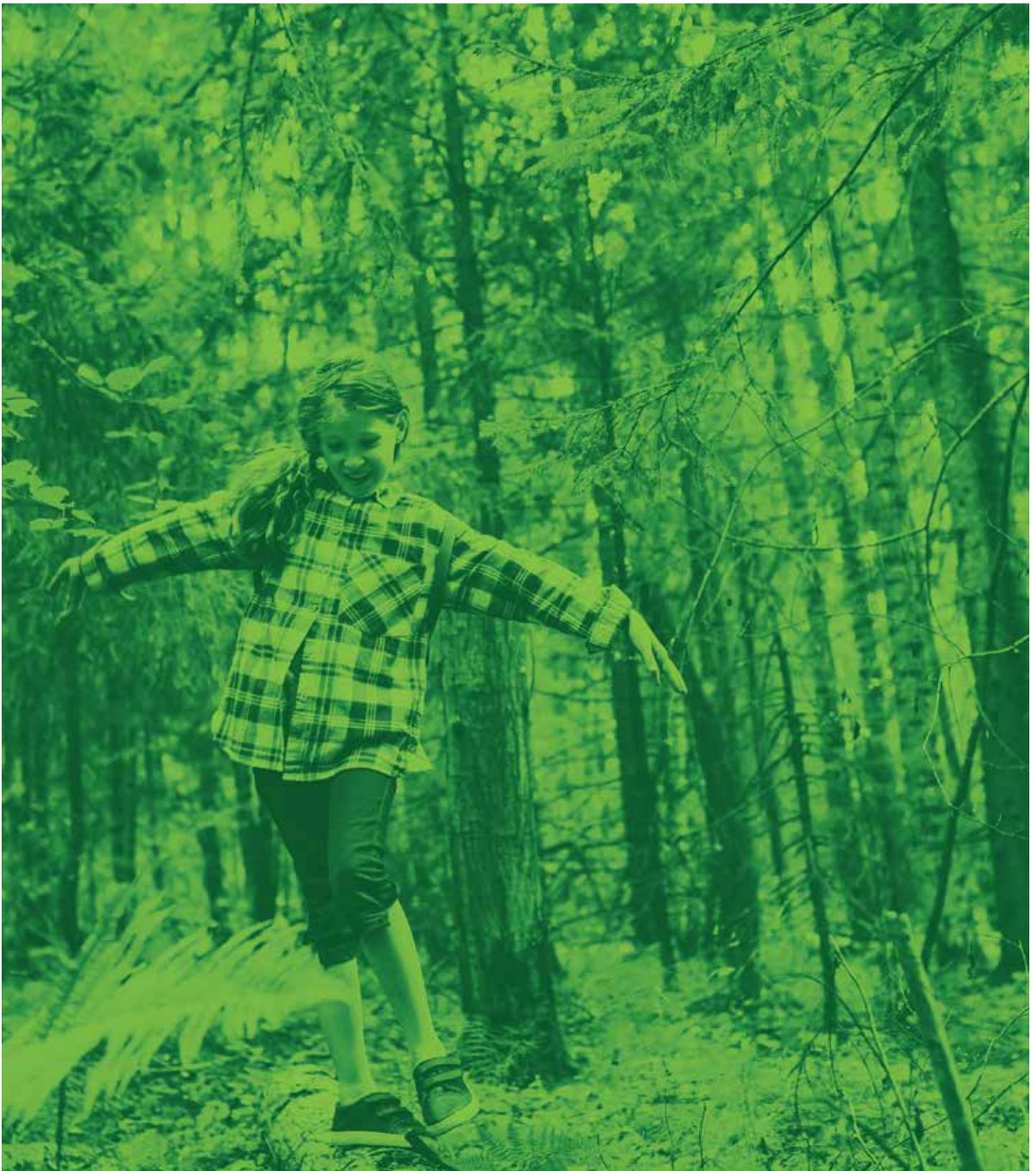


**Nordic
Environment
Finance
Corporation**

Annual
Report
2018



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NEFCO is an international financial institution (IFI) established in 1990 by the Nordic countries Denmark, Finland, Iceland, Norway and Sweden. Our objective is to generate positive environmental impact of interest to the Nordic countries. To reach this goal, we finance and implement exclusively green growth and climate projects globally, with a strong focus on Eastern Europe, as well as the Baltic Sea, Arctic and Barents regions.

Report from the Board of Directors 2018

The previous 12 months were very successful for NEFCO. The crowning achievement of all the successes during the year, was the fact that NEFCO was the first Nordic institution to receive Green Climate Fund (GCF) accreditation in South Korea. As an Accredited Entity, NEFCO has the right to apply for finance from the fund for projects that meet the fund's criteria.

In NEFCO's focus areas, Ukraine, Belarus and Russia, the situation were sufficiently stable for investments over the past year. Despite the high levels of risk involved, as well as the continuation of the armed conflict in eastern Ukraine, the economic situation has stabilised somewhat. The hope now is that this stabilisation can continue and that the upcoming elections in Ukraine will not create new uncertainty.

Over the past 12 months, NEFCO has made active efforts to work in line with the new mandate that was approved in June 2017, which will make investments possible beyond Eastern Europe. The main focus of this work was creating synergies with the Nopef fund, which in turn meant concentrating on investments in Nordic companies in connection with their internationalisation. Four such projects were approved over the year.

Looking at the project activity as a whole, 124 projects, worth EUR 64.6 million, were approved during the year. Within the Investment Fund, NEFCO's authorised capital, 15 new investments worth a total of EUR 50.2 million were approved, and by the end of the year, the corporation had a total of 65 projects ongoing, equating to a total commitment of EUR 211.6 million in funding. Payments are made with a certain delay and thus a larger amount of NEFCO's resources are already allocated than what is stated in the corporation's Statement of financial position.

From an environmental perspective, it is climate-related investments and projects that continue to dominate. Like in previous years, energy efficiency measures make up the largest single category, but there has also been a positive increase in the number of projects related to renewable energy production, innovative solutions and cleaner technology by recycling and looking after resources.

Seven new funds were set up over the year. The new funds include a Swedish initiative, *Sweden-NEFCO District Heating in Ukraine Fund*, to support the development of modern and energy-efficient district heating with a focus on renewable fuels in Ukraine, a Norwegian initiative, *Norway-Ukraine Energy Efficiency Initiative*, to support energy efficiency in Ukraine, and a joint Finnish-Swedish initiative to support activity in connection with the *Nordic Initiative for Cooperative Approaches (NICA)* to support the implementation of the Paris Agreement

on a broader scale. In addition, three new funds were set up using finance from E5P, the Eastern Europe Energy Efficiency and Environment Partnership, to implement three separate municipal projects in relation to energy efficiency in Ukraine. At the end of 2018, NEFCO managed a total of 39 funds with a total value of EUR 352 million.

NEFCO's administration also manages a number of other funds, not just for its owners but also for non-Nordic contributors and investors. Its role as an Accredited Entity for the Green Climate Fund aside, NEFCO also acts as an Implementing Agency for a number of projects involving major international funds, such as the Eastern Europe Energy Efficiency and Environment Partnership (E5P) and Northern Dimension Environmental Partnership (NDEP).

Over the years, NEFCO has granted funding to a total of around 900 small and medium-sized, private and public sector projects across different sectors in 51 countries. Furthermore, Nopef, since the administration of the fund was transferred to NEFCO in 2014, has provided support to 356 projects to help them undergo internationalisation across 56 countries.

According to its financial results, the company made a profit of EUR 8.55 million. This healthy profit is thanks largely to lucrative sales of shares in two companies, but also to improvements in Ukraine's economic situation over the year. The majority of the shares sold were shares in a wind power operator in the Baltic. The stabilisation of Ukraine meant that a number of reservations made due to the crises in 2014–2015 were not realised and could instead be reversed. The environment-related result was in line with expectations and is presented in more detail in the appendix.

Evaluation of the environmental effects of the projects

The environmental effects of each project are assessed using the procedure that has been developed gradually within NEFCO. The expected environmental effects are analysed before a decision is made on the funding; NEFCO then follows up the actual effects once the project has been completed. On average, the environmental impact of the projects covered by the Investment Fund and by the Environmental Development Fund (the Funds will be presented in more detail below) is at a healthy level and above expectations. Over the past four years (2014–2017), CO₂ reductions of over 500,000 t CO₂ / annum were achieved, compared to the originally set target of 100,000 t CO₂ / annum. A summary of the environmental report is attached here.

NEFCO also uses a systematic approach to assessing the environmental cost-effectiveness of the projects in relation to costs



At the end of 2018, NEFCO managed a total of 39 trust funds with a total value of EUR 352 million.

in the Nordic countries to achieve suitable reductions in emissions. On average, the cost of reducing emissions in NEFCO's projects is about one-eighth of the cost in the Nordic countries generally.

Investment Fund

Over the past year, the Board also approved 15 new investments and 25 Approvals in Principal, i.e. initial approval of a project for further consideration.

NEFCO completed nine projects in 2018. The completed projects were the aforementioned wind power project, three separate loan schemes for energy efficiency projects working together with local banks, two projects modernising production processes, a project producing biogas, a project producing equipment that harnesses renewable energy and a project relating to municipal waste water treatment. As of 2018, NEFCO had completed a total of 89 projects, to which total funds of EUR 134.4 million had been committed. Seven projects were discontinued over the course of the year, as their implementation was deemed to no longer be as planned.

This leaves a total of 65 active projects approved by the Board currently ongoing, of which 45 have been contracted. In the other 20 cases, negotiations and investigations are still ongoing. Although NEFCO itself has committed a total of EUR 211.6 million to these 65 projects, the overall investment in these amounts to approx. EUR 1,460 million, which is indication of a significant lever effect. In other words, a larger proportion of NEFCO's resources have been allocated than is stated in the company Statement of financial position, which shows that the total investments amount to a total of EUR 65.3 million (net, after amortisations and write-downs).

NEFCO has committed EUR 155.2 million in funds to the 45 projects contracted; the total investments in these amount to approx. EUR 870 million.

NEFCO has invested its own equity in ten of these, to which funds are committed. A loan from NEFCO has also been invested in two of these. In 35 cases, the commitment is on a loan-basis only. Developments at the 45 contracted companies are satisfactory overall. In terms of profit, based on the respective company's final accounts for 2017, nine projects had a surplus, four reported zero results, 13 made a loss, while with another 19, operational activities are yet to get started.

Although the new investments are spread across a large range of sectors, the main focus remains on measures that promote renewable energy sources and energy efficiency. Three projects deal with production of solar energy, while one project deals with production of energy from wind power, another project

deals with energy efficiency measures in municipal buildings, four projects are collaborations with local banks for projects relating to renewable energy and energy efficiency, one project relates to modernisation of industrial processes, and one project relates to investment in natural resource assets. A further four projects were approved as part of the Global Mandate that applies to investments in innovative solutions and cleaner technology by, for example, recycling and make use of resources.

MANAGEMENT ASSIGNMENTS

Nordic Environmental Development Fund

NEFCO has managed the Nordic Environmental Development Fund (NMF) by request of the Member States since 1996. The purpose of NMF is to have a positive environmental impact by improving the conditions under which profitability will be achieved for suitable environmental projects, making it possible to take greater risks with financing, implementing projects earlier or facilitating additional environmental investments. This support must have a complimentary effect and help to achieve a catalytic effect on, inter alia, NEFCO's Investment Fund. NMF's flexibility also helps to make it possible to identify and manage environmental toxins, as well as take action in the Baltic, Barents region and the Arctic, all of which are suffering tremendous environmental impact.

In 2018, the Nordic environment ministers (MR-MK) decided to extend the geographical area of NMF's activity to include the countries in Eastern Europe in which NEFCO has operations, in line with the amendment to the NEFCO Agreement that came into force in 2017.

NMF is financed partly by annual contributions from the Nordic countries, partly by the Nordic Council of Ministers and partly by NEFCO, for which a separate decision is made every year. The aggregate framework for funds for the NMF at the end of the year amounted to EUR 84.4 million.

The NMF is administered by NEFCO, and NEFCO's Board of Directors decides on allocations according to the NMF. The Nordic Investment Bank (NIB) participates in project evaluation. The revolving loan programmes, which were established with funds from NMF, are being administered under a separate fund, NMF Credits. Separate annual accounts are submitted for the NMF and NMF Credits funds.

A total of 35 new projects were approved under NMF and NMF Credits in 2018, as well as four additional investments in previously approved projects. Of these 35 projects, 16 are within the loan programme for Energy Savings Credits and five projects within the Cleaner Production Facility.

In all, funding has been granted for energy savings measures to a total of 134 projects within the Energy Savings Credits programme, while a total of 106 projects have been granted loans from the programme for Cleaner Production projects in Russia, Ukraine, Belarus and the Baltic countries. During the year, the Board decided that the Energy Savings Credits programme would be extended to include Armenia, Georgia and Moldova as well.

A total of 323 projects have been implemented, agreed and approved within the two funds, using EUR 73.3 million of the current total framework of funds.

Nordic Project Fund

NEFCO has administered the Nordic Project Fund (Nopef). The fund is financed through annual budgetary funds from the Nordic Council of Ministers. Nopef aims to support the competitiveness of Nordic small- and medium-sized enterprises (SMEs) and offers financing for feasibility studies aiming at internationalisation with special focus on environment, climate and green growth. Since 1982, Nopef has approved financing to 3,067 projects, to a total value of EUR 104 million. In 2018, EUR 2.0 million was allocated to the fund. During the financial year ended, Nopef approved financing totalling EUR 2.3 million for 71 projects. 37 projects were realised through a completed foreign business establishment, corresponding to 64% of all funded projects that were ended during the year. All of the performance targets agreed for the fund were achieved in 2018. At the end of the year, Nopef's portfolio consisted of 151 projects, centred geographically around project countries in Asia, North America and South and Central America.

Barents Hot Spots Facility

NEFCO has managed the Barents Hot Spots Facility (BHSF) fund since 2004. The BHSF is financed with funds from the Nordic countries and funds from the Nordic Environmental Development Fund (NMF) and is primarily intended for project and concept development. The intention is to pursue, together with the relevant Russian authorities and project owners, the prioritised environmental issues ('hot spots') identified in Northwest Russia in the report that NEFCO, in collaboration with the Arctic Council's Monitoring and Assessment Programme for the Arctic Environment (AMAP), originally presented in 2003. The fund's equity amounts to just over EUR 7.6 million. Financing has been allocated from the BHSF to a total of 68 different feasibility studies and preparatory measures for projects, of which 53 have been completed. Particular focus areas in 2018 were municipal waste and rehabilitation

of land contaminated with oil, as well as matters relating to forests, biodiversity and territories with special protection. The BHSF also supports so-called Support Activities linked to 'hot spots', and is co-financing an advisor on issues of climate, environment and 'hot spots' at the International Barents Secretariat in Kirkenes. 2018 saw seminars held in Moscow and Syktyvkar, covering the topic of how to introduce *Best Available Techniques* (BAT) in Russia for decision-makers and experts with links to 'hot spots'. BHSF is funding, together with the Nordic Council of Ministers, the *Programme for Environment and Climate Co-operation* (PECC), which saw nine projects involving Nordic partners and their partners in Northwest Russia completed in 2018. NEFCO's activity in relation to the Barents region ties in closely with the work in the Arctic, and BHSF is also supporting preparatory measures for projects for which possible financing will come from NDEP, aimed specifically at waste management and black carbon and focusing in particular on the Arctic.

Arctic Council Project Support Instrument

Since 2005, NEFCO has administered the project preparation fund *Arctic Council Project Support Instrument* (PSI). Project development and preparation, plus demonstration projects, are the main goals with PSI, primarily as part of the Arctic Contaminants Action Program (ACAP) and, to a lesser extent, also for biodiversity projects of the Conservation of Flora And Fauna (CAFF) workgroup. Finland, Iceland, Norway, Russia, the Sami Parliament, Sweden and the USA are the contributors. The fund's activities began in 2014, and up until now financing has been allocated to 17 projects at a total value of EUR 3.5 million, of which seven have been completed.

An independent evaluation of PSI was conducted in 2018, which resulted in a recommendation being made to the Arctic Council for the fund's pilot phase being extended from 2019 to 2021. A decision on this extension is set to be made at the Arctic Council's ministerial meeting in May 2019, if not before.

NEFCO's climate fund activity

NEFCO's climate fund work began in 2003 and through the years NEFCO has administered climate funds worth a total of around EUR 300 million, for both private and public-sector contributors. Through the climate funds, NEFCO has built up a significant network and gained practical experience and expertise of climate financing mainly in the developing countries, including the least developed countries (LDCs). Based on its climate-related experience, NEFCO became in 2018 the first Nordic institution to be awarded the status of Accredited Entity for the Green Climate Fund

(GCF). Accreditation for this fund, which is the world's biggest climate fund, means that NEFCO has the right to apply for financing for projects that meet GCF criteria.

In order to develop climate financing opportunities, NEFCO is responsible for a joint Nordic project together with the Nordic task force for global climate negotiations (NOAK) regarding a sector programme (Nationally Appropriate Mitigation Actions – NAMAs) in the waste sector in Peru. The project, which is a subproject within the Nordic Partnership Initiative (NPI), completed its first phase in August 2015. The second phase, involving several smaller consulting assignments supporting the implementation of the sector programme in the waste sector in Peru, started in 2016 and was completed in 2018. A new Nordic initiative, the *Nordic Initiative for Cooperative Approaches* (NICA), which works on issues relating to the Paris agreement, and Article 6 in particular, was established in 2018 under the leadership of NEFCO, using previous NPI collaboration work as its basis. The aim of this initiative is to provide concrete support to the development of the regulatory framework for the international forms of collaboration and to further the cause of pilot projects and ensure that Article 6 is implemented.

As of the end of 2018, NEFCO was managing a portfolio of 21 active climate projects within different sectors across nine countries. These projects represent the *NEFCO Carbon Fund* (NeCF) and the *NEFCO Norwegian Carbon Procurement Facility* (NorCaP) funds, which are outlined in more detail below. By the end of 2018, a total of 21.3 million carbon credits, distributed among the investors, had been delivered through NEFCO's climate funds.

NEFCO Carbon Fund (NeCF) – NEFCO has been managing the global climate fund since 2008. The purpose of NeCF is to fund environmental projects that meet Kyoto Protocol joint implementation or *Clean Development Mechanism* (CDM) requirements. NeCF's total equity was EUR 52 million at the end of 2018. At the same time, NeCF had 12 active purchase contracts for emission reductions in China, Indonesia, Vietnam, Ethiopia and Mozambique. During the year, the fund successfully delivered 0.3 million carbon credits, which were distributed among the fund's investors.

NEFCO Norwegian Carbon Procurement Facility (NorCaP) – This fund was set up using Norwegian funding in 2013 aimed primarily at procuring emission rights during the second commitment period of the Kyoto Protocol (2013–2020) from UN-approved projects that are at risk of being stopped due to the low market prices for carbon credits. NorCaP reached its goal of 30 million credits at the end of 2015. At the end of 2018, NorCaP had nine active purchase contracts for emission reductions,

in Brazil, South Africa, Colombia and Mexico. In 2018, the fund delivered 2.3 million carbon credits to Norway.

Other management assignments

In addition to the above-mentioned funds, NEFCO manages a number of other external funds. These are of the so-called trust fund type, i.e. funds in which funding is provided for a specific purpose or project specified by the contributor but in which NEFCO is responsible for the utilisation of the funds.

Finnish, Norwegian and Swedish grants are allocated for analysis, preparation and follow-up of environmental projects. NEFCO also handles Norwegian funds for water management in the Kenozero National Park in Russia, for measures dealing with water contaminated with oil in the Barents region, for support to environmental and energy efficiency projects in ODA-approved OSCE countries, Russia and the Arctic, for co-financing with the Barents Hot Spots Facility identifying, developing and monitoring projects, for the Norwegian initiative supporting gas reform in Ukraine, and for demonstration projects supporting energy efficiency in Ukraine. Swedish funds have been set aside for collaboration with the Ukrainian government on district heating, for preparation of environmental projects prioritised as part of the Baltic Sea Action Plan (BSAP) and/or NDEP, for an environmental project on the Solovki islands in Russia's Barents region, and for a new initiative to support the development of modern and energy-efficiency district heating with a focus on renewable fuels in Ukraine. Further Swedish funding has been set aside for projects that reduce SLCP emissions, for demonstration projects relating to district heating in Ukraine and for a joint Nordic initiative (Nordic Energy-Efficiency and Humanitarian Support Initiative, NIU) with the aim of creating conditions for emission reduction programmes in developing countries. Swedish, Norwegian and Finnish funding has also been allocated for the Nordic initiative, which has received support from the Nordic foreign ministers, with the aim of financing the renovation and construction of municipal buildings in the beleaguered areas of Ukraine. Finland and Sweden have also set aside funds to develop and finance a demonstration project for the destruction of ozone-depleting substances via the market for voluntary carbon credits and, together with NIB, to administer a project development fund supporting the implementation of the Baltic Sea Action Plan. Similarly, Swedish and Finnish funds have been set aside to support work in connection with the Nordic Initiative for Cooperative Approaches (NICA), which will further the cause of the Paris Agreement and

ensure implementation on a broader scale. In addition, Finland has allocated funds to finance turnkey mobile buildings in Ukraine and energy efficiency, renewable energy and alternative energy source projects, while Denmark has allocated funds to support energy efficiency and sustainable energy development in Georgia. NEFCO also has two ongoing projects that use funds from NDEP for two separate projects and funds from E5P for eight separate projects and initiatives, also ongoing currently. NEFCO also administers funds from the Nordic Council of Ministers for a Nordic programme supporting environmental and climate collaboration on projects in Northwest Russia. NEFCO submits separate accounts for all external funds.

For these other management assignments, the various contributors have allocated a total of EUR 103.9 million. The contributions for the completed management assignments amount to EUR 103.5 million. In 2018, NEFCO was asked to administer Sida's (Swedish International Development Cooperation Agency's) expansion of their *Beyond the Grid Fund for Africa* (BGFA) programme, aimed at accelerating electrification in the African countryside. NEFCO and Sida are expected to sign the agreement for this programme at the beginning of 2019.

STAFF

At the end of 2018, 32 persons worked directly for NEFCO, four of whom are employed at the representation office in Kyiv, Ukraine. NEFCO also has nine full-time advisors linked to the operations, as well as a number of consultants working on specific projects.

RESULT

The annual accounts show a profit of EUR 8,551,450.13. In accordance with previous practice, the Board proposes that the profit be returned to the business as retained earnings.

Helsinki, 12 February 2019

Jessica Andersson, Chair
Danfríður Skarphéðinsdóttir, Vice-Chair
Søren Bukh Svenningsen
Ismo Tiainen
Agnethe Dahl
Magnus Rystedt, Managing Director



This is a translation from the original Report from the Board of Directors in Swedish. In the unlikely event of a disagreement in interpretation, meaning or otherwise, the original Swedish version shall prevail.

Environmental status report 2018

1. INTRODUCTION

This report summarises the environmental results in NEFCO's funds and focus areas: Green Growth, Climate, Arctic & Barents and the Baltic Sea.

NEFCO's environmental reporting covers the Investment Fund (IF), the Nordic Environmental Development Fund (NMF) Credits such as Energy Savings Credit (ESC) and the Cleaner Production Facility), and the Nordic Energy-Efficiency and Humanitarian Support Initiative (NIU). NEFCO administers several trust funds on behalf of various donors and investors for the support of environmental and climate projects. This report also provides an overview of the environmental benefits achieved in the Carbon Climate Funds, Nopef and other specific trust funds such as those addressing the Arctic region (the Arctic Council Project Support Instrument, PSI) and the Barents area (Barents Hot Spots Facility, BHSE).

2. NEFCO'S ENVIRONMENTAL PURPOSE

2.1 Seeking projects with high demonstration value impact

NEFCO's financing is targeted at small and medium-sized private and public projects (SMPs) with demonstration value. Many of the numerous SMPs financed by NEFCO over the years are characterised by a pioneering spirit and aimed at testing the application of Nordic solutions – with up-scaling possibilities – in local, non-Nordic circumstances.

Nopef's support in the internationalisation of green growth companies benefits the environment and climate, and creates new jobs in the Nordic countries and those in which the companies choose to establish themselves. The majority of the Nopef-financed projects address energy efficiency or renewable energy.

Projects with a high demonstration value have the potential for environmental impacts that are orders of magnitude greater than NEFCO's investment. However, these impacts are not calculated as they are uncertain and could be a long way in the future. One example is NEFCO's work to enhance the Baltic municipalities in the 1990s. Compared with the situation then, the municipalities have developed greatly. With its activities in the 1990s, NEFCO played a small role in enabling this success.

MAIN ENVIRONMENTAL RESULTS OF STRATEGIC FOCUS AREAS IN 2018



Green Growth

- 37 Nopef projects completed
- 4 projects agreed under the NEFCO Global Facility



Climate

- 2,611,589 t/CO₂ reduced through Climate Funds
- 400 schools, kindergartens and hospitals renovated in Ukraine benefitting 170,000 people since 2010 *
- NEFCO accredited by the Green Climate Fund



Arctic & Barents

- 1 Arctic project completed, 5 under implementation
- 12 projects related to the Barents region completed



Baltic Sea

- Reductions 924 t Ptot/year and 4227 t Ntot/year*
- 3 BSAP Fund projects completed
- Investment plan for the closing of Krasny Bor landfill

*) Numbers for 2018 not yet available

2.2 Catalysing projects and providing high additionality

In general, NEFCO seeks projects with high additionality, meaning that projects with NEFCO financing have a significantly higher probability of achieving the environmental targets as well as reducing the time for the implementation (it could be argued that in some cases they may never be implemented without NEFCO financing).

Due to its ability to find and implement small and medium-sized environmental projects, NEFCO enables a catalytic effect and provides high additionality to its partners. NEFCO has a proven ability to connect stakeholders and various financiers to relevant projects, helping them to reach their environmental and sustainability goals.

NEFCO plays an important role in providing risk financing for small projects and risky geographical areas such as Ukraine, and it fills a gap by supplementing financing offered by the larger IFIs. NEFCO also puts particular emphasis on offering hands-on environmental advice and building capacity to enable its smaller clients to become better at mobilising additional finance. NEFCO is seen as a financier and co-financier that gives projects a high environmental status.

3. CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

NEFCO works primarily on contributing to the following UN Sustainable Development Goals (SDGs):

6. Clean water and sanitation

NEFCO has financed a number of projects related to wastewater management through its Investment Fund and dedicated trust funds, primarily projects that reduce discharges of nutrients into the Baltic Sea. Apart from addressing the removal of nutrients from wastewater, NEFCO is assessing other environmental threats such as the abundance of pharmaceuticals and persistent organic pollutants, and how to reduce such substances in wastewater.

7. Affordable and clean energy

A significant part of NEFCO's financing operations relates to energy efficiency and renewable energy. NEFCO has implemented various projects in Eastern Europe through the Investment Fund. The ESC and NIU programmes have facilitated a number of projects in Ukraine, improving energy security and helping the country reach its emission targets. Energy-related projects have also been realised through the Nopef funding programme, the Carbon Funds, and the Arctic & Barents funding instruments.

9. Industry, innovation and infrastructure

NEFCO enables the internationalisation and scaling-up of Nordic green companies through both Nopef and its financing within the new Global mandate. These projects focus on innovative solutions that help industries or service providers to save or utilise resources more efficiently, and reduce pollution. In industrial projects, NEFCO attaches great importance to resource efficiency that can translate into efficient use of raw materials such as metals, chemicals and water.

13. Climate Action

NEFCO contributes to climate mitigation and adaptation in many of its activities. The great number of energy-efficiency and renewable energy projects have a direct impact on greenhouse gas emissions. The Climate Funds generate emission reductions through its 21 currently ongoing projects. NEFCO is also involved in projects related to Article 6, with a new study on waste sector management in Peru, which was completed in 2018. In addition, by financing feasibility studies and demonstration projects in the Arctic and Barents regions, NEFCO paves the way for the implementation of BAT-BAP policies and larger-scale projects that generate a positive climate impact.

17. Partnership for the goals

NEFCO works in close cooperation with co-financiers, other financial institutions and customers to create blended finance opportunities, catalyse funds and projects, and enable projects to be implemented utilising best practices from the Nordic countries. With the focus on small and medium-sized projects (SMPs), NEFCO supplements financing offered by the larger IFIs. NEFCO emphasises hands-on environmental advice and capacity building to SMPs. NEFCO has an extensive network within the green community and a proven ability to connect stakeholders and various financiers such as the EU, E5P, NDEP and Nordic governments to relevant projects, and it acts as an implementing agency for a considerable number of trust funds. In 2018, NEFCO became the first Nordic institution to be accredited by the Green Climate Fund (GCF).



Additionally, NEFCO's activities contribute to the following common goals:

8. Decent work and economic growth

The internationalisation of Nordic small and medium-sized companies contributes to increased employment in the Nordic and project countries. Nopef-financed projects shall deploy Nordic values in terms of values, company culture, CSR regulations and equality in the project countries. Climate related projects in emerging markets have a stated aim to improve working conditions and economic growth in the project countries. The new Global mandate enables NEFCO to further finance Nordic green companies seeking risk capital to scale up their operations on global markets.

11. Sustainable cities and communities

Investments in the public sector in, e.g., energy-efficiency, district heating and street lighting, as well as water and waste management contribute to the goal of creating safer, healthier and more sustainable cities and communities and prosperity for their inhabitants. NEFCO-financed projects enable municipalities and cities to utilise Nordic solutions based on best practices and technologies.

12. Responsible consumption and production

The Cleaner Production Facility (CPF) facilitates the reduction of industrial pollution through efficient resource and energy utilisation in both the public and the private sector in Eastern Europe. The on-lending programmes for the banking segment promote more sustainable habits among consumers. Financing has also been provided to many Nordic companies going global with solutions for more sustainable production methods and use of natural resources in various industry segments, e.g. the food industry and plastic recycling.

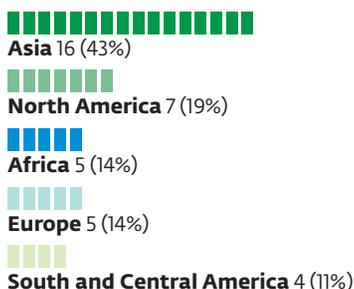
14. Life below water

The ecological state of the Baltic Sea has been a main priority since NEFCO was established by the Nordic countries. BSAP Fund projects are aimed at reducing discharges of phosphorus and nitrogen mainly from wastewater treatment plants and agriculture. NEFCO also works in close cooperation with HELCOM. Investment projects related to fish farming and new ways of protein production contribute to combatting overfishing and pollution.

15. Life on land

By facilitating and implementing environmental projects such as waste management, pollution reduction and improved forestry management, NEFCO also contributes to improved conditions for life on land. Several Projects in the Arctic region have a strong emphasis on biodiversity.

Geographical distribution of Nopef projects realised in 2018



4. GREEN GROWTH

4.1 Investment Fund (IF) and Nordic Environmental Development Fund (NMF)

NEFCO supports green growth globally through its Investment Fund. Dedicated instruments such as the Cleaner Production Facility, part of the NMF Credits, provide financing for certain segments and geographical areas. As the majority of these projects currently relates to combatting climate change, all IF and NMF Credits projects are presented in section 5. Climate in this report.

4.2 Nordic Project Fund (Nopef)

The Nordic Project Fund (Nopef) provides financing to Nordic small and medium-sized enterprises (SMEs) for feasibility studies aimed at green investments outside the EU/EEA. This funding is estimated to create 500 new jobs annually in the Nordics and the project countries. In 2018, the fund approved financing to 71 feasibility studies aimed at internationalisation, with a geographical focus on project countries in Asia. During the year, 37 ongoing projects were realised through a completed establishment in the project country via a foreign subsidiary, Joint Venture or similar investment.

The realised projects are well diversified as regards the environmental focus and include investments addressing energy efficiency (24%); resource efficiency (24%); agriculture, forestry and fishery (22%) and renewable energy (16%). The number of realised projects related to energy efficiency has decreased noticeably from previous years but are expected to grow again in the next few years, as energy-efficiency projects remains the largest sector among Nopef-financed projects in 2017 and 2018.

5. CLIMATE

5.1 Investment Fund (IF), Nordic Environmental Development Fund (NMF) and the Nordic Energy-Efficiency and Humanitarian Support Initiative (NIU)

The bulk of NEFCO's investment activities is related to renewable energy and energy-efficiency measures. Moreover, most projects co-financed by NEFCO in the industrial sector include energy-efficiency measures with tangible climate emission reductions. Public energy-efficiency projects generate environmental/climate benefits and positive economic returns at the same time to the municipalities.

The climate investments in 2017 reduced carbon dioxide emissions by 1.2 million tonnes directly, of which NEFCO's share was 22% or 270,000 tonnes. In terms of energy-efficiency measures, NEFCO managed to reduce energy consumption by 1.66 gigawatt-hours directly. The figures for 2018 are not available yet.

In 2018, seven energy- and climate-related IF projects ended and four implemented projects started to report environmental impacts.

As Vardar Eurus AS ended in 2018 comprising a large amount of the environmental impacts in NEFCO's project portfolio, the total emission reductions will be somewhat decreased from 2018 onwards.

Realised Nopef projects 2015–2018

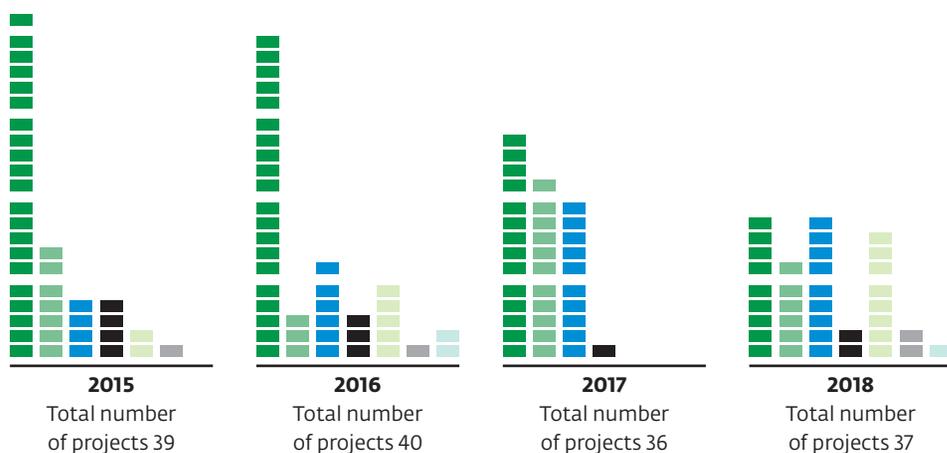
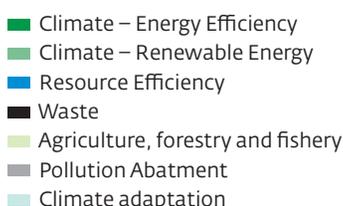


Table 1. CO₂ emission reductions in NEFCO's portfolio (figures from 2018 not yet available)

Indicator	Active and ended projects	Active projects	Ended projects	Active and ended projects
	2016	2017	2017	2017
IF, ESC, CPF, NIU				
CO ₂ indirect, t/a				
Sum of Reduction	3,403,234	191,293		191,293
Sum of NEFCO's share of reduction	967,442	7,977		7,977
NEFCO's share				4%
CO ₂ , t/a				
Sum of Reduction	1,088,605	981,824	247,782	1,229,606
Sum of NEFCO's share of reduction	262,659	190,837	89,724	280,561
NEFCO's share				23%

Energy Savings Credits (ESC)

Energy-saving measures include wall insulation, replacement of doors and windows, reconstruction of ventilation systems as well as upgrading of heating systems in a range of schools and day-care centres. In some cities, the project includes the street lighting systems upgrading by replacing outdated and inefficient street light fixtures with energy-efficient light emitting diode lamps (LED).

Cleaner Production Facility (CPF)

The NEFCO Facility for Cleaner Production is a loan programme intended to promote the reduction of industrial pollution through efficient resource and energy utilisation.

The Nordic Energy Efficiency and Humanitarian Support Initiative for Ukraine (NIU)

The purpose of the NIU fund is to finance upgrades of the municipal infrastructure in areas that have been badly affected by the armed conflict in Eastern and Southern Ukraine.

In 2018, a total of 12 NMF projects were completed, 8 projects started environmental reporting and 10 new project agreements were signed. The number of completed municipal ESCs and private sector CPF projects reporting environmental impacts was approximately the same as in 2017.

5.2 Climate Funds

NEFCO Carbon Fund (NeCF) and NEFCO Norwegian Carbon Procurement Facility (NorCaP)

At present, NEFCO manages two funds for the purchase of carbon credits:

1. NEFCO Carbon Fund (NeCF) and
2. NEFCO Norwegian Carbon Procurement Facility (NorCaP)

The investors in NeCF are the Danish Energy Agency, Ørsted A/S (DK), Eesti Energia (EE), Electrabel (BE), EPV Energy (FI), the Finnish Ministry of Foreign Affairs, Industrialiseringsfonden for Udviklingslandene (IFU) or the Industrialisation Fund for Developing Countries (DK), Kymppivoima (FI), the Norwegian Ministry of Climate and Environment, Vapo (FI) and NEFCO.

The Norwegian Ministry of Climate and Environment is the only investor in NorCaP.

The NeCF portfolio consists of 12 ongoing projects and the NorCaP portfolio encompasses 9 ongoing projects. The projects fall within the below sectorial areas (based on UNFCCC's categories).

During 2018, CERs (Certified Emission Reductions) were delivered as follows:

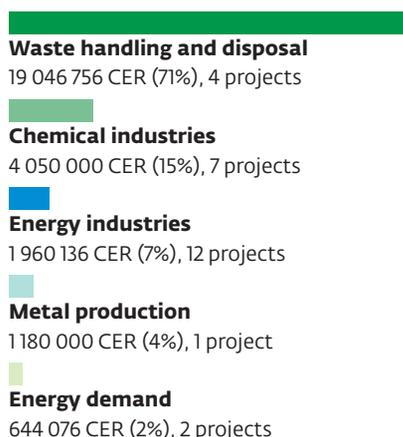
- 336,953 into the NeCF account and
- 2,274,636 into the NorCaP account

One CER equals one tonne of CO₂. **The total emission reductions correspond to 2,611,589 t/CO₂.**

CERs are generated through projects that result in reduced emissions. Investors typically use CERs to off-set their emissions. In some cases these CERs may also be left unused.

Project types based on CER volumes

Includes also projects that have ended but still leverage CERs



Emission reductions tCO₂

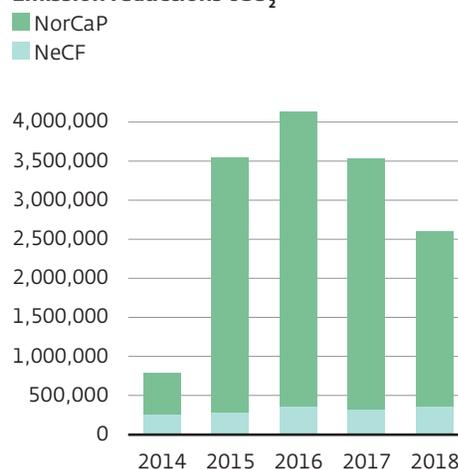


Table 2. Investment Fund (IF) ended projects in 2018

Project	Country	Type
Megabank	Ukraine	Energy efficiency
Vardar Eurus AS	Estonia	Renewable energy
Vireo Landfill gas in Belarus	Belarus	Renewable energy
Rani Plast Russia	Russia	Energy efficiency
Bank Lviv Energy Savings Loan Program II	Ukraine	Energy efficiency
SHI FW Energia FAKOP	Poland	Manufacture of boilers using renewables
MTBank (Minsk Transit Bank)	Belarus	Energy efficiency

6 ARCTIC & BARENTS

6.1 Arctic Council Project Support Instrument (PSI)

The Arctic Council Project Support Instrument (PSI) is a funding mechanism managed by NEFCO. The objective of the instrument is to finance initiatives aimed at preventing and mitigating pollution of the Arctic Region. PSI funding is available to projects by all of the Arctic Council's working groups. Since 2014, the PSI Committee (PCOM) has approved funding for 17 Arctic Council projects in the fields of combating climate change, hazardous waste management, and enhancing bio-diversity. The approved projects have a number of sub-projects and interventions in line with the PSI Committee decisions.

In 2018, one project was completed and five projects were under implementation. An evaluation study related to the project 'Mitigation of black carbon and methane emissions from APG flaring in the Arctic Zone' was completed. Its following phase aimed at demonstrating the best available technologies and practices (BAT-BEP) to reduce short-lived climate pollutants (SLCP) from APG flaring is planned to commence. As the completed project is an evaluation study, there are no emission reductions to report yet in 2018.

In the long run, the PSI-funded projects are expected to lead to the reduction of black carbon and CO₂ emissions, mitigation of persistent toxic substances, non-methane volatile organic compounds and improved bio-diversity.

6.2 Barents Hot Spots Facility (BHSF)

NEFCO has managed the Barents Hot Spots Facility (BHSF) since 2004. The main aim is to promote relevant actions and investments at the environmental 'hot spots' identified in north-west Russia, together with the responsible Russian authorities and the project owners. BHSF funds are allocated primarily to expert and feasibility studies, and other technical assistance. The Facility also co-finances the Adviser on issues of climate, environment and 'hot spots' at the International Barents Secretariat in Kirkenes. Special focus areas for BHSF during 2018 have been municipal waste and remediation of oil-contaminated land, as well as issues concerning forests, biodiversity and specially protected territories. 'Hot spots' are excluded every second year and therefore none was excluded in 2018.

NEFCO works very closely with the Swedish Chair of the Barents Working Group on Environment (WGE) and its subgroups, in particular the Subgroup on Hot Spot Exclusion (SHE). BHSF is the primary source of funding for the SHE Work Programme and its defined 'Support Activities'. In 2018, among other things, BHSF funded seminars in Moscow and Syktyvkar on the theme of the introduction of BAT (Best Available Technology) in Russia for decision makers, managers and experts linked to 'hot spots'. NEFCO follows the development very closely in Northwest Russia to promote pilot actions in the region linked to, for instance, the newly established regional systems for municipal waste management as well as the National Project 'Ecology' and the list of 300 'Category-1' main polluters that were defined at federal level in 2018. NEFCO's activities in the Barents context are closely linked to the Arctic priorities, and BHSF also supports project preparatory measures for possible funding from NDEP with a focus on waste management and soot emissions with special impact on the Arctic.

Together with the Nordic Council of Ministers, BHSF also provides grants within the cooperation programme Programme for Environment and Climate Co-operation (PECC), which is managed by NEFCO. Nine PECC projects were completed in 2018 with the participation of Nordic non-commercial entities and their partners in Northwest Russia (see Table 4).

Table 3. Completed Arctic projects in 2018

The Arctic Council Project Support Instrument (PSI)
Completed projects in 2018

Lead partner / Applicant	Project	Programme	Lead country	Project country	Use of funds	Comments
ACAP	Mitigation of black carbon and methane emissions from APG flaring in the Arctic zone of the Russian Federation, phase 1a	PSI	Russia	Russia	Evaluation study	Phase 1b of project to commence in 2019

Table 4. Barents Hot Spots Facility BHSF
Completed projects in 2018

Lead partner / Applicant	Project	Programme	Lead country	Project country	Use of funds	Comments
Baltic Development Forum	Urban Eco-Cluster	PECC	Denmark	Russia	Study and networking	SPB
University of Helsinki	Co-operation Network for North-West Russian Protected Areas	PECC	Finland	Russia	Study and networking	Kar, Kom, LO, Mur, Psk
National Resources Institute Finland (Luke)	The network for sustainable intensive forest management in Komi Republic (BIOKOMI)	PECC	Finland	Russia	Study and networking	Kom
University of Eastern Finland	Increasing awareness of the likely impacts of climate change on forest ecosystems in Northwest Russia	PECC	Finland	Russia	Study and networking	Arch
Snowchange Cooperative	Traditional Knowledge of the Northern Waters	PECC	Finland	Russia	Study and networking	Mur
Nansen Env. and Remote Sensing Centre (NERSC)	Transferable Knowledge and Technologies for High-resolution Environmental Impact Assessment and Management	PECC	Norway	Russia	Study and networking	SPB, Mur
Southern Swedish Forest Research Centre, SLU	Predicting and mitigating effects of forest fires in Northern Europe through multi-proxy analysis and modelling (PREFORM)	PECC	Sweden	Russia	Study and networking	Kar, SPB, Mur
Skogforsk	Network for adaptation of boreal forests to climate change	PECC	Sweden	Russia	Study and networking	Arch
County Administrative Board of Norrbotten	Facilitate knowledge sharing and capacity building through network activities and learning by doing	PECC	Sweden	Russia	Study and networking	Arch – Inventory of greenhouse gas emissions in Archangelsk Oblast
NEFCO–Barents	“Legal study of the new framework law for solid waste management in Russia”	BHSF	Nordic	Russia	Study	With a special outlook on solid waste in Syktyvkar (Komi)
NEFCO–Barents	“BAT Training for Managers” by the Russian Federal “Environmental Industrial Policy Center” (EIPC) – the BAT Bureau	BHSF	Nordic	Russia	Seminar (in Moscow)	Barents Env. Supporting Activity SA 1a for promotion of BAT-based Action Projects
NEFCO–Barents	“BAT Training for Experts” by EIPC (BAT Bureau)	BHSF	Nordic	Russia	Seminar (in Syktyvkar, Komi)	Barents Env. Supporting Activity SA 1b

7 THE BALTIC SEA

7.1 Investment Fund (IF) and Nordic Environmental Development Fund (NMF)

According to NEFCO's environmental status reports, the corporation succeeded in reducing discharges of phosphorus from wastewater treatment plants by 924 tonnes in 2017, when taking into account the whole projects, and phosphorous discharges removed from agriculture by 63 tonnes. The total phosphorous discharge reduction of 987 translates into discharges of untreated wastewater from approx. 1.35 million people. NEFCO's pro rata share of the reduction is 183 tonnes P/year equalling wastewater from approx. 250,000 people. The corresponding figure for nitrogen was 4,292 tonnes N/year and NEFCO's share 837 tonnes N/year. Figures from 2018 are not yet available.

7.2 Baltic Sea Action Plan Fund (BSAP Fund)

The BSAP Fund financed by the governments of Sweden and Finland provides grants for technical assistance to projects that support the implementation of the HELCOM Baltic Sea Action Plan (BSAP). The mandate of the fund is to contribute to the realisation of BSAP by providing co-financial support for project development and implementation, e.g. in the agricultural, wastewater or hazardous waste

sectors. A key purpose of the fund is to facilitate and speed up the preparation of bankable projects in the Baltic Sea catchment area.

In total, 36 projects ended or discontinued (from 2010 to December 2018). In 2018, three projects ended and two projects are under implementation. The Kohila Maja project led to wastewater infrastructure investments in Aespa and Vilivere village area in Estonia.

Investment plan for the closing of Krasny Bor hazardous waste landfill

With financial support from the BSAP Fund (EUR 160,000), Sida (EUR 150,000) and Germany (EUR 100,000 parallel financing), NEFCO contracted Fortum and Ramboll in June 2017 to take samples from the two liquid waste lagoons, review and assess the current status of wastewater treatment at the site and give recommendations on potential treatment options and next steps. Moreover, a preliminary plan on how to close the entire site was prepared by Ramboll. The study had no direct environmental impacts as it only included analysis and planning activities. However, the project is highly relevant for BSAP as Krasny Bor is one of the major 'hot spots' identified by HELCOM. The project provided a sound knowledge base for the preparation of an investment plan to address the environmental issues related to the Krasny Bor landfill.

Table 5. Reductions in IF and NMF Credits (figures from 2018 are not yet available)

Indicator	Active and ended projects	Active projects	Ended projects	Active and ended projects
	2016	2017	2017	2017
Ntot agriculture, t/a				
Sum of Reduction	63	29	36	65
Sum of NEFCO's share of reduction	33	1	22	23
NEFCO's share				35%
Ntot, t/a				
Sum of Reduction	4,164	3,306	921	4,227
Sum of NEFCO's share of reduction	790	711	103	814
NEFCO's share				19%
Ntot agriculture, t/a				
Sum of Reduction	136	48	15	63
Sum of NEFCO's share of reduction	20	2	6	8
NEFCO's share				13%
Ptot, t/a				
Sum of Reduction	953	681	244	924
Sum of NEFCO's share of reduction	179	147	28	175
NEFCO's share				19%

Table 6. Completed projects in 2018

Project	Country	Type
Kaliningrad Region Waste Water Rehabilitation OKOS	Russia	Wastewater
Myllyn Paras Russia Oat Mill and Farm	Russia	Agriculture

Table 7. Completed BSAP Fund projects in 2018

Lead partner / Applicant	Project	Project number	Country	Use of funds
Läckeby Water AB / Division Purac AB	Mysliborz Biogas Plant	BSAP 16/12	Poland	Feasibility study, technical documentation
Kohila Maja	Development of Aespa and Vilivere Wastewater Infrastructure	BSAP 2/15	Estonia	Feasibility study, technical documentation for Cohesion Fund application
NEFCO	Krasny Bor / Waste water analysis and treatment options	BSAP 2/17	Russia	Study, analysis

8 POLICY WORK

Gender policy launched

The NEFCO Gender Policy was launched in February 2018. The purpose of this Gender Policy is to emphasise NEFCO's commitment to the shared goals and objectives of its owner countries in promoting gender equality and the Nordic countries' role as a leading example in delivering on the Sustainable Development Goals, including in particular Goal 5 – Achieve gender equality and empower all women and girls.

While NEFCO's financing – due to its specific environmental mandate – is not targeted at enabling implementation of projects based on their potential to contribute to achieving gender equality, proactive action at NEFCO means that the gender perspective is mainstreamed in all of NEFCO's financing activities.

Sustainability assessed more broadly

An environmental review for projects also covers other sustainability issues in more depth, such as health and safety and stakeholder engagement. A sustainability questionnaire has been developed for the review.

Five sectors updated in NEFCO's Environmental Handbook

NEFCO's Environmental Unit has started to update the Environmental Handbook and has arranged four internal training seminars on environmental issues in relevant sectors.

NIB, NEFCO and NDF hosted MFI environmental and social experts' meeting

NEFCO's environmental unit participated in two meetings hosted by the Multilateral Financial Institutions Working Group on Environment and Social Standards to promote the Working Group's attempts to harmonise the environmental methodology applied at international financial institutions. The spring 2018 meeting was hosted jointly by NIB, NDF and NEFCO in Helsinki.

Collaboration with HELCOM

As regards NEFCO's participation in events related to the Baltic Sea, priority was given to attendance at HELCOM's and the EU's stakeholder events and conferences. NEFCO applied for HELCOM Observer status in 2018.

ANNEX 1

Accounting principles

NEFCO has requested annual environmental status reports from every project since 1990 when NEFCO was established. The client's reporting on the environmental and sustainability indicators of NEFCO-financed projects allows NEFCO to compare the actual project impacts. Environmental and resource-efficiency indicators are selected to ensure that they help evaluate the existing environmental resource and energy situation prior to the implementation of the project. The selected indicators are followed up in the annual environmental reporting process.

Environmental benefits can be achieved as a direct consequence of investments and indirectly by supporting companies manufacturing environment-related products or services. The direct environmental impacts are reported by the projects. The indirect environmental impacts are normally calculated based on reporting by the project companies, e.g. production of equipment.

Harmonised approaches in project impact accounting

The International Financial Institutions¹ (IFIs) have been working together to agree on a harmonised approach to project-level greenhouse gas (GHG) accounting. The rationale for this work is to harmonise GHG accounting during the project appraisal. The purpose is to establish minimum requirements for undertaking this work, all of which each IFI can optionally exceed with additional considerations and reporting.

Environmental benefits gained through completed Investment Fund and NMF Credit projects or in which NEFCO's involvement has ceased are calculated as total emission reductions. The assessment of the environmental performance of projects is calculated with the realised annual reductions and the expected annual reduction based on the project baseline prior to implementation. The assessment is normally expressed in a mass unit (e.g. kg, tonnes) on an annual basis. For the purposes of comparison, the data are shown as reductions or savings per annum.

In order to avoid double accounting with co-financiers, the emission reductions are also given as prorated to NEFCO's share of the financing.

The harmonised approaches encourage reporting of long-term project impacts. The report on the estimated results of a project's economic life aims to provide users with a basis for understanding the impact of the project over its economic lifetime. NEFCO's environmental database also takes into account projects in which its involvement has ceased. In its environmental monitoring, NEFCO applies an annual linear depreciation rate of 5% on all actual reductions as of the beginning of the year of the final repayment. This method was first applied in 2011.

It has to be noted that the methodology is not perfect for an institution like NEFCO, as most projects have a high level of additionality. The sole purpose of NEFCO's investment in a project is the environmental impact of the whole project, not NEFCO's share of the environmental impact, and this is the main rationale for NEFCO's project reporting in previous years.

¹ International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting November 2015

Financial statements

Statement of comprehensive income

1 January – 31 December

(Amounts in EUR)	Notes	2018	2017
Income			
Interest income, placements with credit institutions		-262,510	-135,911
Interest income, debt securities		24,478	83,400
Interest income, lending		4,032,709	3,475,314
Interest income total		3,794,678	3,422,803
Interest expense		-610,300	-178,626
Net interest income		3,184,378	3,244,177
Net result of financial operations	(1)	6,818,630	-836,585
Lending fee income		649,639	547,203
Other income	(2)	2,883,890	3,448,631
Total income		13,536,536	6,403,426
Operating expenses			
Administrative expenses	(2), (3), (4)	6,040,183	5,525,358
Depreciation and write-down in value of tangible and intangible assets	(10)	1,936	21,932
Foreign exchange gains and losses		306,028	372,908
Impairment of loans / reversals	(7)	-1,363,060	-
Total operating expenses		4,985,086	5,920,198
RESULT FOR THE YEAR		8,551,450	483,228
TOTAL COMPREHENSIVE INCOME		8,551,450	483,228

*) Interest income total is from financial assets held at amortised cost

Statement of financial position

31 December

(Amounts in EUR)	Notes	31/12/2018	31/12/2017
ASSETS			
Cash and cash equivalents	(6)	38,946,117	21,143,046
Placements with credit institutions	(6)	67,531,978	58,445,862
Total, cash and cash equivalents and placements with credit institutions		106,478,095	79,588,908
Debt securities	(6)	-	10,373,315
Investment assets	(8)	4,078,067	15,361,841
Other placements	(9)	3,380,383	3,444,928
Loans outstanding	(7)	57,875,911	54,324,738
Other receivables		1,577,732	202,074
Accrued interest		1,067,475	730,676
Tangible assets	(10)	-	1,936
TOTAL ASSETS		174,457,662	164,028,416
LIABILITIES AND EQUITY			
Liabilities			
Long-term debt	(11)	8,520,034	5,495,670
Other liabilities		942,331	757,003
Accrued interest		353,541	85,438
Total liabilities		9,815,907	6,338,110
Equity			
Paid-in capital	(12)	113,406,560	113,406,560
Reserve for investment/credit losses		24,557,177	24,557,177
Operational fund		4,500,000	4,500,000
Retained earnings		13,626,568	14,743,340
Result for the year		8,551,450	483,228
Total equity		164,641,755	157,690,305
TOTAL LIABILITIES AND EQUITY		174,457,662	164,028,416

Changes in equity

(Amounts in EUR)

	Paid-in capital	Reserve for investment/credit losses	Operational fund	Retained earnings	Result for the year	Total
Equity as of 1 January 2017	113,406,560	24,557,177	4,500,000	14,201,053	542,287	157,207,077
Appropriation to the retained earnings				542,287	-542,287	-
Appropriation to the reserve for investment/credit losses		-				-
Appropriation to the Operational fund			-			-
Paid-in capital	-					-
Result for the year					483,228	483,228
Equity as of 31 December 2017	113,406,560	24,557,177	4,500,000	14,743,340	483,228	157,690,305
Equity as of 1 January 2018	113,406,560	24,557,177	4,500,000	14,743,340	483,228	157,690,305
Appropriation to the retained earnings				-1,116,772	-483,228	-1,600,000
Appropriation to the reserve for investment/credit losses		-				-
Appropriation to the Operational fund			-			-
Paid-in capital	-					-
Result for the year					8,551,450	8,551,450
Equity as of 31 December 2018	113,406,560	24,557,177	4,500,000	13,626,568	8,551,450	164,641,755

Proposed allocation of the year's result:	2018	2017
Appropriation to the retained earnings	8,551,450	483,228
RESULT FOR THE YEAR	8,551,450	483,228

Cash flow statement

1 January – 31 December

(Amounts in EUR)	2018	2017
Cash flows from operating activities		
Result for the year	8,551,450	483,228
Depreciation and write-down in value of tangible and intangible assets	1,936	21,932
Value adjustments, investment assets	4,500,000	1,000,000
Capital adjustments, other placements	64,546	64,482
Impairments, lending	-1,363,060	-
Change in accrued interests, assets	-336,799	53,609
Change in accrued interests, liabilities	268,104	85,438
Lending		
Disbursements	-21,335,573	-15,187,493
Repayments	13,555,282	3,715,769
Prepayments	4,135,526	6,970,441
Capitalisations	-422,618	-1,163,194
Exchange rate adjustments	279,270	351,933
Change in investment assets	6,783,774	-72,797
Cash flows from operating activities	14,681,838	-3,676,654
Cash flows from investing activities		
Change in placements with credit institutions	-9,086,116	9,806,083
Change in debt securities	10,373,315	-83,714
Change in other receivables and liabilities, net	-1,190,330	301,238
Net cash flows from investing activities	96,868	10,023,607
Cash flows from financing activities		
Change in long-term debt	3,024,365	5,495,670
Net cash flows from financing activities	3,024,365	5,495,670
Change in cash and cash equivalents	17,803,071	11,842,622
Opening balance for cash and cash equivalents	21,143,046	9,300,424
Closing balance for cash and cash equivalents	38,946,117	21,143,046
Additional information to the statement of cash flows		
Interest income received	3,457,879	3,476,412

The cash flow statement has been prepared using the indirect method and cash flow items cannot be directly concluded from the statements of financial positions.

Notes to the financial statements

GENERAL OPERATING PRINCIPLES

The operations of the Nordic Environment Finance Corporation (hereinafter the Corporation or NEFCO) are governed by the Agreement between the governments of Denmark, Finland, Iceland, Norway and Sweden and the related Statutes. NEFCO's purpose is to promote investments of Nordic environmental interest with a focus on Eastern Europe. The Corporation also manages *trust funds* on behalf of various principals.

NEFCO is an international financial institution. In the member countries the Corporation is an international legal person with full legal capacity, exempt from payment restrictions and credit policy measures. In addition, the NEFCO Agreement contains immunity provisions exempting the Corporation from all taxation.

The principal office of NEFCO is located in the Nordic Investment Bank's premises at Fabianinkatu 34, Helsinki, Finland.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for preparing the financial statements

The Corporation's financial statements have been prepared in accordance with the *International Financial Reporting Standards* (IFRS) issued by the *International Accounting Standards Board* (IASB). The accounts of the Corporation are kept in euro.

The Corporation's financial statements are presented in euro. With the exceptions noted below they are based on historical cost.

Significant accounting judgements and estimates

When preparing the financial statements, the management is called upon to make estimates that have an effect on the reported result, financial position and other disclosures. These assessments of impairment of loans and the fair value of the investments are based on the information available to the management (Notes 7–9). Actual outcomes may deviate from the assessments made, and these deviations may be significant in relation to financial statements.

Foreign currency translation

Monetary assets and liabilities in currencies other than the euro are converted at the exchange rates published by the European Central Bank or National Bank of Ukraine (hryvnia) at the balance sheet date (see Note 13). Realised and unrealised exchange gains/losses are recognised separately in the statement of comprehensive income under 'Foreign exchange gains and losses'. Non-monetary assets are converted at the exchange rate applied on the transaction date.

Basis for classification and measurement

The Corporation classifies its financial assets into the following categories: those measured at amortised cost and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

● *Financial assets at amortised cost*

An investment is classified at "amortised cost" only if both of the following criteria are met: the objective of the Corporation's business model is to hold the assets in order to collect the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

● *Financial assets at fair value*

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value through profit and loss (FVTPL) or at fair value through other comprehensive income (FVOCI). FVOCI is used to classify assets held for payments of principal, interest and to sell. All other financial assets are classified as FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise monetary assets and placements with original maturities of six months or less, calculated from the date the acquisition and placements were made.

Cash and cash equivalents in the cash flow statement refers to the net amount of monetary assets, placements and liabilities with original maturities of six months or less, calculated from the time the transaction was entered into.

Placements with credit institutions

NEFCO invests its short-term liquidity, which is primarily in euros, with credit institutions, preferably Nordic banks.

Placements with credit institutions are recognised at cost (normally at nominal value) on the settlement date. These placements are carried at amortised cost in the annual financial statements. Due to the short maturities of these placements, the difference between their fair value and book value including accrued interest is not significant.

Lending

Corporation's lending transactions are recognised in the statement of financial position on the transfer of funds to the borrower. Loans are initially recognised at historical cost as determined by NEFCO to reflect the fair value inclusive of any transaction cost. Loans outstanding are carried at amortised cost after deductions for any impairment losses.

Loans to public-sector borrowers are issued primarily against municipal risk, while loans to private-sector borrowers are generally secured by property.

In the absence of a relevant market interest rate reflecting the loan terms, it has not been possible to calculate the fair value reliably for disclosure in the Notes. However, NEFCO is of the opinion that fair value is not lower than book value.

Impairment of loans

The new standard IFRS 9 – Financial instruments came into force from 1 January 2018. NEFCO adopts the Expected Credit Loss (ECL) model in addition to possible individual impairments. Further details of the ECL model can be found in Note 7. Impairment losses affect the result for the year and are recognised as a separate item in the statement of comprehensive income.

Intangible assets

Intangible assets, which are primarily investments in software and licenses, are carried at historical cost and amortised over the assessed useful life of the assets estimated to be three to five years. The amortisations are made on a straight-line basis.

Tangible assets

Tangible assets include inventories. Tangible assets are recognised at historical cost less accumulated depreciation and impairment. Tangible assets are depreciated on a straight-line basis over their useful life of three to five years.

Write-downs and impairment of intangible and tangible assets

NEFCO's assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

Financial assets

Measurement of financial assets at fair value is carried out according to the following hierarchy based on fair value:

Level 1: Market prices quoted on an active market for identical assets.

Level 2: Valuation model based on either directly (i.e. prices) or indirectly (i.e. derived from prices) observable data. This category includes assets valued using quoted market prices in an active marketplace for similar assets; quoted prices for identical or similar assets in a less active market place or other valuation method, in which all significant data can be determined either directly or indirectly in the marketplace.

Level 3: Valuation method based on other than directly observable data. This category includes all assets where the valuation method includes inputs which are not based on observable data and the unobservable inputs have a significant effect on the valuation. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

● *Investment assets*

NEFCO's investment assets include participating interests in a number of companies. NEFCO is regarded as an investor in companies with the aim of generating positive environmental impacts in accordance with the Corporation's mandate and Statutes. The primary objective is to achieve environmental benefits, not to maximise profits. However, the Statutes require that the companies in which NEFCO invests are financially profitable in order to ensure that the Corporation's authorised capital remains intact.

As with the investment companies, the Corporation's management has decided to report all investments in other companies at fair value through the statement of comprehensive income instead of consolidating the investments in accordance with the equity method or as holdings in subsidiaries, as NEFCO can be considered meeting the criteria that are characteristic of an investment company in accordance with IFRS 10. Even if NEFCO's participating interest exceeds 20%, NEFCO, as an investment company, recognises such investments as financial instruments instead of using the equity method.

Aside from one exception, NEFCO is a minority shareholder in all the companies. A prerequisite for NEFCO's participation is that the majority (or other) shareholder assumes responsibility for the business operations. Each new investment always involves an exit agreement setting out the conditions for NEFCO's withdrawal from the company.

The Corporation regularly assesses its investment assets using its own valuation model. However, the assessed fair value is greatly affected by the market conditions in the individual countries and other circumstances beyond NEFCO's control. If fair value cannot be reliably determined, the assets are carried at cost.

All of NEFCO's investment assets fall under Level 3 as of 31 December 2018 (Note 8).

● Other placements

NEFCO's other placements include placements in the NEFCO Carbon Fund and the Nordic Environmental Development Fund. NEFCO's other placements are carried at fair value. Changes in fair value are recognised in the statement of comprehensive income. The Corporation regularly assesses its other placements using its own valuation model. However, the assessed fair value is greatly affected by the market conditions and other circumstances beyond NEFCO's control. If fair value cannot be reliably determined, the assets are carried at cost.

All of NEFCO's other placements fall under Level 3 as of 31 December 2018 (Note 9).

Equity

Paid-in authorised capital reached its full amount of EUR 113.4 million on 31 December 2007 (Note 12).

Additionally, the Corporation has built up a general reserve in equity to cover the risk of losses on loans outstanding and investment assets. This reserve is used to cover major investment or credit losses arising during the course of the Corporation's operations.

NEFCO's equity includes a provision for an Operational Fund to secure resources for the Corporation's development and for preparation of investment projects.

Trust Funds

Trust Funds are established in accordance with Section 3 of the Statutes of the Corporation and are administered under the terms governing each such Trust Fund. These Trust Funds may be investing funds or providing grant funds. They are primarily focused on project preparation, implementation and advisory. The Trust Funds may be bilateral or multilateral in nature. Donors of the Trust Funds are countries and private investors. The resources provided to NEFCO through the

contribution agreements are held separately from the ordinary capital resources of the Corporation and are subject to external audit (Note 2). Liquidity is managed in accordance with NEFCO's Risk Policy.

Administrative expenses

NEFCO purchases administrative services from a related party, the Nordic Investment Bank (NIB). The cost of these services is shown under 'Other administrative expenses' (Note 3). The Corporation receives a host country reimbursement from the Finnish Government equal to the tax withheld from the salaries earned by its employees. The host country reimbursement is reported as a deduction from administrative expenses (Note 3).

Employee pensions and insurance

In accordance with the Host Country Agreement between the Corporation and the Finnish Government, the Corporation is responsible for providing full pension security to its employees. NEFCO applies the Finnish public sector pension system (JuEL) in respect of its employees based in Helsinki.

The JuEL Pension is calculated on the basis of the employee's annual pensionable income and the applicable age-linked pension accrual rate.

At the end of 2018, the Corporation's pension obligations were fully covered.

NEFCO has also a supplementary pension insurance scheme for its permanent employees based in Helsinki. This pension insurance is based on a defined contribution plan.

In addition to the applicable local social security system, NEFCO has also taken out comprehensive life, accident, health, disability and travel insurance for its employees based in Helsinki.

The Corporation has a Representative Office in Kyiv, Ukraine, with four employees whose contracts are based on the local terms of employment and health and safety regulations as defined in the Ukrainian law.

STANDARDS, AMENDMENTS AND INTERPRETATIONS

New Accounting standards adopted in 2018:

IFRS 9 *Financial instruments* was adopted by NEFCO on 1 January 2018.

Classification and measurement – The standard introduced a new financial asset classification type: "Fair value through other comprehensive income" (FVOCI) for financial assets held in a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets, and the cash flows consist solely of payments of principal and interest on the principal amount outstanding ("SPPI"). NEFCO currently does not record any assets in this asset classification.

Impairment—The new impairment requirements are based on an expected credit loss (ECL) model and replaced the old incurred loss model. The expected credit loss model applies to financial assets recorded at amortised cost or at FVOCI, such as loans, debt securities and most loan commitments. NEFCO is required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the best available forward-looking information. A description of the model can be found in Note 7. The adoption of the new impairment model resulted in a decrease in equity of EUR 1.6 million at 1 January 2018.

New Accounting standards effective for financial years beginning on or after 1 January 2019:

IFRS 16 *Leases* substantially changes the accounting treatment, as the majority of leases will become on-balance sheet liabilities with corresponding right of use assets on the balance sheet. The standard replaces IAS 17 *Leases* and is effective as of 1 January 2019. However, NEFCO does not have significant leasing commitments and therefore the new standard will not have a significant impact.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a significant impact on NEFCO's financial statements.

MANAGEMENT OF FINANCIAL RISKS BY NEFCO

NEFCO has adopted a risk management policy that provides guidelines for reporting and monitoring the risks associated with its operations, including guidelines for possible future borrowing based on lending portfolio risk level. In accordance with said guidelines, the risk management process includes an evaluation of the portfolio four times per year accompanied by country risk reports. The goal is to provide an objective on-going assessment of the portfolio risk.

The purpose of NEFCO's operations is to provide risk capital and loans to finance investments that are of environmental interest to the Nordic countries. The geographical mandate was as of June 2017 broadened beyond Eastern Europe while the focus remains in this area. The authorised capital is used to finance NEFCO's investments. In addition, NEFCO has a risk reserve fund comprising approximately 21.7% of the authorised capital. The main financial risks – credit risk, foreign exchange rate risk, interest rate risk, price risk, liquidity risk and operational risk – are carefully managed and risk management procedures are closely integrated into NEFCO's business routines.

Market risk

● *Foreign exchange rate risk*

Outstanding loans are denominated in euros and roubles. Rouble-denominated lending accounts for 2.1% of all outstanding loans, two of which are in roubles. NEFCO is exposed to a currency risk in respect of the rouble. Risks due to exchange rate fluctuations are not hedged.

A guarantee facility for the rouble-denominated loans is available from the Nordic Environmental Development Fund (NMF). As of 31 December 2018, the guarantee facility has been used to a total of EUR 190,588 to cover the foreign exchange losses following the rouble's drop in value in 2014, and after rouble gained its value in 2016 a repayment was made to replenish the guarantee. The utilised guarantee facility reduced NEFCO's foreign exchange losses in 2014 and foreign exchange gains in 2016. It was not used or replenished during 2018. The foreign exchange rate risk in respect of other activities is insignificant.

- *Interest rate risk*

Interest rate risk refers to the effect of market rate fluctuations on the Corporation's interest-bearing assets and related interest income.

Of the loans outstanding, 68.9% are floating-rate and 31.1% fixed-rate loans on which interest accrues up until the final repayment date. The distribution of loans outstanding according to the length of the interest rate fixing period is indicated in Note 7. The liquidity reserve of approximately EUR 106.5 million is primarily placed in bank deposits with maturity up to one year. As the maturity dates are spread across the year, the interest rate risk is distributed in such a way that any change in interest rate levels resulting from a fall in market interest rates is not immediately fully reflected in the financial result. A 0.5% fall in the annual interest rate would result in a reduction in earnings of around EUR 0.5 million. Conversely, an increase in interest rates would have a positive impact on financial performance.

- *Price risk*

The price risk associated with NEFCO's equity investments is subjected to thorough examination before presentation to NEFCO's Board for an investment decision. The maximum price risk exposure at the balance sheet date consists of the investment assets totalling EUR 4.1 million as of 31 December 2018. The cumulative risk reserves protect the Corporation's authorised capital against losses. Equity investments account for 3.6% of the authorised capital.

An indirect price risk may occur in the investment in NEFCO Carbon Fund (NeCF). NEFCO is involved in projects that delivered the last emission reductions in 2013. NEFCO donated these emission reductions in 2014 to the member countries and as of 31 December 2018 there were no emission reductions in NEFCO's possession. A large proportion of the NeCF funds remain unused.

Credit risk

The credit risk associated with NEFCO's lending is subjected to thorough examination before presentation to NEFCO's Board for a lending decision. The maximum credit risk exposure at the balance sheet date consists of the amounts outstanding for loans totalling EUR 57.9 million as of 31 December 2018. The cumulative risk reserves protect the Corporation's authorised capital against losses.

Credit risk constitutes NEFCO's main financial risk. It involves the risk that the Corporation's borrowers or other counterparties fail to fulfil their contractual undertakings

and that the collateral provided as security does not cover the Corporation's claims. In accordance with NEFCO's mandate, all of the Corporation's lending can be classified as high risk. The main risk consists of lending to banks, companies or municipal entities in the target countries, which accounts for 51.0% of the authorised capital. A thorough distribution of collaterals is presented in Note 7.

Liquidity risk

The effective management of liquidity risk ensures that NEFCO can fulfil all its payment obligations as they mature. The liquid funds and other placements with credit institutions (accounting for 93.9% of the authorised capital) consist mostly of euro-denominated deposits with Nordic banks placed for a period of one year or less. The deposits mature at regular intervals, guaranteeing access to liquid funds when necessary.

Status reports regarding the liquid funds are regularly presented to NEFCO's Board of Directors. The Danish Investment Fund for Developing Countries (and one of its trust funds) has channelled investments to Ukraine through NEFCO. These amounts are shown as liabilities, but repayable once NEFCO's loans have been serviced. At the end of 2017 NEFCO signed a loan agreement with NIB, but this loan from NIB will be drawn during the upcoming years.

Operational risk

Operational risk is the risk of financial loss or loss of reputation through shortcomings or failings relating to internal processes, human errors, data systems and external events. Legal risk is also considered an operational risk. NEFCO's management of operational risk is governed by internal instructions and focuses on proactive measures designed to ensure business continuity as well as the accuracy and appropriateness of internal and external information.

Internal Audit

The main responsibility of Internal Audit is to evaluate the in-house controls, risk management and governance processes in NEFCO. Internal Audit reports on a regular basis to NEFCO's Board of Directors and Control Committee. The annual internal audit activity plan is approved by the Board of Directors.

Capital management

NEFCO is not governed by any national or supranational regulations. The Corporation maintains an adequate capital base to cover the risks inherent in its lending and investment activities.

(1) NET RESULT OF FINANCIAL OPERATIONS

(Amounts in EUR 1,000)	2018	2017
Investment assets, realised gains and losses	11,463	183
Other placements, realised gains and losses	-	-
Other realised gains and losses	-	2
Total realised gains and losses	11,463	185
Investment assets, unrealised gains and losses	-4,500	-1,000
Other placements, unrealised gains and losses	-	1
Total unrealised gains and losses	-4,500	-999
Borrowing costs	-144	-23
Net result of financial operations	6,819	-837

(2) OTHER INCOME

Other income (Amounts in EUR 1,000)	2018	2017
Trust fund management fees	2,884	3,341
Service fees	-	108
Total other income	2,884	3,449

As of 31 December 2018 the Corporation administered 39 trust funds (2017: 35) with aggregate pledged contributions amounting to 352 million euros (2017: 360 million euros). The Corporation acts as manager and administrator of the trust funds for which it receives management and cost recovery fees. In 2018 the trust fund management fees amounted to 2.9 million euros (2017: 3.3 million euros) as follows: NorCaP: EUR 756,233 (2017: EUR 1,034,666), NMF: EUR 875,143 (2017: EUR 869,518), NOPEF: EUR 522,861 (2017: EUR 518,795), NeCF: EUR 292,659 (2017: EUR 316,347) and other trust funds: EUR 436,994 (2017: EUR 601,306).

(3) ADMINISTRATIVE EXPENSES

Administrative expenses (Amounts in EUR 1,000)	2018	2017
Staff costs	3,594	3,450
Pension premiums in accordance with the Finnish public sector pension system	740	640
Other pension premiums	233	192
Office premises expenses	392	420
Other administrative expenses	2,135	1,830
Miscellaneous administrative income	-	-
Total administrative expenses¹⁾	7,095	6,531
Host country reimbursement according to agreement with Finnish government	-1,055	-1,006
Net administrative expenses	6,040	5,525

¹⁾ The Corporation's administrative expenses include the administrative expenses for administered trust funds, such as NorCaP, NMF, NOPEF and NeCF.

In 2018 the average number of employees was 28 (2017: 28).

NEFCO is renting an office with a floor area of 827 m² from NIB in Helsinki. Additionally, the Corporation is renting a 337.38 m² office in Kyiv.

(4) COMPENSATIONS AND BENEFITS

Compensation paid to the Board of Directors, Control Committee and Managing Director

The compensation paid to the Board of Directors and the Control Committee is determined by the Nordic Council of Ministers. The members of the Board of Directors and Control Committee are also entitled to reimbursement of the cost of travel and accommodation and per diem in accordance with the Corporation's travel regulations. The compensation paid to the Managing Director of the Corporation as determined annually by the Board of Directors consists of a basic salary and regular taxable benefits.

The Managing Director's pension benefits are based on the terms of the Finnish Public Sectors Pension Act with certain supplements.

The remuneration of the Board of Directors, Control Committee and Managing Director was as follows:

(Amounts in EUR)	2018 Compensation/ taxable income	2017 Compensation/ taxable income
Chairman of the Board	3,364	3,364
Other Directors and Alternates	16,742	16,376
Managing Director	366,677	357,858
Control Committee	2,375	1,500

Pension obligations

NEFCO is responsible for providing pension security for its employees. The current pension arrangement consists of pensions based on the Finnish Public Sectors Pension Act (JuEL Pension) as the basis for the pension benefits. The JuEL Pension is calculated on the basis of the employee's annual taxable income and the applicable age-linked pension accrual rate.

In 2018 the employer's pension contribution was 15.75% of the income used as a basis for determining the amount of pension. The employee's pension contribution in 2018 was either 6.35% or 7.85%, depending on the employee's age. This contribution paid by NEFCO for the permanent staff based in Helsinki is a taxable benefit for the employees.

In addition to the JuEL Pension, the Corporation has taken out a supplementary group pension insurance policy for its permanent staff and the Managing Director. This pension insurance is based on a defined contribution plan. The insurance premium (6.5%) is calculated on the basis of the employee's taxable income and paid by NEFCO until the employee reaches the age of 63.

In 2018 NEFCO paid a total of EUR 118,540 (2017: EUR 113,680) in pension insurance premiums for the Managing Director.

Staff loans

Staff loans can be granted on the Corporation's recommendation to permanent staff members based in Helsinki who have been employed by NEFCO for a minimum period of one year. The Managing Director is granted staff loans subject to a recommendation from NEFCO's Board. Staff loans are granted by a commercial bank.

The total amount of loans may not exceed EUR 200,000. The employee pays interest on the loan in accordance with the official base rate established by the Ministry of Finance of Finland or 0.25% whichever is higher. The same interest rates, terms and conditions are applied to all permanent staff members of the Corporation, including the Managing Director. There were no staff loans extended to employees in key positions in 2018.

Additional benefits to expatriates

Professional staff (including the Managing Director) who move to Finland for the sole purpose of taking up employment with the Corporation are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse/family allowance. In addition, NEFCO assists the expatriates in finding a residence and with other practical arrangements. Such staff members are required to pay the Corporation the part of the rent equivalent to the minimum tax value of the accommodation benefit received. The tax value is determined annually by the Finnish tax authorities.

(5) RELATED PARTY DISCLOSURES

The Statutes of NEFCO require it to have the same Control Committee which is responsible for the audit of NIB. The powers vested in NEFCO's Board may, to the extent considered appropriate, be delegated to the Managing Director of NEFCO and/or to NIB. NEFCO is required to have its principal office located in the principal office of NIB.

NEFCO acquires services from and enters into transactions with NIB. The table below shows the outstanding balance of NEFCO's receivables from and amounts owed to NIB. NEFCO's key individuals are also considered related parties. Information regarding key individuals is presented in Note 4.

(Amounts in EUR 1,000)	Interest income	Amounts owed by NEFCO to NIB	Amounts owed by NIB to NEFCO	Rents paid to NIB
2018	-	76	-	268
2017	-	8	-	266

(6) CASH AND CASH EQUIVALENTS, PLACEMENTS WITH CREDIT INSTITUTIONS AND DEBT SECURITIES

(Amounts in EUR 1,000)	2018			2017		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and cash equivalents						
Cash and balances with banks	24,946	24,946		21,143	21,143	-
Placements with credit institutions, held-to-maturity	14,000	14,000		-	-	-
Total cash and cash equivalents	38,946	38,946		21,143	21,143	-
Placements with credit institutions						
Placements with credit institutions, held-to-maturity	67,532	67,532	-	58,446	58,446	-
Total placements with credit institutions	67,532	67,532	-	58,446	58,446	-
Total cash and cash equivalents and placements with credit institutions	106,478	106,478	-	79,589	79,589	-

The remaining maturity of cash and cash equivalents and placements with credit institutions, counted from the balance sheet date to maturity, is as follows:

Maturity (Amounts in EUR 1,000)	2018	2017
Up to and including 3 months	42,946	33,143
3-6 months	20,000	16,000
6-12 months	42,000	29,000
1-2 years	-	-
Undefined	1,532	1,446
Total cash and cash equivalents and placements with credit institutions	106,478	79,589

Debt securities (Amounts in EUR 1,000)	2018			2017		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Debt securities with credit institutions, held-to-maturity	-	-	-	10,373	10,231	-142
Total debt securities	-	-	-	10,373	10,231	-142

(7) LENDING

Impairment of loans/reversals in the statement of comprehensive income (Amounts in EUR 1,000)	2018	2017
Realised credit losses	-	-
Individual impairment losses, net	-1,126	-
Expected credit losses, net	-237	-
Total impairment of loans/reversals	-1,363	-

Expected Credit Losses

Valuations and impairments are part of NEFCO's risk management process. The final decision lies at the Board, where the Managing Director makes a proposal based on the decision by Investment Committee. The Investment Committee assesses each project separately on annual basis and the risk report and portfolio analysis form a basis for the assessment. In principle, if the individual project's risk level differs from the anticipated risk level, a project-specific impairment should be considered.

NEFCO implements IFRS accounting and the new standard "IFRS 9 – Financial instruments" came into force from the 1 January 2018. IFRS 9 introduces a stage model, where credit risk is divided in three stages:

Stage 1 – financial assets where no significant increase in credit risk has been identified since initial recognition are placed. Expected credit loss (ECL) is calculated on 12-month basis and interest revenue is calculated on gross basis.

Stage 2 – financial assets where a significant increase in credit risk has been identified (but no objective evidence) since initial recognition are placed. ECL is calculated on lifetime basis and interest revenue is calculated on gross basis.

Stage 3 – financial assets are credit impaired. ECL is calculated on lifetime basis and interest revenue is calculated on net basis. All defaulting assets and assets with individual impairments shall be assigned to this stage.

The number of outstanding projects is relatively low in NEFCO's portfolio and therefore NEFCO's approach is based on operational country ratings, with reduction if member country guarantee applies.

Loans outstanding (Amounts in EUR 1,000)	Stage 1	Stage 2	Stage 3	Individual	Total
Exposure at 1 January	49,075	-	-	8,000	57,075
Repayments	-9,692	-	-	-8,000	-17,691
Disbursements and capitalizations	21,758	-	-	-	21,758
Remeasurements and FX changes	-3,527	-	-	3,248	-
Exposure at 31 December	57,615	-	-	3,248	60,863

Total ECL as at 31 December 2018 amounted to EUR 1.36 million (EUR 0 million) is disclosed in loans outstanding. ECLs on other assets were considered not material. As at 31 December 2018 one loan was individually impaired by EUR 1.6 million.

Expected Credit Loss	Stage 1	Stage 2	Stage 3	Individual	Total
ECL at 1 January	1,600	-	-	2,750	4,350
Repayments	-487	-	-	-2,750	-3,237
Disbursements and capitalizations	29	-	-	-	29
Remeasurements and FX changes	221	-	-	1,624	1,845
Exposure at 31 December	1,363	-	-	1,624	2,987

Non-performing loans as of 31 December 2018 amounted to EUR 0 (2017: EUR 0).

NEFCO finds that loan terms can be adjusted if the counterparty cannot meet his contractual obligations due to financial difficulties. Such adjustments of loan terms can, for example, include rescheduling of the due dates for repayments and interest payments, which affects the future cash flow. An adjustment of loan terms may be made in order to secure NEFCO's access to the cash flow foreseen in the loan contract. As of 31 December 2018, the total amount of outstanding loans subject to such adjustment was EUR 9.0 million (2017: EUR 6.5 million) before impairment. After impairment, the equivalent amount as of 31 December 2018 was EUR 7.4 million (2017: EUR 6.5 million). All interest in regards to these loans has been paid to NEFCO.

The following tables show net lending after deductions for impairment losses totalling EUR 1.6 million (2017: EUR 2.8 million) and expected credit losses totalling at EUR 1.36 million (2017: EUR 0 million).

Lending by country as of 31 December:

Country (Amounts in EUR 1,000)	2018	2017
Belarus	7,402	8,986
Denmark*	3,355	3,659
Finland*	6,578	7,040
Latvia	1,775	1,481
Russia	4,921	6,571
Ukraine	35,208	26,588
Total loans outstanding	59,239	54,325
Expected Credit Loss	-1,363	-
Exposure at 31 December	57,876	54,325

*Loans to countries marked with asterisk are channelled by borrowers to countries of operation.

As of 31 December 2018, the loans agreed but not yet disbursed totalled EUR 68.0 million (2017: EUR 51.1 million). In principle, all borrowers could request disbursement within three months but NEFCO does not disburse loans until the specified conditions precedent for disbursement are met (this period for current portfolio extends up to 4 years). NEFCO has capacity to make all disbursements.

The maturity profile for loans outstanding as of 31 December:

Maturity (Amounts in EUR 1,000)	2018	2017
Up to and including 3 months	2,434	1,174
3–6 months	2,410	4,290
6–12 months	3,537	6,209
1–2 years	8,414	16,230
2–3 years	7,948	7,096
3–4 years	14,221	5,981
4–5 years	8,801	4,830
5–10 years	11,339	8,515
10+ years	134	-
Total loans outstanding	59,239	54,325
Expected Credit Loss	-1,363	-
Exposure at 31 December	57,876	54,325

The maturities of the loans extended by the Corporation vary from below one to eleven years.
Lending by currency:

Currency (Amounts in EUR 1,000)	2018		2017	
	Amount	Share %	Amount	Share %
EUR	57,982	97.9	50,739	93.4
RUB	1,257	2.1	3,009	5.5
USD	-	-	577	1.1
Total loans outstanding	59,239	100.0	54,325	100.0
Expected Credit Loss	-1,363	-	-	-
Exposure at 31 December	57,876		54,325	

Loans outstanding by type of security as of 31 December:

Security (Amounts in EUR 1,000)	2018		2017	
	Amount	Share %	Amount	Share %
Loans guaranteed by member countries	5,687	9.6	5,572	10.3
Loans guaranteed by other countries	1,186	2.0	2,124	3.9
Loans to or guaranteed by banks	9,720	16.4	12,977	23.9
Loans backed by security in property	22,968	38.8	17,204	31.7
Loans with negative pledge	2,657	4.5	2,897	5.3
Loans guaranteed by parent companies and other guarantees	16,876	28.5	7,111	13.1
Loans without security	147	0.2	6,439	11.9
Total loans outstanding	59,239	100.0	54,325	100.0
Expected Credit Loss	-1,363	-	-	-
Exposure at 31 December	57,876		54,325	

Interest rate risk

Interest rate risk describes how the fluctuations in market interest rates affect the value of NEFCO's interest-bearing assets and liabilities, as well as interest income and expenses. The table below shows the interest rate profile for loans outstanding. Loans outstanding are broken down by maturity or interest adjustment date.

Loans outstanding (Amounts in EUR 1,000)	2018	2017
Up to and including 3 months	19,864	20,308
3–6 months	21,080	21,871
6–12 months	-	-
1–5 years	8,848	9,488
5–10 years	9,446	2,656
Total loans outstanding	59,239	54,325
Expected Credit Loss	-1,363	-
Exposure at 31 December	57,876	54,325

Of the total of 30 loans, 22 are floating-rate loans. Such loans account for 68.9% of the total loan portfolio. The other eight loans accounting for 31.1% of the total loan portfolio have fixed interest rates.

(8) INVESTMENT ASSETS

The Corporation's portfolio comprised the following holdings as of 31 December 2018:

Holding	Country/ region	% of total capital
4E Biofond OÜ	Estonia	30.1
BaltCap Infrastructure Fund	Baltics	2.9
Blue Circle SIA	Latvia	19.5
Ekovod LLC	Russia	22.0
Eskaro Ukraine AB	Ukraine	20.0
GreenStream Network Ltd	China	23.7
Halychyna-Zahid LLC	Ukraine	5.6
International Pork Investments AS	Latvia	3.4
Rindibel JC JSC	Belarus	38.6

The acquisition cost of the investment assets was EUR 8.3 million (2017: EUR 16.0 million) while the fair value was EUR 4.1 million (2017: EUR 15.4 million).

As of 31 December 2018, the agreed but not disbursed equity amounts totalled EUR 2.4 million (2017: EUR 3.0 million).

Fair value of investment assets as at year-end

The following table provides an analysis of the fair value of investment assets at the end of the year broken down by the applicable Level in the fair value hierarchy.

Fair value of investment assets (Amounts in EUR 1,000)	2018	2017
Level 1	-	-
Level 2	-	-
Level 3	4,078	15,362
Total	4,078	15,362

Level 1 refers to market prices quoted in an active marketplace.

Level 2 refers to observable data other than Level 1 market prices.

Level 3 refers to information based on other than directly observable data.

The following table provides an analysis of the changes in the fair value of Level 3 investment assets.

(Amounts in EUR 1,000)	2018	2017
January 1	15,362	16,289
Investments during the year	608	152
Divestments during the year	-10,392	-79
Change in value	-1,500	-1,000
Reassignment from Level 2	-	-
December 31	4,078	15,362

Sensitivity analysis

In the assessment of NEFCO's Level 3 assets, due consideration must be given to the inherent nature of the investments and the form of NEFCO's involvement. Initially, the investments – normally made in recently established entities – are assessed at acquisition cost if there is no indication of lower value. NEFCO pursues an exit strategy requiring that the invested capital is recovered in its entirety at a reasonable interest. Today exit agreements are made in respect of all investments. At a later stage, the companies are evaluated in terms of their financial performance in accordance with the exit agreement when exit is impending.

A sensitivity analysis is difficult to carry out because normally there is no market for the shares. Potentially highest or lowest value is established by the historical return on the portfolio. The average historical rate of return on completed projects is around 55% and losses have been posted for around 36% of the investments. A 55% increase in the value of the existing portfolio would add EUR 6.3 million to the financial result whereas a loss of 36% would have a negative impact of EUR 2.6 million.

The table below illustrates how the result of the sensitivity analysis of Level 3 investment assets would influence the result for the year.

Level 3 Investment assets (Amounts in EUR 1,000)	2018	2017
Fair value	4,078	15,362
Positive impact	2,243	8,449
Negative impact	-1,468	-5,530

(9) OTHER PLACEMENTS

The following table provides an overview of other placements measured at fair value at the end of the year.

Other placements (Amounts in EUR 1,000)	2018	2017
NEFCO Carbon Fund	3,380	3,445
NMF	-	-
Total other placements	3,380	3,445

NEFCO's share of NeCF's authorised capital is 9.6% (2017: 9.6%). NEFCO acts as the Fund Manager for NeCF.

The following table provides an analysis of other placements according to the fair value hierarchy.

(Amounts in EUR 1,000)	2018	2017
Level 1	-	-
Level 2	-	-
Level 3	3,380	3,445
Total other placements	3,380	3,445

Level 1 refers to market prices quoted in an active marketplace.

Level 2 refers to observable data other than Level 1 market prices.

Level 3 refers to information based on other than directly observable data.

NEFCO Carbon Fund

NEFCO has invested EUR 5.0 million in the NEFCO Carbon Fund (NeCF). A total of 5% of the investment is earmarked as Technical Assistance Provision of which half is committed. NEFCO has obtained emission reductions for a total of EUR 1.0 million. The management fee for NEFCO's investments is paid out of interest income and through reduction in capital. In the valuation of the investment in NeCF, due consideration is also given to the indirect price risk. The investment in NeCF falls in the Level 3 category in the fair value hierarchy. The change in fair value is due to the valuation of the investment in NeCF and the emission reductions received by NEFCO.

Nordic Environmental Development Fund

During 2011–2013, NEFCO invested a total of EUR 5.35 million in the Nordic Environmental Development Fund (NMF). As investments in the NMF are not financially profitable, this amount has been written down in its entirety upon payment. While the investment in NMF does not yield any financial profit, it contributes to NEFCO's investment activities. The investment in NMF falls in the Level 3 category in the fair value hierarchy.

(10) INTANGIBLE AND TANGIBLE ASSETS

(Amounts in EUR)	2018	2017
Intangible assets	Computer software, development costs	Computer software, development costs
Acquisition value January 1	109,717	109,717
Acquisitions during the year	-	-
Acquisition value December 31	109,717	109,717
Accumulated amortisation January 1	109,717	109,684
Amortisation according to plan	-	33
Accumulated amortisation December 31	109,717	109,717
Net Book value	-	-
Tangible assets	Office inventories	Office inventories
Acquisition value January 1	133,324	133,324
Acquisitions during the year	-	-
Acquisition value December 31	133,324	133,324
Accumulated depreciation January 1	131,389	109,490
Depreciation according to plan	1,936	21,899
Accumulated depreciation December 31	133,324	131,389
Net Book value	-	1,936

(11) BORROWING

Currently NEFCO has drawn total of EUR 8.5 million and all is directly on lent to NEFCO's lending customers. There is no risk of default by NEFCO towards lenders, as NEFCO is obliged to repay only after NEFCO's borrower repays. Borrowing is denominated in euros and either fixed interest or tied to 6M Euribor.

As of 31 December 2018 NEFCO has agreed of undrawn borrowing totalling at EUR 30 million.

The maturity profile of borrowing as of 31 December:

Maturity (amounts in EUR 1,000)	2018	2017
Up to and including 3 months	305	215
3–6 months	-	-
6–12 months	245	224
1–2 years	1,019	550
2–3 years	1,048	519
3–4 years	1,089	548
4–5 years	1,035	590
5–10 years	3,779	2,849
Total borrowing	8,520	5,496

(12) EQUITY

NEFCO's paid-in authorised capital reached its full amount of EUR 113.41 million in 2007. The breakdown of the authorised capital by member country is as follows:

Paid-in capital (Amounts in EUR)		Share %
Denmark	21,561,320	19.0
Finland	22,264,600	19.6
Iceland	1,319,560	1.2
Norway	24,191,560	21.3
Sweden	44,069,520	38.9
Total authorised capital	113,406,560	100.0

(13) EXCHANGE RATES

The following exchange rates were used to convert monetary assets and liabilities into foreign currency:

		EUR rate 31.12.2018	EUR rate 31.12.2017
DKK	Danish krone	7.46741	7.4449
GBP	British pound	0.89483	0.88723
RUB	Russian rouble	79.809	69.392
SEK	Swedish krona	10.24248	9.8438
UAH	Ukrainian hryvnia	31.79119	33.49542
USD	US dollar	1.14557	1.1993

Auditors' Report

TO THE CONTROL COMMITTEE OF THE NORDIC ENVIRONMENT FINANCE CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic Environment Finance Corporation (the Corporation NEFCO) which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material respects, the Nordic Environment Finance Corporation's financial position as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the Corporation in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The audit of the financial statements for 2017 was performed by another auditor who submitted an auditor's report dated 8 March 2018, with unmodified opinions in the Report on the Audit of the Financial Statements.

Other Information than the annual accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and the Annual Environmental Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors and the Annual Environmental Report.

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 identified above 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.

In our opinion, the information in the report of the Board of Directors and in the Annual Environmental Report is consistent with the information in the financial statements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and 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 Corporation's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibility 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 ISA's 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 ISA's, 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 Corporation'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 Corporation'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 Corporation 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 in a manner that achieves fair presentation.

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.

REPORT ON OTHER REQUIREMENTS

Opinion

In addition to our audit of the financial statements, we have also audited the administration of the Board of Directors and the Managing Director of the Nordic Environment Finance Corporation for the year 2018 in accordance with the Terms of the Engagement. In our opinion the administration of the Board of Directors and the President, in all material aspects, complied with the Statutes of the Corporation.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the Corporation in accordance with professional ethics for accountants and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

All the powers of the Corporation shall be vested in the Board, which may, to the extent considered appropriate to the Managing Director and/or to the Nordic Investment Bank based on Section 7 of the Statutes.

The Managing Director is responsible for the conduct of the operations of the Corporation and shall follow the guidelines and instructions issued by the Board of Directors.

Auditor's responsibility

Our objective concerning the audit of whether the Board of Director's and the Managing Director's administration have complied with the Statutes of the Corporation, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect has acted in contravention of the Statutes.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect actions or omissions that can give rise to liability to the Corporation.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Corporation's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Helsinki, 14 February 2019

Terhi Mäkinen

Authorized Public Accountant

Ernst & Young Oy

Authorized Public Accountant Firm

Mona Alfredsson

Authorized Public Accountant

Ernst & Young AB

Authorized Public Accountant Firm

Statement by the Control Committee

STATEMENT BY THE CONTROL COMMITTEE OF THE NORDIC ENVIRONMENT FINANCE CORPORATION ON THE AUDIT OF THE ADMINISTRATION AND ACCOUNTS OF THE CORPORATION

To the Nordic Council of Ministers

In accordance with section 9 of the statutes of the Nordic Environment Finance Corporation, we have been appointed to ensure that the operations of the Corporation are conducted in accordance with the Statutes and to bear responsibility for the audit of the Corporation. Having completed our assignment for the year 2018, we hereby submit the following report.

The Control Committee met during the financial year as well as after the Corporation's financial statements had been prepared, whereupon the necessary control and examination measures were performed. The Corporation's Annual Report was examined at a meeting in Helsinki on 14 February 2019, at which time we also received the Auditors' Report submitted on 14 February 2019 by the authorised public accountants appointed by the Control Committee.

Following the audit performed, we note that:

- the Corporation's operations during the financial year have been conducted in accordance with the Statutes, and that
- the financial statements as at 31 December 2018 provide a true and fair view of the financial position as at 31 December 2018, as well as on the result of the operations and cash flows during year 2018. In accordance with the statement of comprehensive income the profit for 2018 amounts to EUR 8 551 450.

We recommend to the Nordic Council of Ministers that:

- the result for year 2018 will be treated as proposed by the Board of Directors,
- statement of comprehensive income and statement of financial position will be adopted, and
- the Board of Directors and Managing Director will be discharged from liability for the administration of the Corporation's operations during the accounting period examined by us.

Helsinki 14 February 2019

Jan-Erik Enestam, Chairman
Johan Andersson
Vilhjálmur Árnason
Arto Pirttilahti
Sjúrður Skaale
Michael Tetzschner

Board of Directors, Control Committee, Personnel

BOARD OF DIRECTORS 2018

DENMARK

Søren Bukh Svenningsen

Vice Director, Environmental Protection Agency/ Ministry of Environment and Food

Morten Kruse

Global Anchor – Financing and High Value Projects, Ministry of Foreign Affairs, Alternate (from April 2018)

FINLAND

Ann-Britt Ylinen

Director, Ministry of the Environment (until August 2018)

Ismo Tiainen

Director General, Ministry of the Environment (from September 2018)

Kristiina Isokallio

Director, Ministry of the Environment, Alternate (until September 2018)

Sannamaaria Vanamo

Deputy Director General for Eastern Affairs, Ministry for Foreign Affairs (from October 2018)

ICELAND

Danfríður

Skarphéðinsdóttir
Head of Division, Ministry for the Environment and Natural Resources

Íris Bjargmundsdóttir,

Head of Division, Ministry for the Environment and Natural Resources, Alternate

NORWAY

Harald Rensvik

Secretary General, Ministry of Climate and Environment (until March 2018)

Anne Berteig

Senior Adviser, Ministry of Climate and Environment (during April–October 2018)

Agnethe Dahl

Deputy Director General, Ministry of Climate and Environment (from October 2018)

Ingrid Lillehagen

Senior Adviser, Ministry of Climate and Environment, Alternate (during April–September 2018)

Jon Opem

Senior Adviser, Ministry of Climate and Environment, Alternate (from September 2018)

SWEDEN

Jessica Andersson

Senior Advisor, Ministry of the Environment and Energy

Gabriel Hjort

Desk Officer, Ministry for Foreign Affairs, Alternate

OBSERVERS

Björn Fritjofsson

Senior Adviser, Nordic Council of Ministers (until March 2018)

Anders Hedberg

Senior Adviser, Finance, Nordic Council of Ministers (from April 2018)

Søren Kjær Mortensen

Senior Director, Head of Origination, Nordic Investment Bank

CONTROL COMMITTEE 2018

Bill Fransson

Chairman
Director (until 7.3.2018)

Jan-Erik Enestam

Chairman
Minister, Independent Consultant (from 8.3.2018)

DENMARK

Sjúrður Skaale

Member of Parliament

FINLAND

Arto Pirttilahti

Member of Parliament

ICELAND

Vilhjálmur Árnason

Member of Parliament

NORWAY

Michael Tetzschner

Member of Parliament

SWEDEN

Staffan Danielsson

Member of Parliament (until 26.12.2018)

Johan Andersson

Member of Parliament (from 27.12.2018)

AUDITORS

Terhi Mäkinen

Secretary to the Control Committee, Partner, Authorised Public Accountant Ernst & Young, Finland

Mona Alfredsson

Partner, Authorised Public Accountant Ernst & Young, Sweden

PERSONNEL 2018

Magnus Rystedt

Managing Director (until the end of May 2019)

Husamuddin Ahmadzai

Special Adviser, Environment and Technology (until March 2019)

Mia Alén

Financial Controller

Tita Anttila

Vice President, Head of Legal and Project Administration, Chief Counsel

Vivi Avikainen

Project Officer

Amund Beitnes

Senior Investment Manager

Ulf Bojö

Senior Investment Manager

Nelly Eriksson

Assistant (from February 2019)

Aliona Fomenco

Project Manager

Henrik Forsström

Senior Adviser

Dennis Hamro-Drotz

Investment Manager

Josefin Hoviniemi

Communications Manager (since April 2018)

Kari Hämekoski

Manager

Andriy Katashov

Technical Adviser – Representative Office in Kyiv, Ukraine

Ritva Kauppi

Senior Legal Counsel

Helle Lindegaard

Vice President, Head of Trust Funds and Climate, Senior Legal Counsel

Iryna Fedorenko

Investment Adviser – Representative Office in Kyiv, Ukraine

Tetiana Lyvtyn

Investment Specialist – Representative Office in Kyiv, Ukraine

Helena Lähteenmäki

Senior Investment Manager

Trond Moe

Executive Vice President, Head of Investment Operations

Ronny Nilsson

Senior Adviser

Tina Nyberg

Project Officer

Bo Eske Nyhus

Senior Investment Manager

Anja Nystén

Senior Manager, Head of Environment and Technology

Lia Oker-Blom

Communications and Administration Officer

Søren Rasmussen

Project Officer

Mikael Reims

Senior Manager, Head of Origination and Communications

Bia Saarinen

Assistant / Paralegal

Maija Saijonmaa

Project Manager

Julia Shevchuk

Chief Investment Adviser – Representative Office in Kyiv, Ukraine

Heli Sinkko

Project Manager

Tua Skand

Financial Controller

Mia Ståhle-Lauritzon

Financial Controller / Financial Analyst

Thor Thorsteinsson

Senior Financial Manager

Marina Westerholm

Executive Assistant to the Managing Director



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