Sustainability and Green Bond Report: Allocation and Impact 2024

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Use of proceeds of Finnfund's Sustainability and Green Bond issuances

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Cover photo:
African Forestry Impact Platform (AFIP)

Highlights 2024

The bonds are fully allocated.

Over
20 million
people connected to the internet –
1,235,986 per invested million euros*

Total area under management for sustainable forestry allocations over
35,000
hectares.

* 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

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 Development 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 setting 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.

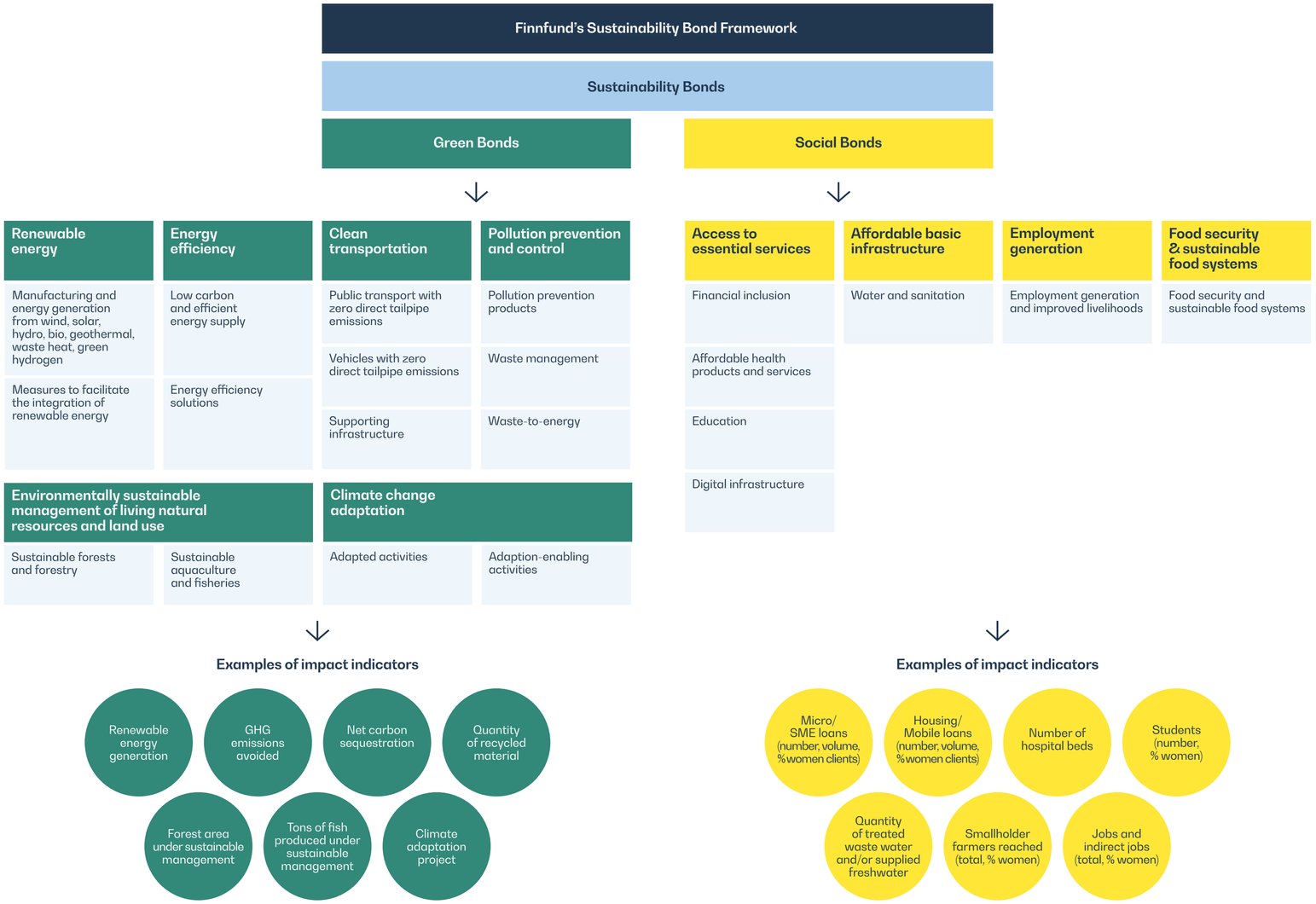
The Sustainability Bond Framework allows Finnfund to issue three types of bonds:

- 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 second 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: Sustainability Bond issuance 2022

ISIN	Nominal	Maturity
FI4000532916	75 000 000,00	10/2025

Category: Green	Indicator	Allocation %	Value*	Value per invested million*
Renewable energy	Renewable energy generated	13.21%	318	30
	Avoided (tCO2)		761	72
Adaptation activities	Smallholder farmers reached	18.61%	36,161	2.424
	Agri input trade volume (MT)		17,103	1,777
	Type of investment and the purpose		Reintroducing a drought-resistant crop to smallholder farmers in Kenya, breeding programme for drought-resistance, Climate Smart Agriculture and training programme for it.	
	Type of investment and the purpose		Helping farmers to adapt to climate change with tailored seeds, use of fertilisers and chemicals suited for local circumstances. Farmers advised on climate smart farming methods and appropriate use of fertilisers.	

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

Category: Social	Indicator	Allocation %	Value*	Value per invested million*
Access to essential services				
Digital infrastructure	People connected to internet /mobile	20.41%	20,225,008	1,235,986
Financial inclusion	Loans to micro, small and medium enterprises (value in euros)	47.77%	28,307,384	739,299
	- of which to women (%)		48%	48%
	Loans to micro, small and medium enterprises (number)		33,016	862
	- of which to women (%)		81%	81%

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

Allocation and Impact Report: Green Bond issuance 2023

ISIN	Nominal	Maturity
FI4000565635	100 000 000,00	12/2033

Category: Green	Indicator	Allocation %	Value*	Value per invested million*
Renewable energy	Energy generated with renewable energy (GWh)	12%	2	0.2
	GHG emissions avoided (tonnes per year)		894	75.0
Clean transportation	E-vehicles manufactured	33%	10	0.8
Sustainable forestry	Total hectares planted at the end of the reporting period (ha)	44%	15,193	346.6
	Total area under management (ha)		35,227	803.6
	GHG emission sequestration (tCO2)		209,024	4,768.2
	Forestry certification scheme (if applicable)		FSC required	
Financial institutions	Sustainable portfolio size	10%	3,516,140	351,614.0

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

CASE

Beacon Power Services helps Africa's power sector distribute electricity more efficiently

Name: **Beacon Power Services**
Country: **Nigeria, Ghana, Kenya, Zambia**
Investment year: **2024**
Sector: **Energy**

Africa's power grids face significant challenges, with utilities struggling to provide consistent service due to outdated infrastructure and unreliable data.

Beacon Power Services (BPS) is an energy tech company that provides data-driven solutions that are based on, for example, AI-enabled digital mapping. One of the main products offers real-time grid monitoring and control, helping utilities enhance operational efficiency and manage their power distribution more effectively to reduce outages.

"The solutions by BPS have an impact on over 50 million consumers and businesses", says Finnfund's Investment Manager, **Ari Nironen**. "Making power production more reliable increases the possibilities for companies and industries to operate more efficiently, while optimising operations decreases reliance on diesel generators."

The funding will enable BPS to enhance its product offerings, support growth in its current operations, and expand into new markets across Eastern and Southern Africa. Currently, BPS employs over 200 people across Ghana, Kenya, Nigeria, Zambia, and the U.S.

"We are committed to addressing Africa's energy challenges through a global team and scalable, data-driven solutions", says **Bimbola Adisa**, Founder and Chief Executive Officer of BPS.

Finnfund's investment is part of our Africa Connected programme and made with support from the European Union and the European Fund for Sustainable Development Plus, one of the financing tools of Global Gateway.

Read the full article, or learn more about the investment on our website.

BPS employs over 200 people across Ghana, Kenya, Nigeria, Zambia, and the U.S. *Photo: BPS*

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For more information,
please visit

www.finnfund.fi