

# Development finance for a sustainable future



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Our investment process and the way in which we work from a practical perspective in order to create jobs



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How development finance works

## About this annual report

Swedfund's 2020 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 is inspired by the International Integrated Reporting Council's (IIRC) framework.

## Results

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\* Directors' Report pages 66-93



# We are reducing poverty through sustainable investment

Swedfund is Sweden's development finance institution and aims to contribute to poverty reduction through sustainable investments in the world's poorest countries. We play a vital role in the development cooperation and in the implementation of Agenda 2030.

Our mission is to finance and develop sustainable businesses. A well-developed private sector with jobs offering decent working conditions leads to stable communities and reduces poverty. Swedfund is a state owned company which is managed by the Swedish Ministry of Enterprise and Innovation. Its operations are financed by reflows from the portfolio and through capital injections from the development cooperation budget, for which the Swedish Ministry for Foreign Affairs is responsible.

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 European Development Finance Institutions (EDFI) Association. At the end of 2020, Swedfund had 65 investments in businesses, financial institutions and funds in 17 countries, with the majority being located in Africa.



Swedfund is a state owned company which is managed by the Swedish Ministry of Enterprise and Innovation

We are a leading actor within development finance and cooperation



# Our work contributes to a sustainable future

Swedfund has the same goals as Swedish development cooperation, but uses different tools. We invest in equity, provide loans and use funds to reach more people. Our investments help to create jobs with decent working conditions and improve access to essential products and services such as electricity and healthcare in the world's most vulnerable countries.

## How we operate

Our work is based on our "Theory of Change" which dates from 2019. This means that we carry out an analysis of how an investment can contribute to change and what direct and indirect development effects we can help to create. We contractually bind the changes we want to achieve and consider possible, and provide expertise and technical assistance as and when necessary in order to support a development in the right direction.

Our business model is based on three pillars: impact on society, sustainability and financial viability. We follow up and report a number of indicators linked to each pillar, and our overall results describe the impact and development effects we have generated.

# 54%

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

Read more about our pillars on pages **46-47**

## Our focus

According to our Owner Instructions, Swedfund's remit is to operate in the least developed countries, where there is the greatest opportunity to make a difference. We have therefore opted to have a geographical focus on sub-Saharan Africa and the most vulnerable countries in Asia. Approximately 54% of Swedfund's investments take place in sub-Saharan Africa.

## IMPACT ON SOCIETY

Swedfund aims to contribute to impact on society in the world's least developed countries. We measure our work through indicators linked to:

- Job creation
- Economic empowerment for women
- Climate impact
- Tax revenues



## SUSTAINABILITY

Swedfund aims to help create sustainable businesses in the world's least developed countries. We measure our work through indicators linked to:

- Working conditions
- Environmental/climate management systems
- Corporate governance and anti-corruption
- Human rights



## FINANCIAL VIABILITY

Swedfund aims to help create profitable and financially viable businesses in the world's least developed countries. We measure our work through indicators linked to:

- Turnover and profitability
- Capital mobilisation

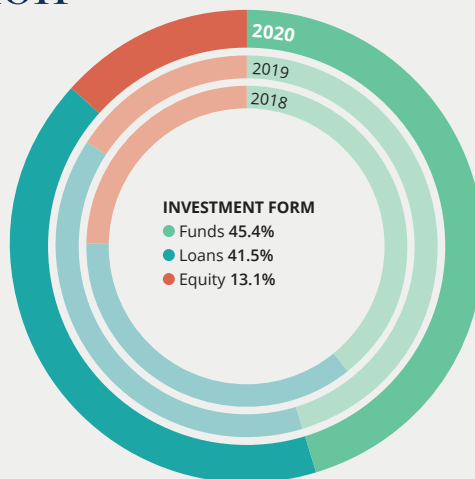
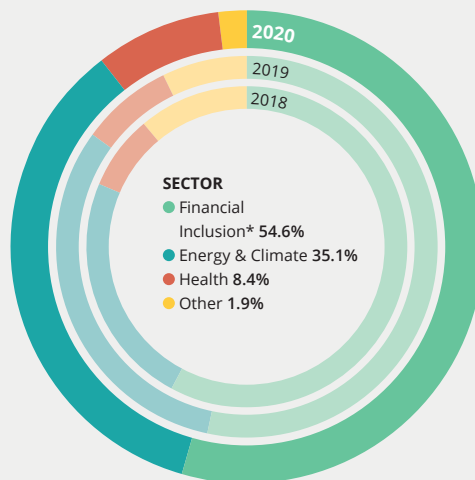
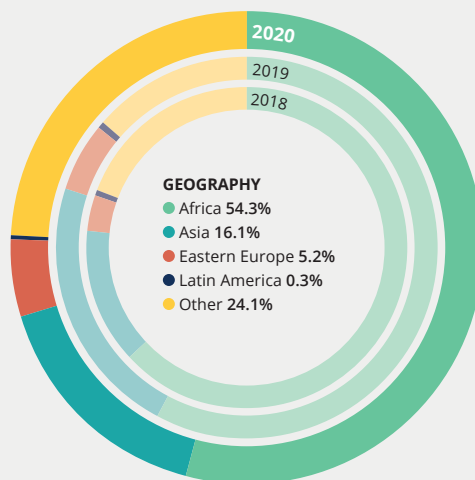


We invest in three sectors which we consider to be particularly important for achieving our goal, to contribute to poverty reduction: Energy & Climate, Financial Inclusion, to contribute to job creation and promote entrepreneurship, and Health. Climate, women's empowerment and digitalisation are three thematic areas that permeate everything we do, regardless of the choice of instrument, geography or sector.



### Portfolio distribution

Concerns Swedfund's portfolio, proportion of total contracted amount (%).



### We are additional

According to Swedfund's Owner Instructions, our investments must be additional in accordance with OECD/DAC's definition of additionality. This means that we enable investments that would otherwise not take place. Swedfund assesses additionality from three perspectives: Financially, Sustainability and based on the Impact on society that an investment generates. That we contribute in all three dimensions is a prerequisite for us to go ahead with a new investment. In addition to capital, it may be a question of providing competence to help companies develop in the right direction. We often use technical assistance (TA) for quality-enhancing initiatives amongst portfolio companies and to increase the overall development effects that the business generates.

11

new agreements signed in 2020

198,000

number of jobs in portfolio companies and the underlying holdings of funds

SEK 1 billion

in capital injection from the owner in 2021

### Our risks

Swedfund's mission involves taking risks. By taking risks and leading the way, we are catalytic and aim to act as a bridge to private capital and boost private investment in developing countries. The work relating to risk management aims to achieve risk optimisation based on mission goals and business model, rather than risk minimisation in every regard.

\*The sector was referred to as Financial institutions and Funds up to and including 2018.

# A simplified goal structure



According to the State ownership policy and principles for state-owned companies from 2020, the board of directors should establish strategic goals for sustainable value creation. These goals must focus on value creation and be relevant to the company's business operations and significant sustainability aspects. They must be long-term, challenging, measurable, clear and comparable.

Given Swedfund's public policy assignment and mission goals, with a focus on sustainable value creation and Agenda 2030, the board of directors decided that the mission goals should also form Swedfund's strategic goals for sustainable value creation. This has resulted in the simplification of Swedfund's goal structure. Swedfund will also continue to report and describe the company's work relating to issues such as anti-corruption, environmental management systems and tax which are key aspects of the value-creating work.

## Mission

According to Swedfund's Owner Instructions, the work of the organisation must contribute to attainment of the goal for Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to help reduce poverty by making sustainable investments in developing countries. 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 operations must promote investments in renewable energy.

## Mission goal

### ECONOMICALLY SUSTAINABLE INVESTMENTS

>60%

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.

### ENVIRONMENTALLY AND CLIMATE-RELATED SUSTAINABLE INVESTMENTS

2045

By 2045, Swedfund shall have a climate-neutral portfolio, and greenhouse gas emissions from our portfolio per invested Swedish krona shall decrease with 2020 as the base year.

### SOCIALLY SUSTAINABLE INVESTMENTS

100%

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.

>60%

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.

### THE COMPANY'S ADDITIONAL ROLE

>30%

The goal of mobilising at least 30 percent in private capital in investments that are made.



Financial goal

OPERATING PROFIT

> 0

Operating profit shall be greater than zero over a five-year period.

p.66  
Read about goal attainment and the results of our portfolio companies from page 66 onwards.

2X Challenge

The 2X Challenge is a G7 initiative which aims to boost gender lens investments to promote women economic empowerment. Swedfund took up the challenge in 2019 by joining the initiative. This means that we invest in companies that are owned, managed by or employ many women, which produce goods or services or which offer capital to women. Our updated mission goals from 2019 also include a requirement for 60 percent of the companies in our portfolio to fulfil the 2X criteria.

Swedfund and Agenda 2030

The private sector is crucial for the implementation and funding of 2030 Agenda. Development finance institutions such as Swedfund play a key role by investing sustainably and acting as a bridge to private capital.

There has been increasing interest amongst private investors in impact investments, i.e. investments that are sustainable, generate a financial return and have a positive impact on society. Development finance institutions have extensive experience of impact investments, a proven business model and a well-developed method for measuring the overall impact of their investments. Against this background, the innovative financing platforms that are being established to pool capital from private organisations and development finance institutions are an important step in accelerating 2030 Agenda. This type of cooperation has grown in importance during the Covid-19 pandemic, as the need for investment in developing countries has increased and the shortage of resources become even greater. The focus is now on building back better and on working towards the sustainable recovery of economies and society.

Swedfund's public policy assignment is entirely compatible with Agenda 2030, and the board of directors decided, through Swedfund's strategy, that we would particularly focus on SDG 1, SDG 5, SDG 8 and SDG 13 in 2020. Our financial goal is aligned with our mission to be additional and catalytic, i.e. to dare to invest in high-risk environments in order to create development effects.



# Stronger need for sustainable investments to reduce poverty in the wake of the pandemic

At the start of the year, no one could have predicted that 2020 would become one of the most challenging years of modern times. The pandemic has strongly hit every single country and, although the spread of infection in sub-Saharan Africa has been more limited, restrictions and lockdowns have hit economies, businesses and jobs in this region hard.

**T**he World Bank estimates that poverty will increase to 2011 levels as a result of the pandemic. A major factor behind this are the lockdowns that have been imposed in countries and their impact on the economy and jobs. Some recovery is likely in 2021, but economic development in many countries may not return to 2019 levels until 2022-2024 at the earliest. A vital factor in determining how rapidly any recovery can take place is the rate at which countries gain access to sufficient quantities of vaccines.

The contracted portfolio value at the year-end is MSEK 4,915, which corresponds to a reduction in value of approximately -12% compared with the end of 2019. The change in the value of the portfolio can be attributed to currency translation. Moreover, following impairment of asset values write-downs have been made in a number of portfolio companies, the majority of which were already fragile even before the pandemic began. Overall, the impact on the portfolio has been less than we initially feared, but predicting the long-term consequences of the pandemic remains difficult.

Swedfund's operating profit (EBIT) for 2020 is MSEK -373, of which approximately MSEK -200 can be attributed to currency translation effects. While Swedfund is reporting a negative EBIT for the full year 2020, operating profit and cash flow during the year have remained positive, with growth in recurring income from dividends and net interest income more than covering Swedfund's operating expenses. This confirms that we as an organisation are working on our vital mission in a cost effective manner.

The crisis has led to an increase in demand amongst developing countries for investment in order to create jobs and increase the resilience of both societies and individu-

als alike, while at the same time significantly reducing the proportion of foreign investment and remittances. This has resulted in a marked increase in the need for sustainable capital from development finance institutions like Swedfund. We have a vital role to play in accelerating economic recovery through sustainable investments and see an opportunity to increase cooperation with other organisations and institutions because the effects of the crisis have hit every area of society hard and can therefore only be addressed through cooperation and action on the part of many stakeholders working together. Partnerships have therefore never been more important.

Swedfund responded quickly during the initial phase of the pandemic and analysed the impact of the crisis and possible measures in a dialogue with other European development finance institutions, traditional aid organisations, civil society and other key stakeholders. We stated early on that coordinated action was important and that there was much to be gained from cooperating primarily with our European counterparts, who often operate in the same countries using similar instruments and are often also active in the same portfolio companies. We have for example jointly developed methods for conducting digital due diligence to enable new investments at a time when restrictions have prevented us from travelling and visiting potential investments in the normal way. Within the framework of EDFI and in cooperation with the EIB, we have also scaled up an existing facility for joint financing and shared risk in order to respond rapidly to the new and greater needs which have arisen in developing countries. Through the EFP platform, we are now able to offer rapid financing to healthy financial institutions and companies in the energy, infrastructure and agriculture





During 2021, we will continue to implement UN Global Compact's ten principles regarding human rights, labour, environment and anti-corruption amongst our portfolio companies.

sectors. We have also increased our investment in ICCF, EDFI's climate finance platform. Both of these partnerships are excellent examples of how well-functioning facilities for the pooling of resources contribute to faster recovery and protect important values for the future.

The situation in the countries in which we are investing has deteriorated. In many countries, we are seeing a decline in democracy, alongside a deterioration in respect for human rights. For us, this means that the contextual risks have increased, at a time when we are unable to visit our portfolio companies. To support the portfolio companies in addressing the challenges that have arisen, we have used technical assistance and carried out more projects compared with previous years. During the early part of the year, we rapidly switched our focus to supporting hospitals and clinics by providing them with equipment to limit the spread of infection. We have also implemented capacity-enhancing initiatives in areas such as human rights, and helped companies deal with the difficult situations that can arise as a result of cutbacks and staff redundancies. The Project Accelerator, which contributes to the development of more sustainable projects in developing countries, has also rapidly adapted to new conditions and working methods. The influx of new projects has been a positive development, and we have approved new projects in the Energy & Climate sector in Uganda, Lesotho, Mozambique, Angola and Namibia.

During the year, we agreed a total of 11 new investments, corresponding to a total investment volume of MSEK 950. We financed these investments through a capital injection of MSEK 800 for 2020, along with reflows from the portfolio. In 2020, we made two additional investments to provide well-functioning and sustainable portfolio com-

panies with finance to cope with the financial fallout of the pandemic. The two portfolio companies, Platcorp and DPI, are both focusing on increasing available loan or share capital for SMEs in sub-Saharan Africa. We have also continued to make new investments in order to create more jobs with decent working conditions and improve access to vital products and services such as renewable energy and healthcare. In Energy & Climate, we have invested in Sunfunder, which is supporting the off-grid solar energy industry in sub-Saharan Africa. In the Financial Inclusion sector, we have invested in the African Rivers Fund, which provides loans to SMEs in DRC, Angola and Uganda. Within the Health sector, we have invested in Jacaranda maternity hospital and Kasha, a digital platform which gives women in Rwanda and Kenya the opportunity to buy contraceptives and feminine hygiene and healthcare products. The influx of new investment opportunities remains strong and the volume of investments approved during the year outstripped the contracted volume, although under the current circumstances many contractual processes are taking slightly longer.

In summary, after two years of consolidation and change, our platform remains solid and we are ready for expansion in order to meet the needs that we identify. Our business plan and business model have proven to be both sound and relevant during the crisis. This, combined with our SEK 1 billion capital injection for 2021, presents us with an excellent opportunity to make a significant contribution to the process of "building back better" and deliver on our vital mission: fighting poverty through sustainable investments.

**Maria Håkansson**  
Chief Executive Officer

# 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 in the world’s most vulnerable countries. We accomplish the mission by investing in and developing sustainable businesses in order to generate development results and inclusive growth, particularly in sub-Saharan Africa and certain regions of Asia. Social, environmental and economic aspects permeate and govern our work, and these pillars also form the basis for our values and measurement of results.

1

Swedfund’s overarching mission is to **fight poverty by investing in sustainable businesses in developing countries**. Our approach is based on Agenda 2030, our mission goals and our “Theory of Change”, and defines our strategy for fulfilling our mission in our business plan.



Read more about the four goals which we consider to be of particular relevance to our business on pages **5 and 12 onwards**



Impact on society



Sustainability



Financial viability

Read more about our pillars on pages **46-47**

Read more about how we manage risk on pages **48-51**

Read more about our investment process on pages **54-57**

4

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



5

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

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

Read more about our approach to TA on pages **44-45 and 63**

Read more about our investment instruments on pages **52-53**





2

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

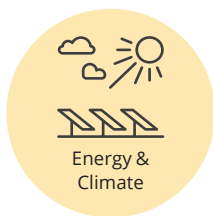
Geography • Sector • Investment form



3

We have identified **three sectors** within which we believe we have the best opportunity to generate development effects.

Read more about our sectors on pages **37-43**



Energy & Climate



Financial Inclusion



Health

6

We measure **development results** through our **indicators**, which are based on our public policy assignment and our mission goals.



Read more about our performance indicators on page **67**  
Read more about our portfolio companies' results on pages **66-85**



**THE GLOBAL GOALS**

# The pandemic has led to greater uncertainty and presented new challenges

The year 2020 was dominated by the global Covid-19 pandemic. At the beginning of April, nearly four billion people, or almost half the world's population, were being urged by their respective governments and leaders to stay at home. The world has never witnessed anything like this and it is not yet possible to identify all of the consequences of the pandemic.

**2**020 proved to be a very difficult and challenging year, not least for the countries in which Swedfund has invested. Although the spread of infection across sub-Saharan Africa, where we have our geographical focus, was more limited compared with what was feared when the pandemic first hit, it is still too early to rule out the possibility of it returning. Factors such as poorly developed healthcare, difficulties in maintaining social distancing, a high proportion of the population with underlying medical conditions and a lack of water for hand hygiene purposes are worrying. Yet factors such as the high proportion of young people amongst the population and the experience of many countries in dealing with past health crises, such as Ebola, may have helped to limit the spread of infection here compared with many other parts of the world.

The time by which African countries, like the rest of the world, have sufficient access to vaccines will be vital in securing both the resilience of societies and economic recovery. Given the current situation, there is a risk that it may be many years before vaccinations have been fully implemented across the developing countries, with severe consequences for both individuals and the economy.

## Increased poverty and inequality

The World Bank estimates that the number of people living in poverty will rise by 70-100 million, to 653 million people by 2020. It is the first time since 1998 that this figure has increased. We are also seeing widening gaps between developed and less developed countries, as well as within societies.

The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and the World Bank believe it is primarily the restrictions that are being implemented, such as social distancing, curfews and freedom of movement, that have a negative impact on the economy, jobs, education, health and vulnerable groups such as women and young people.

Yet we are also seeing worrying signs that authoritarian powers are using the pandemic as an excuse to strengthen their power and put greater pressure on the population. It is therefore vital that the restrictions imposed on the inhabitants of countries are temporary and do not become permanent.

## Economic impact of the pandemic

The Covid-19 pandemic has resulted in a supply and demand crisis which is not isolated to individual countries, but is global and impacting on everyone. Countries dependent on tourism and commodity exports have been hit even harder.





Africa is now facing its first recession in 25 years. Demand for goods and services has dropped sharply, supply chains have been affected and exchange rate fluctuations have made imports more expensive. For many African countries, the decrease in global trade has led to declining export revenues and reduced access to hard currency. In addition, foreign investment has been cut off or delayed as a result of the pandemic. When economic growth is negative, it leads to a reduction in tax revenues, which in turn limits the room that governments have to manoeuvre and hinders their ability to support inhabitants, businesses and social functions.

During the year, there were forecasts of some recovery in the global economy in 2021, but it will take until at least 2022-2024 for the global economy to return to 2019 levels. The challenges facing African countries are exacerbated by the fact that many have high levels of indebtedness relative to GDP and they face enormous budget deficits, high borrowing rates and falling currency value.

### Different conditions for state support

In Sweden and other more economically developed countries, governments have offered support packages to stimulate their economies and enable companies to survive. In many less economically developed countries, there is not the same scope to carry out such initiatives, as their public finances are already weak. The aid packages that have been put in place are mainly aimed at state operators rather than private sector companies, which are the ones which create jobs and help to secure people's livelihoods.

### The possibilities presented by digitalisation

In many countries across Europe, we are seeing greater use of digital platforms and the rapid development of new technological solutions and business models to meet new needs. The use of new technologies could provide

excellent opportunities for sub-Saharan African countries to accelerate their development, but it is important that sufficient investments are made to ensure that their businesses are seen as competitive. To enable digitalisation to take place, developments will be necessary in many areas, e.g. access to electricity and internet access must be expanded and guaranteed, access to education must be secured, regulations and legislation adapted, and investments in innovative and sustainable business models based on local needs will be essential.

### A multidimensional crisis requires multidimensional solutions

Covid-19 has created a multidimensional crisis that has led to an extremely difficult humanitarian situation, as well as major economic and social consequences, and has resulted in increased human rights violations. The crisis must be managed in a coordinated way based on all of these dimensions, which places demands on operators who do not normally cooperate to work together more. There is talk of "Build back better", i.e. to build sustainable solutions for the future from start, with a particular focus on climate.

All dimensions in a society must be addressed, and development finance institutions can contribute by investing in sustainable companies to both save jobs and create new ones, and to secure access to vital products and services such as electricity and health.



# Mission goals compatible with Agenda 2030

Swedfund's mission is to fight poverty by investing in sustainable businesses in developing countries. We do this by contributing to the creation of more jobs with decent working conditions and by improving access to essential important products and services, such as renewable energy and health.

At the end of 2019, Swedfund's public policy assignment was revised to include new mission goals. In order to achieve the goals of the Swedish development cooperation, Swedfund shall integrate poor people's perspectives on development, a rights perspective, a conflict perspective, a gender perspective and an environmental and climate perspective.

There is a clear link between our new mission goals and the UN's Sustainable Development Goals. Our work will contribute to long-term sustainable results and we will have an impact on all 17 goals, but four of these goals are of particular relevance. On the following pages, we have therefore opted to show how the Covid-19 pandemic has affected our public policy assignment and what developments have taken place, based on these four goals.

→  
Read more about how the pandemic has impacted on the countries in which we operate and relevant goals on the following pages.



# Fighting poverty is the first item on the agenda



The Covid-19 pandemic has hit every country in the world hard, it is difficult to find other examples of crises that have been so widespread and had such a major impact globally. Strong and coordinated leadership where we work together to reverse the crisis is now essential.



Although the spread of infection in Africa has been relatively limited, many countries have introduced lock-down measures. Shutting down an entire society has been seen as the only tool that is available to reduce the spread of the virus amongst the population effectively. However, comprehensive restrictions in many countries have also led to a reduction in democratic space, as well as a decline in respect for human rights. A vital factor for development in the future will be access to vaccines and the ability of developing countries to implement comprehensive vaccination programmes involving complex logistics chains.

## Remittances down

During the pandemic, remittances, i.e. the transfer of money from diaspora, often relatives, have decreased worldwide. When the diaspora and migrant workers are at risk of losing their jobs, the amount they send home drops dramatically.

The World Bank has warned that global remittances could fall by as much as 20% in 2020. This is equivalent to SEK 1,000 billion. For many countries, these remittances are a vital part of their economy. In some countries, remittances exceed the aid that they receive and are often several times larger than foreign direct investment.

## Supply and demand crisis

When the financial inflow to a country decreases due to declining export revenues, reduced investments and remittances, and other restrictions make it difficult to run a business, the result is cutbacks, layoffs and even bankruptcy for some companies. Some sectors, such as services and tourism, have been particularly hard hit by the pandemic and the resultant closures. People are losing their jobs and incomes, and particularly vulnerable groups such as women and young people are being especially hard hit. Furthermore, many developing countries have no social security systems in place, leading to a rise in poverty. In Africa, only 17% of those in formal employment have any insurance cover. This means that almost everyone who loses their job and income will be excluded from the social security system, leading to an increase in poverty.

## Effects on society and people

As demand for the products and services provided by businesses falls, the whole of society suffers, right down to individual level. It does not matter how viable a company is when demand suddenly drops dramatically and no state aid is available.

When unemployment rises, many families living on just one wage suffer. Even those who still have a job are at risk of becoming poorer, as many have been forced to reduce their working hours. A high proportion of the world's population could end up living in post-pandemic poverty and the clock in the fight against poverty could be turned back by as much as 30 years in some parts of Africa.

## Is there any hope?

However, despite this bleak starting point, there are forces and opportunities for building something new and better. It is vital that we do the right thing from the start and that all operators with extensive experience of poverty reduction work together to reduce the effects of the crisis caused by the pandemic.

INTERVIEW WITH

# Susanna Moorehead, Chair of DAC

Susanna Moorehead chairs the OECD Development Assistance Committee (DAC). She is a former British ambassador to Ethiopia and Djibouti and the UK's permanent representative to the African Union and the UN Economic Commission for Africa. Amongst other things, Susanna Moorehead has held leading roles on the board of the World Bank and worked for Save the Children in Mali. She has a BA from the University of York, an MSc (Econ) and a PhD from the London School of Economics, as well as an honorary doctorate from the University of York.



## What do you think the impact of the pandemic will be on developing countries?

The COVID-19 pandemic is a global crisis and some effects are much the same all over the world. However, in developing countries, especially the very poorest countries, the acute impact on health has been surprisingly modest. It is important to make a distinction between sub-Saharan Africa and southern Asia. In India, for example, we have seen frightening figures concerning the spread of infection, which may be because we have better data from that country.

However, the long-term consequences for the economy and the development of mankind are more serious in developing countries than in more developed countries. If we look at the global goals, it is clear we are not on track to meet some of them; we have also gone backwards as regards some goals.

## How do developing countries differ from our part of the world?

In more developed countries, we have been able to work on the direct crisis, while at the same working to support jobs and the economy in order to help countries to recover; this is something that poor countries are simply unable to do.

The developing countries are experiencing a huge economic shock and their economy is less diversified. Tax revenues have plummeted and costs have gone up, while revenues from more developed countries are declining. Financial flows from private investors to developing countries are estimated to have decreased by USD 700 billion over the past year.

As regards aid, our members have made an enormous effort to reach out with resources through a change in direction. I am pleased that countries such as Sweden have stood by their decision to ensure that at least one percent of GDP goes to aid, but not all Member States have been able to fulfil this pledge. It



# AGENDA 2030

## COUNTRIES IN ECONOMIC SHOCK :

- More jobs required
- DFI investments are crucial
- Strong partnerships necessary



is very important that we, as an international community, come together and acknowledge that this is a global crisis.

### How will the countries of the world recover?

We know, for example, that if we invest in girls and women, the results in terms of development are better in relative terms than are achieved through other types of investment. We also know that we need to create jobs in sub-Saharan Africa. However, we also know that it is virtually impossible to attract investment to fragile and conflict-affected areas, which is also important for helping to prevent conflicts.

If we do not deal with the climate crisis either, none of these investments will be sustainable. We have many tools at our disposal, but collective political will and capacity are lacking at the moment. We must also get the private sector to work with politicians. We must at least redouble our efforts to achieve what we promised in 2015 when we adopted the global goals and the Paris Agreement. We have a to-do list and that is a good step forward, but determining exactly how we will make it happen will be difficult.

### What role do you see for the private sector in building back better in developing countries?

The private sector is a key player in bringing about better development. If history has shown us anything, it is just that. Historically, the private sector has gained a bad reputation, especially at the start of the industrial revolution. However, when it comes to creating the jobs that are needed to take people out of poverty in a sustainable way and generating tax revenues that enable governments and resources to invest, the private sector is essential.

There are also large amounts of capital looking for opportunities to be invested in and there is enormous potential

to find new markets now, but it will be far from easy. Many development experts are doubtful as to whether the private sector can meet the global targets and there is undoubtedly a lot of “greenwashing” taking place. The private sector has not done enough to be transparent and to show its impact.

### What is the role of development finance institutions in helping developing countries to recover?

Development finance institutions have a vital role to play in the recovery process. First and foremost, they must disseminate information and bring stakeholders together. Secondly, they must continue to innovate with various instruments, and guarantees can be used in a much more flexible way and in larger volumes. They also need to work harder on their balance sheet and ownership structure, because more resources are needed, but these are decisions that need to be made at a political level. Development finance institutions need to take more risk and be clear that there are strong reasons for doing so. This will inevitably lead to losses, but the potential gains to be made could also be substantial. As development finance institutions take greater risks, the private sector also becomes more comfortable with taking risks.

**FACTS**

### DAC

The Development Assistance Committee (DAC) is part of the OECD and the body that determines the rules that apply to international aid. It is also a forum for discussing issues relating to aid, development and poverty reduction in developing countries.



# Gender equality and decent working conditions are under threat as a result of the pandemic

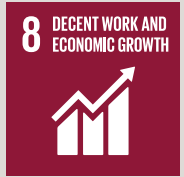
In order to create socially sustainable development, it is essential that jobs offer decent working conditions, that human rights are respected and that both societies and businesses are equal. These are areas that have suffered setbacks during the pandemic, which in turn has had a negative impact on societies and people.

## Challenging situation for female entrepreneurs

The proportion of female entrepreneurs in Africa is high; in sub-Saharan Africa, they make up 22%. This is the highest figure anywhere in the world and twice the global average. This is one reason why the Covid-19 pandemic has hit women in developing countries particularly hard. The companies that women run often operate in the service sector, which has been hit hard by the pandemic. At the same time, women-led businesses are often less able to obtain funding and replenish capital through loans from external actors such as banks. Moreover, in many countries and regions, such as East Africa, many women make a living through border trade. Consequently, when borders have been closed due to the pandemic, trade has decreased and the enterprises' markets have disappeared, leading to a decline in revenues generated by the women.

## The position of women in the labour market

Globally, the employment rate is significantly higher amongst men than women. In low- and lower-middle income countries, more women than men have jobs in the informal sector. This contributes to vulnerability because conditions in the informal sector are often poor and wages low. Women also tend to have caring professions or other professions where hourly paid employment is common.



### Women also physically exposed

Women are at much greater risk of being afflicted to domestic violence during a social crisis (read more in the fact box). During the pandemic, when children have been taken out of school, there have been reports of increases in the number of teenage pregnancies and child marriages. The Covid-19 pandemic has resulted in many girls and women being reluctant to seek treatment during pregnancy or to obtain contraceptives, which in turn has led to higher incidences of birth trauma and higher infant mortality rates during childbirth.

### Greater pressure on the most vulnerable

The pandemic has affected many people who already had difficult working conditions. The worst affected are those who lose their job, receive lower remuneration and/or have no access to social safety nets. Furthermore, in the countries that have imposed curfews, many people have found it difficult to support their family because they cannot get to or do their jobs.

### Human rights under pressure

In many countries with an authoritarian regime, the pandemic has been used as a reason to limit and impose restrictions on people's lives, with an adverse impact on the human rights situation. There are examples where the imposition of curfews has been abused, with devastating consequences for the population. Data shows that minors, civil society organisations, journalists and opposition politicians have been threatened or arrested for expressing fears about Covid-19 on social media. The UN has reported many cases where the accusations have primarily

concerned the dissemination of false information. The reports also refer to a number of cases where medical staff have been threatened with dismissal after complaining of inadequate personal protective equipment or poor access to medicines. There have also been cases where it has been difficult for the courts to perform their duties.

Some countries have used digital infection tracking to obtain information concerning how the infection is spreading across the country. However, there is a risk that this type of infection tracking will develop into a tool for mapping people and their living patterns. There is a particularly high risk of this in countries which do not have well-developed data security.



The proportion of female entrepreneurs in sub-Saharan Africa is 22%. This is the highest figure anywhere in the world and twice the global average.

#### FACTS

## Domestic violence on the rise

It is difficult to say exactly how many women have been the victim of domestic violence as a result of the pandemic, but women's organisations fear that many cases go unrecorded.

Under normal circumstances, without any restrictions, women who are abused can go to various types of refuges, such as women's shelters. However, during the pandemic, many people have been left isolated in their homes with a violent partner, making it more difficult for women's rights organisations to help women who are the victim of violence.

To make it easier for these women to seek help, various organisations have developed digital tools which enable women to get in touch with people who can help them. However, as with digitalisation processes in general, there is a risk that the poorest women do not have this opportunity and therefore cannot get out of the destructive situation in which they find themselves.



INTERVIEW WITH

# Petra Tötterman Andorff, Secretary-General for Kvinna till Kvinna

Petra Tötterman Andorff has been Secretary-General of Kvinna till Kvinna since 2018. She has extensive experience of working on women's rights and has previously been Secretary-General of the Women's International League for Peace and Freedom (WILPF) and international coordinator at WILPF's UN office in New York.

## **Describe the situation for women in developing countries since the Covid-19 pandemic hit the world.**

Many women have been hit hard, both financially and by violence in close relationships. Gender-based violence in the home has increased rapidly, and this trend is evident not only in the countries in which we operate, but also in other countries. Many of the organisations we work with say that it has become more difficult for them to operate, as women have been unable to seek out shelters because of the lockdown. We have seen cases where women have left their home and their abuser in order to contact the police and then been reported and fined themselves instead. Our collaboration partners have continued to operate, but have tried to adapt to a new world, partly by increasing the number of digital chat services, so that vulnerable women do not have to call and talk, but can contact the organisations through various forums.

## **Are there any other examples of how women have been affected?**

We know that even before the pandemic many women worked in the informal economy, but now many have since lost their jobs and income. There have been many cases where women and girls who have worked as a housekeeper or nanny from one day to the next have been thrown out on the street. This is something that some of our partner organisations have focused a lot on.

## **What consequences do you see in the medium term?**

When there is a major crisis like Ebola or Coronavirus, there is a considerable risk that a lot of money and resources will be invested in the crisis itself, with the consequence that funding in other areas will be reduced. During the Ebola crisis, for example, we saw 4,000 people die of Ebola in Sierra Leone, yet 45,000 women and children

died in child and maternal mortality over the same period. During the Covid-19 pandemic, we are also already seeing an increase in teenage pregnancies, combined with a deterioration in the financial opportunities open to women and girls. They are taken out of school with a strong possibility that they may never be allowed to return because many families lose their income or marry off their daughters.

### What consequences have you seen from a human rights perspective?

It has been apparent for many years that the democratic space has shrunk in many countries in which we operate, and this trend has become even clearer during the pandemic. As a result, it is becoming even more difficult for civil society to act because it is unable to demonstrate or protest, and those who do protest are increasingly being exposed to hatred and threats.

### Are there any glimmers of light?

When there is a crisis, women step forward. This is true in every country. When there is a humanitarian crisis or a violent conflict, women step forward and take action. This was also how Kvinna till Kvinna Foundation came about during the war in the Balkans. We have also seen an incredibly innovative force in how we can continue to work for women's rights under these conditions in the countries in which we operate.

### What will be needed in both the short and the long term?

We have formulated a call to action which we have directed at the UN, international financial institutions and the EU. This means ensuring that we do not forget the long-term sustainable support relating to sexual and reproductive rights, women's right to their bodies, the right to abortion, the right to contraception and the right to an education (SRHR). At the same time, the acute crisis we are facing is enormous. The figures regarding domestic and gender-based violence have risen sharply and it is therefore vital that we look at what extra initiatives can be implemented within this particular area. It will be necessary to consider both aspects at the same time.

### What can Swedfund do?

It is important that Swedfund continues to educate itself regarding the issue, impose requirements and provide support to combat and prevent sexual exploitation and abuse, harassment and gender-based violence amongst the portfolio companies, and that it includes a gender perspective in all analyses and risk assessments both before and during investments. We already have an excellent partnership with Swedfund in the form of supporting the development of tools for identifying and minimising risks relating to sexual violence, assault and harassment in the portfolio. It is incredibly exciting to work with Swedfund and we plan to have a long-term collaboration and partnership, and to find more areas within which we can work together.



#### FACTS

### Kvinna till Kvinna

An important organisation in civil society which is working to promote women's rights in 20 countries in Europe, Africa, the Southern Caucasus and the Middle East, supporting 150 women's rights organisations. The organisation is working to support women who have suffered violence and guide them towards a better future, partly by striving to stop sexual abuse, create safe places along escape routes, increase women's participation in political forums and empower women to take control of their own lives.



# Multidimensional crises require new solutions in order to save jobs

The Covid-19 pandemic is putting decades of private sector growth and job creation in Africa at risk, leading to major setbacks across the continent. For many private sector companies, continuing access to finance is vital in order to protect jobs and enable companies to recover.

**T**he ability of micro, small and medium enterprises to operate has been severely hampered. These businesses are the lifeblood of African economies and crucial to protecting jobs for vulnerable members of the population.

The economic downturn that has hit countries around the world is impacting on businesses in developing countries in many ways. The sharp decline in demand is affecting developing countries which are dependent on exports. However, there are also other factors at play which are impacting on the economies of the countries and domestic businesses. For example, foreign direct investments have fallen sharply in sub-Saharan Africa and international investors will probably consider Africa to be a higher risk market for many years to come. The lack of funding means that African businesses will also find it difficult to develop and grow their business in the long term.

## Smaller enterprises face bigger challenges

We know from previous crises that small and medium enterprises are hit hardest, as they often have a smaller financial buffer and find it more difficult to find new capital in the traditional manner. This makes businesses dependent on government measures in order to survive. However, many developing countries do not have the same scope to implement support measures as more

developed countries, in the form of either aid packages for businesses or income support for workers. This is because, even before the pandemic began, the countries were highly indebted and tax revenues limited, a situation that has deteriorated further since. At the same time, the population is also less resilient compared with more developed countries. This means that the level of education is generally lower, while access to structural capital is not as good. The need for investment in order to save businesses and jobs is set against investment in immediate humanitarian needs.

## Drawing on the lessons learned from the 2008 financial crisis

The financial crisis of 2008 had major economic consequences globally. At the time, the world managed to mobilise through various aid packages and political decisions. However, the crisis we are faced with today differs from that of 2008 on many levels. The Covid-19 crisis has more dimensions and therefore needs different types of solutions, which include new partnerships and a clearer focus on issues such as sustainability and inclusion in the reconstruction work. Today, we also have more knowledge and greater awareness of climate as an issue than was the case twelve years ago. We know that we need to include a strong focus on sustainability and impact on

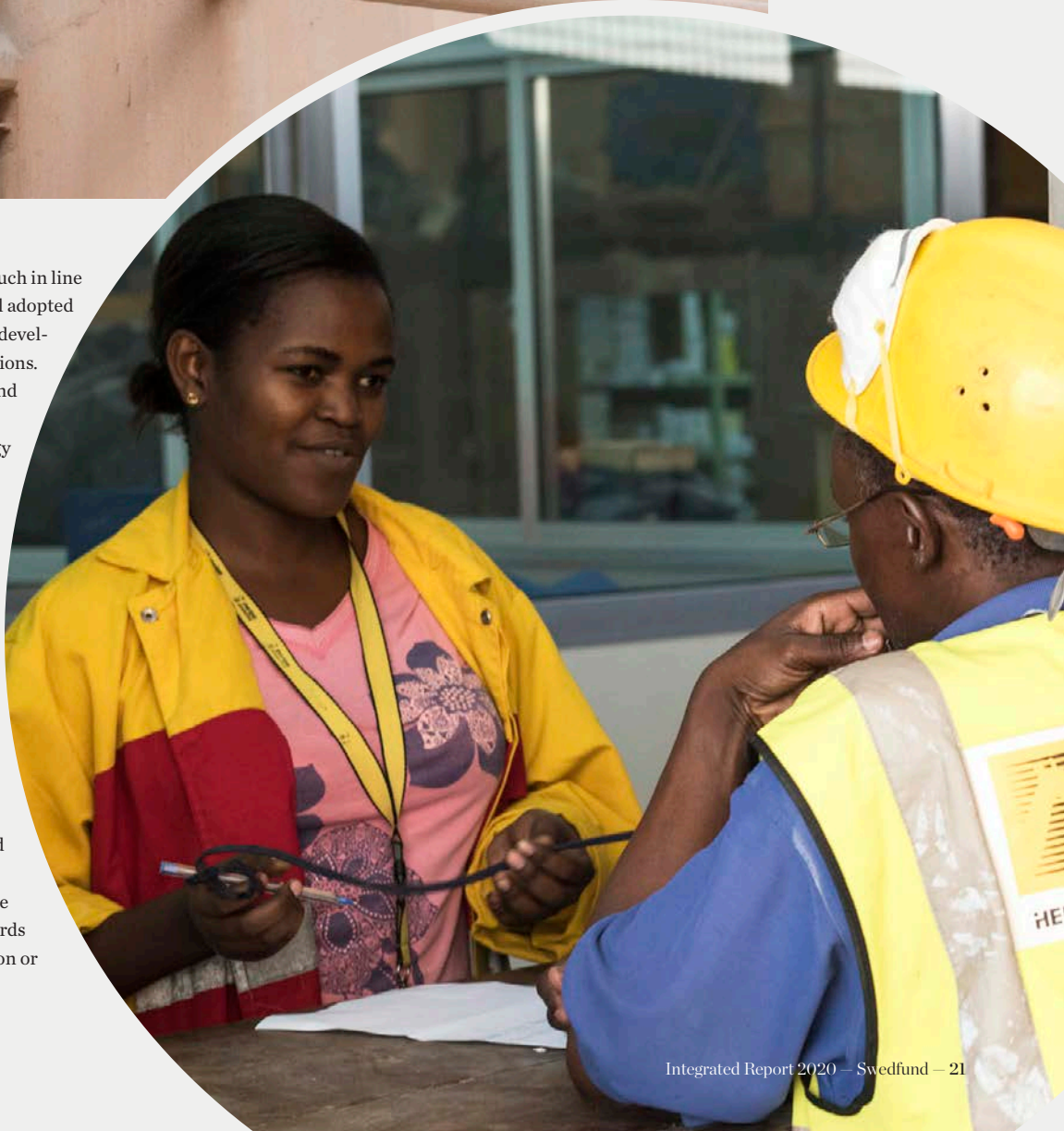


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Micro, small and medium enterprises are the lifeblood of African economies and crucial to protecting employment.



society, which is very much in line with the business model adopted by Swedfund and other development finance institutions. In addition to climate and sustainability issues, access to new technology has altered the underlying conditions for countries, economies and companies. New digital business models are rapidly being developed in order to meet the needs that have arisen as a result of the pandemic. There is therefore a risk that the digital gap will widen further between well-developed countries and countries that do not have the same conditions as regards infrastructure, legislation or education.



INTERVIEW WITH

# Sony Kapoor, MD at NIFTYS

Sony Kapoor is one of the world's leading experts in development finance. He studied Finance at the London School of Economics and engineering at the Indian Institute of Technology. He has been an expert adviser to the European Commission, the European Parliament and the IMF, and has worked on crisis management, governance, tax policy, sustainable finance and financial reform. He has also been special adviser to the UN Environment Programme on green finance.

## How do you view the role of development finance institutions during the pandemic?

We are still in the midst of the pandemic and the long-term effects are difficult to predict, but the development finance institutions (DFIs) have sought to act quickly and used new tools and approaches for a new situation. This is after all a crisis which is affecting their entire portfolios, rather than just individual portfolio companies.

## Could the development finance institutions have done more?

During the pandemic, many DFIs have focused on their existing investments, but this could lead to a risk of new business opportunities being missed. However, this is inevitable and is unlikely to have any effect in the short term. Yet from a long-term perspective, there is a risk of missing out on opportunities to give promising entrepreneurs an opportunity to grow. What will be important as we emerge from the most acute crisis of

the pandemic is that we once again raise our eyes and identify new investments and enterprises which have the potential to act and respond to the crisis and the new challenges that it presents. It will be important to lift our eyes and focus on the long-term perspectives, without forgetting the businesses that have already been invested in.

## Can you see any positive consequences from the pandemic?

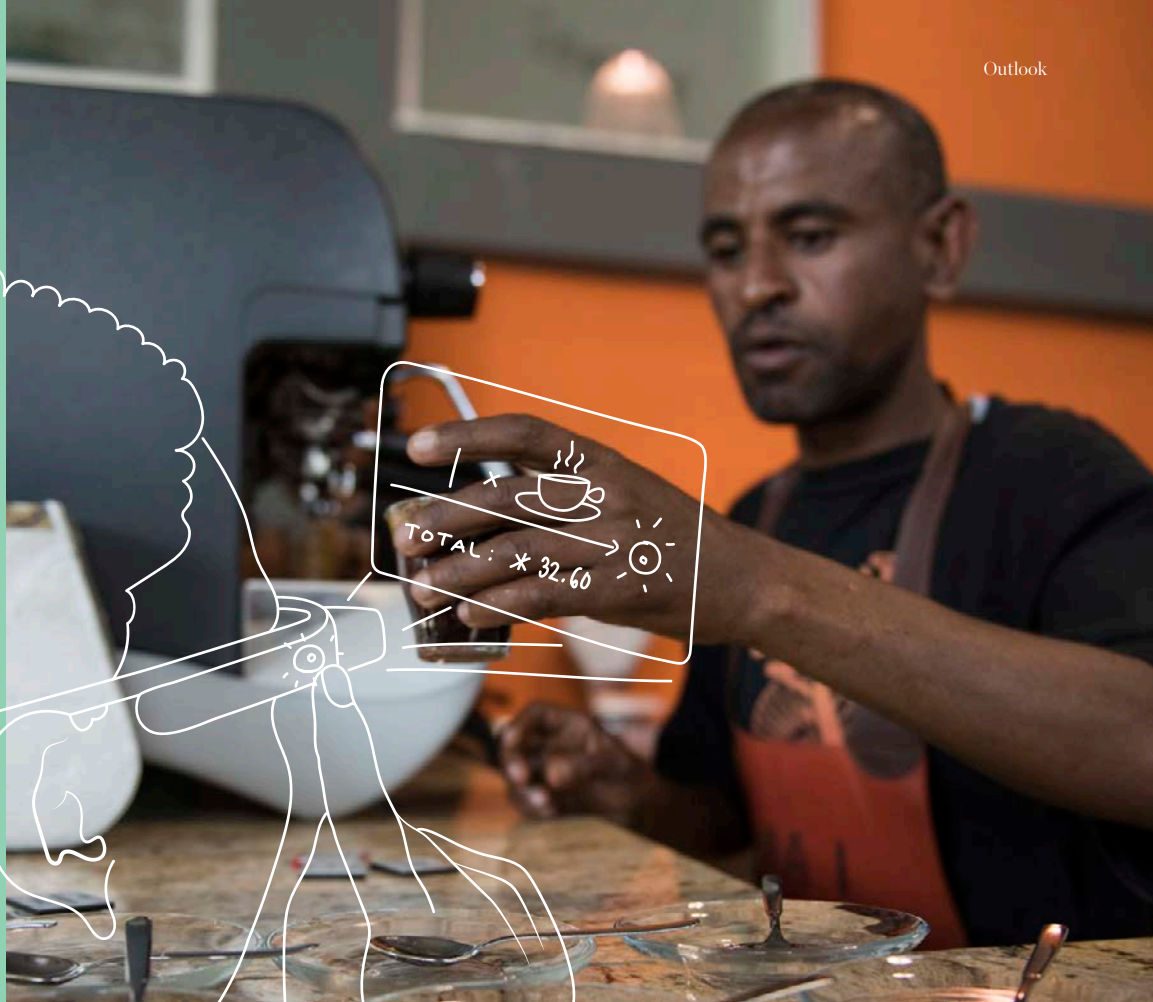
We have seen considerable innovation, which is actually quite remarkable. In India, for example, work has begun on the development of new business models for credit checks, etc. I believe that, once the pandemic has subsided, the crisis will have significantly accelerated developments within many industries, from fintech and telehealth to teleworking and many others. In the long term, I believe the pandemic could prove to have a positive side, thanks to the many innovations to which it has been a contributory factor.

## How are enterprises being negatively affected by the pandemic?

In the short term, many will be hit hard, especially enterprises that are actually viable, but where domestic State aid has been limited. There are many creative disruptions, but the pandemic is also a factor in the failure of otherwise viable companies. It is too early to say what the long-term consequences will be, but in the near future there will be a considerable human cost in the form of increased poverty.







**How have the reductions in remittances impacted on countries?**

It is very asymmetrically distributed. In the Philippines, remittances account for almost 10% of GDP, and they are also very important for other countries such as Bangladesh. It is for example not uncommon for a single Filipino nurse working abroad to be able to financially support several members of his or her immediate and distant family. However, many people who send remittances work in industries that have been hit extremely hard by the pandemic, such as construction, hotels, travel and tourism, etc. Remittances have decreased by about 20 percent, while capital flows have reversed and we have seen substantial declines in many exchange rates. The effects of this reinforce each other and point in the same, downward, direction. This is happening at a time when much more capital is needed in developing economies to meet the urgent investment needs that exist within sustainable development.

**What can development finance institutions do to rebuild developing countries?**

Development finance institutions are vital, especially as catalysts. We must remember that they are relatively small players and it would be not enough even if they were all to double their funding. This year will be the first year in which the whole of Africa will be in recession. The challenge and solution are as follows: It is not easy to make money in the West. Interest rates are low and an investment in a government bond, for example, will yield almost zero interest. This situation has been compounded by the pandemic, which has resulted in a risk of stock values falling. Yet there is also a desire to see pension capital and other investments grow. There is a role for development finance institutions to play here. They should not see themselves as providers of financing, but as catalysts for financing. They should strive to channel surplus liquidity in the OECD financial

system into investments that actually boost production capacity in developing countries. In this way, they can generate an increase in value of around 10-15 percent, while at the same time helping many people to enter the global market. The money can be invested in technological advances in countries such as Ghana, India and Kenya. Development finance institutions can be catalytic and assist small and medium enterprises, generate development in the countries and make money on the capital.

**FACTS**

**NIFTY**

The Nordic Institute for Finance, Technology and Sustainability is a non-partisan independent think tank which strives to achieve an efficient and fair distribution of financial capital and the sustainable use of natural and human capital, which also involves technological advances driving growth in the global economy.

# Environment and climate in focus in the rebuilding process

A crucial factor in the fight against poverty is access to electricity. Today, an estimated 1.2 billion people in the world have no reliable electricity supply. More than 95 percent of those without electricity live in sub-Saharan Africa and the least developed regions of Asia. Eighty percent of these live in rural areas.

**R**eliable access to electricity makes it easier for entrepreneurs to start new businesses. They can plan their businesses based on the assumption that they will have continuous access to electricity, thereby contributing jobs and economic growth to the local community.

The private sector plays a crucial role in the electrification of rural areas in poor countries. Mini-networks, known as ‘off-grids’, are seen as a vital aspect, as they supplement the electricity that is distributed via the national grid, with both extra capacity and reliability. Another important factor is that the energy and electricity that is generated originates from renewable sources.

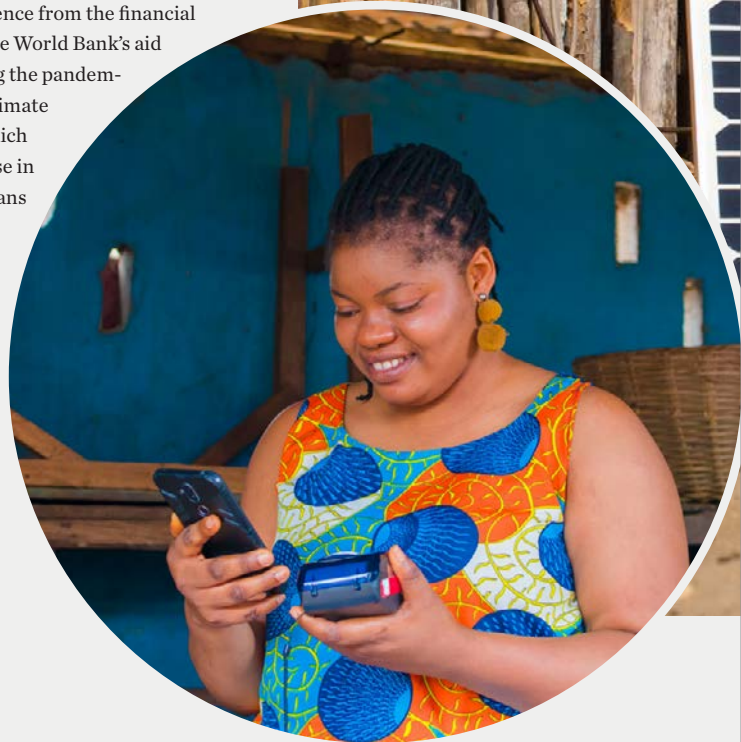
Reliable and efficient light sources have beneficial effects on society, the environment and economy; children and young people can do their homework after dark, shops can stay open for longer and the outdoor environment becomes safer, particularly for women.

## Climate dimension central

Although the pandemic and its consequences have taken centre stage in 2020, the climate issue has also become more topical than ever. The cost of new investments in renewable energy sources, such as solar and

wind, has never been as low as it is now. With high oil prices, new investments have been beneficial, but when oil prices decrease, as they have done during the pandemic, it becomes cheaper to continue using the old energy sources. With a stronger focus on climate and investing for the future, there are now more incentives than ever to build sustainably from scratch.

In the context of the financial crisis of 2008 and the subsequent recovery, economic growth was prioritised over sustainability. A major difference from the financial crisis is that the World Bank’s aid package during the pandemic includes a climate dimension, which was not the case in 2008. This means that many countries will have to work in a more sustainable way in order to gain access to funding.





**FACTS**

## Earth Overshoot Day

In 2020, Earth Overshoot Day, the date on which humanity's demand for ecological resources and services in a given year exceeds what Earth can regenerate in that year, fell on 22 August, which is almost a month later than the corresponding date in 2019, which fell on July 29. A major factor behind this is, of course, the pandemic and the positive consequences that reduced resource usage has led to.

It is clear that many businesses are emitting less CO<sub>2</sub> than they did before the pandemic due to reductions in production volumes. This does not mean that businesses are emitting less CO<sub>2</sub> per product produced, simply that they are producing fewer products and therefore emitting less. The delay in "Earth Overshoot Day" by as much as a month has raised awareness of the world's overconsumption amongst many private investors. However, it has also sparked a discussion around the world about how sustainability is a crucial factor in reducing the risk of future pandemics.

INTERVIEW WITH

# Mattias Frumerie, Chief Negotiator on Climate Change

Mattias Frumerie is Sweden's chief negotiator for climate issues and works at the Swedish Ministry of the Environment. He leads the Swedish delegation to the international climate negotiations under the auspices of the UN and therefore also represents Sweden in the EU contexts that establish the EU's stances ahead of UN negotiations.

## What is your conclusion regarding 2020 based on the climate-related work?

Despite all the misery that we have lived through and continue to live through as a result of the pandemic, I would still say we are ending 2020 with a hopeful approach to the climate for 2021. This hope stems not only from the commitments that we have seen re-

garding climate neutrality, but also a strong commitment that can accelerate and lead the transition. This commitment from both business and civil society, and young people in particular, is very important, with the latter becoming like a blowtorch in driving the climate work forward. This gives rise to hope that the work will move forward. Yet it is also apparent that, although many countries have set targets for climate neutrality in 2050 or 2060, there is still considerable uncertainty as to how these targets will be achieved.



## What does this mean in more concrete terms?

Under the current policy, we are on our way to a warming of 2.5°C or maybe 3°C. Even though we have set long-term targets, more countries need to do more as regards the short-term targets and the measures that need to be taken now in order to halve emissions by 2030. We have ten years to implement Agenda 2030 and, if we can combine the 17 goals with halving emissions, then we will have a great opportunity to get on a sustainable path. However, in order for this to be possible, it is vital that the measures are implemented now and that countries such as Brazil, Indonesia, Russia and India become more ambitious in their climate work.

## There has been a strong focus on combating the pandemic, which has required enormous resources in terms of both time and money. Has it stopped the work relating to the climate?

The whole world has rightly focused on the pandemic, and we will have to continue doing so for a while yet too. However, I feel that in the climate work at both European and global level, has advanced intensively. We have done so in order to maintain the dialogue that we have with each other which centres on achieving the high ambitions which lie behind our climate work. We have also found new constellations and ways of encouraging each other to become more ambitious, while also seeing enterprises adopting ambitious goals. For example, the United Kingdom organised a meeting for all the countries of the world in December 2020. However, only those countries which were able to show they had done something about the climate were permitted to attend. In the end, 75 heads of state and ministers took part, including representatives from Sweden. Amongst the countries which did not meet the grade and which were therefore not permitted to attend were countries such as Australia and Brazil. The meeting was also attended by large companies which explained how they were approaching the climate issue within their organisation. The pandemic has definitely been the centre of attention, but the climate work has also moved forward.

**There is a debate under way regarding the need to rebuild after the pandemic in a climate-smart way. Has this been reflected in the aid packages that have been distributed?**

The IMF has calculated that just over USD 12,000 billion has been invested in fiscal measures aimed at combating the pandemic. Much of this has gone to initiatives such as various types of employment aid, but we have also seen money being spent on investments which will accelerate the transition. For example, the Swedish national budget for next year includes green credit guarantees, and corresponding guarantees are available in other countries, with conditions being linked to the aid packages in various ways. In both Sweden and France, reductions in emissions have in some cases been imposed as a condition for receiving the aid packages. In Canada, companies have to disclose their climate risks in order to be eligible for aid packages. Aid packages are often linked to the climate work, but we still need to do more, and this applies not least to the G20 countries.

**What developments took place amongst the developing countries in 2020?**

Many people have raised the issue of debt, i.e. the fact that the fiscal policy measures that have been implemented are leading to an increase in indebtedness. In Sweden, we have room for this, but the conditions in many developing countries are not as favourable. The question then becomes what it will lead to when we emerge from the crisis; in other words, what will the public finances of these countries be like and how well-placed will they be to carry on effective climate work when the fiscal policy situation has deteriorated? I believe we will have to devote time to this, not just in 2021, but also over the coming years. From a climate perspective, it becomes even more important to ensure that climate is integrated into national budget and planning processes.

The urgency of climate work can also give a boost to development work and Agenda 2030 more widely. Developing countries can utilise the urgency of climate action as a form of leverage to implement reforms in many different areas, such as the introduction of a

price on emissions linked to coal, the identification of models for greener infrastructure which connects to biodiversity, health, air quality, etc. This could result in countries emerging from the crisis stronger and enable Agenda 2030 and the Paris Agreement to be implemented in a more coherent way and see the big picture in a way that we may not have been as well-equipped for in the past. The pandemic has revealed the level of vulnerability that exists in many countries and societies around the world.

**Do we have the drive to pursue a range of issues at the same time?**

It has been gratifying to see the concept of “Green recovery” become established relatively quickly in 2020, alongside the emergence of a reasonable consensus that this is the path we should try to follow. Yet when you look at the statistics that are available regarding the aid packages, there is a lot of aid still being directed at fossil fuels. So there is definitely work to be done to enable the countries of the world to help each other find the right policy mix which actually makes use of the opportunities that these investments provide.

**What responsibilities do private operators and development finance institutions such as Swedfund have?**

Private investors and businesses do have a responsibility, but it is just as important that countries themselves take responsibility to ensure that there is an investment climate which makes it both interesting and relevant for private investors to invest in the countries concerned. Private investors also have an important role to play in raising awareness of what they need to have in place in order for their investments to be realised. Issues such as the investment climate and conditions then become relevant, and I believe that an actor like Swedfund has a vital role to play in drawing attention to the needs that exist and how one can be met amongst private investors in order to ensure that those conditions are met. This can apply not only to investments from other countries, but also to countries that have a national resource mobilisation process which makes investments happen.



# Swedfund well-equipped to assist in the rebuilding process

The Covid-19 pandemic has hit the world hard. Perhaps hardest hit of all are the people and companies in the countries in which Swedfund operates. Swedfund's business plan and priorities provide us with very firm foundations for providing assistance as regards the rebuilding process.

**T**he consequences of the pandemic, especially in sub-Saharan Africa where Swedfund has the highest proportion of its portfolio, are considerable. Even before the crisis, the economies of many African countries were characterised by high debt-to-GDP ratios, substantial budget deficits, high borrowing rates and weak currencies.

Africa is now facing its first recession in 25 years. The consequences of the pandemic are not limited to the economies of the countries concerned or the private sector. Covid-19 has created a multidimensional crisis which has led to a challenging humanitarian situation and major economic and social consequences, and has resulted in increased human rights violations. The crisis must be managed in a coordinated way on the basis of all these dimensions.

Many of Swedfund's portfolio companies have been affected and the value of the total portfolio has fallen. The decrease in value is mainly linked to exchange rate fluctuations and write-downs of the portfolio companies. The portfolio has been more resilient than we feared initially. During the year, Swedfund closely analysed the consequences of the pandemic for countries, sectors and portfolio companies. However, it will not be until next year that we have a clear picture of how the pandemic has affected our revised results in the two pillars of sustainability and impact on society, given that this year we are presenting data from 2019. When a crisis of this magnitude arises, it is vital to ensure, based on the new conditions that prevail, that the company's business plan and strategy enable the delivery of our mission to fight poverty through sustainable investments to continue. During the year, a review of the company's business plan for the period 2020-2023 was therefore carried out. Following this review, the board concluded that the plan should remain essentially

unchanged. The company's business plan has proved to be resilient in the face of the crisis, and the priorities established for the business have increased in relevance in light of the new circumstances. Swedfund's geographical focus, themes and focus on Energy & Climate, Financial Inclusion and Health lie at the heart of the pandemic. New needs have arisen as a result of the crisis, and development finance institutions such as Swedfund will be vital in the efforts being made to promote a sustainable recovery. Nine out of ten jobs are created in the private sector, and by allowing private companies in developing countries to benefit from long-term capital, jobs can be saved and new jobs created. The importance and relevance of our work is further boosted by contributing to the sustainable recovery of the economy of developing countries. I can therefore state with some conviction that Swedfund's business plan calibrates the priorities of the owners, the board of directors and the management team for the coming years.

I am both very impressed and proud of the commitment and flexibility shown by the company's employees in rapidly changing and adapting their work and the organisation to the new conditions that now prevail. A structured and effective restructuring process has been implemented which encompassed every aspect of Swedfund's work and resulted in the continuing stringent implementation of Swedfund's mission and strategy. The efforts being made to develop the company's core expertise as a leading development finance provider are ongoing in accordance with the board's objectives for the company. I welcome the owner's investments in Swedfund and the capital injection of SEK 1,000 million, which will enable us to further intensify our efforts to achieve our mission.

**Göran Barsby**  
Chair of the Board



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Swedfund’s geographical focus, themes and sectors Energy & Climate, Financial Inclusion and Health lie at the heart of the pandemic.



# Development finance to eradicate poverty

Swedfund is Sweden's development finance institution with the mission to fight poverty by investing in sustainable businesses in developing countries. This means that we have the same goals as Sweden's international development cooperation, to improve living conditions for people living in poverty and oppression. However, as a development finance institution, Swedfund uses other tools than traditional aid organisations.

**S**wedfund invests in equity, provides loans and utilises funds as instruments to reach out to more small and medium enterprises.

Swedfund's investments help to strengthen the resilience of communities and individuals alike by contributing to the sustainable development of the private sector. We do this by helping to create more jobs with decent working conditions, empowering women in the economy, reducing the climate impact and helping to mobilise more capital from private investors. Businesses which are both sustainable and profitable also contribute to tax revenues, which can be used to strengthen other socially important functions in the country. There is a direct link between Swedfund's goals and the UN's Sustainable Development Goals.

## **A sustainable and circular business model**

Our business model is based on three pillars: impact on society, sustainability and financial viability. By imposing requirements in all three pillars, we contractually bind the shift which we want to see and which is achievable.

Development finance institutions such as Swedfund utilise financial resources and expertise within social development and sustainability to invest in and develop businesses, investments that can pave the way for private investors. It is a key part of the mission of development finance institutions to be not only additional, but also catalytic, while at the same time investing on market terms.



# EDFI

Association of Bilateral European Development Finance Institutions

Our goal is to be circular. This means that we provide direct financing for businesses which we believe can generate a return and profit in the event of a future sale. We can then use these funds to invest in new viable companies. The aim is for the companies to be sold to private investors, who can then help the companies to continue developing in the right direction and contribute to positive and sustainable impact.

We also work indirectly, by providing loans to banks and other financial institutions such as microfinance institutions that are socially important institutions in a country. Through our loans, banks are able to develop in a more sustainable direction and broaden their products and services through increased funding to small and medium enterprises. Once our loan has been repaid, the amount that is received can then be re-invested in new projects, while the ongoing interest income can be used to finance our business. We also work indirectly through funds. Through fund investments, we can mobilise private capital and share risk with private investors in order to reach out to more small and medium enterprises. When the fund is exited, we can use the surplus generated by the fund to invest in new companies.

In short, our business model aims to be circular, no matter what tools we use. This circular model differentiates us from the traditional aid model, which is often based around donations to governments or organisations. Our initiatives complement each other and together we strive to promote sustainable and inclusive growth.

## A stronger focus on development finance in order to achieve the global goals

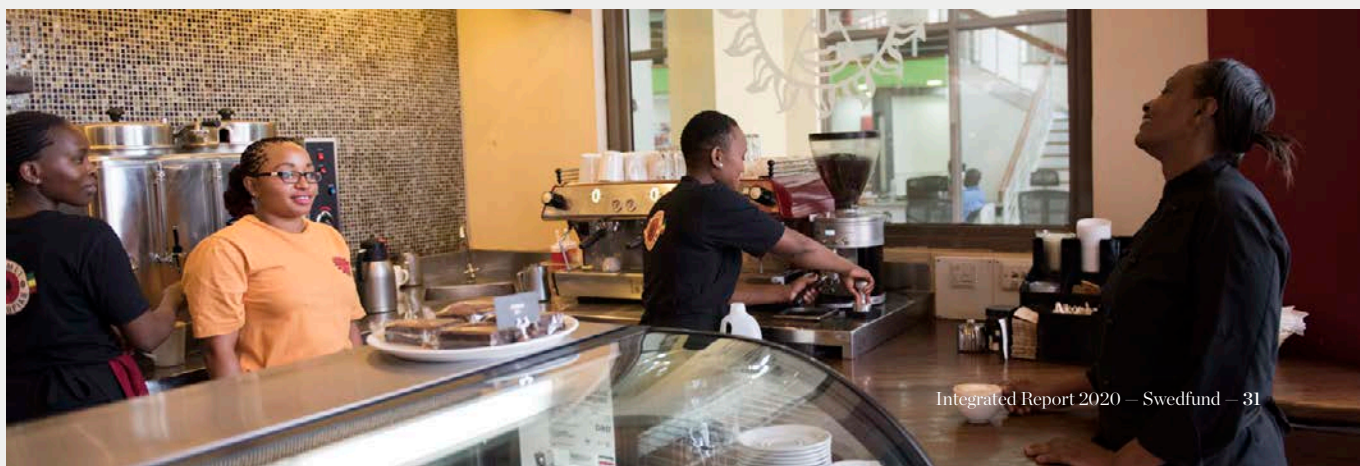
Traditional aid has an important role to play in the implementation of the 2030 Agenda and the Paris Agreement. Yet the goals are severely underfunded, which means that the private sector and other stakeholders must take responsibility for contributing to attainment of the goals. This insight has also led to a stronger focus on development finance.

Sustainable investment in the private sector is a tried and tested way of growing resources and achieving good development effects. 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.

## Partnerships are important for achieving common goals

Swedfund is one of 15 members of the European Development Finance Institutions (EDFI). At strategic level, EDFI's agenda is harmonised with the UN's Sustainable Development Goals. Since 1992, EDFI's member organisations have invested in around 15,000 projects. Today, EDFI has invested a total of EUR 15 billion in Africa alone, the region which increased the most in importance for the European development finance institutions.

During the pandemic, cooperation within EDFI has been deepened further. Regular meetings have been held to share information and discuss joint initiatives aimed at





saving both jobs and financial and humanitarian values. They have also helped to improve our knowledge and establish new digital working methods and agreements, e.g. regarding how digital due diligence can be carried out.

EDFI also strives to create the right conditions for effective exchange between its members and with other bilateral, multilateral and regional development institutions both in the EU and elsewhere in the world.

Swedfund also works in partnership with other organisations, including civil society organisations, development banks and other business partners, as well as traditional aid organisations of course. During the pandemic, the importance of partnerships has grown in order to lay the foundations for rapid recovery and relevant support measures.

### Development finance is crucial in mitigating the effects of the pandemic

During the Covid-19 pandemic, reductions in financial flows both within and to countries led to a substantial shortfall of capital for companies and individuals. By continuing to invest, development finance institutions can contribute to the creation of more jobs and overcome the current shortage of capital, while the needs of developing countries grow. With the help of sustainable investments, viable companies can survive the crisis and new businesses can become established and contribute to growth, tax revenues and new jobs.

In a crisis of this magnitude, there is a considerable risk that values in the form of commercial operations, assets and expertise will be lost if they are not protected by further investment, even though the risks are greater and the future uncertain. In this way, development finance institutions are helping to accelerate the economic recovery in developing countries.

Cooperation with development finance institutions in the USA and Canada has been strengthened during the pandemic, including the development of investments

that benefit women's economic empowerment. The issue of how conditions for women have deteriorated in many countries has been the subject of some discussion, as have possible initiatives to limit the impact on women. EDFI has also worked closely with the World Bank Group's private sector arm, IFC, and together we have developed our understanding and response to the effects of the pandemic.

Development finance institutions do not act in isolation. If the situation in a country deteriorates, it will impact on the portfolio companies and employees in different ways. It has therefore been crucial to deepen cooperation with other operators such as the OECD/DAC, civil society, embassies and others. It is a question not only of deepening our knowledge and understanding of what is happening in the country, but also of laying the foundations to ensure that the initiatives being implemented in order to build back better are in line with relevant needs and what other actors are planning.

### Increased resources for climate investments

Swedfund is already a co-financier of EDFI's climate investment facility, ICCF, and has decided to allocate an additional EUR 15 million in order to contribute to more renewable energy investments, particularly in sub-Saharan Africa. ICCF is an effective facility which enables European development finance institutions to pool capital and share risk in renewable energy projects in developing countries.

#### Key expression

Development Finance Institution = DFI



### EDFI and EIB create a platform in response to the pandemic

As part of Team Europe's work, Swedfund and ten other European development finance institutions have jointly developed a partnership with the European Investment Bank (EIB) dedicated to overcoming the consequences of Covid-19. Funding equivalent to EUR 280 million is being channelled through EDFI's existing European Financing Partners (EFP) facility. The aim is to support local finance institutions and companies in developing countries. EFP enables DFIs to contribute capital based on ability. Funds can be used for emergency investments in critical sectors such as energy, infrastructure, financial institutions and agriculture. The cooperation is an example of how a well-functioning and existing structure can be scaled up relatively rapidly to meet new needs. It is effective and reduces the risk of duplicated structures being developed.

### Partnerships to boost impact investments

Even before the Covid-19 pandemic, there had been increasing interest in impact investments, which aim to both generate a return and have a positive impact on society. However, it is not clear exactly how this type of development effect should be measured. In this regard, Swedfund and other development finance institutions with extensive experience in the field have an important role to play.

We are working with our EDFI counterparts to create a shared vision and harmonise the way in which we measure the societal impact of our investments.

We also work in partnership with civil society and we have initiated partnerships to ensure that our investments contribute to the best possible development effects. We are for example working with Kvinna till Kvinna and Union to Union to promote women's rights and trade union rights respectively. Together with EDFI, we have also developed joint guidelines for TA investments. Read more about TA on pages 44-45 and 63.



### Impact investment

The aim of impact investments is to both generate a return and steer society in a positive and sustainable direction. There is a direct correlation between these dimensions and sustainable and inclusive growth. For Swedfund, impact is the development effects that are the result of our efforts within our three pillars of impact on society, sustainability and financial viability.

# A strategic business plan with a clear ambition to grow

Swedfund's strategy is set out in our business plan for the period 2020 – 2023. We review the strategy annually to ensure its relevance and that we are moving in the right direction in order to realise our plan. This year, the consequences of the pandemic have been an important input to our work. It is clear that, although no major changes will be necessary, the need for development finance has increased in the countries in which we operate. Swedfund's sectors and themes lie at the interface between the challenges created by the pandemic. Our ambition is to grow in order to meet the needs that we identify.

Our mission is to invest in countries which, according to the OECD/DAC's definition, are eligible for development finance. We prioritise investments in the least developed countries, while geographically we focus on sub-Saharan Africa and certain regions of Asia. These countries have been hit hard economically by the pandemic and the need of investments in order to increase the resilience of society and individuals have escalated.

Swedfund has ambitious targets, to ensure that we deliver on our mission. We have measurable indicators linked to our three pillars and the goals of Agenda 2030. Our three pillars remain, but we have added and revised some indicators to better reflect our revised public policy assignment.

The business plan identifies three sectors in which Swedfund focuses its development work. These sectors are Energy & Climate, Financial Inclusion and Health. The relevance of our sectors has increased; they lie at the interface between the consequences of the pandemic, where climate, health and jobs are key aspects in ensuring sustainable recovery. From 2021, we have chosen to



broaden the Energy & Climate sector to include water and forestry.

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 small and medium enterprises and increasing lending to entrepreneurs. We strive to achieve a good balance between equity, loans and funds in the portfolio.

Regardless of the country, sector or instrument in which we are operating, we work with a number of thematic areas: climate, gender equality and digitalisation. Human rights are also a vital dimension which must permeate our investment activities, in the process before we take a decision on a new investment and during the value creation period.

A key part of Swedfund's mission is to take risks, which goes hand-in-hand with the organisation's business plan. The contextual risks have increased as a consequence of the pandemic, and we have developed our processes and systems in order to face up to these risks. 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. This is an aspect that has grown in importance given the fact that many private investors are now withdrawing from the countries in which we operate. Yet Swedfund is aiming to continue leading the way for private operators, as this is an aspect that has become increasingly important as a result of the pandemic. Our aim is to contribute to the mobilisation of a higher proportion of capital for developing countries, which will enable us to accelerate the implementation of Agenda 2030. We can achieve more and reach more people through partnerships.

### Relevant goals

To the four goals we have identified as being particularly important, Goal 1 (Reducing poverty), Goal 5 (Gender equality), Goal 8 (Decent jobs) and Goal 13 (Climate), we have added another goal, Goal 10 (Reducing inequality), with effect from 2021. This is to reflect the importance of promoting greater inclusion in the wake of the pandemic, as well as a step towards harmonising our efforts with our European counterparts (EDFI).

# Experience facilitates new ways of working

Swedfund has over 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, competence and know-how within ESG and impact have been integrated into our business model, our policies and the investment process. We have many years experience of evaluating and monitoring environmental, social and anti-corruption risks relating to our investments, as well as various regulations connected to 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.

As an investor, we monitor the requirements that we have agreed with our portfolio companies and we are responsive to any new needs that might arise during the value creation phase. We measure the development effects in terms of impact on society, sustainability and financial viability. The monitoring that is carried out includes field visits, audits, active dialogue with the companies either directly or through board processes or committees, and the acquisition of information through surveys and the evaluation of the companies' own reports. This gives us a clear picture of our portfolio companies, and

is presented in the analysis in The portfolio companies' results (pages 66-85).

## Investments to support the businesses

The economic crisis that is a result of the Covid-19 pandemic also impacts on Swedfund's operations. While contextual risks have increased in the countries in which Swedfund has investments, our ability to monitor and assess investments has been limited as a result of widespread travel bans. Yet our mission as a development finance institution is to act additionally and catalytically and to take risks, and we aim to act as a pioneer. Our activities will stimulate others into wanting and daring to do more.

We invest in businesses which we gradually divest to enable investments in new portfolio companies. This is a circular approach based on that companies in our portfolio increase in value, enabling us to do more.

During the year, Swedfund made additional investments in some of our portfolio companies with the aim to support them until the crisis subsided. Swedfund also made numerous investments in new companies which we believe have considerable

potential. Continuing value creation within our three pillars is fundamental to our investment activities.

## Expanded monitoring as a result of the pandemic

The process of preparing this year's report presented a particular challenge, as the analysis of portfolio companies is presented with a one-year lag. We always monitor our companies closely and, as a result of the Covid-19 pandemic, we wanted to, at an early stage, get an overview of how our companies had been affected. In June 2020 we therefore distributed an additional survey to the companies focussing on Goal 8 (Decent jobs) during the pandemic. The results revealed that all companies that responded had implemented measures in order to reduce the spread of infection. Unfortunately, the companies had still been affected by a total of 140 Covid-19 cases, including two deaths. The companies gave the impression that they needed help to purchase personal protective equipment and advice on how to prevent the spread of infection. Just over half of the companies that responded to the survey have also been forced to implement measures in order to



# Sectors

For several years we have focussed our development work to three sectors: Energy & Climate, Financial Inclusion and Health. It is within these three sectors we believe we are best placed to make a difference. During the year, we intend to broaden our sectors to include new areas based on the needs that we have identified, as well as in synergy with existing activities. By pooling resources and excellence in a focussed way in limited and selected areas boosts the effectiveness of our operation as well as improves our development results. For each sector, we have developed a "Theory of Change", which is our starting point when we analyse an investment and the direct and indirect development effects. We have also developed sector-specific indicators for impact measurement.

All three sectors have been affected in different ways during the year by the pandemic, which has led to a raft of measures to support the portfolio companies and ensure that the investment rate remains high.



Energy &  
Climate



Financial  
Inclusion



Health

reduce their personnel costs due to the pandemic. Swedfund has been able to contribute expertise regarding how they should act responsibly in connection with redundancies and cutbacks.

During the year, we have had to find new ways of working in order to monitor and support the companies. We normally make regular visits to our portfolio companies, but this has not been possible since March 2020 due to the prevailing situation and the associated travel restrictions. Digital platforms and working methods have proven to be a great success, but face-to-face meetings and visits in person still have many advantages. This is an aggravating factor for us in our efforts to get an accurate picture of the current situation.

## Prioritisation of TA funds in order to boost the resilience of companies

During the year, we have been particularly active in distributing TA funds and have carried out 30 projects using TA funds to help the companies cope with the pandemic, with a total value of MSEK 24.7. Read more on pages 44-45 and 63.



# Access to energy and electricity crucial to reducing poverty



Improving access to electricity is vital for positive development in the countries in which Swedfund invests. Many people still have no access to sustainable energy and electricity, which is a major problem in sub-Saharan Africa in particular.

As part of its aim to achieve Agenda 2030, Swedfund has been investing in renewable energy projects since 2014. The Energy & Climate sector also includes broader climate investments, such as improvements in energy efficiency and resource efficiency. As part of our business plan, we have decided to broaden the sector from 2021 onwards in order to cover water and forestry as part of the sustainable transition.

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

One particular challenge associated with investments in renewable energy is that they often concern relatively small projects which are difficult to finance individually. This particularly applies to off-grid solutions, such as small solar farms. Swedfund therefore often

invests in funds which specialise in energy and climate as a way of reaching more projects.

The pandemic has impacted some of the renewable energy projects which we have invested in and which are under development and construction. There have for example been delays during the construction phase as a result of disruption linked to subcontractors, travel restrictions and the fact that our local partners have not had the opportunity to implement a digital approach. New solutions have been developed over time, leading to greater diversification amongst subcontractors and increased local ownership of projects.

Our energy projects which are already in operation and generating electricity have been affected by customers experiencing payment difficulties as a result of the pandemic. There are also early signs that private investors are perceiving an increase in risk and are therefore reluctant to invest. This particularly affects less well-established operators who find it more difficult to access capital.

No. 13 of the UN's Sustainable Development Goals is one of the four goals on which we are particularly focusing. Our investments in the sector are helping to fulfil the Paris Agreement as regards combatting climate change. However, our investments are also helping to achieve goal no. 7, ensuring access to affordable, reliable, sustainable and modern energy for all. Goal 7 impacts all the other development goals, as the lack of sustainable energy is one of the main obstacles to combating poverty, equal economic growth and job creation in developing countries.



So far during the crisis, Swedfund's portfolio companies have proved to be resilient despite these challenges, and the value of Swedfund's energy portfolio has not been significantly affected.

## Work during the year

During the year, we monitored our portfolio companies closely and deepened our cooperation with other co-investors as part of our active value creation. The dialogue within EDFI has been intensified and has given us the opportunity both to discuss developments with like-minded investors and to learn from each other.

Swedfund made two new investments in the Energy & Climate sector in 2020. We also worked to make more investments aimed at increasing resource efficiency in order to boost energy efficiency. An example of a relatively recent investment is the South Asia Growth Fund, which has invested in new water pipelines in India and Bangladesh.

We have begun a TA initiative with our portfolio company Husk Power Systems aimed at upgrading their digital infrastructure. This initiative will enable Husk to remotely control and monitor the mini-networks, and improve the mobile application which customers use for digital payments, the monitoring of electricity consumption, data protection and complaints.



## 2

During the year, Swedfund made two investments in the Energy & Climate sector.

### SunFunder

In August 2020, Swedfund invested in the Solar Energy Transformation Fund, which is managed by SunFunder. Founded in 2012, SunFunder has since grown from a crowdfunding platform into a leading provider of loans, with the aim of financing the off-grid solar sector in sub-Saharan Africa in particular, where over half of the population has no access to electricity. To date, SunFunder has (through its funding platforms) provided funding to more than fifty companies in the sector. The fund has followed an explicit strategy of continuing to invest during the Covid-19 pandemic, when the general level of interest in investing in developing countries has diminished.

Swedfund's investment will be used to provide loans to companies operating in this sector and region. Through Swedfund's investment, we are helping to improve access to affordable and reliable electricity in some of the most vulnerable parts of the world, at a time when it is needed most.

Swedfund's investment is generating development and can lead other companies and investors to contribute financing. The investment will also help to improve processes relating to environmental and social issues.

6

During the year, Swedfund made six investments in Financial Inclusion

### Apis Growth Fund I and II

Swedfund made its first investment in Apis Growth Fund I in 2015, and in 2019 Swedfund committed additional funds in Fund II. Both Apis I and II are funds that invest in innovative companies, primarily in FinTech in sub-Saharan Africa and southeast Asia. The funds' portfolio companies in areas such as digital payments have played a key role during the pandemic, as more and more customers switch from cash payments to using digital channels. The fund manager is working actively on ESG-related issues and, by being a long-term partner, Swedfund is supporting this work in areas such as gender equality and climate.

### African Rivers Fund 3

Swedfund's investment in XSML's African Rivers Fund 3 (ARF 3) is an example of how we are working on financial inclusion and contributing to job creation. XSML is a fund manager which invests in countries in central and eastern Africa. These are markets in which small and medium enterprises in particular are suffering from a severe lack of funding, which will ultimately slow down economic growth and job creation. The ARF 3 Fund invests in SMEs in Uganda, the Democratic Republic of the Congo and Angola. The investments are primarily made through various types of debt instruments. By investing in ARF 3, we are reaching people in some of the least developed countries in the world. This investment also provides an opportunity for Swedfund to further boost the work of the fund relating to working conditions, gender equality, human rights and anti-corruption in the underlying portfolio companies.

# Increased financing and lending to companies and entrepreneurs



In developing countries, small and medium enterprises account 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 funds and financial institutions. This is an effective way of reaching out to companies and countries which we would otherwise find it difficult to reach. Financial institutions such as banks perform a socially important function. Our investment helps to develop the work of the institution in relation to sustainability and corporate governance, both vital factors in achieving inclusive growth. We are helping to increase the proportion of capital willing to take risk in developing countries. We are primarily doing this by investing in funds, which in turn then invest in equity in privately owned companies.

Swedfund also invests in microfinance institutions which provide microloans to entrepreneurs and small enterprises, as well as to individuals with a low income, who use the loans to purchase revenue-generating assets, such as a sewing machine which enables them to produce something which they can then sell.

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 impact on society.

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 work in accordance with principles for responsible lending and credit management. For example, pricing must be transparent, excessive debt must be avoided, debt recovery must be carried out in a responsible manner, and privacy must be respected.

As a result of widespread restrictions

Through investments in financial institutions and funds, we particularly work with Nos. 1, 5, 8 and 10 of the UN's Sustainable Development Goals.



in many developing countries due to the Covid-19 pandemic, many small and medium enterprises have been hit hard and, like other investors, we have found it difficult to maintain an overview and predict the effects of the pandemic. Although our portfolio companies have been spared the worst of the effects, it is still too early to assess the impact of the pandemic. We are therefore maintaining a close dialogue with our companies.

## Work during the year

We have deepened our cooperation with EDFI and agreed common guidelines for dealing with any issues arising from the Covid-19 pandemic.

During the year, Swedfund made six investments in the sector. In addition to these investments, we strengthened our existing portfolio companies by providing additional liquidity and capital, and it is clear that our capital has become more important as a

result of increased needs combined with a decline in other financial flows. We have for example invested in Development Partners International's ADP III Fund, which has also been classified as a 2X Flagship fund (read more about 2X on page 5). DPI has a proven track record of driving private sector development and integrating its ESG and Impact agenda into its investment strategy.

We have continually carried out TA ini-

atives in order to assist portfolio companies with regard to their emergency needs during the pandemic. In February 2020, we also carried out the first part of the Women4Growth programme with Victoria Commercial Bank in Nairobi, Kenya. Despite the Covid-19 pandemic, the second part was successfully implemented in August, after the programme had been reworked into a digital format.

# Investments in health have long-term positive effects



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

To ensure that everyone has access to health care and medicines in developing countries, a number of parallel initiatives will be needed by various organisations. As a result, the governments in these countries need to invest more, while traditional aid, civil society and private sector provision are also needed. The health care that is provided in developing countries is often inadequate, and the pressure on health care services has increased as a result of the pandemic. Already inadequate care resources have been redirected to prioritise coronavirus-related care, which has led to a displacement effect. The pandemic has also greatly discouraged people from going to hospital out of a fear of becoming infected. This has for example resulted in a decline in the number of births in hospitals, which in

turn has increased the proportion of complications associated with childbirth, as well as maternal and infant mortality.

Swedfund is particularly focusing on investments in general healthcare, specialist care, the pharmaceutical industry, distribution and e-health. We are working in a variety of ways to identify business models and partners that will enable us to reach more people, given the urgent needs that exist. At the same time, the right conditions are being created to ensure that medical expertise is retained in the country and can be passed on to other healthcare institutions.

Many of these investments are positive from a gender equality perspective, partly through a high proportion of women amongst employees and partly through the provision of services aimed at women. We

Swedfund's investments are helping to complement and support the healthcare sector in the countries concerned. This enables good health, with higher life expectancy and lower infant mortality, in accordance with No. 3 of the UN's Sustainable Development Goals. A healthier population also helps to boost the productivity of the workforce, and thus promotes inclusive growth and increased tax revenues.



also see digitalisation as an important way of developing the health sector and promoting greater inclusion.

## Work during the year

We made a number of new investments within the sector during the year. We have for example invested in Kasha Global, whose e-commerce platform offers women in Rwanda and Kenya in particular the chance to obtain more information on, and purchase, menstrual and healthcare products including contraceptives, confidentially, both online and offline.

Another example is our investment in Jacaranda Maternity, which is working to reduce maternal and infant mortality in East Africa. The clinics offer safe and affordable

maternity care, with continuous follow-up during pregnancy until childbirth and subsequent check-ups. Jacaranda integrates Sexual and Reproductive Health and Rights (SRHR) into its strategy, with a strong focus on improving availability and counseling of postpartum family planning for its clients.

We have also worked intensively to support portfolio companies in the Health sector in dealing with the pandemic and reducing operating risks through TA funds. If personal protective equipment is not available, the health of both patients and staff is

put at risk. In the longer term, this may cause patients to become reluctant to visit healthcare institutions, which in turn leads to a risk of negative consequences for the health of individuals. In this way, these TA initiatives represent a vital contribution to ensuring that clinics can remain open and offer a safe environment for both patients and staff.

See the next spread for more information on how we have assisted our healthcare investments during the pandemic through TA funds.

## HealthQuad II

During the year, Swedfund invested in the HealthQuad II fund, which has an Indian fund manager who finances and creates new opportunities in the healthcare sector. The fund is backed by Quadria Capital, a leading private equity fund within health in Asia.

Amongst other things, the fund invests in start-up companies that create innovative healthcare solutions and which have the potential to change the healthcare system in India and in other developing countries. This is important because healthcare in developing countries is often inadequate, and pressure on health care has risen sharply as the Covid-19 virus has spread.

HealthQuad invests in India, a country which even before the pandemic faced many health challenges relating to accessibility, quality, efficiency and the unaffordability of healthcare for many. Amongst other things, HealthQuad has invested in Medikabazaar, a purchasing platform that is helping to improve the availability of medical equipment and reduce prices, while also bringing about greater transparency in procurement processes.

# 3

During the year, Swedfund made three investments in Health.

# TA funds for both rapid response and long-term value creation

During a year that has been affected by the Covid-19 pandemic in many ways, the use of TA funds has facilitated urgent initiatives in our health investments and contributed to long-term value creation amongst our funds.

**I**n its toolkit, Swedfund has a tool known as ‘technical assistance’ (TA). These are funds which are outside the capital injection and can be used to develop the businesses in which Swedfund invests. This may for example involve long-term initiatives to ensure access to clean electricity for a health care centre, or to improve competence relating to sustainability, gender equality or human rights.

## Extraordinary initiatives linked to clinics and hospitals

When developing countries were hit by the Covid-19 pandemic, the pressure on health care increased sharply and already vulnerable activities were put under even more pressure. Swedfund’s investments are particularly made in smaller clinics, but also in larger hospitals and pharmacies. However, many of these businesses often lacked adequate protective equipment even before the Covid-19 pandemic. Early on in the pandemic, Swedfund contacted all the portfolio companies in the health sector and asked them to propose initiatives that could reduce the risk of operating in a pandemic.

The portfolio companies responded immediately and it became clear that they were in particular need of support within two areas: personal protective equipment and equipment to create a safe environment at the clinics. Amongst other things, companies were requesting ‘patient locks’ to keep Covid-19 patients separate from other patients. The twin aims are to protect the health and safety of staff and patients and limit the spread of the virus.

During the year, we used TA funds to finance essential equipment for clinics, hospitals and pharmacies in Ghana, Liberia, Ethiopia, Kenya, Uganda, Tanzania, Nigeria, Madagascar and India.

The Jacaranda maternity clinic, which also treats women and children in the Nairobi area of Kenya, is one of the companies that has received TA funds. Here, the effort focused on setting up an outpatient isolation unit for emergency procedures and isolation of potential infectious cases, as well as the purchase of personal protective equipment (PPE). TA funds were also used for screening equipment, to enable staff to quickly and safely examine patients and separate those with Covid-19 symptoms. In this way, the clinic was aiming to create a safe and effective way of caring for its patients.

Another operator to receive support is Hospital Holdings Investment (HHI), a healthcare platform with 40 clinics and two hospitals in Kenya, Uganda and Tanzania. Their needs included screening equipment and protective equipment to enable the clinics ensure that patients could be treated as safely as possible without the risk of infection from high-risk patients.

“Healthcare professionals in accident and emergency departments and others who work closely with their clients or patients with Covid-19 are the ones at greatest risk of contracting the disease. The initiatives relating to our health investments have produced excellent results, particularly as regards patient safety. For example, we have seen rising or constant admissions of patients at the Jacaranda maternity hospital in Kenya and the cardiac hospital in Ethiopia. These patients have felt sufficiently safe to seek care as the risk of becoming infected with Covid-19 has been limited,” said Audrey Obara, Senior Investment Manager at Swedfund’s office in Kenya, and head of the Health sector.





### Stronger focus on human rights

During 2020, Swedfund had a particular focus on strengthening the work of our fund investments in regards to human rights. Swedfund imposes requirements on the funds and their holdings which require them to fulfil certain obligations relating to human rights, and began developing a method for this during the year. This work has been carried out in collaboration with the Danish Institute for Human Rights (DIHR), an independent state-funded institution. Their mandate is to promote and protect human rights and equal treatment in both Denmark and internationally.

This process involved DIHR analysing two funds: GEF South Asia Growth Fund II and Quadria Capital Fund II. The analysis resulted in two reports which set out recommendations concerning what aspects of their work relating to human rights each fund should further develop. Parallel to this, training relating to human rights was carried out and a toolkit was developed which will result in the funds and their holdings adopting a more thorough

and systematic approach to human rights issues.

Six training sessions were carried out for the funds and their holdings with a focus on human rights and included the Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work and an explanation of key issues. Training was also provided concerning the responsibilities of business regarding human rights through the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The next step will be to further develop the toolkit that have been designed for these companies, so that it can be used more generally for more companies and to provide training regarding human rights issues for more fund managers.

"We set the bar high with these pilot projects and, despite the ongoing pandemic and the fact that everything has been done digitally, we have managed to carry out both analyses and training with excellent results," says Kristin Sjöblom, Senior Manager ESG Affairs at Swedfund.



# Three pillars which permeate our decisions

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 - 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 impact on society in the world's poorest countries. We assess how our investments are contributing to our Theory of Change and our mission goals by creating desired development effects, such as private sector development, strengthening local communities, inclusive development and economic growth, as well as climate change mitigation and adaptation. We follow up measurable results in key areas where we contribute to direct impacts, such as number of jobs, gender equality in the workplace according to 2X Challenge criteria, climate impacts and tax revenues. The indirect impact is more difficult to demonstrate through data, and we have therefore initiated impact studies in order to demonstrate different effects and relationships.





### Sustainability

Swedfund aims to help create sustainable businesses in the world's poorest countries. This means that our portfolio companies must offer jobs with decent working conditions, 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 working conditions in accordance with the ILO Declaration on Fundamental Principles and Rights at Work, and the implementation and performance of management systems. This pillar also includes indicators concerning corporate governance, anti-corruption and human rights.



### Financial viability

Swedfund aims to help create profitable and financially viable companies in the world's poorest countries. A company that is financially viable has the right prerequisites to grow, contribute to the creation of more jobs with decent working conditions, increase the tax base of the countries in which it is based, strengthen women's empowerment and have a positive impact in other areas. Financially viable companies are a prerequisite for Swedfund's overarching mission goals. Swedfund is a long-term owner, and the profitability of an individual portfolio company may vary during the investment cycle. The pillar includes indicators regarding turnover, profitability and the mobilisation of private capital.





# Risk management in a challenging mission

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

**S**wedfund'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. The mission also entails an expectation to take risks, and the aim of the work relating to risk management is to achieve risk optimisation based on mission goals and the business model, rather than to minimise risks in every respect.

In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced. We manage risks at various levels, including strategic, investment, financial and operational risks. Sound risk management is both a prerequisite for the business and ultimately a potential way of improving development results. During the year, a new risk policy was adopted by the board of directors, which now forms the basis of Swedfund's risk management framework.

The sections below describe the main risks to which Swedfund's business is or could be exposed.

## Strategic risks

Strategic risks include structural factors relating to our mission, the challenging geography of the portfolio companies and the company's ownership and financing. Strategic risks can be divided into a number of different areas.

*Risks relating to the ownership structure:* Swedfund is a state-owned company with a public policy assignment financed by reflows from the portfolio, as well as annual capital injections from expenditure area 7, International development cooperation. Views regarding aid more generally and the use of aid for private sector investments vary within and between operators within society, interest groups and opinion-formers. As Swedfund is currently primarily financed through capital injections from the owner, there is a risk that political decisions could alter the framework

conditions under which the business operates.

*Geopolitical risks:* Understanding geopolitical risk, how geography, politics and relations between countries and operators in the regions in which Swedfund operates is pivotal. Geopolitical risks include trade disruption, the impact of the global economy, monetary policy effects and climate-related threats and risks. External events such as conflicts, natural disasters and pandemics are also included within the framework of geopolitical risks.

*Contextual risks:* Risks associated with the fact that the markets in which Swedfund's portfolio companies operate often lack strong institutions, robust legislation and the implementation and follow-up of laws and regulations.

Important causes of contextual risks include poverty and inequality, lack of democracy, conflicts, weak legal systems and public governance, and human rights violations.

*Reputational risk:* Reputational risk is primarily linked to the risk of individual holdings not developing as expected. Examples of particularly serious events which could impact on reputational risks are allegations of corruption, human rights violations, poor working conditions or other situations where Swedfund is not seen as utilising tax revenues and development aid in a responsible manner.

Swedfund manages strategic risks through a robust investment process, an active dialogue with its owners, ongoing follow-up and regular stakeholder dialogues, strategic collaborations and collaboration with other development finance institutions within EDFI. In order to manage the risks going forward, Swedfund strives to establish a balance in the distribution of the portfolio between countries/regions, sectors and instruments, where the board of directors sets limits for geographical exposure and counterparties.

## Investment risks

It is in the investments that many of Swedfund's risks lie, and risk management forms a natural part of our investment process. Our capital is linked to requirements and we strive to prevent the risks that we can identify by being active and supporting the portfolio companies with our expertise. We categorise the investment risks within each of the three pillars that permeate Swedfund's investment process.

*Impact on society:* There is a risk that Swedfund's investment portfolio will not deliver the development effects we are aiming to achieve in line with the company's mission goals and "Theory of Change", or that an individual investment will not have the impact on society that was expected at the time the investment was approved. This may include factors such as a lower rate of job growth and tax revenues, or reduced impacts on gender equality or climate impact. The risks associated with societal development are managed through a thorough evaluation process ahead of the investment decision, as well as active management; see

below under sustainability and financial viability.

*Sustainability:* 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 rife amongst the communities in which Swedfund invests, and the lack of robust national legislation locally in areas such as work environment, land issues, human rights, environment and climate, places exacting demands on both Swedfund and our portfolio companies to establish the necessary procedures and processes.

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 pages 64-65).

*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 risks can be risks related to business concepts, sustainable business models, markets and the partners with which Swedfund chooses to invest.

Investment risks are monitored and managed throughout the investment process, from decisions on new investments to the exit of holdings. Swedfund's investment team is responsible for preventing and, where appropriate, managing risks in the portfolio through active management, which encompasses board processes and company visits, quality-enhancing initiatives through technical assistance and other regular follow-up. Frameworks and policies are updated continually as and when required and, as regards sustainability risks, acceptable deviations and limits are defined in Swedfund's Policy for Sustainable Development. Risks within the pillar of sustainability are always evaluated for each investment, while risks under the pillars of impact on society and financial viability may also be assessed from a portfolio perspective. Partner selection is of the utmost importance in the management of investment risks in the portfolio, where Swedfund strives to invest only in, and together with, strong and competent partners who have experience, integrity and a history of strong performance.





## Financial risks

Financial risks are risks that can have a significant impact on Swedfund's financial position and performance, and are divided into three main areas.

*Credit and share price risk:* Investments in shares and funds primarily take place in unlisted companies where there is a risk of negative value development relative to the amount invested. Given a lack of liquid assets and functioning financial markets, the process of divesting holdings can also be protracted and time-consuming. Credit risk is the risk that a borrower will be unable to fulfil its obligations due to a reduction in its ability to repay, which could potentially lead to credit losses in Swedfund's loan portfolio.

*Liquidity risk:* Liquidity risk refers to the risk that Swedfund will not have access to cash and cash equivalents in order to fulfil its contractual obligations or that the cost of raising cash and cash equivalents increases.

*Currency risk:* Swedfund is exposed to currency risk in that financing from the owner takes place in Swedish kronor (SEK) while contractual commitments usually take place in other currencies (primarily USD and EUR). The currency risks in Swedfund's business are complex. Transactions usually take place in an internationally viable currency, while the real currency risk is usually in the currency in which the investment country operates. Fluctuations in exchange rates can lead to substantial unrealised exchange rate effects with an associated impact on Swedfund's financial results which are reported in Swedish kronor.

Financial risks are also largely managed on an ongoing basis through the investment process from investment decision to exit. Swedfund strives to have a diverse portfolio where the board sets limits for geographical exposure and concentration on individual counterparties. The general principle applied to new investments is not to protect them against currency risk. Swedfund's own liquidity management must be invested in low-risk

## Climate risks

Swedfund has systematised its analysis of the risks that could arise as a result of climate change and thus potentially have a financial impact on Swedfund. Swedfund supports the Task Force on Climate-related Financial Disclosures (TCFD) and is working to implement its recommendations. We prepare annual reports in accordance with UN PRI (Principles for Responsible Investment), as it has been mandatory to report climate-related risk assessments in line with TCFD since 2020.

With regard to physical climate risks, Swedfund is exposed to such risks through our portfolio companies which operate in countries that are already, and will continue to be, exposed to physical climate impacts, such as drought, higher temperatures, floods, erratic rainfall and other natural disasters. During the year, we conducted an analysis of the portfolio and concluded that the entire portfolio is well-aligned with the Paris Agreement. The transition risks, i.e. from the transition to a low-emission economy, in our

portfolio are limited, as Swedfund has only invested in renewable energy production since 2014. As part of our review at the time of an investment, we analyse the company's potential climate risks, both physical and transition risks, based on the country's vulnerability to climate change and sector- and project-specific risks. We then work with our companies to help them assess and manage the effects of climate risks. Read more about our work relating to climate risks in our UN-PRI report which is published on our website.

instruments, in currencies which match contractual commitments. Liquidity and currency risks are primarily managed and governed by the Financial Policy established by the board of directors which sets out the principles and risk limits that are to be applied to the company's liquidity management.

## Operational risks

Operational risks are risks that are associated with Swedfund's operations and organisation. These can be inadequate internal processes, defective systems, legal risks, fraud, corruption and the human factor. Specific risk areas are IT risks, security risks and money laundering risks.

There are also operational risks associated with internal controls where inadequate procedures could have adverse consequences. The corporate governance report on page 129 presents an overview of Swedfund's governance and control system.

To safeguard Swedfund's day-to-day operations,

the company works continually to limit and, where applicable, address the operational risks, partly through our Code of Conduct, regarding which all employees receive ongoing updates and training. In order to manage operational risks, the company has also established descriptions of processes for all significant aspects of the business, along with internal guidelines.

Swedfund's board of directors decided to establish an internal audit function in 2020. The principal task of the internal audit function is to carry out monitoring to ensure that the scope and direction of the business are in line with the board of directors' guidelines, which encompasses reviewing and assessing Swedfund's organisation, governance, risk management procedures and internal control.

Since 2016, a whistleblowing service has been available via which employees in Swedfund and our portfolio companies can report irregularities with complete anonymity. During 2020, one notification was received which was dealt with in accordance with the established procedures.

## Ethiopia and the textile factory in Mekelle

An essential aspect of Swedfund's mission is that we must act additionally and catalytically. As a development finance institution, we must therefore take risks and invest in fragile contexts and environments, where political risk is constantly present. The developments in northern Ethiopia in November 2020 are one example of a geopolitical and contextual risk whose scale was difficult to predict. Ethiopia is one of the least developed countries according to the OECD/DAC's categories of countries eligible for aid.

In 2017, Swedfund invested as a lender with a loan of SEK 60 million to DBL Ethiopia, for the construction of a textile factory in Mekelle, Tigray Province in northern Ethiopia. In addition to Swedfund and DBL, the Development Bank of Ethiopia also contributed funding. In early 2020, the newbuild factory employed approximately 1,700 people, of whom around 900 were women.

### Unrest and conflict in Tigray

In early November 2020, the Ethiopian Government launched a military offensive in Tigray Province. This offensive targeted the region's ruling Tigray People's Liberation Front (TPLF) party. Ethiopia's prime minister and Nobel Peace Prize winner in 2019, Abiy Ahmed, initially announced that the TPLF was behind a deadly attack on an army base in the provincial capital of Mekelle; hence, troops were sent in to take control of the province.

When the offensive began, all communications, transport links and electricity were cut off in Tigray and it was not possible to enter the region. Access to the province remains restricted, making it difficult to verify the par-

ties' claims regarding the fighting. However, thousands of people are believed to have been killed and more than 50,000 people have fled across the border into Sudan. The UN estimates that more than one million Ethiopians will need help as a result of the conflict.

### The situation concerning the textile factory

Since the outbreak of the conflict, all internet and telephone traffic has been completely shut down throughout Tigray Province. The factory for which Swedfund is providing the loan is located near the provincial government's military base in Mekelle. At the beginning of November 2020, the factory was shut and staff sent home due to security concerns. On the following day, two explosions occurred at the factory, causing extensive damage and injuring a number of Bangladeshi employees who were living in company accommodation on the site. However, all of those who had been posted from Bangladesh were able to return safely to their home country with the assistance of the UN.

As a result of the security situation, Swedfund as a lender has been unable to visit the region in order to build up its own picture of the situation. As all communications were shut down, we have been monitoring the situation through a dialogue with DBL Ethiopia and DBL in Bangladesh instead. We are also in regular contact with the Ministry for Foreign Affairs, the Swedish Embassy in Ethiopia and other partners. Together, we have worked to build up a picture of the situation and implement measures in the ongoing process.

# Unique combination to create good opportunities

Swedfund is the only player in the Swedish development cooperation 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.

**T**he 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.



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## Equity

When Swedfund invests in equity, we are always a minority shareholder. We have an excellent opportunity to exert an influence and require a seat 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 evaluate whether the new owners have both the ambition and scope to continue running the company in a sustainable way.

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## 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 estab-

lished 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 provides loans to microfinance institutions in order to reach out to more borrowers and entrepreneurs.



## LPAC

Amongst fund managers, some advice is given through LPAC, which is an association of eight to ten representatives from the largest investors. Swedfund is participating in this, partly to ensure that the investment is developing in the desired direction.

## Funds

Funds enable small and medium enterprises to access essential financing in the form of loans or equity. This enables Swedfund's capital to reach out to more companies. These businesses 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 access to health, renewable energy and enhanced resource efficiency, as well as finance broader climate investments in developing markets. Swedfund usually becomes involved as one of a limited number of investors, often participating as a member of LPAC (see the fact box above).

The funds in which Swedfund invests are long-term and the managers we work with have a high level of expertise in the countries and sectors we are focussing on. This gives us an excellent opportunity to exert an influence and contribute cofinancing. We often invest in the fund together with other development finance institutions. The fund instrument also facilitates the mobilisation of private capital and ensures that Swedfund acts catalytically.

We require fund managers to impose similar requirements to those imposed by Swedfund on their own

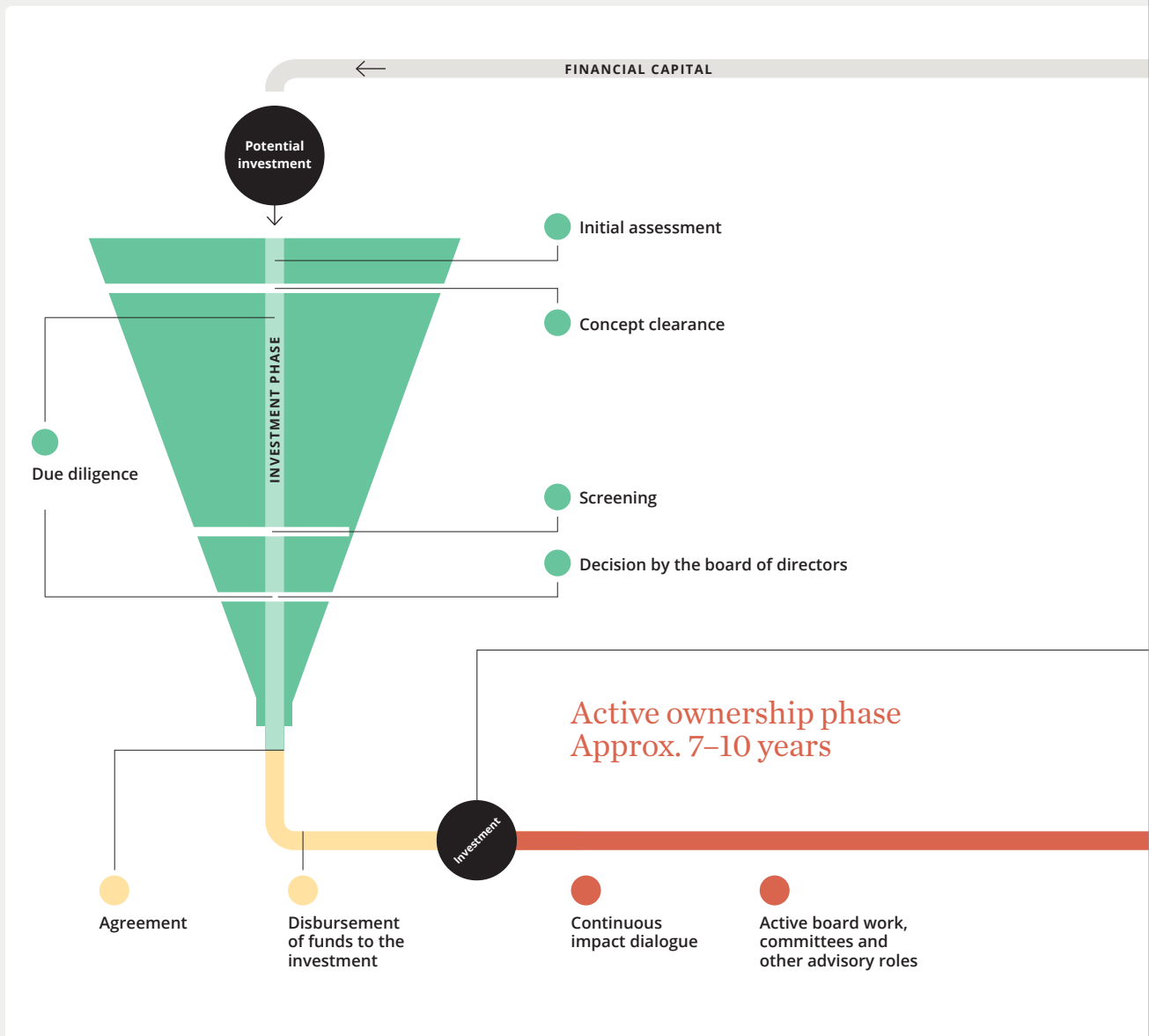
direct investments. By setting out the requirements that the fund must meet and supporting the sustainability work in particular, we contribute to the development of sustainable solutions. In order for Swedfund to invest in a fund, a number of conditions must be met. These conditions include but are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

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

Swedfund may reach agreement with the fund concerning what is known as an 'opt-out right', which gives entitlement not to go ahead with an investment that does not meet Swedfund's requirements, e.g. with regard to the country of investment and certain sectors.

# A thorough investment process

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



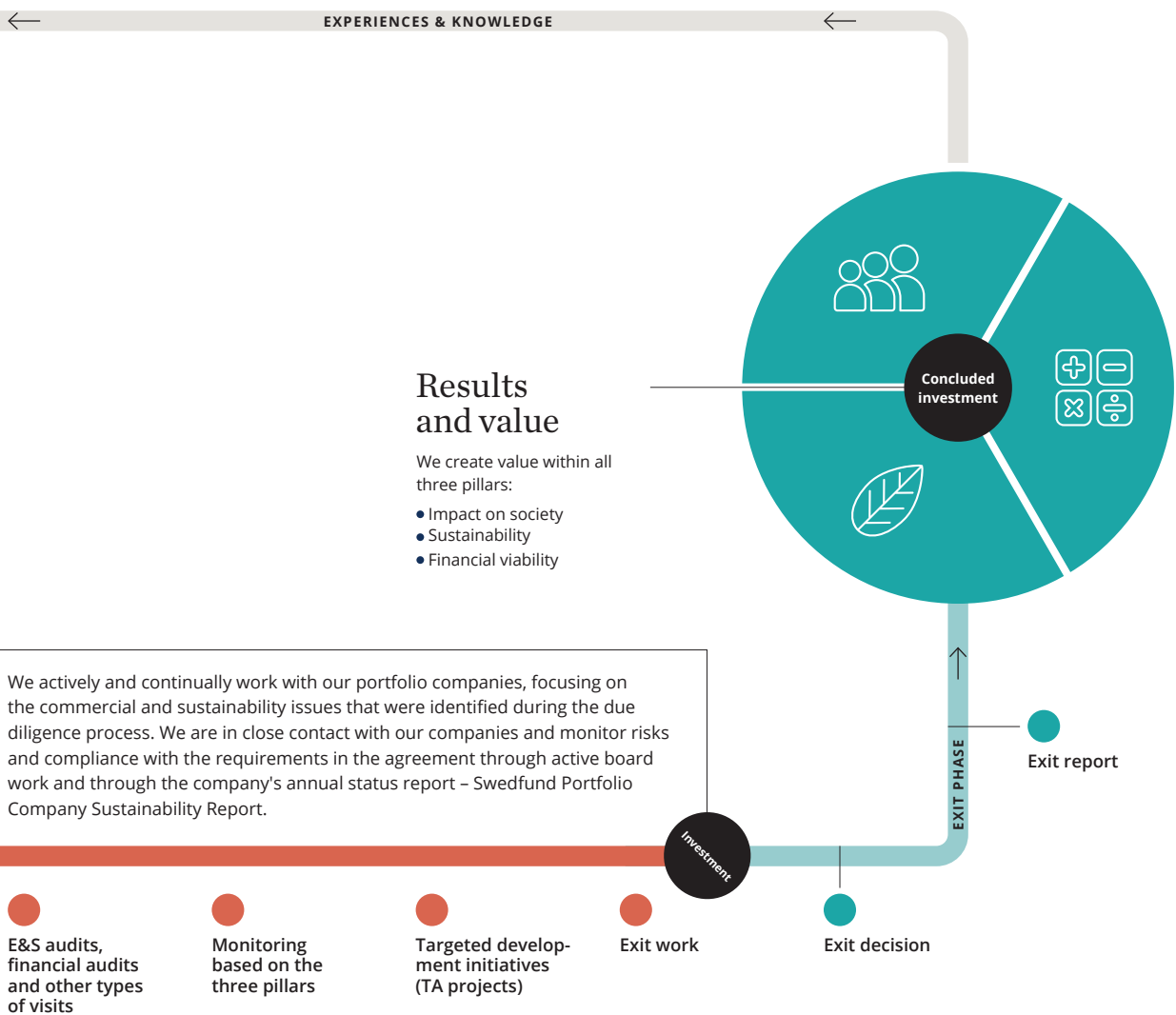


Investing in developing countries is associated with major risks, particularly economic risks. We endeavour to manage these risks through a comprehensive investment process. The investment proposals that we receive are first reviewed, and those which match our investment strategy and criteria are then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

Investment managers and analysts, working alongside experts in ESG, law and impact, conduct a thorough analysis. Business plans,

investment partners, sustainability (environment, working conditions, anti-corruption and human rights) and impact on society 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 in more detail on the next spread.



# The investment process in practice

Swedfund's mission is to fight poverty by investing in sustainable businesses. We do this by contributing to the creation of more jobs with decent working conditions and by improving access to socially important products and services, such as renewable energy and health. 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 the 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 investment that would otherwise not have been available.

### CONCEPT CLEARANCE

After this initial step, the investment team summarizes an investment proposal, the "concept clearance", which is then presented to Swedfund's Investment Committee. Swedfund's Investment Committee has both an advisory and a decision-making role, and comprises the Management Team and the Senior Advisor Special Operations. Together with the investment team, the committee discusses 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

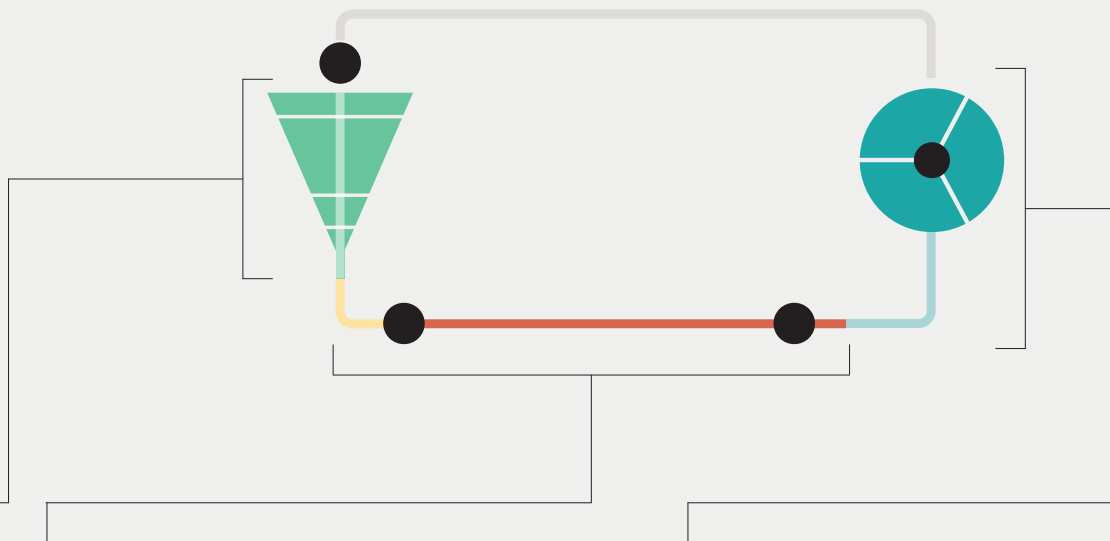
and climate issues. During the due diligence phase, the investment team meets representatives of different areas of the company in order to gain a deeper understanding of the company and the processes, routines and documents that they have shared with Swedfund. If necessary, external expertise is hired 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.

### DECISION BY THE BOARD OF DIRECTORS

Once the screening process has been approved, the investment team will present the proposal to Swedfund's board of directors, which will then reach a decision. If the investment is approved by the board of directors, an agreement will be negotiated. The investment agreement also includes requirements regarding sustainability and reporting.



## 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, risk and sustainability issues 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 risks and 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 Managers are 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, through the loan being repaid or through the fund being concluded.

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 further 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 report will also clearly explain how the investment has taken into account our three pillars, in order to ensure a responsible exit.

### Funds for Technical Assistance (TA)

Read more on pages 44-45 and 63.

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

Swedfund's investments have a wide geographical spread. In accordance with our Owner Instructions, our focus is on the world's least developed countries, which above all means sub-Saharan Africa. Despite the Covid-19 pandemic, Swedfund has made several new investments, along with a number of additional investments in existing portfolio companies.

## PERIOD REPORT 20.01.01–20.12.31

- N New Investments
- O Ongoing Investments
- + Additional investment in ongoing investments
- E Exited Investments

### GLOBAL (8)

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

### ASIA (3)

- O Investment: GEF South Asia Growth Fund II  
Sector: Energy & Climate
- O Investment: Quadria Capital Fund II  
Sector: Health
- O Investment: Renewable Energy Fund Asia II LP  
Sector: Energy & Climate

### AFRICA (24)

- 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
- + Investment: African Development Partners III 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: Equity Bank Kenya LTD  
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: Metier Sustainable Capital Fund II  
Sector: Energy & Climate
- O Investment: Norsad Finance  
Sector: Financial Inclusion
- + Investment: Platcorp Holdings Ltd  
Sector: Financial Inclusion
- O Investment: TLG Credit Opportunities Fund  
Sector: Financial Inclusion
- N Investment: African Rivers Fund III  
Sector: Financial Inclusion
- N Investment: Kasha Global  
Sector: Health
- N Investment: SunFunder  
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)

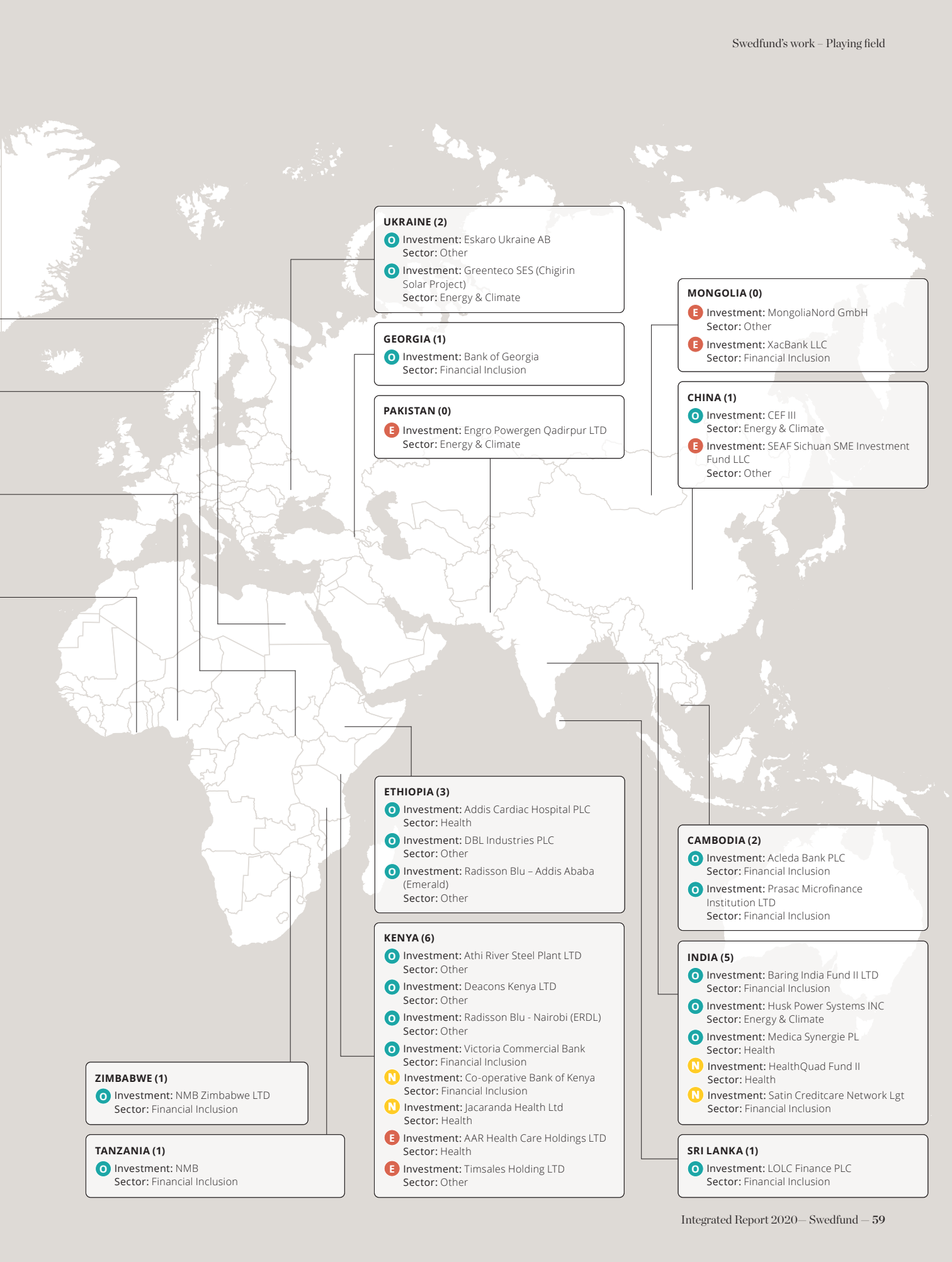
- O Investment: Access Bank PLC  
Sector: Financial Inclusion
- O Investment: Azura-Edo IPP  
Sector: Energy & Climate
- O Investment: Ecobank Nigeria LTD  
Sector: Financial Inclusion

### GHANA (1)

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

### URUGUAY (1)

- O Investment: Ontur International SA  
Sector: Other



**UKRAINE (2)**

- Investment: Eskaro Ukraine AB  
Sector: Other
- Investment: Greenteco SES (Chigirin Solar Project)  
Sector: Energy & Climate

**GEORGIA (1)**

- Investment: Bank of Georgia  
Sector: Financial Inclusion

**PAKISTAN (0)**

- Investment: Engro Powergen Qadirpur LTD  
Sector: Energy & Climate

**MONGOLIA (0)**

- Investment: MongoliaNord GmbH  
Sector: Other
- Investment: XacBank LLC  
Sector: Financial Inclusion

**CHINA (1)**

- Investment: CEF III  
Sector: Energy & Climate
- Investment: SEAF Sichuan SME Investment Fund LLC  
Sector: Other

**ETHIOPIA (3)**

- Investment: Addis Cardiac Hospital PLC  
Sector: Health
- Investment: DBL Industries PLC  
Sector: Other
- Investment: Radisson Blu – Addis Ababa (Emerald)  
Sector: Other

**CAMBODIA (2)**

- Investment: Acleda Bank PLC  
Sector: Financial Inclusion
- Investment: Prasac Microfinance Institution LTD  
Sector: Financial Inclusion

**KENYA (6)**

- Investment: Athi River Steel Plant LTD  
Sector: Other
- Investment: Deacons Kenya LTD  
Sector: Other
- Investment: Radisson Blu - Nairobi (ERDL)  
Sector: Other
- Investment: Victoria Commercial Bank  
Sector: Financial Inclusion
- Investment: Co-operative Bank of Kenya  
Sector: Financial Inclusion
- Investment: Jacaranda Health Ltd  
Sector: Health
- Investment: AAR Health Care Holdings LTD  
Sector: Health
- Investment: Timsales Holding LTD  
Sector: Other

**INDIA (5)**

- Investment: Baring India Fund II LTD  
Sector: Financial Inclusion
- Investment: Husk Power Systems INC  
Sector: Energy & Climate
- Investment: Medica Synergie PL  
Sector: Health
- Investment: HealthQuad Fund II  
Sector: Health
- Investment: Satin Creditcare Network Lgt  
Sector: Financial Inclusion

**ZIMBABWE (1)**

- Investment: NMB Zimbabwe LTD  
Sector: Financial Inclusion

**TANZANIA (1)**

- Investment: NMB  
Sector: Financial Inclusion

**SRI LANKA (1)**

- Investment: LOLC Finance PLC  
Sector: Financial Inclusion

# Tools to help us do more

Our business also includes the Project Accelerator, Funds for technical assistance and Swedpartnership. These tools help to broaden our offering and contribute to even more development effects on the road to Agenda 2030.

## Project Accelerator

Swedfund's Project Accelerator contributes to the development and realisation of more sustainable projects in renewable energy and green infrastructure in developing countries, and is thus an important tool for achieving the goals of Agenda 2030.

One challenge in many developing countries is a lack of capacity in the public sector to develop projects during the early phases of project development. 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. In turn, this means that finance institutions and investors find that projects that are being carried out are neither sustainable nor financially viable. The capacity gap is an obstacle to hindering the realisation of sustainable investments in developing countries in a situation where there are urgent needs.

Thanks to funding and support 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 financially viable and feasible. Through procurements which give greater consideration to sustainability and life-cycle costs, commercial opportunities are created for Swedish companies which offer sustainable and long-term profitable solutions. Swedfund's role is to develop and finance feasibility studies and to examine opportunities and risks in projects, and thus contribute to the implementation of sustainable projects. After Swedfund's input other organisations can then take over and develop the projects further.

Embassies are important partners in the work and implementation of Project

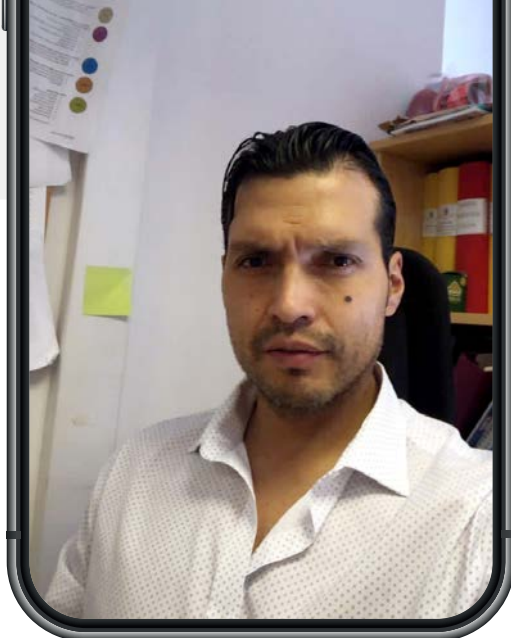
Accelerator activities. They are located in the countries in which we operate, and their extensive experience and networks and can help to identify relevant needs that can be turned into project opportunities. The embassies are also important during the implementation process, as discussions on cooperation often take place at a higher political level. Other partners within Team Sweden (Sida, SEK, EKN and Business Sweden) are also important to the work of the Project Accelerator.

The Project Accelerator's engagements primarily take place in the Clean Energy and Green Infrastructure sectors. Projects are usually preceded by an extensive process involving anchoring and preparation. The specific initiative funded by Swedfund normally lasts between six and twelve months. It can sometimes take considerable time between a decision being made regarding an initiative and the initiative actually being implemented, primarily depending on developments in the country concerned. A total of 27 projects have been initiated and are at various phases of commitment and levels of activity.

As a result of the restrictions and the new needs brought about by the pandemic, the process and working methods have been modified to enable new projects to be approved and implemented. The need for the type of project for which the Project Accelerator paves the way has not been affected. In fact, the influx of projects has actually increased and decisions concerning such projects have been made possible by increasing the appropriation by MSEK 20 at the end of the year. The Project Accelerator can also support Swedfund's investment activities by laying the foundations for the establishment of more sustainable and investable projects in developing countries.



## Wastewater treatment in La Paz



In La Paz, Bolivia's administrative capital, wastewater from industries and households is not treated before being discharged into the Choqueyapu River, also known as the La Paz River. This is about to be addressed thanks to a feasibility study funded by the Project Accelerator and a broad collaboration of stakeholders.

Various plans for a wastewater treatment plant in La Paz have existed for decades, but have so far yet to be realised. This has resulted in water quality in La Paz River today being very poor. The contaminated water is believed to be a contributing factor behind digestive disorders and diarrhoea, which unfortunately remain a common cause of death in Bolivia, partly because water from the river is used for irrigation in agriculture. The absence of treatment also has a major impact on the environment in the river further downstream.

In 2017, the Project Accelerator entered into a dialogue with representatives of the government, the City of La Paz, water company EPSAS and the World Bank. One major problem hindering realisation of the plans for a wastewater treatment plant was that no qualitative feasibility study had been carried out which all the parties concerned could use as a starting point.

"The La Paz Wastewater Treatment Plant Project represents the solution to the biggest environmental quality problem that the City of La Paz faces today," says Alberto Chavez Vargas, General Manager, ESPAS.

Developing and building a wastewater treatment plant for the city's approximately one million inhabitants and surrounding industries is a complex project. In La Paz, which is situated at an altitude of approximately 3,500 meters above sea level in an area with dramatic

topography and few suitable sites, it is a particularly complex task, with many factors for the project team to take into account.

Swedfund's counterpart in the project is the Ministry of Water and Environment, but many stakeholders have been involved since the beginning in order to anchor the project and facilitate coordination. The World Bank is the intended financier for the treatment plant.

"As a result of the feasibility study funded by Swedfund, all the stakeholders involved have come together and developed a joint plan for the realisation of this project. This will be the largest and most important project in this sector in Bolivia," says Guido Meruvia from the Swedish Embassy in La Paz (pictured left).

Despite the change in government during the implementation of the project, the work has progressed with a clear commitment from the counterparty. Sweco, the Swedish technical consultant, won the contract for the study and will conclude the project in the second quarter of 2021.

"Preparations for a project of the magnitude that a sewage treatment plant in La Paz entails, with its network of sewage pipes for the transport of wastewater to the treatment plant, requires operators with a high institutional capacity as regards consultation and technical expertise. These are attributes that we have found in EPSAS, Swedfund and the Swedish Embassy," says Alfonso Alvestegui, Senior Water Supply & Sanitation Specialist, World Bank (pictured below).



## Management and control of the national electricity grid in Mozambique

The Project Accelerator is supporting the national electricity company in Mozambique, Elelectricidade de Mozambique (EDM), in its efforts to improve and upgrade the electricity supply network in the country. Sweden has for many years been collaborating with Mozambique within the field of energy. In recent years, the country has increased its generation of renewable energy and expanded its national grid to cover areas which previously had limited access to electricity. Despite the expansion of the electricity grid in recent years, access remains limited and unreliable, particularly in rural areas. There is a need not only to boost generation, but also to make the electricity network more efficient, as substantial losses represent a major challenge.

The electricity grid now consists of two separate parts, one in the north and one in the south. These are due to be merged in 2024. EDM's goal is to become Southern Africa's energy hub and supply the region with an increasing proportion of renewable energy. This will require a robust control system which can be integrated with the Southern African Power Pool. A control centre will also be needed in order to safely and effectively integrate the increasing proportion of independent power producers (IPP) in renewable energy, which will be connected to the national power grid.

"In recent years, EDM has, together with our partners, invested in our country's power supply and network. More people now have access to electricity and the proportion of renewable energy has increased. A key goal for us is to further develop our assets and supply the Southern Africa Power Pool with renewable energy. Our partnership with Swedfund is focused on developing a National Control Center (NCC), which we currently lack. A new NCC will enable better management and greater efficiency in Mozambique's system – it is an investment which will be crucial for our strategic work going forward," says Esmeralda Calima, Project Manager, Electrical Engineer specialising in system operation at EDM.

The Project Accelerator is providing project support throughout the process, which entails the preparation of a scope of work, the procure-

ment of consultants for the feasibility study and financing of the feasibility study. In addition to the technical consent of the feasibility study, a key aspect is the development of a comprehensive capacity-building programme for EDM. The substantial investment which will be made in new digital systems will require system expertise to enable the organisation to use the systems effectively.



### Our tools

Read more on pages 86-89.



## Technical assistance

Technical assistance (TA) funds are a strategic tool used for quality-enhancing initiatives relating to portfolio companies through initiatives within all three pillars.

The aim is to strengthen Swedfund's capacity as an active owner in order to improve the quality of our portfolio in accordance with our mission and goals. The funds will primarily be used to strengthen investments in development effects, gender equality and sustainability, including the environment and climate, decent jobs and business ethics, as well as anti-corruption.

Our potential, current and completed investments can benefit from TA funds, and the funding can also be used to develop partnerships with strategic partners.

The maximum budget for each TA project is SEK 2,000,000. TA funds cannot be used for activities that are deemed to be part of the portfolio companies' day-to-day operations, such as replacing obsolete equipment or employing specific expertise.

Examples of TA projects include quality-enhancing initiatives aimed at systematising

and improving the environmental work and corporate social responsibility of portfolio companies through the implementation of management systems, SMART certification, Gender Action Plans and evaluation of the companies' impact on human rights.

Since the first year in which it used TA (2007), Swedfund has approved TA funding for 173 projects with a total value of approximately SEK 112 million. In 2020, 30 TA projects with a total value of SEK 24.7 million were approved.

### Focus on Covid-19

During 2020, many TA initiatives focused on strengthening the conditions for healthy and safe working environments with regard to Covid-19. TA funds have for example been allocated for the purchase of personal protective equipment for several of Swedfund's investments within the health sector, including hospitals and clinics. Read more on pages 44-45.



## 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 has been targeted at Swedish companies in order to facilitate establishment in developing countries.

The funding takes the form of a loan that can be converted into a grant when the project has been completed and approved. In 2019, an analysis was carried out of Swedpartnership's work and the resultant development effects. A further task was to investigate whether a new organisational domicile would benefit Swedpartnership's work. In light of the recommendations made in the report, the board of directors decided to recommend a new organisational domicile for Swedpartnership in September 2019. The Swedish Government Offices have since proposed that the instrument be exited in consultation UD2020/08956/IU. The consultation period ended on 25 September and the responses are currently being considered by the Swedish Government Offices, who are in the process of preparing the case. For 2020, the Swedish Government has announced that no funds will be allocated for new projects. However, the administrative appropriation will be maintained to enable the instrument to be exited.

# 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 pages 86-87.

Swedfund's Code of Conduct, Policy for Sustainable Development, Anti-Corruption Policy and Tax Policy are key policies which are adopted by the board of directors and communicated to our stakeholders via our website. 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 Policy for Sustainable Development, 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 2020, we revised our Anti-Corruption Policy. According to the new wording, we are committed to counteract corruption, which reflects our active approach better than the zero tolerance expressed in the previous Anti-Corruption Policy of 2016. However, the requirements we impose in our investments have not changed in substance. We also clarified our commitment regarding our own anti-corruption management system.



# Ethical compass

## Policies

- Swedfund's Code of Conduct
- Swedfund's Policy for Sustainable Development
- Swedfund's Anti-Corruption Policy
- Swedfund's Tax Policy

## 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

## International commitments

- UN Global Compact
- United Nations Principles for Responsible Investment (UNPRI)
- EDFI Principles on Responsible Financing
- The World Bank's framework for Corporate Governance Development
- EDFI Exclusion List
- 2X Challenge – Financing for Women
- EDFI Statement on climate and energy finance
- Paris development banks statement on gender equality and women's empowerment

## 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)
- OECD DAC PSI Reporting

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Read more about our stakeholder and materiality analysis on pages 142-143.

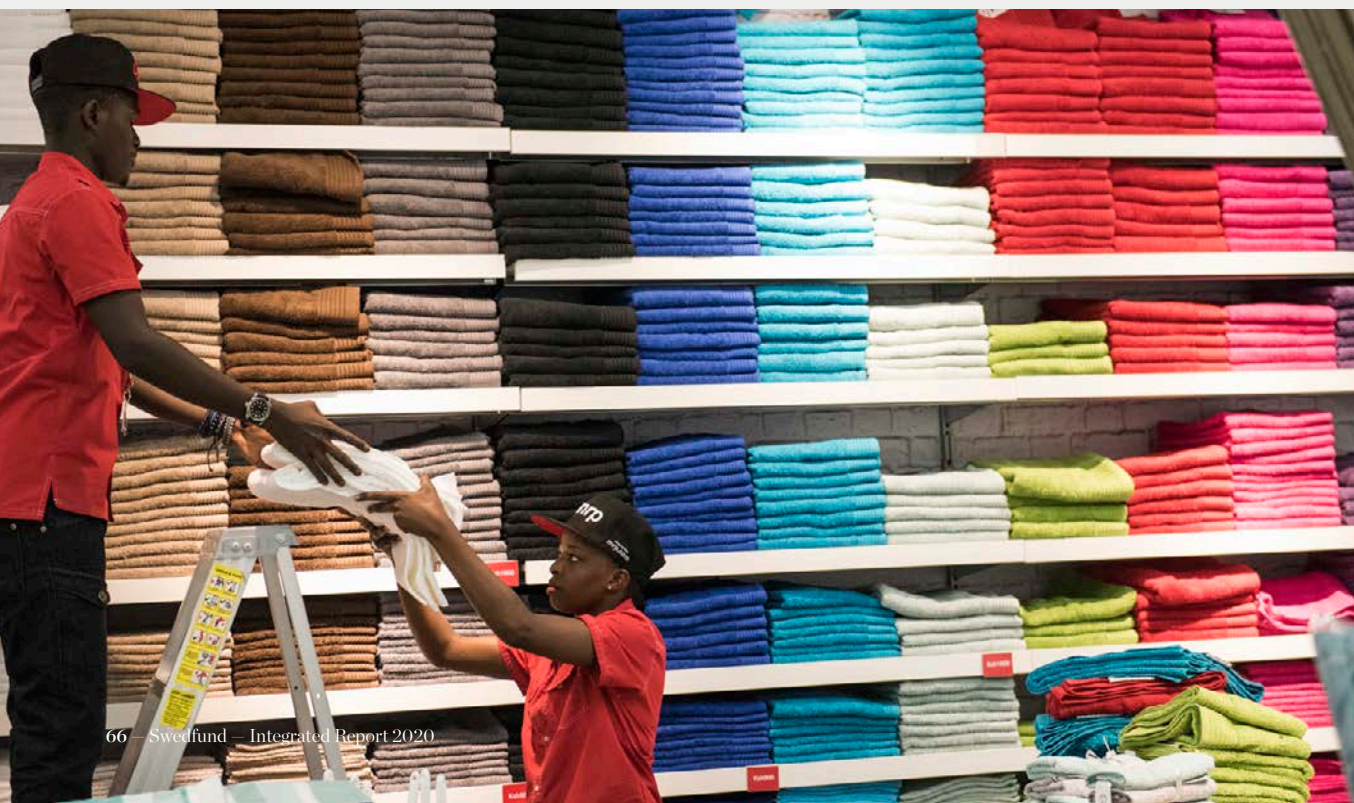
# The portfolio companies' results




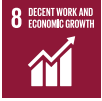

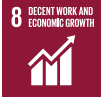

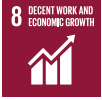




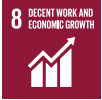
This section, which opens the Directors' Report, presents the trends in the results of Swedfund's investment portfolio. It also describes how Swedfund is working to achieve its stated goals and thus support the implementation of Agenda 2030. The trends in results are presented for all three pillars (impact on society, sustainability and financial viability), and are illustrated using a number of indicators.

The structure of analysis and selected indicators has changed compared with Swedfund's 2019 Integrated Report. This is due to the fact that the annual general meeting held in December 2019 approved new mission goals for the company. The performance indicators are defined in the goals set out in the Owner Instructions which have constituted the adopted goals for sustainable value creation approved by the board of directors since 2020. With the aim of further clarifying the trends in performance under each pillar, Swedfund reports on the basis of the further additional performance indicators

within the pillars of impact on society and sustainability approved by the board of directors. The work has also taken into account the State's ownership policy and principles for state ownership.

As in previous years, Swedfund is reporting the trend in the companies' performances with a one-year lag, which means that this year's report is based on the portfolio companies' performance in 2019, i.e. before the pandemic impacted on the countries in which Swedfund operates and the portfolio companies.



|   | INDICATOR                                  | TYPE OF GOAL   | GOAL  | DEFINITION  |  |
|---|--|--|---|---|--|
| <b>Impact on society</b><br>     | Carbon footprint                           | Mission goal   | By 2045, the company's investment portfolio will be climate-neutral   | Total CO <sub>2</sub> e emissions per scope (thousand tonnes)<br><br>Reduced emissions per krona invested                     |   |
|   | Empowering women                           | Mission goal   | Greater gender equality in the company's investment portfolio. Target level >60% of investments must fulfil the 2X Challenge criteria no later than three years from the investment date      | Proportion of investments fulfilling the 2X Challenge criteria  |   |
|   |  | Other goals  | Increase in the proportion of women on company boards and in senior positions and the overall workforce   | Development in the proportion of women on boards, in senior positions and in total %  |  |
|   | Job creation                               | Other goals  | Increase in the number of employees in a majority of companies in the portfolio   | Number of jobs in the portfolio<br><br>Number and proportion of companies showing growth in jobs<br><br>Indirect job creation |   |
| <b>Sustainability</b><br>      | Tax  | Other goals  | Increased tax revenues overall in the portfolio   | Total reported tax converted into SEK   | <br>     |
|   | Decent work                                | Mission goal   | Decent working conditions in accordance with the ILO's fundamental Conventions shall be provided by all the company's investments within no more than three years from the date of investment | Proportion of investments complying with the ILO's fundamental Conventions  |   |
|   | Environmental and social management system | Other goals  | Environmental and social management systems shall be implemented by all of the company's investments by no later than three years from the investment date                                    | Proportion of investments that have implemented environmental and social management systems                                   | <br> |
| <b>Financial viability</b><br> | Management system for anti-corruption      | Other goals  | A management system for anti-corruption shall be implemented by all of the company's investments by no later than three years from the investment date  | Proportion of investments that have implemented an anti-corruption management system  |   |
|   | Economically sustainable investments       | Mission goal   | Sales shall increase over a five-year period with the investment year as the base year  | Proportion of investments reporting increased turnover and profitability with the investment year as the base year            |   |
|   | Mission goal                               | Increased mobilisation of private capital. Target >30% mobilised capital in investments made by Swedfund | Total private capital mobilised relative to Swedfund's contracted investment volume   |   |  |

# Definitions, sources and presentation

A general description is given below of the method used for data collection, definitions and assumptions used in the reporting and presentation of the trends in the performance of the portfolio companies under the three pillars.

## Reporting cycle

Swedfund and Swedfund's portfolio companies prepare their annual reports over the same period, which means that the 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 2019.

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 2019 correspond to financial information in the annual report covering the financial year 01.04.2019 - 31.03.2020.

## Sources

The indicators described in the subsequent sections are based on reports from portfolio companies and the funds' underlying holdings. The underlying data for the reports primarily comprises the following:

- Status reports (prepared and distributed by Swedfund)
- Status reports (prepared and distributed by other DFIs)
- Annual reports
- Fund reports

## ANNUAL REPORTS

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

- Indicator: carbon footprint (CO<sub>2</sub>e calculation)
- Indicator for tax
- Indicators concerning women's empowerment
- Indicator for job creation
- Indicator for financial viability

## STATUS REPORTS (PREPARED AND DISTRIBUTED BY SWEDFUND)

Swedfund requires portfolio companies to annually submit information concerning the pillars 'Impact on Society' and 'Sustainability' through self-declarations in status reports prepared by Swedfund ("Sustainability Report"). Information is collected via self-declarations through a largely digitalised process. Information from the 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 intend-

ed for direct investments contain more detailed questions regarding management systems for sustainability issues, etc., while those intended for investments in financial institutions 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.

## STATUS REPORTS (PREPARED AND DISTRIBUTED BY OTHER DFIS)

In some cases, the sources used for Swedfund's financial reports consist of self-declarations in status reports prepared by another DFI, but with the results being submitted to Swedfund in its capacity as co-financier. These status reports are evaluated by Swedfund's sustainability experts and included in the aggregated financial reports. For 2019, this concerns around twelve 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  | 2017 | 2018 | 2019 |
|---|------|------|------|
| Portfolio companies   | 60   | 54   | 61   |
| Portfolio companies, including the underlying holdings of funds                   | 124  | 177  | 181  |
| Portfolio companies, including the underlying holdings of funds and co-facilities | 156  | 210  | 208  |
| Direct investments in equity and loans  | 43   | 34   | 39   |

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).

#### PORTFOLIO COMPANIES

The sample comprises all 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, loans and funds, 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 Carbon Footprint indicator (CO<sub>2e</sub>).

#### DIRECT INVESTMENTS IN EQUITY AND LOANS

The sample corresponds to all direct investments in the instruments 'shares' and 'loans'.

#### 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 consists of the investments that were still in existence at the end of the respective year (unless stated otherwise), which means that investments which have been liquidated are not included in the calculation for the year in which the investment was actually liquidated.

#### 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 principle for reporting within EDFI. The exception to this principle is the carbon footprint indicator (CO<sub>2e</sub>), for which weighting is based on Swedfund's stake/share in the investment.

#### 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.

#### 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:

- Phases of the investment process
- Comparable entities

#### 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 certain indicators under the pillars of impact on society and sustainability:

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

Swedfund is a long-term, but not eternal, investor. Swedfund ends its investments and partnerships 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 exited.

See also the description of the investment process on pages 54–57.

#### 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 comparisons over time, certain indicators have been supplemented with a compilation of comparable entities, i.e. the population of investments that have been part of the portfolio in every year which has been reported. Swedfund's portfolio has undergone a major transformation over a number of years with a relatively high number of discontinued and new investments, which has affected the sample of comparable units.

# Impact on society



## Environmentally and climate-related sustainable investments

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Not later than 2045, the investment portfolio of the Company shall be climate-neutral, by which is meant that the portfolio shall have a net zero release of greenhouse gases in accordance with the IPCC definition. The total release of greenhouse gases per invested krona shall accordingly decline over time with 2020 as the base year.

### INDICATOR

Total CO<sub>2</sub>e emissions per scope (thousand tonnes), emissions per Swedish krona invested (tCO<sub>2</sub>e/MSEK), portfolio adaptation to the Paris Agreement.

### SDGs



**13.1** – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



**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

Combating climate change and its consequences is a key element in Swedfund's mission to combat poverty. The people who live in the greatest poverty and vulnerability are also those most affected by climate change, and climate change creates more poverty.

Swedfund's new mission goals from the end of 2019 mean that we have been tasked with achieving two new environmental and climate goals, for which we measure and report results. Climate is also one of the strategic themes which permeate all our investments, and we have an active approach to the issue of climate in our relationship with our portfolio companies. Initiatives relating to the environment and climate form an integral part of the investment process based on Swedfund's Policy for Sustainable Development and separate stance regarding the environment and climate.

## Results and analysis

### PORTFOLIO ADAPTATION TO THE PARIS AGREEMENT

Combating the consequences of climate change and poverty goes hand in hand, and Swedfund's ambition is thus to contribute to fulfilment of the Paris Agreement. In order to work towards our ambitions and climate goals, we work at three different levels: portfolio level, sector level and portfolio company level.

At portfolio level, we focused during 2020 on evaluating how closely our portfolio aligns with the Paris Agreement. In order to do this, we hired an external consultant who is an expert in this field during the year. The emission intensity from each investment was compared with the relevant emissions target in The Beyond 2°C Scenario from the International Energy Agency (IEA) for both 2030 and 2045. The underlying data used in the model was taken from the model used to

calculate the portfolio's total emissions for 2018, supplemented by company-specific data. Results were calculated for both direct and indirect investments.

Swedfund's investment portfolio shows a relatively high alignment with the Paris Agreement: Ninety percent of our direct investments are considered to be in line with the Paris Agreement in both 2030 and 2045. Approximately 90 percent of indirect investments were considered to be aligned with the Paris Agreement in 2030, with the corresponding figure for 2045 being approximately 80 percent. The relatively high degree of alignment is the result of Swedfund's investment strategy. Since 2015, we have invested exclusively in renewable energy, and we address climate as a consistent theme throughout all our investments. The results also indicate that we must continue to focus more on financial institutions within the area of climate change, in order to align even more closely with the Paris Agreement. We plan to update the calculation regularly, but not annually.

### TOTAL CO<sub>2</sub>e EMISSIONS PER SCOPE (THOUSAND TONNES)

In 2019, total emissions from the portfolio amounted to approximately 44 thousand tonnes (2018: 33 thousand tonnes). The increase in emissions was expected and is due to the fact that one of our older investments, a gas-fired power plant in Nigeria (2013), was in full commercial operation during the year. Emissions from this gas-fired power plant account for almost 80% of the portfolio's total emissions.

In order to achieve our goal of a carbon-neutral portfolio by 2045, we will first and foremost work to reduce emissions from the portfolio by requiring and supporting our portfolio companies to reduce their emissions. In the longer term, we will also



start to evaluate opportunities to invest in carbon sequestration or storage, for example by investing in sustainable forestry and supporting new economic models and technological innovations for carbon sequestration. However, it is important that all investment opportunities, including climate investments, help to reduce poverty and contribute to attainment of goals in all three of our pillars of impact on society, sustainability and financial viability.

On the calculations side, we have already worked with our EDFI colleagues during the year to develop a model that can help us estimate the volume of greenhouse gases that our portfolio binds.

**EMISSIONS PER INVESTED SWEDISH KRONA (tCO<sub>2</sub>e/MSEK)**

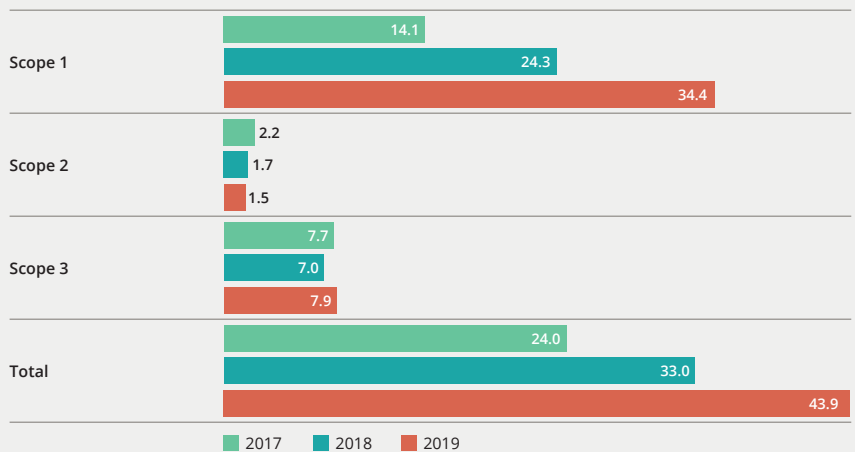
'Emissions per invested Swedish krona' is a new indicator that is linked to the mission goals, according to which emissions per invested krona must be reduced. As 2020 will be used as the base year, we will start reporting this indicator in next year's Integrated Report.

**MEASURES 2020**

At sector level, we have continued to invest in projects that can be classified as climate investments, i.e. investments that lead to a net reduction in greenhouse gases (mitigation projects) or investments that support adaptation to the negative effects of climate change (adaptation projects).

At portfolio company level, during the year, we further developed our "climate lens", which requires all investments to be analysed in order to identify significant climate risks, physical and transition risks that could impact on the project, and the climate impact that investments are expected to generate.

**Total CO<sub>2</sub>e emissions per scope (thousand tonnes)**



Emissions from Swedfund's portfolio, i.e. the emission categories of the portfolio companies:

Scope 1: Direct greenhouse gas emissions, over which the organisation has direct control, e.g. from the company's own vehicles and the combustion of fuels in production.

Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a grid (not generated by the company), i.e. the consumption of electricity, district heating and district cooling.

Scope 3: Other indirect emissions which occur outside the upstream or downstream limits of the business, such as business travel.





## Empowering women

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Greater gender equality in the Company's investment portfolio in terms of the 2X Challenge criteria or corresponding criteria, which shall be fulfilled in at least 60% of the company's investments within no more than three years from the date of investment.

### INDICATOR

Proportion of investments which meet the 2X-Challenge criteria, proportion of women on company boards, in senior positions and of the total workforce.

### SDGs



**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.



**5.A** – Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.



**5.B** – Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.

## Introduction

As a result of the changes made to Swedfund's Owner Instructions at the end of 2019, Swedfund will strengthen its focus on women's economic empowerment and continue to be a prominent player in gender equality.

Women's empowerment is an important issue for Swedfund and already represents a key aspect of our work. This is also one of three thematic areas in the company's strategy to be taken into account, regardless of the sector or region in which the investment takes place or the instrument that is used. In addition to the two new mission goals, we have therefore decided to continue reporting the indicators which have previously been subject to performance measurement.

## Results and analysis

### PROPORTION OF INVESTMENTS FULFILLING THE 2X CHALLENGE CRITERIA

Swedfund's goal is to increase gender equality in our portfolio and ensure that 60 percent of our investments fulfil the 2X Challenge criteria. The 2X Challenge is 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.

As a development finance institute, we have concluded that, through our role, we can specifically increase gender equality and women's empowerment in the following three areas:

**Women as leaders:** Swedfund works actively with portfolio companies to promote equal and meaningful participation for women in senior positions, on boards and as entrepreneurs.

**Women in employment:** Swedfund works to promote equal opportunities for women and men to participate in the workforce of the companies we finance.

**Women as consumers:** Swedfund encourages the development and financing of products, services and capital that have a positive impact on and/or improve the opportunities open to women to participate fully in society.

The 2X Challenge initiative adopted by Swedfund in 2019 defines clear and sector-specific criteria for investment in women and women's empowerment. During the year, we evaluated our portfolio and all new

investment proposals with respect to the 2X criteria. For new investment proposals, identified gaps or opportunities to increase women's empowerment have been included in the ESGAP (ESG Action Plan), which is incorporated into agreements for new investments. The Covid-19 pandemic has prevented us from implementing our Women4Growth talent programme as planned, but we have carried out a pilot project in the form of a digital version in one of our financial institutions.

The foundations for greater gender equality are built on minimising negative risks and impacts on women. During the year, we worked with the women's rights organisation Kvinna till Kvinna to increase our competence and develop tools to better identify and limit risks in our investment process linked to gender-based violence and harassment, and to enable us to impose relevant requirements and offer support to our portfolio companies.

Fifty two percent of our investments are expected to fulfil at least one of 2X Challenge criteria based on 2019 data. Investments in the newer portfolio that fulfil the 2X criteria have already reached our target level, i.e. 60 percent. Investments in the Financial inclusion sector are performing well according to the 2X criteria, particularly banks. Many of the banks have a significant number of female employees and specific policies and programmes which support women's employment. Many of the banks also have women on their board of directors and in senior positions, or a significant proportion of female borrowers.

In order to increase the number of 2X Challenge investments, we are continuing to address the gender issue amongst our fund managers in particular, and to deepen the information and improve data collection, especially in our older holdings.

### PROPORTION OF WOMEN ON COMPANY BOARDS AND IN SENIOR POSITIONS AND THE OVERALL WORKFORCE

25 percent (2018: 15 percent) of all board members in reporting holdings were women. This increase is due not only to the fact that there has been an increase in the number of

female board members amongst investments in the Financial inclusion sector, but also to the underlying data. For 2019, we have data from more companies on female board members in the funds' underlying holdings, yet it is also apparent that the total number of board members in the portfolio has decreased.

The proportion of women in senior positions is similar in 2019 (33 percent) to that in 2018 (34 percent) if we take into account comparable entities, i.e. the investments in the portfolio at the end of each year, which means that the comparison between the years is affected by whether investments have been added or exited. The analysis based on comparable entities for 2019 shows a higher proportion of women than for the portfolio as a whole; see the graph below. The number of comparable entities amounts to 101 portfolio companies, of which 52 reported this indicator for 2019. At a general level, the proportion of women is lower in senior positions in energy-generating companies and in the manufacturing industry amongst the funds' underlying companies, as well as amongst certain fund managers.

As regards women in senior positions overall, the proportion of women has fallen from 31 percent in 2018 to 22 percent in 2019. This stems not only from the fact that certain older holdings and some of the funds' underlying companies have fewer women in senior positions, but also from the underlying data. We have more data for senior positions from the funds' underlying companies in 2019, resulting in a significant increase in the total number of people in senior positions.

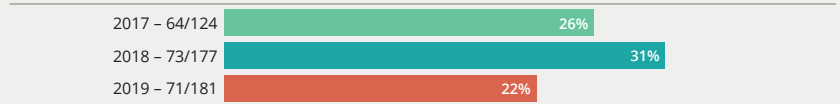
The proportion of female employees is at a similar level in 2019 (42 percent) compared with the previous year. Some investments, particularly those in banks and the funds' underlying companies, have seen an increase in the proportion of female employees, while the proportion has decreased in other investments, particularly in the exit part of the portfolio. At a general level, the proportion of women is lower amongst energy-generating companies and in the manufacturing industry in the funds' underlying companies.

**2x alignment per phase**  
(%)

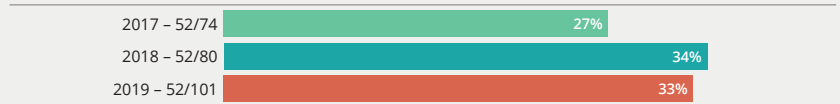


- 1) Holding period ≤ 3 years
- 2) Holding period ≥ 3 years

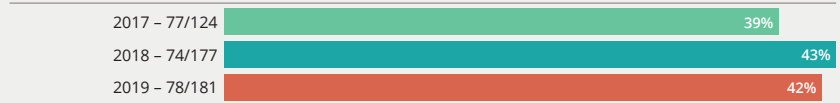
**Proportion of women in senior management**  
(Total)



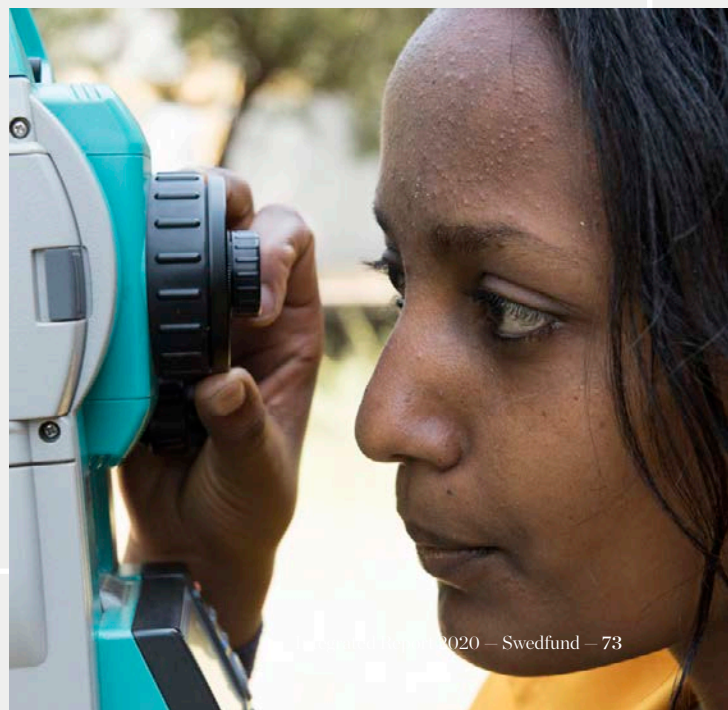
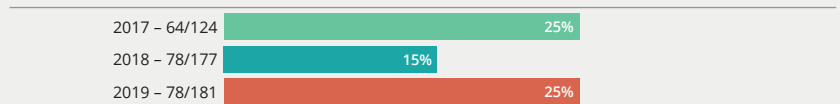
**Proportion of women in senior management**  
(comparable entities)



**Proportion of women out of total number of employees**



**Proportion of women on boards**  
(Total)





## Job creation

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

The majority of portfolio companies are increasing the number of employees.

### INDICATOR

Number of and growth in jobs in Swedfund's portfolio and an estimate of indirect job creation.

### SDGs



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.

## Introduction

In order to achieve Swedfund's overall goal of contributing to a reduction in poverty, we must help to create jobs. Creating jobs with good working conditions 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 in the majority of our companies.

Our investments also help to create indirect jobs, which is why we are aiming to calculate and monitor the number of indirect jobs that our portfolio companies contribute to in the supply chain, through increased consumption (known as "induced" jobs) and through better access to finance and energy.

## Results and analysis

### DIRECT JOBS

In 2019, Swedfund's investments in portfolio companies and the underlying holdings of funds contributed approximately 198,000 jobs. Of the total number of employees, 30 percent (59,500) comprised employees in banks and financial institutions, 14 percent (28,500) comprised employees in Swedfund's direct equity investments and 56 percent (110,000) comprised employees in funds and their underlying holdings.

The graph below 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 liquidated.

An alternative way of analysing job creation amongst Swedfund's investments is to analyse comparable entities in the portfolio. The graph below shows the number of investments in existence in both 2018 and 2019, which amounts to 178 entities, of which 69 have submitted data for both years. In addition, the majority (54 percent) of comparable entities in the portfolio showed job growth in 2019, and 29 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 2018 and 2019 amounted to approximately 14,100 jobs, corresponding to growth of approximately 25 percent. A total of 37 investments out of the 69 that reported showed an increase in the number of employees, while 27 investments reported a decrease. Amongst the companies that took on more employees, approximately 22,700 jobs were added, while 8,600 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 developments in some financial institutions, the holdings of a couple of funds, as well as positive growth in a number of direct investments within Energy & Climate and older holdings within Manufacturing & Service.

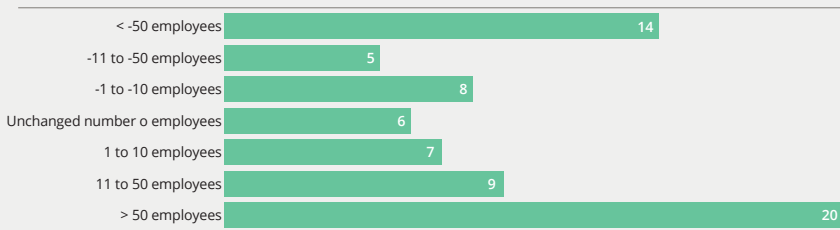
### INDIRECT JOBS

Our investments also generate many indirect jobs. Such investments do not normally employ many people directly through operating activities, 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. An investment in a portfolio company can also generate increased demand for products and services from subcontractors, thereby helping to create more jobs. 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.

EDFI has developed a Joint Impact Model (JIM) for calculating indirect jobs within EDFI's harmonisation agenda. This work was intensified in 2019 and a pilot version was launched in 2020. Swedfund participated in the development phase and tested the pilot model using limited data from 2019. The model will be launched for general access in early 2021 and we aim to implement the model in 2021. The model will enable us to estimate the number of indirect jobs created from Swedfund's portfolio through supply chains, increased consumption ("induced jobs") and better access to finance and energy.

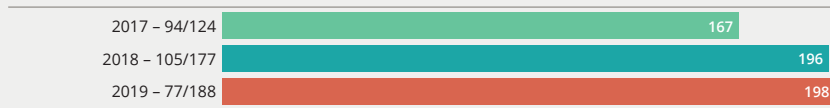
**Number of companies reporting a change in number of employees between 2018 and 2019**

(comparable entities, sample 69/178 investments)



**Total number of employees**

(thousands)





## Tax

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

Increased tax revenues.

### INDICATOR

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

### SDGs



**8.3** – Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



**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

Tax is a key issue and an important indicator for Swedfund. Profitable and growing companies generate tax revenues and jobs, giving the state more scope to finance welfare measures and economic growth, and ultimately to reduce poverty.

Prior to an investment, we also review the project and its structure from the perspective of tax. Our main focus is on ensuring that taxation takes place where value is created, i.e. in the country in which we operate, and that the structure through which we invest does not contribute to tax evasion. For example Swedfund does not participate in investments through intermediate jurisdictions which have not been deemed to comply sufficiently with the requirements imposed by the OECD, or which are included in the EU list of non-cooperative jurisdictions for tax purposes.

Parallel to this, we also work to promote responsible management through a dialogue and advocacy with our co-investors. We require our portfolio companies to account for their tax circumstances, an aspect which we follow up annually. We encourage our portfolio companies to adopt an active approach to tax issues and to act responsibly as regards taxes. As a relatively small investor, it is important to strive to influence major players in this area and to increase the proportion of sustainable investment amongst the world's poorest countries.

## Results and analysis

As the table below shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 5.4 billion in tax in 2019. Where possible, the table presents 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.

The reported tax from Swedfund's portfolio amounted to MSEK 5,417 in 2019. The company in the portfolio that paid the most tax contributed approximately 25 percent of the total reported tax, while the ten largest tax-paying portfolio companies contributed more than 70 percent. Reported

tax decreased by two percent compared with the previous year, while the number of investments reporting a decrease in their tax expense fell compared with the previous year. The growth primarily originates from the Africa region, while the decrease originates from the Global area, which includes companies operating in a number of countries. 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 2019, 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 12 million (2019), SEK 91 million (2018) and SEK 422 million (2017) 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**  
 (MSEK)

|                | 2017         | 2018         | 2019         |
|----------------|--------------|--------------|--------------|
| <b>Africa</b>  | <b>2,416</b> | <b>3,165</b> | <b>4,588</b> |
| Africa*        | 1,025        | 2,153        | 2,909        |
| Egypt          | 2            | 2            | 3            |
| Ethiopia       | 3            | 10           | 9            |
| Ghana          | 90           | 147          | 79           |
| Kenya          | 8            | 26           | 673          |
| Mauritius      | 141          | 230          | 372          |
| Nigeria        | 909          | 381          | 262          |
| Tanzania       | 235          | 166          | 281          |
| Zimbabwe       | 26           | 51           | -            |
| <b>Asia</b>    | <b>229</b>   | <b>404</b>   | <b>621</b>   |
| Asia*          | 19           | 18           | 8            |
| India          | 2            | 8            | 18           |
| Cambodia       | 204          | 374          | 575          |
| China          | 2            | -            | -            |
| Mongolia       | 1            | 4            | 20           |
| Pakistan       | 0            | 0            | 0            |
| Sri Lanka      | 5            | -            | -            |
| <b>Europe</b>  | <b>30</b>    | <b>7</b>     | <b>192</b>   |
| Europe (Other) | 3            | 5            | 3            |
| Georgia        | 118          | -            | 188          |
| Lithuania      | -16          | -            | -            |
| Serbia         | -75          | 2            | -            |
| <b>Global</b>  | <b>2,233</b> | <b>1,956</b> | <b>15</b>    |
| <b>Total</b>   | <b>4,907</b> | <b>5,532</b> | <b>5,417</b> |

\*Investments where taxes are paid in several countries in Eastern Europe, Asia and Africa

# Sustainability



## Jobs with decent working conditions

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Decent working conditions in accordance with the ILO's fundamental Conventions shall be provided by all of the company's investments within no more than three years from the date of investment.

### INDICATOR

Proportion of investments complying with the ILO's fundamental Conventions.

### SDGs



**8.7** – Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers. End child labour in all its forms by 2025.



**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. For us as a company, issues regarding decent working conditions are afforded 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. We operate in markets where our conditions are far from clear. This makes our work extra important.

## Results and analysis

To determine whether a portfolio company is complying with the ILO's Declaration on Fundamental Principles and Rights at Work, an assessment is made of whether the company is complying with the following eight Conventions:

- 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 analysis is made of compliance with the eight Conventions referred to above. As

regards Swedfund's assessment of whether or not funds meet the applicable requirements, the analysis is based on whether the fund manager is acting consistently with all relevant Conventions in its operations, and on the procedures, competences and guidelines established by the fund manager to ensure that the funds' holdings are in turn aligned with the relevant Conventions. When Swedfund invests in banks and financial institutions, the due diligence process includes an assessment of whether or not the financial institution is acting 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 order to assess whether the Conventions are still being fulfilled.

The ESG Manager is part of each investment team and evaluates whether the company is acting consistently under the the ILO's Basic Terms and Conditions of Employment; thus, all new investments approved during the year have been assessed with regard to working conditions. Any deficiencies that are identified are incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. Following an investment decision, the ESG Manager monitors developments in ESGAP and improvements in working conditions through an ongoing dialogue, audits and site visits, active work in the sustainability committees for investments and annual monitoring surveys.

In a typical year, Swedfund conducts two types of audits on portfolio companies: external audits carried out by an external consultant and internal audits carried out by Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but nevertheless form a key part of Swedfund's active advocacy work. During 2020, follow-up work was hampered by the pandemic and the resultant limited opportunities to travel. Swedfund has developed the work using digital tools which have expanded



the options for pursuing a dialogue. Cooperation with other development finance institutions and co-investors has been strengthened, and external consultants have been engaged to a greater extent to enable follow-up and advocacy work to be carried out.

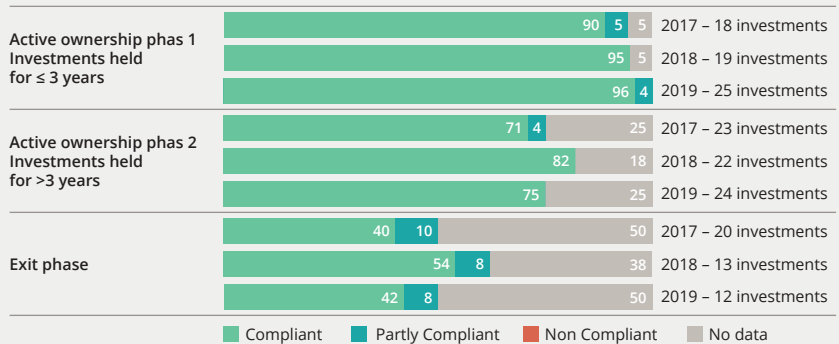
ESG Managers also support the portfolio companies through TA initiatives. During 2020 and the Covid-19 pandemic, working conditions have been a specific focal point. Through TA funds, Swedfund has supported investments in the health sector to procure personal protective equipment for employees, in order to contribute to a safer working environment. Swedfund has also approved TA funds for a portfolio company which will be used to enhance the company's ability to provide a safe working environment for employees both during and after the pandemic, to update the company's human resources policy in view of the consequences of the pandemic, and to train staff and management with regard to HR processes and tools according to international standards.

We have collected information specifically relating to work-related issues through a survey distributed to all active portfolio companies. We have also pursued a close dialogue with our investor colleagues regarding working conditions and participated in various joint improvement measures, such as developing guidelines for fund managers within new forms of employment linked to digitalisation, as well as developing frameworks and indicators for high-quality jobs together with the Global Impact Investor Network (GIIN).

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

The graph below shows that 96 percent of portfolio companies held for less than three years were considered to act in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work in 2019. One portfolio company, equivalent to four percent, is considered to act consistently

#### **Compliance with the ILO's fundamental Conventions 2017-2019** (per phase in the investment process)



with most of the eight Conventions, but some deficiencies have been identified and an action plan has been established to correct these deficiencies. 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.

#### **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 2019, Swedfund estimates, on the basis of the reported data, that 75 percent of the holdings fulfil the requirement regarding acting in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work. No information is available regarding this indicator for six portfolio companies, corresponding to 25 percent of holdings, including older holdings not subject to reporting requirements and certain financial institutions with a specific reporting template. Within this ownership phase, Swedfund's assessment is that all holdings for which responses from status reports are available fulfil the requirements.

#### **Exit phase**

Twelve investments were identified as being in the process of being exited at the end of 2019. Based on reported data, Swedfund estimates that 42 percent of the holdings in the exit phase act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, and another company, equivalent to eight percent, is considered to act consistently with most of the eight Conventions, although some deficiencies have been identified. We implement measures by working actively with these companies. Six portfolio companies, corresponding to 50 percent of the portfolio companies in this category, have not submitted status reports. These six companies are either inactive or being exited, or constitute investments which were approved before 2013, meaning that Swedfund has little or no 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. Within this ownership phase, Swedfund's assessment is that all holdings for which responses from status reports are available fulfil the requirements in their entirety or in part.



## Environment and social management system

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

Management systems for environmental and social issues must be implemented in all of the company's investments no later than three years from the date of the investment.

### INDICATOR

Proportion of investments that have implemented environmental and social management systems.

### SDGs



**10.3** – Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.



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



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

## Introduction

In order for Swedfund to contribute to long-term sustainable companies, we have been imposing a requirement on our portfolio companies for a number of years now which requires them to have management systems in place for environmental and social issues. It is of great importance to us that these systems are implemented and that the companies have an active approach to these issues. Swedfund has therefore decided to continue monitoring and measuring results relating to these indicators even though they are not included in the revised mission goals for 2019.

## Results and analysis

### PROPORTION OF INVESTMENTS THAT HAVE IMPLEMENTED ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

In order to determine whether a portfolio company has implemented a management system, we evaluate whether it contains the components that are relevant in accordance with IFC Performance Standards:

- 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), an overall assessment is made of all the above components. 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.

The ESG Manager is part of each investment team and evaluates whether the company has implemented a management system for environmental and social issues in accordance with Swedfund's requirements. As a result, all new investments approved during the year have been assessed with regard to the above components. Any deficiencies that are identified are incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. Following an investment decision, the ESG Manager monitors developments in ESGAP and, where necessary, works to improve the portfolio company's management systems through various types of measures, including ongoing dialogue, audits and site visits, active work in the sustainability committees for investments and annual monitoring surveys.

In a typical year, Swedfund conducts two types of audits on portfolio companies: external audits carried out by an external



consultant and internal audits carried out by Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but nevertheless form a key part of Swedfund's active advocacy work. During 2020, follow-up work was hampered by the pandemic and the resultant limited opportunities to travel. Swedfund has developed the work using digital tools which have expanded the options for pursuing a dialogue. Cooperation with other development finance institutions and co-investors has been strengthened, and external consultants have been engaged to a greater extent to enable follow-up and advocacy work to be carried out.

ESG Managers also support the portfolio companies through TA initiatives, and support in the development of environmental and social management systems is one of our standard projects.

This year, we have started to implement our new strategy, which ensures that we make it clear that environment and social management systems must include human rights. A number of measures have been implemented in order to implement this goal: Issue relating to human rights have been systematically included in the annual data collection for 2019. The results show that, although a number of Swedfund's older holdings have incorporated human rights into their internal management systems, measures are needed to increase the number of companies which have an active approach to the issue. The company's due diligence

form for financial institutions has been updated with further questions regarding human rights. During the spring, a detailed human rights analysis was carried out by two fund managers, and thorough training was provided. The initiatives yielded positive results, with greater awareness and improved levels of competence, as well as a tool for the funds to incorporate human rights into the due diligence process.

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

The graph below shows that 84 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. The remaining portfolio companies, 16 percent, corresponding to four companies, meet the requirements in part, but some deficiencies in their management systems for environmental and social issues have been identified, and the companies are working on improvement measures in accordance with ESGAP. This represents a minor improvement over 2018, when one company had no management systems in place at all, while another of the companies did not submit the necessary information.

**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 2019, 71 percent reported

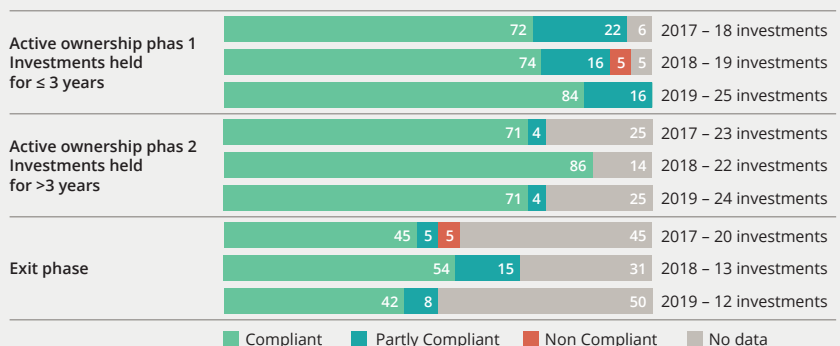
and were judged to meet the requirements in their entirety. Four percent, corresponding to one company, reported that they meet the requirements in part. No information is available for six portfolio companies, corresponding to 25 percent of the holdings. The category includes older holdings being exited and older holdings where reporting requirements have not been contractually established.

**Exit phase**

Twelve portfolio companies were in the process of being exited at the end of 2019. Of these holdings, six portfolio companies have submitted information. Five of the companies that Swedfund has assessed have a functioning management system regarding sustainability issues, while one company meets the requirements in part. No company in the category reported that it did not have a management system in place for sustainability issues. However, no information is available for six portfolio companies which failed to submit status reports. These six companies are either inactive, in the process of being exited or were exited 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. Also within this ownership phase, Swedfund's assessment is that all holdings for which responses from status reports are available fulfil the requirements in their entirety or in part.



**Existence of management system for sustainability issues 2017-2019**  
(per phase in the investment process)





## Management system for anti-corruption

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

Management systems for corruption issues must be implemented by all of the company's investments no later than three years from the date of investment.

### INDICATOR

Proportion of investments that have implemented a management system for corruption issues.

### SDGs



16.5 – Significantly reduce all forms of corruption and bribery.

## Introduction

In order for Swedfund to contribute to long-term sustainable companies, we have been imposing a requirement on our portfolio companies for a number of years now that they must have management systems in place for corruption issues. It is of great importance to us that the system is implemented and that the companies have an active approach to these issues. Swedfund has therefore decided to continue monitoring and measuring results relating to these indicators even though they are not included in the revised mission goals for 2019.

## Results and analysis

### PROPORTION OF INVESTMENTS THAT HAVE IMPLEMENTED A MANAGEMENT SYSTEM FOR CORRUPTION ISSUES

The incidence and risk of corruption is high in the markets in which Swedfund operates. We have an active approach to ensuring that our portfolio companies have the necessary processes and competence in place to work preventively on corruption issues and to act if necessary. However, we can never guarantee that individuals do not sometimes make the wrong decisions or that corruption does not occur. To determine whether a portfolio company meets the requirements which we stipulate in our anti-corruption policy, 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).
- Information – Regular reporting must take place.

A direct investment in equity or loans is deemed to meet the requirement if all five of the above components are fulfilled. As re-

gards 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.

ESG Managers are part of each investment team and evaluate whether the company has implemented a management system for anti-corruption issues in accordance with Swedfund's requirements; thus, all new investments approved during the year have been assessed with regard to the above components.

Any deficiencies that are identified are incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. Following an investment decision, the ESG Manager monitors developments in ESGAP and improvements to management systems through an ongoing dialogue, audits and site visits, active work in the sustainability committees for investments and through annual monitoring surveys.

In a typical year, Swedfund conducts two types of audits of portfolio companies, external audits carried out by an external consultant and internal audits carried out by Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but nevertheless form a key part of Swedfund's active advocacy work. During 2020, follow-up work was hampered by the pandemic and the resultant limited opportunities to travel. Swedfund has developed the work using digital tools which have expanded the options for pursuing a dialogue. Cooperation with other development finance institutions and co-investors has been strengthened, and external consultants have been engaged to a greater extent to enable follow-up and advocacy work to be carried out.

ESG Managers also support the portfolio companies through TA initiatives, and specific support for the development of anti-corruption management systems has been incorporated in TA support for two new investments.

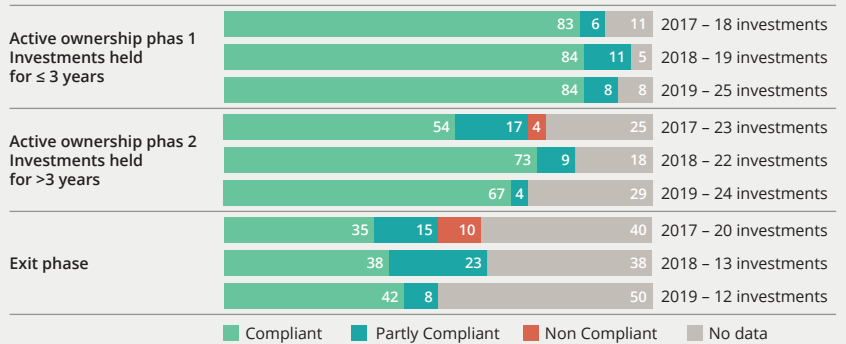
**Active ownership phase 1 – Investments held for three years or less**

Eighty four 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. Eight percent, corresponding to two companies, are deemed to meet the requirements in part. Action plans have been agreed for the companies that partially meet our requirements. Although no company has reported that they do have a management system for anti-corruption issues in place, no information has been submitted in status reports regarding two portfolio companies. The proportion of portfolio companies reporting compliance remained constant during the period 2017-2019. Swedfund's stringent demands in connection with new investments have had a marked 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 2019, 67 percent responded and were judged to meet Swedfund's requirements in their entirety. Four percent, corresponding to one company, reported that they meet the requirements in part. No company has reported that it does not have a management system for anti-corruption issues in place, but no information is available for seven portfolio companies, as these have not submitted status reports. These seven companies are either being exited, were exited during the year or represent investments which were approved before 2013, meaning that Swedfund has little or no contractual scope to require reports to be submitted. Also within this ownership phase, Swedfund's assessment is that all holdings for which responses from status reports are available fulfil the requirements in their entirety or in part.

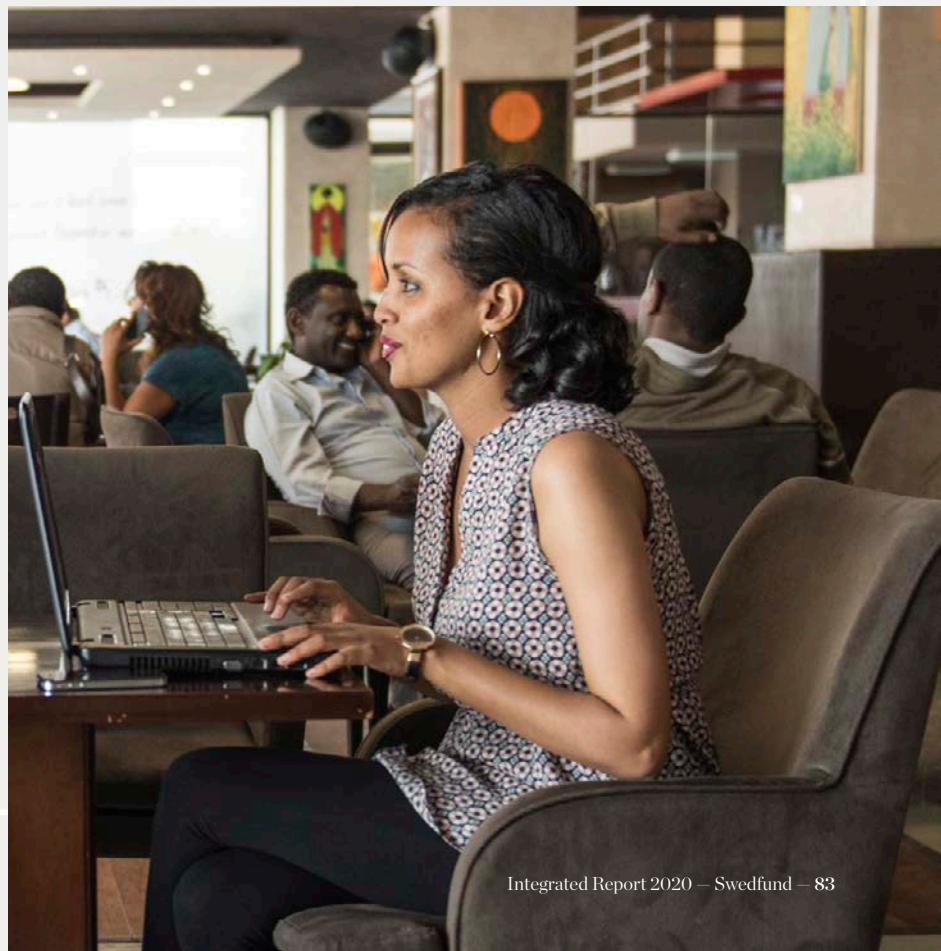
**Existence of management system for anti-corruption issues 2017-2019**  
(per phase in the investment process)



**Exit phase**

Twelve portfolio companies were in the process of being exited at the end of 2019. Five of these portfolio companies have submitted reports and were considered to have an adequate anti-corruption management system, while one portfolio company was judged to meet the criteria in part. Six companies failed to submit a report for 2018. These six companies are either inactive, in the process

of being exited or were exited 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. Also within this ownership phase, Swedfund's assessment is that all holdings for which responses from status reports are available fulfil the requirements in their entirety or in part.



# Financial viability



## Economically sustainable investments

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Investments must be financially viable. Mobilise at least 30 percent in private capital in investments that are made.

### INDICATOR

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.

Mobilise at least 30 percent in private capital in investments that are made.

### SDG



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

## Introduction

The purpose of Swedfund's investments is to facilitate growth and greater profitability, and in this way strive towards our mission and goals. The profitability of our portfolio companies is a prerequisite if the development effects we contribute to are to continue after we have exited as a shareholder or lender.

The investments should generate returns which we can then reinvest in new projects and act as an additional and enabling investor in developing countries.

Capital mobilisation means that development finance institutions act catalytically by enabling co-investment with private capital. Swedfund and other development finance institutions can act as a bridge to private capital and, thanks to their many years of experience of investing in developing countries and proven business models with an emphasis on sustainability and societal development effects, are well placed to act catalytically.

## Results and analysis

### SALES AND PROFITABILITY MUST INCREASE IN AT LEAST 60 PERCENT OF THE COMPANY'S INVESTMENTS

The graph below shows the percentage that met the above target for all the direct investments that Swedfund had at the end of each of the years 2017 - 2019. Indirect

investments, e.g. investments made through funds, are excluded.

The outcome is binary, i.e. companies have either grown in terms of both turnover and profitability or not grown at all, which also creates comparability between companies of different sizes and maturity.

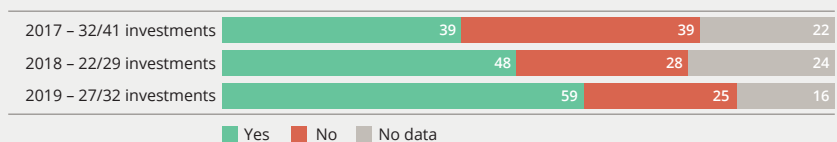
The total sample has decreased in size, from 41 in 2017 to 32 in 2019, largely as a result of the large number of direct investments exited during 2018.

In 2019, 59 percent of Swedfund's direct holdings recorded an increase in both turnover and profitability relative to the investment year, while 25 percent showed a decrease in one or both parameters. The former group includes companies which operate in different sectors and regions, as well as companies of different sizes; hence, there is no single explanation behind the result which covers all companies. The latter group includes companies which are at the beginning of their growth journey, which explains the negative profitability.

The proportion of companies achieving the growth and profitability target has risen during the past three years, as a result of Swedfund's revised investment strategy.

During the holding period, Swedfund works actively to support the companies to an extent that partly depends on our investment instrument.

### Proportion of investments reporting increased turnover and profitability (EBT) with the investment year as the base year



However, it is important to stress that 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.

#### CAPITAL MOBILISATION

One of Swedfund's mission goals is to mobilise at least 30% in private capital, at a portfolio level, within the investments we make.

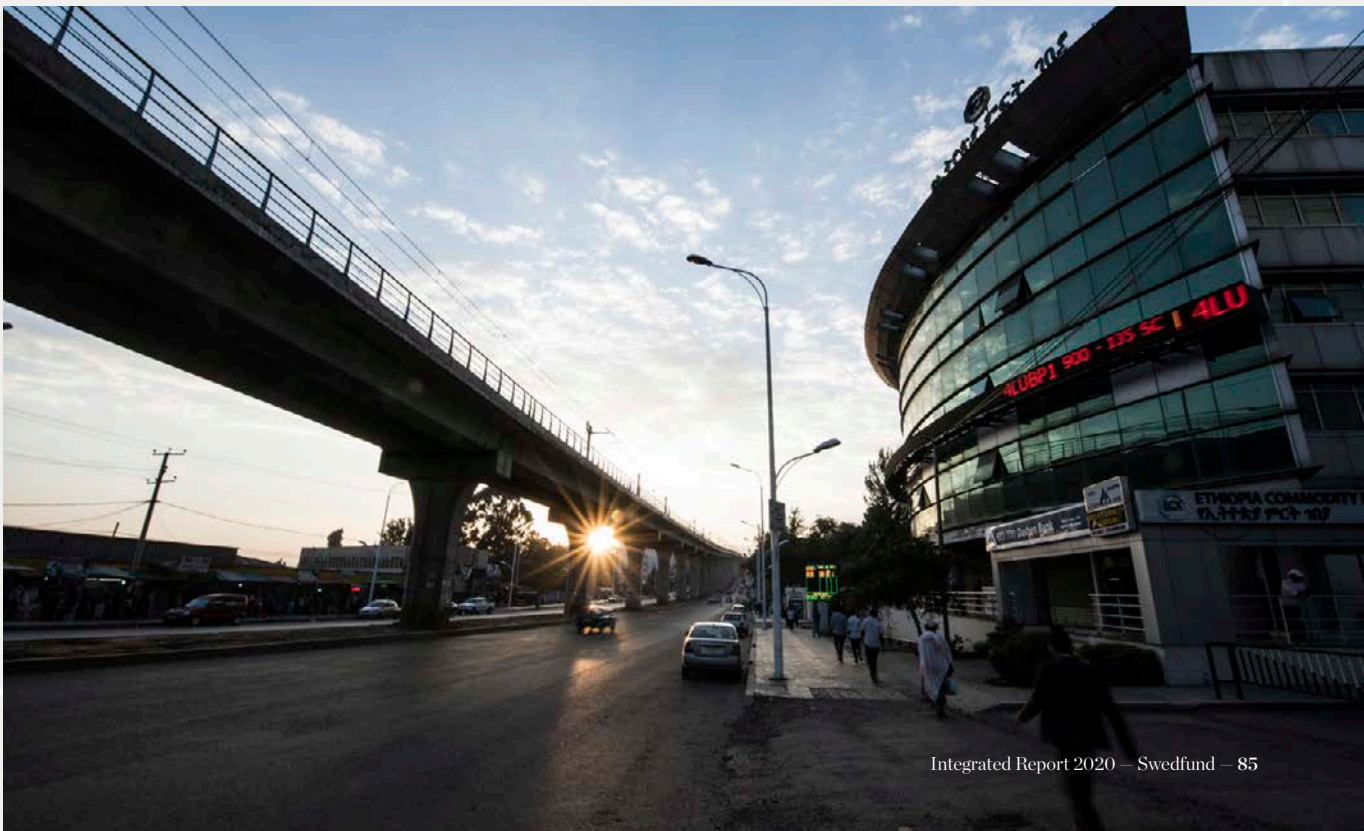
For many years, Swedfund has acted catalytically and helped to mobilise private capital through co-investments with private operators. During the year, Swedfund has also worked with a structured approach to

improve the company's communication with Swedish institutional investors. The principal aim is to create a better picture of Swedish investors' interest in and scope to carry out sustainable investments in developing countries. There are various working methods with regard to mobilisation, and during 2021 Swedfund will clarify the methods that are to be given priority in order to systematically work towards governance and hopefully exceed it.

The multilateral development banks have developed a method for calculating mobilisation and Swedfund reports on this annually to EDFI. However, there is scope for a broader and more inclusive interpretation of this method, given that there is no double-counting and that it is clear that mobilisation is taking place.

#### VOLUME OF MOBILISED CAPITAL

The mission goal is monitored using 2020 as the base year, and estimated mobilised capital is based on investments agreed during the year, which means that the goal is reported without a lag, unlike other indicators for the portfolio companies. During 2020, Swedfund is estimated to have contributed private capital mobilisation corresponding to 42 percent of the total contracted value during the year. Mobilised capital is mainly attributable to the investments made in the Health Quad II and African Development Partners Fund III funds.



# Grant-funded activity

Fighting poverty in developing countries requires an integrated approach and a variety of tools. Swedfund receives direct government funding for technical assistance for quality-enhancing initiatives amongst portfolio companies and to increase the overall development effects that the operation generates. 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.

## Swedfund's Project Accelerator

Swedfund Project Accelerator is a vital tool in the efforts being made to implement Agenda 2030. The business aims to support project development in OECD/DAC countries, so that more sustainable projects are developed and realised within the areas of renewable energy and green infrastructure.

The need for a tool like the Project Accelerator is linked not only to the fact that too few projects are being developed, but also the fact that sustainability aspects are often not taken into account to the desired extent in the projects that are developed, procured and implemented. Through the funding that Swedfund contributes, external expertise can be brought in to assist with project development and sustainable procurement. In this way, the Project Accelerator helps to boost capacity and prevent countries from committing to solutions and technologies that are unsustainable in the long term, and helps to boost business opportunities for enterprises that offer sustainable and long-term profitable solutions.

The Project Accelerator has been in use since autumn 2016, and is funded through separate annual appropriations. The grants are sourced from two areas of expenditure: expenditure area 24 (Industry and trade) and expenditure area 7 (International development cooperation). In 2020, the Project Accelerator received MSEK 68 from expenditure area 7. From expenditure area 24, the Project Accelerator received MSEK 10

for the business in 2020 – 2021, as well as the previously awarded MSEK 25 for 2019 - 2020. These amounts include funds which Swedfund can utilise to cover the organisation's administration costs.

Thirty projects have been initiated and are at various phases of commitment and levels of activity. Projects are usually preceded by a comprehensive anchoring process.

The project itself will then be carried out over a period of nine to 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. Exactly when the procurement is subsequently realised will depend on the national and local circumstances of the public stakeholder that is the project owner.

Covid-19 has delayed the implementation of certain consultancy initiatives, partly as a result of travel restrictions. Wherever possible, the starting point for the Project Accelerator has been a pragmatic approach to ensuring the implementation of the project whilst maintaining quality levels. The Project Accelerator has worked with project owners through digital platforms, as well as through other operators within Team Sweden. The pandemic has not affected the influx of projects, and the need for project preparation and support initiatives has instead increased as a result of a need for sustainable projects to "build back better" in the poorest and worst-affected countries.

## Swedfund Project Accelerator, general status

| Aggregate                   | Number |
|-----------------------------|--------|
| Total proposals received    | 299    |
| Total initiatives initiated | 30     |
| Completed initiatives       | 6      |
| Ongoing                     | 16     |

Project Accelerator has initiatives in the following countries: Côte d'Ivoire, Egypt, Zambia, Burkina Faso, Mozambique, Rwanda, Lesotho, Angola, Namibia, Uganda, Philippines, Laos, Myanmar, Thailand, Indonesia, Vietnam, Ukraine, Albania, Bolivia, Brazil and Colombia. Sectors: Transport, energy, water and sewage, forests and healthcare.



## Swedpartnership

Swedpartnership provides financial support to Swedish SMEs that establish an operation 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 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 activities and resources funded by the support are targeted at the staff or activity of the local companies.

Swedpartnership was allocated SEK 12 million for lending and SEK 3,8 million for administrative expenses during 2020. During 2019, Swedfund asked the Ministry for Foreign Affairs and the Ministry of Enterprise and Industry for a new organisational domicile for Swedpartnership; read more on page 63.

| Indicator  | 2018   | 2019   | 2020   |
|--|--------|--------|--------|
| Number of projects approved  | 14     | 14     | 7      |
| Number of projects concluded during the year   | 24     | 26     | 20     |
| Number of new jobs (employees)   | 533    | 305    | 219    |
| Investments in machinery and equipment (MSEK)  | 13.2   | 13.3   | 12.5   |
| Knowledge transfer to which Swedpartnership contributed, measured in number of hours during the year | 47,200 | 61,000 | 50,300 |

| Region (SEK million) | Investment loans agreed during the year | Proportion  | Soft loans disbursed during the year | Proportion  |
|----------------------|---|-------------|--------------------------------------|-------------|
| Africa               | 5.8                                     | 64%         | 2.7                                  | 32%         |
| Asia                 | 3.3                                     | 36%         | 5.7                                  | 69%         |
| Latin America        | 0                                       | 0%          | 0.3                                  | 4%          |
| Eastern Europe       | 0                                       | 0%          | -0.4                                 | -5%         |
| <b>Total</b>         | <b>9.1</b>                              | <b>100%</b> | <b>8.3</b>                           | <b>100%</b> |



### Funds for technical assistance (TA)

Technical assistance funds are used to strengthen Swedfund's investments in all three pillars – impact on society, sustainability 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 2020, Swedfund has been allocated SEK 15.2 million for technical assistance, of which SEK 1.5 million is allocated to administration of the operation. Covid-19 has resulted in strong

demand amongst the portfolio companies for support in preventing and managing the consequences of the pandemic. In addition to the abovementioned funds, Swedfund was during 2020 able to utilise the accumulated grant saving for TA projects from previous years. A total of 30 projects with a total value of MSEK 24.7 were approved in 2020.



| TA initiatives - approved 2020  | Description   |
|---|---|
| Quality-enhancing initiatives within ESG  | ESG audits of a fund investment's portfolio companies in the Indian healthcare sector.  |
| Evaluation of human rights and capacity-enhancing initiatives   | Capacity-enhancing initiatives in the form of training and the development of a toolbox for the assessment of human rights.   |
| Study in the health sector  | Study focusing on the health sector in East and West Africa to identify opportunities for strengthening development effects in the field.   |
| Climate initiatives   | Development of a methodology and tools for evaluating alignment with the Paris Agreement for Swedfund's portfolio.  |
| Climate initiatives   | Development of a method and tools for the climate-related impacts of forestry investments as part of a wider project in partnership with other development finance institutions.  |
| Women4Growth  | Additional approval for implementation of Women4Growth, a talent programme to promote women's empowerment, at a bank in which Swedfund has invested.  |
| Environmental and social management systems, anti-corruption, energy and waste management systems.  | Development of environmental and social management systems, development of anti-corruption management systems, improvements to energy infrastructure and waste management in the Kenyan health sector.  |
| Capacity-enhancing initiatives to promote healthy and safe working environments taking into account Covid-19, in order to contribute to the health and safety of employees and patients and reduce the spread of infection amongst the population | Financing of the purchase of personal protective equipment (PPE) for eight of Swedfund's direct and indirect (via funds) investments in the health sector. In total, this includes nearly 50 health facilities (clinics, hospitals, pharmacies and healthcare platforms) in Ghana, Liberia, Ethiopia, Kenya, Uganda, Tanzania, Nigeria, Madagascar and India.<br>Financing of the establishment of patient air-locks for three clinics in Ethiopia and Ghana, and the establishment of an infection isolation unit in a clinic in Kenya.<br>Financing for other capacity-enhancing initiatives for healthy and safe environments, such as screening equipment, medicines and training has also been approved in some cases. |
| Capacity-enhancing initiatives within digitalisation and as a result of Covid-19  | Upgrading of the digital infrastructure in one of Swedfund's energy investments to enable remote control and monitoring of mini-networks, as well as improvements to services aimed at customers regarding electricity use, data protection, complaints, etc.   |
| Environmental and social management systems and quality-enhancing initiatives within ESG and gender equality  | Concerns quality-enhancing initiatives through financing for the implementation of environmental and social management systems in portfolio companies, ESG training and support in strengthening the work of the business concerning gender equality in the energy sector in Africa.  |
| Gender equality initiatives   | Implementation of an action plan to promote gender equality in one of Swedfund's energy investments.  |
| Implementation of an action plan to promote gender equality in one of Swedfund's energy investments   | Concerns quality-enhancing initiatives through financing for the implementation of environmental and social management systems in portfolio companies, ESG training and support in strengthening the work of the company concerning gender equality in a financial institution in Asia.   |
| Capacity-enhancing initiatives to promote gender equality and Quality, Safety and Environment (QSE)   | Capacity-enhancing training initiatives for female leaders, as well as training relating to Quality, Safety and Environment (QSE) for one of the funds' underlying companies in Africa.   |
| Initiatives relating to decent jobs   | Initiatives aimed at strengthening the work of a portfolio company relating to sustainability and its investments in the hotel sector in Africa, in order to protect the jobs affected by the pandemic and Covid-19.  |
| Initiatives within the environment and implementation of the Livelihood Restoration Plan  | Improved water management and implementation of the Livelihood Restoration Plan in one of Swedfund's investments in Africa.   |
| Capacity-enhancing initiative to promote healthy and safe environments in the light of Covid-19   | Capacity-enhancing initiatives in the form of training and purchase of equipment as a result of Covid-19, in one of Swedfund's investments in the hotel sector in Africa.   |
| Initiative within environment   | Development of the strategic and operational work of an energy investment regarding the management of electrical waste and the development of an industry-wide "e-waste toolkit" for the off-grid sector in renewable energy generation.  |
| Capacity-enhancing initiative relating to the climate   | Electrification (through solar energy) of clinics in rural Kenya to boost their capacity to address Covid-19 and the needs of poor local communities.   |
| Capacity-enhancing initiatives relating to climate and as a result of Covid-19  | Determination of the climate impact of a fund investment and the development of action plans to manage and reduce its carbon footprint. The initiative is also a pilot project to test Swedfund's strategy for calculating greenhouse gases for fund investments.   |
| Environmental and social management systems and capacity-enhancing initiatives relating to human rights, gender equality and decent jobs  | Development of environmental and social management systems, improvements to data protection processes for the protection of human rights and capacity-enhancing initiatives to improve gender equality and decent jobs in the health sector in Africa.  |
| Women4Growth  | Further development and implementation of the Women4Growth talent programme to enhance women's empowerment in 2021.   |

# Swedfund's results

Swedfund is Sweden's development finance institution 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's results and financial position for the 2020 financial year, together with a follow-up of the financial targets defined by the owners.

## Investment activities

### PORTFOLIO

In 2020, efforts to alter the composition of 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 six investments were completely exited. In addition to fully exited holdings, seven loans in the remaining portfolio were also repaid in full. Capital gains in 2020 from the sale of shares and participations were lower compared with the previous year and amounted to MSEK 53.4 (89.7) net. The sales with the greatest impact on this year's capital gains are the divestment in AAR Healthcare Holdings Ltd, which remains as the underlying holding in Hospital Holdings Investment BV, as well as the sale of all shares in MongoliaNord GmbH. In addition to sales of shareholdings, partial sales within a number of funds are included in this year's capital gains.

During the year, Swedfund also signed eleven (11) agreements with both new and existing portfolio companies. The contracted value of these agreements is equivalent to MSEK 950 million and concerns four equity and fund investments and seven loans. These investments are described below under the respective sectors.

In addition, approval was granted during the year for an additional MSEK 375 in three fund investments where contracting is expected to take place during the first half of 2021.

The book value of Swedfund's portfolio of shares, mutual fund units and loans amounted to MSEK 2,898 (3,188) as of 31 December 2020. Unrealised surplus values of shares and mutual fund units also amounted to MSEK 368 (565), 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 4,915 (5,558). During the year, the value of the portfolio was negatively impacted by write-downs which to some extent have been affected by the Covid-19 pandemic. The greatest impact on the lower portfolio value is explained by currency translation, as the Swedish krona strengthened considerably against the USD in particular during the year. The estimated negative impact on the value of the portfolio as a result of currency translation is equivalent to -13% of the reported amount at the start of the year.

### INVESTMENTS

#### *Energy & Climate sector*

During the year, Swedfund continued to invest in the Energy &

Climate sector based on the strategic decision to invest exclusively 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 at the end of the period amounted to 35% of the total contracted value of the portfolio. Two (2) investments were agreed during the year. These are presented below:

- Swedfund has agreed to increase its commitment up to an additional MEUR 15 in the Interact Climate Change Facility (ICCF). ICCF invests widely in renewable energy and energy efficiency projects in Africa and Asia in particular. Together with most other development finance institutions within EDFI, Swedfund has been investing in the platform for ten years
- A new investment in Sunfunder, the Solar Energy Transformation Fund, was agreed during the year. Sunfunder is a credit fund which invests through loans in various types of off-grid solar projects which provide opportunities for households and small enterprises in rural areas to gain access to electricity. Swedfund invests in Sunfunder through a loan of up to MUSD 12.

#### *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. During 2020, six (6) investments were agreed in the Financial Inclusion sector:

- An extended loan to Platcorp Holdings Ltd of MEUR 5 was agreed and disbursed during the year. Platcorp has been part of Swedfund's investment portfolio since 2018 and is a financial institution with products focused on micro, small and medium enterprises in Kenya, Uganda and Tanzania.
- African Rivers Fund III is a credit fund with a geographical focus on Angola, Uganda and the Democratic Republic of Congo which focuses on investments in loans to SMEs. Swedfund has agreed to invest up to MUSD 10 in the fund.

- Agreement has been reached regarding an increased commitment in the form of an additional MUS\$ 10 investment in African Development Partners III, which means that Swedfund has agreed to invest a total of MUS\$ 25 in the fund. ADP III has a strong focus on sustainability and job creation, and invests exclusively in Africa.
- European Financing Partners (EFP) is an existing investment platform jointly owned by the European Investment Bank (EIB) and twelve members of EDFI, including Swedfund. The EFP as a platform is prioritised by EDFI as part of the joint strategy to counter the effects of the Covid-19 pandemic and a good example of an existing structure which has rapidly been scaled up to meet new needs. Swedfund has agreed to increase its commitment to EFP to MEUR 10.
- Satin Creditcare Ltd is one of India's leading microfinance institutions and primarily focuses its products and services on self-employed women in rural and small towns. Swedfund has reached agreement with Satin concerning a loan up to MUS\$ 15 in total.
- A loan of MUS\$ 15 million to the Co-operative Bank of Kenya was agreed at the end of 2020. Swedfund's loan forms part of a syndicate led by IFC, where the financing given to the bank is intended for further lending to small and medium enterprises and targeted climate-related investments.

### 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. In 2020, Swedfund has made three (3) new investments in the Health sector:

- An investment has been agreed in Jacaranda Maternity, which runs maternity clinics in Kenya. Swedfund's investment in Jacaranda is being made in the form of a convertible loan of MUS\$ 0.8, which will be used for expansion in order to set up more clinics.
- HealthQuad Fund II is a fund which invests in small and medium enterprises with innovative business models in the health sector in India. Swedfund has agreed to invest up to MINR 757 (Indian rupees) in the fund, which corresponds to approximately MSEK 85.
- An investment of MUS\$ 1 in newly issued shares in Kasha Global was agreed in 2020. Kasha has developed an e-commerce platform with products focused on women's health. Swedfund's investment will enable the company to continue to grow its operations in Kenya and Rwanda, with potential for expansion to include other African countries as well.

### DIVESTMENTS

During the year, six (6) portfolio holdings were fully exited, including three equity investments and one fund

- The shareholding in Mongolia Nordh GmbH was divested during the first quarter.
- The shareholding in AAR Healthcare Holdings Ltd was divested during the first quarter. Swedfund maintains its indirect participation in AAR through the investment in Hospital Holdings Investment BV, where AAR is an underlying holding.
- The shareholding in Timsales Holding Ltd was divested in its entirety during the second quarter.
- The remaining fund shares in SEAF Sichuan Small Investment Fund have been divested, which means that the investment is considered to have been completely exited.

### SETTLEMENT OF LOANS

During 2020, two loan investments were exited.

- The loan to Engro Powergen Qadirpur Ltd in Pakistan was repaid in full during the second quarter as planned
- The loan to XAC Bank in Mongolia was repaid in full early during the fourth quarter.
- In addition to fully exited loan investments, a loan to Acleda has been repaid in full, as has a loan to Prasac which was redeemed early. Both Acleda and Prasac remain in Swedfund's portfolio, with one remaining loan per holding.
- A total of five loans under the EFP co-financing facility were repaid in full during the year.

### Earnings performance

#### ECONOMIC OBJECTIVES

Swedfund's financial targets were adopted in 2019 and stipulate that operating profit (EBIT) should be positive when measured as a mean over a five-year period. The goal requires the company's operations to be financially sustainable and cost-effective. The financial goal is a long-term goal and must be evaluated over an extended period of time. The negative result for 2020 means that Swedfund has not yet achieved the company's financial targets after the current financial year.

EBIT for the 2020 financial year amounted to MSEK -372.6 (41.4). The negative result is primarily affected by write-downs and provisions for credit losses and the effects of currency translation. Including unrealised currency effects included in impairments of stocks and shares, the overall impact on the profit during the year from currency translation is of the order of MSEK -200. Operating profit and cash flow remained positive during the year, with recurring income from dividends and net interest income more than covering Swedfund's operating expenses. 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.

#### COMMENTS ON THE RESULTS OF INVESTMENT ACTIVITIES

A total of six holdings in the portfolio were fully wound up during the year, including three equity investments and one fund, which means that the number of discontinued holdings has increased slightly compared with the previous financial year. Swedfund's overall net income from investment activities amounted to MSEK -292.0 (119.2) during the 2020 financial year. The strengthening of the Swedish krona against the USD in particular has negatively impacted on the trend in earnings through unrealised currency effects in connection with the valuation of holdings in the portfolio. In addition, ongoing reflows from dividends and net interest income have also been negatively affected by the stronger Swedish krona, compared with the previous year.

#### Shares and mutual fund units

Swedfund's investment activities generated dividends of MSEK 45.0 (28.2) in 2020, equivalent to growth of 60%. The single largest impact on the growth of dividends during the year stems from a retrospective dividend from the shareholding in Komericialna Banka which was exited in 2019. Larger reflows from a number of credit funds also contributed to the growth in dividends compared with the previous year.

Net capital gains from the sale of shares and units for the full year

2020 amounted to MSEK 53.4 (89.4). The transactions during the year with the greatest impact on capital gains relate to the divestments of AAR Healthcare Holdings Ltd and Mongolia Nordh GmbH. In addition to these shareholding divestments, partial sales in a number of funds also had a positive impact on the overall capital gain for 2020.

#### **Net interest income**

Loans receivable in the investment portfolio had a book value of MSEK 1,328 (1,531), while borrowing from the Swedish Export Credit Corporation relating to currency hedging amounted to MSEK 820 (1,334). Net interest income for the full year 2020 amounted to MSEK 85.4 (84.5), corresponding to an increase of 1% compared with the previous year. During 2020, the impacts of currency and lower market interest rates had a marked negative effect on net interest income compared with 2019.

At the end of 2019, Swedfund began implementing a new strategy for the management of currency risks. According to this strategy, no new protective positions will be taken up in order to hedge loans receivable in the investment portfolio against Swedish kronor. During 2020, net interest income was positively impacted by lower interest costs as the outstanding balance of borrowings has been amortised.

#### **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.

#### **Currency effects**

Recognised currency effects for the full year 2020 amounted to MSEK -40.1 (-1.2). The profit and loss line contains both realised currency gains and losses, as well as unrealised currency effects for loans receivable, which were strongly affected by the strengthening of the Swedish krona during the year. Given the strategy to cease hedging loans receivable, volatility will increase in recognised exchange rate effects and broadly follow fluctuations in the currency market between Swedish krona and the USD in particular.

#### **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 substantial variations in net impairments between reporting periods. 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 2020, the unrealised surplus value amounted to MSEK 368 (565); see also Note 22.

For the 2020 financial year, impairment losses on shares and mutual fund units (net) amounted to MSEK -353.6 (-23.6). The single largest factor affecting the level of write-downs of stocks and shares is translation effects from currency, which for the full year is estimated to amount to approximately MSEK -150. Furthermore, the operations of a number of Swedfund's portfolio companies have been both directly and indirectly affected by the ongoing global crisis caused by the Covid-19 pandemic. Most of the write-down of stocks and shares,

excluding currency effects, mainly relate to portfolio holdings which were fragile even before the pandemic.

Valuation of loans in accordance with IFRS 9 was charged to the profit for 2020 with expected credit losses of MSEK -78.1 (-53.7). The change and negative impact on earnings as a result of expected credit losses is primarily attributable to a number of portfolio holdings which were showing an elevated credit risk even before the Covid-19 pandemic (stages 2 and 3, see Notes 1 and 22). During the year, repayments and interest payments were received for other portfolio holdings (stage 1) in accordance with agreed payment schedules.

#### **COMMENTS ON OPERATING PROFIT (EBIT) AND FINANCIAL EXPENSES**

Swedfund's operating profit (EBIT) for 2020 amounted to MSEK -372.6 (41.4). The negative result is primarily affected by write-downs and provisions for credit losses and the effects of currency translation. Including unrealised currency effects included in impairments of stocks and shares, the overall impact on the profit during the year from currency translation is of the order of MSEK -200. Operating profit and cash flow were positive during the year, although income from net interest income and dividends were also negatively impacted by currency translation and lower market interest rates.

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

Other operating income and expenses refers to the activities of Swed-partnership, Technical Assistance and the Swedfund Project Accelerator, which are funded through separate grants. Net, these revenues and expenses amounted to MSEK 0 (1.0) for the 2020 financial year. Swedfund's costs are normally covered in full by the appropriation, which means that these operations do not have a direct impact on the company's financial results.

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

The company's other external expenses amounted to MSEK -24.9 (-24.0) for the full year 2020. The increase in external costs was primarily the result of a number of major projects in IT and internal control.

Personnel costs amounted to MSEK -55.2 (-53.9) in 2020, with the increase being explained by wage inflation and a higher average number of employees.

#### **Other financial expenses**

Other financial expenses amount to MSEK -2.9 (-6.6) and are attributable to Swedfund's financial management in the form of cash 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 2020 also led to a negative return on Swedfund's financial management.

#### **TAXES**

Since 2018, Swedfund has also had 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 2020. 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 for calculation of reported tax.

## Financial position

With the exception of Swedpartnership, Technical Assistance and Swedfund Project Accelerator which are funded through appropriations, Swedfund is financed through equity, i.e. capital injections and accumulated profits. The financial position is good and the equity/assets ratio was deemed as 85% (78) as of December 31, 2020.

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 820 (1,334) as of 31 December 2020, of which MSEK 264 (317) pertained to short-term borrowings. As collateral for its borrowing, Swedfund has made short-term investments of MSEK 1,173 (1,688) in pledges. Swedfund's board of directors adopted a new strategy for managing currency risks, according to which no new positions are taken in order to hedge loan investments against the Swedish krona. Remaining borrowing is expected to largely be amortised as planned over the next three years.

Swedfund's liquid assets, including short-term investments, amounted to MSEK 4,213 (3,969), of which MSEK 2,841 (2,124) related to funds that Swedfund has at its disposal. These funds, also referred to as "own funds", are allocated as illustrated below. Reserved funds, referred to as "earmarked funds", for the company's agreed, unpaid, investments amounted to MSEK 1,850 (2,021) at the end of the financial year.

Liquid assets are reserved for agreed investments to enable the Company to fulfil its commitments in connection with payments. Agreed investments are often disbursed in instalments over a number of years, particularly as regards investments in funds. The "earmarked funds" are distributed according to form of investment, sector and geographically as illustrated below.

## Cash flow

Cash flow for the year from operating activities, before changes in working capital, remains positive with growth and amounted to MSEK 45.3 (38.4). Including the changes in working capital, cash flow from operating activities amounted to MSEK 47.0 (67.1). Cash flow from investment activities amounted to MSEK -288.0 (-450.2) and shows further strong activity regarding the acquisition of new financial fixed assets. Cash flow from financing activities amounted to MSEK 958.4 (390.5), with this year's capital injection of MSEK 800 accounting for the majority. Total cash flow for the year amounted to MSEK 717.4 (7.4).

## Personnel

The average number of employees in 2020 was 46 (41). An average of 44 employees were based in Stockholm, with two employees being based 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 risks and risk management in Swedfund's operations on pages 48-51 and about financial risks 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 129-134.

## BOARD OF DIRECTORS

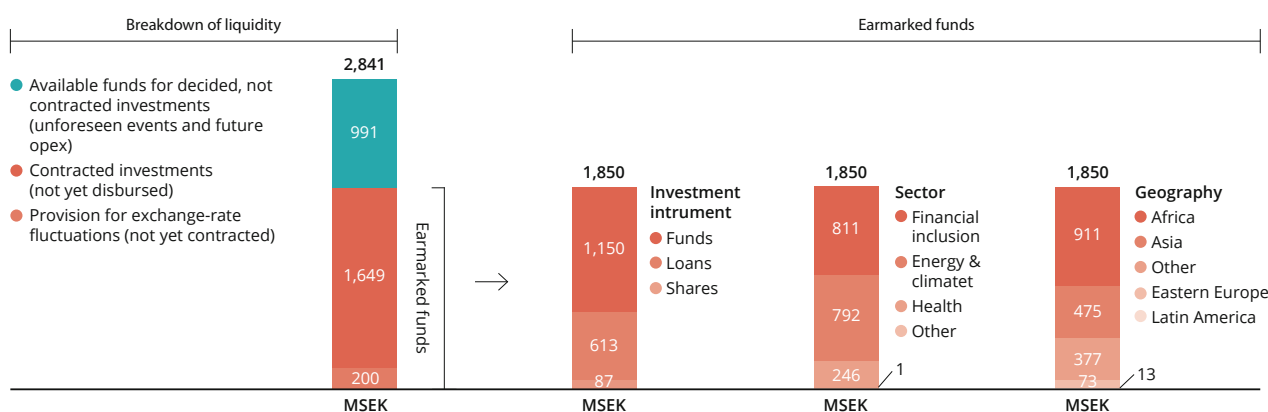
At the annual general meeting held on 22 April 2020, Göran Barsby, Fredrik Arp, Kerstin Borglin, Torgny Holmgren, Mikael Sandström, Daniel Kristiansson, Catrina Ingelstam and Roshi Motman were re-elected. Göran Barsby was re-elected Chairman of the Board.

## Proposal for allocation of profit

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

|  | 2020                 |
|--|----------------------|
| The following funds are at the disposal of the annual general meeting:                                       |                      |
| Accumulated profit/loss  | 5,078,752,042        |
| Capital injection  | 800,000,000          |
| Profit/loss for the year   | -375,210,737         |
|  | <b>5,503,541,305</b> |
| The board of directors proposes that the funds available to the annual general meeting be allocated so that: |                      |
| To be carried forward  | 5,503,541,305        |
|  | <b>5,503,541,305</b> |

## DISTRIBUTION OF OWN FUNDS AS OF 31.12.2020, MSEK



# Income statement

| <b>Amounts in SEK (thousands)</b>  | <b>Note</b> | <b>2020</b>     | <b>2019</b>    |
|--|-------------|-----------------|----------------|
| <b>Shares and mutual fund units</b>  |             |                 |                |
| Dividends received   | 3, 4        | 44,970          | 28,186         |
| Sales income   | 3, 4        | 142,361         | 190,861        |
| Acquisition cost of disposed of shares and mutual fund units                 | 4           | 88,960          | -101,432       |
| <b>Income from shares and mutual fund units</b>                              |             | <b>98,371</b>   | <b>117,615</b> |
| <b>Group companies, associates and joint ventures</b>                        |             |                 |                |
| Sales income   | 3, 4        | -               | 240            |
| <b>Income from group companies, associates and joint ventures</b>            |             | <b>-</b>        | <b>240</b>     |
| <b>Interest Income and expenses</b>  |             |                 |                |
| Income from interest   | 3           | 108,230         | 129,939        |
| Interest expenses  |             | -22,785         | -45,485        |
| <b>Income from interest-bearing instruments</b>                              |             | <b>85,445</b>   | <b>84,454</b>  |
| <b>Other portfolio income and portfolio costs</b>                            |             |                 |                |
| Other Portfolio Income   | 3           | 1,062           | 1,323          |
| Other Portfolio Expenses   |             | -5,159          | -5,925         |
| Currency effects   |             | -40,130         | -1,208         |
| <b>Income from other portfolio income and portfolio costs</b>                |             | <b>-44,227</b>  | <b>-5,810</b>  |
| <b>Write-downs and loan losses</b>   |             |                 |                |
| Write-downs of shares and mutual fund units, net                             |             | -243,666        | 4,573          |
| Write-downs of group companies, associated companies and joint ventures, net |             | -109,894        | -28,192        |
| Write-downs for loan losses, net   |             | -78,067         | -53,654        |
| <b>Result from write-downs and loan losses</b>                               |             | <b>-431,626</b> | <b>-77,273</b> |
| <b>INCOME FROM INVESTMENT ACTIVITIES</b>                                     |             | <b>-292,038</b> | <b>119,227</b> |
| <b>Other operating income</b>  |             |                 |                |
| Other operating income   | 3.5         | 48,196          | 36,589         |



| <b>Amounts in SEK (thousands)</b>                      | <b>Note</b> | <b>2020</b>     | <b>2019</b>    |
|--|-------------|-----------------|----------------|
| <b>Operating expenses</b>                              |             |                 |                |
| Other external costs                                   | 7.8         | -24,855         | -23,983        |
| Personnel costs  | 6           | -55,176         | -53,725        |
| Other operating expenses                               | 5           | -48,196         | -35,604        |
| Depreciation of non-current assets                     | 11          | -493            | -1,070         |
| <b>Result from other operating income and expenses</b> |             | <b>-80,524</b>  | <b>-77,793</b> |
| <b>OPERATING PROFIT (EBIT)</b>                         |             | <b>-372,562</b> | <b>-41,434</b> |
| <b>Results from other financial items</b>              |             |                 |                |
| Other financial expenses                               | 9           | -2,940          | -6,625         |
| <b>Results from other financial items</b>              |             | <b>-2,940</b>   | <b>-6,625</b>  |
| <b>PROFIT AFTER FINANCIAL ITEMS</b>                    |             | <b>-375,503</b> | <b>34,809</b>  |
| <b>PROFIT/LOSS BEFORE TAX</b>                          |             | <b>-375,503</b> | <b>34,809</b>  |
| Tax on profit/loss for the period                      | 10          | 292             | 5,810          |
| <b>PROFIT/LOSS FOR THE PERIOD</b>                      |             | <b>-375,211</b> | <b>40,619</b>  |
| <b>The Company's Statement of Comprehensive Result</b> |             |                 |                |
| Profit/loss for the period                             |             | -375,211        | 40,619         |
| <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>             |             | <b>-375,211</b> | <b>40,619</b>  |

# Balance sheet

## Assets

| Amounts in SEK (thousands)                                       | Note           | 31.12.2020       | 31.12.2019       |
|--|----------------|------------------|------------------|
| <b>FIXED ASSETS</b>  |                |                  |                  |
| <b>Non-current assets</b>  |                |                  |                  |
| <b>And and buildings</b>   |                |                  |                  |
| Improvement expenditure on leasehold                             | 11             | 447              | 894              |
| <b>Tangible fixed assets</b>                                     |                |                  |                  |
| Equipment  | 11             | 69               | 115              |
| <b>Total</b>   |                | <b>515</b>       | <b>1,009</b>     |
| <b>Financial fixed assets</b>                                    |                |                  |                  |
| Equities and mutual Fund shares                                  | 12, 22, 23     | 1,521,005        | 1,528,560        |
| Participations in group companies, associates and joint ventures | 13, 22, 23     | 48,093           | 128,129          |
| Loans receivable   | 14,15,22,23,27 | 1,328,498        | 1,531,109        |
| Endowment insurance  | 22,23          | 614              | 858              |
| Other long-term securities                                       | 17,22,23       | 298              | 298              |
| Deferred tax assets  | 10             | 721              | 721              |
| <b>Total</b>   |                | <b>2,899,228</b> | <b>3,189,674</b> |
| <b>Total fixed assets</b>  |                | <b>2,899,744</b> | <b>3,190,682</b> |
| <b>CURRENT ASSETS</b>  |                |                  |                  |
| Accounts receivable  | 22,23          | 2,391            | 8,493            |
| Other receivables  | 18,22,23       | 27,607           | 36,017           |
| Prepaid expenses and accrued income                              | 19,22,23       | 29,809           | 37,795           |
| <b>Total</b>   |                | <b>59,807</b>    | <b>82,305</b>    |
| Short-term investments   | 20,22,23,27    | 3,525,513        | 3,527,035        |
| Cash and bank balances   | 22,23,27       | 661,818          | 415,463          |
| Retained funds on behalf of others                               | 22,23,27       | 25,597           | 26,848           |
| <b>Total</b>   |                | <b>4,212,928</b> | <b>3,969,346</b> |
| <b>Total current assets</b>                                      |                | <b>4,272,735</b> | <b>4,051,651</b> |
| <b>TOTAL ASSETS</b>  |                | <b>7,172,479</b> | <b>7,242,333</b> |

## Equity and liabilities

| Amounts in SEK (thousands)                          | Note     | 31.12.2020       | 31.12.2019       |
|---|----------|------------------|------------------|
| <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                             |          | 5,878,752        | 5,038,133        |
| Profit/loss for the period                          |          | -375,211         | 40,619           |
| <b>Total</b>  |          | <b>5,503,541</b> | <b>5,078,752</b> |
| <b>Total equity</b>                                 |          | <b>6,093,541</b> | <b>5,668,752</b> |
| <b>LIABILITIES</b>                                  |          |                  |                  |
| <b>Provisions</b>                                   |          |                  |                  |
| Provision for pension obligations                   | 25       | 614              | 858              |
| Other provisions                                    | 15,26,27 | 2,324            | 1,791            |
| <b>Long-term liabilities</b>                        |          |                  |                  |
| Liabilities to credit institutions                  | 22,23    | 555,963          | 1,017,058        |
| <b>Total</b>  |          | <b>558,901</b>   | <b>1,019,706</b> |
| <b>CURRENT LIABILITIES</b>                          |          |                  |                  |
| Liabilities to credit institutions, short-term part | 22,23    | 263,877          | 317,008          |
| Accounts payable                                    | 22,23,28 | 3,602            | 3,473            |
| Tax liabilities                                     | 28       | 3,557            | 4,016            |
| Other liabilities                                   | 22,23,28 | 61,090           | 77,810           |
| Accrued expenses and deferred income                | 22,23,29 | 187,910          | 151,569          |
| <b>Total</b>  |          | <b>520,036</b>   | <b>553,875</b>   |
| <b>Total provisions and liabilities</b>             |          | <b>1,078,937</b> | <b>1,573,581</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |          | <b>7,172,479</b> | <b>7,242,333</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 |                  |
| OPENING EQUITY 01/01/2019                            | 50,000            | 540,000           | 4,503,095               | -64,962                  | 5,028,133        |
| 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                 | -                        | -                |
| <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> |
| OPENING EQUITY AS OF 01.01.2020                      | 50,000            | 540,000           | 5,038,133               | 40,619                   | 5,668,752        |
| Reversal result previous year                        | -                 | -                 | 40,619                  | -40,619                  | -                |
| Profit/loss for the period                           | -                 | -                 | -                       | -375,211                 | -375,211         |
| Other comprehensive income for the year              | -                 | -                 | -                       | -                        | -                |
| <b>Comprehensive net income for the year</b>         | <b>50,000</b>     | <b>540,000</b>    | <b>5,078,752</b>        | <b>-375,211</b>          | <b>5,293,542</b> |
| Capital contribution                                 | -                 | -                 | 800,000                 | -                        | 800,000          |
| <b>Total transactions with owners</b>                | <b>-</b>          | <b>-</b>          | <b>800,000</b>          | <b>-</b>                 | <b>800,000</b>   |
| <b>Closing shareholders' equity as of 31.12.2020</b> | <b>50,000</b>     | <b>540,000</b>    | <b>5,878,752</b>        | <b>-375,211</b>          | <b>6,093,541</b> |

The share capital consists of 50 shares with a quotient value of SEK 1,000.

# Cash flow statement

| Amounts in SEK (thousands)   | Note | 2020             | 2019             |
|--|------|------------------|------------------|
| <b>Ongoing activities</b>  |      |                  |                  |
| Profit/Loss after financial items  |      | -375,503         | 34,809           |
| Adjustment for non-cash items  | 32   | 422,883          | 5,429            |
| Income tax paid  |      | -2,058           | -1,874           |
| <b>Cash flow from operating activities before changes in working capital</b> |      | <b>45,322</b>    | <b>38,364</b>    |
| <b>Cash flow from changes in working capital</b>                             |      |                  |                  |
| Increase (-)/Decrease (+) in operating receivables                           |      | 12,700           | -18,532          |
| Increase (+)/Decrease (-) in operating liabilities                           |      | 11,068           | 10,216           |
| <b>Cash flow from operating activities</b>                                   |      | <b>46,954</b>    | <b>67,111</b>    |
| <b>Investment activities</b>   |      |                  |                  |
| Acquisition of non-current assets (-)  |      | -                | -51              |
| Acquisition of financial Fixed assets (-)                                    |      | -727,859         | -641,277         |
| Sales of financial fixed assets (+)  |      | 439,842          | 191,101          |
| <b>Cash flow from investment activities</b>                                  |      | <b>-288,017</b>  | <b>-450,227</b>  |
| <b>Financing operations</b>  |      |                  |                  |
| Capital contribution   |      | 800,000          | 600,000          |
| Loans taken up (+) / Amortised (-) <sup>1</sup>                              |      | -356,477         | 13,631           |
| Change in restricted funds   |      | 514,892          | 223,089          |
| <b>Cash flow from financing activities</b>                                   |      | <b>958,415</b>   | <b>390,542</b>   |
| <b>Cash flow for the year</b>  |      | <b>717,352</b>   | <b>7,426</b>     |
| <b>Cash and cash equivalents at the beginning of the year<sup>2</sup></b>    |      | <b>2,123,513</b> | <b>2,116,086</b> |
| <b>Cash and cash equivalents at the end of the year<sup>2</sup></b>          |      | <b>2,840,865</b> | <b>2,123,513</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 on Financing activities on page 7.

<sup>2</sup> This item has been reduced by bank account 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 2021, the board of directors approved this annual report, which will be presented to the annual general meeting on 29 April 2021.

### Basis of accounting

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. 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

Changes to standards during 2020 have not had a significant impact.

### 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 regarding revenue accounting. 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.

*Note 1 (cont.)*

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.

### 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 income statement 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 sickness absence 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 subsequently completed its commitment towards 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

## Note 1 (cont.)

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

The accounting standard IFRS 9, Financial Instruments, entered into force on 1 January 2018. 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 reported in the statement of financial position include, on the asset side, liquid funds, loan receivables, 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 recognised on the transaction date. The transaction date 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 recognised 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.



Note 1 (cont.)

#### **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 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. Impairments are assessed on an individual basis per holding. 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 are applied. This means that Swedfund sets aside provisions for expected credit losses upon initial recognition. Provision for expected credit losses is made 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. Credit losses are assessed on an individual basis.

Upon initial recognition and on subsequent balance sheet dates, a credit 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 recognised gross value (excluding credit 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 credit 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. 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.

Note 1 (cont.)

## 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.

## 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.

During 2020, the Covid-19 pandemic led to greater uncertainty than normal regarding assessments and estimates of the value of assets and likely credit losses.

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.

Note 2 (cont.)

## 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 type of revenue

The Company's revenues are distributed in different geographical areas, as below.

| 2020   | Africa         | Asia          | Latin America | Eastern Europe | Other         | Total          |
|--|----------------|---------------|---------------|----------------|---------------|----------------|
| Share sales                                  | 93,474         | 48,887        | -             | -              | -             | 142,361        |
| Distribution of shares                       | 15,082         | -             | 7,433         | 13,347         | 9,107         | 44,970         |
| Group and/or associated companies' sales     | -              | -             | -             | -              | -             | -              |
| Group and/or associated companies' dividends | -              | -             | -             | -              | -             | -              |
| Income from interest                         | 67,848         | 21,075        | 707           | 13,920         | 4,681         | 108,230        |
| Other portfolio income                       | 334            | 300           | -             | -              | 427           | 1,062          |
| <b>Total</b>                                 | <b>176,739</b> | <b>70,262</b> | <b>8,140</b>  | <b>27,267</b>  | <b>14,215</b> | <b>296,622</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   | 2020          | 2019          |
|--|---------------|---------------|
| Technical Assistance and Swedfund Project Accelerator          | 45,302        | 33,147        |
| <i>Date of revenue recognition in accordance with IFRS 15</i>  |               |               |
| Services transferred over time, management fee Swedpartnership | 2,894         | 3,442         |
| <b>Total</b>   | <b>48,196</b> | <b>36,589</b> |

## Note 4 | Earnings from shares and mutual fund units

|                               | Income from shares and mutual fund units |                | Income from group companies, associates and joint ventures |            |
|-------------------------------|--|----------------|--|------------|
|                               | 2020                                     | 2019           | 2020   | 2019       |
| Dividends                     | 44,970                                   | 28,186         | -  | -          |
| Sales income                  | 142,361                                  | 190,861        | -  | 240        |
| Total cost of shares sold     | -110,478                                 | -124,844       | -  | -38,585    |
| Impaired value of shares sold | 21,518                                   | 23,412         | -  | 38,585     |
| <b>Total</b>                  | <b>98,371</b>                            | <b>117,615</b> | <b>-</b>   | <b>240</b> |

**Note 5 | Swedpartnership, technical assistance (TA-funds) and Swedfund Project Accelerator**

| <b>Swedpartnership</b>   | <b>2020</b> | <b>2019</b> | <b>Swedfund Project Accelerator</b> | <b>2020</b> | <b>2019</b> |
|--------------------------|-------------|-------------|-------------------------------------|-------------|-------------|
| Other operating income   | 2,894       | 3,442       | Other operating income              | 23,522      | 26,423      |
| Other operating expenses | -2,894      | -3,442      | Other operating expenses            | -23,522     | -26,423     |
| <b>Total</b>             | <b>0</b>    | <b>0</b>    | <b>Total</b>                        | <b>0</b>    | <b>0</b>    |

| <b>Technical assistance</b> | <b>2020</b> | <b>2019</b> |
|-----------------------------|-------------|-------------|
| Other operating income      | 21,780      | 6,724       |
| Other operating expenses    | -21,780     | -5,739      |
| <b>Total</b>                | <b>0</b>    | <b>985</b>  |

**Note 6 | Board of directors, employees and personnel costs****Gender distribution of the board of directors, CEO and other senior executives**

|                         | <b>2020</b>  |                      | <b>2019</b>  |                      |
|-------------------------|--------------|----------------------|--------------|----------------------|
|                         | <b>Total</b> | <b>Of which, men</b> | <b>Total</b> | <b>Of which, men</b> |
| Board of Directors      | 8            | 5                    | 8            | 5                    |
| CEO                     | 1            | -                    | 1            | -                    |
| Other senior executives | 6            | 3                    | 6            | 3                    |

**Average number of employees**

| <b>Country</b> | <b>2020</b>  |                      | <b>2019</b>  |                      |
|----------------|--------------|----------------------|--------------|----------------------|
|                | <b>Total</b> | <b>Of which, men</b> | <b>Total</b> | <b>Of which, men</b> |
| Kenya          | 2            | 0%                   | 3            | 0%                   |
| Sweden         | 44           | 50%                  | 38           | 53%                  |
| <b>Total</b>   | <b>46</b>    | <b>48%</b>           | <b>41</b>    | <b>49%</b>           |

**Salaries, other remuneration and social welfare costs**

|                                 | <b>2020</b>                      |                              | <b>2019</b>                      |                              |
|---------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                                 | <b>Salaries and remuneration</b> | <b>Social welfare costs</b>  | <b>Salaries and remuneration</b> | <b>Social welfare costs</b>  |
|                                 | 36,951                           | 19,650                       | 34,119                           | 18,737                       |
| <i>(of which pension costs)</i> | <i>(0)</i>                       | <i>(9,303)<sup>1,2</sup></i> | <i>(-)</i>                       | <i>(8,549)<sup>1,2</sup></i> |
| <b>Total</b>                    | <b>36,951</b>                    | <b>19,650</b>                | <b>34,119</b>                    | <b>18,737</b>                |

<sup>1)</sup> Of pension costs, 623 (555) concerns the CEO.

<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**

|  | <b>2020</b>  |                        | <b>2019</b>  |                        |
|--|--|------------------------|--|------------------------|
|  | <b>Board of directors, CEO and other senior management</b> | <b>Other employees</b> | <b>Board of directors, CEO and other senior management</b> | <b>Other employees</b> |
| Sweden   | 10,346   | 26,173                 | 9,535  | 23,646                 |
| <i>(of which remuneration to the board of directors)</i> | <i>(930)</i>   | <i>-</i>               | <i>(710)</i>   | <i>-</i>               |
| <i>(of which pension to former CEO)</i>                  | <i>(260)</i>   | <i>-</i>               | <i>(250)</i>   | <i>-</i>               |
| <i>(of which salary to CEO)</i>                          | <i>(1,966)</i>   | <i>-</i>               | <i>(1,948)</i>   | <i>-</i>               |
| <i>(of which other management salaries)</i>              | <i>(7,190)</i>   | <i>-</i>               | <i>(6,626)</i>   | <i>-</i>               |
| Kenya, representative office                             | -  | 1,621                  | -  | 1,899                  |
| <b>Total</b>   | <b>10,346</b>  | <b>27,794</b>          | <b>9,535</b>   | <b>25,545</b>          |

Note 6 (cont.)

**Remuneration paid to current and former board members**

| Member              | Position  | Remuneration | Board remuneration in portfolio companies |
|---------------------|---|--------------|---|
| Göran Barsby        | Chair of the Board                                    | 220          | 0   |
| Torgny Holmgren     | Member of the Board and Member of the Audit Committee | 130          | 0   |
| Catrina Ingelstam   | Member of the Board and Chair of the Audit Committee  | 140          | 0   |
| Daniel Kristiansson | Member of the Board and Member of the Audit Committee | -            | 0   |
| Fredrik Arp         | Member of the Board                                   | 110          | 0   |
| Kerstin Borglin     | Member of the Board                                   | 110          | 0   |
| Mikael Sandström    | Member of the Board                                   | 110          | 0   |
| Roshi Motman        | Member of the Board                                   | 110          | 0   |
| <b>Total</b>        |   | <b>930</b>   |   |

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              | 1/20 | 2/20 | 3/20 | 4/20 | 5/20 | 6/20 | 7/20 | 8/20 | 9/20 | 10/20 |
|---------------------|------|------|------|------|------|------|------|------|------|-------|
| Göran Barsby        | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Torgny Holmgren     | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Catrina Ingelstam   | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Daniel Kristiansson | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Fredrik Arp         | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Kerstin Borglin     |      | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Mikael Sandström    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |
| Roshi Motman        |      | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●    | ●     |

Total sick leave amounted to 1.38% (1.01%) 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              | 1,966                                 | 623                   | 2,589         |
| Ann-Caroline Andersson | HR and Administration Manager          | 0              | 709                                   | 117                   | 826           |
| Fredrik Linton         | Director of Investment Operations      | 0              | 1,685                                 | 496                   | 2,181         |
| Jacob Hagerman         | Chief Legal Counsel                    | 0              | 1,157                                 | 274                   | 1,431         |
| Johan Selander         | Director of Finance                    | 0              | 1,399                                 | 338                   | 1,737         |
| Johanna Raynal         | Director of ESG & Impact               | 0              | 1,104                                 | 310                   | 1,414         |
| Karin Kronhöffer       | Director of Strategy and Communication | 0              | 1,136                                 | 353                   | 1,489         |
| <b>Total</b>           |  | <b>0</b>       | <b>9,156</b>                          | <b>2,511</b>          | <b>11,667</b> |

## Note 6 (cont.)

For other senior executives and the CEO, defined contribution and other similar pension premiums are paid in accordance with the law and collective agreements and 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 capital 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>2020</b>  | <b>2019</b>  |
|-----------------------------|--------------|--------------|
| The auditing assignment     | 937          | 910          |
| Other auditing services     | 70           | 64           |
| Tax consultancy services    | 0            | 94           |
| Other services              | 825          | 23           |
| <b>Total</b>                | <b>1,832</b> | <b>1,091</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 TSEK 5,138 (4,768). Future payment commitments as of 31 December are distributed as follows:

| <b>Future minimum lease payments</b> | <b>2020</b>  | <b>2019</b>   |
|--------------------------------------|--------------|---------------|
| Within 1 year                        | 5,189        | 5,046         |
| Between 1-5 years                    | 930          | 4,954         |
| More than 5 years                    | -            | -             |
| <b>Total</b>                         | <b>6,119</b> | <b>10,000</b> |

| <b>Expensed fees for operational leasing contracts amount to:</b> | <b>2020</b>  | <b>2019</b>  |
|---|--------------|--------------|
| Minimum lease payments  | 5,138        | 4,768        |
| Variable fees   | -            | -            |
| <b>Total leasing costs</b>  | <b>5,138</b> | <b>4,768</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>2020</b>   | <b>2019</b>   |
|--------------------------------------|---------------|---------------|
| Impairment of financial fixed assets | -643          | -575          |
| Other financial expenses             | -2,297        | -6,050        |
| <b>Total</b>                         | <b>-2,940</b> | <b>-6,625</b> |

**Note 10 | Tax expenses**

|  | <b>2020</b> | <b>2019</b>  |
|--|-------------|--------------|
| <b>Current tax expense (-)/tax income (+)</b>  |             |              |
| The year's tax expense/tax revenue             | 292         | 5,810        |
| <b>Deferred tax expense (-)/tax income (+)</b> |             |              |
| Deferred tax relating to temporary differences | -           | -            |
| <b>Reported tax</b>                            | <b>292</b>  | <b>5,810</b> |

| <b>Reconciliation of effective tax rate</b>                         | <b>2020</b>     | <b>2019</b>   |
|---|-----------------|---------------|
| <b>Profit/loss before tax</b>                                       | <b>-375,503</b> | <b>34,809</b> |
| Tax on reported earnings in accordance with the applicable tax rate | 80,358          | -7,449        |
| Tax effect of:  |                 |               |
| Non-taxable dividend  | 1,025           | 2,176         |
| Non-deductible impairments of financial assets                      | -88,675         | -21,993       |
| Non-taxable reversal of impairment of financial assets              | 4,052           | 3,729         |
| Non-taxable realised capital gains                                  | 7,365           | 2,299         |
| Non-deductible realised capital losses                              | -2,085          | -3,945        |
| Deductible realised loss loan                                       | -               | -             |
| Non-deductible other costs  | -739            | -524          |
| Deductible expenses from previous years                             | -               | -             |
| Deductible impairment of current assets                             | -               | -             |
| Adjustment of deferred tax due to change in tax status              | -               | -             |
| Uncapitalised deficit, profit/loss for the year                     | -1,324          | 25,853        |
| Non-taxable income  | -               | -             |
| Non-deductible costs  | -               | -             |
| Deferred tax relating to temporary differences                      | 26              | -146          |
| Other   | 292             | 5,810         |
| <b>Reported tax</b>   | <b>292</b>      | <b>5,810</b>  |
| Effective tax rate  | 0%              | -17%          |

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>31.12.2020</b> | <b>31.12.2019</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>31.12.2020</b> | <b>31.12.2019</b> | <b>Equipment</b>   | <b>31.12.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|--|-------------------|-------------------|
| <b>Accumulated acquisition value</b>                     |                   |                   | <b>Accumulated acquisition value</b>                     |                   |                   |
| At the start of the year                                 | 3,043             | 3,017             | At the start of the year                                 | 3,348             | 3,323             |
| New acquisitions   | 0                 | 26                | New acquisitions   | 0                 | 25                |
| <b>Total acquisition value</b>                           | <b>3,043</b>      | <b>3,043</b>      | Divestments and disposals                                | -                 | -                 |
| <b>Scheduled accumulated depreciation</b>                |                   |                   | <b>Total acquisition value</b>                           | <b>3,348</b>      | <b>3,348</b>      |
| At the start of the year                                 | -2,149            | -1,724            | <b>Scheduled accumulated depreciation</b>                |                   |                   |
| Scheduled depreciation of acquisition value for the year | -447              | -425              | At the start of the year                                 | -3,234            | -2,590            |
| <b>Total depreciation</b>                                | <b>-2,596</b>     | <b>-2,149</b>     | Divestments and disposals                                | -                 | -                 |
| <b>Scheduled residual value at the year-end</b>          | <b>447</b>        | <b>894</b>        | Scheduled depreciation of acquisition value for the year | -46               | -644              |
|  |                   |                   | <b>Total depreciation</b>                                | <b>-3,280</b>     | <b>-3,234</b>     |
|  |                   |                   | <b>Scheduled residual value at the year-end</b>          | <b>69</b>         | <b>115</b>        |

## Note 12 | Portfolio investments shares and funds

### Portfolio investments shares and funds

| <b>Accumulated acquisition value</b>                    | <b>31.12.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| At the start of the year                                | 1,740,299         | 1,535,729         |
| Investments during the year                             | 378,975           | 345,904           |
| Reclassification  | -                 | -                 |
| Sales during the year                                   | -164,381          | -141,334          |
| <b>Total acquisition value</b>                          | <b>1,954,892</b>  | <b>1,740,299</b>  |
| <b>Accumulated impairments</b>                          | <b>31.12.2020</b> | <b>31.12.2019</b> |
| At the start of the year                                | -211,739          | -239,724          |
| Reversed impairments for the year attributable to sales | 21,518            | 23,412            |
| Reclassification  | -                 | -                 |
| Reversals for the year                                  | 23,940            | 22,663            |
| Impairments for the year                                | -267,606          | -18,091           |
| <b>Total impairments at year-end</b>                    | <b>-433,887</b>   | <b>-211,739</b>   |
| <b>Book value at year-end</b>                           | <b>1,521,005</b>  | <b>1,528,560</b>  |

**Specification of the Company's directly owned holding of shares and mutual fund units**

| <b>31.12.2020<br/>Company</b>                                   | <b>Sector</b>       | <b>Business activities</b>                               | <b>Share class</b> | <b>Ownership<br/>percentage</b> | <b>Acqui-<br/>sition value</b> |
|---|---------------------|--|--------------------|---------------------------------|--------------------------------|
| <b>Africa</b>   |                     |  |                    |                                 |                                |
| Adenia Capital (III) LLC Ltd.( I&P), Africa                     | Financial inclusion | Fund   | Stock              | 10.4                            | 42,205                         |
| 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                             | 108,128                        |
| African Development Partners III (DPI), Africa                  | Financial inclusion | Fund   | Fund units         | 3.5                             | 24,251                         |
| African Rivers Fund III   | Financial inclusion | Fund   | Fund units         | 18.6                            | 16,398                         |
| 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                             | 69,290                         |
| Apis Growth Fund I, Africa                                      | Financial inclusion | Fund   | Fund units         | 2.6                             | 55,452                         |
| Apis Growth Fund II, Africa                                     | Financial inclusion | Fund   | Fund units         | 2.7                             | 33,403                         |
| Athi River Steel Plant Ltd, Kenya                               | Other               | Steel mills  | Stock              | 16.4                            | 85,227                         |
| AFIG Fund II  | Financial inclusion | Fund   | Fund units         | 7.7                             | 75,515                         |
| Catalyst Fund II  | Financial inclusion | Fund   | Fund units         | 6.6                             | 47,206                         |
| Climate Investor One  | Energy & Climate    | Fund   | Fund units         | 1.9                             | 68,174                         |
| Deacons Kenya Limited, Kenya                                    | Other               | Retail   | Stock              | 14.0                            | 7,866                          |
| ECP Africa fund II PCC, Africa                                  | Financial inclusion | Fund   | Fund units         | 2.2                             | 35,821                         |
| ECP Africa fund III PCC, Africa                                 | Financial inclusion | Fund   | Fund units         | 2.8                             | 88,533                         |
| Evolution II  | Energy & Climate    | Fund   | Fund units         | 6.9                             | 77,655                         |
| Evolution II D.light Limited                                    | Energy & Climate    | Manufactures and distrib-<br>utes solar energy solutions | Stock              | 17.3                            | 64,408                         |
| Frontier Energy Fund II   | Energy & Climate    | Fund   | Fund units         | 5.7                             | 54,398                         |
| Hospital Holdings Investment BV                                 | Health              | Health platform  | Stock              | 14.4                            | 99,497                         |
| Ninety One Private Equity Fund 2 L.P.                           | Financial inclusion | Fund   | Fund units         | 4.1                             | 71,764                         |
| JCM Solar Capital Ltd   | Energy & Climate    | Solar and wind turbines                                  | Stock              | 13.7                            | 187,927                        |
| Kasha Global Inc  | Health              | E-commerce platform for<br>healthcare                    | Preference         | 9.0                             | 9,280                          |
| Metier Sustainable Capital Fund II                              | Energy & Climate    | Fund   | Fund units         | 11.3                            | 8,249                          |
| Norsad Finance Limited, Africa                                  | Financial inclusion | Credit institutions                                      | Stock              | 16.7                            | 50,052                         |
| TLG Credit Opportunities Fund                                   | Financial inclusion | Fund   | Fund units         | 19.5                            | 44,471                         |
| Women Entrepreneurs Dept Fund                                   | Financial inclusion | Fund   | Fund units         | 17.4                            | 54,146                         |
| <b>Total Africa</b>   |                     |  |                    |                                 | <b>1,493,262</b>               |
| <b>Asia</b>   |                     |  |                    |                                 |                                |
| Baring India Private Equity fund II Ltd, Mauritius              | Financial inclusion | Fund   | Fund units         | 7.1                             | 40,516                         |
| China Environment Fund III L.P.                                 | Energy & Climate    | Fund   | Fund units         | 4.4                             | 42,656                         |
| GEF South Asia Growth Fund II                                   | Energy & Climate    | Fund   | Fund units         | 9.0                             | 89,941                         |
| HealthQuad Fund II  | Health              | Fund   | Fund units         | 14.7                            | 7,235                          |
| Husk Power Systems Inc  | Energy & Climate    | Mini-power grid –<br>hybrid type                         | Stock              | 10.4                            | 45,527                         |
| Orilus Investment Holding Pte. Ltd.<br>(Medica Synergie, India) | Health              | Healthcare Provider                                      | Stock              | 16.0 (12.0)                     | 41,479                         |
| Quadria Capital Fund II   | Health              | Fund   | Fund units         | 2.5                             | 28,863                         |
| Renewable Energy Asia Fund II L.P.                              | Energy & Climate    | Fund   | Fund units         | 7.4                             | 129,088                        |
| <b>Total Asia</b>   |                     |  |                    |                                 | <b>425,305</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                                  |                     |  |                    |                                 | 374                            |
| <b>TOTAL ACQUISITION VALUE</b>                                  |                     |  |                    |                                 | <b>1,954,892</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>31.12.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| At the start of the year                                | 309,469           | 348,054           |
| Investments during the year                             | 5,521             | -                 |
| Reclassification  | 24,336            | -                 |
| Sales during the year                                   | -                 | -38,585           |
| <b>Total acquisition value</b>                          | <b>339,326</b>    | <b>309,469</b>    |
| of which: Listed Securities on the stock exchange       | -                 | -                 |
| Unlisted Securities                                     | 339,326           | 309,469           |
| <b>Accumulated impairments</b>                          | <b>31.12.2020</b> | <b>31.12.2019</b> |
| At the start of the year                                | -181,340          | -191,733          |
| Reversed impairments for the year attributable to sales | -                 | 38,585            |
| Reclassification  | -                 | -                 |
| Reversals for the Year                                  | -                 | -                 |
| Impairments for the year                                | -109,894          | -28,192           |
| <b>Total impairments at year-end</b>                    | <b>-291,234</b>   | <b>-181,340</b>   |
| <b>Book value at year-end</b>                           | <b>48,093</b>     | <b>128,129</b>    |

### Specification of the Company's directly owned holdings of participations in associates and joint ventures

| <b>31.12.2020</b>                                  |                     |                               |                                 |                         | <b>Share of</b>            | <b>Acquisition</b> |
|--|---------------------|-------------------------------|---------------------------------|-------------------------|----------------------------|--------------------|
| <b>Affiliated companies</b>                        | <b>Sector</b>       | <b>Business activities</b>    | <b>Participating interest %</b> | <b>Number of shares</b> | <b>votes and capital %</b> | <b>value</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              |
| Elgon Road Development Ltd, Kenya                  | Other               | Hotels                        | 31.0 <sup>1)</sup>              | 15,026,423              | 31.0                       | 174,309            |
| Emerald Addis Hotels plc, Ethiopia                 | Other               | Hotels                        | 27.0                            | 37,104                  | 27.0                       | 23,399             |
| 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              |
| <b>Total Africa</b>                                |                     |                               |                                 |                         |                            | <b>217,015</b>     |
| <b>Latin America</b>                               |                     |                               |                                 |                         |                            |                    |
| Global Medical Investments GMI AB, Latin America   | Health              | Healthcare/management company | 48.0                            | 15,408                  | 48.0                       | 122,312            |
| <b>Total Latin America</b>                         |                     |                               |                                 |                         |                            | <b>122,312</b>     |
| <b>TOTAL ACQUISITION VALUE</b>                     |                     |                               |                                 |                         |                            | <b>339,326</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.)

| 31.12.2019<br>Affiliated companies                 | Sector              | Business activities           | Participating interest % | Number of shares | Share of votes and capital % | Acquisition value |
|--|---------------------|-------------------------------|--------------------------|------------------|------------------------------|-------------------|
| <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 14 | Loans

|  | 31.12.2020       | 31.12.2019       |
|--|------------------|------------------|
| <b>Outstanding loans receivable, gross</b>         |                  |                  |
| Swedish currency                                   | -                | 25,738           |
| Foreign currency                                   | 1,572,595        | 1,709,498        |
| <b>Total</b>                                       | <b>1,572,595</b> | <b>1,735,236</b> |
| <b>Accumulated impairments</b>                     |                  |                  |
| At the start of the year                           | -204,127         | -143,207         |
| Of which   |                  |                  |
| Individual impairment:                             | -76,836          | -62,600          |
| Reversed impairment:                               | 31,367           | 4,404            |
| Exchange rate/translation differences for the year | 5,499            | -2,724           |
| <b>Total accumulated impairment</b>                | <b>-244,097</b>  | <b>-204,127</b>  |
| <b>Recognised value</b>                            | <b>1,328,498</b> | <b>1,531,109</b> |

Note 14 (cont.)

**Breakdown of the loan portfolio by country and currency**

| Country             | Currency | 31.12.2020       |                    | 31.12.2019       |                    |
|---------------------|----------|------------------|--------------------|------------------|--------------------|
|                     |          | Loan amount      | Of which, impaired | Loan amount      | Of which, impaired |
| Africa <sup>1</sup> | USD      | 511,157          | -112,081           | 549,133          | -124,039           |
| Africa <sup>1</sup> | EUR      | 177,311          | -10,499            | 132,099          | -9,917             |
| Ethiopia            | USD      | 64,783           | -64,783            | 73,822           | -18,455            |
| Ethiopia            | EUR      | 26,978           | -210               | 36,135           | -282               |
| Georgia             | USD      | 122,930          | -2,397             | 68,077           | -1,328             |
| Ghana               | USD      | 43,982           | -858               | 89,341           | -1,742             |
| Global              | SEK      |                  |                    | 25,738           | -7,721             |
| Cambodia            | USD      | 90,149           | -1,758             | 269,269          | -5,251             |
| Kenya               | USD      | 122,930          | -2,397             | 46,694           | -911               |
| Nigeria             | USD      | 205,562          | -9,055             | 300,070          | -4,389             |
| Sri Lanka           | USD      | 81,953           | -1,598             | 1,259            | -10                |
| Tanzania            | USD      | 8,195            | -160               | 18,678           | -364               |
| Ukraine             | EUR      | 82,678           | -4,315             | 86,191           | -672               |
| Zimbabwe            | USD      | 33,986           | -33,986            | 38,728           | -29,046            |
| <b>Total</b>        |          | <b>1,572,595</b> | <b>-244,097</b>    | <b>1,735,236</b> | <b>-204,127</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      | 2,684                                | Interest and share of profits | Yes              |
| Athi River Steel Plant | USD      | 11,626                               | Interest                      | Yes              |

**Note 15 | Loans receivable 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            |
|--|--|---|---|--|------------------|
| As of 31 December 2020   |  |   |   |  |                  |
| Loans receivable, according to gross amount                        | 1,079,676  | 283,153   | 209,699   | -  | 1,572,528        |
| Provision for expected credit losses                               | -19,551  | -14,779   | -209,699  | -  | -244,030         |
| <b>Amortised acquisition value recognised in the balance sheet</b> | <b>1,060,124</b>                                       | <b>268,374</b>  | <b>0</b>  | <b>-</b>   | <b>1,328,498</b> |
| Provision for expected credit losses loan commitments              | 2,324  | -   | -   | -  | 2,324            |

<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.

Note 15 (cont.)

| <b>Loss reserve for loans receivable at amortised acquisition value (total)<sup>1</sup></b>       | <b>12-months of expected credit losses (Stage 1)<sup>2</sup></b> | <b>Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)<sup>3</sup></b> | <b>Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)<sup>3</sup></b> | <b>Purchased or issued credit-impaired loans<sup>3</sup></b> | <b>Total</b>   |
|---|--|---|---|--|----------------|
| Loss reserve as of 1 January 2020   | 27,098   | -   | 180,941   | -  | 208,039        |
| Investments in loans receivable   | 6,432  | -   | 51,992  | -  | 58,424         |
| New loan commitments  | 1,894  | -   | -   | -  | 1,894          |
| Outgoing loan commitments   | -1,360   | -   | -   | -  | -1,360         |
| Refunds, including amortisation   | -7,394   | -   | -21,497   | -  | -28,890        |
| Written-off amounts (recorded credit loss)  | -  | -   | -   | -  | -              |
| <b>Transfers</b>  |  |   |   |  |                |
| To 12 months of expected credit losses (Stage 1)  | -  | -   | -   | -  | -              |
| To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) | -4,466   | 14,876  | -   | -  | 10,410         |
| To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)     | -  | -   | -   | -  | -              |
| <b>At the year-end</b>  | <b>22,204</b>  | <b>14,876</b>   | <b>211,436</b>  | <b>-</b>   | <b>248,516</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.

| <b>Gross value of loans receivable at amortised acquisition value (total)<sup>1</sup></b>         | <b>12-months of expected credit losses (Stage 1)<sup>2</sup></b> | <b>Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)<sup>3</sup></b> | <b>Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)<sup>3</sup></b> | <b>Purchased or issued credit-impaired loans<sup>3</sup></b> | <b>Total</b>     |
|---|--|---|---|--|------------------|
| Gross value as of 1 January 2020  | 1,494,662  | -   | 265,736   | -  | 1,760,398        |
| Investments in loans receivable   | 358,152  | -   | -   | -  | 358,152          |
| Refunds, including amortisation   | -398,990   | -   | -45,494   | -  | -444,484         |
| Written-off amounts (recorded credit loss)  | -  | -   | -   | -  | -                |
| <b>Transfers</b>  |  |   |   |  |                  |
| To 12 months of expected credit losses (Stage 1)  | -  | -   | -   | -  | -                |
| To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) | -360,222   | 285,229   | -   | -  | -74,993          |
| To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)     | -  | -   | -   | -  | -                |
| <b>At the year-end</b>  | <b>1,093,602</b>   | <b>285,229</b>  | <b>220,242</b>  | <b>-</b>   | <b>1,599,073</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 of 31 December 2019</b>                                      |  |   |   |  |                  |
| Loans receivable, according to gross amount                        | 1,471,262  | -   | 263,974   | -  | 1,735,236        |
| Provision for expected credit losses                               | -24,855  | -   | -179,272  | -  | -204,127         |
| <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.

| 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          |
|---|--|---|---|--|----------------|
| Loss reserve as of 1 January 2019   | 21,017   | 2,757   | 127,534   | -  | 151,308        |
| Investments in loans receivable   | 9,330  | -   | 5,233   | -  | 14,563         |
| New loan commitments  | 1,611  | -   | -   | -  | 1,611          |
| Outgoing loan commitments   | -1,863   | -   | -   | -  | -1,863         |
| Refunds, including amortisation   | -2,678   | -   | -1,625  | -  | -4,303         |
| Written-off amounts (recorded credit loss)  | -  | -   | 268   | -  | 268            |
| <b>Transfers</b>  |  |   |   |  |                |
| To 12 months of expected credit losses (Stage 1)  | 283  | -   | -4,169  | -  | -3,886         |
| 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  | -  | 50,341         |
| <b>At the year-end</b>  | <b>27,098</b>  | <b>-</b>  | <b>180,941</b>  | <b>-</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.

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            |
|---|--|---|---|--|------------------|
| Gross value as of 1 January 2019  | 1,206,404  | 39,377  | 186,057   | -  | 1,431,838        |
| Investments in loans receivable   | 542,394  | -   | 5,233   | -  | 547,627          |
| Refunds, including amortisation   | -213,227   | -   | -10,841   | -  | -224,068         |
| Written-off amounts (recorded credit loss)  | -  | -   | 268   | -  | 268              |
| <b>Transfers</b>  |  |   |   |  |                  |
| To 12 months of expected credit losses (Stage 1)  | 36,270   | -   | -35,459   | -  | 811              |
| 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   | -  | 3,922            |
| <b>At the year-end</b>  | <b>1,494,662</b>   | <b>-</b>  | <b>265,736</b>  | <b>-</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.

## Description of methods for calculating expected credit losses

See also Note 22 for a more detailed description of the Swedfund credit loss model.

## Note 16 | Collateral received

In connection with loans receivable, Swedfund AB sometimes has collateral in the form of buildings, machinery, etc. Given the markets in which Swedfund's borrowers operate, this collateral is not considered to have any value.

## Note 17 | Other long-term securities

|                               | 31.12.2020 | 31.12.2019 |
|-------------------------------|------------|------------|
| 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

|   | 31.12.2020    | 31.12.2019    |
|---|---------------|---------------|
| Receivables, soft loans (Swedpartnership) | 27,607        | 36,017        |
| <b>Total</b>                              | <b>27,607</b> | <b>36,017</b> |

## Note 19 | Prepaid expenses and accrued income

|   | 31.12.2020    | 31.12.2019    |
|---|---------------|---------------|
| Prepaid expenses                                | 2,100         | 2,181         |
| Accrued interest income, short-term investments | 12,353        | 11 514        |
| Accrued interest income, loans receivable       | 14,536        | 23,890        |
| Other accrued income                            | 819           | 211           |
| <b>Total</b>                                    | <b>29,808</b> | <b>37,796</b> |

## Note 20 | Short-term investments

| 31.12.2020   |        |                         |                  |  |                  |
|--|--------|-------------------------|------------------|--|------------------|
| Specification of securities                              | Rating | Average maturity, years | Gross value      | Reserve for expected credit losses (Stage 1) | Reported value   |
| Bills  | AAA    | 0.24                    | 890,488          | -  | 890,488          |
| Treasury bond  | AAA    | 2.79                    | 586,813          | -  | 586,813          |
| State-guaranteed bonds                                   | AAA    | 0.03                    | 893,009          | -  | 893,009          |
| Covered bonds  | AAA    | 2.88                    | 724,542          | -  | 724,542          |
| Municipal certificates                                   | AA-A   | 0.95                    | 430,660          | -  | 430,660          |
| <b>Total bonds and other interest-bearing securities</b> |        |                         | <b>3,525,513</b> | <b>-</b>                                     | <b>3,525,513</b> |

All short-term investments are attributed to Stage 1, i.e. there has been no significant credit deterioration since initial recognition.

| 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> |

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. In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced.

Sound risk management is both a prerequisite for the business and an enabler for improvements in development results. The company's management of financial risks is regulated by a Finance Policy, which is established by the board of directors. The Finance Policy contains, inter alia, rules for the financial reporting, including risk exposure and sensitivity analysis, that 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.

Borrowing on the market to finance the business can be carried out following a decision by the Board. No such borrowing has taken place to date.

### Risk management

In its financial risk management, Swedfund operates according to the following basic principles:

- Swedfund shall have a low debt-to-equity ratio
- Swedfund shall maintain a satisfactory liquidity buffer/available funds
- Credit risks should not normally be protected by
- Financial risks in the management of the company's own liquid assets must be minimised where financially reasonable and practicable
- Currency risks should not normally be protected by
- Operational risks must be identified and monitored closely

## Note 21 (cont.)

- Wherever possible, incomes/expenses attributable to financial activities must be allocated to the investment they concern

Swedfund's board of directors has established risk limits applicable to the company's financial policy for exposure to liquidity risk and interest rate risk. In addition, restrictions on country and counterparty exposure have been established in the company's Risk Policy.

The company's financial transactions and risks are jointly managed on an ongoing basis by Swedfund's investment organisation and Finance Department. The Finance Department is responsible for liquidity management and the reporting of financial risks to the board of directors.

Swedfund classifies financial risks as:

- Commercial credit/share price risk
- Financial credit risk
- Interest rate risk
- Currency risk
- Liquidity risk

### Commercial credit/share price risk

#### DEFINITION

Swedfund's commercial credit and share price risks are attributable to the investment activities, i.e. from investments in portfolio companies through shares, funds or loans.

#### RISK MANAGEMENT

Credit and share price risks are managed through ongoing commercial control and financial follow-up of the portfolio companies. In addition, limits have been established for concentration and degree 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 of the fair value or future cash flows from a financial instrument varying due to fluctuations 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 regarding the company's loan receivables linked to the investment activities, as well as loan liabilities to Svensk Exportkredit which have historically been used as currency hedging instruments.

#### RISK MANAGEMENT

Swedfund shall, if possible, use short fixation periods on both loans and borrowings and on the placement of liquid funds.

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 14.9 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, 31.12.2020, would have an impact on profit before tax of +/- SEK 5,086,000.

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 -44,595,000. However, the short maturities in the investment portfolio (see also Note 20 and Note 23) mean that the probability of this scenario is limited.

### 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.

### Fixed interest rate periods, lending and borrowing

| 31.12.2020 | Total     | 0-3 months | 3-6 months | 7-12 months | >1-2 years | >2-3 years | >3-5 years | 5-10 years |
|------------|-----------|------------|------------|-------------|------------|------------|------------|------------|
| Lending    | 1,328,498 | 283,477    | 1,028,956  | 951         | 732        | 1,616      | 4,638      | 8,128      |
| Borrowing  | -819,840  | -152,588   | -667,252   | 0           | 0          | 0          | 0          | 0          |
| Net        | 508,657   | 130,890    | 361,703    | 951         | 732        | 1,616      | 4,638      | 8,128      |



Note 21 (cont.)

## RISK MANAGEMENT

Swedfund does not hedge its investments in shares and mutual fund units. Loans agreed after 6 December 2019 are also not hedged as regards currency. Historically, currency risks have been hedged in respect of loan receivables by borrowing from Svensk Exportkredit, where the key parameters are "mirrored" as far as possible (currency, maturity, fixation 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

| 31.12.2020   | Recognised values in SEK thousand |                |              |            |              |          |
|--|-----------------------------------|----------------|--------------|------------|--------------|----------|
|  | USD                               | EUR            | EGP          | KES        | INR          | BOB      |
| <b>Assets</b>  |                                   |                |              |            |              |          |
| Shares and mutual fund units                                     | 1,389,363                         | 125,869        | -            | -          | 5,398        | -        |
| Participations in group companies, associates and joint ventures | 23,399                            | -              | 6,756        | -          | -            | -        |
| Loans receivable   | 1,056,556                         | 271,942        | -            | -          | -            | -        |
| Other long-term securities                                       | -                                 | 298            | -            | -          | -            | -        |
| Short-term investments   | -                                 | -              | -            | -          | -            | -        |
| Cash and bank balances   | 26,869                            | 17,893         | -            | 146        | -            | 1        |
| <b>Total assets</b>  | <b>2,496,187</b>                  | <b>416,002</b> | <b>6,756</b> | <b>146</b> | <b>5,398</b> | <b>1</b> |
| <b>Liabilities</b>   |                                   |                |              |            |              |          |
| Liabilities to credit institutions                               | 712,082                           | 107,703        | -            | -          | -            | -        |
| <b>Total liabilities</b>   | <b>712,082</b>                    | <b>107,703</b> | <b>-</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 2020 would entail a change in equity before tax of SEK 50,053,000 and a change in profit before tax of SEK 12,632,000. 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. The remaining liquidity represents a surplus and is intended to cover new future investments, unforeseen events and the Company's operating costs.

## Note 22 | Financial instruments

### Valuation of financial assets and liabilities as of 31 December 2020

|  | Financial assets and liabilities valued<br>on the basis of acquisition value |                              |                                   |                             | Fair value       |
|--|--|------------------------------|-----------------------------------|-----------------------------|------------------|
|  | Loans<br>receivable  | Other<br>financial<br>assets | Other<br>financial<br>liabilities | Total<br>Carrying<br>Amount |                  |
| <b>Financial assets</b>  |  |                              |                                   |                             |                  |
| Shares and participations  | -  | 1,521,005                    | -                                 | 1,521,005                   | 1,839,925        |
| Participations in group companies, associates and joint ventures | -  | 48,093                       | -                                 | 48,093                      | 97,497           |
| Loans receivable   | 1,328,498  | -                            | -                                 | 1,328,498                   | 1,328,498        |
| Endowment insurance  | -  | 614                          | -                                 | 614                         | 614              |
| Other long-term securities                                       | -  | 298                          | -                                 | 298                         | 298              |
| Accounts receivable  | 2,391  | -                            | -                                 | 2,391                       | 2,391            |
| Other receivables  | -  | 27,607                       | -                                 | 27,607                      | 27,607           |
| Accrued income   | 16,608   | 13,201                       | -                                 | 29,809                      | 29,809           |
| Short-term investments   | 3,525,513  | -                            | -                                 | 3,525,513                   | 3,535,487        |
| Cash and bank balances   | 661,818  | -                            | -                                 | 661,818                     | 661,818          |
| Client funds   | -  | 25,597                       | -                                 | 25,597                      | 25,597           |
| <b>Total</b>   | <b>5,534,828</b>   | <b>1,636,414</b>             | <b>-</b>                          | <b>7,171,242</b>            | <b>7,549,541</b> |
| <b>Financial liabilities</b>                                     |  |                              |                                   |                             |                  |
| Liabilities to credit institutions                               | -  | -                            | 819,840                           | 819,840                     | 819,840          |
| Accounts payable   | -  | -                            | 3,602                             | 3,602                       | 3,602            |
| Other liabilities  | -  | -                            | 61,090                            | 61,090                      | 61,090           |
| Accrued expenses   | -  | -                            | 187,910                           | 187,910                     | 187,910          |
| <b>Total</b>   | <b>-</b>   | <b>-</b>                     | <b>1,072,442</b>                  | <b>1,072,442</b>            | <b>1,072,442</b> |

### Valuation of financial assets and liabilities as of 31 December 2019

|  | Financial assets and liabilities valued<br>on the basis of acquisition value |                              |                                   |                             | Fair value       |
|--|--|------------------------------|-----------------------------------|-----------------------------|------------------|
|  | Loans<br>receivable  | Other<br>financial<br>assets | Other<br>financial<br>liabilities | Total<br>Carrying<br>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> |

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 applied, input data is based on market data as of 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 carried out. 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.

Note 22 (cont.)

### **Valuation techniques and significant unobservable inputs**

For recurring and non-recurring fair value valuations attributable to Level 2 and Level 3 of the fair value hierarchy, in accordance with IFRS, a description of the valuation technique or valuation techniques and the inputs used in the valuation at 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 also 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****31.12.2020**

|  | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b>   | <b>Total</b>     |
|--|------------------|------------------|------------------|------------------|
| <b>Financial assets</b>  |                  |                  |                  |                  |
| Shares and participations  | -                | -                | 1,839,925        | 1,839,925        |
| Participations in group companies, associates and joint ventures | -                | -                | 97,497           | 97,497           |
| Loans receivable   | -                | -                | 1,328,498        | 1,328,498        |
| Endowment insurance  | -                | 675              | -                | 675              |
| Other long-term securities                                       | -                | 298              | -                | 298              |
| Current receivables  | -                | 2,391            | -                | 2,391            |
| Other receivables  | -                | 27,607           | -                | 27,607           |
| Accrued income   | -                | 29,809           | -                | 29,809           |
| Short-term investments   | 3,535,487        | -                | -                | 3,535,487        |
| Cash and bank balances   | -                | 661,818          | -                | 661,818          |
| Retained funds on behalf of others                               | -                | 25,597           | -                | 25,597           |
| <b>Total</b>   | <b>3,535,487</b> | <b>748,195</b>   | <b>3,265,921</b> | <b>7,549,604</b> |
| <b>Financial liabilities</b>                                     |                  |                  |                  |                  |
| Liabilities to credit institutions                               | -                | 819,840          | -                | 819,840          |
| Accounts payable   | -                | 3,602            | -                | 3,602            |
| Other liabilities  | -                | 61,090           | -                | 61,090           |
| Accrued expenses   | -                | 187,910          | -                | 187,910          |
| <b>Total</b>   | <b>-</b>         | <b>1,072,442</b> | <b>-</b>         | <b>1,072,442</b> |

**Assets and liabilities valued at fair value****31.12.2019**

|  | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b>   | <b>Total</b>     |
|--|------------------|------------------|------------------|------------------|
| <b>Financial assets</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> |

## Note 23 | Maturity period analysis

| 31.12.2020<br>Maturity information   | Non-discounted cash flows – contractual remaining maturity period |                  |                                 |                               |                              |                               |                               |                |                  |                          |
|--|---|------------------|---------------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|----------------|------------------|--------------------------|
| Contractual remaining maturity (non-discounted value) and anticipated time of recovery | 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 | Total nominal cash flows |
| <b>Assets</b>  |   |                  |                                 |                               |                              |                               |                               |                |                  |                          |
| Shares and Fund Units  | -   | -                | -                               | -                             | -                            | -                             | -                             | -              | 1,521,005        | 1,521,005                |
| Participations in group companies, associates and joint ventures                       | -   | -                | -                               | -                             | -                            | -                             | -                             | -              | 48,093           | 48,093                   |
| Loans receivable   | -   | 104,272          | 22,902                          | 93,085                        | 190,588                      | 222,319                       | 318,227                       | 377,103        | -                | 1,328,498                |
| Endowment insurance  | -   | -                | -                               | -                             | -                            | -                             | -                             | -              | 614              | 614                      |
| Other long-term securities   | -   | -                | -                               | -                             | -                            | -                             | -                             | -              | 298              | 298                      |
| Current receivables  | -   | 2,391            | -                               | -                             | -                            | -                             | -                             | -              | -                | 2,391                    |
| Other receivables  | -   | 27,607           | -                               | -                             | -                            | -                             | -                             | -              | -                | 27,607                   |
| Accrued income   | -   | 29,809           | -                               | -                             | -                            | -                             | -                             | -              | -                | 29,809                   |
| Short-term investments   | -   | 1,543,193        | 162,661                         | 382,203                       | 693,174                      | 357,684                       | 295,109                       | 91,488         | -                | 3,525,513                |
| Cash and bank balances   | 661,818   | -                | -                               | -                             | -                            | -                             | -                             | -              | -                | 661,818                  |
| Retained funds on behalf of others   | 25,597  | -                | -                               | -                             | -                            | -                             | -                             | -              | -                | 25,597                   |
| <b>Total</b>   | <b>687,415</b>  | <b>1,707,273</b> | <b>185,563</b>                  | <b>475,289</b>                | <b>883,762</b>               | <b>580,003</b>                | <b>613,337</b>                | <b>468,592</b> | <b>1,570,009</b> | <b>7,171,242</b>         |
| <b>Liabilities</b>   |   |                  |                                 |                               |                              |                               |                               |                |                  |                          |
| Liabilities to credit institutions   | -   | 95,375           | 44,776                          | 131,977                       | 159,723                      | 195,047                       | 192,942                       | -              | -                | 819,840                  |
| Accounts payable   | -   | 3,602            | -                               | -                             | -                            | -                             | -                             | -              | -                | 3,602                    |
| Other liabilities  | -   | 61,090           | -                               | -                             | -                            | -                             | -                             | -              | -                | 61,090                   |
| Accrued expenses   | -   | 187,910          | -                               | -                             | -                            | -                             | -                             | -              | -                | 187,910                  |
| <b>Total</b>   | <b>-</b>  | <b>347,977</b>   | <b>44,776</b>                   | <b>131,977</b>                | <b>159,723</b>               | <b>195,047</b>                | <b>192,942</b>                | <b>-</b>       | <b>-</b>         | <b>1,072,442</b>         |
| Unrecognised loan ommitments   | -   | 74,491           | 74,491                          | 148,982                       | -                            | -                             | -                             | -              | -                | 297,964                  |
| Operating leases   | -   | 1,299            | 1,299                           | 2,591                         | 869                          | 61                            | -                             | -              | -                | 6,119                    |
| <b>Total difference</b>  | <b>-</b>  | <b>75,790</b>    | <b>75,790</b>                   | <b>151,573</b>                | <b>869</b>                   | <b>61</b>                     | <b>-</b>                      | <b>-</b>       | <b>-</b>         | <b>304,083</b>           |

Note 23 (cont.)

31.12.2019

## Maturity information

## Non-discounted cash flows – contractual remaining maturity period

| Contractual remaining maturity (non-discounted value) and anticipated 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        | 1,528,560                |
| Participations in group companies, associates and joint ventures                       | -   | -                | -                               | -                             | -                            | -                             | -                             | -              | 128,129          | 128,129                  |
| Loans receivable   | -   | 112,259          | 52,036                          | 126,379                       | 329,560                      | 261,389                       | 426,054                       | 223,431        | -                | 1,531,109                |
| Endowment  | -   | -                | -                               | -                             | -                            | -                             | -                             | -              | 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   | -   | 2,027,649        | -                               | 361,753                       | 460,139                      | 387,286                       | 190,641                       | 99,568         | -                | 3,527,035                |
| Cash and bank balances   | 415,463   | -                | -                               | -                             | -                            | -                             | -                             | -              | -                | 415,463                  |
| Retained funds on behalf of others   | 26,848  | -                | -                               | -                             | -                            | -                             | -                             | -              | -                | 26,848                   |
| <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 institutions   | -   | 84,906           | 57,469                          | 174,633                       | 353,527                      | 225,562                       | 427,759                       | 10,150         | -                | 1,334,006                |
| Accounts payable   | -   | 3,473            | -                               | -                             | -                            | -                             | -                             | -              | -                | 3,473                    |
| Other liabilities  | -   | 77,810           | -                               | -                             | -                            | -                             | -                             | -              | -                | 77,810                   |
| Accrued expenses   | -   | 151,569          | -                               | -                             | -                            | -                             | -                             | -              | -                | 151,569                  |
| <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 commitments  | -   | 83,408           | 29,952                          | 116,195                       | -                            | -                             | -                             | -              | -                | 229,555                  |
| Operating leases   | -   | 1,270            | 1,259                           | 2,517                         | 4,721                        | 232                           | -                             | -              | -                | 10,000                   |
| <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 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 pledged a 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. Provisions for pension obligations do not constitute a provision for a pension under the Act on the safeguarding of pension commitments (*tryggandelagen*).

| <b>Endowment insurance</b>        | <b>31.12.2020</b> | <b>31.12.2019</b> |
|-----------------------------------|-------------------|-------------------|
| At the start of the year          | 858               | 1,063             |
| Pension cost                      | -                 | -                 |
| Premium payments                  | -260              | -251              |
| Change in value                   | 16                | 46                |
| At the year-end                   | 614               | 858               |
| Fair value of endowment Insurance | 614               | 858               |

**Note 26 | Provision for expected credit losses on loan commitments**

|  | <b>31.12.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Carrying amount at start of period               | 1,791             | 2,043             |
| Provisions made during the period                | 1,722             | 1,435             |
| Amounts committed during the period              | -1,355            | -1,493            |
| Unutilised amounts reversed during the period    | -6                | -370              |
| Increase during the period of discounted amounts | 172               | 176               |
| Other  | -                 | -                 |
| Carrying amount at end of period                 | 2,324             | 1,791             |

**Note 27 | Credit Risk exposure**

| <b>Credit risk exposure gross and net as of 31.12.2020</b> | <b>Credit risk exposure (before impairment)</b> | <b>Impairment/ Provision</b> | <b>Recognised value</b> | <b>Credit risk exposure with respect to collateral</b> | <b>Guaranteed collateral</b> |
|--|---|------------------------------|-------------------------|--|------------------------------|
| Cash and deposits with banks                               | 687,415   | -                            | 687,415                 | 687,415  | -                            |
| Loans receivable   | 1 572 618                                       | -244,120                     | 1,328,498               | 1,328,498  | -                            |
| <b>Bonds and other interest-bearing securities</b>         |   |                              |                         |  |                              |
| Government Securities and other public bodies              |   |                              |                         |  |                              |
| AAA  | -2,800,970                                      | -                            | -2,800,970              | -2,800,970   | -                            |
| Other Issuers  |   |                              |                         |  |                              |
| AAA  | 724,542   | -                            | 724,542                 | 724,542  | -                            |
|  | 3,525,513                                       | -                            | 3,525,513               | 3,525,513  | -                            |
| <b>Total</b>   | <b>-5,785,545</b>                               | <b>-244,120</b>              | <b>5,541,426</b>        | <b>5,541,426</b>                                       | <b>-</b>                     |
| <b>Other assets</b>  |   |                              |                         |  |                              |
| Issued loan commitments                                    | 297,964   | -2,324                       | 295,640                 | 295,640  | -                            |
| <b>Total</b>   | <b>297,964</b>                                  | <b>-2,324</b>                | <b>295,640</b>          | <b>295,640</b>   | <b>-</b>                     |
| <b>Total credit risk exposure</b>                          | <b>6,083,509</b>                                | <b>-246,444</b>              | <b>5,837,065</b>        | <b>5,837,065</b>                                       | <b>-</b>                     |



Note 27 (cont.)

| Credit risk exposure gross and net as of 31.12.2019 | Credit risk exposure (before impairment) | Impairment/ Provision | Recognised value | Credit risk exposure with respect to collateral | Guaranteed collateral |
|---|--|-----------------------|------------------|---|-----------------------|
| 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>              |

| Concentration of credit risk, as of 31 December | 2020                |                             |                            | 2019                |                             |                            |
|---|---------------------|-----------------------------|----------------------------|---------------------|-----------------------------|----------------------------|
|   | 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                       | 15                  | 58                          | 21                         | 12                  | 50                          | 15                         |
| Exposure SEK 50 – 100 million                   | 7                   | 27                          | 40                         | 7                   | 29                          | 34                         |
| Exposure > SEK 100 million                      | 4                   | 15                          | 39                         | 5                   | 21                          | 51                         |
| <b>Total</b>                                    | <b>26</b>           | <b>100</b>                  | <b>100</b>                 | <b>24</b>           | <b>100</b>                  | <b>100</b>                 |

The three largest borrowers account for 30% (36%) of loans receivable.

## Note 28 | Other liabilities

|                           | 31.12.2020    | 31.12.2019    |
|---------------------------|---------------|---------------|
| Accounts payable          | 3,602         | 3,473         |
| Tax liabilities           | 3,557         | 4,016         |
| Personnel withholding tax | 1,145         | 1,160         |
| Other liabilities         | 59,945        | 76,650        |
| <b>Total</b>              | <b>68,249</b> | <b>85,299</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

|   | 31.12.2020     | 31.12.2019     |
|---|----------------|----------------|
| Accrued holiday pay   | 2,849          | 2,342          |
| Accrued social security expenses  | 3,641          | 3,612          |
| Accrued interest expenses, liabilities to credit institutions                         | 3,410          | 12,584         |
| Other accrued expenses  | 5,852          | 9,677          |
| Deferred income (Technical Assistance, Swedpartnership, Swedfund Project Accelerator) | 172,157        | 123,354        |
| <b>Total</b>  | <b>187,909</b> | <b>151,569</b> |

## Note 30 | Pledged collateral

### Pledges and equivalent collateral pledged for own liabilities and reported commitments for such provisions

|                            | 31.12.2020       | 31.12.2019       |
|----------------------------|------------------|------------------|
| Bonds and other securities | 1,172,195        | 1,686,718        |
| Bank bills                 | 627              | 996              |
| <b>Total</b>               | <b>1,172,822</b> | <b>1,687,714</b> |

### Other pledged assets and equivalent collateral

|                             | 31.12.2020 | 31.12.2019 |
|-----------------------------|------------|------------|
| Pledged endowment insurance | 614        | 858        |
| <b>Total</b>                | <b>614</b> | <b>858</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                             | 31.12.2020       | 31.12.2019       |
|---|------------------|------------------|
| Contracted unpaid portfolio commitments | 1,649,325        | 1,804,994        |
| <b>Total</b>                            | <b>1,649,325</b> | <b>1,804,994</b> |

## Note 32 | Cash flow statement

| Adjustments for items not included in cash flow | 31.12.2020     | 31.12.2019   |
|---|----------------|--------------|
| Depreciation, amortisation and impairments      | 427,896        | 78,929       |
| Uncapitalised exchange rate differences         | 48,098         | 16,626       |
| Sale of fixed assets                            | -53,401        | -89,669      |
| Other non-cash items                            | 290            | -457         |
| <b>Total</b>                                    | <b>422,883</b> | <b>5,429</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

No significant events occurred after the balance sheet date.

## Note 35 | Proposal for utilisation of profit

|  | 31.12.2020           | 31.12.2019           |
|--|----------------------|----------------------|
| The following funds are at the disposal of the annual general meeting: |                      |                      |
| Accumulated profit/loss  | 5,078,752,042        | 4,438,133,284        |
| Recapitalisation   | 800,000,000          | 600,000,000          |
| Profit/loss for the year   | -375,210,737         | 40,618,758           |
|  | <b>5,503,541,305</b> | <b>5,078,752,042</b> |
| is distributed as follows:   |                      |                      |
| To be carried forward  | 5,503,541,305        | 5,078,752,042        |
|  | <b>5,503,541,305</b> | <b>5,078,752,042</b> |

# Corporate governance report

## CORPORATE GOVERNANCE IN SWEDFUND

Swedfund is a limited company wholly owned by the Swedish Government with a public policy assignment, which is set out in the Owner Instructions. According to the mission, Swedfund must contribute to attainment of the goal set out in Sweden's Global Development Policy of fair and sustainable global development and, together with strategic partners, contribute to investments which are not deemed to be realisable solely through commercial financing. Swedfund must ensure that the investments are sustainable from an economic, environmental, climate and societal perspective. The Owner Instructions set out a number of mission goals for the organisation. These are described in more detail in the Directors' Report under the Portfolio companies' results on pages 66-85

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 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 64-65. 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.

## 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

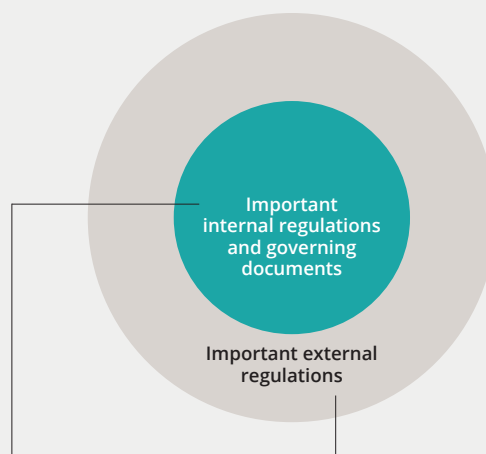
Swedfund deviated from the provisions of the Code of Conduct during the 2020 financial year with regard to the following points:

- (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

## Governing documents



- Owner Instructions
- Articles of association
- Board of director's rules of procedure
- Delegation of authority policy and authorisation policy
- Swedfund's strategic sustainability goals
- Code of Conduct
- Policies such as the Policy for Sustainable Development and Anti-corruption Policy
- Swedish Companies Act
- Accounting legislation and recommendations
- State ownership policy and guidelines for companies with state ownership
- Swedish Code of Corporate Governance
- International conventions

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.

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 142-143.

## VOTES AND OWNERS

Swedfund is a limited liability company which is wholly owned by the Swedish government. The 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. A Member of Parliament has 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.

### 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 Instructions for the organisation, including mission goals and financial goals
- Guidelines for remuneration to senior executives

## ANNUAL GENERAL MEETING 2020

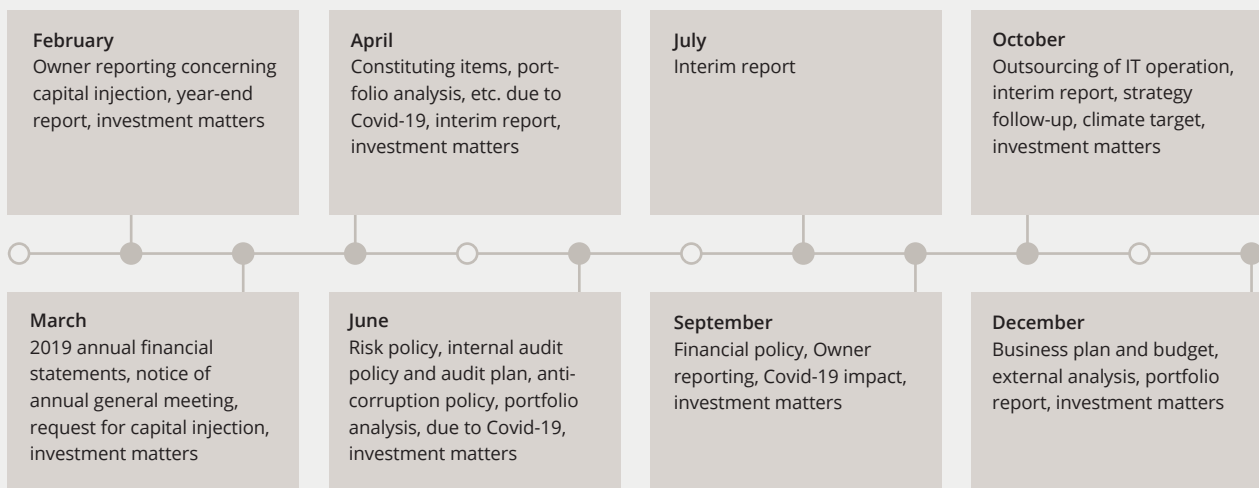
Swedfund’s annual general meeting was held on 22 April 2020. As a result of the special circumstances linked to the ongoing pandemic, the majority of participants attended the meeting by video link. Prior to the meeting, it had also been resolved and announced through the notice of the meeting that the public would not be granted access to the annual general meeting due to the risk of spreading Covid-19. Minutes from annual general meetings are available on Swedfund’s website. At this year’s annual general meeting, all eight members were re-elected, and Göran Barsby was re-elected by the 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 2019 and discharged the members of the board of directors and the CEO from liability for the 2019 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.

## 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 2020, the board of directors consisted of eight members, including three women

## Key issues for the board of directors during 2020



## Attendance at board of directors and audit committee meetings during 2020

| Member              | Position  | Board of directors meetings | Audit committee meetings |
|---------------------|---|-----------------------------|--------------------------|
| Göran Barsby        | Chair of the board and audit committee (to April 2020 inclusive)          | 10/10                       | 2/6                      |
| Torgny Holmgren     | Member of the board   | 10/10                       | 6/6                      |
| Catrina Ingelstam   | Board member and chair of the audit committee (from April 2020 inclusive) | 10/10                       | 4/6                      |
| Daniel Kristiansson | Member of the board   | 10/10                       | 5/6                      |
| Fredrik Arp         | Member of the board   | 10/10                       |                          |
| Kerstin Borglin     | Member of the board   | 9/10                        |                          |
| Mikael Sandström    | Member of the board   | 10/10                       |                          |
| Roshi Motman        | Member of the board   | 9/10                        |                          |

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 136-137.

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 value creation 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 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 2020 annual general meeting, the audit committee has consisted of Catrina Ingelstam (Chairman), Daniel Kristiansson and Torgny Holmgren.

### 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 accordance with the mission and goals set out in the Owner Instructions relating to development that is sustainable from a financial, social, environmental and climate-related perspective.

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 2020 board evaluation was conducted with the support of external advisors and involved individual interviews with the board of directors and certain members of the company's management team, as well as a collective evaluation of the board's work and expertise. 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.

### THE WORK OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE DURING 2020

The board of directors met on ten occasions during 2020. 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, policy issues, organisational and staffing issues, and evaluation of the work of the board of directors and the CEO. As a result of the ongoing pandemic, much of the board's focus has centred on protecting the existing investment portfolio through a range of initiatives and measures.

The audit committee met on six occasions during 2020. Amongst other things, the audit committee prepared issues regarding interim reports and the integrated report for 2019 (including the annual report, sustainability and corporate governance report), internal control, preparation of the new risk policy and updated financial policy, instructions for the newly established internal audit function and audit plans for internal and external auditing.

### 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. Services with a value of up to SEK 200,000 can be ordered by heads of department without the CEO’s approval within the framework of the annual budget.

### AUDITORS

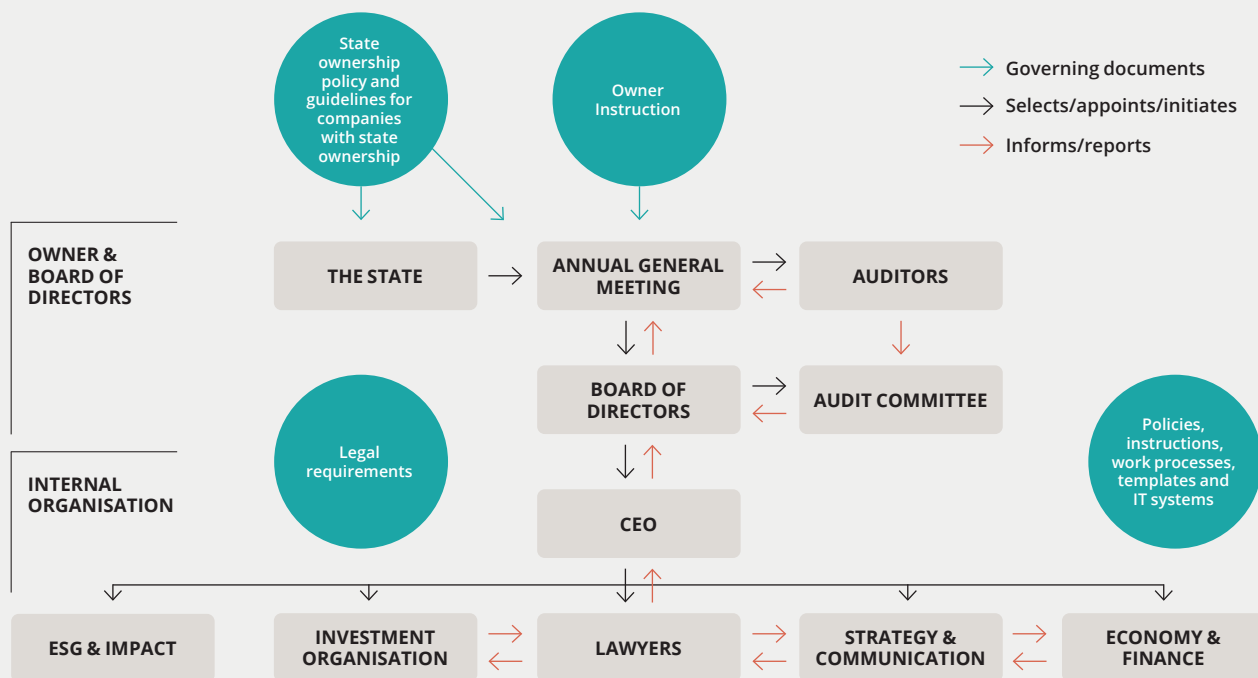
The state’s ownership policy states that responsibility for the election of elected auditors in state-owned companies always rests with the owner. Proposals for the election of auditors and approval of auditors’ fees in companies with state ownership are submitted by the board of directors. Auditors 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 performance audit and the general review of the interim report for January to September and partly in connection with the audit of the annual financial statements.

### ORGANISATION

Management work is coordinated by a management team based on Swedfund’s organisation. At the year-end, the management group comprising a total of eight people consisted of the CEO, Chief Legal Counsel, Chief Financial Officer, Director of Strategy and Communication, Director of Investment Operations (acting), Director of ESG & Impact, Director of Business Development and Special Operations and the Head of Administration. The role of the management group is to prepare and implement strategies and business plans, manage corporate governance and organisational issues, and follow up Swedfund’s financial development and initiatives relating to sustainability.

## Corporate governance structure



## REMUNERATION OF SENIOR EXECUTIVES

Swedfund applies the government's guidelines for employees in managerial positions. The remuneration conditions for the CEO and other senior executives are presented in Note 6 (page 106).

## 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.

Swedfund prepares an annual integrated report inspired by the framework of the International Integrated Reporting Council's (IIRC). Sustainability information is integrated with the financial information in the report and vice versa. The financial reports and internal control of the company thus also includes the sustainability report.

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 regular 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 pages 64-65). 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, risk 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. The valuation of shares and loans with a credit loss assessment are the items identified by the company as having a high degree of assessment, and these items are in focus for preparation by the audit committee and the review of the external audit. 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 and associated processes 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 risk policy and 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 21 and about Swedfund's other risks on pages 48-51.

### 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 for each sector, where portfolio holdings 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 investment manager as rapporteur.

Swedfund has developed an investment process 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 final 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 at the end of December 2019 to also establish a special audit function in the form of an internal audit unit. In 2020, the internal audit function was established and carried out its first audit activities. The audit committee will regularly receive feedback on completed control activities and prepare a draft audit plan for approval by the board of directors.

## INFORMATION AND COMMUNICATION

The company's information and communication channels must contribute to full and accurate financial reporting at the right time. All Swedfund 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 and in the portfolio.

Swedfund also has 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. During

the year, Swedfund also established a Complaints Mechanism, which can be used to draw attention to issues linked to Swedfund and Swedfund's portfolio companies

## 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 internal and external auditors' audit plans 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 external auditors attended one board meeting and five 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 2020, 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 directorships:** 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 directorships:** Sixth Swedish National Pension Fund (chair and  
chair of Sustainability Committee), Orio AB (member and chair of Audit  
Committee), Spiltan Fonder AB (member), LÖF - Mutual Insurance  
Company of the Regions (member), Kommuninvest i Sverige AB (member)

**Previous directorships:** Sparbanken Sjuhärad AB, Försäkringar  
Mälardalen AB, Salus Ansvar AB, KPA AB and subsidiaries, Folksam  
LO Fondförsäkring AB and subsidiaries, Folksam Fondförsäkring  
AB, Min Pension i Sverige AB, Legal, Kammarkollegiet (Financial  
and Administrative Services Agency).

# 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 2020.

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 2021

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 2021

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 2020 financial year, with the exception of the corporate governance report on pages 129-137. The company's annual report is included on pages 66-128 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 2020 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 129-137. 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 1-65 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 2020 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 2020 financial year on pages 129-137 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 2021

Ernst & Young AB

Jennifer Rock-Baley  
State-authorized public accountant

# Additional sustainability information about Swedfund's operations and reporting

## About our GRI reporting

Swedfund's 2020 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 Framework.

The report follows the Swedish Government Offices' "Guidelines for external reporting for companies with state ownership". According to these principles, sustainability reports must be prepared in accordance with the Global Reporting Initiative's (GRI) guidelines or another international framework for sustainability reporting. Rules concerning sustainability reporting applicable to larger companies in accordance with the Swedish 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 other key goals in our strategy. 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 became signatory to 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 an eighth 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 became signatory to 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 seventh report concerning the 2020 financial year is presented 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 Kronhoffer, Director of Strategy and Communication.

## INDEX FOR SUSTAINABILITY REPORTING IN ACCORDANCE WITH GUIDELINES FOR EXTERNAL REPORTING FOR COMPANIES WITH STATE OWNERSHIP

| Indicator  | Page reference                          |
|--|---|
| Business model   | 2-3, 8-9                                |
| Sustainability policy and Anti-corruption policy, as well as review procedures | 54-55, 64-65, 78-79, 80-81, 82, 144-146 |
| Material sustainability risks and their management                             | 48-50                                   |
| Results  |   |
| Environment  | 70-71, 80-81, 145                       |
| Social conditions and staff  | 72-75, 78-81, 106, 145-146              |
| Human rights   | 80-81, 144                              |
| Anti-corruption  | 82-83, 146                              |

## STAKEHOLDER AND MATERIALITY ANALYSIS

The roadmap to achieving the UN's Sustainable Development Goals (SDGs) is 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 Instructions, other goals in the strategy 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 stakehold-



ers 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.

The crisis brought about by the Covid-19 pandemic has led to a greater need to cooperate both at every level of society and between countries and organisations. For Swedfund, the importance of partnerships has grown during 2020. At a time when travel restrictions have limited our scope to visit the countries in which we operate and our portfolio companies, cooperation with other operators on the ground has been intensified and helped to increase the opportunities to exchange information and gain a detailed knowledge of developments in the countries concerned.

During the pandemic, the cooperation taking place within EDFI has also deepened. Regular meetings have been held to share information and discuss joint initiatives aimed at saving both jobs and

financial and humanitarian values.

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, gender equality and women's empowerment, environment and climate, tax issues, good corporate governance and anti-corruption, as well as 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 70-85. In the following section, we present additional sustainability information regarding Swedfund's own operations.

| Stakeholder category  | Interest issues and focus  | Type of dialogue, Swedfund's response and results   |
|---|--|---|
| <b>Owner and finance institution</b><br>which determines Swedfund's mission and proposes Swedfund's funding via the aid budget.<br>Government (Ministry of Enterprise and Innovation and Ministry of Foreign Affairs).                            | 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. | State ownership policy and guidelines for companies with state ownership, Owner Instructions, general meeting, shareholder meetings, individual meetings and network meetings.  |
| <b>Politicians</b><br>who establish the Policy for Global Development (PGD) and decide on the National Budget.<br>Members of Parliament.  | 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.  | Through regular meetings with the parties' representatives and meetings with the Swedish Parliament's Foreign Affairs Committee.  |
| <b>Embassy of Sweden</b>  | 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.   | Through meetings and dialogue concerning Swedfund's assignments and activities.   |
| <b>Business partners</b><br>who, together with Swedfund, fund and run the companies in Swedfund's portfolio.<br>Business partners and development finance institutions (DFIs, IFIs and EDFIs).  | Funding, market issues, strategy and business models.<br>Private sector development, co-financing and development effects.<br>Policy issues for Europe's development finance institutions.   | Interaction and advocacy work.<br>Ongoing communication and meetings in collaboration groups.<br>EDFI reference group meetings at various levels: CEO, HR, ESG, Development Effects, Legal Affairs, Communication, etc.   |
| <b>Portfolio companies</b>  | Development financing through Swedfund and results within impact on society, sustainability and financial viability.   | Contractual commitments in all three areas: impact on society, sustainability and financial viability. Ongoing dialogue and follow-up throughout the investment period.   |
| <b>Civil society organisations and trade unions</b><br>which, like Swedfund, are involved in development cooperation in Swedfund's markets.<br>Civil society aid organisations, trade unions and international NGOs.                              | Policy issues, such as human rights, gender equality, climate, development effects, transparency and tax issues.<br>The "Decent work" agenda.  | Stakeholder dialogues.<br>Participation in round table discussions and conferences, as well as the ongoing exchange of experience from us both.<br>Collaboration with the Kvinna till Kvinna Foundation regarding the development of tools for identifying and minimising risks relating to sexual violence, assault and harassment in the portfolio. Ongoing discussions regarding the possibility of collaborative projects in portfolio companies or specific markets. |
| <b>Media and opinion-formers</b><br>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. | Monitor Swedfund as a development finance institution and aid organisation.  | Press releases, ongoing information in social media, Swedfund Frankly, interviews, background discussions and meetings for knowledge transfer.  |
| <b>Swedfund's employees</b><br>who through their knowledge, experience and networks carry out Swedfund's mission.   | Working environment, organisational, strategic and resource issues.  | Internal information through meetings and the intranet, performance appraisals, salary reviews, competence development and training.  |

## Human rights

Most of Swedfund's portfolio companies operate in countries and markets in which respect human rights (HR) present a challenge. In the work relating to sustainable development and sustainable businesses, 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 a negative turn in recent years, escalated by the pandemic. In many places, the pandemic has led to the imposition of restrictions on human rights and setbacks for democracy.

### GOVERNANCE

Human rights are included in Swedfund's Policy for Sustainable Development. During the year, a 'Guiding Note for Human Rights' was published which describes how human rights are incorporated into Swedfund's investment activities. Internally, additional checklists and tools are applied.

The aim of the process for evaluating human rights issues in investment activities is 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. 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 ESG Action Plan (ESGAP), which forms part of the investment agreement.

<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.

### 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 whistleblowing service which can be used by employees, contractors, trainees and others at Swedfund and amongst the companies and funds in which Swedfund invests.

In 2020, one report was received via the whistleblowing service which was not considered to follow the whistleblowing guidelines and was therefore not subject to further investigation. The whistleblowing 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.

In June 2020, Swedfund launched a complaints mechanism, primarily based on the UN Guiding Principles on Business and Human Rights (UNGPR). The channel, which is available on Swedfund's website, can be used for all types of complaints concerning Swedfund and Swedfund's portfolio companies, but not for complaints concerning individuals as a result of restrictions arising from data protection legislation. The channel complements Swedfund's whistleblowing service. No complaints were received via the complaints mechanism in 2020, and a further launch is planned for 2021.

### 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 2020, Swedfund:*

- participated in a network group with AP2, Business Sweden, EKN, SEK and others in order to discuss and develop common issues and guidelines within the area of human rights;
- participated in Enact's networking group for companies and human rights with representatives from Swedish companies, including Electrolux, HM, Stora Enso, Telia and others;
- led an EDFI working group with the aim of developing a joint voluntary Guiding Note on Human Rights;
- developed and published a Guiding Note on Human Rights, which describes how human rights are incorporated into Swedfund's investment activities, as well as the development and implementation of internal checklists and tools;
- developed and implemented a complaints mechanism as a supplement to our existing whistleblowing service;
- cooperated with the Danish Institute for Human Rights (DIHR). The cooperation aims to strengthen the application of Swedfund's due diligence on human rights as regards its investments in funds. Specifically, DIHR has contributed the following:
  - Strengthening of Swedfund's processes and guidance regarding human rights for funds;

- Training relating to enterprise and human rights at two fund managers in India;
- Development of guidance and a toolbox for human rights for fund managers to apply in their investment process.

## Serious incidents

The portfolio companies are contractually bound to report serious incidents to Swedfund. 'Serious incidents' means the following: 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 2020, a total of 25 (2019: 12) reports of serious incidents were received by Swedfund from portfolio companies, of which 20 (2019: 11) originated from the underlying holdings of the funds. Three of the reports concerned incidents which affected a number of people. A total of 19 (2019: 10) reports concerned fatalities, including 16 in the underlying holdings of the funds and three in direct investments. Of the 23 fatalities, twelve were road accidents, four were linked to safety incidents and three were caused by Covid-19.

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 an increase in the number of accidents, particularly road traffic accidents. There is a need to continually improve the safety-related procedures of the funds and their underlying holdings. During the year, we specifically followed up health and safety procedures linked to Covid-19. A total of 175 positive Covid-19 cases were reported by our portfolio companies.

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 impacts. See page 71 for the portfolio companies' results.

Swedfund strives to reduce the company's own climate impact. Business travel, electricity and heat account for Swedfund's largest sources of greenhouse gas emissions.

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. During the year, the number of flights fell sharply due to travel advice during the pandemic. Videoconferencing technology installed in 2019 to reduce the need for physical meetings has not only been essential this year in enabling investment activities to continue, but will also continue to reduce the need for travel after the

pandemic. As in previous years, our emission reports have included emissions at high altitude, and Swedfund's emissions from business travel amounted to 107 tonnes of CO<sub>2</sub> (2019: 616 tonnes of CO<sub>2</sub>). This represents a decrease of 83 percent compared with 2019.

Swedfund's head office in Stockholm has a green lease agreement based on 100 percent renewable electricity. For our office in Nairobi, there are no environmental options for the supply of electricity and heat. A diesel generator is used in the event of electrical outages in Nairobi in the office building in which Swedfund hires offices. The combined energy consumption of the organisation during the year gives rise to 3.2 tonnes of CO<sub>2</sub> (2019: 3.7 tonnes of CO<sub>2</sub>), of which 1.9 tonnes (2018: 2.2 tonnes) are used for heating and 1.3 tonnes (2018: 1.5 tonnes) for electricity consumption.

For 2020, we report 110 tonnes of CO<sub>2</sub> (2019: 620 tonnes of CO<sub>2</sub>), which includes electricity, heat and all air travel. Our emissions have fallen by 82 percent compared with 2019, largely as a result of a sharp decline in air travel during the pandemic.

| Emissions (tonnes of CO <sub>2</sub> e) |              |              |              |             |                |
|---|--------------|--------------|--------------|-------------|----------------|
| Emission source                         | 2018         | 2019         | 2020         | Pro-portion |                |
|   |              |              |              | 2020        | Change 2019-20 |
| Energy                                  | 4.6          | 3.7          | 3.2          | 3%          | -15%           |
| Heating                                 | 2.7          | 2.2          | 1.9          | 2%          | -13%           |
| Electricity consumption                 | 1.9          | 1.5          | 1.3          | 1%          | -16%           |
| Business travel                         | 773.2        | 616.3        | 107.2        | 97%         | -83%           |
| <b>Total</b>                            | <b>777.9</b> | <b>620.0</b> | <b>110.4</b> | <b>100%</b> | <b>-82%</b>    |

| Per Scope    | 2018         | 2019         | 2020         | Pro-portion |             |
|--------------|--------------|--------------|--------------|-------------|-------------|
|              |              |              |              | 2020        | Change      |
| Scope 1      | 0.3          | 0.1          | 0.1          | 0%          | -22%        |
| Scope 2      | 3.5          | 2.7          | 2.3          | 2%          | -17%        |
| Scope 3      | 774.1        | 617.2        | 108.0        | 98%         | -82%        |
| <b>Total</b> | <b>777.9</b> | <b>620.0</b> | <b>110.4</b> | <b>100%</b> | <b>-82%</b> |

Swedfund emission categories:

Scope 1: Direct greenhouse gas emissions over which the business has direct control, e.g. from own vehicles and the combustion of fuels in production.

Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a network, i.e. the consumption of electricity, district heating and district cooling.

Scope 3: Other indirect emissions which occur outside the limits of the business, such as business travel.

Swedfund has chosen to continue carbon-offsetting the company's own 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 emissions through projects which are locally based, do not have unexpected adverse environmental or impacts on society, and contribute to long-term reductions in emissions. The project shall 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 the Vi-skogens project, which aims to eradicate poverty, reduce the effects of climate change and contribute to a sustainable environment around Lake Victoria in Kenya through tree-planting and the implementation of sustainable agricultural practices.

## Personnel matters and working environment

In 2020, Swedfund appointed an HR Manager in the management team. The aim behind this move was to emphasise the importance of continually working on and developing issues relating to leadership and employeeship.

During the year, HR focused on updating procedures and policies for Swedfund and then provided associated training within the organisation. This was done in order to provide clarity from the organisation and to create a sense of security amongst employees regarding what applies in different situations. An example of one of the procedures that have been updated is 'Active Measures', which aims to clarify the work that Swedfund is doing to promote gender equality and equal rights within the organisation. Here, we are focussing on ensuring that no one is discriminated against and that everyone has the same opportunities as regards their career, development and well-being.

During the year, the organisation continued to undergo training regarding feedback and working environment. In order to measure the impact of the initiatives, Swedfund has continually used pulse-measuring employee surveys and followed up on the results. The tool that Swedfund uses also covers the legal requirements in order to investigate the organisational and social aspects of the working environment. As a result of the Covid-19 pandemic, more frequent surveys were conducted during the year in order to more closely monitor employees' well-being while working from home. In addition, Swedfund has also added questions to adjust the survey to take account of the (occasional) new working environment brought about by home working. Swedfund's managers have continually received support in their largely new type of leadership, not only as a group but also individually as and when necessary.

Safety representatives and the local trade union have been kept well-informed and consulted on an ongoing basis regarding any input relating to initiatives to promote the well-being of personnel.

Attracting employees with the right skills while also retaining our dedicated and capable personnel is enabling us to succeed in 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 through a preventive approach. During 2020, Swedfund continued its efforts to create an even better working environment. The newly

appointed HR manager and the safety representative have jointly completed additional training regarding the working environment and continued the internal work in order to work systematically and effectively on an ongoing basis.

All employees are employed on a permanent full-time basis.

## PERCENTAGE OF MANAGEMENT AND THE BOARD OF DIRECTORS REGARDING AGE DISTRIBUTION

|                   | 2019      |             | 2020      |             |
|-------------------|-----------|-------------|-----------|-------------|
|                   | Number    | Percent     | Number    | Percent     |
| 30-49 years       | 8         | 53%         | 7         | 47%         |
| 50 years or older | 7         | 47%         | 8         | 53%         |
| <b>Total</b>      | <b>15</b> | <b>100%</b> | <b>15</b> | <b>100%</b> |

## PERCENTAGE OF EMPLOYEES REGARDING AGE DISTRIBUTION, INCLUDING MANAGEMENT

|                            | 2019      |             | 2020      |             |
|----------------------------|-----------|-------------|-----------|-------------|
|                            | Number    | Percent     | Number    | Percent     |
| 29 years of age or younger | 5         | 12%         | 7         | 15%         |
| 30-49 years                | 29        | 71%         | 30        | 65%         |
| 50 years or older          | 7         | 17%         | 9         | 20%         |
| <b>Total</b>               | <b>41</b> | <b>100%</b> | <b>46</b> | <b>100%</b> |

## Anti-corruption

Swedfund's most significant corruption risks are linked to our investments. For the work relating to anti-corruption and the results of portfolio companies, please refer to pages 82-83.

In 2020, we updated our anti-corruption policy which covers our own operations and investments. Anti-corruption issues were discussed with the entire board when the updated policy was approved. This policy is freely available on Swedfund's website. All Swedfund employees undergo regular training concerning anti-corruption. The board and personnel attended a joint talk on anti-corruption in August. New employees always complete an e-learning course on anti-corruption as part of the introduction process, and 91% of employees completed an e-learning course on anti-corruption.

# 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 2020.

## GRI Standards Core Option

| Disclosure                           | Page   | Comments        | UNGC  |   |
|--------------------------------------|--|-----------------|---|---|
| <b>102: GENERAL DISCLOSURES 2016</b> |  |                 |   |   |
| <b>Organisational profile</b>        |  |                 |   |   |
| 102-1                                | Name of the organisation                                     | 147             | Swedfund International AB   |   |
| 102-2                                | Activities, brands, products, and services                   | 2-3, 34-35, 37  |   |   |
| 102-3                                | Location of headquarters                                     | 147             | Stockholm   |   |
| 102-4                                | Location of operations                                       | 3, 58-59        |   |   |
| 102-5                                | Ownership and legal form                                     | 129             |   |   |
| 102-6                                | Markets served   | 3, 34-35, 58-59 |   |   |
| 102-7                                | Scale of the organisation                                    | 3, 94-97, 106   |   |   |
| 102-8                                | Information on employees and other workers                   | 106, 146        | 6   |   |
| 102-9                                | Supply chain   | 147             | 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 | 90-91           |   |   |
| 102-11                               | The precautionary principle                                  | 54-57, 64-65    | 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 accounting policies and results. These assessments are based on our Policy for Sustainable Development 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. | 7 |
| 102-12                               | External initiatives   | 65              |   |   |
| 102-13                               | Membership of associations                                   | 147             | EDFI, NMC Nätverket för Hållbart Näringsliv (Network for Sustainable Enterprise), Enact Swedish Network for Business and Human Rights, UN PRI, GIIN, Global Compact, Sida's Swedish Investors for Sustainable Development, Gender Finance Collaborative, 2X Challenge, AVCA   |   |

| Disclosure                    |  | Page     | Comments  | UNGC |
|-------------------------------|--|----------|---|------|
| <b>Strategy</b>               |  |          |   |      |
| 102-14                        | Statement from senior decision-maker                       | 6-7      |   |      |
| <b>Ethics and integrity</b>   |  |          |   |      |
| 102-16                        | Values, principles and ethical guidelines                  | 65       |   |      |
| <b>Governance</b>             |  |          |   |      |
| 102-18                        | Governance   | 129-134  |   |      |
| <b>Stakeholder engagement</b> |  |          |   |      |
| 102-40                        | List of stakeholder groups                                 | 143      |   |      |
| 102-41                        | Collective bargaining agreements                           | 147      | All employees are covered by collective bargaining agreements   | 3    |
| 102-42                        | Identifying and selecting stakeholders                     | 143      |   |      |
| 102-43                        | Approach to stakeholder engagement                         | 142-143  |   |      |
| 102-44                        | Key topics and concerns raised                             | 143      |   |      |
| <b>Reporting practice</b>     |  |          |   |      |
| 102-45                        | Entities included in the consolidated financial statements | 148      | 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               | 142-143  |   |      |
| 102-47                        | List of material topics/sustainability issues              | 144-146  |   |      |
| 102-48                        | Restatements of information                                | 148      | No significant changes during the year  |      |
| 102-49                        | Changes in reporting                                       | 148      | No significant changes during the year  |      |
| 102-50                        | Reporting period   | 148      | 1 January - 31 December 2020: Financial data Swedfund International AB 1 January - 31 December 2019: Portfolio company data                                       |      |
| 102-51                        | Date of most recent report                                 | 148      |   |      |
| 102-52                        | Reporting cycle  | 148      | Annual presentation of accounts   |      |
| 102-53                        | Contact point for questions regarding the report           | 142      |   |      |
| 102-54                        | Reporting in accordance with the GRI Standards             | 142      |   |      |
| 102-55                        | GRI content index  | 147-149  |   |      |
| 102-56                        | External assurance   | 142, 151 |   |      |

| Disclosure   |  | Page                                     | Comments   | UNGC |
|--|--|--|--|------|
| <b>SIGNIFICANT ISSUES, GOVERNANCE AND ISSUE-SPECIFIC DISCLOSURES</b> |  |  |  |      |
| <b>GRI 205: Anti-corruption</b>                                      |  |  |  |      |
| 103-1, 103-2, 103-3  | Declaration, governance, evaluation  | 4-5, 34-35, 46-47, 64-65, 67, 82-83, 148 | Anti-corruption issues are an integrated part of the investment process.   |      |
| 205-1  | Total number and percentage of the organisation assessed for risks related to corruption, and report on largest identified risks | 82-83, 148                               |  | 10   |
| 205-2  | Communication and training about anti-corruption policies and procedures   | 146, 148                                 | All of Swedfund's employees have completed training concerning anti-corruption. In 2020, anti-corruption was discussed within the board of directors in connection with the adoption of the policy. The board and personnel attended a joint talk on anti-corruption, and 91% of employees completed an e-learning course on anti-corruption. New employees always complete an e-learning course on anti-corruption as part of the introductory process. | 10   |

| Disclosure                                    |   | Page  | Comments  | UNGC |
|---|---|---|---|------|
| <b>GRI 207: Tax</b>                           |   |   |   |      |
| 103-1, 103-2, 103-3                           | Declaration, governance, evaluation   | 76-77, 54-57, 67, 48-49                                     | Limitations: Swedfund and portfolio companies   |      |
| 207-1   | Position  |   | Swedfund's tax policy, which has been approved by the board of directors, is available at <a href="https://www.swedfund.se/media/1861/swedfund_tax_policy.pdf">https://www.swedfund.se/media/1861/swedfund_tax_policy.pdf</a> . This policy is reviewed annually and updated as and when necessary. |      |
| 207-2   | Governance, control and risks   |   | Swedfund intends to revise the reporting of its management of tax issues during 2021.   |      |
| 207-3   | Stakeholder dialogue  |   | Swedfund intends to engage with external stakeholders regarding tax issues during 2021.   |      |
| Own   | The portfolio companies' results: Tax per country   | 77  |   |      |
| <b>GRI 305: Emissions</b>                     |   |   |   |      |
| 103-1, 103-2, 103-3                           | Declaration, governance, evaluation   | 4-5, 46-47, 70-71, 54-57, 31-33, 36-37, 64-65, 67, 145, 149 | Limitations: Swedfund and portfolio companies   |      |
| 305-2   | Energy indirect (Scope 2) GHG emissions   | 145   | IEA's emission factors have been applied. 2020 emissions in scope 2 according to the "location-based method" 5.8 tonnes of CO <sub>2</sub> e and according to the "market-based method" 2.3 tonnes of CO <sub>2</sub> e.  | 8    |
| 305-3   | Other indirect (scope 3) GHG emissions  | 145, 71   | IEA's emission factors have been applied  | 8-9  |
| <b>GRI 405: Diversity and gender equality</b> |   |   |   |      |
| 103-1, 103-2, 103-3                           | Declaration, governance, evaluation   | 4-5, 36-37, 46-47, 54-57, 67, 72-73, 78-79, 145-146, 149    | Limitations: Swedfund and portfolio companies   | 6    |
| 405-1   | Composition of Board and management team, and diversity within the organisation   | 106, 146  |   | 6    |
| Own   | Proportion of women, proportion of women in management positions, number of women on the Boards of the portfolio companies      | 72-73   |   |      |
| <b>GRI 412: Human rights</b>                  |   |   |   |      |
| 103-1, 103-2, 103-3                           | Declaration, governance, evaluation   | 4-5, 36-37, 46-47, 54-57, 64-65, 67, 78-79, 144, 149        | Limitations: Swedfund and portfolio companies   |      |
| 412-3   | Significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening | 144, 80-81, 149   | Human rights issues are an integral part of the investment process. All new investments (2020: 11, 2019: 10) have undergone human rights screening.   | 1-2  |
| <b>Product portfolio</b>                      |   |   |   |      |
| 103-1, 103-2, 103-3                           | Declaration, governance, evaluation   | 3, 34-35, 149   | Limitations: Swedfund   |      |
| FS 6  | Investment portfolio allocated by region, size, sector  | 3, 34-35  |   |      |
| <b>Active ownership</b>                       |   |   |   |      |
| 103-1, 103-2, 103-3                           | Declaration, governance, evaluation   | 4-5, 36-37, 46-47, 54-57, 64-65, 67, 80-81, 149             | Limitations: Portfolio companies  |      |
| FS 10   | Percentage of portfolio companies with whom environmental and social issues have been addressed                                 | 149, 3, 36-37   | 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  | 149, 80-81, 54-57   | All investments are screened for environmental and social issues.   | 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 142, 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 2021

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 2020. Swedfund International AB has defined the scope of the sustainability report as the areas referred to in the GRI index on pages 147-149 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 142 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 2021

Ernst & Young AB

Jennifer Rock-Baley  
State-authorised public  
accountant

Charlotte Söderlund  
State-authorised public  
accountant



## Publishing Prize 2020

The winner of this year's Publishing Prize was announced in November 2020. The actual award ceremony was cancelled due to restrictions imposed during the Covid-19 pandemic. Swedfund had been nominated in the 'Annual reports, publicly owned enterprises' category for its 2019 integrated report entitled "A true story about escaping poverty". The company came second in this year's competition.

## UN PRI 2020

In 2012, Swedfund certified UN PRI (United Nations Principles for Responsible Investment). This certification means that every year we report data concerning how the principles are integrated into our business. During 2020, 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.

In 2020, 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.

## The PRI Leaders' Group 2020

UN PRI has set up a Leaders' Group to raise the profile of investors who excel within the area of responsible investments and to highlight trends in the work of these leading signatories. For the second year in a row, UN PRI has named Swedfund as one of 36 leading investors in the world, on this occasion within the area of climate reporting.

UN PRI uses the annual feedback of signatories to identify those who excel within the area of responsible investments, and this year specifically as regards climate reporting. Swedfund is the only development finance institution and, together with AP2, one of the two Swedish players to be chosen by more than 3,300 investors who have signed up to UN PRI's principles. To be elected to the Leaders' Group, the organisation must have robust governance and structure for climate-related issues, see climate risks and opportunities from a range of long-term perspectives, integrate climate-related risks into their general risk management, and have clear climate-related goals.

### Swedfund International AB

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Illustrator: *Amanda Louli*: p. 14, 15, 18, 19, 22, 23, 26, 27, 61, 62.

The printed version  
of the annual report is  
100% climate-offset.



## Swedfund's goal: A world without poverty

As a development finance institution, our mission is to help reduce poverty by making sustainable investments in developing countries. This means that we contribute to the creation of more jobs with decent working conditions and improve access to socially important products and services, such as renewable energy and health. This is our contribution to building vital communities.

The pandemic which swept across the world in 2020 has led to an increase in poverty in many countries. A multidimensional crisis requires a multidimensional response. Development finance institutions have become increasingly relevant and our work is pivotal in the efforts being made to accelerate a sustainable recovery and inclusive growth. If you would like to find out what this work involves, you will find the answer here in our Integrated Report 2020.

