

SUSTAINABLE INVESTMENTS

# A true story about escaping poverty

Swedfund

SINCE 1979

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\* Directors' Report pages 52–83

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## ABOUT THIS ANNUAL REPORT

Swedfund's 2019 integrated report is a fully integrated annual report. Sustainability information is integrated with the financial information in the report and vice versa. The integrated report is submitted by the Board of Directors of Swedfund International AB, organisation number 556436–2084. The report has been prepared drawing on inspiration from the International Integrated Reporting Council's (IIRC) framework.



# Swedfund 40 years

Swedfund was founded in 1979 and celebrated 40 years of development finance in 2019. Swedfund is the Swedish State's development finance institution. The organisation's mission has always been to fight poverty, but new perspectives have been added over the years and the business model has been developed based on our accumulated experience and the conditions in the world. Today, our mission is to fight poverty by investing in sustainable businesses in developing countries.

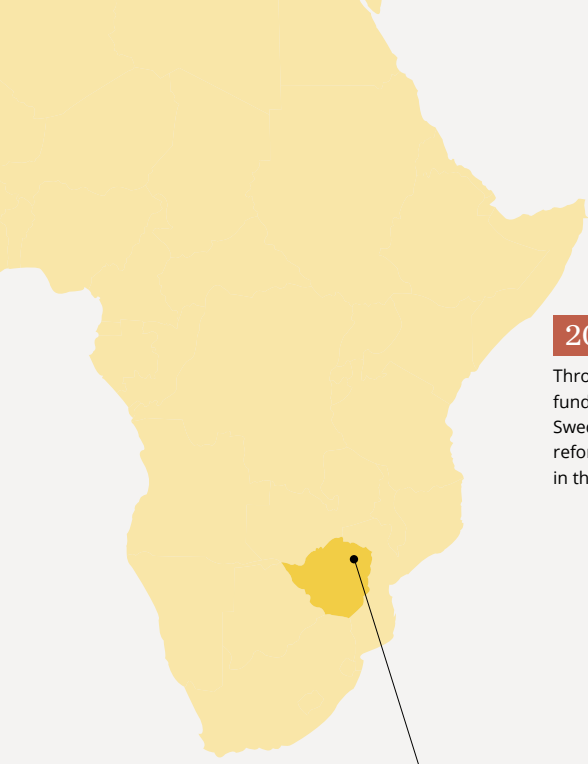
## 1979

SEK **100** million

Swedfund was established in January 1979 as a foundation with initial capital of SEK 100 million. The fund was set up to promote manufacturing industries in developing countries and is the result of a study commissioned by the government of the time: "Sweden's development cooperation in the industrial sector".

## The 1980s

Swedfund has seven employees and the company's mission is already to fight poverty and invest in the least developed countries around the world. Swedfund focuses on small and medium enterprises with the aim of contributing to positive economic and social impact. Swedfund collaborates with Sida, which can finance studies, as well as EKN, which is able to provide guarantees.



2001

Through its subsidiary Swedfund Financial Markets AB, Swedfund contributes to the reform of the banking sector in the Baltic States.

1999

Swedfund establishes its first international office in Harare, the capital of Zimbabwe. The office opened in early 1999, but was subsequently closed due to unrest in the country.

1995

Government agency SwedeCorp is disbanded and the development cooperation is taken over by Sida. At the end of the year, the subsidiary Swedfund Financial Markets AB is established to invest in banks in the Baltic States.

1991

It is decided to convert Swedfund into a limited company. SwedeCorp, a new government agency with responsibility for Swedish aid to the business sector in developing countries, is established at the same time. Swedfund's only employee is the CEO, who is also the Director General of the new government agency, which has 50 employees and a board of directors. Aid beneficiaries also included Eastern European countries, whose societies were undergoing reform and facing major challenges in their transition to a market economy, and for which Swedfund received special funds to invest in.

2005

Swedfund receives a capital injection of SEK 800 million over two years. In addition to countries in Africa and the previous investments in the Baltic States through the 'Baltic Sea Billion', the company also starts to invest with Swedish companies in China. There is a need to provide financing for Swedish medium-sized companies which are seeking to establish themselves. Between 2005 and 2010, investments increased considerably in size, from about SEK 7-8 million to USD 7-8 million per deal.

SEK 800 million



2014

Swedfund develops a new business model based on three pillars: impact on society, sustainability and financial viability. Indicators have been adopted to measure how each company performs in relation to these three pillars.

2015

Swedfund's Owner's instructions are updated at the annual general meeting in April. The owner makes it clear that the company's operations must promote gender equality and contribute to development that is sustainable for the environment and the climate. Through the Women4Growth programme, even more portfolio companies are being reached in order to strengthen the role of women in labour markets around the world.



2006

Swedfund strengthens its follow-up process in the areas environment and ethics, in order to monitor and steer the development of portfolio companies in a positive direction in these areas.

2007

The local office in Nairobi is established in order to continue the work in Africa following the closure of the Harare office. A further aim stems from Swedfund's desire to increase its cooperation with other development finance institutions. Swedfund also starts making equity investments in partnership with local partners. The strategy involves greater risk, but is an effective way of achieving development effects.

2010

Swedfund's sustainability requirements are continually updated over the years. In 2010, environmental policy and ethics policy were brought together into a joint sustainability policy.

2013

All state-owned companies are tasked with formulating and adopting strategic sustainability goals. Swedfund's board of directors adopts four sustainability goals: Impact on society, sustainability, financial viability and anti-corruption. The 2013 annual report, which was published in early 2014, was also the company's first integrated report.



2012

Swedfund ratifies the UN Principles for Responsible Investments. The work to implement the UN Global Compact's ten principles are now reported in an annual Communication on Progress (CoP).

2018

Swedfund's board of directors adopts a new strategy with a focus on three sectors: Energy & Climate, Financial Inclusion and Health. It is within these sectors that Swedfund is considered to be best placed to make a difference. Allocating resources and specialist expertise in a focussed way in a limited number of selected areas both boosts the effectiveness of our operation and achieves better development results.



2019

Swedfund celebrates its 40th anniversary and the government proposes a substantial capital contribution: SEK 3 billion over three years. In December 2019, new Owner's instructions were also adopted for Swedfund, which clarify the company's role as an development cooperation actor and development finance institution. Swedfund has the same goal as Sweden's international aid generally - to create opportunities for people living in poverty and under oppression to improve their living conditions. However, Swedfund uses different means to achieve this goal, by investing in shares and funds and providing loans.

Swedfund works actively with regard to women's empowerment, climate, human rights and digitalisation. Swedfund's operations are constantly evolving and we play a vital role in Swedish development cooperation, not least as a catalyst for developing the private sector and implementing Agenda 2030.



OUR MISSION:

# Swedfund fights poverty by investing in sustainable businesses

Swedfund is Sweden's development finance institution for sustainable investments in developing countries and plays an important role in the implementation of Agenda 2030. Our mission is to finance and develop sustainable businesses. A developed private sector with decent jobs leading to stable communities and reduced poverty. Swedfund is a state owned company and is managed by the Swedish Ministry of Enterprise and Innovation. Its operations are financed by capital injections, for which the Swedish Ministry for Foreign Affairs is responsible, and through reflows from the portfolio.

Swedfund was established in 1979 and has ever since invested in businesses, financial institutions and funds in countries in Africa, Asia, Latin America, the Middle East, Eastern Europe and the Baltic States. There are similar development finance institutions in fourteen other European countries.

They are all part of the EDFI (European Development Finance Institutions) collaboration organisation. At the end of 2019, Swedfund had 64 investments in businesses, financial institutions and funds in 17 countries, with the majority being located in Africa.



## HOW WE OPERATE

As a development finance institution, Swedfund has a special role to play both within Swedish development cooperation generally and as a catalyst for achieving Agenda 2030. We invest in shares, provide loans and utilise funds as instruments to reach out to more small and medium sized enterprises. Our business model is based on three pillars: impact on society, sustainability and financial viability. By setting requirements for development results and working closely with our portfolio companies, we monitor and ensure that they develop in the right direction.



### IMPACT ON SOCIETY

Swedfund shall contribute to the creation of jobs with good working environments and good working conditions, as well as sustainable and inclusive growth.

- Job creation
- Tax
- Proportion of women in senior management
- Carbon dioxide emissions
- Additionality



### SUSTAINABILITY

Swedfund shall contribute to the creation of sustainable businesses in developing.

- Environment/Climate
- Human rights and working conditions
- Business ethics and anti-corruption



### FINANCIAL VIABILITY

Swedfund shall contribute to the creation of businesses that are profitable in the long-term and therefore financially viable.

- Growth
- Profitability
- Return on equity



Swedfund shall contribute to the goal of Sweden's Policy for Global Development (PGD) on fair and sustainable global development.

## OUR FOCUS

According to the Owner's instructions, Swedfund shall operate in the world's poorest countries, where there is the greatest opportunity to make a difference. We have therefore chosen to have a geographical focus on sub-Saharan Africa and the poorest countries in Asia. Approximately 58% of Swedfund's investments take place in sub-Saharan Africa.

We have defined three sectors within which we focus our investments and which are particularly important for achieving the goal of reducing poverty: Energy & Climate, Financial Inclusion, in order to increase the proportion of SMEs and promote entrepreneurship, as well as Health. Climate and women's empowerment are two thematic areas that permeate what we do, regardless of the choice of instrument, geography or sector.

# 58%

of Swedfund's portfolio is located in sub-Saharan Africa

## OUR RISKS

Investing in developing countries entails high risks. By taking on considerable risk and leading the way, our ambition is to attract more private investors to our markets. This *catalytic* role means that Swedfund, as a development finance institution, acts as an accelerator to boost funding and job creation in developing countries.

## WE ARE ADDITIONAL

According to Swedfund Owner's instructions, our investments must be additional, which means that we must provide capital where investments are not deemed to be realisable through commercial financing alone. In addition to capital, we also provide expertise to help businesses develop in the right direction. We often use special resources, funds for technical assistance (TA), to boost the performance of businesses within the three pillars and increase the combined development effects which the activity generates.

In 2019, Swedfund and a number of other development finance institutions also jointly developed a method for assessing additionality on the basis of three perspectives: financial, sustainability and development impact.

# 39%

of the portfolio companies' employees are women

# 10

new agreements signed in 2019

# 40 years

We have 40 years of experience of sustainable investments in developing countries

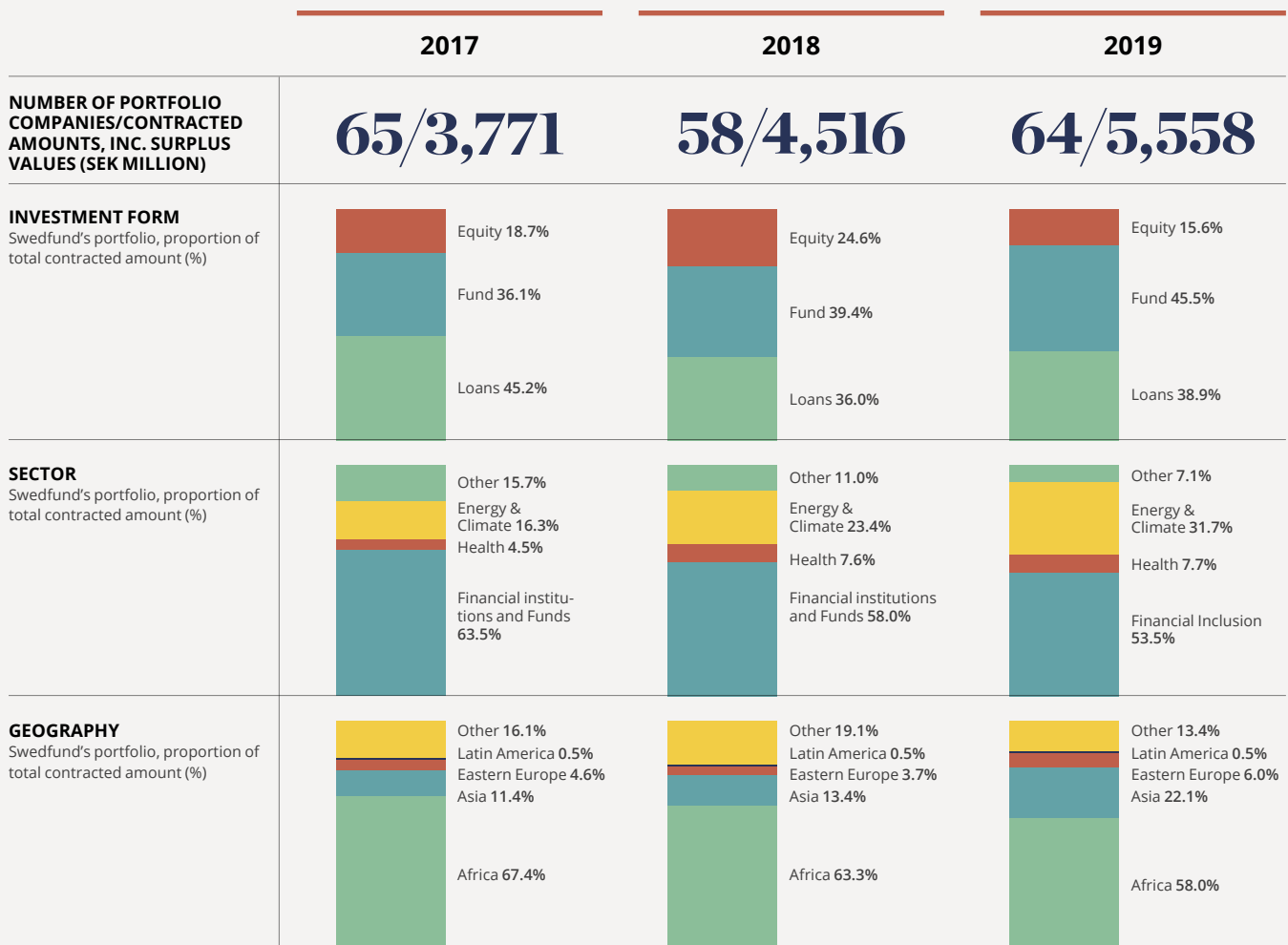
# SEK 3 billion

in capital injections from the owner over three years

# Swedfund's portfolio and portfolio companies

## PORTFOLIO DISTRIBUTION

We always strive to establish an appropriate balance between sectors, geographical spread and variation in investment instruments. The following information shows the distribution of Swedfund's portfolio as of 31 December 2019, 2018 and 2017 respectively.





## THE PORTFOLIO COMPANIES' RESULTS

Swedfund works actively to generate results in the portfolio companies, and our business model is built on creating results within three pillars: Impact on society, sustainability and financial viability. These pillars permeate every stage of the investment process - from the initial assessment during the investment phase, through the active ownership phase and all monitoring of performance, and finally exit from the investment. For more detailed information on results and initiatives, see "The portfolio companies' results" on page 52.

### IMPACT ON SOCIETY



# 198,000

Number of jobs in portfolio companies

# 30%

Proportion of women in senior management  
(comparable entities)

### SUSTAINABILITY



# 95%

Share of portfolio companies with  
management system for anti-corruption issues,  
holding period ≤ 3 years

# 72%

Share of portfolio companies with  
management system for anti-corruption issues,  
holding period > 3 years

# 47%

Share of portfolio companies with  
management system for anti-corruption  
issues, exit phase

### FINANCIAL VIABILITY



# 17%

Sales growth (comparable entities)

# 15%

Profitability - Return on average equity  
(direct investments)

# A good 2019 for Swedfund – but uncertain times lie ahead

This integrated report presents our results for the past year. I am very proud of these results and there is every reason to tell you more about them. However, as I write this on 20 March, I must first and foremost say that our main focus, like that of the rest of the world, is currently centred on the impact of COVID-19. For us, it is above all a question of managing the crisis in relation to our portfolio companies in developing countries. We see extremely dramatic developments taking place, which could not have been foreseen.

Swedfund is deeply engaged in how we can help our portfolio companies. There is an evident risk that this pandemic will hit the world's poorest countries, in which we operate, particularly hard. These countries are generally less resilient and have limited resources at their disposal to deal with the consequences of the crisis. As part of Swedfund's strategy to invest in the health sector, we have already approved additional support for our hospitals and clinics. We have done this to improve their preparedness to better deal with the virus.

During and after the 2008 financial crisis, we saw the enormous needs of the countries and how development finance institutions can provide support by being bold enough to continue investing, by persevering and by helping to limit the impact on the private sector and individuals in these countries. Our assessment is that, as during the 2008 crisis, the need for action by actors such as Swedfund will be pivotal in mitigating the impact of the crisis on small and medium enterprises, jobs and reduced access to capital.

Looking back on our operations in 2019, I see an organisation that is becoming more skilled and more focused than ever before on delivering real and measurable change for people in developing countries. During our 40 years as a development finance institution and impact investor, we have developed working methods and a business model that contribute to decent jobs, a sustainable private sector and better access to key products and services such as renewable energy and healthcare.

During 2019, we saw an increase in the level of interest amongst many players in investments in developing countries, and we shared our extensive experience of this in various contexts, at seminars and amongst other stakeholders who are keen to learn from us.

The way in which 'impact' should be defined and measured has grown in importance in the context of Agenda 2030 and the fact that globally we are not moving forward as fast as we need to in order

to deliver on the UN's sustainable development goals and the Paris Agreement. Common standards prior to investment decisions and to measure the real impact of an investment are key to increasing the proportion of private capital that is mobilised for developing countries. In addition, we know that stable and peaceful societies, characterised by functioning institutions, respect for human rights, democracy and a resource allocation that increases access to education and healthcare, have a positive impact on the ability to mobilise capital from private investors. We must work together and in partnership in order to achieve Agenda 2030.

During 2019, we invested nearly SEK 1,400 million in our focus sectors Energy & Climate, Financial Inclusion and Health. This is considerably more than in previous years. It is fantastic to be a part of this and to help accelerate Sweden's contribution to Agenda 2030 through an increased investment rate. Nevertheless, generating value in our portfolio based on our three pillars of impact on society, sustainability and financial viability is not inevitable, simply because we invest in businesses. It requires active ownership, where our capital is provided with requirements and support. Against this background, we are very proud of the results that we present in this year's integrated report.

In 2019, a revised owner directive including public policy assignment was adopted for Swedfund, along with a new economic goal. Our Chairman describes the process that led to the new goals in more detail in his report. As CEO it is inspiring that our revised mission goals are so clearly linked to the UN's sustainable development goals. We are working in a variety of ways to achieve our mission, and decisions on new investments are based on our analysis of the anticipated impact. We analyse goals, and measures in order to move the company in the right direction. The impact analysis then forms the basis for the way in which we monitor and measure results.

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*It is fantastic to be a part of this and to help accelerate Sweden's contribution to Agenda 2030 through an increased investment rate.*



During 2020, we will continue to implement UN Global Compact's ten principles regarding human rights, labour, environment and anti-corruption, both in our operations and amongst our portfolio companies.

In 2019, we signed up to IFC's Operating Principles for Impact Management and are working with EDFI to align the vision and harmonise how we measure the impact on society of our investments. Our European counterparts are key partners in our investments, and during the year we signed an agreement with our German counterpart to establish a closer cooperation. We are also doing this through partnerships with civil society organisations, and we have established a partnership with Kvinna till Kvinna and Union to Union. We are committed to the 2x initiative, which is intended to mobilise USD 3 billion for investments that benefit women.

During 2018, we worked actively to develop our organisation. In 2019, as a result of an increase in the capital injection and our new organisation, we delivered on the goals set out in the 2018-2020 business plan ahead of schedule. During 2019, we therefore developed a new business plan covering the period 2020-2024. We are maintaining our strong focus on sub-Saharan Africa and our three sectors Energy & Climate, Financial Inclusion and Health. We are also stepping up our efforts to mobilise private capital, women's economic empowerment, climate, human rights and digitalisation in order to advance the development effects of our investments.

Digitalisation is a fantastic tool for contributing to development and Agenda 2030. However, there is also a considerable risk that gaps within and between countries will widen, unless countries are prepared to take advantage of the opportunities that are presented by new technologies. We are seeing an increased inflow of capital into Africa and new tech hubs are being created. Nevertheless, although the volume of investment is increasing, it

remains very low compared to the level in Europe or Asia. There is a considerable difference both between urban and rural areas and between men and women. In sub-Saharan Africa, women are 15% less likely to own a mobile phone and 23% less likely to use mobile internet. Combating widening gaps requires investment in infrastructure, capacity-building in the form of training, predictable legislation and investment in sustainable business models based on local needs, an area where Swedfund is looking to contribute. Our investments in renewable energy also contribute to vital infrastructure to increase digitalisation, as do our efforts to promote digitalisation amongst the portfolio companies, partly through TA funds.

Swedfund's portfolio continued to grow in 2019 and has a value of just over SEK 5.5 billion. Swedfund recorded an operating profit (EBIT) of SEK 41 million (-55) and a C/I ratio of 0.84 (0.89). This means that Swedfund has achieved the financial goals with a positive operating profit, while operating in a cost-effective manner.

I summed up 2018 as a year of change in terms of both our portfolio and our organisation. These changes created strong foundation and contributed to 2019 being seen as a year of increased relevance and delivery towards Agenda 2030. We enter 2020 with a revised owner directive, new objectives, increased funding, more partnerships and a business plan that will make a real impact in the countries in which we operate. We are very well-equipped to ensure that this decade becomes "The Decade of Delivery" and we are accelerating our efforts to fight poverty by investing in sustainable businesses.

There will be every reason to regularly return to how the Covid-19 crisis is affecting us, our portfolio companies and our society over the coming year. With these closing words, I now invite you to read our integrated report.

**Maria Håkansson**  
Chief Executive Officer

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***We enter 2020 with a revised owner directive, new objectives, increased funding, more partnerships and a business plan that will make a real impact in the countries in which we operate.***

# Opportunity to remain a leading development finance institution

At the time of writing, Swedfund is on a pivotal section of the time line from 1979 to 2030. In November 2019, Swedfund celebrated its 40th anniversary with a well-attended seminar focusing on Agenda 2030.

Our history is important - as long as we have it behind us. For 40 years, Swedfund has been making sustainable investments aimed at improving people's living conditions in developing countries. We have gained knowledge and experience, and created a strong platform for the future.

This mature platform is reflected in a clear investment strategy, measurably built around our three pillars of impact on society, sustainability and financial viability, as well as a strong organisation and corporate culture.

We will now continue to do the same thing, but in a better way and faster. This will be necessary in order to deliver on Agenda 2030.

We are a long-term and value-driven organisation, but the world around us is changing rapidly. This requires flexibility around our operations and we as a company must both change and develop in order to continue to achieve the results we are striving for and contribute to long-term change in the environments in which we operate.

During 2019, Swedfund completed a target project initiated by our owners – the Swedish State. As representative of the board

of directors and together with the corporate management team, I have been part of a project group led by the Ministry of Enterprise and Innovation to review our owner directive and financial goals. Representatives of the Ministry of Foreign Affairs and the Ministry of Finance were also part of the group.

This work has been very stimulating and I have appreciated the high level of ambition and desire to develop Swedfund, both from the company and amongst the owner's representatives. This has resulted in a revised owner directive and a new set of Owner's instructions which was adopted at an extraordinary general meeting in December. These instructions make it clear that Swedfund has the same goals as Swedish aid generally, but uses different means to combat poverty and implement Agenda 2030. The funds we have at our disposal are to be invested in equity and funds, and to provide loans for developing the private sector in developing countries.

According to the new owner directive, Swedfund will further strengthen its focus on women's economic empowerment, climate, decent jobs and private capital mobilisation, and aims to increase the profitability of 60 percent of portfolio companies during the holding period. The board welcomes the clarity of our Owner's instructions concerning our role, and the new owner directive provides us with an excellent opportunity to continue to develop the operation and be a leading player within development finance.

I am proud of the strong results that we are reporting in 2019 and very grateful for the owner's support and trust expressed through the increase in the capital injection.

While I am both proud and confident, I am realistic about the future. We will act additionally and catalytically and make investments to reduce poverty in developing countries. This requires us to operate in challenging environments. Our portfolio companies exist exclusively in developing countries which are characterised by great opportunities, but also in many cases by political uncertainty, economic instability and risks, both financial and geopolitical. As a result, Swedfund's results will inevitably vary from year to year, but over time the goal is stability and growth within our three pillars.

Swedfund's employees will be responsible for what we deliver over the next decade, and it is they who, through their work, make the investments that create companies which, in turn, help people to improve their lives.

Finally, on behalf of the board, I would like to thank Swedfund's CEO Maria Håkansson, her management team and all the fantastic employees, who, with passion and expertise, strive to reduce poverty by investing in sustainable businesses. Through vital collaborations and partnerships with others, we are contributing to long-term change, a sustainable private sector and better living conditions in developing countries.

**Göran Barsby**  
Chairman of the Board



# New goals for Swedfund

In December 2019, new Owner's instructions were adopted which clarify Swedfund's role as an aid organisation and development finance institution. Swedfund now has a revised owner directive and a new financial goal.

As with development cooperation generally, Swedfund aims to contribute to the goal of Sweden's policy of fair and sustainable global development. However, the method by which this will be achieved is different: To fight poverty by investing in sustainable businesses in developing countries. We provide loans and invest in equity and funds to develop the private sector, create decent jobs and improve access to renewable energy and healthcare.

In order to achieve the goals of the policy, Swedfund will integrate poor people's perspectives on development, a rights perspective, a conflict perspective, a gender perspective and an environmental and climate perspective. Swedfund's work will contribute to outcomes which are sustainable in the long term. There is a clear link between Swedfund's new goals and the UN's sustainable development goals.

Amongst other things, the revised mission goals will result in a stronger focus on the economic empowerment of women and the continuation of Sweden's leading role as regards climate and gender equality issues. Since 2014, Swedfund has invested only in renewable energy sources and will have a climate-neutral portfolio in 2045 which captures as much carbon dioxide as it emits.

The jobs that are created will follow and fulfil the ILO's Core Conventions. As a development finance institution, we will act as a vital bridge to private players, as these will be essential if

we are to successfully implement Agenda 2030. Swedfund will focus on investments which are not considered to be realisable through commercial financing alone. Competition with commercial finance institutions must therefore also be avoided. Swedfund's investments shall be both additional and catalytic, i.e. they will be complementary and enabling investments in developing countries, with the aim of mobilising at least 30% in private capital in the investments that are made.

Swedfund's investments shall be economically sustainable, and turnover and profitability shall increase in at least 60% of the portfolio companies during the holding period. Enterprises that are financially sustainable are in a position to grow, contribute to the creation of more decent jobs and have a positive impact on other areas as well.

Swedfund's financial goals mean that operating profit should be greater than zero over a five-year period. This goal has consciously been set low to facilitate investments involving high business risk in countries which are facing challenges in which Swedfund's portfolio companies are located. The goal requires our operations to be financially sustainable and to be cost-effective for taxpayers. The profitability goal is a long-term goal and must be evaluated over an extended period of time.

## FINANCIAL GOAL

## MISSION GOAL

Operating profit	Economically sustainable investments	Socially sustainable investments	Environmentally and climate-related sustainable investments	The company's additional role	
>0	>60%	100%	>60%	2045	>30%
Operating profit shall be greater than zero over a five-year period.	Turnover and profitability shall increase in at least 60 percent of the company's investments during the holding period, with a base year corresponding to the investment year.	Our investments shall be socially sustainable, and decent working conditions consistent with the ILO's Declaration on Fundamental Principles and Rights at Work shall be offered in all the company's investments within no more than three years from the date of investment.	Greater gender equality in the company's investment portfolio in terms of the 2x Challenge, or corresponding criteria, shall be fulfilled in at least 60 percent of the company's investments within no more than three years from the date of investment.	By 2045, Swedfund will have a climate-neutral portfolio, and greenhouse gas emissions from our portfolio per invested krona will decrease.	The goal of mobilising at least 30 percent in private capital in investments that are made.

JCM Powers

# Financing of sustainable energy in sub-Saharan Africa

One of Swedfund's main investment areas is renewable energy. Swedfund invests in projects that promote the expansion of renewable energy in the world's least developed countries.

**Despite enormous potential**, relatively few renewable energy projects are being carried out in developing countries. There are several reasons for this. One is that the legal frameworks governing the sector are still under development. Another reason is a lack of both funding and companies that can take the projects all the way from project development to completed completed installation. That is why Swedfund is specifically investing in supporting and financing companies which can push through projects and mobilise financing at project level through what are known as platform investments.

JCM Powers (JCM) is one example of such a platform investment. In 2018, Swedfund invested USD 15 million and at the end of 2019 we invested an additional USD 10 million. The company has extensive experience of building, managing and owning renewable energy projects. Since 2014, the business has focused on developing countries, precisely in order to contribute to the switch from fossil-dependent to renewable energy. JCM owns and develops renewable energy generation facilities together with local partners around the world. The company currently has several projects at various stages of development in sub-Saharan Africa, South Asia and Central America.

**An important prerequisite** for JCM to be successful in its projects is that the company is able to work with a long-term approach and create local partnerships in the communities in which it establishes itself. Measurable and concrete development results in the projects are in addition to this.

"JCM's strategy is to accelerate social, environmental and financial sustainability in developing markets by expanding renewable energy. We establish long-term partnerships with local communities, co-investors and other stakeholders in order to drive forward sustainable development

# 12%

In Malawi, only about 12% of the population have access to energy

in a responsible way,” says Christian Wray, CEO and co-founder.

One of JCM’s investments is a solar power plant in the village of Salima, Malawi, a country in which only around 12% of the population has access to energy. In addition, the vast majority of existing energy comes from biomass, such as wood, which is obtained using unsustainable methods.

When JCM initiated the project, a dialogue was initiated with the local community. Together they identified three key needs: clean water, healthcare and education. In order to help develop the local community and meet these needs, JCM invests both its own funds and funds from international partners. In this way, JCM helps to meet other vital needs, while society switches from being dependent on diesel to utilising fossil-free solar energy.

“Swedfund has an active approach with regard to value creation in all its portfolio companies. The investment in JCM is an excellent example of how we as owners are working actively, partly through our seat on the board and partly through the measures that were identified ahead of the investment decision,” says Gunilla Nilsson, Senior Investment Manager at Swedfund.

**Swedfund has announced** that a comprehensive and effective environmental and social

management system is to be developed and that a person is to be appointed to take responsibility for ESG issues. We also want the company to develop and implement a complaints mechanism that is accessible to employees, civil society organisations and other stakeholders wishing to report any problems. Swedfund is working closely with JCM on these issues. Together we have set up a committee for advice concerning environmental and societal issues, with one of Swedfund’s Senior ESG Managers as an active member. The committee’s task is to advise the company’s board of directors on development and processes regarding sustainability issues, assist in the implementation of relevant environmental and social practices and follow up JCM’s activities.

During the year, Swedfund also initiated a project using TA funds (Technical Assistance) which was aimed at developing a system to measure impact and evaluating the development effects of one of the company’s wind farms.

“Swedfund sees JCM as a vital part of our ambition to contribute to the expansion of renewable energy generation in the countries in which we operate. We are also supporting a developer with the knowledge and capacity needed to carry out sustainable projects in developing countries,” says Gunilla Nilsson, Senior Investment Manager at Swedfund.

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*Swedfund sees JCM as a vital part of our ambition to contribute to the expansion of renewable energy generation.*



One of JCM’s investments is in a solar power plant in the village of Salima, Malawi. In Malawi, only about 12% of the population access to energy.

# Mission and sustainability goals

This spread describes our goals as of 2019, which this report follows up. In December 2019, an extraordinary general meeting adopted new goals. Read more about the new goals on page 9.

## MISSION

According to Swedfund's Owner's instructions, the work of the organisation must contribute to the realisation of the goal for Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to reduce poverty through investments in sustainable businesses. In cooperation with our strategic partners, we will contribute to financially, environmentally and socially sustainable investments that create better living conditions for people living in poverty and oppression. The company's activities shall promote gender equality and investment in renewable energy.

## MISSION GOAL

Swedfund has a raft of measurable mission goals and financial goals which are defined through Swedfund's Owner's instructions as adopted by the annual general meeting:

### → PROFITABILITY

Sales and profitability per investment, with the goal of increasing sales and profitability over a five-year period.

### → CARBON FOOTPRINT

Carbon dioxide emissions and corporation tax per investment shall be evaluated within a three-year period.

### → EMPOWERING WOMEN

The proportion of men and women in senior management per investment shall show a positive trend/converge over a five-year period.

### → ADDITIONALITY

Swedfund shall have a market-complementary role, with the goal of ensuring that all investments are made in ventures which are not considered to be realisable through commercial financing alone.

### → EFFICIENCY

Efficiency, measured by the total impact/benefit per investment and the total cost per investment.

### → FINANCIAL GOALS

Two financial goals, at Swedfund level: C/I (Costs/Income) shall not exceed 0.9 and operating profit (EBIT) shall be positive.





## SUSTAINABILITY GOAL

Swedfund has four strategic sustainability goals that have been adopted by the board. Based on these goals, we annually monitor the performance of our portfolio companies, primarily through follow-up and feedback in an annual Sustainability Report comprising many detailed questions.

### → IMPACT ON SOCIETY

Each company shall act consistently with the ILO Declaration on Fundamental Principles and Rights at Work and labour standards no more than three years from the date of financing. The average number of jobs shall increase year-on-year in all investments.

### → SUSTAINABILITY

An environmental and social management system must be implemented in each portfolio company no later than three years from the date on which the financing was agreed.

### → FINANCIAL VIABILITY

Swedfund shall contribute to the creation of businesses that are profitable in the long term and, therefore, financially viable.

### → ANTI-CORRUPTION

The adoption and implementation of a management system to handle anti-corruption issues shall be in place no later than three years from the date on which financing was agreed for Swedfund's portfolio companies.

## SWEDFUND AND AGENDA 2030

The UN estimates that USD 5-7 trillion a year is needed to implement Agenda 2030. Traditional aid is not sufficient to fund the initiatives that will be necessary. Investments are needed, and here the development finance institutions, together with private investors, are playing an important role in achieving development goals.

The first of the UN's 17 sustainable development goals, to end poverty in all its forms everywhere, sums up Swedfund's main mission, but all 17 objectives are relevant to the investments that we make and the development effects to which we contribute.

Although we affect all 17 goals, during 2019, we identified four goals as being particularly relevant to our business:

- Goal 1 – No poverty
- Goal 5 – Gender equality
- Goal 8 – Decent work and economic growth
- Goal 13 – Climate action



Platcorp

# Lending to small and medium sized enterprises in East Africa creates more jobs

Small and medium sized enterprises (SMEs) are vital for creating growth and jobs, particularly in less developed countries. SMEs account for approximately two thirds of all new jobs in the formal sector in developing countries, and women own around a third of these enterprises. Lack of capital is the biggest barrier to development for businesses, and women find it even more difficult than men to gain access to finance. One of the companies that Swedfund is financing is Platcorp in East Africa.

**Platcorp is a group of companies** which finances small and medium enterprises (SMEs) in Kenya, Tanzania and Uganda. The company's fully digitalised business system enables borrowers to be evaluated and approved, and payments to be administered immediately during the meeting with the customer. Platcorp's local presence and consequent detailed knowledge of its customer base enables strong customer relations and a good understanding of customers' needs to be built up.

Swedfund has made two investments in Platcorp, one in 2018 and another in 2019.

"We saw an opportunity to contribute, in partnership with a company which has a capable management team, to the promotion of financial inclusion in East Africa with the aim of reaching SMEs. Improving access to finance can help facilitate the transition from the informal to the formal sector, with an overall positive development for the region. As Swedfund is the first development finance institution to invest in the group, we also see an opportunity to attract additional capital and actively work on ESG and impact issues," says Jane Niedra, Senior Investment Manager at Swedfund.

**Swedfund also supports** Platcorp's work to develop a range of services specifically targeted at farmers in Uganda. This target group can find it difficult to obtain loans, but has strong needs as a result of irregular harvests leading to uneven incomes over the course of the year. By helping to create access to capital in the agricultural sector, we believe that major development effects can be achieved amongst the very poorest people in the country.

# ESGAP

Environmental, Social and Governance Action Plan

Swedfund always strives to create value and be a responsible owner. As a result, when we entered into the partnership with Platcorp, we stipulated far-reaching demands in the agreement and drew up a plan for the measures that we wanted them to implement, in order to make the business even more sustainable, known as a 'ESGAP'. The ESGAP that Swedfund developed contains ambitions for the company to meet the requirements of our strategic sustainability goals, including requirements within the areas of anti-corruption, gender equality, working conditions and customer protection. Swedfund will provide expertise and work closely with Platcorp's newly appointed ESG managers.

**Swedfund has also allocated** Technical Assistance funds for four initiatives aimed at supporting the company in its implementation of the ESGAP. This involves developing a social and environmental management system (ESMS), which ensures that risks are identified, assessed and addressed. Swedfund also supports the introduction of what are known as 'Client Protection Principles' (CPP). These principles describe the protection that customers can expect in order to minimise the risk of over-leverage and ensure that pricing and conditions are transparent and clear for customers. A complaints system was also to be established for customers. Swedfund is also supporting a digitalisation initiative linked to a new accounting system for better financial reporting.

Platcorp's local presence and consequent detailed knowledge of its customers enables strong customer relations and a good understanding of customers to be built up.



# Value creation model for carrying out our mission

Swedfund's value creation model has been developed to describe how we best fulfill our mission in order to fight poverty by investing in sustainable businesses. We will accomplish the mission by investing in and developing sustainable companies and generating development results and inclusive growth, particularly in sub-Saharan Africa and certain regions of Asia. Social, environmental and financial aspects permeate and govern our work and based on these three pillars we create value and measure development results.

**1** Our overarching mission is to **fight poverty** by **investing in sustainable businesses**. Our approach is based on Agenda 2030 and our mission goals, and we set out our strategy for fulfilling our mission in our business plan.



**THE GLOBAL GOALS**  
For Sustainable Development

Read more about our business plan and strategy on pages **24 - 25**



- Impact on society
- Sustainability
- Financial viability

**4** Our business model is based on three pillars which permeate the entire investment cycle. These pillars help us to **evaluate investments, create value** and generate **long-term development effects**.



Read more about our investment instruments on page **30**  
Read more about our investment process on pages **32 - 35**  
Read more about our pillars on page **36**



**5** Our capital is linked to **requirements and support** in the form of:

- Expertise
- Risk management
- Financial capital and TA funds
- Partners and networks



2 Our business plan describes our choices and activities in order to accomplish our mission.

- Geography
- Sector
- Investment form



Read more about our sectors on page 28



Energy & Climate



Financial Inclusion



Health

3 In our business plan, we have identified **three sectors** within which we believe we have the best opportunity to **generate development effects**.

Read more about how we manage risk on pages 44-45  
 Read more about our expertise within ESG on pages 46-47  
 Read more about our partners and networks on pages 48-49



6 We measure **development results** through our **indicators** which are based on our mission goals and strategic sustainability goals.

Read more about our performance indicators on page 53  
 Read more about our portfolio companies' results on pages 52-77

NMB Zimbabwe

# Zimbabwe's banking sector is strengthened

One of the countries in Africa facing the greatest challenges is Zimbabwe. This is partly due to the challenging economic situation that has prevailed for many years. Swedfund is one of many players now operating in the country with the aim of creating the right conditions for the economy to recover.

**Under Robert Mugabe's regime, Zimbabwe developed** into a country that was facing major economic challenges. The country's domestic economy collapsed in the early 2000s, and in 2008 the country suffered hyperinflation which wiped out savings in the local currency. In 2017, Mugabe was ousted from power, but despite some initial optimism from the outside world following Mugabe's resignation, the economic situation remains difficult and food supplies are limited for much of the population. The domestic political situation is unstable. According to a report from the Swedish Ministry for Foreign Affairs, the authoritarian political climate and intolerance towards voices critical of the regime has long been a problem for the country's relatively weak and fragmented civil society organisations. This is particularly true of those who are striving to promote human rights and democratic governance.

In 2017, Swedfund invested USD 5 million through a loan to the bank NMB Zimbabwe. This bank was founded in 1993 and was primarily a corporate bank at the time. NMB Zimbabwe is a well-managed bank, which meets our sustainability criteria and has an approved gender equality

# USD 5,000,000

In 2017, Swedfund invested USD 5 million in a loan to the bank NMB Zimbabwe



NMB is a well-managed bank, which meets our sustainability criteria and has an approved gender equality policy.

ty policy. Swedfund's aim behind the investment was to channel financing to Zimbabwe's SME sector, and to support a local financial institution in a market which is otherwise dominated by foreign actors. NMB Zimbabwe's other investors include Arise (AfricInvest, development finance institution FMO from Holland and Norfund from Norway, along with Rabobank). At the same time as Swedfund awarded its loan, FMO loaned USD 10 million to NMB Zimbabwe. In connection with the financing, NMB Zimbabwe also presented a new strategy which focused on SMEs and financing for individual borrowers.

The loans help the bank to be more active in the informal economy and promote economic integration, with the aim of broadening the bank's products and services in order to reach customers it has not previously reached. NMB Zimbabwe's digitalisation strategy is now to try to reach out to more customers with its banking services.

**Zimbabwe has an urgent need** for investment and better economic policies to get the country back on its feet. The banking system is also facing major challenges. One factor behind this is a shortage of USD, which is accentuated by the

currency reform that was carried out. At the time the reform was introduced, the ratio between the USD and the Zimbabwean dollar was 1:1. However, after the local currency declined in value, banks and companies borrowing in USD, including NMB Zimbabwe, suffered currency losses.

Swedfund will act additionally and catalytically. This requires us to take greater risks than other private investors. Our investment is influenced by many factors. We can influence some of these risks ourselves, while others may be linked to developments in the country, which could prevent an investment from developing in the way that was intended when Swedfund carried out the investment.

"We are long-term investors, and the way in which an investment develops and performs over time can vary. NMB in Zimbabwe is one such investment. It is basically a well-managed bank, but it is operating in a difficult market situation and we are working actively with other lenders to support NMB. One proof of that it is a well-managed bank is, that despite the macroeconomic challenges it is facing, the bank is performing well as regards the ESG dimensions," says Jakob Larsson, Investment Manager at Swedfund.

# Development finance in a new landscape

Swedfund operates in a constantly changing world, where development finance is more in focus than ever before. The global sustainable development goals are now to be realised and development finance institutions have a vital role to play in accelerating the implementation of Agenda 2030.

The UN's global sustainable development goals, together with the Paris Agreement, have had an enormous impact globally. Countries, businesses and civil society organisations use these goals in different ways as a starting point for their work relating to sustainable development. However, it soon became clear that aid alone would not be enough to implement Agenda 2030 and implement the Paris Agreement, and that the objectives are therefore severely underfunded.

This underfunding is one reason why the focus on development finance and its institution has increased. This is because investment in the local private sector is a proven way of growing

resources, achieving good development effects while at the same time acting catalytically. It is considered to be an effective way of using aid, and resources are therefore being allocated and new actors established, while existing organisations are prioritising the area more highly than before.

For Swedfund, this development means that we need to continue to grow. This will safeguard Sweden's relevance generally as a major donor and ensure that Swedish priorities are given due consideration. We are also seeing a number of current trends and events which are directly impacting on our business.

## TREND

### More interest, but high risk

There is increasing interest in what are known as 'impact investments', which aim to generate a return and steer society in a positive direction. The fact that the world's fastest growing economies are in developing countries, while growth rates are declining in the developed world, has contributed to an increase in interest in new markets amongst private investors.

Of all foreign direct investment, only 6% goes to sub-Saharan Africa, well below what is needed to implement Agenda 2030. This particularly applies in the least developed countries. This is partly the result of productivity-inhibiting factors such as low-skilled jobs, limited education, poor access to technology and undeveloped infrastructure. Although investors find the

access to raw materials and labour and other factors attractive, they can also face considerable risks as regards corruption, unpredictable legislation, poor government, currency risks, etc.

In the debate on development, reference is being made to the importance of developing countries' own governments acting and implementing the changes that are necessary in order to deliver Agenda 2030.<sup>1</sup> Tax revenues should be increased and public funds should be reallocated to, inter alia, education, health and social security systems. Better functioning societies and effective national legislation improve the conditions for attracting private capital and thus accelerate the development of a sustainable private sector.

## SWEDFUND'S RESPONSE

In line with this trend and the reasoning that is being put forward in the debate, Swedfund is focussing on sub-Saharan Africa and the least developed countries in Asia. Our investments will help to build stronger communities by contributing to the sustainable development of the private sector and the creation of decent jobs, greater equality and tax revenues, anti-corruption and profitable businesses. Sustainable portfolio companies also show greater profitability, indicating a strong correlation between these factors.

<sup>1</sup> See for example the report "Financing the end of extreme poverty" from the think tank ODI at <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12907.pdf>





## TREND

**Capital mobilisation and blending**

More private capital must be mobilised in order to deliver on Agenda 2030 and the sustainable development goals. New instruments for blending have been developed with the aim of lowering the threshold for private actors to invest in developing countries. In simple terms, 'blending' involves mixing aid, e.g. in the form of guarantees or a gift, with private financing, thereby reducing the financial risk for private investors.

However, the risk associated with blending is that it can interfere with the market or create artificial private sector development and lead to dependencies which are unsustainable in the long term. Soft financing of this type should therefore be considered carefully and used with great caution. In particular, it is important to carry out the same risk assessments as for other types of investments and to have a clear timetable as regards when the soft financing should be concluded.

## SWEDFUND'S RESPONSE

Swedfund has been tasked with mobilising capital from private investors equivalent to at least 30 percent of the company's investment portfolio. Although we have not used blending in the past, we see opportunities to use such funds in certain situations and have therefore applied to the EU for 'pillar accreditation'. At policy level, we are monitoring the issue of blending closely and endorse the principles developed by the World Bank together with other regional development banks and bilateral development finance institutions.

**Digitalisation**

The work relating to Agenda 2030 has contributed to a stronger focus on digitalisation amongst development finance institutions. New technologies have considerable potential to contribute to poverty reduction, greater transparency and inclusive growth. Investment needs in this area are very high, particularly in sub-Saharan Africa.

To facilitate digitalisation, development must take place in a number of different areas. Firstly, people must be given access to electricity,

infrastructure, equipment and services at a reasonable cost to them. Secondly, the capacity of society must be built up by adapting education, regulations and legislation to a digital world. Finally, investment in innovative and sustainable business models based around local needs will be needed. The role of development finance institutions is particularly important in this context.

Digitalisation is a strategic theme for Swedfund, and we are aiming to increase our investments in new, digital business models in the countries in which we operate. Examples are digitalised medical record systems for greater security and transparency, and the use of new technology to offer care to people in otherwise difficult areas.

**Harmonisation**

In the work to implement Agenda 2030, development finance institutions have harmonised the strategic priorities for sustainable investment in the fight against poverty. Common strategic priorities, greater mobilisation of private capital and the use of blending lead to a need to simplify cooperation at operational level. Working methods, regulations and methods for measuring performance in sustainability and social development must be harmonised.

Common standards lead to greater transparency and help ensure that we achieve the results that were intended for the project by measuring performance in a similar way.

More qualified partnerships are also needed to secure synergies between actors, so that everyone can do what they do best, thereby improving the joint contribution.

Swedfund has extensive experience of impact investments and a business model which enables us to lead developments in Sweden and influence actors outside the country. We are also actively involved in the efforts being made to promote greater harmonisation within the organisation EDFI, which brings together Swedfund's counterparts in Europe.

TLG & SHC

# Investment in a medical clinic in Liberia which has survived both war and Ebola

Around 400 million people in developing countries have no access to basic healthcare, and for those who actually do receive healthcare, the quality of the services is often poor. Investing in healthcare companies in developing countries creates opportunities for more people to receive care from these enterprises. At the same time, the right conditions are created for retaining medical expertise in the country and can be passed on to other doctors and medical establishments.

In 2018, Swedfund invested USD 5 million in the TLG Credit Opportunities Fund (TLG). TLG is an experienced fund manager which is working to bring growth capital to the poorest countries on the African continent. The focus of this particular fund is on bridging the funding gap for SMEs in the health and financial sectors.

One of the companies that TLG has long invested in is Snapper Hill Clinic (SHC) in Monrovia, Liberia's capital. Liberia is one of the world's poorest countries, partly because of the civil war which lasted until 2003 and cost the lives of more than 200,000 people. Most of the country's medical establishments were badly damaged or completely destroyed during the war. Liberia's health service was therefore not equipped to deal with the Ebola crisis, which lasted between 2014 and 2016. Life expectancy in Liberia is lower than the global average and one in three children suffers from malnutrition.

**Snapper Hill Clinic** is an outpatient clinic in Monrovia. The clinic was opened in 1983 and was the only private clinic to remain open during the Civil War and the Ebola crisis. Today, the clinic has 15 employees and is planning to expand further through the addition of more clinics and services, and to increase the number of patients being treated from the current 15,000 per year to 50,000.

"Liberia's health and care system is fragile, and health indicators are poor. By improving the quality and digitalisation of a private clinic like SHC, the development of expertise is passed on within the clinical enterprises and helps to boost the expertise of medical professionals in Liberia," says Varsay Sirleaf, CEO of SHC.

# 340 doctors

In 2017, there were only 340 doctors to care for the country's 4.5 million inhabitants.

**Liberia is one of the world's** most difficult countries to do business with and run a business in, partly because of widespread problems of corruption, poor infrastructure, electricity and skills.

"Swedfund still sees opportunities to support companies in this difficult environment, while acting as a catalyst for other development finance institutions and institutional investors to invest in the country's health and care sector. It also aims to promote higher standards of quality within healthcare. Swedfund was the first institutional investor in TLG," says Maral Browaldh, Senior Investment Manager at Swedfund.

**In 2018**, Swedfund awarded funding for Technical Assistance (TA) to enable SHC to establish national standards for qualitative healthcare, and thereby inspire the private sector to become involved in the country's health development. The funding has been used to digitalise patient processes, improve the quality of care and waste management at the clinic and strengthen the hospital's organisational and financial control, so helping to improve access to high-quality primary care across the rest of the country.

At the end of 2019, Swedfund granted additional TA funds to SHC. The aim is to reduce the clinic's environmental and climate impact and boost profitability. The clinic will use the funds to install solar panels and rainwater collection technology. The new technology will replace the existing system, which is based on filling the clinic's water tank using diesel-powered tanker vehicles and electricity which primarily comes from diesel generators due to the substandard quality of the national grid.

Swedfund's TA funds have been crucial for SHC, particularly as regards projects which do not belong to the clinic's core business, such as solar energy for use by the clinic. Given the challenges ahead, SHC wanted to move away from expensive diesel-powered generators which are harmful to the planet. The TA funds from Swedfund have helped SHC to maximise the quality of the projects and the impacts, thanks to Swedfund's support through management, policy development and capacity-building.

"By the end of the civil war, Liberia had lost 95% of all its doctors. Even day, there is a considerable



shortage of qualified doctors, medical equipment and healthcare professionals. This investment has given Snapper Hill Clinic a much-needed boost, which will ultimately enable SHC to deliver better quality healthcare to the country's population. Swedfund's TA funds have supported SHC and had a positive impact on a very weak healthcare system," says Isha Doshi, CFO of TLG.

Snapper Hill Clinic is an outpatient clinic in Monrovia, which opened in 1983 and was the only private clinic to remain open during the Civil War and the Ebola crisis.

**Swedfund sees the funds** that we invest in as a long-term partnership, where the managers we work with have a high level of expertise in both the markets and sectors that we focus on. When we decide to invest in a fund, we carry out a detailed review with a focus on the fund manager, past performance, investment strategy, sustainability issues, and legal and economic structure. An agreement is then drawn up to regulate what is expected of the team, how the capital is to be allocated and the ESG Action Plan established by Swedfund, and identify a number of development areas for the fund. Amongst other things, this has led the company to set up a social and environmental management system, adopt a sustainability policy and improve its due diligence process.

"TLG has always believed that economic returns and social development can and should go hand-in-hand. With Swedfund's support, TLG has also stepped up its efforts to target community development and strengthen the ESG dimension of the investment process. With the help of TA funds, we have also been able to strengthen value creation for the companies in which TLG invests," says Isha Doshi, CFO of TLG.

# A strategic business plan

Swedfund's strategy is set out in our business plan for the period 2018 – 2020. During the year, the current business plan was implemented throughout the investment process and Swedfund's activities as regards the choice of sectors, geography and focus issues.

**Our mission is** to invest in countries which, according to the OECD/DAC's definition, are eligible for development finance<sup>1</sup>. We prioritise investments in the least developed countries, while geographically we focus on sub-Saharan Africa and certain regions of Asia.

Swedfund's business plan is challenging and outlines a complex vision, with measurable indicators linked to the three pillars and on to the goals of Agenda 2030.

The business plan identifies three sectors in which Swedfund focuses its development work. These sectors are Energy & Climate, Financial Inclusion and Health. It is in these sectors that we believe we have the best opportunity to bring about development and results in line with our mission.

We invest directly in companies and indirectly through financial institutions and funds. Indirect investments are made because it is an effective way of reaching more companies in the markets and sectors which we focus on. It is also an effective tool for reaching SMEs and increasing lending to entrepreneurs. We strive to achieve a good balance between shares, loans and funds in the portfolio.

Regardless of country, sector or instrument, our two thematic areas, climate and women's empowerment, permeate every decision we make concerning potential investments and value creation during the investment period.

A key part of Swedfund's mission is to take risks, which goes hand-in-hand with the organisation's business plan. Taking risks is also closely linked to our desire to be both additional and catalytic, and to safeguard investments that would otherwise not have been realised. At the same time, Swedfund wants

to lead the way for private actors and thereby increase the number of investments taking place in developing countries. The outcome will be the mobilisation of a higher proportion of capital for developing countries, which in turn will accelerate the implementation of Agenda 2030. We can achieve more and reach more people through partnerships.

**Many of the** objectives set out in the business plan have been implemented ahead of schedule. This, combined with adoption of new mission goals by the annual general meeting in December 2019, led Swedfund in 2019 to develop a new strategy covering the next five years.

FACTS

## RELEVANT GOALS

Swedfund has an important role to play in Sweden's contribution to the UN's development goals and Agenda 2030. All these goals are relevant to us as a company and to the investments that we make in order to create sustainable businesses. At the same time, we have identified that we have a stronger direct impact on some of the goals.



<sup>1</sup> The Development Assistance Committee (DAC) is an association within the OECD whose purpose is to organise and administer assistance so that it is utilised in the most efficient way. DAC also publishes a list of countries eligible for aid. The list is divided into four columns, depending on the magnitude of the need for aid, and the GDP/capita of the countries is decisive for the category in which the countries are placed.



# Investments in the world with a focus on sub-Saharan Africa

Swedfund's investments have a wide geographical spread. In accordance with our Owner's instructions, our focus is on the world's least developed countries, which primarily means sub-Saharan Africa. Swedfund is a long-term owner, which means that some holdings in our portfolio are investments that were approved many years ago when our Owner's instructions differed from today.

**PERIOD REPORT 19.01.01 – 19.12.31**

- N New Investments
- O Ongoing Investments
- E Exited Investments

**GLOBAL (9)**

- O Investment: Apis Growth Fund I LP  
Sector: Financial Inclusion
- O Investment: Climate Investor One  
Sector: Energy & Climate
- O Investment: EFP  
Sector: Manufacturing and Service
- O Investment: Global Medical Investments GMI AB  
Sector: Health
- O Investment: IFC Women Entrepreneurs Debt Fund LP  
Sector: Financial Inclusion
- O Investment: Interact Climate Change Facility  
Sector: Energy & Climate
- O Investment: Renewable Energy Fund Asia II LP  
Sector: Energy & Climate
- N Investment: Apis Growth Fund II LP  
Sector: Financial Inclusion
- N Investment: JCM Power Corporation  
Sector: Energy & Climate

**ASIA (2)**

- N Investment: GEF South Asia Growth Fund II  
Sector: Energy & Climate
- N Investment: Quadria Capital Fund II  
Sector: Health
- E Investment: GIASFI  
Sector: Financial Inclusion

**AFRICA (21)**

- O Investment: Adenia Capital III LLC LTD  
Sector: Financial Inclusion
- O Investment: AFIG Fund II LP  
Sector: Financial Inclusion
- O Investment: African Development Partners II LP  
Sector: Financial Inclusion
- O Investment: AAfricap II LTD  
Sector: Financial Inclusion
- O Investment: AfricInvest Fund III LLC  
Sector: Financial Inclusion
- O Investment: Afrinord Hotel Investments  
Sector: Manufacturing and Service
- O Investment: Bayport Management LTD  
Sector: Financial Inclusion
- O Investment: Catalyst II  
Sector: Financial Inclusion
- O Investment: d.light  
Sector: Energy & Climate
- O Investment: ECP Africa Fund II PCC  
Sector: Financial Inclusion
- O Investment: ECP Africa Fund III PCC  
Sector: Financial Inclusion
- O Investment: Evolution II  
Sector: Energy & Climate
- O Investment: Frontier Energy Fund II  
Sector: Energy & Climate
- O Investment: Hospital Holdings Investment B.V.  
Sector: Health
- O Investment: Investec 2 (IAPEF2)  
Sector: Financial Inclusion
- O Investment: Norsad Finance  
Sector: Financial Inclusion
- O Investment: Platcorp Holdings Ltd  
Sector: Financial Inclusion
- O Investment: TLG Credit Opportunities Fund  
Sector: Financial Inclusion
- N Investment: African Development Partners III LP  
Sector: Financial Inclusion
- N Investment: Metier Sustainable Capital Fund II  
Sector: Energy & Climate

**EGYPT (1)**

- O Investment: Gamma Knife Center SAE  
Sector: Health

**SOUTH SUDAN (1)**

- O Investment: Kinyeti Venture Capital LTD  
Sector: Financial Inclusion

**NIGERIA (3)**

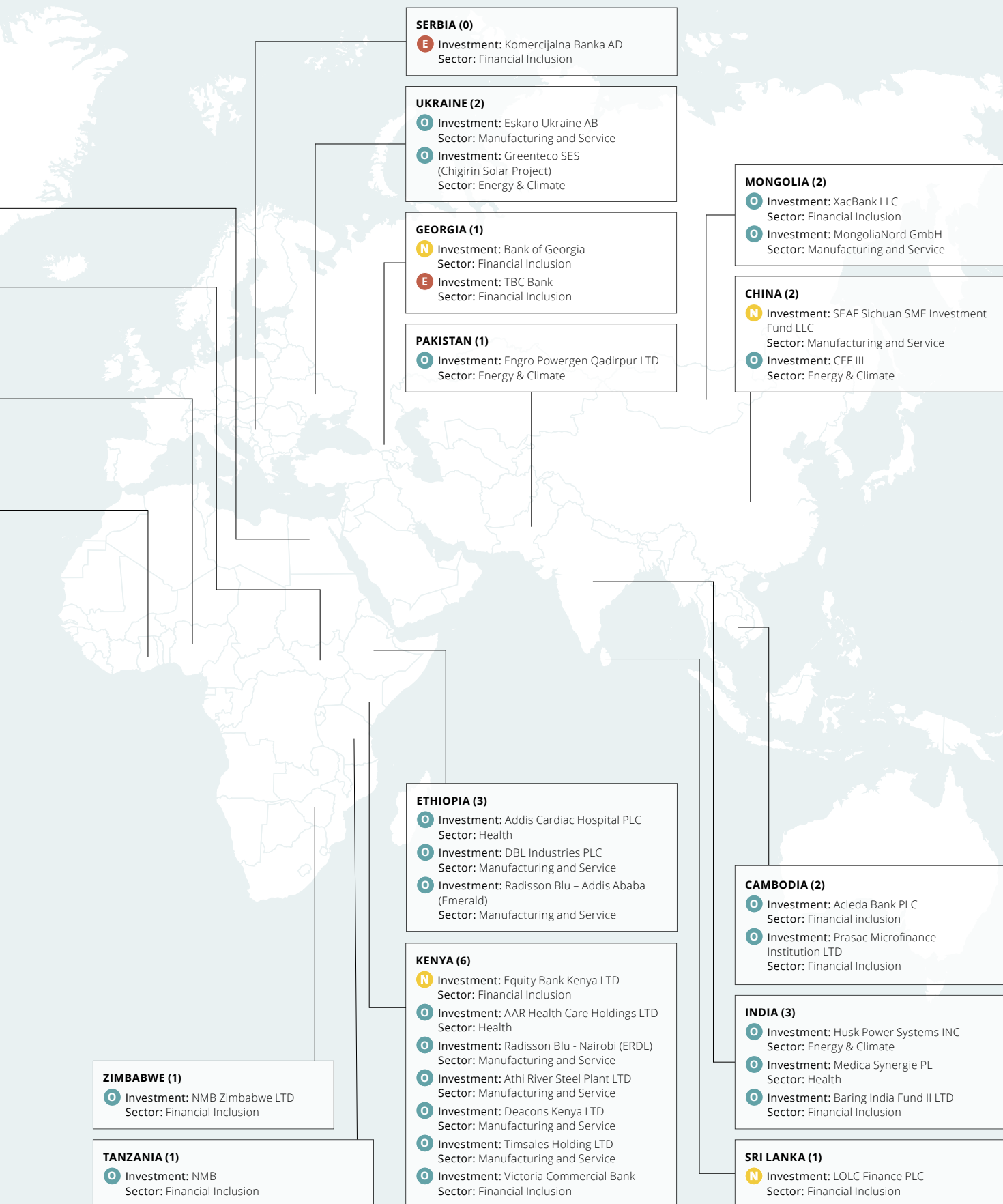
- O Investment: Access Bank PLC  
Sector: Financial Inclusion
- O Investment: Ecobank Nigeria LTD  
Sector: Financial Inclusion
- O Investment: Azura-Edo IPP  
Sector: Energy & Climate

**GHANA (1)**

- O Investment: Fidelity Bank Ghana LTD  
Sector: Financial Inclusion

**URUGUAY (1)**

- O Investment: Ontur International SA  
Sector: Manufacturing and Service



# Limited number of sectors for maximum impact



Swedfund invests in three sectors: Energy and Climate, Financial Inclusion and Health. It is within these sectors that we believe we have the best opportunities to make a difference. Allocating resources and specialist expertise in a focussed way in a limited number of selected areas both boosts the effectiveness of our operation and improves our development results.

## 7.7%

As of 31 December 2019, a total of SEK 385 million had been invested in the sector, equivalent to 7.7% of the total portfolio's value. An agreement for one new investment was signed in 2019.

### Major health challenges

One way of describing the health challenges being faced in developing countries is to use the 'Universal Health Coverage', which is an indicator which shows whether people are receiving the care they need without suffering financially, which is one of the targets in the UN's Goal 3 concerning health. Sweden's rating is 80 out of 100, which is significantly higher than sub-Saharan Africa (42 out of 100) and South Asia (53 out of 100). Another interesting statistic is the number of doctors relative to the population. In sub-Saharan Africa, there are only 0.19 doctors per 1,000 inhabitants, while in Sweden, there are just over four doctors per 1,000 inhabitants. In addition, according to the WHO, almost half of all counterfeit medicines discovered during the period 2013 to 2017 were found in sub-Saharan Africa.

### HEALTH

Around 400 million people in developing countries have no access to basic health care and the quality of care is often poor. This is in part due to a shortage of qualified doctors and medical personnel, infrastructure and medicines.

To ensure that everyone has access to healthcare and medicines in developing countries, a number of parallel initiatives by different players will be needed, encompassing greater effort on the part of the governments in these countries, traditional donor cooperation, civil society and private sector services.

In 2018, Swedfund adopted a new focus sector: Health. Investments in the health sector have been taking place for many years and have shown good development results. Swedfund is particularly focusing on investments in the subsectors of general health-care, specialist care, the pharmaceutical industry, distribution and e-health. We are working in various ways to identify business models and partners which will enable us to reach more people, given the urgent needs that exist. Investing in enterprises in the healthcare sector in developing countries creates an opportunity for more people to receive care within this field, and creates the right conditions for medical expertise to be maintained in the country and passed on to other health institutions.

Many of Swedfund's health investments fulfil the 2x criteria for greater gender equality, partly through a high proportion of women amongst employees and partly through services aimed at women. We also see digitalisation as an important way of developing the health sector and contributing to greater inclusion, streamlining and innovation in order to improve quality, reduce costs and improve access to care.

Swedfund's investments are helping to develop an independent healthcare sector in the countries concerned. This promotes good health, with a higher mean life expectancy and lower infant mortality, according to Goal 3 concerning health in Agenda 2030. A healthier population also helps to boost the productivity of the workforce, and thus promotes inclusive growth and increased tax revenues.

#### CASE STUDY

### The Gamma Knife Centre, Cairo

An example of how Swedfund is contributing to the development of the health sector and improving local access to specialist care is our investment in The Gamma Knife Centre in Cairo, Egypt. This is a clinic which performs gamma knife radiosurgery, an established radiotherapy-based method for treating brain tumours, etc. It offers significantly lower risk, faster recovery and shorter hospital stays compared with open surgery. The treatment is offered to patients who have private health insurance, but 25% of patients also have their treatment either entirely or largely funded by a charity.





## FINANCIAL INCLUSION

In developing countries, small and medium-sized enterprises are responsible for the majority of jobs and are thus a driving factor in the economic and social development of the countries concerned. A shortage of funding is one of the most limiting factors as regards the ability of these companies to grow.

Swedfund's investments in Financial Inclusion are made in financial institutions and funds in these markets, and are intended to help these institutions and funds increase funding and lending to enterprises and entrepreneurs. We are contributing to attainment of the goals in Agenda 2030 through investments in financial institutions and funds, which in turn invest in unlisted companies and thereby contribute to sustainable growth. In turn, these fund many SME companies where jobs and goods and services are created where they are needed. Swedfund also invests in microfinance institutions (MFIs), which provide micro-loans to entrepreneurs and small businesses, as well as to people on low incomes who use loans for education and housing purposes, amongst other things.

Whenever Swedfund enters into an agreement with a fund or financial institution, we impose stringent requirements relating to sustainability. We have an active approach and follow up on the requirements we have agreed, and we provide support in the form of specialist expertise in order to develop the initiatives of the fund or financial institution relating to sustainability and societal development. In the case of microfinance institutions, we require them to be certified according to the SMART criteria or equivalent principles, which confirms that they are doing everything they can to treat their borrowers well and protect them from harm. For example, pricing must be transparent, excessive debts must be avoided, debt recovery must be carried out without any irregularities or coercion, and privacy must be respected.

# 53.5%

As of 31 December 2019, a total of SEK 2,671 million had been invested in the sector, equivalent to 53.5% of the total portfolio's value. Agreements for five new investments were signed in 2019, three with banks and two with funds.

### CASE STUDY

#### Equity Bank

One of Swedfund's most recent investments within the area of Financial Inclusion was made in Equity Bank, a leading Kenyan merchant bank. The aim is to improve access to loans for private individuals and to enable both micro-enterprises and SMEs to grow, by increasing their access to finance. By broadening the bank's services and strengthening the bank's work relating to sustainability, we are contributing to the sustainable and responsible development of the banking sector in Kenya.



## ENERGY & CLIMATE

Improving access to electricity is vital for positive development in the countries in which Swedfund invests. In 2017, almost one billion of the world's population were without any electricity supply. Half of these people live in sub-Saharan Africa.

As part of its aim to achieve Agenda 2030, Swedfund has been investing in renewable energy sources since 2014. The Energy and Climate sector also includes broader climate-related investments, such as energy efficiency improvements. We are also investing in water and sanitation projects. There are urgent needs within this sector, and we also believe that investments in the sector can have a positive impact on gender equality and women's economic empowerment.

The expansion of sustainable energy supplies requires a broad approach and innovative solutions. Through our investments, we are therefore funding both power sources connected to the grid and off-grid solutions which enable households, villages and communities to generate their own energy.

Our investments in the sector are helping to fulfil the Paris Agreement as regards combatting climate change. Above all, however, they help to meet UN Goal 13, which is about ensuring access to economically affordable, reliable, sustainable and modern energy for all. Goal 13 impacts on all other development goals, as the lack of sustainable energy is one of the main obstacles to fighting poverty, equal economic growth and job creation in developing countries.

# 31.7%

As of 31 December 2019, a total of SEK 1,583 million had been invested in the sector, equivalent to 31.7% of the total portfolio's value. Agreements for four new investments were signed in 2019.

### CASE STUDY

#### d.light

Swedfund is funding off-grid solutions through its investment in the company d.light, which manufactures and distributes solar power solutions for people who do not have access to a reliable electricity supply. Their solutions include smaller bulbs which are recharged by solar energy and, for example, enable children to do their homework after dark. Swedfund's investment was carried out at the end of 2018 to enable d.light's continued expansion in sub-Saharan Africa.

# Swedfund's investment instruments

Swedfund is the only player in the Swedish aid sector that is able to use equity, loans and funds for investments. This gives Swedfund a broad range of excellent opportunities to create sustainable businesses in developing countries.

The choice of investment form depends on the financing requirements of each portfolio company, but we also strive to establish a good balance of instruments in our combined portfolio.

In addition to this, Swedfund is also able to offer TA funds (Technical Assistance), which are used to boost the development results of our portfolio companies through initiatives within all three pillars: Impact on society, sustainability and financial viability.

## Equity

When Swedfund invests in equity, we are always a minority shareholder. We often have scope to exert an influence, as well as a place on the company's board of directors..

Our goal as a shareholder is to be a long-term investor, but to leave the company as soon as we are no longer needed. Swedfund will remain a shareholder for as long as there is scope to make a positive difference and contribute knowledge, e.g. within ESG and impact and financial resources that would otherwise not have been available. Thorough exit analyses are carried out for this form of investment, partly to ensure that new owners continue to run the company in a sustainable manner.

## Loans

A loan entails less risk compared with contributing equity, even if the level of risk in Swedfund's markets is generally always high. Loans are more predictable as instruments, partly because there is an agreed amortisation plan, ongoing interest payments and a planned closing date.

Requirements regarding sustainability, reporting and further development of sustainability work are established in the same way as for other forms of financing, but we usually have less scope to exert an influence after the loan has been disbursed. It is therefore vital for Swedfund to agree on these requirements in a loan agreement, i.e. before the first payment is made.

Swedfund sometimes issues loans to microfinance institutions in order to reach out to more borrowers and entrepreneurs.

## Funds

In developing countries with limited capital supply opportunities, funds constitute an important source of longer-term funding. This is complementary to other, more short-term forms of financing (such as bank loans, project financing and short-term working capital facilities).

Funds enable small and medium enterprises to obtain the necessary funding and help to ensure that Swedfund's capital reaches out to more businesses. These companies contribute to sustainable and profitable growth and thus help to reduce poverty by creating jobs, strengthening the tax base and participating in knowledge-building.

Swedfund also uses investments in funds to help improve the availability of health and renewable energy in developing markets. Swedfund usually enters as one of a limited number of investors and then participates as a member of LPAC (see the Fact box on the next page). The funds in which Swedfund invests are long-term and the managers we work with have a high level of expertise in the markets and sectors we are focussing on. Over the years, we have built up a network of fund managers that can be likened to a partnership, which increases our scope to exert an influence and bring about co-financing.

Swedfund imposes the same requirements on indirect investments in funds as it does on direct investments. By setting out the requirements that the fund must meet and supporting the sustainability work in particular, we contribute to the development of sustainable solutions. In order for Swedfund to invest in a fund, a number of conditions must be met. These conditions include but are not limited to:

- (i) the fund's investment guidelines, sustainability guidelines and reporting requirements are equivalent to Swedfund's requirements;
- (ii) the structure of the fund is transparent;
- (iii) the fund manager is competent, reliable and has a good track record;
- (iv) the fund's investments are expected to produce good development results; and
- (v) the fund investment complements Swedfund's direct investments in a positive way.

Swedfund can reach agreement with the fund concerning what is known as an opt-out right, which affords the right to refrain from investing in an investment that Swedfund does not wish to invest in. This could for example concern specific countries or investments in certain sectors.

*Swedfund has three main investment instruments: equity, loans and funds. Regardless of the form of investment, the same focus is placed on the imposition of requirements, control and active value creation.*

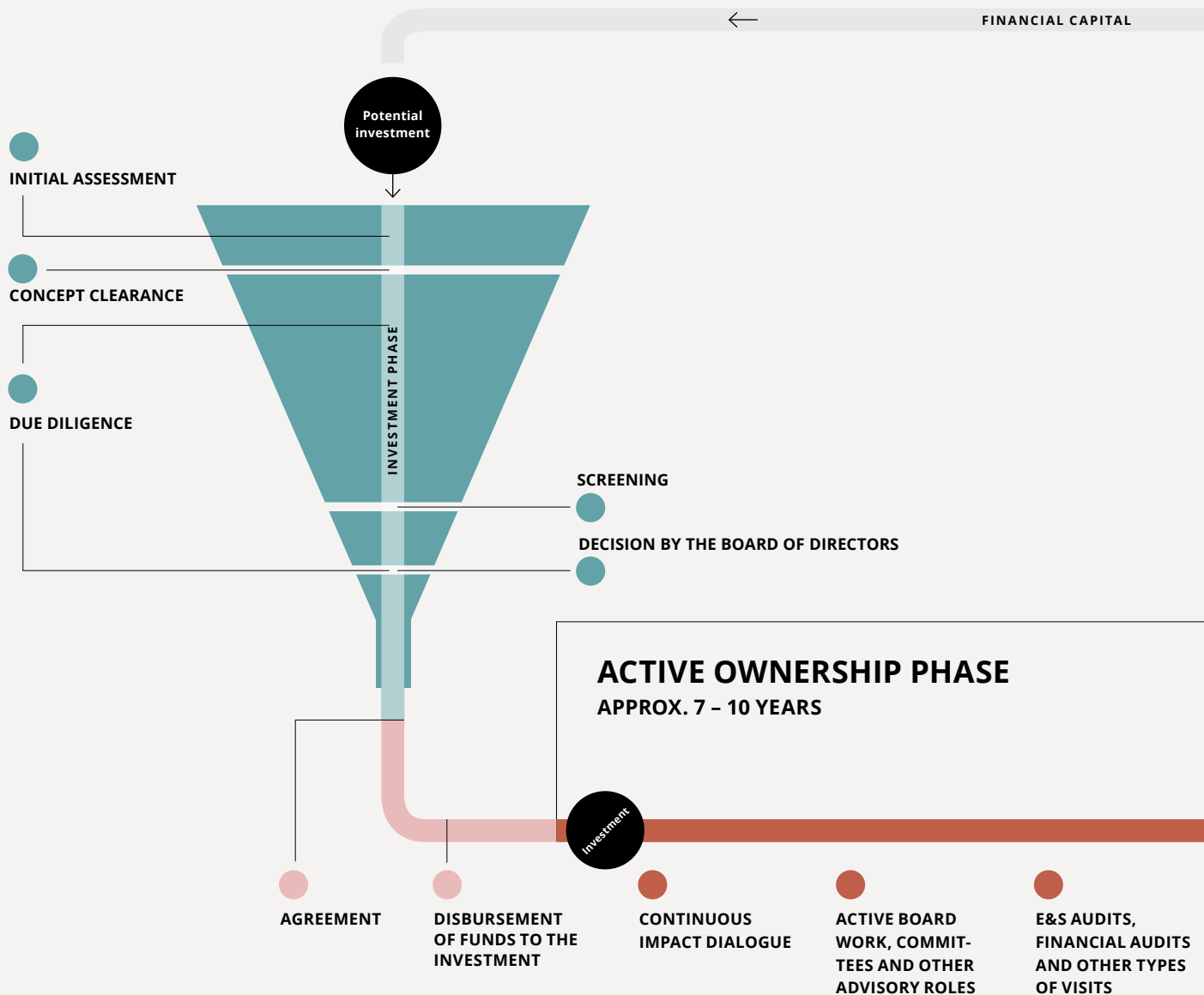
FACTS

**LPAC**

Amongst fund managers, some advice is given through LPAC, which is an association of eight to ten representatives from the largest investors. Swedfund takes part to ensure that the investment develops in the desired direction and that the investors' interests in the Fund are safeguarded.

# A thorough investment process

We support private companies, financial institutions and funds by providing loans and equity in order to create decent jobs and improve access to renewable energy and health. We have developed an investment process that will enable us to succeed in our challenging mission.



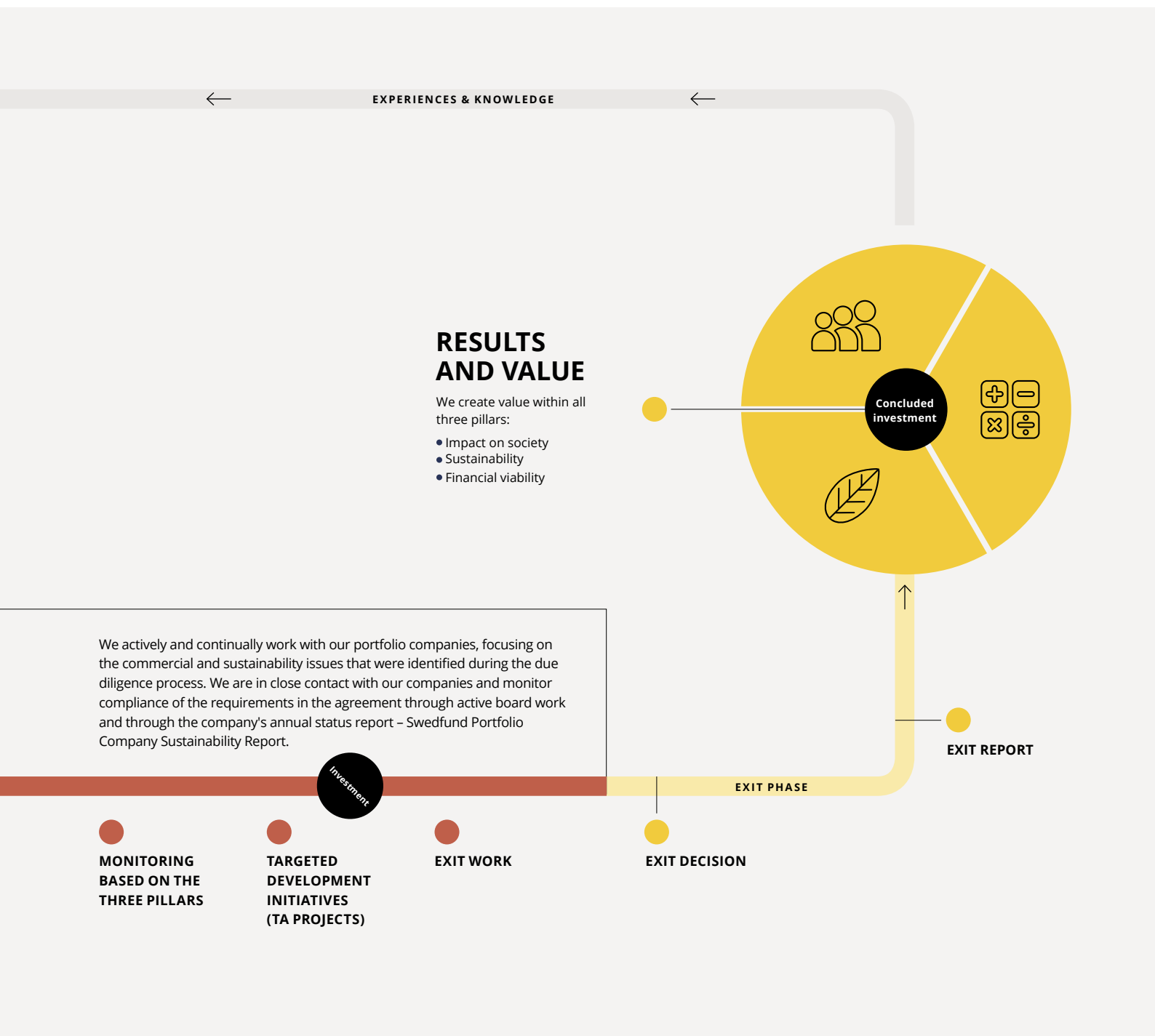


Investing in developing countries is associated with major risks, particularly economic risks. We endeavour to manage these risks through a comprehensive investment process. The investment proposals that we receive are first reviewed, and those which match our investment strategy and criteria are then analysed in more detail.

Investment managers and analysts, working alongside experts in ESG, law and impact, conduct a thorough analysis. Business plans, investment partners, sustainable develop-

ment (environment, employment conditions and anti-corruption) and development impact are all analysed. The analysis is then reviewed by Swedfund's Investment Committee and the process is concluded with a decision by the board of directors. Each investment must achieve the goals set in our three pillars: Impact on society, sustainability and financial viability.

The model below is described more in detail on the next spread.





# The investment process in practice

Swedfund's overarching mission is to fight poverty by investing in sustainable businesses. We do this by contributing to the creation of more decent jobs and by improving access to renewable energy and health care. As Swedfund's mission involves taking risks, it is important to have a proven and stable investment process. Here, we break down and describe how we operate during the various phases of the investment process. This approach is followed regardless of the sector in which the investment is made, or whether we invest in the form of equity or a loan.

## INVESTMENT PHASE

### Initial assessment

Swedfund annually evaluates a wide variety of investment proposals. The initial assessment examines whether the proposal is consistent with our investment strategy and criteria, and how our investment can contribute to attainment of the global goals. We carry out an overall evaluation of the country, the company and its business plan and strategic partners, and our potential role. In every investment that we make, our role must be additional, which means that we provide resources which are crucial to the development of the company that would otherwise not have been available.

### Concept clearance

After this initial step, the investment team summarizes an investment proposal, a concept clearance, which is then presented to Swedfund's Investment Committee. Swedfund's investment committee, which has both an advisory and a decision-making role, then decides whether to proceed with the investment proposal and carry

out an in-depth analysis. The investment committee comprises the management team and the head of Special Operations. Together with the investment team, the committee discusses the key opportunities and the greatest risks in the investment which must be analysed during the due diligence process.

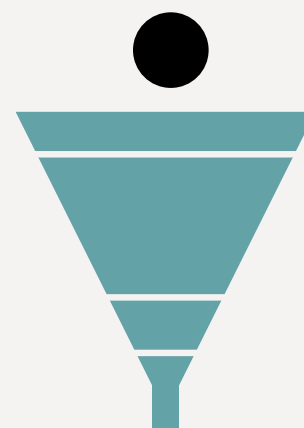
### Due diligence

If the committee decides to proceed, the investment proposal will continue on to the due diligence phase. A thorough analysis of the company is now initiated. Examples of factors which are analysed include the business concept, business model, market, financial history and forecast, investment calculation, partners, legal aspects, expected impact results, as well as sustainability risks and impacts, including the environment, working conditions, human rights, tax, risk of corruption, gender equality and climate issues. During the due diligence phase, the investment team meets representatives of different areas of the company in order to gain a deeper

understanding of the company and the processes, routines and documents that they have shared with Swedfund. If necessary, external expertise is hired to examine specific issues. Before the meeting, the company will be asked to complete a comprehensive questionnaire on environmental, social and corporate governance. The due diligence process forms the basis for the information that is used in the decision-making process. This includes an ESG Action Plan (ESGAP), which sets out the applicable requirements and also forms part of the investment agreement. It describes the changes that the company needs to make in order to meet Swedfund's sustainability requirements.

### Screening

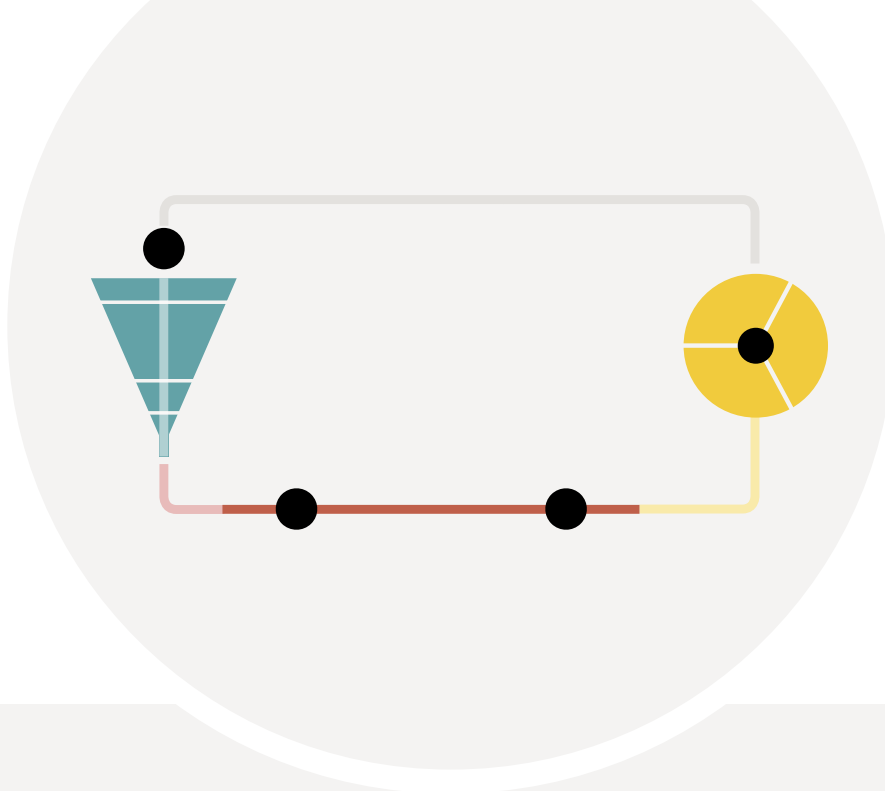
When the due diligence process is concluded, a screening meeting will take place during which the Investment Committee will decide whether the investment meets our requirements and is ready to be presented to Swedfund's board of directors. If the investment is not approved at this stage, it



may be because new information came to light during the due diligence process. It is not uncommon for new questions to be raised, which the team then examines in the final stage of the due diligence process. From 2018 onwards, we have also established a clear strategy for exiting.

### Decision by the board of directors

Once the screening process has also been completed, the investment team will present the proposal to Swedfund's board of directors, which will then reach a decision. If the investment is given the go-ahead, an agreement will be negotiated. The investment agreement includes not only legal conditions, but also sustainable development and reporting requirements.



## ACTIVE OWNERSHIP PHASE

Once the agreement has been signed and the money disbursed, the work that was begun earlier during the investment phase will continue. We work actively and continuously with our portfolio companies, focusing on the commercial and sustainable development matters which were identified during the due diligence phase.

During the period when we act as a lender or the co-owner of a company or fund, which usually extends over 7-10 years, an ongoing dialogue and close contact are maintained with the portfolio companies in order to monitor their performance, goal attainment and contractual conditions, both through visits, active board work and dialogue and through their annual report (the Swedfund Portfolio Company Sustainability Report).

Both internal audits and third party audits are conducted. In connection with fund investments, we can have direct contact with the underlying holdings of the funds, e.g. through visits, analyses, ESG initiatives and TA funds, and through their feedback.

The Senior Investment Manager is responsible for following up and ensuring that the companies comply with the agreed conditions, relevant parts of our policies and ESGAP. Within a three-year period from the date of disbursement, companies must achieve Swedfund's strategic sustainability goals. To help companies attain these goals, we can allocate funds in the form of technical assistance, which can for example be used for training or consultancy.

## EXIT PHASE

Swedfund is a long-term investor, but not a permanent owner. We end the investment and the partnership either through selling our shareholding or through concluding the loan or fund.

The exit phase generally starts when Swedfund considers the goals that were established for the investment to have been achieved or when we cease to be 'additional'. Once Swedfund has invested in equity, selling them in the markets in which Swedfund operates can be a difficult and time-consuming process. Ahead of the exit process, the portfolio company is analysed on the basis of Swedfund's three pillars. During this process, we consider whether fur-

ther initiatives are necessary. An exit report is prepared for each closure, where we analyse what we have learned and what relevant knowledge and experiences we can take with us into future investments. The exit report also describes the outcome and delivered results of the investment in our three pillars. We do this in order to ensure a responsible exit.

### FACTS

## FUNDS FOR TECHNICAL ASSISTANCE (TA)

Funding for Technical Assistance are used to boost the development results of our portfolio companies through initiatives within all three pillars. TA funds are primarily to be used to strengthen Swedfund's investments with regard to development effects, gender equality and sustaina-

bility, including the environment and climate, decent working conditions, business ethics and anti-corruption. These funds may be used in any country in which Swedfund invests from time to time in accordance with the current Owner's instructions.

# Our pillars

Our business model is centred on generating results within three pillars: Impact on society, sustainability and financial viability. These pillars permeate every stage of the investment process - right from the initial assessment during the investment phase, through the active ownership phase and all monitoring of performance, and finally exit from the investment.

## IMPACT ON SOCIETY



Swedfund aims to contribute to sustainable development in developing countries. Under the pillar of 'Impact on society', we evaluate and monitor to determine the number of decent jobs we help create through our investments. This monitoring also involves measuring the proportion of female employees, and the proportion of women in senior management in particular. Reported corporation tax is another key parameter in achieving greater transparency and contributing to sustainable development. It is also important to measure carbon dioxide emissions in order to limit such emissions in the longer term at holding level. We also assess an investment's additionality and the effects/benefits that the investment has created and have developed sector-specific KPIs for this.

## SUSTAINABILITY



Swedfund aims to help create sustainable businesses in developing countries. This means that our portfolio companies must offer decent jobs, implement a management system concerning environmental and social risks, and actively strive to combat corruption. The monitoring of this pillar involves following up the status of employment conditions in accordance with the ILO Declaration on Fundamental Principles and Rights at Work, and the implementation and performance of management systems. The pillar also includes indicators for corporate governance and anti-corruption.

## FINANCIAL VIABILITY



Swedfund aims to help create profitable and financially viable companies in developing countries. Swedfund is a long-term owner, and the profitability of an individual portfolio company may vary during the investment cycle.





# Tools for sustainable procurement and financial support

Our initiatives also include the Project Accelerator and Swedpartnership. The Project Accelerator aims to create more sustainable projects in developing countries, while Swedpartnership is helping SMEs to establish partnerships with enterprises in developing countries.

## Project Accelerator

Swedfund's Project Accelerator is contributing to the development and implementation of more sustainable projects in developing countries, and is therefore a vital tool for achieving the goals of Agenda 2030.

The implementation of more sustainable solutions is crucial to achieving Agenda 2030. One challenge being faced in many less developed countries is a lack of capacity in the public sector to work on project development during the early phases. There is therefore a high risk that many countries will opt to procure solutions which result in them building in dependencies which are unsustainable in the long term. It also means that financiers and investors find that projects that are being carried out are neither sustainable nor financially viable. This gap is hindering sustainable investments in developing countries in a situation where there are urgent needs.

Through funding from the Project Accelerator, external expertise can be brought in at an early stage in the project development process to support the local project owner. In this way, the Project Accelerator has a catalytic effect and helps to promote the development of sustainable projects and make them finan-

cially viable and feasible. At the same time, commercial opportunities are created for Swedish companies which offer sustainable and long-term profitable solutions, through procurements which give greater consideration to sustainability and life-cycle costs. Swedfund's role is to fund the feasibility study. After this, other organisations can then take over and develop the projects further.

The embassies are a vital part of Swedfund's work relating to the Project Accelerator. They are located in the countries in which we operate, have extensive networks and can help to identify relevant needs that can become projects. Embassies are also important contributors during the implementation stage, partly because major projects often become the subject of debate at a high political level. The other players within Team Sweden (Sida, SEK, EKN and Business Sweden) are also important partners to the Project Accelerator.

A total of 20 projects have been initiated and are at various phases of commitment and levels of activity. Projects are generally preceded by extensive anchoring and preparation, and the actual initiative that Swedfund funds usually lasts between six and twelve months. At the same time, it can sometimes take time between a decision being made regarding an initiative and the initiative being implemented, primarily depending on developments in the country concerned. Read more about the Project Accelerator on page 78. You can also read more on the next page about one of the projects: public transport in Abidjan in Ivory Coast.

## Swedpartnership

Swedpartnership offers financial support to small and medium Swedish companies that establish an operation in developing countries. Swedpartnership is completely separate from the investment business. The aim of the establishment aid is to contribute to the creation of sustainable and profitable local businesses. The aid can be used for two activities: skills transfer and investments in equipment and machinery. All activities that are funded must be aimed at the staff and operations of the local collaborating business. The aid is intended to help reduce the level of risk in the project and gives the Swedish company an opportunity to set aside the resources that are necessary to ensure a successful partnership.

The funding takes the form of a loan that is written off after the project has been completed and approved. Swedpartnership evaluates and monitors the development results of the projects. Read more about Swedpartnership on page 78. In 2019, a discussion was initiated whether Swedpartnership should have another organisational platform, which could be a Swedish government agency or state-owned company.



## Project Accelerator

# Feasibility study contributes to the sustainability of the public transport system in Ivory Coast

The Project Accelerator has funded a feasibility study concerning the introduction of a new public transport system in Abidjan, Ivory Coast. At the end of 2019, the Ministry of Transport and Abidjan's transport company, SOTRA, signed an agreement with Scania for the procurement of new buses.

**Many cities in** developing countries lack effective and sustainable transport solutions. With over five million inhabitants and a strong trend towards urbanisation, Abidjan in Ivory Coast is no exception. The most common means of transport are to use the informal public transport system that is operated by minibuses (Gbaka) or to walk.

Through the Project Accelerator, Swedfund can fund experts, advisors and consultants to support a local project owner. One of the Project Accelerator's first projects was sustainable urban transport in Abidjan. At the start of the project, access to public transport was limited. High costs, long queues, high emissions and unsafe environments were some of the negative impacts on the city's residents, but the economic development of the city was also being affected. According to the World Bank, poor mobility is reducing growth by as much as 4-5% in Abidjan.

The Project Accelerator financed a feasibility study for the phased introduction of a modern, integrated and coordinated public transport system. Swedfund's partner was the Ministry of Transport in Ivory Coast, but a number of other stakeholders were also affiliated to the project. The development plan took about six months to

draw up, and a team consisting of specialists from various fields contributed. The feasibility study identified measures that can be implemented immediately, as well as more comprehensive measures with a longer timescale.

**In January 2018, the work was presented** at a seminar in Abidjan to which many delegates were invited from civil society, development banks, local businesses and representatives from various ministries, the city and the region. The study was well received and many appreciated the very inclusive and transparent work processes.

Based on the feasibility study, a major development of the public transport system in Abidjan has now been initiated with the aim of developing and expanding the city's public transport system.

The project began in autumn 2016 and the results became clear during 2019. At the end of 2019, it became clear that the Ivorian Ministry of Transport and Abidjan's transport company SOTRA had signed an agreement with Scania to procure a sustainable transport solution. The deal is the result of a long-term collaboration within Team Sweden which has led to this major Swedish export deal.

"Establishing sustainable solutions in developing countries will be vital in order to prevent countries from building in dependencies which are unsustainable in the long term. Our work in Ivory Coast is an important part of the implementation of Agenda 2030 and a good example of the establishment of a partnership in order to achieve the goals. Without a close collaboration with private companies and other players within Team Sweden, with Business Sweden, SEK and EKN and the embassy, it would have been very difficult to develop a sustainable solution that contributes to comprehensive development effects," says Maria Håkansson, CEO of Swedfund.

**In addition to the procurement of** new buses, a BRT system involving fast buses will also be implemented with funding from the World Bank, which has pledged to support Abidjan in the amount of USD 300 million to fund, amongst other things, one of the two major BRT lines that were recommended in the development plan. Swedfund is now also funding a study which is looking at the opportunities to locally produce biofuel from organic residues which can be used for public transport.

"Locally produced biofuels are better from an environmental and climate perspective and also generate local jobs," says Håkan Dahlfors of Swedfund's Project Accelerator.

The provincial organisation ANADER is the beneficiary of the aid from Swedfund, but operators from across the value chain are involved, including both private sector, state and stakeholder organisations.

# Seminar celebrating 40 years of Swedfund

On November 5, we invited many stakeholders and guests to a seminar to mark Swedfund's 40th anniversary. Peter Eriksson, Minister for International Development Cooperation, gave a speech on the role of development finance institutions in achieving Agenda 2030. The seminar was also attended by representatives of our owners, other European development finance institutions, civil society, Team Sweden and many of the companies that we finance.





40 years of development

# Swedfund's investment in the 1990s facilitated mobile telephony in Namibia

One of the best examples of the progress made in Africa over the past 25 years is the huge expansion in mobile telephony and associated services. On the African continent, there are now as many mobile subscriptions as there are people, approximately 900 million. In Namibia, Swedfund played a crucial role in the development.

**In the early 1990s**, mobile telephony was still rare in Africa. In 1994, MTC (Mobile Telecommunications Limited) was established in Namibia as a joint venture between Telia International, Swedfund and state-owned Namibia Post & Telecom Holdings (NPTH). The investment made by Swedfund was considered to be associated with considerable risk.

MTC's GSM network was the first to be constructed in Namibia and one of the first in Africa. In 1995, MTC had around 30,000 subscribers, and telephone services were provided in every city and in some rural areas too. At the time, the company employed approximately 80 people and training was a high priority. Over the next ten years, MTC invested over SEK 700 million in expanding the GSM network in Namibia. This led to 88% of the population having access to mobile telephony. Prepaid cards were soon launched and proved to be a great success, especially in rural areas.

**Digitalisation in general** and mobile telephony in particular have made a major contribution to the development of many industries on the African continent. Although barely one in four sub-Saharan people are currently internet users, new technologies have enabled several steps in the industrial revolution to be skipped. Industries such as agriculture, retail, health and education have all benefited from technological advances, but mobile telephony in particular has made a strong contribution to the development of new banking and payment services. They play an instrumental role in financial inclusion.

Inadequate infrastructure and unreliable electricity supplies present a number of challenges in the continuing digitalisation process. Today, 600 million people in sub-Saharan Africa have

# 98%

Today, MTC's network covers 98% of the country's population and is increasingly investing in internet traffic.



no access to a reliable electricity supply, which is of course a major obstacle to development. In addition, in order to use mobile phones to their full potential, the potential users must be able to afford the technology and be literate.

By the time Swedfund divested its investment in MTC Namibia to the largest shareholder NPTH in May 2004, the company had developed enormously through the initiatives. By the end of that year, MTC had 220 base stations covering almost half of the country. Today, the company is Namibia's largest mobile operator, with over two million

subscribers, more than 650 base stations and over 400 employees. MTC's network covers 98% of the country's population and is increasingly investing in internet traffic.



**MTC's successes** surpassed even the most optimistic expectations. MTC has had, and still has, a major impact on Namibia, partly through the tax revenues that it generates and through a range of social projects.

Accessibility and the ability to communicate and obtain and disseminate information are pivotal democratic issues where MTC has also played an important role.

# Risk management in complex assignments

As a development finance institution, risk is pivotal to our business. Swedfund invests in countries and sectors which are characterised by considerable risks on a number of levels. We have processes in place and continuously strive to manage risk.

Swedfund's mission as a development finance institution is to act additionally and catalytically. This means that, where there is a shortage of commercial capital, we must take greater risk than other investors are normally willing to accept. Our activities will stimulate other actors into wanting and daring to do more.

In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced. We manage risks at different levels: strategic, investment, operational and financial. Sound risk management is both a prerequisite for the business and ultimately a potential way of improving development results.

A description is given below of Swedfund's key strategic risks, investment risks and operational risks. Read more about our financial risks on pages 107 - 109.

## Strategic risks

Strategic risks focus on structural factors related to our mission to be active in the "least developed countries". The risks include, but are not limited to, macro risks, including risks relating to climate, corruption, human rights violations and political instability.

It is also important to give strategic consideration to country and concentration risks. When we assess potential investments, we strive to establish a balance in the portfolio between countries/regions, sectors and instruments.

We continually monitor business intelligence and follow up our strategic risks. The ability of our portfolio companies to contribute to development is affected by the companies' strategies and the way in which they implement them, as well as their ability to respond to and manage changes in regulatory systems and the outside world. If our portfolio companies fail, this could lead to a loss of confidence in the business. Our business model is based on three pillars: Impact on society, sustainability and financial viability.

## Financial risks

These are risks which are associated with Swedfund's investments in equity, loans and funds, as well as the management of short-term funds.

## Investment risks

It is in the investments that our biggest risks lie, and risk management forms a natural part of our investment process. Our capital is linked to requirements and competence, and we strive to prevent the risks that we can see by being active and supporting the portfolio companies. However, the complexity of our mission, combined with the fact that we are investing in the world's poorest countries, means that despite the establishment of suitable systems and processes, we can never completely eliminate all the risks in an investment. However, we must act when we become aware that something has happened amongst our portfolio companies. We also always try to mitigate the risks that we identify.

## Impact on society

There is also a risk that investments will not achieve the impact on society that we considered likely when we made the decision to invest. This may include factors such as the absence of job creation at the anticipated rate or the failure to generate tax revenues if a company makes a loss. A

further risk is that it is difficult or takes longer to influence the balance between men and women amongst employees, at management level or on company boards. The risks associated with impacts on society are handled through active management; see below under sustainability.

## Sustainability

The sustainability risks, within the framework of the investment risks, that we have identified are linked to our sustainability policy and our sustainability goals (see Swedfund's ethical compass on page 50). In individual holdings and at portfolio level, there is a risk that our investments do not meet the sustainability requirements that we impose and thus do not contribute to long-term value creation. Corruption is often common in the environments in which we invest, and the absence of national legislation in areas such as working environment and trade union rights imposes exacting demands on us and our portfolio companies to create the necessary routines and processes within this area.

Sustainability risks are dealt with through active management. In accordance with our sustainability policy and our strategic sustainability goals, we impose requirements on systems and processes to manage risks and influence companies through action plans and follow-up.

### FACTS

## RESPONSIBILITIES AND POLICIES

Swedfund's board of directors has overall responsibility for identifying and managing the company's risks. To ensure that risks associated with the company's operations are continually identified, analysed and managed appropriately, the Company has developed and implemented a number of governing documents, procedures and processes, including Swedfund's policies (see Swedfund's ethical compass on page 50)

and our investment process (pages 32 - 35). These set out a clear framework for the company's risk management, and follow-up is carried out regularly to ensure that risk exposure is kept to an acceptable level for the company and that risk management is both effective and efficient. During 2019, a review of Swedfund's governing documents was conducted, which covered policy documents, procedures and processes.



**Financial viability**

Economic risks are linked to the financial viability of our investments. This includes, for example, business and partner risks, credit risks and currency and interest rate risks. Business and partner risks are risks which are linked to business concept and market, and to which partners Swedfund chooses to invest with.

We carry out risk management on an ongoing basis during the investment process, which continues throughout the entire holding period of the investment. Swedfund's investment team is responsible for managing risks within the portfolio companies through active ownership, such as board work, company visits and other follow-up such as reporting of various kinds.

**Operational risks**

Operational risks are risks associated with Swedfund's internal operations. These can be poor internal processes, defective systems, legal risks, fraud, corruption and the human factor. To safeguard Swedfund's ongoing operations, we continually strive to limit and, where appropriate, mitigate risks, partly through our Code of Conduct and clear guidelines concerning the handling of conflicts of interest.

There are also risks associated with internal controls where inadequate procedures could have adverse consequences. In the corporate governance report on page 119, we present an account of Swedfund's internal and general controls regarding financial reporting. During the year, Swedfund worked to develop and strengthen the internal control environment and associated processes.

Since 2016, a whistleblowing service has been available via which employees in Swedfund and our portfolio companies can report irregularities with complete anonymity. During 2019, three notifications were received which were dealt with in accordance with the established routines.



# We will have a greater impact

In order to deliver on Swedfund's mission to contribute to the implementation of Agenda 2030, solid expertise and experience, combined with a desire to bring about continuous development, will be essential. We will improve our value creation by integrating the impact methodology into the investment process along with ESG.

Swedfund has 40 years of experience of investing in complex markets with the aim of creating value in the form of positive development effects which help to reduce poverty. Over the years, expertise and knowledge within ESG have been integrated into our business model, our policies and not least the investment process and its associated guidelines. We have many years of experience of evaluating and following up environmental, social and anti-corruption risks relating to our investments, as well as monitoring the various regulations surrounding them.

Yet we are also well aware that the world around us is constantly changing and we are therefore determined to continually develop our working methods and tools, both in order to minimise risks and to measure our positive impacts. The efforts being made to achieve the UN's sustainable development goals make it clear that further development is essential. It will not be possible to achieve many of these goals given the current rate of progress. As a development finance institution, it is imperative that we innovate and find ways of generating more positive effects from our work more quickly, and that we measure these effects.

## Integration of impact on society

This year, the renewal of our impact work has led us to establish a new and combined department for Impact on society and ESG. To give these issues further weight, they have been afforded a place in the management team. The aim is to both generate and enhance expertise within both Impact on society and ESG. A further aim is to support the natural integration of impact on society in the investment process, in the same way that ESG has previously been integrated. The ambition is that we will always explore the possibilities of lifting an investment beyond regulatory compliance, in order to create added value.

During the year, we laid the foundations for systematic impact work. As an initial step, we developed a Theory of Change for Swedfund (see the illustration). This is about understanding and identifying the effects that we can create through our investments, as well as developing the ability

to measure them in a credible way. In our activities, the theory has been adapted to make it compatible with the overarching level, for our various sectors (Energy & Climate, Financial Inclusion and Health) and for the thematic areas of climate, women's empowerment and digitalisation. Digitalisation is a new area in the new business plan.

Swedfund's direct impacts can be measured by collecting data and compiling various key figures. During 2019, we focused on improving the underlying data from all our companies as regards both quantity and quality. The indirect impact is more difficult to demonstrate through data, and we have therefore initiated impact studies in order to clarify different effects and relationships. One study concerns the impact of a wind farm in Pakistan, another focuses on gender equality linked to companies we have financed indirectly through a fund which has been successful within the area of gender equality, while a third concerns the health sector in India.

Our working methods are also being developed through our decision to sign up to IFC's Operating Principles on Impact Management. These give us a set of principles concerning how impact should be integrated into the operation. The framework for the principles also includes some reporting, which, for our part, is available at [www.impactprinciples.org](http://www.impactprinciples.org).

Swedfund has also been active in the work to increase the degree of harmonisation within EDFI, where the principles of responsible investment have now been updated to include impact. Common working methods are aimed at improving both methodology and efficiency for all European Development Finance Institutions and their funding. Swedfund's active participation also gives us the opportunity to drive through and achieve breakthrough as regards Swedish priorities.

## The 2x Challenge and climate

During the year, we further stepped up our efforts to ensure that our investments have a positive impact as regards gender equality and climate. We are particularly proud to have taken

## ESG

Environmental, Social and Governance

## IFC

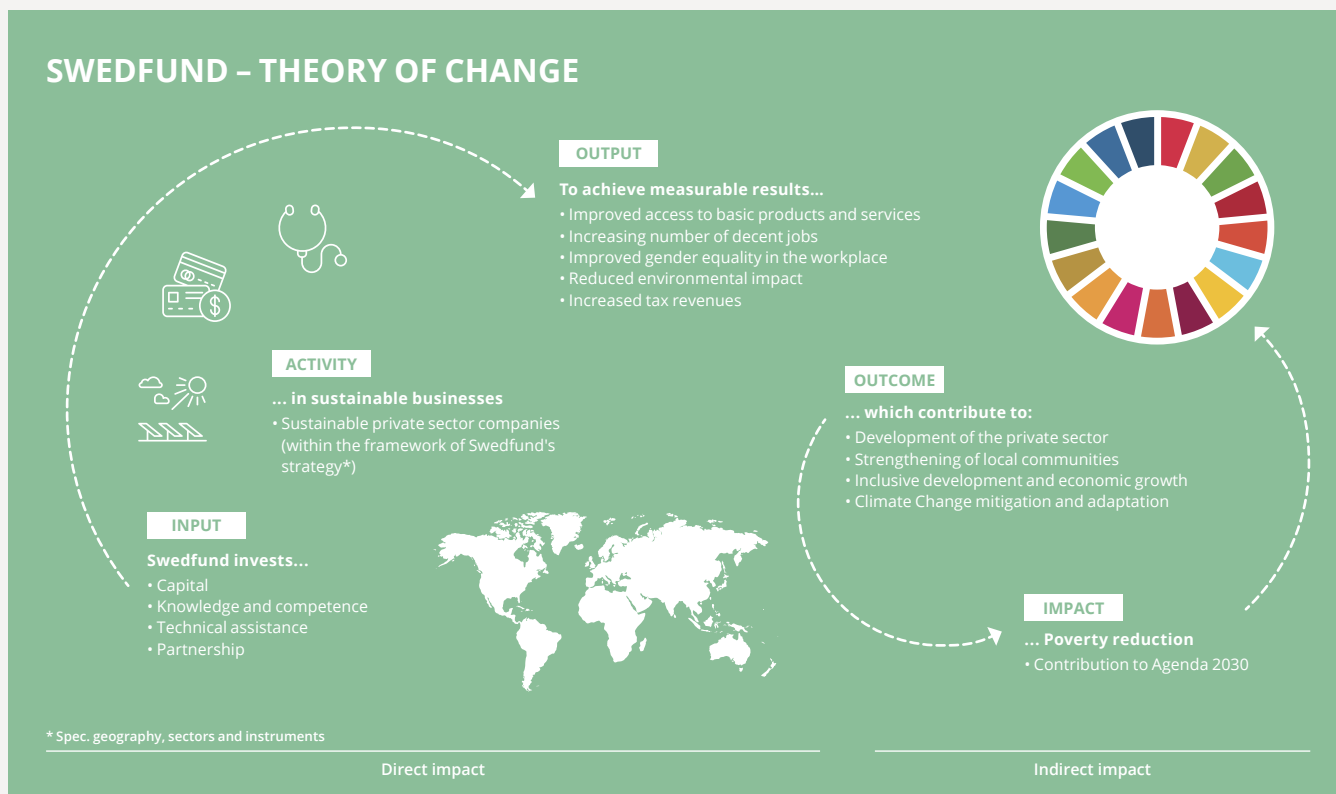
International Finance Corporation (the World Bank's international financing company)

## EDFI

European Development Finance Institutions

## TCFD

Task force on Climate-related Financial Disclosures



on the 2x Challenge, a G7 initiative aimed at increasing investment in women's development, in women-led companies, and in companies which employ many women or offer products and services for women. The goal is for 60% of the companies in our portfolio to fulfil the 2x criteria. Alongside this, we are continuing to develop our own tools to help companies become more equal. Women4Growth is an example of a programme for women in our portfolio companies which aims to promote empowerment and equal jobs. This year, our entire organisation has also completed training regarding gender equality issues with a focus on meritocracy and unconscious bias. This better enables our employees to take up the issues with the companies we work with.

In 2019, we also developed our own work relating to the issue of climate. Using the Paris Agreement as a starting point, we have now established a new mission goal which requires us to have a climate-neutral portfolio by 2045, i.e. the same year in which Sweden as a country is to be climate-neutral. This means that our portfolio will capture the same amount of carbon dioxide as the holdings in our portfolio emit into the atmosphere. Greenhouse gas emissions from our portfolio per invested krona will also decrease.

Work is under way to develop relevant measurement methods and secondary goals, so that we can

continuously reduce emissions from the companies in our portfolio. To this end, we are working as part of a test group for the Science Based Targets initiative, which aims to develop strategies, practices and approaches for investors to reduce climate impact. This work is continuing in 2020.

Developing countries have a relatively small climate impact, but our markets are amongst the most exposed to risks relating to climate change. Analysis and reporting of these risks is therefore a high priority for us as a development finance institution and, in 2019, we joined TCFD, a framework for the reporting of climate risks by investors. Next year, we plan to look in more detail at scenario analysis and the evaluation of climate aspects within this framework.

### Further development of ESG

Everything we do in impact on society management is based around what we have already achieved within ESG. Our efforts relating to ESG to further develop working methods and processes are continuing. During the year, we primarily focused on human rights, particularly as regards risk analysis and our working methods with respect to banks and funds. This is being done in collaboration with the EDFI collective and, in particular, the development finance institutions in our Nordic neighbours.

### FACTS

## IMPACT INVESTMENT

For Swedfund, Impact Investments is the combined outcome of our efforts within our three pillars of Impact on society, sustainability and financial viability

# Partnerships for success

As a relatively small development finance institution, cross-border partnerships are crucial if Swedfund is to succeed in its mission and contribute to Agenda 2030. Entering into partnerships is an opportunity to grow, share knowledge and be additional. However, just as in any relationship, constant efforts are needed to build up confidence, realise the full potential of a partnership and understand the new partnerships that are necessary.

## Partnerships with

### DEVELOPMENT FINANCE INSTITUTIONS

Swedfund is one of 15 European development finance institutions, known as DFIs. We carry out most of our investments together with our European partners. Our platform for cooperation is the organisation EDFI, which is led by a secretariat which coordinates the exchange of knowledge between our respective organisations and works to raise awareness of the important work of the DFI. In 2019, Swedfund CEO Maria Håkansson was elected onto EDFI's board of directors. This gives Swedfund an excellent opportunity to contribute to the development and steering of EDFI's work.

A key issue has been the negotiations concerning the EU's new financial framework and the scope to allocate more resources to development finance and better coordinate the EU's instruments for this.

During 2019, EDFI launched several new partnerships in order to promote the cooperation concerning development finance and capital mobilisation. For example, EDFI has signed cooperation agreements with the Canadian (FINDEV) and US (OPIC/USDFC) development finance institutions.

During the year, EDFI also focused on the renewAfrica collaboration, which EDFI signed up to during the COP 24 climate summit in Madrid. The intention is to promote investment in renewable energy in Africa. The cooperation has primarily focused on updating and developing new principles for our operational work regarding certain aspects of impact on society and sustainability. By using the same framework, we make it easier for the portfolio companies we have invested in, and we can join forces to help portfolio companies develop in a more sustainable direction. Common standards also contribute to greater transparency and help to ensure that we follow up and measure impact in the same way. This is a key prerequisite for ensuring real impact and for ensuring that the outcome of an investment is consistent with the anticipated outcome. These are also important aspects of the ongoing effort to increase the mobilisation of private capital.

During the year, Swedfund deepened its relationship with our German counterpart DEG by signing an agreement for closer cooperation linked to investment. This will involve closer interaction concerning potential investments and joint value creation over the investment period.

## Partnership for

### DIGITALISATION

One of the areas in which Swedfund is seeking to strengthen the partnership with other players is digitalisation.

Digitalisation and new technologies are important tools for promoting development and can provide simple means for creating inclusive societies. This is particularly true in developing countries. However, there is also a great risk that gaps within and between countries will increase, unless countries are prepared to take advantage of the opportunities that are presented by new technologies.

New technology is already helping to promote financial inclusion and can enable many steps in the industrial revolution to be leaped. Industries such as agriculture, retail, health and education have all benefited from technological development, but mobile telephony in particular has made a strong contribution to the development of new banking and payment services. Technology for renewable energy generation and distribution is also helping to improve access to off-grid energy in rural Africa. Block chain technology is also making it possible to record energy consumption and creditworthiness, and offers opportunities for the trading of electricity between households. In the health sector, digital solutions can offer access to healthcare regardless of geographical distance or resource limitations.

At the same time, mobile penetration remains low in Africa. There is often no access to electricity and infrastructure in order to guarantee internet access. Moreover, legislation has not always kept up with the pace of development, e.g. regarding privacy issues. To address these challenges, it will be essential to establish a broader partnership not only between aid organisations, governments, private companies, civil society and investors, but also between development finance institutions.

In 2019, Swedfund organised a seminar in Washington on digitalisation and how new technologies can be used to fight poverty and accelerate Agenda 2030. The seminar was arranged in cooperation with our Canadian counterpart FINDEV and the American think-tank CSIS. The recommendations from the seminar were published in a report, which highlighted the importance of drawing on the experience of development finance institutions to create platforms which release capital for these types of investments. We can use technical assistance to drive forward digital change and innovation, introduce measurement parameters for evaluation and reporting concerning how digitalisation has contributed to development effects, and appoint people with digital expertise to boards in order to promote inclusive development.

Swedfund's partnership involves many different stakeholders: Portfolio companies, civil society, other development finance institutions and, of course, traditional aid. The partnership is such an important part of Agenda 2030 that it is one of the 17 goals. In 2019, our partnership was developed in a number of areas. Here are some examples.

### *Partnership for*

## **THE CLIMATE**

Climate is one of the biggest single issues of our time and an area where an active partnership between many stakeholders is absolutely crucial. It is the least developed countries that are at risk of suffering the most if we fail to combat climate change.

Development finance institutions such as Swedfund can act in a variety of ways in order to create partnerships for climate. Swedfund, which invests solely in renewable energy sources, acts both catalytically and by helping to mobilise private capital for investments in renewable energy projects which are often associated with a high level of financial risk in the countries in which we operate. Along with the other European development finance institutions, Swedfund has also decided to enter into a partnership aimed at increasing the share of climate investment globally.

During the past year, Bloomberg's Global Business Forum in New York saw the announcement of a new collaboration with high ambitions within the field of climate investment as regards emerging markets in developing countries. Our industry association EDFI and the Climate Finance Leadership Initiative (CFLI) joined forces in an initiative to promote cooperation between state and private sector actors with the aim of reducing the climate funding gap in emerging markets in developing countries. EDFI and CFLI will engage their members to initiate projects, manage risks and broaden opportunities for financing and investment in the private sector in emerging markets in developing countries.

However, it is also vital that we have an active approach to the environment and climate in our portfolio companies which do not generate energy, e.g. by contributing to energy efficiency improvements. Shortcomings in the responsible management of electronic waste were also the subject of debate during the year. If the waste issue is not managed properly, we may see end-of-life solar panels and batteries ending up on wild upland areas, which will of course have consequences for both the environment and humans. Initiatives and proposals concerning electronic waste solutions have been held back in the past by concerns that the additional costs will have to be borne by either the customers or the businesses themselves. Based on the funds we have available for technical assistance, Swedfund is therefore funding an initiative aimed at improving electronic waste management in developing countries. This is a partnership with GOGLA, which is a global association for the off-grid solar energy industry.

### *Partnerships to promote*

## **WOMEN'S ECONOMIC EMPOWERMENT**

It is a fundamental human right that everyone should be valued equally, regardless of gender. However, we have a long way to go in our efforts to create equal and inclusive societies. Women are generally more vulnerable than men. A significantly higher proportion of women than men live in poverty, and national legislation in some countries leaves it to men to decide whether or not a woman should be allowed to work. Yet the role of women in achieving inclusive growth is key, as is their importance in creating innovative, sustainable and profitable companies. Gender equality means that men and women should have equal access to products, services and capital, which will be essential to enable men and women to participate in society on equal terms. We therefore decided to join the 2x Challenge in 2019. This is an initiative by the G7 to mobilise USD 3 billion for investments in women in developing countries by 2020. Within the framework of the 2x Challenge, a number of indicators have been developed to categorise and measure the impact of an investment on women's economic empowerment. Swedfund has also helped to develop a platform for cooperation between European development finance institutions, the European Investment Bank (EIB) and our US and Canadian counterparts. The aim is to exchange knowledge, carry out case studies and cooperate over investments which benefit women. Within EDFI, the importance of investing to promote gender equality has grown, and efforts are under way to harmonise, based on criteria developed within the 2x Challenge, the view of how an investment can be categorised in order to benefit women.

Swedfund is striving in numerous ways to promote women's economic empowerment. We use TA funds for the Women4Growth programme, which is a talent programme for women designed to promote more equal jobs and ensure that portfolio companies utilise the full potential of female employees.

# Swedfund's ethical compass

Our ethical compass consists of the policies, international commitments, guidelines and transparency commitments that we follow. The compass ensures that we contribute to development in a sustainable way.

## Swedfund's ethical compass

Swedfund's ethical compass has been developed on the basis of our mission and the needs that we have identified in a close dialogue with our owner, partners and other stakeholders. The dialogue with our stakeholders is particularly important in order for us to be continually challenged and developed, so that we can fulfil our mission as a development finance institution. Read more about our stakeholder and materiality analysis on page 130.

Swedfund's Code of Conduct and Sustainability Policy are key policies which are adopted by the board of directors. The commitments in our policies extend beyond compliance with existing legislation, as we are committed to complying with voluntary international guidelines. The fact that Swedfund's employees follow our Code of Conduct and implement, amongst other things, our Sustainability Policy, Anti-corruption Policy and Tax Policy, is crucial to fulfilling our mission as a responsible investor. The ethical compass is an important component

in our introductory programme for new employees. To boost internal competence in the field of sustainability, continuous training is provided for Swedfund's employees concerning international guidelines and commitments, our policies and issues such as climate, gender equality, human rights, anti-corruption and corporate governance. Policies and commitments in the ethical compass encompass both Swedfund as a company and our portfolio companies.

## Updated policies

In 2019, we updated our Code of Conduct and Sustainability Policy, which were last revised in 2015. The policy was in need of updating, especially as regards human rights, an area which Swedfund has been focusing on in recent years. The policy was also updated regarding gender equality and climate, and the requirements that we established for our portfolio companies were clarified. Both the Sustainability Policy and the Code of Conduct are adopted by the board of directors.

## ETHICAL COMPASS

### Policies

- Swedfund's Code of Conduct
- Swedfund's Policy for Sustainable Development
- Swedfund's anti-corruption policy
- Swedfund's tax policy
- Swedfund's Position Paper on Climate Impact
- Swedfund's Position Paper on Children's Rights
- The State's Ownership Policy and Guidelines for State-Owned Enterprises
- Owner's instructions for Swedfund International AB

### International commitments

- UN Global Compact
- United Nations Principles for Responsible Investment (UNPRI)
- EDFI's Principles on Responsible Financing
- The World Bank Group's Corporate Governance Development Framework
- EDFI's Exclusion List
- 2X Challenge – Financing for Women

### Guidelines

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- IFC's Operating Principles for Impact Management
- IFC Performance Standards on Environmental and Social Sustainability
- IFC Environmental, Health and Safety Guidelines
- EDFI Harmonized Environmental and Social Standards for direct investments, financial institutions and fund investments
- EDFI Guidelines for OFC's
- Joint International Finance Institutions Communiqué: Contributing to Creating More and Better Jobs

### Transparency commitments

- The International <IR> Framework for Integrated reporting
- Global reporting initiative (GRI) Standards
- UN Global Compact Communication on Progress (CoP)
- UN Principles for Responsible Investment (UNPRI) Reporting Framework
- Open aid
- IFIs' Harmonized Development Results Indicators for Private Sector Investment Operations
- Task force on Climate-related Financial Disclosures (TCFD)



# The portfolio companies' results

## Introduction

This section, which opens the Directors' Report, presents the trends in the results of Swedfund's investment portfolio. It also describes how Swedfund is working to achieve its stated goals and thus support the implementation of Agenda 2030. The trends in results are presented for all three pillars (impact on society, sustainability and financial viability), and are illustrated using a number of indicators. The structure of the analysis and selected indicators essentially uses the same format as Swedfund's integrated report for 2018. At the end of 2019, the total value of Swedfund's contracted portfolio amounted to just over SEK 5.5 billion.

The performance indicators are defined in the goals set out in the Owner's instructions (mission goals) and in board decisions (strategic sustainability goals). A further key starting point is the Swedish state's ownership policy and guidelines, according to which state-owned companies must contribute to reductions in climate and environmental impact. This must be achieved through sustainable and toxin-free resource use in order to achieve the generation goal adopted by the Swedish Parliament and the adopted environmental quality goals, and in order to contribute to fulfilment of the Paris Agreement.





	INDICATOR	TYPE OF GOAL	GOAL	DEFINITION	
<b>IMPACT ON SOCIETY</b> 	Carbon footprint	Mission goal Mission goal	Investments shall be sustainable from an environmental and climate perspective, which entails responsible behaviour and minimising the risk of negative impacts	The portfolio's estimated CO <sub>2</sub> e emissions  Swedfund has analysed how climate and environmental risks impact on Swedfund's investments and how, in turn, they can impact on Swedfund's financial position	 
	Tax	Mission goal	Investments must be socially sustainable	Tax converted into SEK	
	Empowering women	Mission goal Other goal Other goal	Investments must be socially sustainable. The proportion of men and women must show a positive trend/be convergent	Trend in proportion of men and women in senior management (%)  Trend in proportion of women in portfolio companies (%)  Trend in number of women on company boards (%)	
	Additionality	Mission goal	All investments shall be made in ventures which are not considered to be realisable through commercial financing alone	Analysis	 
	Job creation	Strategic sustainability goal	Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions	Growth in number of jobs in Swedfund's overall portfolio  Estimate of indirect job creation	
<b>SUSTAINABILITY</b> 	Decent work	Strategic sustainability goal	Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions	Compliance with ILO Core Conventions, ILO Basic Terms and Conditions	
	Environment and social management system	Strategic sustainability goal	Swedfund shall contribute to the creation of businesses that are viable in the long term in the world's poorest countries	Existence of management system for sustainability issues	
<b>FINANCIAL VIABILITY</b> 	Management system for anti-corruption	Strategic sustainability goal	Swedfund shall strive to combat corruption	Existence of management system for anti-corruption issues	
	Growth	Mission goal	Sales shall increase over a five-year period with the investment year as the base year	Sales growth %	
	Profitability	Mission goal	Profitability shall increase over a five-year period with the investment year as the base year	Profit margin  Return on adjusted equity  IRR	
	Profitability (return on equity)	Strategic sustainability goal	Investments shall be profitable in the long term and therefore financially viable	Return on adjusted equity compared with the interest rate on sovereign debt	

# Definitions, sources and presentation

The general underlying assumptions and preconditions behind the description of the trends in the portfolio companies' results within the three pillars are presented below. More detailed descriptions of the methodology, sample and sources can be found in the presentation of the trends in results for each pillar and indicator.

## Reporting cycle

Swedfund and Swedfund's portfolio companies prepare their annual reports over the same period, which means that the financial information used for the portfolio companies' performance reports cannot be presented for the current year. Swedfund has therefore opted to present trends in the results of portfolio companies with a one-year lag, which means that the following report on results is based on 2018.

In the few cases where portfolio companies have a financial year that does not coincide with the calendar year, the cut-off point has been 31 March, i.e. The figures for 2018 correspond to financial information in the annual report covering the financial year 01.04.2018 - 31.03.2019.

## Sources

The indicators described in the subsequent sections are based on reports from portfolio companies and the underlying holdings of funds. The main reports that are prepared are:

- Annual reports
- Status reports (prepared and distributed by Swedfund)
- Annual E&S Monitoring Reports (prepared and distributed by other DFIs)
- Fund reports

Information that is available from audited annual accounts has been used wherever possible.

## Annual reports

The annual reports of the portfolio companies constitute the source, in full or in part, of the following indicators:

- Model for CO<sub>2</sub>e calculation
- indicator for tax
- Indicators concerning women's empowerment
- Indicator for job creation
- Indicators for sales and profitability

## Status reports (prepared and distributed by Swedfund)

Swedfund requires portfolio companies to annually submit information concerning the pillars 'Impact on Society' and 'Sustainability' in status reports prepared by Swedfund ("Sustainability Report"). For the past two years, information has been collected via tax returns through system support and a largely digitalised process. Information from status reports distributed by Swedfund constitutes the source, in full or in part, of the following indicators:

- indicator for tax
- Indicators concerning women's empowerment
- Indicator for job creation
- Indicator for decent work
- Indicator for environmental and social management system
- Indicator for management system for anti-corruption issues

The status reports are tailored to the type of investment concerned: direct investment, banks and funds. Status reports intended for direct investments contain more detailed questions

regarding management systems for sustainability issues, etc., while those intended for investments in banks and funds are more process-oriented. This is because Swedfund's evaluation is aimed more at the procedures, expertise and guidelines that have been established to ensure that the banks' customers and the funds' holdings in turn comply with the requirements and conditions which Swedfund imposes on its portfolio companies. Status reports for the underlying holdings of funds are prepared by the fund's managers.

## Annual E&S Monitoring Reports (prepared and distributed by other DFIs)

In some cases, the sources used for Swedfund's financial reports consist of Annual E&S Monitoring Reports prepared by another DFI, but with the results being submitted to Swedfund in its capacity as co-financier. These Annual E&S Monitoring Reports are evaluated by Swedfund's sustainability experts and included in the aggregated financial reports. For 2018, this concerns around ten investments which have been reported in this way.

## Fund reports

Fund reports consist of both financially oriented quarterly reports and sustainability reports.

## Scope of performance reports Aggregated portfolio information

In this integrated report, Swedfund presents the aggregated results of the investments in the portfolio. Swedfund does not present developments in the results of individual investments, partly because Swedfund sees the investments as a portfolio, and partly because in many cases the investment agreements that Swedfund enters into and the information that is collected under each agreement (such as financial reports and sustainability reports) constitute confidential information.

## Sample

The portfolio sample/composition that is presented may vary depending on the indicator presented in the following sections. Unless otherwise stated, four main samples, including the number of investments, are presented:

Sample	2016	2017	2018
Portfolio companies	60	60	54
Portfolio companies, including the underlying holdings of funds	112	124	177
Portfolio companies, including the underlying holdings of funds and co-facilities	147	156	210
Direct investments in equity and loans	45	43	34

The sample that is presented in the following sections comprises all investments still in existence at the end of the respective year (unless stated otherwise).

**Direct investments in equity and loans**

The sample corresponds to all direct investments in equity and loans, except fund investments.

**Portfolio companies**

The sample comprises all direct investments through shares and loans, as well as investments in funds.

**Portfolio companies, including the underlying holdings of funds**

The sample comprises all direct investments through shares and loans, as well as the underlying holdings of the funds.

**Portfolio companies, including the underlying holdings of funds and co-financing facilities**

The sample is matched by portfolio companies, including the underlying holdings of the funds, as well as underlying holdings in the two co-financing facilities in which Swedfund is an investor. This sample is only used for the CO<sub>2</sub>e indicator, which Swedfund has reported since 2016. Swedfund has limited influence over these underlying holdings, but one of the co-financing facilities (ICCF) is active in the energy sector.

**When an investment is included in a sample**

An investment is included in the sample for performance reporting from the year in which the first disbursement for the investment takes place.

The portfolio of investments presented in the following sections comprises the investments that were still in existence at the end of the year concerned (unless stated otherwise), i.e. investments which were wound up during the year are not included in the calculation for the year in which the investment was actually wound up.

**Weighting based on ownership interest or share of financing**

When reporting trends in the results of portfolio companies, funds and co-financing facilities, the overall outcome is considered, i.e. no weighting is carried out in relation to Swedfund's holding or share of the company's financing. This follows from an established way of reporting within the EDFI collective. Only in connection with the calculation of CO<sub>2</sub>e is Swedfund's holding/share in the investment taken into account.

**Non-availability of information**

For a number of portfolio companies and underlying holdings in funds and co-financing facilities, no reports are available for one or more years. In some cases, the reported information is incomplete or of poor quality, which has a variable impact on the calculation of one or more indicators. This means that the reporting of indicators only covers holdings and years for which data has been obtained. The composition of the portfolio and the large number of discontinued investments in 2018 has led to a more limited sample for certain indicators, particularly within the pillar 'Financial viability'.

**Presentation and comparisons**

The following sections present the trends in the portfolio's results. In order to illustrate the portfolio's investment phases and age structure and increase comparability between years, a number of presentation formats for the portfolio sample have been used to augment the reports on the respective indicators for the entire portfolio:

- "New" and "old" portfolios
- Phases of the investment process
- Comparable entities

**"New" and "old" portfolios**

From 2013 onwards, Swedfund gradually introduced a new business model with a strong focus on three pillars: impact on society, sustainability and financial viability.

In connection with the introduction of the new business model, Swedfund also began to establish contractual requirements regarding certain conditions, including requirements for the ongoing reporting of information regarding developments in the three pillars. In the case of investments agreed before 2013, there is often no contractual scope to request information, which can be reflected in the absence of underlying information for monitoring of the indicators.

Investments made before 2013 are classed as the "old portfolio", while investments made from 2013 onwards are classed as the "new portfolio".

**Phases of the investment process**

In order to reflect how Swedfund operates with investments over their lifetime, the organisation's investments have been divided into the following three categories in the report on sustainability indicators:

1. Active ownership phase, part 1 – Investments held for three years or less (base year: date of first disbursement)
2. Active ownership phase, part 2 – Investments held for more than three years (base year: date of first disbursement)
3. Exit phase – Investments which, at the end of the respective accounting period have been identified as being subject to liquidation. Swedfund is a long-term finance institution, not a permanent owner. Swedfund ends its investment and the partnership either through selling the organisation's shareholding, through repayment of the loan or through expiry of a fund's term. The exit phase generally commences when Swedfund considers that the investment is achieving results within all three pillars. The absence of any scope to pursue active ownership may be one reason why an investment is liquidated.

See also the description of the investment process on pages 32–36.

**Comparable entities**

The scope to compare years in the development of the portfolio is influenced by the fact that investments are added or liquidated over the years. To facilitate more relevant comparisons over time, a compilation of comparable entities has been prepared, i.e. the population of investments that have been part of the portfolio in every year which has been reported. Given that Swedfund's portfolio has undergone a major transformation over a number of years through a relatively high number of discontinued and new investments, the sample of comparable entities is generally more limited in this year's follow-up of the portfolio companies' results.

# Impact on society



## INDICATOR: CARBON FOOTPRINT (CO<sub>2</sub>e)

### TYPE OF GOAL

Mission goal

### GOAL

Investments shall be sustainable from an environmental and climate perspective, which entails responsible behaviour and minimising the risk of negative impacts

### DESCRIPTION OF GOAL

The key ratio must be monitored over time and a relevant target level must be evaluated within three years

### DEFINITION

The portfolio's estimated CO<sub>2</sub>e emissions

### SOURCES

Model based on the Green House Gas Protocol (GHG Protocol) and annual reports published by the portfolio companies and underlying holdings of funds and co-facilities

### SDG

**12.6** – Encourage companies, particularly large and multinational companies, to implement sustainable practices and integrate sustainability information into their reporting cycle



**13.2** – Integrate climate measures into policies, strategies and planning at national level



**13.3** – Improve education, awareness and human and institutional capacity regarding climate change mitigation, climate adaptation, mitigation of climate change impacts and early warning



## Introduction

Climate change is one of the biggest challenges facing the world today. It affects the living conditions of everyone in any country and impacts on all sectors. The global economy is heavily dependent on fossil fuels, and it takes time to steer developments towards more sustainable energy sources. Developing countries need targeted support in order to develop their societies with minimal environmental impact and to implement the necessary adaptations to a changing climate. People in poor countries are particularly affected by the consequences of climate change.

Swedfund strives to minimise negative climate impact in all its investments. Initiatives relating to the environment and climate form an integral part of the investment process based on Swedfund's sustainability policy and separate stance regarding the environment and climate. From 2015 onwards, Swedfund decided that in future it would focus solely on investments in renewable energy, thus completely excluding investments in fossil energy generation.

## Method and sample

The model that Swedfund uses to estimate CO<sub>2</sub>e was developed by an external supplier based on the Green House Gas Protocol (GHG Protocol), which is a global standard for measuring, managing and reporting greenhouse gas emissions. The standard was launched in 2001 and is now used by most companies and organisations worldwide.

The model is based on emission factors in different industries along with financial information obtained from the portfolio companies' annual reports.

The GHG Protocol divides climate emissions into three "scopes":

- "Scope 1" covers direct emissions from the activity, from sources owned or controlled by Swedfund
- "Scope 2" covers indirect emissions from energy use purchased upstream in the portfolio companies' operations
- "Scope 3" covers indirect emissions upstream or downstream of the portfolio companies' value chain. This includes emissions from the portfolio companies' underlying holdings or loans to their respective customers.

In the model, the CO<sub>2</sub>e exposure of investments is weighted based on Swedfund's stake in the portfolio company. In cases where Swedfund acted as lender, Swedfund's share is determined based on the outstanding loan's share of the portfolio company's balance sheet total and, in the case of lending to banks, the size of the loan relative to the bank's total borrowing.

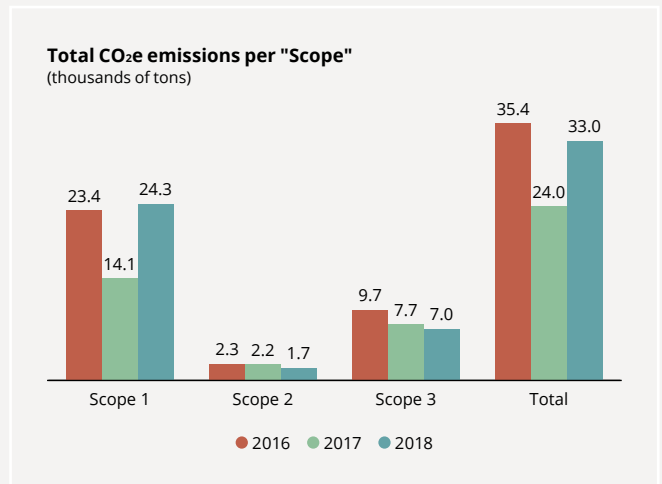
The calculation presented below consists of Swedfund's portfolio companies, including the underlying holdings of the funds and the co-financing facilities, which corresponds to a total of 210 investments in 2018, compared with 156 investments in 2017.

There are a number of challenges to be faced when measuring climate data. For example, the model's calculations are partly based on sector-standardised data, which in turn is based on the emissions of industrialised countries in each sector, while the holdings in Swedfund's portfolio are exclusively located in developing countries. Moreover, the model uses what is known as the 'input-output method', which is based on a number of underlying assumptions which could contribute to potential deviations in the calculations.

**Results and analysis**

The indicator must be monitored over time and a relevant target level must be evaluated within three years. As shown in the graph below, emissions from Swedfund's portfolio companies in 2018 amounted to approximately 33 thousand tonnes (2017: 24 thousand tonnes). The energy companies in Swedfund's portfolio are those which have the greatest impact on the climate, including two older investments in gas power plants in Pakistan (2009) and Nigeria (2013), which account for more than 70 percent of the portfolio's total emissions. Emissions of CO<sub>2</sub>e rose relatively sharply during 2018, entirely due to the fact that the Azura gas power plant in Nigeria was put into full-scale commercial operation, with a resultant major impact on total emissions in Swedfund's portfolio.

As Swedfund took a strategic decision in 2015 to exclusively invest in renewable energy, CO<sub>2</sub>e exposure from Swedfund's investments is expected to decrease over time.





**INDICATOR: CARBON FOOTPRINT (CLIMATE AND ENVIRONMENTAL ANALYSIS)**

**TYPE OF GOAL**

Mission goal

**GOAL**

Investments shall be sustainable from an environmental and climate perspective, which entails responsible behaviour and minimising the risk of negative impacts

**DESCRIPTION OF GOAL**

Swedfund has analysed how climate and environmental risks impact on Swedfund's investments and how, in turn, they can impact on Swedfund International AB's financial position. The analysis must be carried out every three years and include the key environmental risks in the portfolio companies and how Swedfund International AB manages these risks.

**DEFINITION**

Not applicable, see above

**SOURCES**

Swedfund's climate analysis (2018)

**SDG**

**12.6** – Encourage companies, particularly large and multinational companies, to implement sustainable practices and integrate sustainability information into their reporting cycle



**13.2** – Integrate climate measures into policies, strategies and planning at national level



**13.3** – Improve education, awareness and human and institutional capacity regarding climate change mitigation, climate adaptation, mitigation of climate change impacts and early warning



**Introduction**

One of the biggest challenges facing the world today is climate change. The global mean temperature is rising, leading to climate changes and more extreme weather conditions such as droughts, floods, storms and higher sea levels. The effects hit hardest on the world's poor. Not only do they often live in vulnerable areas, they also have little or no resources to adapt to or recover from extreme weather and natural disasters. As the effects of climate change worsen, the opportunities to escape from poverty are decreasing. Swedfund's mission, eradicating poverty through sustainable investments, is more relevant today than ever before, including from a climate perspective.

Every three years, Swedfund analyses how climate and environmental risks impact on Swedfund's investments and, in turn, how they can impact on Swedfund's financial position. An analysis was carried out in 2018, and no new analysis was therefore carried out during the year. A summary is presented below of the results of the analysis conducted in 2018, which describes the principal environmental risks in the investment portfolio and the way in which Swedfund manages them.

**Method and sample**

To analyse how the climate risks that have been identified could impact on Swedfund's financial position, Swedfund has developed a method to take account of the climate risks and the requirements concerning mitigation that Swedfund imposes on portfolio holdings. The degree of impact on Swedfund's financial position is based on the reasoning that a low climate risk will entail low financial risk, and correspondingly for medium and high climate risks. Swedfund's risk profile is analysed from a "top-down" and "bottom-up" perspective. "Top-down" analyses and categorises the external climate risks to which the portfolio is exposed. "Bottom-up" includes Swedfund's investment process, i.e. the identification and management of environmental and climate-related risks in our portfolio, as well as CO<sub>2</sub> e emissions from investments.

There are many different possible approaches to analysing environmental and climate-related risks, and an important aspect of Swedfund's overarching work relating to sustainable development is to develop a better understanding and knowledge base concerning relevant approaches and to assess which approaches are best-suited for application to Swedfund's operations and investment portfolio. However, it remains challenging to make precise assessments of climate risks, their financial impact and associated investment opportunities, partly due to the current absence of sufficiently detailed, reliable and consistent data at asset level, as well as the limitations of information concerning actual future outcomes, e.g. how the outside world will relate to a 4°C goal compared with a 2°C goal.

**Results and analysis**

Swedfund's environment and climate risk profile largely depends on three factors: The region in which the activity is taking place, the sector in which the activity is taking place and the magnitude of Swedfund's holding or loan. The analysis indicates that Swedfund's business model addresses environmental and climate risks. The focus sectors which have been established in the business model are those which have relatively low environmental and climate risk exposure. Following the business model keeps the exposure of Swedfund's operations and investments to environmental and climate risks at a limited level. The exception is the energy sector, where the risks are considered to be moderate. At the same time, the Energy & Climate sector is the sector in which Swedfund has identified the greatest opportunity to have a positive impact through its decision to exclusively invest in renewable energy. The investments that Swedfund makes in the world's poorest countries also help to reduce the overall risk of climate change, partly through Swedfund's efforts to identify sustainable solutions through addressing and implementing measures aimed at the environmental and climate-related challenges that Swedfund is facing in the countries in which the company invests.

**INDICATOR: TAX****TYPE OF GOAL**

Mission goal

**GOAL**

Investments must be socially sustainable

**DESCRIPTION OF GOAL**

Tax per investment must be monitored over time. A relevant target level is evaluated within three years

**DEFINITION**

Tax (corporation tax, deferred tax and other similar items) translated into Swedish kronor (SEK)

**SOURCES**

For direct investments and loans: 100% annual reports. For funds, including underlying holdings: 92% status reports, 4% fund sustainability reports and 4% annual reports (2018).

**SDG****17.1** – Strengthen domestic resource mobilisation, partly through the provision of international support to developing countries, in order to boost domestic capacity to raise taxes and other revenues**Introduction**

Financing is essential if we are to achieve the global objectives of Agenda 2030. An important source of development finance is the tax base of the countries concerned. A broad tax base and an active state that invests in the welfare of its citizens, strengthens the bond between the state and the population and increases solidarity within society – and creates a virtuous spiral of willingness to pay tax. Tax revenues can be invested in infrastructure and the public sector, helping to alleviate unfairness, reduce poverty and give more people a dignified life. A high level of domestic financing can also reduce dependency on aid amongst developing countries and increase the degree of self-determination. Transparent tax accounting is important at both national and company level.

Together with other development finance institutions, Swedfund has an important role to play in increasing the number of sustainable companies in the world's poorest countries. Paying taxes is about development and fairness, and contributing to growing tax revenues in developing countries is thus an important issue for Swedfund. Read more about Swedfund's tax policy on the Company's website.

**Method and sample**

Swedfund monitors the taxes reported by the portfolio companies and, wherever possible, presents reported tax per country: increased transparency as regards tax affairs was one of the key messages from the Addis Abeba Action Agenda (the framework for the financing of Agenda 2030).

The sample in the table below consists of the portfolio companies, including the underlying holdings of the funds, which for 2018 amounts to 177 investments (2017: 124 investments).

The reported tax in the table concerns direct investments and loans taken from the annual report for each investment. In the case of funds and their underlying holdings, most of the underlying information was obtained from status reports (92 percent), with some information being taken from sustainability reports and annual reports.

Reported tax primarily refers to corporation tax, including deferred tax, but may also include other tax-like items such as sales tax, dividend tax, concession charges and other charges payable to the state in accordance with the relevant jurisdiction's reporting requirements. Reported tax is translated from local currency into SEK based on mean rates for the year concerned. Reported tax is recognised gross, i.e. no weighting is performed based on Swedfund's ownership interest or share of the loan awarded relative to the balance sheet total of the beneficiary.

For various reasons, some holdings have not reported tax. This may be because they are not currently generating taxable profits or because they have a temporary tax exemption. Swedfund also invests in the early stages of a portfolio company's development, which may mean that the company pays relatively little tax for a certain period of time before the operation reaches full commercial scale. Swedfund has also not received tax reports from all investments; hence, the table includes reports from 77 out of a total of 177 underlying investments for 2018.

**Results and analysis**

No target level has been established for the mission goal 'tax'. Swedfund monitors tax revenues per investment and country per year.

As the table below shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 5.5 billion in tax in 2018. Where possible, the table reproduces tax per country. In the case of funds with underlying holdings in a number of different countries, the fund's holdings are instead reported under a single collective designation per region (Africa, Asia) or Global.

Reported tax rose by 13 percent in 2018 compared with the previous year, even though the number of investments reporting their tax expense fell slightly compared with the previous year. The growth stems mainly from the Africa region and is primarily attributable to an increase in reported tax expenses in the underlying holdings of several funds. When making comparisons between years, it should also be noted that differences may be linked to exchange rate fluctuations. The general weakening of the Swedish krona had a positive impact on reported tax for 2018, given that local accounting currencies are translated into SEK in order to produce a consolidated outcome.



Some portfolio companies reported a net tax revenue instead of a tax expense. This is normally because they have the right to post positive, deferred tax under the accounting rules of the country concerned. Deferred tax is usually attributable to temporary differences or unutilised loss carryforwards, i.e. items re-posted/deducted in the status report in one year which will be reversed at some point in the future or which are attributable to accounting adjustments. Net deferred tax corresponded to reported tax revenues of SEK 91 million (2018), SEK 422 million (2017) and SEK 75 million (2016) which is included in and has reduced the reported tax expense in the table below.

It should be noted that many taxes are not explicitly reported in annual reports, e.g. wage-related costs, value added tax, property taxes, customs duties and other types of contributions to the state. It is therefore likely that Swedfund's investments contribute more tax revenues over and above the income tax that is reported here.

#### TAX PER COUNTRY (SEK MILLION)

	2016	2017	2018
<b>Africa</b>	<b>2,224.6</b>	<b>2,415.7</b>	<b>3,165.4</b>
Africa <sup>1</sup>	526.5	1,024.7	2,152.7
Egypt	2.9	1.7	2.3
Ethiopia	1.3	-3.3	10.1
Ghana	9.8	89.7	146.7
Kenya	-12.2	-8.0	26.1
Mauritius	175.1	140.8	229.5
Nigeria	1,092.9	909.1	380.6
Tanzania	428.3	234.7	166.0
Zimbabwe	-	26.3	51.5
<b>Asia</b>	<b>295.9</b>	<b>229.1</b>	<b>403.9</b>
Asia <sup>1</sup>	13.6	18.9	17.8
India	0.6	-2.2	7.7
Cambodia	265.5	203.7	373.8
China	2.3	2.4	-
Mongolia	7.0	1.4	4.4
Pakistan	0.1	0.0	0.1
Sri Lanka	6.8	4.7	-
<b>Eastern Europe</b>	<b>1.9</b>	<b>29.8</b>	<b>6.7</b>
Europe (Other)	38.0	2.9	4.7
Georgia	63.0	118.4	-
Lithuania	-0.7	-16.0	-
Serbia	-22.5	-75.5	2.1
<b>Global</b>	<b>934.1</b>	<b>2,232.6</b>	<b>1,956.1</b>
<b>Total</b>	<b>3,456.4</b>	<b>4,907.2</b>	<b>5,532.2</b>

<sup>1</sup> Investments, mainly in funds, where taxes are paid in several countries in Africa, Asia and Europe





**INDICATOR: EMPOWERING WOMEN**

**TYPE OF GOAL**

Mission goal

**GOAL**

The proportion of men and women in senior management in the investments must show a positive trend/converge over a five-year period with a base year corresponding to the investment year

**DESCRIPTION OF GOAL**

Positive trend in proportion of women in senior management

**DEFINITION**

Proportion of women in senior management (%)

**SOURCES**

Status reports (prepared and distributed by Swedfund) 71%, Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 22%, Sustainability/Fund reports 4%, Annual reports 4%.

**SDG**

**5.5** – Ensure the full and actual participation of women and equal opportunities regarding leadership at all levels of decision-making in political, economic and public life



**Introduction**

Gender equality is not just about fairness; it also drives progress towards the attainment of Agenda 2030. Gender-equal companies can have higher growth rates and more far-reaching sustainability work. They also often achieve more as regards sustainable development. An equitable society safeguards the resources and competence of every individual, and is achieved when men and women, boys and girls have equal rights, conditions and opportunities, as well as the power to shape their own lives and have their say in society. As most women work in the informal sector, often with low productivity and low incomes, poor working conditions and a low level of social protection, they become invisible, as does their development potential. The empowerment of women is therefore a vital part of Swedfund's work and is one of two thematic areas in the Company strategy to be taken into account, regardless of the sector or region in which the investment takes place or the instrument that is used.

**Method and sample**

Swedfund's Owner instructions require Swedfund to measure how the proportion of women in senior management teams in the Company's investments changes over time. In addition, Swedfund has also opted to monitor the proportion of women out of the total number of employees, as well as the proportion of women on the boards of investments; hence, these indicators are also presented in separate graphs below.

In many of the countries in which Swedfund has invested, there is no requirement for companies' annual reports to state the proportion of women within the company, whether in total, on the board or in senior positions. Only a few of Swedfund's portfolio companies have reported employee numbers broken down between men and women in their annual report; hence, Swedfund has instead collected data on the proportion of men and women directly from the portfolio companies via their status reports.

The sample that is presented below consists of Swedfund's portfolio companies, including the underlying holdings of the funds. The number of investments reporting underlying data in status reports continued to increase slightly during 2018 compared with 2017, but the proportion of responses relative to the total number of holdings fell slightly. Swedfund works actively with regard to issues concerning women's empowerment amongst the portfolio companies and the questionnaires have been clarified and digitalised.

The sample and source presented in the tables below for 2018 comprise:

- Proportion of women in senior management
  - Sample: 79 reporting out of a total of 177 investments (45%)
  - Sample of comparable entities: 44 reporting out of a total of 79 comparable entities (56%)
  - Sources: 71% status reports (prepared and distributed by Swedfund), 22% Annual E&S Monitoring Reports (prepared and distributed by other DFIs), 4% Sustainability/Fund reports, annual reports 4%
- Proportion of women in total in portfolio companies
  - Sample: 96 reporting out of a total of 177 investments (54%)
  - Sources: 65% status reports (prepared and distributed by Swedfund), 20% Annual E&S Monitoring Reports (prepared and distributed by other DFIs), 10% fund sustainability reports, 5% annual reports
- Proportion of women on the boards of portfolio companies
  - Sample: 92 reporting out of a total of 177 investments (52%)
  - Sources: 71% status reports (prepared and distributed by Swedfund), 21% Annual E&S Monitoring Reports (prepared and distributed by other DFIs), 5% fund reports, 3% annual reports

## Results and analysis

The mission goal states that the proportion of men and women in senior management must show a positive trend/converge over a five-year period, with a base year corresponding to the investment year. The graphs below show the trend over the past three years.

### Proportion of women in senior management

The proportion of women in senior positions in Swedfund's investments amounted to 30 percent for 2018, an increase of five percentage points from 2017, which builds further on a positive trend over several years.

Another way to illustrate the trend in the proportion of women in senior management is to present the trend in comparable entities in the portfolio, i.e. investments that formed part of Swedfund's portfolio throughout the reporting period 2016 - 2018. Presenting trends in this way means that the calculation is not affected by the mix in the portfolio, i.e. whether investments were added or sold during the period.

The analysis based on comparable entities for 2018 shows the corresponding proportion of women as for the total portfolio; see the graph below. The number of comparable units entities amounts to 79 portfolio companies, of which 44 reported this indicator for 2018. In general, the proportion of women is low in energy-generating companies, which means that the proportion of women in management positions aggregated in the portfolio could fall depending on the level of investment in the energy sector and its relative weighting in the overall portfolio.

Both samples showed a positive trend in the proportion of women in management positions in 2018 compared with the previous year.

### Proportion of women in total in portfolio companies

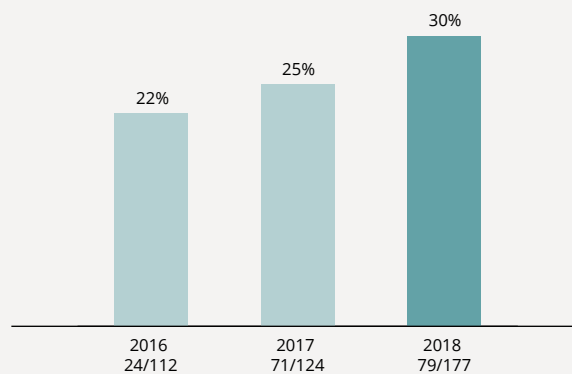
The proportion of women of the total number of employees was 39 percent in 2018, slightly down on 2017. Energy & Climate continues to grow as a proportion of Swedfund's total portfolio, which also has an impact on the overall proportion of women because of the markedly lower proportion of women in this sector. Although the proportion of women working in the energy sector is lower in relative terms, improved access to electricity has a number of positive consequences for women. More access to electricity frees up time for women in developing countries.

As in previous years, the analysis of reported information confirms that investments in enterprises within the service, health, finance and administration sectors have a significantly higher proportion of female employees than enterprises in the industrial and energy generation sectors.

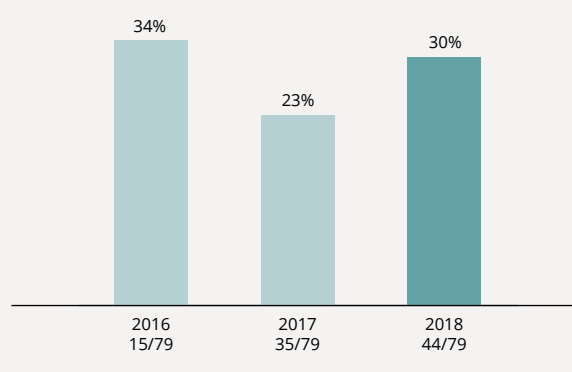
### Proportion of women on company boards

The proportion of women on company boards is fairly constant, but fell slightly during 2018. The number of investments reporting this information has increased significantly since 2016, with the result that analyses between comparable entities are not yet meaningful, as the response rate was initially only 14 percent (2016). Any comparison between the years must therefore be made with caution.

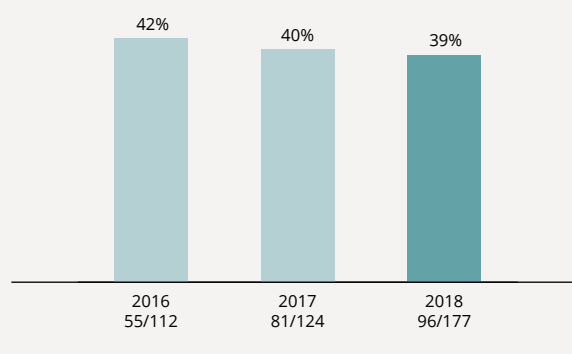
Proportion of women in senior management



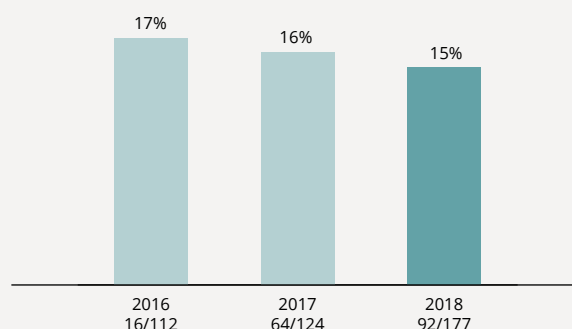
Proportion of women in senior management (comparable entities)



Proportion of women out of total number of employees



Proportion of women on boards





**INDICATOR: ADDITIONALITY**

**TYPE OF GOAL**

Mission goal

**GOAL**

All investments shall be made in ventures which are not considered to be realisable through commercial financing alone

**DESCRIPTION OF GOAL**

See above

**DEFINITION**

Number of investments not considered to be realisable through commercial financing alone

**SOURCES**

An assessment is made when the investment is evaluated and approved.

**SDG**

17.3 – Mobilise additional financial resources for developing countries from various sources



**Introduction**

Development finance institutions currently have no common definition of additionality, but efforts are being made within EDFI to define a common position. In some cases, the definitions that are used are limited to financial additionality, i.e. whether the capital that is added through an investment is necessary in order for an enterprise to be set up, continued or expanded in the country of operation. Swedfund therefore aims to provide additional capital where commercial financing alone is not considered sufficient to bring about realisation.

Other stakeholders use a broader definition which also includes aspects relating to sustainability and societal development, in addition to financial additionality. This means that the ability of development finance institutions to contribute expertise to ensure that an investment and enterprise is carried out in a sustainable manner and generates the desired effects as regards societal development is therefore evaluated ahead of an investment, during the value creation period and in connection with the liquidation of the investment. During the year, Swedfund reported additionality to OECD/DAC in accordance with OECD/DC's definition, taking into account the three dimensions of impact on society, sustainability and financial additionality.

**Method and sample**

Development finance institutions currently have no accepted model for measuring additionality. The model that Swedfund applies to new investments is based on OECD/DC's definition of additionality, which covers the three perspectives of impact on society, sustainability and financial viability. In the context of investment decisions, Swedfund assesses the additionality of an investment on the basis of the overarching mission and the three pillars: impact on society, sustainability and financial viability. Swedfund has developed a model to harmonise assessed additionality based on sector, instruments and region, which was established in 2019.

**Results and analysis**

Swedfund is reporting financial additionality for the second year. For the new portfolio, this is analysed at the stage where investment proposals are being prepared and incorporated as a criterion in all investment decisions. All of the older companies which responded replied that Swedfund's investment was decisive for their business.



## INDICATOR: JOB CREATION

### TYPE OF GOAL

Strategic sustainability goal

### GOAL

Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions.

### DESCRIPTION OF GOAL

The average number of jobs in Swedfund's portfolio companies shall increase from year to year

### DEFINITION

Growth in number of jobs in Swedfund's portfolio and an estimate of indirect job creation

### SOURCES

Portfolio companies' annual reports 5%, status reports (prepared and distributed by Swedfund) 61%, Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 19% and fund reports 15%.

### SDG

**8.5** – By 2030, achieve full and productive employment with decent working conditions for all men and women, including young persons and persons with disabilities, and equal pay for work of equal value.



## Introduction

Along with other Development Finance Institutions (DFIs), Swedfund plays a crucial role in helping to increase the number of sustainable businesses in the world's poorest countries. Companies that lay the foundations for job creation, more tax revenues and better access to essential products and services, such as electricity and health. Poor countries are in need of investment to create jobs through entrepreneurship. The age structure of the economically weakest regions means that millions of young people will seek to enter the labour market over the next decade. Creating jobs requires long-term and sustainable investments that contribute to responsible businesses. Swedfund is therefore monitoring the trend in the number of jobs amongst the portfolio companies and aims to increase the rate of job creation over time.

## Method and sample

### Direct jobs

The sample that is presented below consists of Swedfund's portfolio companies, including the underlying holdings of the funds. Swedfund has received data concerning the number of jobs from 105 out of a total of 177 investments for 2018.

The number of direct jobs has been collated by obtaining data directly from the portfolio companies and the funds' underlying holdings. Only in exceptional cases is the number of jobs stated in the portfolio companies' annual reports; hence, the compilation is primarily based on information reported in status reports.

The reported number of jobs is not weighted based on Swedfund's holding or the size of the loan provided relative to the balance sheet total of the beneficiary.

### Indirect jobs

Direct jobs are assumed to also generate a large number of indirect jobs. One example is investments in renewable energy. Such investments do not normally employ very many people directly, but access to energy enables more people to start up and develop a business. In turn, this leads to the creation of more jobs and reduces poverty. People with an income normally start to consume more goods and services, which in turn generates more jobs and increased income for people in addition to those directly employed by a business.

Since 2018, Swedfund has had access to a model developed by Steward Redqueen for estimating the number of indirect jobs generated. This model is similar to that used by a number of other DFIs in Europe. The model uses financial data from investments and a number of other factors, such as the sector or country in which the investment is made. The model is used in the evaluation of individual investment opportunities, but we have opted not to use this model to calculate the total number of indirect jobs at portfolio level. EDFI has developed a common model for calculating the number of indirect jobs under EDFI's harmonisation agenda, a task which was intensified during 2019. The model is at the pilot stage, and Swedfund is planning to implement the model so that it can continue to form the basis for reporting the indicator 'indirect job creation' at portfolio level.

## Results and analysis

The strategic mission goal is to increase the average number of jobs in portfolio companies year-on-year.

Swedfund's investments in portfolio companies and the underlying holdings of funds contributed approximately 198,000 jobs in 2018, equivalent to an increase of around 31,000 jobs, or 19 percent, compared with 2017. Of the total number of employees, 24 percent (47,500) consisted of employees in banks and financial institutions, 6 percent (12,500) consisted of employees in Swedfund's direct equity investments and 70 percent (138,000) of employees in funds and their underlying holdings.

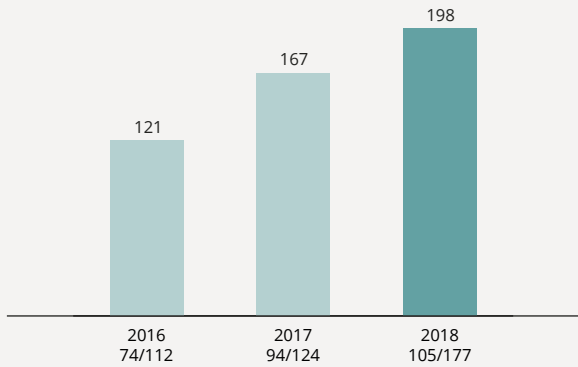
The graph on the next page illustrates the investments included in the portfolio at each year-end, which means that the comparison between years is influenced by the extent to which investments have been added or discontinued.

An alternative way of analysing job creation amongst Swedfund's investments is to analyse comparable entities in the portfolio. The graph on the next page shows the number of investments in existence in both 2017 and 2018, which amounts to 100 entities, of which 69 have submitted data for both years.

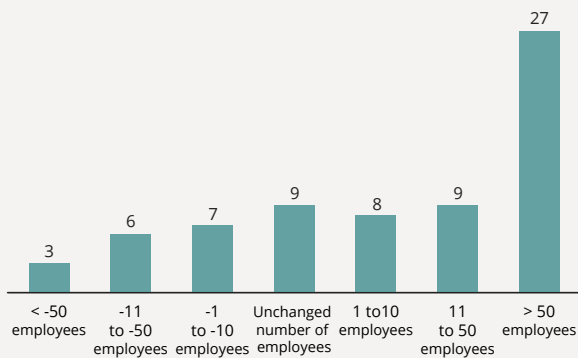
In addition, the majority (64 percent) of comparable entities in the portfolio showed job growth in 2018, and 39 percent of reporting entities reported significant growth of >50 more employees compared with the previous year.

The net increase in the number of jobs for comparable entities between 2017 and 2018 amounted to approximately 15,000 jobs, corresponding to growth of approximately 25 percent. A total of 44 investments out of the 69 that reported showed an increase in the number of employees, while 16 investments reported a decrease. Amongst the companies that took on more employees, just over 16,000 jobs were added, while 1,000 jobs were lost amongst companies that reported a reduction in the number of employees. The net increase in employees amongst comparable entities can primarily be attributed to the development in the underlying holdings of a couple of funds, as well as positive growth in a number of direct investments within Health, Energy & Climate and the former focus sector Manufacturing.

**Total number of employees**  
(thousands)



**Number of companies reporting the change in the number of employees occurring between 2017 and 2018**  
(comparable entities, sample 69/100 investments)



# Sustainability



## INDICATOR: DECENT WORK

### TYPE OF GOAL

Strategic sustainability goal

### GOAL

Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions

### DESCRIPTION OF GOAL

The ILO Core Conventions and ILO Working Conditions must be complied with in each investment within no more than three years from the date of financing

### DEFINITION

Compliance with the ILO's core conventions (Yes/No)

### SOURCES

69% Status reports (prepared and distributed by Swedfund), 22% Annual E&S Monitoring Reports (prepared and distributed by other DFIs), 9% ESG/Sustainability reports

### SDG

**8.8** – Protect workers' rights and promote a safe and secure working environment for all workers, including labour migrants, particularly female migrants and people in insecure employment



## Introduction

The core of Swedfund's mission is to create jobs to enable people to escape poverty. The jobs that Swedfund is helping to create must be decent jobs with good working conditions. Swedfund operates in markets where the issue of decent jobs is far from clear, which makes the task particularly important.

For Swedfund, issues regarding decent working conditions are given a high priority. In conjunction with the initial analysis of a prospective investment, an assessment is carried out of the present situation and the scope to bring about improvements. If Swedfund opts to proceed with an investment, the requirements for improvements are linked to the financial conditions for the disbursement of funds for the portfolio company.

## Method and sample

The strategic sustainability goal states that the ILO's Declaration on Fundamental Principles and Rights at Work and the ILO's Basic Terms and Conditions of Employment must be complied with in each investment within no more than three years from the date of financing.

To determine whether a portfolio company is complying with the ILO's Declaration on Fundamental Principles and Rights at Work, compliance with the following eight core conventions is evaluated:

- Freedom of Association and Protection of the Right to Organise, ILO 87, 98
- Abolition of Forced Labour, ILO 29, 105
- Equal Remuneration, ILO 100
- Discrimination in Employment, ILO 111
- Minimum Age for Admission to Employment and Work, ILO 138, 182

Swedfund's ongoing efforts also encompass monitoring of the trend in the ILO's Basic Terms and Conditions of Employment:

- Hours of Work and Overtime, ILO 1
- Minimum Wage, ILO 26, 131
- Occupational Safety and Health and the Working Environment, ILO 155

When assessing whether or not a direct investment in equity or loans (excluding financial institutions) is considered to act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, an overall assessment is made of compliance with all the core conventions referred to above. As regards Swedfund's assessment of whether or not funds fulfil the requirements, the assessment is oriented towards the procedures, expertise and guidelines that have been established by the fund's manager to ensure that the funds' holdings comply with the necessary conventions in turn. When Swedfund invests in banks and financial institutions, the due diligence process includes an assessment of whether or not the financial institution is considered to act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work. In the context of annual reporting, Swedfund follows up any changes made by the financial institution in its human resources manuals in order to assess whether the conventions are still being fulfilled.

Sources of reported data comprise Sustainability Reports from the portfolio companies (prepared and distributed by Swedfund) 69 percent, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 22 percent, as well as other sustainability reports 9 percent.

In order to indicate how Swedfund operates with portfolio companies over their lifetime in order to achieve adopted goals, investments have been divided into the following three categories in the graph below:

- **Active ownership phase, part 1** – Investments held for three years or less (19 investments in 2018)
- **Active ownership phase, part 2** – Investments held for more than three years (22 investments in 2018)
- **Exit phase** – Investments which, at the end of the respective accounting period, have been identified as being subject to liquidation (13 investments in 2018)

**Results and analysis**

The strategic sustainability goal states that the ILO's Declaration on Fundamental Principles and Rights at Work must be complied with in each investment within no more than three years from the date of financing.

**Active ownership phase 1**

**– Investments held for three years or less**

The graph below shows that 95 percent of portfolio companies held for less than three years stated that they complied with the ILO's Declaration on Fundamental Principles and Rights at Work in 2018. No data is available for one portfolio company, equivalent to 5 percent.

As is apparent from the trend over the three-year period, Swedfund's active work, combined with the imposition of requirements concerning new investments, gradually improved the performance of the portfolio companies. Where responses are available through status reports, the assessment for 2018 is that all holdings act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work.

**Active ownership phase 2**

**– Investments held for more than three years**

Of the portfolio companies which were in the category of investments held for longer than three years in 2018, Swedfund estimates, on the basis of the reported data, that 73 percent of the holdings fulfil the requirements regarding acting consistently with the ILO's Declaration on Fundamental Principles and Rights at Work. No information is available concerning this indicator for 27 percent of the holdings in the category.

The proportion of companies in Active Ownership Phase 2 which act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work remained relatively constant throughout the period 2016 - 2018. Even within this ownership phase, Swedfund's assessment is that all holdings for which responses from status reports are available also fulfil the requirements.

**Exit phase**

The number of investments identified as being in the process of being wound up amounted to 13 investments at the end of 2018. The decrease compared with 2017 is due to the fact that a large number of holdings were discontinued during the year. Based on reported data, Swedfund estimates that 62 percent of holdings in the exit phase act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work. In this category, 38 percent of portfolio companies (five companies) did not submit status reports. Most investments in the exit phase were made before 2013, and Swedfund therefore has little or no contractual scope for requiring reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

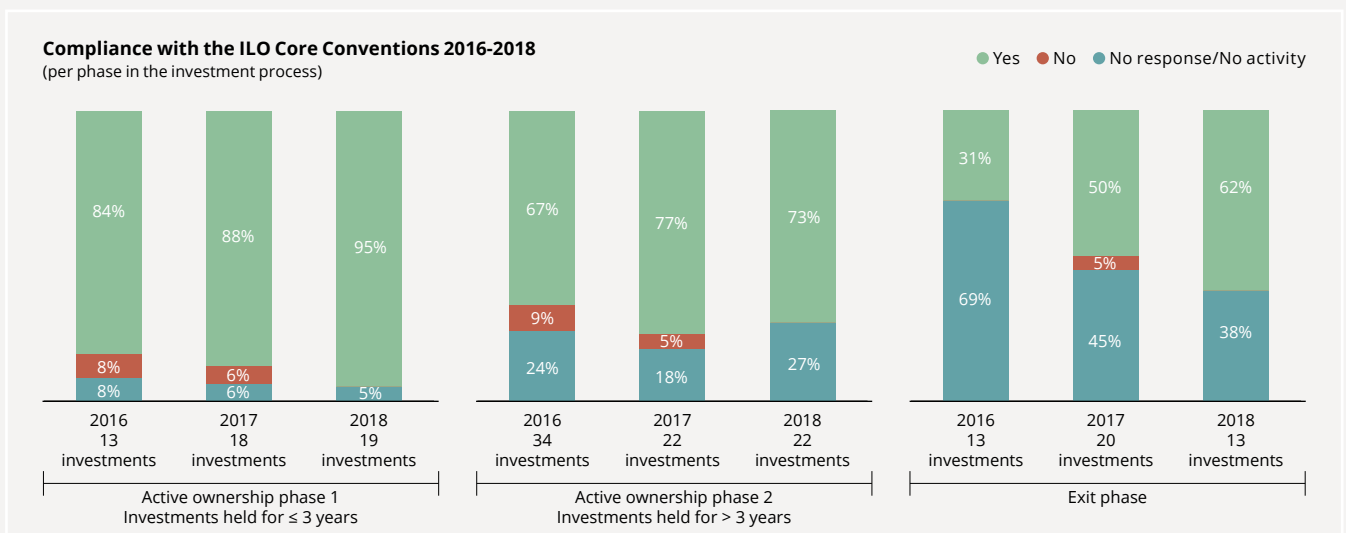
Even though Swedfund has limited scope to impose requirements on many of the investments in the exit phase, the proportion that acts consistently with the ILO's Declaration on Fundamental Principles and Rights at Work rose from 31 percent in 2016 to 62 percent in 2018.

The number of portfolio companies was 60 at the end of 2016, 60 at the end of 2017 and 54 at the end of 2018.

**ESG audits**

According to the wording of the strategic sustainability goal, the indicator concerning acting consistently with the ILO's Declaration on Fundamental Principles and Rights at Work is partly to be verified through Swedfund's employees annually visiting one third of all portfolio companies in order to verify target fulfilment reported in the status report with specific questions and observations. External consultants may also be involved in special cases.

These visits are also made in order to support the portfolio companies in their work relating to sustainability, in the implementation of action plans (ESGAP) and in other development work to achieve the strategic sustainability goals. At the start of the year, a plan is established which stipulates the portfolio companies that are to be visited during the year. The sample of



companies and types of visits are based on the risks associated with the portfolio companies' operations and a knowledge of the companies' challenges, as well as previous audits or visits. A total of 17 visits were conducted during 2019 to review compliance with the strategic sustainability goals. The focus for the year was on increasing awareness of the funds' underlying portfolio companies, which resulted in more visits overall compared with the previous year, but fewer actual audits. The investment

team also made many visits to portfolio companies during the year. Swedfund makes three types of visits to portfolio companies, external audits conducted by an external consultant and internal audits conducted by Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but form a key part of Swedfund's active advocacy work.

Type of visit	Sector	Region	2017	2018	2019
External audits	Energy & Climate	Africa	1	-	-
	Financial institutions	Africa	1	-	-
	Health	Africa	-	2	-
	Manufacturing & service	Africa	1	2	1
	Manufacturing & service	Asia	-	2	-
Internal audits	Financial institutions	Africa	1	1	-
	Financial institutions	Asia	-	-	-
	Health	Africa	-	-	-
	Manufacturing & service	Africa	1	-	-
	Manufacturing & service	Asia	1	1	-
	Fund	Other	-	-	1
Internal visits	Energy & Climate	Africa	-	-	1
	Financial institutions	Africa	-	3	2
	Financial institutions	Asia	-	2	-
	Health	Africa	-	-	4
	Fund	Africa	-	1	3
	Manufacturing & service	Africa	2	-	4
	Manufacturing & service	Other	-	-	1
<b>Number of visits</b>			<b>8</b>	<b>14</b>	<b>17</b>







**INDICATOR: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (SUSTAINABILITY ISSUES)**

**TYPE OF GOAL**

Strategic sustainability goal

**GOAL**

Swedfund shall contribute to the creation of businesses that are viable in the long term in the world's poorest countries

**DESCRIPTION OF GOAL**

Environmental and social issues (sustainability issues) shall be implemented within each company within three years from the date of financing

**DEFINITION**

Existence of management system for sustainability issues (Yes/No)

**SOURCES**

Status reports (prepared and distributed by Swedfund) 69%, Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 22%, ESG/Sustainability reports 9%

**SDG**

**12.2** – By 2030, achieve sustainable management and the efficient use of natural resources.



**12.4** – By 2020, achieve environmentally friendly management of chemicals and all types of waste throughout their life-cycle, in accordance with the agreed international framework, and significantly reduce their emissions in air, water and soil in order to minimise their adverse consequences for human health and the environment.



**12.5** – By 2030, substantially reduce waste volumes through measures to prevent, reduce, reuse and recycle waste.



**Introduction**

Swedfund aims to contribute to the creation of businesses that are viable in the long term, and has for a number of years therefore required portfolio companies to establish an environmental and social management system. In conjunction with the initial analysis of a prospective investment, an assessment is made to determine whether a management system is in place. If this is not the case, the scope for making improvements is reviewed and if Swedfund opts to proceed with an investment, the requirements for improvements are linked to the financial conditions for the disbursement of funds to the portfolio company.

A sustainable development policy must be established and adopted by the management of the portfolio companies. The sustainable development policy lays the foundations for the way in which a business must approach sustainable development, and it is vital that it does not simply become a desk exercise, but is also implemented in the portfolio companies' operations. The implementation of a management system for sustainability issues is an important step in ensuring that the policy is implemented and established.

**Method and sample**

To determine whether a portfolio company meets the strategic sustainability goal, Swedfund uses monitoring to determine whether the portfolio company has implemented a management system and, if so, whether it includes the relevant components:

- **Sustainability policy** – A sustainability policy must be established and adopted by the management of the portfolio companies.
- **Identification of risks and impacts** – A system/routine must be established in order to identify sustainability risks and the areas that are affected.
- **Performance management** – The company's results within identified risks and impact areas must be continually monitored and evaluated in order to measure and improve results over time.
- **Responsibility and competence** – A member of the company's management team must have overall responsibility for sustainable development issues.

- **Emergency preparedness** – In the case of fixed installations, action plans must have been established for accidents and disaster situations.
- **Reporting** – Reporting must take place regularly and at least annually both to the management and to the board of directors of the portfolio company, as well as to Swedfund.
- **Stakeholders** – Internal and external stakeholders must be identified and consulted in situations which affect them and be given relevant information at appropriate times and intervals.

The follow-up of compliance with the above components has been gradually tightened up by Swedfund. For a direct investment in shares or loans (excluding financial institutions), the requirement to be considered to meet the strategic sustainability goal is that the holding meets at least six of the seven components listed above. However, the requirement for the existence of a sustainability policy must always be met in order for a management system to be considered to be implemented. As regards Swedfund's assessment of whether or not banks and funds fulfil the requirements, the assessment is oriented more towards the procedures, expertise and guidelines that have been established to ensure that the banks' customers and the fund's holdings in turn have an effective management system for sustainability issues.

Sources of reported data comprise Sustainability Reports from the portfolio companies (prepared and distributed by Swedfund) 69%, Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 22%, as well as other sustainability reports 9%.

In order to illustrate how Swedfund operates with investments over their lifetime in order to achieve adopted goals, investments have been divided into the following three categories in the graph below:

- **Active ownership phase, part 1** – Investments held for three years or less
- **Active ownership phase, part 2** – Investments held for more than three years
- **Exit phase** – Investments which, at the end of the respective accounting period, have been identified as being subject to liquidation.

## Results and analysis

The strategic sustainability goal states that the implementation of a management system for sustainability issues must be completed within each investment within no more than three years from the date of financing.

### Active ownership phase, part 1 – Investments held for three years or less

The graph below shows that 74 percent of portfolio companies held for less than three years have reported and been judged by Swedfund as meeting the requirements for a management system concerning sustainability issues. This is a clear decrease from 2017, when 94 percent were considered to meet the requirements. For 2018, four portfolio companies (21 percent) reported that they did not fully meet the requirements.

### Active ownership phase, part 2 – Investments held for more than three years

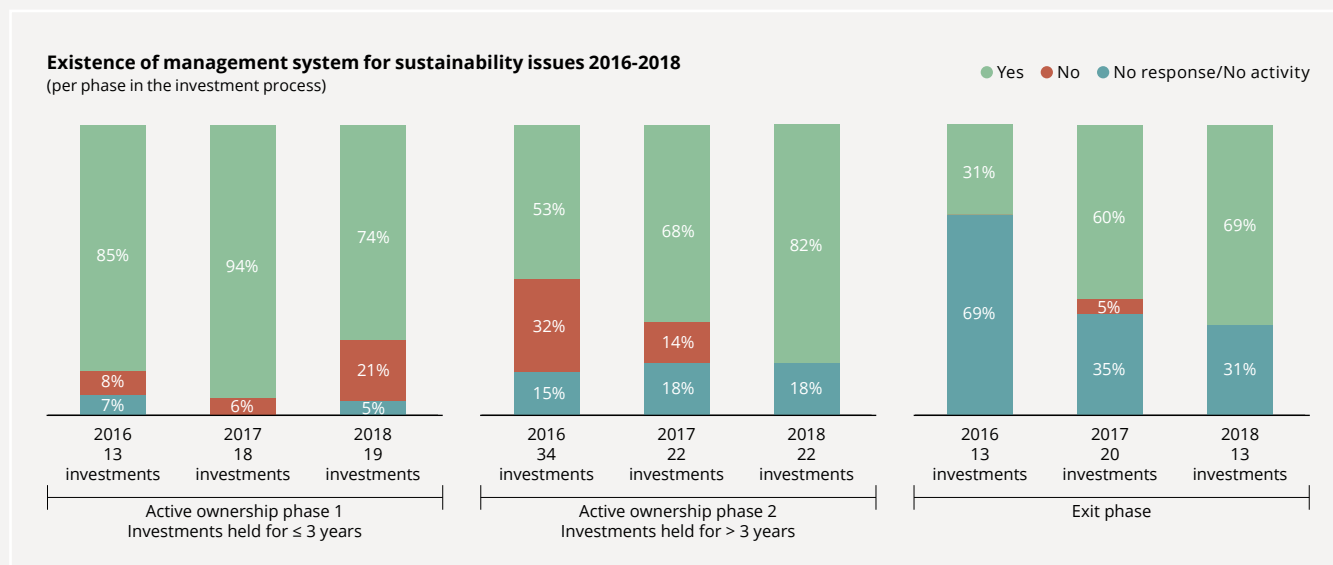
For the portfolio companies which were in the category of investments held for more than three years in 2018, 82 percent reported and were judged to meet the requirements. This is an improvement over both 2016 and 2017, when 53 percent and 68 percent respectively were considered to meet the requirements. No information is available for four portfolio companies, equivalent to 18 percent of the holdings in the category.

## Exit phase

Thirteen portfolio companies were in the process of being wound up at the end of 2018. Of these holdings, nine portfolio companies submitted information and were considered by Swedfund to have a functioning management system for sustainability issues. No company in the category reported that it did not have a sustainability management system for sustainability issues, but no information is available for four portfolio companies which failed to submit status reports. All of the investments in the category which did not provide information were made before 2013, and Swedfund thus has no contractual scope to require reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

Of the portfolio companies that were in the exit phase at the end of the respective years, a number were discontinued at a later date (2016: 9 out of 13, 2017: 7 out of 20, 2018: 2 out of 13).

The number of portfolio companies was 60 at the end of 2016, 60 at the end of 2017 and 54 at the end of 2018.





## INDICATOR: MANAGEMENT SYSTEM FOR ANTI-CORRUPTION

### TYPE OF GOAL

Strategic sustainability goal

### GOAL

Swedfund shall strive to combat corruption, both internally and within portfolio companies

### DESCRIPTION OF GOAL

The adoption and implementation of a management system for anti-corruption issues must be completed within Swedfund during 2014, and within three years from the date of financing for portfolio companies

### DEFINITION

Existence of management system for anti-corruption issues (Yes/No)

### SOURCES

Status reports (prepared and distributed by Swedfund) 69%, Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 22%, ESG/Sustainability reports 9%

### SDG

16.5 – Significantly reduce all forms of corruption and bribery



## Introduction

Corruption is an obstacle to social development and social inclusion. It inhibits healthy competition, complicates the financing of businesses, concentrates wealth on a few individuals and takes resources away from public services, such as education and care.

Swedfund strives for zero tolerance of all forms of corruption, even though the occurrence and risk of corruption is high in the markets in which Swedfund operates. Swedfund has adopted an anti-corruption policy that applies to employees and board members within Swedfund and to portfolio companies and their board members appointed by Swedfund. Swedfund screens all potential investments as regards corruption risks during the investment phase and, if necessary, establishes an action plan for new portfolio companies. For a number of years, Swedfund has always incorporated anti-corruption provisions into its agreements, and in the event of serious breaches being discovered, Swedfund has the right to withdraw from an investment.

## Method and sample

To determine whether a portfolio company meets the strategic sustainability goal, Swedfund monitors whether the portfolio company has implemented a management system for anti-corruption issues and, if so, whether it includes the relevant components:

- **Anti-corruption policy** – A policy must be established as a starting point for the management system for anti-corruption issues.
- **Responsibility** – Responsible person at management level
- **Systems** – Processes or controls to detect the existence of corruption
- **Competence** – Identification and training of key personnel (those most exposed to the risk of corruption).
- **Reporting** – Regular reports must be submitted at least annually

A direct investment in equity or loans is deemed to meet the requirement if all five of the above components are fulfilled. As regards Swedfund's assessment of whether or not the funds are fulfilling the requirements, the assessment is oriented more towards the procedures, expertise and guidelines that have been established to ensure that the funds' holdings in turn have an effective management system for anti-corruption.

In order to illustrate how Swedfund operates with investments over their lifetime in order to achieve adopted goals, investments have been divided into the following three categories in the graph below:

- **Active ownership phase, part 1** – Investments held for three years or less
- **Active ownership phase, part 2** – Investments held for more than three years
- **Exit phase** – Investments which, at the end of the respective accounting period, have been identified as being subject to liquidation.

## Results and analysis

The strategic sustainability goal states that the implementation of a management system for anti-corruption issues must be completed within portfolio companies within no more than three years from the date of financing of the investment.

### Active ownership phase 1

#### – Investments held for three years or less

For 2018, the trend remains positive, and 95 percent of the portfolio companies held for less than three years reported and were judged to meet the requirements for an anti-corruption management system. No company reported that it did not have an anti-corruption management system, and no information is available concerning this via status reports for just a single company.

The proportion of portfolio companies reporting compliance with the requirements has risen steadily from 54 percent in 2016 to 95 percent in 2018. Swedfund's stringent demands in connection with new investments have had a clear impact on the prevalence of anti-corruption management systems in the early active ownership phase.

### Active ownership phase 2

#### – Investments held for more than three years

Amongst the portfolio companies which were in the category of investments held for more than three years in 2018, 72 percent responded and were judged to meet Swedfund's requirements. One portfolio company within the category did not meet the requirements in 2018. In this case, Swedfund has no contractual scope to impose requirements regarding this, as the investments were made before requirements concerning anti-corruption were regularly incorporated into contracts.

Swedfund's ongoing efforts relating to anti-corruption has also produced results amongst the portfolio companies in this phase, and the proportion that achieved the goal rose from 32 percent in 2016 to 72 percent in 2018.

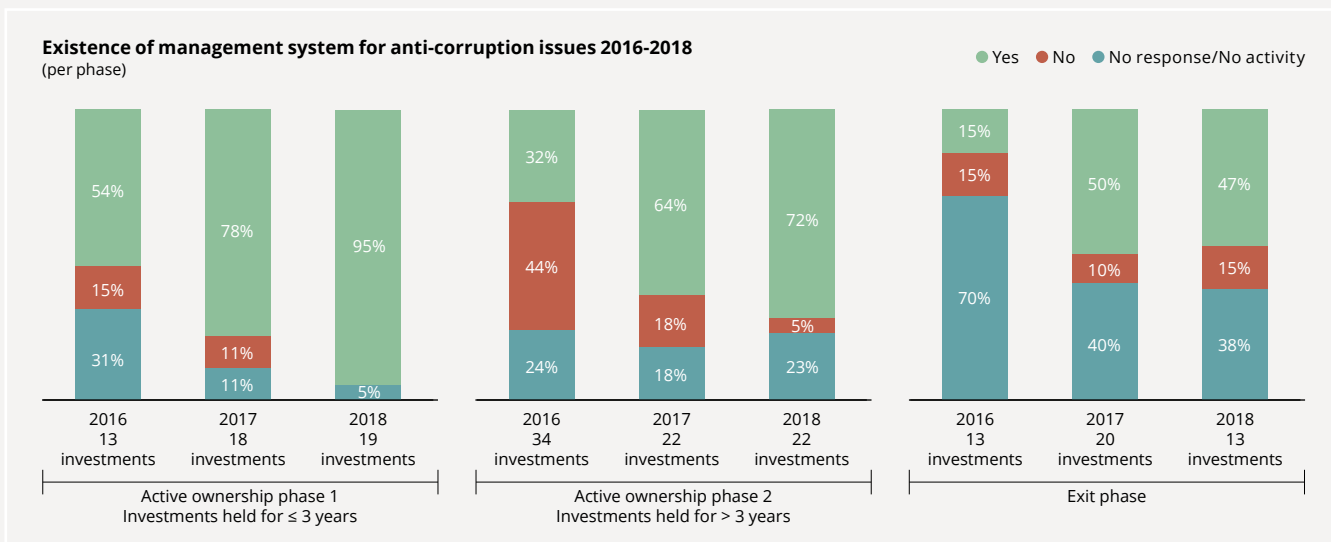
**Exit phase**

Thirteen portfolio companies were in the process of being wound up at the end of 2018. Six of these portfolio companies reported and were considered to have an adequate anti-corruption management system and two portfolio companies were judged not to meet the criteria. Five companies did not submit a report for 2018. Most of these investments were made before 2013 and Swedfund therefore has limited contractual scope to


require reports to be submitted. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

Of the portfolio companies that were in the exit phase at the end of the respective years, a number were discontinued at a later date (2016: 9 out of 13, 2017: 7 out of 20, 2018: 2 out of 13).

The number of portfolio companies was 60 at the end of 2016, 60 at the end of 2017 and 54 at the end of 2018.



# Financial viability

INDICATOR: SALES GROWTH	
<p><b>TYPE OF GOAL</b> Mission goal</p> <p><b>GOAL</b> Investments must be financially viable</p> <p><b>DESCRIPTION OF GOAL</b> Sales must increase over a five-year period, with a base year corresponding to the investment year</p> <p><b>DEFINITION</b> Sales growth %</p>	<p><b>SOURCES</b> Direct investments' annual reports 100%</p> <p><b>SDG</b> 8 – Promote inclusive and long-term sustainable economic growth, full and productive employment with decent working conditions for all</p> 

## Introduction

Sustainable and profitable businesses provide more job opportunities, greater job security and more predictable incomes in the long term, which is of enormous significance for populations in the world's poorest countries. Enterprises with the energy to develop and expand their business not only enable more people to purchase the products and services that are produced, but also enable more jobs to be created. A key indicator for monitoring companies to determine whether they are developing in the right direction is growth in sales.

## Method and sample

The graphs below present the growth in sales amongst the portfolio's direct investments. Funds do not report sales and are therefore not included in this report.

Since the introduction of a new business model after 2013, Swedfund has gradually had more scope to impose requirements regarding expected development by incorporating conditions relating to all three pillars into its agreements. In one of the graphs below, investments made before 2013 are classed as the "old portfolio", while investments made (disbursed) from 2013 onwards are included in the "new portfolio". The financial information is based on the annual reports of the direct investments for each year.

There were 34 direct investments (including loans) as of 31 December 2018, 28 of which submitted annual reports for 2018. Of the 28 direct investments which reported for 2018, 14 are categorised under the new portfolio and 14 under the old portfolio. Most of the direct investments that did not submit a report come under the old portfolio and are being wound up.

## Results and analysis

The mission goal states that sales must increase over a five-year period, with a base year corresponding to the investment year. Growth must be monitored per investment, but the integrated report only presents the aggregated trend. A number of relatively major changes occurred in the portfolio during the period 2016 - 2018; this complicates the presentation of a clear and fair comparison between years.

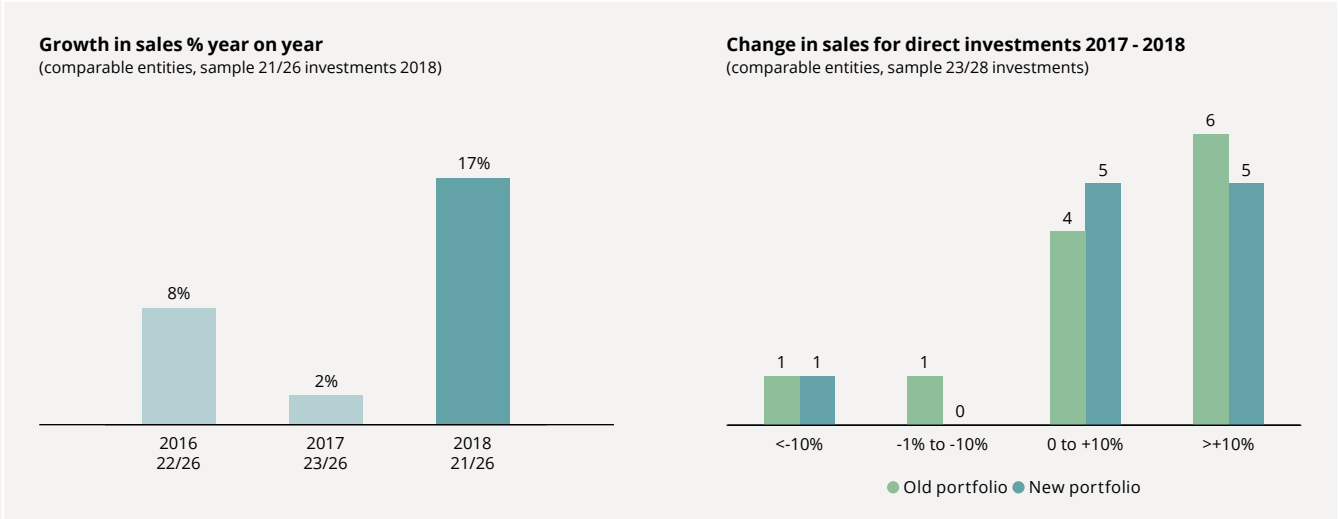
One way of elucidating reports of sales growth is to analyse comparable entities in the portfolio. The graph on the next page presents the number of direct investments during the entire period 2016 - 2018, equivalent to 26 holdings, of which 21 submitted reports for the most recent financial year. The total sample has decreased in size compared with the integrated report in the previous year, mainly due to the high number of direct investments which were wound up during 2018.

The graph on the next page shows that sales increased year-on-year during the period, with relatively strong growth of 17 percent in 2018. The single biggest impact on revenue growth in the portfolio was the investment in the Azura gas power plant (Nigeria), which was put into full commercial operation during 2018, resulting in a significant increase in sales compared with previous years.

The pace of financial development varies considerably between direct investments, depending on various factors, including the development phase, local market conditions and the sector. Volatility in the markets in which Swedfund operates is generally greater than in more developed economies.

The distribution as regards the change in sales between 2017 and 2018 within Swedfund's portfolio of direct investments is illustrated in the graph below. The graph is divided into the "old portfolio" and "new portfolio" as explained above, where a total of 23 investments have submitted reports, of which 12 are from the old portfolio and 11 from the new portfolio.

87 percent of direct investments with reported figures reported growth in sales between 2017 and 2018. Only three holdings, equivalent to 13 percent of reporting entities, showed declining sales.





**INDICATOR: PROFITABILITY**

**TYPE OF GOAL**  
Mission goal

**GOAL**  
Investments must be financially viable

**DESCRIPTION OF GOAL**  
Profitability must increase over a five-year period, with a base year corresponding to the investment year

- DEFINITION**
- Profit margin before tax (direct investments in companies)
  - Return on equity (direct investments in financial institutions)
  - Development in IRR (funds)

**SOURCES**  
The portfolio companies' annual reports, fund reports

**SDG**  
**8** – Promote inclusive and long-term sustainable economic growth, full and productive employment with decent working conditions for all



**Introduction**

A prerequisite for achieving development results through entrepreneurship is that enterprises are financially viable, i.e. profitable. Swedfund's investment organisation continuously monitors how the portfolio companies are developing financially.

**Method and sample**

As regards the calculation of profitability, Swedfund has chosen the following profitability indicator based on the definitions deemed most relevant to each form of investment:

- Direct investments (excluding investments in financial institutions): Profitability is presented as a profit margin (profit before tax expressed as a percentage of sales)
- Financial institutions: Profitability is presented as a rate of return on average equity
- Funds: The trend in profitability is presented on the basis of measured IRR (Internal Rate of Return), which describes the mean annual return of the funds

**Results and analysis**

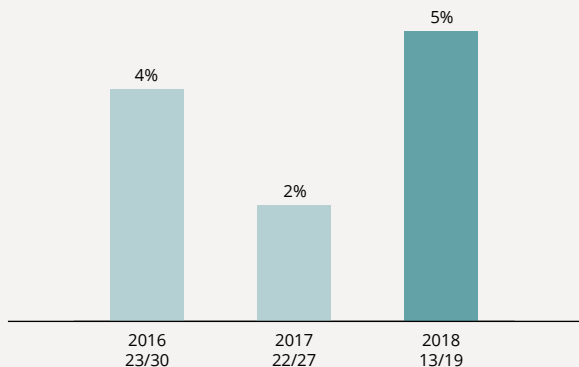
The mission goal states that profitability must increase over a five-year period, with a base year corresponding to the investment year.

Profitability must be monitored per investment, but the integrated report only presents the aggregated trend. A number of relatively major changes occurred in the portfolio during the period 2016 - 2018; this complicates the presentation of a clear and fair comparison between years. One way of attempting to elucidate the reports concerning the trend in profitability is to carry out analyses based on comparable entities in the portfolio.

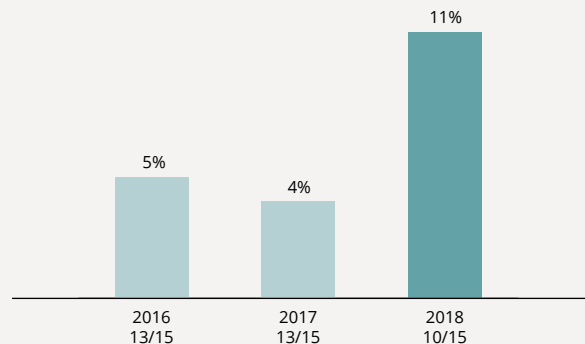
**Direct investments (excluding financial institutions)**

The graph below shows the profit margin (pre-tax profit relative to sales) for the direct investments in Swedfund's portfolio at the end of each year. The profit margin remained in the range 2-5 percent during the reported period. However, it should be noted that profitability differs in relative terms between direct

**Profit margin for direct investments 2016 - 2018**  
(excluding financial institutions)



**Profit margin for direct investments, excluding financial institutions**  
(comparable entities, sample 10/15)



investments, partly depending on the development phase, local market conditions and the sector. Volatility in the markets in which Swedfund operates is generally greater than in more developed economies. In some cases, Swedfund carries out direct investments in activities that are at an early stage of their development, which often means that profitability is initially relatively low.

The profit margin of direct investments (excluding financial institutions), determined as profit before tax relative to turnover, is presented in the graph below. This calculation is based on comparable entities in order to neutralise the effects of investments that were either added or wound up during the period. The number of direct investments in existence throughout the period 2016 - 2018 amounted to 15 entities, 10 of which submitted reports for the most recent year. The graph indicates that profitability was in the range 4-11 percent over the three-year period.

In the calculation, one direct investment was excluded from the sample because the enterprise is in the process of being built up and is currently recording a strongly negative result. In the calculation of the consolidated indicator for profit margin, this investment had such a significant impact on the key ratio that the analysis did not present a true picture for other holdings and the investment was therefore excluded.

**Direct investments in financial institutions 2016 - 2018**

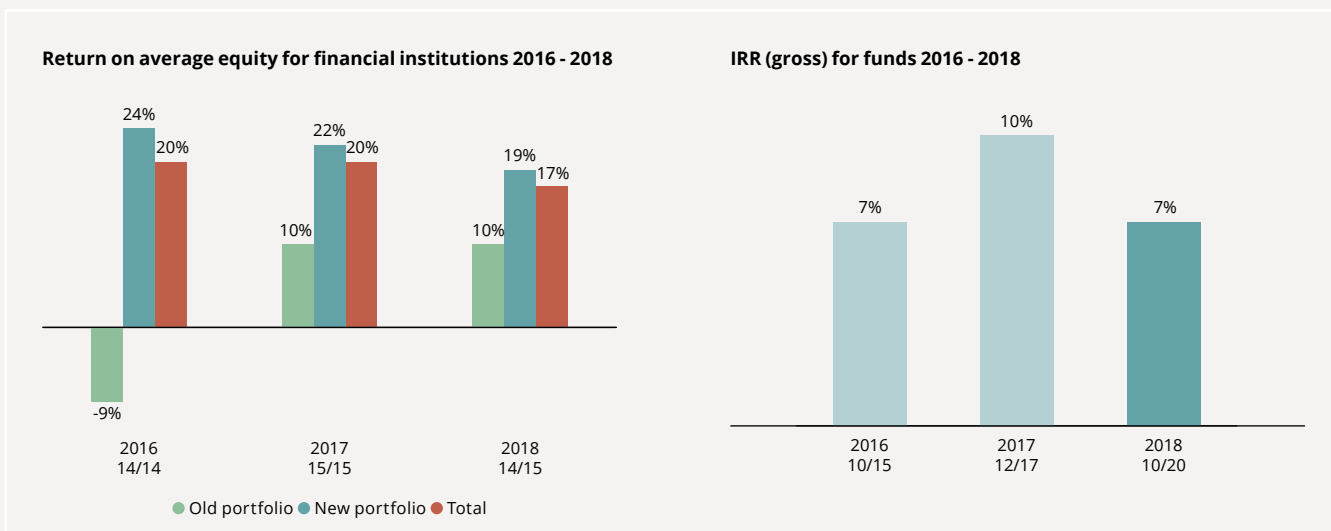
The profitability of Swedfund's direct investments in banks is presented below based on a calculation of return on average equity. The graph shows the trend both for the entire portfolio of direct investments, and broken down according to the "old portfolio" and the "new portfolio".

Swedfund's investments in banks and financial institutions have generally shown stable and strong profitability over the period. The return in the "old portfolio" consists of a few holdings and is significantly more volatile than the corresponding indicator for the "new portfolio". The "new portfolio" shows a more stable level of profitability, which has a positive impact on the overall return for the portfolio.

**Funds**

Assessing the trend in the value of an investment can be more difficult in developing countries than in more mature economies. It is therefore not uncommon for the value of a fund to fluctuate rapidly as a result of changes in local conditions in markets in which the fund's underlying investments operate. Swedfund regularly monitors the valuations of the underlying holdings of funds to ensure that they correspond to a fair value.

Another way of visualising the trend in Swedfund's fund investments is to present the funds' rate of return according to the Internal Rate of Return (IRR) method. Given that the method is based on a fair value of the fund's assets, it is also a good indicator of the financial viability of the underlying holdings. The graph shows that Swedfund's fund portfolio's average IRR (gross) was positive during the period and varied between 7-10 percent. The calculation is based on the fund investments that were in existence at the end of each year, i.e. holdings may have been added or wound up during the period. The high proportion of new funds explains a slightly lower sample for 2018.







**INDICATOR: RETURN ON EQUITY (PROFITABILITY)**

**TYPE OF GOAL**

Strategic sustainability goal

**GOAL**

Long-term, profitable and therefore financially viable investments

**DESCRIPTION OF GOAL**

The average return on equity before tax shall exceed the average interest rate on sovereign debt with a one-year term. The return shall be measured over rolling seven-year periods.

**DEFINITION**

Return on pre-tax equity compared with the interest rate on sovereign debt

**SOURCES**

Portfolio companies' annual reports

**SDG**

**8** – Promote inclusive and long-term sustainable economic growth, full and productive employment with decent working conditions for all



**Introduction**

In connection with the formulation of Swedfund's strategic sustainability goals for 2012 - 2013, a goal was defined concerning the financial viability of the portfolio companies. The definition of the long-term profitability and thereby financial viability of businesses was expressed as the average return on equity before tax. Since 2016, a mission goal concerning profitability has also been defined in the Owner's instructions, which is commented upon separately above.

**Method and sample**

The key ratio was calculated by dividing the profit before tax by the average equity. This type of key ratio is rarely used for funds; hence, they are excluded from the presentation below.

As of 31 December 2018, the number of direct investments presented below amounted to 34, 28 of which have submitted reports. The majority of the portfolio companies that have not submitted reports belong to the "old portfolio".

**Results and analysis**

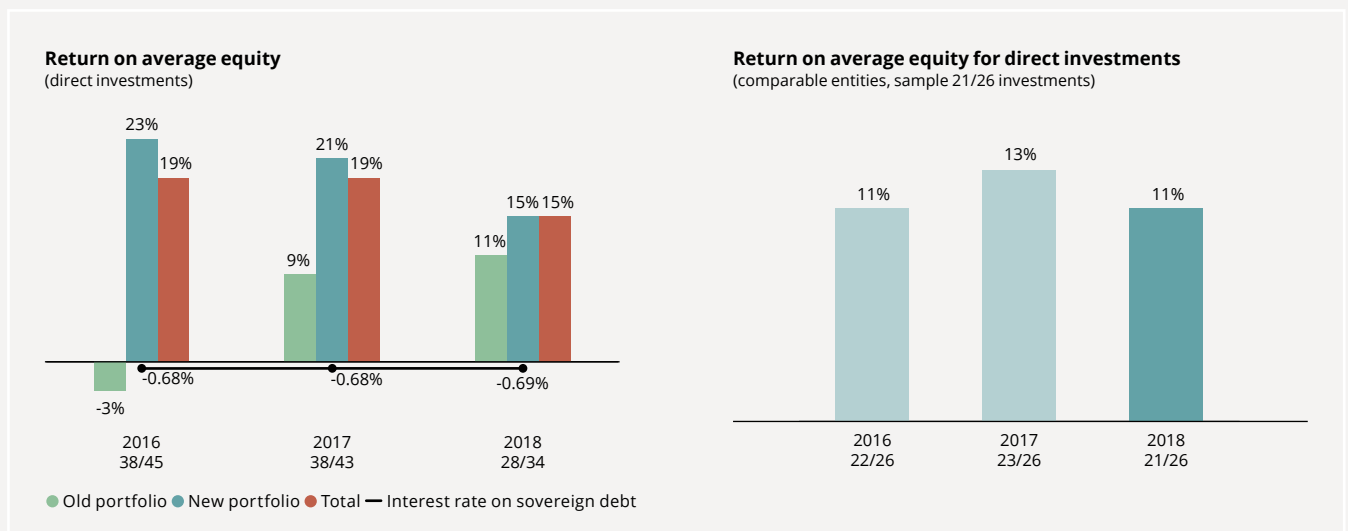
The strategic goal is for the return on average equity to exceed the average interest rate on sovereign debt with a one-year term. As

the graph below shows, Swedfund's portfolio companies generated a positive return (15-19 percent) during the comparison period. Although the goal must be measured over a seven-year period, the analysis after 2018 shows that the average return in Swedfund's portfolio of direct investments was both stable and positive.

However, there are substantial variations within the portfolio, as the subdivision into the "new" and the "old" portfolios shows. Companies in the "new portfolio" generally performed better financially than those in the "old portfolio".

The "new portfolio" consists of significantly more banks, a sector that saw a strong trend in profitability during the period. In the "old" portfolio, most of the portfolio companies operate in the industrial and service sectors. However, many of these companies developed more strongly during 2018, which is reflected in a further improvement in return on equity.

A calculation was also performed for comparable entities, i.e. the direct investments that were in existence throughout the comparison period. The return will be slightly lower than for the overall portfolio but still remained solidly positive, 11-13 percent over the entire period 2016-2018. Some of the best developing investments were acquired in 2017 and are therefore not included in comparable entities.



# Grant-funded activity

Reducing poverty in developing countries requires an integrated approach and a variety of tools. Swedfund receives funding for Technical Assistance, initiatives intended to support the portfolio companies in the work to deliver development results. Swedfund also receives grants to promote sustainable procurement in developing countries through the Project Accelerator. Another tool, Swedpartnership, provides support through the exercising of public authority to help Swedish SMEs seeking to establish themselves in developing countries.

## Project Accelerator

Swedfund Project Accelerator is a vital tool in the efforts being made to implement Agenda 2030. The organisation aims to support project development in DAC countries and thereby enable more sustainable projects to be developed and realised.

The need is linked to the fact that too few projects are currently being developed, and the fact that the procurer sometimes lacks appropriate expertise or motivation and therefore fails to take into account sustainability considerations in procurement. Using the funding that Swedfund contributes, external expertise can be hired to support the local project owner. In this way, Project Accelerator helps to prevent countries from developing and integrating expensive solutions and dependencies that are unsustainable in the long term, and helps to boost business opportunities for enterprises that offer sustainable and long-term profitable solutions.

Project Accelerator has been in use since autumn 2016, and is funded through separate annual grants. The grants are sourced from two areas of expenditure: expense area 24 (Business, Export promotion) and expense area 7 (International aid).

In 2019, Project Accelerator received SEK 55 million through five government decisions. SEK 30 million from expense area 7 and SEK 25 million from expense area 24. These amounts include funds (maximum of SEK 4 million) which Swedfund can utilise to cover the organisation's administration costs.

Twenty projects have been initiated and are at various phases of commitment and levels of activity. Projects are generally preceded by extensive anchoring and preparation, and the actual initiative that Swedfund funds usually lasts between six and twelve months.

The immediate result of the initiative funded by Swedfund is normally a decision-making basis, which in turn forms the basis for the procurement of a sustainable system to meet the needs of the country concerned. The timing as regards when the procurement is subsequently realised and leads to a contract is up to the person who is responsible for the procurement and who received the feasibility study, i.e. a public organisation in the country.

### Swedfund Project Accelerator, general status

Aggregate	Number
Total proposals received	230
Total initiatives initiated	20
Completed initiatives	4
Ongoing	16

Project Accelerator has initiatives in the following countries: Côte d'Ivoire, Egypt, Zambia, Burkina Faso, Philippines, Laos, Myanmar, Indonesia, Ukraine, Bolivia and Colombia.

Sectors: Transport, energy, water and sewage, forests and healthcare.

## Swedpartnership

Swedpartnership provides start-up aid in the form of soft loans to Swedish SMEs regarding initiatives in developing countries. This aid is primarily intended for skills transfer and investment in machinery and equipment.

Swedpartnership's activities, which involve the exercising of public authority, are entirely funded by the Swedish government through a special allocation of funds. Swedpartnership is separated from Swedfund's other investment activity.

The aim of the establishment aid is to contribute to the creation of sustainable and profitable local businesses. The activities and resources funded by the support are targeted at the staff or activity of the local companies. Swedpartnership evaluates and monitors the development results of projects with regard to their impact on society, sustainability and financial viability. Specific indicators adapted to the form and time horizon of the start-up aid have been developed. Swedpartnership was allocated SEK 20 million for lending and SEK 4 million for administrative expenses during 2019.

In 2019, Swedfund asked the Ministry for Foreign Affairs and the Ministry of Enterprise and Industry for a new organisational domicile for Swedpartnership.

### Development results 2019

Indicator	2017	2018	2019
Number of projects approved	23	14	14
Number of projects concluded during the year	21	24	26
Number of new jobs (employees)	262	533	305
Investments in machinery and equipment (SEK million)	14.7	13.2	13.3
Knowledge transfer to which Swedpartnership contributed, measured in number of hours during the year	48,800	47,200	61,000

Region (SEK million)	Investment loans agreed during the year	Proportion	Soft loans disbursed during the year	Proportion
Africa	6.6	33%	5.2	22%
Asia	11.7	59%	13.6	57%
Latin America	0.6	3%	0.3	1%
Eastern Europe	1.0	5%	4.8	20%
<b>Total</b>	<b>20.0</b>	<b>100%</b>	<b>23.9</b>	<b>100%</b>

## Funds for Technical Assistance (TA)

Technical Assistance funds are used to strengthen Swedfund's investments in all three pillars – sustainability, impact on society and financial viability – concerning development effects, gender equality and sustainability, including the environment and climate, decent working conditions, business ethics and anti-corruption.

TA funds may be used in any country in which Swedfund operates, in accordance with the annual letter of allocation. For 2019, Swedfund has been allocated SEK 5 million for Technical Assistance, of which SEK 1.5 million is allocated to administration of the operation.

In addition to these funds, in 2019, Swedfund was able to use funds available from previous years to finance the following initiatives.

TA INITIATIVES - APPROVED 2019	DESCRIPTION
Industry standards and consumer protection	Additional decision concerning an initiative to support the development and implementation of an industry standard and principles for consumer protection for the 'mini-grid' sector within renewable energy generation.
Environmental and social management system	Refers to quality-enhancing initiatives through funding for the implementation of environmental and social management systems in portfolio companies.
Update of the "Livelihood Restoration Plan" (LRP)	Update of the "Livelihood Restoration Plan" (LRP), including stakeholder consultation in one of Swedfund's investments and the prioritisation of activities.
Health and safety initiative	Monitoring of health, safety and environment for a construction project.
Support for employees in a downsizing situation	Financial training, and family and other counselling for employees in a downsizing situation.
Quality improvement initiative within ESG and financial reporting	Quality improvement initiative within ESG, including environmental and social management systems and financial reporting in a microfinance institution.
Women4Growth	Concerns the development of Swedfund's talent program, Women4Growth, and the implementation of a new programme at a hospital in which Swedfund has invested.
Evaluation of development results and management systems	Evaluation of management systems for impact on society and the measurement of development results, as well as an impact study in one of Swedfund's energy investments.
Women4Growth: Digital Platform	Digitalisation of platform for Swedfund's talent programme, Women4Growth.
Health and safety initiative	Quality improvement initiative within health and safety, including safety equipment and training.
Lending product in the agricultural sector	Development of a lending product in the agricultural sector for a microfinance institution.
Evaluation of development results	Impact study in one of Swedfund's fund investments, specifically within gender equality.
Evaluation of development results	Impact study in one of Swedfund's health investments.
Women4Growth	Implementation of the talent program to promote women's empowerment, Women4Growth, at a bank in which Swedfund has invested.
Initiative within environment and climate	Installation of solar panels and rainwater collection in one of Swedfund's health investments, a small clinic.
Development of Impact framework	Development of a framework for managing and measuring the development results of one of the fund investments.
Development of Impact framework	Development of a framework for managing and measuring the development results of one of the fund investments.
Initiative within digitalisation, climate and gender equality	Development of a digital service to improve access to safe medicines in Nigeria, installation of solar panels and equipment for better diagnosis which benefits women.
Risk identification and toolbox linked to gender-related violence	Development of risk identification and toolbox linked to gender-related violence in workplaces which can be used by all portfolio companies.

# Swedfund's results

Swedfund is Sweden's development financier for sustainable investments in the world's poorest countries. Swedfund is a wholly owned government company and is administered by the Swedish Ministry of Enterprise and Innovation. Its operations are financed by capital injections, for which the Swedish Ministry for Foreign Affairs is responsible, and through reflows from the portfolio. Swedfund invests directly in companies and indirectly through financial institutions and funds. This section presents Swedfund results and financial position, together with a follow-up of the financial targets defined by the owners.

## Investment activities

### Portfolio

In 2019, efforts to develop the portfolio continued in line with Swedfund's strategy to invest in the three sectors; Energy & Climate, Financial Inclusion and Health. During the year, a total of three investments were completely exited. In addition to the completely exited portfolio holdings, five loans in various co-financing facilities were also repaid in full. Capital gains in 2019 from the sale of shares and participations increased significantly compared with the previous year and amounted to SEK 89.2 million (18.5) net. The divestment of the shareholding in Komerčijalna Banka during the second quarter had the single largest impact on the overall capital gain.

Swedfund also signed ten new agreements during the year, including six equity and fund investments and four loans. All investments contracted during 2019 fall within Swedfund's priority sectors.

The book value of Swedfund's portfolio of equity shares, mutual fund shares and loans amounted to MSEK 3,188 (2,718) as of 31 December 2019. Unrealised surplus values of shares and mutual fund units amounted to MSEK 565 (525), measured at fair value. Together with contractually agreed, but as yet unpaid investments, the total value of the portfolio at the end of the financial year amounted to MSEK 5,558 (4,516).

In addition, decisions have been made, but contracts have not yet been concluded, for an additional MSEK 351 in a number of fund and loan investments.

## Investments

### Energy & Climate sector

During 2019, Swedfund continued to invest in Energy & Climate based on a previous strategic decision to invest solely in renewable energy sources. The availability of cost-effective, reliable and sustainable energy is one of the UN's global goals for sustainable development. Normally, the technical conditions for energy supply through renewable sources are very good in developing countries, but many energy projects cannot be implemented due to a lack of knowledge or funding. As a proportion of Swedfund's investment portfolio, the Energy & Climate sector experienced the strongest growth during the year and at the end of the period amounted to 32 percent of the portfolio's total value. Examples of investments in Energy & Climate in 2019 are:

- Chigirin Solar Power Plant is a solar power plant in Ukraine where Swedfund and a number of other actors, including NEFCO and EBRD, are jointly financing the construction and operation of the new plant through a loan agreement. Swedfund's share of the loan financing amounts to MEUR 10.

- GEF South Asia Growth Fund II (SAGF II) is a fund that primarily invests in companies with products and services within energy efficiency, water and sanitation. The fund has a geographical focus on the markets in India and Bangladesh. Swedfund has agreed to invest up to MUSD 15 in SAGF II.
- JCM Power develops, constructs and operates solar farms and wind turbines in developing countries. During 2018, Swedfund became a shareholder in JCM Power, and in 2019 a further MUSD 10 investment in newly issued convertible preference shares was agreed. The capital from the rights issue will be used for JCM's portfolio of renewable energy projects, mainly located in Africa and Asia.
- Metier Sustainable Capital Fund II is a fund which focuses on energy generation and energy efficiency in Africa, in which Swedfund has agreed to invest up to MUSD 15.

### Financial Inclusion sector

In developing countries, small and medium-sized enterprises are responsible for the majority of jobs and are thus a driving factor in the economic and social development of the countries concerned. A shortage of funding is one of the most limiting factors as regards the ability of these companies to grow. Swedfund's investments in financial institutions and funds in these markets are helping to boost financial inclusion through lending and the provision of venture capital to companies and entrepreneurs. Examples of investments in the Financial Inclusion sector in 2019 are:

- African Development Partners III, which has a strong focus on sustainability and job creation in Africa. Swedfund has agreed to invest up to MUSD 15 in the fund.
- The Bank of Georgia is a leading bank in Georgia. Together with FMO and a number of other European development finance institutions, Swedfund has agreed a major subordinated loan which will strengthen the bank's capital base and increase the scope for further growth and lending to SMEs. Swedfund's share of the loan financing to the Bank of Georgia amounts to MUSD 15.
- LOLC Group is a major financial institution in Sri Lanka. Swedfund has concluded a loan agreement of up to MUSD 10, which will be used for LOLC's continuing expansion and financing of local SMEs.
- Equity Bank is one of Kenya's largest banks. Together with DEG and a number of other European development financiers, Swedfund has entered into an agreement concerning a subordinated loan to Equity Bank, where Swedfund's share amounts to MUSD 15.

**Health sector**

In developing countries, around 400 million people have no access to basic health care and the quality of care is often poor. This is in part due to a shortage of qualified doctors and medical personnel, infrastructure and medicines. During 2019, Swedfund supplemented previous investments in Health with the following investment:

- Quadria Capital Fund II is a fund which has a broad focus on the health sector with the aim of investing in and developing companies in healthcare, pharmaceuticals, diagnostics and medical technology. The fund is regionally focused on countries in South and South-East Asia, where access to health-care remains limited and unevenly distributed amongst the population. Swedfund has agreed to invest up to MUS\$ 15 in Quadria Capital Fund II.

**Divestments**

As part of the restructuring of Swedfund's portfolio, one shareholding was divested in 2019. In addition, the last underlying holding in Green Investment Asia Sustainable Fund I was divested, which means that Swedfund's investment in the fund has now been discontinued.

- Komercijalna Banka is a major bank in Serbia where Swedfund divested all shares in 2019 in accordance with an option in the shareholders' agreement.

**Settlement of loans**

Six loans were settled during 2019:

- Two loans to Afrinord Hotel Investments were fully amortised.
- Three loans within the co-financing facilities ICCF (Rajasthan) and EFP (NMB and Stanbic) were repaid in full.
- A loan to TBC Bank in Georgia was repaid early in full. The possibility of borrowing at better commercial terms was one of the main reasons for early redemption of the loan.

**Earnings performance**

**Economic objectives**

The Company's economic objectives adopted in 2016 are to ensure that investment activities were economically sustainable and that internal efficiency was high. These goals were expected to be met within a three-year period:

- Operating profit (EBIT) should be positive
- The C/I rate should be no greater than 0.9. The C/I rate is calculated as expenses (excluding impairment losses) by revenue (excluding capital gains/losses and reversals).

Sample	2019	2018
EBIT, MSEK	41.4	-55.3
Adjusted EBIT, MSEK	41.4	-11.1
C/I	0.85	0.88
<i>excluding exchange rate differences</i>	<i>0.84</i>	<i>0.89</i>

**Definitions**

*EBIT (Operating profit):* Profit before financial items and taxes  
*Adjusted EBIT (adjusted operating result):* Profit before financial items and tax adjusted for effect of change of impairment method  
*C/I:* Costs (excluding write-downs)<sup>1</sup> by Revenue (excluding capital gains/losses and reversals)<sup>2</sup>

Operating profit (EBIT) for the 2019 financial year improved and amounted to MSEK 41.4 (-55.3). The comparative figure for the previous year includes a write-down of shares and mutual fund units amounting to MSEK -44.2 linked to a change in the method used to calculate fair value in connection with the transition to IFRS. Restructuring of the portfolio continued in 2019, but significantly fewer holdings were discontinued compared with the previous year. However, capital gains increased significantly compared with 2018, mainly as a result of the sale of the shares in Komercijalna Banka. Given the limited size of the investment portfolio, individual transactions can have a significant impact on EBIT, which can thus fluctuate significantly, both negatively and positively, between quarters and between years.

The C/I ratio for 2019 was 0.84 (0.89), excluding currency effects. This indicates that Swedfund's operations are being conducted in a resource- and cost-effective manner and that the ongoing return from investment activities are financing the company's operating costs.

Both of Swedfund's economic goals were thus met for the 2019 financial year.

**Comments on the results of investment activities**

As explained above, fewer transactions took place in 2019 in terms of divestments in Swedfund's investment portfolio, but the transactions had a relatively large financial impact compared with the previous year. Swedfund's overall net income from investment activities amounted to MSEK 119.2 (31.2) during the financial year.

**Shares and mutual fund units**

Swedfund's investment activities generated dividends of MSEK 28.2 (MSEK 23.6) during 2019. Income from dividends thus increased by 19 percent compared with 2018. Larger reflows from a number of funds are the main reason why dividends are continuing to increase.

Net capital gains from the sale of shares and units for the full year 2019 amounted to MSEK 89.2 (18.5). As described above, the divestment of the shares in Komercijalna Banka had the single largest impact on capital gains. In addition, divestments in underlying holdings within the funds Apis Growth Fund I, Baring India II and Adenia III also had a positive effect on the overall capital gain for 2019.

**Net interest income**

Loans receivable in the investment portfolio had a book value of MSEK 1,531 (1,266), while borrowing from the Swedish Export Credit Corporation relating to currency hedging amounted to MSEK 1,334 (1,297). Net interest income for the full year 2019 was MSEK 84.5 (83.8), corresponding to an increase of 1% compared with 2018.

During the fourth quarter, Swedfund's board of directors adopted a new strategy for managing currency risks. According to this strategy, no new positions will be taken up in order to hedge loans receivable in the investment portfolio against Swedish kronor. The decision only marginally affected net interest income for 2019.

<sup>1</sup> Costs of interest and fees, other portfolio costs, other operating expenses, other external expenses, personnel costs, depreciation of tangible fixed assets.

<sup>2</sup> Share dividends, income from interest and fees, other portfolio income and other operating income.

#### **Other portfolio income and portfolio costs**

Other portfolio income refers, for example, to board fees in portfolio companies. Portfolio costs refer to direct costs attributable to active projects and investments e.g. legal expenses and costs associated with due diligence.

#### **Impairments (measured at fair value) and credit losses**

Swedfund operates in difficult geographical markets, whilst the size of the portfolio is limited. For the valuation of shares and mutual fund shares (including holdings in group companies, associates and joint ventures), Swedfund follows IFRS through the application of RFR2. This means that impairment occurs in the income statement in cases where the fair value is less than the book value. This can lead to large variations in net impairments between quarters and between years. If an overvalue compared with the acquisition value can be shown when measuring fair value, this surplus value is reported in the notes. As of 31 December 2019, the unrealised surplus value amounted to MSEK 565 (525); see also Note 22.

For the 2019 financial year, impairment losses on shares and mutual fund units (net) amounted to MSEK -23.6 (-114.1). The comparative figure for 2018 included impairments of MSEK -44.2 attributable to a change in the method used to determine fair value in accordance with IFRS.

Valuation of loans in accordance with IFRS 9 was charged to net income in 2019 with expected loan losses of MSEK -53.7 (22.0), which can be attributed to two loans which showed an increased credit risk during the year.

#### **Comments on operating profit (EBIT) and financial expenses**

Swedfund's operating profit (EBIT) for 2019 amounted to MSEK 41.4 (55.3). During the previous year, MSEK -44.2 was attributable to the transition to IFRS, which means that, excluding this non-recurring item, adjusted EBIT for the comparative year amounted to MSEK -11.1. Operating profit improved markedly during 2019, entirely as a result of significantly higher net capital gains from divestments of shares and units.

#### **Other operating income and expenses**

Other operating income and expenses refers to the activities of Swedpartnership (SwP), Technical Assistance (TA) and the Swedfund Project Accelerator (SPA), which is funded through grants. Net, these revenues and expenses amounted to MSEK 1.0 (1.1) for the 2019 financial year.

#### **Other external costs and personnel costs**

The company's other external expenses amounted to MSEK -24.0 (-21.5) for the full year 2019.

In 2019, personnel costs amounted to MSEK -53.7 (-65.0), which is significantly lower than in the previous year. The lower personnel costs during the year are mainly explained by the fact that the previous financial year was affected by certain one-off costs as a result of a strategy and organisational review and higher costs for consultancy fees.

#### **Other financial expenses**

Other financial expenses relate to Swedfund liquidity in the form of liquid funds and short-term investments. Surplus liquidity is managed in low risk securities in accordance with the Company's financial policy. In addition, a proportion of the surplus liquidity is pledged as collateral for loans from Svensk Exportkredit (taken up with the aim of hedging currency risks). Negative market interest rates in 2019 also led to a negative return on Swedfund's liquidity management.

#### **Taxes**

In 2016, together with external advisors, the Company carried out an investigation into the tax status of its holdings. On completion of the investigation, the Company assessed that the business should be classified as asset management and that its assets would thus be classified as capital assets. Voluntary rectification of the revenue declarations relating to the financial years 2010 - 2015 was submitted to the Swedish Tax Agency in December 2016. In correspondence with the Swedish Tax Agency during 2017, the Agency stated that the holdings held by the Company at the beginning of 2010 (i.e. before the review period) will continue to constitute stock assets. In light of this, the Company submitted a further corrigendum to the Swedish Tax Agency wherein assets acquired prior to 2010 are treated as inventory assets and assets acquired after that date are treated as capital assets. In 2018, Swedfund provided additional information at the request of the Swedish Tax Agency. The Swedish Tax Agency reached a decision concerning the case in 2019, which resulted in the establishment of a larger accumulated deficit given the voluntary corrections which were submitted.

Swedfund also has an ongoing tax case in Kenya concerning whether Swedfund local operations are to be considered as a permanent establishment and thus subject to taxation in Kenya. The tax authorities in Kenya (KRA) did not reach a decision on the matter in 2019. With the support of external advisors, Swedfund has calculated and reserved a tax liability that is considered to correspond to the exposure.

See also Note 10.

#### **Financial position**

Swedfund is financed (except for SwP, TA and PA which are grant-funded) with equity, i.e. capital injections and accumulated earnings. Swedfund's financial position is strong and the equity/assets ratio amounted to 78 percent (77) as of 31 December 2019.

To limit the company's currency risks in connection with lending in foreign currency, Swedfund has historically hedged currency risks through corresponding borrowing from the Swedish Export Credit Corporation (SEK). Outstanding loans receivable amounted to MSEK 1,334 (1,297) as of 31 December 2019, of which MSEK 317 (208) pertained to short-term borrowings. As collateral for its borrowing, Swedfund has made short-term investments of MSEK 1,688 (1,464) in pledges. During 2019, Swedfund's board of directors adopted a new strategy for managing currency risks, according to which no new positions will be taken to hedge loan investments against the Swedish krona. The decision has only a limited impact on the company's profit and financial position as of 31 December 2019.

Swedfund's liquid assets, including short-term investments, amounted to MSEK 3,969 (3,726) as of 31 December 2019, of which MSEK 2,124 (2,116) related to funds that Swedfund has at its disposal. These funds, also referred to as "own funds", are allocated as illustrated below. Reserved funds, known as "earmarked funds", for the Company's approved and agreed investments amounted to MSEK 2,021 (1,528) as of 31 December 2019.

Liquid assets are reserved for agreed investments to enable the Company to fulfil its commitments in connection with payments. Contractual investments are often paid out in instalments over several years. The "earmarked funds" are distributed according to form of investment, sector and geographically as illustrated below.

**Cash flow**

Cash flow from operations for the year improved compared with the previous year and amounted to MSEK 67.1 (-19.5). Cash flow from investment activities amounted to MSEK -450.2 (-752.1), indicating a continued high investment level in 2019. Cash flow from financing activities contributed SEK 390.5 million (802.2), of which the capital injection of SEK 600 million accounted for the majority. Total cash flow for the year amounted to MSEK 7.4 (30.6).

**Personnel**

The average number of employees in 2019 was 41 (41). On average, 38 employees work at the office in Stockholm and three at the office in Nairobi, Kenya. See also Note 6.

**Risks**

As a development finance institution, risk is pivotal to our business. Swedfund invests in countries and areas where the risks are more numerous and potentially more serious than they are in developed markets. Read more about the risks associated with Swedfund's operations on pages 44-45 and in Note 21.

**Corporate governance**

In accordance with the annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"), a special Corporate Governance Report with a section on internal control has been prepared. The Corporate Governance Report is attached to this integrated report on pages 119-125.

**Board of directors**

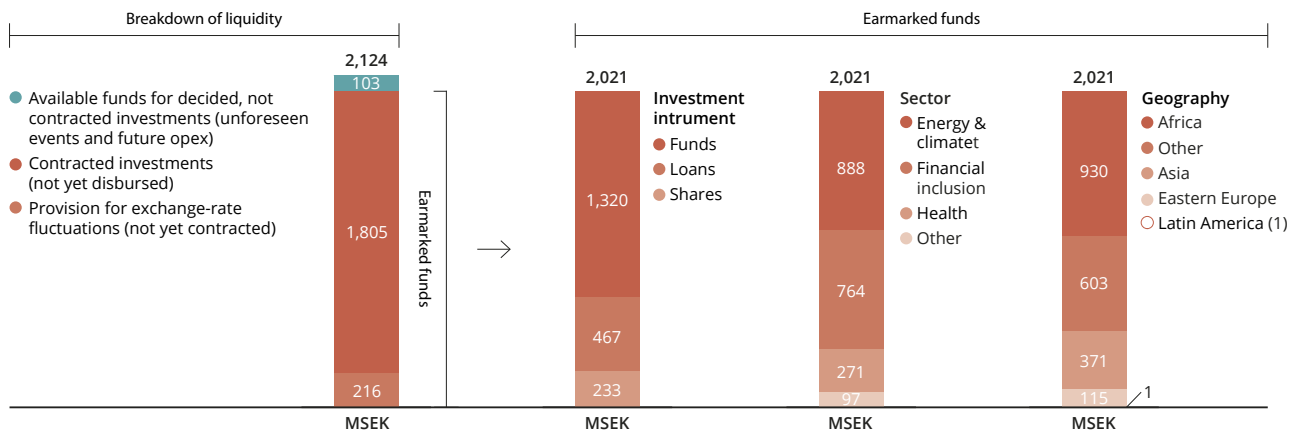
At the annual general meeting held on 25 April 2019, Göran Barsby, Fredrik Arp, Kerstin Borglin, Torgny Holmgren and Mikael Sandström were re-elected, while Daniel Kristiansson was newly elected as a board member. Hanna Lagercrantz, Charlotte Salford and Björn Börjesson had declined re-election to the board. Göran Barsby was re-elected as chair of the board. At an extraordinary general meeting held on 6 December 2019, board members Catrina Ingelstam and Roshi Motman were newly elected.

**Proposal for allocation of profit**

The board of directors recommends that the profit be allocated as follows:

	2019
The following funds are at the disposal of the annual general meeting:	
Accumulated profit/loss	4,438,133,284
Recapitalisation	600,000,000
Profit/loss for the year	40,618,758
	<b>5,078,752,042</b>
The board of directors proposes that the funds available to the annual general meeting be allocated so that:	
To be carried forward	5,078,752,042
	<b>5,078,752,042</b>

**Distribution of own funds as of 31.12.2019, MSEK**



# Income statement

Amounts in SEK (thousands)	Note	2019	2018
<b>Shares and mutual fund units</b>			
Dividends received	3, 4	28,186	23,234
Sales proceeds	3, 4	190,861	7,955
Acquisition cost of of shares / fund units sold	4	-101,432	-2,838
<b>Income from shares and mutual fund units</b>		<b>117,615</b>	<b>28,352</b>
<b>Group companies, associates and joint ventures</b>			
Dividends received	3, 4	-	373
Sales proceeds	3, 4	240	33,152
Acquisition cost sold shares	4	-	-19,774
<b>Income from group companies, associates and joint ventures</b>		<b>240</b>	<b>13,752</b>
<b>Interest income and expenses</b>			
Interest income	3	129,939	125,461
Interest expenses		-45,485	-41,654
<b>Income from interest-bearing instruments</b>		<b>84,454</b>	<b>83,807</b>
<b>Other portfolio income and portfolio expenses</b>			
Other Portfolio Income	3	1,323	2,255
Other Portfolio Expenses		-5,925	-7,870
Currency effects		-1,208	2,951
<b>Income from other portfolio income and portfolio costs</b>		<b>-5,810</b>	<b>-2,665</b>
<b>Write-downs and loan losses</b>			
Write-downs of shares and mutual fund units, net		4,573	-35,221
Write-downs of group companies, associated companies and joint ventures, net		-28,192	-78,871
Write-downs for credit losses, net		-53,654	22,040
<b>Result from write-downs and loan losses</b>		<b>-77,273</b>	<b>-92,052</b>
<b>INCOME FROM INVESTMENT ACTIVITIES</b>		<b>119,227</b>	<b>31,195</b>



Amounts in SEK (thousands)	Note	2019	2018
<b>Other operating income</b>			
Other operating income	3.5	36,589	26,788
<b>Operating expenses</b>			
Other external costs	7.8	-23,983	-21,507
Personnel costs	6	-53,725	-64,996
Other operating expenses	5	-35,604	-25,710
Depreciation of tangible assets		-1,070	-1,073
<b>Result from other operating income and expenses</b>		<b>-77,793</b>	<b>-86,498</b>
<b>OPERATING PROFIT (EBIT)</b>		<b>-41,434</b>	<b>-55,303<sup>1</sup></b>
<b>Results from other financial items</b>			
Other financial expenses	9	-6,625	-9,852
<b>Results from other financial items</b>		<b>-6,625</b>	<b>-9,852</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>34,809</b>	<b>-65,155</b>
<b>PROFIT/LOSS BEFORE TAX</b>		<b>34,809</b>	<b>-65,155</b>
Tax on profit/loss for the period	10	5,810	193
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>40,619</b>	<b>-64,962</b>
<b>The Company's Statement of Comprehensive Result</b>			
Profit/loss for the period		40,619	-64,962
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>40,619</b>	<b>-64,962</b>

<sup>1)</sup> The operating profit (EBIT) for the period January - December 2018 included MSEK -44.2 for impairments attributable to a change in the method of valuation of shares and mutual fund units at fair value in accordance with IFRS.

# Balance sheet

## Assets

Amounts in SEK (thousands)	Note	31.12.2019	31.12.2018
<b>FIXED ASSETS</b>			
<b>Non-current assets</b>			
<i>Land and buildings</i>			
Improvement expenditure on leasehold	11	894	1,293
<i>Tangible fixed assets</i>			
Equipment	11	115	734
<b>Total</b>		<b>1,009</b>	<b>2,027</b>
<b>Financial fixed assets</b>			
Shares and fund units	12, 22, 23	1,528,560	1,296,005
Shares in group companies, associates and joint ventures	13, 22, 23	128,129	156,320
Loans receivable	14, 15, 22, 23, 27	1,531,109	1,266,160
Endowment	22, 23	858	1,063
Other long-term securities	17, 22, 23	298	298
Deferred tax assets	10	721	721
<b>Total</b>		<b>3,189,674</b>	<b>2,720,567</b>
<b>Total fixed assets</b>		<b>3,190,682</b>	<b>2,722,594</b>
<b>CURRENT ASSETS</b>			
Account receivables	22, 23	8,493	15,126
Other receivables	18, 22, 23	36,017	41,941
Prepaid expenses and accrued income	19, 22, 23	37,795	44,659
<b>Total</b>		<b>82,305</b>	<b>101,725</b>
Interest bearing securities	20, 22, 23, 27	3,527,035	3,577,746
Cash and bank balances	22, 23, 27	415,463	102,977
Retained funds on behalf of others	22, 23, 27	26,848	45,734
<b>Total</b>		<b>3,969,346</b>	<b>3,726,457</b>
<b>Total current assets</b>		<b>4,051,651</b>	<b>3,828,182</b>
<b>TOTAL ASSETS</b>		<b>7,242,333</b>	<b>6,550,776</b>

**Equity and liabilities**

Amounts in SEK (thousands)	Note	31.12.2019	31.12.2018
<b>EQUITY</b>			
Share capital		50,000	50,000
Statutory reserve		540,000	540,000
<b>Total</b>		<b>590,000</b>	<b>590,000</b>
Accumulated profit/loss		5,038,133	4,503,095
Profit/loss for the period		40,619	-64,962
<b>Total</b>		<b>5,078,752</b>	<b>4,438,133</b>
<b>Total equity</b>		<b>5,668,752</b>	<b>5,028,133</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Provision for pension obligations	25	858	1,063
Other provisions	15, 26, 27	1,791	2,043
<b>Long-term liabilities</b>			
Liabilities to credit institutions	22, 23	1,017,058	1,089,182
<b>Total</b>		<b>1,019,706</b>	<b>1,092,288</b>
<b>CURRENT LIABILITIES</b>			
Liabilities to credit institutions, current part	22, 23	317,008	208,273
Accounts payable	22, 23, 28	3,473	3,390
Tax liabilities	28	4,016	9,814
Other liabilities	22, 23, 28	77,810	80,042
Accrued expenses and deferred income	22, 23, 29	151,569	128,835
<b>Total</b>		<b>553,875</b>	<b>430,355</b>
<b>Total provisions and liabilities</b>		<b>1,573,581</b>	<b>1,522,643</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,242,333</b>	<b>6,550,776</b>

# Statement of changes in equity

Amounts in SEK (thousands)	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Accumulated profit/loss	Profit/loss for the year	
<b>OPENING EQUITY 01/01/2018</b>	<b>50,000</b>	<b>540,000</b>	<b>3,954,652</b>	<b>25,854</b>	<b>4,570,506</b>
Reversal result previous year			25,854	-25,854	-
Adjustment for transition to IFRS 9/RFR 2			-77,411	-	-77,411
Profit/loss for the period				-64,962	-51,639
Other comprehensive income for the year				-	-
<b>Comprehensive net income for the year</b>	<b>50,000</b>	<b>540,000</b>	<b>3,903,094</b>	<b>-64,962</b>	<b>4,428,133</b>
Capital contribution			600,000	-	600,000
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>600,000</b>
<b>CLOSING SHAREHOLDERS' EQUITY 31/12/2018</b>	<b>50,000</b>	<b>540,000</b>	<b>4,503,095</b>	<b>-64,962</b>	<b>5,028,133</b>
<b>OPENING EQUITY 01/01/2019</b>	<b>50,000</b>	<b>540,000</b>	<b>4,503,095</b>	<b>-64,962</b>	<b>5,028,133</b>
Reversal result previous year			-64,962	64,962	-
Profit/loss for the period				40,619	40,619
Other comprehensive income for the year				-	-
<b>Comprehensive net income for the year</b>	<b>50,000</b>	<b>540,000</b>	<b>4,438,133</b>	<b>40,619</b>	<b>5,068,752</b>
Capital contribution			600,000	-	600,000
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>600,000</b>
<b>CLOSING SHAREHOLDERS' EQUITY AS OF 31.12.2019</b>	<b>50,000</b>	<b>540,000</b>	<b>5,038,133</b>	<b>40,619</b>	<b>5,668,752</b>

The Share Capital consists of 50 shares with a quotient value of SEK 1,000.

# Cash flow statement

Amounts in SEK (thousands)	Note	2019	2018
<b>Ongoing activities</b>			
Profit/Loss after financial items		34,809	-65,155
Adjustment for non-cash items	32	5,429	48,481
Income tax paid		-1,874	-1,353
<b>Cash flow from operating activities before changes in working capital</b>		<b>38,364</b>	<b>-18,027</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		18,532	-6,511
Increase (+)/Decrease (-) in operating liabilities		10,216	5,011
<b>Cash flow from operating activities</b>		<b>67,111</b>	<b>-19,527</b>
<b>Investment activities</b>			
Acquisition of non-current assets (-)		-51	-45
Acquisition of financial Fixed assets (-)		-641,277	-854,205
Sales of financial fixed assets (+)		191,101	102,173
<b>Cash flow from investment activities</b>		<b>-450,227</b>	<b>-752,077</b>
<b>Financing operations</b>			
Capital contribution		600,000	600,000
Loans taken up (+) / Amortised (-) <sup>1</sup>		13,631	-15,687
Change in blocked funds		223,089	217,932
<b>Cash flow from financing activities</b>		<b>390,542</b>	<b>802,245</b>
<b>Cash flow for the year</b>		<b>7,426</b>	<b>30,642</b>
<b>Cash and cash equivalents at the beginning of the year<sup>2</sup></b>		<b>2,116,086</b>	<b>2,085,445</b>
<b>Cash and cash equivalents at the end of the year<sup>2</sup></b>		<b>2,123,513</b>	<b>2,116,086</b>

<sup>1)</sup> Concerns amortisation of loans taken out in SEK intended for hedging of currency risks in connection with lending in investment activities. See also the section 'Financial position' on page 82.

<sup>2)</sup> This item has been reduced by bank bills under Pledged assets and by liquid assets relating to Swedpartnership, TA funds and Swedfund Project Accelerator.

# Notes

## NOTE 1 Significant accounting policies

### Introduction

This report concerns Swedfund International AB (556436-2084), which is a limited company registered in Sweden with its head office at Drottninggatan 92-94, SE-103 65 Stockholm, Sweden.

On 24 March 2020, the board of directors approved this annual report, which will be presented to the annual general meeting on 22 April 2020.

### Basis of accounting

With effect from the 2018 financial year, Swedfund International AB produces its annual report in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the standards of the Swedish Financial Reporting Board and its recommended RFR 2 Supplementary Accounting Rules for Legal Entities have also been applied. Thus, in accordance with RFR 2, Swedfund applies a series of exemptions from IFRS based on the relationship between taxation and accounting in the Annual Report Act (1995:1554) - ÅRL.

Swedfund does not produce consolidated financial statements in accordance with ÅRL Chapter 7, § 3, (a) where the holdings of subsidiaries are considered to be of non-material importance.

### Changes in accounting policies

#### IFRS 16, Leases

The standard IFRS 16 entered into force on 1 January 2019, superseding IAS 17 Leasing agreements and related interpretations. IFRS 16 requires the lessee to recognise assets and liabilities relating to all leasing contracts, except for contracts less than 12 months old and/or for smaller amounts. As regards lessors, the accounting remains unchanged in all material respects.

Due to the application of exemptions in RFR 2, Swedfund does not need to report its existing leasing as financial, but continues to report it as operational. Thus, this does not entail any differences from the previous accounting policy, which means that IFRS 16 does not affect the Company. Swedfund is only a lessee, and not a lessor; see also below under the section 'Leases'.

#### Classification

Fixed assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after more than 12 months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

#### Functional currency

The Company's functional currency is the Swedish kronor (SEK), which is also its reporting currency. All amounts are in SEK thousands unless otherwise stated. Functional currency is the currency of the primary economic environments in which the companies conduct their business.

### Transactions in foreign currency

Transactions in foreign currencies are translated into Swedish kronor at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are converted into Swedish kronor at the exchange rate on the balance sheet date. Exchange-rate differences arising from translation are reported in Profit/Loss for the Year. Non-monetary assets and liabilities that are reported at historical acquisition value are translated at the exchange rate prevailing on the transaction date.

### State Aid

Swedfund has received government grants for aid activities (framework grants) for Swedpartnership (to SMEs), Technical Assistance (technical assistance) and Swedfund Project Accelerator (support for project preparatory efforts).

Assets under management are recognised in the balance sheet (cash, receivables from recipients and liabilities to the grantor) until the operations/projects are completed.

See also below in the section, Income.

### Cash flow statement

The cash flow statement is prepared according to the indirect method. 'Cash and cash equivalents' means short-term investments and bank balances, excluding loans pledged and liquid assets within Swedpartnership, Technical Assistance and Swedfund Project Accelerator.

### Revenue

Swedfund applies IFRS 15 with effect from the 2018 financial year. IFRS 15 deals with the accounting of revenue from contracts with customers and the sale of certain non-financial assets. It superseded IAS 11 Construction contracts and IAS 18 Revenue together with related interpretations. The new standard entails a new revenue recognition model based on when the control of a product or service is transferred to the customer and revenue being accounted for in an amount that reflects the remuneration that the Company would be expected to be entitled to receive in exchange for the product or service. Swedfund's application of revenue recognition in accordance with IFRS 15 makes no material difference compared with the previous standard.

Swedfund is an investment company whose operations consist mainly of the acquisition, development and sale of shares and participations in, and loans to, listed and unlisted companies. The main revenue consists of dividends, proceeds from the sale of shares and participations and interest income.

Other operating income consists of an administrative fee to cover administrative expenses for the management of state aid for the establishment by means of a depreciation loan to Swedish small and medium-sized companies within the Swedpartnership (SWP). As Swedfund work is carried out continuously, income is reported according to a linear method.

In addition, revenues attributable to government grants for Technical Assistance (TA) and Swedfund Project Accelerator (SPA) are included. Revenue is based on actual consumed resources. The Production method is thus used as a method for calculating performance commitments. Appropriations are systematically accrued in the profit or loss for the Year in the same way and over the same periods as the costs that contributions are intended to compensate for.

Note 1 (cont.)

### Income from shares and mutual fund units

Dividends received from shares and mutual fund units are reported in the item "Dividends received" when the right to receive payment is determined. Income from share sales and dividends pertains to the Company's equity and fund holdings.

Sales revenue is recognised when the transfer is made in accordance with the terms of sale and the amount the liquidity is expected to be received.

### Income from participations in group companies, associates and joint ventures

Dividends received from participations in group companies, associates and joint ventures are recognised under the item "Dividends received" when the right to receive payment is determined. Proceeds from sales and dividends relate to the Company's shareholdings.

Sales revenue is recognised when the transfer is made in accordance with the terms of sale and the amount the liquidity is expected to be received.

### Income from interest-bearing instruments

Income from interest-bearing instruments refers to interest income and expenses related to loan receivables and liabilities to credit institutions. Liabilities to credit institutions refers to borrowings to protect the Company from exchange rates fluctuations.

The Item Capital Gain from interest-bearing instruments includes any realised changes in value and any interest compensation from early repayment.

Interest income on receivables and interest expenses on liabilities is calculated and reported using the effective interest method. The Effective Interest Rate is the interest rate that means that the present value of all estimated future receipts and disbursements during the expected fixed-rate period will be equal to the initial carrying amount of the receivable or liability. Interest income and expenses include, where appropriate, accrued fees received that are included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the initial value of the receivable/liability and the amount settled at maturity. Interest income is calculated using the effective interest method on gross amounts, i.e. excluding reserves for expected credit losses, except for credit-impaired assets (Stage 3 or issued credit-impaired assets).

### Leases

The Company's leasing agreements are reported according to the exception in RFR 2 as operating lease. Payments made during the leasing period (less any incentive from the lessor) are expensed in the result linearly over the lease term. Any benefits received in connection with the signing of an agreement are reported in the Profit/Loss for the Year as a reduction of the leasing charges linearly over the term of the leasing contract. Variable fees are expensed in the periods they arise.

The Company is not a lessor.

### General Administrative expenses

General administrative expenses are expensed continuously in the period to which they relate and cover.

### Salaries and other compensation to employees

Employee benefits consist of salaries, paid leave, paid sick leave and other remuneration and pensions.

For the Company's employees, the Company primarily has defined contribution pension plans. For the defined contribution pension plans, the Company pays fixed contributions to a separate legal entity and has thereafter fulfilled its commitment with respect to the employee. Defined contribution pension plans are recognised as an expense in the period to which the premiums are attributable.

Swedfund also has a limited commitment in predetermined pension plans. Swedfund does not apply IAS 19 Remuneration to employees for defined benefit pensions. Instead the simplification rule in RFR 2 applies. Defined Benefit Pension plans relate to pension obligations secured through endowment insurance. Pension Obligations are reported as provision for pensions and endowment insurance is recognised as a financial fixed asset.

### Taxes

The Year's Tax consists of current tax and deferred tax. Taxes are recognised in the income statement except where the underlying transaction is recognised in other comprehensive income or directly against equity when the associated tax effect is also reported in this place.

Current tax is the tax calculated on the taxable income for the period. The taxable profit differs from the reported result by adjusting it for non-taxable and non-deductible items. Current tax is tax payable or receivable for the current year and may be adjusted for current tax attributable to prior periods.

Deferred tax is reported on the difference between the carrying amounts and the tax values of assets and liabilities. Changes in the reported deferred tax asset or liability are recognised as an expense or income in the income statement except when the tax is attributable to items recognised in other comprehensive income or directly to shareholders' equity.

### Subsidiaries

Group Companies (Subsidiaries) are companies that are under a controlling influence from Swedfund International AB. A controlling influence exists if Swedfund International AB has an influence over the investment object, is exposed to or has the right to receive variable returns from its involvement and is able to exercise its control over the investment to influence yields. When assessing whether or not a controlling influence exists, potential voting shares are taken into account, as well as whether "de facto control" exists.

### Associated companies and joint ventures

An associate is an enterprise over which the Company has significant influence but does not exert any definite control over its operational and financial management. This is normally brought about by the Company's shareholdings facilitating between 20 and 50% of the voting power. From the date on which significant influence is attained, shares in associates are recognised according to the acquisition value method. For example, significant influence may involve participation by the investor in decisions relating to the financial and operational strategies of an enterprise, but does not imply control or joint control of these strategies.

A "joint venture" is a cooperative arrangement where the parties with joint control are entitled to the arrangement's net assets. The shares are recognised according to the acquisition value method.

### Financial instruments

On 1 January 2018, the new accounting standard IFRS 9, Financial Instruments, entered into force. Within the framework of RFR 2, accounting in a legal person, there is a choice of applying IFRS 9 to its fullest extent or applying a recognition based on acquisition value. Swedfund has chosen to report financial instruments according to the acquisition value method.

A financial instrument is recognised in the balance sheet when the Company becomes a party under the contractual terms of the instrument. Financial instruments recognised in the statement of financial position include, on the asset side, cash and cash equivalents, loans receivable, accounts receivable and financial investments. The liability side contains accounts payable, loan liabilities and other liabilities.

A financial asset is removed from the balance sheet when the rights in the contract are realised, have expired or the Company loses control of them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability.

A financial asset and a financial liability are offset and accounted for with a net amount in the balance sheet only where there is a legal right to offset the amounts as well as there being an intention to regulate the items with a net amount or to simultaneously realise the asset and settle the debt.

### Classification and valuation

Financial instruments are initially recognised at acquisition value corresponding to the fair value of the instrument plus transaction costs. A financial instrument is classified on initial recognition based on, inter alia, the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued following initial recognition.

The Company recognises financial instruments within the following categories:

- Shares and fund units
- Participations in group companies, associates and joint ventures
- Loans receivable
- Other long-term securities
- Short-term investments
- Cash and bank balances
- Other financial liabilities

Acquisitions and divestments of financial assets are reported on their trade date. The business day constitutes the date on which the Company commits to acquire or divest itself of the asset.

Swedfund recognises and values its financial assets and financial liabilities under RFR 2 in respect of IFRS 9; i.e. on the basis of acquisition value. Fair value is presented in the information and forms the basis for the impairment of investments in shares and mutual fund units and shares in group companies, associates and joint ventures.

Where these instruments constitute short-term investments, accounting is based on the lowest value principle by reporting the lower of the acquisition value and fair value. Other financial assets are recognised at acquisition value, or amortised acquisition value, less impairments for expected credit losses.

### Shares and Fund Units

Shares and mutual fund units are valued at acquisition value less any impairment losses based on fair value.

Any surplus values for shares and mutual fund units which, when measuring fair value, show a fair value exceeding acquisition value are presented in Note 22.

### Other long-term securities

Other long-term securities holdings are valued at amortised acquisition value using the principles of impairment testing and loss risk reserve in IFRS 9, Expected Credit Losses.

### Loans receivable

Loans receivable are non-derivative financial assets that have fixed or determinable payments and are not listed on an active market. These assets are valued at amortised acquisition value. Accrued acquisition value is determined on the basis of the effective interest rate calculated at the time of acquisition. In calculating the net realisable value of loan receivables, the principles of impairment testing and loss risk reserve are applied in accordance with IFRS 9, Expected Credit Losses.

### Short-term investments

Short-term investments are reported at amortised acquisition value using the principles of impairment testing and loss risk reserve in IFRS 9, Expected Credit Losses.

### Cash and bank balances

Cash and bank balances consist of cash and immediately available balances in banks and corresponding institutions and short-term liquid investments with a maturity from the acquisition date of less than three months, which are only exposed to an insignificant risk of fluctuation.

### Other financial liabilities

Loans and other financial liabilities, such as Accounts Payable, are included in this category. Liabilities are valued at amortised acquisition value.

### Effective Interest Rate and Effective Interest Method

Long-term loan receivables and other long-term securities are reported at amortised acquisition value according to the effective interest method with impairment for expected credit losses.

The Effective Interest Rate is the interest rate that accurately discounts the estimated future receipts and disbursements over the expected maturity period of the financial asset or financial liability to the initially reported gross value of a financial asset or to the accrued acquisition value of a financial liability. In calculating the effective interest rate, an enterprise shall



Note 1 (cont.)

estimate expected cash flows by taking into account all contractual terms of the financial instrument (such as options for early redemption, renewals, purchases and the like) but shall not take into account expected credit losses. The calculation includes all charges and items paid or received by the contracting parties, which are an integral part of the effective interest rate, transaction costs and any other premiums or discounts. It is assumed that the cash flows and expected maturity period of a group of similar financial instruments are able to be estimated reliably. However, in those rare cases where it is not possible to reliably estimate cash flows or residual maturity of a financial instrument (or a group of financial instruments), the enterprise shall use the contractual cash flows over the entire term of the financial instrument (or the group of financial instruments). The Effective Interest Method is used to calculate the accrued acquisition value of a financial asset or financial liability and for accrual and accounting of interest income or interest expense in profit or loss during the relevant period.

### **Impairment of financial assets**

#### ***Impairment based on fair value***

For financial assets in the form of shares and participations in group companies, associates and joint ventures, impairment is effected based on fair value. Swedfund's methods for determining fair value are described in more detail in Note 22.

#### ***Impairment based on expected credit losses***

In the case of accounting based on acquisition value, impairment testing and loss risk reserve in accordance with IFRS 9, Expected credit losses have been applied from the 2018 financial year. This means that Swedfund sets aside provisions for expected credit losses upon initial recognition. Provision is made for expected credit losses for financial instruments in the form of financial fixed assets and current assets. For Swedfund, this primarily entails provision for expected credit losses for loans receivable.

Upon initial recognition and on subsequent balance sheet dates, a loan loss reserve is recognised for the next 12 months, or a shorter period depending on the remaining maturity period, for financial assets in the form of loans receivable, but also for short-term investments and certain other smaller items. Interest income is calculated using the effective interest method on the reported gross (excluding loan loss reserve) (Stage 1).

If the credit risk for the financial instrument has increased significantly since initial recognition, a credit loss reserve is instead recognised for the entire remaining maturity period. Interest income is also calculated in this case on the reported gross (excluding loan loss reserve) (Stage 2).

For credit-impaired assets, a provision continues for the entire remaining maturity period, but interest income is calculated at amortised acquisition value (excluding credit loss reserve) (Stage 3).

The credit risk for a financial asset may change during the term, which affects the reserve for expected credit losses.

Loan receivables with renegotiated loan terms that are recognised as new loans and constitute credit-impaired financial assets, are initially not recognised as a loan loss reserve. As of each balance sheet date, the change in expected credit losses for the entire remaining maturity period is reported as a written-down gain or loss. Interest income is calculated on the accrued acquisition value (excluding loan loss reserve) and initially fixed credit adjusted effective interest rate.

Swedfund has developed methods for assessing and reserving expected credit losses in accordance with IFRS 9, which was implemented in 2018. The methods are based on the Company's risk classification model and take into account any collateral for Swedfund loans receivable, loan commitments and short-term investments.

Swedfund's methods for calculating expected credit losses are described in more detail in Note 22.

### **Tangible fixed assets**

Tangible fixed assets are reported in the Company at acquisition value less deductions for accumulated depreciation and impairment losses, if any. The acquisition value includes the purchase price and expenditure directly attributable to the asset to bring it into place and in condition to be used in accordance with the purpose of the acquisition.

The reported value of an asset is removed from the balance sheet upon its being sold or otherwise disposed of, or when no future economic benefits are expected from the use or sale/disposal of the asset. Gains or losses arising from the disposal or sale of an asset are the difference between the selling price and the carrying amount of the asset less direct selling costs. Profit and loss are reported as other operating income/expense.

#### ***Additional expenditure***

Additional expenditure is added to the acquisition value only if it is probable that the future economic benefits associated with the asset will be to Swedfund's account and the acquisition value can be calculated reliably. All other additional expenditure is recognised as an expense in the period in which it arises. Repairs are expensed continuously.

#### ***Depreciation Principles***

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful life periods are:

- Leasehold improvements: 7 years (corresponding to the length of the rental agreement)
- Equipment: 5 years

The use of depreciation methods, residual value and useful life periods are reviewed at the end of each financial year.

### **Impairment of non-financial assets**

Property, plant and equipment and any intangible assets that are depreciated are assessed in terms of value decline whenever events or changes in circumstances indicate that the carrying amount is not recyclable. An impairment loss is made by the amount where the carrying value of the asset exceeds its recoverable value. The recoverable amount is the greater of fair value less selling costs and value in use. In calculating the value in use, future cash flows are discounted by a factor taking into account the risk-free interest rate and the risks associated with the specific asset.

The previously reported impairment loss is reversed if the recoverable amount is assessed to exceed the carrying value. However, reversal is not carried out by any amount greater than the carrying value of what it would have been if the impairment had not been recognised in previous periods.

Note 1 (cont.)

**Provisions**

A provision differs from other debts in that there is uncertainty about the term of payment or the amount to regulate the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of an event occurring, and it is probable that an outflow of financial resources will be required to regulate the obligation, as well as that a reliable estimate of the amount can be made.

Provisions are made with the amount that is the best estimate of what is required to settle the existing obligation at the balance sheet date. Where the effect of when payment is made is material, provisions are calculated by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

Provision for expected credit losses is also made for issued loan commitments and is reported as other provisions until payment of loan receivables takes place.

**Contingent liabilities**

A contingent liability is recognised when there is a possible commitment arising from past events and where existence of the liability is confirmed only by one or more uncertain future events or when there is a commitment that is not recognised as a liability or provision because of it being unlikely that an outflow of resources will be required.

**NOTE 2 Significant estimates and assessments****Introduction**

The drawing up of financial statements in accordance with IFRS often requires management to make assessments and estimates and make assumptions about future events that may affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

Assessments are based on estimates and assumptions that are considered reasonable and properly estimated at the time of the assessment. However, as with other assessments, assumptions or estimates, the result may be different and events may occur that may require a substantial adjustment of the carrying amount of the asset or liability concerned. The actual outcome can thus deviate from these estimates.

Estimates and assumptions are continuously evaluated. Changes to estimates are recognised in the period in which the change is made, if the change only affects this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

The following represent the main accounting policies, the application of which is based on such assessments and the main sources of uncertainty in estimates that the Company considers may have the most significant impact on the Company's reported earnings and financial position.

**Shares and mutual fund units, participations in group companies, associates and joint ventures****Main sources of uncertainty in estimates**

Shares and mutual fund units are recognised at cost and tested for impairment at fair value. Valuing private investment in developing countries at fair value implies a large inherent uncertainty regarding the fair value of unlisted equity and fund holdings.

**Assessments when applying accounting policies**

For unlisted shares and mutual fund units, fair value is an assessment in accordance with applied valuation methods. Applied methods are formulated in accordance with IFRS 13, Fair Value and International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines).

See also the description of accounting policies in Note 22.

**Other financial instruments****Main sources of uncertainty in estimates**

Expected credit losses are assessed in respect of loan receivables, long-term securities holdings, trade receivables, other receivables and loan commitments. Valuing claims in developing countries at fair value implies a large inherent uncertainty.

**Assessments when applying accounting policies**

Expected credit losses shall be estimated in a manner that reflects an objective and probability-weighted amount determined by evaluating a range of possible outcomes. Reserve for expected credit losses is based on a Swedfund assessment of the magnitude of these expected losses. The valuation shall take into account reasonable and verifiable information that is available without involving undue costs or operations at the balance sheet date of past events, current conditions and forecasts for future economic conditions.

See also the description of accounting policies in Note 22.

**Deferred tax/valuation of loss carryforwards****Main sources of uncertainty in estimates**

Deferred tax assets and liabilities are reported for temporary differences and for unused loss carryforwards. The estimated tax effects of these loss carryforwards are recognised as fixed assets.

**Assessments when applying accounting policies**

If necessary, external advisers are used to assess the magnitudes of the deficits. If the Company's management considers that the Company can, in the near future, benefit from the future lower payments that existing tax deficits will give rise to, a deferred asset is reported.

**Accounting for income tax, value added tax and other taxes****Main sources of uncertainty in estimates**

Accounting for these items is based on an evaluation of income tax, VAT and other tax rules in the countries where Swedfund is active.

**Assessments when applying accounting policies**

Due to the overall complexity of all tax and accounting rules, management must be involved in the assessment of the classification of transactions and in the estimation of probable outcomes in respect of claims for deductions, disputes and future payment requirements. If necessary, external advisers are engaged in this assessment.

**NOTE 3 Revenue distributed by geographical area and revenue type**

The Company's revenues are distributed in different geographical areas, as below.

2019	Africa	Asia	Latin America	Eastern Europe	Other	Total
Share sales	24,816	-	1,958	152,768	11,319	190,861
Distribution of shares	14,078	1,668	6,442	-	5,999	28,186
Group and/or associated companies' sales	-	240	-	-	-	240
Group and/or associated companies' dividends	-	-	-	-	-	-
Income from interest	102,667	10,924	-	10,050	6,298	129,939
Other portfolio income	435	455	-	9	425	1,323
<b>Total</b>	<b>141,996</b>	<b>13,287</b>	<b>8,400</b>	<b>162,826</b>	<b>24,041</b>	<b>350,550</b>

The division of revenue is based on how the activities and information are regularly reviewed and followed up by the chief executive decision-maker in order to evaluate the operations.

Other operating income	2019	2018
Technical Assistance and Swedfund Project Accelerator <i>Date of revenue recognition in accordance with IFRS 15</i>	33,147	22,785
Services transferred over time, management fee Swedpartnership	3,442	4,003
<b>Total</b>	<b>36,589</b>	<b>26,788</b>

**NOTE 4 Income from shares and mutual fund units**

	Income from shares and mutual fund units		Income from group companies, associates and joint ventures	
	2019	2018	2019	2018
Dividends	28,186	23,234	-	373
Sales income	190,861	7,955	240	33,152
Total cost of shares sold	-124,844	-2,838	-38,585	-29,414
Impaired value of shares sold	23,412	-	38,585	9,640
<b>Total</b>	<b>117,615</b>	<b>28,352</b>	<b>240</b>	<b>13,752</b>

**NOTE 5 Swedpartnership, Technical Assistance (TA funds) and Swedfund Project Accelerator**

<b>Swedpartnership</b>	<b>2019</b>	<b>2018</b>
Other operating income	3,442	4,003
Other operating expenses	-3,442	-4,003
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Technical assistance</b>	<b>2019</b>	<b>2018</b>
Other operating income	6,724	6,652
Other operating expenses	-5,739	-5,574
<b>Total</b>	<b>985</b>	<b>1,078</b>
<b>Swedfund Project Accelerator</b>	<b>2019</b>	<b>2018</b>
Other operating income	26,423	16,133
Other operating expenses	-26,423	-16,133
<b>Total</b>	<b>0</b>	<b>0</b>

**NOTE 6 Board of directors, employees and personnel costs****Gender distribution of the board of directors, CEO and other senior executives**

	2019		2018	
	Total	Of which, men	Total	Of which, men
Board of Directors	8	5	8	5
CEO	1	-	1	-
Other senior executives	6	3	4	2

**Average number of employees**

Country	2019		2018	
	Total	Of which, men	Total	Of which, men
Kenya	3	0%	3	0%
Sweden	38	53%	38	55%
<b>Total</b>	<b>41</b>	<b>49%</b>	<b>41</b>	<b>51%</b>

**Salaries, other remuneration and social welfare costs**

	2019		2018	
	Salaries and remuneration	Social welfare costs	Salaries and remuneration	Social welfare costs
	34,119	18,737	37,903	22,454
<i>(of which pension costs)</i>	<i>(-)</i>	<i>(8,549)<sup>1,2</sup></i>	<i>(-)</i>	<i>(10,848)<sup>1,2</sup></i>
<b>Total</b>	<b>34,119</b>	<b>18,737</b>	<b>37,903</b>	<b>22,454</b>

<sup>1)</sup> Of pension costs, 555 (480) concerns the CEO. The previous year refers to the pension costs period 05.03.2018 – 31.12.2018.

<sup>2)</sup> For all employees, defined contribution and equivalent pension premiums are paid in accordance with the law and collective agreements which were expensed during the year.

**Salaries and other remuneration distributed by country and between board members, et al and other employees**

	2019		2018	
	Board of directors, CEO and other management	Other employees	Board of directors, CEO and other management	Other employees
Sweden	9,535	23,646	7,435	30,141
<i>(of which remuneration to the board of directors)</i>	<i>(710)</i>	<i>-</i>	<i>(890)</i>	<i>-</i>
<i>(of which pension to former CEO)</i>	<i>(250)</i>	<i>-</i>	<i>(234)</i>	<i>-</i>
<i>(of which salary to CEO)</i>	<i>(1,948)</i>	<i>-</i>	<i>(1,560)</i>	<i>-</i>
<i>(of which other management salaries)</i>	<i>(6,626)</i>	<i>-</i>	<i>(4,751)</i>	<i>-</i>
Kenya, representative office	-	1,899	-	1,451
<b>Total</b>	<b>9,535</b>	<b>25,545</b>	<b>7,435</b>	<b>31,592</b>

**Remuneration paid to current and former board members and the former CEO**

Member	Position	Remuneration	Board remuneration in portfolio companies
Göran Barsby	Chair of the Board and Chair of the Audit Committee	250	-
Torgny Holmgren	Member of the Board and Member of the Audit Committee	130	-
Catrina Ingelstam	Member of the Board	-	-
Daniel Kristiansson	Member of the Board	-	-
Fredrik Arp	Member of the Board	110	-
Kerstin Borglin	Member of the Board	110	-
Mikael Sandström	Member of the Board	110	-
Roshi Motman	Member of the Board	-	-
<b>Total</b>		<b>710</b>	<b>-</b>

Note 6 (cont.)

Fees are paid to the Chairman and members of the Board according to the decision of the General Meeting.

#### Attendance of Board members at this year's meetings

Member	1/19	2/19	3/19	4/19	5/19	6/19	7/19	8/19	9/19	10/19	11/19
Göran Barsby	●	●	●	●	●	●	●	●	●	●	●
Torgny Holmgren	●	●	●	●	●	●	●	●	●	●	●
Catrina Ingelstam <sup>2</sup>											
Daniel Kristiansson <sup>1</sup>					●	●	●	●		●	●
Fredrik Arp	●	●	●	●	●	●	●	●	●	●	●
Kerstin Borglin	●	●	●	●		●	●	●	●	●	●
Mikael Sandström	●	●	●	●	●	●	●	●	●	●	●
Roshi Motman <sup>2</sup>											●
Hanna Lagercrantz <sup>3</sup>	●	●	●	●							
Charlotte Salford <sup>3</sup>	●			●							
Björn Börjesson <sup>3</sup>	●	●	●	●							

<sup>1</sup> Took up post in April 2019.

<sup>2</sup> Took up post in December 2019.

<sup>3</sup> Vacated post in April 2019.

Total sick leave amounted to 1.01% (previous year 0.68%) of employees' total regular working hours.

For integrity reasons, sick leave has not been reported by age group or gender.

#### Salary to the CEO and other senior executives, severance pay, etc.

The CEO and other senior executives have a fixed remuneration per month. No variable remuneration is paid.

In the event of termination by the Company, the CEO has an agreement on severance pay corresponding to salary during the six-month notice period, severance pay in the form of 12 months' fixed salary (pension provisions are not included).

Severance pay is not paid after 65 years of age.

For other senior executives and the CEO, defined contribution and thus equivalent pension premiums are paid by law and collective agreements which were expensed during the Year. In the event of termination by the Company, the rules of the collective agreement apply to other senior executives.

#### Salaries to senior executives

Name	Position	Other benefits	Annual salary fixed remuneration paid	Pension premiums paid	Total
Maria Håkansson	CEO	0	1,948	555	2,503
Ann-Caroline Andersson	Administration Manager/Executive Assistant	0	706	118	824
Fredrik Linton	Director of Investment Operations	0	1 719	492	2 211
Jacob Hagerman	Chief Legal Counsel	0	1,160	284	1,444
Johan Selander	Director of Finance from 23.04.19 <sup>1</sup>	0	966	252	1,218
Johanna Raynal	Director of ESG & Impact from 01.04.19	0	936	238	1,174
Karin Kronhoffer	Director of Strategy and Communication	0	1,139	318	1,457
<b>Total</b>		<b>0</b>	<b>8,574</b>	<b>2,257</b>	<b>10,831</b>

<sup>1</sup> During the period 01.01.2019 – 30.04.2019, Swedfund hired a CFO, Lotta Jarleryd, on an interim basis via a staffing company. Total cost, including non-deductible VAT, amounted to SEK 1,930,000.

For other senior executives and the CEO, defined contribution and thus equivalent pension premiums are paid by law and collective agreements which were expensed during the Year.

In the event of termination by the Company, the rules of the collective agreement apply to other senior executives.

#### Pension commitments

Former CEO, Björn Blomberg, is entitled to receive funds in the form of a direct pension secured through endowment insurance owned by the Company. Payments have been made in previous years by way of an annual premium.

**NOTE 7 Auditors' fees and expenses**

<b>Ernst &amp; Young AB</b>	<b>2019</b>	<b>2018</b>
The auditing assignment	910	890
Other auditing services	64	434
Tax consultancy services	94	217
Other services	23	3,346
<b>Total</b>	<b>1,091</b>	<b>4,887</b>

**NOTE 8 Leasing**

The operating lease mainly includes lease agreements for the Company's premises in Stockholm and in Nairobi, for which a substantial part of the risks and benefits of ownership are retained by the lessor. Leasing costs for operating leases for the year amounted to SEK 4,768,000 (4,593,000). Future payment commitments as of 31 December are distributed as follows:

<b>Future minimum lease payments</b>	<b>2019</b>	<b>2018</b>
Within 1 year	5,046	4,630
Between 1-5 years	4,954	8,226
More than 5 years	-	-
<b>Total</b>	<b>10,000</b>	<b>12,856</b>

<b>Expensed fees for operational leasing contracts amount to:</b>	<b>2019</b>	<b>2018</b>
Minimum lease payments	4,768	4,593
Variable fees	-	-
<b>Total leasing costs</b>	<b>4,768</b>	<b>4,593</b>

The Company's leasing agreements usually contain no variable fees. Leasing contracts for premises contain terms that give the right to extend the contract in question for a predetermined period of time.

The Company does not act as a lessor.

**NOTE 9 Other financial expenses**

<b>Other financial expenses</b>	<b>2019</b>	<b>2018</b>
Impairment of financial fixed assets	-575	-459
Other financial expenses	-6,050	-9,393
<b>Total</b>	<b>-6,625</b>	<b>-9,852</b>

**NOTE 10 Taxes**

	<b>2019</b>	<b>2018</b>
<b>Current tax expense (-)/tax income (+)</b>		
The year's tax expense/tax revenue	5,810	-
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax relating to temporary differences	-	193
<b>Reported tax</b>	<b>5,810</b>	<b>193</b>
<b>Reconciliation of effective tax rate</b>	<b>2019</b>	<b>2018</b>
<b>Profit/loss before tax</b>	<b>34,809</b>	<b>-65,155</b>
Tax on reported earnings in accordance with the applicable tax rate (21.4%), 2018: 22%)	-7,449	14,334
Tax effect of:		
Non-taxable dividend	2,176	2,829
Non-deductible impairments of financial assets	-21,993	-28,004
Non-taxable reversal of impairment of financial assets	3,729	14,646
Non-taxable realised capital gains	2,299	3,169
Non-deductible realised capital losses	-3,945	-1,045
Deductible realised loss loan	-	1,467
Non-deductible other costs	-524	-1,039
Deductible impairment of current assets	-	1,589
Uncapitalised deficit, profit/loss for the year	25,853	-7,882
Deferred tax relating to temporary differences	-146	128
Other	5,810	-
<b>Reported tax</b>	<b>5,810</b>	<b>193</b>
Effective tax rate	17%	0%

The Company has no tax items that are recognised under other total income or directly against shareholders' equity.

**Disclosures on deferred tax assets and tax liabilities**

The following tables specify the tax effect of temporary differences:

<b>Deferred tax asset</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Tangible fixed assets	487	487
Pension agreement, former CEO	234	234
<b>Recognised value</b>	<b>721</b>	<b>721</b>

**NOTE 11 Tangible assets****Buildings and land**

<b>Improvement expenditure on leasehold</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Equipment</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Accumulated acquisition value</b>			<b>Accumulated acquisition value</b>		
At the beginning of the Year	3,017	3,017	At the start of the year	3,323	3,278
New acquisitions	26	-	New acquisitions	25	45
<b>Total acquisition value</b>	<b>3,043</b>	<b>3,017</b>	Divestments and disposals	-	-
			<b>Total acquisition value</b>	<b>3,348</b>	<b>3,323</b>
<b>Accumulated depreciation according to plan</b>			<b>Scheduled accumulated depreciation</b>		
At the start of the year	-1,724	-1,293	At the start of the year	-2,590	-1,947
Scheduled depreciation of acquisition value for the year	-425	-431	Divestments and disposals	-	-
<b>Total impairments</b>	<b>-2,149</b>	<b>-1,724</b>	Scheduled depreciation of acquisition value for the year	-644	-643
			<b>Total impairments</b>	<b>-3,234</b>	<b>-2,590</b>
<b>Scheduled residual value at the year-end</b>	<b>894</b>	<b>1,293</b>	<b>Scheduled residual value at the year-end</b>	<b>115</b>	<b>734</b>

**NOTE 12 Portfolio investments shares and funds****Portfolio investments shares and funds**

<b>Accumulated acquisition value</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
At the start of the year	1,535,729	1,112,388
Investments during the year	345,904	454,454
Reclassification	-	-340
Sales during the year	-141,334	-30,773
<b>Total acquisition value</b>	<b>1,740,299</b>	<b>1,535,729</b>
<b>Accumulated impairments</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
At the start of the year	-239,724	-232,488
Reversed impairments for the year attributable to sales	23,412	27,985
Reversals for the year	22,663	14,647
Impairments for the year	-18,091	-49,868
<b>Total impairments at year-end</b>	<b>-211,739</b>	<b>-239,724</b>
<b>Book value at year-end</b>	<b>1,528,560</b>	<b>1,296,005</b>

Note 12 (cont.)

**Specification of the Company's directly owned holding of shares and mutual fund units**

<b>31.12.2019 Company</b>	<b>Sector</b>	<b>Business activities</b>	<b>Share class</b>	<b>Owner- ship %</b>	<b>Acquisition value</b>
<b>Africa</b>					
AAR Health Care Holdings Limited, Kenya	Health	Healthcare Company	Stock	18.2	28,188
Adenia Capital (III) LLC Ltd.( I&P), Africa	Financial Inclusion	Fund	Stock	10.4	62,485
Afrinord Hotel Investment A/S, Africa	Other	Hotels	Stock	20.0	470
African Development Partners II (DPI), Africa	Financial Inclusion	Fund	Fund units	2.1	121,371
Africap Microfinance Investment Company Ltd, Africa	Financial Inclusion	Microfinance fund	Stock	7.1	13,474
AfricInvest Fund III LLC, Africa	Financial Inclusion	Fund	Fund units	2.9	67,077
Apis Growth Fund I, Africa	Financial Inclusion	Fund	Fund units	2.6	39,985
Apis Growth Fund II, Africa	Financial Inclusion	Fund	Fund units	3.0	30,367
Athi River Steel Plant Ltd, Kenya	Other	Steel mills	Stock	16.4	85,227
AFIG Fund II	Financial Inclusion	Fund	Fund units	7.7	56,962
Catalyst Fund II	Financial Inclusion	Fund	Fund units	6.6	43,269
Climate Investor One	Energy & Climate	Fund	Fund units	1.9	35,397
Deacons Kenya Limited, Kenya	Other	Retail	Stock	14.0	7,866
ECP Africa fund II PCC, Africa	Financial Inclusion	Fund	Fund units	1.9	36,029
ECP Africa fund III PCC, Africa	Financial Inclusion	Fund	Fund units	2.4	88,533
Evolution II	Energy & Climate	Fund	Fund units	6.9	42,932
Evolution II D.light Limited	Energy & Climate	Manufactures and distrib- utes solar energy solutions	Stock	17.3	64,408
Frontier Energy Fund II	Energy & Climate	Fund	Fund units	5.7	46,338
Hospital Holdings Investment BV	Health	Health platform	Stock	13.4	40,729
Investec Africa Private Equity Fund 2 L.P.	Financial Inclusion	Fund	Fund units	4.1	63,181
JCM Solar Capital Ltd	Energy & Climate	Solar and wind turbines	Stock	8.8	130,476
Metier Sustainable Capital Fund II	Energy & Climate	Fund	Fund units	0.0	370
Norsad Finance Limited, Africa	Financial Inclusion	Credit institutions	Stock	16.7	50,052
Timsales Holdings Limited, Kenya	Other	Investment companies	Stock	18.3	10,679
TLG Credit Opportunities Fund	Financial Inclusion	Fund	Fund units	20.9	44,471
Women Entrepreneurs Dept Fund	Financial Inclusion	Fund	Fund units	17.4	107,961
<b>Total Africa</b>					<b>1,318,297</b>
<b>Asia</b>					
Baring India Private Equity fund II Ltd, Mauritius	Financial Inclusion	Fund	Fund units	7.1	57,882
China Environment Fund III L.P.	Energy & Climate	Fund	Fund units	4.4	55,792
GEF South Asia Growth Fund II	Energy & Climate	Fund	Fund units	11.5	38,317
Husk Power Systems Inc	Energy & Climate	Mini-power grid – hybrid type	Stock	10.2	45,527
Orilus Investment Holding Pte. Ltd. (Medica Synergie, India)	Health	Healthcare Provider	Stock	16.0 (12.0)	41,479
Mongolianord GmbH, Mongolia	Other	Hotels	Stock	14.3	16,160
Quadria Capital Fund II	Health	Fund	Fund units	13.7	15,192
Renewable Energy Asia Fund II L.P.	Energy & Climate	Fund	Fund units	7.4	113,766
SEAF Sichuan SME Investment Fund LLC, Delaware	Financial Inclusion	Fund	Fund units	13.3	1,742
<b>Total Asia</b>					<b>385,856</b>
<b>Latin America</b>					
Ontur International S.A, Uruguay	Other	Port	Stock	14.0	14,077
<b>Total Latin America</b>					<b>14,077</b>
<b>Eastern Europe</b>					
Eskaro Ukraine AB, Ukraine	Other	Paint factory	Stock	20.0	21,874
<b>Total Eastern Europe</b>					<b>21,874</b>
Capitalised costs for the year					196
<b>TOTAL ACQUISITION VALUE</b>					<b>1,740,299</b>



**NOTE 13 Participations in group companies, associates and joint ventures****Portfolio investments in group companies, associated companies, joint ventures**

<b>Accumulated acquisition value</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
At the start of the year	348,054	623,630
Investments during the year	-	51,251
Sales during the year	-38,585	-326,827
<b>Total acquisition value</b>	<b>309,469</b>	<b>348,054</b>
of which: Listed Securities on the stock exchange	-	-
Unlisted Securities	309,469	348,054

<b>Accumulated impairments</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
At the start of the year	-191,733	-423,006
Reversed impairments for the year attributable to sales	38,585	310,143
Impairments for the year	-28,192	-78,871
<b>Total impairments at year-end</b>	<b>-181,340</b>	<b>-191,733</b>
<b>Book value at year-end</b>	<b>128,129</b>	<b>156,320</b>

**Specification of the Company's directly owned holdings of participations in associates and joint ventures**

<b>31.12.2019</b>			<b>Participating interest %</b>	<b>Number of shares</b>	<b>Share of votes and capital %</b>	<b>Acquisition value</b>
<b>Affiliated companies</b>	<b>Sector</b>	<b>Business activities</b>				
<i>Company, Corporate ID and registered office</i>						
<b>Africa</b>						
Addis Cardiac Hospital Plc, Ethiopia	Health	Hospital	36.2	19,319	36.2	7,600
Gamma Knife Center S.A.F, Egypt	Health	Radiation Knife Clinic	24.3	27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Financial Inclusion	Investment companies	49.0	1,470	49.0	4,951
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0	37,104	27.0	23,399
Elgon Road Development Ltd, Kenya	Other	Hotels	31.0 <sup>1</sup>	15,026,423	31.0 <sup>1</sup>	168,788
<b>Total Africa</b>						<b>211,494</b>
<b>Latin America</b>						
Global Medical Investments GMI AB, Latin America	Health	Healthcare/management company	48.0	15,408	48	97,975
<b>Total Latin America</b>						<b>97,975</b>
<b>TOTAL ACQUISITION VALUE</b>						<b>309,469</b>

<sup>1)</sup> The figures refer to Swedfund's proportion of the total shares in all classes. Swedfund holdings are distributed as "Ordinary Shares", "First ranking class of preference shares" and "Cumulative redeemable preference"

Note 13 (cont.)

<b>31.12.2018</b>			<b>Participating interest %</b>	<b>Number of shares</b>	<b>Share of votes and capital %</b>	<b>Acquisition value</b>
<b>Affiliated companies</b>	<b>Sector</b>	<b>Business activities</b>				
<i>Company, Corporate ID and registered office</i>						
<b>Africa</b>						
Addis Cardiac Hospital Plc, Ethiopia	Health	Hospital	36.2	9,234	36.0	7,600
Gamma Knife Center S.A.F, Egypt	Health	Radiation Knife Clinic	24.3	27,000	24.3	6,756
Green Investment Asia Sustainable Fund I, Mauritius	Energy & Climate	Fund	28.5	443,170	28.5	38,585
Kinyeti Venture Capital Ltd, South Sudan	Financial Institutions	Investment Companies	49.0	1,470	49.0	4,951
Emerald Addis Hotels plc, Ethiopia	Manufacturing & Service	Hotels	27.0	46	27.0	23,399
Elgon Road Development Ltd, Kenya	Manufacturing & Service	Hotels	33.0 <sup>1</sup>	10,080,335	33.0 <sup>1</sup>	168,788
<b>Total Africa</b>						<b>250,079</b>
<b>Latin America</b>						
Global Medical Investments GMI AB, Latin America	Health	Healthcare/management company	48.0	15,408	48.0	97,975
<b>Total Latin America</b>						<b>97,975</b>
<b>TOTAL ACQUISITION VALUE</b>						<b>348,054</b>

<sup>1)</sup> The figures refer to Swedfund's proportion of the total shares in all classes. Swedfund holdings are distributed as "Ordinary Shares", "First ranking class of preference shares" and "Cumulative redeemable preference"

#### NOTE 14 Loans receivable

	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Outstanding loans receivable, gross</b>		
Swedish currency	25,738	27,533
Foreign currency	1,709,498	1,381,834
<b>Total</b>	<b>1,735,236</b>	<b>1,409,367</b>
<b>Accumulated impairments</b>		
At the start of the year	-143,207	-337,871
Transition to IFRS	-	-71,877
Of which		
Individual impairment:	-62,600	-12,678
Reversed impairment:	4,404	256,353
Exchange rate/translation differences for the year	-2,724	22,866
<b>Total accumulated impairment</b>	<b>-204,127</b>	<b>-143,207</b>
<b>Recognised value</b>	<b>1,531,109</b>	<b>1,266,160</b>

Note 14 (cont.)

**Breakdown of the loan portfolio by country and currency**

Country	Currency	31.12.2019		31.12.2018	
		Loan amount	Of which, impaired	Loan amount	Of which, impaired
Africa <sup>1</sup>	USD	549,133	-124,084	413,806	-113,302
Africa <sup>1</sup>	EUR	132,099	-9,917	22,508	-7,490
Ethiopia	USD	73,822	-18,455	70,540	-550
Ethiopia	EUR	36,135	-282	35,236	-
Georgia	USD	68,077	-1,328	73,012	-380
Ghana	USD	89,341	-1,742	124,932	-2,436
Global <sup>2</sup>	SEK	25,738	-7,721	27,533	-6,883
Cambodia	USD	269,269	-5,251	191,860	-3,741
Mongolia	USD	46,694	-911	74,364	-1,450
Nigeria	USD	300,070	-4,389	294,914	-4,388
Pakistan	USD	1,259	-10	16,884	-132
Tanzania	USD	18,678	-364	26,771	-522
Ukraine	EUR	86,191	-672	-	-
Zimbabwe	USD	38,728	-29,046	37,006	-1,932
<b>Total</b>		<b>1,735,236</b>	<b>-204,172</b>	<b>1,409,367</b>	<b>-143,207</b>

<sup>1)</sup> The categorisation Africa includes co-financing facilities with activities in several African countries.<sup>2)</sup> The categorisation Global refers to investment with operations in Africa and Latin America.**Convertible loan receivables and participation loans**

Borrowers	Currency	Outstanding loan amounts in currency	Interest and equivalent	Conversion right
Addis Emerald Hotel	EUR	3,450	Interest and share of profits	Yes
Athi River Steel Plant	USD	11,626	Interest	Yes

**NOTE 15 Loans, ECL**

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
<b>As of 31 December 2019</b>					
Loans receivable, according to gross amount	1,471,262	-	263,974	-	<b>1,735,236</b>
Provision for expected credit losses	-24,855	-	-179,272	-	<b>-204,127</b>
<b>Amortised acquisition value recognised in the balance sheet</b>	<b>1,446,407</b>	<b>-</b>	<b>84,702</b>	<b>-</b>	<b>1,531,109</b>
<b>Provision for expected credit losses loan commitments</b>	<b>1,791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,791</b>

<sup>1)</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.<sup>2)</sup> Expected credit losses are evaluated on an individual basis.

Note 15 (cont.)

Loss reserve for loans receivable at amortised acquisition value (total) <sup>1</sup>	12-months of expected credit losses (Stage 1) <sup>2</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>3</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>3</sup>	Purchased or issued credit-impaired loans <sup>3</sup>	Total
<b>Loss reserve as of 1 January 2019</b>	<b>21,017</b>	<b>2,757</b>	<b>127,534</b>	-	<b>151,308</b>
Investments in loans receivable	9,330	-	5,233	-	<b>14,563</b>
New loan commitments	1,611	-	-	-	<b>1,611</b>
Outgoing loan commitments	-1,863	-	-	-	<b>-1,863</b>
Refunds, including amortisation	-2,678	-	-1,625	-	<b>-4,303</b>
Written-off amounts (recorded loan loss)			268	-	<b>268</b>
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	283	-	-4,169	-	<b>-3,886</b>
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-	-	-	-	-
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-602	-2,757	53,700	-	<b>50,341</b>
<b>At the year-end</b>	<b>27,098</b>	-	<b>180,941</b>	-	<b>208,039</b>
Total amount of non-discounted expected credit loss for credit-impaired loans receivable accrued during the year.					-
Written-off amounts still outstanding, but still subject to compliance measures.					-

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

Gross value of loans receivable at amortised acquisition value (total) <sup>1</sup>	12-months of expected credit losses (Stage 1) <sup>2</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>3</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>3</sup>	Purchased or issued credit-impaired loans <sup>3</sup>	Total
<b>Gross value as of 1 January 2019</b>	<b>1,206,404</b>	<b>39,377</b>	<b>186,057</b>	-	<b>1,431,838</b>
Investments in loans receivable	542,394	-	5,233	-	<b>547,627</b>
Refunds, including amortisation	-213,227	-	-10,841	-	<b>-224,068</b>
Written-off amounts (recorded loan loss)	-	-	268	-	<b>268</b>
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	36,270	-	-35,459	-	<b>811</b>
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-	-	-	-	-
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-77,178	-39,377	120,477	-	<b>3,922</b>
<b>At the year-end</b>	<b>1,494,662</b>	-	<b>265,736</b>	-	<b>1,760,398</b>

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

Note 15 (cont.)

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
<b>As at 31 December 2018</b>					
Loans receivable, in accordance with gross amount	1,187,374	38,524	183,469	-	<b>1,409,367</b>
Provision for expected credit losses	-18,647	-2,690	-121,870	-	<b>-143,207</b>
<b>Amortised acquisition value recognised in the balance sheet</b>	<b>1,168,728</b>	<b>35,834</b>	<b>61,598</b>	-	<b>1,266,160</b>
<b>Provision for expected credit losses loan commitments</b>	<b>2,043</b>	-	-	-	<b>2,043</b>

<sup>1</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.<sup>2</sup> Expected credit losses are evaluated on an individual basis.

Loss reserve for loans receivable at amortised acquisition value (total) <sup>1</sup>	12-months of expected credit losses (Stage 1) <sup>2</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>3</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>3</sup>	Purchased or issued credit-impaired loans <sup>3</sup>	Total
<b>Loss Reserve as of 1 January 2018</b>	<b>19,233</b>	<b>30,141</b>	<b>365,918</b>	-	<b>415,292</b>
Investments in loan receivables	6,186	1,246	13,696	-	<b>21,128</b>
New Loan Commitments	1,504	-	-	-	<b>1,504</b>
Outgoing loan commitments	-4,995	-	-	-	<b>-4,995</b>
Refunds including amortisation	-3,406	-23,259	-	-	<b>-26,665</b>
Written off amounts (recorded loan loss)	-	-	-252,080	-	<b>-252,080</b>
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	2,507	-6,154	-	-	<b>-3,648</b>
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-11	784	-	-	<b>773</b>
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
<b>At the end of the Year</b>	<b>21,017</b>	<b>2,757</b>	<b>127,534</b>	-	<b>151,308</b>
Total amount of non-discounted expected credit loss for credit-impaired loans receivable accrued during the year.					-
Written-off amounts still outstanding, but still subject to compliance measures.					-

<sup>1</sup> The above table also includes loss reserve on accrued interest.<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.<sup>3</sup> Expected credit losses are evaluated on an individual basis.

Note 15 (cont.)

Gross value of loans receivable at amortised acquisition value (total) <sup>1</sup>	12-months of expected credit losses (Stage 1) <sup>2</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>3</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>3</sup>	Purchased or issued credit-impaired loans <sup>3</sup>	Total
<b>Gross value as at 1 January 2018</b>	<b>935,363</b>	<b>272,171</b>	<b>431,668</b>	-	<b>1,639,202</b>
Investments in loan receivables	346,463	23,867	12,819	-	<b>383,148</b>
Refunds including amortisation	-202,500	-140,321	-	-	<b>-342,822</b>
Written off amounts (recorded loan loss)	-	-	-258,429	-	<b>-258,429</b>
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	128,543	-117,907	-	-	<b>10,636</b>
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-1,465	1,568	-	-	<b>102</b>
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	<b>-</b>
<b>At the end of the Year</b>	<b>1,206,404</b>	<b>39,377</b>	<b>186,057</b>	-	<b>1,431,838</b>

<sup>1</sup> The above table also includes loss reserve on accrued interest.<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.<sup>3</sup> Expected credit losses are evaluated on an individual basis.

### Expected credit losses

The provision for expected credit losses for loan commitments is based on the extent to which loan commitments are expected to be utilised within 12 months of the balance sheet date. Loan commitments are expected to be utilised in the amount of SEK 229,555,000.

Loss reserve is also calculated for short-term investments, cash and bank balances and other anticipated receivables that constitute financial assets. For intangible amounts, Swedfund opts not to recognise loss reserves. The gross value of short-term investments amounts to SEK 3,527,035,000 and the estimated loss reserve amounts to almost SEK 0 and is considered to be intangible.

### Description of methods for calculating expected credit losses

See also Note 22 for a more detailed description of the Swedfund loan loss model.

#### NOTE 16 Collateral received

Swedfund sometimes has collateral in the form of buildings, machinery, etc. in connection with loans receivable. Given the markets in which Swedfund's borrowers operate, this collateral is not considered to have any value.

#### NOTE 17 Other long-term securities

	31.12.2019	31.12.2018
Shares, EDFI	118	118
Shares, EFP	127	127
Shares, ICCF	53	53
<b>Book value at year-end</b>	<b>298</b>	<b>298</b>

#### NOTE 18 Other receivables

	31.12.2019	31.12.2018
Other receivables	-	5,799
Receivables, soft loans (Swedpartnership)	36,017	36,142
<b>Total</b>	<b>36,017</b>	<b>41,941</b>

#### NOTE 19 Prepaid expenses and accrued income

	31.12.2019	31.12.2018
Prepaid expenses	2,181	2,231
Accrued interest income, short-term investments	11 514	21,681
Accrued interest income, loans receivable	23,890	20,622
Other accrued income	211	125
<b>Total</b>	<b>37,796</b>	<b>44,659</b>

**NOTE 20 Short-term investments**

31.12.2019					
Specification of securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Reported value
Bills	AAA	0.04	500,116	-	500,116
Treasury bond	AAA	3.19	680,639	-	680,639
State-guaranteed bonds	AAA	0.02	1,198,071	-	1,198,071
Covered bonds	AAA	2.14	718,683	-	718,683
Municipal certificates	AA-A	0.28	429,525	-	429,525
<b>Total bonds and other interest-bearing securities</b>			<b>3,527,035</b>	<b>-</b>	<b>3,527,035</b>

All short-term investments are assigned to Stage 1, i.e. there has been no significant credit deterioration since initial recognition.

31.12.2018					
Specification of Securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Reported value
Bills	AAA	-	-	-	-
Government Bond	AAA	2.50	503,003	-	503,003
Guaranteed bonds	AAA	0.02	1,762,223	-	1,762,223
Covered bonds	AAA	2.29	928,817	-	928,817
Municipal Certificate	AA-A	1.12	383,703	-	383,703
<b>Bonds and other interest-bearing securities</b>			<b>3,577,746</b>	<b>-</b>	<b>3,577,746</b>

As the finance policy only allows for the placement of government-guaranteed papers and covered bonds, the estimated reserve for expected credit losses is intangible and therefore not recorded. As of 31 December 2019, the reserve for credit losses amounted to approximately SEK 0.

**NOTE 21 Financial risks****Introduction**

Swedfund invests in places in the world where, although there is a strong need for foreign capital, private investors often consider the risks to be too high. As a result, it is in these investments that Swedfund's greatest risks are to be found. Because Swedfund operates in developing countries, the scope for risk mitigation is limited or in some cases completely absent.

Through these activities, Swedfund is exposed to various types of financial risk. The Company's overall risk management focuses on the unpredictability of financial markets and aims to minimise potential adverse effects on the Company's financial performance. The Company's management of financial risks is regulated by a Finance policy approved by the Board. The Finance policy contains, inter alia, rules for which financial reporting, including risk exposure and sensitivity analysis, is to be provided to the Board of Directors on an ongoing basis.

**Capital structure**

The dimensioning of Swedfund's equity is governed by a commission from the State. Swedfund is thus financed (with the exception of Swedpartnership, Technical Assistance and Swedfund Project Accelerator, which are appropriations funded) by

capital injections from the state and by accumulated earnings from its operations. To limit the financial risks arising from Swedfund's operations in connection with lending in foreign currency, corresponding borrowing is carried out from the Swedish Export Credit Corporation. Borrowing on the market to finance the business can be carried out following a decision by the Board. No such borrowing has taken place.

**Risk management**

The Company's overall objective is to minimise financial risks wherever economically and practically feasible.

Insofar as risk management is concerned, Swedfund operates according to a number of basic principles, e.g.:

- Swedfund shall have a low debt-to-equity ratio
- Swedfund shall maintain a satisfactory liquidity buffer/available funds
- Financial risks should be minimised wherever financially and practically feasible
- Mitigation of risk, where possible, should be applied to its risk exposure
- Only loan investments should be hedged

Note 21 (cont.)

Swedfund Board of Directors has established risk limits applicable to the Company's financial policy for exposure to liquidity risk, currency risk and interest rate risk. In addition, restrictions on country and counterparty exposure have been established.

The Company's financial transactions and risks are managed on an ongoing basis by the Swedfund investment organisation and finance department together. The Finance Department looks after current borrowing from SEK with respect to the hedging of currency and interest, liquidity management and reporting of financial risks to the Board.

Swedfund classifies financial risks as:

- Credit risk (commercial and financial)
- Interest rate risk
- Currency risk
- Liquidity risk
- Market price risk in listed capital instruments

### Commercial credit risk

#### Definition

Swedfund's commercial credit risks are attributable to the investment activity, i.e. from investments in shares and funds in portfolio companies.

#### Risk management

Credit risks are managed through ongoing business controls and the financial monitoring of portfolio companies. In addition, limits have been established for the amount of exposure per counterparty and year, and per country.

### Financial credit risk

#### Definition

Financial credit risk is the risk of a Swedfund counterparty in a financial instrument being unable to fulfil its payment obligation and thereby cause the Company a financial loss. This exposure arises in relation to liquid assets and interest-bearing investments.

#### Risk management

Swedfund only employs credit institutions and other players with a high credit rating. Swedfund invests excess liquidity primarily in securities such as Treasury bills, government bonds, municipal certificates and covered mortgage bonds with a long-term credit rating of AAA. See Note 20.

### Interest Rate Risk

#### Definition

Interest Rate risk is the risk that fair value or future cash flows from a financial instrument may vary due to changes in market interest rates. Interest Rate risk may thus partly comprise changes in fair value (price risk), together with changes in cash flow (cash flow risk).

A significant factor influencing interest rate risk is the fixation period. Long fixation periods counteract cash flow risk but increase price risk. Shorter fixation periods counteract price risk but increase cash flow risk. Swedfund is primarily exposed to interest rate risk in relation to the Company's loans receivable and loan liabilities to SEK.

#### Risk management

Swedfund shall, if possible, use short fixation periods on both loans and borrowings and on the placement of liquid funds. To the extent that the business requires longer fixation periods on loans, these should be matched against longer fixation periods on borrowing.

In accordance with the Company's financial policy, the financial risks in the business are controlled by limits i.e. the fixation periods of the Company's interest-bearing investments must remain within certain time and monetary frameworks.

#### Sensitivity analysis – Fixed interest rate period

The duration of Swedfund's total interest rate exposure may not exceed 18 months. The mean fixed interest rate period is 13.2 months. See also the table below.

#### Sensitivity analysis – Interest rate risk

A change in the market rate by +/-1 percentage point, calculated on the net of Swedfund lending to investments and borrowing from SEK at the balance sheet date, 31.12.2019, would have an impact on profit before tax of +/- SEK 1,970,000.

A calculation of the effects on the short-term investments at the closing date would result in an increase in interest rates of 1 percentage point on the closing date, with an impact on profit before tax of SEK -38,711,000. However, the short maturities in the investment portfolio (see also Note 20 and Note 23) mean that the probability of this scenario is limited.

### Fixed interest rate periods, lending and borrowing

31.12.2019	Total	0-3 months	3-6 months	7-12 months	>1-2 years	>2-3 years	>3-5 years	5-10 years
Lending	1,531,109	344,461	1,186,277	-35,098	25,487	1,549	3,407	5,026
Borrowing	-1,334,068	-271,455	-1,062,613	-	-	-	-	-
<b>Net</b>	<b>197,040</b>	<b>73,006</b>	<b>123,663</b>	<b>-35,098</b>	<b>25,487</b>	<b>1,549</b>	<b>3,407</b>	<b>5,026</b>



Note 21 (cont.)

**Currency risk****Definition**

Currency risk is the risk that the fair value or future cash flows from a financial instrument may vary due to changes in exchange rates. Swedfund's exposure to currency risks consists primarily of the risk of fluctuations in the value of financial instruments, and currency risk in expected and contracted cash flows. These risks are referred to as transaction exposure.

**Risk management**

Swedfund does not hedge its investments in shares and mutual fund units. In contrast, currency risks have historically been hedged if they are attributable to investments through loans receivable. Exposure from assets and liabilities in foreign currency and future, forecast flows in foreign currency has been

hedged through borrowing from the Swedish Export Credit Corporation, where significant parameters are "reflected" insofar as is possible (currency, maturity, fixed interest rate period and amortisation structure).

On 6 December 2019, Swedfund's board of directors decided to cease the hedging of currency loans receivable with effect from this date. This was the result of a new way of looking at Swedfund's business model, where all flows from loans receivable in foreign currency are reinvested in the corresponding currency, and thus no actual currency risk arises. As loans from the Swedish Export Credit Corporation are amortised, the liability to the credit institution will therefore decrease as Swedfund's currency exposure increases for carrying amounts in SEK.

Swedfund's greatest exposure is to the USD, but it also has significant exposure to EUR; see the table below.

**Currency risk exposure**

31.12.2019	Recognised values in SEK thousand				
	USD	EUR	EGP	KES	BOB
<b>Assets</b>					
Shares and fund units	1,344,820	148,294	-	35,249	-
Participations in group companies, associates and joint ventures	108,822	-	6,756	-	-
Loans receivable	1,269,499	243,554	-	-	-
Other long-term securities	-	298	-	-	-
Short-term investments	-	-	-	-	-
Cash and bank balances	14,184	330	-	99	12
<b>Total assets</b>	<b>2,737,325</b>	<b>392,476</b>	<b>6,756</b>	<b>35,348</b>	<b>12</b>
<b>Liabilities</b>					
Liabilities to credit institutions	1,218,178	115,890	-	-	-
<b>Total liabilities</b>	<b>1,218,178</b>	<b>115,890</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Sensitivity analysis – Exchange rate risk**

A change of +/- 10 percent in the Swedish krona against other currencies as at 31 December 2019 would entail a change in equity before tax of SEK 19,391,000 and a change in profit before tax of SEK 8,445,000. The sensitivity analysis is based on the assumption that all other factors (e.g. interest) remain unchanged.

**Liquidity risk****Definition**

Liquidity risk refers to the risk that liquid funds are not available if necessary and that financing is only partially possible, or not at all possible, or at an increased cost.

**Risk management**

The Company minimises liquidity risk by maintaining adequate cash and investment placements in liquid interest-bearing instruments to cover potential financing needs. Under normal circumstances, they shall be negotiable to liquid funds within a reasonable time and to negligible transaction costs.

Swedfund has non-negligible liquidity in the balance sheet, but there are a number of restrictions on availability. A proportion of the liquidity is pledged to SEK as collateral for borrowings, another part is reserved according to an internal process (documented in the finance policy), for contracted, unpaid commitments. Furthermore, the finance policy also provides for liquidity to be available to finance investments which have been decided on, but where contracts with the counterparty have not yet been signed. The remaining liquidity represents a surplus and is intended to cover new future investments, unforeseen events and the Company's operating costs.

**Market Price risk****Definition**

One of Swedfund's shareholdings concerns enterprises whose shares are listed on a foreign marketplace. Their fair value as of 31 December 2019 amounts to SEK 0. As the shares are recognised at fair value, these holdings are exposed to market price risk. There is no risk of further impairment because this holding is valued at SEK 0. However, there is scope for write-up, although there is no evidence at present to indicate that this would be appropriate.

**NOTE 22 Financial instruments****Valuation of financial assets and liabilities as of 31 December 2019**

	Financial assets and liabilities valued on the basis of acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
<b>Financial assets</b>					
Shares and Participations	-	1,528,560	-	1,528,560	1,991,817
Participations in group companies, associates and joint ventures	-	128,129	-	128,129	229,796
Loans receivable	1,531,109	-	-	1,531,109	1,531,109
Endowment insurance	-	858	-	858	858
Other long-term securities	-	298	-	298	298
Accounts receivable	8,493	-	-	8,493	8,493
Other receivables	-	36,017	-	36,017	36,017
Accrued income	25,987	11,808	-	37,795	37,795
Short-term investments	3,527,035	-	-	3,527,035	3,531,455
Cash and bank balances	415,463	-	-	415,463	415,463
Client funds	-	26,848	-	26,848	26,848
<b>Total</b>	<b>5,508,087</b>	<b>1,732,518</b>	<b>-</b>	<b>7,240,605</b>	<b>7,809,948</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	-	1,334,066	1,334,066	1,334,066
Accounts payable	-	-	3,473	3,473	3,473
Other liabilities	-	-	77,810	77,810	77,810
Accrued expenses	-	-	151,569	151,569	151,569
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,566,918</b>	<b>1,566,918</b>	<b>1,566,918</b>

**Valuation of financial assets and liabilities as of 31 December 2018**

	Financial assets and liabilities valued on the basis of the acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
<b>Financial assets</b>					
Shares and Participations	-	1,296,005	-	1,296,005	1,735,323
Participations in group companies, associates and joint ventures	-	156,320	-	156,320	242,227
Loans receivable	1,266,160	-	-	1,266,160	1,266,160
Endowment	-	1,063	-	1,063	1,063
Other long-term securities	-	298	-	298	298
Current receivables	15,126	-	-	15,126	15,126
Other receivables	-	41,941	-	41,941	41,941
Accrued income	26,667	17,991	-	44,659	44,659
Short-term investments	3,577,746	-	-	3,577,746	3,604,797
Cash and bank balances	102,977	-	-	102,977	102,977
Retained funds on behalf of others	-	45,734	-	45,734	45,734
<b>Total</b>	<b>4,988,676</b>	<b>1,559,352</b>	<b>-</b>	<b>6,548,028</b>	<b>7,100,304</b>
<b>Financial Liabilities</b>					
Liabilities to credit institutions	-	-	1,297,456	1,297,456	1,297,456
Accounts payable	-	-	3,390	3,390	3,390
Other liabilities	-	-	80,042	80,042	80,042
Accrued expenses	-	-	128,835	128,835	128,835
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,509,722</b>	<b>1,509,722</b>	<b>1,509,722</b>

Note 22 (cont.)

## Introduction

Fair value is the price that would be obtained on the sale of an asset, or paid for the transfer of a liability by way of an orderly transaction between market participants at the measurement date.

### Methods for the determination of fair value

#### *Financial instruments listed on an active market*

For financial instruments listed on an active market, fair value is determined on the basis of the asset's quoted bid price on the balance sheet date without the addition of transaction costs (e.g. brokerage fees) at the time of acquisition. A financial instrument is considered to be listed in an active market if quoted prices are readily available on a stock exchange, by a trader, broker, trade association, company providing current price information or regulatory authority; and these prices represent actual and regularly occurring market transactions on a commercial basis. Any future transaction costs of a disposal are not taken into account. For financial liabilities, fair value is determined from the listed selling price. Instruments listed on an active market can be found in the balance sheet under Equities and mutual fund units and Short-Term investments. The majority of the Company's financial instruments have been assigned a fair value with prices quoted on an active market.

#### *Financial instruments not listed on an active market*

If the market for a financial instrument is not active, the Company proposes the fair value by using a valuation technique. The valuation techniques used are based as much as possible on market data. Company-specific data are used as little as possible. The Company calibrates with regular intervals the valuation technique and tests its validity by comparing the outcome of the valuation technique with prices from observable current market transactions in the same instrument. Valuation techniques are used for the following classes of financial instruments: Interest-bearing securities (when quotations in an active market are not available), shares (when quotations in an active market are not available), other interest-bearing assets and liabilities. The applied valuation models are calibrated so that the fair value at initial recognition amounts to the transaction price, and changes in fair value are then reported on an ongoing basis based on the changes that have taken place in the underlying market risk parameters.

#### *Shares and interest-bearing securities*

The fair value of financial instruments is calculated (i) with reference to financial instruments that are essentially the same or to recent transactions in the same financial instrument, or if such data are not available to (ii) future cash flows of principal and interest discounted at current market rates on the balance sheet date. In cases where discounted cash flows have been used, future cash flows are calculated on the basis of the management's best estimate. The discount rate used is the market-based interest on similar instruments at the balance sheet date. When other valuation models have been used, input data are based on market data at the balance sheet date.

Holdings in unlisted shares are recognised at acquisition value in cases where a reliable fair value cannot be determined. The reason why they could not be reliably valued at fair value is that, according to the Company's management, there exists too much uncertainty in future cash flows and the risk adjustment that needs to be made on the discount rate. The Company has no intention of disposing of its unlisted shares within the immediate future.

The Carrying amount of accounts receivable, other receivables, liquid funds, trade payables and other liabilities constitutes a reasonable approximation of fair value.

The table below shows financial instruments valued at fair value, based on how the classification in the fair value hierarchy has been made. The various levels are defined as follows:

Level 1 – Listed prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Other observable inputs for the asset or liabilities other than quoted prices included in Level 1. This category includes instruments that are valued based on quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments traded on markets that are not active, or other valuation techniques where all material inputs are directly and indirectly observable on the market (i.e. either directly, as quotations) or indirectly, as derived from quotations.

Level 3 – Input for the asset or liability that is not based on observable market data (i.e. unobservable inputs and where the valuation technique has a material impact on valuation).

### Transfers between Level 1 and Level 2

According to IFRS, information must also be provided on material transfers of instruments between Level 1 and Level 2 and the reasons for these transfers and principles for determining when the transfer is deemed to have taken place. Movements TO each level should be described separately from movements FROM each level.

According to IFRS, examples of the principles for timing of transfers are:

- The Date of the event that caused the transfer
- End of Reporting period

### Reconciliation of fair values in Level 3

According to IFRS, disclosures shall be made in the form of a reconciliation of changes from opening to closing balance of the fair value of instruments valued at level 3 of the valuation hierarchy. As regards transfers between levels, according to IFRS information, the reasons for these and the principles for determining when the transfer is deemed to have taken place.

In accordance with IFRS, the disclosure of unrealised earnings on such assets and liabilities continues to be owned at year-end.

### Valuation techniques and significant unobservable inputs

For recurring and non-recurring fair value measurements entered at Level 2 and Level 3 of fair value hierarchy, according to IFRS, a description of the valuation technique or valuation techniques and the inputs used in the valuation to Fair value is provided.

### Methods for calculating expected credit losses

Financial assets other than shares and mutual funds and participations in group companies, associates and joint ventures are subject to provision for expected credit losses. Provision for expected credit losses also includes issued loan commitments.

The impairment for expected credit losses under IFRS 9 is forward-looking and a loss risk reserve is made when there is an exposure to credit risk – usually at initial recognition for an asset or receivable, but also for issued loan commitments. Expected credit losses reflect the present value of all deficits in cash flows attributable to default either for the next 12 months or for the expected remaining maturity period of the financial

instrument, depending on the asset class and credit degradation since initial recognition. Expected credit losses reflect an objective, weighted probability outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

Swedfund applies the general method for its loan receivables, liquid funds and short-term investments. The general method applies an impairment model with three stages, depending on the development of credit risk during the period of the claim. For issued credit-impaired loans receivable, there is no allocation of loan to different stages.

Expected credit losses are attributed to the product by their probability of default, default loss, and default exposure, except in the event that expected credit losses are valued on the basis of historical credit loss percentage and exposure at default. Added to these, are the management's forward-looking assessments in the form of, for example, company information, macroeconomic factors and sovereign risk. For credit-impaired assets and receivables, an individual assessment is made based on cash flow analysis, taking into account historical, current and forward-looking information. The valuation of expected credit losses takes into account any collateral and other credit enhancement in the form of guarantees.

Financial assets are reported in the balance sheet at amortised acquisition value, i.e. net of gross value and loss reserve. Credit loss provisions for loan commitments are reported as other provisions until payment is made of the loan.

Changes in loss provision are recognised in the income statement as impairments for credit losses.

#### **Loans receivable**

Loans receivable are segmented into financial and non-financial corporations. The methodology for credit loss provisioning in Stage 1 for non-financial corporations is based on historical credit loss percentage combined with forward-looking factors. Financial corporations in Stage 1 are written down individually according to a credit rating-based methodology predicated on essentially external rating and an assessment of default loss.

Loans receivable are considered to have a significant increase in credit risk, Stage 2, when remission has taken place or the official rating has dropped a level. In addition, the Company has al-

so established a number of criteria which constitute indications or evidence of significant increases in credit risk for individual loans or for groupings of loans receivable. For loans receivable in Stage 2, the credit loss provisions according to management's assessment of weighted probability of expected cash flows into the expected timing of default compared with agreed cash flows. Assessments are conducted on an individual basis.

Loans receivable are considered as credit-impaired, Stage 3, when there is an imminent risk of bankruptcy. In addition, the management also has a number of criteria which constitute indications or evidence that a loan is considered to be credit-impaired for the individual loan or for groupings of loans receivable. For loans receivable in Stage 3, as well as for credit-impaired issued loan receivables, credit loss provision is conducted according to management's assessment of the weighted probability of expected cash flows taking into account expected timing of default compared with agreed cash flows. Assessments are conducted on an individual basis.

#### **Short-term investments and cash and bank balances**

Short-term investments and cash and cash equivalents consist of bonds to the municipality and the state, along with cash and cash equivalents that are essentially bank deposits in investment grade rating banks. Short-term investments and cash and cash equivalents are depreciated according to a credit rating-based methodology based on external rating and the management's assessment of loss on default. Financial assets are considered to have a significant increase in credit risk if the debtor receives a downgrade in the rating under the investment grade rating.

#### **Liabilities to credit institutions (interest-bearing liabilities)**

For the purposes of disclosure, the fair value of interest-bearing liabilities is calculated by discounting future cash flows of principal and interest discounted at the current market rate.

#### **Current receivables and liabilities**

For current receivables and liabilities, such as accounts receivable and accounts payable, with a lifespan of less than six months, the carrying amount is considered to reflect fair value.

Note 22 (cont.)

**Assets and liabilities valued at fair value****31.12.2019**

<b>Financial assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares and participations	-	-	1,991,817	1,991,817
Participations in group companies, associates and joint ventures	-	-	229,796	229,796
Loans receivable	-	-	1,531,109	1,531,109
Endowment insurance	-	858	-	858
Other long-term securities	-	298	-	298
Current receivables	-	8,493	-	8,493
Other receivables	-	36,017	-	36,017
Accrued income	-	37,795	-	37,795
Short-term investments	3,531,455	-	-	3,531,455
Cash and bank balances	-	415,463	-	415,463
Retained funds on behalf of others	-	26,848	-	26,848
<b>Total</b>	<b>3,531,455</b>	<b>525,772</b>	<b>3,752,721</b>	<b>7,809,948</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	1,334,066	-	1,334,066
Accounts payable	-	3,473	-	3,473
Other liabilities	-	77,810	-	77,810
Accrued expenses	-	151,569	-	151,569
<b>Total</b>	<b>-</b>	<b>1,566,918</b>	<b>-</b>	<b>1,566,918</b>

**Assets and liabilities valued at fair value****31.12.2018**

<b>Financial assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares and Participations	73,315	-	1,662,008	1,735,323
Participations in group companies, associates and joint ventures	-	-	242,227	242,227
Loans receivable	-	-	1,266,160	1,266,160
Endowment	-	1,063	-	1,063
Other long-term securities	-	298	-	298
Current receivables	-	15,126	-	15,126
Other receivables	-	41,941	-	41,941
Accrued income	-	44,659	-	44,659
Short-term investments	3,604,797	-	-	3,604,797
Cash and bank balances	-	102,977	-	102,977
Retained funds on behalf of others	-	45,734	-	45,734
<b>Total</b>	<b>3,678,112</b>	<b>251,797</b>	<b>3,170,395</b>	<b>7,100,304</b>
<b>Financial Liabilities</b>				
Liabilities to credit institutions	-	1,297,456	-	1,297,456
Accounts payable	-	3,390	-	3,390
Other liabilities	-	80,042	-	80,042
Accrued expenses	-	128,835	-	128,835
<b>Total</b>	<b>-</b>	<b>1,509,722</b>	<b>-</b>	<b>1,509,722</b>

**NOTE 23 Maturity analysis**

31.12.2019 Maturity information Contractual remaining maturity period (non-dis- counted value) and the expected time of recovery	Non-discounted cash flows – contractual remaining maturity period									Total nominal cash flows
	On demand	< than 3 months	> than 3 months < than 6 months	> than 7 months < than 1 year	> than 1 year < than 2 years	> than 2 years < than 3 years	> than 3 years < than 5 years	> than 5 years	Without maturity	
<b>Assets</b>										
Shares and Fund Units	-	-	-	-	-	-	-	-	1,528,560	<b>1,528,560</b>
Participations in group com- panies, associates and joint ventures	-	-	-	-	-	-	-	-	128,129	<b>128,129</b>
Loans receivable	-	112,259	52,036	126,379	329,560	261,389	426,054	223,431	-	<b>1,531,109</b>
Endowment	-	-	-	-	-	-	-	-	858	<b>858</b>
Other long-term securities	-	-	-	-	-	-	-	-	298	<b>298</b>
Current receivables	-	8,493	-	-	-	-	-	-	-	<b>8,493</b>
Other receivables	-	36,017	-	-	-	-	-	-	-	<b>36,017</b>
Accrued income	-	37,795	-	-	-	-	-	-	-	<b>37,795</b>
Short-term investments	-	2,027,649	-	361,753	460,139	387,286	190,641	99,568	-	<b>3,527,035</b>
Cash and bank balances	415,463	-	-	-	-	-	-	-	-	<b>415,463</b>
Retained funds on behalf of others	26,848	-	-	-	-	-	-	-	-	<b>26,848</b>
<b>Total</b>	<b>442,311</b>	<b>2,222,213</b>	<b>52,036</b>	<b>488,132</b>	<b>789,699</b>	<b>648,676</b>	<b>616,695</b>	<b>322,999</b>	<b>1,657,845</b>	<b>7,240,605</b>
<b>Liabilities</b>										
Liabilities to credit institu- tions	-	84,906	57,469	174,633	353,527	225,562	427,759	10,150	-	<b>1,334,006</b>
Accounts payable	-	3,473	-	-	-	-	-	-	-	<b>3,473</b>
Other liabilities	-	77,810	-	-	-	-	-	-	-	<b>77,810</b>
Accrued expenses	-	151,569	-	-	-	-	-	-	-	<b>151,569</b>
<b>Total</b>	<b>-</b>	<b>317,758</b>	<b>57,469</b>	<b>174,633</b>	<b>353,527</b>	<b>225,562</b>	<b>427,759</b>	<b>10,150</b>	<b>-</b>	<b>1,566,858</b>
Unrecognised loan commit- ments	-	83,408	29,952	116,195	-	-	-	-	-	<b>229,555</b>
Operating leases	-	1,270	1,259	2,517	4,721	232	-	-	-	<b>10,000</b>
<b>Total difference</b>	<b>-</b>	<b>84,678</b>	<b>31,211</b>	<b>118,712</b>	<b>4,721</b>	<b>232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,555</b>

Note 23 (cont.)

31.12.2018

**Maturity Period Information**

Contractual remaining maturity period (non-discounted value) and the expected time of recovery	Non-discounted cash flows – contractual remaining maturity period									Total nominal cash flows	
	On demand	< than 3 months	> than 3 months < than 6 months	> than 6 months < than 1 year	> than 1 year < than 2 years	> than 2 years < than 3 years	> than 3 years < than 5 years	> than 5 years	Without maturity		
<b>Assets</b>											
Shares and Fund Units	-	-	-	-	-	-	-	-	-	1,296,005	1,296,005
Participations in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	-	156,320	156,320
Loans receivable	-	26,881	83,633	101,681	291,921	255,451	337,381	169,213	-	-	1,266,160
Endowment	-	-	-	-	-	-	-	-	-	1,063	1,063
Other long-term securities	-	-	-	-	-	-	-	-	-	298	298
Current receivables	-	15,126	-	-	-	-	-	-	-	-	15,126
Other receivables	-	41,941	-	-	-	-	-	-	-	-	41,941
Accrued income	-	44,659	-	-	-	-	-	-	-	-	44,659
Short-term investments	-	2,023,830	426,852	140,503	348,595	542,097	95,867	-	-	-	3,577,746
Cash and bank balances	102,977	-	-	-	-	-	-	-	-	-	102,977
Retained funds on behalf of others	45,734	-	-	-	-	-	-	-	-	-	45,734
<b>Total</b>	<b>148,710</b>	<b>2,152,437</b>	<b>510,485</b>	<b>242,185</b>	<b>640,516</b>	<b>797,548</b>	<b>433,248</b>	<b>169,213</b>	<b>1,453,686</b>	<b>6,548,028</b>	
<b>Liabilities</b>											
Liabilities to credit institutions	-	26,521	55,601	126,569	294,637	334,459	383,433	76,234	-	-	1,297,455
Accounts payable	-	3,390	-	-	-	-	-	-	-	-	3,390
Other liabilities	-	80,042	-	-	-	-	-	-	-	-	80,042
Accrued expenses	-	128,835	-	-	-	-	-	-	-	-	128,835
<b>Total</b>	<b>-</b>	<b>238,788</b>	<b>55,601</b>	<b>126,569</b>	<b>294,637</b>	<b>334,459</b>	<b>383,433</b>	<b>76,234</b>	<b>-</b>	<b>1,509,722</b>	
Unrecognised loan commitments	-	118,378	45,549	97,988	11,155	-	-	-	-	85,775	358,844
Operating leases	-	1,157	1,157	2,315	2,742	2,742	2,742	-	-	-	12,856
<b>Total</b>	<b>-</b>	<b>119,535</b>	<b>46,706</b>	<b>99,881</b>	<b>13,897</b>	<b>2,742</b>	<b>2,742</b>	<b>-</b>	<b>-</b>	<b>371,700</b>	

**NOTE 24 Offsetting of financial assets and financial liabilities**

Swedfund has no financial assets or financial liabilities that are subject to legally binding framework agreements on netting or similar agreements with a contractual right to offset.

**NOTE 25 Provision for pension obligations**

Swedfund has committed direct pension secured through endowment insurance. The endowment insurance is pledged in favour of the pension obligation.

The pension obligation is exclusively dependent on the value of the endowment insurance, recognised as a financial fixed asset. Provision for pension obligations does not constitute a provision for a pension under the Act on the safeguarding of pension commitments (*tryggandelagen*).

Endowment insurance	31.12.2019	31.12.2018
<b>At the start of the year</b>	<b>1,063</b>	<b>1,217</b>
Pension cost	-	-
Premium payments	-251	-234
Change in value	46	80
<b>At the year-end</b>	<b>858</b>	<b>1,063</b>
Fair value of endowment Insurance	858	1,063

**NOTE 26 Provision for expected credit losses on loan commitments**

	31.12.2019	31.12.2018
<b>Carrying amount at start of period</b>	<b>2,043</b>	-
Transition to IFRS	-	5,534
Provisions made during the period	1,435	1,492
Amounts committed during the period	-1,493	-4,986
Unutilised amounts reversed during the period	-370	-9
Increase during the period of discounted amounts	176	12
Other	-	-
<b>Carrying amount at end of period</b>	<b>1,791</b>	<b>2,043</b>

**NOTE 27 Credit Risk exposure**

	Credit risk exposure (before impairment)	Impairment/ Provision	Recognised value	Credit risk exposure with regard to collateral	Collateral claimed
<b>Credit risk exposure gross and net as of 31.12.2019</b>					
Cash and deposits with banks	442,311	-	442,311	442,311	-
Loans receivable	1,735,236	-204,127	1,531,109	1,531,109	-
<b>Bonds and other interest-bearing securities</b>					
Government Securities and other public bodies					
AAA	2,808,352	-	2,808,352	2,808,352	-
Other Issuers					
AAA	718,683	-	718,683	718,683	-
	<b>3,527,035</b>	<b>-</b>	<b>3,527,035</b>	<b>3,527,035</b>	<b>-</b>
<b>Total</b>	<b>5,704,582</b>	<b>-204,127</b>	<b>5,500,456</b>	<b>5,500,456</b>	<b>-</b>
<b>Other assets</b>					
Issued loan commitments	229,555	-1,791	227,765	227,765	-
<b>Total</b>	<b>229,555</b>	<b>-1,791</b>	<b>227,765</b>	<b>227,765</b>	<b>-</b>
<b>Total credit risk exposure</b>	<b>5,934,138</b>	<b>-205,917</b>	<b>5,728,221</b>	<b>5,728,221</b>	<b>-</b>



Note 27 (cont.)

Credit risk exposure gross and net as of 31.12.2018	Credit risk exposure (before impairment)	Impairment/ Provision	Recognised value	Credit risk exposure with regard to collateral	Collateral claimed
Cash and deposits with banks	148,711	-	148,711	148,711	-
Loans receivable	1,409,367	-143,207	1,266,160	1,266,160	-
<b>Bonds and other interest-bearing securities</b>					
Government Securities and other public bodies					
AAA	2,648,929	-	2,648,929	2,648,929	-
Other Issuers					
AAA	928,817	-	928,817	928,817	-
	<b>3,577,746</b>	<b>-</b>	<b>3,577,746</b>	<b>3,577,746</b>	<b>-</b>
<b>Total</b>	<b>5,135,824</b>	<b>-143,207</b>	<b>4,992,617</b>	<b>4,992,617</b>	<b>-</b>
<b>Other assets</b>					
Issued loan promises	358,844	-2,043	356,801	356,801	-
<b>Total</b>	<b>358,844</b>	<b>-2,043</b>	<b>356,801</b>	<b>356,801</b>	<b>-</b>
<b>Total Credit risk exposure</b>	<b>5,494,668</b>	<b>-145,250</b>	<b>5,349,418</b>	<b>5,349,418</b>	<b>-</b>

**Concentration of credit risk, as of 31 December**

	2019			2018		
	Number Of Borrowers	% total number of borrowers	% share of carrying amount	Number Of Borrowers	% total number of borrowers	% share of carrying amount
<b>Loans receivable</b>						
Exposure < SEK 50 million	12	50	15	11	50	17
Exposure SEK 50 – 100 million	7	29	34	7	32	40
Exposure > SEK 100 million	5	21	51	4	18	43
<b>Total</b>	<b>24</b>	<b>100</b>	<b>100</b>	<b>22</b>	<b>100</b>	<b>100</b>

The three largest borrowers account for 36% (34%) of loans receivable.

**NOTE 28 Other liabilities**

	31.12.2019	31.12.2018
Accounts payable	3,473	3,390
Tax liabilities	4,016	9,814
Personnel withholding tax	1,160	1,210
Other liabilities	76,650	78,832
<b>Total</b>	<b>85,299</b>	<b>93,246</b>

None of the Company's liabilities are due more than five years after the balance sheet date.

**NOTE 29 Accrued expenses and deferred income**

	31.12.2019	31.12.2018
Accrued holiday pay	2,342	2,739
Accrued social security expenses	3,612	3,816
Accrued interest expenses, liabilities to credit institutions	12,584	13,038
Other accrued expenses	9,677	12,411
Deferred income (Technical Assistance, Swedpartnership, Swedfund Project Accelerator)	123,354	96,831
<b>Total</b>	<b>151,569</b>	<b>128,835</b>

**NOTE 30 Pledged collateral****Pledges and equivalent collateral pledged for own liabilities and reported commitments for such provisions**

	31.12.2019	31.12.2018
Bonds and other securities	1,686,718	1,464,211
Bank bills	996	413
<b>Total</b>	<b>1,687,714</b>	<b>1,464,624</b>

**Other pledged assets and equivalent collateral**

	31.12.2019	31.12.2018
Pledged endowment insurance	858	1,063
<b>Total</b>	<b>858</b>	<b>1,063</b>

**NOTE 31 Contingent liabilities**

The Company is involved in various processes and legal proceedings that have arisen from its everyday business. These claims relate to, but are not limited to, the Company's business practices, personnel matters and tax issues. With regard to matters which do not require provisions, the Company considers, on the basis of information currently available, that these will not have a significant negative effect on the Company's financial performance.

Commitments	31.12.2019	31.12.2018
Contracted unpaid portfolio commitments	1,804,994	1,272,666
<b>Total</b>	<b>1,804,994</b>	<b>1,272,666</b>

**NOTE 32 Cash flow statement**

Adjustments for items not included in cash flow	31.12.2019	31.12.2018
Depreciation, amortisation and impairments	78,929	93,575
Uncapitalised exchange rate differences	16,626	-22,962
Sale of fixed assets	-89,669	-18,496
Other non-cash items	-457	-3,636
<b>Total</b>	<b>5,429</b>	<b>48,481</b>

**NOTE 33 Transactions with related parties**

Related party transactions are based on accepted commercial terms in the industry and have been concluded under normal commercial conditions. For information on salaries and other remuneration, costs and obligations relating to pensions and similar benefits for the board of directors, the CEO and other senior executives; see Note 6.

In addition, no transactions took place during the financial year between Swedfund and related parties which substantially affected the Company's position or performance.

**NOTE 34 Events after the balance sheet date**

The spread of the new coronavirus and COVID-19 disease was classified by the WHO on 11 March 2020 as a global pandemic. The impacts of the measures that have been approved at multi-lateral and national level in order to stop the spread will affect many of Swedfund's portfolio holdings. The scope and duration of these impacts will be very difficult to assess at the time of publication of Swedfund's integrated report for 2019.

**NOTE 35 Proposal for disposition of profit**

	31.12.2019	31.12.2018
The following funds are at the disposal of the Annual General Meeting:		
Accumulated profit/loss	4,438,133,284	3,903,095,227
Recapitalisation	600,000,000	600,000,000
Profit/loss for the year	40,618,758	-64,961,943
	<b>5,078,752,042</b>	<b>4,438,133,284</b>

is distributed as follows:

To be carried forward	5,078,752,042	4,438,133,284
	<b>5,078,752,042</b>	<b>4,438,133,284</b>

# Corporate governance report

## Corporate governance in Swedfund

Swedfund belongs to the group of companies which have a specifically adopted owner directive. Both external and internal regulations form the basis for Swedfund's governance. The board of directors has established guidelines for the company's operations with the aim of providing guidance for the organisation and its employees. Swedfund applies the Swedish Code of Corporate Governance ("the Code") and presents non-conformities for the financial year below. The main reason behind such non-conformities is Swedfund's ownership circumstances, with Swedfund being a wholly state-owned company and thus not a listed company with dispersed ownership. The company's auditors have conducted a statutory review of the corporate governance report.

The state's ownership policy, the owner's instructions for the company, the articles of association and the goals established by the general meeting and the board of directors govern the operation. Swedfund's strategy and policy documents form the starting point for the implementation of the mission. Swedfund's policies form a key part of the company's values and are continually being incorporated into working methods and agreements. Read more about the further development of policies on pages 50. The training of Swedfund staff and external board members amongst the portfolio companies is ongoing. The company is also affiliated to a number of international conventions and regulations which impact on the working methods that are followed in different ways.

## The Code of Conduct

The Code of Conduct forms part of the state's corporate governance framework. Swedfund follows the Code of Conduct in accordance with the owner's guidelines.

## Deviations from the Code of Conduct

Swedfund deviated from the provisions of the Code of Conduct during the 2019 financial year with regard to the following points:

- (i) Nomination committee. Due to its ownership structure, Swedfund has no nomination committee. Instead, the nomination process for board members, election of a chair for meetings and appointment of auditors is based on a separate process for state-owned companies.
- (ii) The board of directors' independence in relation to the owner. In accordance with the state's ownership policy, Swedfund does not report whether or not board members are independent of the owner.
- (iii) Remuneration committee. The board of directors has instead opted to perform this task.

## Corporate governance amongst the portfolio companies

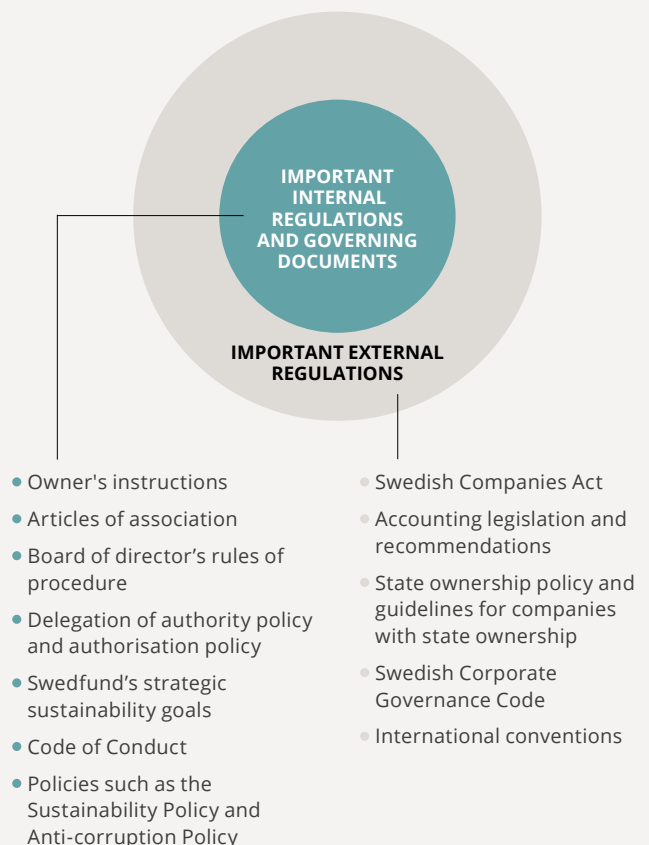
As regards equity investments, Swedfund normally has a role as a minority shareholder, but normally endeavour to ensure that it holds a board position. In connection with fund investments, Swedfund is often represented on the fund's advisory board. Through active ownership based on the three pillars, governance and follow-up take place through, amongst other things, board work, self-evaluations and ESG advocacy work. The management of Swedfund's investments involves incorporating the company's policies in investment agreements as and when appropriate. Information on the development of the portfolio companies is obtained through regular owner dialogues, the follow-up of annual reports and other agreed information.

Read about Swedfund's work relating to ESG issues in the portfolio companies and how Swedfund creates value on pages 46-47 and pages 16-17 respectively. Swedfund strives to maintain an active dialogue with various stakeholders such as owners, business partners, civil society organisations, trade unions and media representatives. For further information, read Swedfund's stakeholder and materiality analysis on pages 130-131.

## Votes and owners

Swedfund is a limited liability company which is wholly owned by the Swedish government. The annual general meeting is the supreme decision-making body within Swedfund, and it is through participation in this meeting that the Swedish state exerts its influence on the company. The Ministry of Enterprise and Innovation is responsible for managing the state's ownership of Swedfund, while the Ministry of Foreign Affairs is responsible for the company's aid policy. Invitations to the annual general meeting and extraordinary general meetings at which matters concerning amendment of the articles of association are to be considered must be distributed no earlier than six weeks and no later than four weeks prior to the meeting. Invitations are issued through publication in the Postal and Inrikestidningar gazette and on Swedfund's website. Members of Parliament have the right to be present at the meeting and to ask the company questions during the meeting. The meetings are also normally open to the general public.

## GOVERNING DOCUMENTS



**The tasks of the annual general meeting include reaching decisions concerning:**

- Adoption of the income statement and balance sheet
- Appropriation of the company's profit or loss
- Discharge from liability for the board of directors and the CEO
- Election of the board of directors, chair of the board and auditors
- Determination of fees to the board of directors and auditors
- Amendments to the articles of association
- Owner's instructions for the organisation, including mission goals and financial goals
- Guidelines for remuneration to senior executives

**Annual general meeting 2019**

Swedfund's annual general meeting was held on 25 April 2019. Minutes from annual general meetings are available on Swedfund's website. At the meeting, five members were re-elected and one member was elected for the first time. Göran Barsby was re-elected by the annual general meeting as chair of the board. Ernst & Young AB was re-elected as auditor by the annual general meeting, with lead auditor Jennifer Rock-Baley. In addition, the annual general meeting adopted the income statement and balance sheet as of 31 December 2018 and discharged the members of the board of directors and the CEO from liability for the 2018 financial year. The annual general meeting also presented proposals for appropriation of the profit, as well as proposals concerning guidelines for the remuneration of the senior management.

**Extraordinary general meeting 2019**

An extraordinary general meeting was held on 6 December 2019, which established new financial targets for the company and adopted new Owner's instructions, supplemented by the new mission goals which will apply to the company and guidelines for the reporting of these goals. Two board members were also newly elected. Minutes from the extraordinary general meetings are available on Swedfund's website.

**Board of directors**

**Composition of the board**

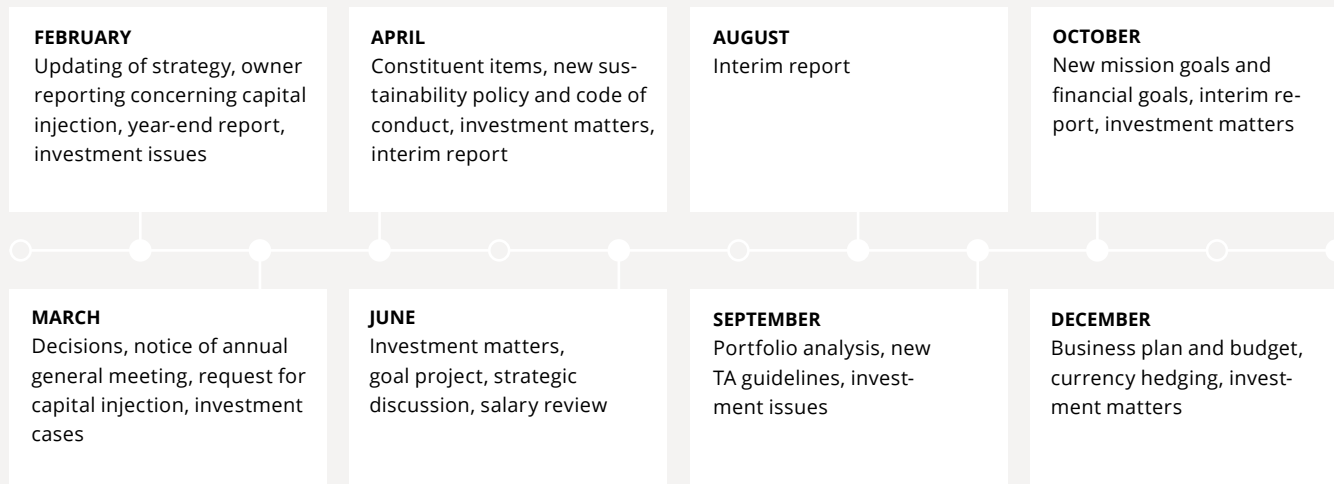
According to the articles of association, the board of directors must consist of at least six and no more than nine members without deputies. The annual general meeting shall appoint the chair of the board. If the chair leaves his or her post during their

term of office, the board of directors must elect a chair from amongst its members for the period through until the end of the general meeting when the new chair is elected by the meeting. As of 31 December 2019, the board of directors consisted of eight members, including three women and five men. No member of Swedfund's executive management is a member of the board of directors. Information about the members of the board of directors is given on pages 124-125.

The board of directors is required to continuously assess the company's financial situation, and ensure that the company achieves the established goals and manages its resources appropriately. The board of directors must ensure that the company's organisation is such that accounting, financial management and the company's financial circumstances generally are subject to satisfactory controls. The board of directors must ensure that the company has effective systems in place for monitoring and controlling the company's operations, and shall keep itself informed and evaluate how the company's internal control systems are functioning. The board of directors is responsible for establishing goals and a strategy for the company's operations. It is the responsibility of the board of directors to integrate sustainable business into the company's business strategy and business development, and to establish strategic goals for sustainable business in accordance with the ownership policy. The board of directors is responsible for the company's risk management and compliance. This means that the board of directors is responsible for ensuring that risks associated with the company's operations are continually identified, analysed and managed appropriately, and that there is adequate control over the company's compliance with laws and other rules that apply to the company's operations. The board of directors is also responsible for establishing, implementing and following up the policy documents and other forms of governing documents relevant to the organisation, such as the rules of procedure of the board of directors and the audit committee, and the CEO's instructions. Amongst other things, these policy documents set out how responsibilities and authorities are delegated between the board of directors, the chair of the board and the CEO.

The board of directors has established an audit committee whose duties are aimed at the quality assurance of Swedfund's external reporting, and ensuring that the company has appropriate risk management in place, that established principles for external reporting and internal control are complied with, and

**KEY ISSUES FOR THE BOARD OF DIRECTORS DURING 2019**



## Attendance at board of directors and audit committee meetings during 2019

Member	Position	Board of directors meetings	Audit committee meetings
Göran Barsby	Chair of the Board and Chair of the Audit Committee	11/11	3/5
Torgny Holmgren	Member of the Board	10/11	3/5
Catrina Ingelstam	Member of the Board (took up position in December 2019)	0/11	
Daniel Kristiansson	Member of the Board (took up position in April 2019)	6/11	3/5
Fredrik Arp	Member of the Board	11/11	2/5
Kerstin Borglin	Member of the Board	10/11	
Mikael Sandström	Member of the Board	11/11	
Roshi Motman	Member of the Board (took up position in December 2019)	1/11	
Hanna Lagercrantz	Member of the Board (vacated position in April 2019)	4/11	2/5
Charlotte Salford	Member of the Board (vacated position in April 2019)	2/11	
Björn Börjesson	Board member and Chair of the Audit Committee (vacated position in April 2019)	4/11	2/5

that Swedfund undergoes qualified, effective and independent auditing. The audit committee consists of three board members appointed annually by the board of directors. Since the 2019 annual general meeting, the audit committee has consisted of Göran Barsby (chair), Torgny Holmgren and Daniel Kristiansson.

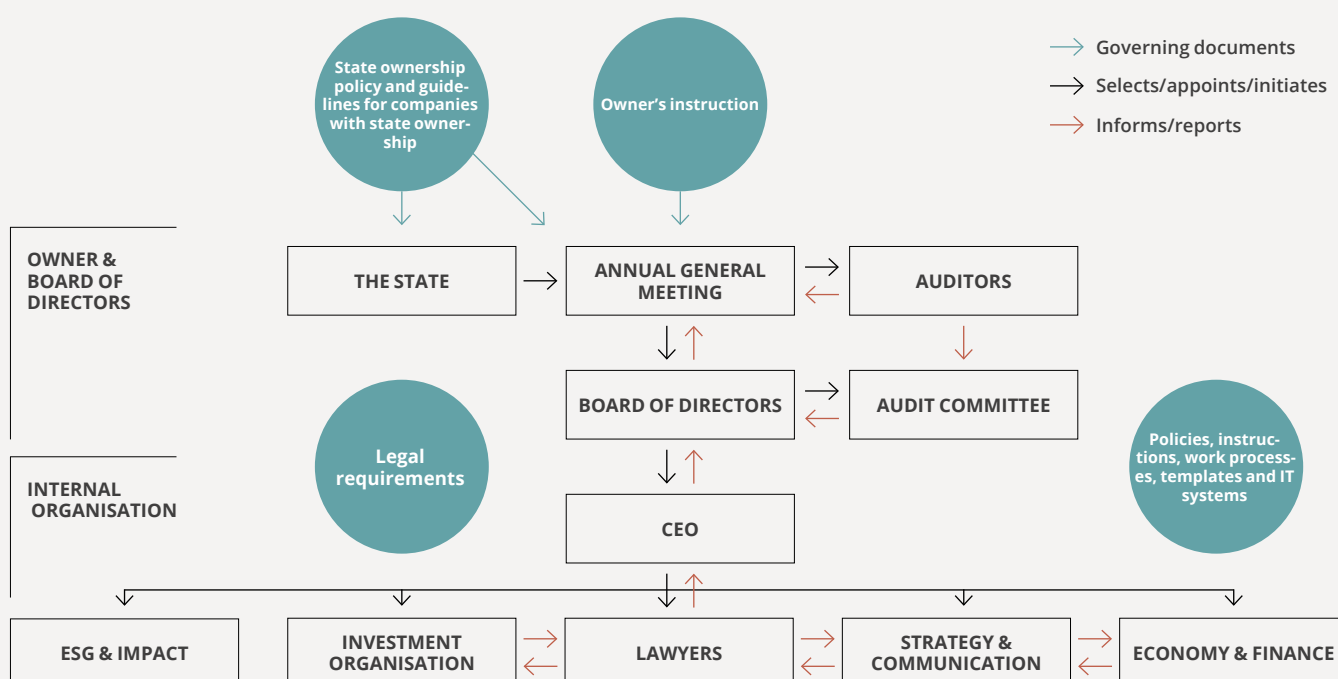
**Responsibilities and duties of the board of directors**

The board of directors is responsible for maximising the development of value in Swedfund, and for ensuring that the operation is managed in a way which promotes sustainable development, financially, socially and environmentally and as regards climate. The board of directors is responsible for the company's organisation and management of its affairs in the interests of the company and the shareholder. The board of directors is responsible for ensuring that the company acts as a role model within the field of sustainable business and also otherwise operates in a manner that is worthy of public confidence. The board of directors appoints the chief executive officer (CEO) and determines the salary and other benefits of the CEO.

**Chair of the Board**

The chair is responsible for annually evaluating the work of the board of directors and for ensuring that the evaluation is reported as and when relevant to the owner's nomination administrator. The 2019 board evaluation was carried out within the board and involved a collective evaluation of the work and expertise of the board of directors. Relevant results have been presented by the chair to the owner's nomination administrator. As and when necessary, the chair participates in connection with important contacts and represents the company in relation to ownership matters. The chair of the board is also responsible for maintaining contact with representatives of the company's owners with the aim of coordinating his or her views with these representatives when the company must make particularly important decisions. During 2019, this coordination was particularly relevant in connection with the "Goal project", which initiated by the owner during the first half of the year. The project resulted in new economic goals and mission goals for Swedfund, with the goals being recommended by the board of directors and subsequently adopted at the extraordinary general meeting on 6 December.

## CORPORATE GOVERNANCE STRUCTURE



### **The work of the board of directors and the audit committee during 2019**

The board of directors met on 11 occasions during 2019. Amongst other matters, the meetings considered investment cases and the business operation based on the three pillars (impact on society, sustainability and financial viability), annual and interim financial statements and related reports, strategy and business plan, mission goals, budgets, organisational and staffing issues, and evaluation of the work of the board of directors and the CEO.

The audit committee met on five occasions during 2019. Amongst other things, the audit committee prepared matters regarding interim reports and integrated reporting for 2018 (including the annual report, sustainability and corporate governance report), internal control, introduction of an internal audit function and a proposal for a change in the company's financial policy to gradually eliminate currency hedging for all investment instruments.

### **Chief Executive Officer**

Maria Håkansson was born in 1970 and took up the position of CEO of Swedfund in 2018. The CEO is responsible for the ongoing management and coordination of the company's operations with the care and to the extent necessary to perform these tasks in accordance with applicable legislation, the articles of association, the CEO's instructions and the board of directors' instructions and the state's ownership policy. The CEO signs on behalf of the company's with regard to the ongoing administration of the company within the adopted budget. Decisions within the CEO's own decision-making remit are reported to the board of directors at the next meeting. When a member of the management group signs on behalf of the company, this is also reported at the next meeting. Orders for consultancy services with a value of up to SEK 200,000 may be placed by the heads of department without the CEO's approval.

### **Auditors**

The state's ownership policy states that responsibility for the election of elected auditors in state-owned companies always rests with the owner. Proposals for the election of auditors and approval of auditors' fees in companies with state ownership are submitted by the board of directors. Auditors are normally appointed for a term of one year at a time.

The auditors are accountable to the owner at the general meeting and submit audit reports concerning Swedfund's integrated reports and the board of directors' management. The auditors submit a summary report on the audit to the board of directors and the audit committee partly in connection with the general audit of the interim report for January to September and partly in connection with the audit of the annual accounts.

### **Organisation**

Management work is coordinated by a management team based on Swedfund's organisation. In addition to the CEO, the management team of a total of seven people consisted at the year-end of the Chief Legal Counsel, Chief Financial Officer, Director of Strategy and Communication, Director of Investment Operations, Director of ESG & Impact and Head of Administration. The role of the management group is to prepare and implement strategies, manage corporate governance and organisational issues, and follow up Swedfund's financial development and efforts relating to sustainability.

### **Remuneration of senior executives**

Swedfund applies the government's guidelines for employees in managerial positions. Remuneration to the CEO and other senior executives is reported in Note 6.

### **Internal control regarding financial reporting**

Under the Companies Act and the Code, the board of directors is responsible for ensuring that the company has good internal controls in place. This report has been prepared in accordance with Chapter 6 Section 6 of the Swedish Annual Accounts Act, and Articles 7.3 - 7.4 of the Code, and is limited to the internal controls regarding financial reporting.

Effective board work forms the basis for good internal control. Swedfund's internal controls can be described based on the following five main areas.

### **Governance and control environment**

The basis for internal controls regarding financial reporting is the control environment. The board of directors has overall responsibility for financial reporting. Every year, the board of directors adopts a set of written rules of procedure for its work, and specifies the division of work between the board of directors on the one hand and the CEO and the audit committee on the other.

The audit committee appointed by the board of directors is tasked with preparing matters for decisions by the board. The audit committee works according to an annual schedule and is responsible for monitoring and quality assurance of the company's financial reports. This task covers areas such as the effectiveness of the company's internal control and assessments of estimates and reported values which could impact on the quality of financial reports. The audit committee also keeps itself informed concerning the auditing of the annual integrated reporting (including the annual report and reports regarding corporate governance and sustainability) and the management through attendance of the committee's meetings by the company's auditors. Swedfund's CEO and CFO are co-opted to the committee's meetings, but the committee's members are also in regular contact with these executives.

One aspect of the board of directors' work is to prepare, update and approve a number of fundamental policies which govern the company's work (see page 50). The board of directors issues guidelines which set out the conditions for an organisational structure with the clear delegation of powers and responsibilities documented in a set of instructions for the work of the CEO and in a policy concerning the delegation of authority. Based on these, internal rules, processes and structures are created which form the basis for internal governance and control throughout the organisation. Financial policy, accounting and reporting instructions and an investment manual set out the framework and provide guidance in key areas for the company's financial reporting.

The competence of the employees and the core values that the board of directors and the management operate on the basis of and communicate also form a significant part of the control environment. The CEO is tasked with establishing guidelines to ensure that all employees understand the requirements regarding the maintenance of ethical values and the role of the individual in this task, which is partly governed by the Code of Conduct, which all employees are required to follow.

### **Risk assessment**

There may be a risk of material misstatement in the financial statements in connection with the accounting and valuation of assets, liabilities, income and expenses, or deviations from information requirements. Other risks relating to financial reporting include fraud, loss or misappropriation of assets, or undue favouring of other parties at the company's expense. Accounting and financial reporting policies and directives cover areas of particular importance in order to promote accurate and complete accounting, reporting and information provision at the right time.

Identified risk types are managed through well-defined business processes with integrated risk management measures, as well as through the clear division of responsibility and tasks, and an appropriate decision-making policy. This means that specific approval is required for investments and other important transactions to ensure that assets are managed appropriately. The company's financial risks are managed in accordance with the board of directors' established financial policy, and reporting concerning financial risks takes place on a quarterly basis.

In connection with the evaluation of new investments, detailed analyses (due diligence) are carried out of factors such as developments in financial results and position. Based on the assessment of financial risks, the terms of the investment contracts are also included as and where necessary in order to reduce risk exposure.

Read more about Swedfund's management of financial risks in Note 14 and about Swedfund's other risks on pages 44-45.

### **Control activities**

To ensure that financial reports present a true and fair picture of the business and maintain the desired level of quality, Swedfund's processes include various control activities. These control activities involve every level of the organisation, from the board of directors and the management to other employees, and are intended to prevent, detect and correct any errors and non-conformities.

Results are followed up with respect to budgets and/or forecasts on a monthly basis, along with liquidity monitoring. Examples of other control activities within Swedfund's operation include the approval and control of different types of accounting transactions, reconciliations, analysis of key ratios and relationships, as well as other follow-up of financial information. The analytical follow-up is carried out on an ongoing basis by the corporate management and the finance function.

In addition to this, portfolio company reviews are conducted quarterly, where developments relating to the portfolio companies are evaluated based on the three pillars of impact on society, sustainability and financial viability. These meetings are attended by the management group with the responsible Senior Investment Manager as rapporteur.

Swedfund has developed an investment manual to ensure that high levels of quality are maintained during the preparation of investment cases. In connection with the evaluation of new investments, a special process has been established where an investment committee, comprising the management group and the person responsible for the specific project, evaluates a potential investment in two stages before it is presented to the board of directors for a decision.

The process of active ownership amongst the portfolio companies involves the investment organisation taking responsibility for continually monitoring financial developments by obtaining and analysing financial reports, conducting visits and actively participating in board work. Part of the aim of this is to ensure the assessment of developments in the value of investments, which are in turn reflected in Swedfund's income statement and balance sheet.

Internal control and the management of the company are evaluated annually by the company's external auditors. Given the expected growth in investment volumes, the size of the portfolio and organisation, the board of directors decided in December 2019 to also establish a special audit function in the form of an internal audit unit. The audit committee annually determines the scope of control activities and approves the audit plan.

### **Information and communication**

The company's information and communication channels must contribute to full and accurate financial reporting at the right time. All of Swedfund's employees have access to the Company's policies, guidelines and manuals. During regular information meetings with employees, the importance of applying the rules and processes that exist is stressed, and the associated resultant changes are described in more detail. Within the company's various departments, reviews and updates are carried out concerning the application of these documents on an ongoing basis as and when necessary. Formal and informal communication between employees and management is facilitated by the fact that the employees are small in number and largely geographically concentrated on one office.

The board of directors and the audit committee regularly review the management's reports concerning financial developments with analyses and comments on outcomes, budgets and forecasts. The board of directors also regularly receives detailed portfolio reports which present developments for each investment.

Swedfund has also established a whistleblower function that can be used in the event of suspected irregularities by executives within Swedfund and its portfolio companies. This function can be used in connection with suspected cases of corruption, accounting errors, deficiencies in internal control or other doubts which could seriously harm the company's interests or the health and safety of individuals.

### **Follow-up**

Control activities are monitored on an ongoing basis by Swedfund's corporate management and employees to ensure that risks have been appropriately taken into account and managed. Amongst other things, these procedures include the monitoring of results against budgets and forecasts, portfolio analyses and the follow-up of key performance indicators. Policy documents and other documents are evaluated on an annual basis. The company's financial situation is considered at each board meeting. Interim reports and annual integrated reports are submitted to the audit committee for preparation, and to the board of directors for approval.

The audit committee carries out preparations for the board of director's evaluation of the information provided by the corporate management and the company's auditors. The responsibilities of the audit committee also include ensuring that, on behalf of the board of directors, action is taken concerning deficiencies and proposed measures that have emerged from the external audit concerning financial reporting and internal control.

Every year, the audit committee reviews the external auditors' audit plan and considers the auditors' observations on an ongoing basis. The board of directors and the audit committee also receive summary audit reports. The company's auditors participated in one board meeting and in three meetings of the audit committee. At least once a year, the board of directors meets the company's auditors without the CEO or any other member of the management group present.

As of 31 December 2019, the assessment is that the control activities relating to internal control of the financial reporting are adequate.



**Fredrik Arp**  
(born 1953)  
*Member*

**Board member since:** 2016  
**Education:** MBA and Honorary Doctorate, Lund University.  
**Current position:** Own company.  
**Other directorships:** Nolato AB (chair), Bravida Holding AB (chair), Vattenfall AB (member).  
**Previous directorships:** Mediplast AB (chair), Qioptiq (chair), Hilding Anders AB (member), Thule AB (chair), Getinge AB (vice chair), Perstorp AB (member), Munksjö AB (member), Bröderna Edstrand AB (member), Ahlsell AB, Innovations- och kemiindustrierna (chair), Confederation of Swedish Enterprise (member), Technogym SpA (member), Parques Reunidos (member), Nuevolution AB (member).

**Göran Barsby**  
(born 1951)  
*Chair*

**Board member since:** 2016  
**Education:** B.A./MBA Marketing, Lund University.  
**Directorships:** Holms Intressenter AB (chair), INR AB (member), Willo AB (Chair).  
**Previous directorships:** Audio-Dev AB (member), Time Care AB (member), Bindomatic AB (member), Lamiflex AB (member), Kungshagen Montessori School (member and founder), Toolex Int. N.V. Enklare Ekonomi AB (chair)

**Roshi Motman**  
(born 1979)  
*Member*

**Board member since:** 2019  
**Education:** Industrial Engineering and Management, Chalmers University of Technology, Electrical Engineering, Chalmers University of Technology.  
**Current position:** Own company.  
**Previous assignments:** CEO Millicom Ghana (Tigo), CEO AirtelTigo Ghana, Chair of Ghana Telecom Chambers, Chair of the Investment Committee Digital Changemakers Ghana (Tigo/Reach for Change).

**Torgny Holmgren**  
(born 1954)  
*Member*

**Board member since:** 2017  
**Education:** Degree in Economics, Stockholm School of Economics.  
**Current position:** CEO of Stockholm International Water Institute (SIWI).  
**Other directorships:** Water Aid, Expert Group for Aid Analysis, World Water Council, Swedish Leadership for Sustainable Development.





**Kerstin Borglin**  
(born 1960)  
*Member*

**Board member since:** 2016  
**Education:** MSc, Mechanical Engineering, Lund University Faculty of Engineering, History of Science, Lund University, African History, Stockholm University.  
**Current position:** Executive Advisor, Spider (ICT Swedish Program in Development regions, part of the Department of Computer and Systems Sciences, Stockholm University).  
**Other directorships:** SWEACC, Swedish East African Chamber of Commerce (vice chair), Consul for Uganda in Sweden.  
**Previous directorships:** Ericsson Litauen (Member), Ericsson Kenya (Member), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (Member).

**Daniel Kristiansson**  
(born 1974)  
*Member*

**Board member since:** 2019  
**Education:** MBA, Stockholm School of Economics.  
**Current position:** Under-Secretary, Ministry of Enterprise and Innovation.  
**Other board assignments:** SBAB Bank AB (publ) (member), Stiftelsen Industrifonden (member).  
**Previous directorships:** Vasallen AB (member), Metria AB (member), AB Bostadsgaranti (member), Green Cargo (member).

**Mikael Sandström**  
(born 1967)  
*Member*

**Board member since:** 2017  
**Education:** MBA and PhD from Stockholm School of Economics.  
**Current position:** Advisor to own company, Y & M Sandström AB.  
**Other directorships:** Third Swedish National Pension Fund (member).

**Catrina Ingelstam**  
(born 1961)  
*Member*

**Board member since:** 2019  
**Education:** MBA and commercial law, University of Stockholm, approved public accountant FAR (not active).  
**Current position:** Consultant in own company, Creatme AB.  
**Other board assignments:** Sixth Swedish National Pension Fund (chair and chair of the Sustainability Committee), KPA Pensionsförsäkring AB (member and member of the Risk and Capital Committee), Sparbanken Sjuhärad AB (member and member risk and audit committee), Orio AB (member and chair of the audit committee), Spiltan Fonder AB (deputy member).  
**Previous directorships:** Dina Försäkringar Mälardalen AB, Salus Ansvar AB, KPA AB and subsidiaries, Folksam LO Fondförsäkring AB and subsidiaries, Folksam Fondförsäkring AB, Min Pension i Sverige AB, Kammarkollegiet.

# Signatures of the board of directors

Swedfund International AB's board of directors and CEO hereby submit Swedfund International AB's integrated report, including the annual report, sustainability report and Communication on Progress (COP) for 2019.

Swedfund International AB has produced this annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU. In addition, the standards of the Swedish Financial Reporting Board and its recommended RFR 2 Supplementary Accounting Rules for Legal Entities have also been applied.

The annual report also includes the company's sustainability report in accordance with Chapter 6 Section 11 of the Swedish Companies Act, and the sustainability report in accordance with the Global Reporting Initiative (GRI). The information provided corresponds with the factual circumstances and nothing of any material importance has been omitted which could impact on the picture of the company which is given in the annual report, the sustainability report and the COP.

Stockholm, 24 March 2020

Göran Barsby  
*Chair*

Fredrik Arp

Kerstin Borglin

Catrina Ingelstam

Roshi Motman

Daniel Kristiansson

Torgny Holmgren

Mikael Sandström

Maria Håkansson  
*Chief Executive Officer*

Our audit report was submitted on 24 March 2020

Jennifer Rock-Baley  
State-Authorised Public Accountant,  
Ernst Young AB

# Audit report

To the Annual General Meeting of Swedfund International AB, org. no. 556436-2084

## Report on the Annual Report

### Opinion

We have audited the annual report of Swedfund International AB for the 2019 financial year, with the exception of the corporate governance report on pages 119-125. The company's annual report is included on pages 52-118 of this document.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and in all material respects gives a true and fair picture of Swedfund International AB's financial position as of 31 December 2019 and of its financial results and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and the Swedish Financial Reporting Board and its recommendation RFR 2 and the Swedish Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 119-125. The directors' report is consistent with the other parts of the annual report.

We therefore recommend that the annual general meeting adopt the income statement and balance sheet.

### Basis for our opinion

We conducted the audit in accordance with the International Standards on Auditing (ISA) and generally accepted audit practice in Sweden. Our responsibility according to these standards is described in more detail under 'The auditor's responsibilities' section. We are independent in relation to Swedfund International AB in accordance with generally accepted accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and effective as a basis for our opinions.

### Information other than the annual report

This document also contains information other than the annual report and can be found on pages 1-51 and 129-137. The board of directors and the CEO are responsible for this other information.

Our opinions regarding the annual report do not cover this information, and we give no opinion with assurance regarding this other information.

In connection with our audit of the annual report, it is our responsibility to read the information that is identified above and to consider whether the information is materially inconsistent with the annual report and the consolidated financial statements. In this review, we also take into account knowledge we have otherwise acquired during the audit and assess whether the information otherwise appears to contain material errors.

If, based on the work that has been carried out concerning this information, we conclude that the other information contains material misstatements, we are required to report this. We have nothing to report in this respect.

### Responsibilities of the Board of Directors and the CEO

The board of directors and CEO are responsible for the preparation of the annual accounts and for ensuring that they give a true and fair picture in accordance with the Swedish Annual Accounts Act and IFRS as adopted by the EU and the Swedish Financial Reporting Board and its recommendation RFR 2. The

board of directors and CEO are also responsible for the internal controls that they deem necessary for the preparation of an annual report that is free from material misstatement, whether due to irregularities or error.

In the preparation of the annual report, the board of directors and CEO are responsible for assessing whether the company constitutes a going concern. Where applicable, they provide information on circumstances that could affect the ability of the company to continue as a going concern.

### The auditor's responsibilities

Our objective is to obtain a reasonable degree of assurance that the annual reports as a whole is free from material misstatement, whether due to irregularities or error, and to provide an audit report containing our opinions. Reasonable assurance is a high degree of certainty, but not a guarantee, that an audit conducted in accordance with ISA and generally accepted audit practice in Sweden will always discover any material misstatement which exists. Errors may arise as a result of irregularities or error and are considered to be material if they can reasonably be expected to influence financial decisions taken by users on the basis of the annual accounts, whether individually or collectively.

As part of an audit in accordance with ISA, we exercise professional judgement and adopt a professionally sceptical attitude throughout the audit. In addition:

- we identify and assess the risks of material misstatement in the annual report, whether due to irregularities or error, formulate and carry out audit measures, partly on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to form the basis for our opinions. The risk of not detecting a material misstatement arising from irregularities is greater than for a material misstatement arising from an error, as irregularities may include collusion, falsification, deliberate omissions, erroneous information or the disregarding of internal controls.
- we gain an understanding of the aspects of the company's internal control that are important for our audit in order to formulate audit measures appropriate to the circumstances, but not to express an opinion on the effectiveness of the internal control.
- we evaluate the appropriateness of the accounting policies applied and the reasonableness of the estimates used by the board of directors and the CEO in the accounts and related information.
- we reach a conclusion regarding the appropriateness of the assumption of the board of directors and the CEO that the company is a going concern in connection with the preparation of the annual report. We also conclude, based on the audit evidence that has been obtained, whether there are any material factors of uncertainty relating to such events or circumstances that could lead to significant doubt about the company's ability to continue operating as a going concern. If we conclude that a material factor of uncertainty exists, in the auditor's report, we must draw attention to the information contained in the annual report regarding the material factor of uncertainty or, if such information is insufficient, modify our opinion concerning the annual report. Our conclusions are based on the audit evidence that has been obtained up

until the date of the audit report. However, future events or circumstances may mean that a company can no longer continue to operate.

- we evaluate the overall presentation, structure and content of the annual report, including the information, and whether the annual report reflects the underlying transactions and events in a manner that gives a true and fair picture.

We are required to inform the board of directors of the planned scope, direction and timing of the audit. We must also provide information on significant observations made during the audit, including any significant deficiencies in internal controls that we have identified.

### **Report on other requirements in accordance with laws and other statutes**

#### **Opinion**

In addition to our audit of the annual report, we have also conducted an audit of the management by the board of directors and the CEO of Swedfund International AB for the 2019 financial year and of the proposed appropriation of the company's profit or loss.

We recommend that the annual general meeting appropriate the loss in accordance with the proposal in the directors' report and discharge the members of the board of directors and the CEO from liability for the financial year.

#### **Basis for our opinion**

We conducted the audit in accordance with generally accepted audit practice in Sweden. Our responsibility in accordance with this is described in more detail in Auditor's responsibility. We are independent in relation to Swedfund International AB in accordance with generally accepted accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and effective as a basis for our opinions.

#### **Responsibilities of the Board of Directors and the CEO**

The board of directors is responsible for the recommendations regarding the appropriation of the company's profit or loss. If a dividend is proposed, this includes, but is not limited to, an assessment of whether the dividend is justifiable given the requirements that the company's operations, scope and risks impose on the company's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organisation and for managing the company's affairs. This includes, inter alia, continually assessing the company's financial situation and ensuring that the company's organisation is such that accounting, fund management and the company's financial matters are otherwise subject to satisfactory control. The CEO is responsible for ongoing management in accordance with the board of directors' guidelines and instructions and for implementing the measures that are necessary to ensure that the company's accounting is carried out in accordance with applicable laws and to ensure that funds are managed in an appropriate manner.

#### **The auditor's responsibilities**

Our aim regarding the audit of the management, and thereby our statement concerning discharge from liability, is to obtain audit evidence in order to assess with a reasonable degree of assurance whether any member of the board of directors or the CEO has in any material regard:

- acted or failed to act in a manner which could cause the company to become liable to pay compensation, or
- otherwise acted in a manner which is contrary to the Companies Act, the Annual Accounts Act or the articles of association.

Our aim regarding the audit of the recommended appropriation of the company's profit or loss, and therefore our opinion regarding this, is to determine with reasonable assurance whether the recommendation is consistent with the Companies Act.

Reasonable assurance is a high degree of certainty, but not a guarantee, that an audit conducted in accordance with generally accepted audit practice in Sweden will always discover actions or omissions which could cause the company to become liable to pay compensation, or recommendations regarding appropriation of the company's profit or loss to be inconsistent with the Companies Act.

As part of an audit conducted in accordance with ISA, we exercise professional judgement and adopt a professionally sceptical attitude throughout the audit. The review of the management and the recommended appropriation of the company's profit or loss is primarily based on the audit of the financial statements. The additional audit actions that are carried out are based on our professional assessment of risk and materiality. This means that we focus the audit on measures, areas and circumstances that are of material importance to the business and where deviations and infringements would be of particular significance for the company's situation. We review and examine decisions that have been taken, information that has been used in decisions, measures that have been implemented and other circumstances relevant to our statement concerning discharge from liability. As a basis for our statement concerning the board of directors' recommendation regarding appropriation of the company's profit or loss, we have examined whether the proposal is consistent with the Companies Act.

#### **The auditor's review of the corporate governance report**

The board of directors is responsible for the corporate governance report for the 2019 financial year on pages 119-125 and for ensuring that the report is prepared in accordance with the "State Ownership Policy and Guidelines for Companies with State Ownership" (the ownership policy).

Our audit was conducted in accordance with FAR's statement RevU 16 *The Auditor's review of the corporate governance report*. This means that our review of the corporate governance report has a different focus and a significantly smaller scope compared with that of an audit conducted in accordance with the International Standards on Auditing and generally accepted audit practice in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

A corporate governance report has been prepared. The information that is mandatory under the ownership policy is consistent with the annual report and the consolidated financial statements.

Stockholm, 24 March 2020

Ernst & Young AB

Jennifer Rock-Baley  
State-authorised public accountant



# Additional sustainability information

## About our GRI reporting

Swedfund's 2019 Integrated Report is a fully integrated report in which sustainability information is integrated with the financial information. The report has been prepared drawing on inspiration from the International Integrated Reporting Council's (IIRC) framework, The International <IR> Framework.

The reports follow Swedish Government Offices' "Guidelines for external reporting for companies with state ownership". According to these guidelines, sustainability reports must be prepared in accordance with the Global Reporting Initiative's (GRI) guidelines or other international framework for sustainability reporting. Rules concerning sustainability reporting applicable to larger companies in accordance with the Annual Accounts Act also apply. Information in the sustainability report will be reviewed and verified by the auditor who is appointed as the company's auditor.

Swedfund's sustainability reporting applies the Global Reporting Initiative's (GRI) Standards reporting framework at Core level, and GRI G4 Sector Disclosures, Financial Services. The company's overarching ambition behind its reporting is for it to be transparent and provide material and reliable information to our stakeholders. The sustainability information in this report has been audited by Ernst & Young.

Swedfund published its first sustainability report in 2008. As in previous years, the aggregated development results generated by Swedfund's portfolio companies are presented. The report is based on Swedfund's mission goals and strategic sustainability goals. The aim is to illustrate how Swedfund, as a development finance institution, contributes to implementation of Agenda 2030 through investments in sustainable business. Results from Swedfund's own activities are reported when they have a significant impact from a sustainability perspective.

### UN Global Compact, Communication on Progress, COP

With the commitment to UN Global Compact, which Swedfund certified in 2012, it follows that Swedfund reports the work to implement Global Compact's 10 principles in an annual report entitled 'Communication on Progress' (COP). The company's first COP was submitted in April 2013.

In this year's report, Swedfund integrates a seventh COP. In the special GRI/COP index, we have opted to refer to the information that is stipulated in the Basic Guide to Communication on Progress, GC Active Level, developed by UN Global Compact.

### UN PRI

In 2012, Swedfund certified the UN Principles for Responsible Investment (UN PRI). Through these principles, Swedfund has undertaken to report results in electronic format on an annual basis directly to UN PRI's secretariat. Swedfund's sixth report concerning the 2019 financial year is reported in Swedfund's RI Transparency Report 2020. All data reported by Swedfund in this report has also been audited at a general level by Ernst & Young.

### Contacts

Karin Kronhøffer, Director of Strategy and Communication.

## INDEX FOR SUSTAINABILITY REPORTING IN ACCORDANCE WITH GUIDELINES FOR EXTERNAL REPORTING FOR COMPANIES WITH STATE OWNERSHIP

	Page reference
Business model	16-17, 24
Sustainability Policy and Anti-corruption Policy and due diligence	32-33, 50, 68, 132-134
Material sustainability risks and their management	44-45
Results	
Environment	56-58, 69-70, 133
Social conditions and staff	61-62, 64-70, 96, 133-134
Human rights	69-70, 133
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## Stakeholder and materiality analysis

The road to achieving the UN Sustainable Development Goals complex and requires a stronger partnership between many different stakeholders.

Key aspects of Swedfund's mission have been identified based on the company's mission goals as defined in the owner's instructions, strategic sustainability goals adopted by the board of directors and the needs, and challenges that we face in our investments, collaborations and the countries in which we operate. Our influence is exerted both within Swedfund as a company and externally, i.e. in Swedfund's portfolio companies. It is in the portfolio companies that we strive to have the greatest influence, and it is in the countries in which Swedfund operates that we want to generate development results.

For Swedfund, the ongoing dialogue with our principal stakeholders is essential to the success of our mission. Dialogue is pivotal in the process of identifying the key issues for us as a development finance institution. The partnership is also a vital tool in the work on our business plan and during the value-adding phase.

During 2019, Swedfund continued its dialogue with stakeholders concerning key sustainability issues: Swedfund has worked with the European Development Finance Institutions (EDFI) in various working groups, collaborated with civil society representatives at meetings, and met with all key stakeholder groups during our knowledge seminar which was arranged to mark the 40th anniversary of Swedfund's founding as a development finance institution in 2019. Swedfund's dialogue and partnerships have formed the basis for validating and identifying the materiality analysis and confirmed that Swedfund's material sustainability issues are as follows: Decent jobs, women's empowerment, environment and climate, tax issues, business ethics, anti-corruption, and human rights.

We have also identified two additional themes, which we have included in our strategy work: democracy and digitalisation. The matrix below lists our stakeholders, the issues that have been in focus, and the steps that Swedfund has taken to answer the questions that have been highlighted in our work to identify key issues.

We mainly describe the key issues, how we manage them and how we measure results in the section entitled 'Portfolio companies' results' on pages 52-77. In the following sections, we present additional sustainability information, whether it be issues that have no nominal goal or issues relating to Swedfund's own operation.

STAKEHOLDER CATEGORY	INTEREST ISSUES AND FOCUS	TYPE OF DIALOGUE, SWEDFUND'S RESPONSE AND RESULTS
<p><b>Owner and finance institution</b> which determines Swedfund's mission and proposes Swedfund's funding via the aid budget.</p> <p>Government (Ministry of Enterprise and Innovation and Ministry of Foreign Affairs).</p>	<p>Corporate governance, management and follow-up with a focus on sustainable enterprise: Human rights, environment and climate, working conditions, anti-corruption, tax, business ethics, gender equality, additionality and diversity, and financial development and portfolio companies' performance.</p>	<p>State ownership policy and guidelines for companies with state ownership, owner's instructions, general meeting, shareholder meetings, individual meetings and network meetings.</p>
<p><b>Politicians</b> who establish the Policy for Global Development (PGD) and decide on the National Budget.</p> <p>Members of Parliament.</p>	<p>The way in which Swedfund carries out its mission as a development finance institution, and the development effects that Swedfund's investments generate and how well Swedfund fulfils the requirements imposed on sustainable enterprises.</p>	<p>Through regular meetings with the parties' representatives and meetings with the Swedish Parliament's Foreign Affairs Committee.</p>
<p><b>Embassy of Sweden</b></p>	<p>Swedfund's role as a development finance institution and the way in which we can contribute to sustainable and inclusive development in each country through our work.</p>	<p>Through meetings and dialogue concerning Swedfund's assignments and activities.</p>
<p><b>Business partners</b> who, together with Swedfund, fund and run the companies in Swedfund's portfolio.</p> <p>Business partners and development finance institutions (DFIs, IFIs and EDFI).</p>	<p>Funding, market issues, strategy and business models.</p> <p>Private sector development, co-financing and development effects.</p> <p>Policy issues for Europe's development finance institutions.</p>	<p>Interaction and advocacy work.</p> <p>Ongoing communication and meetings in collaboration groups.</p> <p>EDFI reference group meetings at various levels: CEO, HR, ESG, Development Effects, Legal Affairs, Communication, etc.</p>
<p><b>Portfolio companies</b></p>	<p>Development financing through Swedfund and results within impact on society, sustainability and financial viability.</p>	<p>Contractual commitments in all three areas: Impact on society, sustainability and financial viability.</p> <p>Ongoing dialogue and follow-up throughout the investment period.</p>
<p><b>Civil society organisations and trade unions</b> which, like Swedfund, are involved in development cooperation in Swedfund's markets.</p> <p>Civil society aid organisations, trade unions and international NGOs.</p>	<p>Policy issues, such as human rights, gender equality, climate, development effects, transparency and tax issues.</p> <p>The "Decent work" agenda.</p>	<p>Stakeholder dialogues.</p> <p>Participation in round table discussions and conferences, as well as the ongoing exchange of experience from us both.</p> <p>Ongoing discussions regarding the possibility of collaborative projects in portfolio companies or specific markets.</p>
<p><b>Media and opinion-formers</b></p> <p>Swedish newspapers, periodicals, other media and opinion-formers in both the traditional media and social media in Sweden, whose reporting and comment reach and influence the public and other stakeholders.</p>	<p>Monitor Swedfund as a development finance institution and aid organisation.</p>	<p>Press releases, Swedfund Frankly, interviews, background discussions and knowledge transfer meetings.</p>
<p><b>Swedfund's employees</b> who through their knowledge, experience and networks carry out Swedfund's mission.</p>	<p>Working environment, organisational, strategic and resource issues.</p>	<p>Internal information through meetings and the intranet, development discussions, salary reviews, competence development and training.</p>

## Human rights

Most of Swedfund's portfolio companies operate in countries and markets where respect human rights present a challenge. In the work relating to sustainable development and sustainable enterprise, it is absolutely essential to respect and protect human rights. The ownership policy for state companies<sup>1</sup> calls on companies in the state's portfolio of companies to "act responsibly and work actively to comply with international guidelines such as the ten principles of UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises". The Swedish national "Action Plan on Entrepreneurship and Human Rights" aims to translate the UN's Guiding Principles on Business and Human Rights into practical action at national level.

The rights perspective is also one of two high-priority perspectives in the Swedish development cooperation and means that "human rights and democracy must be seen as fundamental to development".<sup>2</sup>

In recent decades, democracy and human rights have been strengthened in many regions around the world. However, developments have taken on a negative turn in recent years. In many places, human rights have even been restricted and progress has stalled.

### Governance

To evaluate human rights issues in investment activities, Swedfund has introduced a process to identify, mitigate and account for negative impacts on human rights. The ambition is to apply this process in connection with decisions concerning new investments regularly during the value creation phase and for companies in the exit phase. Today, the process is mainly used in conjunction with direct investments and funds and, to a lesser extent, when investing in financial institutions and banks. Human rights and impacts are already taken into account in the first stage of the investment process by preparing a categorisation of the project as regards human rights based on country, location, operating conditions, type of business and business partners.

Swedfund then pursues a dialogue with the portfolio companies concerning the situation in the country concerned and any human rights violations that are occurring.

During the screening process, i.e. stage two of the analysis phase of a potential investment, a risk analysis is carried out during which human rights risks and impacts are analysed in more detail. This risk analysis is also carried out on companies in the exit phase. Depending on the outcome of this analysis, a decision is then made as to whether or not a more detailed human rights analysis should be carried out. This is carried out using internal resources or with the support of an external expert. The mitigation of identified risks and impacts is incorporated into the ESGAP (ESG Action Plan), which constitutes part of the investment agreement.

### Complaints mechanisms

Swedfund requires all portfolio companies to implement a mechanism for complaints which is open to all stakeholders in accordance with the IFC Performance Standards.

Since 2016, Swedfund has had its own whistleblower service which can be used by employees, contractors, trainees and

others at Swedfund and amongst the companies and funds in which Swedfund invests. Swedfund also intends to establish its own complaints mechanism, in addition to the whistleblower service.

In 2019, three whistleblower reports were received, one of which complied with the whistleblower guidelines and was therefore investigated. The investigation has now been closed and was unable to identify any irregularities.

The whistleblower service is considered to be functioning well. The number of reports is considered to be reasonable in view of the fact that the service is primarily intended as a supplement to the portfolio companies' own complaints mechanisms.

### We monitor results

In the annual status report submitted by Swedfund's portfolio company, the Annual Portfolio Company Sustainability Report, a number of questions are asked concerning human rights issues. These questions are then followed up by e-mail, phone and visits.

### Results from Swedfund's operations

- During 2019, Swedfund developed and applied a 'Human Rights Assessment Matrix' to all new direct investments and many new fund investments;
- Swedfund also developed and applied a 'Human Rights Contextual Risk Analysis', which analyses country, sector and project risks for all new direct investments and many new fund investments as well;
- Furthermore, Swedfund integrated human rights into our internal environmental and social management system, including the due diligence process and in the annual follow-up survey;
- We have participated in a network group with AP2, Business Sweden, EKN, SEK and others to discuss and develop common issues and guidelines within the area of Human Rights;
- We have participated in a network group with the Nordic DFIs (Finnfund, IFU, Norfund and Swedfund) to discuss and develop shared issues and guidelines within the area of Human Rights, and pursued HR issues within various EDFI working groups;
- Swedfund has developed and prepared a complaints mechanism in accordance with the UN Guiding Principles on Business and Human Rights, which will be introduced next year;
- Swedfund has initiated a project to develop a process for funds to integrate human rights into their environmental and social management systems.

### Ahead of next year, the following initiatives are in the process of being implemented:

- Further develop the process of evaluating human rights risks and impacts in financial institutions
- Drive the development of EDFI's joint approach to human rights;
- Evaluate the need to report in accordance with the UNGP Reporting Framework;
- Continue the implementation of human rights in the funds' environmental and social management systems.

<sup>1</sup> State ownership policy and guidelines for companies with state ownership 2017, 3.4.2, page 4.

<sup>2</sup> Government letter 2016/17:60 Policy framework for Swedish development cooperation and humanitarian aid. Page 14.



**Serious incidents**

The portfolio companies are contractually bound to report serious incidents to Swedfund. ‘Serious incidents’ are defined as: Fatalities, severe injuries which require medical care, occupational injuries suffered by a number of workers at the same time or incidents involving serious danger to life or health. Serious incidents also include adverse effects on human rights, fire, release of hazardous substances, strikes, harassment, corruption, fraud and theft.

During 2019, a total of 12 (2018: 24) serious incidents were reported by Swedfund’s portfolio companies, of which 11 (2018: 21) occurred in the underlying holdings of the funds. In total, 10 (2018: 19) fatalities were reported, all in the underlying holdings of the funds. Of the ten fatalities, four were road accidents, four were linked to safety incidents, one was a workplace accident and one resulted from an accident where a member of the local community was killed.

Our goal is for no serious incidents to occur amongst our portfolio companies or the underlying holdings of our funds, and we are therefore monitoring the investigations of these events closely. After a serious incident has been reported, Swedfund also follows up to ensure that relevant measures have been implemented. Depending on the circumstances (employees or others, road traffic accidents or occupational accidents), an action plan is drawn up by the portfolio company concerned. This year’s figures show a reduction in the number of accidents, but also a need to improve the safety procedures amongst the funds and their underlying holdings.

The reporting methodology covers serious incidents amongst portfolio companies and the underlying holdings of funds. Reporting does not include serious incidents that occur amongst borrowers from banks or amongst subcontractors to portfolio companies.

**Environment and climate**

The portfolio companies account for most of Swedfund’s environmental impact. See page 52 for the portfolio companies’ results.

Swedfund strives to reduce the company’s own climate impact. Electricity and heat as well as business trips account for Swedfund’s biggest sources of greenhouse gas emissions.

Swedfund’s head office in Stockholm has a green lease agreement based on 100 percent renewable electricity. Electricity is purchased as *Bra\* Miljöval* (Good Environmental Choice) electricity, amounting to a total of 41,136 kWh in wind and hydro power for 2019. The corresponding figure for 2018 was 36,697 kWh. Electricity used for property purposes amounts to 38,104 kWh in hydro power, while the corresponding consumption in 2018 was 46,532 kWh. Heating of the head office by means of district heating amounts to 37,080 kWh (2018: 33,146 kWh). For our office in Nairobi, there is no environmental alternative for the supply of electricity and heating. A diesel generator is used in the event of electrical outages in Nairobi in the office building in which Swedfund hires offices. Electricity consumption for the Nairobi office during the year amounted to 6,535 kWh (2018: 8,415 kWh), and the diesel generator generated 196 kWh (2018: 384 kWh).

The combined energy consumption of the organisation during the year gives rise to 3.8 tonnes of CO<sub>2</sub> (2018: 4.6 tonnes of CO<sub>2</sub>), of which 2.2 tonnes (2018: 2.7 tonnes) are used for heating and 1.6 tonnes (2018: 1.9 tonnes) for electricity consumption. Swedfund’s business travel entails an environmental impact, but it is also crucial in order for us to bring about change during the value-adding phase and to conduct a solid due diligence process ahead of new investments. We strive to minimise the number of flights and, during 2019, we installed video-conferencing technology to reduce the need for physical meetings. As in previous years, our emission reports have included emissions at high altitude, and Swedfund’s emissions from business travel amounted to 616 tonnes of CO<sub>2</sub> (2018: 773 tonnes of CO<sub>2</sub>). This represents a decrease of 20 percent compared with 2018. For 2019, we report 620 tonnes of CO<sub>2</sub> (2018: 778 tonnes of CO<sub>2</sub>), which includes electricity, heat and all air travel. Our emissions decreased by 20% compared with 2018.

Swedfund has chosen to continue carbon-offsetting the company’s environmental impact. Swedfund sees this as a supplement to the company’s active climate work, where the intention is to finance climate-improving measures on a par with emissions that cannot be reduced immediately. The intention is to offset through projects which are locally based, do not have unexpected adverse environmental or societal impacts, and contribute to long-term reductions in emissions. The project will be certified in accordance with an independent standard and verified by third parties in accordance with the above criteria.

This year, we have decided to carbon-offset Swedfund’s environmental impact by supporting a certified Gold Standard project that contributes to clean water in Rwanda and Cambodia.

**Employeeship and organisation**

**Leadership and employeeship**

Training concerning leadership, communication, feedback and coaching continued during the year. Swedfund has continued its work to develop the fundamental attitudes which were developed during 2018 and has worked to develop the new process for performance appraisals. The organisation also implemented a new tool to measure employee engagement at personal, group and organisational level. This ‘pulse measurement’ is carried out quarterly with the aim of identifying both positive and negative trends within the organisation at an early stage in order to be able to develop or mitigate them immediately as appropriate.

During the year, Swedfund conducted a salary survey to identify any unreasonable differences which must be corrected.

Swedfund’s workers committee holds quarterly coordination meetings with the CEO and HR manager.

**PERCENTAGE OF MANAGEMENT AND THE BOARD OF DIRECTORS REGARDING AGE DISTRIBUTION**

	2018		2019	
	Number	Percent	Number	Percent
30-49 years	5	38%	8	53%
50 years or older	8	62%	7	47%
<b>Total</b>	<b>13</b>	<b>100%</b>	<b>15</b>	<b>100%</b>

**PERCENTAGE OF EMPLOYEES REGARDING AGE DISTRIBUTION, INCLUDING MANAGEMENT**

	2018		2019	
	Number	Percent	Number	Percent
29 years of age or younger	4	10%	5	12%
30-49 years	28	68%	29	71%
50 years or older	9	22%	7	17%
<b>Total</b>	<b>41</b>	<b>100%</b>	<b>41</b>	<b>100%</b>

All employees are employed on a permanent full-time basis.

**Working environment**

Attracting and retaining employees with the right skills enables us to succeed with our challenging mission. A key part of this is a good working environment, which is therefore an important area for Swedfund. Through our efforts relating to the environment, we are aiming to create a good working environment which allows employees to do a good job, while at the same time also preventing ill health and accidents.

In 2019, Swedfund continued its efforts to create an even better working environment. A safety representative has been appointed and a working environment group set up to further develop procedures relating to the systematic approach to the working environment. This work has included the updating of safety inspections, action plans and amendments to our health and safety policy. All staff underwent training concerning the organisational and social working environment during the year, covering areas such as physical, societal and organisational working environment.

During the year, we also continued to develop the work relating to security in connection with business travel.

**Anti-corruption**

Swedfund has an anti-corruption policy that applies to all employees and board members, our portfolio companies, board members appointed by Swedfund in our portfolio companies and consultants. This policy is also applicable to Swedpartnership's customers. The policy is reviewed regularly and made available to everyone on Swedfund's website. All Swedfund employees undergo regular training concerning anti-corruption. New employees complete an e-learning course on anti-corruption as part of the introductory process.

# GRI index

Swedfund applies the Global Reporting Initiative's (GRI) reporting framework for sustainability reporting, version Standards, and GRI G4 Sector Disclosures, Financial Services, at "Core" level. With the commitment to UN Global Compact (GC), Swedfund submits a Communication on Progress (COP), which describes the implementation of GC's principles. This GRI/COP index describes where GRI and the COP information can be found in this Swedfund integrated report for 2019.

## GRI Standards Core Option

Disclosure	Page	Comments	UNGC
<b>102: GENERAL DISCLOSURES 2016</b>			
<b>Organisational profile</b>			
102-1	Name of the organisation	135	Swedfund International AB
102-2	Activities, brands, products, and services	2-3, 24, 28-29	
102-3	Location of headquarters	135 (page on which index can be found)	Stockholm
102-4	Location of operations	4,26-27	
102-5	Ownership and legal form	119	
102-6	Markets served	4, 24, 26-27	
102-7	Scale of the organisation	4, 84-87, 96	
102-8	Information on employees and other workers	96, 133-134	6
102-9	Supply chain	135 (page on which index can be found)	Swedfund primarily purchases services and products for office operations in Stockholm and Nairobi, and employs consultants for screening and monitoring the portfolio companies
102-10	Significant changes to the organisation and its supply chain	80-81	
102-11	The precautionary principle	32-33, 50	The preparation of information concerning sustainability often requires management and specialists to make assessments, estimates and assumptions about events that could impact on the application of policies and results. These assessments are based on our sustainability policy or established international standards, as well as on estimates and assumptions that are considered to be reasonable and appropriate. However, as with other assessments, assumptions or estimates, the outcome may be different and events may occur that require a significant adjustment to the carrying amount.
102-12	External initiatives	50	
102-13	Membership of associations	135 (page on which index can be found)	EDFI, NMC Nätverket för Hållbart Näringsliv (Network for Sustainable Enterprise), Enact Swedish Network for Business and Human Rights, SWESIF, UN PRI, GIIN, Global Compact, Sida's Swedish Investors for Sustainable Development, Gender Finance Collaborative, 2X Challenge, AVCA
<b>Strategy</b>			
102-14	Statement from senior decision-maker	6-7	
<b>Ethics and integrity</b>			
102-16	Values, principles and ethical guidelines	50	
<b>Governance</b>			
102-18	Governance	119-123	

Disclosure	Page	Comments	UNGC
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	131	
102-41	Collective bargaining agreements	135 (page on which index can be found)	All employees are covered by collective bargaining agreements 3
102-42	Identifying and selecting stakeholders	130	
102-43	Approach to stakeholder engagement	130-131	
102-44	Key topics and concerns raised	130-131	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	136	Swedfund has non-controlling interests in portfolio companies, and these are not consolidated in the financial statements (covered only indirectly by reporting)
102-46	Defining report content and topic boundaries	130-131	
102-47	List of material topics/sustainability issues	136-137	
102-48	Restatements of information	135 (page on which index can be found)	No significant changes during the year
102-49	Changes in reporting	135 (page on which index can be found)	No significant changes during the year
102-50	Reporting period	136 (page on which index can be found)	1 January - 31 December 2019; Financial data Swedfund International AB 1 January - 31 December 2018; Portfolio company data
102-51	Date of most recent report	136 (page on which index can be found)	28.3.2019
102-52	Reporting cycle	136 (page on which index can be found)	Annual presentation of accounts
102-53	Contact point for questions regarding the report	130	
102-54	Reporting in accordance with the GRI Standards	130, 135	
102-55	GRI content index	135-137	
102-56	External assurance	130, 138-139	

Disclosure	Page	Comments	UNGC
<b>SIGNIFICANT ISSUES, GOVERNANCE AND ISSUE-SPECIFIC DISCLOSURES</b>			
<b>GRI 203: Indirect economic impacts 2016</b>			
103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 24, 28-29, 32-35, 46-47, 50, 59-60, 64-65, 72-73, 136 (where Limitations can be found)	Limitations: Portfolio companies
203-2	Significant indirect economic impacts	4, 24-25, 28-29, 59-60, 64-65, 72-73	Refers to portfolio companies' performance for all three pillars 1-10
<b>GRI 205: Anti-corruption 2016</b>			
103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 24, 32-35, 50, 53, 72-73, 136 (where Limitations can be found)	Limitations: Swedfund and portfolio companies
205-1	Total number and percentage of the organisation assessed for risks related to corruption, and report on largest identified risks	72-73, 136 (where text on the comment page can be found)	Anti-corruption issues are an integrated part of the investment process 10
205-2	Communication and training about anti-corruption policies and procedures	134, 137 (where text on the comment can be found)	83 percent of Swedfund's employees have completed training concerning anti-corruption. We have not collected any systematic information about the board of director's anti-corruption training. Updating of the anti-corruption policy was moved to 2020 and the board will conduct a review of anti-corruption in connection with this. 10

Disclosure		Page	Comments	UNGC
<b>GRI 302: Energy 2016</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	50-51, 133, 53, 56-57, 137 (where Limitations can be found)	Limitations: Swedfund	
302-1	Energy use within the organisation	133		8
<b>GRI 305: Emissions 2016</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 32-35, 46-47, 50, 53, 56-58, 133, 137	Limitations: Swedfund and portfolio companies	
305-2	Energy indirect (Scope 2) GHG emissions	133	IEA's latest emission factors have been applied	8
305-3	Other indirect (scope 3) GHG emissions	56-57, 133	IEA's latest emission factors have been applied	8-9
<b>GRI 405: Diversity and equal opportunity 2016</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 32-35, 46-47, 61-62, 66-70, 133, 137 (where Limitations can be found)	Limitations: Swedfund and portfolio companies	
405-1	Composition of Board and management team, and diversity within the organisation	96, 133		6
Own	Proportion of women, proportion of women in management positions, number of women on the boards of portfolio companies	61-62		6
<b>GRI 412: Human rights assessment 2016</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 32-35, 46-47, 50, 53, 66-70, 132, 137 (where Limitations can be found)	Limitations: Swedfund	
412-3	Significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	69, 132, 137	Human rights issues are an integral part of the investment process. All new investments (2019: 10, 2018: 13, 2017: 9) have undergone human rights screening	1-2
<b>Product portfolio</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	4, 24, 137 (where Limitations can be found)	Limitations: Swedfund	
FS 6	Investment portfolio allocated by region, size, sector	4, 24		
<b>Active ownership</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 32-35, 46-47, 50, 53, 69-70, 137 (where Limitations can be found)	Limitations: Portfolio companies	
FS 10	Percentage of portfolio companies with whom environmental and social issues have been addressed	4, 46-47, 137	Environmental and social issues are addressed in all portfolio companies based on assessed risk and impact	1-10
FS 11	Percentage of investments screened for environmental and social issues	32-35, 69-70, 137	All investments are screened for environmental and social issues	1-10
Own	Number of audits in respect of environmental and social policies and processes	68		1-10

# The auditor's opinion on the statutory sustainability report

To the Annual General Meeting of Swedfund International AB, org. no. 556436-2084

## Assignment and responsibilities

The board of directors is responsible for the sustainability report as defined on page 130, and for ensuring that the report is prepared in accordance with the "State Ownership Policy and Guidelines for Companies with State Ownership" (the ownership policy).

## Focus and scope of the audit

Our review was conducted in accordance with FAR's Recommendation RevR 12 *The auditor's report on the statutory sustainability report*. This means that our review of the sustainability report has a different focus and a significantly smaller scope compared with that of an audit conducted in accordance with the International Standards on Auditing and generally accepted audit practice in Sweden. We believe that this review provides us with sufficient basis for our opinion.

## Opinion

A sustainability report has been prepared.

Stockholm, 24 March 2020

Ernst & Young AB

Jennifer Rock-Baley  
State-authorized public accountant

# The auditor's report on the general review of Swedfund International AB's sustainability report

To Swedfund International AB, org. no. 556436-2084

## Introduction

We have been commissioned by the board of directors of Swedfund International AB to review Swedfund International AB's sustainability report for 2019. Swedfund International AB has defined the scope of the sustainability report as the areas referred to in the GRI index on pages 135-137 of this document.

## The responsibilities of the board of directors and the management regarding the sustainability report

The board of directors and corporate management are responsible for preparing the sustainability report in accordance with applicable criteria, as set out on page 130 of the sustainability report, and comprises the parts of the framework for sustainability reporting issued by the Global Reporting Initiative (GRI) which apply to sustainability reporting, and the reporting and calculation principles developed by the company itself. This responsibility also includes the internal control deemed necessary for the preparation of a sustainability report which is free from material misstatement, whether due to irregularities or error.

## The auditor's responsibilities

Our responsibility is to express an opinion concerning the sustainability report based on our general review. Our task is limited to the information contained in this document and the historical information that has been presented, and thus does not include forward-looking information.

We conducted our general review in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A general review consists of making inquiries, primarily with persons who are responsible for preparing the sustainability report, conducting an analytical review and carrying out other general measures as necessary. A general review has a different focus and a much more limited scope compared with audits conducted in accordance with International Standards on Auditing and generally accepted practice generally.

The audit firm applies ISQC 1 (International Standard on Quality Control) and thus has a comprehensive quality control system which includes documented guidelines and procedures regarding compliance with ethical requirements, standards for professional practice and the applicable requirements of laws and other statutes. We are independent of Swedfund International AB in accordance with generally accepted accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

The audit measures that are implemented during a general review do not enable us to be as certain that we have identified all important circumstances that could have been identified as if an audit had been carried out. Thus, the opinion that is expressed based on a general review does not have the assurance of a conclusion based on an audit.

Our review is based on the criteria adopted by the board of directors and the corporate management, as defined above. We believe that these criteria are appropriate for the preparation of the sustainability report. We believe that the evidence we have obtained during our review is sufficient and appropriate to provide us with the basis for our opinion below.

## Opinion

Based on our general review, no circumstances have come to our attention which give us reason to believe that the sustainability report has not, in all material respects, been prepared in accordance with the criteria set out above by the board of directors and the corporate management.

Stockholm, 24 March 2020


Ernst & Young AB

Jennifer Rock-Baley  
State-authorized public  
accountant

Charlotte Söderlund  
State-authorized public  
accountant







### Publishing Prize 2019

The Publishing Prize was awarded in Stockholm in November 2019. Swedfund won the award for Annual Reports of Publicly Owned Companies for Swedfund's 2018 Integrated Report. The prize was awarded "For comprehensive and interesting descriptions, dynamic form and an extra plus for the carbon offset production".

### UN PRI 2019

In 2012, Swedfund was certified by UN PRI. This certification means that every year we report data concerning how the principles are integrated into our business. This year, two reports have been produced, an official report (Public Transparency Report for Swedfund International AB) and a comparative report (Assessment Report for Swedfund International AB).

The comparative report assesses Swedfund against other PRI authorisers and is given a ranking regarding the way in which PRI's principles have been integrated into our operation. From A+ (top layer) to E (bottom layer) in the four parts that are applicable to us: (i) Strategy & Governance, (ii) Private equity (internally managed) (iii) Fixed income (corporate non-financial) and (iii) Private equity (externally managed). Responses are rated with up to three stars for each answered indicator.

This year, Swedfund was awarded the highest rating (A+) in the three modules: Strategy & Governance, Private Equity and Private Equity (externally managed) and an A rating for the fourth module for Fixed Income.

Swedfund was awarded a total of 131 stars out of a possible 135 on the responses that were reported.

#### Swedfund International AB

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The printed version of the annual report is 100% climate-offset.

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## 736 MILLION LIFE STORIES LEFT TO WRITE

A world without poverty. This is Swedfund's goal and by working with others we have the opportunity to achieve this goal. Through job creation and growth, extreme poverty was reduced by three quarters between 1990 and 2015. Yet around 736 million people still live in extreme poverty. That is 736 million reasons for us to continue our vital work.\*

Swedfund is a development finance institution which makes sustainable investments. This means that we create two-way relations, not dependency relations. Our approach is based on partnerships which empower people and enable them to become self-sufficient. We start from local needs and identify investments in sectors where the gaps are wide and where we can contribute to development. We are an active owner with a clear sustainability agenda and thereby contribute to social, environmental and economic development.

A fundamental aspect of sustainable development is greater inclusion and gender equality. We are therefore actively working to ensure that men and women have equal rights, conditions and opportunities to shape their own lives.

Every year, our portfolio companies employ tens of thousands of people. Every single one of these jobs takes five people out of poverty and helps to create even more indirect jobs.

Through Swedfund, Swedish taxpayers are helping to reduce poverty around the world – over and over again as financial reflows are invested back into new projects. Unlike other organisations, we also measure returns not only in terms of jobs, tax revenues and reduced corruption, but also in terms of environmental and climate initiatives, human rights and working conditions. Quite simply, success for us is a better life for more people, not just as a concept, but in reality.

\* [www.unicef.org/social-policy/child-poverty](http://www.unicef.org/social-policy/child-poverty)