

Categorisation for environmental and social risks and negative impacts

As part of Swedfund’s investment process, each investment is subject to environmental and social risks and negative impacts categorisation based on the guidelines agreed by the European Development Funds (EDFI)*.

Categorisation for direct investments:

Category	High Risk (A)	Medium-High Risk (B+)	Medium-Low Risk (B)	Low Risk (C)
Category definition	Projects with significant potential adverse social or environmental impacts that are diverse, irreversible or unprecedented. These impacts cannot be mitigated or remedied or only at significant costs.	Projects with generally limited potential adverse social or environmental impacts that are site-specific and readily addressed through mitigation measures, but having some specific features which can have potential significantly more adverse social or environmental impacts.	Projects with limited potential adverse social or environmental impacts that are site-specific and readily addressed through well-known mitigation measures.	Projects with minimal or no adverse social or environmental impacts.

*The Category can be up-graded or down-graded depending on following factors: i.e. Contextual risks (country, regional or sector), Supply chain risks, Type of FI portfolio.

Categorisation for financial institutions (FI):

Category	High Risk (FI-A)	Medium Risk (FI-B)	Low Risk (FI-C)
Category definition	Financial institutions with business activities or projects with significant potential adverse social or environmental impacts or risks.	Financial institutions with business activities or projects with limited potential adverse social or environmental impacts or risks.	Financial institutions with business activities or projects with minimal or no adverse social or environmental impacts or risks.

Categorisation for fund investments:

Category	High Risk (FUND A)	Medium-High Risk (FUND B+)	Medium-Low Risk (FUND B)	Low Risk (FUND C)
Category definition	Funds that have a mandate to pursue E&S risk Category A Investments; AND/OR Funds with existing E&S Category A Investment(s) or a high likelihood to undertake such investments during their lifetimes; and a minimum of two (2) E&S Category A Investments during their lifetimes	Funds that have a mandate to pursue up to E&S risk Category B+ Investments; AND/OR Funds with existing E&S risk Category B+ Investment(s) or a high likelihood to undertake such investments, and no or a maximum of one (1) E&S Category A Investment during their lifetimes	Funds that have a mandate to pursue up to E&S risk Category B Investments; AND/OR Funds with solely existing and/or planned E&S Category B investment(s), and a high likelihood that no E&S risk Category A Investments will be onboarded during their lifetimes, and no or a maximum two (2) Category B+ Investments	Funds that have a mandate to pursue only E&S risk Category C Investments; AND/OR Funds with solely existing and/or planned E&S risk Category C investment(s), and a high likelihood that no E&S Category B+ or A will be undertaken during their lifetimes, and no or a maximum two (2) Category B Investments