Norfund

2019

REPORT ON OPERATIONS

Norwegian Investment Fund for Developing Countries

CONTENTS

NORFUND

REPORT ON OPERATIONS 2019

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CREATING JOBS, IMPROVING LIVES

Although the share of the world's population living in extreme poverty has fallen substantially the past 30 years, the need for development is still large:

- 190 million jobs are needed to address the current levels of unemployment
- 840 million people do not have access to electricity
- 1.7 billion adults remain unbanked

Developing countries face an annual funding gap of USD 2.5 trillion to reach the UN Sustainable Development Goals (SDGs). A significant increase in private capital inflows is required to bridge the gap.

Norfund – the Norwegian Investment Fund for Developing Countries – is a state-owned company and the Norwegian government's main instrument for strengthening the private sector in developing countries.

Norfund's **mission** is to create jobs and improve lives by investing in businesses that drive sustainable development, thereby contributing to SDG 1: No Poverty.

Norfund's investments are concentrated in four **investment areas** that contribute directly to specific targets of the SDGs: Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure.

Additionality and mobilisation are key **priorities** and help to reduce inequalities (SDG 10) between countries and to mobilise funding to developing countries (SDG 17).

Norfund is a responsible investor and assesses **cross-cutting** issues such as gender equality (SDG 5) and climate concerns (SDG 13) in our investment process. ■

NORFUND SUPPORTS THE UN SUSTAINABLE DEVELOPMENT GOALS

INVESTMENT AREAS

PRIORITIES & CROSSCUTTING ISSUES

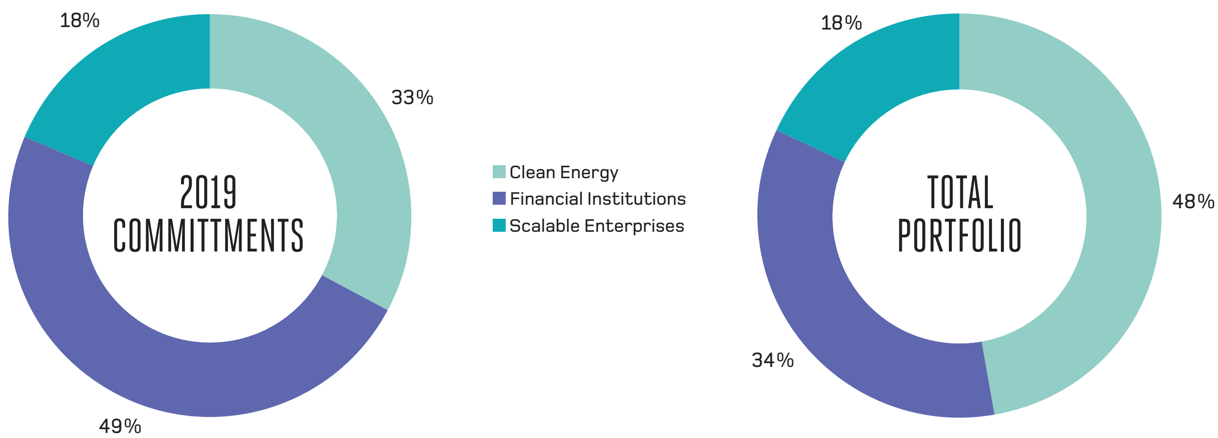
PORTFOLIO AND RESULTS 2019

24.9 billion NOK total committed portfolio

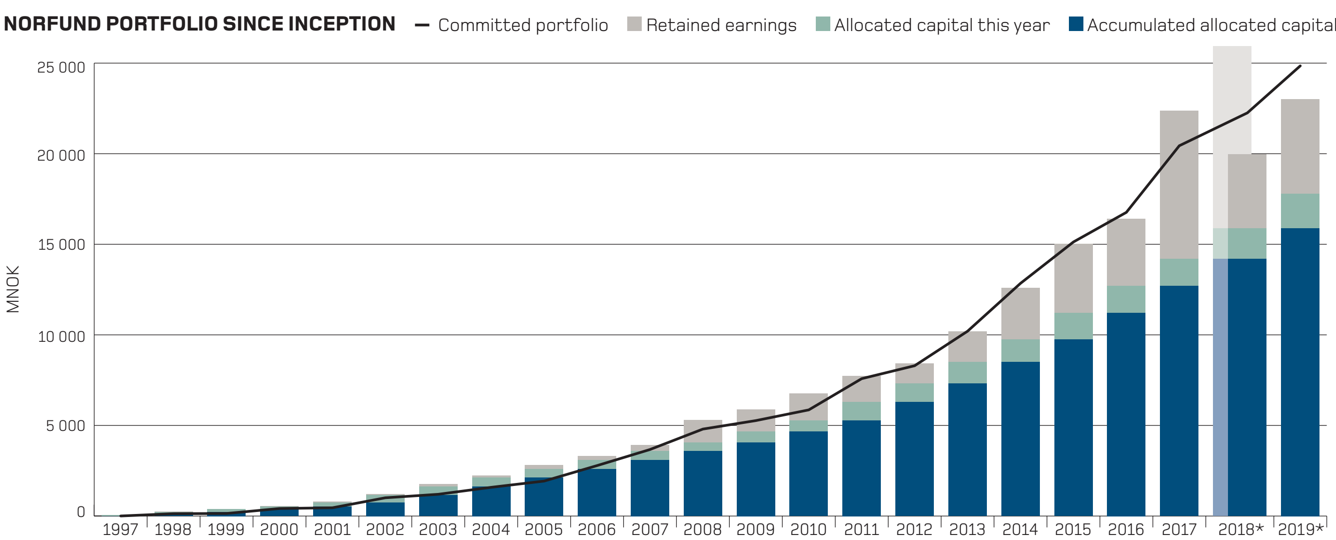
6% IRR since inception (inv. currency)

9% IRR since inception (NOK)

380,000 jobs in the portfolio companies



NORFUND PORTFOLIO SINCE INCEPTION



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

17.2 TWh

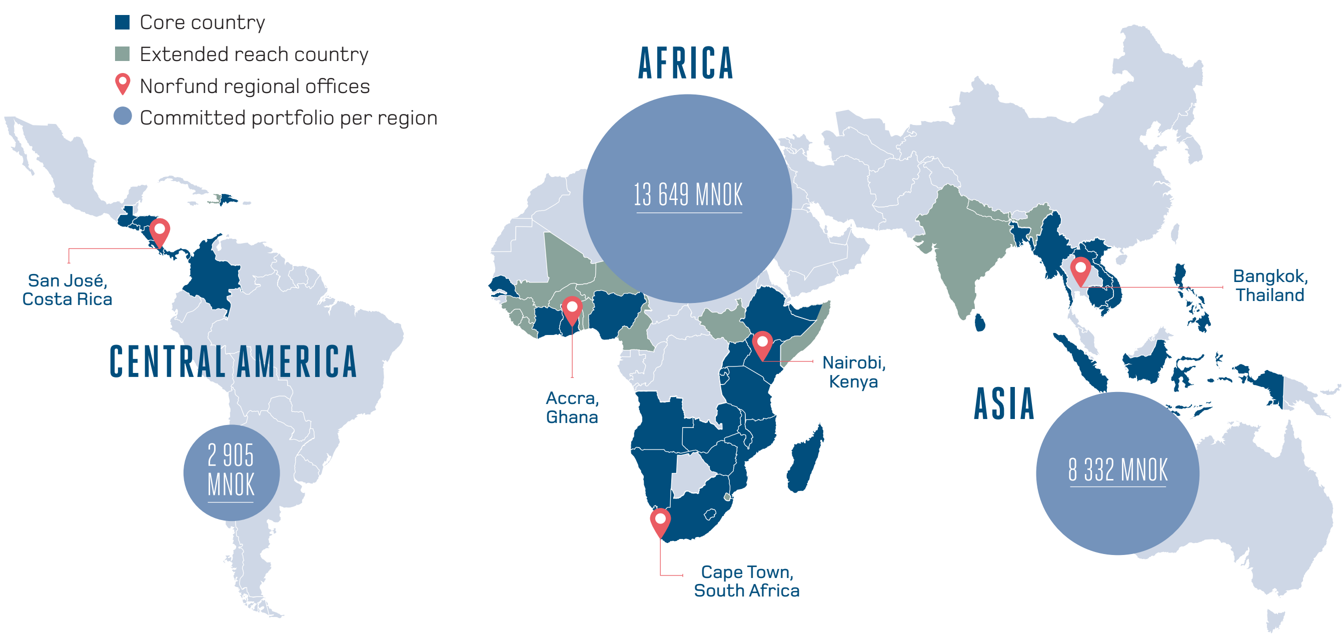
electricity produced by portfolio companies

4.0

billion NOK new investments in 2019

14.1

billion NOK taxes paid by portfolio companies in 2019



KEY FIGURES NORFUND 2013–2019	2013	2014	2015	2016	2017	2018	2019
Portfolio (MNOK)	9 630	12 843	15 127	16 762	20 439	22 253	24 944
Capital allocated by the owner (MNOK)*	1 198	1 230	1 480	1 478	1 500	1 690	1 905
New investments (MNOK)	1 872	3 645	2 395	2 784	3 600	3 511	4 015
Share of new investments in least developed countries	42%	24%	38%	57%	34%	47%	36%
Share of new investments in Africa	68%**	72%	85%	73%	35%	49%	61%
Return on invested capital (IRR) in investment currency	-1%	-6%	3.5%	2.9%	14%	4.6%	6.3%
Number of direct investments	118	126	129	124	136	149	163
Number of employees in Norfund	54	61	69	69	71	75	82
Number of jobs in portfolio companies	314 000	227 000	382 000	276 000	292 000	304 000	380 000

* Excluding Business Support and PDRMF
** Excluding SKIHI and SN Power

Photo: Thought Leader Global

REPORT ON OPERATIONS

WHO WE ARE

A MESSAGE FROM

TELLEF THORLEIFSSON

Chief Executive Officer

CREATING JOBS FOR DEVELOPMENT

In Sub-Saharan Africa, 18 million jobs need to be created annually to absorb new entries into the labour market. Currently, only 3 million formal jobs are being created each year, and many developing countries face double-digit unemployment rates.

The impacts of the COVID-19 pandemic have made the need for new jobs even more critical. In most developing countries, having a job means having enough to eat. Unemployment, on the other hand, can mean poverty and potential starvation.

Nine out of ten jobs are created in the private sector. That is why, when we developed our new mission and strategy in 2019, we put private sector job creation at the core. Our mission is to create jobs and improve lives by investing in companies that drive sustainable development. In 2019, our portfolio companies directly employed more than 380,000 people. We know that these jobs lead to many more other jobs being created indirectly. In Africa, on average, each employed person supports 5 to 7 dependents. This means that the footprint of the jobs we support in developing countries is substantial.

A CHALLENGING YEAR FOR THE WORLD ECONOMY

2019 saw uncertainty and falling growth in the world economy, impacted by Brexit and deteriorating trading relations between the US and China. Norfund's markets in South East Asia and Latin America maintained growth, but in Sub-Saharan Africa (SSA) the situation is more challenging. This is particularly true in South Africa and Nigeria - the two economic engines of SSA in which population growth is now outpacing economic growth. Overall, SSA has


Photo: Thought Leader Global

experienced the fourth consecutive year of negative GDP per capita growth, according to the World Bank.[1]

In Norfund, we remain committed to investing in SSA and in the least developed countries (LDCs); 61 per cent of our commitments in 2019 went to companies in SSA and 36 per cent to companies in LDCs. This highlights the transformative role of development finance.

A RECORD YEAR FOR NORFUND COMMITMENTS

We made 21 new investments last year, committing a record NOK 4 billion, of which NOK 2 billion was capital allocation from the Norwegian development aid budget. The fact that we were able to commit twice the amount allocated shows the importance of recycling funds. By investing in profitable companies that drive sustainable development, we can reuse funds several times over, multiplying the positive impact that we have on societies and job creation.

To deliver on this important task, we are growing and strengthening our organisation. I am proud to be leading a highly committed and capable team.

We have increased our resources in the finance and legal departments in particular, reflecting the responsibilities we have when managing assets of investment capital of NOK 25 billion in some of the world's most difficult markets. We are also strengthening our capacity on environmental and social risk management.

AN UNPRECEDENTED CHALLENGE IN COVID 19

2020 has brought unprecedented crises. Across the world, COVID-19 and associated prevention measures are hurting economic growth and triggering rise in unemployment.

Norfund markets are far from untouched. Undoubtedly, the world needs a large-scale humanitarian response. However, there is an equally urgent need for an emergency economic response that protects and creates jobs.

We have seen governments step up in developed countries on an unprecedented scale. Yet, we know that the need in developing countries cannot be met without external support. Outflows of foreign direct investments (FDI) from the emerging economies during Q1 of 2020, for example, totalled 62 billion dollars – the largest outflow ever recorded.

This means that responsible investors, in particular development finance institutions such as Norfund, must step up, offering patient and countercyclical risk capital. Norfund's role as an investor – creating jobs and improving lives in developing countries – therefore feels more urgent and essential than ever.

Tellef Thorleifsson, Chief Executive Officer

1 Calderon, Cesar; Kambou, Gerard; Cantu Canales, Catalina; Korman, Vijdan; Kubota, Megumi. 2019. Africa's Pulse, No. 20, October 2019 : An Analysis of Issues Shaping Africa's Economic Future. Washington, DC: World Bank.

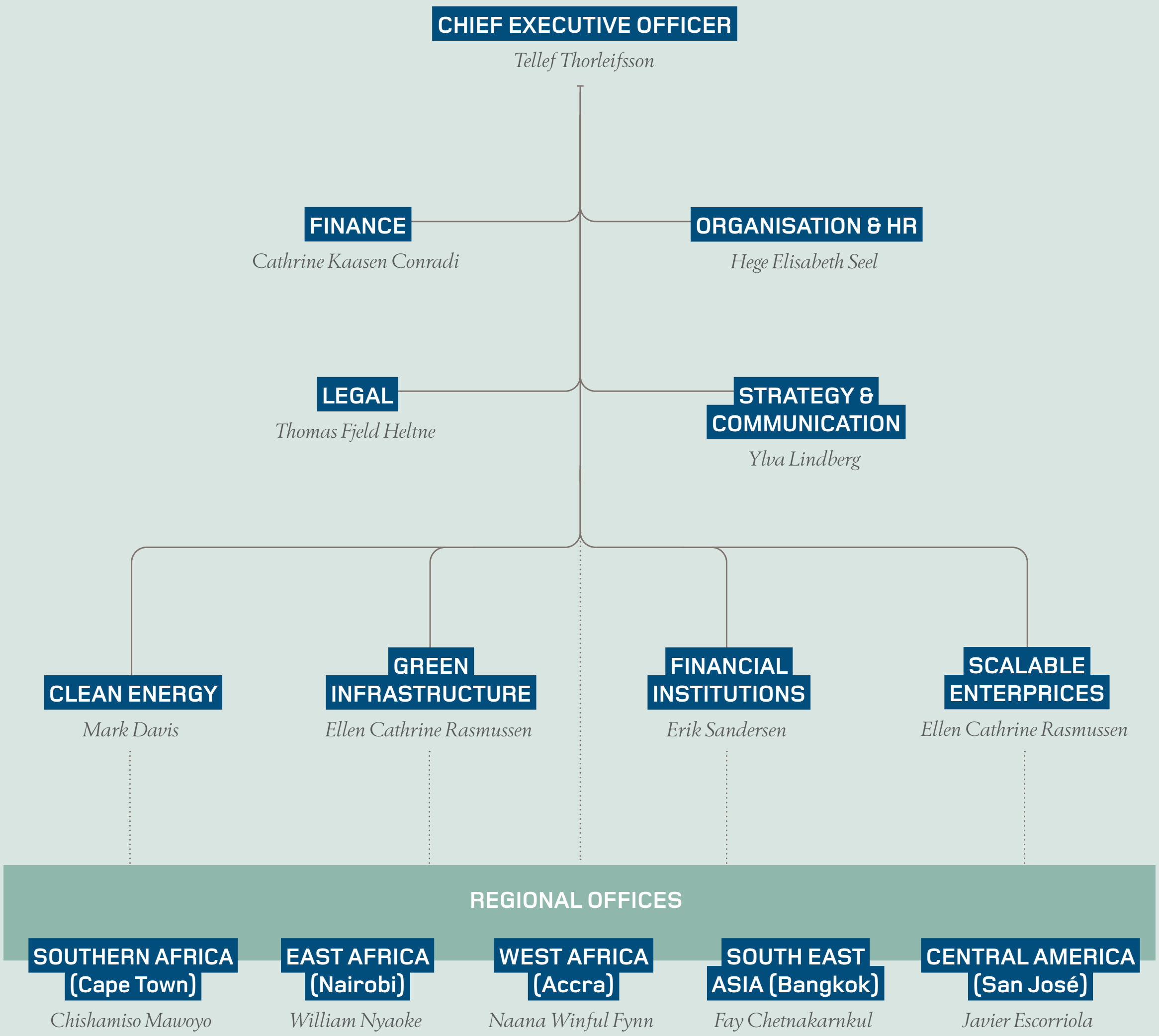
NORFUND'S ORGANISATION

Investment expertise
Norfund has Norway's largest specialist team investing in developing countries. In 2019, 48 of 82 employees worked directly with investments, following projects through all phases of the investment process. Norfund has three sector-based departments: Clean Energy, Financial Institutions and Scalable Enterprises. Our aim is to establish a fourth sector-based department, Green Infrastructure.

Country presence
27 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 engagements and provide support to all the sector-based departments.

Impact expertise, financial analyses, organisational development and legal support
Norfund has dedicated experts monitoring environmental, social and governance issues related to our investments. The Strategy and Communication department analyses development effects and additionality and manages communication. The Finance department is responsible for Norfund's accounts, financial analysis and portfolio reporting. The Organisation and HR department is responsible for recruitment, competence and staff development as well as Norfund's Business Support scheme and the Project Development and Risk Mitigation Facility. A legal department was established in April 2019 to strengthen the internal capacity on legal and compliance issues. Some support functions are outsourced to keep the organisation small and efficient.

Investment committee
Norfund's Investment Committee (IC) is important, both for quality assurance and to strengthen decision-making. The IC has eight members, two of whom are external, and is led by the CEO. While the CEO/Management Team decide on investments up to USD 4 million, the IC is mandated to decide on investments between USD 4 – USD 15 million. The IC also reviews investment proposals above USD 15 million, but final approval is made by the Board of Directors.


CHIEF EXECUTIVE OFFICER
Tellef Thorleifsson
FINANCE
Cathrine Kaasen Conradi
ORGANISATION & HR
Hege Elisabeth Seel
LEGAL
Thomas Fjeld Heltne
STRATEGY & COMMUNICATION
Ylva Lindberg
CLEAN ENERGY
Mark Davis
GREEN INFRASTRUCTURE
Ellen Cathrine Rasmussen
FINANCIAL INSTITUTIONS
Erik Sandersen
SCALABLE ENTERPRICES
Ellen Cathrine Rasmussen
REGIONAL OFFICES
SOUTHERN AFRICA (Cape Town)
Chishamiso Mawoyo
EAST AFRICA (Nairobi)
William Nyaoke
WEST AFRICA (Accra)
Naana Winful Fynn
SOUTH EAST ASIA (Bangkok)
Fay Chetnakarnkul
CENTRAL AMERICA (San José)
Javier Escorriola

Left to right: Thomas Fjeld Heltne, Hege Elisabeth Seel, Tellef Thorleifsson, Ellen Cathrine Rasmussen, Mark Davis, Ylva Lindberg, Erik Sandersen, Cathrine Kaasen Conradi.

MANAGEMENT TEAM

TELLEF THORLEIFSSON **Chief Executive Officer**
Prior to Norfund, he was a co-founder and managing partner of Northzone. Since 1996, Tellef contributed to building Northzone to become a leading international venture-fund. Tellef is also a co-founder of the Voxtra Foundation which has been making targeted investments and grants within agribusiness in East Africa. Tellef has had several directorships.

HEGE ELISABETH SEEL **EVP Organisation & HR**
Before joining Norfund, Hege was Assistant Director General at Ministry of Trade and Industry as Chief of Staff. She has experience from international assignments in OECD and the EU and has been working for the Ministry of Foreign Affairs.

YLVA LINDBERG **EVP Strategy & Communication**
Prior to Norfund, Ylva was founding partner of the consultancy SIGLA for 13 years, focusing in sustainable and impact finance. Lindberg is also a senior associate of the University of Cambridge Institute for Sustainability Leadership, board member of Lærdal Medical and member of the Responsible Investment Advisory Council of BMO Global Asset Management.

THOMAS FJELD HELTNE **General Counsel**
Prior to joining Norfund, Thomas was Director M&A at Norsk Hydro. Thomas has throughout his career worked with transactions, financing and international projects, both from the legal and commercial side. Thomas has been member of and observer to boards of Norwegian industrial companies and has also served on the Trade Policy Panel for the Confederation of Norwegian Enterprise (NHO).

ERIK SANDERSEN **EVP Financial Institutions**
Prior to Norfund, Erik was partner and co-founder of Incitia Ventures, a venture fund investing in early- and growth stage Nordic technology companies. Sandersen sits on the boards of the African bank investment firm Arise, NMI – the Nordic Microfinance Initiative and Norfinance AS where he acts as the Chair.

MARK DAVIS **EVP Clean Energy**
Prior to joining Norfund, Mark was employed at ECON Analysis where he was responsible for a range of energy-related consulting assignments, primarily in developing countries. He has worked extensively in Southern and East Africa, as well as selected countries in Asia and Latin America. Mark is on the board for several of the department's investees, among other Globeleq and SN Power.

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

ELLEN CATHRINE RASMUSSEN **EVP Scalable Enterprises**
Prior to joining Norfund, Ellen was a manager in Yara. The last few years she has spent as country manager for the Ivory Coast and as VP for Sustainability programs and global projects. She has been EVP for Agrinos, an international agriculture input provider, had various management positions at Norsk Hydro and been a board member for SINTEF. She studied economics in Norway and France.

BOARD OF DIRECTORS

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

Norfund's Board of Directors ensures that the Fund operates in accordance with the Norfund Act of 1997 and the Fund's statutes. The Board defines Norfund's strategy and approves individual investments exceeding specified thresholds. Other investment decisions are delegated to the CEO and Investment Committee. The Norfund Board of Directors meets 8–9 times a year, and once a year they visit selected investee companies in priority developing countries.

OLAUG SVARVA is the Chair of the Board. She was the CEO of the Government Pension Fund Norway (Folketrygdfondet) from 2006 to 2012. Today, Olaug is Chair of the Board in DNB and she has also served as board-member of several Norwegian companies' nomination committees. From 2001 to 2006, she held positions as CEO & Investment Director at SpareBank 1 Aktiv Forvaltning and SpareBank 1 Livsforsikring.

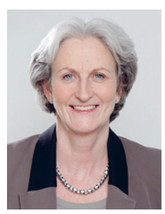
FINN JEBSEN is self-employed and has extensive experience in the Norwegian industrial sector. He worked in the Orkla Group for 25 years, as CEO from 2001-2005. He has served on the boards of several companies, including Kavli Holding AS, Awilhelmsen AS, Kongsberg Gruppen ASA and Norsk Hydro ASA.

MARTIN SKANCKE is a self-employed consultant at Skancke Consulting. He has worked in the Norwegian Ministry of Finance and headed the Ministry's Section for Monetary Policy and Public Finances. Martin has been Director General at the Office of the Norwegian Prime Minister and at the Ministry of Finance's Asset Management Department.

BRIT K.S. RUGLAND has broad experience in both equity investments and the industrial sector, including at Statoil (now Equinor). Since 2000, she has been a General Manager of various parts of the Rugland family business. Brit has served on Norges Bank's Executive Board and chaired the Board of Gassco AS.

PER KRISTIAN SBERTOLI has a background as international secretary and political advisor for the Christian Democratic Party. He has been Head of Advocacy in Plan International Norway. He now works as Head of Renewable Finance in the Zero Emission Resource Organization.

TOVE STUHR SJØBLOM has broad leadership experience from Hydro and Statoil (now Equinor). She has held positions as Asset Manager for the Ormen Lange project, SVP for Statoil's Sub-Sahara Africa assets and Managing Director of Statoil's Aberdeen office. Today, she is Managing Director of The Oslo Energy Forum and affiliate partner of Systemiq.



VIBEKE HAMMER MADSEN was managing Director of Virke, the Enterprise Federation of Norway from 2002- 2018. Before this, she worked for PA Consulting Group and was director in Statoil Marketing. Vibeke has had a number of directorships, among others in Kværner ASA, Forskningsrådet, Aker Solutions ASA og Storebrand.

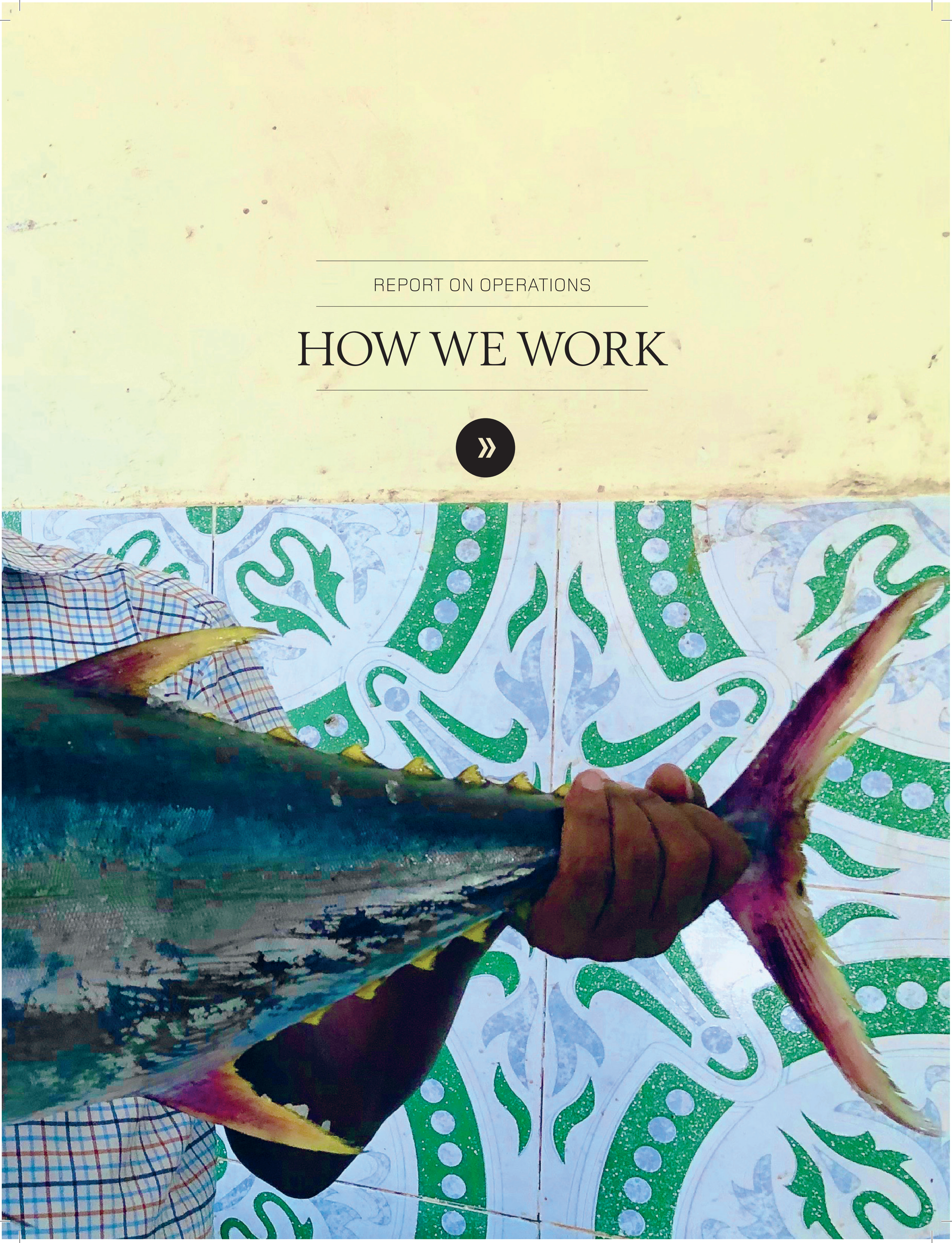
MARIANNE HALVORSEN, employee elected director, joined Norfund in 2001 and has had various responsibilities within the company. She is Senior Investment Manager in the Financial Institutions team. She has previously worked in GIEK and has a master's degree in Business and Economics from NHH.

LASSE DAVID NERGAARD, employee elected director, joined Norfund in 2013 as an Investment Director in the Scalable Enterprises department. Prior to Norfund, he worked for more than 10 years in the Private Equity sector. He has a master's degree in Business and Economics from NHH and MSc. from University of Colorado, Boulder.

Photo: Norfund

REPORT ON OPERATIONS

HOW WE WORK



INVESTING IN BUSINESSES THAT DRIVE SUSTAINABLE DEVELOPMENT

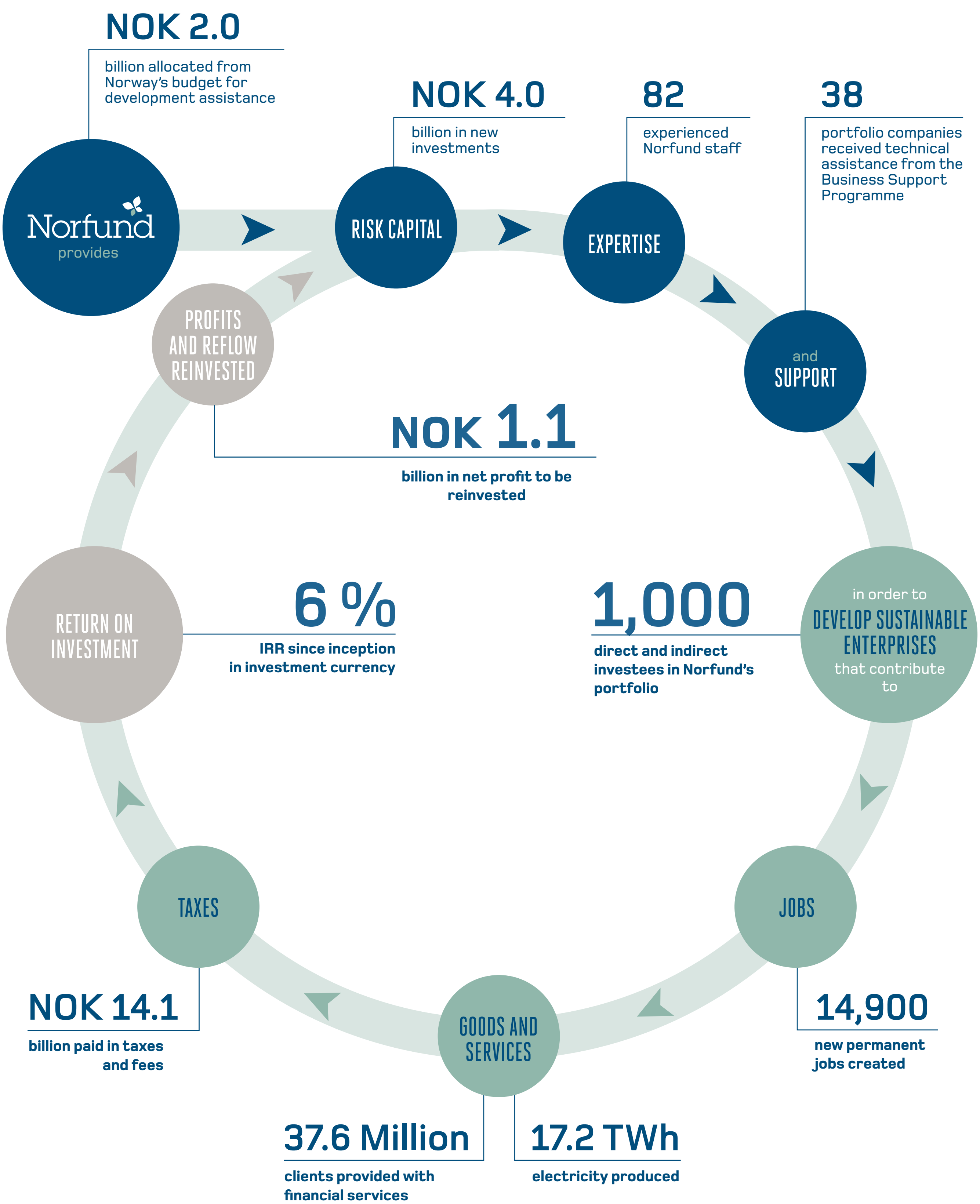
The development of sustainable enterprises is essential to promote economic growth and reduce poverty.

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

Norfund aims to invest in some of the world's most challenging sectors and countries – in countries where the private sector is weak, jobs are scarce and where we can have the greatest impact.

The illustration on the following page illustrates how Norfund works and how the investments contribute to create jobs, increase energy access and supply and strenghten financial inclusion.

Investments are exited when Norfund's involvement is no longer additional. The capital and profit generated are then reinvested in new enterprises with greater need for risk capital. ■


NOK 2.0
billion allocated from Norway's budget for development assistance
Norfund
provides
NOK 4.0
billion in new investments
RISK CAPITAL
82
experienced Norfund staff
EXPERTISE
38
portfolio companies received technical assistance from the Business Support Programme
and
SUPPORT
PROFITS AND REFLOW REINVESTED
NOK 1.1
billion in net profit to be reinvested
RETURN ON INVESTMENT
6 %
IRR since inception in investment currency
1,000
direct and indirect investees in Norfund's portfolio
in order to
DEVELOP SUSTAINABLE ENTERPRISES
that contribute to
TAXES
JOBS
NOK 14.1
billion paid in taxes and fees
GOODS AND SERVICES
14,900
new permanent jobs created
37.6 Million
clients provided with financial services
17.2 TWh
electricity produced

NORFUND'S STRATEGY

In June 2019, the Norfund Board approved Norfund's Strategy for 2019 – 2022. The strategy is anchored in the fund's mandate, informed by the UN Sustainable Development Goals and reflects the priorities of the Norwegian government's development assistance policy.

OPTIMISING IMPACT

To fulfill our mandate efficiently, we focus on countries, sectors and instruments where 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 risk. These two criteria – additionality and impact – constitute the backbone of our strategy. Being additional also means adding non-financial value in the form of expertise and active ownership to the investments we make. Through our value-additionality, we can improve both the financial profitability and the development impact of the companies.

FOUR 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. Access to electricity and capital are crucial infrastructural prerequisites for growing businesses. Scalable enterprises are companies with significant potential for growth and job creation. Green Infrastructure is a new investment area for Norfund with the aim to improve essential infrastructure in cities and urban areas. Investments in these sectors contribute to job creation and improved lives in developing countries.

PRIORITY COUNTRIES

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

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

In addition to our core target countries, Norfund has selected 20 developing countries that are defined as fragile, or in which partnership opportunities are available through reputable funds, strategic partners, or investment platforms.

OUR MISSION:

Norfund creates jobs and improves lives by investing in businesses that drive sustainable development.

INVESTMENT AREAS AND LINK TO SDG

Furthermore, Norfund prioritises investments in Sub-Saharan Africa and Least Developed Countries (LDCs).

PRIORITY INSTRUMENTS

Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments because in most developing countries, this is the scarcest type of capital that enterprises need.

Although preference is given to equity investments, we aim to increase the share of investments made through funds and loans. Investing in funds via trusted and skilled partners is an efficient way for Norfund to provide risk capital. By working closely with investees and fund managers, we contribute actively to improving company governance and performance.

For financial institutions, access to credit is critical for financing growth and managing liquidity. Our provision of debt to financial institutions increases the ability of companies to provide loans to clients. Debt investments also help diversify Norfund's portfolio, both in terms of risk and capital reflows.

2022 AMBITIONS

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

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

- **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

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

GREENFIELD INVESTMENTS

Norfund's investments in new enterprises are "greenfield investments". Starting new enterprises can be risky, and attracting capital can be challenging. Norfund can accept higher levels of political and financial risks than many other investors. However, we seek to limit our exposure to technology related risks when making direct investments. In other words, Norfund prefers to invest in proven, well-functioning technologies.

CIRCULATING CAPITAL FOR INCREASED ADDITIONALITY

Circulating capital strengthens our ability to fulfill our mandate because it releases capital for new investments. Norfund uses an active, structured and planned approach when exiting companies (for example, through sales, mergers and initial public offerings (IPOs)). Going forward, we aim to circulate more capital, bringing in private investors when exiting from companies. This will allow us to deploy the released capital in other investments in which we can be additional.

KEY PERFORMANCE INDICATORS (KPI) FOR NORFUND'S PORTFOLIO:

- Sub-Saharan Africa > 50%
- Least Developed Countries > 33%
- Equity Investments > 70%
- Greenfield Investments > 15% of three years moving average of annual commitments

INVESTMENT EXPERTISE

To succeed as an investor, Norfund continuously builds and develops the expertise needed to invest and manage risks. This includes in-depth knowledge of traditional financial risks, as well as ESG (environmental, social and governance) and integrity issues. We strive to have a thorough understanding of the business environments and sectors in each of our target countries, as well as the systems and governance practices affecting them. Norfund therefore recruits employees both in, and from, our target countries and regions. In our role as an active owner, we recruit experienced external and internal board members to represent us in our investment companies. ■

AN ACTIVE AND STRATEGIC INVESTOR

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

We help the companies in which we invest to become profitable. Good management is expected, and companies must demonstrate their development impacts and compliance with international standards.

BEFORE AN INVESTMENT

Before any investment is made, companies and partners are carefully assessed. Financial, operational, climate, environmental and social concerns are important: Without financial and operational viability a company is not commercially sustainable, and a company without respect for human rights and environmental sustainability is incompatible with Norfund's developmental mandate.

Once an investment proposal is approved, each investment agreement is tailored to the specific performance requirements, reporting needs and action plans, among others.

MONITOR CHECKPOINTS

Norfund actively monitors that the portfolio companies:

- Operate in accordance with agreed strategies
- Perform in line with the agreed business plan and financial projections
- Practice satisfactory corporate governance and internal controls
- Follow national laws and regulations
- Demonstrate environmental and social responsibility and meet the IFC Performance Standards
- Comply with Norfund's Responsible Tax Policy

ACTIVE OWNERSHIP AFTER INVESTMENT IS SIGNED

As an active investor, Norfund's role extends beyond financial commitments: we also take an active role in value creation by offering portfolio companies hands-on operational and technical support.

When Norfund has an equity stake in a business, we usually require a seat on the company's board of directors. This seat is filled either by a Norfund employee or by an external expert, depending on the company's needs. In 2019, Norfund was represented on 40 company boards, of which 33 seats were occupied by external experts.

EXCLUSION LIST

Norfund has together with the other European Development Finance Institutions (EDFI) identified particular sectors and activities in which investments will not be made. The EDFI Exclusion List can be found at www.norfund.no.

FOCUSING ON GOOD CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL PERFORMANCE (ESG)

Our direct ownership in our portfolio companies enables us to have an impact on corporate governance, and on their decisions related to environmental and social impacts.

Corporate governance

Corporate governance refers to the structures and processes for the direction and control of companies. Corporate governance matters because it improves the performance of our investees, and helps develop capital markets. Sound corporate governance reduces risk and adds value to investments and avoids reputational risks for investors.

Norfund carefully assesses the governance structure and framework for each prospective investment. We require the companies we invest in to promote and adhere to high standards of corporate governance and will, when needed, assist our investees in improving their corporate governance systems.

Environmental and Social performance

Norfund adds value by helping our investees to improve their environmental and social performance. If environmental and social risks are not addressed appropriately, it can cause harm both to people and to the environment. The management of environmental and social risks is therefore an integral part of Norfund's investment processes. Norfund uses the Environmental and Social Performance Standards of the World Bank's International Finance Corporation (IFC). This framework covers 8 standards that form the basis for our assessments and follow-up interventions.

BUSINESS SUPPORT

The Norfund Business Support Programme is an important tool for active ownership. It is used by Norfund to support portfolio companies in the following areas:

- **Enterprise improvement, climate and ESG:** Projects that aim to strenghten climate and ESG standards, procedures and capacity of a company.

- **Local community development:** Projects that strengthen local development effects in host communities, by supporting a company's local community outreach efforts.

- **Sector related initiatives:** Project that support a whole sector, as for example E&S training for the banking sector in a particular country.

The Business Support Programme is earmarked Norfund's portfolio companies and prospective portfolio companies. For this grant-based financing, portfolio companies cover up to 50 per cent of the project costs.

Business Support projects actively take into account the four cross-cutting issues in the Norfund investment strategy; human rights, gender equality, climate change and environment, and anti-corruption.

Finally, close partnerships and regular exchanges of information are central components of Norfund's Business Support Programme. These ensure that we are able to coordinate and integrate our work with other institutions, and to track lessons learned by those involved. Norfund actively cooperates with organisational partners, including Norad, Norwegian embassies, and development assistance organisations, such as NGOs and other DFIs.

The Norfund Business Support Programme in 2019:

- 18 MNOK funding committed (since 2010)
- 38 active projects
- 65% in Sub-Saharan Africa

THE PROJECT DEVELOPMENT AND RISK MITIGATION FACILITY (PDRMF)

A lack of bankable projects is a key barrier for investors, including Norfund, that are interested in investing in developing countries. Project development in these countries is often costly and requires expertise in impact assessments, law and technical reporting. Investors such as Norfund, can therefore play a key role in promoting project development in priority sectors.

In 2019, the Norwegian Ministry of Foreign Affairs and Norfund signed an agreement for a new Project Development and Risk Mitigation Facility. The aim is to enable Norfund to provide capital in the most demanding markets, especially in vulnerable states and least developed countries (LDCs) where access to early stage capital is limited. The facility has two purposes:

- 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 be included in Norfund's overall portfolio valuation. ■

IFC PERFORMANCE STANDARDS

The IFC Performance Standards on Environmental and Social Sustainability are globally recognised benchmarks for environmental and social risk management in the private sector. The standards are used by development finance institutions, commercial banks and other similar institutions. The eight Performance Standards cover the following aspects:

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

A RESPONSIBLE INVESTOR – CROSSCUTTING ISSUES

Human rights, gender equality, climate and environment, and anti-corruption are crosscutting issues in Norway's development policy. These issues are to be considered in all international development projects and programmes. Norfund assesses relevant crosscutting issues in all our investments.

CLIMATE CHANGE AND ENVIRONMENT

The effects of climate change pose a major risk to the dynamics of poverty reduction and to the prosperity of societies. Norfund deals with climate change and protection of the environment on three levels:

1 **Resilience:** The poor and vulnerable are the most affected by climate change. Norfund's priority to LDCs and job creation helps make these groups more resilient to climate change.

2 **Reduction:** Investing in renewable energy reduces CO_2 emissions and facilitates the transition to a low-carbon economy. It also enables access to clean energy.

3 **Risk:** Assessing climate risk (such as emission levels, physical risks, legislation, social risks and competition) for sectors, geographies and companies where this is relevant and material.

Norfund is strenghtening its work on climate change and will launch a climate strategy in 2020. The aim is to ensure that Norfund is managing all climate-related risks in a way that is relevant to the investment portfolio, in line with leading practices and credible to our stakeholders.

HUMAN RIGHTS

The responsibility to respect human rights is a global standard of expected conduct for businesses worldwide. 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 indigenous peoples' rights, the interests of local communities and the core conventions of the International Labour Organisation (ILO).

ANTI-CORRUPTION

Corruption and economic crime have wide-ranging negative effects on societies and are detrimental to reach the United Nation's Sustainable Development Goals. 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

Globally, fewer women than men participate in the formal economy, women earn less than men, and have fewer assets and economic opportunities. Norfund's strategy for gender equality and women's economic participation has three objectives:

1. **Ensure** equal opportunities and promote gender balance across all levels in Norfund;
2. **Promote** equal opportunities for men and women across all levels in investees and through access to finance; and
3. **Engage** with relevant stakeholders to learn and influence others to promote gender equality

Norfund is committed to addressing gender equality in our own organisation, in our investments, and through Business Support and external communications. Norfund was one of the first development finance institutions to develop a Gender Strategy in 2016.

Own organisation

When addressing gender equality, Norfund recognises the importance of starting with our own organisation. Diversity is key for Norfund, as it gives us insight and helps us better understand opportunities and risks.In recruitment and hiring processes, Norfund actively seeks gender balance and diversity by inviting candidates from all genders. At the level of management, Board, and Investment Committee the same standard is used. The Norfund Management team furthermore reviews potential salary gaps every year, striving for equality among genders.

Portfolio companies

Non-discrimination is an integral part of the IFC Performance Standards. By adhering to these standards in our investment process, Norfund actively considers gender equality. In addition, by investing in financial institutions, Norfund contributes to increased access to capital - for both men and women - which promotes entrepreneurship and self-employment.

Still, Norfund has noted that women are underrepresented at the management level in many of our investee companies and on corporate boards. To encourage increased female leadership, Norfund supports portfolio companies in sending female talents to the Female Future Programme, through the Norfund Business Support Programme (page 21).

Wider society

Norfund also contributes by sharing best practices, exchanging ideas and experiences with non-governmental organisations and participating in public debates.

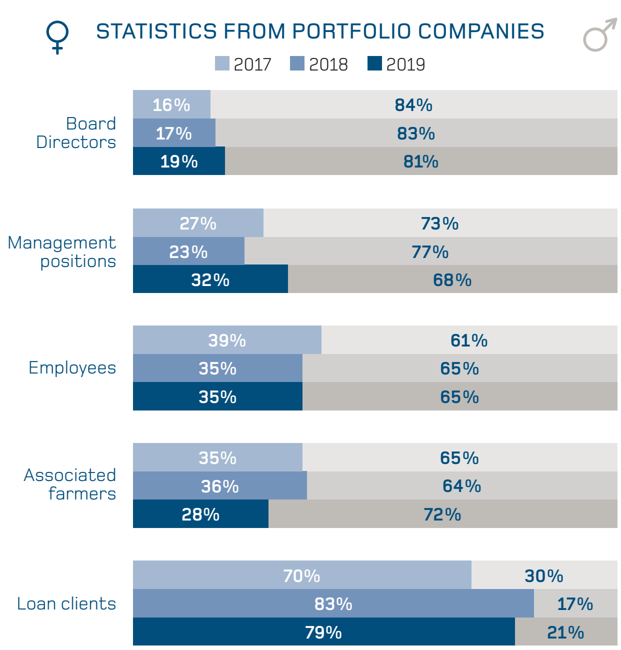
TAKING STOCK AND RAISING AWARENESS

Each year, we collect data on the gender balance of our portfolio companies. Gender balance varies in different investment areas, and data shows that Financial Institutions and Funds typically have a better gender balance than the investment areas Clean Energy and Scalable Enterprises.

Norfund has benchmarked data from our investee companies in energy, financial institutions and funds and compared these to global trends in these sectors. The benchmarking exercise showed that the gender balance in our investee companies is in general either the same as the average level in these sectors, or better.

COLLABORATION

Norfund meets frequently with other DFIs to discuss gender strategies, share lessons learned and discuss approaches for raising awareness internally and with partners. Through our work with the European Development Finance Institutions (EDFI) we address gender equality. Since 2018, Norfund has been a part of the Gender Finance Collaborative (GFC). The aim of the GFC is to be a committed and collaborative DFI working group to leverage combined capital, capacity, networks and knowledge. ■



Each year, Norfund collects gender-disaggregated data from all investees. This enables us to carry out gender analysis at investee and portfolio level. Annual changes in the composition of Norfund's portfolio limit comparability of data at this level.

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. The following page gives an overview of important Norfund strategic partners.

TAX POLICY AND OFFSHORE FINANCIAL CENTERS

As a minority investor, Norfund sometimes invests through structures or funds that have been set up by others. Norfund Responsible Tax Policy, adopted by the Board of Directors in 2019, sets out the principles that guide our approach to tax-related issues and our expectations of portfolio companies and co-investors.

The policy specifies that Norfund requires all investees to act responsibly with regards to taxation and to comply with the local tax legislation. All companies that Norfund invests in shall pay taxes and other tax-like fees to the governments of their host countries. As a co-investor, Norfund will contribute to increased awareness on tax compliance.

Norfund shall seek to limit the use of Offshore Financial Centers (OFCs). OFCs are used only when necessary to meet the fund's development priority of investing in high risk markets and to protect the fund's capital. The use of intermediate jurisdictions may be necessary to provide a stable financial, legal and regulatory environment for investment.

Norfund strives to invest through holding companies and funds registered in countries that comply with the progressively tightening standards of Global Forum on Transparency and Exchange of Information for Tax Purposes, including the automatic exchange of tax information (AEIO), and/or through countries with which Norway has a tax information exchange agreement. ■

Photo: Scatec Solar

STRATEGIC PARTNERSHIPS AND INVESTMENT PLATFORMS

Norfund collaborates closely with partners and co-investors in specific investment areas and geographical regions. Today, Norfund has several strategic investments in defined companies ("investment platforms") which both manage a set of assets and are vehicles for growth and capital deployment. Each investment platform is designed to manage investments in a defined investment area. Below is an overview of investment platforms and partners of strategic importance to Norfund:

INVESTMENT PLATFORMS

Arise was established in 2016 as a joint venture between Rabobank, FMO (the Dutch development bank) and Norfund. The aim of Arise is to strengthen the financial sector in Africa through large minority equity investments in local banks and thereby to contribute to financial inclusion. While Norfund continues to offer loans directly to African financial institutions, equity investments in African banks are to a large degree done by Arise.

Globeleq is a leading producer of gas, solar and wind power in Sub-Saharan Africa. The company is owned by Norfund and CDC (the British development finance institution). Through Globeleq, both Norfund and CDC aim to install 5,000 MW of new electricity capacity in Africa over the next decade.

SN Power stems from 2002 when Norfund and Statkraft established a joint venture to develop, own and operate hydropower projects in developing countries. The company contributes to sustainable development through increasing the supply of renewable, stable power in developing countries, essential for economic growth and poverty reduction. Since 2017, Norfund has been the sole owner of SN Power. SN Power is now focused on greenfield developments in sub-Saharan Africa and selected countries in South East Asia.

OTHER STRATEGIC PARTNERS

Nordic Microfinance Initiative (NMI) was created in 2008 as a Norwegian initiative through a partnership between Norfund and the private investors Ferd, Vital (DNB), Storebrand and KLP. As of 2016, IFU (the Danish development finance institution) also became a partner and NMI became the Nordic Microfinance Initiative. Uniting private and public capital, NMI provides unbanked people in developing countries access to financial services.

KLP: Norway's largest life insurance company is an important strategic financial partner for Norfund. Since 2013, KLP and Norfund have co-invested in several financial institutions and renewable energy projects in developing countries, mainly in Africa.

Scatec Solar: Norfund has a long-term strategic cooperation with Scatec Solar - an integrated independent solar power producer in developing countries. The partnership provides a framework for collaborative project development and joint investments. As partners, Scatec Solar and Norfund have contributed to the realisation of several solar PV projects in Africa and in Central America.

Photo: Sala Lewis

REPORT ON OPERATIONS

PORTFOLIO AND FINANCIAL RESULTS

Year 2019

PORTFOLIO

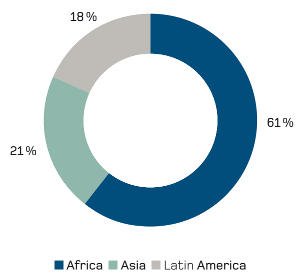
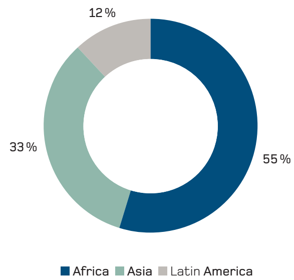
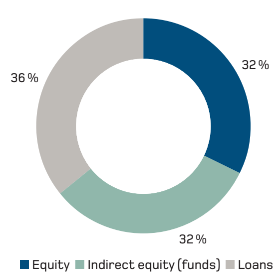
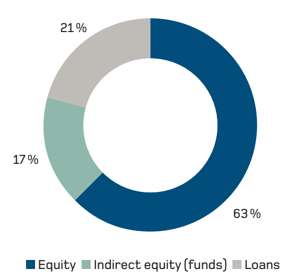
By year end 2019, Norfund committed investments totalled NOK 24.9 billion in 163 projects. Almost half of the portfolio is invested in clean energy projects.

24.9	4.0	2.04	163 / 850	21 / 17
billion NOK total committed	billion NOK committed in 2019	billion NOK allocated from owner in 2019	companies received direct / indirect investments from Norfund	new and follow-on investments in 2019

A YEAR OF HIGH INVESTMENT ACTIVITY

Norfund's yearly investment activity has increased significantly since inception, with 2019 reaching an all time high both for the number of commitments made, as well as the committed capital. The number of projects in need of investments within our investment scope is growing. As of end 2019, our committed capital is higher than the cash available. 49 per cent of all commitments in 2019 were loans and equity investments in financial institutions – thereby providing companies in developing countries with access to capital, which is crucial for their growth and job creation.

NEW INVESTMENTS PER YEAR

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
PRIORITY GEOGRAPHICAL REGIONS Well in line with Norfund's strategic target, 61 per cent of all commitments in 2019 were in Sub-Saharan Africa. Investments in Sub-Saharan Africa now account for 53 per cent of Norfund's total portfolio. KPI: Sub-Saharan Africa > 50%		
PRIORITY TO LEAST DEVELOPED COUNTRIES (LDCS) The need for DFI investments is high in LDCs due to scarcity of capital available in these markets. KPI: Least Developed Countries > 33%	36% **NEW COMMITMENTS IN LDCS**	40% **TOTAL PORTFOLIO IN LDCS**
HIGH SHARE OF GREENFIELD INVESTMENTS Investments in new power plants, startups and first generation funds are classified as greenfield investments. Greenfield investments often have high risk but may be particularly important to development. KPI: Greenfield>15% of three years moving average	31% **NEW COMMITMENTS IN GREENFIELD**	33% **TOTAL PORTFOLIO IN GREENFIELD**
PRIORITY TO EQUITY Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments because in most developing countries this is the scarcest type of capital needed by enterprises. KPI: Equity and indirect equity >70%		

RESULTS

In 2019 Norfund's Internal Rate of Return (IRR) was 6.3 per cent (calculated in investment currency), compared to 4.6 per cent in 2018. Calculated in Norwegian Kroner, the IRR for 2019 was 7.4 per cent.

Significant annual variations mean that the return on our investment is better reflected in IRR calculations since inception. As of 31 December 2019, Norfund's IRR since inception, expressed in investment currency, was 5.9 per cent. In Norwegian Kroner, the IRR since inception was 9.1 per cent.

In 2019, Norfund's *Clean Energy* portfolio had an IRR in investment currency of 7.4 per cent. This followed a similarly strong performance in 2018. Norfund received a dividend from SN Power of 807 MNOK. Globeleq's performance was satisfactory and the commissioning of multiple Scatec Solar projects had a positive impact on the overall result.

Our investments in *Financial Institutions* performed well in 2019, with an IRR of 7.1 per cent in investment currency. This result was notably stronger than the IRR of 3.3 per cent in 2018. This performance was driven in large part by improvements in the investment portfolio of ARISE, by NMI's continued strong performance, and by value increases in multiple investments in our Central American portfolio. The IRR in this sector, since inception, is 7.0 per cent.

The IRR of our portfolio in *Scalable Enterprises – Funds* improved from -14.4 per cent in 2018 to -7.4 in 2019. The funds portfolio experienced downward valuation pressure and challenging exit markets. Especially our SME-funds in Angola had a troublesome year. Also in 2019 we have negative impact on the portfolio formerly managed by Aureos as a consequence of the Abraaj fraud scandal.

The *Scalable Enterprises – Agriculture & Manufacturing* portfolio had an IRR of 3.3 per cent in 2019, measured in investment currency. This is a strong performance compared to 2018, which saw an IRR of -5 per cent, and compared to a return of -3.6 per cent since inception. Overall, the portfolio's IRR performance in 2019 was solid, considering the challenging and high-risk nature of this sector. The portfolio results were also boosted by successful exits from two tourism companies.

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

IRR SINCE INCEPTION

6%

(Local currency)

9%

(NOK)

IRR IN 2019

6%

(Local currency)

7%

(NOK)

Internal Rate of Return (IRR) in investment currency	**Since inception 1997–2019**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Clean Energy	7.0	7.4	7.1	19.5	0.1	2	-9	-4	12	10	11
Financial Institutions	7.0	7.1	3.3	5.8	8.2	12	6	4	9	6	9
Scalable Enterprises – Direct	-3.6	3.3	-5.0	4.1	-5.2	-4	-10	-4	-10	2	7
Scalable Enterprises – Funds	1.4	-7.4	-14.4	-4.0	-1.6	0	-3	12	9	3	10
Total	**5.9**	**6.3**	**4.6**	**14.0**	**1.6**	**3.5**	**–6**	**–1**	**10**	**8**	**10**

NORFUND'S AUDITED RESULTS FOR 2019

Profit & Loss (MNOK)	* 2018	** 2018	2019
Interest	195	195	269
Realized gains	151	151	78
Dividends received	187	218	985
Other project income	20	20	13
Share of profit associated companies	768	-	-
Total operating income	**1 322**	**585**	**1345**
Payroll expenses	–114	–114	–114
Other operating expenses	–59	-59	-73
Total operating expenses	**–173**	**–173**	**–187**
Write-downs on investments	-295	-347	-229
Operating profit in investment currency	**855**	**65**	**929**
Net financial items	**14**	**14**	**87**
Tax	–1	–1	–4
NET PROFIT IN INVESTMENT CURRENCY	**868**	**78**	**1012**
Exchange rate effects portfolio	290	342	101
Profit	**1 158**	**421**	**1 113**

Assets (MNOK)	* 31.12.2018	** 31.12.2018	31.12.2019
Total fixed assets	**15 535**	**26**	**31**
Other equity investments	4 446	13 992	15 169
Loans	3 075	3 075	3 964
Other current assets	140	140	1 211
Cash and deposits	2 869	2 869	2 824
Total current assets	**10 530**	**20 076**	**23 169**
Total Assets	**26 065**	**20 102**	**23 200**

Equity & liabilities (MNOK)	* 31.12.2018	** 31.12.2018	31.12.2019
Total Equity	**25 934**	**19 971**	**23 009**
Total allowances for liabilities	**49**	**49**	**26**
Grant Facility	**14**	**14**	**14**
Total short term debt	**82**	**82**	**151**
Total Equity and liabilities	**26 065**	**20 102**	**23 200**

* Reported figures
** Adjusted/comparable figures

COMMENTS TO THE 2019 RESULTS

- In 2019 Norfund had a profit after tax of NOK 1,113 million. This, together with annual allocations from the Norwegian Ministry of Foreign Affairs, will increase investment capacity going forward. Operating income, largely stemming from Norfund's investment portfolio, was NOK 1,345 million. Total operating expenses before gain/loss on exchange and impairments came to NOK 187 million.

- In 2019 Norfund changed the presentation of the accounts, and in terms of accounting is now fully defined as an investment company. The change affects Norfund's operating income, asset classification and equity alike. From 2019 onwards only operating income in the form of dividends and interest and gains on exits will be taken to income. Previously defined associated companies now appear in the balance sheet according to the same principle as the rest of Norfund's portfolio, at the lower of cost or market value. The change has led to a NOK 5,251 million reduction in the book value of these companies, and to a considerable reduction in Norfund's equity compared to that reported as of 31 December 2018. The reduction is not due to negative developments in the companies, but is merely a result of a change in accounting classification.

- As a knowledge-based enterprise, most of our operating costs are personnel-related. Other costs include early stage costs accrued in developing projects to a stage where an investment decision can be made.

- In 2019 Norfund had net write-downs of NOK 229 million.

- Norfund's total assets had a book value of NOK 23,200 million. The main items on the balance sheet are the loans and equity investments of our investment portfolio. At year-end of 2019, Norfund had a total of 163 direct investments, which are recorded at a combined amount of NOK 20,038 million on the company's balance sheet. Bank deposits amounted to NOK 2,824 million at the end of 2019, which will be used to fulfill existing investment commitments and to engage in new investments in line with Norfund's mandate.

Detailed accounts have been published in our Annual Report and can be found on Norfund's website, www.norfund.no.

EXIT ANALYSIS

Norfund's mandate is to support the creation and expansion of viable and sustainable businesses to create employment in developing countries. In order to investigate delivery on the mandate, we have performed a new analysis of the status of Norfund's exited companies.

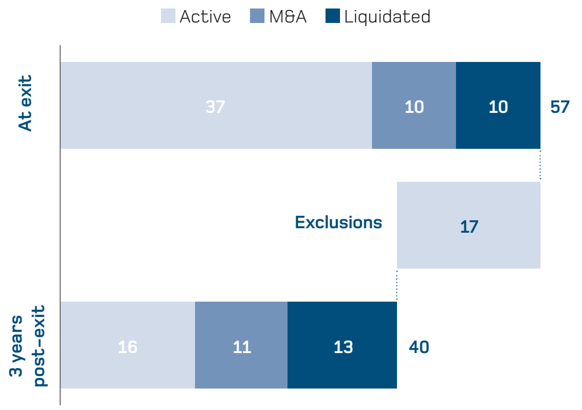
THE SURVEY AND ANALYSIS

The first exit analysis was performed in 2015. In 2019, a second analysis was undertaken, with standardized definitions and parameters to allow for continuous updates of the dataset and comparability over time.

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

- **Survival:** Survival rate is tracked during Norfund's holding period and three years after Norfund exited the investment (post-exit).
- **Performance:** The second aspect considered is company performance in job creation, financial indicators and other development impacts, tracked during holding period and 3 years post-exit.

1: Status of exited companies at exit and 3 years post exit



With the 3-year cut-off, 17 investments (including one liquidation and one post-exit liquidation) are excluded as they were exited after 2016, leaving 40 investments as scope for the post-exit analysis.

KEY RESULTS

Norfund investments have a healthy survival rate, both during and after ownership (Figure 1)

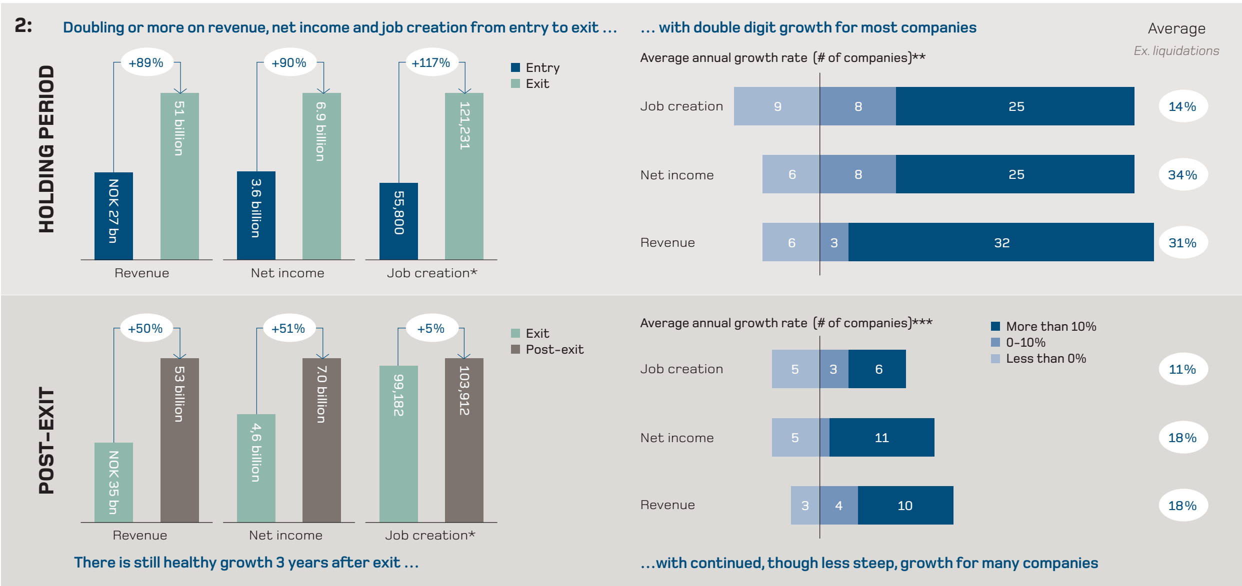
During the holding period, the survival rate for investments is above 80 per cent. Three years after exit, more than 4/5 of companies that were active at time of exit are still active. 13 companies were liquidated by the 3-year post-exit mark, of which nine during our holding period and four after exit.

Performance in surviving companies is solid, both during and after Norfund's investment (Figure 2)

Overall, exited companies saw a doubling or more in revenue, net income and job creation from entry to exit, with double digit growth rates for most companies. The overall post-exit performance showed healthy growth three years after Norfund's exit with continued, though less steep, growth for many companies. As Norfund enters in order to create or expand companies, this pattern is perfectly aligned with expectations and an indication that Norfund is successful in delivering on its mandate.

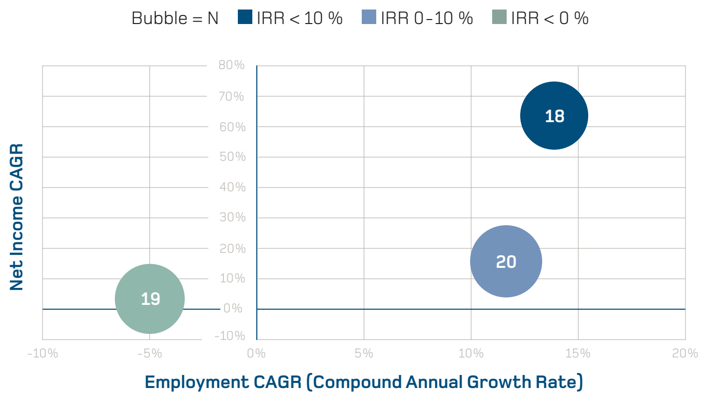
A clear relationship between healthy returns and job creation (Figure 3)

Positive IRR for Norfund is associated with higher annual growth in employment for companies during the holding period. The data indicates a positive but diminishing impact on job creation once IRR reaches a certain level, suggesting that a sensible ambition is to achieve healthy, rather than maximum returns at the portfolio level. For Norfund to truly succeed on job creation and sustainable businesses, it is essential to achieve healthy returns. ■



* Growth rate for job creation excluding the investee BRAC was +64% during holding period and +33% post-exit.
** Dataset excludes liquidations.
*** Post-exit dataset covers companies with available data (17 companies on net income and revenue, 14 on employment).

3: A higher return yields higher relative job growth and profitability growth



DATA LIMITATIONS

The current analysis is undertaken primarily as a self-assessment and learning tool and has several data limitations. As such, the results are considered indicative, rather than conclusive. There are plans to expand and improve on the dataset in the future to address these limitations and over time make findings more robust. Limitations include:

- Limited number of observations
- Data quality limitations
- Exclusion of exits to and in platforms

EXITS 2019

TPS RWANDA

Country: Rwanda
Business sector: Tourism
First investment year: 2010
Investment: NOK 12.5 million
IRR: 5%

Norfund invested in TPS Rwanda in 2010 to finance the refurbishment of Kigali Serena Hotel and a new lodge. Norfund's active ownership contributed to improved governance and employer policies. The number of staff increased by 30 per cent during the investment period.

AGRICA

Country: Tanzania
Business sector: Agribusiness
First investment year: 2010
Investment: NOK 158.4 million
IRR: 0%

Agrica is an investment from the early agri-investments when focus was on greenfield investments. The present production is irrigated rice and maize. It has not performed to date despite the scale up of irrigation to 3000ha.

Photo: Thought Leader Global

REPORT ON OPERATIONS

ADDITIONALITY AND IMPACT

Year 2019

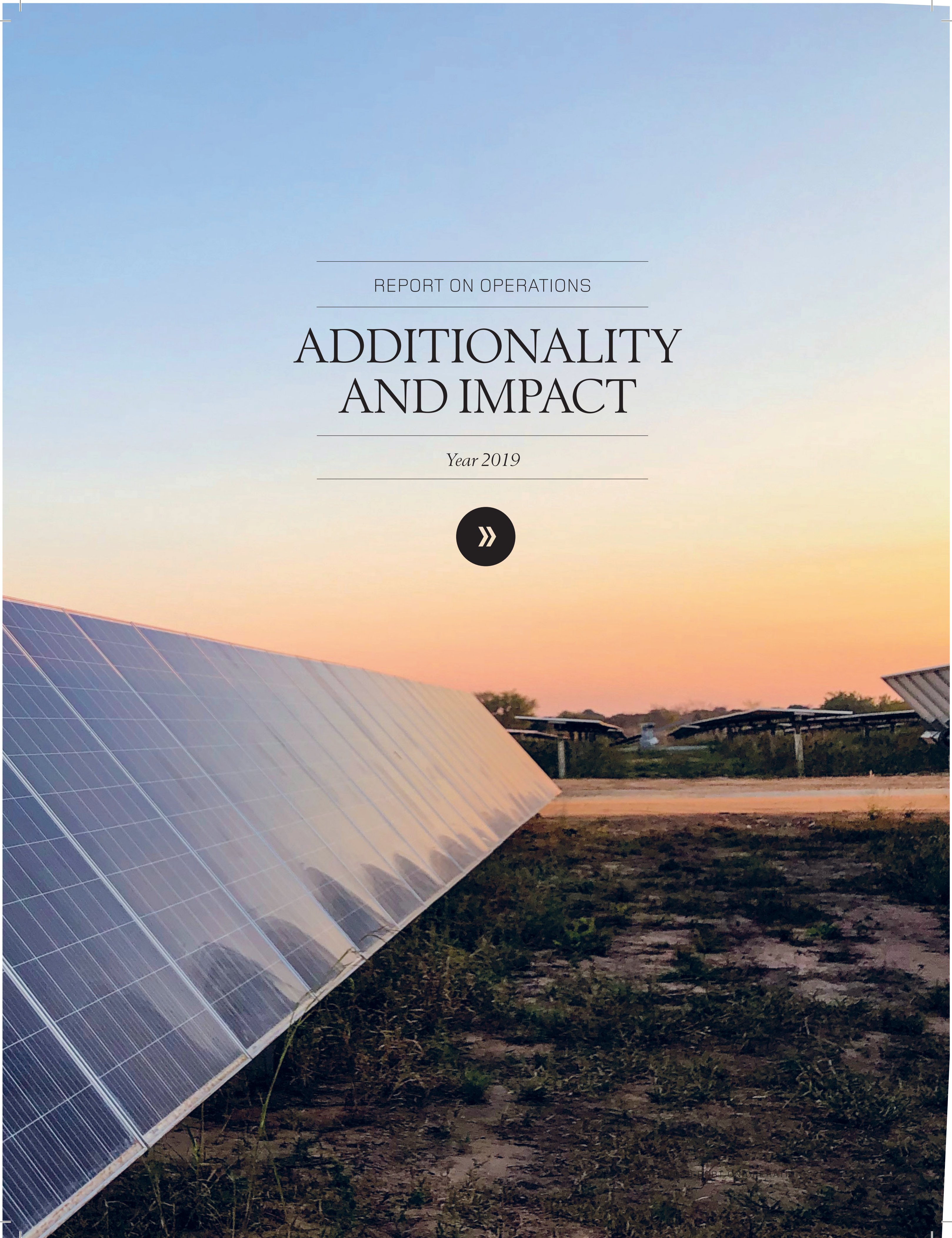


Photo: Julian Ray

OUR APPROACH TO ADDITIONALITY

Norfund's investments are additional, helping to enable development impacts that might not otherwise be possible because of the high risks involved.

Additionality is a central part of Norfund's mandate. We are additional when we invest in markets and businesses that are characterised by high risk and scarcity of capital, and when we provide financial instruments associated with high risk. We add value that goes beyond capital value, providing active ownership, promoting environmental and social standards, and supporting enterprise improvement.

A COMMON DEFINITION OF ADDITIONALITY

Proving the additionality of our investments is challenging because it requires insights into what could have happened had we not invested. The lack of a common definition of what additionality is has complicated efforts to substantiate claims. In 2018, OECD DAC members therefore developed a common definition of additionality to address this challenge. This was an important milestone that influences our work. Norfund participates actively in international networks, strengthening industry standards and the reporting of additionality.

FINANCIAL AND VALUE ADDITIONALITY

The OECD's definition of additionality distinguishes between financial and value additionality. A transaction is considered to be financially additional if it supports capital-constrained markets in which private sector partners are unable to obtain commercial financing due to high risk or if it mobilises investment from the private sector that would not have otherwise invested. Value additionality, in contrast, refers to "the provision or mobilisation of non-financial value that the private sector is not offering, and which will lead to better development outcomes, e.g. by providing or catalysing knowledge and expertise, promoting social or environmental standards or fostering good corporate governance".

OUR ADDITIONALITY FRAMEWORK

We have refined Norfund's additionality framework to ensure alignment with the new OECD definition. Our framework consists of ten additionality ambitions, reflecting both the financial and value additionality of our investments. The framework informs our new investment decisions and how we report additionality. Each new investment is assessed against the ten ambitions and accompanied by a narrative description of additionality. Norfund´s investments meet different additionality ambitions. To construct a portfolio that truly delivers impact, all investments are additional, but they can and should be additional in different ways and meet different additionality ambitions. This means that some investments deliver on many or even all ambitions and others deliver on some.

ADDITIONALITY OF NEW INVESTMENTS

Norfund invested in 21 new companies and funds in 2019. Each investment was assessed using the ten additionality ambitions. An additionality overview for each investment has been published on our website.

» **To read more about additionality, visit**
norfund.no/our-approach-to-additionality

MEETING EACH ADDITIONALITY AMBITION

Percentage of committed capital to new projects in 2019 meeting additionality ambition.*

Investing in the poorest countries
Refers to investments made in countries with low per capita income levels

Investing in the most capital constrained markets
Refers to investments made in countries with low levels of available domestic financing

Investing in the riskiest markets
Refers to investments made in countries with credit rating below investment grade

Investing in the most difficult business environments
Refers to investments made in countries with poor regulatory practices

Investing in high risk instruments
Refers to financial instruments characterised by high risk

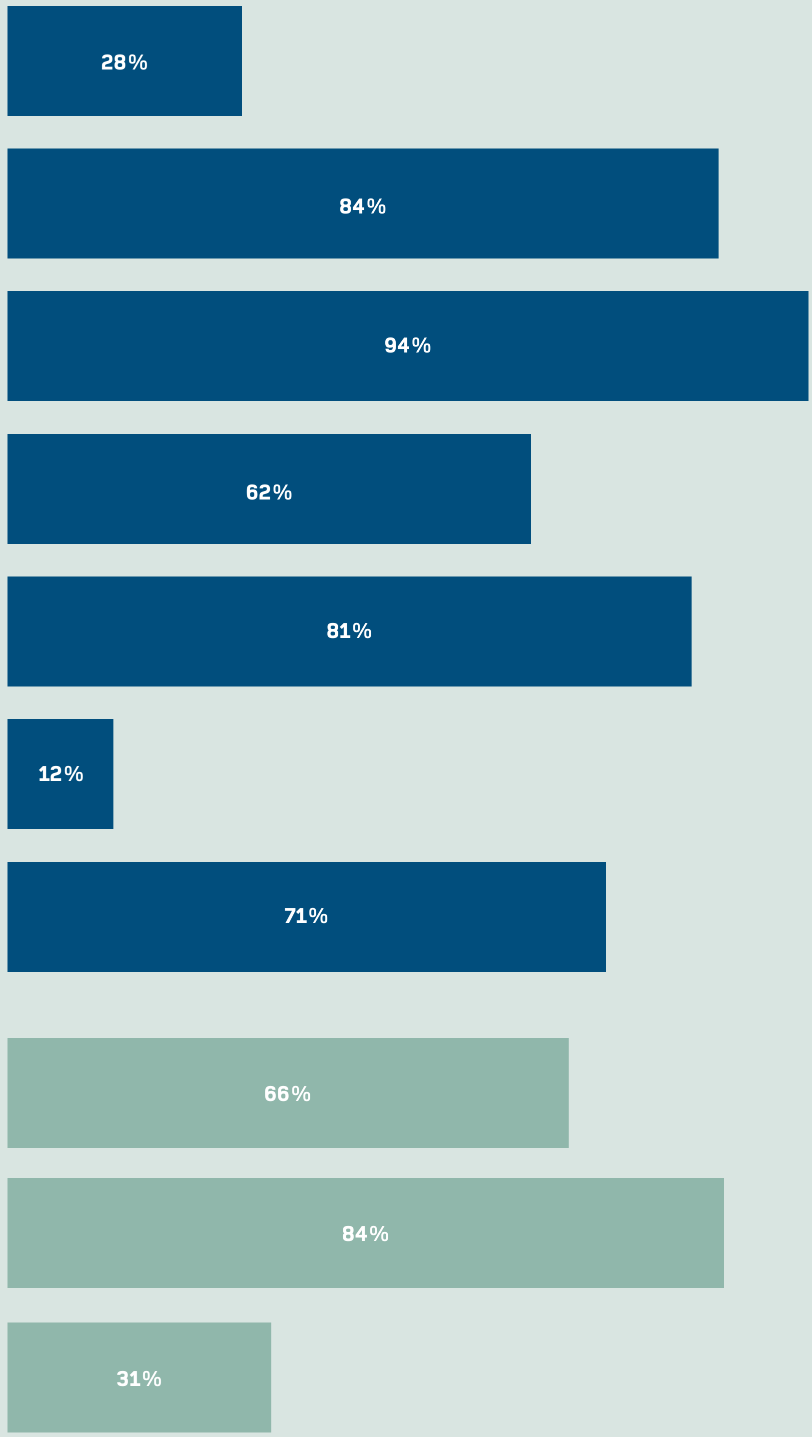
Contributing to starting new business activity
Refers to investments that support new businesses

Mobilising private investors
Refers to investments that mobilise financing from private investors

Taking an active role in investments
Refers to Norfund's engagement level

Improving social and environmental standards
Refers to the depth of the due diligence, environmental and social requirements and the level of monitoring required

Supporting enterprise improvements
Refers to investments that are accompanied by support from Norfund's Business Support



* Follow-on investments are not included in this overview.

IMPACT MANAGEMENT

Norfund contributes to growing sustainable enterprises in key sectors that drive development. Each year, we collect data from the companies we invest in so we can monitor their impact.

NORFUND'S IMPACT OBJECTIVES

Norfund's key objective is to contribute to job creation and to improve living standards. We invest in sectors that are important to achieving this mission: clean energy, financial institutions, scalable enterprises and green infrastructure. Strategic objectives, which are aligned with the UN SDG agenda, are defined for each of these sectors.

THEORY OF CHANGE

Theories of change are roadmaps of how we believe change happens. We have developed theories of change for each sector in which we work, to explain the relationship between the input we provide to clients, the SDG targets, and the overall impact we want to achieve. These theories of change also highlight other relevant effects of our investments. Each theory of change has three components:

- A narrative with a problem statement, hypothesis of change, and an assessment of the evidence base
- A diagram visualising the causal pathway, and details of the intermediary steps
- A framework for monitoring and evaluation

Our main input is capital, which we provide to companies in the form of equity or debt financing. In some cases, we provide guarantees to mobilise financing from other investors. Grant funding is sometimes also used to support the development of training programmes or systems, and to help the institutions we finance to improve in key areas.

We provide advice and requirements to strengthen corporate governance and ensure that our investees have appropriate systems in place to identify environmental and social risks. When we hold equity, we participate actively at the company board level to promote sustainable practices.

Some outputs are sector-specific: in the energy sector, for example, outputs include increases in energy generation and the sale of off-grid solutions. In the financial sector, the outputs include increased availability of financial services and credit both to firms and individuals. More general outputs include direct job creation, and the taxes and fees paid to governments.

Outputs lead to sector-specific and general outcomes. In the clean energy sector, for example, these include reduced power outage time, lower energy costs and prices, and avoidance of greenhouse gas emissions. The final set of impacts includes economic growth, indirect job creation and improved living standards.

ANNUAL REPORTING

Each year, Norfund collects and monitors data on the key development effects of our portfolio companies. For 2019, we collected data from more than 700 companies. Over 80 per cent have reported data for two years or more, and this has allowed us to monitor their progress. Changes in the composition of Norfund's portfolio (exits, loan redemptions and new investments) mean that some of the figures that describe the impacts of our investments fluctuate sharply from year to year. To show the development of our portfolio enterprises more accurately, we are also reporting changes from year-end 2018 to year-end 2019 for those enterprises that were included in the portfolio and submitted reports for both years.

IMPROVING OUR METHODS

Our portfolio companies report on the direct effects of their operations, using the Harmonised Indicators for Private Sector Operations (HIPSO). These metrics identify both sector-specific effects (for example, energy production or financial services) and portfolio-wide effects (jobs, local purchases, and taxes).

We wish to improve our understanding of the indirect effects of our investments. The case studies and independent evaluations we support give us valuable insights into these issues, such as the effects of job creation in the value chain, and the productivity effects of power generation. ■

ESTABLISHING A MARKET STANDARD FOR IMPACT INVESTING

The "Operating Principles for Impact Management" is a new investment tool that has established a market consensus for the management of investments for impact.

A growing number of investors incorporate impact investments into their portfolios, striving to achieve both financial returns and measurable impacts. This is a positive trend. However, lack of consensus on how to manage investments for impact and which systems are needed to support them has created complexity and confusion. The distinction between impact investing and other forms of responsible investing is also not always clear.

To address this challenge, the International Finance Corporation (IFC), in consultation with a core group of stakeholders, developed the "Operating Principles for Impact Management". These have established a common disciplinary approach and a market consensus for how to manage investments for impact. The Principles were adopted in April 2019 by 60 signatories, including Norfund, and have now been endorsed by nearly 90 signatories, including Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs), and private investment funds. The Principles reflect best practices across a range of public and private institutions, while allowing for variations in institutional setups and specific routines. The principles have established a set of commonly agreed functions that are needed for effective impact management. They also provide a guide for actors who wish to engage in impact investing, and for investors who wish to screen funds or managers and identify potential providers.

The guide integrates impact considerations into all phases of an investment lifecycle: strategy, origination and structuring, portfolio management, exits, and public disclosure of alignment. Norfund's first disclosure statement is available on our website. While our current practices are aligned with the Operating Principles, we believe that we can always improve. Our internal processes are continuously developed and refined to ensure high standards of impact management and development impact from our investments. Changes will be reflected in future disclosure statements, as we continue to support this initiative for openness and transparency around impact investment.

» **For more information, see www.impactprinciples.org**

Strategic intent

1. Define strategic impact objective(s), consistent with the investment strategy.
2. Manage strategic impact on a portfolio basis.

Origination & Structuring

3. Establish the Manager's contribution to the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage potential negative impacts of each investment.

Portfolio Management

6. Monitor the prosess of each investment in achieving impact against expectations and respond appropriately.

Impact at Exit

7. Conduct exits considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achivement of impact and lessons learned.

Independent Verification

9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

INCREASE ENERGY ACCESS AND SUPPLY

DEVELOPMENT RATIONALE

Investing 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. 79 per cent of businesses in Sub-Saharan Africa experience electrical outages and 53 per cent depend on generators for their electricity need. Renewable energy can substitute fossil energy and mitigate climate change.

Investing in **access to clean energy** improves living standards by reducing indoor air pollution, giving access to communication and information, improving health care, security as well as educational outcomes. 1.1 billion people worldwide are still lacking access to electricity.

LINK TO SDGs

Norfund's investments in clean energy contribute directly to the following targets of the SDGs:

RESULTS 2019

1,010 MW	757 MW	454,000
NEW CAPACITY FINANCED, WHEREOF →	RENEWABLE ENERGY	NEW CONNECTIONS PROVIDED TO HOUSEHOLDS

Norfund's impact objective is threefold; increasing the supply of energy, increasing the share of energy from renewable sources, and increasing access to energy. Doing so leads to economic growth, job creation, and improved living standards, while mitigating climate change.

Norfund has defined three ambitions for this area. In the strategy period 2019-2022, Norfund aims for:

- 5,000 MW of new capacity financed,
- whereof 4,000 MW renewable
- 1.5 million households provided with access to electricity

Increased energy supply
In 2019, Norfund financed 1,010 MW of new electricity generation capacity. The total capacity in our portfolio is now 5,866 MW, of which 1,199 MW is under construction. The power plants produced a total of 17.2 TWh of electricity, an amount equivalent to the combined energy consumption of Uganda, Tanzania and Kenya.

Increased share of energy from renewable sources
In 2019, 75 per cent of the new capacity financed was renewable. A total of 4,267 MW of the capacity in our portfolio is from renewable sources, such as hydro, wind and solar. Together, the renewable power plants have prevented 4.6 million tonnes of CO_2 emissions in 2019 compared to standard national grid emissions.*

Increased access to energy
454,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2019. Additionally, 3.6 million units of smaller solar-powered solutions such as lanterns were sold to households in 2019. This has increased access to energy in off-grid areas in developing countries.

* Calculated using the IFI harmonised standard for GHG accounting (2019)

STRENGTHEN FINANCIAL INCLUSION

DEVELOPMENT RATIONALE

Financial inclusion is critical to support growth and job creation and reduce poverty and vulnerability. Inclusive financial systems provide firms and individuals with greater access to resources to meet their financial needs, such as capitalising on business opportunities, investing in home construction or education and confronting shocks.

In low- and middle-income regions, the financial sector is often underdeveloped. Firms 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 MSMEs have unmet financing needs, and about 1.7 billion adults remain unbanked.

LINK TO SDGs

Norfund's investments in financial institutions contribute directly to the following targets of the SDGs:

RESULTS 2019

2 MILLION
NEW CLIENTS SERVED BY DIRECT INVESTMENTS

18 BILLION
NOK INCREASE IN LENDING TO CLIENTS BY DIRECT INVESTMENTS

Norfund's impact objective for this business area is twofold; increasing the provision of financial services and 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.

Norfund has therefore defined two ambitions for performance in this area. During the strategy period 2019-2022, Norfund aims to promote growth in portfolio companies to:

- offer financial services to 15 million new clients
- extend 130 billion NOK more in loans to clients.

Increased provision of financial services
The direct investments in our portfolio provided services to around 37.6 million clients. Institutions with two consecutive years of reporting increased the total number of clients by 2 million (9.2 per cent) during 2019.

Increased provision of credit to clients
The combined loan book of the direct investments in our portfolio reached a total of 397 billion NOK by the end of 2019. The total number of loans provided to clients was 6.2 million; of which 3.1 million to retail clients, 2.7 million to microfinance clients, and 380,000 to SMEs. Institutions with two consecutive years of reporting had increased their credit provision by NOK 17.9 billion (7 per cent) during the year.

The financial institutions in which we have invested through funds have provided an additional 12.3 million loans to clients, at a combined value of 100 billion NOK.

JOB CREATION

DEVELOPMENT RATIONALE

Jobs are vital to reducing poverty. They generate income and 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. With the effects of the COVID-19 pandemic temporarily halting progress and threatening jobs and livelihoods, effort in job creation is as important as ever.

LINK TO SDGs

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

RESULTS 2019

380,000
EMPLOYED IN PORTFOLIO COMPANIES

14,900
NEW PERMANENT JOBS CREATED*

Jobs are created directly in Norfund's portfolio companies and indirectly through their supply chains. By the end of 2019, a total of 380,000 people were employed in the companies in which Norfund is invested, either directly or through funds. Approximately 35 per cent of those employed were women.

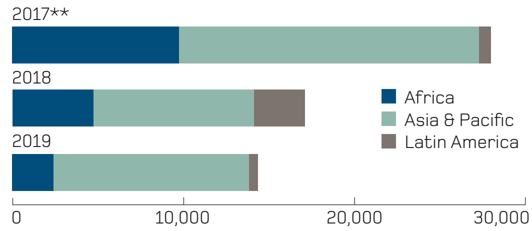
14,900 new permanent jobs created in 2019
Between the end of 2018 and 2019, the number of permanent jobs in Norfund's portfolio companies* increased by 14,900, or six per cent.

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.

Indirect job creation through domestic purchases
Norfund's portfolio companies also contribute indirectly to job creation when they buy goods and services from other enterprises. In 2019, Norfund investee companies purchased goods and services worth NOK 19.6 billion from local suppliers. In 2019, the companies* increased their collective purchases by NOK 1.4 billion, or nine per cent.

Estimating indirect job creation
Literature on job creation suggests that direct employment is a fraction of the indirect employment effect in supply chains. Several DFIs have developed methods for estimating the number of such jobs, and Norfund is currently participating in a process aiming to create an open-access model for estimation of indirect jobs.

14,900 NEW JOBS CREATED IN 2019*



* In companies with two consecutive years of reporting
** Job creation in three of our fund investees accounted for 38 per cent of the overall increase.

TAX REVENUES

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.

As governments in low- and middle-income countries are modernising their tax systems and broadening their tax base, the tax-to-GDP ratio is generally increasing. However, according to the IMF, compared to the OECD country average of over 34 per cent in 2018, the tax-to-GDP ratio is less than half in most low- and middle-income countries.

LINK TO SDGs

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

RESULTS 2019

14.1 BILLION
TOTAL TAXES PAID BY PORTFOLIO COMPANIES

8.9 BILLION
TOTAL TAXES PAID IN AFRICA

NOK 14.1 billion paid in taxes and fees
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 2019, an amount equivalent to NOK 14.1 billion had been paid in taxes and fees by the companies in which Norfund is invested, both directly and through funds. 45 per cent was paid as corporate income tax and 55 per cent was paid as other transfers, such as sales taxes, withholding taxes, net VAT, royalties, license fees, and social security payments.

NOK 1.3 billion increase in 2019
From the end of 2018 to the end of 2019, the total taxes and fees paid by companies with two consecutive years of reporting increased by NOK 1.3 billion, or 13 per cent.

Most taxes paid in Africa
63 per cent of the taxes and fees were paid by companies operating in Africa; Kenya, Tanzania and Uganda alone accounted for 29 per cent. 22 per cent were paid by companies in Asia, and 13 per cent by companies in Latin America. Almost 5 billion NOK was paid in taxes and fees by companies operating in Least Developed Countries.

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.

Photo: Thought Leader Global

REPORT ON OPERATIONS

INVESTMENT AREAS

Year 2019

Photo: Julian Ray

CLEAN ENERGY

2022 AMBITIONS: 1.5 MILLION households provided with access to electricity | 5,000 MW new capacity financed, whereof 4,000 MW renewable

DEVELOPMENT RATIONALE

Reliable and affordable energy is essential for businesses to thrive and create new jobs. Although most developing countries have considerable solar, wind and hydropower resources, the power sector is largely underdeveloped in terms of installed capacity, access to energy, and per capita consumption:

Investments in clean energy generation enable economic growth and job creation; more reliable energy supplies result in fewer outages, help to improve business productivity, and facilitate the creation of new businesses.

Investing in increased access to electricity improves living standards by substituting wood-fired ovens and reducing indoor air pollution, providing access to light and electronic communication, and improving health care services, security, and educational outcomes.

INVESTMENT NEEDS

Sub-Saharan Africa's demand for electricity is expected to increase by an additional 300 GW of capacity by 2040. To meet this demand, more than USD 490 billion investment will be needed. 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, the new capacity required 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 medium to large scale, grid-connected power plants. Technological and regulatory changes are driving new opportunities and business models. Norfund is monitoring these developments, 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 supply. Norfund has identified distributed generation as a growth area and is now 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 together with Scatec Solar. Norfund has a 30 per cent stake in Globeleq – one of Africa's leading independent power companies that aims to build 5,000 MW of capacity in Africa within the next ten years. SN Power, a 100 per cent subsidiary of Norfund, invests in greenfield hydropower developments in Africa and South East Asia.

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 (see page 25).

INVESTMENTS AND RESULTS

Clean energy is the largest component of Norfund's portfolio. The majority of our investments in this sector are in medium to large scale, grid-connected power plants. Technologies in this sector are changing, costs are declining, and new opportunities are emerging. In 2019, we made several investments in distributed generation and innovative energy solutions.

HIGHLIGHTS 2019

GRID-CONNECTED POWER PLANTS

- The 40 MWp **Scatec Solar Mocuba** project in Mozambique became operational in 2019 and was connected to the national grid (see page 47).
- The 390 MWp **Scatec Solar Benban** projects in Egypt were commissioned in 2019.
- The construction of the 258 MWp **Scatec Solar Upington** projects in South Africa progressed well, and two of the three plants became operational in February 2020.
- **Globeleq** initiated the construction of a 52 MWp solar project in Malindi, Kenya, and a 253 MW expansion of the Azito gas power plant in Cote d'Ivoire.
- **SN Power** signed contracts for the development of a new 147 MW hydropower project, the Ruzizi III, in Rwanda/Democratic Republic of Congo, which will also supply Burundi. In addition, SN Power supported the IFC and the Government of Malawi with the development of the 300 MW Mpatamanga hydropower plant.
- Norfund provided equity to support the expansion of **ResponsAbility Renewable Energy Holding** (rAREH). The company aims to develop, construct and operate smaller scale renewable energy projects in Africa. To date, the company has invested in hydropower and solar projects in South Africa, Uganda, Rwanda and Malawi.

DISTRIBUTED GENERATION

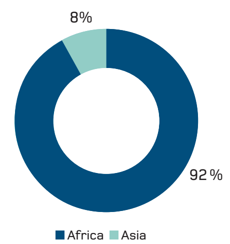
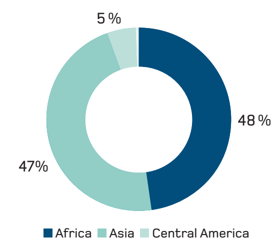
With cost reductions for solar power and batteries, off-grid power supply is an increasingly cost-effective solution. Three business models for production of clean energy are emerging: the establishment of mini-grids for rural communities, solar home products, and solutions for commercial and industrial use. In 2019, Norfund invested in all three of these business models:

- **WeLight**, a mini-grid company in Madagascar, to establish the company and finance its initial roll-out of installations across the country;
- **Yoma Micro Power**, a company providing solar-hybrid energy systems in rural Myanmar, to fund their expansion;
- **Greenlight Planet** and **d.light**, companies providing solar home systems, to finance expansion of their pay-go solutions to rural households in Africa; and
- **Starsight** and **Arnergy**, two companies providing energy solutions to commercial customers in Nigeria.

ENERGY FUNDS FOR INNOVATIVE ENERGY SOLUTIONS

In 2019, Norfund invested in several energy funds:

- Two debt funds: the **Facility for Energy Inclusion** (FEI) is designed to provide debt to companies delivering small-scale power plants in Sub-Saharan countries; **responsAbility's Access to Clean Power Fund**, providing debt to companies increasing access to electricity;
- Two private equity funds: **Inspired Evolution**'s second fund for clean energy in Africa, and **Metiers second Sustainable Capital Fund**, which targets renewables, water and waste management industries;
- Two venture/impact type funds: **Schneider Electric Energy Access Asia** invests in early and growth stage ventures in the energy access segment in Asia, and **Empower New Energy**'s first impact fund supporting distributed generation.

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
INVESTMENTS AND PORTFOLIO Clean energy accounts for 48 per cent of Norfund's portfolio. The equity share of the total clean energy portfolio is 87 per cent. 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.	1,319 **MNOK COMMITTED** (only renewable energy)	11,888 **MNOK COMMITTED** (whereof 10,518 MNOK in renewable energy)
REGIONS Norfund prioritises investments in countries classified as LDCs and countries in Sub-Saharan Africa.		

STRATEGIC IMPACT OBJECTIVE	RESULTS IN 2019
INCREASE ENERGY SUPPLY • Ambition 2019-2022: 5,000 MW of new electricity generation capacity financed. • Results: In 2019, Norfund financed 1,010 MW new capacity. • The total capacity in our portfolio is now 5,866 MW, of which 1,199 MW is under construction. The power plants produced a total of 17.2 TWh of electricity, an amount equivalent to the combined energy consumption of Uganda, Tanzania and Kenya.	1,010 MW **NEW CAPACITY FINANCED**
INCREASE SHARE OF ENERGY FROM RENEWABLE SOURCES • Ambition 2019-2022: 4,000 MW of renewable capacity financed. • Results: 757 MW of the new capacity financed in 2019 was renewable. • A total of 4,267 MW of the capacity in our portfolio is from renewable sources, such as hydro, wind and solar. Together, the renewable power plants have avoided 4.6 million tonnes of CO_2 emissions in 2019 compared to standard national grid emissions.	757 MW **CAPACITY FROM RENEWABLE SOURCES**
INCREASE ACCESS TO ENERGY • Ambition 2019-2022: 1.5 million households provided with access to electricity. • Results: 454,000 new households were provided with access to electricity through mini-grid solutions or solar home systems in 2019. • Additionally, 3.6 million units of smaller solar-powered solutions such as lanterns were sold to households in 2019. This has increased access to energy in off-grid areas in developing countries.	454,000 **HOUSEHOLDS PROVIDED WITH ACCESS TO ELECTRICITY**

CLEAN ENERGY

Investment	Country/ region	Investment year	Sector	Instrument	Norfund owner share*	Domicile	Investee currency	Committed (MNOK)
FEI On-Grid Fund	Africa	2019	Energy	Funds	18 %	Mauritius	USD	175.6
Metier Sustainable Capital Fund II	Africa	2019	Energy	Funds	17 %	Mauritius	USD	175.6
Evolution Fund II	Global	2019	Energy	Funds	14 %	Mauritius	USD	135.5
responsAbility ACPF	Global	2019	Energy	Funds	8 %	Luxembourg	USD	105.4
Greenlight Planet	Africa	2019	Solar	Loans		USA	USD	94.4
Schneider Electric Energy Access Asia	Asia & Pacific	2019	Energy	Funds	30 %	France	EUR	62.1
WeLight	Africa	2019	Energy	Equity and Loans	30 %	Mauritius	USD	44.6
Starsight	Nigeria	2019	Solar	Loans		Nigeria	USD	43.9
Eco-Nor	Africa	2019	Hydro	Equity	15 %	Mauritius	USD	8.3
rAREH	Africa	2017	Energy	Equity	26 %	Mauritius	USD	264.6
M-Kopa	Africa	2017	Solar	Loans		Kenya	KES/UGX	106.4
Yoma Micro Power	Myanmar	2017	Solar	Equity	15 %	Singapore	USD	30.3
Sunshine	America	2017	Solar	Loans		Costa Rica	USD	13.2
Scatec Solar Mocuba	Mozambique	2016	Solar	Equity and Guarantees	11 %	Mozambique	USD	78.4
d.light	Global	2016	Solar	Equity	5 %	USA	USD	44.0
Scatec Solar Los Prados	Honduras	2015	Solar	Equity	15 %	Honduras	USD	118.6
Scatec Solar Benban	Egypt	2015	Solar	Equity	12 %	Netherlands	USD	114.3
Scatec Solar Upington	South Africa	2015	Solar	Equity and Loans	30 %	Netherlands	USD	92.7
Rwimi	Uganda	2015	Hydro	Loans		Uganda	USD	19.1
Globeleq	Africa	2014	Energy	Equity	30 %	United Kingdom	USD	1 902.7
Scatec Solar Agua Fria	Honduras	2014	Solar	Equity	45 %	Honduras	USD	196.2
Scatec Solar ASYV	Rwanda	2014	Solar	Equity and Loans	31 %	Rwanda	USD	35.2
REH Group	South Africa	2014	Hydro	Loans		South Africa	ZAR	33.8
SN Power	Global	2013	Hydro	Equity	100 %	Norway	USD	7 444.5
Lake Turkana Wind Power (LTWP)	Kenya	2013	Wind	Equity	6 %	Kenya	EUR	97.7
Nam Sim	Laos	2011	Hydro	Loans		Laos	USD	30.7
Bronkhorstspruit Biogas Plant	South Africa	2011	Biomass	Equity	11 %	South Africa	ZAR	25.8
ICCF	Global	2010	Energy	Loans	3 %	Luxembourg	EUR	256.8
E&Co (Persistent Energy)	Global	2009	Energy	Loans	13 %	Delaware	USD	8.7

* Norfund's share of ownership is provided for direct and indirect equity (funds)

Photo: Scatec Solar

CENTRAL SOLAR DE MOCUBA

Central Solar de Mocuba is Mozambique's first utility-scale solar power plant. The 40 MWs of power capacity is helping to secure the supply of electricity and to stabilise the grid.

Despite having vast energy resources, severe power deficits continue to hamper economic and social development in Mozambique. Providing reliable and efficient electricity and expanding the generation and transmission capacity to meet current and future demands, are key challenges.

PROVIDING FINANCING AND EXPERTISE

Central Solar de Mocuba is owned by Scatec Solar, EDM (the Mozambican utility) and Norfund. Debt financing was provided by IFC and EAIF. The plant reached commercial operation in 2019, and Norfund has been involved in the project since 2014. Norfund has played an active role in developing the solar power plant, providing early-stage project development financing, equity capital, and financial support to mitigate risk. At the time of investment, the macroeconomic situation in Mozambique was deteriorating which deterred investors and complicated the financing process.

The project has also benefitted from a long and close cooperation between Norway and Mozambique, and good interaction between Norwegian funding agencies (Norad, Norfund and the Royal Norwegian Embassy in Mozambique).

COMPENSATION AND LIVELIHOOD RESTORATION PLAN

The social and environmental assessment of the solar power plant construction early in the project identified 223 affected households who were using the area for small-scale farming. Under the IFC's Performance Standards on Environmental and Social Sustainability, projects must ensure that livelihoods of those affected are maintained and, preferably, improved. In a thorough and time-consuming process, including several community consultations, the people affected by the project were compensated and received replacement land.

IMPROVING SECURITY OF ENERGY SUPPLY

The solar power plant is strategically located in Mozambique's transmission network. The power plant will help to improve the security of supply for Mozambique's northern region and stabilise the grid's electricity supply during the day. It is estimated that the new solar plant will result in a 7 per cent improvement in the network fault level.

The renewable energy plant will produce approximately 79 GWh per year – equivalent to the electricity consumption of more than 170,000 households in Mozambique.

At the peak of construction, 1,209 worked on the site, most of whom were hired locally. But the job creation impact of power projects is created mainly through their effects on the wider economy. Better, more reliable energy supplies, and fewer and shorter outages are helping to foster job creation and economic growth as new businesses are established and productivity improves.

For full case study, see Norfund's webpages. ■

Photo: Thought Leader Global

FINANCIAL INSTITUTIONS

2022 AMBITIONS: **15 MILLION** new clients offered financial services **130 BILLION** NOK increase in loans to clients

DEVELOPMENT RATIONALE

Financial inclusion is critical to support growth and job creation and reduce poverty and vulnerability. Inclusive financial systems provide firms and individuals with greater access to resources to meet their financial needs, such as capitalising on business opportunities, investing in home construction or education and confronting shocks.

In low- and middle-income regions, the financial sector is often underdeveloped. Firms 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 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 will enable 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.

NORFUND'S STRATEGY

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

Our investments in banks target medium-sized and large banks that focus on SMEs and the retail market, and which have clients who previously lacked access to financial services. Our main vehicle for equity investments in African banks is the bank investment company Arise, in which Norfund owns more than 40 per cent of the shares.

Norfund's investments in non-bank financial institutions are focused on those that provide services such as leasing, factoring and lending to SMEs. We are also exploring new investment opportunities within technology-driven financial institutions and insurance.

INVESTMENTS AND RESULTS

Financial institutions is Norfund's second largest investment area. 2019 was another active year, and a total of 16 investments were signed with financial institutions in Sub-Saharan Africa, Asia and Latin America.

Unfortunately, the financial institutions are strongly affected by COVID-19. Microfinance institutions in particular, are hit by a critical liquidity crisis which has influenced their ability to serve their clients in 2020.

HIGHLIGHTS 2019

HISTORICAL EQUITY INVESTMENTS IN TWO ASIAN BANKS

- In 2019, Norfund made our first equity investments in banks in Myanmar and Bangladesh. Our equity investment in **Yoma Bank** was the first international deal of its kind in Myanmar.
- Similarly, our investment in the **Mutual Trust Bank** was only the second major international equity investment made in a Bangladeshi bank.

STRENGTHENING BANKS IN AFRICA AND CENTRAL AMERICA

- The investment company **Arise** was established in 2016 by Norfund, FMO, Rabobank, and Norfinance to strengthen Africa's financial sector. Arise has an extensive portfolio with leading banks in 18 African countries. In 2019, Arise made a direct equity investment in **Ecobank**, a pan-African bank operating in 30 countries, including in the Sahel region where very few other financial institutions are present. Arise is now a 14 per cent shareholder in Ecobank.
- In 2019, Norfund also made five debt investments in banks in Central America and Africa to enable them to extend more loans to clients.

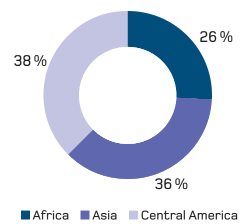
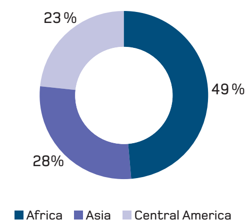
INCREASING MICROFINANCE INSTITUTIONS' ABILITY TO EXTEND LOANS TO CLIENTS

- Norfund believes that providing microfinance is an important way to give poor and unbanked micro-entrepreneurs access to capital. Doing so is especially important in countries in which the financial sector is poorly developed. In 2019, Norfund made a new direct equity investment in **Optima**, a microfinance institution offering financial services to rural and poor people in El Salvador and Honduras, and we are now a 30 per cent shareholder in the company.

- To increase the ability of microfinance institutions to extend more loans to their clients, Norfund also committed loans to **Credicomer** in El Salvador, **Financiera Fondo de Desarrollo Local** (FDL) in Nicaragua, and **Prasac** in Cambodia.

FIRST INVESTMENT IN THE FINTECH SECTOR

- Technology-driven financial institutions can help to dramatically reduce the number of unbanked people in developing countries. **Quona Capital** is a venture firm and an experienced investor in the fintech sector focusing on financial inclusion in emerging markets. Norfund's investment in the Accion Quona Inclusion Fund is our first investment in the fintech sector.

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
INVESTMENTS AND PORTFOLIO Norfund has invested directly in 54 financial institutions, ranging from regional bank groups and funds that invest in banks, to local microfinance institutions. Financial institutions accounts now for 34 per cent of Norfunds total portfolio.	1,958 **MNOK COMMITTED**	8,596 **MNOK COMMITTED**
REGIONS Investments in financial institutions are of high priority for Norfund on all three continents. In 2019, we made several new investments in Least Developed Countries in Asia and Africa, as well as some investments in lower middle-income countries in Central America.		

STRATEGIC IMPACT OBJECTIVE	RESULTS IN 2019
INCREASE ACCESS TO FINANCE • Ambition 2019-2022: 15 million new clients are offered financial services by our direct investments. • Results: In 2019, the direct investments in our portfolio increased the total number of clients with 2 million (9 per cent increase). • A total of 37.6 million clients were provided with services by these institutions by the end of the year.	2 MILLION **NEW CLIENTS SERVED**
INCREASE PROVISION OF CREDIT • Ambition 2019-2022: 130 billion NOK more extended in loans to clients of our direct investees. • Results: In 2019, the financial institutions in which we have invested directly increased their credit provision by NOK 18 billion (7 per cent increase). • The combined loan book of the direct investments in our portfolio reached a total of 397 billion NOK by the end of the year. The total number of loans provided to clients was 6.2 million; of which 3.1 million to retail clients, 2.7 million to microfinance clients, and 380,000 to SMEs. • The financial institutions we have invested in through funds have provided an additional 12.3 million loans to clients, at a combined value of 100 billion NOK. 9.6 million of these loans were to microfinance clients.	18 BILLION **NOK INCREASE IN LENDING TO CLIENTS**

FINANCIAL INSTITUTIONS

Investment	Country/ region	Norfund investment year	Sector	Instrument	Norfund owner share*	Domicile	Investee currency	Committed (MNOK)
Mutual Trust Bank Limited	Bangladesh	2019	Banking	Equity and Loans	10%	Bangladesh	USD	363.9
Yoma Bank Limited	Myanmar	2019	Banking	Equity	11%	Myanmar	USD	272.2
Equity Bank	Africa	2019	Banking	Loans		Kenya	USD	131.7
Banco BCT	America	2019	Banking	Loans		Costa Rica	USD	87.8
Accion Quona Inclusion Fund LP	Global	2019	Investment funds	Funds	6%	Cayman Islands	USD	85.1
Credicomer	El Salvador	2019	Microfinance	Loans		El Salvador	USD	61.5
Optima Servicios Financieros SA de CV	America	2019	Microfinance	Equity	36%	El Salvador	USD	53.6
NMI Fund IV	Global	2018	Microfinance	Funds	25%	Norway	NOK	216.0
AfricInvest Financial Inclusion Vehicle (FIVE)	Africa	2018	Banking	Equity	22%	Mauritius	EUR	183.7
Banco Promerica Costa Rica	Costa Rica	2018	Banking	Loans		Costa Rica	USD	131.7
ONE Bank Limited	Bangladesh	2018	Banking	Loans		Bangladesh	USD	115.2
CAL Bank Limited	Ghana	2018	Banking	Loans		Ghana	GHS	70.2
NMI GP IV AS	Global	2018	Microfinance	Equity	28%	Norway	NOK	24.0
AB Bank	Vietnam	2017	Banking	Loans		Vietnam	USD	175.6
Access Bank Plc.	Africa	2017	Banking	Loans		Nigeria	USD	115.2
Banco BDF	Nicaragua	2017	Banking	Loans		Nicaragua	USD	98.8
City Bank Limited	Bangladesh	2017	Banking	Loans		Bangladesh	USD	87.8
Arise B.V.	Africa	2016	Banking	Equity	33%	Netherlands	USD	2 603.2
Banco Promerica Guatemala	Guatemala	2016	Banking	Loans		Guatemala	USD	87.8
Fedecredito	El Salvador	2016	Microfinance	Loans		El Salvador	USD	58.5
Banco Promerica El Salvador	El Salvador	2015	Banking	Loans		El Salvador	USD	122.9
ARREND Central America	America	2015	Other financial services	Equity and Loans	22%	Guatemala	USD	104.5
Advans MFI Myanmar Company Limited	Myanmar	2015	Microfinance	Equity and Loans	40%	Myanmar	MMK	55.3
Myanmar Finance International Limited	Myanmar	2015	Microfinance	Equity and Loans	25%	Myanmar	MMK	36.4
LAFISE NICARAGUA	Nicaragua	2014	Banking	Loans		Nicaragua	USD	210.7
ACLEDA Bank Lao Ltd.	Laos	2014	Banking	Loans		Laos	LAK	83.5
HFC Limited	Kenya	2014	Banking	Loans		Kenya	KES	32.3
Focus Financial Services Limited	Zambia	2014	Other financial services	Loans		Zambia	ZMW	15.8
Norfinance AS	Africa	2013	Banking	Equity	50%	Norway	NOK	483.1
Prasac Microfinance Institution	Cambodia	2013	Microfinance	Loans		Cambodia	USD	307.3
NMI Fund III	Global	2013	Microfinance	Funds	26%	Norway	NOK	184.0
Amret Plc.	Cambodia	2013	Microfinance	Loans		Cambodia	USD	131.7
FDL	Nicaragua	2013	Microfinance	Equity and Loans	11%	Nicaragua	USD	91.2
LOCFUND II	America	2013	Microfinance	Funds	26%	Delaware	USD	53.8
First Finance Plc.	Cambodia	2013	Microfinance	Equity and Loans	15%	Cambodia	USD	40.3
NMBZ Bank	Zimbabwe	2013	Banking	Loans	9%	Zimbabwe	USD	12.3
Ficohsa Honduras	Honduras	2012	Banking	Loans		Honduras	USD	175.6
Alios Finance Tanzania Ltd	Tanzania	2012	Other financial services	Loans		Tanzania	USD	2.9
Norsad	Africa	2011	Other financial services	Equity	15%	Botswana	USD	56.8
Desyfin	Costa Rica	2011	Other financial services	Equity and Loans	23%	Costa Rica	USD	42.0
HEFF	America	2011	Microfinance	Funds	33%	Delaware	USD	34.7
Prospero	America	2011	Microfinance	Funds	22%	Cayman Islands	USD	16.2
BRAC Bank Limited	Bangladesh	2010	Banking	Equity	0%	Bangladesh	BDT	11.6
Real People	Africa	2009	Other financial services	Equity and Loans	12%	South Africa	ZAR	121.3
Sathapana	Cambodia	2008	Banking	Loans		Cambodia	USD	70.2
NMI Frontier Fund	Global	2008	Microfinance	Funds	45%	Norway	NOK	54.6
NMI Global Fund	Global	2008	Microfinance	Funds	45%	Norway	NOK	47.0
Norwegian Microfinance Initiative AS	Global	2008	Microfinance	Equity	50%	Norway	NOK	30.0
Nordic Microfinance Initiative AS	Global	2008	Microfinance	Equity	33%	Norway	NOK	24.2
AfriCap Microfinance Investment Company Ltd.	Africa	2007	Microfinance	Funds	7%	Mauritius	USD	18.5
CIFI	America	2004	Other financial services	Equity and Loans	34%	Panama	USD	335.7
LAAD	America	2004	Other financial services	Loans		Netherlands Antilles	USD	197.6

* Norfund's share of ownership is provided for direct and indirect equity (funds)

CASE

Photo: Norfund

STRENGTHENING THE BANKING SECTOR IN BANGLADESH

Although financial inclusion is on rise in Bangladesh, lack of access to finance is a major obstacle to the establishment and growth of companies.

With a population of 166 million, Bangladesh is among the world's most populous countries. Over the last two decades, the country has reduced poverty by half and the economy has grown at an annual average of about 6 per cent. However, the financial sector in Bangladesh has experienced a rather negative development during the past two years with rising nonperforming loans and liquidity constraints. The Covid-19 pandemic is making the situation even more critical.

As a result, the stock prices of financial institutions have fallen strongly, reflecting the lack of confidence of investors in this sector. During the past years, the only sizeable foreign direct investment in the financial sector in Bangladesh was IFC buying 5 per cent of the City Bank.

"We hope that this investment will send a positive signal to other international investors and commercial banks and thereby contribute to improving the reputation of Bangladesh's Financial Sector in general and Mutual Trust Bank in particular." Erik Sandersen, EVP Norfund.

In 2019, Norfund made its first equity investment in the financial sector in Bangladesh buying 9.53 per cent of total shares in Mutual Trust Bank (MTB). With this, Norfund is one of only two foreign institutional equity investors with significant direct investments in a Bangladeshi bank. Norfund's role and goals as an equity investor in MTB are to contribute to improved corporate governance in the bank and the financial sector of Bangladesh, to provide advice with regard to strategic decisions, and to strive towards enhancing the value of the bank through strategic co-operations, mergers or acquisitions.

Mutual Trust Bank (MTB) was founded in 1999 as a private commercial bank. It is listed on the Dhaka Stock Exchange and has a large network of 120 branches in Bangladesh and over 2,000 staff. The bank has more than 35,000 loan clients and promotes access to long-term loans to small and medium sized companies and export-oriented industries. It offers dedicated products for female entrepreneurs and agribusinesses as well as Green Energy loans for renewable energy. With this, MTB contributes to sustainable economic growth and job creation in the country.

"Mutual Trust Bank appreciates that Norfund accepted the Bank as a financial partner and, contributes significantly to the overall socio-economic development of Bangladesh." Anis Khan, previous CEO of MTB. ■

Photo: Norfund

SCALABLE ENTERPRISES

2022 AMBITIONS: **50,000** jobs through direct investments, debt and funds

Establish partnerships with larger industrial actors **2 BILLION** NOK increase in revenues

DEVELOPMENT RATIONALE

Growing sustainable enterprises drives industrialisation, economic growth and job creation. Jobs are vital to reducing poverty. They generate income and a range of other benefits and help people to improve their knowledge and skills. In 2019, the International Labour Organisation noted that 190 million jobs were needed to address current levels of unemployment.

In most countries, private enterprises create the most jobs. This is especially true in developing countries, where over 90 per cent of jobs are in the private sector.

The agribusiness sector is vital for economic growth and job creation since it is labour intensive and has high demand for local suppliers and associated farmers. In sub-Saharan Africa the sector remains largely underdeveloped in terms of productivity and local value creation.

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

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

INVESTMENT NEEDS

The lack of finance is a significant obstacle for business growth. The volume of foreign direct investments in developing regions is low. Additionally, the Covid-19 crisis has resulted in the largest capital outflow ever recorded from emerging markets. Growth capital, sector expertise and investors that are willing to take risks are needed to unlock the potential of enterprises in these regions.

NORFUND'S STRATEGY

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

As a direct equity investor, Norfund takes an active ownership approach to ensure value creation. We assist with developing the companies to become robust and sustainable and supporting their growth strategies. Norfund also provides advice and requirements to ensure that environmental and social risks are properly identified and mitigated.

Smaller companies also need access to capital and support. Fund investments help us to reach more companies and business areas than we could have done on our own. They also help us reach enterprises in fragile states with challenging business environments. Fund managers contribute to developing local, sustainable and scalable companies through local knowledge, industrial insights, and efficiency initiatives.

INVESTMENTS AND RESULTS

In 2019, Norfund actively sought to identify new funds and African enterprises that have growth potential. We also used considerable effort and resources on supporting our existing investees to become robust, viable companies. Norfund invested successfully in three funds during 2019 and made one direct equity investment within the agribusiness sector.

Unfortunately, the COVID-19 pandemic will have considerable negative effects on the companies in this sector in 2020. Several companies have already lost most of their income due to a lack of demand from European markets, a lack of importable goods, and because of the restrictions on movement and transport. As an active and responsible investor, Norfund will use different means to help our investee companies to survive the current crisis.

HIGHLIGHTS 2019

CREATING THOUSANDS OF JOBS IN NIGERIA

- In 2019, Norfund made its first equity investment within the agribusiness sector in Nigeria. **Sundry Foods Limited** is an integrated food services company which operates more than 50 quick service restaurants and bakeries across the country. This is a labour-intensive sector. Norfund supports Sundry Foods Limited's financially robust growth plan, and expects that the company will create 3,000 new jobs in the next seven years.

LIFESAVING DISTRIBUTION IN UGANDA

- **Freight In Time** is an East African transport and logistics company and has been a Norfund investee since 2015. Norfund has contributed to Freight In Time development into a sustainable and robust company. In 2019, the company successfully implemented a pilot project for the last-mile deliveries of medicines and vaccines to the underserved remote and rural population in Uganda. The test project was a partnership with both GAVI and the Global Fund, and resulted in a 40 per cent increase in infant vaccinations in Uganda.

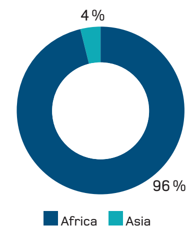
BUILDING SCALABLE ENTERPRISES THROUGH THREE NEW FUND INVESTMENTS:

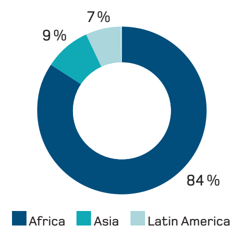
- **Verod Capital Growth Fund III** is an investment fund which targets mid-sized growth companies in Anglophone West Africa, focusing primarily on Nigeria and Ghana. The Fund Manager, Verod Capital, is a management company founded in 2008, and is incorporated in Nigeria. Verod Capital has offices in Lagos and Accra.
- **Frontiir** is Myanmar's largest Internet Service Provider. The company has 1,600 employees and 40 stores in Yangon and Mandalay. Strong growth is expected in the coming years. Norfund's investment was made through the Delta Capital Fund. By providing affordable Internet services to companies and consumers in Myanmar, Frontiir will provide significant direct development impacts, including job creation, technical on-the-job training, and tax generation.
- **Development Partners International III** is an investment fund which targets large and mid-sized companies in Africa. The strategy of the fund is to invest in profitable and cash flow positive companies. These companies have strong projected growth rates, experienced management, and a clear corporate strategy.

	INVESTMENTS IN 2019	TOTAL PORTFOLIO
INVESTMENTS AND PORTFOLIO Scalable enterprises account for 18 per cent of Norfund portfolio. By the end of 2019, the portfolio included 23 direct investments and 48 fund investments.	738 **MNOK COMMITTED**	4,460 **MNOK COMMITTED**

REGIONS

Sub-Saharan Africa is the main investment region of this investment area. Norfund's staff in South Africa, Kenya and Ghana play key roles in identifying and monitoring these projects.





STRATEGIC IMPACT OBJECTIVE	RESULTS IN 2019
FOSTERING GROWTH IN PORTFOLIO COMPANIES: EMPLOYMENT • Ambition 2019-2022: 50,000 jobs created through direct investments and funds (of which 3,000 permanent jobs through direct investments). • Results 2019: In 2019, our portfolio companies increased the number of jobs by 4,310. 220 of these jobs were created by our direct investees; the rest were created by fund investees. • The total number of permanent jobs in our portfolio companies reached 163,800 at the end of 2019.	4,310 **NEW JOBS CREATED**
FOSTERING GROWTH IN PORTFOLIO COMPANIES: REVENUE • Ambition 2019-2022: 2 billion NOK increase in revenues. • Result 2019: Revenues in Scalable Enterprises's direct investments increased by 6 per cent from 2018 to 2019. 11 out of 17 companies had positive revenue growth, with an average company growth rate of 16 per cent.	132 MILLION **NOK INCREASE IN REVENUES**

SCALABLE ENTERPRISES (FUNDS EXCLUDED)

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Investee Currency	Committed (MNOK)
Sundry Foods	Nigeria	2019	Retail	Equity	13%	Nigeria	USD	64.3
Marginpar Group	Africa	2018	Agribusiness	Equity	18%	Mauritius	USD	68.5
Neofresh	Africa	2017	Agribusiness	Equity and Loans	34%	Mauritius	USD	61.2
Verde Beef Processing	Ethiopia	2017	Agribusiness	Loans		United Kingdom	USD	43.0
Nyama World Malawi Ltd	Malawi	2017	Agribusiness	Loans		Malawi	USD	28.9
African Century Nampula	Mozambique	2017	Real estate activities	Equity	32%	Mozambique	USD	4.9
Associated Foods Zimbabwe (AFZ)	Zimbabwe	2016	Agribusiness	Loans		Zimbabwe	USD	17.6
Freight in Time	Africa	2015	Transportation	Equity and Loans	24%	Mauritius	USD	70.7
African Century Real Estates Ltd.	Mozambique	2015	Construction	Equity	21%	Mauritius	USD	30.2
African Century Infrastructure Services Ltd.	Tanzania	2014	Other services	Equity and Loans	17%	Mauritius	USD	57.2
Vertical Agro (Sunripe & Serengeti Fresh)	Africa	2014	Agribusiness	Loans		Mauritius	USD	53.4
African Century Foods (ACF)	Africa	2013	Fishing and aquaculture	Equity and Loans	35%	Mauritius	USD	113.6
ASILIA (African Spirit Group Limited)	Africa	2013	Tourism	Equity and Loans	30%	Mauritius	USD	88.6
UAP Properties Limited	South Sudan	2013	Real estate	Loans		South Sudan	USD	20.5
Agrivision	Zambia	2012	Agribusiness	Equity	24%	Mauritius	USD	161.6
Kinyeti Capital Ltd	South Sudan	2012	Financial services	Equity and Loans	50%	South Sudan	USD	39.7
Across Forest AS	Nicaragua	2012	Agribusiness	Loans		Norway	NOK	1.2
TPS Dar es Salaam	Tanzania	2011	Tourism	Loans	29%	Kenya	USD	4.9
Basecamp Explorer	Kenya	2010	Tourism	Equity	39%	Kenya	NOK	16.4
Green Resources USD	Africa	2009	Agribusiness	Equity and Loans	67%	Norway	USD	322.8
Africado Ltd.	Tanzania	2009	Agribusiness	Equity	33%	Mauritius	EUR	12.8
European Financing Partners SA	Global	2006	Investment funds	Equity and Loans	6%	None	EUR	267.3
Afrinord Hotel Investments	Africa	2005	Tourism	Equity and Loans	20%	Denmark	EUR	30.9

Photo: Norfund

CASE

VERTICAL AGRO – OVERCOMING COVID-19

The Covid-19 crisis is disrupting businesses across Africa. Vertical Agro, a Norfund investee exporting fruits and vegetables to Europe, has a challenging time.

Vertical Agro Ltd is a family owned fully integrated vegetable and fruit processer with operations in Kenya and Tanzania. The company farms and processes about 6,500 tons of vegetables and fruits annually, including beans, carrots, broccolini, corn, herbs and avocados. Close to 100 per cent of the products are exported, primarily to Europe. More than 1,000 people works for Vertical Agro on a permanent or temporary basis. In addition,1000 small scale farmers depend on Vertical Agro to train, certify, process and export their crops.

Since our first investment in 2014, Norfund has helped Vertical Agro funding expansion, developing cost efficient operations and improving financial performance. This effort has paid off during the previous two year's challenges with floods and drought, and today the Covid-19 crisis.

"Norfund has helped us professionalise, going from being commodity based primary producers to professional value-added providers." Hasit Shah, Managing Director.

COVID-19 CHALLENGES

Although the demand for vegetables and fruit has continued during the Covid-19 crisis, exporting the goods has become complicated. While fresh produce is hindered from being sent due to cancelled flights, frozen goods and avocados can still being exported by sea. However, the travel restrictions imposed in Kenya is a big challenge for the transportation of goods from farms to the processing facilities and to the harbour. And the availability of ships is limited, too.

Due to partial lockdown in Kenya, employees are hindered from leaving their home and only those who have received a required travel passport can go to work. Drivers need a certificate for the freight to get through frequent road controls, making business even more complicated.

BUILDING A ROBUST AND RESILIENT COMPANY

The last years' measures taken to strengthen Vertical Agro's operation and financial performance is of high value today, making the company more resilient to this crisis. The convertible loan facility provided by Norfund in 2014 helped the company investing in new modern facilities and expanding its product range. Other measures taken to make the company robust are professionalising the organisation, streamlining the value-chain, optimising farming and the development of out-grower schemes to increase capacity utilisation. As a long-term investor, Norfund is also prepared to contribute with additional support if needed to overcome the Covid-19 crisis.

"Contributing to the building of robust and resilient companies with growth potential is at the core of Norfund mandate. Vertical Agro has survived previous crisis, and we are confident they will overcome this, too." Ellen C. Rasmussen, EVP Norfund ■

SCALABLE ENTERPRISES – FUNDS

Investment	Country	Investment year	Sector	Instrument	Norfund owner share	Domicile	Investee currency	Committed (MNOK)
Development Partners International III	Africa	2019	Investment funds	Funds	9%	Guernsey	USD	352.4
Verod Capital Growth Fund III	Africa	2019	Investment funds	Funds	10%	Mauritius	USD	175.6
Frontiir Co. Ltd.	Asia & Pacific	2019	Information service activities	Equity	2%	British Virgin Islands	USD	26.9
ECP Africa Fund IV	Africa	2018	Investment funds	Funds	8%	Mauritius	USD	237.9
Cepheus Growth Capital Fund	Ethiopia	2018	Investment funds	Funds	18%	Mauritius	USD	131.9
Myanmar Opportunities Fund II	Myanmar	2018	Investment funds	Funds	14%	Cayman Islands	USD	85.6
EcoEnterprises Partners III, LP	America	2018	Investment funds	Funds	8%	Ireland	USD	52.7
Nordic Horn of Africa Opportunities Fund	Somalia	2018	Investment funds	Funds	11%	Canada	USD	6.8
Agri-Vie II	Africa	2017	Investment funds	Funds	11%	Mauritius	USD	129.0
Fanisi Capital Fund II	Africa	2017	Investment funds	Funds	35%	Mauritius	USD	108.0
Spear Africa Holding II	Africa	2017	Manufacturing	Funds	21%	Mauritius	USD	65.6
Oasis Africa Fund	Africa	2017	Investment funds	Funds	10%	Ghana	USD	43.2
Fanisi Management II	Africa	2017	Investment funds	Equity and Loans	25%	Mauritius	USD	21.9
FIPA II	Africa	2016	Investment funds	Funds	38%	Luxembourg	USD	156.2
Frontier Fund II	Bangladesh	2016	Investment funds	Funds	10%	Cayman Islands	USD	29.8
GroFin SGB Fund Limited Partnership	Africa	2015	Investment funds	Funds	19%	Mauritius	USD	125.6
Cambodia Laos Myanmar Development Fund II	Asia & Pacific	2015	Investment funds	Funds	16%	Singapore	USD	84.3
CASEIF III	America	2014	Investment funds	Funds	24%	Canada	USD	82.2
Ascent Rift Valley Fund Ltd	Africa	2013	Investment funds	Funds	13%	Mauritius	USD	80.0
Novastar Ventures East Africa Fund	Africa	2013	Investment funds	Funds	13%	Mauritius	USD	77.3
CORECO	America	2012	Other financial services	Funds	22%	Delaware	USD	74.9
Africa Health Fund (Aureos)	Africa	2011	Investment funds	Funds	9%	South Africa	USD	48.8
Voxtra East Africa Agribusiness Ini	Africa	2011	Agriculture, forestry and fishing	Funds	30%	Norway	NOK	31.7
Vantage Mezzanine Fund II	Africa	2011	Investment funds	Funds	5%	South Africa	ZAR	31.0
Frontier Fund	Bangladesh	2010	Investment funds	Funds	11%	Cayman Islands	USD	49.5
Neoma South-East Asia Fund II	Asia & Pacific	2010	Investment funds	Funds	2%	Canada	USD	37.8
Agri-Vie	Africa	2010	Agriculture, forestry and fishing	Funds	9%	South Africa	ZAR	26.5
Fanisi Venture Capital Fund	Africa	2009	Investment funds	Funds	34%	Luxembourg	USD	96.7
Fundo de Investimento Privado-Angol	Angola	2009	Investment funds	Funds	26%	Luxembourg	USD	61.0
Cambodia-Laos Development Fund	Cambodia	2009	Investment funds	Funds	20%	Luxembourg	USD	17.2
Fanisi Venture Management Company	Africa	2009	Investment funds	Equity and Loans	50%	Luxembourg	USD	3.1
Angola Capital Partners LLC	Angola	2009	Investment funds	Equity	48%	Delaware	USD	1.4
Evolution One Fund	Africa	2009	Energy	Funds	7%	South Africa	ZAR	1.3
Neoma Africa Fund	Africa	2008	Investment funds	Funds	11%	Mauritius	USD	85.4
GroFin Africa Fund	Africa	2008	Investment funds	Funds	9%	Mauritius	USD	42.6
Aureos Latin America Fund (ALAF)	America	2007	Investment funds	Funds	14%	Canada	USD	47.6
Horizon Equity Partners Fund III	South Africa	2007	Investment funds	Funds	9%	South Africa	ZAR	9.2
CASEIF II	America	2007	Investment funds	Funds	14%	Bahamas	USD	4.2
Adenia Capital Ltd II	Africa	2007	Investment funds	Funds	13%	Mauritius	EUR	3.0
Aureos South Asia Fund (Holdings)	Asia & Pacific	2006	Investment funds	Funds	24%	Mauritius	USD	42.1
Aureos CA Growth Fund (EMERGE)	America	2006	Investment funds	Funds	14%	Mauritius	USD	7.1
APIDC Biotech Fund	India	2005	Investment funds	Funds	8%	Mauritius	USD	16.0
Aureos Southern Africa Fund	Africa	2003	Investment funds	Funds	25%	Mauritius	USD	7.5
Aureos East Africa Fund	Africa	2003	Investment funds	Funds	20%	Mauritius	USD	3.9
Aureos West Africa Fund	Africa	2003	Investment funds	Funds	26%	Mauritius	USD	2.2
SEAF Sichuan Small Investment Fund	China	2000	Investment funds	Funds	13%	Delaware	USD	3.7
Lafise Investment Management	Bahamas	1999	Investment funds	Equity	20%	Bahamas	USD	0.0
BPI East Africa LLC	Africa	1900	Investment funds	Funds	17%	Mauritius	USD	51.1

CASE

Photo: Cepheus

INVESTING IN ETHIOPIA

Cepheus Growth Capital Fund is an Ethiopian investment fund which provides growth capital to Ethiopian companies while delivering attractive returns and positive developmental impacts.

Ethiopia is a low-income country with a population of more than 100 million people. Over the past 15 years, Ethiopia has registered impressive double-digit economic growth rates, driven largely by public sector investments. To sustain this level of growth, Ethiopia needs further capital and enhanced financial and operational skills to unlock the full potential of the private sector.

ONE OF THE FIRST ETHIOPIAN PRIVATE EQUITY FUNDS

Cepheus Growth Capital Fund (Cepheus) is among the first private equity funds in Ethiopia. Its Ethiopian-born partners, Berhane Demissie and Kassahun Kebede, have deep knowledge of local investment environments, and significant international fund management experience. The fund targets export-oriented businesses as well as small- and medium-sized enterprises working in import substitution, mostly within manufacturing, agro-processing and agro-service.

"Ethiopia's large domestic market, nascent private sector, and numerous underdeveloped sectors create potential for large-scale investment opportunities." Berhane Demissie, Cepheus co-founder and Managing Partner

Norfund made its first investment in Cepheus in 2018. Our aim was to promote access to capital and business competence for rapidly growing sectors in Ethiopia.

INVESTMENT OPPORTUNITIES AND CHALLENGES

Private equity in Ethiopia is limited. This provides funds such as Cepheus with significant opportunities to provide the capital and the competencies to build and grow companies, and to enhance investor returns. However, in a challenging market such as Ethiopia, sustainable investments require experience and expertise.

"Norfund's contribution was vital in getting the fund to a first close and hence in mobilizing additional private capital to support local SMEs." Berhane Demissie

Norfund expects the Cepheus Growth Capital Fund to create a large number of jobs, including in sectors that require less skilled labour. These will be of benefit to poorer communities.

The Covid-19 pandemic will intensify the challenges of working in Ethiopia's investment environment. Norfund is committed to providing long-term professional support when needed.

"As Ethiopia looks to attract more foreign capital, it needs an investment ecosystem that can pull in different types of finance. By backing Cepheus, Norfund is helping to build that ecosystem and unlock capital for the country's growing number of entrepreneurs." Bernt Brun, VP Funds Investments ■

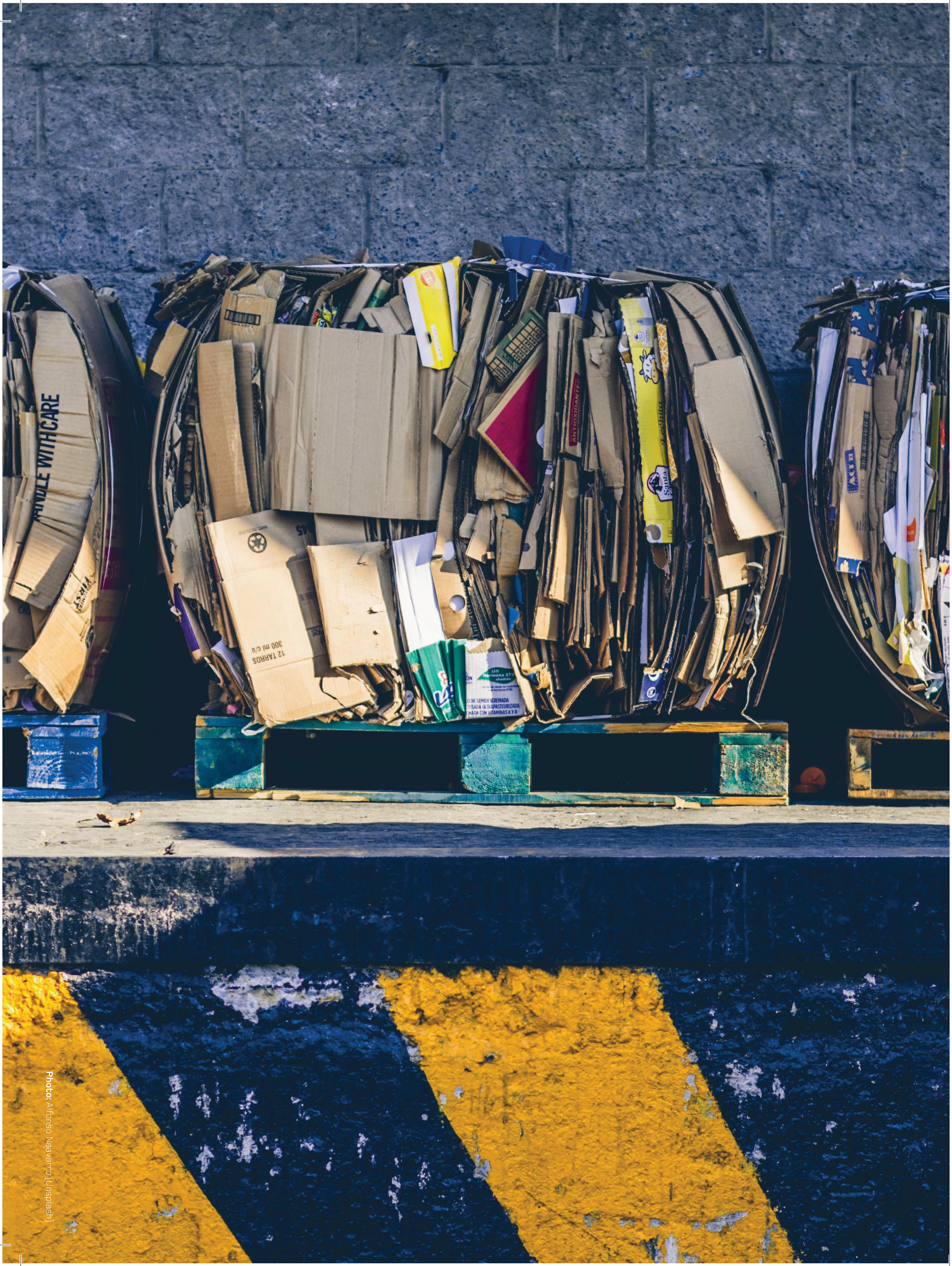


Photo: Alfonso Naavarro (Unsplash)

GREEN INFRASTRUCTURE

2022 AMBITIONS:

Establish partnerships and execute investments in waste management, water, and power networks

1 BILLION NOK invested in 6–10 projects

DEVELOPMENT RATIONALE

The urban population in developing countries is increasing. The cities need to grow in a way that creates economic growth, jobs and prosperity without straining land and resources.

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

Electricity access in cities is important. This requires not only significant power production, but also investments in the electricity networks that transmit and distribute the power.

Investing in green infrastructure contributes thereby to sustainable growth of cities, reduces adverse environmental impacts, creates jobs and improves people's standard of living.

INVESTMENT NEEDS

Lack of funds to provide basic services and necessary infrastructure is a major challenge. Electric transmission and distribution, for example, is an underfunded sector and a bottleneck for taking advantage of the increase in power supply in many countries and cities.

By investing in urban infrastructure, such as the safe removal and management of waste as well as electric transmission and distribution, we can help address urbanisation challenges while improving resource use, reducing pollution and contribute to job creation.

NORFUND'S STRATEGY

Green Infrastructure is a new investment area for Norfund, with the aim to improve essential infrastructure services in:

- Waste management, including waste-to-energy
- Water supply & sanitation, including waste-water treatment
- Electric transmission & distribution

Priority is on direct investments in Sub-Saharan Africa. We will seek to find partners with industrial expertise and experience from emerging markets. Local or regional smaller players will also be considered.

In waste management and water supply, we will look for opportunities across the value chain with commercial/industrial customers. Norfund does not plan to invest in waste disposal.

In transmission, our strategy is to focus on cases where the governments will outsource the investment of transmission on a build, own, operate basis and seek to finance projects with technically competent partners.

In distribution, our strategy is to pursue opportunities in some niches, such as sub-concessions in urban areas, metering financing, distribution within industrial estates and mini-grids in rural areas.

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