finnfund

2021

Annual Report

2021 Annual Report

Content

Cover photo:
Yalelo is the leading aquaculture company that produces, distributes and retails tilapia in Zambia. Finnfund has been financing Yalelo since 2019. Read more about Yalelo on p. 61.
Photo: Yalelo

finnfund

Year 2021

Finnfund in brief

Building a sustainable future and generating a lasting impact

Finnfund is a Finnish development financier and impact investor. According to our new strategy, developed during 2021 and adopted at the end of the year, our mission is to build a sustainable future and generate a lasting impact by investing in businesses that solve global development challenges.

Each year, we invest 200–250 million euros in 20-30 projects, emphasising renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions. Today, Finnfund's investments and commitments total about 1.126 billion euros, with half of them in Africa.

Besides our five focus sectors, we invest in other sectors as well, when projects meet our requirements and are aligned with our strategy.

We are a proactive investor and provide companies operating in developing countries with the expertise required for sustainable business. We expect our investments to be sustainable, to generate positive development impacts in their operating countries, and to offer an appropriate risk-adjusted return.

As mentioned above, in December 2021, Finnfund's Board of Directors approved a new strategy, setting operational guidelines until 2025. Our vision is that people and the planet are at the core of every investment decision.

Finnfund's new key strategic objectives:

- Double the total impact from 2020 to 2025
- 50% of investments with private capital by 2030
- Maintain a carbon net-negative portfolio

All Finnfund operations are guided by four principles: impact, sustainability, profitability, and professionalism.

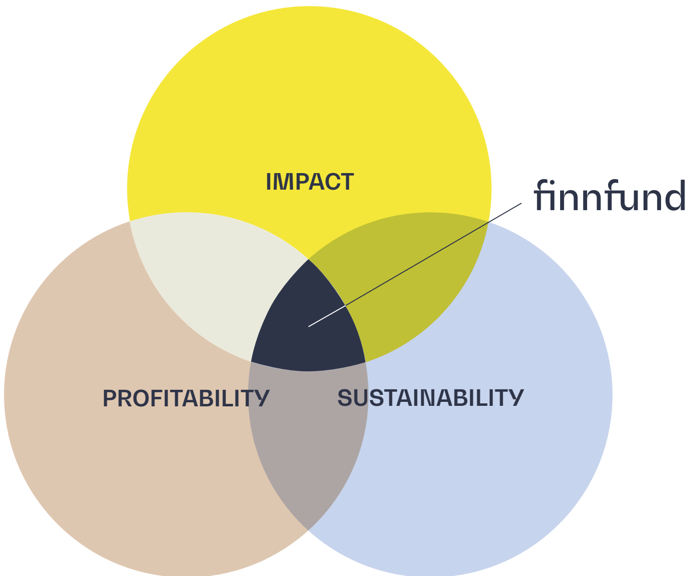
Finnfund gets its financing from the State of Finland, private capital markets, and return on its investments. We leverage state capital to mobilise private investments in sustainable businesses in developing countries. Returns are channelled back into new Finnfund investments.

Finnfund's shareholders are the State of Finland (95.9%), Finland's export credit agency Finnvera (4.0%), and the Confederation of Finnish Industries (0.1%). We currently have about 85 employees, all based in Helsinki.

Finnfund's owners set annual targets for the company. The targets address financial results, development impact, geographical focus, and operational efficiency. The goals are documented in the Foreign Ministry's annual Ownership Steering Memorandum, which is available on our website.

The company's share capital on 31 December 2021 was 266,988,570 euros.

Finnfund is also the administrator of the Finnpartnership Business Partnership programme funded by the Ministry for Foreign Affairs. Finnpartnership offers advisory services and Business Partnership Support to Finnish companies.



Finnfund has three criteria for all investments: impact, profitability and sustainability.

Chief Executive Officer's review

Jaakko Kangasniemi

Resilience is the word that best describes the year 2021: the resilience of people in pandemic lockdowns, and in political and market turbulence, and the resilience of the planet in climate turmoil. Challenging times have further unveiled the remarkable, resilient potential and power of collaboration and common goals.

The strength and unexpected longevity of the COVID-19-pandemic has significantly affected our activities and projects all over the world for another consecutive year. Despite limited abilities to travel to our project countries, we have put our best efforts into monitoring, supporting, and collaborating with and for our investment community and other partners. As a result, Finnfund has held its course and was able to maintain its investment activity at a high level, aligned with its mission. We exceeded our investment targets in numbers and volume: 28 investment decisions were made, totalling 241 million euros.

At the end of the year, we updated our previous strategy (2018-2025) to better meet the requirements and needs of our mission in the changing global landscape. Another positive reason for an early update was the fact that many of our ambitious goals had been met prematurely. This encouraged us to raise the bar even higher: to double our impact, maintain the carbon net-negative portfolio, and continue to mobilise private financing for sustainable investment. Our main shareholder, the State of Finland, gave our strategy strong backing by raising our capital by 10 million euros.

Africa is and will be the place to be for us and for European development financiers. It is a continent where jobs and investments are very much needed. Therefore, we are now strengthening our already strong focus on Africa (currently 57% of investment decisions) by opening a regional office in Nairobi, Kenya. In 2021, preparations were made to complete it in 2022. The office will play a central role in strengthening our position in the East African market.

In May 2021, we were proud to be the first development financier to release data showing that our total investment portfolio has a net-negative carbon balance. This proves that

“Africa is and will be the place to be for us and for European development financiers. It is a continent where jobs and investments are very much needed.”

we have been able to build an investment portfolio that, on the one hand, is carbon net-negative, and on the other hand, yields positive development impacts and financial returns. This shows that our long-term commitment to sustainable forestry investments is working. We are committed to keeping it that way.

We also established a new team, Digital Infrastructure and Solutions (DIS), within the investment function. DIS invests in profitable and high-impact businesses within the emerging markets digital value chain. The team has already had a strong start in originating new investment opportunities.

On the impact side, a strong focus on biodiversity has taken a big leap, and we have launched a new project, aimed at increasing and deepening the know-how of both our staff and investees.

On the financial side, a couple of our investee companies fell victim to political turbulence and lockdown measures, and we ended up with considerable write-downs. At the same time, a few planned exits were postponed for another year in row. Consequently, our net loss was 20 million euros.

As I write this, on the day of the removal of most pandemic restrictions in Finland, and five days after Russia started its violent invasion of Ukraine, feelings are understandably mixed. But it makes me and our staff even more confident that the vision of Finnfund - putting people and the planet first in every investment decision - is timely and right on the spot. We have adopted, connected, and reset our activities globally.

At the restart and opening of the global economy, we will continue to be on the frontlines to call good forces and means back on track to build a sustainable future.

I would like to thank Finnfund’s customers, staff, and other stakeholders for their support in 2021.

Jaakko Kangasniemi
Chief Executive Officer

Finnfund's new strategy sets our new guidelines

Due to rapid changes in our operational environment and the fact that we had already achieved many of the targets set in our previous strategy, in 2021, we decided to refresh Finnfund's strategy and set new operational guidelines until 2025.

The new strategy, approved by Finnfund's Board of Directors, states that Finnfund's mission is to build a sustainable future and generate a lasting impact by investing in businesses that solve global development challenges.

Our vision is that people and the planet are at the core of every investment decision.

Finnfund emphasises those sectors that matter for sustainable development, such as renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions.

The company can also invest in other sectors.

Finnfund's key strategic objectives:

- contextual factors
- business relationships
- the project/investee

Read more about the topic on our website: Strategy and governance

Summary of 2021

The COVID-19 crisis continued affecting our work throughout the year: it significantly slowed investment projects in our countries of operation, and travel restrictions complicated our investment process. Most of our staff continued working remotely for most of the year.

In addition, political turmoil in many countries of our operations, such as Ethiopia, Myanmar, and – towards the end of the year – Ukraine, created severe financial challenges for our investee companies. As a result of all this, Finnfund's net profit for 2021 was negative: -20 million euros.

Despite the challenging situation, Finnfund was able to maintain its investment activity at a high level. We met our target in terms of investment decisions, although not in volume (241 million euros). Our investment assets grew from 608 to 657 million euros.

Finnfund remained focused on its four priority sectors of sustainable forestry, renewable energy, financial institutions, and sustainable agriculture, but we also invested in other industries when the projects were in line with our strategy. In 2021, we introduced a new key sector, digital infrastructure and solutions (p. 50).

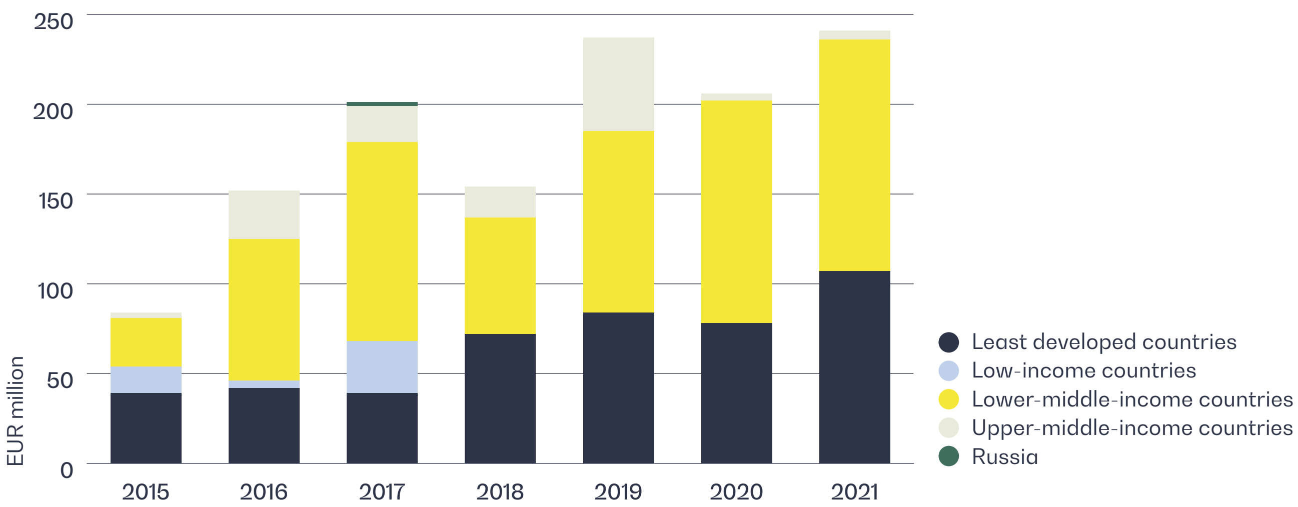
We remained focused on Africa (57% of investment decisions) and countries in the least developed and lower-middle-income categories (98% of investments decisions). 42 million euros of Finnfund disbursements were calculated as Finland's official development aid (ODA).

In 2021, all our new investments were rated to be in the categories of "good" or "excellent" development impact, using our own development impact assessment tool, the DEAT.

Finnfund's funding base remains strong. The State of Finland recapitalised Finnfund with a record instalment of 10 million euros, and we raised 80 million euros of the long-term loan issued by the State in 2019.

In 2021, we continued our efforts to mobilise private financing for sus-

Annual investment decisions by country category (**OECD, DAC**) EUR million



tainable development. OP Finnfund Global Impact Fund I, managed by OP Financial Group, one of Finland's largest banking groups, made several investment decisions throughout the year. In October, we also announced our investment in the Advans Group, the first co-investment participation financing with University of Helsinki.

In 2021, Finnfund continued taking significant steps in our mission to foster climate change mitigation and adaptation. In May, Finnfund released data showing that its total investment portfolio, covering the figures for 2019, has a net-negative carbon balance – making Finnfund probably the first development financier to report a carbon net-negative investment portfolio. In July, Finnfund adopted a new Statement on Climate and Energy, which underlines our commitment to the Paris Agreement and explains what this commitment means in practice for our portfolio management, investment process, and measurement of the portfolio's carbon footprint.

In addition, we have also adopted and made our disclosures consistent with the recommendations of the Task-Force on Climate-related Financial Disclosures (TCFD). The report is available on p. 52.

In 2021, we conducted an external review of our human rights statement and our human rights due diligence approach (p. 77). According to the review, in general, Finnfund performed well, and in terms of many aspects, Finnfund was considered to be among the best performing organisations. The review also provided input for future development.

During the year, Finnfund also conducted a stakeholder survey to collect feedback and ideas from various stakeholders (p. 88). The aim was to gather information, for instance, on brand image, strengths, and weaknesses, as well as to ask stakeholders how they see the changes in the operational environment and what their expectations are for Finnfund.

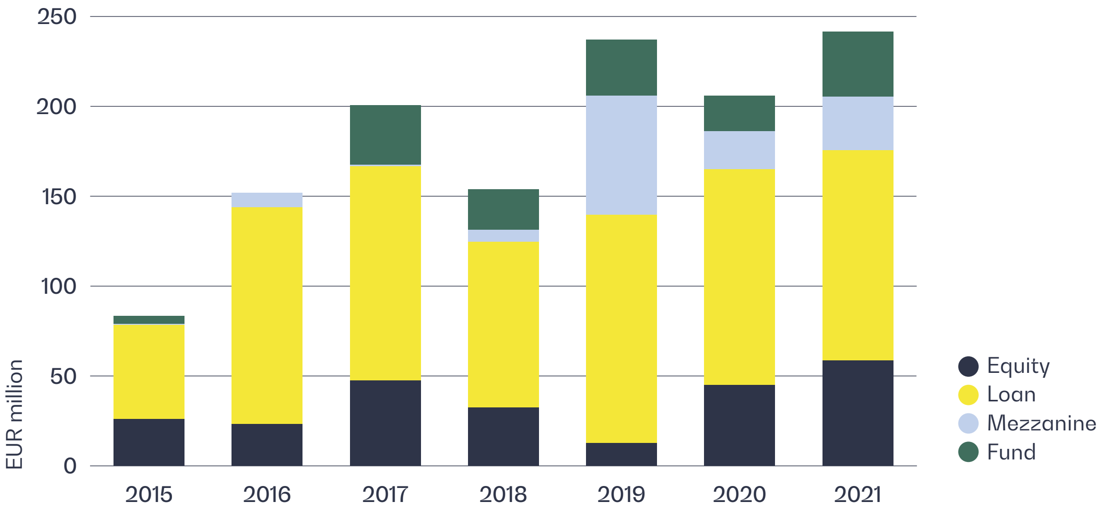
Last but not least, in December, Finnfund's Board of Directors approved a new strategy (p. 8), setting our new operational guidelines until 2025.

"Finnfund's new strategy gives us three objectives – all very much aligned with our mission as a development financier and impact investor. We strive to work for a world where people and the planet are at the core of every investment decision."

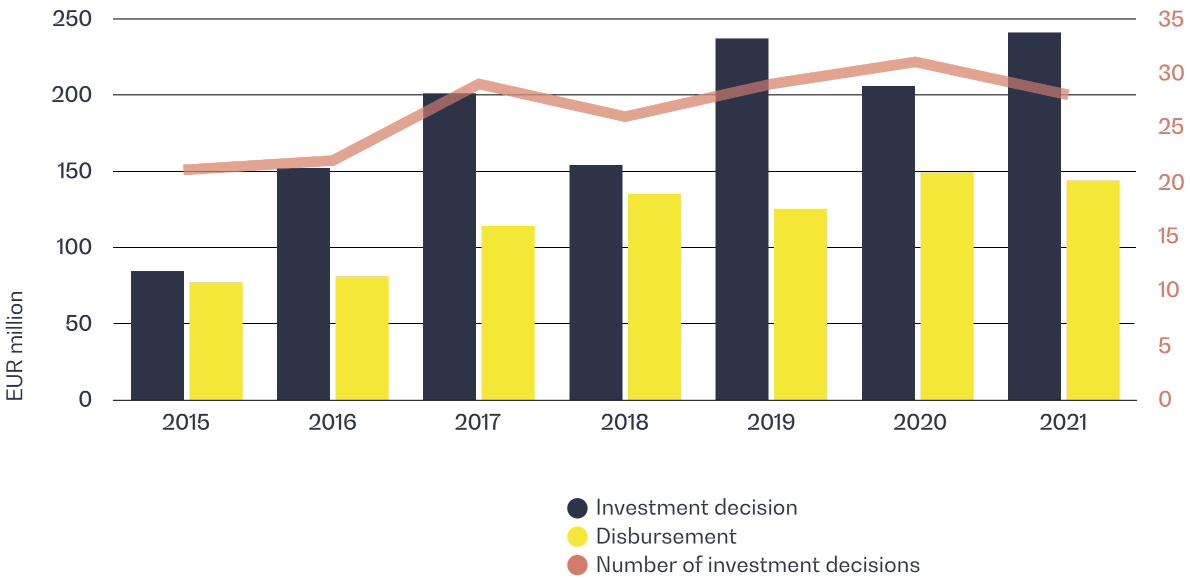
Helena Arlander
Deputy CEO

Recap of the year 2021 – watch a video on Finnfund's YouTube channel at: youtube.com/FinnfundFinland

Annual investment decisions by instrument EUR million



Investment decisions and disbursements EUR million



Finnfund to continue managing Finnpartnership over the next programme period

Finnpartnership is a business partnership programme financed by the Ministry for Foreign Affairs of Finland and managed by Finnfund on a contractual basis. Finnpartnership aims to promote sustainable development by establishing long-term company collaboration between Finland and developing countries. Finnpartnership offers funding, contacts, and advisory services for Finnish companies, which can be used to assess business opportunities in developing countries.

In 2021, Finnfund participated in a public tendering process for the new programme period 2022-2024 and a possible option for 2025-2027. Finnfund's joint offer with Niras Finland Ltd, a Finnish consultancy company, won the tendering process.

The key objective of the programme is to achieve development impacts as a result of profitable, sustainable, and responsible business operations. The new period focuses more clearly on creating and measuring decent jobs, which is the most evident development impact of private businesses. The programme also aims to promote gender equality and enhance international cooperation between different organisations and companies.

Finnpartnership's activities will be reformed to generate more impacts in lower-middle-income and low-income countries and fragile states. The activities will also be more aligned with the efforts of Finland's bilateral development cooperation. The aim is to develop the services offered to companies, increase the impact of the programme, and improve the efficiency of the administration. For instance, country-level services will be improved by recruiting experts to Kenya and Vietnam to support the team in Finland.

Read more about Finnpartnership on p. 117.

Finnpartnership

Finnfund the first development financier to report a carbon net-negative investment portfolio

In May 2021, Finnfund released its carbon accounting data for 2019. The figures indicate that Finnfund's investments removed 134,679 tCO2e more than they emitted. Hence Finnfund's total investment portfolio has a net-negative carbon balance. This makes Finnfund probably the first development financier to report a net-negative investment portfolio.

The results stem from Finnfund's long-term commitment to sustainable forestry investments. In 2019, Finnfund's investments in forestry and agroforestry removed 240,431 tCO2eq from the atmosphere. More than three-quarters (83%) of these carbon sinks are in Africa.

Sustainable forestry has long been one of Finnfund's key sectors. At the end of 2019, Finnfund's investments in forestry (portfolio and commitments) were worth 147 million euros, which represented 19% of the total portfolio. This is higher than any other development finance institution. Most of this area is covered by FSC's® (Forest Stewardship Council) certification. In 2019, Finnfund's investment portfolio was EUR 617 million.

"I am extremely proud that we have been able to build an investment portfolio that, on the one hand, is carbon net-negative, and on the other hand, yields positive development impacts and financial returns. This shows that our long-term commitment to sustainable forestry investments is working: our investments remove more carbon from the atmosphere than they emit. We are committed to keeping it that way," says Finnfund Managing Director, CEO **Jaakko Kangasniemi**.

There is more about the topic on our website: [Finnfund the first development financier to report a carbon net-negative investment portfolio].

More about our climate approach on p. 52.

CASE

The Advans Group
Global

Mobilising funding for microfinancing with University of Helsinki

● The Advans Group is one of the leading international microfinance group serving over one million clients in nine countries: Cambodia, Cameroon, Ghana, the Democratic Republic of Congo, Côte d'Ivoire, Pakistan, Nigeria, Tunisia, and Myanmar.

Finnfund has been financing Advans Group since 2019. In October 2021, [Finnfund announced a new EUR 10 million debt facility commitment] to the group, aiming to generate funding for micro and small businesses and to promote responsible business practices and gender equality within microfinancing. University of Helsinki participates in this investment with Finnfund. For Finnfund and University of Helsinki, this is the first co-investment participation financing.

The Advans Group has had a pioneering role in launching responsible and client-friendly microfinance services in many under-served markets. The loans are mainly targeted at small businesses with growth opportunities, helping them create and sustain jobs and improve profitability. In 2020, the average loan size was 2,200 euros, and 60% of the borrower clients were women.

For Finnfund, Advans is classified as an eligible 2X Challenge investment. In addition to providing financing for women, the group is also committed to putting effort into promoting gender equality. Advans currently has a staff of around 7,500 employees, of which about 40% are female.

CASE

OP Finnfund Global Impact Fund I
Global

Real impact in addition to financial returns

An e-commerce food distribution platform in Kenya, fintech in India, poultry farming in Ethiopia, improved healthcare in Morocco; these are examples of the investments made by OP Finnfund Global Impact Fund I in 2021.

During the year, the fund made five investments to the following companies: Twiga, a Kenyan-headquartered B2B e-commerce food distribution platform (USD 3 million); CIM Santé Group, a leading Moroccan private healthcare group (USD 10 million); EthioChicken, an Ethiopian poultry company and a former Finnfund investee (USD 5 million); Indifi, an Indian digital financial services company (USD 4.9 million) and Sathapana Bank, a Cambodian bank and a former Finnfund investee, aiming to accelerate the development of small and medium-sized enterprises (SMEs) and women empowerment (USD 10 million).

OP Finnfund Global Impact Fund I is the first global emerging markets impact fund in Finland. Launched in 2019, the fund targets significant positive impacts on, for instance, climate change, food security, gender equality, and the availability of financing. The fund promotes the achievement of the UN Sustainable Development Goals (SDGs) in a measurable way, while providing an attractive return for investors. The fund seeks an internal rate of return (IRR) of approximately 8–12 per cent. The total fund size stands at 135 million euros.

OP Finnfund Global Impact Fund I focuses on three main industries in developing countries: renewable energy, financial institutions, and sustainable agriculture.

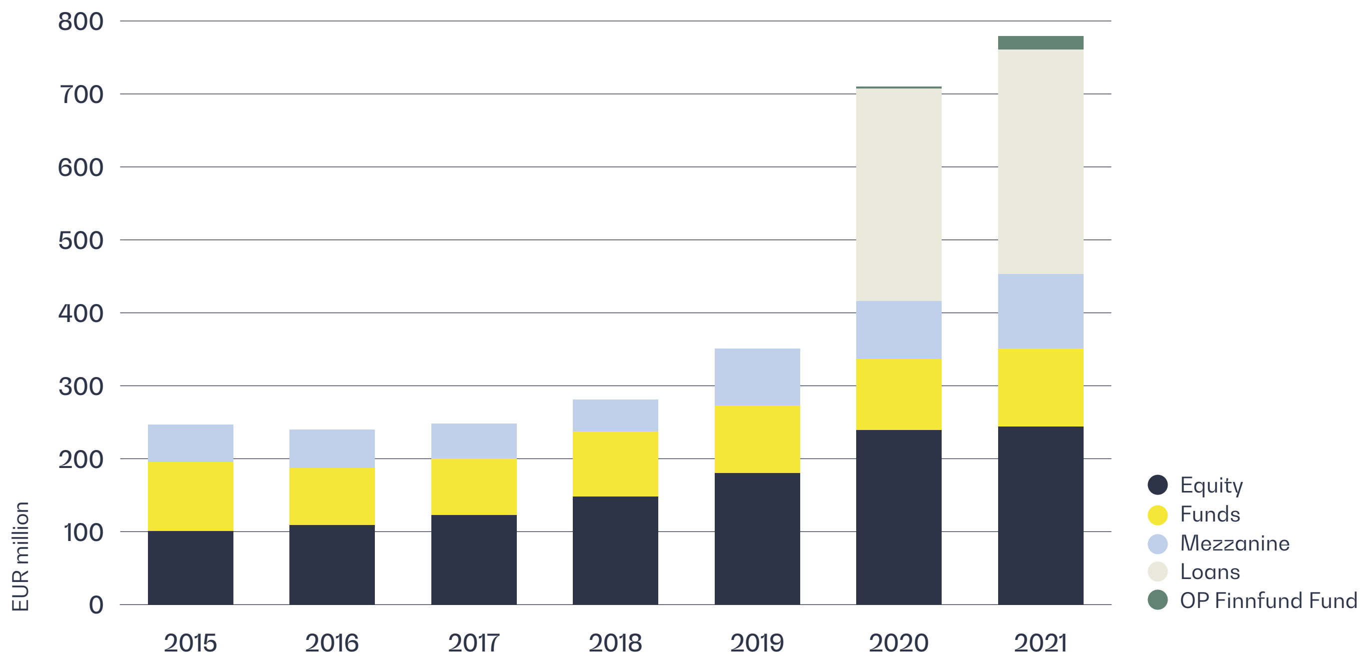
The fund is managed by OP Asset Management Ltd, part of the OP Financial Group, one of the largest banking groups in Finland. Finnfund acts as an adviser and anchor investor to the fund. The fund sources its investments solely through Finnfund.

Read more about Indifi on p. 51, and on Twiga on p. 45.

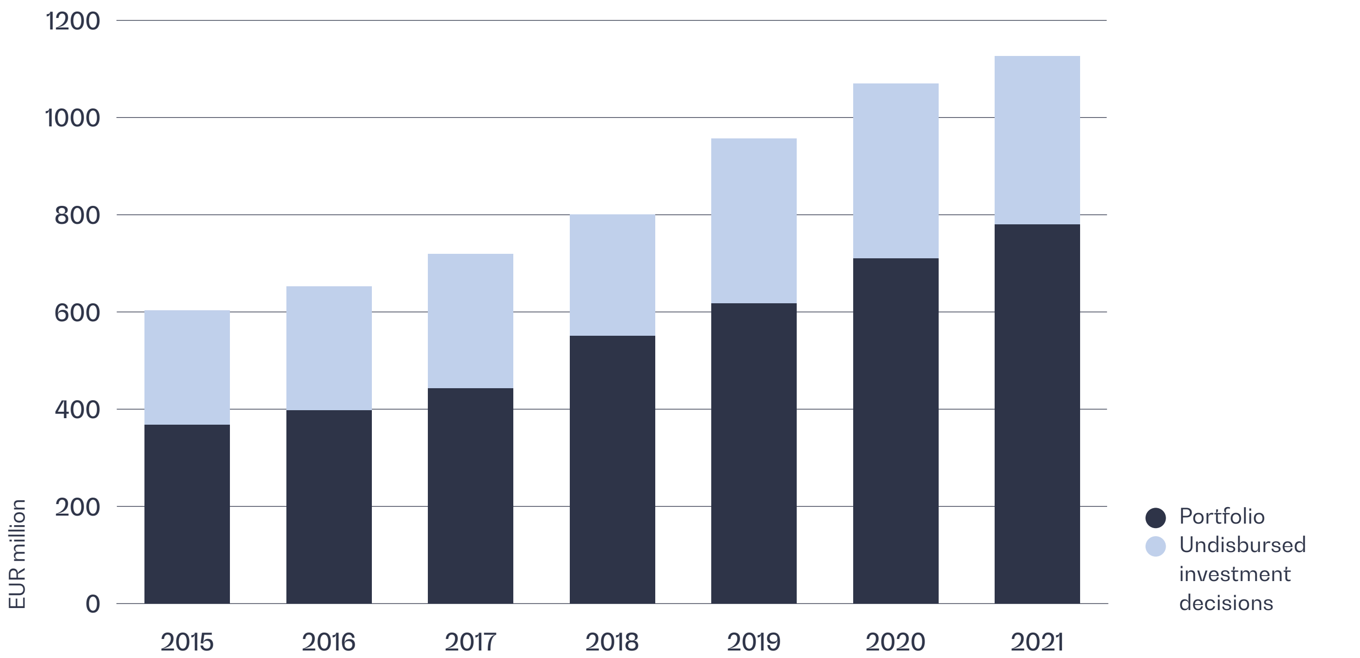
The fund promotes the achievement of the UN Sustainable Development Goals (SDGs) in a measurable way while providing an attractive return for investors.

Key figures and highlights

Portfolio EUR million (total EUR 780 million)



Portfolio and undisbursed investments decisions EUR million



Key figures 2017-2021

Year	2017	2018	2019	2020	2021
Number of project countries	39	45	52	53	53
Number of investment decisions in portfolio	171	181	183	206	196
Number of investees	134	141	153	152	151
New investment decisions, EUR million	201	154	237	206	241
Number of new investment decisions	29	26	29	31	28
Disbursements, EUR million	114	135	125	149	144
Undisbursed investment decisions and commitments, EUR million	276	249	340	360	347
Portfolio, EUR million	443	551	617	710	780
Shareholders' capital, EUR million	244	257	267	301	291
Total assets/liabilities, EUR million	464	554	616	721	794
Number of personnel on average	71	75	77	84	83

Five years in review 2017–2021

Operational analysis, EUR million	2017	2018	2019	2020	2021
Financial income	24.6	29.2	35.7	31.4	27.5
Financial expenses	-8.6	-10.8	-12.0	-9.2	-9.6
Net financial income	**16.0**	**18.4**	**23.7**	**22.2**	**17.9**
Other operating income	1.5	1.5	1.5	1.3	1.5
Administration, depreciation and amortisation and other operating expenses	-11.8	-13.4	-14.1	-13.5	-14.0
Profit before impairment, sales of assets and taxes	**5.7**	**6.5**	**11.1**	**10.0**	**5.4**
Impairment and sales of assets	-3.1	-4.4	-10.4	-36.3	-25.4
Taxes	-0.6	0	0	0	0
Net profit	**2.0**	**2.1**	**0.7**	**-26.3**	**-20.0**

Balance sheet, EUR million	2017	2018	2019	2020	2021
Assets					
Tangible and intangible assets	0.1	0	1.0	1.1	1.3
Investments	393.3	494.2	556.7	607.6	657.4
Current assets	70.3	59.7	58.0	112.7	135.0
	463.7	**553.9**	**615.7**	**721.4**	**793.7**
Liabilities					
Equity	244.1	257.2	267.4	301.0	291.1
Liabilities	219.6	296.7	348.3	420.4	502.6
	463.7	**553.9**	**615.7**	**721.4**	**793.7**

Financial indicators	2017	2018	2019	2020	2021
Equity ratio, %	53	46.4	43.4	41.7	36.7
Return on equity p.a., %	0.8	0.8	0.3	-8.7	-6.9

Investments

The COVID-19 pandemic put many investment projects on hold and slowed others. Travel restrictions laid an extra burden on our due diligence process.

Nevertheless, Finnfund was able to take 28 investment decisions with a total worth of 241 million euros. We met our target in the number of investment decisions, although not in volume.

Africa continues to be Finnfund's primary investment destination, with 60% of volume and 57% of decisions. Asia comes second with slightly less than a quarter of investments.

In line with our strategy to triple our impact, we kept investing in low-income countries: 44% of our financing went to the least developed countries and 54% to lower-middle-income countries; just 2% targeted upper-middle-income countries.

The bulk of our financing targeted high-impact investment projects, with a special emphasis on climate action, women's empowerment, and quality jobs.

In 2019, the State of Finland issued Finnfund with a long-term loan of 210 million euros, which Finnfund pledged to allocate entirely to climate and gender investments by the end of 2021. The targets for both gender and climate investments were met by the end of the year.

In terms of financing instruments, we issued 12 investment loans and made 14 equity investments. In addition, we made two investments in funds.

Finnfund's investment assets continued strong growth. At the end of 2021, Finnfund's disbursed portfolio was 780 million euros.

In 2021, we disbursed 144 million euros, of which 42 million is counted as Finland's official development assistance (ODA).

Undisbursed commitments totalled 223 million euros at the end of 2021. Additionally, we had made 146 million euros worth of investment decisions that had not yet proceeded to contract.

At the end of 2021, Finnfund's portfolio comprised 196 investments. Some of these were new investments in existing projects.

Yalelo is the leading aquaculture company that produces, distributes and retails tilapia in Zambia. Read more about Yalelo on p. 61. Photo: Yalelo

How and where Finnfund invests

Finnfund invests in sustainable businesses that generate measurable development impacts in developing countries.

We require all our investment projects to be economically viable, and environmentally and socially sustainable, and to generate measurable development impact in their countries of operation. We vet each investment at the outset against Finnfund's sustainability criteria.

Our financing is always on market terms. We tailor our financing to the needs of each investee. It can be equity, mezzanine financing, or debt.

We put special emphasis on sectors critical to sustainable development, namely clean energy, sustainable forestry and agriculture financial institutions, and digital infrastructure and solutions.. We can also invest in other sectors when projects meet our requirements and are aligned with our strategy.

The majority of Finnfund's investments are made directly in companies operating in developing countries. Besides such direct investments, we can make indirect investments through funds. Additionally, Finnfund finances banks and financial institutions.

Funds and financial institutions complement direct investments by mobilising risk financing for smaller businesses and projects in fragile countries, which often have no access to financial services.

The financial institutions funded by Finnfund often focus on serving small and medium-sized enterprises, small-scale infrastructure projects, family businesses, or households. Well-managed funds can also provide companies with other types of support, such as expertise related to the industrial sector or environmental sustainability.

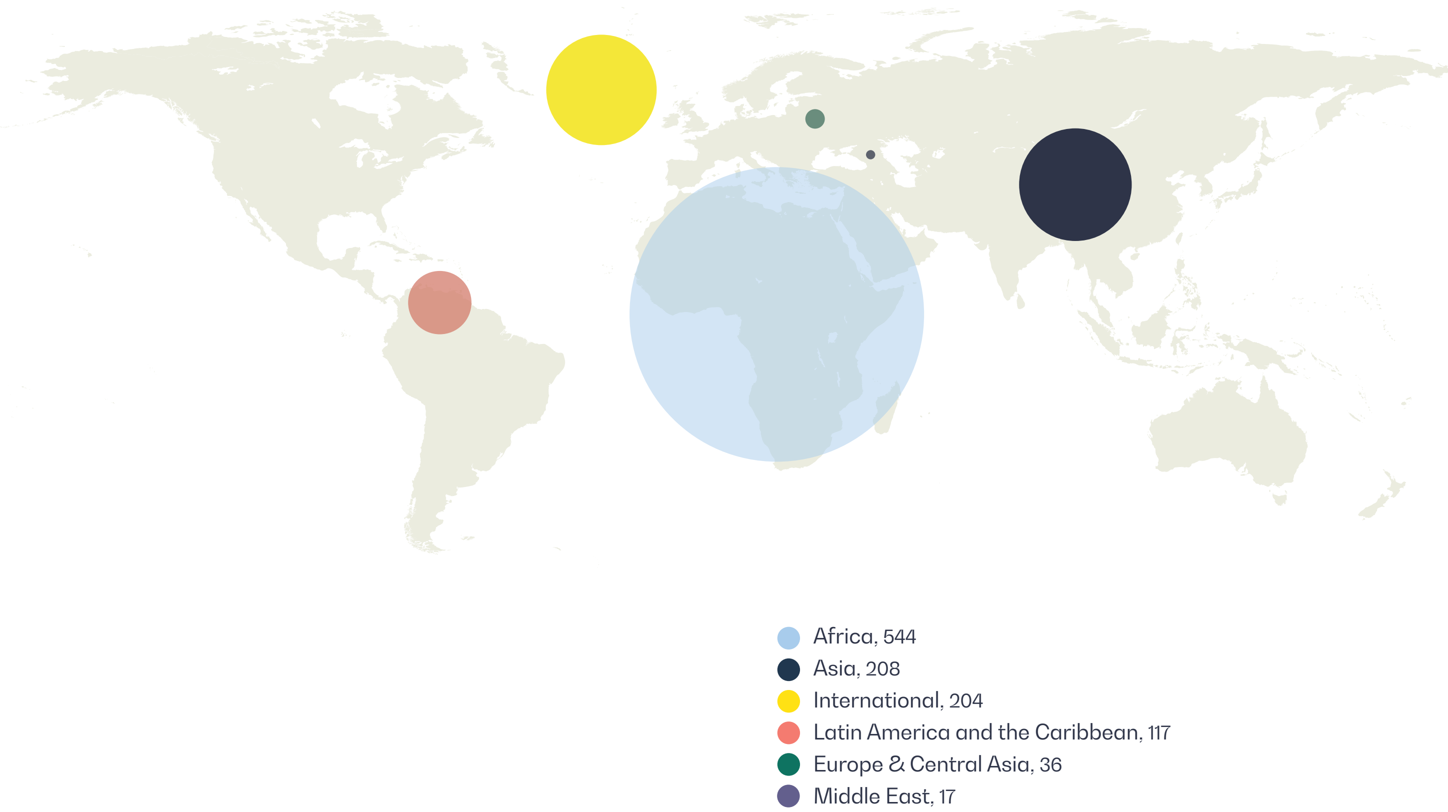
We are happy to invest in projects involving co-operation with Finnish companies, but it is not a precondition of investment. We advance Finnish development policy interests.

Read more about our investment process on our website: https://www.finnfund.fi/en/investing/

"I strongly believe in the growth of impact investing in the coming years. In addition to competitive returns and responsibility criteria, investors increasingly want their investments to have a real impact."

Markus Pietikäinen
Chief Investment Officer

Portfolio and undisbursed investment decisions and commitments (EUR million)
on 31 December 2021, geographical distribution



New investment decisions by country category (OECD, DAC)

Income level	Number of decisions	%	EUR million	%
Least developed countries	10	36	107	44
Low-income countries	0	0	0	0
Lower-middle-income countries	16	57	129	54
Upper-middle-income countries	2	7	5	2
TOTAL	28	100	241	100

List of investments in portfolio
as of 31 December 2021

Finnfund's disclosure policy was updated in September 2016. Since then Finnfund has published for example its share of financing of new investments. More information on Finnfund's website. The list includes investments which agreements were signed by the end of the year.

Country	Investment	Sector	Finnfund's financing	Agreement year
AFRICA				
Africa	Africa Sustainable Forestry Fund L.P	Forestry	-	2011
Africa	**African Development Partners III Mauritius L.P.**	**Other funds**	USD 26,000,000	**2021**
Africa	African Edu Holdings	Education	USD 6,999,800	2019
Africa	AfriCap Microfinance Investment Company Ltd	Financial institutions	-	2007
Africa	AfricInvest Fund Ltd. II LLC	Other funds	-	2008
Africa	AfricInvest Fund Ltd. III LLC	Other funds	-	2014
Africa	AfricInvest Fund Ltd. IV LLC	Other funds	USD 20,000,000	2020
Africa	Afrinord Hotel Investments A/S	Tourism	-	2005
Africa	Agri-Vie Fund II (Pty) Ltd	Agribusiness	USD 10,000,000	2018
Africa	Atlantic Coast Regional Fund LLC	Other funds	-	2008
Africa	**BCS Group (Bandwidth and Cloud Services Group Holdings)**	**Digital infrastructure and solutions**	**USD 12,000,000**	**2021**
Africa	Catalyst Fund I LLC	Other funds	-	2011
Africa	**Ecobank Transnational Incorporated**	**Financial institutions**	**USD 10,000,000**	**2021**
Africa	**ETC Group**	**Agribusiness**	**USD 25,000,000**	**2020, 2021**
Africa	European Financing Partners	Financial institutions	-	2004
Africa	European Financing Partners IV	Financial institutions	-	2010
Africa	European Financing Partners VI	Financial institutions	EUR 10,000,000	2020
Africa	Evolution II (Mauritius) LP	Energy	USD 15,000,000	2017
Africa	Fanisi Venture Capital Fund S.C.A., SICAV-SIF	Other funds	-	2010
Africa	Fuzu Ltd.	Digital infrastructure and solutions	EUR 999,690	2016
Africa	Green Resources AS (GRAS)	Forestry	USD 13,300,000*	2012, 2018, 2019
Africa	Hospital Holdings Investment B.V.	Health	USD 9,400,000	2018
Africa	Humania North Africa Holding Company	Health	USD 18,750,000	2019
Africa	Kasha Global Inc.	Digital infrastructure and solutions	USD 1,000,000	2020
Africa	Miro Forestry Company, Ghana and Sierra Leone	Forestry	USD 15,921,221*	2014, 2015, 2018, 2019, 2020
Africa	Neoma Africa Fund L.L.C.	Other funds	-	2009

*This amount only includes investments signed since September 2016, based on Finnfund's disclosure policy.

Country	Investment	Sector	Finnfund's financing	Agreement year
Africa	New Forests Company Holdings I Limited	Forestry	USD 10,680,552	2019, 2020
Africa	Norsad Capital Limited	Financial institutions	-	2011
Africa	**Phatisa Food Fund 2 Parallel LLC**	**Other funds**	**USD 15,000,000**	**2021**
Africa	SFC Finance Limited	Financial institutions	-	2014
Africa	SilverStreet Private Equity Strategies SICAR	Agribusiness	-	2011
Africa	Starsight (SPUL SUB 2 Ltd)	Energy	USD 12,100,000	2019, 2020
Africa	Synergy Private Equity Fund II LP	Other funds	USD 15,000,000	2018
Africa	**Uhuru Growth Fund I-A, SCSp**	**Other funds**	**USD 10,000,000**	**2021**
Egypt	Aten Solar Energy S.A.E	Energy	USD 6,000,000	2017
Egypt	Horus Solar Energy S.A.E.	Energy	USD 6,000,000	2017
Egypt	TAQA Arabia for Solar Energy S.A.E	Energy	USD 7,804,000	2017
Ethiopia	EthioChicken (AgFlow Poultry Limited)	Agribusiness	USD 10,000,000	2016
Ethiopia	**M-Birr Limited**	**Digital infrastructure and solutions**	**EUR 1,466,000***	**2011, 2014, 2016, 2017, 2021**
Ethiopia	Schulze Global Ethiopia Growth and Transformation Fund I, LP	Other funds	-	2014
Ethiopia	Sini Furniture Interior Design PLC	Manufacturing	-	2015
Ghana	Fidelity Equity Fund II Ltd	Other funds	-	2008
Ghana	First National Bank Ghana Limited	Financial institutions	USD 10,000,000	2020
Ghana	Ghana Airport Cargo Centre Limited	Transport and storage	USD 1,000,000*	2014, 2016
Kenya	Elgon Road Developments Co Ltd	Tourism	USD 3,727,735* EUR 2,775,940*	2009, 2011, 2015 2016, 2018
Kenya	Lake Turkana Wind Power Limited	Energy	-	2013
Kenya	Penda Health Limited	Health	USD 2,495,225	2018
Kenya	Sanergy Inc.	Water & waste	USD 1,249,999	2017
Madagascar	JTF Madagascar SARL	Agribusiness	EUR 3,750,000	2019
Nigeria	Access Bank PLC	Financial institutions	USD 32,000,000	2017, 2019, 2020
Nigeria	First City Monument Bank Limited	Financial institutions	USD 5,000,000	2019
Rwanda	Hakan-Quantum Biomass Fired Power (Yumn Ltd)	Energy	USD 15,000,000	2016
Senegal	Polykrome S.A.	Manufacturing	EUR 4,000,000	2018
Sierra Leone	Goldtree	Agribusiness	USD 1,750,000*	2011, 2013, 2014, 2016, 2019
South Africa	Evolution One (BVI) LP	Energy	-	2008
South Africa	SPARK Schools (eAdvance Proprietary Limited)	Education	USD 5,166,581	2020
Tanzania	Africado Limited	Agribusiness	EUR 2,500,000	2018
Tanzania	**Kilombero Valley Teak Company Ltd**	**Forestry**	**USD 345,000***	**2000, 2006,2009, 2010, 2011, 2012, 2021**

*This amount only includes investments signed since September 2016, based on Finnfund's disclosure policy.

Country	Investment	Sector	Finnfund's financing	Agreement year
AFRICA				
Tanzania	New Forests Company (Tanzania) Limited	Forestry	-	2014
Tanzania	Precision Air Services (Swala Leasing and Finance Limited)	Transport and storage	-	2008
Tanzania	Sound and Fair Tanzania Limited	Forestry	-	2016
Uganda	NFC Forests Company Uganda UK Limited	Forestry	-	2015
Zambia	Yalelo Limited	Agribusiness	USD 6,000,000	2019
ASIA				
Asia	BOPA PTE. LTD	Financial institutions	USD 9,500,000	2017, 2018, 2020
Asia	Cambodia Laos Development Fund S.C.A., SICAV-SIF	Other funds	-	2009
Asia	New Forests Tropical Asia Forest Fund L.P.	Forestry	-	2012
Bangladesh	Everest Power Generation Company Limited	Energy	-	2015
Bangladesh	Fun Factory Ltd	Manufacturing	USD 1,200,000	2017
Cambodia	**Sathapana Bank PLC**	**Financial institutions**	**USD 15,000,000**	**2019, 2021**
China	GreenStream ESCO	Energy	-	2014, 2016
China	LVDU Lapland Food (Fushun)	Agribusiness	-	2012
China	Mekitec Oy	Digital infrastructure and solutions	-	2010, 2011
India	Annapurna Finance Private Limited	Financial institutions	EUR 15,000,000	2019
India	Ashley Alteams India Limited	Manufacturing	-	2009
India	Fortum Charge&Drive India Private Limited	Energy	EUR 4,000,000	2020
India	Gemco Kati Exploration Pvt. Ltd.	Manufacturing	-	2016
India	Spica Metfab Solutions India Private Limited	Manufacturing	-	2009
India	SREI Equipment Finance Limited	Financial institutions	EUR 15,000,000	2017
India	Stera Engineering (India) Private Ltd	Manufacturing	-	2014
India	VME Precast Pvt. Ltd.	Manufacturing	-	2009
Indonesia	Frontier Tower Associates Pte Ltd.	Digital infrastructure and solutions	USD 10,000,000	2017
Indonesia	SaraRasa Biomass	Manufacturing	USD 500,000*	2012, 2013, 2015, 2016, 2018
Laos	Burapha Agro-Forestry Co. Ltd.	Forestry	USD 10,000,000	2016, 2018
Laos	Nam Sim Power Company Limited	Energy	USD 200,000*	2011, 2020
Mongolia	XacBank II LLC	Financial institutions	USD 5,000,000	2019
Myanmar	Early Dawn Microfinance Company Limited	Financial institutions	USD 11,000,000	2020
Myanmar	Proximity Holding Company Pte. Ltd	Financial institutions	USD 4,666,371	2020
Nepal	Dolma Impact Fund I	Other funds	USD 3,100,000*	2014, 2018
Pakistan	Kashf Foundation	Financial institutions	USD 10,000,000	2020
Sri Lanka	Softlogic Life Insurance PLC	Financial institutions	USD 7,500,000	2020

*This amount only includes investments signed since September 2016, based on Finnfund's disclosure policy.

Country	Investment	Sector	Finnfund's financing	Agreement year
ASIA				
Thailand	A.T. Biopower Company Limited	Energy	-	2003
Thailand	Salo Tech (Thailand) Limited	Energy	EUR 2,756,250	2020
Thailand	TBEC Singapore PTE Ltd	Energy	-	2009
Vietnam	Australis Aquaculture Vietnam Limited	Agribusiness	USD 9,500,000	2017
Vietnam	Nafoods Group Joint Stock Company	Agribusiness	USD 5,000,000	2020
Vietnam	**Vietnam Debt Fund SPC**	**Financial institutions**	**USD 15,000,000**	**2021**
EASTERN EUROPE AND CENTRAL ASIA				
Bosnia and Herzegovina	ArcelorMittal (Toplana Zenica d.o.o.)	Energy	EUR 1,800,000	2018
Georgia	Bank of Georgia	Financial institutions	USD 10,000,000	2019
Russia	Peikko OOO	Manufacturing	EUR 2,000,000	2018
Serbia	Cibuk Wind Farm (Taaleri Tesla Ky)	Energy	EUR 10,740,971	2017, 2018
Serbia	SEAF South Balkan Fund B.V.	Other funds	-	2009
Ukraine	Syvash Wind Farm (SyvashEnergoProm LLC)	Energy	EUR 15,000,000	2019
INTERNATIONAL				
International	**Advans Group**	**Financial institutions**	**EUR 20,000,000**	**2019, 2021**
International	Althelia Climate Fund SICAV-SIF	Other funds	-	2013
International	Arbaro Fund SCSp	Forestry	USD 10,000,000	2018
International	Catalyst MENA Clean Energy Fund LP	Energy	-	2016
International	Dasos Timberland Fund I SICAV-SIF	Forestry	-	2010
International	GEEMF Global Environment Emerging Markets Fund III L.P.	Other funds	-	2007
International	Interact Climate Change Facility II	Financial institutions	EUR 20,000,000	2016
International	Interact Climate Change Facility II B	Financial institutions	EUR 15,000,000	2020
International	Interact Climate Change Facility S.A. I	Financial institutions	-	2011
International	Interact Climate Change Facility S.A. I B	Financial institutions	-	2013
International	IPI Group (Holding) S.A.L. (IPT Powertech)	Digital infrastructure and solutions	USD 10,000,000	2019
International	Jumo World Limited	Digital infrastructure and solutions	USD 11,996,500	2018, 2020
International	Moringa S.C.A., SICAR	Forestry	-	2013
International	**Nordic Impact Cooperation AS**	**Energy**	**EUR 7,400,000**	2021
International	OP Finnfund Global Impact Fund I	OP Finnfund fund	EUR 67,350,000	2020
International	ShoreCap International Ltd. II	Financial institutions	-	2009
International	WWB Capital Partners, LP	Financial institutions	-	2012

Country	Investment	Sector	Finnfund's financing	Agreement year
LATIN AMERICA AND THE CARRIBBEAN				
Argentina	Methax U.K. Limited	Energy	USD 20,000,000	2017
Colombia	Forest First Colombia	Forestry	USD 10,000,000	2017
Ecuador	Productora Cartonera S.A., Surpapercorp S.A.	Forestry	USD 9,000,000	2020
El Salvador	Bósforo Ltda. De C.V.	Energy	USD 15,000,000	2017
Honduras	Mezapa (Sociedad Electrica Mesoamericana S.A. de C.V. (SEMSA))	Energy	-	2010
Honduras	Valle Solar Power Project	Energy	-	2015
Latin America and the Caribbean	Caseif II, Caseif Corporation II Ltd	Other funds	-	2007
Latin America and the Caribbean	Central American Mezzanine Infrastructure Fund	Other infrastructure	-	2009
Latin America and the Caribbean	Central American Mezzanine Infrastructure Fund II	Other infrastructure	-	2014
Latin America and the Caribbean	**CIFI (Corporación Interamericana para el Financiamiento de Infraestructura, S.A)**	**Financial institutions**	**USD 15,000,000***	**2004, 2021**
Latin America and the Caribbean	SEAF Latam Growth Fund LLC	Other funds	-	2008
Latin America and the Caribbean	The Forest Company Limited	Forestry	-	2010
Mexico	Pro Eucalipto Holding S.A.P.I. de C.V.	Forestry	-	2014, 2015
Nicaragua	MLR Forestal de Nicaragua S.A.	Forestry	USD 10,000,000	2019
Paraguay	San Francisco S.A.	Transport and storage	USD 8,000,000	2017
THE MIDDLE EAST				
Jordan	Arabia One for Clean Energy Investments PSC	Energy	-	2014
Jordan	Falcon M'an for Solar Energy LLC	Energy	-	2014
Jordan	FRV Solar Jordan Holdings IX B.V.	Energy	-	2016
Jordan	Jordan Solar One/Jordan PSC	Energy	-	2014
Turkey	Noksel A.S.	Manufacturing	-	1992

*This amount only includes investments signed since September 2016, based on Finnfund's disclosure policy.

finnfund

Impact

Sustainability is a prerequisite for impact

Finnfund's mission as a development financier and impact investor is to build a sustainable future and to generate a lasting impact by investing in businesses that solve global development challenges (p. 8). Responsible companies play an important role in solving major global challenges such as poverty, inequality, climate change, and biodiversity – and in meeting the Sustainable Development Goals (SDGs) by 2030.

We strive to mobilise funding to enhance sustainable development and climate actions in developing countries. At the end of 2021, 19% of Finnfund's financing was from private capital markets. In our new strategy, we set a new strategic objective of increasing this percentage to 50% by 2030. We also aim to double our total impact from 2020 to 2025 and to maintain a carbon net-negative investment portfolio.

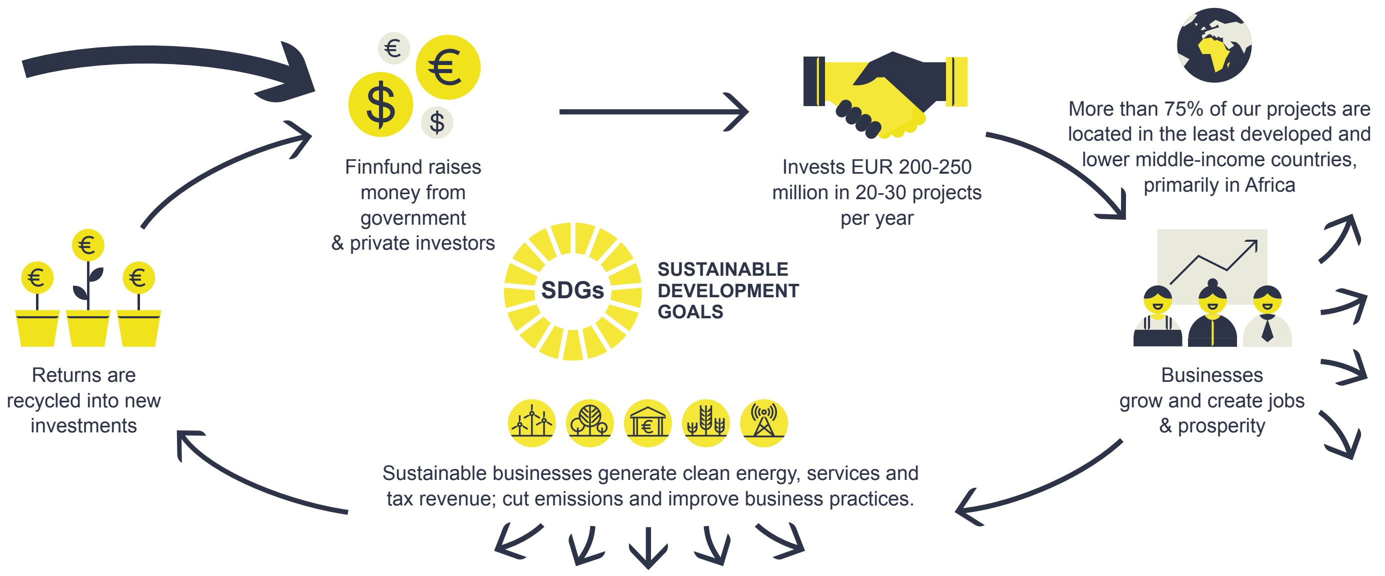
Three criteria for every investment

Every Finnfund investment must meet three criteria: it must generate positive impact, be sustainable, and offer an appropriate risk-adjusted return. We assess each investment against these criteria before making an investment decision, and we continue to monitor its performance throughout our investment period. Using our leverage as a financier, we encourage our investees to constantly improve their sustainability practices towards people, the environment, and society.

Finnfund's strategy also guides us to invest in business projects that contribute to the Sustainable Development Goals (SDGs). Before any investment decision, we assess the investment against the SDGs.

Finnfund invests only in private companies that are expected to generate a positive net impact on society as well as solve global or local development challenges. Our experts assess the expected development impacts of every investment before the investment decision, and we monitor different levels of impact throughout the life cycle of the investment.

We believe that sustainability is a prerequisite for positive impact. Sustainable, responsible business



Finnfund's approach to development.

practices add value to investments and contribute to generating a positive impact. They play a key role in the risk management of each project and in ensuring that the "do no harm" principle is respected in our investments. Simultaneously, responsible and environmentally, socially, and economically sustainable business practices can improve the operational and financial performance of a company, enhance employee well-being and commitment, and bring a competitive advantage.

We strongly believe that it also improves the company's risk management to ensure that the "do no harm" principle is respected in our investments, as it helps to anticipate unexpected risks and impacts, enhances cooperation with stakeholders, and strengthens the social licence to operate.

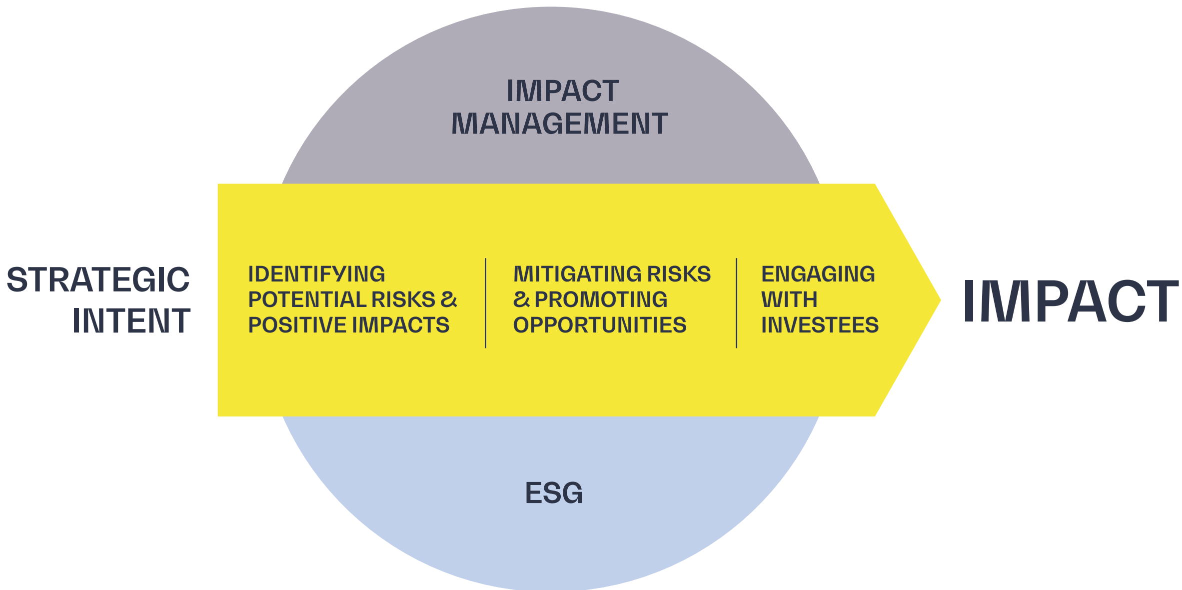
As explained further on p. 73, due to Finnfund's role as a development financier, a company's operations often do not meet all applicable standards prior to the investment decision, and it is therefore essential to assess the company's ability to develop its operations within an agreed timeframe. Investments typically close compliance gaps within the first 1–3 years of a Finnfund investment.

When financing private companies, financial profitability is key to creating impact. If a company fails to keep its business running, it will not achieve the desired impact. Therefore, the viability of the business model is another prerequisite for Finnfund's investment.

Finnfund's financing is often catalytic

Many projects that have a significant development impact would never take off without long-term financing provided by Finnfund and other development financiers. Finnfund's funding is often catalytic because it helps projects to raise additional commercial financing.

Most of our investee companies also have community development projects alongside their core business activities. This is particularly typical of businesses operating in remote rural areas where public services are weak.



Impact creation at Finnfund.

"Our strong focus on impact and sustainability gives us in-depth information and insight concerning a company's operations, which is extremely valuable in terms of not only risk mitigation but also business development."

Kaisa Alavuotunki
Director, Impact and Sustainability

We strive to mobilise funding to enhance sustainable development and climate actions in developing countries. At the end of 2021, 19% of Finnfund's financing was from private capital markets.

The New Forests Company (NFC) conducted a survey among out-growers in their neighbouring communities in Tanzania. The survey was part of a pilot project initiated by Finnfund aiming to support its investees to better collect and analyse feedback and impact data from their stakeholders. Read more about the survey on our website. Photo: NFC

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 require fresh investments worth up to USD 4,000 billion 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.

IMPACT

1 NO POVERTY
- Eradicating poverty from the world by 2030

RESULTS

10 REDUCED INEQUALITIES
- Taxes and payments to the state
- Jobs and services for the poorest

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- Introduction of new technologies
- Improving infrastructure and services

13 CLIMATE ACTION
- Financing for climate change mitigation and adaptation

8 DECENT WORK AND ECONOMIC GROWTH
- Decent jobs and wages
- Access to official financial services, financial inclusion and economic growth

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

ACTIVITIES

2 ZERO HUNGER
- Development of sustainable agriculture, forestry and food production

3 GOOD HEALTH AND WELL-BEING
- Improving access to health services and medicines

4 QUALITY EDUCATION
- Training and development of workers
- Education and teaching

6 CLEAN WATER AND SANITATION
- Sanitation
- Responsible water use, waste management

15 LIFE ON LAND
- Sustainable forestry
- Protecting biodiversity, fighting deforestation

16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- Promoting responsible and lawful practices
- Supporting fragile states and regions

7 AFFORDABLE AND CLEAN ENERGY
- Improving energy supply, renewable energy

11 SUSTAINABLE CITIES AND COMMUNITIES
- Innovative technology solutions, waste management, improving air quality, housing finance

14 LIFE BELOW WATER
- Responsible fish farming
- Responsible cleaning of waste water

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- Responsible production methods

TOOLS

17 PARTNERSHIPS FOR THE GOALS
- Financing and mobilising private funding for businesses that promote sustainable development
- Support for poor countries and fragile regions
- Promoting good practices in environmental and corporate responsibility
- Promoting tax compliance and increasing the tax revenue of developing countries
- Promoting cooperation with different actors

This figure illustrates how Finnfund's investments promote the achievement of the 17 Sustainable Development Goals.

DEVELOPMENT IMPACT

Development impacts of Finnfund's investments

As a development financier and impact investor, the generation of positive development impacts and mobilisation of funding for sustainable development and climate actions are the raison d'être for Finnfund. The UN Sustainable Development Goals and the targets set by the Paris Agreement cannot be met without private sector involvement.

Sustainable businesses generate positive economic, environmental and social impacts both directly and indirectly. Hence, sustainability is a prerequisite for creating this positive impact. You can read more about our approach to sustainability on p. 70.

Finnfund invests only in private companies that are expected to generate a positive net impact on society, as well as to solve global development challenges. Going forward, this means that we also take into account the inevitable negative impact of most businesses through, for instance, carbon emissions (p. 52).

In 2021, the COVID-19 pandemic continued to create challenges, as travel restrictions reduced our ability to carry out field visits. This reduced opportunities to meet face-to-face with investee companies and the markets and communities that they serve. This meant that it was more challenging to identify and grow an additional impact from our investments. At the same time, Finnfund's strong impact processes continued to be applied, leading to further strength in our impact going forward.

As explained previously (p. 8), at the end of 2021, we introduced our new strategy, setting Finnfund's operational guidelines and targets until 2025. For instance, we aim to double our total impact from 2020 to 2025 and maintain our investment portfolio as carbon net-negative.

Impact management in Finnfund's investment process

Finnfund assesses the expected development impacts of every investment before the investment decision, and monitors and manages development impacts throughout the life cycle.

Finnfund was one of the first signatories to the _ (OPIM) in 2019. The nine principles of OPIM provide an internationally recognised framework for investors, to ensure that impact considerations are purposefully integrated throughout the investment life cycle and require a robust investment thesis of how the investment contributes to achieving impact. Although the Finnish impact investor landscape has grown over the last few years, Finnfund was and still is the only Finnish company among the more than 110 signatories to OPIM.

Our impact management framework embeds impact in our investment cycle, making impact considerations an integral part of decision-making in the organisation. This means that impact is addressed from origination, when a possible investment is brought into the portfolio, until exit. Impact analyses are undertaken at various stages of the process, including at several decision-making steps, building up to formal approval of an investment by Finnfund's Board.

As required by OPIM Principle 9, Finnfund disclosed its first statement on its alignment with the principles in 2020 for public scrutiny, and the statement and processes were externally verified in 2021. The verification was conducted by BlueMark, the leading organisation in verifying OPIM signatories' impact management practices. BlueMark found Finnfund's impact management practices be of high or advanced level, especially in strategic orientation, portfolio-level management, and risk management practices, but found room for improvement especially in conducting responsible exits and in learning from impact monitoring and evaluations.

Finnfund is taking the recommendations seriously and has already made improvements in ensuring responsible exits, for example. The next verification is slated for 2025 the latest.

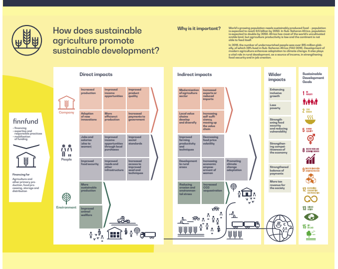
Strategic intent	Origination & structuring	Portfolio management	Impact at exit
1. Define strategic impact objective(s), consistent with the investent strategy 2. Manage strategic impact on a portfolio basis.	3. Establish the Manager's contribution to the achievement of impact 4. Assess the expected impact of each investment, based on a systematic approach. 5. Assess, address, monitor and manage potential negative impacts of each investment	6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	7. Conduct exits considering the effect on sustained impact 8. Review, document and improve decisions and processes based on the achievement of impact and lessons learned.

Independent verification

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

Operating Principles for Impact Management (OPIM) provide a framework to ensure that impact considerations are purposefully integrated throughout the investment life cycle.
SOURCE: impactprinciples.org/principles

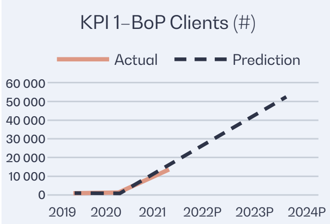
What type of impact and how?



How significant impacts?

WHAT?
WHO BENEFITS?
HOW MUCH?
CONTRIBUTION?

Are the impact targets met?



How can companies enhance impact?

OPPORTUNITIES TO PEOPLE AND PLANET

STRATEGIC INTENT | **ORIGINATION AND DECISION** | **PORTFOLIO MANAGEMENT** | **LEARNING AND IMPROVEMENT**

DO NO HARM – RISKS TO PEOPLE AND PLANET (ESG)

What do we require?

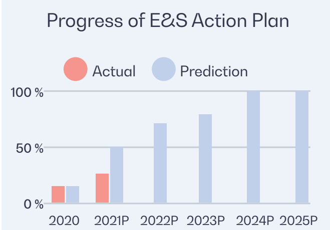
Exclusion lists	IFC PS	Climate risks
UNGP	ILO Core Labour Standards	Sector specific

Most salient risks and how to mitigate?

E&S Risk

High | Medium high | Medium low | Low

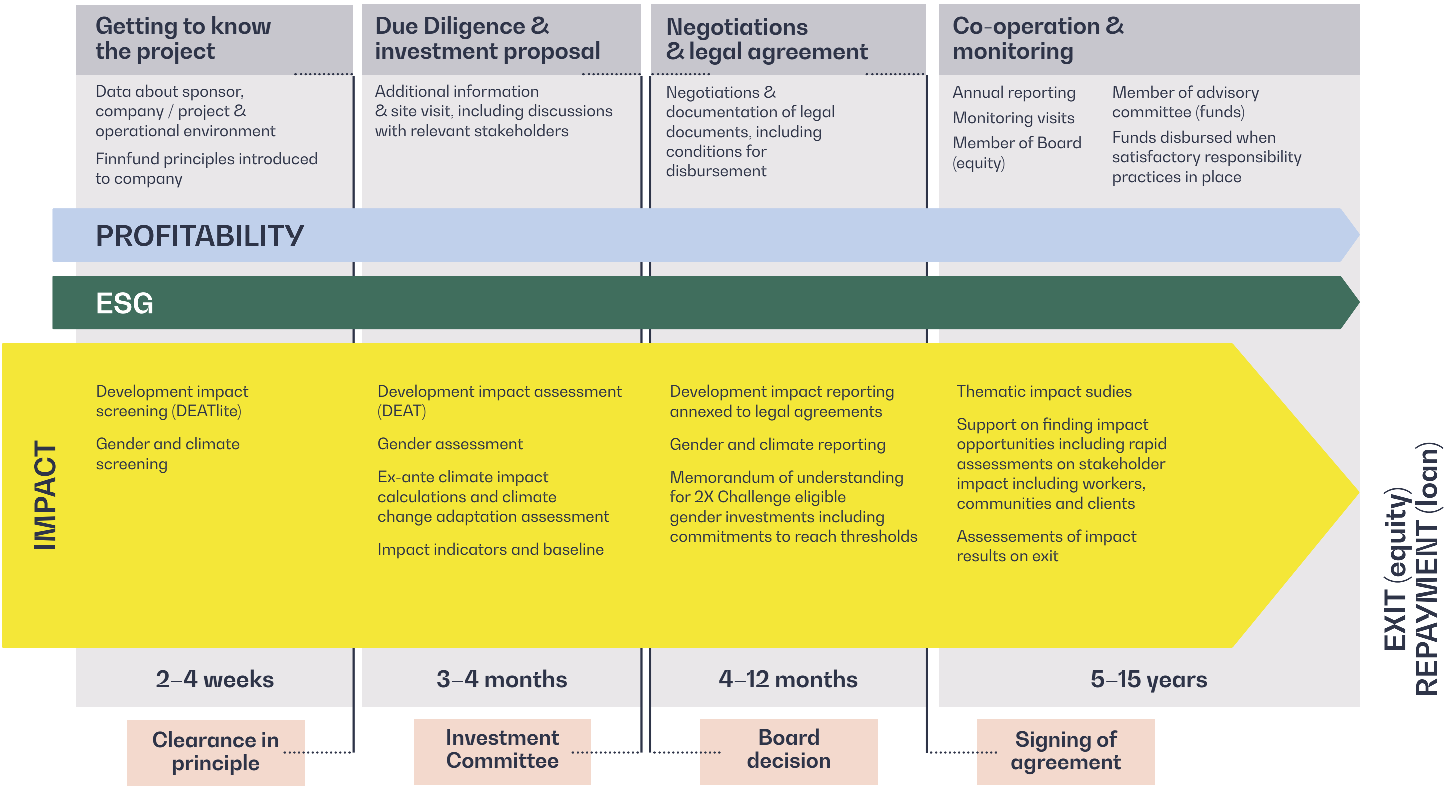
Is the company improving its practices?



How are the impacts sustained?

THE GLOBAL GOALS
For Sustainable Development

Impact creation in our investment process.



Development impact as part of Finnfund's investment process.

Theories of change guide our impact theses

Finnfund's mandate is to enhance socio-economic development in developing countries. We have identified five key sectors that we believe are especially conducive for private sector operations and important for furthering the Sustainable Development Goals, namely renewable energy (p. 36), sustainable forestry (p. 40), sustainable agriculture (p. 43), financial institutions (p. 47), and digital infrastructure and solutions (p. 50).

For each of these sectors, we have created Theories of Change (p. 92). These guide our impact thinking when we assess investments before financing decisions, monitor projects annually, and commission specific impact studies and surveys. The Theories of Change, or impact pathways, describe how our financing and other inputs lead to changes in a company's perfor-

OPIM? Operating Principles for Impact Management is a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment life cycle.

Read more
www.impactprinciples.org

Operating Principles for Impact Management mance, generating direct, indirect, and wider economic, social and environmental impacts.

The Theories of Change lay the foundation for all impact assessments not only by helping us better identify potential direct and indirect impacts of investments, but also by defining their broader social impacts and contribution to the SDGs. Furthermore, they help us identify indicators needed for monitoring assumed impact during our investment period.

Careful screening and impact scoring lay the ground for our decision-making

We strongly believe that financiers' leverage is at its greatest when they select what to invest in. Finnfund aims to invest in financially viable and economically, socially and environmentally sustainable projects that have the greatest possible impact. Only around 5% of investment leads screened by Finnfund's experts eventually receive our financing.

Our key tool for preliminary screening of investments before making an investment decision is the Development Effect Assessment Tool (DEAT). The tool builds on our Theories of Change (p. 92–103) and the joint work conducted by development finance institutions. Each potential investment gets an impact score, which consists of strategic relevance (e.g. its climate and gender impacts), contribution to markets and local economic development, and the additionality of Finnfund's financing.

Monitoring direct impacts captures changes in scale and reach

At the beginning of the investment period, Finnfund sets and collects baseline indicators for monitoring the direct impacts for each investment. During the entire investment period, our investee companies report annually on the agreed indicators, which inform us if the investments are on track with their predicted impact performance.

The majority of our indicators are based on the Harmonized Indicators for Private Sector Operations (HIPSO), or the IRIS+ indicators developed by the Global Impact Investing Network (GIIN) and hence collectively agreed upon by international development finance institutions and impact investors.

Capturing indirect impacts through studies and surveys

With direct impacts being only a fraction of the total outcomes, identifying indirect impacts is a key aspect of understanding the results of our investments.

For example, our interest is not primarily in the number of jobs, but in the impact these jobs create. We are interested in jobs because we believe that access to formal jobs can lift people out of poverty.

Similarly, we monitor our energy investments through the gigawatt hours they generate. But it is not really the gigawatt hours we are interested in. We want to know what the impact of the additional energy is on the economy or on the environment. And we have learned that for our energy investments to make an impact, the electricity they generate needs to be cheaper, more reliable, or cleaner than the existing generation alternatives.

For end-users, such as companies or households, this means more money available for things other than energy consumption, more hours of uninterrupted electricity, and less local emissions, for example. These, in turn, lead to increased opportunities for livelihoods and well-being, health benefits, and so on.

We care about the quality and the wider impact of the jobs we create. In 2021, three studies initiated with Work Ahead, a Finnish company specialising in technology-enabled impact surveys, were completed, and experiences are now being used to further develop and scale up the surveys. Findings from the completed surveys indicate that the companies are highly appreciated, responsible employees and partners, and the income they generate through salaries, purchases and community programmes improves peoples' lives, living standards and livelihoods. Initial findings from new surveys concretise climate change risks that people are living with and the impacts that natural hazards have on their lives.

For instance, we conducted a survey with our investee Yalelo, a Zambian aquaculture company, to ask their employees directly about the decency of their work, the quality of their workplace, and the impact the work has had on their lives. You can read about the results on p. 61 – and watch a video on our YouTube channel.

In many cases, the product offerings of our investees are unique in the markets where they operate. We want to know how these products and services provided by our investees impact the lives of their clients using them.

In 2021, we commissioned three rapid impact surveys with 60 Decibels and our investee companies to better understand who their customers are, how they experience the impact, how significant the impact is, and what could be done to further improve the benefits. The surveys proved that our companies: 1) are providing services and products that are not easily available; 2) are making a great impact in improving customers' lives; and 3) always have room for improvement in responding to customers' complaints. The surveys have proved to be very valuable both for the companies and for Finnfund.

You can read more about the surveys on p. 61.

Modelling wider impacts when direct data is not enough

Understanding and measuring indirect impacts can be highly complex. This is where modelling can help. Finnfund uses modelling in estimating investment impact on indirect and induced jobs, and value added across the economy, and in calculating the CO_2 emissions of our portfolio.

Since 2020, we have been using the Joint Impact Model (JIM) to estimate the gross direct and indirect economic and environmental impacts of a portfolio of investments in developing markets.

With JIM, the results can be attributed according to Partnership for Carbon Accounting Financials (PCAF) recommendations. The tool is publicly available for all interested users.

In measuring our climate impacts, we use modelling to calculate the aggregate emissions of our investments in cases where primary data is limited (p. 56).

Financiers' influence varies

The figures in this report are the direct impact indicators that have been provided by the investee companies, and they do not reflect the proportion of Finnfund's investment.

It is important to note that besides the amount of financing, there are also other factors that contribute to the achieved impact. These other key factors include the type of financing instrument (loan or equity, etc.), the project's risk level, and the level of investors' involvement, including their ability to catalyse external funding, reduce risks, or improve the investee's sustainability practices.

In most cases, this report therefore presents the overall impacts to which Finnfund has contributed. An exception to this is the measurement of climate effects, for which Finnfund applies the PCAF standard and which subsequently presents results directly attributed according to our share of funding. You can read about our climate work on p. 52.

Finnfund rates additionality for each investment in terms of both its financial and its non-financial additionality.

Impact data from investments covers the year 2020

Due to the timeframe of collecting the data from Finnfund's investees, the figures representing the direct impact indicators on the following pages are from 2020. Data for 2021 will be presented in the 2022 Annual Report.

As Finnfund's investment portfolio kept growing in 2020, so did the aggregate impact of our investments. The content of our investment portfolio is constantly changing, which is good to keep in mind if comparing figures across years (see the summary table on p. 69). We make 20–30 new investments each year, while we also exit old investments. Portfolio-level data gives a good overview of the types of investments in the portfolio, even if it does not show the impact of an individual investment over time.

"Careful screening and impact scoring early in the investment process is key. Financiers' leverage is at its greatest when they select what to invest in."

Juho Uusihakala
Head of impact

Climate change mitigation and increased access to energy

Renewable energy is clearly a sector that can generate positive impacts at both global and local level. According to the Intergovernmental Panel on Climate Change (IPCC), all pathways that limit global warming to 1.5°C will require rapid and far-reaching transitions in energy. Such transitions are only feasible through a significant upscaling of investments in the sector.

In addition, besides the obvious effect on climate, a reliable and affordable supply of cleaner energy can generate significant social and economic impacts at all levels of society. For instance, according to modelling (JIM), the electricity produced by our portfolio energy investments created up to 90,000 new jobs in the economies in 2020.

As explained on p. 70, in 2021, we adopted a new Statement on Climate and Energy, which underlines our commitment to the Paris Agreement and explains what this commitment means in practice. In addition, we adhere to the European Development Finance Institutions' (EDFI) exclusion list to exclude coal and fossil fuel financing in all new direct financing, all new indirect equity through new commitments to investment funds, and new dedicated lending via financial institutions.

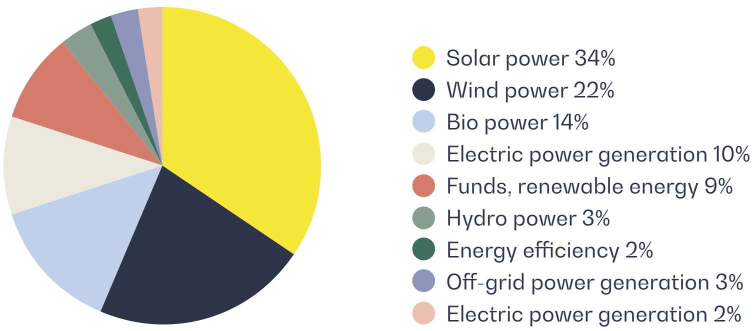
However, Finnfund continues to invest in hybrid-power, and off-grid or mini-grid solutions where the majority of the power is generated by a renewable source, such as solar, but needs to be backed up by battery storage and/or diesel generators. Under exceptional circumstances, Finnfund may also finance gas-fired power plants until 2030.

Finnfund invests in companies that generate cleaner, cheaper, and more reliable energy than existing alternatives. At the end of 2021, Finnfund's energy portfolio and commitments stood at 223 million euros. The energy portfolio represents 20% of the total Finnfund portfolio.

In 2021, Finnfund did not make any new investment agreements in the energy sector.

See the Theory of Change for renewable energy on p. 92.

Energy portfolio and commitments as of 31 December 2021
(total EUR 178 million)



CASE

Starsight
Nigeria

Energy-efficient solar power solutions for commercial and industrial clients

● Starsight, the leading commercial and industrial (C&I) solar power provider in West Africa, has grown from a pioneer in the C&I field to a market leader inspiring the whole industry. The company has successfully built a well-functioning business model by providing cleaner, cheaper, and more reliable electricity to clients across Nigeria and Ghana. In 2021, Starsight's portfolio covers over 500 sites, 36 MW of installed generating capacity, and 28 MWh of storage capacity.

Finnfund had been financing Starsightsince 2019. In January 2021, we, together with Norfund, a Norwegian development financier, increased our senior debt facility from USD 10 million to 20 million. The funding allowed Starsight to swiftly deploy hybrid-solar solutions to new C&I customers.

KEY FIGURES 2020

Energy

- Our investees generated 6,300 GWh of energy, which represents a 24% decrease from the previous year.
- However, electricity generation from our direct investments increased by 52% and totalled 5,100 GWh.
- A big share (3,100 GWh) of this originated from our three wind power plants: Syvash in Ukraine (1,450 GWh), Lake Turkana (1,300 GWh) in Kenya, and Cibuk in Serbia (380 GWh).

6,300 GWh

of energy generated by our investees

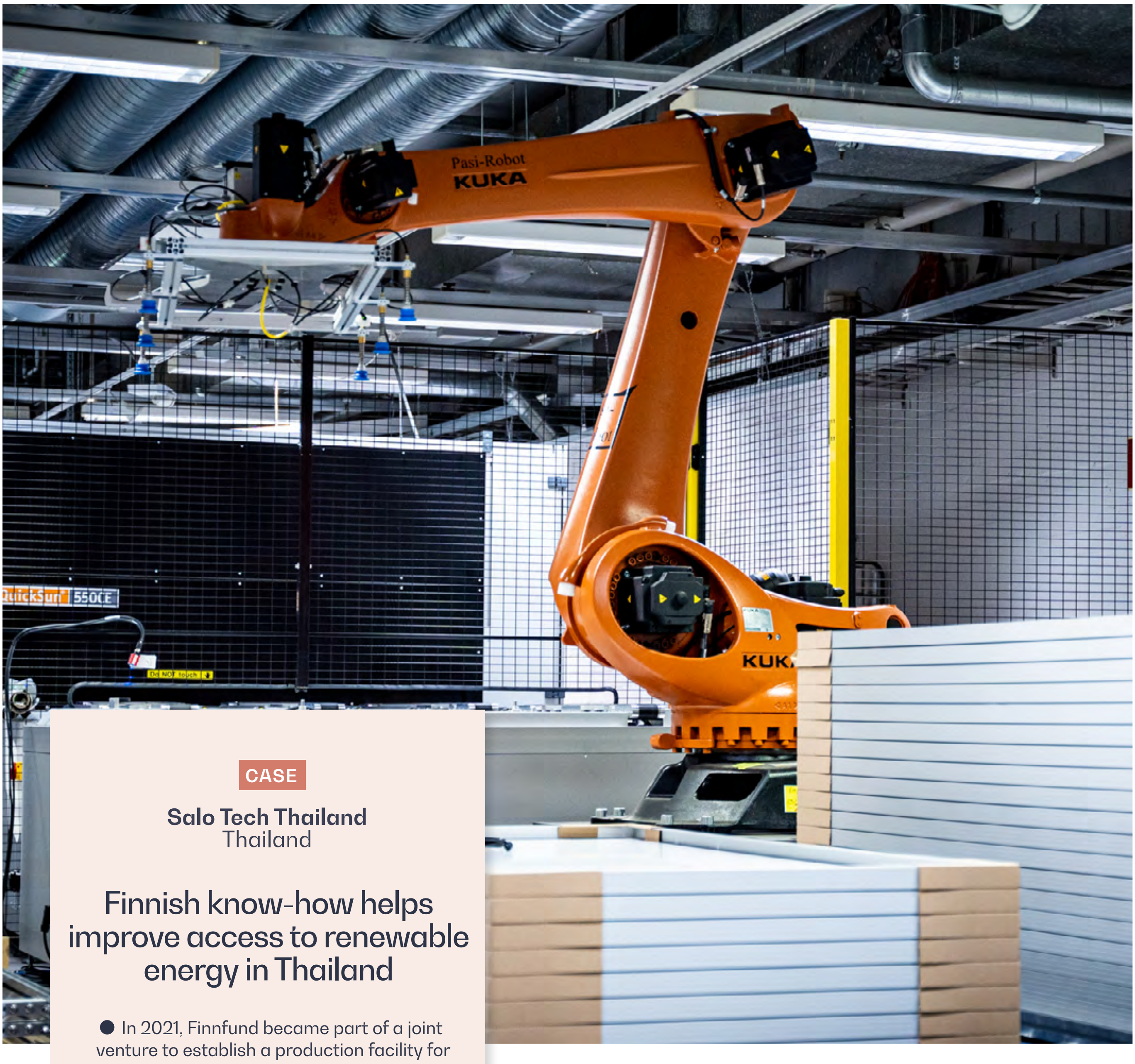
1 NO POVERTY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION



CASE

Salo Tech Thailand
Thailand

Finnish know-how helps improve access to renewable energy in Thailand

● In 2021, Finnfund became part of a joint venture to establish a production facility for photovoltaic modules in Thailand. The production capacity of Salo Tech Thailand Ltd is set to 100 MW per year in the first phase.

The main market area for the PV module factory is Thailand and its surrounding areas.

Salo Tech Thailand will produce high-quality products following a Finnish operating model. The production will be based on best international practices, such as the ISO standards for quality, the environment, and occupational health and safety, as well as the supply chain traceability protocol. Production is intended to begin during Q2 in 2022.

Sustainable forestry enhances climate actions and rural development

Forests are vital for our well-being – and survival – at both global and local levels. They play a key role in the fight against climate change and biodiversity loss. Forests sequester approximately one-third of the carbon emissions stemming from the use of fossil fuels.

In addition, forests prevent erosion, help maintain clean water supplies, and provide many sources of well-being for local communities. Sustainably managed forests also bring jobs, services, and prosperity to people living in remote rural areas.

However, rapid deforestation, particularly in many parts of Africa and Latin America, is diminishing global forest cover at an alarming rate.

Finnfund is the leading DFI in sustainable forestry

Sustainable forestry has long been one of Finnfund's key sectors. At the end of 2021, our investments in forestry (portfolio and commitments) were worth 174 million euros, which represented 15% of the total portfolio. This is higher than in any other development finance institution (DFI), making Finnfund a leading DFI investing in forestry.

In 2021, Finnfund made one additional investment in Forest First Colombia. In June, Finnfund, together with three European development finance institutions (EDFI) – CDC Group (UK), FMO (Netherlands), and Swedfund (Sweden) – and Simosol, an IT company, launched the FRESCOS Tool, a web-based, open-access tool to account for the carbon sequestration of afforestation and reforestation projects. The overall goal of the tool is to better account for and analyse the carbon balance of forestry and agroforestry projects. This information can then be further used to estimate the annual net emissions of an investment portfolio. You can read more details about our carbon accounting on p. 52.

FSC®-certified forests

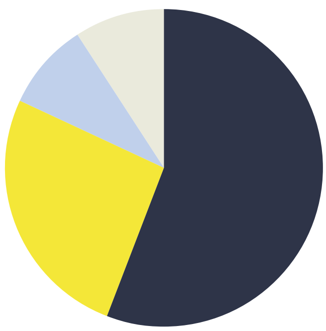
Most of Finnfund's ten direct forestry investees are located in Sub-Saharan Africa and Latin America, where the deforestation rate is most alarming. A large majority of the forests managed by our investee companies have been certified by the international Forestry Stewardship Council (FSC®) as being socially and environmentally responsible and sustainable. This means, for example, that the companies must preserve at least 10% of a forested area. In the case of Finnfund investees, the share of protected forest is often considerably higher.

For instance, Kilombero Valley Teak Company in Tanzania is among the largest teak producers in Africa. The company has 28,000 hectares under management, of which 8,000 hectares is planted teak and 20,000 hectares protected areas, including important wildlife corridors between national parks.

As part of our sustainability work, we pay close attention to biodiversity. We seek investments that enhance biodiversity and require all our investees to adequately manage their biodiversity impacts. You can read more about our biodiversity work on p. 74.

See the Theory of Change for sustainable forestry on p. 94.

Finnfund's forestry portfolio and commitments as of 31 December 2021
(total EUR 168 million)



- Africa 56%
- Latin America and the Caribbean 26%
- International 9%
- Asia 9%

KEY FIGURES 2020

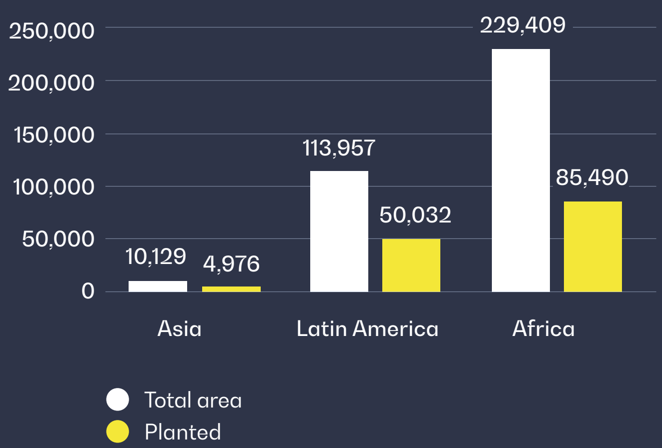
Forestry

0.8

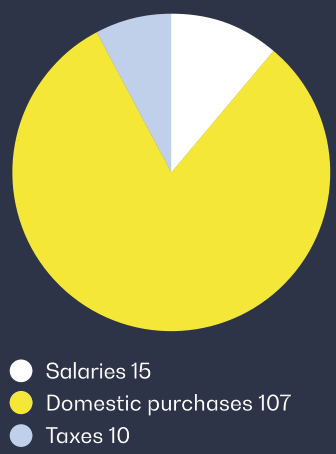
million ha of forest under sustainable management

- Finnfund's direct investees had approximately 350,000 hectares under sustainable management, of which 145,000 hectares were planted and growing, and approximately 110,000 hectares (32%) were protected areas.
- In addition, through funds, Finnfund financed over 800,000 hectares of forest under sustainable management. A majority of this area is FSC-certified natural forest.
- Our direct forestry investees had 5,600 employees, of whom 900 (16%) were women.
- These companies contributed EUR 133 million to local economies through salaries, local taxes, and especially through purchasing local goods and services.

Hectares under management and planted in direct investments in 2020



Contribution to local economies in 2020 (total EUR 132 million)



CASE

Green Resources
Mozambique

Returning land back to communities

● Green Resources (GRAS) is a forestry company that manages a landholding of 111,355 ha of which 57,490 hectares (ha) is FSCTM certified forests in Tanzania, Uganda, and Mozambique. Finnfund provided the first loan facility to the company in 2012 and eventually, in 2021, became one of the owners.

In 2021, GRAS successfully returned the land use titles in respect to 174,291 ha of land to the Mozambican State, whilst at the same time helping to restore community land rights over these areas. The return is a strategic move by GRAS to consolidate its landholding and match it to future ambitions. The area is part of the total area of 238,852 ha returned, affecting 117 villages (approximately 500,000 people) of which 64,561 ha had been returned in 2018.

GRAS has been careful to follow international best practices and national laws in the return of the land titles. Recognizing that land matters are often sensitive, the company hired Terra Firma, a specialist Mozambican consultancy firm, to facilitate the process. They have also partnered with the Integrated Land and Resource Governance Program of the USAID, which provided funding and expertise to guide affected local communities through transparent and participatory processes of mapping out their underlying rights to the returned land, as a precursor to the ceding of the titles back to the State.

Following GRAS' exit from the land areas the ownership of the remaining forest plantations was formally ceded to communities on whose lands the plantations stand. Each community has a registered land management association, which has the mandate to manage the land on behalf of their members. USAID, Terra Firma, and other civil society organisations continue their engagement with these communities and are actively working on creating livelihood programmes, including but not limited to tree farming.

A first sign of success is the transfer of a biomass supply contract with a large international agro-processing firm from GRAS to a group of 7 communities in Alto Molocue, in Zambezia province.

In 2021, GRAS also began to develop a strategic Sustainability Agenda that defines key sustainability themes and targets for the company. The Sustainability Agenda will represent a commitment to incorporating social, environmental, economic and ethical factors into the company's strategic decision-making and outline measures to mitigate risks and take advantage of opportunities.

Food security, rural development – and adaptation to climate change

Improving agricultural productivity is essential for feeding the world's growing population.

A vast majority of the world's poorest people are still dependent on small-scale farming. Many farmers, particularly in Africa, continue to grow economically poorly producing plants and plant varieties such as corn and cassava, mainly for their own and local consumption.

Another challenge faced by farmers is crop and food waste. In developing countries, food waste occurs mainly at the early stages of the food value chain, as farmers' capacity to process and store their crops is limited, and inefficient logistical chains restrain the smallholder farmers' access to markets. For example, according to the World Bank, in Africa, this leads to an estimated average loss of 25% of the agricultural production in Africa, and the continent is a net importer of food.

Simultaneously, we can already see the effects of climate change, such as droughts and other extreme weather conditions, in many developing countries and regions.

At the end of 2021, Finnfund had 8 direct investments in agriculture and 15 indirect investments through funds. We have also invested in financial institutions that increase access to finance in this capital-scarce sector.

Jobs and capacity building

Agribusinesses usually operate outside cities and towns. They are often important and sometimes even the sole local employers. In many cases, agribusinesses are strongly associated with the local economy, working directly with local small-scale farmers, providing a marketplace for local produce, and helping farmers improve their productivity.

The jobs that agribusinesses create are also important from a gender equality perspective: the agribusinesses often generate jobs and provide training for women, strengthening their role in economies and helping them in supporting their families.

In 2021, we initiated a two-phase study on the impact that agribusiness, especially commercial cash crop production, has on local food security. The study is implemented with the support of e-Research, and it aims to identify key processes and practices in company-farmer business partnerships that create mutual benefits and sustainable and fair impact locally, without endangering local economies' resilience. The first phase collects evidence from scientific research and establishes a framework for assessing companies' practices, and the second phase, conducted in 2022, will test the framework in practice with our investee companies. The results will be available in 2022.

Working together with smallholders

In 2021, Finnfund's investments continued to improve the capacities of smallholder farmers via outgrower programmes. For example, Africado, a Tanzanian avocado producer, works closely with local smallholders.

Despite the armed conflict in the country, EthioChicken, an Ethiopian poultry company, continued to serve Ethiopian farmers by providing better food security and an affordable protein source in their diet (p. 80). EthioChicken is also a good example of a business promoting women's role in the economy, as the great majority of the farmers the company is working with are women.

ETC Group continued operating even during the pandemic, and provided income for more than 100,000 farmers in the supply chain. Many of their main products, such as lentils, were also important for food security in their target markets (incl. India), where lockdowns limited people's access to affordable fresh foods.

In 2021, Finnfund invested in Twiga Foods, a company that aims to contribute to improving the processing and logistical challenges that smallholder farmers in Africa face, by creating channels for their products to access markets.

In addition, in 2021, Finnfund invested in Advans Group, a microfinance company that has operations in nine countries in Africa and Asia. Advans finances mainly micro and small entrepreneurs and increasingly focuses on providing finance to businesses in rural areas and agriculture value chains. Furthermore, many of the microfinance institutions that we have funded directly or indirectly are increasingly focusing on smallholder loans.

See the Theory of Change for sustainable agriculture on p. 98.

"Climate change adaptation is also a potential business and a precondition for any business to survive. This is evident particularly in agribusiness."

Anne Arvola
Senior Development Impact Advisor

In 2021, we concluded a study Win-win situation between smallholder farmers and large-scale producers, in which we looked at the cooperation of two of our investee companies, Silverlands Ranching and Goldtree, with their smallholders. The aim of the study was to find out whether the cooperation was mutually beneficial for all parties, and to understand the main contributing and/or inhibiting factors in realising mutually beneficial cooperation.

The main findings of the study were that the cooperation was deemed mutually beneficial. The large companies bought a considerable part of their products from smallholders, who benefited from: 1) reliable access to market; 2) access to inputs; 3) access to training and capacity development. According to the smallholders, the greatest impact from improved livelihoods was their increased ability to pay school fees for their children.

The main identified contributing factors to mutually beneficial cooperation were a long-term local presence on the ground, cost-sharing arrangements, formalised agreements, and participation structures. Support from donor agencies through technical assistance was also highly valued.

Adaptation and resilience to climate change through sustainable agriculture

In many developing countries, people are already facing the drastic effects of climate change. Unfortunately, people who are already the most vulnerable and marginalised will experience the greatest impacts. The poor, and particularly women, primarily working in natural resource sectors such as agriculture in developing countries, are expected to be disproportionately affected by climate variability and change. Climate change is making small-scale farming ever harder, forcing people with no proper education, or without the necessary skills to find decent employment, to migrate to cities.

Growth in productivity and yield, enabled by modern agricultural methods, improves food security in developing countries and strengthens the balance of payments. It also supports the entire agricultural value chain, including local food production, and helps climate change adaptation by, for example, introducing more resilient crops.

Climate change adaptation is also a potential business and a precondition for any business to survive. The pressure to adapt comes from the physical changes that climate change will have in companies' and farmers' operational environment, and also from the likely, yet often unforeseen regulatory changes and changes in the markets.

In 2021, we also adopted new tools for assessing physical and transitional climate risks in our agribusiness investments, as well as in our other key sectors. As of 2021, Finnfund has also adopted and made our disclosures consistent with the recommendations of the Task-Force on Climate-related Financial Disclosures (TCFD). The report is available on p. 52.

CASE

Twiga
Kenya

Improving food security in Kenya

In November 2021, OP Finnfund Global Impact Fund I invested 3 million US dollars in Kenyan headquartered B2B e-commerce food distribution platform Twiga.

Population growth and urbanisation create major challenges for food security in Africa. It is estimated that Africans spend up to ten times more of their disposable income on food compared to people in developed markets. In Kenya, Twiga's approach tackles the inefficiencies in domestic food production and distribution ecosystems.

By unifying Kenya's fragmented and inefficient fresh produce markets, Twiga reduces the cost of food production. Twiga matches supply and demand between vendors and small-scale farmers via a mobile-based food supply platform, removing current inefficiencies in the value chain. Modern distribution and cold storage techniques reduce food waste and improve food security. Twiga's business model is reducing post-harvest loss from an average of 30% to under 5%, and lowering the end-user's price by 30%.

Vendors, such as street sellers and kiosks, benefit from increased convenience, hence time saved, fair prices, quality produce, assured food safety through easy tracking, and access to credit from Twiga's partners. Farmers benefit from guaranteed market access, transparent pricing, farming advice and training, and resources and access to credit from Twiga's partners.

Twiga works with both commercial farmers and smallholder farmers. As a response to the risks associated with climate change impacts, Twiga is strengthening its supply chain by establishing irrigated commercial farms, to backstop against small production failure.

In addition to adaptation of Twiga's business model, their business in general is strongly contributing to the national climate change adaptation activities by strengthening the food system and food security in Kenya.

CASE

Phatisa Food Fund 2
Sub-Saharan Africa

Sub-Saharan African fund aims to create over 2,000 jobs in food and agriculture

In February 2021, Finnfund announced its commitment of 15 million US dollars to Phatisa Food Fund 2. The fund will invest across the African food value chain across Sub-Saharan Africa, aiming to strengthen and increase food supply, local production, and distribution across the region.

Finnfund's investment is part of an 82-million-dollar joint commitment by a group of development financiers and impact investors. The investment aims to increase agricultural output by 3 million tonnes.

Phatisa Food Fund 2, via its investment in companies in the food value chain, targets over 90,000 small-holder farmers and micro-entrepreneurs and aims to create over 2,000 permanent jobs and sustain another 10,000 jobs.

The investment contributes to SDG 1 (No poverty), 2 (Zero hunger), 8 (Decent work and economic growth), 5 (Gender equality), 12 (Responsible consumption and production), and 13 (Climate action). In addition, Phatisa Food Fund 2 also contributes to the 2X Challenge gender-investing initiative.

This investment reflects Finnfund's principles for participating in funds. Fund investments are typically used for generating funding and know-how for small and medium-sized enterprises in a specified region and/or sector where companies face challenges in obtaining finance at a reasonable price. Finnfund often focuses on funds that finance investments required for expanding operations.

KEY FIGURES 2020

Agriculture

- 27,816 jobs in agriculture – 36% for women. 13,164 in direct investments; 14,652 through funded investments.
- Our investees are working with 3.4 million small-scale and livestock farmers, 86% of them women.
- Produced 159,000 tons of food and 30 million chickens, equivalent to the daily calorie intake of 565,000 people.
- 1.7 million loans to small-scale agriculture, of which 76% were granted to women.

27,816
jobs in agriculture

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

Empowering people and creating security through financial services

In developing countries, many people do not yet have access to reliable, affordable financial services. Even though access to financial services has improved globally in recent years, country-specific differences remain high. Although over 60% of the populations of developing countries already have bank accounts, in many of the countries in which Finnfund operates, the number is significantly less than this.

Access to financial services plays a significant role in reducing poverty, creating jobs, and bridging the gender equality gap. Reliable, easily accessible financial services for the poorest people and small and medium-sized enterprises help build resilience to shocks and improve the livelihoods of people and businesses.

Finnfund's investees typically provide financial services to micro, small and medium-sized enterprises (MSMEs), as well as individuals who have few alternative sources of reliable and formal banking services, such as savings and digital money transfers.

For Finnfund, responsible lending practices are key. For instance, Finnfund is committed to the Client Protection Principles (CPPs), which strive to ensure that microfinance is based on responsible, sustainable lending practices, data privacy, and respect for human rights. You can read more about the CPPs on our website.

Fintech solutions foster accessibility

A significant proportion of formal jobs in developing countries are in small companies that struggle to access traditional financial services. A lack of finance is a major barrier to the growth of businesses. Banking services also play an important role in empowering women and the poorest people.

Reliable financial services, such as money transfers, payments, savings, loans, and insurance, help people to protect themselves against unexpected risks – such as those caused by climate change – and to invest in their futures.

New digital solutions and agency banking models make banking services more accessible to groups of people in new geographic areas. Finnfund and other development financiers offer affordable, long-term financing for banks and other financial institutions in developing countries, helping them reach new and previously excluded people.

COVID-19 crisis accelerated digital transformation

When the COVID-19 crisis hit the world in 2020, Africa was already in the middle of a digital transformation. The pandemic further accelerated digitalisation and, especially, the rapid adoption of mobile money, which has been a key driver of financial inclusion in Africa. While digitalisation of financial services in Africa was originally driven by fintech companies, African commercial banks and microfinance institutions are now also actively expanding their digital offering. Digitalisation is unlocking new opportunities for African financial institutions to innovate and drive financial inclusion.

According to EIB, Africa's financial sector has remained stable, but private sector financing may recover slowly, with small business and micro-entrepreneurs being the hardest hit.

The crisis has underlined the role of access to savings and loans to mitigate negative coping mechanisms such as reducing food consumption, inability to buy medicine, or children no longer attending school. The COVID-19 crisis has also been increased the use of digital financial services, as people have looked for new ways to access financial services during lockdowns and physical distancing.

Targeting women's financial empowerment

Gender equality and, more specifically, women's improved access to financial services is an increasingly significant criterion for us in selecting new investments. All the investments are assessed through 2X Challenge criteria, which look at both the investee's ability to reach women and lower barriers to access and the financial institution's own organisation and how it supports women at the workplace (p. 62).

Most microfinance customers in our portfolio companies are women. The proportion of female customers is clearly higher for the smallest microloans, as MSME loans for women tend to be smaller than those for men. Women also account, on average, for 40% of the staff of financial institutions, although there is considerable variation between financial institutions across regions, from less than 10% in India to a well-balanced 50% in many investees in Africa.

New investments in Africa and Asia

In 2021, Finnfund made five new investments in financial institutions and one in a fintech company. These include additional investments in existing portfolio companies such as Ecobank, Advans Group, Sathapana, CIFI, and M-Birr. A new investment was made in Dragon Capital, a Vietnamese debt fund.

The Dragon Capital fund supports the government of Vietnam's target to increase the corporate bond market by bringing a new investable asset class to the market to mobilise non-bank investors, diversify the investor base, and increase the number of domestic institutional investors. The investment is expected to increase access to capital markets for Vietnamese companies.

See the Theory of Change for financial institutions on p. 100.

CASE

Kashf Foundation
Pakistan

Microfinance pioneer drives women entrepreneurship in Pakistan

The Kashf Foundation is one of the leading microfinance institutions in Pakistan. Kashf promotes female entrepreneurship and has so far enabled more than a million low-income families across Pakistan to improve their standard of living.

Most low-income households lack access to formal safety nets and are highly vulnerable to shocks, such as the breadwinner's death, illness, and disease. Kashf was the first institution to offer credit life insurance in 2002, which has since become industry practice. More recently, Kashf has successfully demonstrated the business case for pro-poor women-centric health insurance.

Pakistan's ranking for gender equality remains one of the lowest in the world. The Kashf Foundation believes in creating an enabling environment for women micro-entrepreneurs and is committed to creating products and services driven by client needs and demands. With a 50% gender ratio and gender diversity and leadership development practices in all staff tiers, the Kashf Foundation demonstrates best practices in gender diversity and leadership development.

In February 2021, Finnfund provided a 10 million dollar loan facility to Kashf, which is also classified as a 2X Challenge gender commitment. The investment marks Finnfund's first direct investment in Pakistan.

Indirect investments: Supporting SMEs through funds

The majority of Finnfund's investments are made directly in companies operating in developing countries, but we also invest in funds and finance banks and financial institutions with a targeted development impact focus. These indirect investments allow us to reach low-income households and micro, small and mid-sized companies (SMEs) that would not have been within the scope of Finnfund's direct investments.

These projects would typically be too small for Finnfund to finance, and we would not have the capacity to conduct the necessary credit and ESG (environmental, social and governance) risk evaluation. Instead, we partner with like-minded funds and financial institutions with local presence, expertise and networks. The financial institutions and funds are thoroughly scrutinised and continuously evaluated by Finnfund to maintain the highest standard.

The private equity funds we finance generally specialise in a specific region or a defined sector such as sustainable forestry or agriculture. Most of the funds concentrate on providing funding and support for expanding operations of local micro, small and medium-sized enterprises.

Before making the decision to invest in a fund, Finnfund closely examines its investment policies and, where necessary, brings influence to bear. It is also important to ensure that the fund has a competent manager with principles that meet Finnfund's requirements. If these conditions are met and an investment decision is made, Finnfund often participates on the advisory boards of the fund, thus ensuring that resources are applied sustainably. Funds are asked to provide comprehensive information about what they invest in, and to report to Finnfund on development impacts and sustainability issues.

At the end of 2021, fund investments covered 16% (including OP Finnfund Global Impact Fund I) of Finnfund's investment portfolio.

KEY FIGURES 2020

Financial institutions

- 5.7 million micro and SME loans – total value EUR 7.6 billion.
- 19 million mobile loans – total value EUR 660 million.
- 171,000 mortgages, of which 42% to women.
- 75% of micro and SME loans paid to women – 35% of mobile loans paid to women.

Micro and SME loans to
5.7
million people

1 NO POVERTY | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES

Finnfund's new key sector connects the unconnected

In 2021, Finnfund launched a new key sector: digital infrastructure and solutions. Building a digital infrastructure and developing digital solutions can contribute to solving many global challenges.

Infrastructure investments are needed to enable access to basic mobile services and more affordable and higher speed internet connections across Finnfund's target regions. This contributes to inclusive growth: the World Bank estimates that a 10% increase in mobile internet penetration translates to a 2.5% increase in GDP.

Digital solutions increase productivity and improve access to products and services, thus promoting and accelerating the achievement of several SDGs, such as 3, 4, 5, 8, 9, and 10. Increasing digital connectivity not only supports economic growth but also facilitates inclusive access to critical services in finance, education, and health, and provides possibilities to small businesses to connect with global value chains.

Digital technology also presents an opportunity to narrow the gender gap by enhancing access to welfare services, identification and financial services, and information. This can lead to increasing privacy, bargaining power, household welfare, and female labour force participation.

In addition, acknowledging potential risks of the data privacy of the end-users and adapting customer protection measures play an integral role in our human rights risk screening and management (p. 77).

Investments in digital infrastructure and solutions

At the end of 2021, Finnfund's portfolio in this sector stood at 42.2 million euros, representing approximately 6% of our portfolio. The majority of the investments were in telecommunications and information technologies (44%), fintech (30%), and information and communication (20%).

In 2021, we made three investments in the sector with a total value of 12.6 million euros. Two of these investments were made in existing portfolio companies: Twiga, a Kenyan headquartered B2B e-commerce food distribution platform (p. 45), and M-Birr, Ethiopia's first and only mobile money platform. In addition, Finnfund also invested, through OP Finnfund Global Impact Fund I, in Indifi, an Indian online lending platform (p. 51).

In 2021, Finnfund also invested in Bandwidth and Cloud Services Group (BCS), a wholesale telecom infrastructure provider, operating under licenses in several African countries (p. 64).

See the Theory of Change for digital infrastructure and solutions on p. 102.

CASE

Indifi
India

Indifi's online lending platform offers business loans to MSMEs

India is home to around 63 million micro, small and medium enterprises (MSMEs). A majority of these face microcredit challenges, making it difficult for them to efficiently manage and meet working capital needs.

Indifi operates an online lending platform that offers business loans to MSMEs that have limited access to credit from financial institutions. The company offers tailored loans for travel, hotel, e-commerce, restaurant, trading, and retail businesses, working closely with more than 100 data partners and a few top financial institutions, providing easily accessible loans digitally, and helping businesses grow in their journey. For many companies, a loan from Indifi is their first formal banking relation.

In November 2021, OP Finnfund Global Impact Fund I invested US 4.9 million US dollars in Indifi. The investment will be used to serve more customers and identify additional segments of MSMEs, and for technology and product development.

KEY FIGURES 2020

Digital infrastructure and solutions

- Our investee companies in the digital infrastructure and solutions sector provided 2,271 jobs, of which 741 (33%) were for women.
- Provided services to close to 20 million customers.
- Paid up to 16 million euros in taxes and tax-like fees.

2,271

jobs in the digital infrastructure and solutions sector

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

Climate action – Task Force on Climate-related Financial Disclosures

Climate change is one of the biggest global challenges of our time. As a development financier and impact investor, mitigation of climate change and support for adaptation to it are among Finnfund's key objectives and development achievements.

This is reflected in Finnfund's strategy and key sectors, as well as in our investment process and the development impact assessment of our investments. We acknowledge that climate change affects developing countries the most. Women and the poor living in rural areas will be hit hardest, which is another reason why these groups are at the centre of Finnfund's work.

In 2021, we began to develop our approach to assessing and managing climate-related risks aligned to the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD), the main international framework for integrating climate change opportunities and risks into the management systems of financial institutions and businesses: governance, strategy, risk management, and metrics and targets.

This is Finnfund's first TCFD-aligned disclosure, and it marks the beginning of our implementation of the TCFD recommendations – work that will continue in the coming years.

Governance

Finnfund's Board of Directors is responsible for overseeing Finnfund's overall climate approach, including climate-related risks and opportunities, the related strategy, and its implementation. The Board of Directors approved Finnfund's Climate and Energy Statement in 2021 and is regularly updated on Finnfund's ongoing climate risk work and process improvement.

Finnfund's Management Team, led by the CEO, oversees Finnfund's operative climate agenda. Finnfund's Director of Impact and Sustainability is responsible for the overall substance, while the Chief Financial Officer manages and oversees Finnfund's climate risk exposures. This includes managing and overseeing the implementation of Finnfund's strategic climate targets, as explained below.

Finnfund's Investment Committee assesses the climate risks and adaptation capabilities of Finnfund's new investment proposals, while the Portfolio Management Committee is responsible for monthly project monitoring in terms of progress in climate risks and adaptation.

Finnfund's Internal TCFD Working Group comprises seven subject-matter experts from the following teams/departments: Impact, Environmental and Social (E&S), Investment operations, Risk, and Communications. The group is responsible for developing Finnfund's internal processes and capabilities in climate risk assessment, mitigation, and monitoring, covering all major project phases from lead to finish, over the lifecycle of a typical investment. The working group commenced its work in June 2021.

Investment-related responsibilities for identifying, assessing, and managing climate risks lie with the investment and portfolio management teams, which are responsible for both identifying new investments and managing existing ones. These teams may consist of experts from the following teams/departments: Impact, Environmental and Social, Investment operations, Risk, Communications, and Legal.

Strategy

Having the mitigation of climate change and support for adaptation as one of Finnfund's key objectives is reflected in our key sectors, as described above, as well as in our investment process and the development impact assessment of our investments.

Finnfund's climate approach, with assessment and management of climate-related risks and opportunities, is based on Finnfund's strategy (p. 8), the Sustainability Policy (p. 70), the Exclusion List, and the Government Ownership Steering Memorandum issued annually by the Ministry for Foreign Affairs.

In July 2021, Finnfund also adopted a new Statement on Climate and Energy, which underlines our commitment to the Paris Agreement and explains what this commitment means in practice for our portfolio management, investment process, and measurement of the portfolio's carbon footprint. The statement is built upon three key targets:

1. We are committed to keeping our investment portfolio net carbon negative and aligning all new investments with the Paris Agreement.
2. We will make 1 billion euros worth of new investments in climate finance by 2030.
3. We will contribute to the push for more systematic, harmonised, and transparent climate finance disclosures and reporting.

These strategic targets – and particularly the first one – rest on the results of the carbon accounting of Finnfund's investment portfolio. In May, Finnfund released data showing that its total investment portfolio, covering the figures for 2019, has a net-negative carbon balance, making Finnfund probably the first development financier to report a carbon net-negative investment portfolio (p. 58).

Finnfund has also been committed to investing 105 million euros in 2019–2021 in businesses that mitigate climate change and help people in developing countries adapt to it. The amount was one half of the 210 million euro loan issued to Finnfund by the Finnish Government in 2019; the other half was earmarked for climate investments. The targets for both gender and climate investments were met by the end of the year.

Finnfund's investments are also a key part of Finland's official climate-related financing. In 2020, Finnfund contributed 29.9 million euros to Finland's official climate financing. The figures for 2021 will be available in 2022.

In November, during the UN Climate Conference COP26 in Glasgow, Finnfund also declared its commitment to several new initiatives aiming to enhance climate change mitigation and adaptation, particularly in the field of sustainable forestry, which is one of our key sectors (p. 40).

FRESCOS tool for accounting the carbon sequestration in forestry projects

As mentioned above, on p. 40 about forestry, in June, Finnfund, together with three European development finance institutions (EDFI) – CDC Group (UK), FMO (Netherlands), and Swedfund (Sweden) – and Simosol (now Åfry), an IT company, launched the FRESCOS tool, a web-based, open-access tool for accounting of the carbon sequestration of afforestation and reforestation projects.

The overall goal of the FRESCOS tool is to better account and analyse the carbon balance of forestry and agroforestry projects. This information can then be further used to estimate the annual net emissions of an investment portfolio. However, the tool can be used by any organisation, such as a forestry company or investor, that is interested in gaining insights into carbon sequestration and a better understanding of the climate impact that forestry projects can have.

FRESCOS is based on the IPCC Guidelines for National GHG Accounting (2006), and the refinement from 2019, in terms of the included pools and suggested default values. The methodology is available on the FRESCOS website.

FRESCOS

Risk management

The intensity and frequency of physical risks, which refer to risks posed by extreme weather events and chronic climate-related changes, are increasing globally.

In terms of transition risks, changes in regulation, markets, competition, and reputational aspects also continuously shape our target markets.

Together, these changes have an inevitable impact on the private sector and all economic activities, with varying magnitudes, depending on the sector and its reliance on natural resources and market dynamics. Identifying and understanding these risks and finding ways to mitigate them and adapt to the changes is a precondition for businesses' survival and success.

We believe that investors should understand the risks they have in their portfolio and actively seek ways to diversify investments and, in collaboration with the investee companies, find not only mitigation measures but also business opportunities that adaptation may bring.

Work in progress

We started to develop our climate risk and adaptation framework and tools in 2020, and the work is still ongoing. The framework and tools are aligned with the requirements of the EU Taxonomy Regulation and the Taxonomy Climate Delegated Act, formally adopted in June 2021. Finnfund's physical (acute and chronic) and transition risk assessment tools were incorporated into the investment process in June 2021 and March 2022, respectively.

These tools include, for instance, examples of typical risks faced in our five key sectors, as explained in the table below.

The Taxonomy does not yet give guidance on how to apply the taxonomy to investments outside the EU. However, Finnfund, together with other European development financiers, strives to follow the development and implementation of the Taxonomy.

In November 2021, during the UN Climate Conference COP26 in Glasgow, we also joined the Collaborative on Accelerating Investment in Climate Adaptation and Resilience to develop harmonised metrics and indicators for climate adaptation and resilience reporting.

In the future, we will further develop the assessment and management of climate-related risks and opportunities

Key sector	Physical risks, Acute	Physical risks, Chronic	Transition risks
Renewable energy	Flooding damages a power plant	Changes in rain patterns impact hydro power-plant power generation	Climate-related land use restrictions increase costs
Sustainable forestry	Wildfire destroys a forest plantation	Accelerating bio-diversity loss weakens tree quality	Carbon credit pricing becomes more volatile
Sustainable agriculture	Drought results in harvest losses and food insecurity	Emergence of tropical pests kills crops	Preference for vegan products decreases dairy/meat market demand
Financial institutions	Natural disaster leaves local people unemployed	Rising sea levels hamper local economic activity	Changes in market prices affect client credit quality
Digital infrastructure and solutions	Hurricane destroys telco infrastructure	Biodiversity loss restricts land use in infrastructure projects in remote areas	Infrastructure technology becomes obsolete due to regulatory changes

Some examples of climate risks in our five key sectors.

on a portfolio level, including different climate-related scenarios, including a 2°C or lower scenario.

Every investment is assessed

Many of Finnfund's key strategic sectors, such as agriculture, forestry, and renewable energy, are highly dependent on natural resources and vulnerable to the climate hazards and chronic risks that climate change imposes on them. Transition risks also play an important role, affecting our investments through regulation, market changes, competition, and reputational aspects.

Finnfund assesses the climate risks of every investment before the investment decision, as well as annually during the investment period. This assessment includes both physical and transition risks of climate change for all direct investments.

Based on the risk assessment, we also identify possible climate change adaptation needs and opportunities in every investment, both from a business adaptation perspective and in terms of the support the business may give to adaptation efforts among their clients and in society. In some cases, the company's business idea may be in providing adaptation solutions, but in many more cases, the adaptation benefit is delivered as a side-product of the business.

In terms of indirect investments, the same principles of assessing the risks and opportunities apply, but the assessment can be done either by Finnfund or by the fund manager. Whenever applicable, the processes and methodologies of the fund manager are assessed as part of the due diligence process. The assessment of the capability of the fund manager is key, as the manager is responsible for managing their own portfolio assets.

Direct investments: Three phases for assessing climate risks and adaptation opportunities

The following summarises and explains step by step the current process and methods of our climate risk and climate change adaptation assessment at an individual investment level for direct investments.

The assessment is done in three stages:

1. Screening of climate risks and adaptation opportunities

The first step in Finnfund's investment process is an initial project screening, followed by a clearance in principle to proceed from the Investment Committee.

Physical climate risks and adaptation potential are included in this first screening with the aim of assessing the investment's exposure and vulnerability to climate-related risks/hazards. Transition risks are also discussed in this phase, but a more thorough transition risk assessment is only conducted in the due diligence phase.

The identified risks guide us in identifying the climate change adaptation needs at economic activity level and the potential contribution of the investment to adaptation and climate change resilience, either focusing on the economic activity itself, or looking at the wider business environment, at system and society levels. Both acute hazards and chronic changes are included in the screening, and their relevance to the business is assessed.

The Environmental and Social Adviser does the physical risk screening and the Development Impact Adviser then assesses the adaptation opportunities of and in the investment. Every potential investment receives a risk score that guides the next steps of the process, and the adaptation potential also contributes to the development effect scoring of the investment.

Screening for risks relies on existing databases and data sources, such as IPCC, ND-Gain, and Think Hazard. The final scoring of the screening process provides an initial scaling for the existing risks in the business operating environment (geographical location(s) and sectoral risks), taking into consideration the vulnerability and readiness of the operating environment to adapt to hazards and changes.

In addition, based on the risk identification, the screening provides an assessment of the adaptation potential in the investment.

2. In-depth climate risk and adaptation analysis during due diligence

After a positive clearance in principle from the Investment Committee, the potential investment case proceeds to the due diligence phase.

Any climate risks or adaptation potential identified in the screening will be further investigated during due diligence. Finnfund's transition risk assessment is carried out by Investment Operations team members. Finnfund's overall climate assessment covers the company's capacity to mitigate the risks and to adapt to the identified changes. Finally, the effectiveness of risk mitigation is assessed, giving us an estimate of the residual climate risk.

In the due diligence phase, the analysis covers the main supply chains of the economic activity and the market side, to build a comprehensive understanding of the risks and adaptation potential. The risks are assessed using

PCAF?

PCAF (Partnership for Carbon Accounting Financials) is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assessing and disclosing the greenhouse gas (GHG) emissions associated with their loans and investments.

PCAF Partnership for Carbon Accounting Financials a 'gender lens'; in other words, guiding questions are used to assess whether the risks and vulnerabilities differ between the company's stakeholder groups, and between men and women.

The adaptation potential is further investigated in parallel with the risk identification, to align the adaptation cases with the EU Taxonomy requirements. If the company's adaptation activities increase the adaptive capacity and resilience of others, due diligence will specify the adaptation product or service, and its benefits and beneficiaries, and the scale of benefits.

If the due diligence process identifies a need to improve the mitigation and adaptation efforts in the company, this may be included, for example, in the Environmental and Social Action Plan or in other contractual documents between Finnfund and the investee company (p. 73).

3. Monitoring

After the investment agreement, Finnfund monitors its investee companies on an annual basis for their financial and environmental and social performance, and for development impacts. The climate risk monitoring is integrated in this monitoring process, to cover physical and transition climate risks and related residual risks.

We are also collaborating with other development financiers to develop harmonised metrics and indicators to monitor the adaptation impact.

Metrics and targets

Finnfund assesses the climate effects of every investment before the investment decision, as well as annually during the investment period. This assessment includes the absolute emissions of the investment, avoided emissions for energy investments, and carbon removals for forestry projects.

Finnfund's carbon accounting stems from its desire to better understand the climate impacts of all its investments.

Our accounting is based on GHG Protocol and Partnership for Carbon Accounting Financials (PCAF) and takes into account the direct and indirect emissions of the production and purchased services of each investee company (scopes 1 and 2, as well as scope 3 upstream), but not post-production use (scope 3 downstream). The impacts are attributed to Finnfund in proportion to its financing share.

Only the impacts of the investments currently in the portfolio are included. If, for instance, Finnfund's financing share declined in a forestry company that removes carbon from atmosphere, Finnfund's reported carbon removals would decline as well, even if the company continued removing carbon as before.

In 2021, we continued to further develop the tools and processes for carbon accounting at both the investee and the portfolio level. For instance, we updated our climate accounting framework according to the latest PCAF instructions.

As a result, the assessment is based on the PCAF Standard and the GHG Protocol principles, which are industry standards, and focuses on investments with high climate effects. Hence, the accounting is based on primary data collected from the companies.

Finnfund also assesses annually the scope 1, 2, and 3 upstream climate effects of every investment before the investment decision, as part of due diligence, as well as during the investment lifecycle. The climate effects are assessed using input/output models that include country- and sector-specific emissions factors.

In 2020, Finnfund piloted the Joint Impact Model (JIM) for annual portfolio GHG accounting, and eventually, in 2021, chose to switch to JIM from the previously used Exiobase. The main reason is that the sector and country data within the JIM input/output model meet our needs better than Exiobase. Simultaneously, Finnfund has been able to constantly increase the share of primary data, which increases the reliability of the results.

Finnfund does not recognise compensation or carbon offsets as part of its portfolio emissions or removals. We follow the principles of absolute accounting and only account the absolute climate effects. However, in order to increase the transparency of reporting, we started to collect data on carbon credits sold by our forestry investments and carbon credits bought by all investments, as presented on p. 58.

The annual attributed climate effects of Finnfund's investment portfolio presented in the graph on page 58 cover the year 2020. The results for 2021 will be available in 2022.

In addition, we assess and manage the carbon footprint of our own operations on an annual basis.

Carbon footprint of our own operations

Finnfund calculates the GHG emissions of its own operations annually, covering the most essential emission sources.

In 2020, the total operational carbon footprint of our own operations was 386 tonnes (t) of CO2, which averages approximately 4,55 tCO_2 per employee.

In principle, the most significant source of our emissions is business travel, which accounts for approximately 90% of our emissions. Finnfund's operations require its staff to thoroughly familiarise themselves with the investees and actively participate in management and monitoring of investments. This requires frequent visits to target countries. Finnfund is continuously developing electronic tools and encouraging personnel to use them.

However, in 2021, due to the continued travel restrictions caused by the COVID-19 pandemic, travel by our staff was cut to a minimum, and most of the meetings and events were organised online.

You can read more about Finnfund's environmental sustainability on p. 70.

Our work in practice

Interested in knowing more? Read more about climate accounting on our website: [Climate accounting - our work in practice]

"We are proud to report a carbon net negative investment portfolio. We will continue to place strong emphasis on this, as maintaining a carbon net negative portfolio is one of the three key strategic objectives of our new strategy 2022–2025."

Marko Berglund
Senior Development Impact Adviser

Fostering adaptation and resilience

Many Finnfund investments contribute to climate change adaptation. Microfinance institutions, for instance, strengthen the resilience of the poorest people, who are the most vulnerable in the face of climate change. Reforestation projects not only store carbon but can also improve watershed management amid changing rainfall patterns. Solar and wind power projects provide energy sources that do not depend on water or biomass – both of which are becoming scarce resources in many regions. Adaptation also plays a key role in many of our investments in sustainable agriculture (p. 43).

Part of the climate risk assessment launched in 2021 is the subsequent identification of climate change adaptation opportunities at the investee company or society level.

Work to further develop risk assessment processes and tools, to identify and finance adaptation opportunities, and to harmonise adaptation impact monitoring and reporting continues, together with our partners, under the Adaptation and Resilience Investors Collaborative.

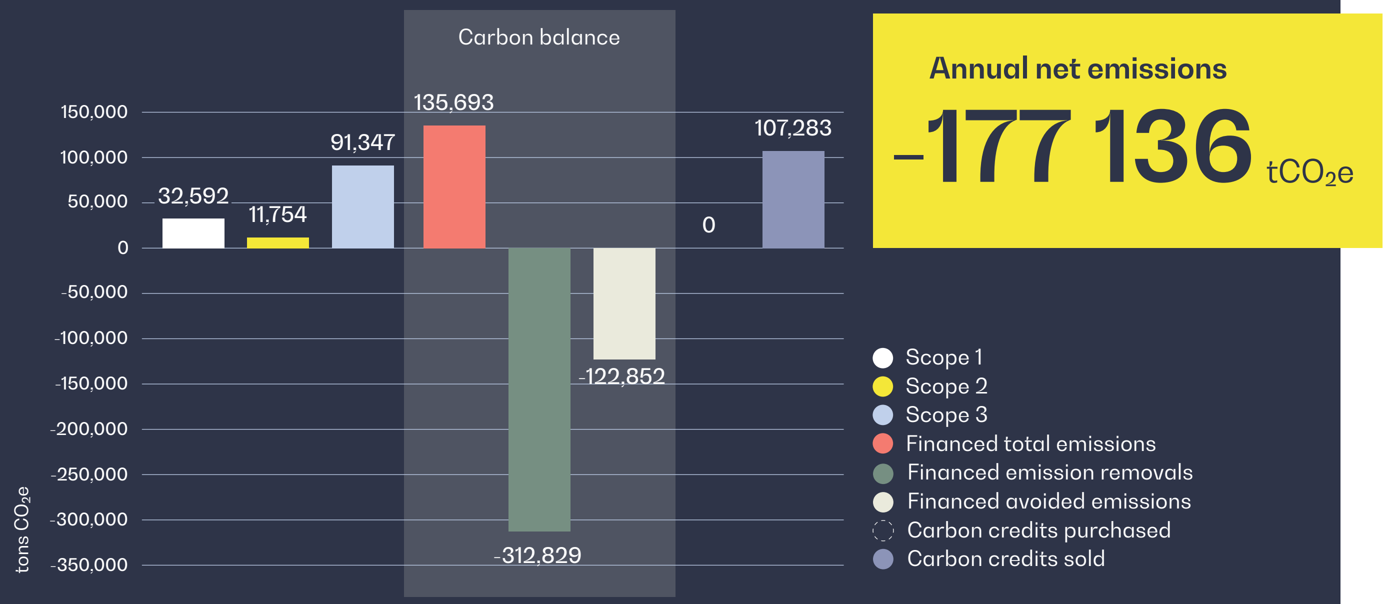
You can read more about our quest for adaptation opportunities on our website: Capturing adaptation opportunities - Finnfund. *The article was originally published in the Overseas Development Institute's publication* The Catalytic Effects of DFI investment.

KEY FIGURES 2020

Climate

- Finnfund's portfolio net emissions are negative. In absolute and aggregate terms, Finnfund's investments removed 177 136 tCO_2 more from the atmosphere than they emitted during 2020.
- In 2020, Finnfund's portfolio emissions were 135 693 tCO_2e, which is equivalent to 262 tCO_2e per outstanding million.
- Finnfund's carbon sink was -312,829 tCO_2, which is equivalent to 3,638 tCO_2 per outstanding million. Most of the forests in Finnfund's portfolio are afforestation and reforestation projects and still relatively young, which means that the average annual growth of the forests is larger than the amount harvested. This leads to a significant carbon sink. Once the forests mature, the carbon storage in forest biomass reaches a steady state. Finnfund also calculates the carbon stored in harvested wood products.
- In 2020, Finnfund's renewable energy investments avoided 122,852 tCO_2e of emissions. During 2020, Finnfund updated the accounting of avoided emissions in its portfolio according to the PCAF 2020 instructions, which use a different baseline than the previously used IFI TWG instructions. These investments provided much-needed clean energy and avoided the use of fossil fuels. For example, in Kenya, the use of fossil power plants has been lower since the start of the Lake Turkana Wind Power project in 2018.

Finnfund portfolio's climate impact in 2020



A good job can make a difference

The challenge of providing the world's expanding workforce with quality jobs is enormous. Creating and maintaining decent jobs, and helping companies achieve decent work standards, are among Finnfund's key goals (p. 27).

Particularly in Africa, the population is growing much faster than new jobs can be created. The International Labour Organization (ILO) has estimated that the number of productive jobs on the continent would have to increase by over 300 million – or some 26 million per year – by 2030, more than doubling the number of existing jobs by 2030. The United Nations estimates that 38% of the employed population of Sub-Saharan Africa lives in poverty.

Thus, decent work and productive employment are vital elements of sustainable poverty reduction. The OECD is of the view that there is no major trade-off between the quantity and the quality of jobs. OECD member states that offer good quality jobs also have higher employment rates.

The COVID-19 pandemic and the economic challenges it has created have highlighted the importance of good jobs and responsible employment policies. In many developing countries, where the government is not able to provide basic services such as healthcare, and the social security system is weak, companies have, in many cases, played an important role in supporting people in staying safe and providing food and other basic goods for their families.

Commitment to ILO labour standards

The international definition of "job quality" and "decent jobs" is still being developed. As explained on p. 72, Finnfund assesses the compliance of its potential investments with the ILO Core Labour Standards and IFC Performance Standard 2 on labour and working conditions (as applicable). We also take into account the potential impacts on human rights before committing to financial support (p. 77).

A prerequisite for our financing is that our investee commits to meeting the applicable standards over time. The IFC performance standards with the ILO core labour standards include requirements on non-discrimination, freedom of association and collective bargaining, child labour, forced labour, human resource management, working conditions and terms of employment, occupational health and safety, grievance mechanisms, and retrenchment, also extending to contracted workers.

In 2021, Finnfund continued piloting a novel way of accessing job quality information and impact data by collecting perspectives directly from employees and other stakeholders, such as local communities and smallholder farmers in the supply chain.

We utilised a mobile application developed by Work Ahead, a Finnish tech company that enables data collection anonymously from people in their own language, focusing on decent working conditions and information on poverty, even in areas without network connectivity.

Going forward, the conducted pilots will help us design a more diverse set of data collection methods, and the approach proved useful, especially in circumstances where our visibility to the different stakeholder groups is limited. You can read more about one of the projects on p. 61.

People sitting on the ground in circle and looking at notes in Pakistan.
Photo courtesy of Kashf Foundation.

KEY FIGURES 2020

Jobs

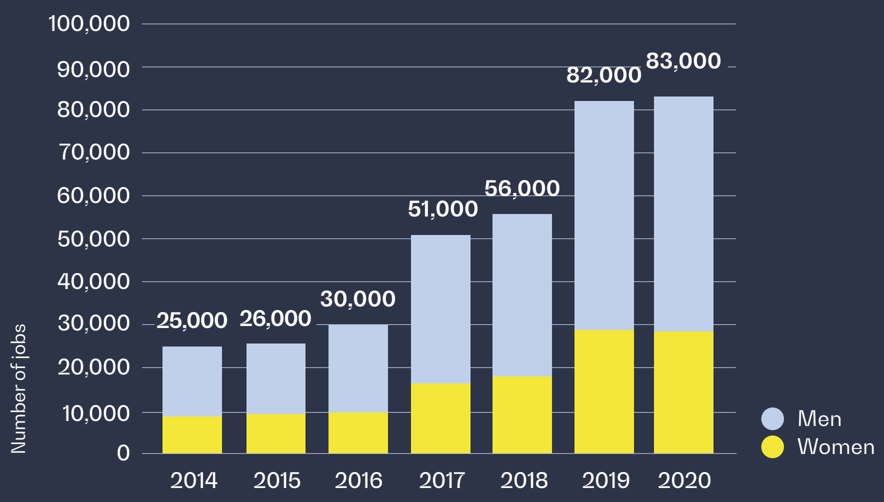
- Direct investments supported 83,000 jobs, of which 34% for women.
- Fund portfolio companies supported 129,000 jobs, of which 36% for women.
- In total, our investees created 231,000 jobs.
- In addition to this, based on the estimations conducted by the Joint Impact Model (JIM), our direct and indirect investments created 1.4 million indirect and induced jobs bringing the total employment effect to 1.6 million. These indirect jobs and induced jobs are created and supported by domestic purchases.
- Approximately one third of the jobs were estimated to be in agriculture, forestry and fishing and one quarter in wholesale and retail trade. In terms of countries, the biggest number of jobs were created and supported in Ethiopia (170,000), Nigeria (137,000), Kenya (120,000), Tanzania (76,000).
- In 2020, the domestic purchases and salaries generated by our direct and indirect investments were 4.8 billion euros in total.

Direct investments supported

83,000

jobs

Jobs in direct investments in 2020



CASE

Yalelo
Zambia

Yalelo: Voices of the employees – piloting a video survey in Zambia

● "I think one of the most neglected aspects in many companies is understanding where you are coming from. We assume that when I show up for work it is just me, but if the company has a basic idea of how many people I have in my bag when I come to work, that pretty much makes the company understand my current situation at work and everything about me," says **Kunda Ndashe** at Yalelo, the leading aquaculture company in Zambia.

In 2021, Yalelo, together with Finnfund, conducted a survey to collect feedback from Yalelo employees. The survey included several questions related to the quality of work and how things are at the workplace, as well as questions related to staff well-being at home.

The key idea was to give people a chance to give feedback and share their ideas directly and anonymously. This was possible thanks to video survey technology developed by Work Ahead, a Finnish tech company, which allows people to hear the questions over video in their own local language – and answer 100% anonymously by pressing a visual icon on a device screen. In other words, those taking the video survey did not need to be able to read and write to answer the questions.

The survey consisted of 39 questions in 4 languages. Altogether, 228 people answered the questions, accounting for over 20% of Yalelo Zambia's staff.

As a result, Yalelo has, for instance, intensified its efforts in internal career development and advancement, as well as upping the ante on performance management and trying to improve relationships between line managers and employees.

Today, Yalelo also has designated HR staff assigned to specific work units, to carry out regular staff clinics to foster understanding around key employment matters.

The survey was part of a pilot project initiated by Finnfund, designed to support its investees to better collect and analyse feedback and impact data from their stakeholders, which can provide valuable information for the development of their operations, policies, and processes. In addition, the survey can strengthen the relationship with important stakeholders.

Read more about the survey on our website:
[Yalelo: Voices of the employees – piloting a video survey in Zambia - Finnfund]

What did the Yalelo employees think about the survey? Watch a video on Finnfund's YouTube channel at: [Yalelo: Voices of the Employees – Piloting a video survey in Zambia]

Investing in gender equality and women's empowerment

Women and girls should have equal rights and opportunities everywhere and in all dimensions of life. Women's equality and empowerment is integral to all dimensions of inclusive and sustainable development.

Finnfund sees the right of women and girls to equal treatment not only as an integral human rights issue, but also as a fundamental precondition for the peaceful development of societies and the opportunities for future generations to live free from poverty. Balancing the gender gap is also integral to achieving other development goals, such as those relating to health, education, and better nutrition.

Above all, it will contribute to helping future generations to fulfil their potential. Equal participation of women and girls in society also strengthens economic productivity and economic growth.

The promotion of the rights of women and girls is also a long-term priority of Finnish development policy and one of the key objectives of the United Nations Sustainable Development Goals (SDGs). Finnfund contributes to these goals through its investments.

Finnfund's Gender Statement compiles the measures through which Finnfund guides its investment decisions to better promote gender equality, the role of women in the markets, and women's economic empowerment.

In practice, the potential of every investment to promote gender equality and women's empowerment is assessed before an investment decision as part of our due diligence process. This means that we screen all our investments through 2X Challenge criteria, launched by the international 2X Challenge initiative, including indicators on ownership, leadership, employment, and consumption. The 2X Challenge has defined specific thresholds for each criterion, to determine if an investment is eligible. Each new investment is required to report annually on the 2X indicators, and the data is collected from the companies, too.

Finnfund was committed to investing 105 million euros in 2019–2021 in businesses that advance gender equality. The amount was one half of the 210 million euro loan issued to Finnfund by the Finnish Government in 2019; the other half was earmarked for climate investments. The targets for both gender and climate investments were met by the end of the year.

New 2X Collaborative to standardise and mobilise funding for gender lens investing

Finnfund is a founding member of the 2X Collaborative, a new global industry body launched in July 2021 that convenes the entire spectrum of investors to promote gender lens investing. The organisation is designed to serve investors making their first gender-focused investment, as well as investors at the frontier of the field. 2X Collaborative initiatives like the 2X Gender and Climate Finance Taskforce will drive gender-smart investing in thematic areas.

In committing to the 2X Collaborative, the member organisations are building on the success of the 2X Challenge, a gender lens initiative launched in 2019, and its 15 billion US dollar commitment to mobilise even more capital towards women's empowerment. The 2X Collaborative was launched by the members of the 2X Challenge, a group of development finance institutions and multilateral development banks, in partnership with the GenderSmart investing initiative.

UN Women's 5-year Generation Equality campaign was launched in June 2021 and Finland took on a co-leadership role of the Action Coalition on Technology & Innovation for Gender Equality together with Tunisia, Armenia, Chile and Rwanda. Finnfund was also one of the commitment makers of the action coalition aiming to increase the strategic impact of investment capital towards women as business and fund leaders, entrepreneurs, a strong and valued workforce, consumers, and community members.

2XCOLLABORATIVE

Integrating a gender lens means concrete actions

In addition, a gender lens is always integrated into our surveys and studies, meaning that each time we launch a study, it includes an assessment of the results through a gender lens (read about rapid surveys on p. 61).

In 2021, we also worked with our investee companies to enhance their gender approaches. For instance, we put together a gender tool kit to support our companies in identifying gender gaps, developing gender strategies, or designing services or products that specifically target under-served women.

We are also collaborating with our investee Sathapana Bank in Cambodia in a market study that will serve in developing financial products and services specifically tailored for female MSME entrepreneurs. The study was launched in 2021, and the findings will be available to serve product development in 2022.

KEY FIGURES 2020

Gender equality

- At the end of 2020, 18% of board members among our investees were women.
- At the end of 2020, 30% of senior management among our investees were women.

30 %

of senior management were women

Discovering outcomes in gender-lens investing

Gender-lens investing has quickly become a priority for many development finance institutions (DFIs). The 2X Challenge initiative has resulted in increased DFI investment in women. Importantly, the 2X Challenge has also defined what constitutes a gender-smart investment. It has introduced investors to a solid framework that can help assess the level of gender equality in their potential investments, and monitor the progress over time in their portfolio companies.

While this is all vital in building the foundation for assessing an investment's gender potential, the next obvious step is to start looking beyond the numbers to better capture the impact of companies on women. This will not only help companies to adjust their products or programmes to better answer the needs of women, but importantly, switches the focus from observing numbers to actually listening to what women have to say.

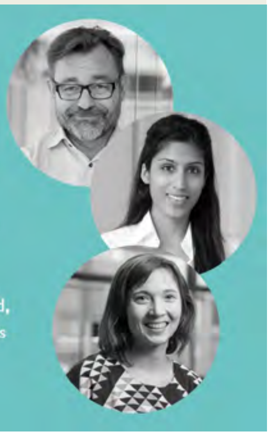
In 2020-2021, Finnfund conducted several studies that underlined the importance of the gender lens also when evaluating impact data and outcomes.

In May 2021, **Juho Uusihakala**, Head of Impact at Finnfund, together with **Ilona Mooney**, CEO at Work Ahead, and **Nilah Mitchell**, Head of the Kenya office at 60 Decibels, wrote an essay for the ODI report series, aiming to provide an overview of two Finnfund-funded studies that attempt to go beyond the numbers and evaluate outcomes.

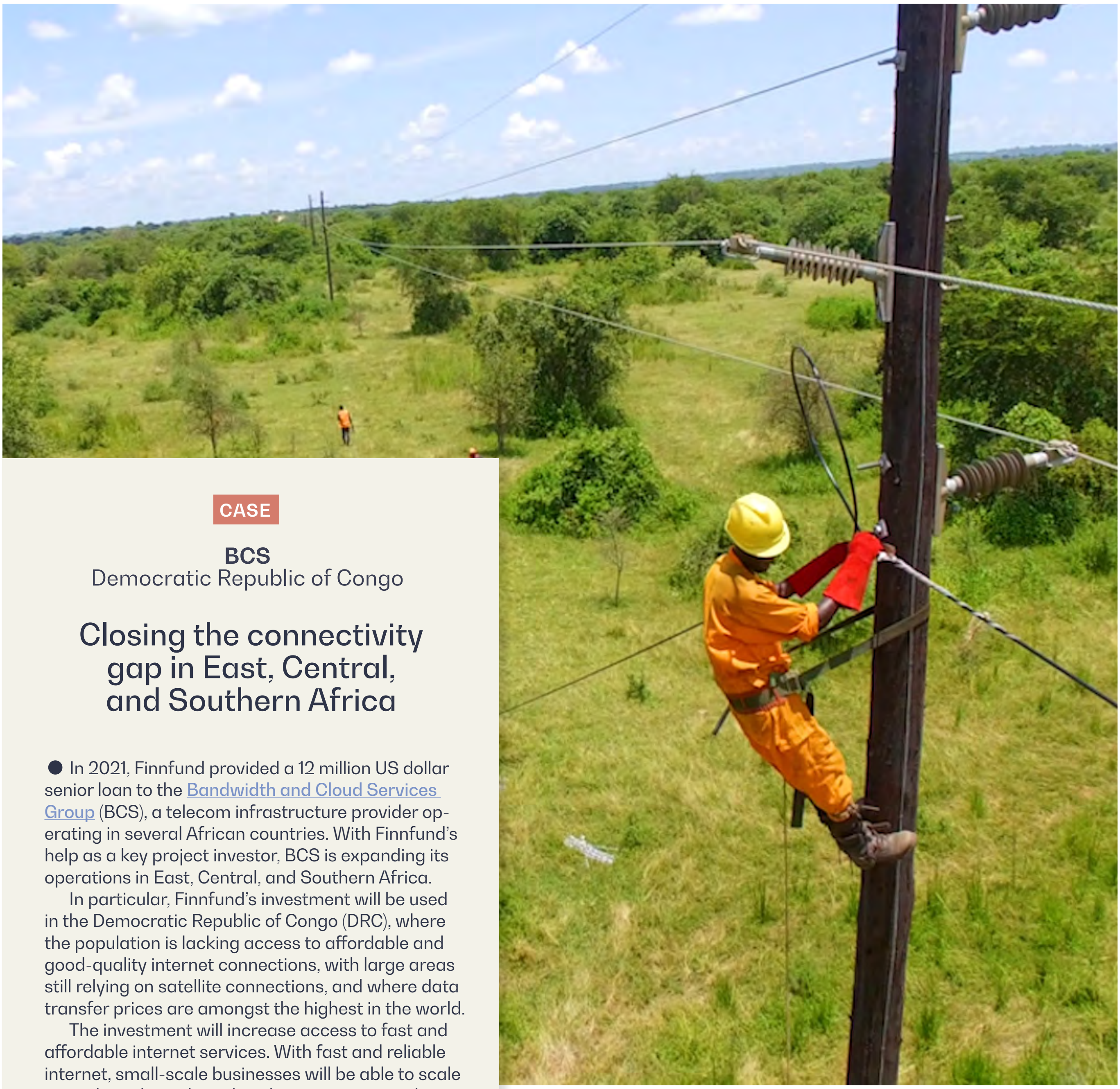
Read the full article on our website:
[Discovering outcomes in gender-lens investing - Finnfund]

"To design better products and make more impactful investments, we need to look beyond the numbers to better understand and capture the pathways on how the specific programmes, products or services that are thought and designed to specifically benefit women, actually function in practice."

Juho Uusihakala - Finnfund, **Ilona Mooneyn** - Work Ahead, **Nilah Mitchell** - 60 Decibels



EDFI ODI



CASE

BCS
Democratic Republic of Congo

Closing the connectivity gap in East, Central, and Southern Africa

● In 2021, Finnfund provided a 12 million US dollar senior loan to the Bandwidth and Cloud Services Group (BCS), a telecom infrastructure provider operating in several African countries. With Finnfund's help as a key project investor, BCS is expanding its operations in East, Central, and Southern Africa.

In particular, Finnfund's investment will be used in the Democratic Republic of Congo (DRC), where the population is lacking access to affordable and good-quality internet connections, with large areas still relying on satellite connections, and where data transfer prices are amongst the highest in the world.

The investment will increase access to fast and affordable internet services. With fast and reliable internet, small-scale businesses will be able to scale up and reach markets that they were previously unable to access.

Digital technology presents an opportunity to narrow the gender gap by enhancing access to welfare services, identification and financial services, and information. BCS itself has a strong track record of empowering women for higher positions, which is unusual in a male-dominated industry. The company has women in leadership positions and policies in place to empower women in the workforce. Finnfund's commitment to BCS is eligible for the 2X Challenge gender-investing initiative.

Tax revenues are vital for societal development

Tax revenues and other tax-like fees paid by companies to the public sector in developing countries constitute one of the development aims of Finnfund's work with the companies it finances. Such revenues allow a country's government to structure and provide services such as education, health care, and infrastructure for its people. Finnfund's approach to responsible tax is based on our tax policy (p. 76).

As part of this approach, we collect data from our investees and publish the tax footprints of the projects we finance, with details for each country at the portfolio level.

Companies mobilise many types of revenue streams

The focus of reporting the tax footprint of companies is often mainly on the corporate income tax (CIT) paid by the company. It is, nevertheless, important to acknowledge the vital role that private companies play in mobilising other government revenue streams in the developing country context. In addition, companies help governments formalise the collection of, for example, payroll and income taxes paid by employees.

This highlights that the private sector and its income/value creation processes are often an underestimated source for government revenue creation and play an important role in achieving Sustainable Development Goal 17, which targets strengthening domestic resource mobilisation to improve domestic capacity for tax and other revenue collection.

To capture these other government revenue mobilisation effects, Finnfund monitors both CIT paid by the companies and "other taxes and tax-like fees", which includes other relevant contributions by the company, including sales tax, business tax, value added tax, licensing fees, customs duties, and dividend tax, as well as different types of administration and public permit fees. The tax systems, principles, and enforcement capacity of the poorest developing countries can vary greatly. In many developing countries, the state takes part of its revenue from businesses through various types of fees.

The total contribution of Finnfund's investee companies in 2020 was, in fact, 65% larger than just CIT payments when taking into account some of the additional revenue sources.

Another way of looking at companies' tax footprints is to calculate an effective tax rate that states the amount of CIT paid relative to pre-tax profits. The average effective tax rate for companies with non-negative pre-tax profits in Finnfund's portfolio was 13% in 2020. The highest relative amount of taxes (including CIT) is generally paid by the big, established companies in the finance sector, and they also have the highest effective tax rates, averaging 16% in 2020. In contrast, companies directly financed by Finnfund (excluding financial institutions) are still typically early in their growth paths (or even just at the beginning, as is often the case with renewable energy project financing).

These early-stage companies typically pay relatively little corporate income tax during Finnfund's investment period, because they require large investments, and it takes a long period before they can make a profit. For this reason, for the CIT paid by this group of companies, with non-negative pre-tax profits, the effective tax rate was 11% in 2020.

KEY FIGURES 2020

Corporate taxes and other tax-related payments by countries in 2020

	Number of investments	Corporate income tax (EUR million)	Other taxes (EUR million)	Total (EUR million)
Total	**247**	**311**	**204**	**514**
AFRICA	**145**	**236**	**144**	**380**
Kenya	15	15	33	**48**
Tanzania	15	32	7	**39**
Ghana	13	22	22	**43**
Ethiopia	10	11	6	**17**
South Africa	10	10	4	**14**
Zambia	10	1	2	**3**
Nigeria	9	25	24	**49**
Uganda	8	1	4	**5**
Zimbabwe	6	9	5	**14**
Africa LDC	24	77	7	**84**
Africa LMIC	11	9	13	**22**
Africa UMIC	14	25	17	**42**
ASIA	**53**	**46**	**22**	**67**
India	8	13	5	**18**
Nepal	8	0	1	**1**
Asia LDC	17	19	10	**29**
Asia LMIC	11	13	2	**14**
Asia UMIC	9	2	4	**5**
LATIN AMERICA	**29**	**13**	**18**	**31**
Mexico	5	6	1	**7**
Latin America UMIC	16	6	15	**21**
Latin America LMIC	8	1	2	**3**
EUROPE AND TURKEY	**12**	**0**	**19**	**19**
Europe and Turkey	12	0	19	**19**
MIDDLE EAST	8	**16**	**1**	**17**
Jordan	6	1	0	**2**
Middle East UMIC	2	15	1	**16**

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

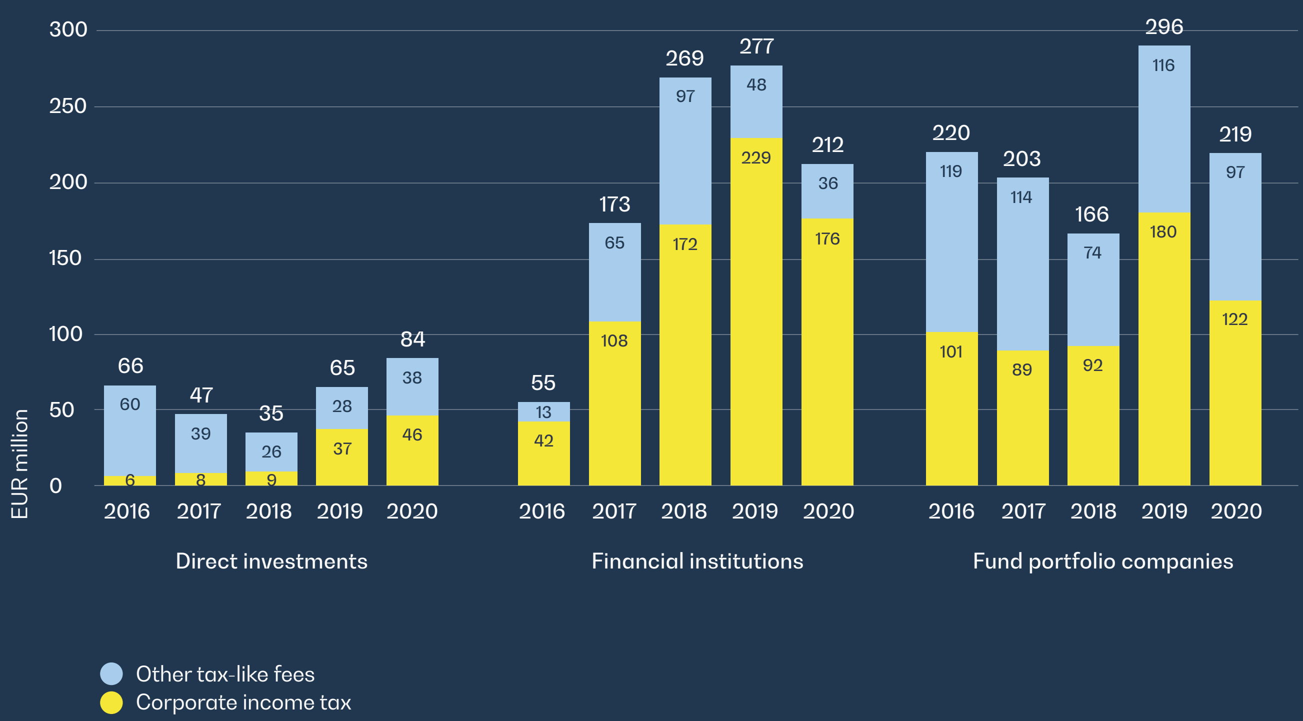
EUR
515
million of taxes and tax-like fees

KEY FIGURES 2020

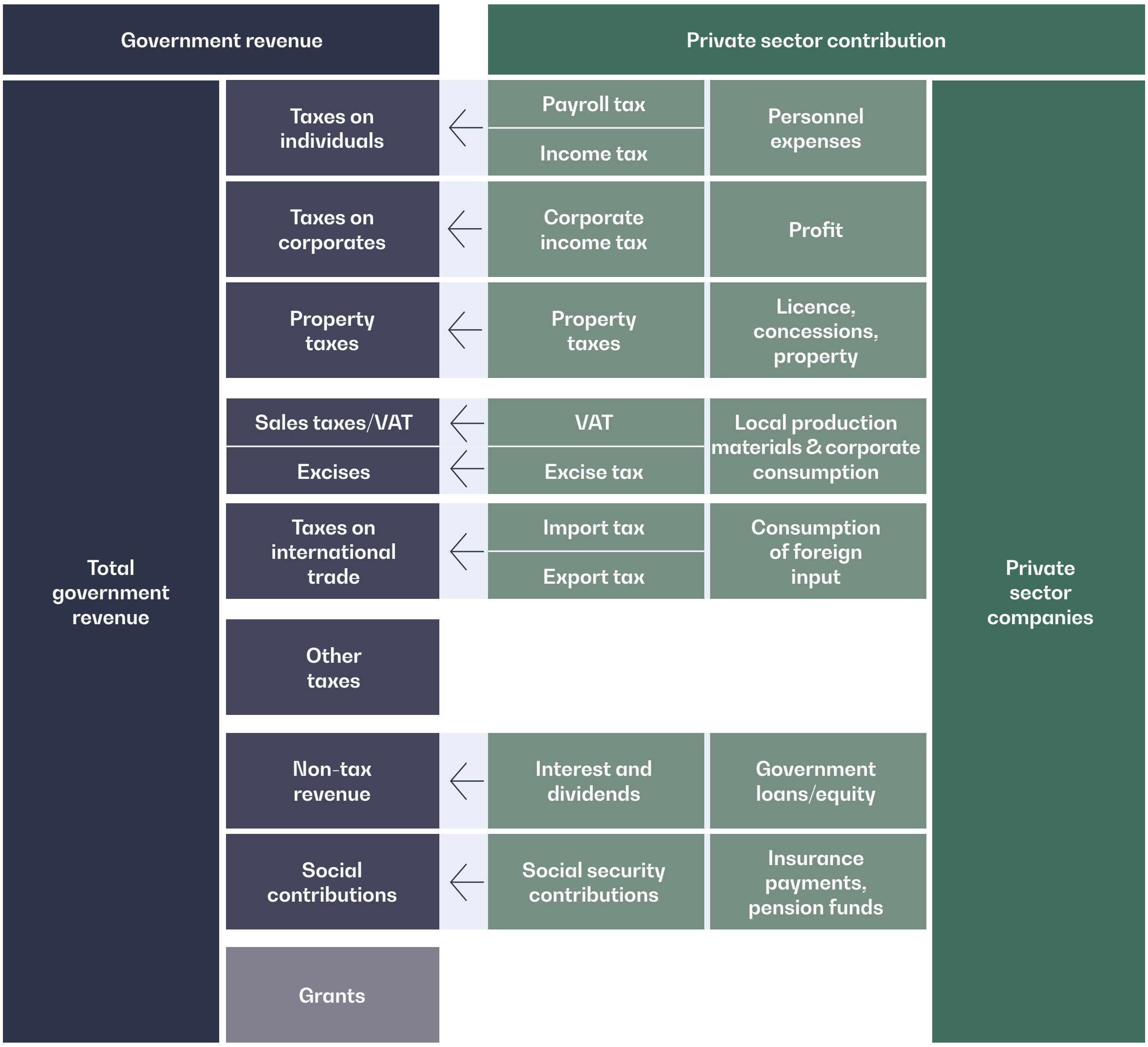
Taxes & tax-like fees

- Our investees paid a total of EUR 515 million in their respective countries in taxes and tax-like fees.
  - 41% by financial institutions
  - 16% by other direct investments
  - 42% by fund portfolio companies
- 74% of the taxes were paid in African countries.

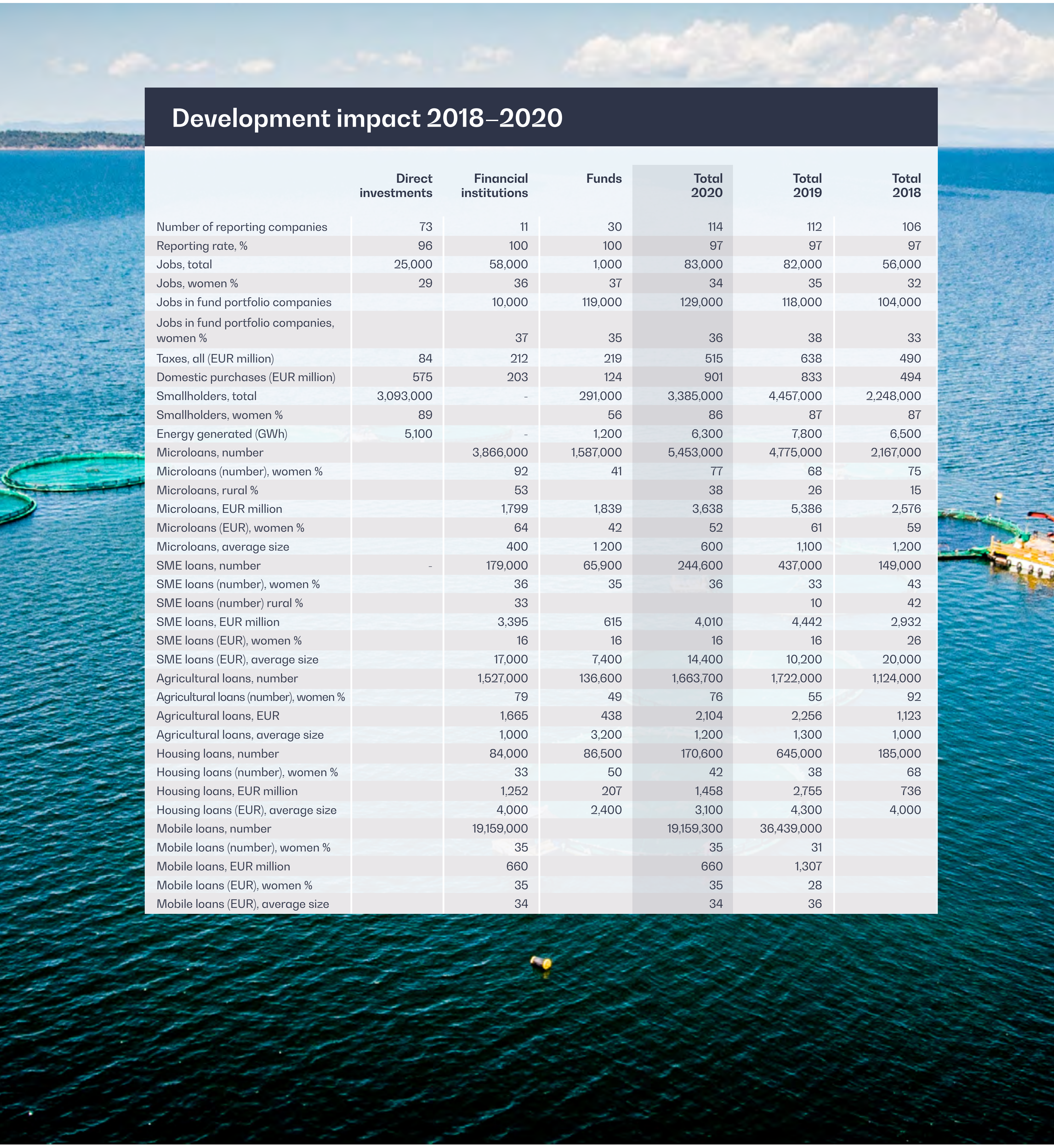
Taxes and tax-like fees in 2020, EUR million



Taxes and tax-like fees by type of investment paid by Finnfund's investees in 2020.
The annual variation is caused by changes both within the investees and in Finnfund's portfolio.



Private sector contribution to government revenue mobilisation. SOURCE: DEG, 2020.



Development impact 2018–2020

	Direct investments	Financial institutions	Funds	Total 2020	Total 2019	Total 2018
Number of reporting companies	73	11	30	114	112	106
Reporting rate, %	96	100	100	97	97	97
Jobs, total	25,000	58,000	1,000	83,000	82,000	56,000
Jobs, women %	29	36	37	34	35	32
Jobs in fund portfolio companies		10,000	119,000	129,000	118,000	104,000
Jobs in fund portfolio companies, women %		37	35	36	38	33
Taxes, all (EUR million)	84	212	219	515	638	490
Domestic purchases (EUR million)	575	203	124	901	833	494
Smallholders, total	3,093,000	-	291,000	3,385,000	4,457,000	2,248,000
Smallholders, women %	89		56	86	87	87
Energy generated (GWh)	5,100	-	1,200	6,300	7,800	6,500
Microloans, number		3,866,000	1,587,000	5,453,000	4,775,000	2,167,000
Microloans (number), women %		92	41	77	68	75
Microloans, rural %		53		38	26	15
Microloans, EUR million		1,799	1,839	3,638	5,386	2,576
Microloans (EUR), women %		64	42	52	61	59
Microloans, average size		400	1 200	600	1,100	1,200
SME loans, number	-	179,000	65,900	244,600	437,000	149,000
SME loans (number), women %		36	35	36	33	43
SME loans (number) rural %		33			10	42
SME loans, EUR million		3,395	615	4,010	4,442	2,932
SME loans (EUR), women %		16	16	16	16	26
SME loans (EUR), average size		17,000	7,400	14,400	10,200	20,000
Agricultural loans, number		1,527,000	136,600	1,663,700	1,722,000	1,124,000
Agricultural loans (number), women %		79	49	76	55	92
Agricultural loans, EUR		1,665	438	2,104	2,256	1,123
Agricultural loans, average size		1,000	3,200	1,200	1,300	1,000
Housing loans, number		84,000	86,500	170,600	645,000	185,000
Housing loans (number), women %		33	50	42	38	68
Housing loans, EUR million		1,252	207	1,458	2,755	736
Housing loans (EUR), average size		4,000	2,400	3,100	4,300	4,000
Mobile loans, number		19,159,000		19,159,300	36,439,000	
Mobile loans (number), women %		35		35	31	
Mobile loans, EUR million		660		660	1,307	
Mobile loans (EUR), women %		35		35	28	
Mobile loans (EUR), average size		34		34	36	

The numbers have been rounded off. As some of the indicators are sector-specific, the number of respondents varies.

Finnfund supports the expansion of Yalelo, an integrated tilapia aquaculture company in Zambia. Photo: Yalelo

Sustainability of Finnfund's investments

We believe that responsible business is both smart and good business. Responsible and environmentally, socially and economically sustainable business practices can improve the operational and financial performance of a company, enhance employee well-being and commitment, and bring a competitive advantage. They also improve a company's risk management, helping to alleviate unexpected risks and impacts, enhance cooperation with stakeholders, and strengthen the social licence to operate.

Finnfund's overarching Sustainability Policy (2020) guides the assessment and management of sustainability within investments. It covers environmental, social and governance issues, as well as the impact created through sustainable business practices. The Sustainability Policy is accompanied by several thematic statements on, for example, human rights, gender equality, and responsible tax, as well as adopted internal guidelines and tools to support implementation. In 2021, we adopted a new Statement on Climate and Energy.

Sustainability is a joint effort of Finnfund, its investees, and third parties, such as co-financiers. Together with like-minded investors, such as the other members of the Association of European Development Finance Institutions (EDFI), Finnfund builds leverage and maximises impact and sustainability in its investments.

Finnfund has endorsed the EDFI Principles for Responsible Financing of Sustainable Development (2019) and the IFC Operating Principles for Impact Management (2020). We have aligned our practices and investee requirements with the jointly agreed harmonised minimum environmental and social requirements applicable to EDFI co-investments, including the Exclusion List.

The year 2021 was characterised by the preparation of significant further steps to tackle climate change. For instance, we adopted a new Statement on Climate and Energy, which underlines our commitment to the Paris Agreement and explains what this commitment means in practice for our portfolio management, investment process, and measurement of the portfolio's carbon footprint. Our climate approach is explained on p. 52 as part of our first disclosure, aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In 2021, the COVID-19 pandemic continued creating challenges to our sustainability work, too, as travel restrictions reduced our ability to carry out field visits and meet in person with our investees and stakeholders. We continued developing and improving new ways of working: many parts of the due diligence process, as well as monitoring, have been done virtually or by using international, local, or regional consultants. We have also continued using shared resources, and we have improved our knowledge and information sharing with our co-investors.

"Unfortunately, the COVID-19 crisis continued to affect businesses and people's lives in all our target countries. Regardless, we and our investees found new practices and developed the old ones to communicate more efficiently. I believe that even if virtual meetings will continue and reduce travel, and hence the carbon footprint caused by flying, they can never fully replace in-person meetings with our investees and their stakeholders, as these are such an integral part of our work."

Riikka Thomson
Manager, Environmental and Social

Finnfund sustainability capacity

Finnfund has designated experts and teams working on environmental, social and governance matters, as well as on development impact. In 2021, the team for environmental and social responsibility grew from five to six specialists, while the development impact team consisted of four specialists. Governance matters were integrated into the workstreams of various in-house teams, namely investment operations and legal affairs. Responsible tax and Know-your-customer (KYC) processes are mainly taken care of by the legal team.

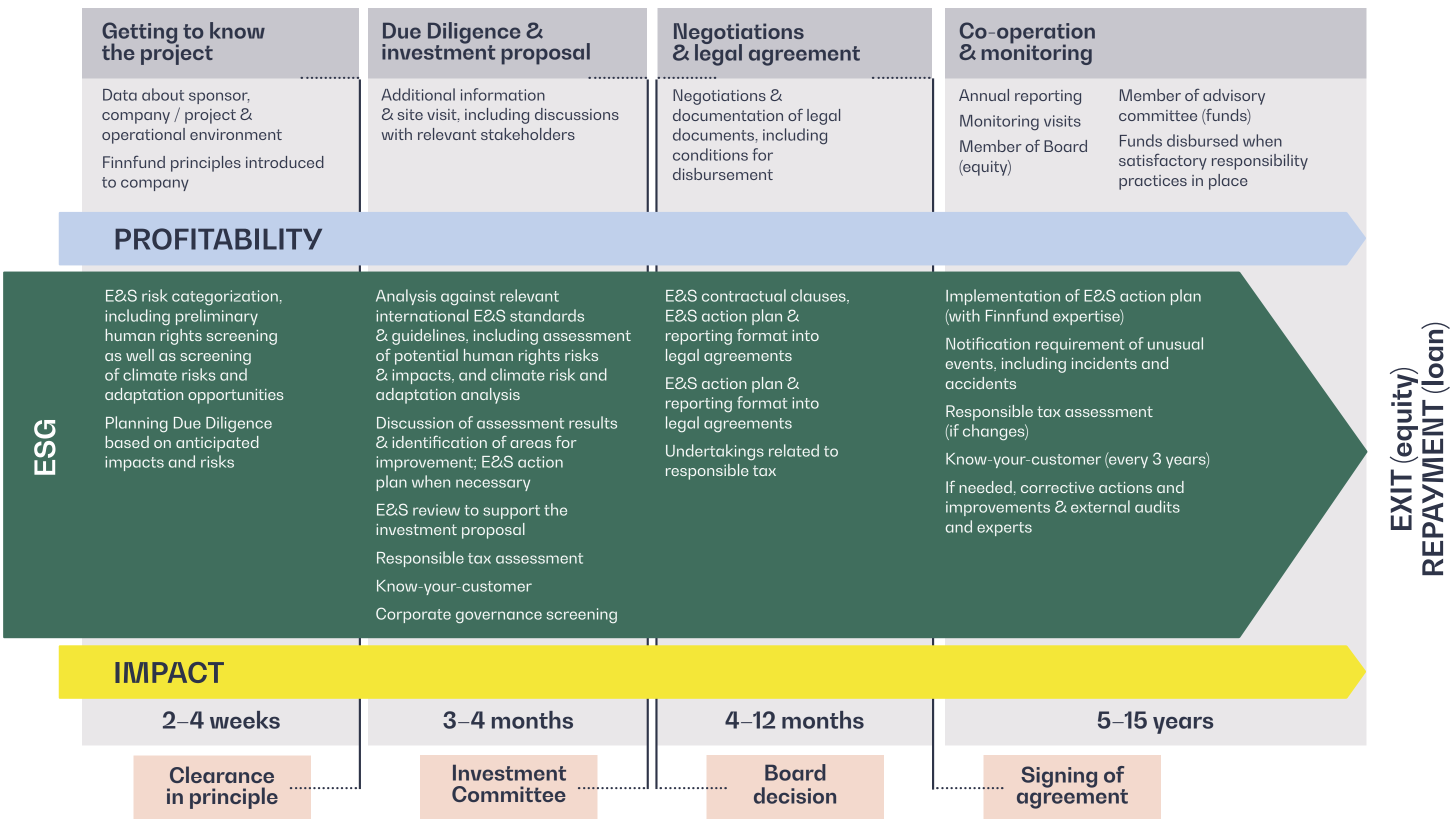
Finnfund's experts continuously follow the latest developments on sustainability and impact, and develop their capacities, as well as Finnfund's processes and tools. They actively participate in relevant training and networking sessions, including regular EDFI expert and working group meetings, and other training sessions and workshops. In 2021, our experts participated in training sessions, for instance, on impact assessment, Fintech investments, the living wage, biodiversity and COVID-19 responses, as well as focus group sessions, for instance, on human rights, gender, and climate, and remote due diligence and monitoring practices. Due to travel restrictions, the sessions were organised virtually, which enabled Finnfund experts to participate in an increased number of sessions covering a wider geographical scope.

Sustainability in Finnfund's investment process

Finnfund investee companies must commit to our sustainability requirements. Environmental sustainability, social responsibility and corporate governance (ESG) are integrated into all phases of our investment process, from identification of potential investments to monitoring, as shown in the figure below.

Finnfund focuses on the key ESG impacts, risks, and opportunities relevant for each project. The higher the risks and anticipated impacts are, the more stringent the requirements become and the more closely Finnfund monitors each project.

Finnfund applies specific procedures for environmental and social due diligence, management, and monitoring, as well as corporate governance, corruption, and taxation matters. All are integrated into the investment pro-



Finnfund's investment process from a sustainability point of view.

cess and codified in our internal guidelines. We apply different procedures for direct and indirect investments, as well as for different financing instruments.

We actively assist our investees in developing their policies and processes regarding sustainability, and we monitor them to ensure they take action if discrepancies are found between their practices, commitments, and the reality on the ground.

Due to the COVID-19 pandemic, in 2020, Finnfund adapted an investment process to accommodate remote working methods, virtual site visits, sharing responsibilities with co-investors, and engaging with approved international and local consultants.

IFC Performance Standards as a basis for environmental and social assessment

Finnfund requires its investees to comply with Finnfund's Exclusion list, applicable host country laws and regulations, and relevant international obligations, including the ILO core labour standards and conventions on basic terms and conditions at work. In addition, all Finnfund investments associated with medium to high inherent environmental and social risks and adverse impacts are required, over a reasonable time period, to achieve compliance with international standards on environmental and social management and performance.

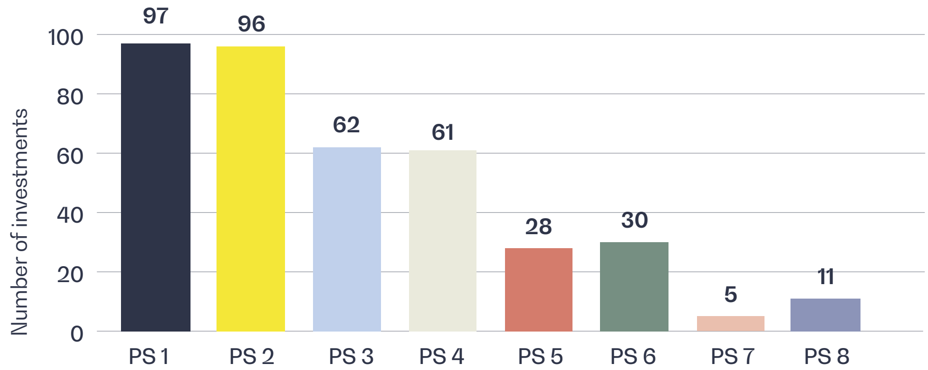
The nature of a project and its associated impacts and risks define which standards apply to it. The principal environmental and social risk management framework defining Finnfund clients' responsibilities for managing their environmental and social risks is the IFC Performance Standards on Environmental and Social Sustainability (IFC PS) and the associated World Bank Group general and industry-specific Environmental, Health, and Safety Guidelines.

The IFC Performance Standards address eight topics: Assessment and Management of Environmental and Social Risks and Impacts (PS1), Labour and Working Conditions (PS2), Resource Efficiency and Pollution Prevention (PS3), Community Health, Safety, and Security (PS4), Land Acquisition and Involuntary Resettlement (PS5), Biodiversity Conservation and Sustainable Management of Living Natural Resources (PS6), Indigenous Peoples (PS7), and Cultural Heritage (PS8). Compliance with PS1 and PS2 is relevant to all medium- to high-risk investments, and compliance with PS3-PS8 is required when risks related to the specific themes are triggered by the project.

Other relevant international standards and principles include, for example, the UN Guiding Principles on Business and Human Rights (UNGP) – which also creates a basis for our human rights management approach (p. 79) – as well as various internationally recognised certification standards such as the ISO management system standards, and sector-specific certifications such as FSC for sustainable forest management, GlobalG.A.P. for good agricultural practices, and SA8000 for social accountability. Finnfund is also a signatory to the Investor Guidelines for Responsible Digital Financial Inclusion of the Responsible Finance Forum and requires its investees to adhere to the responsible digital finance and client protection principles.

The IFC PS triggered by the Finnfund portfolio as of December 2021

Total number of investments (investee companies) 101



Enhancing dialogue and stakeholder engagement

Finnfund believes that stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's E&S impacts and risks.

Stakeholder engagement is an ongoing process. We require our investees to actively engage with their stakeholders in all project phases, including planning, implementation, and monitoring. Specific requirements for stakeholder engagement vary, depending on the project size, scope, and impacts, but compliance with host country obligations, as well as applicable international standards, is essential.

Finnfund requires its investees to establish and maintain operational-level grievance mechanisms that are accessible to affected communities and other stakeholders. Effective grievance mechanisms provide a channel for the communities and other stakeholders to voice their concerns, and they are important from a human rights perspective (p. 79). They enable investees to address and resolve disputes and grievances in a systematic manner.

In 2021, Finnfund continued piloting projects to gain better insight into the voices of individual stakeholders, including our investee companies' employees and local communities. To read more about the project, please see p. 61.

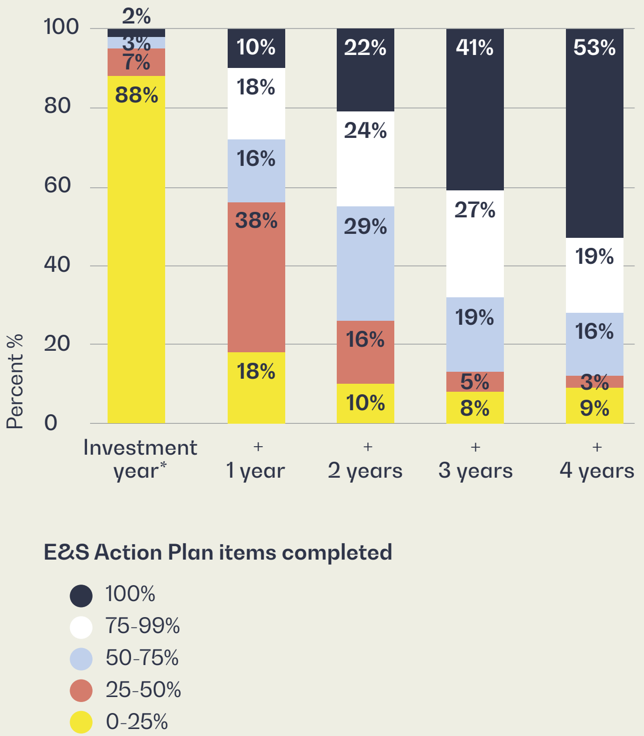
Working together to improve sustainability

When assessing potential investments, any gaps identified in the investees' management and performance against the applicable requirements is documented in an Environmental & Social Action Plan (E&S Action Plan) with a clear description of the gap identified, necessary actions, resources, expected outcomes, and mutually agreed deadlines. The E&S Action Plan is annexed to the financing agreements and followed up regularly. The depth and demands of the E&S Action Plan are commensurate with the risks of the operations.

To become a Finnfund investee, a company does not need to be perfect. Finnfund aims to invest in companies that are ready to commit to and keen on establishing clear sustainability goals and continuously improving their environmental and social management and performance. Typically, after Finnfund's investment decision, it takes the investee company 1–3 years to close the E&S Action Plan and achieve the required level of performance, as shown in figure below.

The E&S Action Plan is developed together with the investee to ensure the realistic deliverables and timeline. A Finnfund E&S adviser offers advice and support during the process. The progress of the E&S Action Plan reflects the impact of the work in environmental and social matters that the investee is achieving with Finnfund support.

Progress of Environmental & Social Action Plans of Finnfund's investments since 2014, as of December 2021



*The first year of investment, e.g. investments made in 2021.

We are biodiversity

Biodiversity has arisen in the current sustainability discussions alongside climate change mitigation and climate change adaptation.

The understanding of the double materiality of biodiversity risks is spreading: it is not just sustainability-related impacts on a company that can be material, but also the impacts of a company on the environment, economy, and society. It is also understood that the deterioration of biodiversity can harm businesses.

This is especially important in sectors where company activities and/or supply chains are dependent on nature, such as forestry, agriculture, fisheries and aquaculture, water utilities, and so on. Simultaneously, biodiversity risks have also become important in sectors where dependence on nature is less evident.

IFC Performance Standard 6 focuses on biodiversity and ecosystem services

Finnfund has assessed the biodiversity risks and impacts of its investments since our first Environmental Policy was published in 2005. Today, our biodiversity commitments are included in the current Finnfund Sustainability Policy 2020 and the Climate and Energy Statement 2021.

In addition to compliance with local laws and environmental regulations, Finnfund requires all investees to comply with the requirements of IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources (PS6). The requirements of this performance standard are guided by the UN Convention on Biological Diversity, and they are the most complete framework on biodiversity in the world.

At the end of 2021, approximately 30% of our investments VAI (investee companies) triggered IFC PS 6, hence there are biodiversity risks and impacts that need to be actively managed by the investees.

The more sensitive the environment, the stricter the requirements

PS 6 requires the application of the mitigation hierarchy to avoid, minimise, restore/rehabilitate, and offset impacts and residual impacts on biodiversity during the entire project life cycle. Biodiversity offsets are required in case, despite all efforts, there are residual impacts that could not be avoided, minimised, or restored/rehabilitated.

Working to meet the biodiversity requirements in line with PS 6 demands time, dedication, and resources from both our E&S advisers and the personnel of our investees. In 2021, Finnfund invested in strengthening the biodiversity skills of the E&S advisers in capacity building with leading international biodiversity specialists. The focus was on more effective application and deeper understanding of the PS 6 framework. For 2022, we are planning to offer similar training to our investee companies in biodiversity sensitive sectors.

In the future, we aim to seek and promote nature-based solutions (NbS) in our projects. By this commitment, we challenge ourselves and our present and future investee companies to take biodiversity thinking and execution to the next level in the coming years.

Read more about the topic on our blog:
We are biodiversity – Finnfund

A lizard (Basiliscus plumifrons) climbing on a tree branch in Nicaragua. Photo: MLR Forestal, Nicaragua

"Biodiversity is one of the key aspects of sustainability for Finnfund. We are increasingly focusing not only on risk avoidance but also on net gains. In other words, how can we enhance biodiversity through our investments."

Harold Gordillo
Environmental and Social Advisor

Corporate governance is a precondition for sustainability

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders.

Good corporate governance is a precondition for the achievement of sustainability in business and long-term economic development. Finnfund promotes good corporate governance in its investments. Together with 35 development financiers, Finnfund signed the Corporate Governance Development Framework (2015) to address the governance risks and opportunities in its operations. The framework is based on IFC corporate governance assessment methodology, and it is specifically developed for development finance.

During the due diligence phase, Finnfund uses corporate governance screening tools to assess the maturity of the investees' governance structures and systems. During the investment period, especially in equity investments, we put emphasis on developing these structures further.

Know our customer – prevention of money laundering and terrorist financing

In terms of compliance, the starting point for every customer relationship is a KYC due diligence process (Know Your Customer), which is run by Finnfund on every customer prior to the investment decision. This is an important part of the due diligence phase and also an obligation set out in the Act on Detecting and Preventing Money Laundering and Terrorist Financing (444/2017 Money Laundering Act, as in force from time to time), which is based on EU directives and other international standards.

The aim of regulation is to have uniform procedures regarding customer due diligence that is observed in global financial markets. The FATF (Financial Action Task Force on Money Laundering), an intergovernmental task force for combating money laundering and terrorist financing, which operates under the auspices of the OECD, plays an important role, as does the European Commission, which, for its part, identifies countries at high risk of money laundering and terrorist financing.

The prevention and detection of money laundering and terrorist financing is regulated in Finland by the Money Laundering Act. In addition to the law and government regulations, Finnfund aims to follow the best industry practices in procedures against money laundering and the financing of terrorism.

Regulation has significantly evolved over the years and continues to evolve, contributing to the development of our own processes and tools. The starting point for customer identification is Finnfund's risk assessment. In this separate risk assessment, Finnfund has assessed the risks associated with Finnfund's operations from the point of view of preventing money laundering and terrorist financing. Based on the risk assessment and the requirements of the Money Laundering Act, Finnfund sets out the level at which each customer identification is conducted. Finnfund also verifies that the customer is not on the UN, UK, EU, or US terrorist contact lists and is not subject to financial sanctions. As investments and investment environments vary, Finnfund may also conduct additional actions during both the due diligence and monitoring phases.

In addition to the KYC due diligence process, projects are monitored during the customer relationship to keep the identification information up to date. Some of Finnfund's projects require conducting enhanced customer due diligence, which includes specific actions and checks prior to commencing the customer relationship, as well

"Know Your Customer, or KYC as we call it, is an integral part of our investment process, not only from a legal point of view, but because we want to know with whom we are partnering."

Katriina Lenkkeri
Chief Legal Counsel

as enhanced continuous monitoring. If Finnfund is unable to carry out the customer due diligence process, it may not establish a customer relationship, and hence may not invest in the company.

In 2021, Finnfund had two employers dedicated to conducting customer due diligence and monitoring work. They were assisted by a legal counsel and an investment officer from each project team. The Chief Legal Counsel continued to serve as the person in charge of KYC and the contact person for money laundering affairs.

In addition to customer due diligence and monitoring, Finnfund ensures that each financing agreement contains clauses (satisfactory to Finnfund) related to preventing money laundering and combating the financing of terrorism. When necessary, Finnfund's staff are provided with instructions and training on matters related to the prevention of money laundering and terrorist financing.

Enhancing responsible tax practices

Tax revenue and other tax-like fees paid by companies to the public sector in developing countries constitute one of the development aims of Finnfund's work with the companies it finances. Finnfund's operations support the tax responsibility of the companies of its investees.

As stated in Finnfund's tax policy (2018), we require our investees to act responsibly and transparently in taxation matters. We encourage them to adopt their own internal tax policy. Finnfund does not accept aggressive tax planning or allow its investees, including investment funds, to engage in such activities.

The tax structures of all new investments are evaluated against our tax policy, and the evaluations are attached to the memoranda presented to our investment committee and the Board of Directors. In the event of any ambiguity, our internal expert considers the issue and, if necessary, external tax experts are also consulted.

Financing agreements include clauses whereby the project companies commit themselves to responsible tax principles in accordance with our tax policy. Finnfund does not accept aggressive tax planning, which prevents the accumulation of tax revenue from profitable business activities in developing countries.

We publish the tax footprints of the projects we finance, with details for each country at the portfolio level (see p. 66).

In March 2021, Finnfund finalised the assessment of the implementation and results of its tax policy, a process that had begun in autumn 2020. The assessment was conducted internally by Finnfund's experts. The assessment showed that the tax policy has enhanced the role of tax responsibility as a focus area in Finnfund's work and in our assessment of our investees' responsibility and sustainability practices. The policy has also improved our own employees' understanding of responsible tax matters and made our process of analysing tax-related impacts more systematic. The assessment concluded that, currently, there is no need to revise the policy. However, Finnfund continues to monitor the development of international tax regulations and practices, and the policy and tools will be updated as and when necessary. More details and the tax policy assessment memorandum are available on Finnfund's website.

In addition to its own tax policy, Finnfund is committed to complying with the Responsible Tax Principles of European Development Financiers (EDFI).

Our work in practice

Interested in knowing more? In this article on our website, we explain how the policy works in practice: Responsible tax principles – our work in practice

Human rights

Respecting and promoting human rights remain essential in Finnfund's work as a development financier and responsible impact investor. Our human rights due diligence (HRDD) commitment – based on the UN Guiding Principles on Business and Human Rights (UNGPs) – is part of our Sustainability Policy and described in our Human Rights Statement (2019), but it is also strongly linked to our wider impact approach and to our aim to promote gender equality, decent work, and so forth. A human rights perspective is embedded into our investment process.

In addition, the IFC Performance Standards (IFC PS) and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work (also known as the ILO Core Labour Standards, ILO CLS), that also cover many human rights aspects, are our environmental and social management reference framework.

In 2021, we focused the development and implementation of our human rights due diligence (HRDD) on leverage and challenging supply chains. We also further extended our human rights training to our investee companies, investment managers, management team, and Board of Directors.

The highlight of the year was the external review of our human rights statement and our human rights due diligence approach by the experts from Pillar Two.

Human rights risk screening

All medium-to-high environmental and social risk investments are first screened using our exclusion list and then appraised against the IFC PS and the ILO CLS, which address potential impacts on certain human rights, such as rights to land, cultural and religious rights, workers' rights, child labour, forced labour, rights to health, safety and security, right to a decent standard of living, and indigenous peoples' rights.

Nevertheless, impacts on some human rights, or rights holders, are not covered as comprehensively as others, including potential impacts on workers' rights beyond primary suppliers, the right to privacy, civil and political rights, and children's rights. Therefore, we sometimes need to go beyond our regular – IFC PS and ILO CLS-based – environmental and social appraisal and perform additional human rights assessments.

Thus, we must identify the corresponding investments and contexts. For that purpose, we use our screening tool. The criteria and sources of information for our screening tool are presented in the next column.

Workshops and internal training on leverage

Building and using leverage is one of the cornerstones of human rights due diligence. In September 2021, to strengthen our approach to taking action to address human rights risks and impacts, we organised a series of internal workshops on leverage, led by Shift, a US-based business and human rights advisory firm.

The interactive workshops included presentations of leading leverage practices, applied learning through case-based examples, group work, and reflections on Finnfund's current approach to leverage and opportunities to strengthen it. The feedback and output from the workshop were discussed with the management team and will feed into future work to further develop our approach.

You may read more about the topic on our blog (in Finnish): Vipuvoimaa ihmisoikeuksiin – Finnfund.

Criteria and sources of information for our human rights screening tool

The human rights screening tool helps to identify contexts that could exacerbate or increase the probability of potential human rights impacts, such as conflict or post-conflict situations, limited political freedom, risks to human rights defenders, or high levels of corruption. The tool also includes criteria related to the project, the investee company, the business relationships, and the products, grouped into 3 categories:

- contextual factors
- business relationships
- the project/investee

The tool includes questions such as:

- Is the project located in fragile/post-conflict/dictatorship or authoritarian/high corruption countries?
- Are there heightened risks for human rights defenders in the country/region?
- Do the sponsors (founders of the project) have negative human rights track records?
- Does the project/company have close relationships with businesses/operations operated by third parties that have high human rights risks/impacts?

To answer these questions, we use various public sources of information, such as the CIVICUS Monitor Index and Watch List, the Freedom House Democracy Index, and Human Rights Watch. Detailed information on our screening list can be found on our website.

External review of our human rights due diligence approach

Two years after adopting the human rights statement, it was time to review the statement and its implementation. This was also requested by the Finnish Ministry for Foreign Affairs in their 2021 Steering Memorandum. The review, finalised at the end of 2021, was conducted by Pillar Two, an Australian-based business and human rights advisory firm. For the review, Pillar Two assigned a strong team of experts with experience in the UNGPs, the UN Global Compact, supporting businesses in human rights, and developing a relevant regulatory framework.

The review consisted of:

- a benchmarking exercise based on public documents
- a gap analysis based on internal documents and interviews with seven internal stakeholders and six external stakeholder organisations.

The benchmarking and the gap analysis were both conducted against criteria derived primarily from the UN Guiding Principles on Business and Human Rights (UNGPs) and the Human Rights Based Approach in Finland's Development Cooperation (HRBA). Where relevant, the OECD Guidelines for Multinational Enterprises, the Equator Principles, and the IFC Performance Standards were also considered.

The analysis was informed by discussions and consultations with external and internal stakeholders, as well as a review of general and project-specific documents. The external stakeholders, who provided valuable input for the review, included four Finnish NGOs/associations and two international NGOs with a focus on human rights and development.

In general, Finnfund performed well, both compared to benchmarked development financing organisations and in the good level of alignment with the UNGPs of its public commitment and human rights policy, its governance, awareness and training, and its human rights due diligence processes.

The review also provided input for future development: one clear area of improvement is related to salient human rights risk assessment at portfolio level. We are prioritising and planning further actions to close gaps that were identified and to continue following emerging issues.

More information and a summary of the results are available on our website.

"For a responsible investor, having leverage is very important, as we are not personally there to run the projects and companies. We need to use leverage."

Päivi Michael
Environmental and Social Adviser

Cooperation with other development financiers

In 2021, we continued to further deepen our knowledge base and understanding of challenges in certain critical global supply chains that may be linked to significant adverse human rights impacts. We cooperated with other development financiers to share information and experience. Building on this cooperation, we developed an enhanced due diligence approach towards challenging supply chains, allowing us to continue investing in sectors that are essential to sustainable development. Our approach focuses on supply chain mapping, traceability, visibility, and auditability. We also provided relevant training to Finnfund's staff and management team.

In 2021, the European Development Finance Institutions' (EDFI) working group on human rights due diligence, with the support of the Danish Institute for Human Rights, finalised a voluntary guidance note and tools on business and human rights. While implementation of the guidance note is voluntary, Finnfund, which was actively involved in the work, intends – after a piloting period - to integrate such guidance into its procedures and tools. Integration is likely to lead to changes to some of the tools Finnfund is using, for example for the human rights screening of investments.

Grievance mechanisms – giving rights holders a voice

Addressing human rights risks and impacts requires timely information from the ground. Investees are expected to have operational-level grievance mechanisms and are committed to notifying Finnfund within days of any significant incidents that may have human rights impacts, and to informing us about the results of investigations and measures taken to remediate and prevent re-occurrence of such events.

Rights holders can voice their concerns directly using our investees' grievance mechanisms or Finnfund's whistleblowing channel (p. 89). Our whistleblowing mechanism continues to develop and improve, considering recent changes in the legal framework, as well as the recommendations presented in the external review. During the year, Finnfund's whistleblowing channel did not receive any human rights-related complaints.

In September 2021, to support our investees, we organised a specific knowledge-sharing session on grievance mechanisms. The workshop, led by Monkey Forest Consultants, welcomed representatives from 25 of our investees operating in different sectors and geographies. The participants, the consultants, and Finnfund's team shared and discussed best practices and new insights.

In 2021, Finnfund continued piloting an innovative survey tool to gain better insight into the voices of individual stakeholders, including our investee companies' employees and local communities. You may read more about the project on p. 61.

Capacity building and cooperation

In addition to the training sessions and workshops mentioned above, Finnfund organised external human rights training for its Board of Directors.

In addition to on-the-job training and learning, Finnfund's environmental and social advisers maintained their internal capacity through internal and external training on human rights, with a focus on the following topics: a living wage and decent work; the impacts of COVID-19; challenging supply chains; leverage; the human rights impact of digitalisation; and client protection principles.

Last but not least, Finnfund contributed to a training package on human rights, developed by Shift for the Ministry for Foreign Affairs.

In 2021, Finnfund did not engage directly with Finnish and international civil society as much as in previous years. As mentioned above, the external review of our human rights due diligence did, however, include interviews with civil society/NGOs. In their feedback, the stakeholders clearly indicated their interest in more cooperation and sharing of experience with Finnfund. This was also part of the feedback received in Finnfund's stakeholder survey (p. 88). Enhanced collaboration with stakeholders – in particular in Finland – is likely to be an important theme for 2022.

"The external review provides us with valuable information. We are proud to be performing well in this high-level benchmark, on many of the indicators, as these organisations can be considered front-runners in this field, and at the same time, we recognise that there is room for improvements."

Sylvie Fraboulet-Jussila
Senior Environmental and Social Adviser

Our work in practice

Interested in knowing more? In this article on our website, we explain how the policy works in practice: [Human rights management system - our work in practice]

Example 1

Enhancing protection of client data and cybersecurity

Finnfund was considering an investment in a company where clients use their mobile phones/mobile money to pay for services. Given the above, one of the additional topics of the environmental and social due diligence was key measures to mitigate potential negative human rights impacts, such as the protection of client data and cybersecurity, the information provided to clients before subscribing to the service, the fairness of pricing, the procedures used in the case of non-payments, and client grievance mechanisms.

Example 2

Additional human rights due diligence approach and training

Finnfund is funding a financial institution that provides loans to projects that have large land footprints in countries where there are human rights challenges. While the financial institution uses the IFC Performance Standards for environmental and social sustainability as its framework for environmental and social risk management and requires its clients to be in compliance with those standards, we determined that the financial institution should develop additional specific human rights due diligence approaches and organise specific training for its staff. This requirement was included in the legally binding Environmental and Social Action Plan for the investment, and it is one of the conditions for the disbursement of Finnfund's funding.

CASE

EthioChicken
Ethiopia

Continuing operations in a conflict situation

● The year 2021 saw the intensification of the conflict in Ethiopia, where Finnfund is financing EthioChicken, a poultry company with operations in several states, including conflict-affected areas like Tigray and parts of Amhara and Oromia.

The insecurity resulted in challenges in accessing markets and personnel in conflict-affected areas. While certain business activities and communications were interrupted from time to time, EthioChicken, given its strong market presence nationally and diversified production centres throughout Ethiopia, was nevertheless able to maintain profitability and stability throughout the conflict, as well as to mitigate the impact of the conflict on its staff.

There remain uncertainties in Ethiopia's macroeconomic and political landscape, but the company has demonstrated remarkable resilience in a challenging situation, and it is poised to deliver on its future growth plans.

Corporate responsibility at Finnfund

Sustainable, responsible business practices are the key not only in our investment operations but throughout our own operations, too.

We are committed to complying with the highest standards concerning business operations and the ethics thereof in our operations. Finnfund's operating methods, decisions, and policies are based on four guiding principles: integrity, transparency, responsibility, and professionalism. The Code of Conduct (2019), together with regulations, policies, and statements – such as the Sustainability Policy (2020), the Human Rights Statement (2019), and the Gender Statement (2019), as well as the procedures concerning our business operations – form the operating culture and values of Finnfund.

Annual targets set by the Ministry for Foreign Affairs

Each year, the Ministry for Foreign Affairs issues a Government Ownership Steering Memorandum, in which it sets Finnfund's development policy and operational goals. The memorandum can be found on Finnfund's website.

The targets and the results for the year 2021 are presented in the table on page 82.

Economic sustainability of Finnfund's operations

Although the Finnfund Act states that the company's purpose is not to generate a profit for its shareholders, all Finnish state-owned companies must be self-sustaining in accordance with the State's ownership policy. This means that their operating income must be sufficient to cover the costs and risks of their activities.

The State's ownership policy sets profitability and cost-efficiency as the owner's objective. According to the policy, those state-owned companies with specific functions must also be profitable businesses.

Prerequisites for financially sustainable operations include identifying risks, pricing them correctly, and keeping risk levels under control. Finnfund's financing is not grant money or otherwise soft, but, in line with its strategy, Finnfund aims to make blended financing available for its projects in the future. To that end, Finnfund passed the EU Pillar Assessment in December 2019, making it eligible to manage EU funds and guarantees.

We assessed the cost-efficiency of Finnfund's operations by comparing the operating costs with the value of investment assets. Finnfund's profitability is primarily assessed in terms of return on equity. Due to the nature of our operations, return on equity may vary considerably from year to year, so return is examined over the long term as the average value over a five-year period. The debt–equity ratio is also examined.

The efficiency and profitability of operations are reported in detail in the Board of Directors' review of 2021, which is available in the annual report section of the financial statements on page 112.

Due to the continuing COVID-19 crisis and political turmoil in Finnfund's countries of operations, such as Ethiopia, Myanmar, and Ukraine, Finnfund's profit for the financial year 2021 stayed on the negative side, being -20.0 million euros.

A detailed report of Finnfund's efficiency and profitability can be found in the Board of Directors' report on p. 112.

Key figures

	2021	2020	2019
Financial income (EUR million)	52.5	73.3	46.6
Net profit (EUR million)	-20.0	-26.3	0.7
Return on equity (%)	-6.9	-8.7	0.3
Equity ratio (%)	36.7	41.7	43.4

Formulae

$$\text{Return on equity} = \frac{\text{Result}}{\text{Equity}} \times 100\%$$

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Balance sheet total} - \text{advances received}} \times 100\%$$

Annual targets set by the Ministry for Foreign Affairs and the results for 2021

	Indicators	Reference level 2020	Target 2021	Result 2021
1	**Investments in low- and lower-middle-income countries of the value of Finnfund's new investment decision** [1]	>75%	>75%	98%
2	**Climate investments of the value of Finnfund's new investment decision**[2]	>50%	50%	40%
	of which for adaptation	N/A	to be reported	33%
3	**Investments in Africa of Finnfund's new investment decisions** (%) [3]	>50%	>50%	60%
4	**Jobs generated by investees (direct investments/fund's portfolio companies)** [4]	81,477 direct investments, 108,371 fund's portfolio companies (31 December 2019)	to be reported	83,000 direct investments, 129,000 fund's portfolio companies
	of which for women	40%	to be reported	35%
5	**Number of investees (direct investments/fund's portfolio companies)**	111 companies, 36 funds, 195 fund's portfolio companies	to be reported	117 companies, 36 fund's portfolio companies
	of which SME companies (number)	43 direct investments, 88 fund's portfolio companies	to be reported	52 companies, 69 fund's portfolio companies
	of which owned by women (%)	1% direct investments	to be reported	2% direct investments

	Indicators	Reference level	Target 2021	Budget 2021	Result 2021
6	**Return on equity as a five-year moving average** [4]	-1.4%	2%	-3.2%	-2.3%
7	**Share of operating costs of investment assets (including undisbursed decisions, excluding administrative expenses of the Finnpartnership programme)**	1.3%	<2%	-0.9%	1.3%

1) Based on the World Bank classification. This also applies to fragile states and other countries in exceptionally challenging situations.
2) Applying the OECD DAC markers investments, whose partial or main objective is to mitigate or adapt to climate change.
3) The indicator is calculated as a three-year moving average.
4) Ministry for Foreign Affairs' development cooperation performance reporting methodology is followed.

Taxes and tax-like fees paid in Finland in 2021

Taxes paid in Finland, EUR	2021
Income taxes	
Employer's contributions	1,613,327
Non-deductible VAT on services and procurement	50,246
Transfer taxes	
Total	**1,663,573**
Taxes to be settled, EUR	
Withholding tax on salaries	2,556,207
Total	**2,556,207**
Total taxes to be paid and settled	**4,219,780**

Finnfund's tax footprint and other payments

The purpose of Finnfund is not to earn profits for its shareholders, and it does not distribute its assets in the form of dividends or other profit-sharing to its owners. By its nature, Finnfund makes only very small investments in its own operations, as only some minor investments are required in fixed assets.

In 2021, Finnfund made 28 new investment decisions in its target countries, with a total value of 241 million euros. These are covered in more detail in the "Investments" section of this report (p. 18).

Tax revenue and other tax-like fees paid by companies to the public sector in developing countries constitute one of the development aims of Finnfund's work with the companies it finances. Finnfund's tax policy (2018) consists of Finnfund's principles and practices to assess and promote the tax responsibility of the projects it finances.

In March 2021, Finnfund finalised the assessment of the implementation and results of its tax policy, a process that had begun in autumn 2020. There is more about the assessment and our approach on p. 65. As part of this approach, we collect data from our investees and publish the tax footprints of the projects we finance, with details for each country at a portfolio level. You can find these figures on p. 66.

In Finland, Finnfund is exempt from income tax under the Act on Income Tax (1535/1992), and it does not pay tax to the Finnish state. Finnfund's activities are essentially a VAT-free financial service. Taxes and tax-like fees paid in Finland in 2021 are presented in the table above.

In terms of taxes and other tax-like fees paid outside Finland, in 2021, Finnfund paid a total of 2,797.18 euros in taxes. These taxes consist of taxation paid at source on dividends in Panama.

In principle, Finnfund exercises restraint in issuing charitable grants and donations, and it does not engage in any activities that could be considered sponsorship. At Christmas time, Finnfund donated 6,000 euros to support UN Women's work in bringing digital skills to Africa, and WWF's work in fighting deforestation and protecting endangered species.

Reporting and accounting principles

Finnfund's financial statements and annual report are prepared in accordance with the Finnish Accounting Standards (FAS), following the income statement and balance sheet models for ordinary companies. Finnfund is not a credit institution as referred to in the Act on Credit Institutions (610/2014), nor does it use income statement and balance sheet models intended for credit institutions.

The company's annual financial statements are published on its website as part of the annual report, after the annual general meeting has adopted the financial statements. At the same time, the company publishes the reporting and accounting principles used for the financial statements, along with any changes to those principles.

Finnfund reports on matters such as its financial performance in the same manner as other state-owned companies, by sending quarterly reports to the Prime Minister's Office and the Ministry for Foreign Affairs, which is responsible for ownership steering. Interim reports are prepared quarterly, but they are not audited or published.

From its investees, Finnfund generally requires reports based on the International Financial Reporting Standards (IFRS), to ensure reliability and comparability.

In extraordinary circumstances, Finnfund may approve financial statements and other financial reporting that comply with local norms, if it is considered justified in light of the status of the reporting company, and unless there is cause to doubt the reliability of these records.

People and corporate culture at Finnfund

Finnfund is a responsible employer that encourages its personnel to continuously learn new skills and develop professionally.

In 2021, the COVID-19 pandemic continued to affect our work throughout the year; most people continued remote working, and due to travel restrictions, the amount of travel was significantly lower than before the pandemic.

Human resources management

Finnfund's Management Team decides on the company's human resources policies, while the Director of Administration, the Human Resources Manager, and supervisors take operational responsibility for their implementation. General guidelines concerning remuneration, incentive schemes, and the remuneration for members of the Management Team are decided by the Board of Directors in compliance with the remuneration policies for state-owned companies.

We have made efforts to evaluate and improve Finnfund's managerial and supervisory work over several years. Finnfund conducts regular personnel surveys covering topics such as the quality of supervisory and managerial work. We strive to respond appropriately and rapidly to the feedback received from personnel.

Every year, Finnfund prepares a human resources and training plan for the year ahead, using a collaborative method. Annual career and target discussions are held with every staff member to review, for example, the need for training, and to monitor the realisation of the previous year's targets and set new targets for the coming year.

Furthermore, development and planning days are set aside for company personnel, to review topical themes and promote interaction between company personnel and management.

The Pulse survey, conducted three times a year, reveals the short-term changes in the company personnel's impressions of the status of their work, their ability to cope with their work, and the quality of supervisory work. Since 2018, the results have also been reported to the Board of Directors.

Finnfund systematically monitors job satisfaction, the number of sick days, and the frequency of accidents. Efforts are made to identify and rectify the causes of any negative changes and to reinforce the underlying causes of positive changes.

In 2021, we put special focus on developing our processes in welcoming and integrating new staff members from abroad into Finnfund. In addition, we continued the adaptation process for a new human resources management system, launched in autumn 2020.

"In 2021, the COVID-19 crisis continued to affect our operations and the way we work. Hybrid work is becoming the new normal, and many of our staff continued working mostly from home. This new situation creates opportunities, but it also challenges old habits and the ways we work. It highlights the importance of good leadership skills, trust, and self-determination."

Minnamari Marttila
Director, Administration

Number and structure of personnel

At the end of 2021, Finnfund employed 86 people, of whom 8 worked for the Ministry for Foreign Affairs' Finnpartnership programme, managed by Finnfund. The average number of personnel for the year as a whole was 83. All company personnel in Finland work at the company's office in Helsinki.

In 2021, there were no reductions in the number of personnel, nor were any other rationalisation measures taken. During the year, the number of employees continued to develop steadily. Seven permanent employees left the company, and nine new ones began working at Finnfund. The outgoing turnover was 7.2% and the incoming turnover was 10.8%.

The average duration of permanent employment relationships is 7.3 years.

The average age of employees is 43.4 years.

In 2021, personnel expenses amounted to 9.5 million euros, including pension and other personnel add-on costs, as well as voluntary personnel costs. The payroll total in 2021 was 7.8 million euros.

The age structure of permanent personnel in 2021, divided into five-year bands

20-29	30-39	40-49	50-59	60+
8	25	25	24	4

Equality

At the end of 2021, Finnfund employed 50 women (51 at the end of 2020), accounting for approximately 58.1% (60.7%) of all employees, while 36 (33) employees were men, equalling approximately 41.9% (39.3%).

Four (four) members of the Board of Directors were women, equalling 50% (50%), while four (four) were men, equalling to 50% (50%).

Two (four) members of the Management Team were women, equalling 57.1% (33.3%), while four (three) members of the Management Team were men, equalling 42.9% (66.7%).

Finnfund conducts an annual equality and non-discrimination survey among its personnel. This forms the basis for updating the company's equality and non-discrimination plan and helps identify practical measures for improvement. The key goal of the plan is to promote equality and non-discrimination, to identify and eliminate structures that generate and maintain inequalities, and to enable men and women of different ages to have equal terms of employment and working conditions, equal distribution between different positions, equal training and career development opportunities, and remuneration on equal principles.

In 2021, Finnfund conducted an assessment of diversity within its staff, and it is committed to monitoring the development of diversity in the future.

Remuneration

Finnfund's remuneration system has three components: the base salary, fringe benefits, and short-term incentives.

Remuneration at Finnfund consists primarily of the fixed monthly salary, which is determined according to the complexity of the position and the employee's professional competence, interaction skills, and performance. The complexity grades for employees are defined every few years, and a salary comparison is performed annually with the help of an external consultant, to evaluate the remuneration level of the market as a whole.

The company has an incentive scheme that covers every member of personnel except the managing director. Employees can earn a bonus of either one-and-a-half or two months' salary, depending on their position, for reaching the targets set annually. In 2021, the incentive scheme was based partly on the company's performance and partly on the fulfilment of personal targets.

In addition, individual employees can earn a personal bonus worth a maximum of one-and-a-half months' salary for excellent performance that clearly surpasses the targets. The Board of Directors decides on the incentive scheme and the key terms and conditions of the scheme annually, in line with the applicable state ownership policy on remuneration.

In the 2021 financial statements, a provision was made for the cost of bonuses corresponding to approximately 11.21% of remuneration costs.

Competence building and training

Training is one way for Finnfund to achieve its targets. Finnfund takes a positive approach to personnel training and continuous competence development: employees require a diverse range of competencies in the fields of international finance and development. Learning on the job and working with experienced colleagues are important factors in developing professional capabilities.

In 2021, when the whole organisation was working remotely due to the COVID-19 pandemic, special attention was paid to ICT and communication skills, and training was provided comprehensively to all employees. In addition, many of our teams organised internal training sessions on different topics, such as on using leverage as part of our human rights due diligence (p. 77).

All Finnfund's personnel are covered by the annual career and target discussions. The discussions are held every spring, using a set of forms developed for this purpose. The discussion covers matters related to professional expertise, the quality of work, professional development, and motivation. The discussion also covers the individual's commitment to the company's Code of Conduct (ethical guidelines), and it includes assessing how the goals for the previous year were met and setting new personal targets for the following year. The discussions also give everyone the opportunity to give feedback on supervisors, either directly to the supervisors themselves, to the supervisor's superiors, or to a representative of the human resources department.

All new employees are given orientation to the organisation and to their duties when they begin work at Finnfund (induction training). Finnfund strives to constantly develop and maintain its employees' competencies by offering topical, supplementary, and language training. The company's training plan is reviewed annually using a collaborative method as part of the review of the personnel and training plan. The training requirements for individual employees are discussed by the employee and their supervisor annually during career and target discussions, which also include agreements on personal training plans, if necessary.

In 2021, Finnfund began to develop a new online training system for its employees. In the future, most internal training material, including material used in induction training, will be available to all staff within the same online system.

Occupational wellbeing, health, and safety

Finnfund pays constant attention to its employees' occupational wellbeing, ability to cope with workload, and job satisfaction. Finnfund conducts regular occupational wellbeing and job satisfaction surveys. In addition, feedback is frequently collected from personnel using various instant, quick surveys and other methods.

Company personnel also have the opportunity to discuss matters of occupational wellbeing and job satisfaction during career and target discussions and to give anonymous feedback via Finnfund's website. It is also possible to discuss issues with external parties, if necessary.

The management of occupational wellbeing, health, and safety is the responsibility of the Director of Administration, together with the Human Resources Manager and the Chief Technology Officer, who acts as the occupational health and safety manager. Finnfund also has an occupational health and safety committee. During previous years, the most significant safety risks in the workplace have been assessed to be travel, health risks due to travel, and ergonomics.

In 2021, due to the COVID-19 pandemic and continued travel restrictions and remote working, the most significant health risks have been assessed to be psychological stress and ergonomics.

The workplace risk assessment is updated periodically, and efforts are made to respond rapidly to any changes to the risk levels or any new risks that become apparent. Ergonomics assessments are also updated periodically in conjunction with personnel turnover and changes affecting workstations.

In 2021, Finnfund was not made aware of any work-related accidents.

The number of days taken as sick leave, the trend in absences, and the known causes of absences are continuously monitored in collaboration with the occupational health care provider. Overall, the number of absences due to illness is at an ordinary level, and annual changes in the numbers have been moderate. In 2021, Finnfund continued to provide guidance and masks for staff to help them protect themselves against COVID-19.

All new employees are given orientation to the organisation and their duties as they begin work at Finnfund.

Finnfund encourages its personnel to take care of their health and wellbeing, and to this end it offers more extensive occupational health care services than the statutory minimum and subsidises its personnel's sporting and cultural activities. The company has a model for providing early support when employees' working capacity is in jeopardy, and it has a substance abuse programme for preventing and treating the effects of substance abuse.

Transparency and stakeholder engagement

Transparency is a key guiding principle in Finnfund's operations. Transparent information on Finnfund's operations is important to fulfilling its development mandate.

Finnfund publishes information on the principles, practices, and results guiding its activities as widely as possible. Finnfund also encourages the companies it finances and its partners to be transparent and to adhere to good corporate responsibility practices.

Based on our Disclosure Policy (2018), Finnfund publishes information about its activities and investments on a continuous basis, for example on its website, in its annual report, and in its sustainability report, as well as in other publications. As stated in our Human Rights Statement (2019), Finnfund provides an open, easy access complaints and feedback channel for stakeholders to voice their concerns related to Finnfund's investments.

Finnfund has many different types of stakeholders in Finland, in our target countries, and internationally. Our stakeholders are, for instance, Finnfund's shareholders, namely the State of Finland, as well as Finland's export credit agency Finnvera and the Confederation of Finnish Industries; our staff; our investees, co-financiers, and their stakeholders; civil society, academia, consultants, and other partners both in Finland and abroad, such as Finland's embassies; and other Team Finland members and development financiers, namely European Development Financiers (EDFI).

In 2021, we conducted a stakeholder survey to collect feedback and ideas from various stakeholders. The aim was to gather information, for instance, on brand image, strengths, and weaknesses, as well as to ask stakeholders how they see the changes in the operational environment and what their expectations are for Finnfund. The stakeholder survey, carried out by an independent research company, consisted of telephone interviews and an online survey conducted in Finnish and English. In total, 184 responses were received, of which about three quarters were from external and a quarter from internal stakeholders from both Finland and abroad. The previous stakeholder survey was conducted in 2019.

Finnfund is continuously conducting an open discussion with various stakeholders both in Finland and abroad. We actively engage in discussions with our stakeholders, including public sector institutions, the private sector, and national and international civil society organisations, on the development and implementation of our policies and procedures. We aim to look for and make use of collaboration opportunities with our stakeholders. With our development financier partners, we actively work to harmonise our requirements and procedures for streamlined project assessment, and our implementation procedures for improved efficiency and increased leverage in negotiations with our investees.

In 2021, due to the restrictions caused by the COVID-19 pandemic, most meetings were organised as online events. During the year, Finnfund organised three thematic meetings of the Impact Network, an open network of mainly Finnish experts interested in impact measurement and development issues, as well as a number of smaller meetings and roundtable discussions.

Finnfund's internal debate series "FF Talks" also continued to give the floor to both internal and external experts and civil society representatives. The topics included the circular economy, political conflicts in Ethiopia and Myanmar, and a session on the latest trends in impact investing.

Stakeholder survey: Focus on climate and poverty reduction

In the future, how should Finnfund develop its operations as a development financier and impact investor? What are the key issues on which it should particularly focus? Which areas of impact and sustainability are the most relevant? When thinking about the field of development finance, what are the trends or issues that will be in focus in the next few years?

In 2021, Finnfund conducted a stakeholder survey to collect feedback and ideas from various stakeholders. The aim was to gather information, for instance, on brand image, strengths, and weaknesses, as well as to ask stakeholders how they see the changes in the operational environment and what their expectations are for Finnfund.

In general, a positive tone was present throughout the results. For instance, according to the respondents, Finnfund's mission to build a sustainable world by investing in responsible and profitable businesses in developing countries is well reflected in Finnfund's operations: the result was an average of 4.2 on a scale of 1-5. Finnfund is also seen as a good example of responsible investing (an average response by external stakeholders was 4.1 on a scale of 1-5), it promotes ESG, environmental and social sustainability, and good governance (the average response was 4.0 by external stakeholders), and it generates development impacts (average 4.0).

Another aim was to gather feedback on Finnfund as a financier and partner. Many of the respondents highlighted professionalism, expertise, and reliability. Many of them noted the development of different aspects of operations in recent years, and they expect this progress to continue in the future. In terms of recommendations, many of them emphasised information, knowledge sharing, and increased cooperation.

We also wanted to find out which areas of impact and sustainability are considered the most important, and which ones Finnfund should focus on in the future. Climate change mitigation and adaptation took first place, while poverty reduction through job creation was second. Improving access to clean energy and the creation of decent jobs were in third position. These were also the areas that Finnfund is expected to focus on in the future, in addition to the prevention of deforestation and biodiversity loss, mobilising private capital for sustainable development, and climate actions.

Read more about this topic on our website: Keep up the good work – stakeholder survey provides feedback and ideas on Finnfund's operations *– and on our blog* Listen to your stakeholders.

"In order to make smart, good decisions and have a deep understanding of the changing operational environment, we must listen to our key people both outside and within our organisation. We would like to thank everyone who took the time to respond – your feedback and ideas are extremely valuable to us. The discussion and cooperation will continue."

Kirsi Pere
Communications Manager

Governance, whistleblowing, and internal audit

Finnfund's Code of Conduct (2019) applies equally to all Finnfund employees, supervisors, and directors. Finnfund expects the entire personnel to comply with the Code of Conduct, act as an example to others, and notify the company if the principles are violated.

Practical tools developed to support the implementation of the Code of Conduct include, among other things, internal procurement policies and internal audit mechanisms.

In late 2019, Finnfund established an internal audit function, which became functional in early 2020. In order to ensure the independence of the internal auditors in Finnfund's fairly small organisation, Finnfund's Board of Directors decided to contract a third-party internal auditor. BDO Plc. was appointed to the task.

As mentioned earlier (p. 89), Finnfund also has an online whistleblowing mechanism to report suspected wrongdoings in the operations of Finnfund or its investees. In 2021, Finnfund's whistleblowing channel did not receive any human rights-related complaints or complaints related to its own operations. Due to the changing regulations and best practices in the field, in 2021, Finnfund started developing its whistleblowing channel. This work is to be continued in 2022.

Finnfund's Board of Directors has appointed an internal Anti-Corruption and Grievance Committee to investigate corruption and misconduct and to deal with whistleblowing matters. The Anti-Corruption and Grievance Committee consists of a chairperson and two members, one of whom shall be a lawyer.

The Anti-Corruption and Grievance Committee may give recommendations on the matters it deals with. Allegations concerning the Managing Director shall be dealt with by the Board of Directors.

Our environmental sustainability and footprint

Finnfund calculates the carbon footprint of its own operations annually (please see p. 56 for details), covering the most essential emission sources. In principle, the most significant source of our emissions is business travel, which accounts for approximately 90% of our emissions. In 2020, the total operational carbon footprint of our own operations was 386 tonnes (t) of CO_2, which averages approximately 4,55 tCO_2 per employee.

Finnfund's operations require its staff to thoroughly familiarise themselves with the investees and actively participate in the management and monitoring of investments. This requires frequent visits to the target countries. Finnfund is continuously developing electronic tools and encouraging the personnel to use them.

However, in 2021, due to the continued travel restrictions caused by the COVID-19 pandemic, travel by our staff was cut to a minimum, and most meetings and events were organised online.

In addition, commuting decreased significantly due to the fact that staff were teleworking for most of the year. In principle, Finnfund seeks to mitigate the greenhouse gas emissions arising from commuting by encouraging personnel to use public transport, by offering the possibility of an employer-subsidised commuter ticket and partial teleworking. For those who use an electronic vehicle, Finnfund's office parking plot has a charging system in place that can be used by employees at their own expense.

Since 2019, Finnfund's premises have been WWF Green Office certified. The company's operations consume small quantities of water and generate little waste. However, the company strives to improve the material efficiency of its operations by means such as reducing the consumption of office paper, promoting electronic document management, and sorting waste, as well as by making use of energy-saving office equipment and lighting solutions.

You can read more about our climate actions and the climate effects of our investment portfolio as part of our disclosure aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) on p. 52.

CASE

SPARK Schools
South Africa

SPARK Schools wants to revolutionise K-12 education in Africa

● By 2030, more than 300 million young people will enter the job market across Sub-Saharan Africa. A high-performing primary and secondary learning system, unlocking university doors, will be critical to educate and train the many.

Through a combination of teacher-led instruction and online learning, a rotational classroom set-up, and a strong emphasis on educators' professional development, SPARK Schools provides the best education standards at a competitive price accessible to many. The company has become the third most extensive network of private K-12 schools in South Africa, operating 18 institutions and serving over 10,500 families from diverse social and cultural backgrounds.

In February 2021, Finnfund invested 5.2 million dollars in SPARK Schools. The funding will be instrumental in consolidating SPARK's existing network and expanding primary and secondary schools across Africa to reach 35,000+ scholars in the next ten years.

Annexes

Penda Health is a chain of affordable medical centres in Nairobi, Kenya.
In addition to serving patients throughout the pandemic, they have also offered COVID-19 vaccinations. Finnfund has been financing Penda Health since 2018.
Photo: Penda Health

How does renewable energy promote sustainable development?

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).

finnfund

- financing
- expertise and responsible practices
- mobilization of funding

Financing for

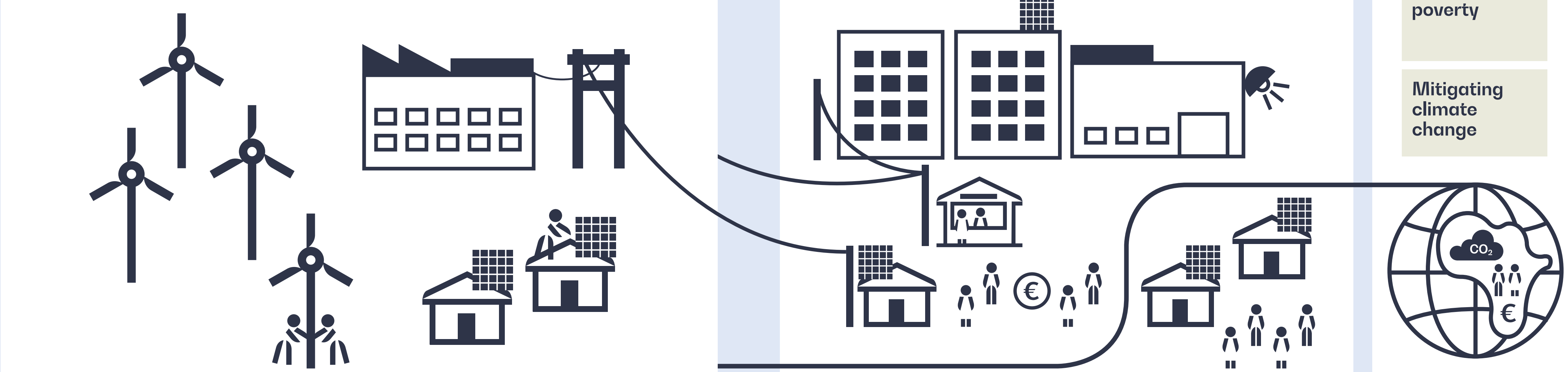
Power plants, off-grid solutions such as small solar panels, and solutions to improve energy efficiency

Direct impacts

Company	Increased electricity generation		
People	Jobs at construction and operation stages	Improved infrastructure	Tax revenue
Environment	Increased renewable energy generation		

Indirect impacts

Company	Cheaper and more reliable electricity for electric utilities	Cheaper and more reliable electricity for customers	More customers and electricity connections
People	Improved economic activity in the region		
Environment	Replaced fossil fuels	Less CO2 emissions	



Wider impacts

- Increased production and improved productivity
- Strengthened balance of payments
- Improved public service delivery
- 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

How sustainable forestry promotes sustainable development?

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).

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
- Better product quality
- Higher sales price

People
- Co-operation with local communities
- Improved infrastructure
- Jobs and salary income
- Local purchases

Environment
- Forest area grows in size
- Forest biomass increases
- More protected forest area

Indirect impacts

- Improved productivity and profitability
- Improved forestry expertize
- Improved availability of certified timber
- Replaces imports
- Development of remote areas
- Benefits to out-grower farmers
- Forestry seen as source of income
- Less local conflicts
- Increase in jobs & incomes
- CO2 sequestration increases
- Less illegal logging

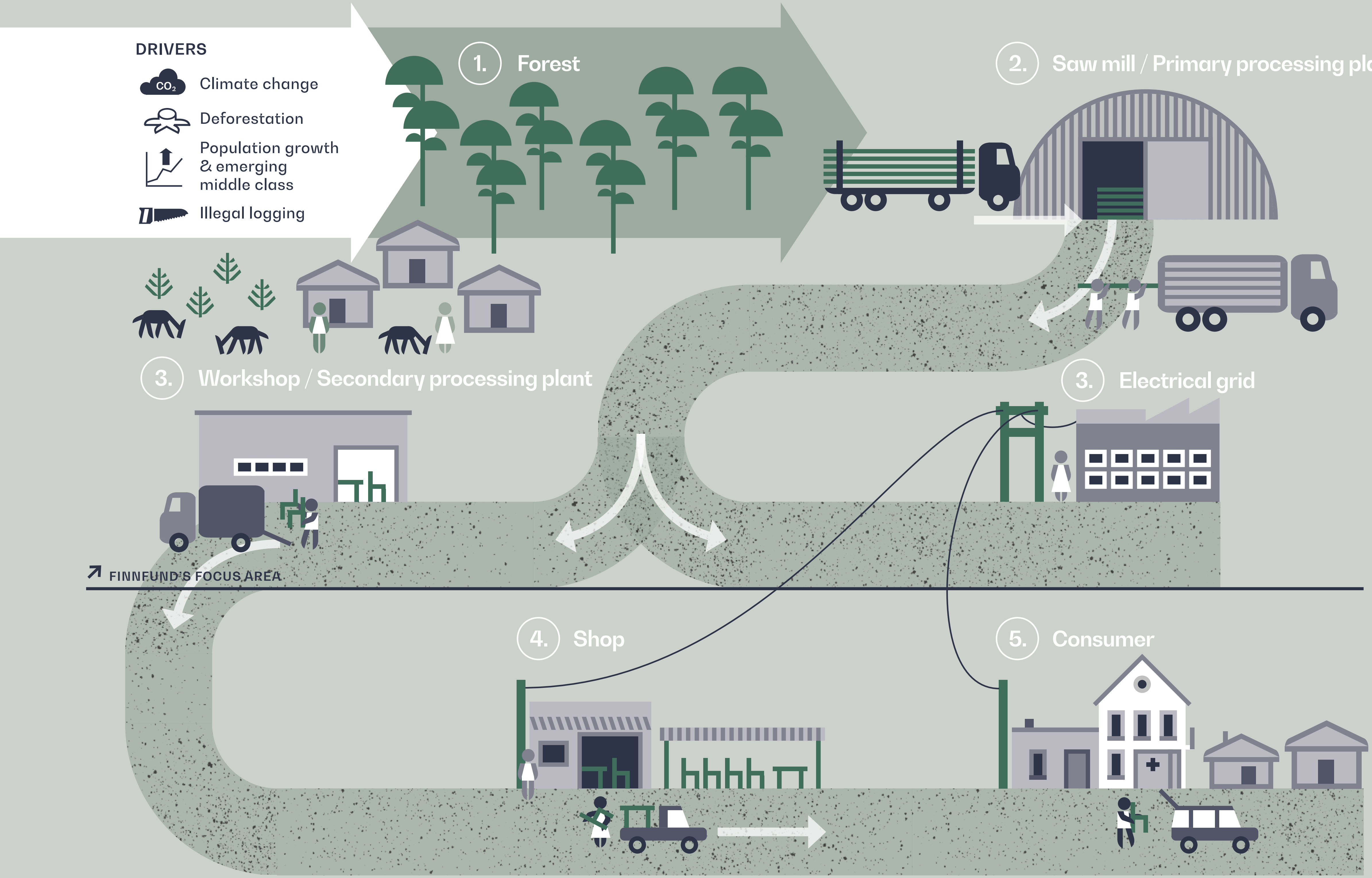
Wider impacts

- 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

SUSTAINABLE FORESTRY Value chain



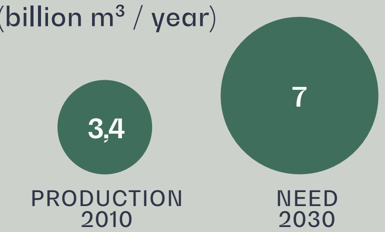
SUSTAINABLE FORESTRY

- 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 m^3 / year)



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

SOURCE: WWF 2012

finnfund DECEMBER 2018

How does sustainable agriculture promote sustainable development?

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.

finnfund

- financing
- expertise and responsible practices
- mobilization of funding

Financing for

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

Direct impacts

Company

- Increased production
- Improved income opportunities
- Improved product quality
- Adoption of new innovations
- More efficient production
- Increased payments to government

People

- Jobs and salaries (also to women)
- Improved income opportunities through local purchases
- Improved social standards
- Improved food security
- Improved roads and other infrastructure
- Increased access to improved seed and techniques

Environment

- More sustainable production
- Improved animal wellfare

Indirect impacts

Company

- Modernization of agriculture sector
- Increased exports or reduced imports
- Local value chains develop and diversify
- Increasing self-sufficiency, moving up the value chain

People

- Improved farming productivity and techniques
- Decreasing food price volatility
- Development to rural areas
- Increasing economic empowerment of women
- Promoting climate change adaptation

Environment

- Reducing erosion and environmental stress
- Increased CO2 sequestration

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

How do financial institutions promote sustainable development?

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).

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

- Increased lending to MSME clients
- Increased efficiency and credit risk maangemetns through digital solutions
- Increased payments to government
- New clients from unbanked groups
- Enhanced customer protection principles
- Increased availablity of non-financial services

Micro, small and medium-sized enterprises

- New companies gain access to financial services
- Larger variety of financial services
- Better loan terms such as longer tenors and larger loan sizes
- Flexible credit processes through digital services

People

- More jobs in financial institutions and compa-nies
- Larger variety of financial services
- Increased access to financial services for unbanked (incl. women)
- Digital services enable financial identity
- Increased financial literacy

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 invest more and grow
- Increased capacities to invest in future and mitigate risks
- Enhancing equal access to financial services
- Enhancing economic empower-ment and independence of women

Wider impacts

- Enhancing inclusive growth
- Less poverty
- Enhanc-ing 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

How digital infrastructure and solutions promote sustainable development?

Why is it important?

Coverage gap: Over half a billion people still live in areas with no access to mobile broadband services (GSMA, 2021). Bringing the essential mobile services to these areas is essential for digital inclusion.

Usage gap: Over 3.5 billion people who are living in areas with a mobile broadband network are not using mobile internet, despite substantial increases in mobile broadband coverage since 2014 (GSMA 2021).

Affordability: Affordability has improved substantially but remains a key barrier. Due to the Covid-19 pandemic, decline in capital has worsened especially handset and data affordability.

Gender gap: Significant gender and rural-urban gaps persist. Women are 37% less likely to use mobile internet than men.

finnfund
- financing
- expertise and responsible practices
- mobilization of funding

Financing for

Digital infrastructure and solutions

Direct impacts

Company
- New and improved infrastructure
- New applications
- New devices
- Cheaper connections

People
- Improved access to internet
- Improved access to services
- Improved access to markets
- Access to information
- Personal identification

Environment
- More efficient logistics
- Resource efficiency

Indirect impacts

Company
- Lower costs of production
- Lower transactions costs
- Access to new markets and clients
- Access to finance and cashless transfers
- New, data-driven business models
- Enhanced resilience to shocks

People
- Financial inclusion
- Remote work and education opportunities
- Enhanced resilience to shocks, reduced vulnerability
- Improved livelihoods
- Improved citizenry

Environment
- Less traffic
- CO2 reductions
- Waste reductions

Wider impacts

- Inclusive growth
- Government savings
- Enhanced women's economic participation
- Improved civic participation, more informed people, improved democracy
- Decentralized information
- Improved health and education outcomes
- Improved resilience

Sustainable Development Goals

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES

Corporate governance

Corporate governance

Finnfund is governed by the Act on a Limited Liability Company named Teollisen yhteistyön rahasto Oy (291/79 amended, 'the Finnfund Act'), the Finnish Limited Liability Companies Act, and the Articles of Association of the company. In addition, it observes the corporate governance guidelines for state majority-owned unlisted companies and state special-purpose companies, issued by the owner, the Finnish state.

The governance principles laid out here are based on the Articles of Association that came into force on 1 January 2012 and were amended on 11 May 2020.

Governing bodies

Finnfund is governed by the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the managing director. Their responsibilities are determined by the Finnish Limited Liability Companies Act and the Articles of Association of the company.

General meeting

The highest decision-making body in Finnfund is the General Meeting of Shareholders, which convenes at least once a year. The Annual General Meeting shall be held each year at a date set by the Board of Directors that is within six months of the end of the financial period.

The Annual General Meeting takes decisions on all matters designated for it in the Limited Liability Companies Act and the Articles of Association. This includes the adoption of the financial statements; assignment of the balance sheet result; release from liability of the Supervisory Board members, directors, and managing director; election of Supervisory Board members, the directors, and the auditor; and determination of their remuneration. Further, The Annual General Meeting handles the annual corporate responsibility targets set by the Ministry for Foreign Affairs to the company, including the report on tax responsibility and tax footprint, and the report on actual remuneration policies.

The 2021 Annual General Meeting was held virtually on 22 April due to the continuous COVID-19 pandemic. The meeting handled the matters specified in Article 11 of the Articles of Association and decided to increase the company's share capital.

All of the company's outstanding shares were represented at the meeting.

On 25 November 2021, the company's shareholders decided, in accordance with Companies Act 5:1, unanimously and without convening a General Meeting, to appoint a new member to the Supervisory Board.

Supervisory Board

The Supervisory Board is composed of 13 members. The Annual General Meeting elects the members for three years at a time. The term of each member of the Supervisory Board ends at the close of the third Annual General Meeting following their election. Every three years, five members and in other years, four members are up for re-election.

The Supervisory Board elects a chair and vice chair from among its members for one year.

See members of the Supervisory Board in 2021 on p. 109.

The task of the Supervisory Board is to monitor the company's administration under the Board of Directors' and the Managing Director's supervision. The Supervisory Board also issues a statement to the Annual General Meeting regarding the financial statements and the audit.

In addition to that, the Supervisory Board can advise the Board of Directors on matters of principle or otherwise broad importance.

Board of Directors

The Board of Directors has at least six and at most eight members. The board chair, a possible vice chair, and its other members are chosen by the Annual General Meeting.The term of a board member ends at the close of the next Annual General Meeting.

The term of a board member ends at the close of the next Annual General Meeting.

See members of the Board of Directors in 2021 on p. 109.

The tasks of the Board of Directors include but are not limited to making decisions regarding financing and investments when the decision-making is not delegated to the managing director; confirming the company's strategy and operating policy; deciding on authorisation to sign on behalf of the company; appointing the managing director and determining his or her salary and other compensation, and deciding on the calling of Annual General Meetings and preparing material on the matters they will address.

Audit Committee of the Board of Directors

The Board has an Audit Committee consisting of the chairperson and 2 to 3 members the Board appoints from its members. The members shall be independent of the company, and at least one must be independent of a major shareholder. Members must have the competence required for the committee's duties, and at least one member shall be skilled particularly in accounting, bookkeeping, or auditing. The Audit Committee is chosen for the term of the Board of Directors.

The task of the Audit Committee is to assist the Board in ensuring that the bookkeeping and financial control of the company are appropriately organised and that internal control and risk management, auditing, and internal auditing are conducted in accordance with the law, regulations, and the operating principles confirmed by the Board of Directors.

Human Resources (HR) Committee of the Board of Directors

The Board has a Human Resources Committee consisting of the chairperson and at least two members the Board appoints from its members. The members shall be independent of the company, and at least one must be independent of a major shareholder. Members shall have the competence required for the committee's duties, and at least one member shall have expertise and experience in demanding leadership roles, remuneration issues, and talent management. The HR Committee is chosen for the term of the Board of Directors.

The task of the HR Committee is, among other things, to assist the Board in appointments and successor planning of top management, preparing key principles and practices relating to staff remuneration and measures to improve human resource management and corporate culture.

Managing Director

The task of the Managing Director is to attend to the company's day-to-day administration in accordance with the instructions and regulations issued by the Board of Directors.

In addition to the above, the Board of Directors has delegated its decision-making capacity to the Managing Director so that he is entitled to make decisions regarding financing and investments up to EUR 5,000,000.

The Board of Directors determines the salaries and remuneration of the Managing Director, his deputy, and the management team members.

Management team

Finnfund's management constitutes the management team, which is an advisory body assisting the managing director.

Fees paid (EUR) and participation at the meetings
Supervisory Board 2021

Member	Fee	Present
Emma Kari (chair)	3,200	4/4
Outi Alanko-Kahiluoto (chair as of 10 December 2021)	800	1/1
Sakari Puisto (vice chair)	3,000	5/5
Eeva Biaudet	2,000	4/5
Jarkko Eloranta	2,500	5/5
Veronika Honkasalo	2,500	5/5
Marko Kilpi	2,000	4/5
Jouni Ovaska	3,000	6/6
Juha-Erkki Mäntyniemi	2,500	5/5
Jouni Ovaska	2,500	5/5
Juha Ruippo	2,500	5/5
Kristiina Salonen	2,500	5/5
Saara-Sofia Sirén	2,500	5/5
Erkki Tuomioja	2,000	4/5
Pertti Vuorio	2,500	5/5

In 2021, the Supervisory Board met five times. The average attendance rate for members was 96,4%.

Remuneration

Supervisory Board

Members of the Supervisory Board have received fees as follows. The chair of the Supervisory Board received EUR 800 per meeting, the vice chair EUR 600 per meeting, and other members EUR 500 per meeting.

Board of Directors

Members of the Board of Directors have received monthly fees and fees per meeting as follows. The chairperson of the Board of Directors received a monthly fee of EUR 1,100, the vice chairperson a monthly fee of EUR 700, and the other members a monthly fee of EUR 600. In addition, all members received a fee of EUR 300 per attended meeting. The chairperson has also been paid a fee per meeting for attending the Supervisory Board and Audit and HR Committee meetings.

Audit Committee

In 2021, members of the Audit Committee of the Board of Directors received a fee of EUR 300 per meeting attended.

Human Resources Committee

In 2021, members of the HR Committee of the Board of Directors received a fee of EUR 300 per meeting attended.

Fees paid (EUR) and participation at the meetings, Board of Directors 2021

Member	Fee	Present
Robert Wihtol chair	18,000	13/13
Pirita Mikkanen vice chair until 22 April 2021	3,700	3/3
Helena Airaksinen vice chair as of 22 April 2021	11,900	13/13
Nicholas Anderson	11,100	13/13
Jussi Haarasilta	11,100	13/13
Anu Hämäläinen	11,100	13/13
Hanna Loikkanen	11,100	13/13
Sari Nikka	8,400	10/10
Antero Toivainen	11,100	13/13

In 2021, the Board met 13 times. The average attendance rate for members was 100%.

Fees paid (EUR) and participation at the meetings, Audit Committee 2021

Member	Fee	Present
Jussi Haarasilta chair	1,800	6/6
Anu Hämäläinen	1,800	6/6
Pirita Mikkanen	300	1/1
Sari Nikka	1,200	4/4

In 2021, the Audit Committee met six times. The attendance rate for members was 100%.

Fees paid (EUR) and participation at the meetings, Human Resources Committee 2021

Member	Fee	Present
Robert Wihtol chair	900	3/3
Helena Airaksinen	900	3/3
Hanna Loikkanen	900	3/3

In 2021, the HR Committee met three times. The attendance rate for members was 100%.

Managing Director

In the financial year 2021, managing director Jaakko Kangasniemi received a taxable income of EUR 260,350.01 from the company. The remuneration of the managing director consists of a fully fixed monthly salary. The managing director is not eligible for the company's incentive system and was not paid a bonus in the financial year 2021.

The managing director's executive contract, agreed upon in 2002, was revised in 2012 in relation to pension rights. The retirement age was raised from 60 to 63 years and the pension type changed from defined-benefit to defined-contribution. The annual contribution level is 26.51% of gross annual earnings.

The pension liability is covered partly by the group pension insurance and partly by an annual reserve in the company's balance sheet. In the financial year ending 31 December 2021, a reserve of EUR 60,518.79 was made for the pension liability.

The company may terminate the managing director's employment at six months' notice. Upon termination by the company, in addition to the salary for the term of notice, the managing director will receive an amount equal to six months' salary.

Because of the pension benefit change in the executive contract, the managing director forewent net pension benefits of EUR 74,308 accrued in earlier years. This loss of pension benefit has been counterbalanced by raising his gross monthly wage from 1 January 2013 by EUR 1,347, which will provide him full compensation by the time he reaches the age of 63.

If his employment ends before the age of 63 years, he will be remitted by the company the amount of pension benefit lost through early termination of the contract. This compensation will be remitted regardless of the reason for termination of contract and in addition to other entitlements under the law or his executive contract.

Management team

In the 2021 financial year, taxable income received from the company by the management team, including the managing director and his deputy, totalled EUR 1,170,924.04.

The members of the management team, except for the managing director, are included in the incentive system covering all the company's personnel, according to which employees can receive an incentive corresponding to, at most, one-and-a-half or two months' salary depending on the area of responsibility if the targets set are met. The incentive system is based on the company's performance and personal performance. The Board of Directors decides on the incentive system and its key criteria annually.

In 2021, members of the management team were Jaakko Kangasniemi, managing director, CEO; Helena Arlander, deputy CEO; Kaisa Alavuotunki, director of impact and sustainability; Unna Lehtipuu, director of communication; Minnamari Marttila, director of administration; Markus Pietikäinen, chief investment officer, and Olli Sinnemaa, chief financial officer.

Lake Turkana Wind Power, with a total capacity of 310 megawatts, is the largest wind park on the African continent and the biggest single private sector investment in Kenya's history. Finnfund invested in Lake Turkana Wind Power in 2013.
Photo: LTWP

Supervisory Board, Board of Directors, Audit Committee and Human Resources committee in 2021

Supervisory Board 2021

Emma Kari, chair
until 19 November 2021
Member of Parliament

Outi Alanko-Kahiluoto, chair
as of 10 December 2021
Member of Parliament

Sakari Puisto, vice chair
Member of Parliament

Eva Biaudet
Member of Parliament

Jarkko Eloranta
President, The Central Organisation of Finnish Trade Unions – SAK

Veronika Honkasalo
Member of Parliament

Marko Kilpi
Member of Parliament

Juha-Erkki Mäntyniemi
Executive director, Fingo

Jouni Ovaska
Member of Parliament

Juha Ruippo
Director, MTK

Kristiina Salonen
Member of Parliament

Saara-Sofia Sirén
Member of Parliament

Erkki Tuomioja
Member of Parliament

Petri Vuorio
Director, Confederation of Finnish Industries EK

Board of Directors 2021

Robert Wihtol, chair
Independent development banking specialist

Helena Airaksinen
vice chair as of 22 April 2021
Deputy Director General, Ministry for Foreign Affairs

Nicholas Andersson
Independent Financial Specialist

Jussi Haarasilta
Executive Vice President, Finnvera Plc

Anu Hämäläinen
Vice President, Kesko

Hanna Loikkanen
Board Professional

Pirita Mikkanen
vice chair until 22 April 2021
Director, Metsä Group

Sari Nikka
as of 22 April 2021
Board Professional

Antero Toivainen
Director for International Tax Affairs, Ministry of Finance

Audit Committee

Jussi Haarasilta
chair

Anu Hämäläinen

Pirita Mikkanen

Sari Nikka

Human Resources Committee

Robert Wihtol
chair

Helena Airaksinen

All members of the Supervisory Board and the Board of Directors are independent of the company.

Finnfund's investee Starsight offers solar panels, batteries and more energy efficient cooling and lighting solutions to reduce the use of diesel by its commercial and industrial clients throughout Nigeria. Due to the COVID-19 pandemic, the company has made special arrangements to protect its employees and contractors. Additional protection measures have been included to their daily routines – also when installing the panels on a rooftop. Photo: Starsight

finnfund

Financial statements

Board of Director's report 2021
Mission and strategy

Finnish Fund for Industrial Cooperation Ltd. (FINNFUND) is a development finance company in which the Finnish State has a majority holding; it has a special development policy mission and falls within the administrative branch of the Ministry for Foreign Affairs. The purpose of the company is to promote the economic and social development of its target countries by financing private sector projects with a Finnish interest.

Finnfund is a development financier and impact investor that builds a more sustainable world by investing in responsible, profitable businesses in developing countries. Finnfund works with private companies operating in developing countries, providing equity risk financing, long-term investment loans, mezzanine financing, as well as specialist expertise related to investments in developing countries. We require every project to be profitable, responsible in terms of the environment and society, and measurable in terms of development impact in the target country.

According to Finnfund's strategy in force in 2021, Finnfund's mission is to build a better world by financing responsible companies in developing countries. The company's vision is to be a valued partner and impact pioneer in European development financing.

Finnfund focuses on sectors of importance to sustainable development, such as renewable and lower-emission energy generation, sustainable forestry, sustainable agriculture, digital solutions and the financial sector. The company may also finance other sectors.

The company's strategy emphasises the following:

- Achieving the development targets of projects and analysing and communicating their impact.
- Expanding business volumes and allocating resources to responsible, impactful and profitable projects.
- Acquiring additional financing and convincing private investors of joint investment opportunities.
- Developing our methods and showing appreciation for the work of our personnel and stakeholders.

All of Finnfund's operations are guided by four principles: impact, responsibility, profitability and professionalism.

In 2021 Finnfund updated its strategy and the new strategy will enter into force in 2022. Over the past two years, Finnfund's target markets have been severely ravaged by the coronavirus pandemic. Despite this, Finnfund has acted in accordance with its mission and made new investments throughout the pandemic. At the same time, many other development financiers have considered the risks to be too high and have put the brakes on new investment decisions.

As regards the expansion of the financing base, OP Finnfund Global Impact Fund I continued to invest alongside Finnfund, and approximately one third of its investable capital has been invested after the first full year of operation. As a new initiative, Finnfund invited Finnish institutions to become direct co-investors. The first such investment was made in autumn 2021.

In 2021, the Finnish State increased Finnfund's share capital by EUR 10 million. As planned for 2021, we withdrew the remaining EUR 80 million of the EUR 210 million long-term loan granted by the Finnish State in 2019. We undertook to allocate the loan capital, on the one hand, to projects combating climate change and, on the other, to projects improving the position of women and girls. As a result of the investment decisions made in 2021, the entire loan funds have been reserved for such projects.

Finnfund's strategy 2018–2021

Vision

Valued partner and frontrunner in impact among European development finance institutions

Breakthroughs

Triple development impact
- Profitable and sustainable growth
- In project selection, emphasis on development impact, risk assessment and Finnish expertise
- Special focus on fragile states

Ensure sustainability
- Recognize and respond to sustainability challenges
- Show impact and responsibility
- Share our work, successes and challenges openly, honestly and proactively

Diversify funding base
- Convince owner of the need for additional funding
- Mobilise private funds to manage
- Successfully combine different financing instruments

Develop business culture
- Strengthen expertise and develop leadership
- Create an inspiring, stimulating and responsive working environment
- Bring processes, tools and working methods to frontrunner level

Strategy

Becoming frontrunner in impact

- Focus on delivering, analysing and communicating development impact of projects
- Double operational volume from 2018 level and be reliable partner in responsible, impactful and profitable investments
- Mobilise additional funding and convince private investors of our capacity to manage funds
- Improve policies and procedures while respecting the work of our colleagues and stakeholders

Principles

Impact, sustainability, profitability and professionalism

Mission

To build a better world by financing responsible companies that operate in developing countries

Funding and investments

The coronavirus pandemic and especially the resulting travel restrictions hindered project preparations in 2021. Due diligence, which is essential for project preparation, still had to be carried out virtually.

The project preparation targets for 2021 (EUR 200 million and 22 projects) were clearly exceeded. A total of 28 new projects totalling EUR 241 million were prepared fully in 2021.

As in the preceding year, the majority of Finnfund's new financing decisions were allocated to projects with excellent development impact in terms of reducing poverty, combating climate change and improving the position of women and girls.

The 28 new financing decisions made in 2021 (32 decisions in 2020), with a monetary value of EUR 241 million (EUR 212 million), targeted different income levels shown in the table below.

Of the financing decisions, 12 (14) involved loans, accounting for about 48 per cent (49 per cent) of the monetary value of the decisions.

Fourteen (16) of the approved projects were equity investments or mezzanine financing. When calculated in euros, they accounted for 36 per cent (34 per cent) of all approved projects. Two investment decisions were made in private equity funds.

Africa was weighted in the new financing decisions according to plan and in line with the objective set by the owner. Approximately 57 per cent of the decisions, 60 per cent in monetary value, were allocated to Africa. Slightly less than a quarter of the decisions, in terms of both numbers and monetary value, were allocated to Asia. The remaining share, about 20 per cent, was allocated to other continents or international projects.

Disbursements for investments totalled EUR 144 million (EUR 149 million).

Of the disbursements during the 2021 financial year, EUR 42 million (EUR 78 million) is considered official development assistance (ODA) by the Finnish State.

The amount of undisbursed commitments at the end of 2021 totalled EUR 201 million (EUR 227 million). In addition, EUR 145 million (EUR 151 million) was tied up in investment commitments that had not yet progressed to the agreement stage.

Income level	Number of decisions	%	EUR million	%
Least developed countries	10	36	107	44
Low-income countries	0	0	0	0
Lower-middle-income countries	16	57	129	54
Upper-middle-income countries	2	7	5	2
TOTAL	28	100	241	100

Development and priorities

In 2021, Finnfund updated its strategy for 2018–2025, the implementation of which had been better than expected. The purpose of the update was to take better account of changes in the operating environment and new situations and to keep target setting ambitious.

With the strategy reform process, Finnfund launched a study and planning process in 2021 to strengthen its local presence in its key target country, Kenya. The establishment and registration of the regional office was launched, as well as negotiations on the lease of premises to launch the regional office in early 2022.

Contrary to preliminary estimates, the coronavirus pandemic, which started in 2020, continued throughout 2021 and made it significantly more difficult to invest in developing countries. The recommendation for remote work continued for most of 2021, except for a short period in the autumn, when some of the personnel worked at the office. Travel to Finnfund's target countries was very limited. To some extent, remote work seems to be becoming the new normal, and work is likely to continue after the pandemic, alternating between remote and on-site work. This creates the need to develop new practices.

In 2019, Finnfund signed the international Operating Principles for Impact Management. In 2021, an external evaluation was commissioned on how these principles are implemented in Finnfund's processes. As a rule, Finnfund's impact management processes were evaluated to be at a good or excellent level. The biggest areas of development are related to assessing the continuity of impact when selling an investment and to making more systematic use of lessons learned.

The development of indirect impact assessments, which began in 2020, continued in 2021, and several pilot studies were completed. Based on the experience gained from the pilot studies, Finnfund tendered for a comprehensive framework agreement, in which three service providers were selected to continue and utilise the so-called stakeholder voice surveys in several portfolio companies. In 2021, a survey was developed to better understand stakeholders' ability to adapt to climate change.

In 2021, the Ministry for Foreign Affairs directed Finnfund to commission an interim assessment of the functionality of its human rights policy published in 2019. The assessment was presented to the company's administrative bodies and the Ministry for Foreign Affairs and was published on Finnfund's website in early 2022. The interim assessment focused on the functionality of Finnfund's policy and the processes developed to detect and correct human rights problems. According to the assessment, Finnfund's commitment and human rights policy are at an internationally high level. The human rights management process is in line with the UN Guiding Principles on Human Rights and Business (UNGP) and is in place throughout the lifecycle of investments. The development of indicators, criteria and processes to monitor the effectiveness of the human rights policy and processes and the development of whistleblowing channels and the whistleblowing process to better meet UNGP requirements were identified as priority areas for development.

Biodiversity became an increasingly important theme in 2021, and Finnfund started cooperation with a leading consultant in the field with the aim of increasing its own expertise and that of project companies in identifying and managing risks related to diversity and creating positive impacts related to diversity.

Finnfund's development of IT infrastructure and system environment has continued in 2021 in accordance with previous plans, paying special attention to data security, cybersecurity and further strengthening users' skills. The deployment of the new financing system planned for the second half of 2020 has been postponed to 2022, mainly due to the scope and complexity of the project.

Finnfund has been developing remote work methods and tools for years, however, and in 2020, this enabled a rapid transition to working from home and minimised the disruption caused by the coronavirus pandemic.

In 2021, Finnfund tested its information system to identify and address vulnerabilities in systems and user practices that are critical to the continuity of operations.

All employees were provided with a lot of training and low-threshold support on data protection and cybersecurity, as well as on the use of remote work tools and ICT systems to maintain performance during the protracted period of remote work, as the pandemic continued much longer than anticipated. Our staff has also received increased support for coping and well-being, e.g. from our occupational health care provider. Coaching was arranged for supervisors to support leadership in these exceptional circumstances.

Finnfund's development of IT infrastructure and system environment continued in 2021, paying special attention to data security, cybersecurity and further strengthening users' skills.

The Finnpartnership programme

Finnpartnership is a business partnership programme financed by the Ministry for Foreign Affairs of Finland and managed by Finnfund on the basis of a contract. Finnpartnership aims to promote sustainable development by establishing long-term company collaboration with positive development impacts.

2021 was also a challenging year for Finnpartnership due to the coronavirus pandemic and global travel restrictions, but operations continued uninterrupted after the coronavirus pandemic erupted, using new kinds of electronic service platforms and communication channels that were quickly deployed, and the targets set for the year were, on average, well achieved.

2021 was the last year of operation of the then programming period. In spring 2021, the Ministry for Foreign Affairs launched a large-scale public tendering process for the new programming period 2022–2024 and possible option years 2025–2027. Finnfund submitted a joint offer with Niras Finland Oy to manage Finnpartnership in the new programming period.

After the results of the tendering process were known in autumn 2021, and after Finnfund and Niras won the tendering process, preparatory measures for the new programming period were launched between the various parties involved in order to ensure the smoothest possible start of the new programming period at the same time with the measures related to the end of the old programming period.

Finnfund will continue to manage Finnpartnership on a contractual basis until the end of 2024 in cooperation with Niras Finland Oy.

Finnfund will continue to manage Finnpartnership until the end of 2024 in co-operation with Niras Finland Oy.

Finnpartnership

Risk management

The Finnfund Board of Directors confirms the company's risk management principles and instruments. The company's management is responsible for the practical implementation of risk management on the basis of the guidelines confirmed by the Board of Directors. The company's asset and risk management guidelines are assessed annually. No major changes were made to the management principles in 2021.

The objective of asset and risk management is to mitigate the negative effects of market risks, primarily changes in interest and exchange rates, on Finnfund's earnings and to ensure sufficient liquidity.

The company is exposed to greater risks than those present in typical financial institution operations. The management of funding and liquidity risks includes risk identification, hedging, and reporting to the company's administrative bodies.

The risk classification system developed by Finnfund, which has been in use since 2005, is a key instrument in the assessment and monitoring of project risks. A risk assessment is conducted on all projects in the Finnfund investment portfolio at least once a year, and more often if necessary, that is, if it is estimated that the risk level has changed. If the risk classification deteriorates, the project's balance sheet value will be impaired and, conversely, if the risk classification improves, previous impairments will be reversed. The developments of projects identified as high-risk are monitored closely and measures to mitigate the risks to Finnfund are initiated if deemed necessary.

From 2012 to 2015, Finnfund had access to a special risk financing instrument worth a total of EUR 50 million. In September 2018, the Finnish State decided to bring back the special risk financing instrument at a total value of EUR 75 million. In 2020, the Finnish State further increased the value of the instrument to EUR 150 million. The instrument is available until the end of 2024 for the purpose of distributing investment risks between the Finnish State and Finnfund. The instrument covers a previous loss compensation commitment worth EUR 75 million, so the amount of the contingency increased by EUR 75 million during the year.

Special risk financing is provided on the basis of a loss compensation commitment, whereby the State undertakes to compensate Finnfund for a maximum of 60 per cent of credit losses and investment losses on projects covered by special risk financing during the validity of the commitment. No new projects covered by special risk financing can be accepted after 31 December 2024. Projects that are approved for coverage by the special risk financing scheme while it is valid are covered by the Finnish State's risk-sharing arrangement until the projects are repaid, or Finnfund exits the project, or until the risk level has decreased to a level for which Finnfund can be liable on its own balance sheet. To be eligible for special risk financing, projects are required to have an extremely high developmental impact in low-income or lower-middle-income countries and carry risks that are otherwise considered too high for the project to qualify for Finnfund financing.

At the end of 2021, projects worth a total of EUR 247.5 million were covered by special risk financing. The Finnish State is liable for 48 per cent of the related risks, amounting to EUR 118.6 million. The loss compensation commitment covers a maximum of EUR 15 million in compensations per year.

The only compensation claim thus far was submitted to the State in 2019, concerning photovoltaic project Mobisol's dollar-denominated loan. The amount claimed in compensation was EUR 2,183,162.07. A corresponding amount will be deducted from the special risk financing limit of EUR 150 million. After the compensation, the credit limit will be EUR 147,816,837.93.

The objective with regard to interest and currency risks is to identify and hedge against potential risks. Forward exchange agreements and interest rate and currency swap contracts are used as hedges against currency and interest rate risks resulting from investment loans granted by

Finnfund. Interest derivatives are used as hedges against interest rate risks resulting from investment loans when the interest basis of the investment loans deviates from that of Finnfund's own funding.

Solvent Nordic banks comprise the contracting parties of Finnfund's derivatives contracts.

The general rule for share capital and fund investments, applied on a case-by-case basis, is to cover currency positions that are certain or at least likely and that can be hedged at a reasonable cost in relation to the benefits gained.

In order to manage its liquidity risk, Finnfund maintains liquidity that is adequate in view of the anticipated volume of disbursements. Finnfund has a committed credit facility of EUR 100 million, non-committed credit facilities with Nordic banks, and a commercial paper programme totalling EUR 300 million. The credit facilities provided by banks were not in use at the end of 2021.

At the end of 2021, the value of the commercial papers issued through the programme amounted to EUR 0.

The refinancing risk associated with borrowing is managed by trying to maintain a sufficiently extensive group of financiers and a versatile range of instruments. An additional aim is that at least half of the borrowing should be long-term financing. At the end of the year under review, the average time to maturity of interest-bearing debt was 1.4 years if the convertible bond granted by the State is not included in calculations, and 15.9 years if the State loan is included. The average time to maturity of interest-bearing debt is exceptionally low, as Finnfund's bond matures in June 2022.

The company's cash position was very strong at the end of 2021, which was largely due to the withdrawal schedule of the convertible bond. The cash funds will be invested in accordance with the company's current asset and risk management guidelines pending the progress of the investment decisions made to the payment phase.

The company maintains continuous procedures for identifying, managing and preventing cybersecurity risks. Key personnel risks are managed by maintaining replacement and succession plans for key members of personnel.

Africado is Tanzania's first commercial and international grade producer of avocados. The company produces avocados around the Kilimanjaro area, and contracts other commercial and local small holder farmers. Photo: Africado

Net profit and balance sheet

In 2021, Finnfund made a loss of approximately EUR 20.0 million (loss of EUR 26.3 million). The result was negative for the second year in a row, mainly due to large write-downs and low capital gains due to the coronavirus pandemic. The operating income is shown in the table below.

Summary

Net financial income decreased to EUR 17.9 million (EUR 22.2 million).

Financial income decreased by 12 per cent to EUR 27.5 million (EUR 31.4 million). Financial expenses, on the other hand, increased slightly to EUR 9.6 million (EUR 9.2 million).

Interest income was the largest source of income of EUR 21.5 million (EUR 27.7 million) and represented 78 per cent of total income. As in the previous year, dividends and income from funds remained modest and amounted to approximately EUR 3 million in 2021 (EUR 2.1 million).

Operating expenses (EUR 14 million) remained clearly under control and slightly exceeded the previous year's level (EUR 13.5 million) but were well below budget (EUR 15.8 million).

Profit before valuation items, sales and taxes decreased to EUR 5.4 million (EUR 10 million).

Income

Dividend income amounted to EUR 0.9 million (EUR 0.6 million).

Interest income was EUR 21.5 million (EUR 27.7 million).

Other income from long-term investments amounted to EUR 2.2 million (EUR 1.5 million), consisting of gains from fund investments. Capital gains from investments were recognised as income only to the amount of EUR 15,000 (EUR 6.6 million). This mainly reflects the fact that, in the midst of the pandemic, private equity was hardly sold, but was left waiting for better times.

Other financial income excluding foreign exchange gains, at EUR 1.7 million (EUR 1.6 million), mainly consisted of arrangement fees, commitment fees, and other financing fees.

Investment income before taxes totalled EUR 27.5 million (EUR 38.0 million).

Other operating income amounted to EUR 1.5 million (EUR 1.3 million), and this comprised largely fees received for the administration of the Finn-

Operating income (EUR 1,000)	2021	2020	Change (EUR)	Change %
Financial income	27,530	31,382	-3,852	-12
Financial expenses	-9,631	-9,227	-404	4
Net financial income	**17,899**	**22,154**	**-4,255**	**-19**
Other operating income	1,467	1,343	124	9
Administrative expenses, depreciation and other expenses	-14,008	-13,507	-501	4
Profit before value adjustments, sales and taxes	**5,358**	**9,990**	**-4,632**	**-46**
Value adjustments and sales	-25,307	-36,299	10,992	-30
Income taxes	-3	-2	-1	50
NET PROFIT	-19,952	-26,311	6,359	-24

partnership programme and other income from fees and charges.

Impairment losses

Newly recognised individual impairment losses amounted to EUR 31.8 million (EUR 45.9 million), representing about 4.8 per cent (7.5 per cent) of the balance sheet value of investment assets at the end of the year under review. A large part of the loss entries relate to the realisation of country risks in Ethiopia, Myanmar and Ukraine.

Reversals of previously recognised individual impairment losses amounted to EUR 12.9 million (EUR 4.8 million) in 2021.

The net effect of impairments, capital gains and sale losses on financial performance was approximately EUR 25.3 million negative (EUR 36.3 million negative).

Expenses

Interest expenses increased from the previous year's figure to EUR 4.3 million (EUR 5.7 million). Interest expenses were incurred through borrowing in both US dollars and euros.

Other financial expenses were EUR 5.3 million (EUR 3.1 million), including management fees of EUR 4.9 million (EUR 2.6 million) associated with fund investments.

The exchange rate differential due to currency trading and hedging was EUR 1.3 million positive (EUR 0.5 negative).

Investment and sale losses were recognised to the amount of EUR 6.4 million (EUR 1.7 million).

Operating expenses totalled EUR 14.0 million (EUR 13.5 million).

The taxes recognised on the profit and loss account, totalling EUR 3,000 (EUR 2,000), consist of both sales gains taxes and stamp taxes paid to the target countries and taxes on remuneration for work and on dividends. Finnfund usually pays substantial taxes only on capital gains that were not realised in the year under review. The taxes paid by the project companies are not reflected in Finnfund's profit and loss account, but they are reported as part of the development impacts.

Balance sheet

The balance sheet total stood at EUR 794 million (EUR 721 million) at the end of the year under review.

The balance sheet value of investment assets was EUR 657 million (EUR 608 million) at the end of the year under review.

The breakdown of investment assets was as follows: loans (including subordinated loans and other mezzanine instruments) EUR 373.6 million (EUR 352.9 million) or 57.3 per cent (58.1 per cent); equity investments EUR 170.1 million (EUR 173.3 million) or 25.6 per cent (28.5 per cent); and fund investments EUR 113.7 million (EUR 81.3 million) or 17.1 per cent (13.4 per cent).

Liquid assets stood at EUR 127 million (EUR 91 million) at the end of the year under review. The liquid assets are invested in domestic bank deposits and money market instruments in accordance with the asset and risk management guidelines.

At the end of the financial year, the company's equity (share capital and unrestricted equity) totalled EUR 291 million (EUR 301 million) or 37 per cent of the balance sheet total (42 per cent).

In 2021, the company executed one share issue. Under the share issue, a maximum of 61,447 new shares were offered to existing shareholders in proportion to their existing holdings at the issue price of EUR 170 per share. The subscription period was from 22 April 2021 to 31 May 2021. As a result of the share issue, the share capital was increased by EUR 9,999,910, corresponding to the proportion subscribed by the Finnish State. Pursuant to the issue decision, 58,823 new shares were issued. Finnvera Plc and the Confederation of Finnish Industries EK did not subscribe to any of the new shares they were offered.

At the end of the share issue and the year under review, the company's registered share capital stood at EUR 266,988,570, divided between 1,570,521 shares, with the Finnish State holding 1 505 951 shares (95.9 per cent), Finnvera Plc holding 63,349 shares (4.0 per cent), and the Confederation of Finnish Industries EK holding the remaining 1,221 shares (0.1 per cent).

The company's shares have no nominal value. The equivalent value of a share in bookkeeping is EUR 170. The company has one share class. A minimum of 51 per cent of the company shares must be under the direct ownership and control of the State of Finland at all times. The company does not distribute its funds in dividends or in payments from its unrestricted equity fund; nor does it acquire or redeem its own shares.

The company has two long-term convertible bonds from the Finnish State.

At the end of 2016, Finnfund signed an agreement with State Treasury on a subordinated convertible bond of a total of EUR 130 million. The loan period is 40 years, of which the first 10 years are instalment-free. The interest on the loan is 0.5% per annum for the first five years. After this period, the State is entitled to adjust the interest rate if it so desires. The State is also entitled to convert the loan either entirely or partly as Finnfund's share capital.

The State may collect receivables from the company either completely or partly by subscribing to the company's new shares in one or several allotments in such a way that EUR 170.00 of debt equity entitles it to one share. The State can subscribe to at most 764,705 of the company's shares. The subscription price corresponds to the accountable par of a share, and it is recorded in the company's invested unrestricted equity fund.

At the end of 2019, Finnfund signed an agreement with State Treasury on a conditional subordinated convertible bond of a total of EUR 210 million. The loan period is 40 years, of which the first 10 years are instalment-free. The interest on the loan is 0.5% per annum for the first five years. After this period, the State is entitled to adjust the interest rate if it so desires.

The State may collect receivables from the company either completely or partly by subscribing to the company's new shares in one or several allotments in such a way that EUR 170.00 of debt equity entitles it to one share. The State can subscribe to at most 1,235,294 of the company's shares. The subscription price corresponds to the accountable par of a share, and it is recorded in the company's invested unrestricted equity fund.

In derogation from the foregoing, the loan agreed in 2019 will be automatically converted in full into share capital in the company if the company's equity ratio falls to 10 per cent.

At the end of the year under review, the company's long-term interest-bearing debt stood at EUR 385 million (EUR 410 million) and short-term interest-bearing debt at EUR 109 million (EUR 4 million), totalling EUR 494 million (EUR 414 million).

Long-term interest-bearing debt includes the long-term convertible bond of EUR 130 million granted by the State and withdrawn in 2017 and 2018 and the EUR 210 million convertible bond granted by the State in 2019 and withdrawn in 2020 and 2021. Otherwise, the long-term interest-bearing debt is in US dollars, used to re-finance Finnfund investment loans denominated in US dollars.

Short-term debt includes the EUR 100 million bond, maturing in the summer of 2022, loan repayments in less than 12 months, and interest.

Long-term debt as a percentage of all financing liabilities totalled approximately 78 per cent (99 per cent) at the end of the year under review.

The company had no guarantee commitments at the end of 2021 (EUR 0.0 million).

Key figures	2021	2020	2019
Financial income (EUR million)	52.5	73.3	46.6
Net profit (EUR million)	-20.0	-26.3	0.7
Return on equity, %	-6.9	-8.7	0.3
Equity ratio, %	36.7	41.7	46.4

Formulae

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Equity}} \times 100\%$$

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Balance sheet total} - \text{advances received}} \times 100\%$$

Administration and personnel

In 2021, the Supervisory Board convened five times, the Board of Directors convened 13 times, the Board of Directors' audit committee convened six times, and the HR committee convened three times.

The Annual General Meeting, held on 22 April 2021, addressed the statutory matters listed in Article 11 of the Articles of Association and the proposal by the Board of Directors concerning an increase of the company's share capital.

The Annual General Meeting elected Erkki Tuomioja, Eva Biaudet, Jouni Ovaska and Petri Vuorio as **members of the Supervisory Board** for the period 2021–2024.

Members of the Board of Directors elected at the Annual General Meeting:

Robert Wihtol, Chair
Helena Airaksinen, Deputy Chair
Nicholas Anderson
Jussi Haarasilta
Anu Hämäläinen
Hanna Loikkanen
Sari Nikka
Antero Toivainen

The members of the Board of Directors do not have deputy members.

The Board of Directors has an audit committee, with the following members since 23 April 2021:

Jussi Haarasilta, Chair
Anu Hämäläinen
Sari Nikka

The Board of Directors has an HR committee, with the following members since 23 April 2021:

Robert Wihtol, Chair
Helena Airaksinen
Hanna Loikkanen

The company's auditor is Deloitte Oy, with Anu Servo (Authorised Public Accountant and Chartered Public Finance Auditor), as the principal auditor.

The company CEO is Jaakko Kangasniemi (PhD and MBA).

During the year under review, the company employed an average of 83 employees (83 employees in 2020). At year-end, the number of employees in contractual employment was 85 (84), of whom 81 (82) were full-time. Of the employees, 51 were women and 34 were men.

The total salaries and bonuses paid to personnel in 2019–2021 is shown in the table below.

The final accounts include a provision of 877,292.21 for incentive bonuses earned in 2021, amounting to 11.21 per cent of payroll expenses (14.25 per cent). In 2021, the amount of incentives was partly based on the achievement of common targets and partly based on individual performance.

The Board of Directors decides on the incentive system and its key criteria annually. The company's remuneration follows the remuneration guidelines applying to state-owned companies.

The total salaries and bonuses paid to personnel in 2019–2021 were as follows:

	2021	2020	2019
Average number of personnel	83	83	77
Total salaries and bonuses (EUR 1,000)	7,827	7,387	6,981

Outlook and strategic direction for 2022

In 2021 Finnfund renewed its strategy for 2022–2025. The new strategy underlines our philosophy and puts people and planet are at the core of every investment decision. We will double the positive development impacts of our operations from 2020 to 2025. We will increase the share of private money in our investments to 50 per cent by 2030 and keep our investment portfolio carbon negative. We are building a sustainable future and generating lasting impact by investing in businesses that solve global development challenges.

Our project preparation policy prioritises projects that are expected to have very positive development impacts, including those that are known to be challenging. Our emphasis is on three global impact themes. These are climate action, diversity and inclusion, as well as digitalisation. In addition to these, the geographical focus is strongly on Africa. Finnfund's focal areas are renewable energy, the financial sector, sustainable agriculture, sustainable forestry, and digital infrastructure and solutions, added in 2021.

The coronavirus pandemic has had a strong impact on the way in which project preparation is being carried out. We are responding to this changing operating environment by opening a local office in Nairobi, Kenya, in spring 2022. This is also a continuation of the internationalisation we started in 2021.

In terms of expanding the funding base and mobilising private money, we will focus on the following themes in 2022. We will invest together with Finnish institutions and OP Finnfund Global Impact Fund I, utilise the European Commission's pillar assessment in the risk-sharing of investments, and emit a new responsible bond at the end of the year.

Finnfund's finances and liquidity are on a strong footing due to additional capitalisations by the Finnish State, long-term convertible bonds and positive cash flow.

The earnings prospects for 2022 are better than in the previous two years with the pandemic. We expect successful exits from equity investments and a steady income stream from our growing loan book. We believe that the pandemic will weaken globally and, as a result, investment activity will increase in our target countries. Whether the economic uncertainty caused by the pandemic and the recent increase in unrest in our target countries ease are decisive factors for our financial performance. These have a major impact on the ability of our project companies to succeed and, consequently, on their value. In investments in developing countries, it is usually difficult to anticipate events, and therefore there is normal uncertainty about financial performance. We nevertheless expect a positive result in 2022.

At the time of writing, Russia has invaded Ukraine and, among other things, has taken over the area where a large wind power project, newly completed and co-financed by Finnfund, is located. We anticipate that the war and the sanctions against Russia will have direct and indirect impacts on many countries and will hamper Finnfund and the companies we finance in various ways. The impacts may be significant and substantially weaken the earnings prospects anticipated above.

Proposal of the Board of Directors on the treatment of distributable funds

The company recorded a loss of EUR 19,952,263.18 in 2021. The Board of Direc-tors proposes that the loss be transferred to the retained earnings account for previous financial years.

Profit and loss account

EUR 1,000

	Note	1 Jan. - 31 Dec. 2021	1 Jan. - 31 Dec. 2020
Other operating income	1	1,468	1,343
Staff expenses	2		
Wages and salaries	3	-7,827	-7,387
Social security expenses			
Pension expenses		-1,429	-1,180
Other social security expenses		-245	-120
Social security expenses		-1,673	-1,300
Staff expenses		-9,500	-8,687
Depreciation according to plan	4	-393	-277
Other operating expenses	5, 6	-4,115	-4,544
OPERATING LOSS		**-12,541**	**-12,164**
Financial income			
Income from participating interests		946	6 668
Income from other investments		2,095	2,044
Other interest and financial income		49,455	64,594
Financial income total		52,496	73,306
Reduction in value of investments		-18,948	-41,159
Financial expenses			
Interest and other financial expenses		-40,957	-46,292
Financial income and expenses	7	-7,409	-14,145
PROFIT / LOSS BEFORE TAXES		**-19,949**	**-26,309**
Income taxes	8	-3	-2
PROFIT / LOSS FOR THE FINANCIAL YEAR		**-19,952**	**-26,311**

Balance sheet
EUR 1,000

	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
NON-CURRENT ASSETS			
Intangible and tangible assets	9		
Other capitalised long-term expenditure		1,050	751
Machinery and equipment		222	333
Total		1,273	1,085
Investments	10		
Participating interests		86,101	81,625
Receivables from participating interest	11	6,999	5,617
Other shares and similar rights of ownership		197,714	173,090
Other receivables	11	366,602	347,326
Total		657,416	607,659
NON-CURRENT ASSETS		**658,689**	**608,743**
CURRENT ASSETS			
Debtors			
Long-term	12		
Other long-term debtors		584	10,089
Short-term			
Amounts owned by participating interest undertakings	13	264	211
Other receivables	14	2,200	6,420
Prepayments and accrued income	15	4,641	5,122
Total		7,105	11,753
Debtors total		7,689	21,842
Financial securities	16		
Marketable securities		44,866	34,794
Cash in hand and at banks		82,416	56,041
CURRENT ASSETS		**134,971**	**112,678**
ASSETS		**793,659**	**721,421**

	Note	31 Dec. 2021	31 Dec. 2020
LIABILITIES			
EQUITY	17		
Share capital		266,989	256,989
Retained earnings		44,064	70,376
Profit / loss for the financial year		-19,952	-26,311
EQUITY		**291,101**	**301,053**
CREDITORS			
Long-term	18, 19		
Private placement		0	99,907
Convertible loans		340,000	260,000
Loans from credit institutions		44,735	50,018
Other long-term creditors		886	1,449
Total		385,621	411,374
Short-term	20		
Loans from credit institutions		109,387	4,310
Advances received		1	4
Trade creditors		225	285
Other creditors		3,308	286
Accruals and deferred income	21	4,016	4,108
Total		116,938	8,995
CREDITORS		**502,559**	**420,368**
LIABILITIES		**793,659**	**721,421**

Cash flow statement
EUR 1,000

	2021	2020
CASH FLOW FROM OPERATIONS		
Payments received from operations	93,724	47,365
Disbursements to operations	-148,175	-140,495
Dividends received	815	218
Interest received	21,011	20,161
Interest paid	-4,211	-5,942
Payments received on other operating income	7,256	4,534
Payments of operating expenses	-18,985	-16,203
CASH FLOW FROM OPERATIONS (A)	**-48,565**	**-90,362**
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-581	-386
CASH FLOW FROM INVESTMENTS (B)	**-581**	**-386**
CASH FLOW FROM FINANCING		
Short-term loans repaid	0	-43 998
Long-term loans drawn	80,000	130,000
Long-term loans repaid	-4,466	-9,391
New share issue	10,000	60,000
CASH FLOW FROM FINANCING (C)	**85,534**	**136,611**
CHANGE IN LIQUID ASSETS (A+B+C) increase (+) decrease (-)	**36,388**	**45,863**
LIQUID ASSETS AT THE START OF THE FINANCIAL YEAR (1 Jan.)	**90,040**	**44,177**
LIQUID ASSETS AT THE END OF THE FINANCIAL YEAR (31 Dec.)	**126,428**	**90,040**
NONMONETARY CHANGES IN LIQUID ASSETS	**854**	**796**
LIQUID ASSETS AT THE END OF THE FINANCIAL YEAR (31 Dec.)	**127,282**	**90,836**

Accounting policy

Portfolio

Equities and fund investments as well as loan receivables are valued at the lower of the acquisition cost or fair value in the financial statements. The value of investment is based on risk classification and other factors affecting the value. The value of the investments is monitored continuously.

The Islamic form of financing Murabaha has been treated according to the same principles as other loan receivables in both the balance sheet and the income statement. The value of loan receivables at the exchange rate on the balance sheet date is EUR 8,913,120.26. Income of EUR 339,962.72 has been entered in the income statement. The procedure is based on our request to the Accounting Board (KILA) for an opinion and the statement received from the board on 22 April 2020. The principle of Islamic finance is to tie capital and income to commodity transactions. In 2021, the sales transactions referred to in the Islamic financing agreement were EUR 8,437,528.95 and the purchase transactions EUR 8,437,528.95. Income from the purchase transaction was EUR 339,962.72 in 2021.

Some of capital loans are in practice equity investments. Income from these investments is paid only when the company's financial situations allows. Interest from such capital loans is recorded in accounting only when paid. Also a part of interest income from loans that are written off is recorded only when paid.

In the profit and loss statement write-offs and their cancellations have been included in the item of Reduction in value of investments.

The fair value of investments reported by the fund manager has been compared with Finnfund's balance sheet value of the investment. When necessary, payments to investments made after the report have been added to the fair value reported by the fund manager, in order to ensure its comparability with the value of Finnfund's investment. The balance sheet value of investments may not exceed 100 per cent of the valuation by the fund manager.

Special risk finance

Special risk finance is the term used to describe the class of projects in which Finnfund has been indemnified, by a decision of the Finnish government on 20 September 2012 and in force until 31 December 2015 or decided on 20 September 2018 and in force until 31 December 2023 or decided on 17 December 2020 and in force until 31 December 2024, against investment losses or write-offs. Projects that were indemnified before the deadline remain within this class afterwards. The indemnified investments and loans were separately approved by the Board of Directors.

Projects with the company's risk classification of C, CC or CCC are eligible for special risk finance. The corresponding level of losses indemnified by the government will be 40%, 50% and 60%. The investment risk is carried partly by Finnfund and partly by the government. The company's Board of Directors ensures that the maximum risk to the state of the entire special risk financing portfolio for projects approved for special risk financing does not exceed 50% of the total risk. Government's share of the risk is a percentage of the disbursed investments deducted by repayments. Yearly write-offs and their cancellations of the projects included in the special risk finance class are made using the same principles as for other investments.

The deferred value of claims on the government for its share of net losses from special risk finance projects is stated separately in the company's accounts. Separate application must be presented to the government for payment of the indemnity, which cannot exceed EUR 15 million annually.

Other investments in current assets

Securities have been valued at lower of the acquisition cost or estimated market value.

Derivatives

Derivatives are presented in the financial statements in accordance with the fair value principle according to the IFRS standards. The IFRS treatment of derivatives is based on chapter 5, section 2 of the Finnish Accounting Act (1336/1997) and a statement issued by the Accounting Board in December 2016 (KILA 1963/2016). Forward exchange agreements, interest rate swaps and currency and interest rate swaps were initially recorded at fair value on the date of agreement and valued to their fair value in the financial statement. In the valuation to fair value, valuation reports issued by banks have been used to perform a recalculation using accepted valuation methodologies. Positive and negative changes to fair value have been recorded as financial income and expenses in the profit and loss account. In the balance sheet, derivatives are listed under other receivables and other creditors. Although its derivatives are acquired for the purpose of hedging, Finnfund does not practice hedge accounting under IFRS.

Items denominated in foreign currencies

Receivables and payables denominated in foreign currencies have been translated to EUR using the exchange rates at the end of the accounting period.

Intangible and tangible assets

Intangible and tangible assets are entered on the balance sheet at their acquisition cost less depreciation. The depreciation plan for the premises has been prepared according to the rental period. The costs related to the renovation of the premises, machinery and furniture have been capitalised on other long-term expenses and machinery and equipment on the balance sheet. The development of the financial IT system project launched in 2020 continued in 2021. The costs of the IT system have been capitalised on the balance sheet under other long-term expenses with a five-year depreciation plan. The purpose of the new financial IT system is to replace the existing system for the operational management of investments.

Planned depreciations:

Other capitalised as long-term expenses: premises	7 years
Other long-term expenses: IT system	5 years
Machinery and equipment	5 years

Pensions

Pensions for the company's employees have been arranged in an external pension insurance company. Pension expenditure is booked in the year of accrual.
The managing director's pension liability is covered partly by an existing group pension insurance and partly by an annual reserve in the company's balance sheet. The annual payment is 26.51% of the managing director's gross annual earnings.

Notes to the profit and loss account
EUR 1,000

	2021	2020
1 Other operating income		
Operating income from participating interests	4	0
Remunerations	891	763
Other operating income	572	580
	1,468	**1,343**
2 Average number of staff employed		
Employees	83	84
3 Wages and salaries		
Managing Director and his alternate	436	421
The Board of Directors and the Supervisory Board	138	144
The Board of Directors		
Chair's monthly emoluments	1,100 €	
Vice chair's monthly emoluments	700 €	
Board members' monthly emoluments	600 €	
Emolument per meeting of Board of Directors and Audit Committee	300 €	
Supervisory Board		
Chair's emolument per meeting	800 €	
Vice chair's emolument per meeting	600 €	
Board member's emolument per meeting	500 €	

Managing Director has the right to retire at the age of 63.
Retirement age is based on the contract renewed in 2012.

	2021	2020
4 Depreciation		
Other capitalised long-term expenses	310	166
Machinery and equipment	83	111
	393	**277**
5 Other operating charges		
Voluntary staff expenses	479	448
Office	766	745
ICT	666	710
Travel and negotiation expenses	112	335
Entertainment and PR expenses	90	120

External services	1,564	1,880
Other expenses	438	306
	4,115	**4,544**
6 Auditor's remunerations		
Audit fee	19	20
Assignments	3	2
	22	**22**
7 Financial income and expenses		
Financial income		
Income from participating interests		
Dividends	593	0
Income from funds	353	73
Profit from sales of assets	0	6,595
Income from participating interests	946	6,668
Income from other investments		
Dividends	280	569
From funds	1,800	1,475
Profit from sales of assets	15	0
Income from other investments	2,095	2,044
Other interest and financial income		
Interest income	21,477	20,922
Interest income from participating interests	43	6,754
Financial income	1,709	1,567
Financial income from participating interests	9	21
Exchange rate gain	26,217	35,330
Other interest and financial income	**49,455**	**64,594**
Financial income total	**52,496**	**73,306**
Permanent write-offs of investments and their reversals		
Equity and funds	-9,487	-44,184
Loans and other receivables	-22,322	-1,742
Reversal of write-offs on shares and fund investments	9,637	4,657
Reversal of write-offs on loans	3,224	110
Write-offs of investments and their reversals	**-18,948**	**-41,159**

Interest and other financial expenses		
Interest expenses to others	-4,314	-5,682
Other financial expenses	-5,317	-3,088
Loss from sales of assets	-6,374	-1,735
Exchange rate loss	-24,951	-35,786
Interest and other financial expenses total	**-40,957**	**-46,292**
Financial income and expenses total	**-7,409**	**-14,145**
The item Financing income and expenses includes loss of exchange (net)	**1,266**	**-456**
7 **Income from financing operations by income level**		
(**does not include income from EU territory, liquidity and funding**)		
Least developed countries (LDC)	15,426	33,878
Other low-income countries (LIC)	964	966
Lower-middle-income countries (LMIC)	27,952	28,903
Upper-middle-income countries (UMIC)	5,710	8,305
Russia	35	67
	50,087	**72,118**
8 **Income taxes**		
Withholding taxes on dividends	3	1
Stamp duty	0	1
	3	**2**

Notes to the balance sheet
EUR 1,000

9 Intangible and tangible assets	Other long-term expenses	Machinery and equipment	Total
Acquisition cost 1 Jan. 2021	2,147	2,630	4,777
Increases	581	0	581
Acquisition cost 31 Dec. 2021	2,728	2,630	5,358
Accumulated depreciations 1 Jan. 2021	-1,396	-2,296	-3,692
Depreciation of the accounting period	-282	-111	-393
Accumulated depreciations 31 Dec. 2021	-1,678	-2,407	-4,085
Book value 31 Dec. 2021	**1,050**	**222**	**1,273**
Book value 31 Dec. 2020	751	333	1,085
10 Investments / Shares and funds	**Participating interests**	**Others**	**Total**
Acquisition cost 1 Jan. 2021	132,137	198,667	330,804
Increases	4,627	37,391	42,018
Transfer between items	3,970	-3,970	0
Decreases	-2,353	-10,715	-13,068
Acquisition cost 31 Dec. 2021	138,381	221,373	359,754
Individual write-offs accumulated as of 1 Jan. 2021	-50,512	-25,577	-76,089
Reversal of write-offs	2,287	6,241	8,528
Write-offs during the financial year	-4,055	-4,323	-8,378
Individual write-offs accumulated as of 31 Dec. 2021	-52,280	-23,659	-75,939
Book value 31 Dec. 2021	**86,101**	**197,714**	**283,815**
10 Investments / Loans	**Participating interests**	**Others**	**Total**
Acquisition cost 1 Jan. 2021	6,879	371,427	378,306
Increases	1,681	125,403	127,084
Capitalised interest	0	1,125	1,125
Decreases	-6	-88,448	-88,454
Acquisition cost 31 Dec. 2021	8,554	409,507	418,061

Individual write-offs accumulated as of 1 Jan. 2021	-1,262	-24,100	-25 362
Reversal of write-offs	0	3,224	3,224
Write-offs during the financial year	-294	-22,029	-22,322
Individual write-offs accumulated as of 31 Dec. 2021	-1,555	-42,905	-44,460
Book value 31 Dec. 2021	**6,999**	**366,602**	**373,601**

	2021	2020
11 Subordinated receivables		
Capital loans to participating interests	6,999	5,617
Capital loans to others	89,404	70,056
	96,403	**75,674**
12 Other long-term receivables		
Derivative receivables	572	10,089
Rent security deposit of the Nairobi office	12	0
	584	**10,089**
13 Receivables from participating interests		
Interests	43	0
Legal expenses	172	160
Other	49	51
	264	**211**
14 Other receivables		
Loss compensation from the State according to the special risk financing commitment	0	2,183
Derivative receivables	2,200	4,204
Other	0	33
	2,200	**6,420**
15 Prepayments and accrued income		
Interests	3,711	4,409
Other	930	713
	4,641	**5,122**
16 Marketable securities		
Fair value	45,142	34,820
Book value	44,866	34,794
DIFFERENCE	**276**	**25**

17 Shareholders' equity		
The purpose of the company is not to generate a profit for the shareholders. The company does not pay dividends or distribute its unrestricted equity fund nor does it redeem its own shares.		
Restricted equity		
Share capital 1 Jan.	256,989	196,989
Increase of share capital	10,000	60,000
Share capital as of 31 Dec.	266,989	256,989
Unrestrected equity		
Profit from previous financial years 1 Jan.	44,064	70,376
Retained earnings 31 Dec.	44,064	70,376
Profit/loss for the financial year	-19,952	-26,311
Total unrestricted equity	24,112	44,064
Total equity	**291,101**	**301,053**
17 Share capital		
Number of shares	1,570,521	1,511,698
Nominal value, EUR	170,00	170,00
18 Loans with maturity more than 5 years		
Loans from credit institutions	11,772	15,212
Loans from government	340,000	260,000
	351,772	**275,212**
19 Private placements		
Private placement 2017/2022 Bullet Fixed 0.625%	100,000	100,000
20 Other short-term debt		
Private placement	99,969	0
Loans from financial institutions	9,418	4,310
Derivative liabilities	2,968	5
Accounts payable	225	285
Other	342	285
	112,921	**4,886**
21 Accruals and prepaid income		
Deferral of personnel expensed	3,356	3,501
Interest	649	540
Taxes	1	53
Other	10	14
	4,016	**4,108**

Other supplementary information
EUR 1,000

Other contingent liabilities

The company has a non-fixed-term lease on its office premises. The lease period and the tenure began on 1 March 2019 and may be terminated for the first time on 31 May 2025 with a 12 month notice period. Monthly rent excluding VAT is EUR 49,341.00, from 1 March 2020 EUR 49,977.61, from 1 March 2021 EUR 50,775.20. The obligation to pay rent began on 1 June 2019. The company has entered into a six-year fixed-term lease for the Nairobi office in Kenya as of 1 February 2022. The obligation to pay the rent begins on 1 April 2022. The monthly rent excluding VAT is approximately EUR 3,000, including the service charge and parking costs.

	2021	2020
Payable in the next financial period	636	607
Payable later	2,295	2,691
Other commitments		
The company is a shareholder in a company whose exit involves the following liability: the company has acquired a debt from a third party. The second part of the debt price corresponds to 17.24% of the currently expected exit amount from the investment.		
Undisbursed commitments		
Contractual commitments	201,000	227,000
Special risk finance (cumulative)		
Decisions of the Board of Directors	247,517	180,351
Government's indemnity	118,611	88,220
Government's indemnity, %	48%	49%
Disbursements	129,142	83,479

Derivative contracts EUR 1,000

Fair values of derivatives in financial assets and liabilities

	2021			2020		
Receivables	Short-term	Long-term	**Total**	Short-term	Long-term	**Total**
Forward exchange agreements	197		197	4,204		4,204
Interest rate swaps		572	572			
Currency and interest rate swaps	2,003		2,003		10,089	10,089
Total	2,200	572	**2,772**	4,204	10,089	**14,293**
Liabilities	Short-term	Long-term	**Total**	Short-term	Long-term	**Total**
Forward exchange agreements	2,968		2,968			
Interest rate swaps		416	416	5	1,038	1,044
Currency and interest rate swaps						
Total	2,968	416	**3,384**	5	1,038	**1,044**

Fair value hierarchy of derivatives

Level 1) Fair values are based on the quoted (unadjusted) prices of identical assets or liabilities in active markets that the entity has access at the measurement date.
Level 2) Fair values are based on inputs obtained from active markets other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly. Fair values are determined based on these inputs using generally used valuation models for derivatives.
Level 3) Fair values are determined by means other than observable inputs on the asset or liability.

	2021				2020			
Receivables	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Forward exchange agreements		197		197		4,204		4,204
Interest rate swaps		572		572				
Currency and interest rate swaps		2,003		2,003		10,089		10,089
Total	0	2,772	0	**2,772**	0	14,293	0	**14,293**
Liabilities	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Forward exchange agreements		2,968		2,968				
Interest rate swaps		416		416		1,044		1,044
Currency and interest rate swaps								
Total	0	3,384	0	**3,384**	0	1,044	0	**1,044**

Asset and risk management

The objective of asset and risk management is to mitigate the negative effects of market risks, i.e. changes in interest and exchange rates, on Finnfund's earnings, and to ensure sufficient liquidity. The leading principles of asset and risk management are described in the asset and risk management guideline approved by the Board of Directors. Their implementation is the responsibility of the Chief Financial Officer.

Interest and exchange rate risks

Forward exchange agreements and interest rate and currency swap contracts are used as hedges against currency and interest rate risks resulting from investment loans granted by Finnfund. Interest derivatives are used as hedges against interest rate risks resulting from investment loans, when the interest basis of the investment loans deviates from that of Finnfund's own funding.

Sensitivity analysis

The sensitivity analysis of the value of derivatives instruments presumes a change of +/- 1% in Euribor and Libor interest rates. Change of the EUR/USD exchange rate is presumed at +/- 10% (USD weakens/ strengthens 10%). The impact of the changes on Finnfund's financial result is described below.

Sensitivity analysis, derivatives

Effect on result, EUR 1,000	2021	2020
Change of +/- 1% in EURIBOR interest	0 / 0	0 / 0
Change of +/- 1% in LIBOR interest	-192 / 192	-669 / 669
Change of +/- 10% in EUR-USD exchange rate	9,876 / -9,876	9,295 / -9,295

Credit risk
Solvent Nordic banks comprise the contracting parties of Finnfund's derivatives contracts.

Liquidity risk
In order to manage its liquidity risk, Finnfund maintains liquidity that is adequate in view of the anticipated volume of disbursements. Finnfund has a committed credit facility of EUR 100 million, non-committed credit facilities in Nordic banks, and a commercial paper programme set up in 2010 totalling EUR 300 million. The credit facilities provided by banks were not in use at the end of 2021.

Undiscounted cash flow resulting from derivatives

	2021				2020		
Receivables	Under 1 year	1–5 years	Over 5 years	**Total**	Under 1 year	1–5 years	**Total**
Forward exchange agreements	167,123			167,123	137,264		137,264
Interest rate swaps	80	172	2	254	104	275	379
Currency and interest rate swaps	100,625			100,625	625	100,625	101,250
Total	**267,829**	**172**	**2**	**268,002**	**137,994**	**100,900**	**238,894**
Liabilities	Under 1 year	1–5 years	Over 5 years	**Total**	Under 1 year	1–5 years	**Total**
Forward exchange agreements	170,347			170,347	133,578		133,578
Interest rate swaps	489	918	5	1,412	419	1,101	1,520
Currency and interest rate swaps	99,053			99,053	1,063	91,392	92,455
Total	**269,889**	**918**	**5**	**270,812**	**135,059**	**92,493**	**227,552**

Receivables, liabilities and transactions with related parties

There has been no related party transactions which come under the disclosure obligation during the financial year.

Receivables, liabilities and transactions with related parties

When Russia started the war in Ukraine, the Syvash wind farm was damaged, and the area is under the control of Russian forces. The financial statements include a write-off risk equivalent to 50 per cent of the amount of the loan receivable. It is likely that this receivable will have to be written off in full during the financial year 2022.

Exchange rate
31 December 2021 EUR/USD 1.1326

Signatures of Board of Directors' report and financial statements

Helsinki, 30 March 2022

Robert Wihtol
Chairman

Helena Airaksinen
Member of the Board

Nicholas Andersson
Member of the Board

Jussi Haarasilta
Member of the Board

Anu Hämäläinen
Member of the Board

Hanna Loikkanen
Member of the Board

Sari Nikka
Member of the Board

Antero Toivainen
Member of the Board

Jaakko Kangasniemi
Managing Director, CEO

Auditor's note

Our Auditor's report has been issued today.

Helsinki, 30 March 2022

Deloitte Oy
Audit Firm

Anu Servo
APA, CPFA

Auditor's report (Translation of the Finnish Original)

To the Annual General Meeting of The Finnish Fund for Industrial Cooperation (Finnfund)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Finnish Fund for Industrial Cooperation (business identity code 0356880-6) for the year ended 31 December, 2021. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, April 6, 2022

Deloitte Oy
Audit Firm

Anu Servo
KHT (APA), JHT (CPFA)

Statement of the Supervisory Board

At the meeting held today, the Supervisory Board of the Finnish Fund for Industrial Cooperation Ltd. examined the report of the Board of Directors and the corporation's financial statements prepared by the Board of Directors and the Managing Director, and the Auditors' Report for 2021. The Supervisory Board reports to the Annual General Meeting of Shareholders that the report of the Board of Directors and the accounts give no cause for comment neither does the proposal of the Board of Directors on how to deal with the distributable funds for the year.

Helsinki, 8 April 2022

Outi Alanko-Kahiluoto

Eva Biaudet	**Jarkko Eloranta**
Veronika Honkasalo	**Marko Kilpi**
Juha-Erkki Mäntyniemi	**Jouni Ovaska**
Sakari Puisto	**Juha Ruippo**
Kristiina Salonen	**Saara-Sofia Sirén**
Erkki Tuomioja	**Petri Vuorio**

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