

Sustainability Bond Report: Allocation and Impact 2023

finnfund

Use of proceeds of Finnfund's Sustainability Bond issuances



Content

Highlights	3
Background	4
Sustainability Bond Framework: Categories	5
Allocation and Impact Report	6
Case: Kentegra Biotechnology	8

Cover photo:
Kentegra Biotechnology

Highlights

The bond was fully allocated during the first year.

7,031,000

people connected to the internet – 641,000 per invested million euros*

627,736,000

loans to micro, small and medium-sized enterprises (EUR) of which 96% to women – 67,944,000 loans per invested million euros of which 95% to women*

* Including only Finnfund's pro-rated share of the total projects' results.

Climate change adaptation

Reintroducing a drought resistant crop and a breeding programme, Climate Smart Agriculture, as well as providing training to smallholder farmers in Kenya.



Photo: Kentegra Biotechnology

Read more on [p. 6](#)

Background

About us

Finnfund (Finnish Fund for Industrial Cooperation Ltd) is a development financier and professional impact investor with the mission to promote economic and social development in developing countries. Finnfund is majority-owned by the Finnish State. We get our funding from the State of Finland and private capital markets, as well as through retained earnings from our investments. All profits are recycled into new projects that drive sustainable development.

Finnfund's vision is that people and the planet are at the core of every investment decision. Our investments comprise risk capital, long-term investment loans and mezzanine financing and we also provide expertise on how to invest in developing markets.

Finnfund invests only in developing countries, as defined by the OECD Devel-

opment Assistance Committee's (DAC) list of Official Development Assistance (ODA) recipients. Our investments target almost exclusively low or lower-middle income countries where the need for sustainable development is the greatest. The majority of our investments are made directly in companies, but we can also make indirect investments through private equity funds or financial institutions with a targeted development impact focus.

Finnfund financing is always market-based and depends on the risk of the project. We expect our projects to be profitable, socially and environmentally responsible and to generate a measurable development impact in their target countries. Each year Finnfund invests 200–250 million euros in 20–30 projects with special emphasis on sectors that are critical to sustainable development, namely renewable energy, sustainable forestry, sustainable agriculture, financial institutions and digital infrastructure and solutions.

Sustainability Bonds at Finnfund

In October 2022, Finnfund published a Sustainability Bond Framework. By set-

ting up the Sustainability Bond Framework, Finnfund aims to mobilise debt capital to support our mission to generate lasting impact by investing in businesses that solve global development challenges. The Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, all as published by the International Capital Market Association (ICMA) in 2021, and features a Second Party Opinion by Sustainalytics.

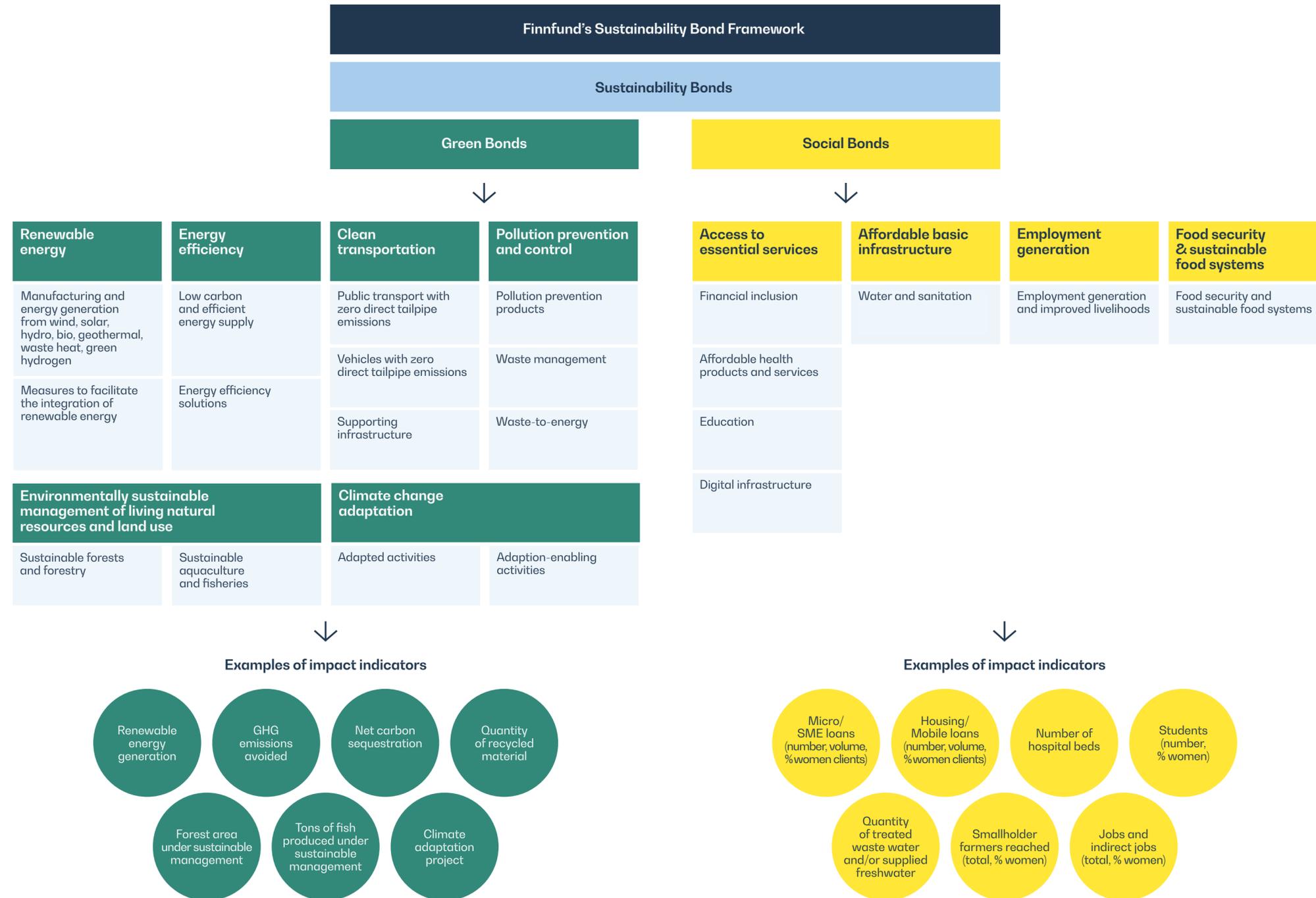
The Sustainability Bond Framework allows Finnfund to issue three types of bonds:

- Green Bonds, to finance and/or refinance eligible green lending, equity investments, and mezzanine financing mainly targeting the objective of climate change mitigation and adaptation ("Green Projects");
- Social Bonds, to finance and/or refinance eligible social lending, equity investments and mezzanine financing mainly targeting improved living and health conditions for underserved groups ("Social Projects");
- Sustainability Bonds to finance and/or refinance a mix of Green Projects and Social Projects.

This report is the first annual Sustainability Bond Report describing the allocation of proceeds and the social and environmental impact of the Eligible Projects.

Finnfund's vision is that people and the planet are at the core of every investment decision.

Sustainability Bond Framework: Categories



Finnfund's Sustainability Bond platform, including potential bond formats, green and social project categories, and examples of impact indicators to be measured in the annual impact reporting.

Allocation and Impact Report: Issuance 2022

ISIN	Nominal	Maturity
F14000532916	75 000 000,00	October 2025

Category: Green	Allocation (%)	Indicator	Indicator value (pro-rata*)	Per invested million EUR*
Renewable energy	1.9%	Renewable energy generation (MWh per year)	Fund's financial close in 2023, baseline not yet available	
		GHG emissions avoided (tonnes per year)		
Clean transportation	17.3%	E-buses manufactured	20	1
		EV charging locations	100	7
		Capacity of charging units installed (kW)	25,490	1,820
Adaptation activities	5.8%	Smallholder farmers reached (number)	1,950	420
		Type of investment and the purpose	Reintroducing a drought resistant crop and a breeding programme, Climate Smart Agriculture, as well as providing training to smallholder farmers in Kenya.	

* Including only Finnfund's pro-rated share of the total projects' results.

Category: Social	Allocation (%)	Indicator	Indicator value (pro-rata*)	Per invested million EUR*
Access to essential services				
Digital infrastructure	19.6%			
		Number of users / beneficiaries (number)	7,031,310	443,000
Financial inclusion	55.4%			
		Loans to micro, small and medium-sized enterprises (volume, EUR)	36,800,100	816,300
		... of which to women (%)	43%	43%
		Loans to micro, small and medium-sized enterprises (number)	28,400	630
		... of which to women (%)	76%	76%

* Including only Finnfund's pro-rated share of the total projects' results.

CASE

Impact flowers in Kenya

Did you know that pyrethrum, an organic insecticide made from flowers, was once one of the main exports from Kenya?

Kentegra, established in 2017, produces pale refined extract from the pyrethrum flower, sourced mainly from smallholder farmers. The extract is used as a 100% natural ingredient in manufacturing insecticides, pesticides, and other agricultural and household formulations. The company also operates nurseries in Kenya, where it grows seedlings, which are sold to approximately 10,000 farmers to grow pyrethrum flowers.

The company provides a positive impact on the livelihoods of local farmers and the environment; growing pyrethrum provides farmers with a steady income of over four times more than from alternative crops, as well as timely payments for their outgrowers throughout the year. Kentegra is also committed to fostering gender equality and to introducing climate-smart farming practices.

“I was getting 50 US dollars per month, which later increased to 100 US dollars, and then to 200 US dollars thereafter. I have a family of four kids,

and through Kentegra, I am able to support them – by paying school fees, giving them a place to live, and supporting them with other projects at home,” says Gladys Mbutia, a Kentegra contracted farmer partner.

“On an annual basis, over three million dollars goes back to the community. At the ground level, that means school fees, health insurance, permanent structures, additional commerce, and job opportunities. In essence, it is life,” says Brian McKenzie, CEO at Kentegra.

In 2022, Finnfund invested five million US dollars in equity to support building a new processing facility to expand production capacity – and to help Kentegra revitalise an industry that was once the third largest export product in Kenya.

“Kentegra is an investee company that ticks all three boxes we look at in our investments. Firstly, there is great commercial potential; the company operates in a very attractive market with lots of future growth potential. Secondly, it is very sustainably run, with a professional and committed team. And thirdly, there is a great development impact; farming of pyrethrum can again be a life-changing opportunity to the farmers in the region,” says Johanna Raehalme, head of the Nairobi office at Finnfund.

Watch [a video](#).

Name: Kentegra Biotechnology
Country: Kenya
Investment year: 2022
Sector: Agriculture



Many of our investee companies in the agriculture and forestry sectors work with smallholders. One of the latest examples is Kentegra in Kenya. Photo: Kentegra Biotechnology

finnfund

For more information,
please visit

www.finnfund.fi