this investment was to hire a VP HR and adopt an HR strategy to boost the human resource management in the company.

Norfund also had a say in the hiring of an external board member and CFO. Norfund actively

compelled the company to hire a woman as external board member and required that female candidates be included in the hiring process of the CFO, conducted by an executive search firm and Mariam Melchior was hired.

*'Norfund should continue to do what you have done all along, continue to be intentional.'* – Mariam Melchior

## New ESG policy

### **High Environmental, Social and Governance standards are prerequisites for succeeding in delivering on Norfund's mandate.**

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

<https://www.youtube.com/watch?v=4vd9Y9F6MVY>

### **New ESG Policy**

A new ESG policy was approved by Norfund's Board of Directors in 2020. The policy describes our sustainability commitments and outlines the main standards we use in our work.

The new policy has a more detailed description of the following two components: how we work to identify, assess and manage the environmental and social risks associated with the operations of our clients, and the [cross-cutting issues](#) that guide our work.

[Download ESG policy](#)

### **Integrating ESG into the project cycle**

Environmental and social risk management is an integrated part of Norfund's project cycle. The ESG policy explains how we work to:

- incorporate appraisal of environmental and social risks into our analysis and decision-making processes
- require the companies we invest in to adhere to high standards
- monitor and promote environmental and social performance throughout our investment period
- improve capacity and competence
- promote transparency and disclosure of performance

One of the ways Norfund helps firms to achieve best practice standards is through [our ESG workshop programme](#), which provides hands-on support and practical advice.



[Business support: Strengthening ESG competence](#)

## The standards we use:

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

Norfund is a signatory to the UN Principles for Responsible Investment.<sup>1</sup> Norfund is further committed to:

- The Harmonized EDFI Exclusion List<sup>2</sup>
- EDFI Principles for Responsible Financing<sup>3</sup>
- The Corporate Governance Development Framework<sup>4</sup>



## IFC PERFORMANCE STANDARDS

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

## **Business Support**

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

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

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

**More information on Business Support facility**  
[at www.norfund.no](http://www.norfund.no)

### **Business Support projects in 2020**

In 2020, Norfund received NOK 25 million from the Norwegian MFA to provide technical assistance to our portfolio companies. Throughout the year, the Business Support portfolio consisted of 40 active projects, totalling a committed amount of NOK 47 million. Thirteen of these were new projects to which a total amount of NOK 16.7 million was committed.

Typical areas in the 2020 projects were capacity development and ESG improvement, as well as a dedicated programme on ESG training for fund managers.



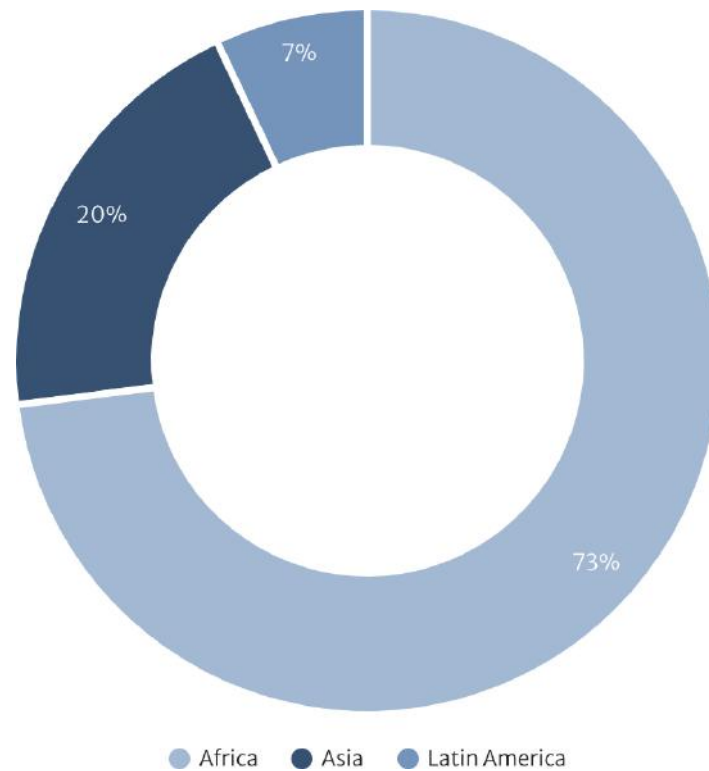
## **COVID-19 related projects**

In 2020, responding to COVID-19-related challenges was crucial, and Norfund committed NOK 4.2 million to four COVID-19 related Business Support projects to help companies overcome the crisis. In this context, EDFI collaboration was increased as a way of aligning DFIs on new requests for technical assistance/support related for COVID-19 challenges in our investees. To address and respond adequately to these requests, European DFIs established the 'TA COVID-19 principles' which we adhered to.

## **Business Support projects per region in 2020**

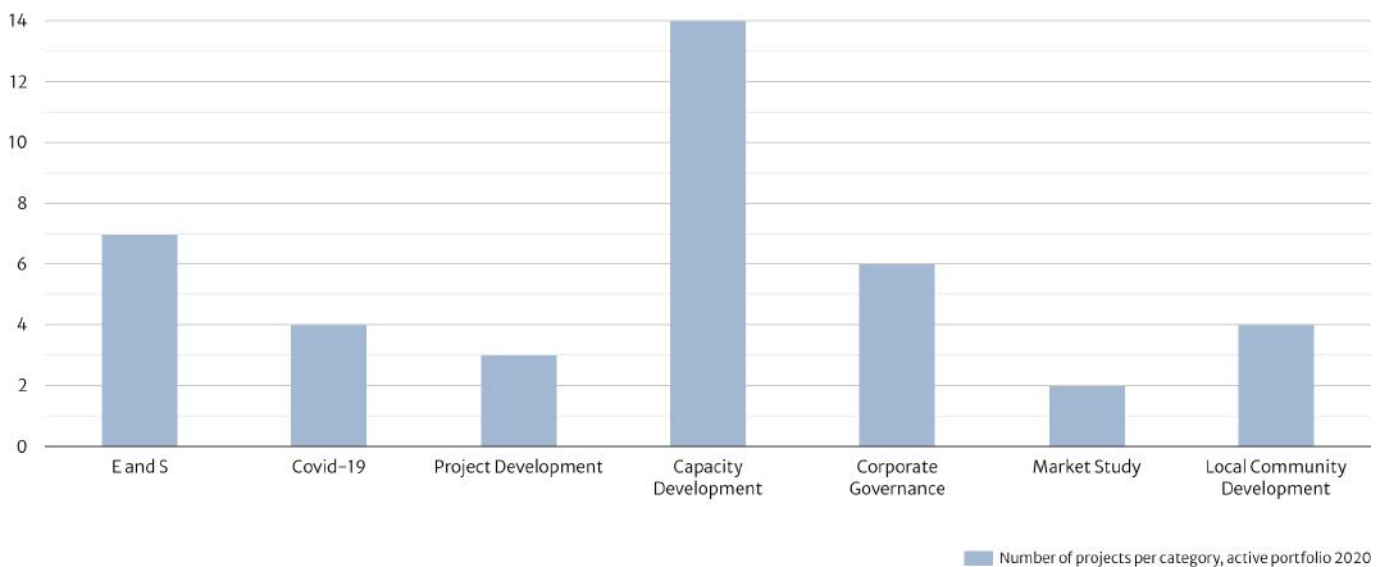
The largest share of new projects approved in 2020 focused on Sub-Saharan Africa. In comparison with 2019, there was an increase in the number of projects in this region. In addition, there has been an increase in the number of projects in Asia, from 10% in 2019 to 20% in 2020.





## Areas of support in 2020

The largest share of active Business Support projects was in capacity development, including support to the Technical Assistance Facilities of some of our fund managers. The other main areas were projects that focused on E&S initiatives and projects within Corporate Governance.



## Four cases examined closer



[Business Support: Emergency grant for vaccine delivery](#)



[Business support: Strengthening ESG competence](#)



[Business Support: Educating farmers in Nicaragua](#)



[Business Support: Banking in Bangladesh](#)

## Business support: Strengthening ESG competence

Improving the environmental, social and governance (ESG) performance of our investee companies is critical to Norfund's sustainability ambitions.



High ESG standards are important for mitigating risk, as well as for identifying and maximising opportunities that add value to businesses.

One of the ways Norfund helps firms to achieve best practice standards is through a ESG workshop programme, which provides hands-on support and practical advice.

CDC started organising these workshops in 2010, and Norfund has been a partner and provided financial support since 2017 .

## The project: Funding workshops to improve ESG performance

- Region: Global, mainly Africa
- Norfund contribution in 2020: NOK 852 000

The objective is to train the private equity fund managers on how to contribute to good ESG performance within their portfolio companies and to use their position as leading investors to share experiences and good practice. The workshop programme has become the largest of its kind in emerging markets, reaching a significant proportion of the private equity industry in the areas where CDC and Norfund invest, particularly in Africa.

While the initial focus of these workshops was centred on fund managers, companies in which Norfund invests directly are also able to participate. The inclusion of portfolio companies has brought diverse experiences and points of view to the table, which has led to dynamic and productive discussions. The workshops use a strong 'learning by sharing' approach which builds on shared experiences and uses examples from participants. Most of the participating companies have a small ESG team of one or two people, and it is useful for the participants to learn how similar challenges are addressed by other companies.

*'We really used this training to set up a template for how to look at environmental and social considerations during screening and due diligence, and also when we're monitoring investments.'*

*Marieke Geurts, Investment Director at Ascent.*

## **Online training due to COVID-19**

As a consequence of COVID-19, CDC and Norfund have moved these workshops online to a virtual training programme that retains as much of the interactivity and implementation-focused learning experience as possible. Sessions are now also exploring how COVID-19 affects the ESG and business integrity investment process of fund managers. For portfolio companies, the training focuses on using the ESG management system as an essential tool for navigating changing social and environmental dynamics during the pandemic.

## **The role of Norfund's Business Support**

Through Business Support, Norfund provides ESG workshops in collaboration with CDC and Agri-Vie, which are open and free of charge to all relevant personnel in our portfolio companies. CDC started organising ESG workshops in 2010 and Norfund has been a partner and provided financial support since 2017.

## Business Support: Banking in Bangladesh

In Bangladesh, Norfund supports corporate governance to make Mutual Trust Bank a market leader, which facilitates economic growth and job creation.



Mutual Trust Bank (MTB) is a private commercial bank in Bangladesh that has a clear Small and Medium-Sized Enterprise (SME) strategy and focus on Green Financing. Providing finance to SMEs is an important growth driver to the Bangladeshi economy and a significant creator of jobs.

## **The project: Improving the effectiveness of Mutual Trust Bank**

- Country: Bangladesh
- Norfund contribution: NOK 251 000

The aim of the project was to identify areas of improvement by considering international best practices (IFC standards), but also local laws, Bangladeshi bank rules and regulations.

Norfund co-funded the project which allowed for hiring an external consultant to carry out a review of the effectiveness of MTB's corporate governance. The consultant conducted document reviews, interviews with selected members of the bank's management team and the Board and performed additional analysis.

Based on this, the consultant presented recommendations to the MTB Board and developed an implementation plan focusing on commitment to good corporate governance. The Board concluded that they would seek to implement these recommendations.

**The outcome of the Norfund Business Support co-funded governance project has been valuable for MTB. There is a consensus in the board that the expectation that Norfund becoming an investor would add value to MTB has already been borne out.**

*Mr Syed Manzur Elahi, Founding Chairman, Mutual Trust Bank*

As MTB has moved into the implementation phase of their corporate governance review; this project is expected to lead to more efficient decision-making, improve transparency and will contribute to making the bank a market leader in the country.

## **The role of Norfund's Business Support**

In 2018, Norfund provided the bank with a loan and in 2019 Norfund became an equity investor. During Norfund's research of MTB, Norfund's identified corporate governance as an area of improvement. As a result of this assessment, the MTB Board decided to perform a corporate governance assessment and Norfund was asked to co-fund the project.

[Read more about Norfund's partnership with the MTB at \*\*Norfund.no\*\*](#)



# Business Support: Emergency grant for vaccine delivery

Securing distribution of medicine during the pandemic.



*Freight in Time truck delivering goods*

Freight in Time (FiT) is a supply chain logistics provider in East Africa, covering Kenya, Rwanda, Uganda and Tanzania. The company operates within the areas of perishables, pharmaceutical and healthcare, telecommunication and ICT and humanitarian relief. With Norfund's investment in 2015, FiT expanded their supply chain logistics focusing on temperature-controlled warehousing and distribution for third parties, an area which is underserved in East Africa.

## The project: Freight in Time last-mile delivery

- Region: East Africa
- Norfund contribution: NOK 1 051 000

The overall goal of the last-mile delivery project is to contribute to increased immunisation coverage by ensuring equitable distribution of sufficient quantities of potent vaccines from the nominated district vaccines store to health facilities using global best practice standards.

With funding from GAVI, the Vaccine Alliance and Global Fund, Freight in Time has, in recent years, been implementing a solution that has revolutionised cold-chain last-mile delivery of vaccines in three districts in Uganda, serving about 10 percent of the total population. Their solution has guaranteed last-mile delivery of vaccines to all health facilities in these regions.

## **The role of Norfund's Business Support**

A phased expansion throughout the country was planned to start in July 2020. However, the roll-out was interrupted by the global COVID-19 pandemic.

To secure this last-mile vaccine delivery, Norfund provided an emergency grant of USD 100,000 through its Business Support facility. GAVI and the UPS Foundation contributed financially, too.

The supplementary bridge funding from July to December 2020 allowed for continued service delivery of medicines and vaccines in the three districts in Uganda, ensuring life-saving services throughout the pandemic. All three districts have reported substantially improved product availability at point of service, reduced wastage and significant reduction in stock-outs at facilities.

**'FiT has created a reliable and secure distribution system that has earned facilities trust from the districts. Facilities no longer have to hoard products in anticipation of shortages at district level.'**

*Sr. Betty, Assistant District Health Officer, Wakiso District*

The financial support also created time for the National Medicine Store Uganda (NMS) to strategise on a national roll-out for a robust vaccine and cold-chain distribution system, while sustaining the achievements in the three pilot districts.

[Read more about Freight in Time at Norfund.no](#)

# Business Support: Educating farmers in Nicaragua

## Climate change and sustainable farming

Financiera Fondo de Desarrollo Local (FDL) is a leading microfinance institution in Nicaragua whose purpose is to offer financial products that contribute to the national development of the country.

### The project: Expanding farmers' education in climate change resilience

- Country: Nicaragua
- Norfund contribution: NOK 1 090 000

A large percentage of FDL's customers are farmers. To improve the productivity of the farmers and their control of agricultural diseases and to incorporate adaptation to climate change and sustainable environmental practices, FDL has set up a Farmers Advisory Service for its coffee, agriculture and cattle farmers.

The FDL Farmer Advisory Service is run by Nitlapan, a local research and development organisation. Through this partnership, FDL is able to offer technical assistance to its clients in two areas:

- 1. Promotion of financial sustainability through sharing of knowledge and technologies in dealing with e.g. disease, pest management and fertilisation. Advice is also provided in other areas that might be of economic importance to the client.
- 2. Promotion of a coherent environmental approach to mitigate the effects of climate change. This includes promoting technologies to improve environmental standards such as water management, solid waste systems and product diversification.

As part of these services, FDL has also, in partnership with the International Finance Corporation

(IFC), started to implement a call centre service and technology application through mobile applications online and radio podcasts.

On average, the advisory service consists of three technical visits, three visits to model farms and four technical assistance calls per farmer. An example of the areas in which advice is given is water supply and how water can be harvested.

Results from the previous seven years of service show that clients have reduced risk of loss, have more sustainable operations and have thereby improved credit risk.

[Read more about Norfund's partnership with FDL at Norfund.no](https://www.norfund.no)



## **The role of Norfund's Business Support**

Norfund has been a shareholder in FDL since 2016. To contribute to scaling up the Farmers Advisory Service, Norfund decided to cover 20 percent of the total project costs in 2020 and 2021. This means that FDL can afford to provide advisory services to more clients and increase its outreach despite the pandemic. In 2020, FDL conducted 8,471 visits to 2,823 farmers. From January to October 2020, more than 30 percent of clients visited have diversified their crops with the aim of adapting to climate change.



Annual report  
2020



# Board of Directors' report

After many years of steadily decreasing world poverty, this positive trend came to an abrupt halt in 2020. The COVID-19 pandemic hit developing countries hard, not least economically. While global direct investment in developing countries fell by 12% in 2020 as a result of the pandemic<sup>1</sup>, Norfund's investment increased by 20% compared with the previous year to a record high NOK 4.8 billion. Norfund has thereby demonstrated its ability to maintain a high investment level and contribute to economic development in a demanding situation, and to help companies in its portfolio to stay afloat through the pandemic. An agreement for the sale of SN Power was also concluded in 2020. This means some NOK 10 billion will be released for reinvestment in new development-promoting activities in the years ahead.

## 1. Norfund and its mandate

Norfund was founded by the Storting (Norwegian parliament) in 1997. Its mission is to contribute to the development of sustainable business and industry in developing countries by providing equity capital and other risk capital and by furnishing loans and guarantees. The aim is to establish viable, profitable activities that would not otherwise be initiated because of the high risk involved.

Norfund's investments make a direct contribution to the achievement of the UN sustainable development goals – especially the goals of eradicating poverty, achieving sustainable economic growth, gender equality, access to energy, industry, innovation and infrastructure and climate action. The development effects are measured annually, and the results for 2020 are published in the *Report on Operations 2020*.

Norfund has four investment areas, with **Clean Energy** accounting for almost half of its portfolio. **Financial Institutions** covers investment in banks, microfinance, insurance and other financial institutions. The area **Scalable Enterprises** is concerned with investment in the agricultural value chain, manufacturing industry and private equity funds. Through its new investment area, **Green Infrastructure**, Norfund will also be investing in water and waste management, but as yet no investments have been made. Each of the four investment areas has set ambitions that contribute directly and in a measurable way to the achievement of the UN Sustainable Development Goals.

Norfund receives annual capital allocations from the Norwegian government amounting in 2020 to NOK 1 820 million. Norfund was additionally allocated NOK 25 million in fresh capital for a

Project Development and Risk Mitigation facility and NOK 25 million for its Business Support Programme. As of 31 December 2020, Norfund's committed portfolio amounted to NOK 28.4 billion.

The fund's investment is intended to be additional; in other words, the Fund supplies capital and expertise that enterprises would otherwise have difficulty in accessing. The Fund is also intended to mobilise capital from other investors, both in Norway and abroad.

Most countries in which Norfund invests hold little attraction for international investors because the risk associated is considered too high. Norfund's expertise, willingness and ability to manage high risk is therefore important for success in these countries.

Developing countries are dependent on access to more energy to enable them to eradicate poverty, so half of the capital allocated to Norfund over time is to be invested in renewable energy. After building up SN Power as a leading hydropower company in developing countries, Norfund sold SN Power to Scatec for NOK 10.9 billion in October 2020. As part of the transaction, Norfund retains its investments in Zambia and Panama, and a joint venture is being established for other activities in Africa, with Scatec owning 51% and Norfund 49% of the shares.

The facilities that were owned by SN Power now produce power equivalent to the electricity consumption of 7 million people, and avoid 3 million tons of greenhouse gas emissions annually. The exit is an example of Norfund's efforts to be a predictable, long-term investor that does not retain ownership for longer than necessary. Norfund creates the greatest development effects by ensuring that its capital is constantly deployed where it contributes most.

## **1.2. Developments in Norfund's markets**

The global economy and Norfund's markets were severely impacted by the economic slowdown due to the COVID-19 pandemic. The World Bank<sup>2</sup> indicates negative global economic growth of -4.3 per cent in 2020.

Latin America was among the Norfund markets that were hardest hit, with an estimated fall in GDP of -6.9 per cent in 2020. Women, young people and low-income households were hit particularly hard, as they are disproportionately represented in lines of business where most jobs were lost. The outlook for 2021 is brighter. According to the World Bank, most of Norfund's prioritised countries in the region, with the exception of Nicaragua, can expect growth of 2.6 to 5.1 per cent.

COVID-19 has also set its stamp on economic growth in Sub-Saharan Africa. Whereas large economies such as Nigeria and South Africa experienced significant negative growth of -4.1 per cent and -7.8 per cent in 2020, several smaller economies such as Ethiopia and Côte d'Ivoire maintained positive growth in 2020. However, this part of the world has a rapidly growing population, and per capita income fell for the region as a whole. The economic slowdown could potentially drive tens of millions of people into extreme poverty. According to the World Bank, most countries in the region can expect growth of 3–4 per cent in 2021.

Norfund's core markets in Asia are also affected by COVID-19. Some countries experienced a fall in output in 2020, with the Philippines at the forefront (estimated at -8.1% of GDP), while countries such as Myanmar, Vietnam and Bangladesh got through the year with weak positive growth.

[2] World Bank Global Economic Prospects, January 2021

## 2. Investments and results in 2020

### 2.1. Investments in 2020

Norfund's investment level in 2020 was historically high in terms of both the total committed amount of NOK 4.8 billion and the number of investments. Investments were broadly distributed within Norfund's investment areas, with Clean Energy accounting for the largest portion, at NOK 1.65 billion. Financial Institutions accounted for NOK 1.35 billion and NOK 1.2 billion was invested via funds. NOK 670 million was invested in the area Scalable Enterprises in the manufacturing and agricultural value chains. In 2020, investments in the Least Developed Countries (LDCs) accounted for 31% of new commitments. At portfolio level, 39 per cent is now invested in these countries. Sub-Saharan Africa received 51 per cent of new investments, while 54 per cent of the whole portfolio is invested in this region. Norfund's portfolio is therefore well within the key indicators stipulated by the Board that at least 33 per cent of the portfolio must be in LDCs and 50 per cent must be in Sub-Saharan Africa.

As a consequence of the pandemic and subsequent reticence of market lenders, Norfund capital has been sorely needed. The Fund made COVID-19-related investments amounting to over NOK 800 million in 2020. This includes Norfund's contribution to an earmarked COVID-19 loan facility for developing countries of EUR 280 million which was established through the co-financing mechanism European Financing Partners (EFP) and the European Investment Bank (EIB).

## 2.2. Review of the financial statements

The financial statements for 2020 show a negative loss after tax of NOK 128 million. The negative result is due to larger write-downs on the investment portfolio than in previous years, mainly due to the impact of COVID-19 in Norfund's markets. The pandemic has affected results in 2020 both through write-down of values in the existing portfolio but also in the form of lower dividends and realisation of equity instruments and funds. Turbulence in the foreign exchange market through the early phase of the pandemic and subsequent strengthening of the Norwegian krone against our investment currencies also resulted in substantial foreign exchange losses.

In 2020, Norfund's portfolio delivered an estimated internal rate of return (IRR), of -0.1% measured in investment currencies and -3.6% measured in NOK. Since its inception, the portfolio has had an IRR of 5.2% measured in investment currencies and 7.7% measured in NOK, and the portfolio has thus exhibited solid profitability over time.

Norfund's overall balance at the end of 2020 was NOK 25 billion. This is an increase of NOK 1.8 billion from 31 December 2019, the same allocation from the Owner as in 2020. New commitments have gone to equity investments, funds and loans, despite substantial write-downs. The net asset value, based on estimated market values in Norfund's portfolio, is NOK 31.7 billion.

At the end of 2020, Norfund had outstanding, unpaid commitments totalling NOK 5.7 billion. Cash holdings at the same time were NOK 2.9 billion, in addition to current assets of NOK 884 million. Although the outstanding commitments are higher than the cash holdings, the Board regards liquidity as sound and confirms that the going concern assumption applies. In 2020, Norfund entered into an agreement to sell SN Power to Scatec Solar (see section 1). The purchase sum for the shares was estimated at USD 966 million in cash and USD 200 million as a seller's credit. The agreement was concluded in 2020 and financial risk was transferred to Scatec with effect from 31 December 2020. Settlement and transfer of shares took place in January 2021, and the realised gain - estimated at NOK 6 billion - will therefore be recorded in 2021. The transaction therefore does not appear in the financial statements for 2020. Norfund is now preparing a strategy for reinvesting the capital from the exit from SN Power where it is most needed to combat poverty and promote sustainable economic development. In 2020, Norfund also exited from three funds and four loans were repaid in their entirety.

In the opinion of the Board of Directors, the financial statements for 2020 provide a true and fair view of Norfund's financial position.

## **3. Organisation, environment and corporate social responsibility**

### **3.1. Corporate governance**

The General Meeting is Norfund's supreme body, and Norfund's corporate governance is exercised through Articles of Association adopted by the General Meeting. The Norwegian Ministry of Foreign Affairs receives quarterly reports, and regular meetings are held throughout the year. Norfund's Board of Directors is elected by the General Meeting, and two members are elected by and from among Norfund employees. The Board consists of nine members. In 2020, the Board held a total of 12 board meetings, of which three were extraordinary. The Board also travelled to Tanzania to visit a selection of Norfund's investments.

2020 was a demanding year. Managing and following up the fraud case (see 3.2), reinforcing Norfund's risk management and internal control, following up Norfund's handling of COVID-19 and the exit from SN Power were particularly important cases for the Board.

Norfund has a framework of governing documents ranging from acts and statutes, via guidelines for important areas, to procedures for the conduct and follow-up of investment activities. The structure is geared to Norfund's activities. It is constantly developing and makes measurement and verification possible. The Investment Committee considers investment proposals and contributes to quality assurance. The committee consists of eight persons, two of whom are external, and is authorised to approve individual investments in the range USD 4–15 million. The Investment Committee also makes recommendations about investments in excess of USD 15 million, but these are approved by the Board. Investments of less than USD 4 million are considered and approved by the administration.

Norfund invests in high risk markets. This risk is mitigated by thorough analyses and investigation in the investment phase of commercial, financial, legal and environmental, social and governance (ESG) factors. During Norfund's ownership period, assessments of the risk in each investment are carried out twice annually, and risk-mitigating measures are implemented as needed.

### **3.2. Fortifying risk management and internal control**

In the spring of 2020, Norfund was to the victim of a serious IT-related fraud and defrauded of USD 10 million. A number of measures were implemented immediately to strengthen IT security and risk management, and Norfund had PwC conduct an independent review of the incident. The

review showed that a chain of factors combined to make Norfund vulnerable to fraud. Norfund accordingly made concerted efforts to close the gap and strengthen the organisation's security and expertise.

In December, the Office of the Auditor General published its report *Revisjonens kontroll med forvaltningen av statens interesser i selskaper – 2019* [Monitoring of the administration of state interests in companies – 2019] in which they concluded that Norfund had underestimated data security as a risk, did not have adequate follow-up of the supplier of ICT services, and that the implementation of decisions taken in previous years to strengthen data security took too long. This was consistent with Norfund's own evaluation and the findings in the PwC report, and the report provided a good basis for the Fund's continuing work to strengthen IT security.

Norfund has implemented a number of measures, both before and after the Auditor General's review, to strengthen the organisation's IT security. The Board has boosted risk management by appointing a risk and audit committee consisting of three Board members, engaged EY as external internal auditor and established a separate Enterprise Risk Management position.

### 3.3. Personnel, organisation and gender equality

Norfund has guidelines for recruitment, competencies and gender equality and procedures for employee follow-up and remuneration. Targeted recruitment takes place to enhance the organisation's ability to deliver on Norfund's strategy, and there is continuous work to build and develop employee competencies internally. As Norfund's portfolio grows, so also does the need to strengthen several parts of the organisation, including Environmental, Social and Governance (ESG) work. Three new permanent ESG positions were established in 2020: one in Oslo, one in Nairobi and one in Costa Rica. The work of further developing financial reporting and internal control continued in 2020, and an internal IT department was established.

In 2020, Norfund's staff consisted of 94 full-time equivalents. As of 31 December 2020, Norfund had 96 employees, 41 of them with backgrounds from countries other than Norway. Norfund currently has five regional offices: in Accra, Cape Town and Nairobi in Africa, Bangkok in Asia, and San José in Central America. In 2020, 30 of the employees were working at regional offices. Where possible, personnel for regional offices are recruited from the countries in which Norfund is investing.

Diversity and equal opportunities are important, both in the organisation itself and in the companies in which Norfund invests. This is described in the *Gender Position Paper* and in the

annual *Report on Operations*, both available on Norfund's website. In an international operation like Norfund, diversity of gender, nationality, age, background and competencies is vital for ensuring that the company makes good decisions. At the 2020 annual wage settlement, Norfund's focus was on evening out any differences in pay for comparable positions. Planned for 2021 is an analysis of the wage gap between men and women for comparable positions, and an external review across staff functions.

**Table 1 Gender balance in different position categories**

Norfund	Women	Men
Board of Directors	55%	45%
Management team	43%	57%
Head of regional office	40%	60%
New employees	47%	53%

In 2020, Norfund continued the intern programme that was established in 2019, and four students/newly qualified persons were engaged in different departments to enhance diversity, profile Norfund as an attractive workplace and challenge managers and other company employees. Among other things, this involved a reverse mentor scheme, where the four interns mentored members of the management group.

Norfund's management, together with the Working Environment Committee and Social Affairs Committee, has supported the establishment of home offices, digital meeting places and social arrangements to maintain the employees' health, well-being and work motivation during the pandemic. The internal training platform Norfund Academy was established in 2020 to strengthen skills development. The capacity to adjust demonstrated by the organisation during this period has been impressive, as has its ability to maintain a high pace of work.

Sickness absence in 2020 amounted to 2.3 per cent of total working hours. This is 0.3 percentage point higher than in 2019. The Board of Directors does not find it necessary to implement any 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.

**Table 2 Temporary employees, parental leave and voluntary part-time work for Oslo employees**

Temporary employees as a percentage of all employees [3]		Parental leave, average number of weeks		Part-time as a percentage of all employees [4]	
Men	Women	Men	Women	Men	Women
8%	5%	6.2	13.8	0%	3%

[3] Four temporary employees, two men and two women, are participating in an intern programme. In addition, some resources were hired as substitutes for personnel on leave or for temporary projects/periods with an increased amount of work. [1] No non-voluntary part-time

[4] No non-voluntary part-time

### 3.4. Corporate social responsibility

Social responsibility lies at the heart of Norfund's activities and is discharged through requirements set for both Norfund's own activities and those of the companies in the portfolio. The cross-cutting considerations of Norwegian development policy – human rights, gender equality, anti-corruption, climate and environment – all form part of these efforts.

In 2020, Norfund adopted a new climate position, which entails our contributing to reducing greenhouse gas emissions, managing climate risk in our portfolio and promoting climate resilience in our markets. In practice this means: i) increasing investment in climate solutions, in particular renewable energy ii) excluding direct investment in fossil fuels except gas-fired power where this supports an energy transition aligned with the Paris agreement, iii) mapping and managing climate risk in all new investments and iv) continuing to prioritise the Least Developed Countries and Africa, which are expected to be hardest hit by climate change. In its work on the position, the Fund has drawn on analyses of climate-related work by other development finance institutions and investment funds, relevant guidelines and legislation, such as the Report on Diverse and Value-creating Ownership, Task Force on Climate-related Financial Disclosures (TCFD) and Principles for Responsible Investment (PRI) and discussions with experts and environmental organisations. In 2020, Norfund analysed, for the first time, the climate effect of the Fund's total investments in building and expansion of renewable energy, including investments from which the Fund has exited. The analysis shows that the investments avoid 8 million tons annually of emissions – equivalent to a sixth of Norway's annual emissions.



As a small, knowledge-based enterprise, Norfund has limited direct environmental impact, associated largely with air travel which is necessary for business operations. Norfund has been shifting over time to increased use of digital meetings rather than travel, where this serves the purpose. The amount of air travel in 2020 was very limited because of travel restrictions.

Norfund's Board of Directors adopted a new ESG policy in 2020 and Norfund works systematically with ESG throughout the investment process. The IFC Performance Standards for Environmental and Social Sustainability provide the basis for our assessments. The IFC standards are tailored to Norfund's activities. This approach contributes to meeting the government's expectations of responsible business conduct described in Meld. St. 8 (2019–2020) Report to the Storting (white paper) including the expectation of conducting due diligence to avoid harm to society, people and the environment described in the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights (UNGP).

Good working conditions are a fundamental objective. Norfund monitors 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. Sadly, in 2020 there were six deaths related to Norfund's direct investments, five of them a result of traffic accidents. These incidents are reported to the Board, and in special cases also to Norfund's owner, the Ministry of Foreign Affairs. Information about any project-related fatalities in Norfund's indirect investments is collected and reported annually. Norfund follows up fatalities associated with operations in our direct 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.

In 2020, Norfund's Board adopted a revised Business Integrity Policy which sets out requirements and expectations of employees, partners and portfolio companies in a number of areas, including zero tolerance for corruption, money laundering and financing of terrorism. Systems have also been established for dealing with matters that are not in line with Norfund's requirements. One case of financial irregularity was reported in 2020 and reported on to the Ministry of Foreign Affairs.

Norfund has a clear responsible tax policy. The guidelines were drawn up with input from civil society and consist of seven fundamental principles. They include requirements regarding transparency; Norfund's investees shall pay taxes to the countries in which they operate and where the income occurs, and that third countries must only be used when necessary to meet the fund's development priority of investing in high risk markets and to protect the fund's capital. In

2020, the investments in funds increased appreciably, and hence so did the use of third countries.

Norfund engages regularly in dialogue with different stakeholder groups, including civil society organisations and other partners. Some of these meetings in 2020 concerned Norfund's positions on gender equality and climate.

Norfund has a dedicated Business Support Programme funded by the Ministry of Foreign Affairs that is intended to be used to enhance the development effects of our investments, including intensifying work on the four cross-cutting issues: human rights, gender equality, anti-corruption and health, safety and environment. For example, Norfund can provide assistance for project development, local community development, building of skills and operational improvements. Of the thirteen projects that received support from this scheme in 2020, four were related to COVID-19.

The Storting has established a dedicated project development and risk mitigation scheme which enables Norfund to make risk capital available in the most demanding markets when access to early stage risk capital is limited. The scheme has two aims: early stage project development in Norfund's priority investment areas, and risk mitigation for commercial investors who invest in Norfund-financed projects. The scheme is to be used for projects with higher risk than the investments in Norfund's ordinary portfolio and is to be managed separately. In 2020, NOK 34.91 million was committed to two projects under this scheme.

## 4. Outlook for the future

The UN Sustainable Development Goals and the climate ambitions set out in the Paris Climate Agreement provide important guidelines for development going forward. The fact that the world has been hit by a pandemic has set back development. The funding gap hindering the attainment of the Sustainable Development Goals was formidable in developing countries even before the pandemic. Now it yawns even wider. The market cannot solve the investment challenges alone, and development finance institutions will be even more important going forward. Norfund is the Norwegian government's most important tool for private sector investment in developing countries, and therefore has a key part to play.

Norfund's strategy for 2019–2022 is ambitious, and based on the Fund growing, in terms of both invested capital and number of employees. The Fund has achieved this goal in 2020 and aims to follow the same path in 2021.

Norfund's investment in energy has been an important contributor to returns in recent years. The exit from SN Power has released NOK 10.9 billion, which is to be deployed in the years ahead in new, development-promoting investments, with the emphasis on investment in renewable energy. In the short term, this liquidity will mean lower expected returns. In the longer term, the increased level of investment may result in a substantial change in the composition of the portfolio, with associated new risk and return properties.

There is still great uncertainty associated with the effects of COVID-19. This will significantly influence Norfund's markets and operations, also in 2021. The economic downturn ensuing from the pandemic will have a strong negative impact on a number of portfolio companies, which may depress the return on the Fund's investments.

The military coup in Myanmar has created a critical situation in the country, and also poses challenges for Norfund's portfolio companies. Norfund has committed investments in Myanmar for a total of NOK 927 million, and has a current portfolio of NOK 585 million. The risk this implies, and the potential reduction in the value of the portfolio companies, is not reflected in the accounts and return figures for 2020, but value may be impacted in the future if the situation does not stabilise.

The Board regards Norfund as well equipped to deliver on the goals that have been set, and thanks the management and employees for their work in a demanding year. Despite the negative result for 2020, returns measured over time have been satisfactory. Norfund will continue to make an important contribution to the success of an ambitious development policy and contribute to creating jobs and improving lives in the developing countries of the world.

*Oslo, 23 March 2021*

Olaug Svarva, Chair

Vibeke Hammer Madsen	Tove Stuhr Sjøblom
Brit K. S. Rugland	Martin Skancke
Vidar Helgesen Finn Marum Jebsen	
Marianne Halvorsen	Lasse David Nergaard

[Virtual signaturesDownload](#)

# Income Statement

Income Statement			
Figures in 1000s of NOK.	Note	2020	2019
Interest income loans – invested portfolio	2	322 143	269 183
Realised gain on shares	2	0	78 037
Dividends received	2	597 585	985 253
Other operating income	2	22 067	12 860
<b>Total operating income</b>		<b>941 795</b>	<b>1 345 333</b>
Operating expenses			
Payroll expenses	5	135 273	114 046
Depreciation tangible fixed assets	8	2 331	1 362
Other operating expenses	5/6	80 095	71 822
Total operating expenses prior to exchange rate adjustment of loans and write-downs, investment projects			
<b>Investment projects</b>		<b>217 699</b>	<b>187 231</b>
Adjustment for gain/loss on FX, project loans	2	-243 243	28 654
Write-down investment projects (-) / reversals (+)	2	-717 923	-155 929
<b>Profit/loss on operations</b>		<b>-237 070</b>	<b>1 030 828</b>
<b>Net financial items</b>	<b>7</b>	<b>115 298</b>	<b>86 838</b>
<b>Profit/loss before tax</b>		<b>-121 772</b>	<b>1 117 665</b>
- Tax	10	-6 389	-4 350
<b>Profit/loss for the year</b>		<b>-128 161</b>	<b>1 113 315</b>
Allocations			
Transferred to / from surplus fund	12	-128 161	1 113 315
<b>Total allocations</b>		<b>-128.161</b>	<b>1 113 315</b>

# Balance

Balance Sheet			
(1000 NOK)	Note	2020	2019
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Operating equipment, fittings and fixtures, tools etc.	8	7 976	8 128
<b>Total tangible fixed assets</b>		<b>7 976</b>	<b>8 128</b>
<b>Financial fixed assets</b>			
Pension plan assets	5	21 620	23 345
<b>Total financial fixed assets</b>		<b>21 620</b>	<b>23 345</b>
<b>Total fixed assets</b>		<b>29 596</b>	<b>31 473</b>
<b>Current assets</b>			
<b>Receivables</b>			
Other receivables	9	227 576	306 795
<b>Total receivables</b>		<b>227 576</b>	<b>306 795</b>
<b>Investments</b>			
Capitalised project development costs		8 650	20 965
Loans to investment projects	2/3	4 546 618	3 964 228
Investments in equities and funds	2/3	16 423 502	15 169 104
Other current assets	11	884 675	883 533
<b>Total investments</b>		<b>21 863 444</b>	<b>20 037 831</b>
<b>Bank deposits, cash and cash equivalents</b>			
Bank deposits	11	2 897 203	2 824 044
<b>Total bank deposits, cash and cash equivalents</b>		<b>2 897 203</b>	<b>2 824 044</b>
<b>Total current assets</b>		<b>24 988 224</b>	<b>23 168 670</b>
<b>Total assets</b>		<b>25 017 820</b>	<b>23 200 143</b>

Balance Sheet			
(1000 NOK)	Note	2020	2019
Equity and liabilities			
Equity			
Called and fully paid capital			
Primary capital	12	14 574 125	13 209 125
Reserve capital	12	5 025 926	4 578 375
<b>Total called and fully paid capital</b>		<b>19 600 051</b>	<b>17 787 500</b>
Retained earnings			
Surplus fund	12	5 060 694	5 221 324
<b>Total retained earnings</b>		<b>5 060 694</b>	<b>5 221 324</b>
<b>Total equity</b>		<b>24 660 745</b>	<b>23 008 824</b>
Liabilities			
Provision for liabilities and charges			
Pension commitments	5	58 074	25 632
<b>Total provision for liabilities</b>		<b>58 074</b>	<b>25 632</b>
Current liabilities			
Accounts payable		0	5 520
Unpaid government charges and special taxes		9 963	8 313
Grants from the Ministry of Foreign Affairs	13	158 835	118 538
Other current liabilities	15	130 202	33 317
<b>Total current liabilities</b>		<b>299 000</b>	<b>165 688</b>
<b>Total liabilities</b>		<b>357 074</b>	<b>191 320</b>
<b>Total equity and liabilities</b>		<b>25 017 820</b>	<b>23 200 143</b>

Figures in 1000s of NOK.

# Cash Flow Statement

Figures in 1000s of NOK.

Cash flows from operations	Note	2020	2019
Profit before tax		-121 772	1 117 665
Taxes paid		-6 389	-4 350
Ordinary depreciation	8	2 331	1 362
Reversal of write-down (-) / Write-down investment projects		496 105	82 328
Differences in pension costs and receipts/disbursements, pension plan		1 834	-571
Effect of exchange rate changes		157 828	-64 211
Investments in tangible fixed assets	8	-2 179	-3 521
Change in other accruals		174 846	-233 995
<b>Net cash flow from operations</b>		<b>702 605</b>	<b>894 708</b>
Cash flows from investment activities			
Proceeds of sales/reflows from shares/holdings recorded at cost price		122 032	270 234
Disbursements in connection with purchase of shares/interests in other enterprises		-1 775 768	-1 495 007
Disbursements of investment loans		-1 785 976	-1 358 887
Repayment of principal, investment loans		941 407	492 507
Changes current investments	11	-1 141	-883 533
<b>Net cash flow from investments</b>		<b>-2 499 446</b>	<b>-2 974 685</b>
Cash flows from financing activities			
Receipt of grant resources carried as current liabilities	13	50 000	130 000
Increase in/repayment of equity	12	1 820 000	1 905 000
<b>Net cash flow from financing activities</b>		<b>1 870 000</b>	<b>2 035 000</b>
Exchange rate changes, cash and cash equivalents			
Net change in cash and cash equivalents		73 159	-44 977
Bank deposits, cash and cash equivalents at 01.01		2 824 044	2 869 021
<b>Bank deposits, cash and cash equivalents at 31.12</b>	<b>11</b>	<b>2 897 203</b>	<b>2 824 044</b>

## Note 1 – Accounting principles

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

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

The financial statements, which are prepared by the Board of Directors and the executive management of Norfund, must be read in conjunction with the directors' report and the auditor's report.

### Basic principles – assessment and classification

The financial statements are presented in compliance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect at 31 December 2020. The financial statements provide a true and fair view of assets and liabilities, financial standing and profit.

The financial statements have been prepared on the basis of fundamental principles governing historical cost accounting, comparability, the going concern assumption, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Revenue is recognised when it accrues and expenses are matched with the related revenue. A more detailed account of the accounting policies is provided below. When actual figures are not available at the time the accounts are closed, generally accepted accounting principles require management to make the best possible estimate for use in the income statement and the balance sheet. Actual results could differ from these estimates.

Current assets/liabilities are recorded at the lower/higher of acquisition cost and fair value. The definition of fair value is estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In a portfolio such as Norfund's, with a large share of both listed and unlisted equities in markets of variable liquidity, there will always be substantial uncertainty associated with valuation. Investments are valued on the basis of available information, in accordance with IPEV guidelines. In the event of a change in value where the estimated market value is lower than the cost of acquisition, the investment will be subject to write-down.



Some exceptions are made to the general valuation rules, and these are commented upon in the relevant notes. When applying the basic accounting principles and disclosure of transactions and other items, the “substance over form” rule is applied. Contingent losses that are probable and quantifiable are expensed. The segmentation is based on Norfund’s internal management and reporting requirements as well as on risk and earnings. Figures are presented for geographical markets, since the geographical division of activities is of material importance to the users of the financial statements. Figures are reconciled with the institution’s income statement and balance sheet.

## **The most important accounting principles used by Norfund are described below.**

### **Principles for revenue recognition**

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

Gains on sales of shares/ownership interests in other companies are recorded in the year in which the sale takes place. Value changes for funds are calculated as they occur for the individual fund. Receipts are recorded as dividend or reflow of capital according to individual assessments. Other reflows from shares/ownership interests are deducted from the book value, and are accordingly not recorded as income.

Interest is recognised as and when it is estimated to be earned.

When loans to development projects are classified as problem loans, interest is recorded to income on the basis of the written-down value or, if an evaluation indicates that interest cannot be expected, interest is not recorded. In the event of known losses, recorded interest is reversed.

### **Financial income and expenses**

Interest on Norfund’s liquidity reserve in Norges Bank and other banks is recorded as financial income.

### **Project development expenses**

Development expenses are entered on the balance sheet when it is probable that they will lead to future investments and a positive return on the investment. Determining such probabilities entails using judgement based on experience and best estimate of future developments. In view of

Norfund's investment strategy and geographical investment areas, there is a high degree of uncertainty associated with expectations of future developments. In an early phase of project development, some of the costs will be expensed as they accrue.

## Equity investments

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

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

Equity investments in companies are valued at the lower of cost price or market value on the basis of a concrete evaluation of each investment. Individual investments are written down where this is seen to be required according to the lowest value principle, to the lower of acquisition cost or assumed fair value. Norfund conducts individual valuation of all its investments. Because of the nature and volume of the investment portfolio, the management calculates estimates, makes discretionary assessments and makes assumptions that affect the amount of the book values of investments. Estimates of fair value are evaluated continuously and are based on historical experience, known information and other factors that are regarded as probable and relevant on balance sheet date.

No group write-downs are made for either the company's equity investments or its loan investments. See also the section below relating to the treatment of currency items.

When investments are exited wholly or in part, the gain/loss is calculated on the basis of the historical cost in NOK. This means that realisations are a function of changes in exchange rates and the change in the value of the investment expressed in foreign currency.

“Committed investments” implies an external future commitment for a specified amount.

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

## **Loans**

Norfund manages two types of loans:

- loans relating to Norfund's investments and disbursed by Norfund (project loans)
  - loans to enterprises in developing countries, taken over from NORAD (loan portfolio).
- Project loans are treated as current assets.

Loans are carried at amortised cost in accordance with the straight-line allocation method.

In accordance with Norfund's strategy, the loan portfolio taken over from NORAD is classified as a current asset and carried in the accounts at historical cost, which is NOK 0. Receipts from the loan scheme are therefore treated on a cash basis and recorded as income

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

Individual assessments are made, and any write-down of the individual loans. Group write-downs are not made for the company's loan portfolio.

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

## **Guarantees**

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

## **Known losses**

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

### *Currency items*

Monetary items are recorded at the exchange rate prevailing on 31 December. Unrealised foreign exchange gains/losses on loans are included in the operating profit. Unrealised gains/losses on other monetary items are recorded as financial income/expenses respectively. The assessment of changes in the value of investments (see above) also includes assessing changes caused by exchange rate movements.

Norfund has not hedged its invested portfolio by means of hedging instruments.

### **Bank deposits, cash and cash equivalents**

Liquid assets consist of bank deposits.

### **Current receivables/Accounts receivable**

Current receivables, including accounts receivable, are recorded at their estimated value and adjusted for irrecoverable items.

### **Tangible fixed assets**

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

### **Leases**

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

### **Equity**

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

### **Government grants**

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

## **Related parties**

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

Norfund's ' related parties are mainly companies in which Norfund has invested, and which it buys services from and sells services to. Norfund's investments are presented in a separate note in the accounts.

The company has direct transactions with a limited number of companies in its investment portfolio. There are some transactions of an administrative nature with companies we have a stake in, including SN Power AS, Norfinance AS, KLP Norfund Investments AS. All transactions are according to separate agreements and pricing based on the arm's length principle.

## **Deferred tax and tax expense**

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

## **Cash flow statement**

The cash flow statement is compiled using the indirect method.

## **Pension liabilities and costs**

Norfund has pension plans known as defined benefit plans which entitle employees in Norway to defined future benefits. Pension liabilities are calculated on a straight-line earnings basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in pay, pensions and National Insurance benefits, and actuarial assumptions regarding mortality, voluntary retirement etc. The chosen principle is the IAS 19R option of NRS 6, with unamortised actuarial losses over equity. Plan assets are stated at fair market value. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from underfunded pension plans are included in the balance sheet as a provision, while net plan assets in overfunded schemes are included as long-term interest-free receivables if it is likely that the overfunding can be utilised.

Employer's social insurance contribution is made on the basis of net plan assets.

The effect of changes in pension plans with retroactive effect not conditional on future earnings is

defined as an actuarial gain or loss and charged directly to the company's equity.

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

In 2018 the company closed its defined benefit plan and introduced defined contribution plans for new employees. At the end of year the company therefore had two different pension plans.

In addition the company has pension plans for employees at regional offices outside Norway, mainly defined contribution plans.

### **Estimates and uncertainties**

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

## Note 2 – Segment Information

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

	2020						
(Figures in 1000s of NOK.)	Nofund Total	SME Funds	Financial Institutions	Clean Energy	Green Infrastructure	Scalable Enterprises	Shared Functions and Other Activity
Operating income							
Interest – invested portfolio	322 143	371	226 569	43 297	0	51 906	0
Realised gains	0	0	0	0	0	0	0
Dividends received	597 585	5 578	47 473	544 535	0	0	0
Other project revenues	22 067	7	11 068	7 901	0	2 655	436
<b>Total operating income</b>	<b>941 795</b>	<b>5 956</b>	<b>285 109</b>	<b>595 733</b>	<b>0</b>	<b>54 560</b>	<b>436</b>
Operating expenses							
Payroll expenses	-135 253	-9 888	-27 147	-26 329	-722	-23 910	-47 257
Depreciation tangible fixed assets	-2 331	0	0	0	0	0	-2 331
Other operating expenses	-80 115	-2 253	-5 207	-8 753	-1	-15 040	-48 862

2020							
(Figures in 1000s of NOK.)	Nofund Total	SME Funds	Financial Institutions	Clean Energy	Green Infrastructure	Scalable Enterprises	Shared Functions and Other Activity
Allocation of shared expenses	1	-11 174	-24 750	-25 491	0	-34 907	96 323
Total operating expenses	-217 698	-23 315	-57 103	-60 573	-723	-73 857	-2 127
Gain/loss (-) on FX, project loans	-243 243	-689	-195 016	-29 702	0	-17 835	0
Provision for (-)/reversal of (+) loss on projects	-717 923	-230 530	-195 104	-81 986	0	-210 303	0
Profit/loss on operations	-237 069	-248 578	-162 114	423 472	-723	-247 435	-1 690
Net financial items**	115 298	-648	284	819	0	-366	115 209
Profit/loss before tax	-121 770	-249 226	-161 830	424 291	-723	-247 801	113 519
- Taxes	-6 389	0	-6 389	0	0	0	0
Profit/loss for the year	-128 161	-249 226	-168 220	424 291	-723	-247 801	113 519

\*Income is directly attributable. Expenses that are not directly attributable are shared costs which are allocated in accordance with distribution formulae based on employee numbers.

\*\*Financial items include gain/loss on FX bank deposits and current liabilities”



**Balance Sheet (Investments and Loans) Net Book Values**

	<b>Norfund Total</b>	<b>Funds</b>	<b>Financial Institutions</b>	<b>Clean Energy</b>	<b>Scalable Enterprises</b>
Investments	22384849	1879 069	8 156 610	10 503 844	1 845 326
Write-downs	-1 414 731	-544 326	-231 405	-231 954	-407 046
<b>Total investments business area</b>	<b>20 970 119</b>	<b>1 334 743</b>	<b>7 925 205</b>	<b>10 271 890</b>	<b>1 438 280</b>

<b>Balance Sheet</b>	<b>Africa</b>	<b>Asia</b>	<b>America</b>	<b>Europe / Asia</b>	<b>Global</b>	<b>Accumulated Depreciation</b>	<b>Total</b>
Loans to investments	1 453 336	1 292 722	1 954 928	10 571	0	-164 938	4 546 618
Equity investments	11 977 289	4 984 160	692 009	12 978	6 856	-1 249 792	16 423 501
<b>Total balance sheet</b>	<b>13 430 625</b>	<b>6 276 882</b>	<b>2 646 938</b>	<b>23 548</b>	<b>6 856</b>	<b>-1 414 731</b>	<b>20 970 119</b>
Interest income loans	116 048	89 118	116 330	646	0	0	322 143
Realised gain on shares	0	0	0	0	0	0	0
Dividends received	282 188	303 982	11 415	0	0	0	597 585
Other project revenues	9 286	5 843	6 005	47	886	0	22 067
<b>Total operating income</b>	<b>407 521</b>	<b>398 944</b>	<b>133 750</b>	<b>693</b>	<b>886</b>	<b>0</b>	<b>941.795</b>
Gain/loss on FX, project loans	65 315	41 997	135 834	96	0	0	243 243

**LOSS ON PROJECTS**

The losses for the year include NOK 102 000 in connection with the fraud suffered by Norfund in March 2020.

## Note 3 - Loans and Investments

Loans to Companies				
(Figures in 1000s of NOK.)	Committed Investment	Historical Cost Price	Accumulated Loan Loss Provision	Recorded Value
Financial Institutions	3 439 808	3 522 778	-13 011	3 509 767
Clean Energy	1 252 197	592 447	-43 868	548 579
Scalable Enterprises	1 126 190	572 585	-103 938	468 647
Funds	38 576	23 746	-4 121	19 625
<b>Total loans</b>	<b>5 856 771</b>	<b>4 711 556</b>	<b>-164 938</b>	<b>4 546 618</b>

By 'committed investment' is meant an external commitment for a specific amount. When converting to NOK, the exchange rate at the time of disbursement is used for the part of the amount that is disbursed. The exchange rate at 31.12.2020 is used for the part that is not disbursed. In addition to the loans specified above, Norfund made three loans that are charged to unused resources Balkans, and which are recorded at NOK 0 in accordance with the requirements of NRS.

4 concerning net recording of government grants received; see note 14. Norfund makes a semi-annual assessment of each of the loans in the loan portfolio, including provisions for losses.

### Loan loss provision

A loan is regarded as non-performing when borrower has not made due payments within 60 days of the due date. On balance sheet date Norfund had 14 (10 in 2019) non-performing loans with total interest and repayments due of NOK 125 million (NOK 103 million in 2019) and a total outstanding amount of NOK 410 million (235 million in 2019). Examples of default or losses are significant financial problems on the part of debtor, restrictions on foreign exchange transfers in countries in which debtor operates, debt negotiations or winding up of a business.

These loans are written down by up to 100% of the outstanding principal and accumulated interest, depending on the probability of reflow.

### Repayment

Six loans were repaid in the course of the year (11 in 2019), while 3 were converted into equity.

<b>Equity Investments in Funds</b>				
<b>(Figures in 1000s of NOK.)</b>	<b>Committed Investment</b>	<b>Historical Cost Price</b>	<b>Accumulated Loan Loss Provision</b>	<b>Recorded Value</b>
Financial Institutions	829 631	660 554	-35 675	624 879
Clean Energy	641 240	182 534	-37 372	145 163
Funds	3 818 980	1 802 132	-518 648	1 283 484
<b>Total invested in funds</b>	<b>5 289 851</b>	<b>2 645 220</b>	<b>-591 694</b>	<b>2 053 526</b>

<b>Equity Investments in Companies</b>				
<b>(Figures in 1000s NOK.)</b>	<b>Committed Investment</b>	<b>Historical Cost Price</b>	<b>Accumulated Loan Loss Provision</b>	<b>Recorded Value</b>
Financial Institutions	4 805 722	3 973 278	-182 719	3 790 559
Clean Energy	10 974 603	9 728 863	-150 714	9 578 149
Scalable Enterprises	1 282 340	1 272 741	-303 108	969 633
Funds	53 406	53 191	-21 557	31 634
<b>Total invested in equity</b>	<b>17 116 071</b>	<b>15 028 073</b>	<b>-658 098</b>	<b>14 369 975</b>

By 'committed investment' is meant that there is an external commitment for a specific amount. For conversions to NOK, the exchange rate at the time of disbursement is used for the part of the amount that is disbursed. The exchange rate at 31 December 2020 is used for the part that is not disbursed.

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

## Note 4 – Exited Investments

The note shows estimated gain/loss and annual IRR during the period of Norfund's ownership for investments exited in 2020. Total reflow from investments includes all cash flows, for example dividends, sales sums and other returns, during the period of Norfund's ownership. Investment in and exiting from projects may take place over a period of years, and the estimated realised gain/loss may thus be entered in the accounts in different periods.

(In 1000s of NOK)	Fanisi Venture Capital Fund	Horizon Equity Partners Fund III	SEAF Sichuan Small Inv. Funds
Cost price, called and fully paid capital	96 492	22 467	19 921
Total reflow investment	22 253	18 610	32 677
Gain/loss (-) on exited investments	-74 239	-3 857	12 757
Realised gain / loss (-)	-106 371	-3 683	10 563
Realised FX gain/loss (-)	32 132	-174	2 194
Year of first disbursement	2009	2007	2001
Investment currency	USD	ZAR	USD
IRR NOK	-27%	-3%	6%

## **Note 5 – Payroll Expenses**

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

Norfund complies with the government guidelines laid down on 13 February 2015 with respect to the setting of salaries and other remuneration for senior employees. These are based on changes published in the white paper A diverse and value-creating ownership St. meld. 27 (2013-1024).

### **Guidelines for Norfund on the setting of salaries and other remuneration in 2020**

The following guidelines apply to the setting of salaries for senior Norfund employees up to the ordinary General Meeting in 2021.

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

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

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

The Board sets the salary of the managing director. The managing director sets the salaries of the corporate heads of department who report to him. This group consists of senior company employees. Norfund's pay conditions for senior employees consist of fixed salary, pension and insurance schemes and other benefits (newspapers, electronic communications). Norfund has a moderate bonus scheme that covers all company employees except the managing director.

Bonuses are awarded twice a year, and individual bonuses vary from NOK 10 000 to NOK 100 000.

The highest total bonus allocation in 2020 was NOK 100 000. All members of the management team, with the exception of the managing director, received a bonus of between NOK 75 000 and 100 000 at the end of 2020. The reason for this was the work involved in the exit from SN Power, a record-high commitment level, extraordinary work input in a demanding work situation because of COVID, home office and special incidents. The bonus scheme is in line with the guidelines' requirement of variable pay. Bonuses awarded are fixed by the managing director.

The fixed pay is subject to regulation with the point of departure in wage developments in the financial sector, represented by reference figures from Finance Norway, the results of the main settlement and for companies Norfund has defined as its peers. In addition, an assessment is made of the individual's performance and goal achievement in the 2020 accounting year. Annual goals for the individual senior employee are fixed by the managing director in the case of management, and by the Board in the case of the managing director.

Norfund had the following pension and insurance conditions for the 2020 accounting year:

In 2018 Norfund closed the defined benefit pension scheme to new employees, and now offers a defined contribution scheme to all company employees, including managers. As the transition to the new scheme was voluntary for existing employees, this means that in a transitional phase Norfund will have both a defined benefit and a defined contribution scheme. The defined benefit scheme entitles the individual to defined future benefits and depends primarily on the number of qualifying years, pay level on reaching retirement age and the size of National Insurance benefits. For historic reasons, the earlier scheme is being continued for the present, where the full qualifying period is 30 years and pension amounts to 70% of salaries up to 12G. This scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. At present 47 employees are covered by the defined contribution scheme and 30 by the defined benefit scheme. Norfund also has a scheme which entitles employees to pension rights for pay in excess of 12G. This scheme was closed to new members in 2012. This scheme, which is funded from operations, consists of 66% of pay in excess of 12G with a retirement age of 67 and a full qualification period of 30 years, in the calculation base. If the service period is calculated as being less than 30 years, the pension is reduced proportionately. On termination of employment or on reaching retirement age, employees receive a settlement for the value of the amount saved. This scheme currently covers 4 employees. In the defined contribution scheme, 7% of salary is set aside from pay from 0–7 G, and 20% from salaries of 7.1–12 G. The costs of both schemes are included in the calculation of pension expenses.

Senior Norfund employees are covered by insurance schemes that apply to all Norfund employees. Senior employees have a 3-month notice period. The CEO has an agreement for pay after termination of employment equivalent to 6 months' salary. This arrangement is in line with the guidelines for salary and other remuneration.

Salary policy in the 2020 accounting year has adhered to the principles of the Management Salary Statement as adopted by the General Meeting on 18 June 2018. Salary adjustment for the CEO and

other members of management in 2019 was 2.6% on average. In 2019 the management team was increased by one member. In 2019, an assessment was carried out of the pay level for men and women in the management team. The review resulted in an increase in the pay level for woman managers. At 31.12 On 1 January 2020 a revision of the Equality and Anti-Discrimination Act entered into force. The change means that every two years companies must survey pay conditions by gender. The total pay adjustment in 2020 for the management team, including the CEO, amounts to NOK 341 553.

<b>Wages, salaries and other payroll expenses</b>	<b>Norfund</b>		
	<b>(In 1000s of NOK.)</b>	<b>2020</b>	<b>2019</b>
Wages and salaries		91 451	82 055
Employer's social security contribution		16 334	15 038
Pension expenses		14 694	6 956
Other benefits		12 795	9 997
<b>Total wages, salaries and other payroll expenses</b>		<b>135 273</b>	<b>114 046</b>

### Pay for Senior Employees

	<b>Title</b>	<b>Salary</b>	<b>Bonus</b>	<b>Taxable Portion of Insurance and other Payments in Kind</b>	<b>Pensions</b>	<b>Total</b>
Jan Tellef Thorleifsson	CEO	2 909 326	0	23 226	122 841	3 055 393
Hege E. Seel up to 01.10.20	EVP Org & HR	1 608 046	0	33 787	669 248	2 311 091
Ylva Lindberg	EVP Strategy & Analysis	1 586 274	75 000	21 898	119 708	1 802 880
Cathrine Kaasen Conradi	EVP CFRO	1 640 952	75 000	24 067	118 458	1 858 477
Thomas Fjeld Heltne	EVP Legal Department	1 596 799	75 000	21 995	119 457	1 813 251
Erik Sandersen	EVP Financial Institutions	1 900 568	75 000	22 105	366 865	2 364 538
Mark Davis	EVP Clean Energy	2 054 695	100 000	80 797	863 740	3 099 232
Ellen C. Rasmussen from 01.03.20	Scalable Enterprises	1 360 888	75 000	18 941	102 067	1 556 895
Olaug Svarva	Chair	270 000	0	0	0	270 000

The Chair has annual remuneration of NOK 270 000 (NOK 260 000) for boardroom work for Norfund. The Board members each receive annual remuneration of NOK 135 000 (NOK 127 500). In 2020 a Risk and Audit Committee consisting of three Board members was appointed. The committee chairman, Martin Skancke, received remuneration of NOK 37 500 and other members NOK 32 500 in addition to the ordinary Board remuneration.

The company has no share or option schemes for its employees, and there are no plans for such schemes.

Norfund has a variable bonus scheme for all employees excluding the managing director. In all, the scheme accounted for 1.9% of Norfund's payroll expenses in 2020. Bonuses are paid for



extraordinary performance, and the average payment in 2020 to bonus recipients was NOK 49 423. The highest bonus payment represented 13 per cent of salary and is thus far lower than the requirement in Report no. 27 (2013–2014) to the Storting on Diverse and Value-creating Ownership (Eierskapsmeldingen) that bonuses be a maximum of 50 per cent of the employee's salary.

<b>Auditors Fee</b>		
<b>(Figures in 1000s of NOK.)</b>	<b>2020</b>	<b>2019</b>
Statutory audit	607	686
Accounting assistance	14	31
Other attestation services	0	49
Other services	578	207
<b>Total</b>	<b>1 199</b>	<b>973</b>

Auditor's fee is inclusive of VAT

In addition, business partners of Deloitte AS in other countries delivered other services expensed in the amount of NOK 4 670 000 (473 000).

### **Employees**

The company had 102 (87) employees at the end of 2020, accounting for 100.5 (82.6) full-time equivalents.

### **Pensions**

In addition to the employee pension plans described in the Executive Pay Statement, local employees at Norfund's regional offices in South Africa, Ghana, Thailand, Kenya and Costa Rica have defined contribution pension plans. Norfund therefore has no obligations other than what has been paid through the year. In 2020, NOK 1 943 140 (1 522 524) was expensed in connection with these schemes.

<b>Financial Assumptions</b>		
	<b>2020</b>	<b>2019</b>
Discount rate	1.70%	2.30%
Expected return on plan assets	1.70%	2.30%
Salary adjustment	2.25%	2.25%
Pension adjustment	2.00%	2.00%
Adjustment of the basic amount (G) in the National Insurance System	2.00%	2.00%
Turnover	9.00%	9.00%
Employer's social security contribution	19.10%	19.10%

<b>Financial Assumptions</b>		
<b>(Figures in 1000s of NOK.)</b>	<b>2020</b>	<b>2019</b>
Net present value of pension earned in the period	7 529	9 529
Capital cost of previously earned pensions	2070	2.63
Expected return on plan assets	-1 737	-1 785
Administrative costs	1 133	1 024
Accrued employer's social security contribution*	2 438	1 366
<b>Net pension liabilities for the year incl. employer's</b>	<b>11 433</b>	<b>12 763</b>

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

<b>Estimated Pension Liabilities</b>						
	<b>2020</b>			<b>2019</b>		
	<b>Funded</b>	<b>Unfunded</b>	<b>Total</b>	<b>Funded</b>	<b>Unfunded</b>	<b>Total</b>
Estimated pension liabilities	109 483	20 683	130 166	82 091	8 476	90 567
Estimated plan assets*	81 406	0	81 406	69 046	0	69 046
Net pension liabilities 31.12	28 078	20 683	48 760	13 045	8 476	21 521
Accrued employer's social security contribution**	5 363	3 950	9 313	2 492	1 619	4 111
<b>Net pension liabilities 31.12</b>	<b>33 441</b>	<b>24 633</b>	<b>58 074</b>	<b>15 537</b>	<b>10 095</b>	<b>25 632</b>

\*Estimated plan assets consist of paid premiums invested in Nordea Life.

\*\*Accrued employer's social security contribution is based on net pension liability.

<b>Reconciliation Opening/Closing Balance</b>		
	<b>2020</b>	<b>2019</b>
Carrying amount net pension liabilities 01.01 incl. employer's social security contribution	25 632	49 203
Net pension expenses for the year incl. employer's social security contribution	10 215	11 409
Actuarial gain/loss charged directly to equity 32 469	-19 706	0
Pensions paid, early retirement / unfunded, incl. employer's social security contribution	-1 161	-8 123
Investment in plan assets, etc., incl. employer's social security contribution	-9 082	-7 152
Carrying amount net pension liabilities 31.12. incl. employer's social security contribution	58 074	25 632

**Nordea Life's Asset Mix\***

	<b>30 September 2020</b>	<b>30 September 2019</b>
Property	14.40%	14.00%
Equities	9.90%	10.40%
Bonds at amortised cost	3.50%	12.50%
Short-term bonds/certificates	61.30%	61.70%
Other	10.60%	1.40%
Total financial assets	100.00%	100.00%

\* Known values at calculation date

## Note 6 – Other Operating Expenses

(Figures in 1000s NOK.)	2020	2019
Seminars, conferences, upgrading of competencies	2 234	4 345
Travel expenses	3 591	13 385
External assistance, projects	23 445	10 311
External assistance, other	15 124	12 884
Rent, including shared costs	11 268	9 853
Other expenses	24 433	21 044
<b>Total operating expenses</b>	<b>80 095</b>	<b>71 822</b>

	Lease Duration	Annual Rental Costs
Premises at Fridtjof Nansens Plass 4, Oslo	15.11.16 – 31.12.2026	6 320 302

## Note 7 - Net financial income/expense

(Figures in 1000s of NOK.)	2020	2019
Other interest income	32 527	48 803
Other financial income	213 484	79 180
Other financial expenses	-130 713	-41 145
<b>Total financial income/expenses</b>	<b>115 298</b>	<b>86 838</b>

## Note 8 - Fixed Assets

(Figures in 1000s of NOK.)	Equipment and vehicles, fittings and fixtures etc.	Works of Art	Total
Cost of acquisition at 01.01	19 458	1 463	20 922
+ acquisitions during the period	2 179	0	2 179
- disposals during the period	0	0	0
Cost of acquisition at end of period	21 637	1 463	23 100
Accumulated ordinary depreciation at 01.01	12 793	0	12 793
+ ordinary depreciation for the period	2 331	0	2 331
- acc. ord. depreciation, operating assets disposed of	0	0	0
Acc.ordinary depreciation at 31 December	15 124	0	15 124
<b>Carrying value for accounting purposes at end of period</b>	<b>6 512</b>	<b>1 463</b>	<b>7 976</b>
Depreciation period	3- 4 years	Non-depreciable	

## Note 9 – Other Receivables

(Figures in 1000s of NOK.)	31. 12 2020	31. 12 2019
Accrued interest	74 789	147 588
Other receivables	152 787	159 207
<b>Total receivables</b>	<b>227 576</b>	<b>306 795</b>

NOK 125 million of ‘Other receivables’ relates to agreed settlement of a sale of equities during the period. Settlement was considerably delayed because of the COVID situation and the payment plan was renegotiated. NOK 65 million of the payment is planned for 2022.



## **Note 10 – Tax**

Tax expenses are attributable in their entirety to withholding tax on dividends and interest on foreign investments. Norfund is tax-exempt in Norway pursuant to a special section in the Norwegian Taxation Act.

## Note 11 – Bank Deposits, Cash and Cash Equivalents

(Figures in 1000s of NOK.)	2020	2019
Deposits in Norges Bank	2 345 227	2 157 103
Tax deductions	5 316	4 990
Unused resources, note 14	158 837	118 539
Ordinary bank deposits	387 822	543 410
<b>Total bank deposits</b>	<b>2 897 203</b>	<b>2 824 044</b>

### Other current assets

Other current assets are bank deposits in USD and with agreed short-term interest due dates of 3-6 months.

## Note 12 – Capital Movements

Company				
(Figures in 1000s of NOK.)	Primary Capital	Capital in Reserves	Surplus Fund	Total Equity
Capital at 31.12. 2019	13 209 125	4 578 375	5 221 324	23 008 824
Capital supplied in 2020	1 365 000	455 000	0	1 820 000
Other changes		-7 449	0	-7 449
Actuarial gains/losses, pensions	0	0	-32 469	-32 469
Net surplus/deficit (-)	0	0	-128 161	-128 161
<b>Capital at 31.12.2020</b>	<b>14 574 125</b>	<b>5 025 926</b>	<b>5 060 694</b>	<b>24 660 745</b>

Capital in legal reserves can only be used to meet losses that cannot be covered from other reserves apart from primary capital. Of the capital received in 2020, 75% was allocated to primary capital and 25% to legal reserves.

### Other changes

Norfund administered a loan scheme for providing loans to small Norwegian companies wanting to invest in LDCs.

This was only used to a limited extent. A total of NOK 30 million was granted in this scheme, of which NOK 14 million was allocated to legal reserves (loan loss provision). In Proposition 117 S to the Storting it was decided that the residual of the loan loss provision of NOK 7.4 million should be re-allocated to the project development and risk mitigation facility; see also [Note 13](#).

## Note 13 – Unused Resources

In 2019 the Storting established a special scheme that enables Norfund to make risk capital available in the most demanding markets, particularly in vulnerable states and in the least developed countries (LDCs), where access to risk capital is limited. The scheme is to be used for projects with higher risk than investments in Norfund's ordinary portfolio, and is to be administered as a separate scheme. The Storting granted NOK 25 million to the scheme for 2020 (NOK 25 million in 2019). At the end of 2020, NOK 1.8 million remained to be allocated, while NOK 27.1 million had not yet been disbursed.

In addition Norfund received NOK 25 million (NOK 105 million in 2019) in grant resources in the previously established scheme which are to be used to increase the developmental effect of Norfund's investments through operational improvements and local community development, and to develop new projects in sectors and countries with particularly high risk levels. Support may, for example, be provided for training and transfer of expertise, health and equal opportunity programmes, workers' rights, improvement of internal control, corporate governance and energy efficiency. The resources are treated as current liabilities, and undisbursed amounts are included in Norfund's liquid assets. When costs are met from the resources, the liability is reduced by an equivalent amount. At the end of 2020, NOK 36.1 million remained to be allocated, while NOK 76.9 million had not yet been disbursed.

The grant fund earmarked for projects in the Balkans has primarily taken the form of loans to finance companies. At the end of 2020, unused resources relating to the Balkans consisted of three outstanding loans totalling EUR 2.9 million, and one equity investment of EUR 0.3 million.

In Proposition no. 23 S to the Storting for 2017, resources were granted to the Nordic Horn of Africa Opportunities Fund. The resources are to be used to enable the establishment of an investment fund for small and medium-sized enterprises in Somalia. This type of investment is highly risky, and the grant resources are used as buffer capital to protect other investors against losses.

The buffer capital is a crucial instrument for attracting investors. The fund is the first of its kind in Somalia, and is expected to have significant development effects.

As of 31.12.2020, no resources remained in the Nordic Hon of Africa Opportunities Fund[], but there is still a possibility of having some previously granted resources reversed in the future.

(Figures in 1000s of NOK.)	Unused Resources: Norfund		Unused Resources: Balkan	
	31.12.2020	12.12.2019	31.12.2020	31.12.2019
Receipts				
Carried over from previous year	106 898	5 485	11 639	5 557
Received during the year	50 000	130 000	0	0
Corrections grant resources	7 448	0	0	0
<b>Total receipts</b>	<b>164 346</b>	<b>135 485</b>	<b>11 639</b>	<b>5 557</b>
<b>Income</b>	<b>0</b>	<b>0</b>	<b>1 207</b>	<b>376</b>
Disbursements				
General follow-up	0	0	-345	-360
Intervention				
Project development:	-2 408	-2 976	0	0
Boost and support project development effects	-7 924	-10 215	0	0
Local investment funds				
Follow-up costs	0	0	-134	484
Loans / investment projects	-11 263	-14 349	4 879	5 583
<b>Total disbursements</b>	<b>-22 758</b>	<b>-28 587</b>	<b>4 399</b>	<b>5 707</b>
Overspending covered by Norfund				
<b>Non-disbursed resources</b>	<b>141 588</b>	<b>106 898</b>	<b>17 247</b>	<b>11 639</b>
<b>Total non-disbursed resources at 31.12.2020</b>	<b>158 835</b>			

## **Note 14 – Information on financial market risk and the use of financial instruments**

According to Norfund's mandate, the company's investments are intended to be additional, in that they provide access to capital and expertise to enterprises that would not otherwise have had such funding because of the high risk involved. Norfund's investments are assessed through an extensive selection process that consists of checking against Norfund's mandate, thorough evaluations and analysis of legal, financial, commercial and ESG-related aspects. The Investment Committee and/or the Board take the final decision regarding investment.

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

Norfund is exposed to several different types of risk, including liquidity risk, credit risk, currency risk, interest-rate risk and other market risk. The financial risk management has been established to identify and analyse these risks, and to establish appropriate risk limits and risk controls. Norfund regularly reviews the established risk management guidelines and the system that has been established to ensure that changes in markets are reflected in the risk limits. Responsibility for Norfund's risk management and control is shared between Board and management. The Board decides on goals and limits within all risk areas, including risk management guidelines.

### **Market risk**

Norfund's mandate is to invest in developing countries, which means investing in countries, markets and companies that are characterised by high risk. Future returns depend among other things on the ability to manage and mitigate risk in all phases of an investment.

In addition, movements in interest rate levels and inflation in the individual markets in which Norfund operates will influence the results achieved. Loans to projects are usually based on variable LIBOR plus a margin.

## **Credit risk**

Norfund has a substantial number of loans, and a semi-annual review is made of the borrowers' financial situation and their ability to service the loan in accordance with the payment plan. Loans are assessed individually, and if default appears highly likely, the value of the loan is written down.

Norfund does not carry any general loss provisions for the loan portfolio, because the loans are very different, particularly in respect of context.

## **Liquidity risk**

Liquidity risk is the risk of Norfund being unable to fulfil its commitments. This risk is regarded as low, as Norfund operates with substantial cash holdings, receives annual allocations from the Owner and has an investment portfolio that generates reflows in the form of interest, payments, dividends and through sale of enterprises. These are intended to cover committed investments that have not yet been disbursed.

The cash holdings are mainly placed in Norges Bank.

## **Currency risk**

Norfund's investments are largely made in USD (more than 90%), but in some cases in other currencies, the next largest being EUR and ZAR. Since Norfund's base currency is NOK, its future returns are strongly influenced by the USD/NOK exchange rate. The portfolio companies may also be subject to fluctuations in the exchange rates between local currencies and USD, which in turn may affect the results and value of the companies.

Norfund does not use any currency hedging instruments.

Norfund's liquid assets are mainly placed in NOK-denominated, interest-bearing accounts in Norges Bank.

<b>FX Rates Used in Conversion</b>				
		<b>31.12.2020</b>	<b>31.12.2019</b>	<b>Change During the Year</b>
US Dollar	USD	8533	8780	-2.80%
South African rand	ZAR	0.581	0.625	-7.10%
Rwandan franc	RWF	0.009	0.009	-6.60%
Kenyan shilling	KES	0.078	0.086	-9.50%
Ugandan shilling	UGS	0.002	0.002	-2.10%
Mozambican metical	MZN	0.113	0.142	-20.20%
Bangladeshi taka	BDT	0.099	0.102	-2.40%
Cambodian riel	KHR	0.002	0.002	-1.90%
Swaziland lilangeni	SZL	0.584	0.626	-6.70%

## Operational risk

Operational risk is the risk of financial losses occurring as a consequence of faults in internal processes and systems, human error or as a consequence of external events. In principle, we expect this risk to be low. Norfund's procedures and guidelines are used to manage operational risk.

As described in the annual report, Norfund suffered a major incident in 2020 which inflicted a financial loss of NOK 102 million. In the wake of this event, Norfund's internal control procedures have been reviewed and strengthened where it was considered to be necessary.



## **Note 15 – Current liabilities and guarantees**

### **Other current liabilities**

Included in other current liabilities is an item of NOK 98.2 million to the Dutch bank FMO in connection with the acquisition of shares in Green Resources, of which Norfund was the owner at the end of 2020.

### **Guarantees**

As part of its activities, Norfund has issued 5 guarantees totalling NOK 146.9 million. An annual assessment is made by the project manager as to whether the guarantee is at risk of being invoked, and a proportional provision is made accordingly. As at 31.12 a provision of NOK 6.6 million had therefore been made for guarantee obligations.

## **Note 16 – Events after balance-sheet date**

### **Sale of SN Power**

The sale of SN Power was published in October 2020. Owing to lack of approval from the Filipino competition authorities, the sale was first formally completed on 29 January 2021. The estimated gain on the sale amounts to approximately NOK 6 000 million, and will be recorded in 2021.

### **Military coup in Myanmar**

As per 31.12.202, Norfund had six ongoing projects in Myanmar with a book value of NOK 535 million. As a consequence of the military coup and the ongoing political destabilisation of the country, the risk of a permanent fall in the value of the investments is increasing considerably. The situation is still very unclear, and it is too early to estimate any long-term consequences. Therefore no general write-down has been made on the investments as a consequence of this event. Norfund is monitoring the situation closely.

### **Global pandemic**

There is still great uncertainty associated with the effects of COVID-19. Write-downs were made on a number of investments as a consequence of the long-term effects of the pandemic, and the uncertainty is expected to continue having an impact through 2021.

# **Auditors report**

[Auditors report \(PDF\)Download](#)





Deloitte AS  
Dronning Eufemias gate 14  
Postboks 221 Sentrum  
NO-0103 Oslo  
Norway

Tel: +47 23 27 90 00  
www.deloitte.no

To the General Meeting of Norfund

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Norfund showing a deficit of NOK 128 160 863. The financial statements comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws and regulations, 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.no](http://www.deloitte.no) to learn more.

© Deloitte AS

Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening  
Organisasjonsnummer: 980 211 282



#### ***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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 those charged with governance 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.

#### **Report on Other Legal and Regulatory Requirements**

##### ***Opinion on the Board of Directors' report***

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

##### ***Opinion on Registration and Documentation***

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

**Deloitte.**

Page 3  
Independent Auditor's Report -  
Norfund

Oslo, 23 March 2021  
Deloitte AS

**Grete Elgåen**  
State Authorised Public Accountant (Norway)

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