

Impact Report 2017

finnfund



Agriculture is key to development pp. 20–23



Renewable energy replaces imported oil in Cape Verde pp. 9

87%

of new investments in the three poorest country categories (OECD DAC)

Good jobs are the path out of poverty pp. 6–7

Finnfund calculates the climate impact of its entire investment portfolio pp. 18–19

Forests protect climate and wellbeing in rural areas pp. 12–17

Sustainable development, growth and prosperity

Generating good jobs and clean energy; mitigating deforestation and climate change; and mobilising tax revenue for developing countries.

Finnfund's mission is to build a more sustainable world by investing in responsible, profitable companies in developing countries. Development impacts vary from one investment to another. One may focus on job creation, another on the effects of increasing energy production, for example.

Finnfund does not provide development aid; it invests in economically viable and responsible businesses that generate positive development impacts.

Finnfund provides long-term financing for projects that otherwise might not be implemented – as a development financier Finnfund is ready to take the risk that commercial financiers are often not ready for.

Three criteria for investment

Finnfund's funding often leverages additional commercial financing. At the same time, Finnfund aims to strengthen the development impacts of these investments and improve the companies' responsibility towards people, the environment and society.

Every Finnfund investment must meet three criteria: economic profitability, responsibility and development impact. Each investment is assessed against these criteria before decision and monitored throughout its lifecycle. The investee companies often have community development projects alongside their core business activities. This is particularly typical of businesses operating in remote rural areas or areas that have been left behind.

What a company does, and how it operates...

- Economic sustainability – profitability, responsible tax
- Environmental and social sustainability – responsible business practices and risk management
- Corporate governance – how the company is managed
- Know-your-customer – checking business partners' background

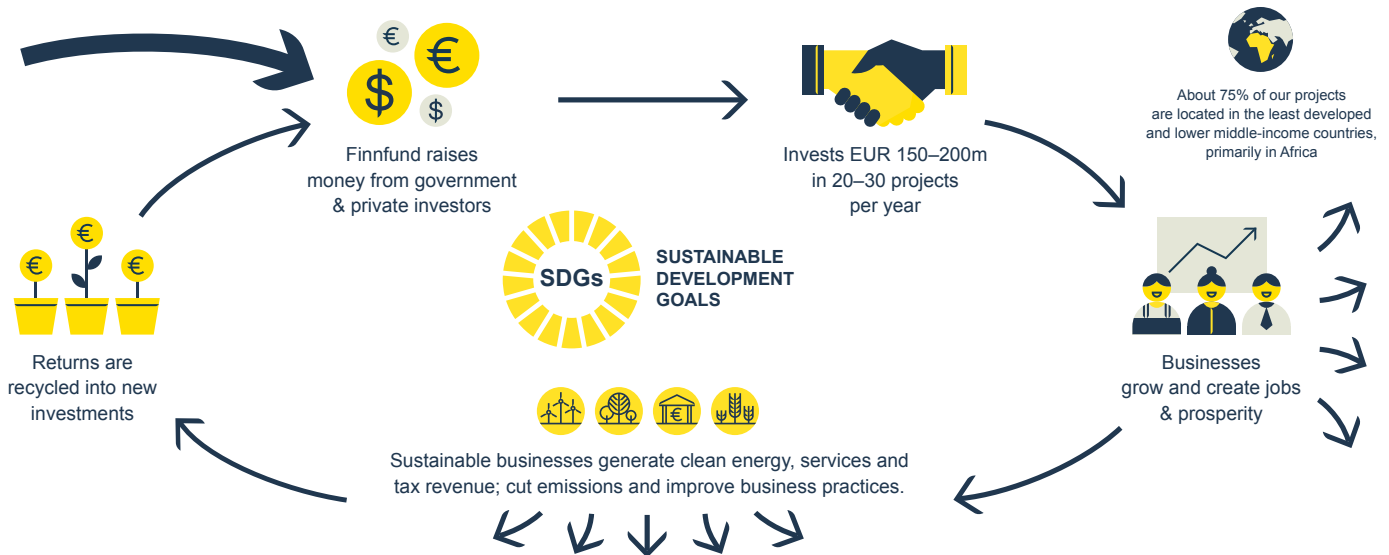
...generate development impact

- Direct effects such as good jobs, training, infrastructure, financial services, clean energy
- Indirect effects such as local purchases of products and services in supply and distribution chains
- Positive impact in wider society, such as taxes, poverty reduction, climate change mitigation and adaptation



Cambodian coffee shop owner Morm Sorady took a loan from First Finance to buy a new home for her family. First Finance, funded by Finnfund since 2013, is the first financial institution in Cambodia to grant poor and lower middle-class families credit for first-time housing and home renovation.

Finnfund recycles returns into new investments



How does Finnfund assess the development impact of its investments?

Development financiers invest in companies and their projects – the financiers do not implement projects themselves. The main way in which financiers can influence the development impact of investments is by investing in projects that are estimated to have the greatest possible impact.

The main starting point for impact assessments are theories of change which have been drawn up for four main sectors: renewable energy (pp. 10–11), sustainable forestry (pp. 16–17), agriculture (pp. 22–23) and financial institutions (pp. 26–27). We assess not only the direct and indirect impacts of the funded company's operations but also their broader social impacts.

Assessment and monitoring throughout the life cycle

Preliminary screening plays an important role in the decision-making process. In addition, baseline indicators are determined and collected for monitoring of the investment.

The ex ante assessment focuses on the strategic relevance of the project, the importance for the market development of the target country, and

the financial and other additionality of Finnfund's participation.

It is also important to assess the impacts from the perspective of the poor and women.

The key tool for ex ante assessment is DEAT (Development Effect Assessment Tool). It is based on the Theories of Change, and the common work of Development Finance Institutions, taking into account best practices in the field.

Companies report to Finnfund on the development impacts annually, and results are presented in this report.

The indicators are mostly collectively agreed on by international development finance institutions (HIPS/O) and are compatible with the IRIS indicators developed by the [Global Impact Investing Network \(GIIN\)](#).

In addition, Finnfund conducts evaluations, made both by its own and external experts, on individual investments or, for example, on particular sectors.

In addition, Finnfund conducts and also commissions more extensive assessments from external specialists on both individual investments or, for example, on a specific industry (some examples of these assessments are given on pp. 8–9).

Influence of the financier varies

The development results are collected as a whole from each company. The results have not been attributed or separated according to Finnfund's share of the funding, as an internationally reliable method which could take into account the characteristics of different financing instruments, has not yet been developed.

An exception to this is the measurement of climate effects (p. 18–19), where the results are directly attributed according to Finnfund's share of the funding.

In development funding, it is typical that in addition to the investment amount, the impact depends on the characteristics of the financial instrument (e.g. loan, equity investment, mezzanine financing, securities), the risk level of the project, degree of involvement of the investor, and the ability to influence, for example, catalysing external funding, reducing risks or developing responsibility.

Finnfund, however, actively follows the discussion on attribution and the development of methods and is engaging in cooperation with other European development finance institutions.

Read more www.finnfund.fi/en/impact

Cover: Energy efficient cooking stoves of the Ugandan company UpEnergy make cooking more efficient and healthier as they release fewer hazardous fumes. At the same time, they reduce CO2 emissions and help mitigate climate change – which is why the company is part of emissions trading.

How does Finnfund promote Sustainable Development Goals?





Why do companies matter? During the preparation of Agenda 2030 and the Sustainable

Development Goals, it became clear that they cannot be met by official development aid only. It is estimated that developing countries will need up to USD 4,000 billion in additional investments to achieve these goals. A significant share of this would need to come from the private sector.

It is also clear that companies alone cannot resolve all development challenges – as is hardly ever the case with a single tool. Different types of actions and actors are needed. However, responsible companies can create stability and prosperity, and develop and provide tools e.g. to make it easier to adapt to dry seasons caused by climate change.

5 GENDER EQUALITY



- Promoting equality in the workplace
- Support for female entrepreneurship
- Professional development for women
- Micro loans and financial services for women

4 QUALITY EDUCATION



- Training and development of workers
- Education and teaching

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



- Promoting responsible and lawful practices
- Supporting fragile states and regions

14 LIFE BELOW WATER



- Responsible fish farming
- Responsible cleaning of waste water

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- Responsible production methods

Good jobs offer a way out of poverty

Creating jobs, and supporting companies that create jobs, is one of Finnfund's key goals.

At the end of 2017, the companies funded by Finnfund directly employed a total of 50,900 people. Well over half of these jobs (27,300) are in Africa. Almost one-third (16,300) of the total number of employees are women. This amount is significant, because in many developing countries women work in formal jobs less frequently than men. In much of Africa, as many as four out of five women work in the informal sector.¹

The number of jobs has increased significantly since the previous year. This is due both to the growing amount of investments and to the fact that previous investments have generated 10 % more jobs than the year before. The fastest growth was in Africa, where the number of jobs increased by 14 %.

Financial institutions are significant employers

Directly financed companies, especially in the financial sector such as banks and small financial institutions, are important employers: 32,000 of

the reported jobs were in the financial sector. Of these workers, 37 per cent were women. However, the most significant employment impact of the financial sector is through the companies it finances. Research shows that micro-loans, digital payment platforms and, in particular, increasing saving opportunities help start-ups to develop and expand their businesses while larger loans to SMEs also enable companies to create new jobs.²

Supply chains create jobs indirectly

Production companies and infrastructure projects funded by Finnfund provided jobs directly to 16,300 people, of whom 21% were women. These companies reported that in addition to their own employees, they provide employment indirectly for about 13,700 people in their supply chain. Of these, about 36 per cent were women. The supply chain jobs are closely linked to the company's operations, but these workers are not the company's own employees – they work in local business, producing various goods and services such as food, cleaning or transportation. Finnfund counts a

company or individual as being indirectly employed by investee company if at least half of their income comes from activities directly related to the project. These indirect jobs are hugely important for development: a single company can significantly increase the amount of enterprise and number of jobs in its area.

Half of jobs created through funds are in Africa

In addition to direct investments, Finnfund invests in companies indirectly through various funds. Companies funded indirectly by Finnfund employed around 75,400 people, of whom 23,080 (33%) were women. Almost half of these jobs are in Africa. Most of these jobs were in the microfinance sector and services, but also in the agriculture, manufacturing and finance industries, especially in Africa.

¹ Beck (2015). *Microfinance: A critical literature survey*. IEG working paper.

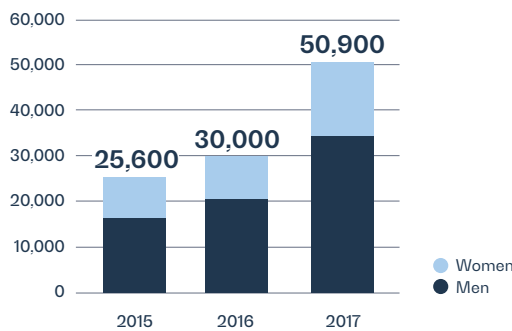
² Kersten, Renate & Harms, Job & Liket, Kellie & Maas, Karen. (2017). *Small Firms, large Impact?*.

Every formal job usually benefits multiple people. In agriculture, for example, each job created is estimated to create three other jobs, for example through supply chains.

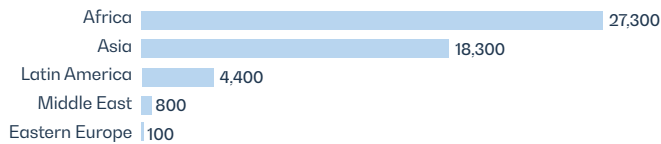


A good job requires good working conditions and salary. The forestry company KVTC is an important employer in Morongoro, Tanzania (pp. 13).

Jobs for women and men in direct investments



Total jobs in direct investment: 50,900



In direct investments **50,900** jobs, of which **16,300 (32%)** for women

Indirect investments: **75,400** jobs, of which **24,800 (33%)** for women

Why are jobs important for development?

A proper job is often the best avenue out of poverty. Typically, the problem is not lack of work as such, but the fact that there is not enough work or it is uncertain, informal or does not pay enough to live on. The World Bank estimates that nine out of ten jobs in developing countries are created in the private sector. Hence, private sector jobs are so critical to the well-being of individuals and their families as well as the society as a whole.

The quality of work matters

The key qualities of a decent job include the working conditions, terms of employment, and one's ability to influence his or her work. For over ten years, Finnfund has required its investee companies to comply with international practices and standards. Central standards include the International Labour Organisation (ILO) declaration on principles and rights at work. Employees must have the channels to report work-related deficiencies anonymously and safely. This so-called grievance mechanism is part of the environmental and social responsibility standards of the International Finance Cooperation. Finnfund requires its investee companies to adhere to the IFC performance standards.

The specific requirements are determined case-by-case based on a detailed assessment of the environmental and social impacts and risks.

Read more
www.finnfund.fi/en/impact/corporate-responsibility/

Renewable energy curbs climate change and creates prosperity



A significant increase in renewable energy production is essential to mitigating climate change. It also has important social and economic effects, both locally and nationally. This is why renewable energy is one of Finnfund's priority sectors.

Finnfund's renewable energy investments produce electricity that is cheaper, more reliable and cleaner existing alternatives on average. In addition to power plants, Finnfund finances small-scale electricity production such as solar panels for houses and various energyefficiency solutions.

At the end of the year, Finnfund had direct investments in twenty renewable energy projects, two energy efficiency projects, and six funds that continue to invest in renewable energy.

Direct investments (portfolio and

commitments) totalled EUR 186 million. This is 31% of Finnfund's total direct investments. Of the EUR 186 million, about half is invested in solar energy, and one-fifth in wind power.

Equal to Tanzania's annual electricity consumption

Finnfund made big changes to its renewable energy portfolio during the year: Investment decisions with a total worth of EUR 70 million were made for six new renewable energy projects and one existing project. Finnfund exited from two energy projects during the year: one in Cabeóli-ca, Cape Verde, and the other in La Vegona, Honduras. Several of the power plants we fund are still under construction.

Due to the changes in the renewable energy portfolio, the total electricity production of direct

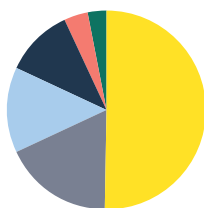
investments fell from 720 gigawatt hours (GWh) in the previous year to 503 GWh. This drop is equivalent to the annual electricity consumption of 430,000 people in the countries where the power plants are located.¹

In addition, 5,562 GWh hours of electricity was produced by companies funded through Finnfund's two funds.

All investments in renewable energy – that is, both directly and through funds – generated a total of 6,065 GWh. This is equivalent to, for example, the total electricity consumption in Tanzania in 2016.

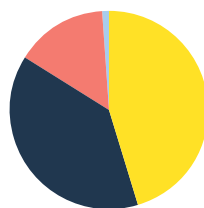
¹ [International Energy Agency statistics from 2016.](#)

All investments by energy type (% , EUR portfolio and commitments)



● Solar power 51%
 ● Biofuel 11%
 ● Wind power 18%
 ● Hydroelectric power 4%
 ● Gas 14%
 ● Energy efficiency 3%

Electricity generated by direct energy investments (GWh) Total 503 GWh



● Solar power 228 GWh
 ● Hydroelectric power 76 GWh
 ● Biofuel 194 GWh
 ● Gas 5 GWh

Read more How can renewable energy promote sustainable development? pp. 10–11

Electricity total
6 065 GWh

120 000 house-specific solar power systems

The construction phase of a wind farm near Lake Turkana has created jobs and improved connections in the region

Lake Turkana Wind Power is the largest wind farm in Africa and the largest single investment ever made in Kenya. The company is building a 310-megawatt wind turbine in Marsabit, a remote and extremely poor part of northern Kenya. The wind farm will significantly increase Kenya's power generation, reduce power cuts and lower electricity production costs. When completed, it will account for about 15% of the country's energy needs.

Construction began in 2013, and has already had significant positive developmental impact. The company built more than 200 kilometres of road, which has shortened the journey time between Loyangalan and Laisamis from two days to four hours. There is bus service along the route every day, and the amount of freight traffic has increased several times over. With better transport opportunities, prices have fallen by 16–37%, and increased food supply has reduced prices for food sold in the market by 20–30%.

The company has employed around 2,000 local workers during the construction phase, and maintaining the power plant will employ over 300 people. The extent of the positive impact of these jobs and paid salaries, and of the reduced cost of living, is to be further clarified.



Cabeólica wind farm's clean energy replaces imported oil in Cape Verde.

Cabeólica wind farm's clean energy replaces imported oil in Cape Verde

Finnfund commissioned economic and employment impact assessments on the impact of its renewable energy investments in Cape Verde and Honduras. In Cape Verde, the project that was assessed is the Cabeólica wind farm, which is located on four islands and has a total production capacity of 25.5 megawatts (MW). It was Africa's largest wind farm until the completion of the Lake Turkana wind farm in Kenya in 2018. In Honduras, three hydroelectric power stations – La Vegona, Los Laureles and Mezpel – were assessed, as well as the Valle Solar solar power plant. These have a combined total capacity of 104 MW.

According to the assessment, the power plants have had a significant positive economic impact: they have increased electricity production, reduced diesel consumption by millions of litres per year, lowered the price of electricity, reduced power cuts, increased the operating time of businesses and therefore business productivity, and have increased gross domestic product and employment.

Cape Verde Honduras

	Cape Verde	Honduras
Increase in electricity generation capacity (MW)	25,5	104
Percentage of country's total production %	14,4	4
Replacing diesel (million litres per year)	17	63,6
Share of country's total diesel imports %	22	9
Avoided carbon dioxide emissions (tCO2e per year)	58 700	285 000
Percentage of country's total emissions	12	3
Decrease in electricity production price (EUR per kWh)	0,02	0,008
Price decrease %	8	5
Less power cuts (hours per year)	5,5–67,9	-
Increase in operating time of businesses %	0,6	0,5
Economic output growth, EUR million per year	4	68
Share of country's total production %	0,2	0,2
GDP growth, EUR million	1,9	38
Growth in number of jobs	390	5 800
Growth in number of jobs %	0,2	0,2

Read more www.finnfund.fi/en >
 News and publications >
 Reports and publications >
 Other reports and publications

1 NO POVERTY



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



13 CLIMATE ACTION





How does renewable energy promote sustainable development?

finnfund

- financing
- expertise and responsible practices
- mobilization of funding



Financing for

Power plants, off-grid solutions such as small solar panels, and solutions to improve energy efficiency

Direct impacts



Company

Increased electricity generation

More diversified energy mix



People

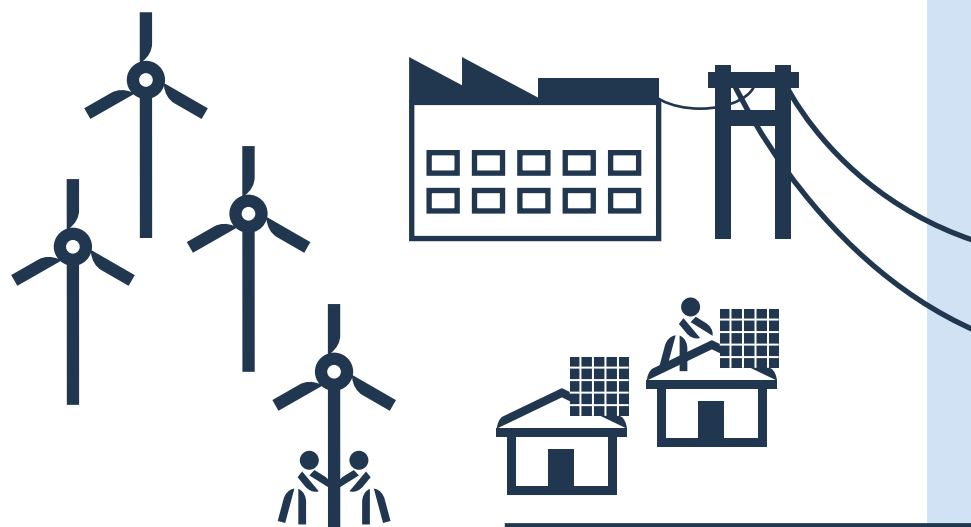
Jobs at construction and operation stages

Improved infrastructure



Environment

Replaces fossil fuels



Why is it important?

First time in history, the number of people living without electricity has decreased below 1 billion. However, it is estimated that in 2040 there will be 700 million people living without electricity, and most of them are in Sub-Saharan Africa (IEA World Energy Outlook 2018).

Electricity generation and consumption correlate with economic growth. In the poorest and lower middle income countries, 55% of companies say that their biggest problem is unstable or too expensive electricity (IEG 2016).

Electricity demand is expected to quadruple in Sub-Saharan Africa by 2040. Fresh investments are needed up to USD 490 billion (McKinsey 2015).

Indirect impacts

Cheaper and more reliable electricity for electric utilities

Cheaper and more reliable electricity for customers

More customers and electricity connections

Improved economic activity in the region

Less carbon dioxide emissions



Wider impacts

Increased production and improved productivity

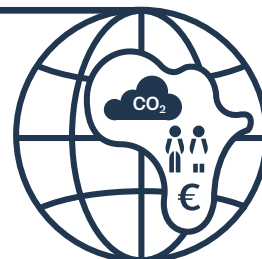
Strengthened balance of payments

More tax revenue for the society

Economic growth, more jobs

Less poverty

Mitigating climate change



Sustainable Development Goals

1 NO POVERTY



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



Combating climate change and improving rural welfare through forestry



Forests are important carbon sinks for the Earth, binding onethird of carbon dioxide emissions from the use of fossil fuels.

Forests often also play a major role in local prosperity and in a country's overall development. They are a direct source of livelihood, food, medicine and fuel for over a billion people, while also ensuring clean water supplies and biodiversity. Annual forest industry output is expected to grow by EUR 200 billion to 700 billion by 2030. The industry can therefore drive green economic growth for many developing countries.¹

The growth of forestry industry that helps to control climate change and protect natural forests and biodiversity requires a significant increase in the amount of responsibly managed plantation forests.^{2,3,4}

Sustainable forestry is one of Finnfund's main focus areas

Sustainable forestry has been one of Finnfund's main focus areas for several years now. At the end of 2017, Finnfund had 11 direct investments in forestry, with a total value of EUR 91 million (portfolio and commitments). This accounts for 15% of total direct investments. In addition, Finnfund has invested a total of EUR 14.2 million in three forest funds. Forest investments account for 13% of total investments. Investments in forestry are now 2.5 times their value in 2011.

Companies funded by Finnfund manage a total of 867,000 hectares of forest, of which 814,900 hectares are already certified by the international Forestry Stewardship Council (FSC) as being environmentally sustainable.

The companies play a double role: not only are they planters, but

they are also protectors, responsible for ensuring that no trees are felled in protected parts of the forests. One of the requirements for FSC certification is that at least 10 per cent of a forested area must be protected from logging. In several of the projects funded by Finnfund, the amount of protected forest is considerably greater than this.

Work, education and income for remote areas

Although almost all of forests owned by the forestry companies that Finnfund finances are still too young for thinning, the companies already have an important part in shaping the industry and promoting local development. The companies buy the wood they need from small-scale farmers in the area to produce products such as furniture, electricity poles or building materials. They typically spend a total

African deforestation most rapid in the east

The world's forests cover about 4 billion hectares, and this amount is reducing by about 3 million hectares annually. Although deforestation has slowed down in the 2010s, it is still fast, especially in Africa and Latin America.

Deforestation causes 20 per cent of total annual global greenhouse gas emissions – more than all the world's traffic. The main cause of deforestation is the clearing of land for agricultural use. Ensuring food security and simultaneously increasing forest area is one of humanity's greatest challenges.⁵ Global forest area declined between 2010 and 2015 by 0.4 per cent or 16.6 million hectares to 3,999 billion hectares.

Forest cover in Africa as a whole shrank by 2.1 per cent. In East Africa, however, the rate was much faster, with a reduction of 2.7 per cent to about 275 million hectares. The total loss of forest cover in Africa accounts for 46% of the total global reduction in forest area.

The total area covered by plantation forest globally is about 300 million hectares. However, there are only 16 million hectares of plantation forest in Africa, most of which are in South Africa.



Kilombero Valley Teak Company provides jobs and training in Morogoro, Tanzania.

of EUR 25–30 million annually on local purchases, which are important to the development of remote regions. In addition, companies provide seedlings for small farmers, guidance and training in tree growing and care, and financial assistance for seedling husbandry and thinning.

The businesses typically operate in remote areas, and are often the largest employers in their region. In 2017, the forest companies directly funded by Finnfund employed more than 6,800 people, of whom 1,100 were women (16%).

Read more How does sustainable forestry contribute to sustainable development – and what does the forestry value chain look like? pp. 14–17

- 1 FAO (2018): The State of World's Forests 2018
- 2 Payn, Tim et al (2015): Changes in planted forests and future global implications
- 3 FAO (2016): Global Forest Resource Assessment 2015
- 4 WWF (2012): Living Forest Report
- 5 FAO (2016): Global Forest Resource Assessment 2015

However, demand for wood is expected to double from the current level of about 100 million cubic metres over the next ten years. Existing plantation forests can only cover one-third of demand; the rest come from felling natural forests or from imports. Trade in African wood products has been negative since 2006. The trade balance has deteriorated annually, and is currently over EUR 1 billion a year.

Much of Finnfund's investments in forests are in East Africa. Of the EUR 90 million that has been invested in plantation forests, slightly over EUR 40 of is accounted for by investments in Tanzania, Uganda and Rwanda. Companies have planted a total of 56,000 hectares in these three countries. For example, in Tanzania, the amount corresponds to nearly 10% of all the country's plantation forests

Sustainable forestry and local welfare in Tanzania

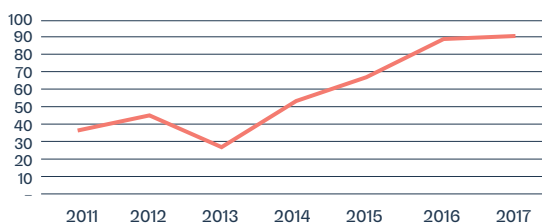
Kilombero Valley Teak Company (KVTC), funded by Finnfund since 2000, is Africa's largest teak growing company. It manages an area of 28,000 hectares in Morogoro, Tanzania. Teak is grown on 8,000 hectares, while the remainder consists of protected natural forests, savannah and water areas. The company provides jobs and training for people in the area.

Cooperation with small farmers is at the heart of their activities: Since 2010, KVTC has helped 450 local farmers, who between them have planted 1,250 hectares of teak. The company has donated seedlings, fertilisers, and directed and funded the husbandry of seedlings together with a private forestry project funded by the state of Finland, and has undertaken to buying the trees as they grow.

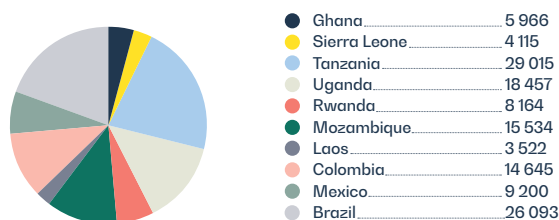
Over the coming years, the farmers will receive approximately a total of about USD 18 million in timber revenue. This amount corresponds to the amount of municipal tax that would accrue in Kilombero in 12 years. The projected average annual income per farmer will be USD 40,000, which will significantly boost household finances. The average household consumption is now around USD 1,600 a year, at which rate the projected average annual income would cover 24 years of consumption.

Read more www.kvvc-tz.com

Direct investments in sustainable forestry (portfolio and commitments, EUR million)



Forest cover of plantations directly funded by Finnfund, Total 134,711 hectares (December 2017)



1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



13 CLIMATE ACTION



15 LIFE ON LAND







Change in forest area 2010–2015 (million hectares)

	World	East-Africa
2010	4,015.6	282.5
2015	3,999.1	274.9
Change	-16.5	-7.6
Change %	-0.4	-2.7

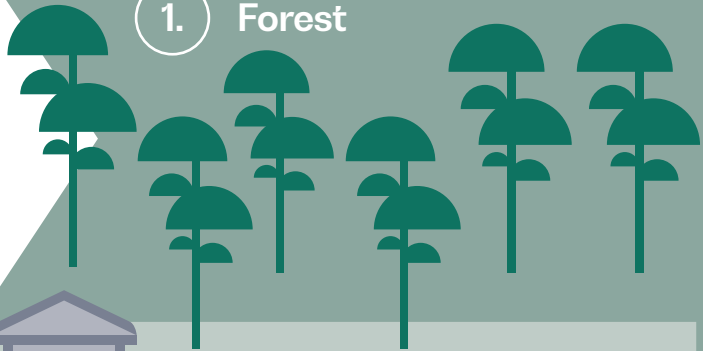
Source: FAO 2016

SUSTAINABLE FORESTRY Value chain

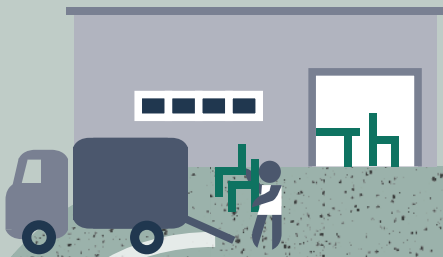
DRIVERS

-  Climate change
-  Deforestation
-  Population growth & emerging middle class
-  Illegal logging

1. Forest



3. Workshop / Secondary processing plant



FINNFUND'S FOCUS AREA

4. Shop





2. Saw mill / Primary processing plant



3. Electrical grid



5. Consumer



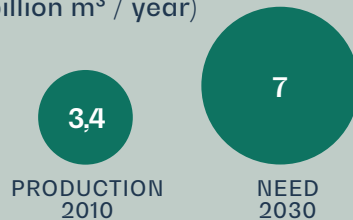
SUSTAINABLE FORESTRY

- Fights against climate change and deforestation
- Enhances product quality
- Increases domestic production and employment – enhances balance of payments
- Increases legal trade of wood
- Develops rural areas
- Increases public revenue

CHALLENGES

- Need for skilled labour
- Worker health&safety and fair wage
- Land acquisition and community collaboration
- Fire risk
- Biodiversity protection
- Long investment period – changing operational environment
- Developing markets and rudimentary infrastructure
- Weak governance and legal system

GROWING NEED FOR SUSTAINABLE ROUNDWOOD
(billion m³ / year)



► More pressure to cut natural forests. Forest loss is already a major problem particularly in Africa and South America.

SOURCE: WWF 2012



How sustainable forestry promotes sustainable development?

finnfund

- financing
- expertise and responsible practices
- mobilization of funding



Financing for Sustainable forestry and other wood industry, such as saw mills

Direct impacts



Company

Increased production

More efficient production

Less waste

Better product quality

Higher sales price

Co-operation with local communities

Improved infrastructure



People

Jobs and salary income

Forest area grows in size

Forest biomass increases



Environment

More protected forest area

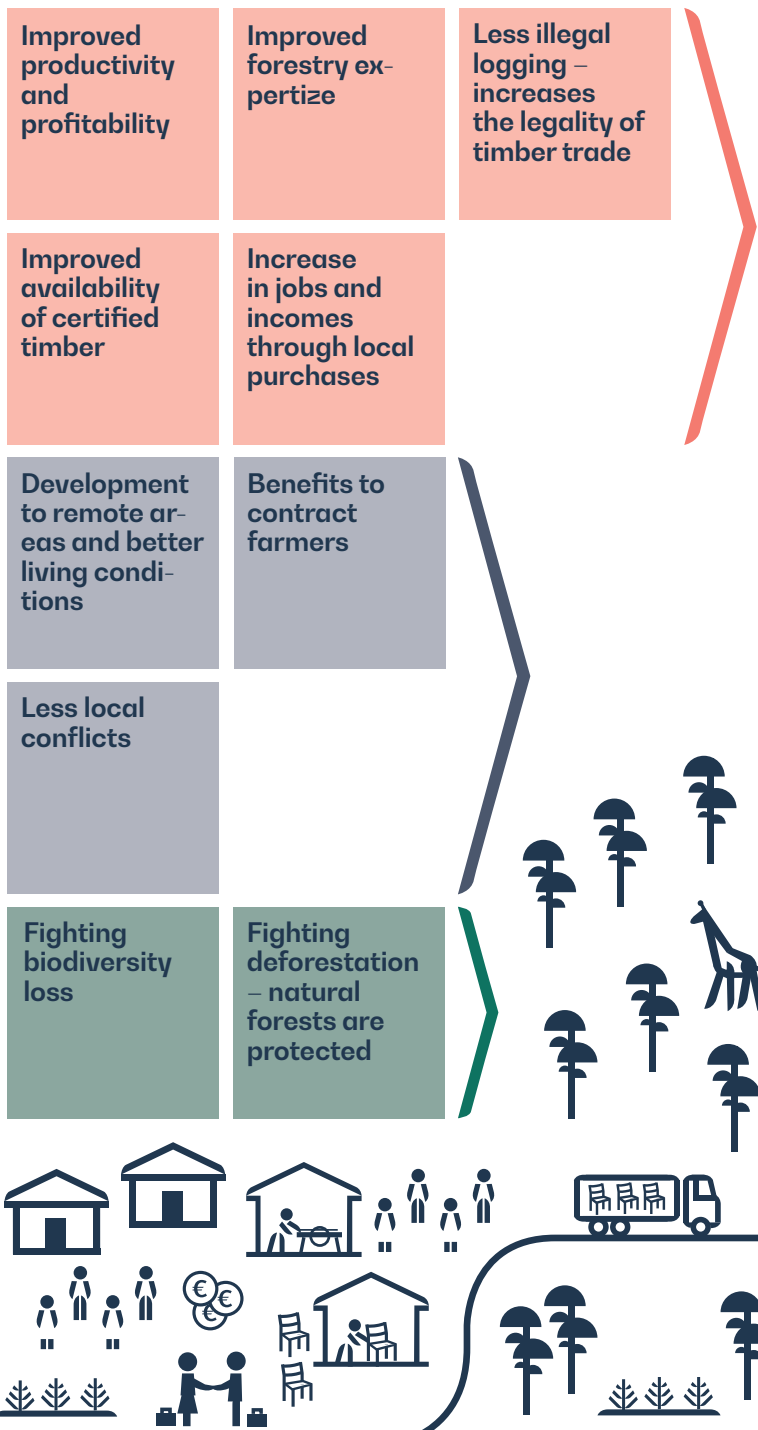


Why is it important?

Forests are the most important carbon sinks. Deforestation has slowed down, but 3.3 million hectares of forests are still lost annually, particularly in Africa and Latin America (FAO Global Forest Assessment 2015). The global forest area must be increased significantly (IPCC 2018).

According to the United Nations, 1.6 billion people get their livelihood from forests. Forests are home to 70 million indigenous people and 80% of the world's animal, plant and insect species. Simultaneously, demand for wood is expected to double by 2030 to 7.2 billion cubic meters annually (WWF 2012).

Indirect impacts



Wider impacts

- Forest industry strengthens
- Economic growth
- More tax revenue for the society
- Strengthened balance of payments
- Less poverty
- Enhancing inclusive growth
- Mitigating climate change and promoting adaptation



Sustainable Development Goals

- 1 NO POVERTY**
- 5 GENDER EQUALITY**
- 8 DECENT WORK AND ECONOMIC GROWTH**
- 10 REDUCED INEQUALITIES**
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
- 13 CLIMATE ACTION**
- 15 LIFE ON LAND**

Finnfund calculates the climate impact of its investment portfolio

Climate action by developing countries is greatly significant both globally and locally. Climate mitigation, and support to adaptation are among Finnfund's key areas for development impact.

In 2017, Finnfund disbursed a total of EUR 75.5 million to climate projects. Of this funding, 45.4% went to climate change mitigation, 31.8% to adaptation to climate change, and the remaining 22.8% was jointly divided between the two goals. Finnfund's investments are also a key part of Finland's official climate financing.

Portfolio accounting covers the climate impact of all investments

In 2017, Finnfund began carbon accounting for its entire investment portfolio. The first accounting applies to the situation at the end of 2016. Although we have in the past assessed the potential for reducing carbon dioxide emissions from new forest and energy investments, the current accounting covers all of Finnfund's investments, both direct and indirect, new and old, and covers carbon footprints, avoided carbon dioxide emissions, and carbon dioxide sequestration. Comprehensive accounting of the entire investment portfolio allows Finnfund to review and develop its portfolio based on quantifiable and annually monitored data. The starting points for the accounting are the Greenhouse Gas Protocol guidelines. The accounting includes the direct

and indirect emissions (levels / scope 1 and 2 and 3 upstream) of the company's own production as well as the services it purchases. Postproduction use is not included. The figures are proportional to the size of Finnfund's contribution.

Finnfund's forest investments sequester 0.5 million tCO₂e

The results show a long-term commitment to sustainable forestry and renewable energy. Finnfund's forest investments sequester a total of 530,000 tCO₂e, having significant impact on the climate. This is about 8,463 tCO₂e per EUR one million invested. That amount corresponds to the annual emissions of the Finnish town of Lahti, for example (561,000 tCO₂e in 2015). Three-quarters (75%) of CO₂ sequestration occurs in Africa.

We deliberately chose a cautious approach. For example, the calculations do not take account of the impact of soil, groundwater biomass or changes in land use, and no natural forest projects are considered. Neither does the accounting cover the end use of the wood.

Climate impact of Finnfund's portfolio is clearly positive

The combined carbon footprint of all the investments is 127,000 tCO₂e, which is about 362 tCO₂e per EUR one million invested. This is the average level in developing countries. The emissions calculations take account only of the operative activities of each

company – they do not cover the construction phase, for example.

Since the data used in the calculations is based on country and sectoral averages, the CO₂ emissions intensity of energy production in many developing countries has a significant impact on the calculations, regardless of the company's actual energy use and energy sources. In the future, access to information will improve so much that calculations will be based as thoroughly as possible on actual investment-specific data.

Thanks to the investments in sustainable energy, the total amount of avoided CO₂ emissions is around 64,000 tCO₂e, about 911 tCO₂e per EUR million invested. The avoided emissions per EUR one million invested are considerably higher than the carbon footprint of the investment. The calculations take account of the investments in wind energy, bioenergy, hydroelectric energy and solar energy.

Read more

www.finnfund.fi > [Impact](#) > [Corporate responsibility](#) > [Climate effects](#)

The completed accounting covers the entire 2016 investment portfolio, and accounting of the 2017 portfolio is ongoing.



Valle Solar has invested heavily in responsible operations, especially in relation to the local community.

Carbon footprint of investments
127,000 tCO₂e
 i.e. **362** tCO₂e per EUR million invested

Emissions reductions
64,000 tCO₂e
 i.e. **911** tCO₂e per EUR million invested

Carbon sequestration
530,000 tCO₂e
 i.e. **8,463** tCO₂e per EUR million invested

Valle Solar supplies clean solar energy to the Honduras countryside

Clean electricity for 480,000 households, with a reduction in CO₂ emissions of over 78,000 tonnes per year.

Valle Solar power park has succeeded well in its goal: It has eased the country's energy shortage, created jobs and infrastructure in poor rural areas, and increased renewable energy production. It is also a financial boon for Honduras, since the need for oil imports is reduced.

Valle Solar has invested heavily in responsible operations, especially in relation to the local community. The company has set up a fund for community projects, and the beneficiaries are chosen jointly by the company and local residents. For instance, in 2017 funding was provided for building classrooms in a local school, drilling and building wells, and building water tanks for local residents.

"We have strong principles for environmental and social responsibility. They go beyond the legal requirements, because the communities are important to us. Our neighbours are our partners," says CEO Eduardo Arias.

Read more

[Annual Report 2017 > Investments > Clean solar energy in rural Honduras](#)

1 NO POVERTY



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



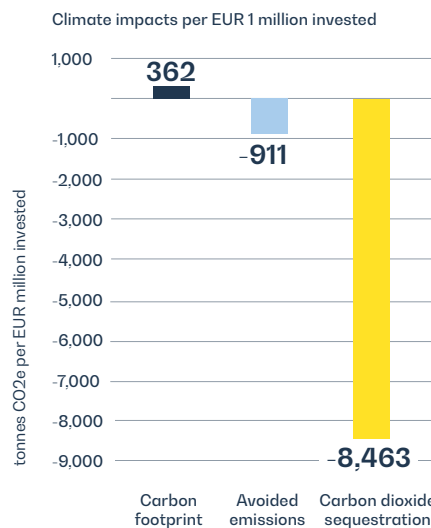
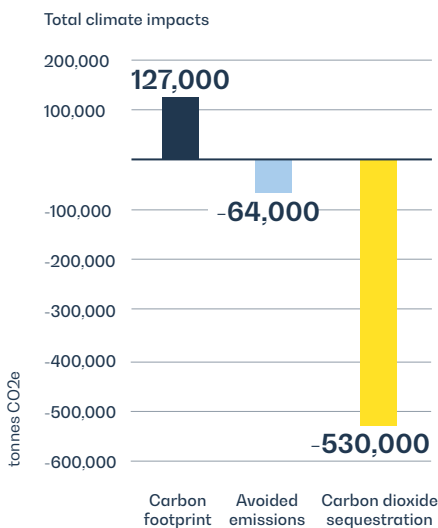
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



13 CLIMATE ACTION



Climate impact of Finnfund's investment portfolio 2016



● **Carbon footprint:** Includes all direct and indirect investments, total EUR 351 million

● **Avoided emissions:** Includes investments in renewable energy, total EUR 70 million

● **Carbon dioxide sequestration:** Includes investments in plantation forests, total EUR 63 million

Agriculture drives development



In 2017, Finnfund developed a new strategy that made agriculture one of its main focus areas alongside renewable energy, sustainable forestry and financial institutions. The strategy was completed in early 2018.

At the end of 2017, Finnfund's agricultural portfolio was still relatively small. Direct investments in agricultural and food production amounted to approximately EUR 20 million, which is 3 per cent of total direct investments (portfolio and unpaid commitments). The agriculture portfolio includes four direct investments in agricultural businesses in Tanzania, Ethiopia, Sierra Leone and Vietnam.

Finnfund also finances two funds that specialise in the processing and development of agriculture and agricultural products. Both funds invest in companies in sub-Saharan Africa, and one also in Latin America.

Agricultural businesses often operate outside cities and towns, and are important – and often the only – local employers. Agricultural businesses funded by Finnfund employed a total of 9,200 people, of whom 24 per cent were women. Of these, 2,500 worked in companies directly financed by Finnfund and 6,700 in 13 companies funded through two funds.

Cooperation with small-scale farmers is important

In addition to direct jobs, agricultural companies are often strongly linked to the local economy and work directly with local small-scale farmers. In 2017, the companies collaborated with two million small-scale farmers or livestock farmers, of whom about 80 per cent were women. One of these companies is EthioChicken, which supplies healthier and more productive breeds of hens to 1.9 million households in Ethiopia.

Agricultural development requires funding, but it is in short supply. At the end of the year, financial institutions financed directly by Finnfund and through its funds had 845,400 loans for the development of agriculture. 78 per cent of the loans were granted to women.

Agricultural development supports adaptation to climate change and responds to population growth

Agriculture is one of Finnfund's priorities, as there are enormous needs in developing countries for advancing agricultural production. Much of agriculture in Africa is still small-scale farming. At present, many farmers grow economically less productive plants such as corn and cassava, mainly for their own and local consumption. It is often difficult to store, transport, refine or sell the harvest. Developing agricultural sector is essential for feeding a growing population. The sector also suffers from low productivity, and in many countries commercial production focuses overwhelmingly on export goods instead of domestic food production or further processing.

However, agricultural development could be the fastest route to accelerate industrialisation. The growth in productivity and yield enabled by modern agriculture improves a country's own food security and strengthens its public finances. It also supports the entire agricultural value chain, such as the development of local food production, and helps in adapting to climate change, for instance by promoting the introduction and further processing of new crops.

Agricultural businesses often operate outside cities and towns, and are important – and often the only – local employers.



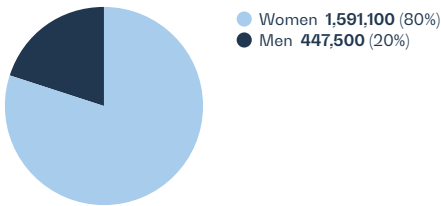
The Cambodian finance company Sathapana offers microloans and small business loans to poor people and small businesses especially farmers. More than half of Sathapana's microloan and small business loan customers are women.

Working with **2,038,600** small-scale farmers and livestock farmers, of whom **1,591,100** i.e. **80%** women

Employees in agriculture **9,200** of whom **24%** women

845,400 loans for farm development, of which **78%** granted to women

Finnfund investees cooperation with small farmers and livestock farmers total 2,038,600 people



The Silverlands Fund develops agricultural businesses in Africa

“Africa has the world’s fastest-growing population, growing at two to three per cent annually. For example, in Tanzania, the population is currently growing by 1.5 million each year. Food security is a challenge but it can be met, however, and quite easily. This is because agricultural productivity is so low. It doesn’t even require many tools. Productivity can easily be improved only through education, developing cultivation methods and using better seeds”, says **Gary Vaughan-Smith** of SilverStreet Capital, which manages the Silverlands Fund.

The fund focusses on developing agricultural companies operating in sub-Saharan Africa, working in particular with small farmers.

Read more [Annual Report 2017 > Investments > Developing agriculture to boost smallholder harvests and incomes](#)

Watch the Silverlands interview www.youtube.com/FinnfundFinland



The productivity of smallholdings is improved in various ways, e.g. training and ensuring that they have access to high-quality seeds.



How does sustainable agriculture promote sustainable development?

finnfund

- financing
- expertise and responsible practices
- mobilization of funding



Financing for

Agriculture and other primary production, food processing, storage and distribution

Direct impacts



Company

Improved production technology and processes

Increased food production

Improved product quality

Decreased post-harvest losses

Improved agricultural know-how

Formal jobs especially to women and low-skilled workers

Economic benefits to local farmers

Improved roads and other infrastructure



People

Safer, more affordable and more nutritious food

Less environmental stress

More sustainable production

Improved biosecurity



Environment

Improved animal welfare

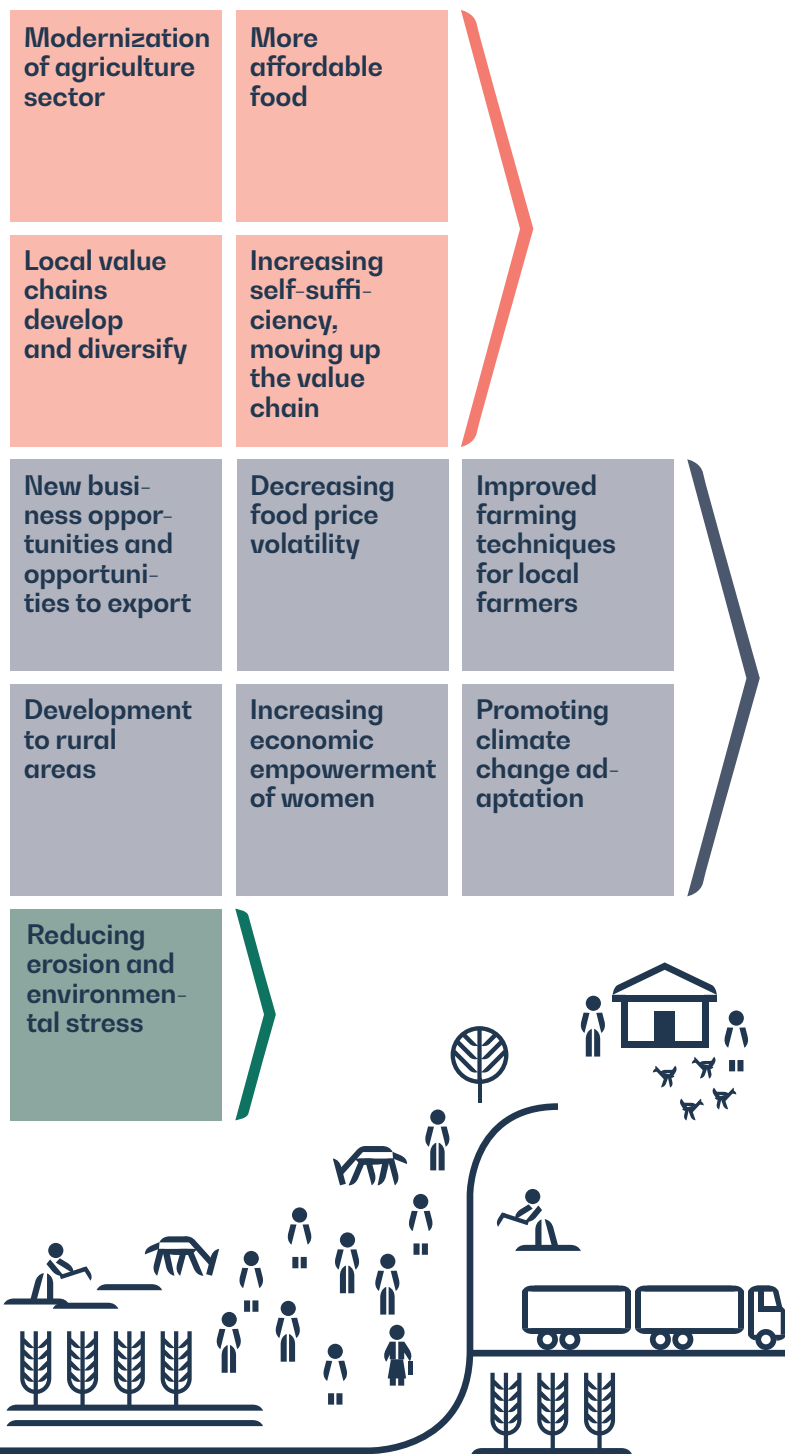


Why is it important?

World's growing population needs sustainably produced food – population is expected to reach 9.5 billion by 2050. In Sub-Saharan Africa, population is expected to double by 2050. Africa has most of the world's uncultivated arable land, but agriculture productivity is low and the continent is not able to feed itself.

In 2016, the number of undernourished people was over 815 million globally, of which 28% lived in Sub-Saharan Africa (FAO 2016). Development of modern agriculture enhances adaptation to climate change. It also plays a vital role in rural development, as a source of income, in strengthening food security and in job creation.

Indirect impacts



Wider impacts

- Enhancing inclusive growth
- Less poverty
- Strengthening food security and reducing vulnerability
- Strengthening competitiveness of the economy
- Strengthened balance of payments
- More tax revenue for the society

Sustainable Development Goals

- 1 NO POVERTY
- 2 ZERO HUNGER
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND

Financial services help people invest in their future



Globally, the access to financial services has improved somewhat in recent years, but country-specific differences are still high. Although around 63 per cent of the population in developing countries already has a bank account, in many of the countries where Finnfund operates the number is significantly below this average.

Companies funded by Finnfund typically provide financial services to micro, small and medium-sized enterprises (MSMEs) and individuals who often have no other access to reliable and formal banking services.

Number of loans to microbusinesses and SMEs increased by half

At the end of 2017, financial institutions accounted for EUR 121 million of direct investment, accounting for 20 per cent of Finnfund's total direct investments (portfolio and outstanding commitments).

Three quite different investments were made during the year: The Base of the Pyramid Fund (BOPA) finances and develops small microfinance institutions operating in poor countries in Asia, helping them grow sustainably and responsibly. EcoBank is Africa's

fifth largest bank and provides financial services in the poorest countries in sub-Saharan Africa. In particular, it has invested in the development of digital service channels, financing of intra-African trade and cross-border transactions and mitigating payment risk, and development of cross-border transactions. The second company, Jumo, is an electronic mobile service that helps financially excluded people to gain access to financial services.

By the end of the year, financial institutions (including the technology company Jumo) funded by Finnfund had provided a total of 5.9 million microloans and loans to MSMEs. This was an increase of around 50 per cent on the previous year. The growth was mainly due to new investments, especially Jumo. The combined value of all the MSME loans rose from EUR 4,100 million in the previous year to EUR 5,900 million. In the case of Jumo in particular, the loans paid are smaller than before: the average size of loan paid by the companies in the portfolio fell from EUR 1,900 to EUR 1,000.

Loans to individuals can be for purchasing their own home, for example. The total number of housing loans at the end of the year was 217,800, with a combined value of about EUR 1 billion.

Most microfinance customers are women

Low income women and women entrepreneurs particularly benefit from the development of financial services. As many as 69 per cent of the customers of traditional banks and microfinance institutions financed by Finnfund are women (about 40 per cent if mobile loans are included). The share of female customers is clearly higher in the case of the smallest microloans than with larger SME loans, for example. Promoting gender equality and, in particular, improving access to financial services for women is also one of Finnfund's criteria that is assessed ex-ante.

Women also account for an average of 37 per cent of financial institution staff, but there is considerable variation between financial institutions – from less than 10 to over 90 per cent.

Read more How do financial institutions promote sustainable development? pp. 26–27

Financial services accessible to all

Access to financial services plays a significant role in reducing poverty, creating jobs or tackling the gender equality gap. One of the major difficulties in development is to increase the supply of reliable and usable financial services to the poorest people and to small and medium-sized enterprises in developing countries.

They can help improve the livelihoods of people and businesses. A significant share of the jobs in developing markets are in small companies where access to more traditional forms of financial services is often difficult. Lack of financing is a major barrier to company growth.

Banking services therefore also play an important role in promoting the status of women and the poorest people. Reliable financial services, such as money transfers, payments, savings, loans, and insurance, help people protect themselves against unexpected risks, such as those caused by climate change, and invest in the future. New digital solutions enable banking services to be provided to new groups of people and geographic areas.

Development finance institutions, such as Finnfund, can offer long-term and affordable financing to banks and other financial institutions in developing countries, helping them become better able to issue credit and develop digital services. This makes it possible to reach new and previously excluded people.

Microcredit brings a safer future for Cambodian farmers

Cambodian farmer **Phom Oun** is pleased. The microcredit guarantees the farmer the opportunity to buy a proper seed lot and fertiliser at the right time of year. Part of the difficulty is that the last three years have changed production conditions: for example, the river has not risen steadily to flood the rice paddies.

Phom Oun used to borrow from a local bank to pay for production inputs. Now she has switched to Chamroeun, a local microfinance company serving the rural poor. "They give better service," she says.

Finnfund finances Chamroeun through the Base of the Pyramid (BOPA) fund. BOPA finances and develops small microfinance institutions, especially in poor countries of Asia.

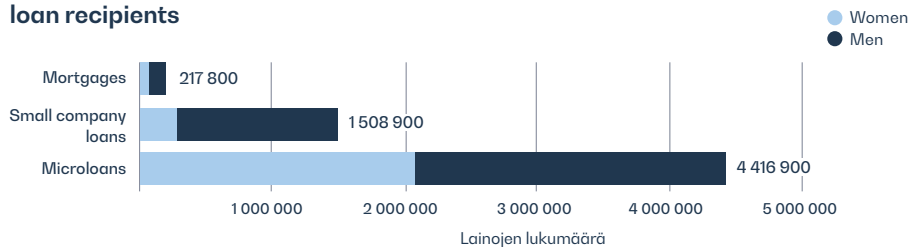
Read more [Annual Report 2017 > Investments > Microcredit brings a safer future for Cambodian farmers](#)
 Watch BOPA interview www.youtube.com/FinnfundFinland



Phom Oun and her husband Yen's rice and lotus crops have already suffered from climate change.



Gender distribution among loan recipients



Includes companies that report separately on the proportion of women customers

5,900,000 microloans and SME loans – total value EUR **5,900** million

69% of microloans and SME loans (excl. mobile loans) paid to women – **40%** when mobile loans included

217,800 mortgages – of which **36%** granted to women



How do financial institutions promote sustainable development?

finnfund

- financing
- expertise and responsible practices
- mobilization of funding



Financing for

Banks, microfinance institutions, fintech

Services include

Savings, money transfers, credits, insurances, digital fintech services such as mobile money

Direct impacts



Financial institution

Improved solvency and risk-taking capability enable lending to SMEs

More services to new regions and people

Better credit risk management through digital services

Reduced costs through digital services

More high-skill jobs



Micro, small and medium-sized enterprises

New companies gain access to financial services

Larger variety of financing solutions

Better loan terms such as longer tenors

Flexible credit processes through digital services



People

More jobs in financial institutions and companies

Better availability of financial services

Increased financial literacy

More digital services to reach people in remote areas

Digital services enable financial identity

Better access to financial services for women



Why is it important?

Up to 1.7 billion adults and about 40% of the poorest households, and particularly women, do not have an official bank account (World Bank 2017).

About 40% of all formal micro, small and medium enterprises in the developing countries are credit constrained. Up to USD 5,200 billion is needed to fill this finance gap (IFC 2017).

Indirect impacts

Improved and more diversified credit market

Improved viability in financial sector

Informal companies become formalized

New companies emerge and create jobs

Existing companies grow

Increased capacities to invest in future and mitigate risks

Enhancing equal access to financial services

Enhancing economic empowerment and independence of women



Wider impacts

Enhancing inclusive growth

Less poverty

Enhancing gender equality

More tax revenue for the society



Sustainable Development Goals

1 NO POVERTY



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



Tax revenue for building societies

One of Finnfund's key development impacts are the taxes and other fees to the public sectors of the respective target countries. This revenue enables public administrations to create and offer public services such as schools, healthcare and infrastructure.

In 2017, companies funded by Finnfund paid a total of EUR 423 million in their respective countries in taxes and tax-like charges. More than half of this, EUR 221 million, was paid by companies that are directly financed by Finnfund. The share of this accounted for by financial institutions was particularly notable – EUR 173 million.

Companies funded indirectly by Finnfund through funds paid a total of EUR 203 million in their respective countries in taxes and tax-like charges.

Geographically speaking, the most taxes and tax-like charges were paid to African countries: a total of EUR 216 million.

Banking and finance pay most in corporate tax

The total share of corporate taxes paid by companies from their profits was EUR 205 million, almost half of all taxes and tax-like charges.

Of this amount, EUR 89 million, or about 43 per cent, was paid by com-

panies that are indirectly financed through the funds.

The most corporate taxes were paid by the banking and finance sector. In contrast, renewable energy projects typically pay relatively little in corporate taxes during Finnfund's investment period, because the projects require large investments before they start to be profitable. They also typically benefit from state tax incentives for investment. For this reason, the corporate taxes they pay are relatively low in the initial phase, which is the phase that is typically financed by Finnfund and similar development financiers.

Wide variation in taxation principles and the ability of countries to enforce taxation

In addition to corporate taxes, the companies paid EUR 219 million in taxes and tax-like charges, such as sales taxes, business taxes, value-added taxes, licensing and customs fees, dividend taxes, and different types of administration and permit fees paid to the state. If a company has received state subsidies, these have been deducted from the total.

It must be noted that in the poorest developing countries in particular the taxation systems, taxation principles and enforcement capacity vary greatly. Monitoring tax-like charges matters a great deal, because in many developing countries the state

This allows the public administrations of the countries to create and offer services such as schools, healthcare and infrastructure.

takes some of the earnings by private-sector organisations in the form of various types of fees.

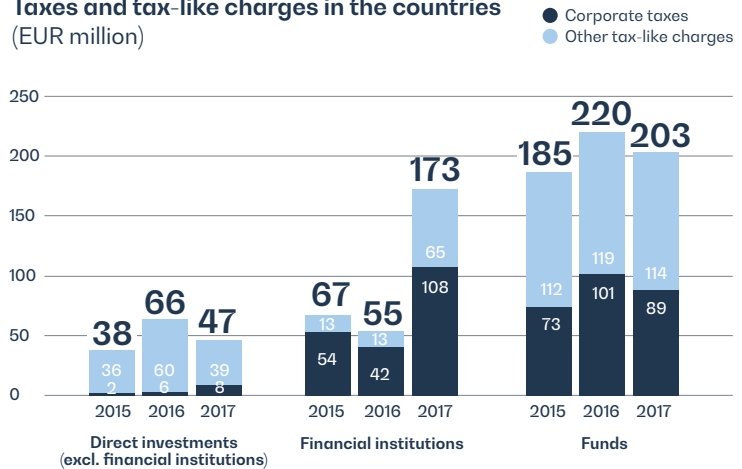
This helps them to support and develop social services.

At the individual company level, the effective tax rate indicates the amount of corporate tax paid by the company in relation to the profits. If a company does not make a profit, naturally it does not pay any income tax. The average effective tax rate of profitable companies directly financed by Finnfund was 16 per cent. The effective tax rate was highest for financial institutions (about 21 per cent). For other directly-funded, profitable companies the effective tax rate was 14 per cent. In the case of the funds, all the necessary information for accounting the effective tax rate was not available.



Schoolchildren studying in the light generated by the Mobisol solar power system in East Africa.
Taxes and tax-like charges in the countries

Taxes and tax-like charges in the countries (EUR million)



Tax policy guides the assessment and promotion of responsible taxation

The development of international tax regulation and the prevention of tax evasion are widely discussed issues around the world.

Finnfund, through its own operations, supports the development of tax regulation and the responsible tax practices of the companies it finances. As part of these efforts, Finnfund revised its tax policy during 2017.

The revised policy combines the principles and practices by which Finnfund assesses and promotes the responsible approach to taxation of its own operations and the projects it finances. Businesses are required to comply with local tax laws and in general to take a responsible approach to taxation. The policy consists of three practical tools: investment criteria, contract terms and conditions, and monitoring.

The policy was introduced at the beginning of 2018, and is partly based on harmonised policies and cooperation between European development finance institutions for developing responsible tax practices.

Finnfund will continue to monitor the development of international tax regulations, and the tax policies and practices will be revised as necessary.

Read more [www.finnfund.fi/en > Impact > Corporate responsibility > Responsible tax](http://www.finnfund.fi/en> Impact > Corporate responsibility > Responsible tax)

Corporate taxes and other tax-related payments by companies

In this table, we have compiled the taxes and tax-like fees paid by all Finnfund investee companies. Any state aid has been deducted from the figures.

If a country has fewer than five investments, data is classified by continent and OECD/DAC income-level categories.

- LDC = least developed countries
- LIC = other low income countries
- LMIC = lower middle-income countries and territories
- UMIC = upper middle income countries and territories

Read more www.oecd.org/dac

	Number of investments	Corporate income tax (EUR million)	Other tax-like charges (EUR million)	Total (EUR million)
Total	218	205.1	218.1	423.2
Africa	106	99.5	116.4	215.9
Kenya	16	3.2	17.3	20.5
Tanzania	14	16.8	8.1	24.9
Ethiopia	11	0.3	3.4	3.7
Ghana	10	0.3	7.7	8.0
South Africa	8	1.9	8.0	9.9
Nigeria	5	0.7	3.4	4.1
Zambia	5	0.2	2.1	2.3
Africa LDC/LIC	27	72.5	56.8	129.3
Africa LMIC	3	0	0.8	0.8
Africa UMIC	7	3.7	8.6	12.3
Asia	56	42.6	44.1	86.7
Cambodia	11	19.6	9.6	29.2
India	8	10.3	6.0	16.3
China	6	0.5	1.4	2.0
Asia LDC	11	2.0	19.7	21.7
Asia LMIC	14	9.9	6.0	15.8
Asia UMIC	6	0.3	1.5	1.8
Latin America	36	60.4	44.0	104.4
Honduras	5	0	0.1	0.1
Latin America LMIC	10	42.0	5.4	47.4
Latin America UMIC	21	18.4	38.6	57.0
Europe and Turkey	15	1.0	13.5	14.6
Europe and Turkey	15	1.0	13.5	14.6
Middle East	5	1.6	0	1.6
Jordan	5	1.6	0	1.6

Development impact of Finnfund investee companies



In 2017, Finnfund began to fund Jumo, a company whose mobile financing services give poorer people access to reliable financial services directly from a mobile phone.

The table here summarises the development impact of Finnfund's investee companies in 2017. The information is collected through an annual survey, which is tailored to the specific field of industry. Finnfund uses these surveys to monitor the development impacts of its entire investment portfolio. On top of that, we assess the development impacts project-specifically.

When comparing results between different years, it must be kept in mind that Finnfund's investment portfolio changes from year to year – new investments begin, others end. For this reason, each new investment or exit can significantly change individual indicators. Comparisons between years are more useful for seeing the development of the entire investment portfolio rather than the development of an individual project or indicator.

[Read more Annual Report 2017 > Investments > JUMO brings financial services to mobile users](#)

[Watch JUMO interview www.youtube.com/FinnfundFinland](https://www.youtube.com/FinnfundFinland)

Australis develops sustainable aquaculture in Vietnam. Finnfund has been an investor since 2017.

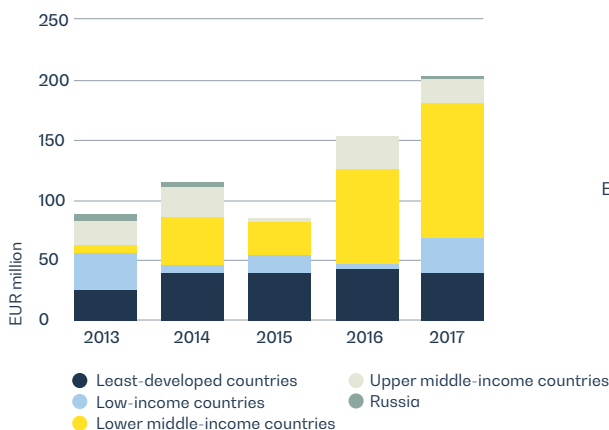
Development impact	Direct investments (excl. financial institutions)	Financial institutions	Funds	Total 2017	Total 2016	Total 2015
Direct jobs, total	16,300	34,300	300	50,900	30,000	25,600
Direct jobs, women	3,400	12,700	100	16,200	9,500	9,100
Indirect jobs, total	13,700		75,400 ⁵⁾	89,100	82,900 ⁶⁾	105,500
Indirect jobs, women	5,000		24,800	29,800	24,600	24,400
Taxes and tax-like charges (EUR million)	47	203	173	423	334	289
Local purchases (EUR million) ¹⁾	310	-	--	310	310 ⁷⁾	300
Number of supported farmers, total ²⁾	1,948,700	-	89,900	2,038,600	38,000	15,800
Number of supported farmers, women	1,541,300	-	49,800	1,591,100	-	-
Energy generated (GWh) ³⁾	503	-	5,562	6,065	6,600	3,100
Number of microloans, total ⁴⁾		3,128,500	1,288,400	4,416,900	1,677,700	3,300,100
Number of microloans, women ⁴⁾		1,134,100	953,400	2,087,500	-	-
Value of microloans (EUR million) ⁴⁾		1,500	1,700	3,200	1,800	76,100
Number of small enterprise loans, total ⁴⁾		1,496,300	12,600	1,508,900	457,300	236,200
Number of small enterprise loans, women ⁴⁾		281,200	2,900	284,100	-	-
Value of small enterprise loans (EUR million) ⁴⁾		2,100	600	2,700	2,300	1,500
Number of agricultural loans, total ⁴⁾		236,500	608,900	845,400	-	-
Number of agricultural loans, women ⁴⁾		62,000	600,500	662,500	-	-
Value of agricultural loans (EUR million) ⁴⁾		1,000	100	1,100	-	-
Number of mortgages, total ⁴⁾		156,400	61,400	217,800	57,700	8,400
Number of mortgages, women ⁴⁾		44,800	34,100	78,900	-	-
Value of mortgages (EUR million) ⁴⁾		850	150	1,000	400	400
Climate effects: carbon footprint of investments (tCO ₂ e) ⁸⁾				127,000	-	-
Climate effects: avoided emissions (tCO ₂ e) ⁹⁾				64,000	-	-
Climate effects: carbon dioxide sequestration (tCO ₂ e) ¹⁰⁾				530,000	-	-
Share of Finnfund's funding reported as official Finnish climate funding (EUR) ¹¹⁾				17,594,000	7,600,000	

Responses were received from 103 companies, with a response rate of 99 per cent. In 2016, responses were received from 92 companies, and in 2015 from 89 companies. The numbers have been rounded off. As some of the indicators are sector-specific, the number of respondents differs from the total number of respondents as follows:

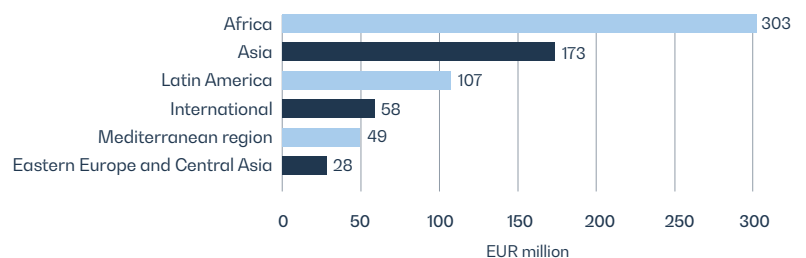
- 1) 28
- 2) 13
- 3) 13
- 4) 13 (the range of services of financial institutions varies).
- 5) Includes jobs in companies financed through funds (indirect investments).
- 6) The indirect jobs created in financial institutions was omitted from the chapter in the 2016 report.
- 7) This error was corrected in the 2016 report.
- 8) Portfolio accounting: all emissions resulting from the investments are based on the Exiobase database, using levels / scope 1 and 2 and 3 upstream. Includes emissions from operational activities, e.g. from construction. New indicator.
- 9) Portfolio accounting: emissions avoided through renewable energy investments, including investments in wind power, biofuel, hydroelectric power and solar energy. Based on the Exiobase database. New indicator.
- 10) Portfolio accounting: includes investments in sustainable forestry. The accounting covers area, tree species, rotation time, terrestrial biomass and margin of error. The accounting does not include such factors as end use of the wood, investments in natural forests, or protected areas. Calculated using USAID's and WinRock's Afolu Forest Carbon calculators. New indicator.
- 11) Finland's official climate funding can only include the funding considered development cooperation, i.e. equity financing, which means it does not include loans, for example.

General data on Finnfund investments

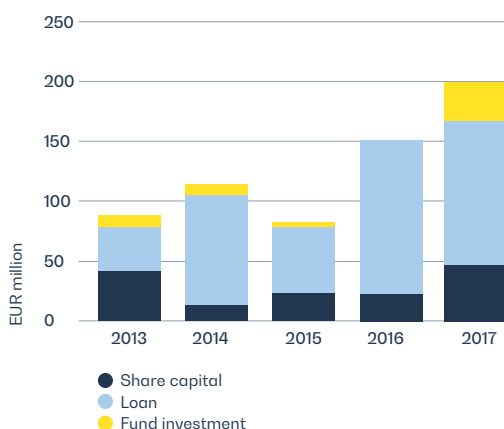
Annual investment decisions by country category, incl. Russia 2013–2017 (EUR million)



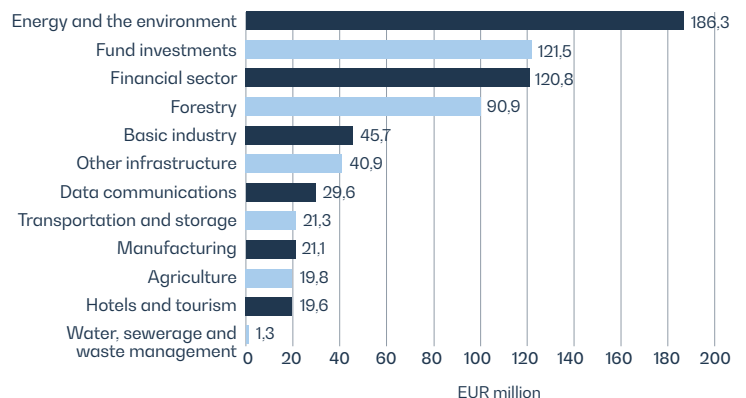
Portfolio and commitments by continent in total EUR 719 million EUR 31 December 2017



Annual investment decisions by instrument 2013–2017 (EUR million at original values)



Portfolio and commitments by sector in total EUR 719 million EUR 31 December 2017



87%

of new investments in the three poorest country categories (OECD DAC)

201

New investment decisions in EUR million

443

EUR million in investment properties in projects 31 December 2017