

NEFCO

The Nordic Green Bank



Annual Impact Report

2022

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*To accelerate the
green transition
is more important
than ever.*

Review by the Managing Director



Nefco's task is to accelerate the green transition by financing the scale-up of Nordic green solutions globally. It makes us very happy to see the positive impact of projects we have financed.

Our work to finance Nordic small and medium-sized companies has resulted in many inspiring growth stories. We are further increasing our efforts to discover pioneering technologies that will be key in the green transition. We expect the new Biodiversity Pilot Programme to provide exciting learning opportunities as we test and develop concrete nature-based solutions in collaboration with companies.

Nefco has an extensive portfolio of projects in Ukraine. Amidst the war, we have launched a Green Recovery Programme for Ukraine. We are already working on concrete projects in close collaboration with Ukrainian authorities, municipalities and Nordic and European donors.

The state of the Baltic Sea continues to be an important area for us to help improve. Further south, in Africa, our new financing programme for modern clean cooking is now working alongside the Beyond the Grid Fund for Africa to support clean, affordable, off-grid energy access to millions. These programmes are great examples of how our initial financing can incentivise sustainable businesses and mobilise further funds in line with the Paris Agreement.

It is not enough to help others become greener. Being a green bank, we must also walk the talk ourselves. In 2022, we moved into new office facilities. In connection with the renovation, we decided to scrutinise our footprints and ensure our working methods are as sustainable as possible. We took the WWF Green Office criteria as a benchmark and were awarded the Green Office label in the autumn.

In turbulent times, Nefco's purpose as the Nordic Green Bank, to accelerate the green transition, is more important than ever.

Trond Moe, Managing Director

About Nefco

Nefco, the Nordic Green Bank, is an international financial institution (IFI) founded in 1990 by the five Nordic countries. We serve the interests of our owners, Denmark, Finland, Iceland, Norway and Sweden, support globally set environmental and climate targets and take concrete actions to accelerate the shift to green.

Our task is to accelerate the green transition by financing Nordic green solutions that have the potential to be scaled up on global markets. We are ready to take financial risks if a project has a scalable green upside. In addition to our paid-in capital, the Investment Fund, we manage several trust funds on behalf of various donors to support small and medium-sized green projects.

We only finance projects that generate positive environmental and/or climate-related impacts.

As a pioneer in green financing, we only finance projects that generate positive environmental and/or climate-related impacts. We place a particular focus on projects that can demonstrate the scale-up potential of a green solution and in which our financing can provide additionality, meaning that the project may otherwise not have been realised.

We are guided by Nordic priorities, the EU Green Deal, the Paris Climate Agreement and the Convention on Biological Diversity. We expect more than Return on Investment: we expect Return on Impact.

Our task is to accelerate the green transition by financing Nordic green solutions that have potential to be scaled up on global markets.

2.1. Our business areas

To fulfil its mission, Nefco works in three business areas:

1. Nordic SMEs



Global scale-up of Nordic small and medium-sized companies' (SMEs) green transition projects

2. Eastern Europe



Municipal financing for green transition in Eastern Europe

3. Special funds



Special green transition funds for international development initiatives

Our approach to impact

Over our 30-year journey, we have developed our own procedures for environmental and social assessments, project management and monitoring as well as financial and integrity due diligence.

Today, the scope of our operations has widened and there is increased need for a comprehensive analysis of impact. The green impacts of a project are assessed in broad terms and also include social and gender aspects. Moreover, we focus not only on recognising the potential benefits of projects but also on ensuring that environmental risks, such as biodiversity impacts, are sufficiently considered and appropriately mitigated.

We focus not only on recognising the potential benefits of projects but also on ensuring that environmental risks, such as biodiversity impacts, are sufficiently considered and appropriately mitigated.

We have requested annual environmental status reports from every project financed since Nefco was established. Our clients' reporting on specific environmental and sustainability indicators allows us to analyse actual project outcomes.

Although environmental and climate-related impact remains our main priority, we also incorporate economic, social and governance-related considerations. As our financing activities seek to demonstrate the scale-up potential of green solutions in new markets, we also consider their potential impact on the environment, economy and society. In line with the Paris Agreement, we strive to make projects bankable and help project owners with capacity building to mobilise additional funding.

As a green financier we focus on understanding the environmental and sustainability aspects of all our financing.

NEFCO
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Bottom-up approach for concrete results

We focus on practical project financing with a 'bottom-up' approach, processing a large number of projects by companies, public entities and other organisations.

In our financing activities we assess

- the potential positive environmental impact of the project,
- the potential adverse effects,
- the potential for scaling up or replicating the project solution or technology, and
- the results of the projects on an annual basis during implementation and after completion until the loan has been repaid or until the exit phase.

We evaluate project proposals and expected impact against the EU Taxonomy, the UN Sustainable Development Goals and our own environmental and sustainability criteria, as well as other relevant benchmarks.

Based on defined Nefco impact indicators appropriate for the project, clients monitor and report actual achieved results on an annual basis. Annual and final monitoring allow us to track the operational performance of projects as well as gather lessons learned together with clients.

3.1. Updated policy and guidelines

Urgent action is desperately needed. Climate change mitigation and adaptation, pollution reduction and conserving biodiversity are the cornerstones of Nefco's financing.

In 2022, Nefco updated its Environmental and Sustainability Policy and its Environmental and Sustainability Guidelines. One objective is to increase the share of EU Taxonomy-aligned projects in the portfolio and set clear boundaries for activities to which Nefco is unwilling to make commitments. The exclusion list contained in the policy is the first of its kind for Nefco. The policy lists a number of exclusion criteria related to fossil fuels, forestry and husbandry, as well as those determined on the basis of ethics, laws and conventions.

Our ambitious exclusion criteria reflect our mission to accelerate the green transition and require that our financed projects be less dependent on fossil fuels. The renewed policy reflects Nordic priorities and supports concrete actions towards achieving carbon neutrality and a sustainable, circular and biodiversity-positive economy.

See our revised [Environmental and Sustainability Policy](#) for more information.

What kind of green projects is Nefco financing?

- A Nordic company expanding into new markets with a green solution; Nefco also supports these companies in becoming greener overall while growing their business
- A municipality's transition to green in Eastern Europe
- Piloting of a new technology, solution or concept
- Incentivising clean off-grid energy business in low-income countries

3.2. How we assess projects

As a green financier we focus on understanding the environmental and sustainability aspects of all our financing. Nefco's Environment and Sustainability Department is responsible for environmental and sustainability assessments throughout a project's life cycle.

The updated guidelines give a more detailed view on how we assess project proposals and verify results both during and after the implementation of the projects. The environmental and sustainability assessment covers not only the activity financed but also how sustainability is incorporated throughout the client organisation. The aim is to support our clients in better understanding sustainability aspects as a whole and help them in their transition to becoming greener.

Our aim is to ensure:

- that projects generate substantial positive environmental impacts and contribute to and accelerate the green transition,
- that potential environmental and other sustainability risks are sufficiently well considered and appropriately mitigated, and
- that clients work strategically and formally to anchor sustainability in their business plans and daily operations.

All these elements are integrated into the investment process. In addition to our own capital, we manage trust funds and implement projects on behalf of various donors, which may have different environmental priorities and goals. In principle, we use the same assessment methodology for these funds.

The following chart illustrates the sustainability assessment process for a typical investment project throughout the project life cycle, i.e., from project proposal through to the implementation and monitoring stage.

See our revised [Environmental and Sustainability Guidelines](#) for more information.

Sustainability Assessment Procedure

Sustainability Assessment Procedure	1	2	3	
	Initial Screening	Sustainability Assessment	Sustainability Monitoring	
			3.1 Annual Monitoring	3.2 Final Monitoring
Client/Applicant to provide	<ul style="list-style-type: none">Project proposal form or freely composed format	<ul style="list-style-type: none">Environmental, Social and Governance (ESG) questionnaireEnvironmental Impact Assessment (EIA; if applicable)Relevant permits and licencesEnvironmental and Social Action Plan (ESAP; when necessary)	<ul style="list-style-type: none">Annual impact and sustainability reporting	<ul style="list-style-type: none">Final monitoring information
Nefco reviews	<ul style="list-style-type: none">Environmental benefits of the project and ensuring that the project's activities are not listed in our Exclusion List	<ul style="list-style-type: none">Contribution to the environmental drivers (EU Taxonomy)Direct or indirect positive environmental and sustainability impactsPotential environmental and social risksTechnology scale-up potentialBenchmarking sustainability performance	<ul style="list-style-type: none">Progress of the projects against the expected improvementsProgress related to the Environment and Social Action Plan (ESAP; if applicable)	<ul style="list-style-type: none">Result related to the expected impactsLessons learned during project implementationStatus related to the Environment and Social Action Plan (ESAP; if applicable)
Nefco tools and frameworks	<ul style="list-style-type: none">Exclusion List from Nefco's Environmental and Sustainability PolicyTechnological Readiness Level	<ul style="list-style-type: none">EU TaxonomyNefco-specific criteriaSectoral handbooksEnvironmental solutions toolEnvironmental cost-efficiencySexual exploitation, abuse and harassment (SEAH)	<ul style="list-style-type: none">United Nations Sustainable Development Goals (UN SDGs)Nefco impact and project indicators	

Continuous dialogue and feedback between Nefco and applicant

3.3. Investments in green economic activities

Nefco’s main priority is to invest in green projects through loan or equity-type financing from its own paid-in capital (the Investment Fund).

These projects are normally economic activities that lead to concrete environmental or climate impacts, e.g., by saving energy and reducing emissions, pollution, harmful discharges or (hazardous) waste. They also generate economic and social impact such as business growth, stronger competitive edge and new jobs.

Nefco’s main priority is to invest in green projects that lead to concrete environmental or climate impacts.

3.4. Trust fund support for green projects

Nefco also manages trust funds on behalf of various donors and acts as an implementing agency for a number of multinational partnerships to support green projects.

Trust funds are often used for feasibility studies and technical assistance. This means they often do not lead to immediate environmental impacts but rather facilitate project implementation in a near future.

Trust funds are also dedicated to capacity building and incentivising the development of sustainable businesses and solutions in new markets,

like the results-based programmes for clean energy and modern cooking in Africa. In some projects, particularly the municipal sector in Eastern Europe, market-based or subsidised loan financing is blended with financial support from a trust fund. The new Green Recovery for Ukraine programme currently provides solely grant financing due to its emergency nature. These projects have a strong focus also on social impacts such as new jobs, gender equality and better comfort and safety for citizens of affected communities.

A list of funds managed by Nefco can be found at the end of this report.

Investment projects

= projects financed with loan and equity through Nefco’s paid-in capital, the Investment Fund established in 1990

Trust fund projects

= projects financed with soft loans, grants or results-based financing through fund assignments by various donors

3.5. Seeking high demonstration value

An essential objective of Nefco's financing activities is to support the scale-up of new transformative technologies and solutions. We primarily finance small and medium-sized projects that demonstrate new technologies or solutions that have the potential to be replicated. Our financing supports the testing of green innovations in new markets. This is what we refer to as high demonstration value.

Projects with a high demonstration value have the potential for environmental impacts worth many times Nefco's initial investment. A demonstration project provides an indication of how well a solution can be adopted at scale and what kind of impact it can generate. Trying and testing is a bottom-up approach. It's a real-life alternative to top-down spending.

3.6. Providing high additionality

As an international finance institution, Nefco's role is to fill a financing gap that cannot be covered by other financiers for projects that meet Nefco's criteria. The goal is to promote new solutions, reduce implementation time and accelerate the green transition. When there is a green upside, we can take greater financial risks than are normally accepted by commercial banks and financiers; in many cases, projects would never be implemented without our financing. This is referred to as additionality.

Our higher risk tolerance for financing small projects and growth-phase companies makes projects bankable and often mobilises other financiers to invest, building capacity for the future needs of project owners.

3.7. Environmental and social risks

Nefco applies risk-reduction measures in its operations. We apply the mitigation hierarchy, which aims to avoid, minimise and restore adverse impacts in project design and during operations.

All projects should be carefully designed and implemented to sufficiently mitigate their potential environmental and social risks. In certain cases, clients are requested to prepare an Environmental and Social Action Plan (ESAP). The purpose of an action plan is to reduce sustainability risks to an acceptable level and improve clients' sustainability practices. Action plans must be approved by Nefco and form part of financing agreements.

All projects should be carefully designed and implemented to sufficiently mitigate their potential environmental and social risks.

3.8. About this report

In this impact report we present

- **An overview of the portfolio**, including active, agreed and ended projects, environmental drivers, and an EU Taxonomy assessment of the portfolio
- **An impact assessment of project activities** financed through our own capital (Investment Fund) and trust funds, also presented for each business area, and the extent to which ongoing investment projects are meeting set expectations

- **An overview of internal operations**, including our own carbon footprint, staff diversity and governance

Project-related figures are based on realised results and reports by project owners. Due to our clients' reporting schedules, not all data from 2022 are available yet; in these cases, results from 2021 are presented. Impact indicators have also been updated since last year's report and will be further elaborated during 2023. Reports from previous and coming years may therefore not be fully comparable.

3.9. Status of projects

We use the following terms to define the status of projects in our external reporting:

- **Agreed*** - contracted, financing agreement signed by all parties (the equivalent for Nopef is 'Approved'); funds disbursed and project under implementation; or implemented and reporting results
- **Active** - projects agreed and under implementation at the time indicated
- **Ended** - loan repaid and reporting ended

A list of all projects financed by and/or through Nefco, including the Investment Fund and trust funds, and their status can be found on Nefco's website www.nefco.int/agreed-projects/.

* Note that the Report of the Board (with the Financial Statements) also indicates the number of investment projects Nefco's Board has approved during the year. As approval does not mean that an agreement has been signed, Nefco uses the Agreed status as the operational milestone in this report.



Natural capital including biodiversity and the associated ecosystem services, is a crucial basis for enabling the global economy and societies to function.



Biodiversity in Nefco's operations

Biodiversity is the variety of all life on earth. This includes all species and ecosystems, as well as the genetic diversity of organisms. Natural capital including biodiversity and the associated ecosystem services, is a crucial basis for enabling the global economy and societies to function. Globally, biological diversity is declining faster than ever before in human history. The rate of species extinctions and ecosystem degradation is accelerating, with grave impacts for people and businesses around the world who rely on the services and benefits provided by nature.

Nearly one million species are at risk of extinction from human activities, and 75% of the land surface has been significantly altered by human actions (IPBES, Global Assessment Report 2019). According to the World Economic Forum's recent Global Risks Report 2022, biodiversity loss is currently considered the third most severe global risk after climate action failure and extreme weather.

The protection of natural resources, species and ecosystems is just as important as tackling the climate crisis. Diverse, well-functioning and resilient ecosystems are better able to provide society with ecosystem services and benefits that support climate change mitigation, adaptation and disaster risk reduction.

In December 2022, we received the encouraging news that the United Nations (UN) Biodiversity Conference in Montréal (COP15) agreed to stop biodiversity loss by 2030. The Global Biodiversity Framework raised interest among private sector participants and for the first time set reporting obligations for large companies and financial institutions. This sent an important signal to the private sector of the need to start assessing and reporting on its impacts and dependencies on nature.

4.1. We analyse both positive and possible adverse impact

Nefco sees that biodiversity loss has the potential to affect its investment portfolio, sectors, and its geographical regions of activity. As a green financier, it is important for Nefco to consider long-term risks related to biodiversity and natural capital. We focus not only on recognising the benefits of projects but also on ensuring that possible environmental risks, such as biodiversity impacts, are sufficiently considered and appropriately mitigated in project design and during operations.

In our new [Environmental and Sustainability Policy](#) we share our stand on unsustainable sectors.

**On the exclusion list:
Restrictions on forestry and animal husbandry**

Land use change has the largest global impact on biodiversity loss, and Nefco has therefore put in place certain limitations on, for example, the forestry and animal husbandry sectors. We want to protect primary and old-growth forests and high conservation value areas and therefore refuse to finance any commercial activities in these areas. We will also not finance any new greenfield livestock husbandry farms.

4.2. Gaining experience through our unique biodiversity pilot programme

Acknowledging the need for action to address the rapid decline in biodiversity, we have decided to strengthen our biodiversity commitments and explore new opportunities for improving biodiversity and managing nature-related risks. Therefore, in 2022 we initiated a unique [Biodiversity Pilot Programme](#) for small and medium-sized companies.

The two-year programme will contribute to knowledge transfer and learning and deliver positive biodiversity impacts and conservation outcomes beyond simple risk management, which is the status quo for the market. The aim is to create a demonstration effect and inspire more companies and project owners to think in terms of nature-based solutions.

*We believe that our work will
accelerate biodiversity action.*

We believe that our work will accelerate biodiversity action. Over the course of 2023, we will support participants of the programme in building sufficient capacity to better address the biodiversity crisis and manage nature-related risks. By assessing their impacts and dependencies on nature, our clients will be able to take the first steps in strengthening their biodiversity management and take action.

At the same time, we will strengthen our own governance on biodiversity and nature to maximise our nature-positive impact. Our approach is to start working with biodiversity management rather than wait for established methodologies. There is no time to lose. Concrete steps, even small ones, are valuable in this process.

How Nefco plans to proceed - our Biodiversity Roadmap

First stage: Awareness and Capacity (2022-2023)		Second Stage: Portfolio and Process Screening (2023)	Third Stage: Prioritisation and Action Plan	Fourth Stage: Portfolio Management and Reporting (Late 2023-2024)
As a first step, we started to develop awareness and capacity to understand economic impacts and dependencies on nature. It is also important to understand spheres of influence, those of both Nefco and our clients, in order to access and use the right tools and methodologies, involve all required stakeholders and follow current regulatory trends. Awareness and capacity building is an ongoing process and will continue throughout the year 2023.		Portfolio screening will be an essential step in understanding the impacts and dependencies of Nefco's investments on nature. By investigating each item in the portfolio, Nefco will learn how funds are tied to specific impact drivers and ecosystem services.	Based on the results of the screening, we will identify potential high-risk portfolio assets/projects for further evaluation. Building on the knowledge gained, we aim to develop an internal biodiversity action plan.	Towards the end of 2023, we will develop and implement biodiversity assessment practices and guiding principles for investment selection. We will incorporate the experience gained from the pilot programme in our investment process. If appropriate, we will also develop actions for potential high-risk assets in our existing portfolio. The new assessment practices will allow us to better identify and avoid risks for future investments.
What we have achieved so far The Nefco Environmental and Policy update, including the exclusion list, has been finalised. Nefco's biodiversity pilot programme has been established and launched. It was designed to help our clients better understand biodiversity and its implications for business. The first programme seminar was held in December, starting the deep dive into client company engagements. In addition, Nefco has so far organised two internal capacity building workshops for our investment managers. Nefco has published several articles on biodiversity and increased its public presence on this topic.	What will happen in 2023 We will continue to work with pilot companies, helping both sides to better understand their needs in terms of biodiversity management. Additional internal workshops and pilot company seminars will be held. We shall start building biodiversity management plans for the pilot companies. Nefco will continue to publish articles and share experiences from the programme.	The screening will also identify potential high-risk sectors and risk areas within our portfolio.		We will also consider the variety of publicly available biodiversity reporting frameworks. For instance, this could include deciding on whether to follow principles such as the Science-based Targets for Nature and/or the Partnership for Biodiversity-accounting Financials.

Portfolio overview

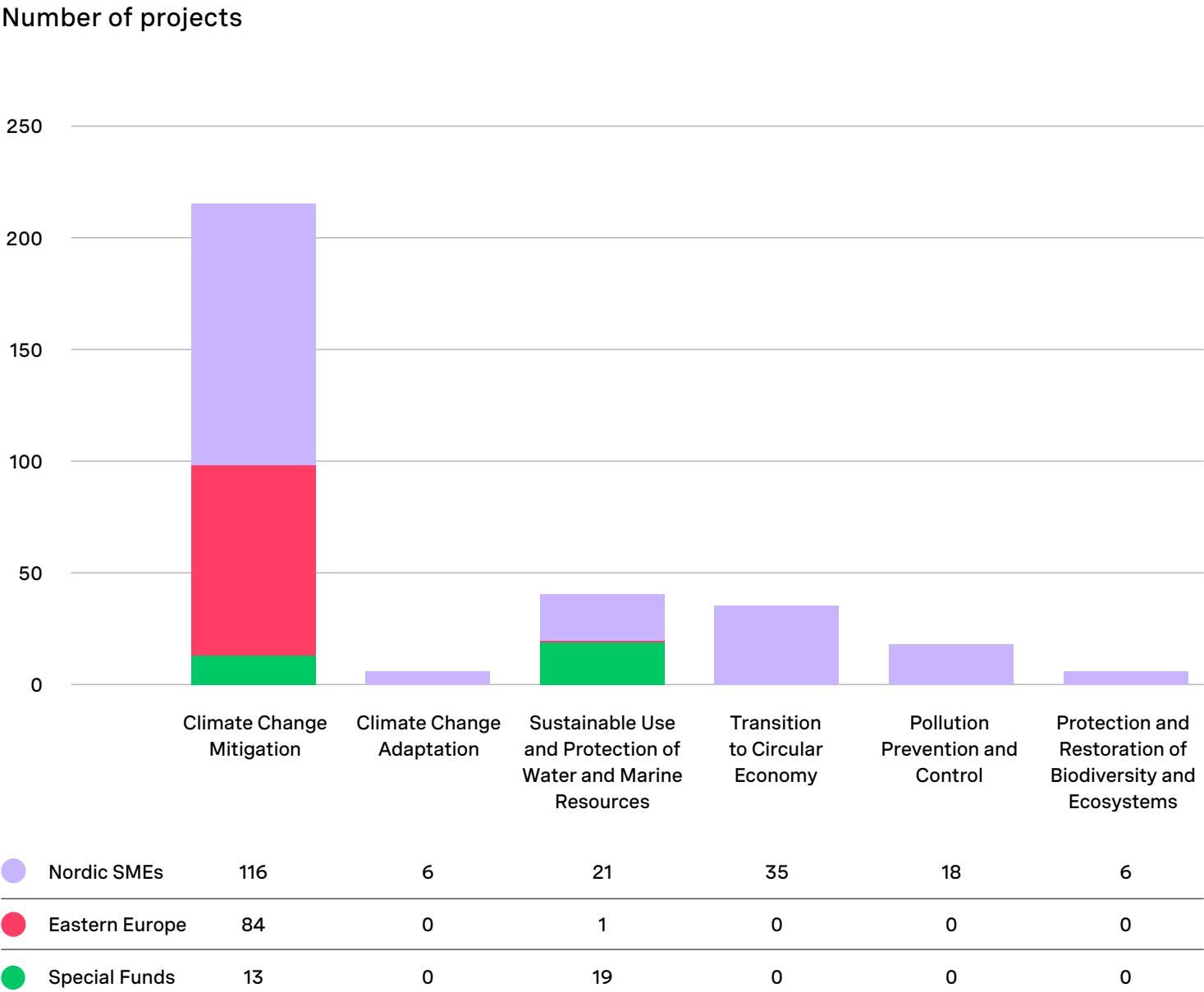
5.1. Active projects in 2022

At the end of 2022, Nefco had a total of 319 active projects in its portfolio. This number includes both investments made from its own capital and trust fund projects. During the year, 59 projects ended, and 92 new ones were agreed.

*At the end of 2022, Nefco had a total of
319 active projects in its portfolio.*

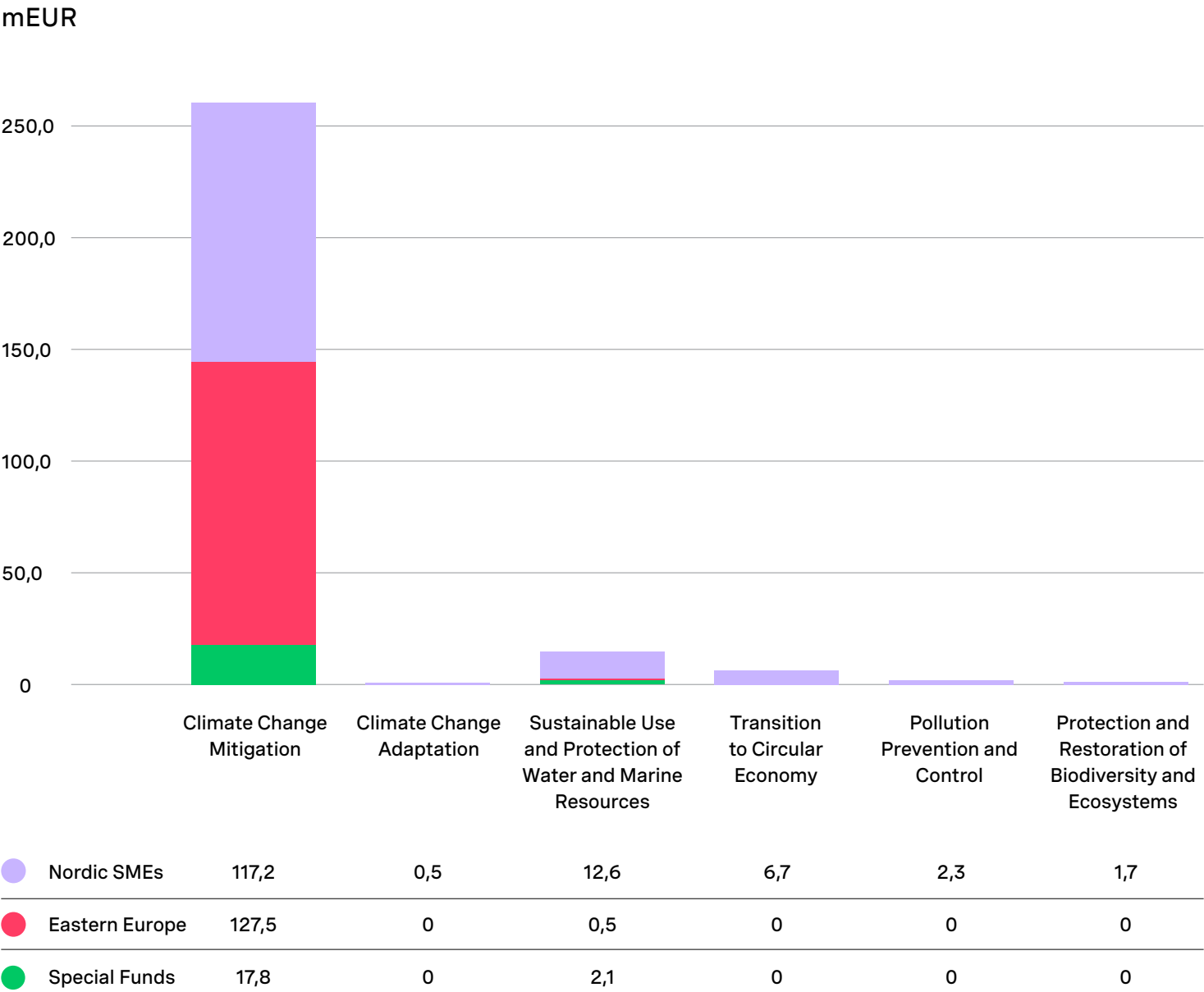
The majority of the projects in the active portfolio, including loan, equity and grant-funded projects, are related to climate change mitigation. Energy efficiency in buildings, renewable energy, water supply and waste management, construction and real estate, manufacturing, information and communication, and transport are the biggest sectors.

Number of projects per environmental driver in the active portfolio at the end of 2022



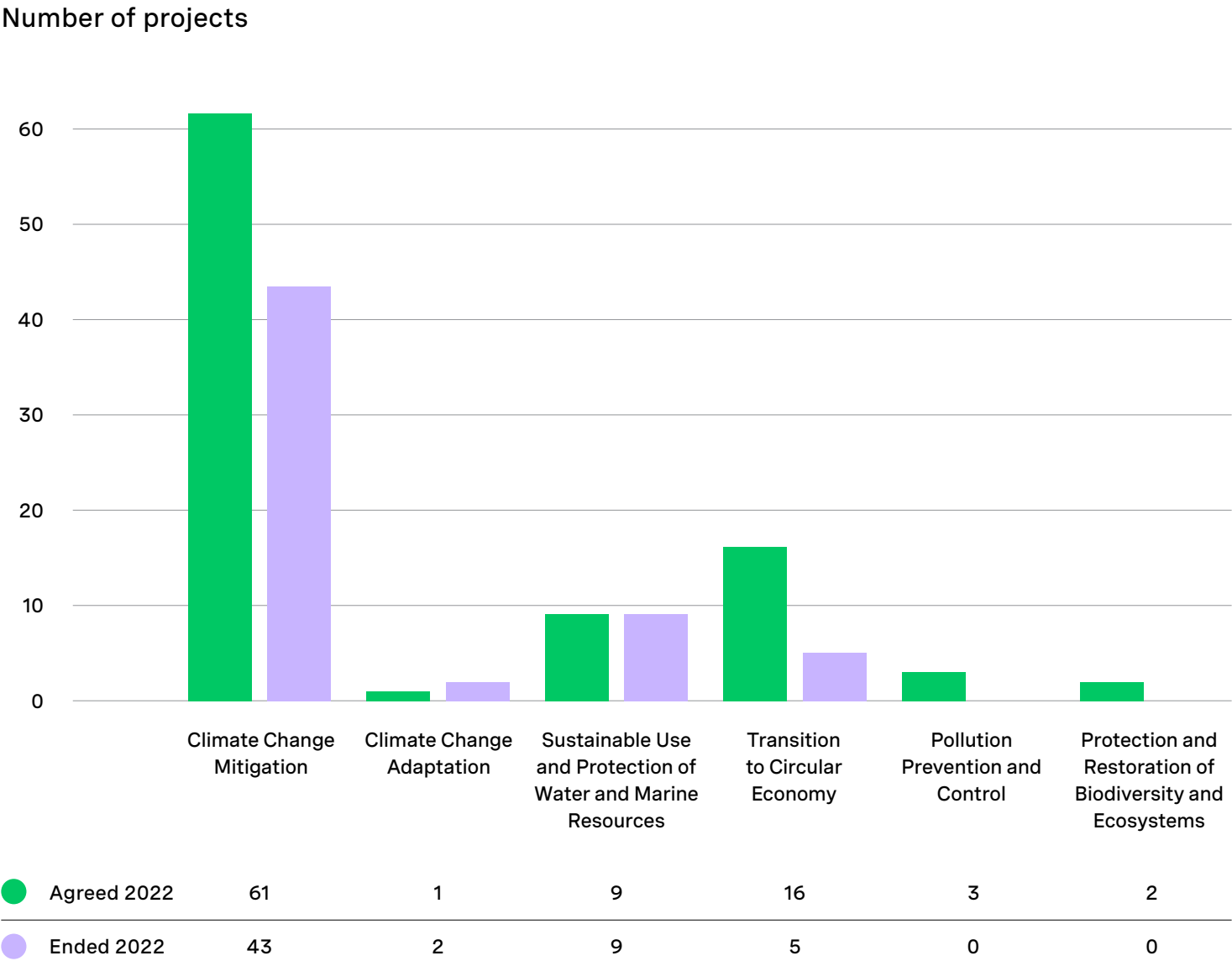
Note: A project may have several environmental drivers and the figures in the chart refer to the primary driver in the project.

Funds allocated to projects in the active portfolio, per environmental driver at the end of 2022



Note: A project may have several environmental drivers and the figures in the chart refer to the primary driver in the project.

Number of projects per environmental driver agreed and ended in 2022



Note: A project may have several environmental drivers and the figures in the chart refer to the primary driver in the project.

5.2. EU Taxonomy assessment of the active investment portfolio

The EU Taxonomy is a common classification of economic activities contributing significantly to environmental objectives using science-based criteria. Created by the European Commission in 2020 as part of the implementation of the EU Green Deal, it is a way to showcase whether a company, asset, project, product or service is contributing substantially to a sustainable economy. The classification is done according to the six environmental objectives.

The EU Taxonomy is a way to showcase whether a company, asset, project, product or service is contributing substantially to a sustainable economy.

For projects approved in 2022, Nefco has actively used a full EU Taxonomy alignment analysis on a best-effort basis for its investment fund projects, evaluating Eligibility, Substantial Contribution criteria (SC), Do No Significant Harm criteria (DNSH) and Minimum Social Safeguards criteria (MSS). However, MSS includes several integral parts and evaluating it has proven complex. We primarily work with SMEs, for which EU Taxonomy reporting is still voluntary and they seldom have all MSS information publicly available or fully implemented. Nonetheless, when gaps are identified we assist the company to take appropriate action to achieve closer alignment with the MSS criteria.

Furthermore, the full analysis has not been applied retroactively for projects agreed before 2022. The active projects agreed before 2022 have been analysed solely for EU Taxonomy eligibility.

‘Green’ is not defined by the Taxonomy alone. For economic activities that are not yet covered by the EU Taxonomy, we use our own definitions based on the spirit and logic of the taxonomy.

The EU Taxonomy evaluation is only applied to Nefco’s investment projects. Trust fund projects are not evaluated.

Allocated funds (EUR million) within the active portfolio including investment loans and equity, based on the environmental driver

Environmental driver	Investment mEUR	% of portfolio
Climate change mitigation	193.1	90%
Climate change adaptation	0.3	0%
Sustainable use and protection of water and marine resources	12.6	6%
Transition to circular economy	5.5	3%
Pollution prevention and control	1.8	1%
Protection and restoration of biodiversity and ecosystems	1.5	1%
Total	214.8	100%

5.2.1. Assessment of investment portfolio as of 2022

In this report, we assess how many of our active investment projects are eligible and/or aligned with the Taxonomy.

The assessment has been carried out for investment projects that have received loan or equity-type financing from Nefco.

We utilise the following categorisation for investment projects agreed in 2022 and later:

Considered aligned

The project/economic activity is considered to be eligible and aligned with all applicable criteria (SC, DNSH, MSS).

Considered partly aligned

The project/economic activity is considered to be eligible and to comply with some of the applicable criteria (SC, DNSH and MSS)

Eligible

The project/economic activity is EU Taxonomy eligible but is not considered to comply with the applicable criteria (SC, DNSH and MSS).

Not Eligible

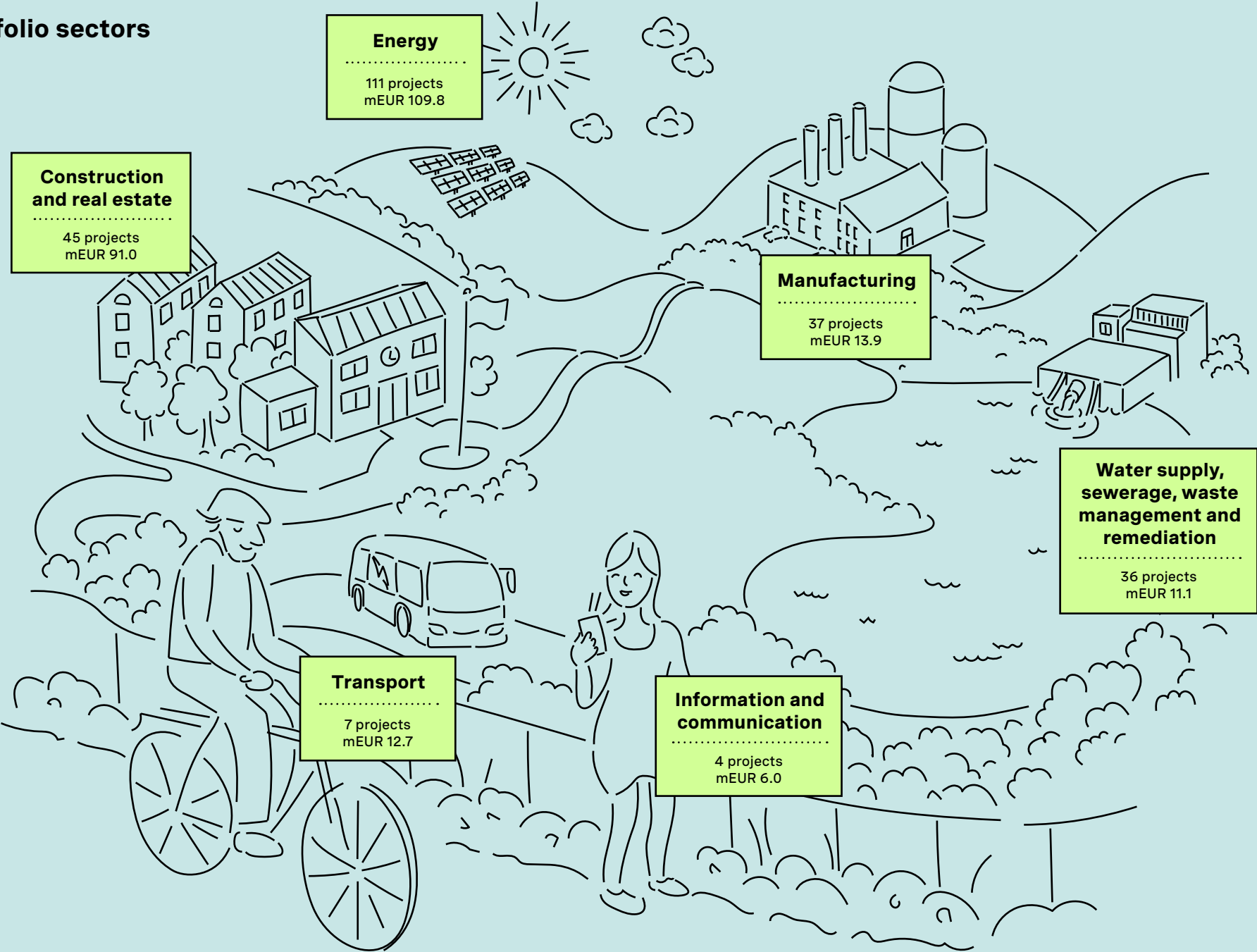
The project/economic activity is not EU Taxonomy eligible under the current Taxonomy*.

* EU Taxonomy objectives ‘Sustainable Use and Protection of Water and Marine Resources’, ‘Transition to Circular Economy’, ‘Pollution Prevention and Control’ and ‘Protection and Restoration of Biodiversity and Ecosystems’ are yet to be defined under the current Taxonomy and are thus considered not eligible for the time being.

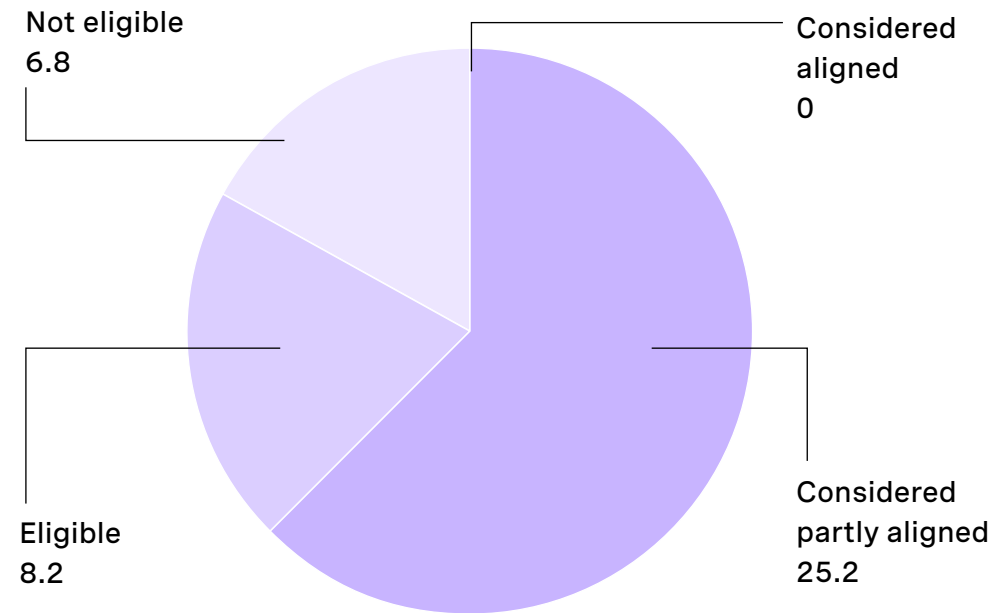
As of 2022, investment projects financed through Nefco’s equity are categorised based on whether the economic activity is

- eligible for the Taxonomy, i.e. can be linked to an eligible economic activity for substantial contribution as defined in the Delegated Regulation (EU 2021/2139).
- aligned with the Taxonomy, i.e. fulfils the above and the Technical Screening Criteria (SC), the ‘Do No Significant Harm’ (DNSH) principle and complies with Minimum Social Safeguards (MSS).

Nefco portfolio sectors



Alignment assessment of investments agreed in 2022 (mEUR)



Alignment assessment of investments agreed in 2022

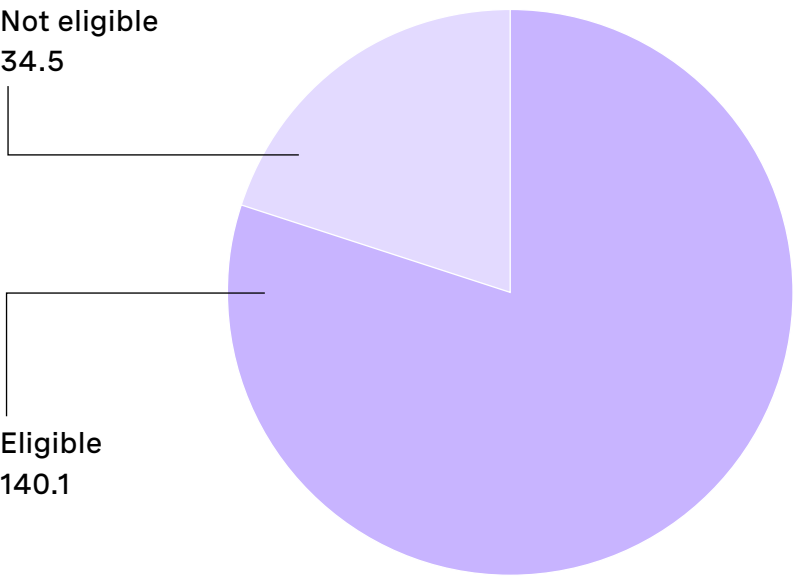
Alignment assessment	Number of projects	% of projects	Investment (mEUR)	% of investments
Considered aligned	0	0%	0.0	0%
Considered partly aligned	13	68%	25.2	63%
Eligible	3	16%	8.2	20%
Not eligible*	3	16%	6.8	17%
Total	19	100%	40.2	100%

* The projects are associated with EU Taxonomy objectives not defined in the current Taxonomy.

5.2.2. Assessment of other active investment projects

Active investment projects agreed before 2022 have only been evaluated for EU Taxonomy eligibility, i.e., the project activity can be linked to an eligible economic activity for substantial contribution as defined in the Delegated Regulation (EU 2021/2139).

Eligibility assessment of investments agreed before 2022 (mEUR)



Eligibility assessment for investments agreed before 2022

Eligibility assessment	Number of projects	% of projects	Investment (mEUR)	% of investments
Eligible	38	64%	140.1	80%
Not eligible*	21	36%	34.5	20%
Total	59	100%	174.6	100%

* The projects are associated with EU Taxonomy objectives not defined in the current Taxonomy.



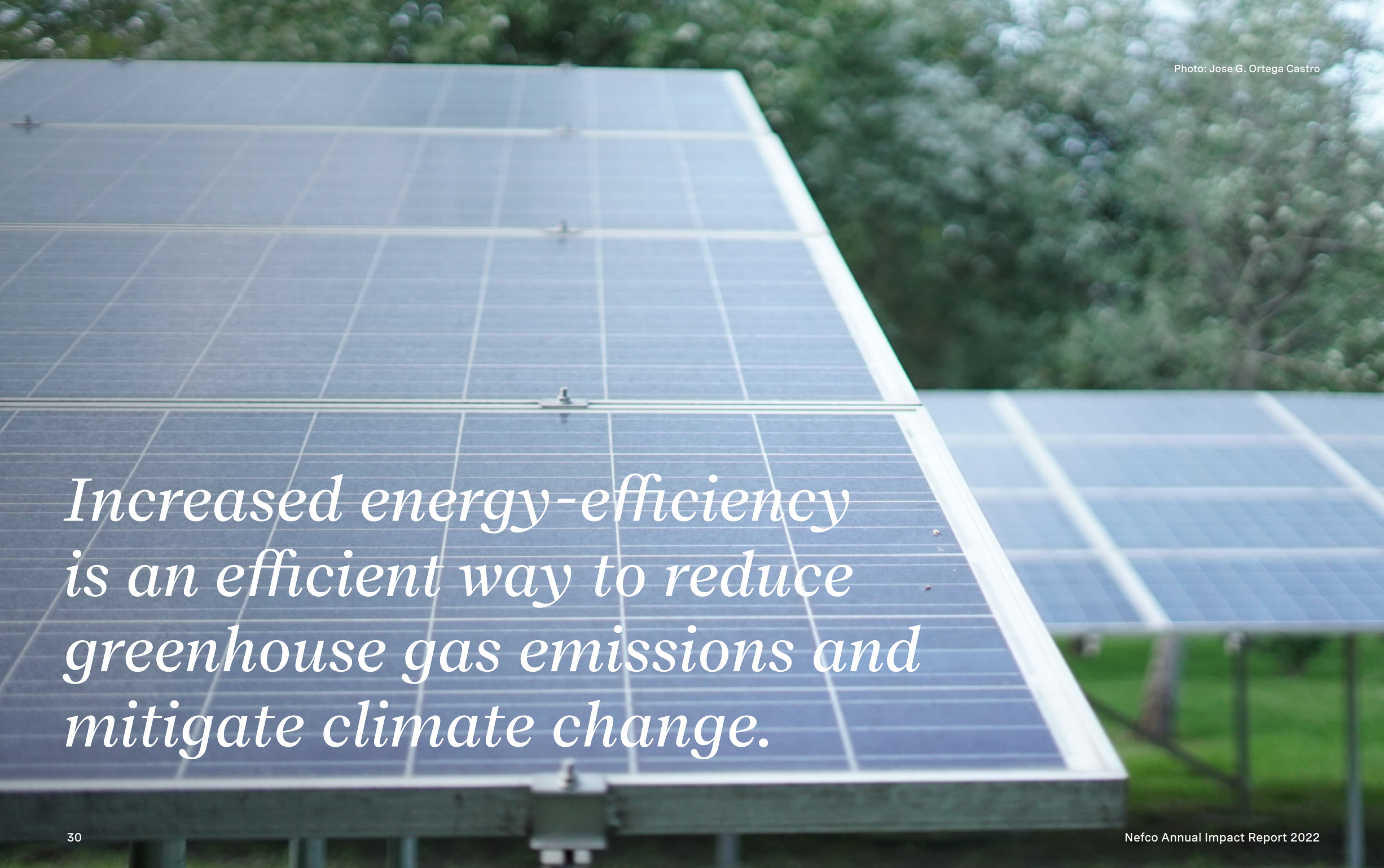
Photo: Yehor Milohrodskyi

5.3. Operations affected by Russia's war in Ukraine

The year 2022 has unfortunately been overshadowed by Russia's illegal and unprovoked invasion of Ukraine. Some projects financed by Nefco in Ukraine have been cancelled or put on hold, and some project sites have even been destroyed by Russian attacks. Many projects have been able to resume and proceed, although with some delays due to the difficult situation in the country. This has naturally also affected the results from the active portfolio in Ukraine. At the time of this report, we haven't yet received reliable data from all projects.

*The Ukrainian society and nature are
in desperate need of restoration.*

The war has also caused tremendous damage on the environment, for example, forest fires, poisoned farmland, soil and groundwater contamination, and air pollution. Information about environmental damage is currently based on preliminary indications and fragmented data. Measuring and verifying will be challenging as long as the war is ongoing. It is, however, clear that both the Ukrainian society and nature are in desperate need of restoration.



*Increased energy-efficiency
is an efficient way to reduce
greenhouse gas emissions and
mitigate climate change.*

Project activity impact

The figures presented are core environmental and social indicators used by Nefco. There are other, project-specific indicators considered when evaluating the overall results of a project, however, these are not presented in this report.

6.1. Environmental impact

The results of Nefco's own investments are based on data from 2021. The corresponding figures for 2022 are not yet available. Nefco's aggregated impact is prorated to Nefco's share of financing, i.e. agreed loan amount divided by the total project financing. See [Section 12. Accounting principles](#).

6.1.1. Renewable energy

Increasing the amount of renewable energy in the energy mix reduces greenhouse gas emissions and helps to mitigate climate change.

In addition to smaller projects by Nordic SMEs going global, Nefco invested during 2018-2019 in several large renewable energy projects in Ukraine together with other IFIs and financiers. The total capacity was estimated to 155 MW from solar energy and 266 MW from wind energy. Most of the projects have been operating, producing energy to the national grid. However, Russian attacks have unfortunately caused severe damage to some of the power plants and therefore the goals haven't been fully achieved.

In total, projects in the renewable energy sector financed by Nefco have contributed to the installation of 1051.6 MW renewable electricity capacity¹ and 71.4 MW of renewable heat capacity, of which Nefco's share was 12% and 4% respectively.

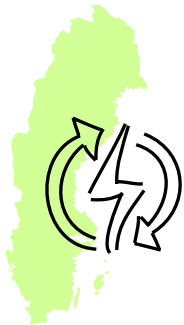
Moreover, the projects have increased the renewable heat generation² by 501.6 GWh and the renewable electricity generation by 252.8 GWh, of which Nefco's shares were 4% and 19% respectively. Altogether, the 754.4 GWh renewable energy generated corresponds to roughly 6% of Sweden's total electricity generation from combined heat and power (CHP) plants in 2022³.

6.1.2. Energy savings

Increased energy-efficiency is an efficient way to reduce greenhouse gas emissions and mitigate climate change. In the turmoil of the energy crisis, largely caused by the Russian invasion of Ukraine and subsequent sanctions, energy-efficiency has become even more important. Over the years, Nefco has financed a large number of energy-efficiency projects particularly in Eastern Europe.

In terms of energy-efficiency measures, projects financed by Nefco directly reduced the heat consumption by 209.8 GWh and the electricity consumption by 30.6 GWh, of which Nefco's share was 52% and 63% respectively. Altogether, the energy saving of 240.4 GWh equals the annual energy need of approximately 14,000 single-family houses in Finland.⁴

The EU Taxonomy requires for the renovation of existing buildings to lead to at least 30% reduction of primary energy demand. Many of the public buildings covered by Nefco's projects have been in poor condition and have insufficient insulation. Thus, Nefco has been able to significantly increase the energy efficiency of the renovated buildings in Eastern European countries. In Ukraine, such energy savings have been over 50%.



754.4 GWh renewable energy generation corresponding to

6%

of Sweden's total electricity production in 2022



240.4 GWh energy-savings equalling the annual energy need of

14,000

single-family houses in Finland



50%

reduction in energy usage after energy-efficiency projects in Ukraine

1 Renewable energy capacity refers to the maximum net generating capacity of renewable energy, i.e., the maximum power that can be produced at any given moment.

2 Renewable energy generation refers to the generated renewable energy over a period of time.

3 Swedish Energy Agency, <https://www.energimyndigheten.se/en/facts-and-figures/statistics/>

4 Motiva, https://www.motiva.fi/koti_ja_asuminen/remontoi_ja_huolla/energiatohokas_sahkolammitys

Case:
Energy-efficiency improvements in Ukrainian municipality

Project in Ukraine awarded Green Energy Initiative of the Year

Nefco has a long history of financing municipal energy-efficiency projects in Ukraine. One of these projects, *Energy Efficiency in Public Buildings in Lutsk*, won the Green Energy Initiative Award at the Emerging Europe Awards held on 23 June 2022 in Brussels, Belgium.

The project encompassed 31 renovated educational, culture and sport buildings and facilities, and was highlighted for contributing to climate change mitigation and the transition to a green economy in Ukraine

as well as quality-of-life improvements for the local community with some 217,000 inhabitants.

"In current times, energy efficiency is important for the functioning and development of the city. That is why Lutsk City Council is introducing energy-saving solutions for the buildings of our territorial community," said **Iryna Chebeliuk**, Deputy Mayor of Lutsk (in picture on the right). "The work became a model for the modernisation and climate change adaptation of municipal buildings,



Photo: Mariusz Szachowski

aiming to foster climate change mitigation and the transition to a green economy." The modernisation is expected to annually save 11,000 MWh in wasted heat, 600 MWh in electricity usage and reduce 4,300 tonnes in CO₂ emissions. In addition to cost savings, the project has created good and comfortable learning environments for over 26,000 schoolchildren and teachers.

The project was financed with contributions from the city of Lutsk, E5P, Sweden, and Nefco.

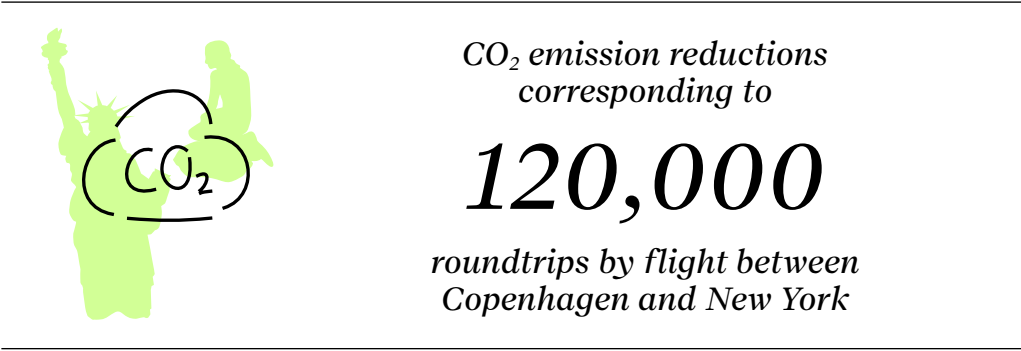
Full story:
[Energy-efficiency project in Ukraine awarded Green Energy Initiative of the Year](#)

6.1.3. Reduced or avoided CO₂ emissions

Reducing greenhouse gas emissions is the greatest global climate challenge, as addressed by the Convention of Parties (COP), the EU and the Nordic countries. Climate change mitigation is one of the six environmental objectives defined by the EU Taxonomy.

The majority of projects financed by Nefco contribute to climate change mitigation by reducing or avoiding CO₂ emissions. Collectively, active projects contributed to the reduction or avoidance of 0.34 million tonnes CO₂, of which Nefco’s share was 23%. 0.34 million tonnes of CO₂ correspond to about 120,000 roundtrips from Copenhagen to New York by flight.

Since its founding in 1990, Nefco has contributed to the reduction or avoidance of over 37 million tonnes CO₂ through its financing activities, of which Nefco’s share has been about 9.5 million tonnes.

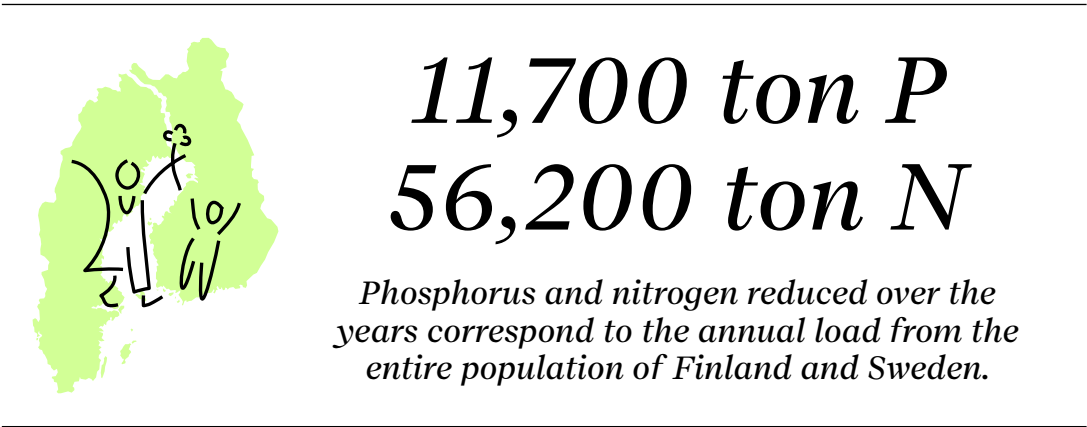


6.1.4. Nutrient discharge reductions

Eutrophication is the greatest environmental threat to the Baltic Sea, and the main reason Nefco was established back in 1990. Since 1996,

we have financed 38 projects to improve wastewater treatment contributing to the reduction of phosphorus and nitrogen discharges. Mitigation of land and water pollution is still a focus area for Nefco, in line with the Nordic Vision 2030. Sustainable use of water and marine resources is also one of the six environmental Taxonomy objectives.

There are currently four active projects in the wastewater treatment sector being realised under the EU NIP programme in Ukraine. These focus on the renovation of deteriorated process parts and energy efficiency and will also help to reduce nutrient discharges. In addition, there are several new and ongoing projects within the Baltic Sea Action Plan Fund. Once implemented, we can report on the results of these projects.



Since the start in 1990, Nefco has through its financing activities contributed to the reduction or avoidance of over 11,700 tonnes of phosphorus and 56,200 tonnes of nitrogen discharge, of which Nefco’s share has been about 2,332 and 11,359 tonnes respectively.

6.2. Social impact

In 2022, active municipal energy-efficiency projects in Eastern Europe benefited 84,852 children, teachers and other citizens. Since the initiatives started, energy-efficiency measures have benefited some 400,000 citizens in these regions. Street lighting and district heating projects active in 2022 have benefited over 1 million citizens and 220,000 citizens, respectively.

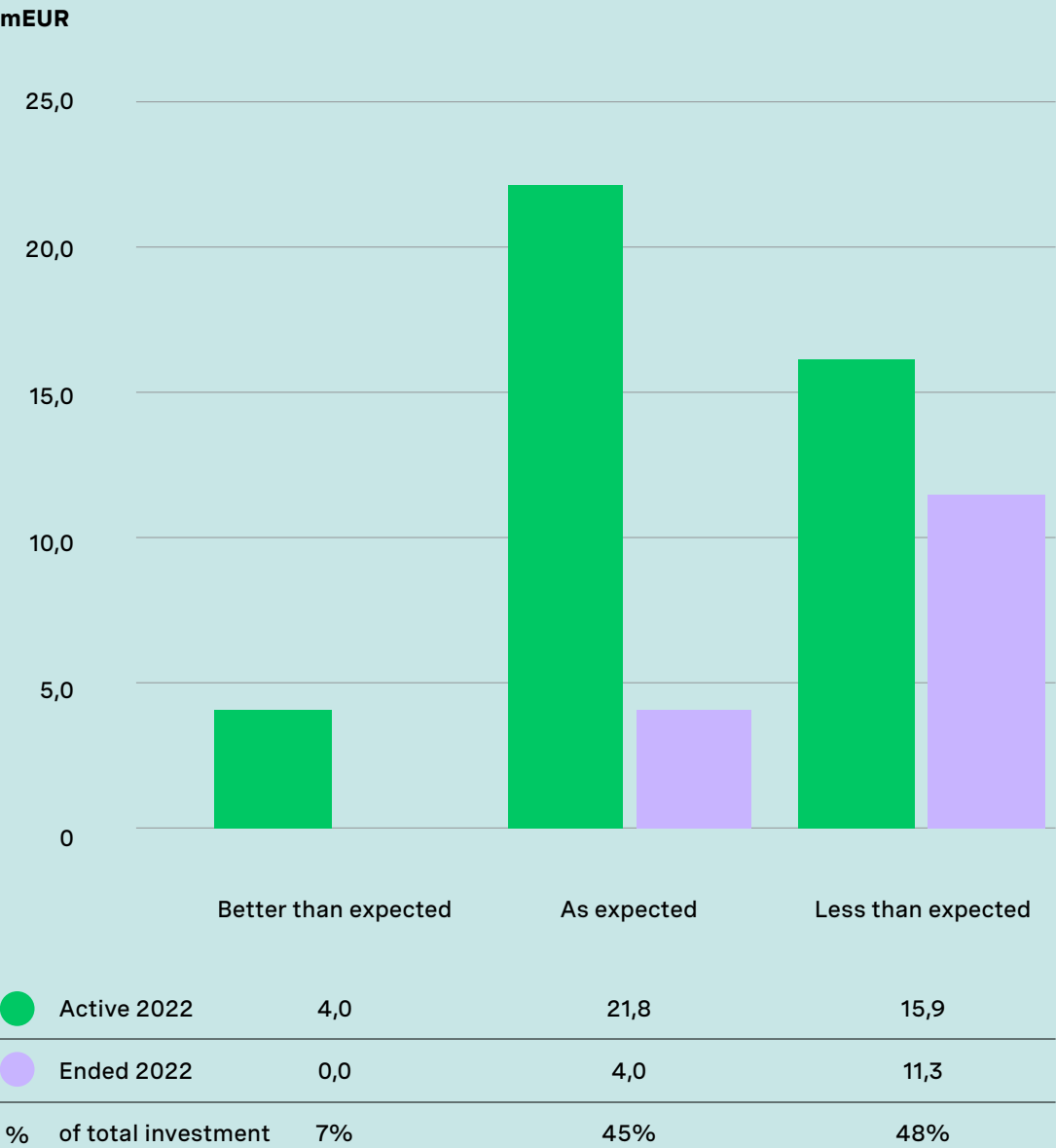
Based on reports from initial projects, already 200,395 people are benefiting from 38,519 energy service subscriptions by the end of 2022 within the Beyond the Grid Fund for Africa.

Early-stage internationalisation projects approved by Nopef in 2022 are expected to contribute to a total of some 172 new jobs and over EUR 23 million in green investments in the coming years.

6.3. Progress of the investment portfolio

Nefco continues to analyse the overall progress of its portfolio. We differ from many other financiers in that we collect annual environmental impact data, which enables us to assess our investment project portfolio, i.e., active and ended projects in 2022. The reported impact data for 2022 indicates that the majority of projects are performing as expected or better. The projects achieving $\pm 15\%$ of the expected impact are set to be performing "as expected". It is worth noticing that many projects are still in the very early stages of their implementation and therefore their full impact has not necessarily materialised yet.

Project progress of investments reporting in 2022



Business units

7.1. Green Transition for Nordic SMEs

A recent report indicates SMEs in OECD countries on average account for 60% of employment and 50-60% of the economy. Research also shows that 40-45% of SMEs are considered to have a significant impact on the environment, mostly companies with over 50 employees and/or in sectors that produce relatively high levels of pollution, such as manufacturing. Small firms make up for 50% of GHG emissions, SMEs contribute to 64% of industrial pollution in Europe and account for 60-70% of total industrial waste.⁵

We provide loan and equity-type financing for SMEs' scale-up investments through our own capital.

It is fair to say that small and medium-sized companies play a significant role in making the planet a better place to live. One of Nefco's strategic goals is to increase the number of Nordic SME projects in its portfolio and thus contribute to the scale-up, competitiveness and green transition of these companies, particularly in sectors in which the Nordics demonstrate key competencies and innovation.

We provide loan and equity-type financing for SMEs' scale-up investments through our own capital. We also offer smaller, unsecured loans for urgent operational needs. Furthermore, Nordic SMEs can get financial support through Nopef, the Nordic Project Fund, for feasibility studies aimed at their internationalisation. Nopef is a separate fund, financed by the Nordic Council of Ministers and managed by Nefco since 2014.

⁵ NO NET ZERO WITHOUT SMES © OECD 2021

Financing the internationalisation of Nordic companies in their growth phases not only benefits the environment and climate but also strengthens their competitiveness and contributes to the creation of new jobs in both the Nordic and project countries. Although an individual project may be green, the company's overall operations might not be - through our environmental and sustainability criteria and reporting requirements, we also help these companies become greener in all their operations.

Due to many of the projects being in the implementation stage, this report focuses on the environmental drivers and trends in the Nordic SME segment.

At the end of the year in the Nordic SME business segment, there were 62 active investment projects (EUR 136 million), and 140 Nopef projects (EUR 4.8 million).

202 active SME projects

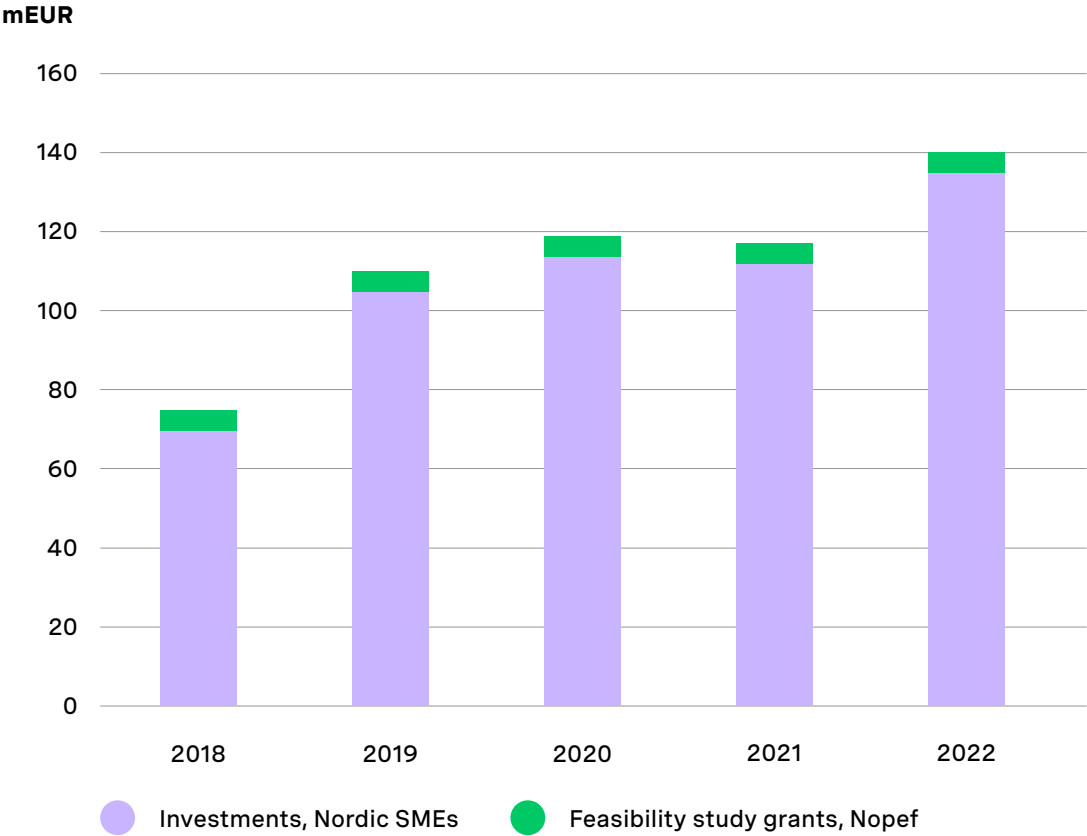
EUR 140.8 million

48.8% of Nefco's total portfolio

Altogether the active portfolio at the end of 2022 consisted of 202 projects. The allocated investments and funds amounted to a total of EUR 140.8 million, which is 48.8% of Nefco's total active portfolio.

Trend of project portfolio in Nordic SMEs 2018-2022

Funds allocated to agreed projects



Nefco's financing provides additionality for SMEs

We provide growth financing and filling the financing gap when there is scale-up potential but commercial banks are not ready to take such high financial risks

7.1.1. Support for entry on new markets through Nopef

The Nordic Project Fund’s (Nopef) objective is to contribute to the green transition by financing projects that support the internationalisation of Nordic environmental and climate solutions. Nopef provides conditional loans for feasibility studies into international investments, demonstration projects and pilot installations of green technologies and solutions on international markets outside the EU. These loans are converted into grants, if the project is successfully completed, i.e. result in business establishment and investments in the project countries. Nopef contributes to Nordic interests, the goals of the Nordic Vision and increased employment, knowledge sharing and development of sustainable business models.

*35 new Nopef projects,
expected to result in 172 new jobs and
EUR 23 million in green investments*

At the end of 2022, Nopef’s active portfolio comprised 140 projects (157 in 2021). During the year, 35 new projects (37 in 2021) were approved for financing, in line with the set targets for the year, and 23 projects (17 in 2021) resulted in successful international market entry.

Of the projects that Nopef granted funding in 2022, 16 (46%) are climate change mitigation projects with the aim of reducing greenhouse gas emissions through increased energy efficiency or production of renewable energy. The share of projects related to solutions for the transition to a circular economy increased during the year with 14 projects in total, representing 40% of all approved projects.

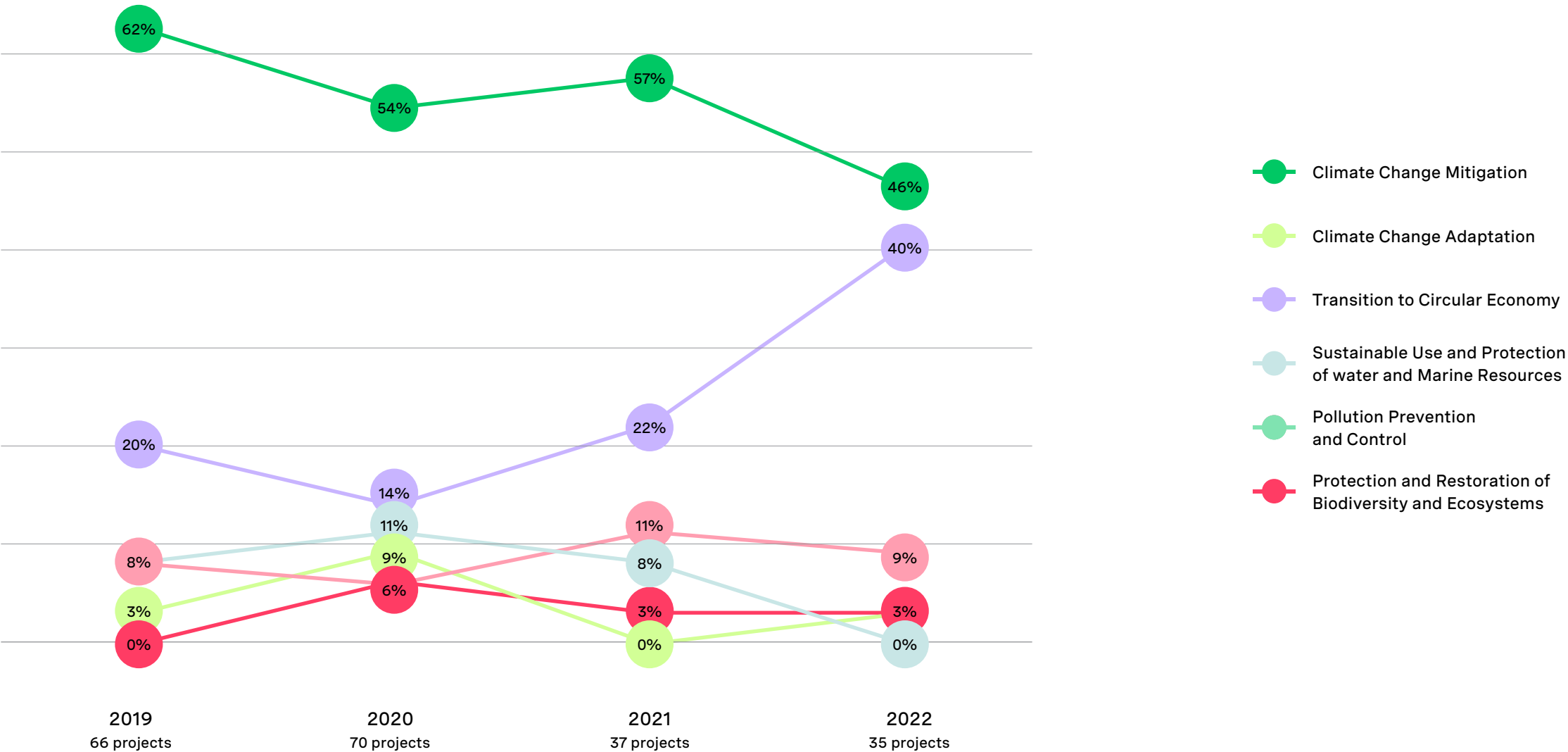
During 2022, Nefco carried out its annual assessment of the results and outcomes of previously funded projects. The reported results from participating clients indicate that each realised project has on average contributed to 10 new jobs during the preceding three-year period, including two new jobs created within the Nordic region. The average project-related investment amounts to EUR 1.0 million per project. Given these average project outcomes, the projects financed by Nopef in 2022 are expected to contribute, in total, to some 172 new jobs and over EUR 23 million in green investments in the coming years.

Nopef projects are feasibility studies and therefore do not provide immediate environmental impact. Therefore, we look at the environmental challenges the companies are addressing.

Many Nopef clients return to Nefco to apply for further financing once their plans have proceeded. To date, some 70% of clients that have received fast-track loans, previously conducted a feasibility study with support from Nopef.

Nopef is financed through an annual budget from the Nordic Council of Ministers and managed by Nefco.

Approved Nopef projects per environmental driver 2019-2022



Case:
Replicating after demonstrating a concept - Kube Energy,
Norway

Powering peace with clean off-grid energy

When a major humanitarian crisis is underway and an international aid organisation arrives to help, there are seldom power sources available in remote and undeveloped areas. Aid organisations like the UN have pledged to reduce emissions but are forced to use polluting diesel generators because they have no other option.

Kube Energy's idea is to build solar plants and sell the electricity to these organisations. The solution is modular, with the intention for it to be expanded to provide

even more energy both to local communities and international organisations. While many UN projects last a long time, they are ultimately temporary. When they finally end, energy generation can be pivoted to fully serve local communities.

Their concept has proven to be replicable. In 2017, they approached Nopef about a feasibility study on expanding into South Sudan. In 2018, they returned to Nopef to study a move into Somalia. After finalising the first two projects, Nopef supported Kube Energy for a third time in 2022, helping the



Photo: Kube Energy

company with its expansion into the Central African Republic, for which the feasibility study is currently ongoing.

To date, Kube Energy has developed 3 MW of solar energy for one UN humanitarian project in South Sudan. In Somalia, it is in the process of building two more solar power plants connected to UN peacekeeping with a total capacity of 7 MW. Once their expansion into the Central African Republic has progressed, it is expected to provide 6-7 MW of solar power.

Thanks to Kube Energy, five major UN projects and surrounding communities now have access to safe, reliable, affordable and clean energy.

Of all Nopef projects, 50% have successfully been completed, resulting in an international market entry by a Nordic company.

Full story:
[Powering peace with renewable energy](#)



7.1.2. Fast-track loans for operational growth

The SME Green Recovery Loan Frame (renamed to Fast-track loan in 2023) was initially developed as an immediate response to the global pandemic, with Nefco aiming to mitigate negative economic effects among Nordic SMEs. The programme has remained an attractive offering also beyond the pandemic, with Nordic SMEs facing supply chain issues, component shortages, effects from Russia's war in Ukraine, deteriorating market conditions for raising risk capital, and other challenges. Moreover, commercial banks have been reluctant to offer financing to smaller growth companies due to the perceived increase in risks.

The fast-track loans can be used for activities that support international growth, including international business development and sales, investments aimed at internationalisation and/or as working capital to maintain or further develop international operations and business activities.

At the end of 2022, Nefco's portfolio included 18 active fast-track loans (11 in 2021). Seven new projects were contracted under the programme during the year.

The environmental benefits generated under the Green Recovery Loan Frame have mainly been indirect, by supporting the international growth and scale-up of efficient and modern technologies, equipment, products and processes, and thus facilitating investments in the support of the green transition.

Case:
Scaling up production – Pure Waste Textiles, Finland

Boosting recycled waste-based textiles internationally

The fashion and textile industries are two of the most polluting in the world with significant negative environmental impacts. In response, the sector is pushing for more businesses with a circular mindset that can create fully sustainable garments.

The Finnish company Pure Waste Textiles is a pioneer in producing sustainable garments from waste-based textiles. Pure Waste Textiles produces yarns, fabrics and ready-made garments made from 100% recycled and waste-based fibres. The company

is seeking to make all its production and end products carbon neutral by 2026 and therefore uses only renewable energy, has reduced its carbon emissions by up to 50%, uses only recycled textiles as raw materials and has reduced its freshwater usage by up to 99%.

After conducting a feasibility study financed by Nopef, Pure Waste established a subsidiary in India in 2019. Having achieved positive results, Pure Waste saw in Nefco's financing options an opportunity to further



Photo: Pure Waste Textiles

its international growth by strengthening its inventories in the production phase in India to produce and process more waste-based textiles.

“The global demand for clothing is increasing rapidly due to population growth, but people have started to question if there could be more options for sustainable garments. Nefco’s financing will help us increase our production quantities and meet consumer demand,” says Anders Bengs, Co-Founder and Board Member of Pure Waste Textiles.

About 70% of companies that have received (fast-track) loan financing from Nefco to scale-up started their entry into new markets by conducting a feasibility study with support from Nopef.

Full story:
[Pure Waste receives financing from Nefco to boost its recycled waste-based textiles internationally](#)



7.1.3. Financing scale-up investments

Although their technologies or solutions are commercially and technologically proven, our clients often have a higher financial risk profile than is acceptable for traditional commercial banks. We provide risk financing such as subordinated and even unsecured loans, filling a financing gap between equity and traditional bank financing to enable Nordic SMEs' scale-up investments.

In terms of project numbers, the goal (12 projects) for 2022 was exceeded; 14 projects were approved by the Nefco Board. Nine of these and three projects approved earlier, altogether 12 projects, were contracted before the end of the year (12 projects in 2021). Six projects ended.

At the end of 2022, Nefco's portfolio included 44 active investment projects to support the scale-up of Nordic SMEs. This number includes 13 private sector projects in Ukraine.

The new investments are spread across a wide range of sectors, but the emphasis continues primarily to be on solutions related to climate change mitigation. The most common sectors are energy, construction and real estate, manufacturing and transport.

In addition to SMEs going global, Nefco has over the years invested in some private sector projects with Nordic interest in Ukraine. Private projects in Ukraine were primarily related to renewable energy and agriculture.

Case:
Circular economy solution going global - Tracegrow, Finland

Groundbreaking technology for purifying metals from recyclable alkaline batteries and industrial side streams

The world's soil is deficient in zinc and manganese by 50% and 10% respectively. These deficiencies affect plant health and decrease crop yields. Tracegrow's organically approved fertilisers are rich in these micronutrients and can be used to improve plant health and yields within the agricultural industry.

Tracegrow's patented process is the first of its kind for extracting and purifying zinc and manganese from recyclable alkaline batteries and industrial side streams. Its

recycled materials offer a low-emission solution for agriculture and other industries that prevents the need for energy-intensive mining operations of virgin raw materials.

Nefco's loan will help Tracegrow implement its new growth strategy and allow it to hire additional personnel to strengthen and extend its global reach. Tracegrow's technology increases material recycling rates and advances circular economy. It reduces the need for new mining operations and reduces CO₂ emissions.



Photo: Tracegrow

Nefco's fast-track loan can be used for both investments and working capital when a company needs that extra boost to growth.

Full story:
[Nefco finances Tracegrow to scale up its groundbreaking circular economy technology for purifying metals](#)



7.1.4. Biodiversity pilot programme

Biological diversity is declining globally at a rate unprecedented in human history. More than half of global GDP is highly (or moderately) dependent on nature. Many businesses are dependent on nature and ecosystem services, and their rapid deterioration poses a risk.

The UN Biodiversity Conference (COP15) in Montreal in December 2022 resulted in the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) on the final day of negotiations. The GBF aims to address biodiversity loss, restore ecosystems and protect indigenous rights. The plan includes concrete measures to halt and reverse nature loss, including putting 30% of the planet and 30% of degraded ecosystems under protection by 2030. It also emphasises the role of financing, including a target to mobilise at least USD 200 billion per year from public and private sources for biodiversity-related funding. Financial institutions will also be required to monitor, assess, and transparently disclose risks and impacts on biodiversity through their operations, portfolios, and supply and value chains.

Nefco launched a Biodiversity Pilot Programme for SMEs in August 2022. Four companies started in the pilot programme, which aims to test and develop concrete biodiversity solutions together with the companies. The objective is to help small and medium-sized companies learn about biodiversity-related risks and opportunities for their business and test scalable solutions to address them. The two-year programme will co-create concrete biodiversity actions with companies and share knowledge on nature-positive impact strategies.

“As a company focused on sustainability, biodiversity is very important for Norsepower. Norsepower Rotor Sails™ help to reduce the fuel consumption and emissions of large ships.

We want to make sure that we are also producing these devices in a sustainable way and that biodiversity is taken into account throughout the entire production chain.”



Tuomas Riski
CEO, Norsepower



Case:
Scaling up sustainability software solutions on new markets – Klappir, Iceland

Sustainability software solutions to help companies adopt sustainable practices

Increased sustainability awareness is a social and economic imperative. Companies will need to respond to existing environmental practices and regulations, anticipate the legislative agenda and be prepared to comply quickly and efficiently. Therefore, there will be a growing demand for efficient software solutions to improve the speed and accuracy of decisions related to sustainability accounting, analytical processing and environmental predictions.

Klappir is an Icelandic company specialising in sustainability software solutions. The solution helps businesses, municipalities and governments to measure and report their sustainability performance, reduce their footprint and improve transparency.

By making comprehensive data monitoring and analysis easier, the solution encourages companies and other organisations to adopt sustainable practices and integrate sustainability information into their reporting cycle, in line with the Sustainable Development Goals. To date, Klappir’s



Klappir’ software. Photo: Klappir

clients have been able to reduce their greenhouse gas emissions and improve their waste sorting.

ICT systems can therefore be regarded as solutions that contribute to the green transition. The EU Taxonomy and the new corporate sustainability reporting directive, among other reporting standards, may create challenges for many companies to meet the requirements.

Nefco financed Klappir with a convertible loan agreement to scale up operations in Europe and North America.

Full story:
[Klappir is expanding to new markets with financing from Nefco – Icelandic sustainability software is helping companies to adopt sustainable practices](#)

7.2. Green Transition in Eastern Europe

7.2.1. Investments in energy efficiency, district heating and wastewater management

Energy use in buildings accounts for about 27% of global greenhouse gas emissions (*Tracking Buildings 2022 - IEA*). Energy savings is one of the most efficient ways to reduce greenhouse gas emissions and mitigate climate change.

In the Eastern European region, many buildings are in poor condition, use out-of-date technology and rely on fossil fuels as their main energy source. To support municipalities in their green transition, Nefco has primarily been focusing on energy-saving measures in public buildings and the modernisation of street lighting systems in Georgia, Moldova and Ukraine, as well as making a substantial contribution to the modernisation of Ukraine’s obsolete district heating sector based on Nordic expertise combined with policy-related efforts.

At the end of 2022, the portfolio for the Eastern Europe business unit consisted of 85 projects, all of which contribute to the climate change mitigation objective. Out of these 85 projects, 16 were investment loans (EUR 78.7 million) and 69 were trust fund projects (EUR 49.3 million). The allocated funds amounts to a total of EUR 128 million, which is 44.3% of Nefco’s total active portfolio.

Note that the Russian war on Ukraine has had negative effect on projects in Ukraine, and many of the projects in the active portfolio are on hold or proceed with delays. At the end of the year, active physical work was on-going to varying degrees in 23 projects in Ukraine.

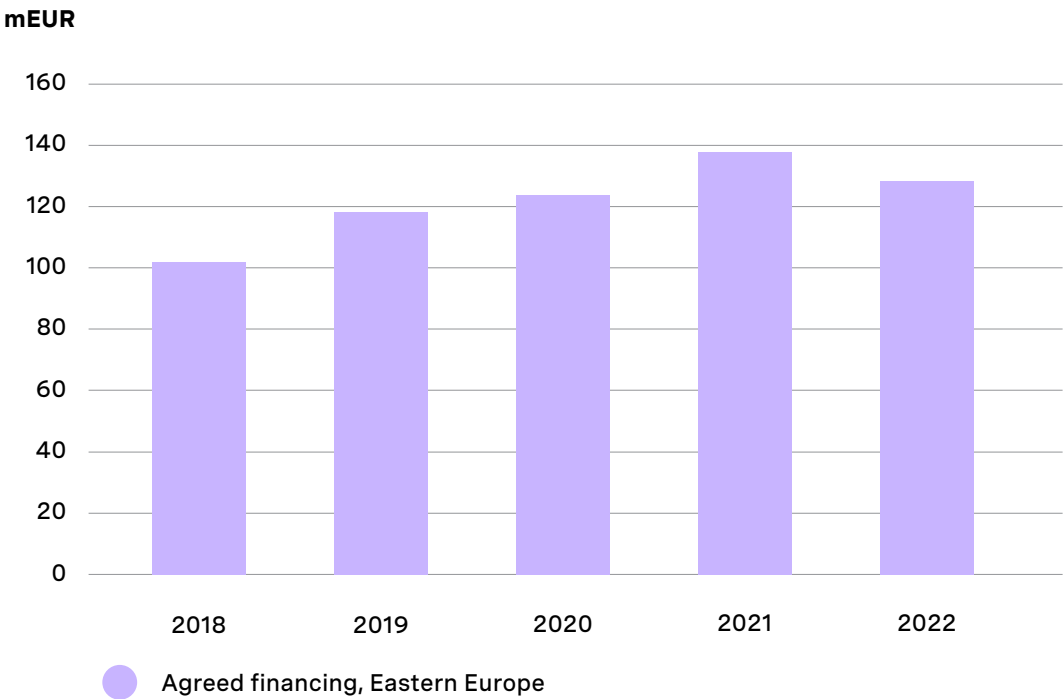
85 active projects in Eastern Europe

EUR 128 million

44.3% of Nefco’s total portfolio

Trend of project portfolio in Eastern Europe 2018-2022

Funds allocated to agreed projects



7.2.2. Georgia and Moldova

In Georgia and Moldova Nefco has continued its original regional mandate of financing small and medium-sized, municipal sector projects using concessionary loan financing and blending loan financing with grant programmes from Nordic governments, E5P or other countries (see list of programmes at the end of this report).

Nefco had four energy-efficiency projects in Moldova and two in Georgia at the end of 2022.

7.2.3. Green recovery in Ukrainian municipalities

Due to the Russian invasion, project activities in Ukraine were initially put on hold, but some projects have been able to resume later and proceed although with some delays due to the difficult situation in the country.

Severe damage to critical infrastructure and the environment caused by the war is putting enormous pressure on people, society, businesses and nature. While there is a need for extensive reconstruction, this also presents an opportunity to build back better in a sustainable way towards a carbon-neutral and nature-positive future for Ukraine.

Despite the difficult situation in Ukraine, there are currently several Nefco-funded projects with active physical work ongoing in various degrees. These projects are related to energy efficiency in buildings, wastewater systems and installation of solar panels, as well as street lighting modernisation. Even though street lighting is currently not in use, the cities are preparing for a brighter future.

In July 2022, Nefco launched a new initiative, which aims to pave the way for a green recovery, providing financial and technical assistance to municipalities to conduct repairs and rebuild critical infrastructure greener and better.

Green Recovery for Ukraine is a multi-donor programme comprising individual initiatives from various contributors. It is providing support for Ukrainian municipalities, which are playing a significant role in building Ukraine back greener and better. Activities financed by the programme may include immediate repairs and longer-term restoration, as well as rebuilding of facilities serving internally displaced people and critical infrastructure for energy, water and waste handling based on based on energy-efficient and modern European standards. The aim is also to support municipalities to design Local Green Recovery Plans.

Building back greener and better in Ukraine

The programme was launched in July 2022 and project preparations and implementations have already begun.

The EU, Denmark, Finland, Norway and Sweden are the programme's initial contributors either through repurposed initiatives or new funds.

7.2.4. Project activities related to the Arctic and Barents on hold

Due to Russia's invasion of Ukraine in February 2022, Nefco stopped financing activities in Russia and Belarus. Therefore, there is no environmental and sustainability impact to report from these programmes.

Case:
Supporting Georgia in its transition to green

Improving learning environments and supporting the energy transition

Georgia is in the process of implementing energy reforms and moving towards a green transition. As part of this, the country has introduced new laws on energy efficiency and energy performance of buildings.

In 2018, Nefco started a project to renovate and modernise 26 public buildings across the country, aligned with the national reforms and part of the wider reform agenda associated with the EU Georgia Association Agreement. The project sites were inaugurated in 2022.

The project implemented the use of renewable and alternative energy sources. It is expected to result in annual reductions of about 5,000 MWh in heat and electricity usage, and 1,100 tonnes of CO₂ emissions. The actual savings will be monitored on a continuous basis for a ten-year period.

It has also resulted in improved indoor conditions, creating good and comfortable environments for schoolchildren and municipal workers. Additionally, the project has contributed to the implementation of Georgia's national goals to combat climate change and demonstrated the applicability



Photo: Nefco

of new building codes in various types of buildings with different functions and usages and how these new codes work in different climate zones.

A new project was started in 2022 to support energy-efficiency modernisations and renovations in 15 public schools in mountainous regions in Georgia. It will build on the lessons learned from the first project and be expanded into more challenging settings in less-developed parts of the country, benefiting vulnerable social groups within the population. Alongside the positive environmental impacts and energy-

efficiency improvements, the new project will support the development of other UN Sustainable Development Goals, especially education, health and gender equality.

In addition to Nefco loan financing, the first project was grant financed by the Eastern Europe Energy Efficiency and Environment Partnership (E5P), and Denmark.

Full story:
[Energy-efficiency modernisations in public buildings improve learning environments and support the energy transition in Georgia](#)

7.3. Green Transition Special Funds

Our Special Funds area involves environmental and climate fund assignments from governments and agencies in the Nordics and beyond and has specific mandates. These can be results-based financing or grant programmes that do not include investments from Nefco’s own capital.

The programmes aim to mobilise significant financing for new private investments in energy access, clean cooking and water protection in line with the Paris Agreement, in the context of meaningful mitigation actions.

The active portfolio at the end of 2022 in Special Funds consisted of 32 projects, the committed funds amounted to a total of EUR 19.9 million, which is 6.9% of Nefco’s total active portfolio.

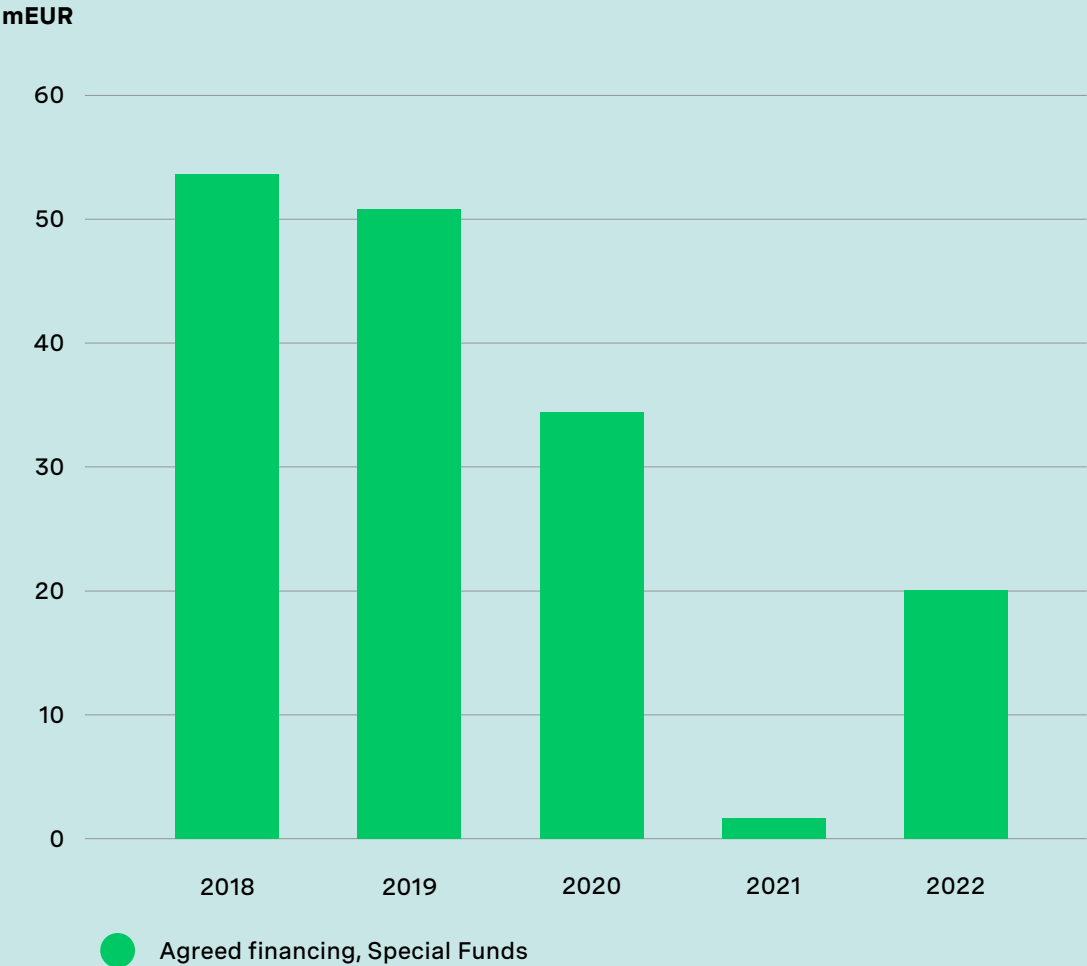
32 active Special Funds projects

EUR 19.9 million

6.9% of Nefco’s total portfolio

Trend of project portfolio in Special Funds 2018-2022

Funds allocated to agreed projects



7.3.1. First projects started within the Beyond the Grid Fund for Africa

Today, over 600 million people in Sub-Saharan Africa live without access to electricity. For most of these people, connection to the grid is not likely to happen for decades, or longer. The Beyond the Grid Fund for Africa (BGFA) aims to reduce this gap by stimulating and accelerating new business models to incentivise the private sector to offer affordable and clean energy access at scale to people living in rural and peri-urban areas.

38,519 new energy service subscriptions

200,395 beneficiaries in 2022

BGFA forms part of the 'Power Africa' initiative launched by former US President Barack Obama, contributes to the Sustainable Development Goal 7 and supports the aims of the Paris Climate Agreement. The planned period of implementation is six years. The BGFA programme aims to establish up to 1.44 million energy connections by 2028, benefiting more than 6.5 million people in Burkina Faso, the Democratic Republic of the Congo, Liberia, Mozambique, Uganda and Zambia.

The multi-donor BGFA is now a EUR 126 million flagship facility with results-based financing for off-grid energy sector companies. Norway joined the donor community consisting of Sweden, Denmark, Germany and Power Africa/USAID in autumn 2022.

During 2022, the first 13 projects were contracted with a total value of

EUR 17.8 million. These projects aim to generate 0.95 million energy service subscriptions, serving 4.8 million people in Sub-Saharan Africa.

BGFA is also progressing with the monitoring, reporting and verification programme, and the first payment requests by the project owners based on milestones reached have been processed through this route. The first projects have already generated 38,519 energy service subscriptions, benefiting 200,395 people by the end of 2022.

In Uganda, a skills development subprogramme has been initiated.



MOPO Battery charging wall. Photo: Mobile Power Limited

7.3.2. Modern Cooking Facility for Africa

Almost 900 million people in Sub-Saharan African countries lack access to modern and clean cooking solutions, making it the only region in the world where access to clean cooking solutions has not kept pace with population growth.

The goal of the MCFA is to provide over 3 million Africans with access to clean cooking solutions, improving overall health and increasing economic growth.

The goal of the Modern Cooking Facility for Africa (MCFA), launched in 2022, is to provide over 3 million Africans with access to clean cooking solutions, improving overall health and increasing economic growth. The MCFA will do this by financially incentivising Cooking Service Providers to offer affordable, high quality and energy-efficient clean cooking services, thereby accelerating the creation of a long-term sustainable market. Clean cooking also has significant climate impacts, avoids deforestation and biodiversity loss.

The facility is currently funded by Sweden and the EU for activities in Zambia. MCFA works in six African countries. It is currently capitalised at EUR 45 million with the EU delegation in Zambia contributing a further EUR 12.5 million at the end of 2022. The first Call for Proposals closed in June 2022 and it has received significant interest in the Democratic Republic of the Congo, Kenya, Mozambique, Tanzania, Zambia and Zimbabwe. The funding round is expected to be finalised during 2023.



Photo: Jason Mulikita

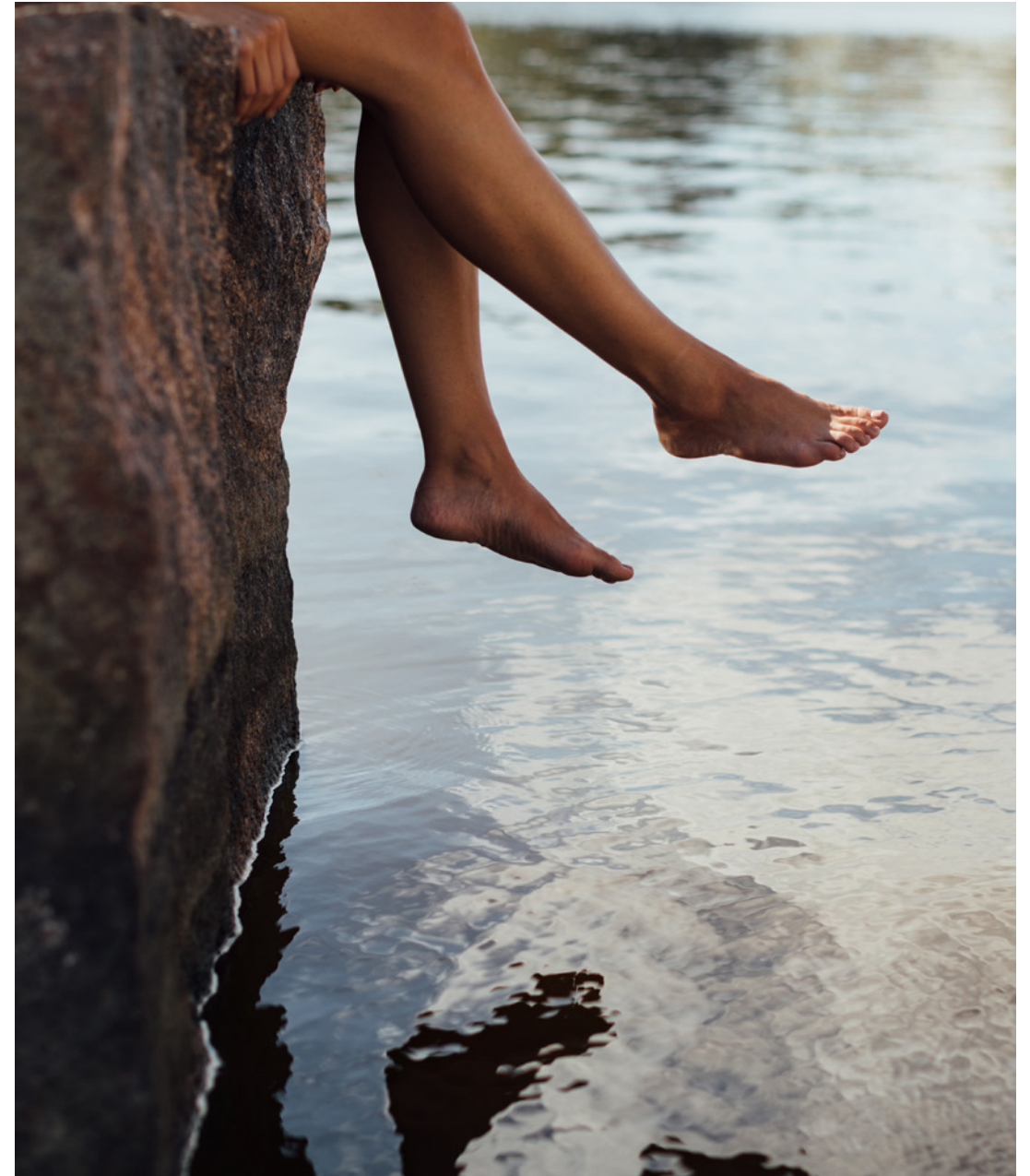
7.3.3. Baltic Sea Action Plan Fund

Eutrophication is the greatest environmental challenge of the Baltic Sea, addressed by both HELCOM and the Nordic Vision 2030. The goal of the Baltic Sea Action Plan by HELCOM is to restore the ecological status of the Baltic marine environment. Since the establishment of the Baltic Sea Action Plan Fund in 2010, financed by Finland and Sweden and managed by Nefco and the Nordic Investment Bank (NIB), a total of 54 projects have been financed to facilitate and speed up the implementation of the plan.

At the end of 2022, the BSAP Fund had 19 ongoing projects with a total allocation of EUR 2 million. Nine new projects were approved and five finalised during 2022. A new funding round is ongoing with new project proposals expected to be received during the first quarter of 2023.

The newly agreed projects mainly focus on wastewater treatment, seabed activities and restoration of wetlands, hazardous substances, and recycling of nutrients.

Since the establishment of the Baltic Sea Action Plan Fund in 2010, a total of 54 projects have been financed to restore the ecological status of the Baltic marine environment.



Case:

Baltic Sea Action Plan Fund – Tullstorpsån Ekonomisk Förening

Controlled drainage helps reduce nutrient losses in the Baltic Sea

Eutrophication is one of the main threats to the Baltic Sea. Controlled drainage can serve as an effective mitigation action, increasing the recycling of nutrients from agriculture. It also reduces nutrient losses and soil runoff, which can help to diminish the leakage of nutrients into seas, rivers and lakes from agriculture. However, further research is still needed.

The Tullstorp stream, located in the southern plains of Sweden, has been highly impacted by nutrient leakage from agriculture ending up in the Baltic Sea. With grants from the

Baltic Sea Action Plan Fund the Swedish organisation Tullstorpsån Ekonomisk Förening is testing how to improve the retention of nutrients in fields. In 2021 the organisation received an initial grant to perform a pre-study on controlled drainage.

Initial results showed that in total some 600 kg of phosphorus and 9,000 kg of nitrogen would be prevented from entering the Baltic Sea during the lifetime of the drainage system, estimated to be 50 years.



Photo: Tullstorpsån Ekonomisk Förening

In 2022, the organisation received a second grant to continue the project with the construction of two full-scale drainage systems to demonstrate the potential of controlled drainage as a mitigation action to help tackle the ongoing effects of climate change.

The Baltic Sea Action Plan Fund programme can finance both commercial and non-commercial projects that support the implementation of the Baltic Sea Action Plan by HELCOM.

Full story:

[Controlled drainage helps reduce nutrient losses in the Baltic Sea](#)



Pekka Haavisto, Minister for Foreign Affairs of Finland and Ash Sharma, Vice President Special Funds in Nefco, at the seminar in Helsinki in October 2022. Photo: Patrik Rastenberger for Nefco

7.3.4. Paris Agreement Article 6 - exploring new carbon market mechanisms

The Nordic Initiative for Cooperative Approaches (NICA), jointly developed by Finland, Norway, Sweden, Nordic Council of Ministers and Nefco in 2018, seeks to operationalise international carbon market activities under Article 6 of the Paris Agreement. The NICA programme aims to build capacity among Nordic private and public sector actors and their global peers for collaboration that is compatible with the Paris Agreement framework.

During 2022, Nefco has arranged workshops in Reykjavik (September) and Helsinki (October). At COP27 in Egypt in December, Nefco arranged a discussion on how Article 6 implementation can actually raise ambition and support sustainable development together with the Swedish Energy Agency, UNEP Copenhagen Climate Centre and Wuppertal Institute. There is growing interest in carbon market cooperation under Article 6 of the Paris Agreement and the Nordic countries have played a pioneering role in supporting ambitious climate action and promoting carbon pricing around the world.

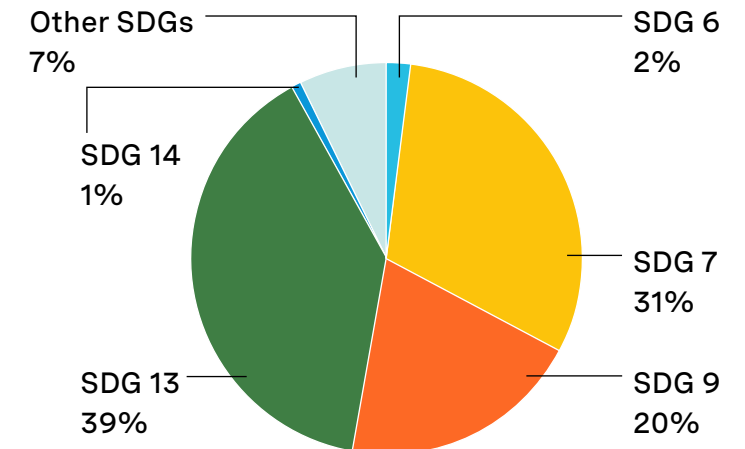
Contribution to common global and Nordic environmental and climate goals

Agenda 2030 and its Sustainable Development Goals, adopted by all UN Member States in 2015, provide an action plan to achieve a better and more sustainable future for all. The goals address the global challenges we face, including those related to climate, environmental degradation, inequality and prosperity.


The Nordic Vision 2030, adopted by the Nordic prime ministers in 2019, aims to make the Nordic Region the most sustainable and integrated region in the world by 2030. The green transition remains the greatest challenge in the Nordic Region, while it is edging closer to reaching targets in areas such as social sustainability and competitiveness. As a Nordic institution guided by Nordic priorities, Nefco prioritises sectors and activities in which it can add most value to the Nordic Vision.

At Nefco, we do our best, together with our owners, partners and clients, to contribute to the common global and Nordic goals within the framework of our mandate. Our financing activities contribute to most of the goals and in the past year(s) they have particularly contributed to the following goals:

Active projects contributing to each SDG



Note: for projects contributing to more than one SDG, the value has been evenly divided between these SDGs.

A photograph of two women, an older woman with grey hair and a younger woman with brown hair, both looking out over a city at sunset. The older woman is in the foreground, wearing a black top with a pink detail. The younger woman is behind her, wearing a light blue shirt. In the background, a large cathedral with multiple green domes and spires is visible, illuminated by the warm light of the setting sun. The city below is a mix of historic and modern buildings, with some lights already on.

*At Nefco, we do
our best, together
with our owners,
partners and clients,
to contribute to the
common global and
Nordic goals.*



Clean water and sanitation

UN SDG target 6.3

By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Nefco's indicator	Contribution in year ended
Number of active projects	23* active projects <ul style="list-style-type: none">11 investment projects12 trust fund projects
Project value and share of active portfolio	Total value: EUR 6.8 million, corresponding to 2% of Nefco's active portfolio 2022
Amount of treated wastewater [m³/a], reduced nitrogen discharge [t/a] and phosphorous discharge [t/a]	Accumulated reduction over the years: over 11,700 tonnes phosphorus and 56,200 tonnes nitrogen discharge, of which Nefco's share has been about 2,332 and 11,359 tonnes respectively.**

* Some of these also contribute to SDG 14
** Total amount attributed to both SDG 6 and SDG 14



Affordable and clean energy

UN SDG target 7.1

By 2030, ensure universal access to affordable, reliable and modern energy services.

Nefco's indicator	Contribution in year ended
Number of active projects	13 active trust fund projects (BGFA)
Project value and share of active portfolio	Total value: EUR 4.5 million, corresponding to 2% of Nefco's active portfolio 2022
Number of beneficiaries or people with access to electricity	200,395 beneficiaries with access to electricity thanks to the first BGFA projects started in 2022



Affordable and clean energy
UN SDG target 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix.

Nefco's indicator	Contribution in year ended
Number of active projects	26 active projects: <ul style="list-style-type: none">▪ 23 investment projects▪ 3 trust fund projects
Project value and corresponding share of active portfolio	Total value: EUR 28.3 million, corresponding to 10% of Nefco's active portfolio 2022
Added RE capacity (Heat & Electricity)	Contributed to the installation of 1051.6 MW renewable electricity capacity and 71.4 MW of renewable heat capacity of which Nefco's share was 12% and 4% respectively
Added RE generation (Heat & Electricity)	Contributed to the generation of 258.8 GWh renewable electricity and 501.6 GWh of renewable heat of which Nefco's share was 19% and 4% respectively



Affordable and clean energy
UN SDG target 7.3

By 2030, double the global rate of improvement in energy efficiency.

Nefco's indicator	Contribution in year ended
Number of active projects	81 active projects: <ul style="list-style-type: none">▪ 18 investment projects▪ 63 trust fund projects
Project value and corresponding share of active portfolio	Total value: EUR 57.7 million, corresponding to 20% of Nefco's active portfolio 2022
Saved heat [MWh/a]	209.8 GWh heat savings of which Nefco's share was 52%
Saved electricity [MWh/a]	30.6 GWh electricity savings of which Nefco's share was 63%



Industry, innovation and infrastructure UN SDG target 9.3

Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Nefco's indicator	Contribution in year ended
Number of active projects	<ul style="list-style-type: none"> 62 active investments in SMEs 13 BGFA projects
Project value and corresponding share of active portfolio	Total value: EUR 55.3 million, corresponding to 19% of Nefco's active portfolio 2022



Climate action UN SDG target 13.2

Integrate climate change measures into national policies, strategies and planning.



Nordic vision 2030 Indicator 1.1.1

Reduce greenhouse gas emissions.

Nefco's indicator	Contribution in year ended
Number of active projects	148 active projects: <ul style="list-style-type: none"> 62 investment projects 86 trust fund projects
Project value and corresponding share of active portfolio	Total value: EUR 113.7 million, corresponding to 39% of Nefco's active portfolio 2022
Avoided CO ₂	<ul style="list-style-type: none"> Directly reduced 0.34 million tonnes CO₂, of which Nefco's share was 23%. Accumulated reductions over the years: approx. 9.5 million tonnes CO₂



Life below water
UN SDG target 14.1

By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.



Nordic vision 2030
Indicator 1.5.2

Eutrophication of the Baltic Sea.

Nefco's indicator	Contribution in year ended
Number of active projects	19* active projects (BSAP)
Project value and corresponding share of active portfolio	EUR 1.8 million, corresponding to 1% of Nefco's active portfolio 2022
Reduced nitrogen discharge [t/a] and phosphorous discharge [t/a]	Accumulated reductions over the years: over 11,700 tonnes phosphorus and 56,200 tonnes nitrogen discharge, of which Nefco's share has been about 2,332 and 11,359 tonnes respectively.**

* Some of these also contribute to SDG 6
** Total amount attributed to both SDG 6 and SDG 14



Photo: Gatis Vilaks

Organisation

9.1. Internal carbon footprint

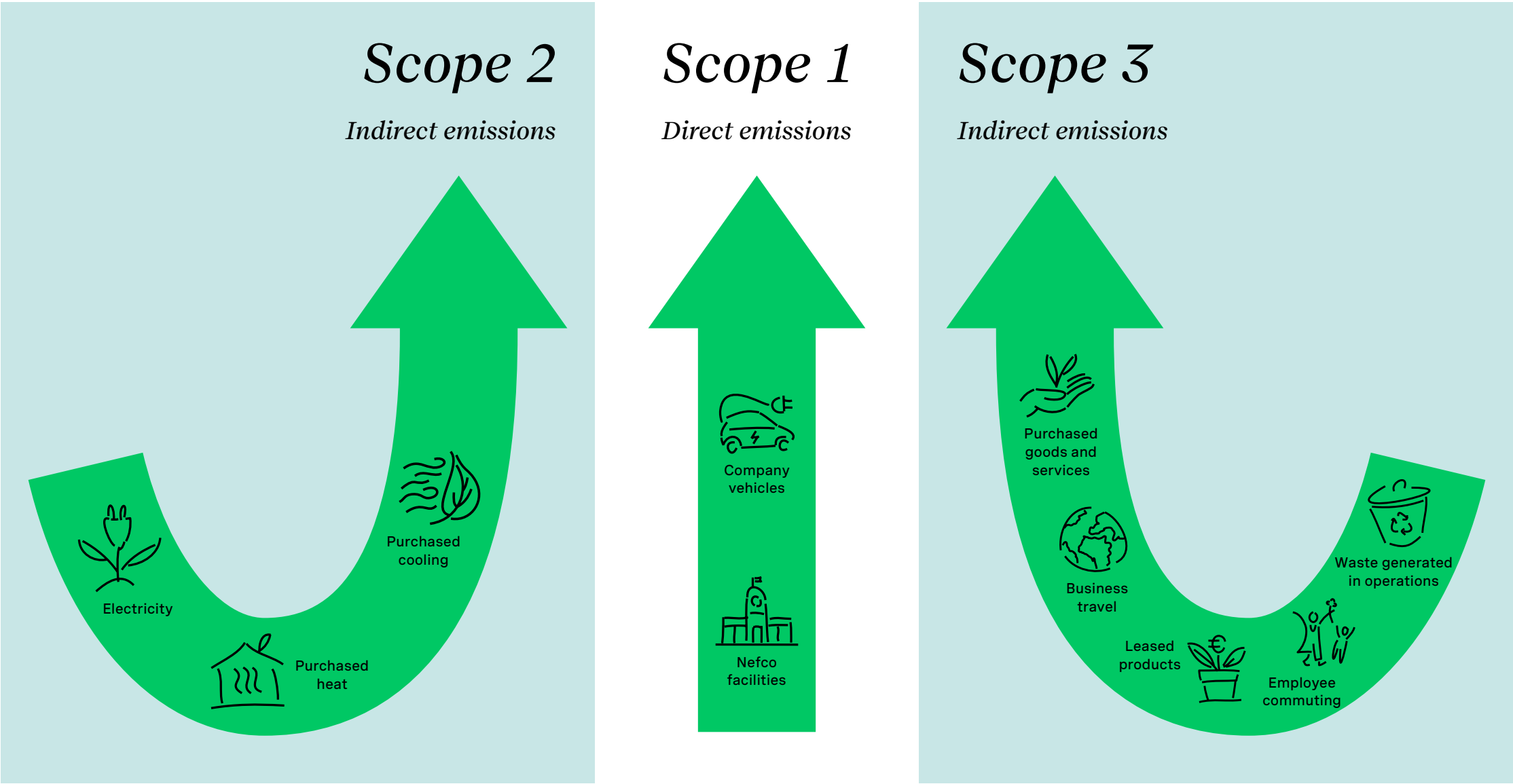
In line with our objective to have a positive impact on the climate and environment, we believe it is important to measure, monitor, report and manage our own footprint. Our internal carbon footprint calculation is comprehensive and follows the Greenhouse Gas Protocol's Corporate Accounting and Reporting standard as well as the complementary Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Due to Russia's invasion of Ukraine, the previously used office in Saint Petersburg is no longer in operation, and the office in Kyiv has not been used. Therefore, these have not been included in our carbon footprint for the year 2022. The calculation comprises Nefco's headquarters in Helsinki and includes both direct and indirect greenhouse gas emissions in our value chain. Mobility, energy use, waste, cleaning services and IT procurements are included in the calculations. Nefco's financing activities are excluded from the internal footprint results.

Nefco currently has no emissions sources included under Scope 1 as we have no company vehicles and do not generate our own energy. Scope 2 includes purchased electricity, heat and cooling.

Scope 3 includes upstream emissions from purchased goods and services, waste generated, business travel, employee commuting, and upstream-leased assets, all of which are accounted for in our calculations.

Nefco's carbon footprint scope and boundary definition



9.1.1. Results

During 2022, our headquarters in Helsinki moved to new renovated office spaces and as such the procurement of the interior increased compared to previous years. After pandemic-related restrictions in 2020 and 2021, travel has also increased in 2022, although still being at lower levels than before the pandemic thanks to new ways of working. Furthermore, we changed our electricity supply to certified Nordic wind power, thereby reducing our Scope 2 emissions.

The calculation allows us to systematically track our emissions. In 2022, our carbon footprint was 515.7 tonnes of CO₂, which is a 288.9% increase compared to previous year. In 2021 and 2020, our carbon footprint was 132.6 and 70.6 tonnes of CO₂ respectively.

* Even though Nefco has certified Nordic wind power, i.e. renewable energy, we do not assume the emissions to be 0 kgCO₂/kWh. Instead, we apply an emission factor of 0.01 kgCO₂/kWh.⁶

6 Finnish Wind Power Association, <https://tuulivoimayhdistys.fi/en/wind-power-in-finland-2/wind-power-in-finland/environmental-impacts-of-wind-power>

Nefco's internal carbon footprint per scope and category 2020-2022

Emissions by source	2020	2021	2022	Change on previous year %
Scope 1				
Fuels	0.0	0.0	0.0	±0%
Refrigerant leaks	0.0	0.0	0.0	±0%
Scope 1 total emissions	0.0	0.0	0.0	±0%
Scope 2				
Electricity	10.9	10.6	0.4*	-96.5%
Heat	15.5	15.8	11.6	-26.5%
Cooling	0.0	0.0	0.0	±0%
Scope 2 total emissions	26.4	26.4	12.0	-54.7%
Scope 3				
Category 1: Purchased goods and services	14.6	61.8	347.3	+461.7%
Category 5: Waste generated in operations	0.5	0.5	0.8	+49.8%
Category 6: Business travel	20.5	34.0	148.6	+336.5%
Category 7: Employee commuting	8.0	8.4	4.7	-44.6%
Category 8: Upstream leased assets	0.6	1.4	2.5	+82.5%
Scope 3 total emissions	44.2	106.1	503.7	+374.6%
Total	70.6	132.6	515.7	+288.9%

9.2. WWF Green Office label

Nefco’s headquarters in Helsinki were awarded the WWF Green Office label in autumn 2022 following renovation and a move to new facilities in the same building. The office space was specially designed to meet the WWF Green Office criteria.

WWF Green Office is an environmental management system that helps companies and organisations reduce the environmental impact of their operations and become more sustainable. Based on an evaluation and audit of environmental management systems, the WWF Green Office label serves as a reliable means of verifying that a company is working continuously to improve its sustainability practices.

WWF Green Office is part of our continuous environmental and sustainability work. During 2022, this work resulted in an update to our Environmental and Sustainability Policy and related guidelines, which define our commitments, principles and obligations for our financing activities. As a pioneer in green financing, we only finance projects that generate positive environmental and/or climate-related impacts.

Nefco’s headquarters in Helsinki were awarded the WWF Green Office label in autumn 2022.



“In our Helsinki headquarters, electricity is generated with renewable energy, and we have paid attention to the energy-efficiency of the lighting and air conditioning. Nefco has also joined the nationwide energy saving campaign ‘Down a degree’. These are all important steps towards reducing our internal carbon footprint and using natural resources sustainably.”

Joakim Adolfsson

Environmental and Sustainability Analyst, Nefco



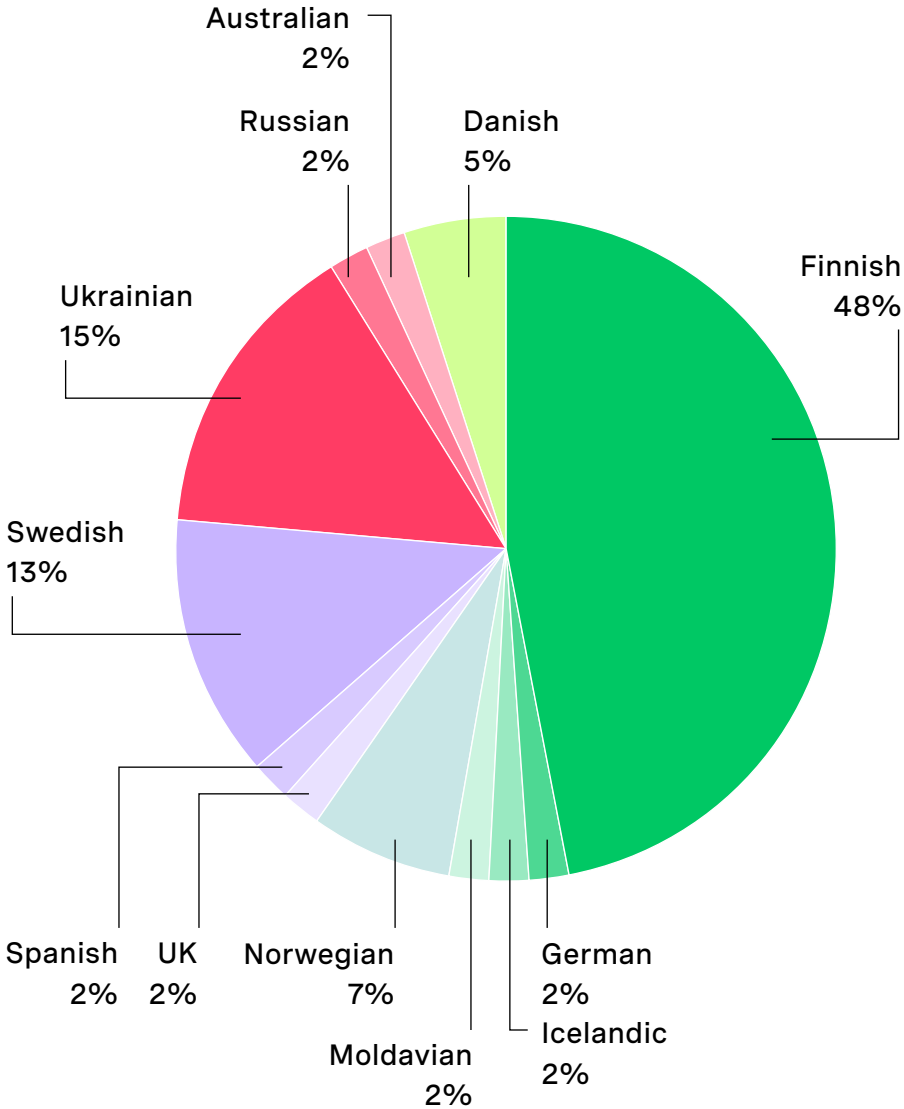


9.3. Diversity of management and staff

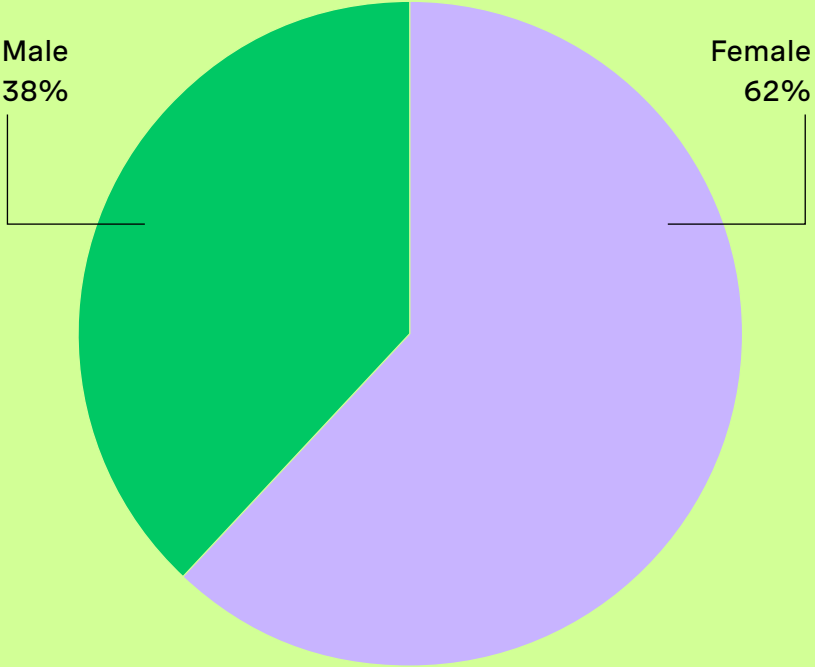
Nefco staff comprises both direct employees and long-term consultants, altogether 62 people (53 employees in Helsinki, three in Kyiv and six long-term consultants), from 12 different nationalities at the end of 2022. The age of the staff ranges from 22 to 65 years, and the average age was 44 years at the end of 2022.

Our headquarters are located in Helsinki, Finland, and Nefco has a Representative Office in Kyiv, Ukraine. During 2022, Nefco was also represented by long-term consultants in Norway, Sweden, Russia and Ukraine.

**Nefco Staff and Representatives
Nationalities at 31 December 2022**



**Nefco Staff and Representatives
Gender at 31 December 2022**



9.4. Employee experience, values and culture

To accelerate the green transition and achieve our purpose we need a committed team. Our culture is based on shared beliefs and behaviours that guide us towards better decisions. Our purpose is to accelerate the green transition and we encourage others do the same. Our dream is for all financing to be green. Our core values are Thrive Together, Grow for Good and Ever Improving.

We aim to provide a sustainable working environment that encourages personal and skills development, and a good work-life balance. Our training and education programmes are an important aspect of our operations. As an international expert organisation, Nefco values employees' dedication to continuously develop their skills. In 2022, we had training related to various aspects including insider information, Nordic financing landscape, self-leadership and presentation skills. In addition, sustainability matters were highlighted in various sessions related to biodiversity and carbon markets.

Nefco's eNPS is 55
(Employee Net Promoter Score)

Nefco performed two employee surveys during 2022. The Employee Net Promoter Score (eNPS) measuring employee satisfaction is high: it was 40 when measured in May and 55 when measured in December 2022 (financial industry benchmark was 6.5).

Values for all of us



Thrive together

We embrace our diversity and show trust, respect and appreciation towards our colleagues. We foster a no blame culture and have fun together.

By being inclusive we invite ideas, innovation, trust and friendship.



Grow for good

We inspire each other to grow as humans and as professionals. We encourage improvement and learning, also learning from mistakes.

By sharing information and knowledge we boost each other along the way.



Ever improving

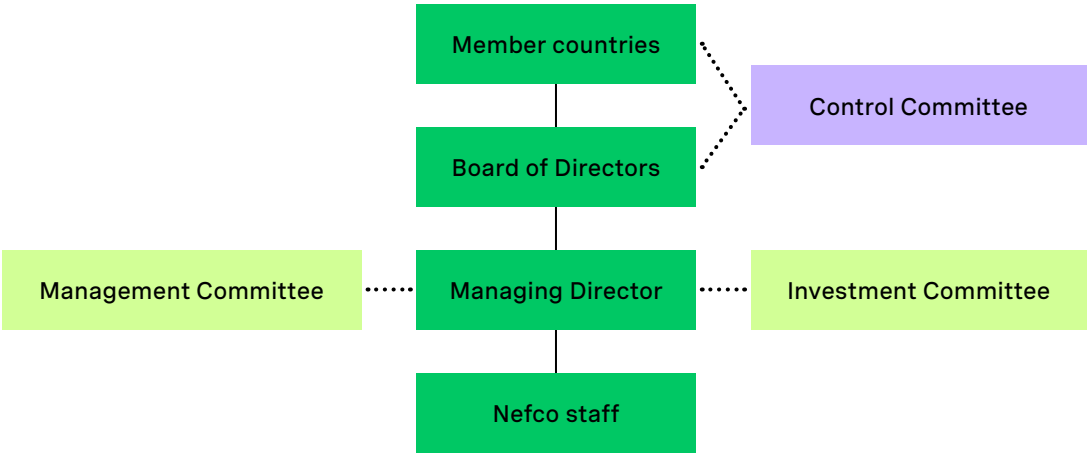
We are committed to add value in anything and everything we do for our cause. By doing our own work as well as we can, we help others do the same.

By simplifying our structures and processes we speed up the way we work.

Governance

As an international financial institution (IFI), Nefco applies good governance principles and practices in all its operations, promoting transparency and accountability. We are committed to ensuring that the funds we manage are used for their intended purposes and taking all reasonable steps to ensure that resources entrusted to us are managed with the highest level of integrity.

All our financing activities are assessed by a dedicated project team, including financial, legal and integrity experts. Independent teams perform various assessments, including an environmental assessment and review of social and governance aspects, a financial analysis and an integrity due diligence review. We apply a risk-based assessment to evaluate the potential negative environmental and social risks of a project, depending on its nature and scale. All projects are assessed for their compliance with international and/or national legislation, regulations and standards.

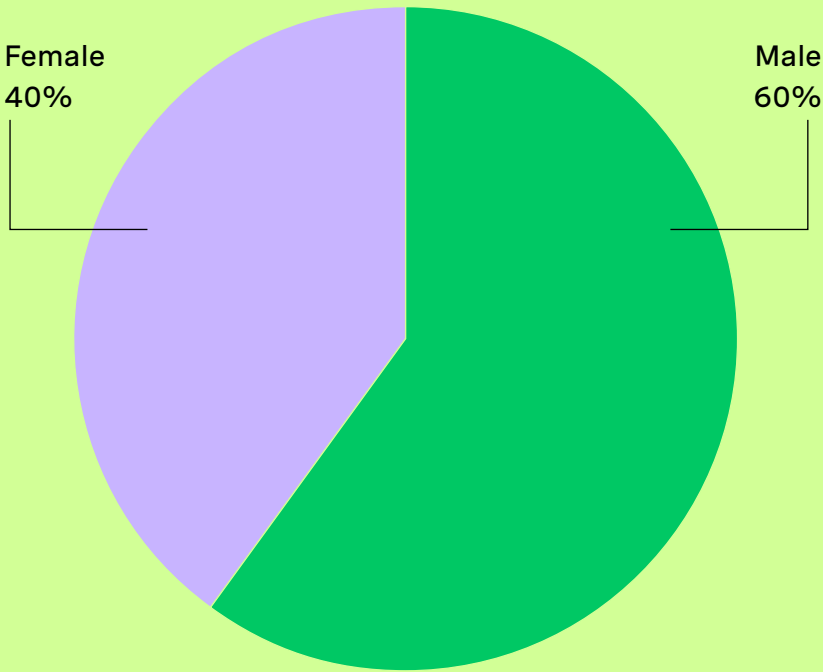


10.1. Board of Directors

The Board of Directors makes policy decisions concerning the operations of Nefco and approves the financing of projects proposed by Nefco’s Managing Director. The Board of Directors also approves the annual budget and is responsible for Nefco’s financial statements. The Board of Directors may delegate responsibilities to the Managing Director where appropriate.

The Board of Directors consists of five members, each of whom has one alternate. The members and their alternates are appointed by Nefco’s owner countries for a maximum term of six years at a time. The Board appoints a chairman and a deputy chairman from among the members for a period of one year. The chairmanship and deputy chairmanship rotate among the owner countries.

Nefco Board Members and Alternates Gender at 31 December 2022



Members and alternates of the Board in 2022

	<div> <div>  </div> <div> <p>Denmark</p> </div> </div> <div> <p>Carsten Møberg Larsen</p> <ul style="list-style-type: none"> Senior Policy Adviser, Danish Environmental Protection Agency </div> <div> <p>Alternate:</p> <p>Jakob Anker Tvede</p> <ul style="list-style-type: none"> as of 10 March 2022 Chief Advisor, Ministry of Foreign Affairs <p>Sara Jakobsen Takatomi</p> <ul style="list-style-type: none"> until 31 January 2022 Ministry of Foreign Affairs </div>	<div> <div>  </div> <div> <p>Finland</p> </div> </div> <div> <p>Saija Vuola</p> <ul style="list-style-type: none"> as of 30 May 2022 Ministerial Adviser, Ministry of the Environment <p>Ismo Tiainen</p> <ul style="list-style-type: none"> Chair of the Board until 28 February, (member until 29 May 2022), Director General, Ministry of the Environment </div> <div> <p>Alternate:</p> <p>Mikko Kivikoski</p> <ul style="list-style-type: none"> Deputy Director General, Ambassador, Ministry for Foreign Affairs </div>	<div> <div>  </div> <div> <p>Iceland</p> </div> </div> <div> <p>Danfríður Skarphéðinsdóttir</p> <ul style="list-style-type: none"> Senior Adviser, Ministry for the Environment and Natural Resources </div> <div> <p>Alternate:</p> <p>Helga Barðadóttir</p> <ul style="list-style-type: none"> Head of Division, Deputy Director, Department of Climate Action, Ministry for the Environment and Natural Resources </div>	<div> <div>  </div> <div> <p>Norway</p> </div> </div> <div> <p>Agnethe Dahl</p> <ul style="list-style-type: none"> Chair of the Board as of 1 March 2022 Deputy Director General, Ministry of Climate and Environment </div> <div> <p>Alternate:</p> <p>Andreas Gahr Brunsvig</p> <ul style="list-style-type: none"> as of 15 September 2022 Adviser, Ministry of Climate and Environment <p>Birthe Ivars</p> <ul style="list-style-type: none"> until 15 August 2022 Department Director, Ministry of Climate and Environment </div>	<div> <div>  </div> <div> <p>Sweden</p> </div> </div> <div> <p>Erik Kiesow</p> <ul style="list-style-type: none"> Senior Adviser, Ministry of the Environment and Energy </div> <div> <p>Alternate:</p> <p>Henrik Norberg</p> <ul style="list-style-type: none"> Deputy Director, Ministry for Foreign Affairs </div>
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10.2. Observers

A representative of the Nordic Investment Bank and of the Secretariat of the Nordic Council of Ministers may participate in the board meetings as observers without the right to vote.

10.3. Control Committee

The Control Committee is Nefco’s supervisory body. It ensures that Nefco’s operations are conducted in accordance with the Statutes of Nefco. The Control Committee is responsible for auditing Nefco and submits its annual audit report to the Nordic Council of Ministers.

The Nordic Council appoints five Nordic parliamentarians to the Committee. The Chairman of the Committee is appointed by the Nordic Council of Ministers. The Control Committee appoints two professional external auditors for the purpose of assisting the Committee in carrying out its work and responsibilities. One of the professional auditors is appointed from Nefco’s host country (Finland) and the other from another owner country.

Control Committee members at the end of 2022:

- Chairman: **Jan-Erik Enestam**, Minister, Independent Consultant
- Denmark: **Sjúrdur Skaale**, Member of Parliament
- Finland: **Heli Järvinen**, Member of Parliament
- Iceland: **Vilhjálmur Árnason**, Member of Parliament
- Norway: **May Britt Lagesen**, Member of Parliament
- Sweden: **Johan Andersson**, Member of Parliament



Midnight sun in Sommarøy, Norway. Photo: Nefco



Trond Moe



Mikael Reims



Thor Thorsteinsson



Ulf Bojö



Ash Sharma



Tita Anttila



Josefin Hoviniemi

10.4. Managing Director

The Managing Director is appointed by the Board of Directors for a term of up to six years at a time. The Managing Director is responsible for the conduct of Nefco's current operations and must follow the guidelines and instructions given by the Board of Directors. The Managing Director is assisted in their work by the Management Committee and different Investment Committees.

- Managing Director since 2019: **Trond Moe**, Norway

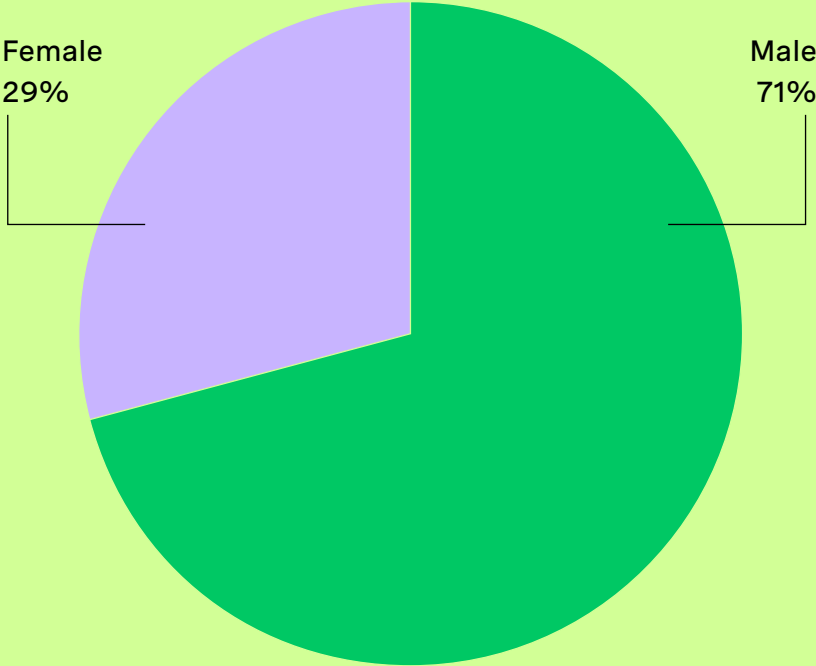
10.5. Management Committee

The Management Committee is an advisory body to the Managing Director. The Vice Presidents and the Managing Director form the Management Committee.

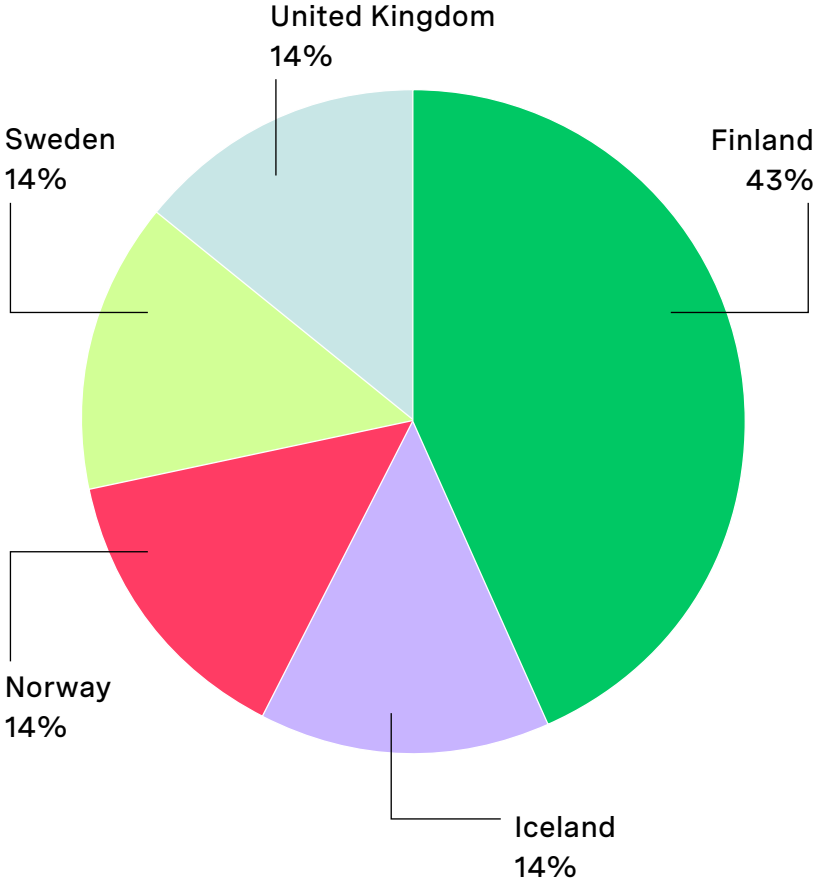
Members of the Management Committee in 2022:

- Trond Moe**, Managing Director
- Mikael Reims**, Vice President, Origination
- Thor Thorsteinsson**, Vice President, Green Transition Nordic SMEs
- Ulf Bojö**, Vice President, Green Transition Eastern Europe
- Ash Sharma**, Vice President, Green Transition Special Funds
- Tita Anttila**, General Counsel, Legal and Project Administration
- Josefin Hoviniemi**, Vice President, Communications

Nefco Management Committee and Managing Director Gender at 31 December 2022



Nefco Management Committee and Managing Director Nationalities at 31 December 2022





10.6. Ethics and compliance

To efficiently manage risks related to compliance and integrity, Nefco has an Ethics and Compliance function that leads work on integrity, ethics and accountability. This function supports staff and management in identifying and managing integrity risks as well as leading the development and implementation of policies, rules and procedures related to ethics and integrity.

The Ethics and Compliance function is independent of the operational departments. The Chief Ethics and Compliance Officer reports to the Managing Director but has free access to the Chair of the Board of Directors and the Chair of the Control Committee.

Further details are available in the separate *Ethics & Compliance 2022 report*.

Policy work

11.1. Updated Nefco Environmental and Sustainability Policy and Guidelines

The updated Environmental and Sustainability Policy was approved by Nefco's Board of Directors in March 2022. The revised Environmental and Sustainability Guidelines were adopted by the Managing Director in May 2022.

11.2. Collaboration with HELCOM

As a HELCOM Observer, Nefco has followed the work of HELCOM, and in particular updates to the Baltic Sea Action Plan (BSAP), through participating in workshops and meetings.

A professional woman with blonde hair, wearing a black blazer over a white top, is smiling and looking to her left. She is holding a black laptop. The background is a blurred office environment with other people and modern lighting.

*Nefco evaluates
the impacts of its
financed projects
in alignment with
the International
Financial
Institutions.*

Accounting principles

Nefco has requested annual environmental status reports for every financed project and from every client since it was established in 1990. Nefco evaluates the impacts of its financed projects in alignment with the International Financial Institutions (IFIs) harmonised approach to project-level greenhouse gas (GHG) accounting⁷. Nefco's aggregated impact is pro-rated to Nefco's share of financing, i.e. agreed loan amount divided by the total project cost.

The environmental and sustainability indicators of Nefco-financed projects enable comparison and follow-up of the actual impact of each project. Environmental and sustainability indicators are selected to enable the evaluation of a given context prior (project baseline) to Nefco financing. Nefco finances projects in various stages of implementation and therefore the project baseline impact reflects the information available to Nefco at the time of the agreed loan. If data is presented to Nefco based on an estimated range, the conservative end of the range is chosen for the project baseline impact calculations. The selected indicators are followed up in the annual environmental reporting process.

See more information related to the assessment of environmental impact and Nefco's impact indicators, both project-specific and core indicators, in our [Environmental and Sustainability Guidelines](#) in Chapter 3.2. Sustainability assessment and 3.3. Sustainability monitoring.

⁷ More information: [IFIs - Harmonization of Standards for GHG accounting](#) | UNFCCC

Fund assignments
during 2022

Nefco's own equity

Fund	Purpose	Contribution from
Nefco Investment Fund	<ul style="list-style-type: none">▪ Loan and equity-type financing for Nordic SMEs and municipal projects in Eastern Europe▪ Green Recovery (Fast-track) loan financing for Nordic SMEs	Nefco's own paid-in capital provided by the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) and retained earnings

More information on:
<https://www.nefco.int/fund-mobilisation/>

Nefco as fund manager

Nordic SMEs and Eastern Europe

Fund	Purpose	Contribution from
<p>Nordic Environmental Development Fund (NMF and NMF Credits)</p> <ul style="list-style-type: none">Ukraine Municipal Lending Facility (ULF)Energy Savings Credits (ESC)Cleaner Production Facility (CPF)	<ul style="list-style-type: none">Soft loans and grants for technical assistance to public projects in Eastern Europe related to energy efficiency or cleaner industrial processes.The Nefco Board decided in 2022 to transfer NMF Credit funds allocated for the CPF and ULF to NMF, to be used as grants in the Green Recovery of Ukraine programme and for biodiversity-related activities.	<p>Initially funded by all Nordic countries and Nefco, and currently by the Nordic Council of Ministers (NCM).</p>

Nordic SMEs

Fund	Purpose	Contribution from
<p>Nordic Project Fund (Nopef)</p>	<ul style="list-style-type: none">Conditional loans/grants for feasibility studies for the internationalisation of Nordic SMEs outside the EU	<p>Nordic Council of Ministers (NCM)</p>

Nefco as fund manager

Eastern Europe

Fund	Purpose	Contribution from
The Nordic Energy Efficiency and Humanitarian Support Initiative for Ukraine (NIU)	Grant financing for the refurbishment and reconstruction of municipal buildings in vulnerable areas of Eastern and Southern Ukraine	Finland, Norway, Sweden and the Nordic Environmental Development Fund (NMF, see above)
Norway-Ukraine Energy Efficiency Initiative (NUEE)	Grant financing for the refurbishment and reconstruction of municipal buildings in vulnerable areas of Eastern and Southern Ukraine	Norway
Sweden Ukraine District Heating Fund (SUDH)	Grant financing to complement Nefco loans for sustainable projects aimed at modernising and having a significant positive impact on Ukrainian district heating systems	Sweden
Finland Ukraine Trust Fund (FUTF)	Grant financing for cooperation between Ukrainian and Finnish actors in the fields of energy efficiency, renewable energy and alternative energy sources for power and heat generation and in district heating networks	Finland
Danida Sustainable Infrastructure Finance Programme (DSIF)	Grant financing for non-commercial sustainable infrastructure projects in Ukraine and other selected Eastern European Partnership countries to complement Nefco loans.	Denmark

Nefco as fund manager

Eastern Europe

Fund	Purpose	Contribution from
Danida-Georgia Fund	Grant funding for project consultancy through a bilateral programme, 'Support to Energy Efficiency and Sustainable Energy in Georgia', to complement Nefco loans	Denmark
Sida funds for Technical Assistance & Guarantee	Supporting investments in the Eastern region	Sweden
Arctic Council Project Support Instrument (PSI)	Grants for pollution mitigation and biodiversity-related projects approved by the Arctic Council working groups.	Finland, Iceland, Norway, Russia, the Sami Parliament of Norway, Sweden, the USA and Nefco
Barents Hot Spots Facility (BHSF)	Grant financing for technical assistance to address 'hot spots' and other similar issues in the Russian Barents regions.	Finland, Iceland, Norway, Sweden and the Nordic Environmental Development Fund (NMF), which include contributions from all Nordic countries, the Nordic Council of Ministers and Nefco
Programme for Environment and Climate Co-operation (PECC)	Grant financing for co-operation projects between non-commercial partners in the Nordics and Northwest Russia to mutually benefit the environment and climate at regional and local levels.	Nordic Council of Ministers (NCM) and the BHSF

Nefco as fund manager

Special funds

Fund	Purpose	Contribution from
Baltic Sea Action Plan Fund (BSAP Fund)	Grant financing for technical assistance and demonstration projects that support the implementation of the HELCOM Baltic Sea Action Plan (BSAP)	Finland, Sweden
Beyond the Grid Fund for Africa (BGFA)	Results-based financing to incentivise clean off-grid energy in Sub-Saharan Africa	Sweden, Denmark, Germany, Norway and Power Africa/ USAID
Modern Cooking Facility for Africa (MCFA)	Results-based financing for modern clean cooking solutions in Sub-Saharan Africa	Sweden, the EU
Nordic Initiative for Cooperative Approaches (NICA)	Operationalise international market-based collaboration under Article 6 of the Paris Agreement	Finland, Norway, Sweden, Nordic Council of Ministers and Nefco

Nefco accredited as implementing agency

Eastern Europe

Fund	Purpose	Contribution from
E5P - Eastern Europe Energy Efficiency & Environment Partnership	Grants used as an incentive for municipal clients to take loans provided by implementing agencies such as Nefco	The EU, Denmark, Estonia, Finland, Germany, Iceland, Ireland, Latvia, Lithuania, Norway, Poland, Slovak Republic, Sweden, Switzerland, Ukraine and the USA.
EU NIP - Neighbourhood Investment Platform	Grants to complement other financing for capital-intensive infrastructure projects in EU partner countries. Repurposed for green recovery activities in Ukraine.	The EU
EU Repair of Critical Municipal Infrastructure	Grants to support the green recovery of Ukraine, focus on critical infrastructure.	The EU
EU Housing for Internally Displaced People (IDP)	Grants to support the green recovery of Ukraine, focus on housing and services for IDPs.	The EU
Northern Dimension Environmental Partnership (NDEP)	Grants to complement loans by IFIs such as Nefco to improve the ecology of the Northern Dimension Area, from north-west Russia in the east to Iceland in the west.	The EU, Belarus, Belgium, Canada, Denmark, Finland, France, Germany, the Netherlands, Norway, Russia, Sweden and the United Kingdom

Nefco accredited as implementing agency

Global

Fund	Purpose	Contribution from
Green Climate Fund (GCF)	For providing and mobilising finance directly to private sector SMEs, smaller cities and municipalities for the implementation of climate projects in line with Nationally Determined Contributions and specific local needs and opportunities, focus on Eastern Europe. GCF project development for solar microgrids currently ongoing in Haiti.	Parties to the United Nations Framework Convention on Climate Change (UNFCCC)

NEFCO

The Nordic Green Bank

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