

POVERTY REDUCTION THROUGH

SUSTAINABLE BUSINESS

~ SWEDFUND'S INTEGRATED REPORT 2015 ~



Swedfund

Swedfund's Integrated Report 2015 is a fully integrated annual report. In the Directors' Report, information relating to sustainability is integrated with financial information, and vice versa. The Integrated Report is published by the Board of Directors of Swedfund International AB, registration no. 556436-2084.

The entire report is subject to verification with a reasonable level of reliability, i.e. auditing. Comparable figures for 2014 and 2013 are shown in brackets.

A glossary can be found on page 101.

INTEGRATED REPORTING <IR>



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CONTENTS

~ THIS IS SWEDFUND ~

MANAGING DIRECTOR'S STATEMENT: ANNA RYOTT..... 4	CHAIRMAN'S STATEMENT..... 8	BUSINESS MODEL..... 20
FIGURES: THE PAST YEAR..... 6	MACROECONOMIC ANALYSIS..... 10	INVESTMENT PROCESS..... 22
	SWEDFUND'S STRATEGIC FOCUS 14	VALUE & RISKS..... 24

~ HOW WE MAKE A DIFFERENCE ~

IMPACT ON SOCIETY



MERCURY KIVUVA:
A MANAGER COMMITTED TO GENDER EQUALITY..... 26

TAXES..... 30

GOOD EMPLOYMENT TERMS..... 31

STAKEHOLDER INTERVIEW: SOFIA FALK, WIMINVEST..... 32

REPORTING OF DEVELOPMENT RESULTS..... 33

SUSTAINABILITY



RAVI BHATT:
A PARTNERSHIP FOR FORMAL BANKING SERVICES..... 36

ANTI-CORRUPTION..... 40

THE ENVIRONMENT..... 41

STAKEHOLDER INTERVIEW: ÅSA PETTERSSON, SCANIA..... 42

REPORTING OF DEVELOPMENT RESULTS..... 43

FINANCIAL VIABILITY



WAMBUI KAMAU:
SUSTAINABLE EXPANSION FOR PRIVATE HEALTHCARE PROVIDER 46

FINANCIAL VIABILITY..... 50

THE WORK OF THE BOARD..... 51

STAKEHOLDER INTERVIEW: ALEKSANDAR ZUZA, IF METALL..... 52

REPORTING OF DEVELOPMENT RESULTS..... 53

~ MORE ABOUT OUR ACTIVITIES ~

RISK MANAGEMENT..... 57	STAKEHOLDER ANALYSIS..... 62	SWEDPARTNERSHIP..... 66
SWEDFUND'S ETHICAL COMPASS... 60	OUR PORTFOLIO..... 64	

~ SWEDFUND'S RESULTS ~

SWEDFUND'S RESULTS..... 68	CORPORATE GOVERNANCE REPORT..... 87	BOARD AND MANAGEMENT..... 96
INCOME STATEMENT..... 72	BOARD REPORT ON INTERNAL CONTROL..... 90	DIRECTORS' SIGNATURES..... 98
BALANCE SHEET..... 73	GRI / COP INDEX..... 91	AUDIT REPORT..... 99
EQUITY..... 75	UN PRI..... 95	ADHERENCE TO REPORTING GUIDELINES..... 100
CASH FLOW STATEMENT..... 76		GLOSSARY..... 101
NOTES..... 82		

DIRECTORS' REPORT: PAGES 9-71 AND 87-94

CEO'S STATEMENT

ANNA RYOTT

“Partnerships for global sustainable development”

2015 WAS A YEAR of major progress. Together we have agreed on how we can achieve global sustainable development for everyone. The nations of the world united around global goals for sustainable development and decided on a framework to finance those goals. In December, a new climate agreement was adopted.

But the year was also made darker by war, terrorism, humanitarian crisis and people fleeing their homes. When I attended the development finance meeting in Addis Ababa in the summer and in the climate meeting in Paris, it was obvious how it is through partnership that we will achieve results and implement most effectively our new agenda for sustainable development.

THE WORLD NEEDS to create more than 600 million jobs by 2020. Job creation is one of the most important factors in eradicating poverty. Swedfund's investments contribute to creating decent jobs and economic growth that is inclusive. Climate change will strike hard against the world's poorest people.

Swedfund shall contribute to a society based on sustainable production and energy use. Our investments aim to establish sustainable companies that have a positive impact on society. We achieve change by setting a good example, in close collaboration with our partners. As a development finance institution, Swedfund has a unique role to play as a bridge between traditional aid and private enterprise. By building further on our shared knowledge and experience we can find smart and

innovative financing solutions – always with the goal of ending poverty.

TOGETHER WITH other European Development Finance Institutions (DFIs) we manage an investment portfolio of around EUR 32.9 billion, distributed among over 4,000 businesses. Collaborating with these European DFIs gives us a strong voice and means we can invest effectively with a sharp focus on fulfilling the global goals.

In 2015, together with the European Investment Bank and the European Commission, and within the framework of the UN's Sustainable Energy for All initiative (SE4All), we established a platform for investing in sustainable energy solutions in Africa, among other places. The project is a good example of how the private sector and traditional aid providers can work together to secure access to energy, which is one of the key areas in achieving sustainable and inclusive growth.

OTHER IMPORTANT partnerships that generate innovative financing solutions and sustainable development are found in our links with the business world. In 2015 we developed our partnerships with H&M, which focuses on building a sustainable textiles industry in Ethiopia, and with Scania, with whom we are searching for climate-smart transport solutions in India. We will continue focusing on important issues together with civil society and investing together with other DFIs and local entrepreneurs.

ANNA'S
TIPS

Relations with civil society are a top priority. We learn continuously and are getting better at dialogue. We will also ensure that our efforts to promote gender equality, through our Women4Growth initiative, reach more investments.

In the face of different driving forces and conditions we work through joint solutions that mean shared risk and doubled value creation.

WE WILL CONTINUE to invest in the toughest environments and take risks because we see the difference we can make in terms of improved living conditions for poor people. As a long-term, responsible owner we can make contributions with finance, knowledge and experience. The capital contribution proposed by the Swedish government and agreed in parliament will help us to grow and continue our work to reduce poverty through sustainable business.

We remain one of the smaller development finance institutions in Europe, but now we can build for the future. This year we are reporting pre-tax operating profit of SEK 2.8 million. We are on the right track and have ended our negative result trend of recent years. In 2015, average job growth in our portfolio companies was 3.7%, 96% of the companies reported that they have a sustainability or environmental policy, 79% adhere to the ILO Core Conventions, and 88% have an anti-corruption policy.

We will continue implementation of the ten Global Compact principles regarding human rights, labor rights, environment and anti-corruption issues in our portfolio companies. We are working with a full focus on 2030, delivering results and participating in achieving the global goals for sustainable development.

This is just the beginning!

STOCKHOLM, MARCH 2016



ANNA RYOTT
CEO

In 2015, Swedfund's CEO Anna Ryott was elected to the UN Global Entrepreneurs Council.



PHOTO: PETER JÖNSSON



HOW WE SUPPORT THE GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

During 2015 the world's leaders agreed on 17 new goals for sustainable development. These global goals must now be turned into action. Through our mission, reducing poverty through sustainable business, and in our role as a development finance institution,

we will contribute to achieving several of the goals. We will do it by creating decent jobs, working for greater gender equality and fighting climate threats. We explain our work throughout this Integrated Report for 2015. Keep an eye out for the icons!



BEST INTEGRATED REPORT FOR 2014

Swedfund's Integrated Report for 2014 won an award for best integrated report in the Responsible Business Awards 2015 arranged by Ethical Corporation.



PARTNERSHIP FOR SUSTAINABLE ELECTRICITY

During 2015 Swedfund was involved via European Development Finance Institutions (EDFI) in The Electrification Financing Initiative (ElectriFi), which focuses on sustainable electricity in developing countries. ElectriFi is an EU initiative that uses investment to establish electricity supplies, thus improving living conditions. The partnership includes the EU Commission. Read more on page 39 and at electrifi.org

FIGURES
2015

INVESTMENTS THAT MAKE A **DIFFERENCE**

SWEDFUND'S INVESTMENTS IN SUSTAINABLE BUSINESS
HELP TO REDUCE POVERTY.



3,456

SEK million, the total contracted amount in Swedfund's investment portfolio as of 31 December 2015.

2.8

SEK million was Swedfund's pre-tax profit. Swedfund reversed the negative result trend of recent years.



60%

of Swedfund's investments are in Africa.

5

new investments were contracted during the year.



17

projects approved by Swedpartnership during the year

27

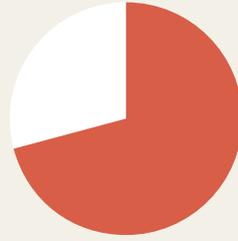
the number of countries in which Swedfund has investments.





3.7%

average rate of job growth among portfolio companies.



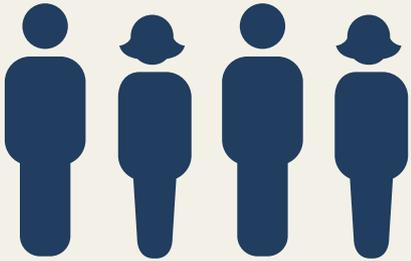
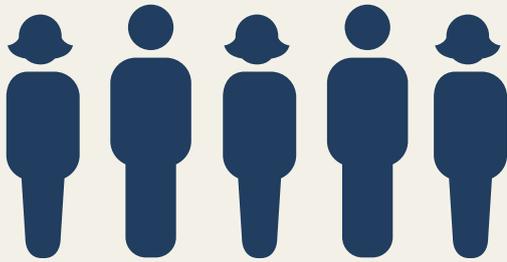
79%

of portfolio companies state that they comply with the ILO's core conventions.



96%

of Swedfund's direct investments have a sustainability policy.



111,933

the total number of employees working for portfolio companies.

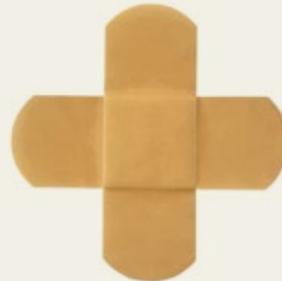
88%

of the portfolio companies report that they have an anti-corruption policy and have appointed someone with responsibility to implement the policy.



502

SEK million, the amount of tax reported by portfolio companies.



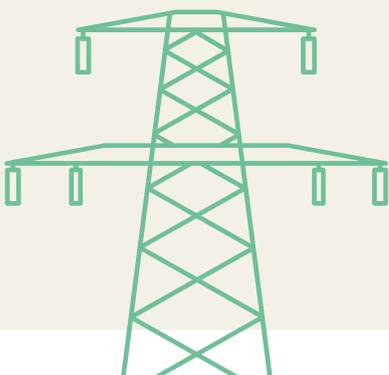
957,000

patients treated through activities arranged by our portfolio companies within the healthcare sector.



18%

of employees at portfolio companies are women.



2,105

Gwh in energy production reported by companies in the energy sector in which Swedfund has invested.

CHAIRMAN
CLAES EKSTRÖM

With the wind at our backs

Given what is going on in the world today, how will aid be delivered in the future and how will this affect Swedfund?

“We enter a new year with a clear agenda. New global goals have been set and financing for them has been decided. The 2030 agenda clearly shows the way forward for eradicating poverty. Everyone should gather their resources and focus on achieving results through hard work and cooperation. The development goals indicate that traditional aid continues to have an important role to play by contributing to the development of long-term solutions for countries in areas such as building effective institutions and legal systems, in health care, education, etc. At the same time, Swedfund’s mission to reduce poverty through sustainable business is more relevant than ever. It will be important to take advantage of existing expertise and match it to current need in order to speed up the pace of change.”

Swedfund has received a capital injection. How will the expanded resources be used?

“The capital injection is needed for Swedfund to continue to work with its mission of creating decent jobs through investments so that people can improve their lives by having a job. Climate change is hitting hardest against the world’s poorest people. Swedfund must lead the way and show that it is possible to make investments in renewable energy and in climate-friendly solutions. We will continue to

focus on the environmental aspects of our portfolio companies in all different sectors. It’s vital that companies in all industries minimize their negative environmental impact.”

What is your most important role as a partner?

“Our most important role as a partner is to make a difference and be a catalyst. We will continue to enter markets where few others are willing to take the risk. We have experience of the most difficult markets and we persevere – this will continue to be important. Future partnerships will be partnerships where different skills and interests are joined together in a common objective. Expected and unexpected partnerships will be incredibly important in realising the 2030 agenda.”

What opportunities do you see for Swedfund?

“Our main ambition for the future is to continue to create decent jobs in the world’s poorest countries. So that people can lift themselves out of poverty. We can show that it is possible to establish sustainable businesses and be a responsible investor in difficult markets. We want to continue working together with Swedish companies to develop innovative business models where we combine our knowledge of investment, with our partners’ products and services to bring about positive social change.” ✕

CLAES EKSTRÖM,
CHAIRMAN, SWEDFUND



PHOTO: PETER JONSSON

THE SWEDISH STATE'S DEVELOPMENT FINANCE INSTITUTION

Through the Ministry for Foreign Affairs, Sweden's government has assigned Swedfund (Registration no. 556436-2084) to be Sweden's development finance institution for investments in poor countries. Swedfund was formed in 1979 and is state owned. From January 2015 Swedfund is managed by Sweden's Ministry of Enterprise and Innovation. Swedfund's role in development activities was not however changed.



OUR GOALS

Our activities shall contribute towards achieving the goals for Sweden's Policy for Global Development (PGU). In collaboration with strategic partners we shall participate in economically, socially and environmentally sustainable investments that create better conditions for people living in poverty and under repression. The company's activities shall promote the development of gender equality. Our overall and most important goal is creating jobs with a good working environment and good employment terms.

Return on equity should exceed the average interest rate on Swedish central government debt of one-year maturity. Return shall be measured over rolling seven-year periods.

Our mission: Reducing poverty through sustainable business



SEK 400 million extra

The Swedish government is investing in Swedfund with a capital injection of SEK 400 million in 2016 aimed at promoting investments in sustainable solutions for the environment and climate that will lead to a switch to renewable energy.

The government is also proposing capital injections of SEK 400 million annually for 2017-2018. It is the view of the Swedish government that Swedfund's activities contribute to creating jobs, strengthening local markets and increasing tax receipts and technology transfers. Swedfund is a pioneer in many areas, including country-by-country reporting of tax, the proactive efforts we make to obtain positive changes regarding the ILO's core conventions and issues concerning gender equality, the environment and climate change.



OUR 4 STRATEGIC SUSTAINABILITY GOALS

IMPACT ON SOCIETY

We shall contribute to the creation of jobs with a good working environment and good employment terms.

SUSTAINABILITY

We shall contribute to the creation of long-term sustainable companies in the world's poorest countries.

FINANCIAL VIABILITY

We shall contribute to the creation of sustainable and financially viable companies located in the world's poorest countries.

ANTI-CORRUPTION

We shall make proactive efforts to tackle corruption internally and within portfolio companies.

Read more about how we work with sustainable investments on pages 26-55.



BRIEF HISTORY

Since it was established in 1979, Swedfund has invested SEK 6 billion in 268 companies and funds in markets in Africa, Asia, Latin America, Eastern Europe and the Middle East. Today Swedfund's role is better suited to the poorest countries in Africa, although we are also active in Asia. At the end of 2015 Swedfund had 63 investments in companies and funds in 27 countries, of which more than half were in Africa.

New guidelines in 2015



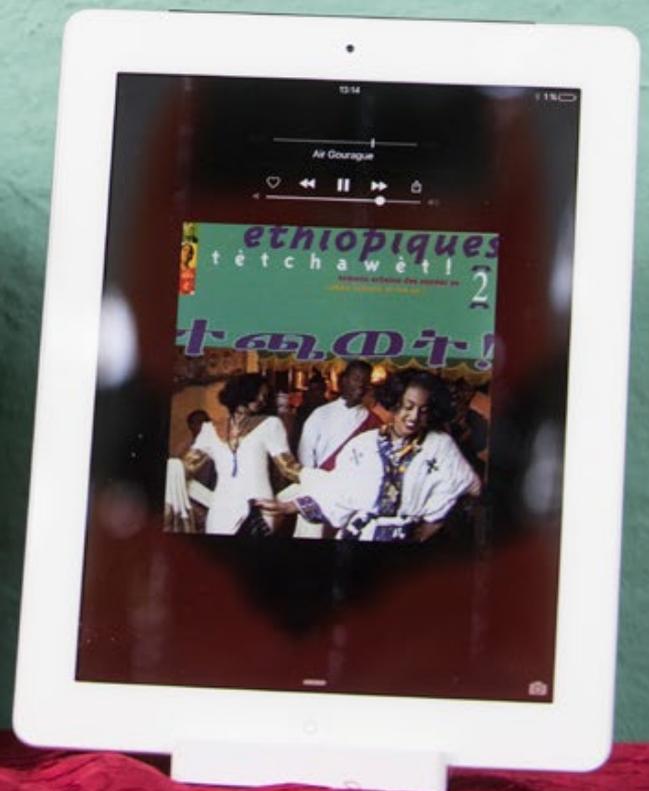
Swedfund's owner instructions were updated at the AGM held in April 2015. It was made clearer that activities shall promote the development of greater gender equality and contribute to development that is sustainable for the environment and climate. During the year Swedfund continued to develop activities in the field of climate change. This included starting the formulation of a climate strategy that will be launched in 2016. We have also adapted the Women4Growth talent programme for even more of our portfolio companies. Read more on page 28.

GLOBAL SUSTAINABLE DEVELOPMENT IN A CHANGING WORLD

“2015 is not just another year, it is a chance to change the course of history. We are the first generation with the potential to end poverty and the last generation to avoid the worst effects of climate change.”

The words of UN General Secretary **Ban Ki-moon** are very illustrative of the year 2015. It is a year that will go down in history as the year when the link between development and sustainability was made clear as the world united in setting goals for sustainable development. Furthermore, a new climate agreement was reached in 2015. But the year was not only marked by success.

Several major social issues came to a head both in Sweden and internationally. Climate change, a refugee crisis, terrorist threats and trouble spots throughout the world impacted in many ways on the countries where Swedfund does business. Swedfund's work - building sustainable companies that create jobs and contribute to stability - is more important than ever before.



3 MEETINGS THAT MADE A DIFFERENCE

Three important meetings took place in 2015 that had significant relevance for Swedfund's operations.



1

UN CONFERENCE FINANCING FOR DEVELOPMENT

The purpose was to decide on the new financing framework that will ensure that that the new global targets for sustainable development adopted in September can be achieved.

At the conference, the UN's 193 member nations adopted the Addis Ababa Action Agenda (AAAA), a global agreement about financing for the 17 sustainable development goals and 169 targets. The meeting focused on

the importance of finding innovative financing solutions. It became clear that development finance institutions such as Swedfund have a continued unique and important role to play in acting as a bridge between traditional aid and private investments.

UNCTAD, the UN trade body, estimates that the annual cost for meeting the commitments and development goals will be USD 5–7 trillion.



2

UN SUMMIT FOR SUSTAINABLE DEVELOPMENT

Perhaps the key event during the year was in New York, where the world adopted 17 goals and 169 targets for sustainable development and agreed to work towards achieving them by 2030. The agenda is broad and weaves together sustainability and development aspects. The goals are universal and apply for people and countries. They balance the three dimensions of sustainable development – economic, social and environmental. Swedfund is an important player in contributing to the realisation of the goals.



3

COP21 CLIMATE CONFERENCE IN PARIS

Politicians and negotiators reached a legally-binding and universal agreement on climate, the Paris agreement. The agreement means that the world now has a shared plan for reducing emissions. The increase in the planet's temperature shall be kept well below two degrees and efforts will be made to limit it to 1.5 degrees. Developing countries will receive continued support in limiting emissions and adapting to climate change.

THIS AFFECTS US

Job creation is a prerequisite for inclusive growth. Climate change and demographic shifts are major issues that affect the countries where Swedfund is doing business.

Demographic change and urbanisation are having a big impact on Swedfund's markets. The current global population of 7.3 billion is expected to rise to 8.5 billion by 2030, 9.7 billion by 2050 and 11.2 billion by 2100. Africa is expected to account for more than half of the world's population growth between 2015 and 2050, as that continent's population doubles to over two billion by 2050. Africa also currently has the highest proportion of people under the age of 20, with children under 15 accounting for 41% of the population in 2015, and young people aged 15-24 accounting for a further 19%.

It is expected that by 2030 virtually all population growth will be in towns and cities. These major demographic changes mean that demands for education and jobs will increase every day. Population growth also places big demands on natural resources. Demand for fresh water is likely to be 40% above the level of supplies by 2030. Currently, there are more countries suffering from water shortages in Sub-Saharan Africa than in any other region.

Faster industrialisation and growth mean increased demand for raw materials. Today there are already many examples of how conflicts caused by limited access to resources have significant and destabilising effects on nations and regions.

JOB CREATION is essential – hundreds of millions of new jobs must be created by 2020 just to maintain current employment levels. And these jobs must be of the right standard – decent work¹,

with good employment terms. Growth must be inclusive and benefit everyone. That's not happening right now. Several African countries report impressive growth but not everyone is sharing the economic benefits. In many places, what's taking place can be called jobless growth. Furthermore, the income gap is increasing in many countries, which in the long term, according to the OECD, leads to declining economic growth.

CLIMATE CHANGE, the refugee crisis, terrorism and other threats in the world affect the countries where Swedfund operates. Climate change goes hand in hand with poverty, hitting the weakest hard. The preparedness to handle the effects of climate change – rising ocean levels, more powerful tropical cyclones, extreme drought, unpredictable rainfall, longer, more extensive periods of hot weather, is low. It's important that investments made do not lock countries into energy solutions that increase these negative effects. New technology brings the possibility to create new solutions and better business opportunities.

RESPECT FOR human rights and responsible business are essential for the positive development of a nation, as is the fight against corruption. Today, corruption is one of the biggest barriers to economic and social development throughout the world, restricting resources for public services, healthcare and education. Corruption is not only a problem in poor countries, it occurs on all markets and takes different forms. But the impact is particularly hard on countries where people are vulnerable and live in poverty.

Working proactively for greater gender equality in developing countries is vital but not easy. There is a strong correlation between greater gender equality and poverty reduction, but in many countries there are cultural and structural barriers against women participating in working life with the same conditions as men and with the same opportunities to achieve higher positions.

Partnerships, also a central component of the UN's global goals, facilitate sustainable development and are essential for its achievement. Strong partnerships are important because they make comprehensive, long-term results more possible. The private sector develops best when different parties work together.

THE PREREQUISITE for the emergence of innovative and new technical solutions is the existence of entrepreneurs who dare to take risks. Entrepreneurs show that new business models can tackle problems that previously could not be resolved. Entrepreneurs are the basis for business start-ups and job creation, and can contribute to the transformation from an informal to a formal sector.

The fourth industrial revolution, digitalisation, is upon us and means changes that will reshape all our production, management and control systems. Digitalisation is a key enabler in transforming communities and meeting global goals.

Swedfund can contribute to finding solutions to the challenges of the future, by building sustainable businesses that will develop the private sector, create jobs and thus contribute to stability and poverty reduction. ✕

¹ Decent work as defined by the ILO: Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.



LOOKING TO THE FUTURE

PHOTO: MICHAEL TSEGAYE

JOBS

- ▶ 600 million new jobs must be created by 2020.
- ▶ 9 out of 10 jobs in developing countries are in the private sector.
- ▶ We need jobs that create higher added value in the community and benefit society through higher incomes, greater supply of goods and services, etc.

INCLUSIVE GROWTH

- ▶ It is important for a country's stability and security that more people benefit from an inclusive economic growth.
- ▶ Financial inclusion, greater access to formal financial services, is an important way to tackle inequality on developing markets.

CLIMATE

- ▶ Developing countries will continue to be affected by climate change.
- ▶ A further 100 million people may be forced into poverty if climate change is not tackled.

DEMOGRAPHIC CHANGES

- ▶ The current global population of 7.3 billion is expected to rise to 8.5 billion by 2030, 9.7 billion by 2050 and 11.2 billion by 2100.

- ▶ The continent with the highest population growth, Africa is expected to account for more than half of the world's population growth between 2015 and 2050.

- ▶ In Africa, children under 15 accounted for 41% of the population in 2015, and young people aged 15-24 accounted for a further 19%.
- ▶ Extensive demographic changes will generate a significant demand for jobs and education.

HUMAN RIGHTS AND RESPONSIBLE BUSINESS PRACTICES

- ▶ Companies should conduct their business based on regulations and standards, proactively identifying and minimising negative impact.
- ▶ Companies have a responsibility to respect human rights based on the UN's guiding principles for companies and human rights.
- ▶ Sweden's national action plan on business and human rights sets the foundation for work with human rights issues.

CORRUPTION

- ▶ Corruption is one of the sustainability issues that has the biggest impact and can

make the biggest difference in achieving sustainable and inclusive development.

- ▶ If corruption was an economic sector it would be the third largest in the world, equivalent to 5% of global GDP or USD 3 trillion.

GENDER EQUALITY

- ▶ Promoting women's equality could add USD 12 trillion to global growth.
- ▶ Increasing women's participation in development is necessary to achieve social justice and to reduce poverty.
- ▶ There is a positive correlation between equality and GDP per capita, the level of competitiveness and human development indicators.
- ▶ Research shows unequivocally that investing in women generates economic growth, higher survival rates among children, better family health, fewer births and thus reduced population growth.

PARTNERSHIP

- ▶ The world needs partnerships between different actors - private business, civil society organisations, public organisations, governments, public authorities, academia, researchers, etc. - for global

sustainable development.

- ▶ Innovative partnerships are needed so that expertise and interests are aligned to achieve common goals and shared solutions.

DIGITISATION

- ▶ The fourth industrial revolution, digitisation, is here and evolving at an exponential rate rather than a linear one. Digitisation "interferes" in almost all industries in all countries. The changes are transforming production, management and control systems.
- ▶ Digitisation is one of the key enablers transforming society. ICT will be used to realise the global goals, accelerating efforts and results.
- ▶ Digitisation means Africa can skip some stages of development, thanks to mobile banking for example.

ENTREPRENEURSHIP

- ▶ Entrepreneurs drive innovation, take risks and establish new business models that can solve long-standing problems.
- ▶ Entrepreneurs create local solutions to local problems.

Source: OECD, IFC, Unicef, the World Bank, UN DESA, UN Global Compact, McKinsey Global Institute, IMF, etc.

SWEDFUND'S STRATEGIC FOCUS

OUR IMPORTANT ROLE IN THE DEVELOPMENT OF THE PRIVATE SECTOR

Global, sustainable development requires a sustainable private sector. To get the full effect out of the private sector you need cooperation and dialogue between different bodies. As the private sector develops, therefore, it must cover different dimensions.

INSTITUTIONS

Financed through aid
Public partners
Enabling environment

AID AUTHORITIES

It's important to build the institutions, such as tax agencies, financial supervisors, corporate inspectors, etc., that create a favourable environment in which the private sector can grow. Financed through international aid and donations.

INFRASTRUCTURE

Long-term loans
Public borrowing/PPP structures
Financed through fees and taxes

DEVELOPMENT BANKS

Efficient infrastructure such as electricity, water, IT and roads are essential for companies to operate. This is often financed by development banks through long-term financial solutions, involving public bodies or through Public Private Partnerships (PPP).

INVESTMENTS

Loans and equity
Private partners
Commercial terms

DEVELOPMENT FINANCE INSTITUTIONS

Companies need financing to grow and develop. Our and other DFIs' investments in the form of equity and loans fulfil an important function. DFIs invest on commercial terms and take risks few others are prepared to take. By developing sustainable and profitable companies, DFIs help to develop the private sector.

OUR SECTORS

We invest in three strategically selected main sectors. We believe this to be the best way to create new jobs and thus contribute to reducing poverty. Through our investments and our portfolio companies we help to develop the private sector in the countries in which we are active.

MANUFACTURING AND SERVICES



There is a great need to develop manufacturing industry and the services sector in Africa, especially Sub-Saharan Africa. This includes sectors such as healthcare, hotels and various types of manufacturing. Investing in these sectors creates jobs while the businesses themselves create added value in the countries where they operate.

FINANCIAL INSTITUTIONS AND FUNDS



Investments in funds and banks create conditions for entrepreneurs and companies to grow and create jobs. Lack of access to finance is a key constraint on the growth of companies in developing countries. By investing in funds and banks Swedfund can support companies and entrepreneurs by developing financial markets and services that lead to increased financial inclusion, i.e. increased access to affordable financial services for more people.

ENERGY



Business people in developing countries say that the lack of electricity supplies is the single biggest constraint for doing business. Swedfund focuses on investments in renewable energy but also invests in energy efficiency improvements and resource efficiency, i.e. investments in existing infrastructure provided that the requirements in Swedfund's three pillars are met.

CONDITIONS ON OUR MARKETS

World Development Indicators (WDI) are the World Bank's principal collection of national data. The indicators reveal the variables that are essential for a country's development and give a picture of the situation within specific sectors. Here are three examples of the need for financing in Swedfund's sectors that show how investment in these areas contribute to meeting the global goals set by the UN.

EMPLOYMENT

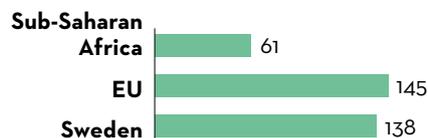
The number of jobs that must be created by 2020 to maintain current levels of employment:

600
MILLION

(IFC JOBS STUDY 2013)

FINANCIAL INSTITUTIONS

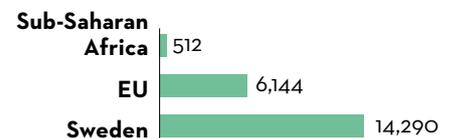
Domestic credit in the financial sector, percentage of GDP:



(WORLD BANK, WORLD DEVELOPMENT INDICATORS, 2013)

ENERGY

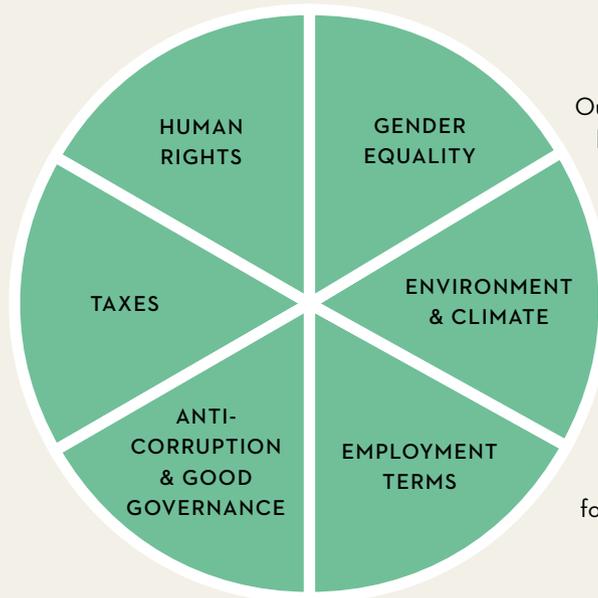
Electricity consumption per capita, kWh/capita:



(WORLD BANK, WORLD DEVELOPMENT INDICATORS, 2012)

HOW SWEDFUND WORKS WITH SUSTAINABILITY

By investing in, and supporting the development of, sustainable businesses we contribute to poverty reduction.



Our starting point for sustainable business lies in the analysis and handling of business opportunities and risks within certain dimensions of sustainability that are central for us. Through our portfolio companies and our advocacy we can promote positive development in these areas. Thus we can also contribute to achieving the global goals for sustainable development.

GENDER EQUALITY



5.1 End all forms of discrimination against all women and girls everywhere.

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

ENVIRONMENT AND CLIMATE



6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.



8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.



12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts

on human health and the environment.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

WORKING CONDITIONS



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

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, and by 2025 end child labour in all its forms.

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

CORRUPTION



16.5 Substantially reduce corruption and bribery in all their forms.

TAX



17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

HUMAN RIGHTS The observance of human rights for everyone is fundamental to achieving sustainable development.

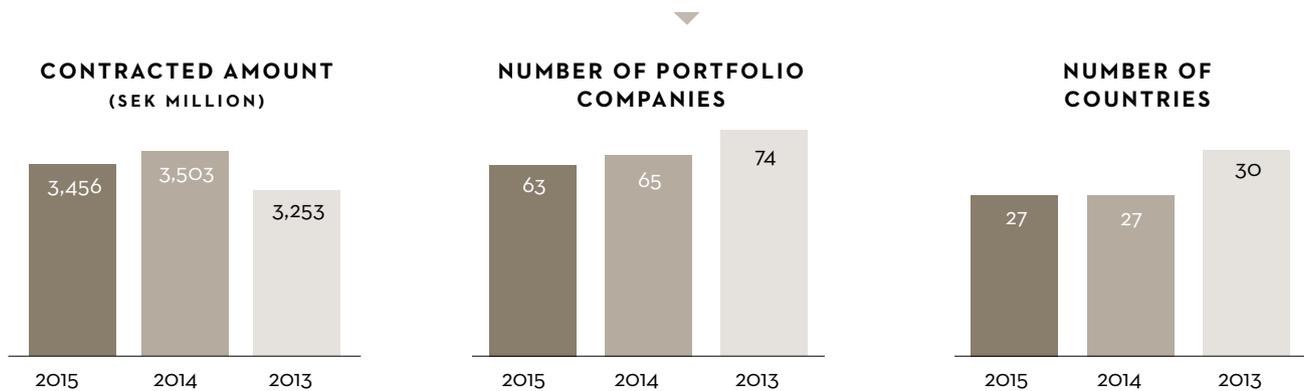
HOW WE MOVE FORWARD During 2016 we will continue our efforts to achieve the global goals through our investment activities by implementing them in our investment process and impact assessment.

HOW OUR PORTFOLIO IS DISTRIBUTED

Over the long-term, we aim to generate development results in our portfolio companies in combination with long-term financial viability for Swedfund.

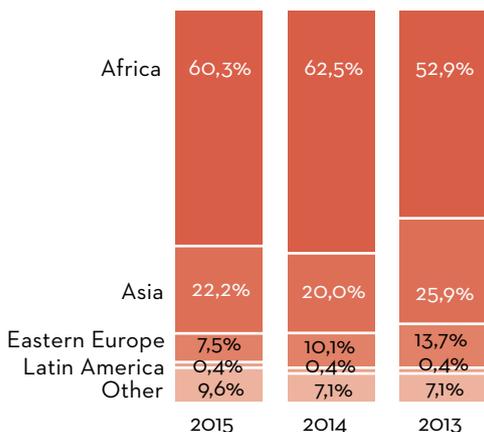
We always aim to establish a good balance between risk taking, geographic spread and variation in investment instruments, such as

equity, funds and loans. The following information concerns Swedfund's portfolio as of 31 December 2015, 2014 and 2013.



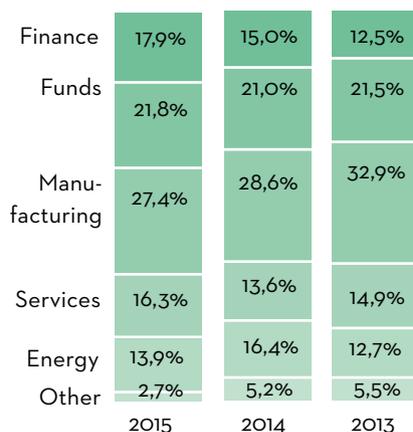
GEOGRAPHY

For Swedfund's portfolio, percentage of total contracted amount



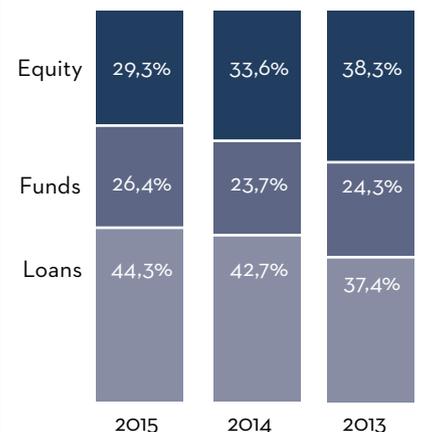
SECTOR

For Swedfund's portfolio, percentage of total contracted amount



INVESTMENT INSTRUMENTS

For Swedfund's portfolio, percentage of total contracted amount



COMMENTS

To be able to generate long-term development results in combination with financial viability, strategic efforts have started to build a more balanced portfolio with regard to risk, geography and investment instrument. Swedfund aims to increase the proportion of loans, mainly in

the financial institution and energy sectors, and to continue the focus on Sub-Saharan Africa. The proportion of loans and investments in Africa has increased, when approved investments in 2015 are included. Read more about the approved investments on page 65.

HUMAN RIGHTS IN FOCUS

Several human rights – the right to work, the right to be organised in a trade union, the right to equal pay for equal work – are promoted through the activities of Swedfund's portfolio companies. But that's not enough. Swedfund must work proactively to ensure that human rights are respected.



2015 saw the launch of UN Guiding Principles on Business and Human Rights Reporting Framework. The document asks organisations to describe their policy commitments, how processes are developed and the main risks within the business. Described below, inspired by the new framework, are Swedfund's policy commitments, our processes and examples of the most prominent risks Swedfund addressed during the year.

OUR POLICY COMMITMENTS

Swedfund's responsibility to respect human rights has previously been enshrined in the guidelines we follow and commitments we make. This includes Sweden's national action plan for business enterprise and human rights, the State's ownership policy, the UN Global Compact and the OECD

guidelines. In 2014 we began our work to implement the *UN Guiding Principles on Business and Human Rights UNGP*, by updating Swedfund's sustainability policy with reference to those principles. Content concerning human rights was extended in the policy in 2015. In practical terms this meant: (i) that the meaning of the reference to UNGP concerning Due diligence focused on human rights in "limited high risk circumstances" was specified; (ii) the introduction of requirements for all portfolio companies to set up a grievance mechanism and achieve compliance with the ILO core conventions. Swedfund chose to integrate these issues in its Sustainability Policy, instead of having a separate Human Rights Policy. The requirements in our Sustainability Policy are included in our agreements with portfolio companies, which make

our starting point stronger and our statement of requirements clearer.

HOW WE WORK

To ensure that we meet *UN Guiding Principles on Business and Human Rights*, we are now reviewing our internal processes. Human rights are already an integral part of our Due diligence covering all our new investments. In 2016 we intend to clarify procedures around extended Due diligence with regard to human rights.

OUR PROCESS

1. We do an initial human rights impact assessment. Here we take into account the country, region of the country, the sector and specific, project-related risks.
2. We identify and document potential risks and negative impacts on human rights.

TOP MARKS FOR SWEDFUND

The EBA's report on business and human rights in Swedish development cooperation gives Swedfund and the Swedish Export Credit Corporation the highest points of all the audited agencies and companies. This is based on their own measures to implement norms for business practices and human rights.

"For instance, Swedfund has a mandatory requirement to conduct HR Due diligence in high risk human rights situations, has an exit strategy, and disclosed more information than any other agency or company."

Swedfund was also the only one of the five institutions that were able to disclose selected requested operational procedures and how they were implemented. The study, entitled *Business and Human Rights in Development Cooperation – how Sweden incorporated The UN Guiding Principles*, was initiated in 2015.



3. We make a decision on whether it is necessary to do a separate human rights Due diligence.

4. We develop an action plan to prevent, mitigate and manage any negative consequences on human rights.

GRIEVANCE MECHANISM

One of the requirements of the *UN Guiding Principles on Business and Human Rights* is to have a mechanism for grievances. Swedfund will therefore launch a whistleblower scheme in the spring of 2016 whereby employees, consultants, trainees and others working for Swedfund, and for the companies and funds that Swedfund invests in, can report serious irregularities in anonymity. For each new investment it makes, Swedfund will require that the portfolio company sets up an appropriate grievance mechanism available for all employees, and other stakeholders as appropriate.

In 2015 we arranged a stakeholder dialogue session to focus on Swedfund's work on human rights*. The discussion

was partly based on case studies and yielded important input for future work.

CHALLENGES DURING THE YEAR

During the year we worked more extensively on human rights in new investments and in existing portfolio companies:

- ▶ During Due diligence of a new investment, risks related to land acquisition were identified. Consequently, an in-depth study of compensation was conducted and a livelihood restoration plan was set up for the people affected by the investment.
- ▶ During Due diligence of another new investment in a fund focused on technical financial services, risks related to customer privacy were identified, with the result that specific requirements were included in the final agreement.
- ▶ In an existing investment, risks related to child labour were identified at supplier level. We therefore took the decision to implement a more extensive supply chain audit of the com-

pany in 2016. This was a consequence of our work to implement the principle of children's rights.

HOW WE MOVE FORWARD

In 2016, we will complete our review and start to implement any complementary processes. Our ambition is to gradually expand reporting on human rights in our operations. ✕

* Notes from the meeting are published on www.swedfundfrankly.se

AWAITING TRIAL

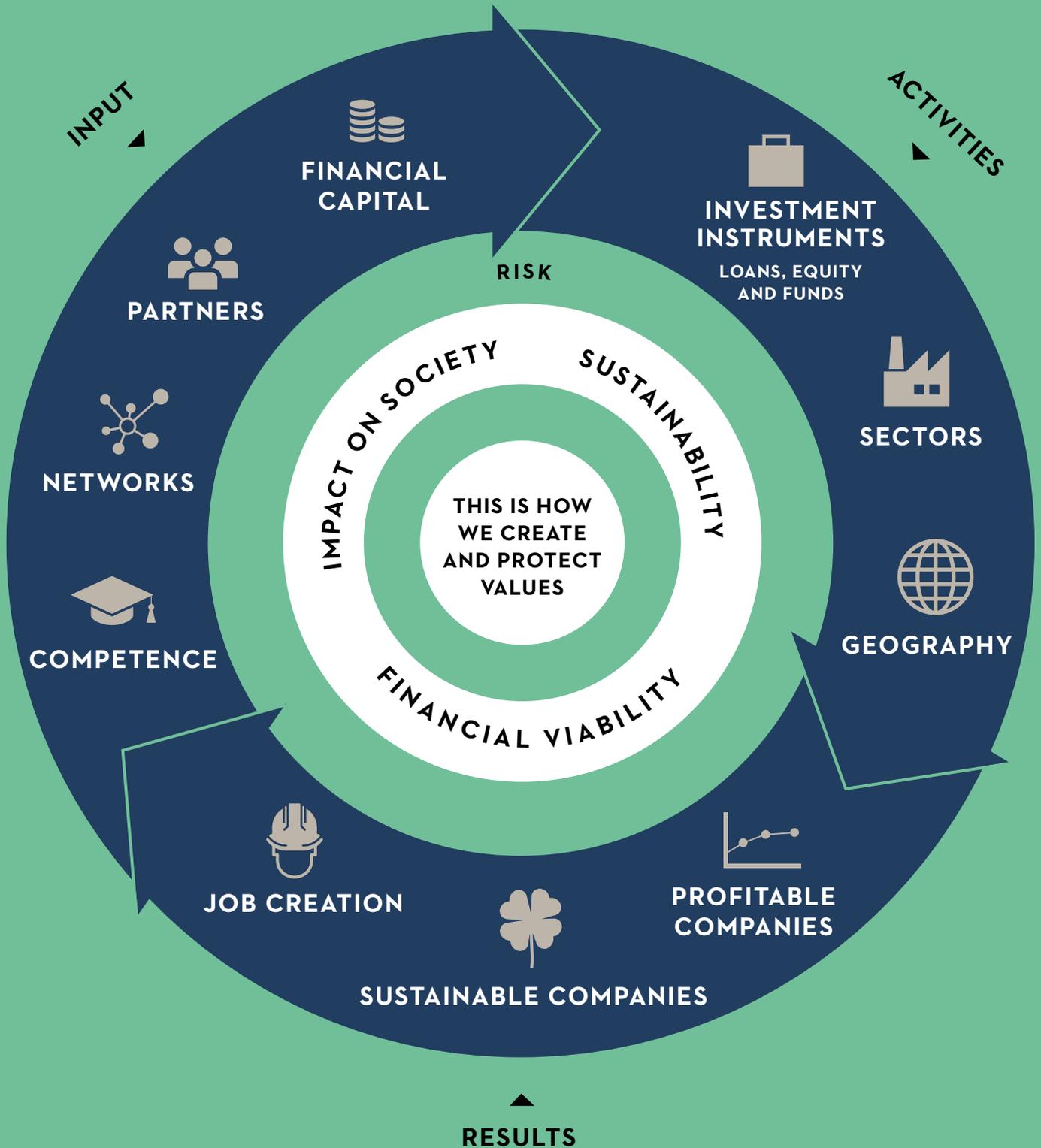
Dr. Fikru Maru, the founder of Addis Cardiac Hospital (ACH) in Addis Ababa, Ethiopia, was imprisoned in May 2013, suspected of playing a small part in a larger corruption case. Dr. Fikru Maru, 65, is a Swedish citizen who trained and practised as a heart surgeon in Sweden over several decades. In 2008, collaboration began between Fikru Maru and Swedfund that led to the establishment of ACH, the first cardiac hospital in Ethiopia. At the end of 2015, two and a half years have passed without a trial, which is contrary to Ethiopian law and international conventions on human rights.

◀
READ MORE
ABOUT
SWEDFUND'S
POLICY COMMIT-
MENTS ON PAGES
58-59.



SWEDFUND'S BUSINESS MODEL

Our investment operations rests on three pillars. In collaboration with strategic partners we contribute to poverty reduction through sustainable business.



COMPETENCE

Our employees have knowledge in finance, investments, ESG (Environmental, Social and Governance), legal aspects, specific sectors and the intangible values learnt over many years developing Swedfund's business model, management systems and processes.

NETWORKS

Resources and knowledge gathered through Swedfund's networks, such as EDFI, IFIs, UN GC, UN PRI, Swedish networks, etc.

PARTNERS

Swedfund's investments are based on partnerships and collaboration with other companies and development finance institutions. Swedfund aims to invest with partners who have the necessary financial strength and structural capital. It is also important that partners share our focus on sustainability issues and our values.

FINANCIAL CAPITAL

Refers to Swedfund's financial capital for investment.

INVESTMENT INSTRUMENTS

Investment instruments include loans, equity or investments in funds. The choice of instrument depends on the portfolio company's financing needs. Swedfund continues to focus on the ownership role through which we can influence the company's development via the agreement it signs as well as through active board participation. Swedfund aims to increase the average level of investment to about SEK 60 million per investment.

SECTORS

Prioritised sectors include manufacturing and services, financial institutions, such as banks, and funds as well as investments in renewable energy.

GEOGRAPHY

Swedfund invests in businesses and in countries which, according to the OECD/DAC definition, qualify for development assistance. Investments in low-income and post-conflict countries should be given priority.

INPUT, ACTIVITIES AND RESULTS

Different forms of value-creating capital are the input into Swedfund's integrated business model. By investing in and building (through our activities) sustainable and profitable companies, we aim to achieve long-term sustainable results in our three pillars – impact on society, sustainability (for Swedfund, sustainability is the same as ESG) and financial viability. The reduction of poverty through sustainable business is our overall goal. Read more on pages 22–23.

OUR PILLARS

Our investment operations rest on three pillars – Impact on society, Sustainability and Financial viability – and on long-term commitment and sustainability in our partnerships. These pillars support everything we do – from making a decision to invest, throughout the entire management phase, to regular monitoring of results and finally at an exit from the investment.

IMPACT ON SOCIETY

- ▶ Job creation
- ▶ Tax
- ▶ Capacity building

SUSTAINABILITY

- ▶ Environment/climate
- ▶ Employment terms
- ▶ Good governance and anti-corruption

FINANCIAL VIABILITY

- ▶ Growth
- ▶ Profitability
- ▶ Return on equity

OUR TIME PERSPECTIVE

As investors, we always have a long-term perspective, as a rule between seven and ten years. Our strategic sustainability goals (see pages 33-35, 43-45 and 53-55) run over three years, the medium-term for us. The long-term goal for us is to achieve results and contribute to the realisation of the UN's new global goals for sustainable development by 2030.

OUR CORE VALUES

OPENNESS

– we are proud of what we do

- ▶ We strive to act in an open and respectful manner and welcome new ideas.
- ▶ We clearly motivate our decisions and standpoints.
- ▶ We communicate and inform about our activities in a transparent way.

PARTNERSHIP

– together we make a difference

- ▶ We work together and with our partners to create lasting change and fulfil our mission.
- ▶ We treat everyone with respect.
- ▶ We value different perspectives, personalities and skill sets.

EXCELLENCE

– we deliver tangible results

- ▶ We set challenging goals, we monitor and evaluate our results.
- ▶ We are proactive and solution-oriented in our work, we share our know-how and learn from experience.
- ▶ We encourage individual responsibility and initiative while supporting each other.

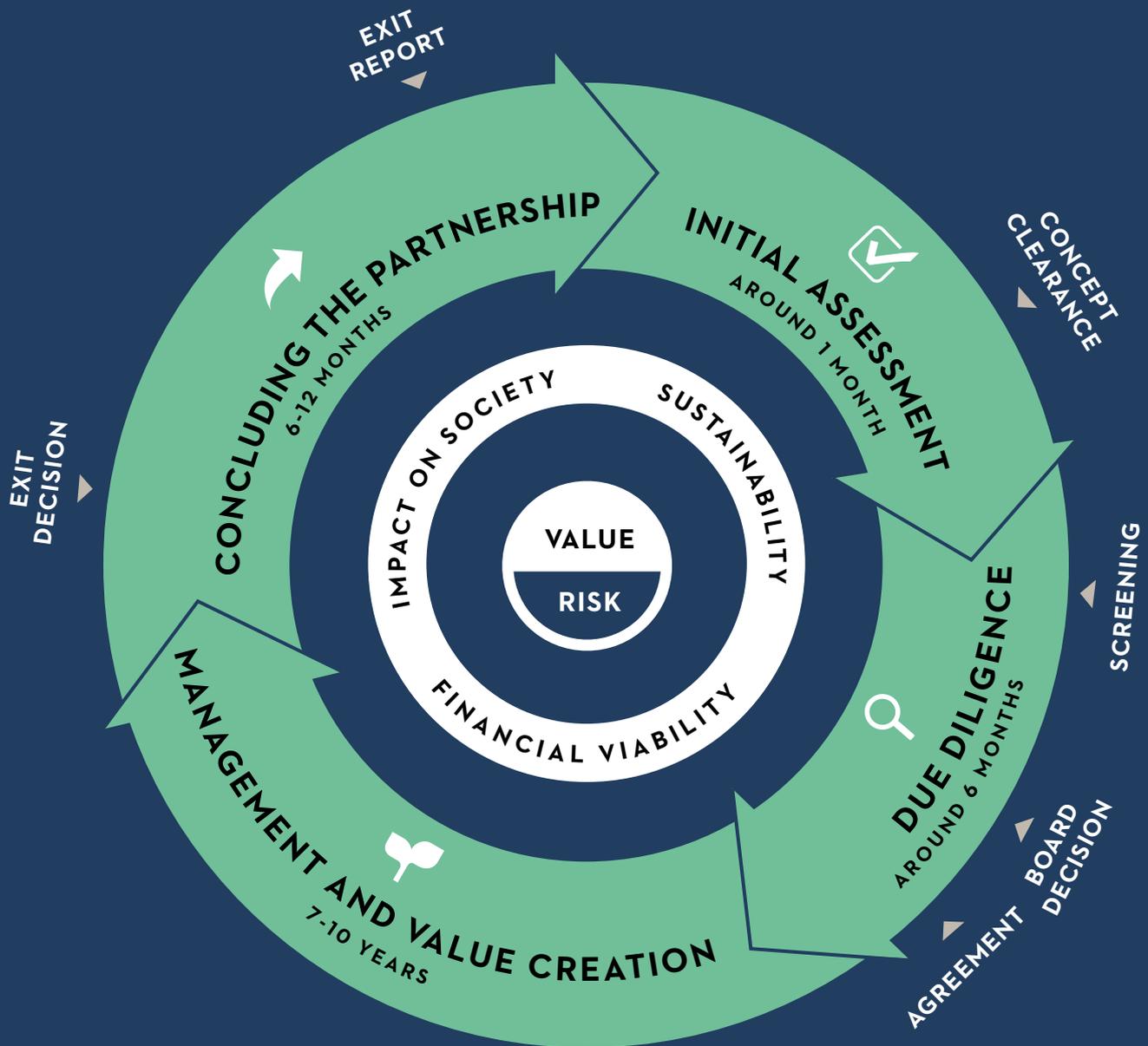
PASSION

– we are passionate about our mission

- ▶ We are strongly committed to our mission and dedicated to the task of improving the lives of poor people.
- ▶ We believe in sustainable business as a powerful tool for creating a better future.
- ▶ We strive to be at the forefront of progress so that we can make a difference.

SWEDFUND'S INVESTMENT PROCESS

Our investment process runs from a first assessment to when we exit from, or loans are repaid by, a portfolio company.



Read more! For more extensive details of Swedfund's investment process, see Swedfund's Integrated Report for 2014 or go to swedfund.se

INITIAL ASSESSMENT

During an initial selection an assessment is made of the country, company, strategic partner and Swedfund's role in the investment. Each new investment proposal is looked at using our checklist, which includes testing the commercial soundness of the company's business plan and the list of excluded industries.

CONCEPT CLEARANCE

An assessment of the investment is made on the basis of Swedfund's three pillars – Impact on society, Sustainability and Financial viability. Approval must be granted before the investment can go to the next stage.

DUE DILIGENCE

Business concept, market, financial history and forecast, business plan, other partners, legal aspects, expected development results and ESG issues are all analysed. The different areas are assessed in parallel with more in-depth analysis as needed. What is the company's market potential? What are the financial projections? Assessments continue until money is disbursed.

SCREENING

During an in-depth analysis of the potential investment it is assessed against Swedfund's three pillars. Additional issues may arise. If approval is given, the proposal is prepared for a board decision.

BOARD DECISION

Based on Swedfund's three pillars, Swedfund's board makes an investment decision, whereupon an agreement will be negotiated and entered into.

MANAGEMENT AND VALUE CREATION

Swedfund works with the portfolio companies and influences them through board participation, exchanges of experience and performance monitoring. This means we focus on strategic direction/development, profitability, growth, sustainability, etc. In our investment process we manage risks while creating and protecting values. Every year or two years, the Swedfund ESG team makes site visits or audits, working with local consultants as necessary. The Swedfund ESG team formulates an ESG Action Plan (AP), including actions to ensure that the portfolio companies follow Swedfund's policies. The ESG AP is implemented in the portfolio company's operating procedures and is monitored. In this way, work with value-creation starts before an investment approval.

EXIT

When a portfolio company can continue to develop and grow without Swedfund's involvement, an exit is made. Swedfund sells its holding in the portfolio company and ends its involvement. An internal exit report is written, presenting an analysis of the investment's results and the lessons drawn.

ESG ACTION PLAN

A tool for important issues in our portfolio companies

Swedfund's ESG team is responsible for the evaluation of environmental and social issues, corporate governance and anti-corruption in the portfolio companies. For each portfolio company that Swedfund invests in, an ESG Action Plan (ESGAP) is established and implemented. This plan contains actions to be taken in order to ensure that companies comply with our Sustainability Policy and our Anti-Corruption Policy. The action plan contains detailed descriptions of what the company needs to do to receive funding and the company approves it. The risk that human rights will be disregarded is also assessed, based on *UN Guiding Principles on Business and Human Rights*. Read more on pages 18–19.

WE MONITOR compliance with the Action Plan during our ongoing dialogue with the company, via our work on the board and through the company's annual self-declaration (Swedfund Portfolio Company Sustainability Report) to Swedfund. This gives us a good idea of what issues should be prioritised in the future and how well the company lives up to our requirements. The action plan may also require the portfolio companies to do a risk analysis of their supply chain and take corrective action if necessary.

WE REGULARLY MAKE site visits and/or do audits to monitor implementation of the ESG Action Plan. We adopted a Sustainability Policy in 2010 which we then updated in 2013, 2014 2015. This means that Swedfund cannot set the same requirements for older portfolio companies that it sets for new ones. In companies with older agreements, we highlight the importance of issues that may not be included in our agreements. For business ventures that are sustainable and profitable over the long term, an ESG Action Plan is an important tool, both for the investment approval and monitoring. ✕

VALUE & RISK

By taking into consideration our three pillars and working proactively with them, we create and protect various types of value-influencing capital. At the same time we manage all the risks associated with our investment operations.

Our business model integrates value creation and risk management in our three pillars – Impact on society, Sustainability and Financial viability – throughout the entire investment process. The overall value of an investment is more extensive than just the

financial value. We also build value in terms of human capital, relationship capital and natural capital. This means that we must be patient investors. Since few others want to invest in the parts of the world that we do, large demands are placed on how we manage

risk internally and meet the challenges we face. Inspired by the IIRC's framework for integrated reporting (IR), we explain below the different types of value-influencing capital that we focus on in our value creation and risk management.

INCREASING VALUE CREATION IN CAPITALS THROUGH INVESTMENTS

FOR SWEDFUND AS A COMPANY

(IN OUR BUSINESS MODEL)

FINANCIAL CAPITAL

Financial capital is the money that Swedfund invests and which works to create value in the portfolio companies. By managing risk and creating an increase in value of the financial capital we can exit portfolio companies with profits and re-invest in new, sustainable businesses. In recent years Swedfund has seen a fall in value of its financial capital, but we saw a change in that trend in 2015.

INTELLECTUAL CAPITAL / HUMAN CAPITAL

Consists of the employees' knowledge and the intangible value that is built over the many years of development of Swedfund's internal processes and management systems, such as the investment manual, ESG Toolkit, performance measurement, analysis and monitoring systems.

SOCIAL CAPITAL / RELATIONSHIP CAPITAL

Investment is based on partnerships and cooperation with companies, DFIs and civil society organisations, which create value over time. Resources and knowledge are banked in networks. Employees share our core values. Codes of conduct, policies and verification of compliance with international principles of responsibility and ethics form the basis for the agreements that Swedfund signs in connection with investments. They constitute value-creating control documents for the short and long term in Swedfund's portfolio companies and therefore also in Swedfund as owner.

FOR OUR PORTFOLIO COMPANIES

(IN OUR INVESTMENT PROCESS)

NATURAL CAPITAL

Our portfolio companies have a direct impact on the environment and climate by how well they use natural resources. To ensure that our companies have minimal environmental impact we require the implementation of environmental management systems and continuous improvements.

HUMAN CAPITAL

By having requirements on our portfolio companies, we can help employees to work under good working conditions and in a good working environment, with a focus on health and safety, based on ILO core conventions and ILO core employment conditions. In this way we ensure that companies care about their primary asset, their employees, so that they develop and participate in creating value for the business in the long term.

INTELLECTUAL CAPITAL

Good corporate governance is important in making the business sustainable and in ensuring that it continues to develop successfully. Corporate governance ensures that there is a management system, good business ethics, pro-active anti-corruption measures, internal controls, etc.

 Read more on pages 20–23 and 57–59.

ANALYSIS HENNING DRÄGER

“Swedfund is setting a new pace in ESG investing”

It is rare these days to find investors that clearly link, often lofty, mission statements such as “reducing poverty through sustainable business” with transparent, well explained and easy to understand business models aiming to deliver on the promise. Swedfund has done just that.

BY USING, AMONG others, the IIRC’s Integrated Reporting approach Swedfund paints a fuller picture of its financial and pre-financial value creation efforts resulting in a much better understanding of the end result in often difficult markets around the world. By explaining its investment process in great detail including existing screening and success evaluation criteria Swedfund is setting a new pace in ESG investing – a pace which

many private and public investors should study carefully and hopefully adopt to.

SWEDFUND’S RISK management processes are also clearly described and presented in a visually pleasing way both on its website and the annual Integrated Report. This enables stakeholders to get a good grasp of how Swedfund manages multiple risks throughout its value chain and strengthens the impression that honest and relevant disclosure of key drivers and challenges are at the heart of Swedfund’s communication efforts.

In one word: Bravo! ✕



Henning Dräger leads IIRC’s Global Industry Engagement Programme

IIRC’s Global Industry Engagement Programme aims to increase the use of Integrated Reporting (IR). Read more about The International Integrated Reporting Council (IIRC) and Henning Dräger’s work at integratedreporting.org



RISKS – AN UNAVOIDABLE PART OF OUR MISSION

Each year an audit plan is developed that states which portfolio companies will be visited during the year. The purpose of the audits are to assist the companies to implement changes in order to achieve the strategic sustainability goals and make other improvements identified at the time of investment and from the annual self-declaration

(Swedfund’s Portfolio Company Sustainability Report).

The selection of companies and the format for visits is based on the risk level in the portfolio company’s business, our knowledge of the company’s challenges, information that Swedfund obtains from the companies through self-declarations and previous visits or audits. The audit is done either with external consultants or through a site visit by Swedfund’s ESG managers. The audit plan for 2015 covered six companies (2014: 10 audits, 2013: 5 audits), with three companies being audited by external consultant and three companies being audited by the

Swedfund ESG team. During the year an audit of one company’s supplier chain was conducted as part of the project to implement children’s rights. This audit was conducted in December 2015 and January 2016. The audit resulted in a list of specific actions and target dates to be followed up by Swedfund’s ESG Managers and Senior Investment Manager with responsible for the investment.

SERIOUS INCIDENTS AND FATALITIES

As part of their contractual obligations, the portfolio companies are required to report serious incidents and fatalities

to Swedfund. In 2015, 6 (2) fatalities and 3 (0) serious incidents were reported by portfolio companies. All six deaths occurred in portfolio companies held by funds that Swedfund has invested in.

Three of these were related to traffic accidents, two to workplace health and safety, and one to a robbery. The three serious incidents reported concerned gunshot wounds in connection with robbery.

When incidents are reported, Swedfund checks that relevant measures are taken. This year’s figures show a continued need of improved procedures and measures.

IMPACT ON SOCIETY

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

MERCURY KIVUVA

A MANAGER COMMITTED TO GENDER EQUALITY

Photo: Michael Tsegaye

There is a strong link between greater gender equality and reduced poverty. Swedfund's talent programme, Women4Growth, works proactively with gender equality by inspiring women and strengthening them in their professional activity. One of the first participants in the project, Mercury Kivuva from Kenya, is responsible for ten Java House cafés in Nairobi.

PHOTO: MICHAEL TSEGAYE

A

s the manager of several Java House cafés in Nairobi, Mercury Kivuva visits at least two of the chain's establishments every day in the capital of Kenya.

"I check the kitchen, the quality of what is being served, hygiene, and generally make sure that everything is working like it should," she explains.

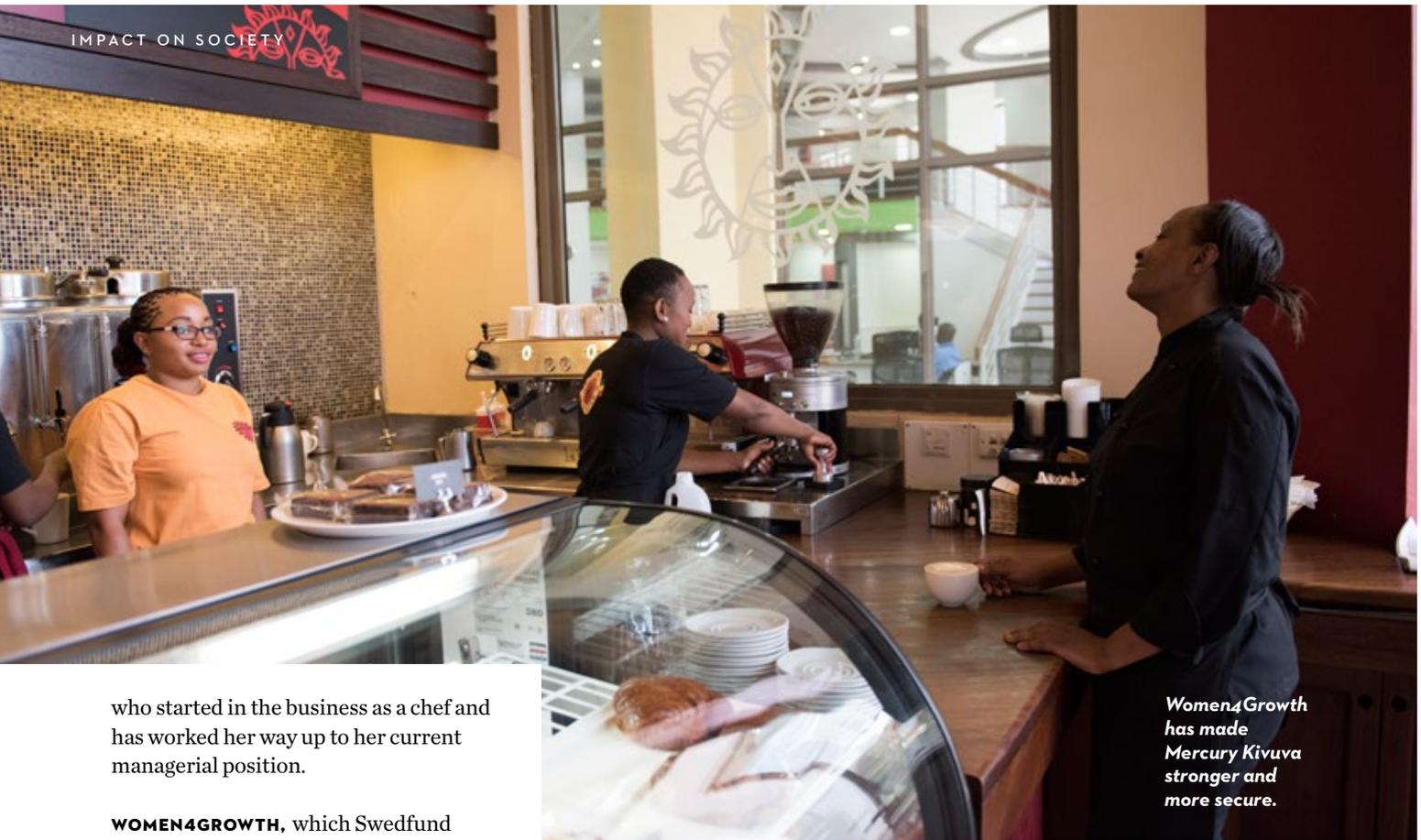
At the start of 2015 she was one of 20 participants from two of Swedfund's portfolio companies in Kenya – Nairobi Java House and retail company Deacons – chosen for Swedfund's talent programme, Women4Growth.

"For two days we identified and raised our own capacity to achieve our goals. But the activities were not only about understanding our own opportunities. We were also finding out how that can have a positive impact on my company and colleagues," says Mercury Kivuva, ▶



**“I HAVE A
9-YEAR-OLD
DAUGHTER AND I
AM CONVINCED
THAT SHE WILL
GROW UP IN A
DIFFERENT KENYA
TO THE ONE I
GREW UP IN.”**

Mercury Kivuva, manager at Java House in Nairobi



Women4Growth has made Mercury Kivuva stronger and more secure.

who started in the business as a chef and has worked her way up to her current managerial position.

WOMEN4GROWTH, which Swedfund implemented in collaboration with the Swedish Wiminwest consulting firm, made Mercury Kivuva stronger and more secure in her professional role.

“It has made me more aware that I can create better synergies. By encouraging others to take on difficult tasks that enable them to believe in themselves, I have been able to help them grow into new professional roles.”

During 2016 Swedfund will continue with the talent programme in other portfolio companies that have the ambition and the desire to focus on their female employees.

“Compliance with ILO core conventions on equal pay for equal work and non-discrimination is part of our assessment, from a gender perspective, of new portfolio companies. It is also part of our strategic sustainability goals. We monitor this annually and we measure the percentage of women employees



and women in leading positions and on boards,” says Karin Thorsson, ESG Manager at Swedfund and responsible for Women4Growth.

The ambition is to develop Women-4Growth as an umbrella concept where different types of gender equality programmes will be included.

“We need to identify requirements. In some portfolio companies, for example, it might be important to design products and services specifically for women.

VARIOUS REPORTS show that there is a clear link between greater gender equality and poverty reduction. Efforts to promote gender equality do not need to be about changing standards or behaviour. It can also mean influencing women’s development in other ways and increasing women’s share of economic power.

“Supporting energy companies that supply electricity to more households frees up time for women. Investing in financial institutions that give loans to women entrepreneurs also makes a difference,” says Karin Thorsson.

Mercury Kivuva believes that Kenya is already on the right track to achieving greater gender equality.

“I have a 9-year-old daughter and

I am convinced that she will grow up in a different Kenya to the one I grew up in. We live in a society that is being transformed and where there are greater opportunities for women to achieve their goals as long as they are smart and work hard. It is increasingly about talent and ability, even though women must still work harder than men to achieve higher positions in the workplace.” ✕

This is how Swedfund works with
GENDER EQUALITY

As part of Due diligence work prior to an investment, we review various aspects of the company’s work on gender equality, such as parental leave. In our assessment of a company, our starting point is the International Labour Organisation’s (ILO) core conventions on equal pay for equal work and non-discrimination. For all new investments since 2014 we require that the core conventions are respected within three years from our investment. In addition to the proportion of women employees in the business, portfolio companies also report the proportion of women in management positions and on boards.

9 OUT OF 10



Jobs in developing countries are created by the private sector. Each permanent job creates 7-25 indirect jobs. (IFC Jobs Study 2013)



SUPPORT FOR PROMOTING PRIVATE SECTOR DEVELOPMENT

In 2015 Swedfund performed a public survey that showed great support for promoting business development in emerging markets.

8 OUT OF 10

think it is important to develop the private sector in developing nations.

7 OUT OF 10

agree that aid should be in the form of investments, loans, guarantees and other financial instruments.

9 OUT OF 10

support the principle of "help for self-help".

"In developing markets we have an important role to play in further developing the financial sector, which through loans to small and medium-sized businesses contributes to the development of the private sector."

Anna Ryott, CEO of Swedfund, commenting on how financing for Nigeria's Ecobank will enable the continued expansion of the bank, which will have great significance for creating jobs in that country. Read more about Ecobank on page 64.

SIGNALS



HOTEL IN KENYA TAKING RESPONSIBILITY

Swedfund made an additional investment in the Radisson Blu Hotel Nairobi (initial investment decision made in 2008), which had a soft opening in Q4 2015. The reason? The hotel employs a lot of people under the age of 25 and is furthermore a hub for tourism, driving further investment in this sector. Visitors pay in hard currency and buy goods and services. The hotel has Green Key environmental certification

with solar panels on the roof and an enclosed waste water system that means that 95% of used water is recycled. There are 350 jobs at the hotel, with women making up 45% of employees. The hotel operator is Rezidor, which puts a strong focus on labour issues, such as continual training, equal pay, overtime remuneration, parental leave, etc. Read more about Swedfund's new investments in 2015 on page 65.



WOMEN = GROWTH

Support for women could give a USD 12 trillion boost to the global economy, says McKinsey. Other effects would include improved child survival rates, better family health, reduced birth rates and thus a fall in population increases. Swedfund's owner instructions, which was updated in 2015, raised gender equality to a higher level of importance.

(600,000,000)

JOBS MUST BE CREATED BY 2020

(IFC Jobs Study 2013)

TAX

TAX BUILDS THE COUNTRY

Tax is crucial for sustainable development and helps countries to be self-sufficient. But money has to be paid in the right country. Through increased focus on tax and on country-by-country reporting, Swedfund works to ensure that tax revenues are paid in the countries where portfolio companies do business.

Healthcare, education and transport. Tax revenues create the right conditions for countries to invest in the infrastructure for key social functions that form the base for sustainable development. However, the Mbeki panel (A UN body, The High Level Panel on Illicit Financial Flows) reports that Africa loses out on an estimated USD 50 billion every year due to illegal flows of money due to for example corruption, money-laundering and illegal tax avoidance.

“According to the Mbeki panel, that amount corresponds roughly to what Africa has received in aid over the same period. It is therefore extremely important that Swedfund makes sure that the portfolio companies the right amount of tax in the countries where they operate,” says Petra Brantmark, Legal Counsel, at Swedfund.

IT'S NOT EASY to establish how much of the illicit flows are down to tax evasion.

“I do not believe that serious investors today seek to avoid taxes illegally. But

the law is one thing, and what is appropriate can be something else,” says Petra Brantmark.

Many people consider that law makers should regulate what types of tax planning may be permitted.

“As a Swedish development finance institution we consider that we have to go further than this. It's not sufficient to rest on what is legal. Tax is part of our Due diligence. If we detect structures that mean companies in which we intend to invest will pay less tax in a country they do business in than what they should be paying, then there must be strong legitimate reasons not related to tax for us to accept such a structure.”

OUR OWNER'S INSTRUCTIONS state that Swedfund shall only invest in sound and transparent corporate structures which do not contribute to tax evasion. Neither may investments be made in intermediary jurisdictions which have been assessed within the framework of the OECD Global Forum Peer Review Process and that have thereby not been

approved in phase one or been deemed non-compliant or partly-compliant in phase two.

DEMANDING FULL responsibility in tax payments and transparent reporting of tax are issues that are creeping higher and higher up on the international agenda.

“A lot has happened in recent years. The limits of what is acceptable have shifted. In a perfect world we would not only disclose the corporate tax paid by portfolio companies but also other taxes paid by the companies. That information is not easily accessible and at present we cannot verify it. However, through our country-by-country reporting of tax we have come further than many others,” says Karin Askelöf, Senior Manager ESG Affairs at Swedfund.

“In the countries where we operate there are many challenges relating to the lack of effective taxation structures. It is therefore important to continue building strong institutions that can manage the taxes generated by investments and businesses.” ✕

This is how Swedfund works with
TAX

Tax is part of our Due diligence. Prior to making an investment we check any structures in place to make sure that they are sound. We report on the taxes disclosed in the portfolio companies' financial statements and we endeavour to report on tax paid, in accordance with a harmonised definition. We also report on tax on a country-by-country basis. Read more about tax on page 35.

“IT IS EXTREMELY IMPORTANT THAT SWEDFUND MAKES SURE THAT THE PORTFOLIO COMPANIES PAY THE LEGITIMATE AMOUNT OF TAX”

Petra Brantmark, Legal Counsel, at Swedfund

GOOD EMPLOYMENT TERMS



PHOTO: MICHAEL TSEGAYE

“WE TALK TO EMPLOYEES AND UNION REPRESENTATIVES TO GET OUR OWN VIEWS ON THE REAL SITUATION.”

Kristin Sjöblom, Senior Manager ESG Affairs at Swedfund

DECENT JOBS FOR MORE PEOPLE

New employment opportunities create pathways out of poverty, but improved living conditions are not created by any type of job. It’s important that employment is offered with decent terms. Using the ILO core conventions as a benchmark, Swedfund works proactively to improve employment terms in its portfolio companies.

Safe and secure jobs, regulated working hours, compensation for overtime and rights for employees to be organised. Those are some of the core conventions established by the International Labour organisation ILO. The concept of Decent Work also includes the elimination of child labour, a minimum age for work, demands for gender equality and prevention of discrimination.

Safe transport to and from work and help with childcare are some of the important issues for female-dominated

industries. Laws and regulations for decent working conditions must be followed if an investment is to contribute to the development of a sustainable society.

“Even though many countries have ratified the core conventions, in many cases the authorities are not checking that companies comply with them. So we have to work extra hard on these issues,” says Kristin Sjöblom, Senior Manager ESG Affairs at Swedfund.

ONE EXAMPLE IS the survey Swedfund made in Ethiopia to compare the level of wages in some portfolio companies with the wage structure in their sectors. The survey showed that wages in one of the portfolio companies was significantly lower than average. The result was a pay review and then higher wages for employees.

“There are an incredible number of creative ways to calculate remuneration. The

information we collect in our annual survey comes from management. A salary might look good on paper, but when commissions, gratuities, or food allowances are stripped away the basic wage may be far lower than it should be,” says Kristin Sjöblom.

The example also shows how important both internal and external audits are. When Swedfund’s staff visit the companies they review payslips and time records to check how many hours employees are

working and what compensation they receive.

“We talk to employees and union representatives to get our own view of the real situation.”

LONG WORKING DAYS with a lot of overtime is common. Because of the generally low wages in developing countries there is often a desire to work overtime. Even when employees work statutory working hours they often take additional jobs to make ends meet.

“The ability to be organised in a trade union often looks better on paper than in reality, even if employers never say they will prevent trade union activity. Despite the challenges, we can do a lot more here with our advocacy work,” says Kristin Sjöblom. ✕

This is how Swedfund works with

DECENT EMPLOYMENT TERMS

To determine whether a portfolio company complies with the ILO core conventions and the ILO’s basic terms and conditions of employment, we perform surveys and site visits each year to verify and audit activities. This is how we ensure that portfolio companies comply with the key areas in the ILO core conventions and the ILO’s basic terms and conditions of employment. Areas for improvement will be identified and we can perform advocacy in order to achieve the objectives.

STAKEHOLDER INTERVIEW
SOFIA FALK, CEO OF WIMINVEST

“Gender equality is one way to do better business”

Carry on investing in women. An increased focus on women in the labour market creates growth and contributes to the development of a sustainable society, says Sofia Falk, the founder of Wiminvest. She helps companies support talented women so they can reach operational management positions and in the long-term move into senior management positions and onto the boards of directors.

In collaboration with Swedfund, Sofia Falk developed a talent programme that has been implemented as part of Swedfund's Women4Growth concept.

“When more women work, the economy grows. Having a gender equality filter on all investments may lead to investments in more types of products and services, and make an even greater difference on Swedfund's markets,” says Sofia, who welcomes Swedfund's commitment to greater gender equality.

Plenty of evidence points to significant economic gains when women in African businesses have the opportunities to develop their full potential on the labour market.

“The important thing is to put the issue under the microscope. If it's not on the agenda, nothing will happen. Through Women4Growth, Swedfund can change the rules in the areas where they are active and make gender equality another way just to do better business,” she says.

Sofia would like to see more Women4Growth workshops.

“In countries where men are the norm, women think they have nothing to contribute. If we can encourage and support talented and unique women, they will become catalysts improving gender equality and making the workplace more inclusive. The biggest challenge for Swedfund is getting portfolio companies to realise that gender equality is vital for business development and innovation.

Sofia Falk started Wiminvest so that by talking about business benefits and strategic gains she would inspire others to see that greater equality leads to better financial results. Since 2008 Wiminvest has worked with over 40 global companies and helped them in the process of promoting more women into operational management positions. ✕

Wiminvest is now part of WeAreTheStoryDoers, of which Sofia Falk is the CEO.



REPORTING OF DEVELOPMENT RESULTS

Swedfund shall contribute to the creation of jobs with a good working environment and good employment terms. Presented below are the strategic sustainability targets for impact on society, indicators that in different ways describe the effect of investments on society in general and the results.

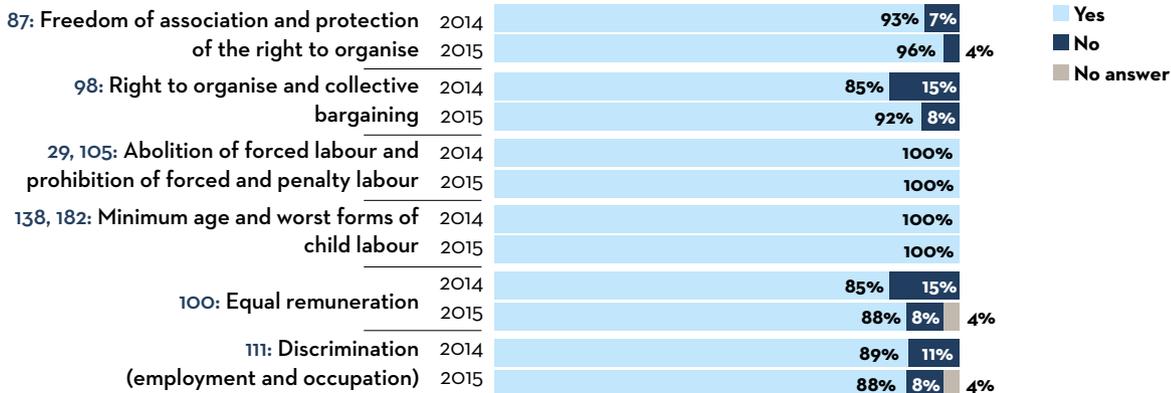
Strategic Sustainability Targets

STRATEGIC SUSTAINABILITY TARGETS FOR IMPACT ON SOCIETY

<p>TARGET</p> <ul style="list-style-type: none"> Fulfilment of ILO's core conventions and ILO's basic terms and conditions of employment in all companies within three years of the start of financing. On average for all of Swedfund's investments the number of jobs shall increase every year. 	<p>16 specific questions are asked to determine if a portfolio company fulfils the ILO's core conventions and ILO's basic terms and conditions of employment. This means Swedfund covers the key areas of the ILO core conventions and ILO basic terms and conditions of employment and hence possible areas for improvement can be identified and Swedfund can proactively work to achieve its targets. Questions are asked about the following areas:</p>
<p>INDICATOR</p> <ul style="list-style-type: none"> Fulfilment of the ILO's core conventions and ILO Basic Terms and Conditions of Employment plus a growing number of jobs within Swedfund's portfolio companies. 	<ul style="list-style-type: none"> Trade union rights, ILO 87, 98 Minimum pay, ILO 26, 131 Enforced labour, ILO 29, 105 Child labour, ILO 182 Occupational safety and health, ILO 155 Equal remuneration, ILO 100 Discrimination, ILO 111 Minimum age, ILO 138 Working hours and overtime, ILO 1

Read the Swedfund Portfolio Company Sustainability Report 2015 at www.swedfund.se

SUSTAINABILITY TARGET: ILO'S CORE CONVENTIONS



COMMENTS

To ensure compliance with the ILO core conventions and ILO basic terms and conditions of employment, portfolio companies respond to questions in a self-declaration. The above information is based on responses from 24 companies in 2015 (27 companies in 2014). 18 (79%) of the 24 companies that responded follow the ILO core conventions. This year four companies reported higher overtime than the previous year, above the ILO recommendation, something we will follow up the reasons for in our dialogue with these companies. Four companies reported in 2014 that they do not allow union participation and collective bargaining. In 2015 Swedfund checked on this area of non-compliance and in 2015 one company reported that they do not permit trade union participation while two stated they

do not permit collective bargaining. These companies are located in countries where trade union rights and collective bargaining are not permitted. Swedfund is trying to influence the portfolio companies, in our direct dialogue and during site visits, to offer employees the opportunity to meet during working hours. Two of the portfolio companies do not have policies for equal pay, while two companies did not respond to the question. Two companies do not have policies for non-discrimination, and one company has not responded. These issues will be followed up in the dialogue with the companies. All of the ten funds that filled in the self-declaration for 2015 stated that they adhere to ILO core conventions and ILO basic employment conditions.

**SUSTAINABILITY TARGET
JOB CREATION 2014-2015**

3,7%

COMMENTS

Average job growth in the 27 companies that were in Swedfund's portfolio in both 2014 and 2015, and where information on the number of staff is available, was 3.7 per cent (1.5 per cent in 2014).

Through its investments, Swedfund contributes to supporting 111,993 jobs* (2014: 108,221; 2013: 104,390).

80 per cent of these jobs are in Swedfund's fund investments' holdings. Figures for 2015 include information about employee numbers from a total of 39 companies (2014: 53). 35 of these 39 reported the number of employees both in 2014 and 2015.

New investments included in the figures account for over 29,000 jobs, of which 26,000 are attributable to a conglomerate that one of the funds invested in.

Direct jobs also generate a large number of indirect jobs. Swedfund has no estimates of, and does not report on the indirect jobs that are created, but in 2016 we will introduce a model for calculating indirect jobs. The World Bank's investment organisation IFC estimates that the number of indirect jobs created in the IFC's portfolio companies is 7-25 per direct job created. Many of these indirect jobs benefit uneducated and poor people. Swedfund estimates that the impact on employment locally and overall is substantially larger than the jobs reported above.

For definitions of jobs and other explanations, see page 56.

GENDER EQUALITY

18%

Proportion of women employed

21%

Proportion of women in management positions

68

Number of women on boards of directors

COMMENTS

For the second year we are reporting the proportion of women employed in portfolio companies including funds and their holdings, and the women in management positions and on company boards. The proportion of women employed was 18 per cent (2014: 25 per cent), the percentage of women in management positions 21 per cent (2014: 777 women) and the number of women on company boards 68 (2014: 78 women). Due to the lack of information we cannot report the percentage of women on the boards of portfolio companies. Disclosure is part of an initiated work on gender equality. Read more on page 28 about our efforts to increase gender equality in our portfolio companies.

**ENERGY
(GWH)**

2,105

At the end of 2015 Swedfund had four investments in the energy sector. The total energy production for three of these companies was 2,105 Gwh (2,566). During the year work started on formulating a climate strategy that will be launched in 2016. For investments in the energy sector the strategy means an increased focus on investments in renewables.

**HEALTHCARE
(NUMBER OF PATIENTS TREATED IN 2015)**

957,000

Healthcare is central to development for all societies and requires large investments both in public and private healthcare to meet future challenges. Swedfund currently has six investments (same number in 2014) in the health sector across various medical disciplines (primary care, cardiovascular surgery, cancer treatment, multi-specialty hospital and a hospital with a focus

on women's health). The number of patients treated in these companies amounted to 957,000 (840,000) during 2015. The figure for 2014 was based on reporting from four of the six Swedfund investments in the healthcare sector. In 2015 information was not submitted by two businesses, but in the four reporting companies the number of patients treated has increased.

TAX

ESTIMATED TAX PER REGION			
SEK m, aggregate for the portfolio			
	2014	2013	2012
Africa	377.8	267.6	47.5
Asia	11.1	9.1	117
Europe	6.2	0	62.6
Global	0.4	1.1	-
Latin America	-	-	140.2
Middle East	-	-	-
Eastern Europe	106.3	69.0	-
Total	501.9	346.9	367.3

ESTIMATED TAX PER COUNTRY			
SEK m, aggregate for the portfolio			
	2014	2013	2012
Africa*	372.0	195.7	2.9
Asia**	9.5	-	-
Bangladesh	-	-	7.1
Benin	-	-	15.9
Bolivia	-	-	137.8
Ethiopia	0.9	0.6	0.7
Estonia	-	-	4.8
Egypt	3.5	1.4	0.9
Georgia	100.8	57.9	-
Ghana	0.1	50.4	-
Global	0.4	1.1	-
India	1.5	9.0	-
Kenya	1.3	19.4	27.1
China	-	0.1	-
Congo DRC	-	0.04	-
Latvia	0.003	-	0.2
Lithuania	6.2	-	13.1
Serbia	1.8	1.9	37.1
South Sudan	0.02	0.003	-
Pakistan	0.004	-	0.3
Russia	3.8	8.9	0.4
Ukraine	-	0.2	0.5
Uruguay	-	-	2.4
Vietnam	-	-	109.6
Belarus	-	0.1	6.5
Total	501.9	346.9	367.3

COMMENTS

Tax reported by portfolio companies was equivalent to SEK 502 million (2013: SEK 347 million, 2012: SEK 367 million). Information for 2015 is based on reports from 16 direct investments and 5 fund investments and their holdings. Around 76 per cent of the reported tax derives from 67 underlying holdings² in Swedfund's fund investments. These companies are generally larger and possibly more mature than many of Swedfund's direct investments.

In the summary, tax refers to the tax reported in the companies' annual financial statements and data reported in the self-declaration made by the funds concerning the underlying investment's tax payments. The starting point for the concept of tax is the harmonized definition of tax which includes all type of flows to the state. Due to the format of our portfolio companies' financial reporting, we are unable to obtain all types of tax payments, so it is likely that the tax is underestimated. The amounts do not, for example, include taxes related to payroll, VAT or other types of fees paid to the state. The tax that companies report varies annually as a result of variations in the companies' reported results.

2015 is the third year that Swedfund is presenting country-by-country reporting of tax. The presentation is a consequence of dialogue on tax issues started in 2013, with civil society organisations. Swedfund's involvement in the issue has continued since then. Read more on page 30 how we work with tax issues. The reason why there is no information about tax for some countries is that there was no investment in the country in the current year or that tax information was not submitted.

* For Africa, tax is reported for companies with operations in several African countries, which may include other African countries than those reported here.

** For Asia, tax is reported for companies with operations in several Asian countries, which may include other Asian countries than those reported here.

SUSTAINABILITY

Swedfund shall contribute to creating long-term sustainable businesses in the world's poorest countries.

**“SWEDFUND
HAS A KEY ROLE
IN HELPING US
DEFINE OUR
FRAMEWORK FOR
ESG”**

*Ravi Bhatt, Investment Associate and
ESG and Impact Officer at Apis*

RAVI BHATT

ON PARTNERSHIPS FOR FORMAL BANKING SERVICES

The lack of infrastructure for banking services makes it difficult for people to save money and make payments securely. In 2015 therefore, Swedfund invested SEK 65 million in Apis Growth Fund I, which focuses on financial services companies in growth markets where many people do not have access to formal credit or banking services.

PHOTO: CLAUDIA MORONI



One way to help people gain access to secure banking services is to invest in funds like the newly established private equity asset manager, Apis Partners, a strong partner for innovative investments in financial services, including in countries where people lack access to formal credit and banking services.

“Swedfund played a key role in helping us define our framework for ESG and gave us valuable feedback about how we could improve our ESG Due diligence process. Their focus on corporate governance in particular was of great help and we view Swedfund as one of our most important ESG partners,” explains Ravi Bhatt, Investment Associate and ESG and Impact Officer at Apis.

Of the 2.5 billion adults who currently do not have access to banking services, 2.2 billion live in growth countries in Africa and Asia. Technical solutions ▶



“WE HAVE A STRONG PIPELINE OF COMPANIES ACTIVE IN FINANCIAL INCLUSION”

Ravi Bhatt, Investment Associate and ESG and Impact Officer at Apis

make it possible for more individuals to get access to the formal sector for financial services.

As incomes increase in these growth markets, the demand for financial services is expected to expand along with the need for innovative and cost-effective solutions.

WITH ITS FIRST FUND, Apis is aiming to raise a total of USD 250 million for investments in the financial sector in Africa and Asia. Although Swedfund is one of the smaller investors it is considered to be an important partner, especially in ESG issues, says Ravi Bhatt.

For Apis, ESG is not only a risk management tool but also a key concept for value creation. The Fund’s focus is on investments in companies that offer financial services, often through technical solutions and innovative business models, such as mobile payment services,



savings, credit and insurance. The fund’s first investments were carried out in December 2015.

“We completed our first two transactions in December 2015 and January 2016. The first, MicroCred, is a group of micro, small and medium-sized lending institutions operating in Africa and Asia. The second, EPS, is an independent distributor of ATMs in Asia. We also have a strong pipeline of companies active in financial inclusion within various financial services in Africa and Asia,” says Ravi Bhatt.

FOR SWEDFUND the aim of the investment is to contribute to continued expansion and development in these growth markets.

“Historically there has generally been a lack of investments in infrastructure that makes it possible to distribute products and services such as bank account withdrawals or deposits in banks or ATMs. This directly affects people’s ability to save, make secure payments or access other simple services,” says John Kristensen, Senior Investment Manager, Financial Institutions and Head of Fund Investments at Swedfund.

Products and solutions focused on Fintech – innovative technology solutions in the financial sector – are

important tools that give poor people better opportunities to build up savings and use other financial services in emerging markets.

“The team at Apis possess a valuable combination of expertise in developing markets, the financial sector and financial technology. For Swedfund this represents a unique opportunity to strengthen our expertise in Fintech via a strong partner,” says John Kristensen. ✕

This is how Swedfund works with
SUSTAINABILITY

Environmental and social responsibility along with good business ethics and good corporate governance are the prerequisites for sustainable and profitable company investments over the long term. Swedfund’s ESG Action Plan is a key tool – both for the investment decision and monitoring. In each investment and for each individual company that Swedfund finances with loans or share capital an ESG Action Plan of measures to be taken is established to ensure that the company follows Swedfund’s Sustainability Policy. The Action Plan and compliance with the Sustainability Policy are followed up regularly.



CORRUPTION - WORLD'S THIRD LARGEST "SECTOR"

If corruption was an economic sector, it would be the third largest in the world, equivalent to 5% of global GNP or USD 3 trillion. Read more about Swedfund's anti-corruption work on page 40. (UN Global Compact, 2015)

ELECTRIFI SUPPORTS INVESTMENTS IN RENEWABLE ENERGY

Access to sustainable electricity and energy services for everyone is important – both from a climate perspective and to achieve inclusive and equitable economic growth. To improve the supply of electricity and help to mitigate the worst effects of climate change, which mainly affects the world's poor, Swedfund in 2015 became involved in The Electrification Financing Initiative (Electrifi) that focuses on sustainable electricity supplies in developing countries.

Electrifi will support investments in renewable energy with a focus on rural electrification.

This EU initiative invests mainly in the private sector although the venture also benefits public institutions. Partners from the local private sector will participate together with civil society organisations.

Electrifi, which is a collaboration with members of European Development Finance Institutions (EDFI) and the European Commission, will receive initial funding of EUR 75 million.

Electrifi was launched at COP21 in Paris on 4 December 2015.

electrifi.org

SIGNALS



Biogas bus in Nagpur.

SWEDFUND + SCANIA

In the spring of 2015, Scania and Swedfund announced a partnership to develop production of biogas as a vehicle fuel in the Indian city of Nagpur. In collaboration with local companies, biogas will be manufactured using the sludge from one of the city's wastewater treatment plants. Nagpur is participating in the Indian government's efforts to improve transport systems and the environment in the country's 100 largest cities. The initiative will contribute to the country's conversion to renewable fuels, help solve pollution problems and create new jobs.



TRAINING IN IFC PERFORMANCE STANDARDS

In 2015, two training courses were held in IFC Performance Standards, one in Stockholm for all of Swedfund's employees and a second in Nairobi in cooperation with Norfund, primarily for portfolio companies and fund companies but also for personnel from Swedfund's and Norfund's local offices. The sustainability work of Swedfund and other European Development Finance Institutions is based on IFC Performance Standards.



A further 100 million people could be forced to live in poverty if nothing is done to stop climate change. (The World Bank 2015)

ANTI-CORRUPTION

CORRUPTION RESTRICTS SUSTAINABLE DEVELOPMENT

Corruption exists on all markets, but it hits people who are vulnerable and poor especially hard. For Swedfund, anti-corruption efforts among portfolio companies are part of the strategic sustainability goals, while the anti-corruption policy has a straightforward principle: zero tolerance.

PHOTO: MICHAEL TSEGAYE

Tackling corruption means questioning a phenomenon that has lasted for a long time and that in many cases is perceived as normal.

“The more companies showing that it is possible to do honest business, the greater the knock-on effect. Other companies in these markets can see that it is actually possible to operate without questionable business practices and can copy the model,” says Jacob Hagerman, Chief Legal Counsel at Swedfund.

THE MODEL STARTS from the position that all forms of corruption are prohibited and must be opposed. All investment agreements signed by Swedfund clearly state zero tolerance for corruption. In serious cases of corruption, Swedfund ultimately retains the right to withdraw from the investment.

“Corruption hinders the battle against poverty. It inhibits healthy competition as well as a healthy investment climate, thus hindering economic growth and sustainable development,” says Jacob Hagerman.

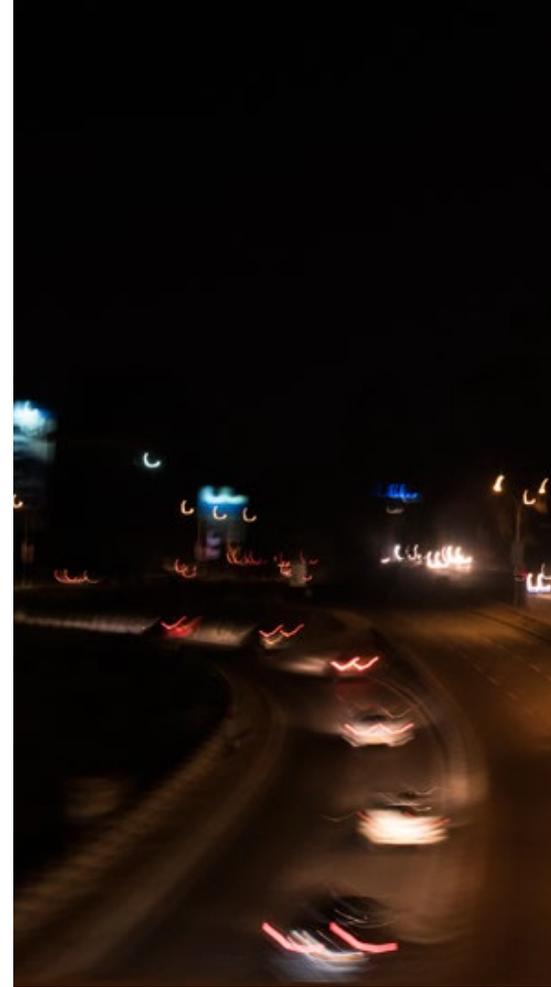
However, he says, it’s not possible to

turn a blind eye to the corruption that does exist on the markets in which Swedfund operates.

“Even though we will not tolerate corruption, our mission is to invest in these markets. So part of our mission is to increase understanding of these issues and to create a consensus and a willingness to enforce change. Here it is essential that the management teams at portfolio companies have the determina-

This is how swedfund works with ANTI-CORRUPTION

We adopted our Anti-Corruption Policy in 2012 and one of our strategic sustainability goals focuses on proactive anti-corruption measures, both internally and in the portfolio companies. Somewhat late, our whistleblower scheme will start in 2016. The Swedish Data Protection Authority has given its approval and the aim is that this service will be available for Swedfund employees and employees at the portfolio companies during the spring of 2016.



tion and ambition to work pro-actively with anti-corruption issues.

DURING DUE DILIGENCE of all new investments, corruption risks and the company’s work on anti-corruption are assessed. The Swedfund Country Corruption Assessment Tool is one of the tools used. For each direct investment, an ESG Action Plan is established with measures to ensure that companies comply with Swedfund’s Sustainability Policy and its Anti-Corruption Policy. Exactly what the requirements are depends on the individual investment, prevailing conditions and the foundations that need to be built up to get a management system in place to address anti-corruption issues.

“The first step is to get companies to adopt an anti-corruption policy. Having a policy is one thing, implementing it another. There are many challenges and the work will take time. That’s why we don’t require that our portfolio companies have an anti-corruption management system in place from the first day,” says Jacob Hagerman.

DURING THE TIME that Swedfund is an investor, regular follow-ups are made in each portfolio company to ensure that



“THE MORE COMPANIES SHOWING THAT IT IS POSSIBLE TO DO HONEST BUSINESS, THE GREATER THE KNOCK-ON EFFECT”

Jacob Hagerman, Chief Legal Counsel at Swedfund

the action plan is followed. For example, the company shall appoint someone in a management position with responsibility for anti-corruption work by a specific date, and this is included in the agreement, thereby becoming an obligation that the company must fulfil.

All new investments since 2012 include requirements for the implementation of anti-corruption management systems within three years from the investment date. This is also one of Swedfund’s strategic sustainability goals.

TO MAKE THINGS simpler for its portfolio companies, Swedfund has developed a template for an anti-corruption policy. Training and capacity building in anti-corruption issues, both internally and in portfolio companies, are also an important part of Swedfund’s anti-corruption work. In 2015 employees at Swedfund received training in preventing conflict of interest via an online course entitled “The Fight Against Corruption” developed in collaboration with UN Global Compact and the UN Office on Drugs and Crime.* In 2014 and 2015 Swedfund also conducted on site in Nairobi, a course in Anti-Corruption and Business Integrity for twenty portfolio

companies in Kenya, Ethiopia and South Sudan.

It is significant that Swedfund is a state-owned Development Finance Institution.

“Our portfolio companies can, if needed, show that they have a Swedish, state-owned company as an investor and refer to the need to follow international guidelines and legislation,” says Jacob Hagerman.

Swedfund’s influence varies, of course.

“Our possibility to influence is normally greater in direct investments, at least during the management phase, compared to our indirect investments.”

SWEDFUND WILL launch a whistleblower scheme in 2016.

“We view the opportunity to be a whistleblower as a complement to conventional channels. There may be situations where employees are uncomfortable contacting their immediate supervisor to report serious violations of some of our policies. We have zero tolerance for corruption.”

The service will be available on swedfund.se and notification can be anonymous. ✕



PHOTO: EREM BEVENE

THE ENVIRONMENT

OPTIMISATION FOR ENVIRONMENT AND CLIMATE

It is not possible to do sustainable business without taking into account environmental and climate issues. The environmental impact is therefore one of Swedfund’s focus areas. The effects of climate change are also of increasing importance.

Swedfund requires that portfolio companies implement a management system for environmental and social issues within three years from the time of the investment being made.

“There are many challenges. For us it’s about getting a good system in place where the companies themselves can understand and identify their risks and manage them in a good way.”

BASED ON EACH individual company’s needs, Swedfund establishes an action plan (ESGAP) for improvement measures. The plan may include everything from improved wastewater treatment to appointing someone responsible for specific areas such as energy consumption.

Environmental requirements are based on IFC Environmental and Social Performance Standards and IFC Industry Sector Guidelines. Although emissions requirements or waste management are well defined, operations are often conducted in countries that do not themselves manage their waste.

A COMPANY’S GREATEST climate impact is mostly linked to energy consumption and energy sources. For energy-intensive and heavy industry, such as steel mills and cement producers, it is important to be energy efficient. Reduced energy consumption is not currently a requirement for Swedfund to consider an investment. However Swedfund does encourage energy optimisation.

“Our portfolio companies report energy consumption, energy sources and carbon emissions on an annual basis. We work together to find alternative and more energy-efficient solutions,” says Jenny Järnfeldt, ESG Manager at Swedfund. ✕

*Read more at thefightagainstcorruption.org

STAKEHOLDER INTERVIEW
ÅSA PETTERSSON, HEAD OF PUBLIC AND
SUSTAINABILITY AFFAIRS AT SCANDIA

“We needed a partner who understands sustainable investments”

To reduce carbon emissions you need a market for sustainable transport. That's why truck and bus manufacturer Scania entered into a partnership with Swedfund to produce biogas at a sewage plant in the Indian city of Nagpur, which is investing in a public transport system powered by biogas.

“Transport accounts for a quarter of the global emissions of carbon dioxide. Transport is our business. To solve the transport needs we must sever the link between transportation and carbon emissions, not least in developing countries because that is where the big changes are occurring and the need is greatest,” says Åsa Pettersson, Head of Public and Sustainability Affairs at Scania.

Investing in biogas production to ensure access to climate-neutral fuel is a completely new kind of business for Scania, which does not usually take responsibility for putting infrastructure for fuel in place.

“In order to succeed, we needed a partner who understood India and sustainable investments. It has been extremely important for us that Swedfund has such clear requirements for investments in terms of sustainability. It is also an important part of quality assurance when we choose a local Indian partner,” says Åsa Pettersson.

The partnership began in spring 2015, and by 2016 Scania will be manufacturing buses run on biogas produced from the sludge from the local sewage treatment plant in Nagpur.

“Our hope is to identify similar successful solutions in the markets where both we and Swedfund are active. We see this as win-win-win. All the parties gain through cooperation, establishing sustainable solutions and helping the local community to develop in a sustainable manner.” ✕



The partnership is win-win-win for all parties, says Åsa Pettersson.

REPORTING OF DEVELOPMENT RESULTS

Swedfund shall contribute to creating long-term sustainable companies in the world's poorest countries and be proactive with anti-corruption initiatives internally and within the portfolio companies. Strategic sustainability targets for ESG and anti-corruption are presented below.

Strategic Sustainability Target for ESG

STRATEGIC SUSTAINABILITY TARGET FOR ESG

TARGET Implementation of management systems at each company within three years of the investment.	INDICATOR Implementation in all portfolio companies and at Swedfund itself of ESG management systems which, where relevant, cover environmental and social issues, and corporate governance at all companies.
<p>To determine if a portfolio company meets the sustainability target, Swedfund checks if the company has implemented a management system and whether it contains the components that are relevant. This helps identify opportunities for improvement. Ten questions are asked about the following components of a management system:</p> <ul style="list-style-type: none"> ▶ Policy: A Sustainability Policy shall be established and adopted by management in portfolio companies. ▶ Identification of risks and impact: A system or a procedure should be in place to identify at regular intervals environmental and social risks and impacts. ▶ Result assessments: The company's results within identified risk and impact areas shall be measured and continuously evaluated to measure and improve results over time. ▶ Responsibilities and skills: A person in senior management shall have the overall responsibility for sustainability issues. ▶ Emergencies: For permanent facilities there should be action plans for accidents and emergency situations. ▶ Reporting: Reporting shall be regular and at least annually to the management and board of the portfolio company and to Swedfund. ▶ Stakeholders: Internal and external stakeholders shall be identified, consulted in situations concerning them and relevant information be reported to them at appropriate times and intervals. 	

The Swedfund Portfolio Company Sustainability Report 2015 is available at swedfund.se

SUSTAINABILITY TARGET: ESG MANAGEMENT SYSTEM, SWEDFUND COMMENTS

Swedfund's internal management system, ESG Toolkit, describes the systems and processes that are applied for environmental and social issues in all investments, instruments and countries. ESG Toolkit is a manual for implementation of the policy documents, procedures and related documents that guide work on ESG issues. ESG Toolkit is updated continuously and in 2016 we will commission a third-party review of all processes related to human rights. Read more on pages 18–19. Swedfund's Sustainability Policy was also updated during the year, read more on page 60.

SWEDFUND'S CARBON FOOTPRINT COMMENTS

Through our policies and support for a fossil fuel-free Sweden, we strive to reduce our carbon footprint. Electricity, heating and business travel generate Swedfund's largest carbon emissions. Swedfund's headquarters in Stockholm has a green rental agreement based on 100 per cent hydropower. Purchased electricity is eco-labelled. A total of 34,539 KWh from wind power and hydropower were purchased for 2015. Comparative figures are not available since 2015 is the first year of reporting. There is no environment-friendly alternative available for supplies of electricity and heating for our office in Nairobi. A diesel generator is available to cover power cuts in the office building in Nairobi where Swedfund rents office space. Travel by Swedfund staff creates an environmental

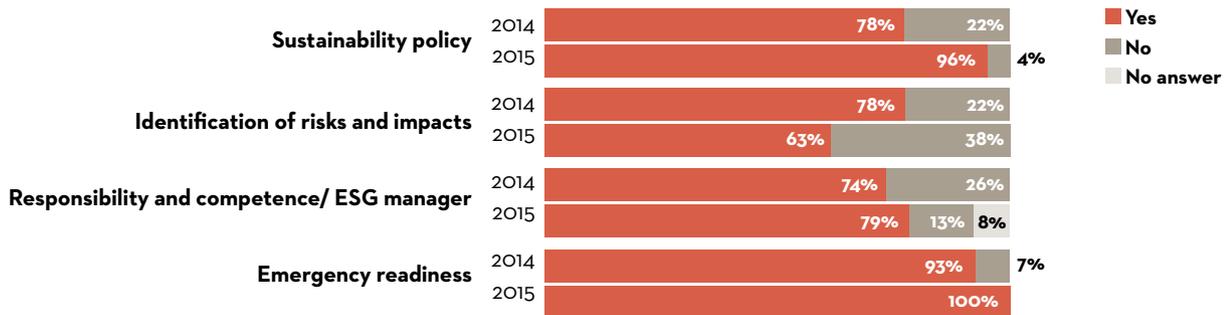
burden but is essential for Swedfund to meet its responsibility as a proactive owner and do thorough Due diligence for new investments. Swedfund strives to minimise the number of flights when possible. Like last year, Swedfund chose to compensate for all air travel by offsetting an amount equivalent to 263 tons³ of carbon (262 tonnes in 2014) in a REDD+ project in South Eastern Kenya. REDD+ (Reducing Emissions from Deforestation and Degradation) is a strategy applied by the UN to limit climate change and help to stop the destruction of the world's forests. Swedfund's primary environmental impact is through the activities of portfolio companies. Our aim is to reduce the carbon footprint of our entire investment portfolio and we have begun analysing how this can be achieved.

**SUSTAINABILITY TARGET:
ESG MANAGEMENT SYSTEM**

COMMENTS

Out of Swedfund's 24 (27) direct investments, 12 report that they have management systems for environmental and social issues, an improvement on last year. To meet requirements for an approved management system, companies must respond to 10 questions. 12 (5) companies have key parts of a management system while 8 (11) lack important parts of such a system. Of those who have the management system, 7 (6) have independently verified systems. Of the 10 (7) reporting funds,

8 (6) state in their self-assessment that they use management systems for environmental and social affairs. The two funds without management systems are older investments and this requirement was not made at the start of these funds. One of these funds reports that it will implement a management system in the coming year. Swedfund has chosen to highlight four important parts of management systems for environmental and social issues and illustrated them below.



COMMENTS

Sustainability or environmental policy

96 per cent of the reporting direct investments have a sustainability policy compared with 78 per cent last year. One direct investment and two funds still do not have a sustainability policy, which is a significant improvement on the previous year. Swedfund's portfolio companies do a very wide range of different business, in different manufacturing and services sectors. Swedfund's advocacy has contributed to the fact that most portfolio companies and funds have now adopted sustainability or environmental policies. However work must still be done to implement adopted policies.

Identification of risks and impacts

63 per cent of Swedfund's direct investments report that they perform a risk and impact assessment of their activities, which is a reduction on the previous year (78 per cent). The risk and impact assessment forms the basis for decisions about measures the company must implement to reduce risks. Portfolio companies that reported in previous years that they performed such an analysis have now stated that they do not identify risks and impact, and Swedfund will follow up these matters with these portfolio companies. It is important that a risk and impact assessment is an ongoing process. We need to improve and clarify our communication on this matter with portfolio companies as we see that many portfolio companies perform risk analysis but still do not report it.

ESG manager

The portfolio companies report that ESG responsibility rests at board level, management level or at the operational level. Responsibility for these issues is often part of general management responsibility in the company, as reflected in the results. The share of direct investments that have an ESG manager is 79 per cent, compared with 74 per cent in 2014, 13 per cent have no such manager and 8 per cent did not respond. 89 per cent of the reporting funds have an ESG manager. The positive increase is explained by the fact that new funds often have a dedicated ESG manager. During the year we worked proactively with one of the two older funds to develop policy, environmental and social management systems and appointment of an ESG manager.

Emergency readiness

Fire precautions and fire drills are an important part of emergency readiness, and all the portfolio companies report that they perform them.

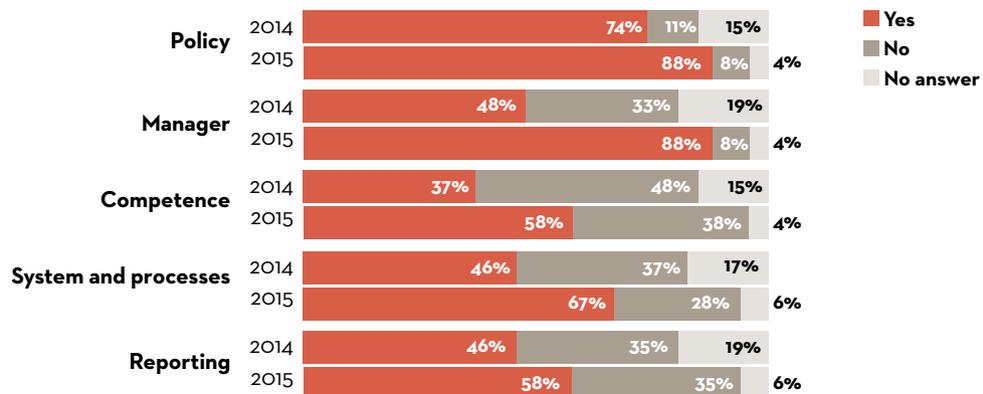
During the year, we have engaged with the two companies that lacked emergency readiness systems last year. Swedfund checks continuously that portfolio companies have emergency readiness systems, not just in terms of fire precautions and fire drills but also to ensure that practical implementation of the systems and processes exist, such as evacuation drills.

STRATEGIC SUSTAINABILITY TARGET FOR ANTI-CORRUPTION

<p>TARGET</p> <p>Adoption and implementation of a management system for handling anti-corruption issues shall be completed at Swedfund in 2014 and among portfolio companies within three years at the latest from when the investment was made.</p>	<p>To determine if a portfolio company meets the sustainability target, Swedfund checks if the company has implemented a management system that contains relevant components. This enables areas of improvement to be identified. Nine questions are asked in the following areas of an anti-corruption management system.</p> <ul style="list-style-type: none"> Anti-corruption policy: Shall be established as starting point for anti-corruption Responsibility: Manager in senior management team. System: Processes, procedures or checks to detect corruption. Competence: Identification and training of key individuals (those most exposed to corruption). Reporting: Regular, annual report as a minimum.
<p>INDICATOR</p> <p>Adoption and implementation internally and at portfolio companies of management system for handling anti-corruption issues.</p>	

The Swedfund Portfolio Company Sustainability Report for 2015 is available at swedfund.se

ANTI-CORRUPTION MANAGEMENT SYSTEM (IMPLEMENTATION PER MEASURED AREA)



ANTI-CORRUPTION MANAGEMENT SYSTEM (IMPLEMENTATION PER MEASURED AREA)

COMMENTS

Swedfund's portfolio companies undertake to adopt and implement a management system to deal with anti-corruption issues. An important and often initial step in pursuing proactive anti-corruption work is to define and implement an anti-corruption policy. 88 per cent of reporting companies have a policy and a person responsible for implementation of the policy. To support portfolio companies, Swedfund has since 2012 provided a Portfolio Company Anti-Corruption Policy Model that portfolio companies can adapt as their own. 2015 is the second year that Swedfund has

measured and reported the degree of implementation of anti-corruption management systems.

As the graph shows, more portfolio companies have now implemented the policy, developed competence, appointed managers with responsibility for anti-corruption issues, and developed systems and processes for reporting and follow-up. But several companies did not respond, indicating the absence of a management system for anti-corruption issues. Swedfund will follow up and explore how we can support companies to develop these key processes.

ANTI-CORRUPTION MANAGEMENT SYSTEM, SWEDFUND COMMENTS

Swedfund's anti-corruption policy was adopted in 2012 and thereafter implemented in internal processes and in the investment manual. A Country Corruption Assessment Tool was also produced. Of Swedfund employees, including management, 97 per cent have completed the training course entitled "The Fight against corruption"⁴. In 2016 an assessment will be made of how anti-corruption work can be further strengthened internally, including by further training⁵. Swedfund's whistleblower scheme will be launched in Q1, 2016. Read more on page 40.

FINANCIAL VIABILITY

In the world's poorest countries, Swedfund shall contribute to creating companies that are profitable and thus financially viable over the long term.

**“THIS TYPE OF
ENTERPRISE
SPURS
ECONOMIC
GROWTH”**

*Dr Wambui Kamau, doctor
and site manager at
AAR Healthcare*



WAMBUI KAMAU

SUPPORTING SUSTAINABLE EXPANSION FOR PRIVATE HEALTHCARE PROVIDERS

During the past 30 years AAR Healthcare has become one of East Africa's largest private healthcare providers with 39 modern clinics in Kenya, Uganda and Tanzania. While it has been a shareholder, Swedfund has assisted the company find the right staff and follow a sustainable path to a continued and swift expansion.

PHOTO: MICHAEL TSEGAYE

There is a shortage of good, accessible healthcare in East Africa. AAR Healthcare is a private provider investing on a large scale to open more clinics and eventually more hospitals. Over 600,000 patients visit AAR Healthcare's clinics each year.

Wambui Kamau is a doctor and the manager of a clinic in Thika, northeast of Nairobi, one of 17 private outpatient clinics that the company operates in Kenya. In addition to meeting patients she spends much of her working day on preventive care. The clinic provides advice to patients about how they can best keep themselves healthy.

"The most satisfying part of my job is when I can help my patients with their wellbeing and health, and give them a general experience that makes them smile," says Wambui Kamau.

ADMINISTRATIVE ROUTINES are part of the responsibility of managing the clinic. As well as patient contacts, which can mean anything from an emergency visit to following up a chronic illness, ▶

“THERE ARE SEVERAL ADVANTAGES OF HAVING A DEVELOPMENT FINANCE INSTITUTION SUCH AS SWEDFUND AS A PARTNER”

Dr Wambui Mamau, doctor and clinic manager at AAR Healthcare

Wambui has responsibility for staff at the clinic and its finances.

She is also Quality Assurance Manager for clinical services and patient safety at AAR Healthcare.

“Taking responsibility that both staff and shareholders are satisfied is just one of many challenges in my job. Getting the medical supplies we need is not always easy, either. It’s also a challenge to deal with patients’ complaints – both perceived mistakes and real ones,” she says.

AAR HEALTHCARE serves the growing African middle class. Seeing a doctor at one of AAR Healthcare’s clinics costs money, but the basic idea is to offer medical care of good quality at a reasonable cost. The company began business on a small scale in 1984 and today has 39 primary care clinics, 12 ambulances and a hospital in Uganda. There are around 1,000 employees. Swedfund became a shareholder in 2013.

“There is a shortage of medical care in East Africa, which means that all opportunities to provide care are good,” says

Henrik Nordlander, Senior Investment Manager at Swedfund.

During the two and a half years Swedfund has been a shareholder the company has expanded rapidly. Before Swedfund invested, the company had already been split into two separate businesses, one for the insurance and one for healthcare. This improved efficiency and increased the rate of expansion to the level advocated by the owners and the board. When it came onboard, Swedfund also participated in the recruitment of the CEO and at a later stage of a CFO to enhance professionalism and improve the governance of the company. Swedfund’s main impact is through its board representation.

“We request correct and well prepared board documentation for well informed decisions, and we make it clear that we will follow up on approvals. That in turn creates a responsibility and procedures that provide security for the company as a whole, its management, employees, customers and suppliers, as well as for investors. Many stakeholders appreciate for the same reasons that there is a Development Finance Institution such as Swedfund among

shareholders and represented on the board. It indicates that the company is transparent and some consider it to be an unofficial guarantee that the company is well managed,” says Henrik Nordlander.

“**THERE ARE SEVERAL** advantages of having a DFI such as Swedfund as a partner,” says Dr Wambui Kamau.

“It has created more jobs and better career opportunities for staff. This type of enterprise is sustainable and spurs economic growth. Poverty is declining, the average income is increasing and we are also reducing our dependency on aid”. ✕

This is how Swedfund works with
FINANCIAL VIABILITY

AAR Healthcare has received help to introduce a system for evaluating establishments of new healthcare clinics. Now, prior to making a decision about starting up a new clinic they have processes to assess areas such as brand building, customer data and average incomes among local residents, constructions costs and the level of competition.

EXIT FROM UAP GROUP - PROFIT OF SEK 157 MILLION

Inurance companies protect policyholders from the financial consequences of damage thus increasing security, stability and contributing to economic development. They manage substantial investment portfolios that increase liquidity and efficiency in financial markets. When Swedfund invested in UAP Group in 2012, this regional insurance company had operations in Kenya, Uganda and South Sudan.

“Swedfund invested in UAP Group because strong and well-functioning insurance companies and

banks are necessary for development in the regions and countries that Swedfund invests in,” says Jonas Armtoft, Senior Investment Manager at Swedfund.

Helped by Swedfund’s investment, operations have also been established in Rwanda, Tanzania and the Democratic Republic of Congo. UAP Group, which started in 2006, has grown rapidly - today the Pan-African insurance company has more than 650,000 customers. The company provides general insurance, life insurance, property investments, fund management, etc. In

2013 UAP Group made a profit before tax of more than SEK 200 million and had a turnover of more than SEK 1 billion.

UAP Group has around 550 employees and its operations are based on the ILO core conventions and ILO basic terms and conditions of employment, which was one of the conditions Swedfund made at the time of investment to ensure good working conditions for employees.

In 2012 Swedfund invested SEK 72.7 million for a 7.05 per cent stake in the company. This investment yielded a capital gain of SEK 157.2

million. Swedfund’s investment thus increased in value from SEK 73 million to SEK 230 million in three years.

“We can use this money for new investments in the region,” says Jonas Armtoft.

For Old Mutual the acquisition means it gets a controlling stake in UAP Group since it previously has acquired shares in UAP Group.

“A sale to Old Mutual is positive for UAP Group because together they have the potential to create a leading financial institution on the African market,” says Jonas Armtoft.

SIGNALS



COMMITTED EMPLOYEES BOOST GROWTH

The UN initiative, Principles for Responsible Investments (PRI), has analysed how 24 investment companies participate in the activities of portfolio companies in the retail trade in order to increase the personal commitment of employees working for those companies. According to PRI, good and responsible personnel care is

a significant economic factor in an investment. Above all, responsible and fair treatment of staff will lead to greater commitment to the business. PRI’s calculations suggest that retailers with highly committed staff will grow 2.5 times faster than retailers whose staff show average commitment.

🔗 unpri.org

5-7

That’s how many trillion US dollars are required in investment to achieve global goals for sustainable development. Every year. Estimates for the investment needed solely in developing nations is USD 3.3-4.5 trillion a year. This covers the financing requirement in basic infrastructure (roads, railways and ports, power stations, water and sanitary systems), food supplies (farming and rural development), adaptation to climate change, and health and education. (UNCTAD)

“Swedfund has worked close to management to support strategic issues and advocate sustainability issues, good employment terms and anti-corruption activities. It is pleasing to see how this significantly increases a company’s value while making an important contribution to the development of society.”

Anna Ryott, CEO for Swedfund, about the exit from UAP Group (read more above).

FINANCIAL VIABILITY

A PREREQUISITE FOR EXIT

Profitability is a key factor that makes a company sustainable over the long term. That's why each investment must have a clear target for profitability. To be sustainable in the long term and in order to contribute to the development of a sustainable society on its own, a portfolio company must be run profitably and responsibly.

PHOTO: MICHAEL TSEGAYE



Right at the start, when a decision to invest in a portfolio company is made, it is normal to set a target for when Swedfund will exit the company. It is usually after seven to ten years.

“More important than the exact time is that the company can survive when we leave. It must be profitable so that others want to buy our holding. If the company cannot survive, then we have of course not accomplished anything with our investment,” explains Fredrik Wijkander, Director of Investment Operations at Swedfund.

BASIC CONDITIONS for each investment are that it will contribute to the positive development of society, be sustainable and financially viable. Success is judged on the basis of the business plan. The plan must often be adjusted and more realistic goals need to be set. It is also important that our partners, the company's owners or founders who are seeking financing, understand and believe in the business plan.

If Swedfund does not have knowledge

of a specific industry itself, it uses external consultants.

“We often invest in high-risk projects where it is difficult to obtain financing. It is often the country risk that discourage investors and borrowing is very expensive for entrepreneurs. Our investment will be the catalyst that makes the investment possible.”

ONE EXAMPLE IS mobile telephony in Africa. 15-20 years ago, no one believed in it as a business idea. Investments were

This is how Swedfund works with **FINANCIAL VIABILITY**

We continually monitor our portfolio companies and influence the strategic development of their business through close cooperation. The aim is to achieve financial viability and continue to deliver development results over time, even after Swedfund's exit. Monitoring is done through quarterly management accounts, regular visits, follow up of strategic and operational targets and implementation of 100-day plans.

needed from those who were willing to take the risk. Today mobile telephony is extremely profitable.

“Now we are looking at data centres. This is a new field and we can be there at the start and enable the development of data traffic, which can create strong conditions for sustainable development,” says Fredrik Wijkander.

Although clear profitability targets are established for each investment, immediate returns are not expected. Profitability must be seen over a period of time and it is important to be realistic and not to expect positive results during the initial years. There are many challenges.

“Sticking to a business plan is often difficult. For example, new customs fees might be introduced, the estimate for construction costs can be too low, environmental or operating licenses may be delayed. We have to go into great detail to get as accurate a business plan as possible.”

SOMETIMES IT IS a challenge to make a partner adapt their operations to match Swedfund's requirements for sustain-



ability and a positive impact on society. However, demands for sustainability are increasing, not least from customers.

“The textile industry is one example where we see a clear change. International customers will not buy the goods if it cannot be proved that the production is sustainable. When customers make sustainability demands, it is easier for us to convince our partners that sustainable manufacturing is a prerequisite for financial viability,” says Fredrik Wijkander.

WHEN SWEDFUND has decided to sell its shares in a portfolio company a valuation is made by an independent third party. The exit is made on market terms, but there has to be a buyer. The best option is often to sell the shareholding to the company’s main owner.

“The exit mechanism is often agreed upon before we even enter into an investment. The agreement is reciprocal – our partners may wish to buy us out and we can request that they buy us out. The risk is otherwise that we will have to remain in the company for a very long time.”

No matter who the buyer is, the principle is the same as when Swedfund

**“IF WE SUCCEED
IN OUR AMBITION
OF CREATING
FINANCIALLY
VIABLE
COMPANIES WE
CAN DO MORE NEW
INVESTMENT.”**

*Fredrik Wijkander, Director of
Investment Operations at Swedfund*

invested. The buyer must meet Swedfund’s ambitions, goals and investment terms. If a third party buys our shares we do a check on the buyer to ensure that their operations are consistent with Swedfund’s core values. That increases the likelihood that the company will continue doing business in accordance with Swedfund’s criteria.

“What happens once we have sold our shares is unfortunately not something we can control. However, there is the opportunity to provide specific funding to safeguard a high ESG standard. Our gain from sales are reinvested in other companies. If we succeed in our ambition of creating financially viable companies we can do more new investments.” ✕

BOARD REPRESENTATION

VITAL WORK ON THE BOARD

By appointing board representatives with the right background, Swedfund introduces skills and experience directly to portfolio companies. Knowledge is built up and value is created that will remain even when Swedfund has made its exit.

“Professional and proactive board members create the right conditions for a sustainable business. Through corporate governance we can establish together with management at the portfolio company whatever is needed to make the business profitable and sustainable. Through our involvement, we influence the work of directors, which means that we can contribute to a clear understanding of ESG issues. This is also a transfer of know-how,” says Ulf Tossman, Senior Investment Manager at Swedfund.

In its initial talks with a company, Swedfund explains the conditions that must be met so that business is conducted in accordance with Swedfund’s policies.

“Using our internal and external systems for monitoring, we constantly follow up activities so that companies develop as expected,” continues Ulf Tossman.

DURING THE management phase, which may last for up to ten years, Swedfund works with and influences the boards of the portfolio companies by introducing know-how and experience. Through proactive board representation, Swedfund ensures that the ESG Action Plans are implemented. An ESGAP is established for each portfolio company outlining how the company should comply with the sustainability policy, for example. Along with a firm commitment to sustainability issues there is also a strong focus on the company’s financial performance and growth, as well as implementation of the business plan. Market conditions and external events can rapidly affect an operation, which places great demands for control and management on Swedfund’s markets.

WITH A PROACTIVE ESG team and board representation, Swedfund becomes intimately involved with its direct investments and has a good understanding of what the companies are doing.

“We have no bottlenecks, which can be a risk in a large organisation, and we try to be quick in our processes. In this sense we have high flexibility and fast decision-making. However, when it comes to decision-making, we are as reliant as the large financial development institutions on information that is complete and of high quality,” says Ulf Tossman. ✕

STAKEHOLDER INTERVIEW
ALEKSANDAR ZUZA, INVESTIGATOR AT IF METALL

“A financially viable company will contribute to poverty reduction”

First jobs, then prosperity. The old social democrat principles that once helped build Sweden are fully transferable to developing countries, says Aleksandar Zuza, investigator at IF Metall, a Swedish trade union.

“As I see it, financial viability is crucial in helping a country getting out of poverty. Without it, Swedfund’s other goals for sustainability and impact on society cannot be met. A viable business creates jobs for more people, real jobs that contributes to poverty reduction and the development of a sustainable society. Employment is the best way to lift people out of poverty,” says Aleksandar Zuza.

For IF Metall, trade union rights are obviously an important element of Swedfund’s investments.

“Swedfund has been forced to do write downs in recent years and that has to change. It will take a few years before we see the results of the new strategy. It is only when Swedfund makes an exit from an investment that we know if it was successful. A risk capital company takes risks. Some companies will fail, that is quite natural. If Swedfund doesn’t have that kind of company in its portfolio, it is not taking enough risks.

If Swedfund can help build better and more advanced businesses, it will benefit the country. Aleksandar Zuza appreciates the diversified portfolio, across the spectrum from investments in services to manufacturing.

How can Swedfund become even better at creating financially viable companies?

You have to look at each market and each company specifically. I think their process is on the right track. But there is nothing wrong with losses in individual cases, that’s just business. If you take no risks you are not taking you mission seriously. The requirement for a financial return is not so high, but it needs to be met. For Swedfund it is important to look at where they have the greatest potential to make a difference. It could be anything from a hotel to a large industrial company, both are needed.”

Aleksandar Zuza is IF Metall’s representative in Swedfund’s stakeholder dialogues.



REPORTING OF DEVELOPMENT RESULTS

Swedfund shall contribute to the creation of sustainable and financially viable companies located in the world's poorest countries.

Development results

DIRECT INVESTMENTS IN SHARES AND LOANS - GROWTH AND PROFITABILITY

One of the prerequisites for achieving development results through private enterprise is that investments are financially viable, i.e. profitable. It is therefore central for Swedfund to monitor and report on how the investments perform financially. It is preferable to do so separately for each business based on that company's specific circumstances on the market in which they are operating. Monitoring of each individual investment is done internally and is an important part of the work of the Senior Investment Manager.

Because of the different nature of each company's business we are unable to report key figures on an

individual company level. We have, however, decided to report indicators at an aggregate level as this gives a picture of the development of the portfolio. Below are the median values in terms of growth in turnover (percentage change in turnover in 2013- 2014), profit margin (profit after tax / turnover) and return on equity for direct investments in shares and loans. The information is based on the last available audited financial statements (see page 56 for more information on the selection), based on the 63 companies that were in Swedfund's portfolio at the end of 2015. The sample includes 20 investments in shares and 11 in loans⁶.

KEY INDICATOR	SHARES	LOANS
TURNOVER GROWTH (percentage change in turnover from 2013 to 2014)	14%	20%
PROFIT MARGIN (profit after tax/sales)	7%	-1%
RETURN ON EQUITY (profit after tax/equity, opening balance)	5%	3%

The median value was used as the level of growth and profit margin varies greatly between companies since they are very different. Examples of differences include the countries they operate in, level of maturity (new establishments, mature companies, etc.), level of risk in the business, type of industry, currency, markets and the regulatory environment. The investments where we face challenges are also the ones for which

we report write-downs in 2015, read more on pages 68-69. These challenges underline the importance of Swedfund continuously monitoring the portfolio companies and working closely with them to influence their strategic business development. The purpose is to help the companies to achieve financial viability and continue to deliver development results over time, even after Swedfund's exit.

INVESTMENTS IN FINANCIAL INSTITUTIONS

The demand for capital from financial institutions such as banks is driven by strong market growth and tighter regulation. The possibility of obtaining long-term commercial financing is restricted given the limited maturity that characterises the financial systems in our countries of operation. Through increased lending to, and investing in, financial institutions, Swedfund contributes to the further

development of the financial system and enables lending to SMEs, which in turn creates jobs – 9 out of 10 jobs in Swedfund's markets are created in the private sector. Swedfund currently has nine investments in financial institutions, see table below, with a total contracted amount of SEK 532 million. Read more about the three investments approved in 2015 on page 64.

INVESTMENT	COUNTRY	INVESTMENT INSTRUMENT	YEAR OF AGREEMENT	CONTRACTED AMOUNT* (SEK MILLION)
Aclea	Cambodia	Loan	2015	86.9
Ecobank Nigeria	Nigeria	Loan	2015	82.4
Fidelity Bank	Ghana	Loan	2014	96.3
Kinyeti Capital	South Sudan	Equity	2012	5.2
Kommercijalna Banka	Serbia	Equity	2009	87.0
NMB	Tanzania	Loan	2015	42.3
Norsad Finance	Africa	Equity	2012	50.1
TBC Bank	Georgia	Loan	2013	65.5
The Small Enterprise Foundation (SEF)	South Africa	Loan	2012	16.8
Total				532

* Contracted amount is calculated using the exchange rate on the date the contract was signed.

INVESTMENTS IN FUNDS

For funds, the availability of capital from private investors remains low in our markets and Swedfund can thus be both catalytic and additional. Our fund investments give us an opportunity to actively support the mobilisation of private capital, contribute to the development of entrepreneurs and SMEs who in turn create jobs in our countries of oper-

ation. At year-end, Swedfund had 12 investments in funds, see table below, with a total contracted amount of SEK 866 million. Information about the investments is based on reporting for 2015 from 7 funds, and for 2014 from 5 funds. Read more on page 64 about two funds with whom agreements were signed in 2015.

FUND	COUNTRY/ REGION	YEAR OF AGREEMENT	CONTRACTED AMOUNT* (SEK MILLION)	NO. OF INVESTMENTS
Adenia III	Africa	2013	86.4	5
African Development Partners II (DPI)	Africa	2013	98.3	3
AfricInvest Fund III	Africa	2014	73.9	3
Apis ⁷	Africa/Asia	2015	64.9	-
Baring India Fund II	India	2005	82.6	7 ⁸
CEF III	China	2008	64.1	13
ECP Africa Fund II	Africa	2006	62.4	12
ECP Africa Fund III	Africa	2008	95.0	8
GIASF I	India	2007	73.4	4
Investec 2 (IAPEF2)	Africa	2015	100.6	4
Mint Capital II	Russia	2005	39.6	6
SEAF Sichuan SME Investment Fund LLC	China	2000	25.3	2
Total			866.3	67

* Contracted amount is calculated using the exchange rate on the date the contract was signed.

FINANCIAL VIABILITY OVER TIME

Twiga Cement in Tanzania is a good example of how Swedfund's investments over time help companies achieve a sustainable and financially viable future. Swedfund contributed to the privatisation of the company in a country that was considered a high risk at the time of investment. Swedfund sold its holding in 2005 and the investment generated an internal rate of return of 16 per cent. Twiga has been listed on the Dar es Salaam stock exchange since 2006. Over the 13 years that Swedfund was a shareholder in Twiga, an extensive amount of training and capacity building was carried out for

staff, along with improvements in production efficiency and investments in environmental measures. Emissions of cement dust were reduced significantly and in 2004, for example, imported, high-sulphur heating oil was replaced with domestic natural gas as the fuel used in the cement kilns. Cement is a necessary product for development and growth, and Twiga continues to be an important contributor in Tanzania. Today the company is a large taxpayer and one of the country's leading cement plants, employing over 300 people and indirectly many more working in transportation and distribution.



SELECTION PRINCIPLES AND DEFINITIONS

When we report results for our portfolio companies we report for the entirety of the company, not just in relation to Swedfund's ownership share or for Swedfund's share in the financing of the company. Non-financial results are based on the portfolio companies' self-assessments, the Swedfund Portfolio Company Sustainability Report 2015. Financial data is taken from the most recent audited annual accounts.

SELECTION FOR SWEDFUND PORTFOLIO COMPANY SUSTAINABILITY REPORT

Portfolio companies that fall into the following categories are not included in the report: companies under divestment, portfolio companies and co-financed facilities that report through another DFI, companies not yet operating and projects where the investment

has not yet started. Two companies from which exits were made during the year operated during the year and were therefore included. 22 of the reporting companies where in the portfolio in both 2014 and 2015. New investments that were decided in 2015 were not included if investment had not started (no payments made) or if the business of the company had not got underway.

Distribution of Swedfund Portfolio Company Sustainability Report	Distribution			Not distributed	Portfolio total
	Answered	Not answered	Total		
Shares and loans	25	5	30	15	45
Funds	10	4	14	0	14
Financial institutions	-	-	-	6	6
Total	34	10	44	21	65
Divestment in progress				9	
Reports to other DFI/IFI (including co-financed facilities)				9	
Investment not started (no disbursements made, fund not started investing)				3	
Not distributed				21	

DEFINITIONS

Portfolio company: A contracted and partly or fully disbursed investment.

Jobs/job opportunities*: The number of full-time employees according to local definition on the closing date of the report period. For funds, the number of full-time employees of the fund and its portfolio companies.

Senior executives: Includes both company management and senior executives.

Tax*: Reported tax refers to tax reported in the income statement of the portfolio company's audited annual accounts. For funds, the fund owner's tax disclosures from its portfolio companies are used.

Treated patients*: The number of patient consultations performed by the company during the report period.

GWh*: Energy supplied to "offtakers" during the report period.

Definitions marked with * are harmonised definitions: read more about the initiative and definitions of indicators at ifpartnership.org/indicators

FOOTNOTES

¹Data on the number of jobs comes from the company's own self-assessments.

Data from the 2014 self-assessments was used for three funds that did not provide assessments for 2015. For two companies, data was taken from the latest available quarterly data.

²Of the total 63 companies in the portfolio, 39 reported results, of which 17 were negative. 22 companies reported positive results, of which one company reported no tax.

³Swedfund's environmental statistics for January to December 2015 come from Carlson Wagonlit Travel. The data is based

on standard information provided by NTM, a transport and environment network.

⁴The E-learning course was developed in cooperation amongst the UN Global Compact and the UN Office on Drugs and Crime to meet the 10th principle of the Global Compact.

⁵In 2016, a plan was formulated that identifies areas in which internal anti-corruption efforts can be strengthened through, for example, the revision of the Code of Conduct, a workshop for Swedfund employees and training for directors of Swedfund International AB.

⁶The reporting is based on the companies' most recent audited annual accounts; at the end of 2015 the most recent audited full-year accounts were dated 31 December 2014. Companies in India report on 31 March and a few investments have annual accounts dated 30 June.

⁷The Investment in Apis was contracted during 2015 and the fund did not make any investments during the year.

⁸Funds also have minority stakes in listed companies not included in the fund's reporting.

RISK MANAGEMENT

In its operations Swedfund is exposed to, and manages, risk at various levels: strategic, operational and financial. Good risk management is therefore both essential for the business and a potential source for improving Swedfund's development results.

Swedfund operates in countries and environments where risk is both more widespread and potentially more serious than in more developed markets. Swedfund's company risks are managed by its finance department. Other risks affecting investments are managed across three departments: the investment department, department for portfolio analysis and the legal

department. Extensive reporting is submitted regularly to the Board and Managing Director concerning, for example, the development of the investment portfolio, liquidity, financial position, development results, financial risks, environmental risks and social risks. Risk management is described below in more detail for the strategic, operational and financial levels of risk.

LEVEL OF RISK

	STRATEGIC RISKS	OPERATIONAL RISKS	FINANCIAL RISKS	Read more about our risk management in practice!
Swedfund International AB	Macroeconomic risk Durability of the business	Security and personnel risks	Interest risk, currency risk, liquidity and credit risk, borrowing risk and counterparty risk	Capital contributions, p. 9 New financial policy, p. 71
Investment portfolio	Country/Concentration risk Sustainability risks (see page 17)	Lack of structural capital Legal risks	Liquidity risk	How Swedfund's portfolio is distributed, p. 17 Swedfund's investment process, p. 22-23 Anti-corruption, p. 40 Development results, p. 33-35, 43-45, 53-55 Our portfolio, p. 64-65
Holdings (portfolio companies)	Compliance risk	Sustainability risks	Liquidity, credit and refinancing risk	Sustainability, p. 37-38 Financial viability, p. 47-48, 50-51

STRATEGIC RISKS

DEFINITION: Strategic risk focuses on large-scale and structural factors. This can include poor business decisions, poor implementation of decisions or an inability to react correctly to changes in regulatory systems or in the macroeconomy. In extreme cases this could mean reduced revenues or a loss of confidence in the business.

Swedfund is exposed to a number of factors that are hard to control. To manage risk, Swedfund works at a higher level

with scenario analyses, assessments of the macroeconomic environment and in close consultation with company management and co-investors.

PRACTICAL APPLICATION

► **SWEDFUND INTERNATIONAL AB:** **Macroeconomic risk** at Swedish and to some extents European level could lead to changes in ownership and mission. Changes in the political environment, public opinion and regulatory frameworks are managed and analysed continually. Swedfund monitors political

development through continual dialogue with stakeholders, among other methods.

A decisive strategic risk is the **durability of the business**, which is based on financial viability. Without a self-sufficient business, Swedfund cannot be financially self-supporting over the long term. From an international perspective and in relative terms, Swedfund is a small player. Swedfund's portfolio and the return that can be expected given the company's risk profile is at present far too small in relation to the company's fixed costs. Swedfund works continually to explain the

OPERATIONAL RISKS

DEFINITION: Risks in daily activities such as failure in internal processes, human error, bad systems, legal risks, fraud and corruption. Swedfund's management and legal counsel ensure that Swedfund's interests are looked after and that good ethics and standards are observed in management and in the business in general.

The company's managers and Swedfund's investment team have responsibility for identifying and managing risks that arise in the portfolio companies through work on the board of directors, company visits and through other interactions.

PRACTICAL APPLICATION

► **SWEDFUND INTERNATIONAL AB:** **Security and personnel risks** include risks related to personnel, information,

IT and other systems and the company's other assets. Swedfund works continually to reduce and rectify these risks in order to protect the ongoing conduct of business through the company's authorisation procedures and clear guidelines for consultants and conflict of interest.

► PORTFOLIO:

At the operational level the **lack of structural capital** and poor routines are the biggest risks in the investment

FINANCIAL RISKS

DEFINITION: Financial risks refer to risks concerning interest rates, currency, liquidity, credit, refinancing, borrowing and counterparties.

The goal is to minimise the financial risks, which for Swedfund as a company is regulated through the company's financial policy. Swedfund's investment organisation takes responsibility for identifying and managing financial risks that arise in the holdings.

PRACTICAL APPLICATION

► **INTEREST RATE RISK** is the risk that earnings are affected by a rising or falling interest rate. This primarily relates to loans to portfolio companies, borrowing to procure funds that can then be lent to portfolio companies, and liquidity

management. To minimise interest rate risks, Swedfund uses short fixed interest periods (maximum 18 months on average) and various investment types for liquid funds. If longer fixed interest periods are necessary for lending then these loans are hedged. At the end of 2015 the average maturity was 10.7 months.

► **CURRENCY RISK** means that earnings are affected by exchange rates relating to equity investments, lending and contracted but not disbursed commitments. Liquidity can also create temporary currency risks, for example payment in foreign currency upon the sale of an investment or if borrowing is initiated in foreign currency. Swedfund does not protect currency risk when investing in equity but aims to minimise currency risk when extending loans to portfolio companies. Normally, Swedfund will not hedge currency risk on pledged but not yet disbursed commitments.

► **LIQUIDITY AND CREDIT RISKS** in financial management are the risks that a financial instrument cannot be sold at a reasonable price within a reasonable time (liquidity risk) and also the risk that the counterparty fails to meet its commitments (credit risk). Liquidity and credit risks within financial management arise when investing surplus liquid funds. Liquidity and credit risks are minimised by permitting liquid funds to be placed solely in the Swedish National Debt Office bonds, in bank accounts or in interest-bearing securities and with restrictions measured by the category of counterparty and in terms of amount for the individual counterparty: type of counterparty, instrument and lowest permissible rating. Investments shall be liquid and in normal circumstances convertible within a reasonable period at a negligible transaction cost. Investment of liquidity is further explained in note 16 on page 84. Swedfund shall take great care with in-

company's role and achievements to its owners, elected politicians and other aid organisations. Relations with civil society are given priority. The capital contribution proposed by the Swedish government and agreed by parliament will enable the company to grow, be financially self-sufficient and continue its work on reducing poverty through sustainable business.

PORTFOLIO:

Country risk/Concentration risk – the need for limitations and separation between sectors, countries/regions and instruments is a cornerstone of the

investment strategy. Going forward, more and better-defined limits will be developed along with better follow-up. These risks are part of the country risk. The portfolio also contains strategic **sustainability risks** that involve strategic priorities and value creation measures over the long term. These risks are controlled and followed up through Swedfund's strategic sustainability goals. Requirements for meeting the strategic sustainability goals are set for all new investments. The goals are followed up annually when the portfolio companies report on specific measurement indicators.

HOLDINGS:

Compliance risk is the risk that an individual portfolio company cannot fulfil its commitments according to the strategic sustainability goals. Swedfund identifies weak areas and performs pro-active advocacy based on established ESG Action Plans (ESGAP) for the individual holding. These plans contain specific activities, definition of compliance, goal deadlines and the names of those responsible. The plan is monitored regularly together with co-investors and directly with the company.

activity. Over time Swedfund has built up fundamental processes and methods to safeguard good internal controls and follow-up. An adequate structural capital manages the **legal risks** in the portfolio. In connection with an investment, an in-depth analysis or due diligence is performed in accordance with a well-defined process. Due diligence covers potential partners (integrity checks) and the project company. Identified risks are assessed and mitigated through detailed

contractual agreements to ensure that Swedfund's investment requirements are met.

HOLDINGS:

Sustainability risks are managed by implementing action plans (ESGAP) for each holding. The plans contain operational measures, definition of compliance, goal deadlines and the names of those responsible. The plan is monitored regularly together with co-investors and directly

with the company. The investment department works closely with the holding and co-investors to focus on priorities and manage the operational challenges.

investments and upon suspicion of possible repayment difficulty by the counterparty shall refrain from the investment even if suspicions at the time are not reflected in the rating.

BORROWING RISK is the risk that Swedfund cannot borrow at a reasonable cost. As Swedfund finances its business with equity there is a borrowing risk only for future borrowing in foreign currency. (Upon borrowing, the corresponding amount is pledged in SEK.) Borrowing risk is minimised wherever economically and practically justified. At the end of 2015 the net borrowing risk, measured as future payments received in foreign currency minus future disbursements in foreign currency, was SEK 9 million (68).

COUNTERPARTY RISK is the risk that the counterparty in a financial transaction fails to meet its commitments. Counterparty risk arises solely upon pledging in

financial management. Counterparty risk is primarily only with the Swedish state and its companies. In principle, Swedfund has no counterparty risk other than exposure to AB Svensk Exportkredit, which at the end of 2015 amounted to SEK 753 million (621).

PORTFOLIO:

Liquidity risk also arises at portfolio level. If a borrower for example stops making repayments or interest payments in parallel with divestments going more slowly or worse than expected, cash flow from the portfolio may be reduced and this will affect Swedfund's liquidity. Swedfund manages risk by investment managers regularly reporting their holdings in terms of earnings progress and the liquidity situation. The finance department will then make a long-term liquidity forecast which takes into account all types of return flows.

HOLDING

Liquidity, credit and refinancing risks also arise for each holding and are defined as the risks that a holding will be unable to refinance its existing assets or is unable to meet existing or extended demands for liquid funds. The lack of liquid funds in a holding constitutes a credit risk. The lack of liquid funds may mean the company is unable to meet its commitments according to the terms agreed with Swedfund. Furthermore, there is a refinancing risk that means that Swedfund could be forced to contribute more capital to the holding to safeguard the survival of the business. These financial risks are managed by the investment department, which continually analyses the holding's cash flow, liquidity, return on investment and other financial matters.

SWEDFUND'S ETHICAL

An ongoing dialogue with key stakeholders is essential in order to accomplish our mission in the best way and focusing on the most important issues.

Swedfund's ethical compass, together with our commitments and policies, is based on the requirements we identify in dialogue with our owners, partners and other stakeholders. Dialogue with stakeholders is important and we depend on it to ensure that we continually develop to meet new challenges.

COMPLIANCE BY SWEDFUND'S employees with Swedfund's Code of Conduct, Sustainability Policy and Anti-corruption Policy is crucial for Swedfund in fulfilling its mission as a responsible investor. Swedfund's ethical compass is a central component in the introduction for new employees and board members of Swedfund International AB. Regular training is arranged for employees in human rights, anti-corruption, cor-

porate governance, IFC Performance Standards, Swedfund's ESG Toolkit and Swedfund's Sustainability Policy. Responsibility for Swedfund's policies rests with Swedfund's management team.

In September 2015, Swedfund's board adopted an updated Sustainability Policy, which forms an integral part of the Code of Conduct. The Sustainability Policy describes Swedfund's commitments and the expectations and requirements we place on partners in order to achieve our targets in our Sustainability (ESG) pillar. The updates to the Sustainability Policy entails no fundamental changes or new commitments. The main changes consist of: 1) clarification of what we mean by 'encourage' and what we mean by 'require'; 2) clarification of the difference

in requirements between the following three forms of financing a) direct investments, b) financial institutions and funds, c) Swedpartnership; 3) clarification of the implicit requirements of IFC Performance Standards. The updated Sustainability Policy's main contribution is thus to clarify – for internal as well as external stakeholders and partners – Swedfund's commitments to, and expectations of, its partners regarding sustainability issues.

IN 2015, responsibility for anti-corruption issues was made clearer, both internally within Swedfund and during implementation at the portfolio companies, along with related processes. An assessment of how anti-corruption work can be further strengthened was initiated in 2015.

SWEDFUND'S SUSTAINABILITY POLICY

Across its three forms of investment, Swedfund encourages the following:

- ▶ Adhere to internationally recognised standards for (i) sustainability; (ii) business integrity; (iii) anti-corruption; (iv) corporate governance; and (v) human rights. For example:
 - UN GC
 - IFC Performance Standards
 - OECD-guidelines for MNE

- ▶ Adopt and implement a whistleblowing service in order to make it easy to anonymously report serious irregularities.

Across its three forms of investment, Swedfund requires the following:

- ▶ Comply with legal and regulatory requirements.
- ▶ Comply with ILO's Core Conventions and ILO's Basic Terms and Conditions of Employment.

- ▶ Comply with the Harmonized EDFI Exclusion List.
- ▶ Adhere to applicable IFC Performance Standards.

- ▶ Adhere to Swedfund's requirements on anti-corruption.
- ▶ Provide ESG-information (including human rights) and on development results, as requested by Swedfund.

- ▶ Comply with Swedfund's requirements with respect to Swedfund's monitoring of its investments.

In addition to these requirements, Swedfund sets more long-term requirements in its direct investments regarding the supply chain and human rights. For the full policy, see swedfund.se

COMPASS

Our ethical compass provides an overview of the policies, international commitments, guidelines and transparency commitments that we follow. This is the result of close dialogue with our owners, partners and civil society organisations.

POLICIES

- SWEDISH STATE'S OWNERSHIP POLICY AND GUIDELINES
for state-owned enterprises
- *
- SWEDFUND'S CODE OF CONDUCT
- *
- SWEDFUND'S POLICY FOR SUSTAINABLE DEVELOPMENT
- *
- SWEDFUND'S ANTI-CORRUPTION POLICY
- *
- SWEDFUND'S POSITION ON CHILDREN'S RIGHTS

INTERNATIONAL COMMITMENTS

- UN GLOBAL COMPACT
- *
- UN PRINCIPLES FOR RESPONSIBLE INVESTMENT
- *
- THE EDFI PRINCIPLES ON RESPONSIBLE FINANCING
- *
- THE WORLD BANK GROUP'S CORPORATE GOVERNANCE DEVELOPMENT FRAMEWORK
- *
- EDFI EXCLUSION LIST

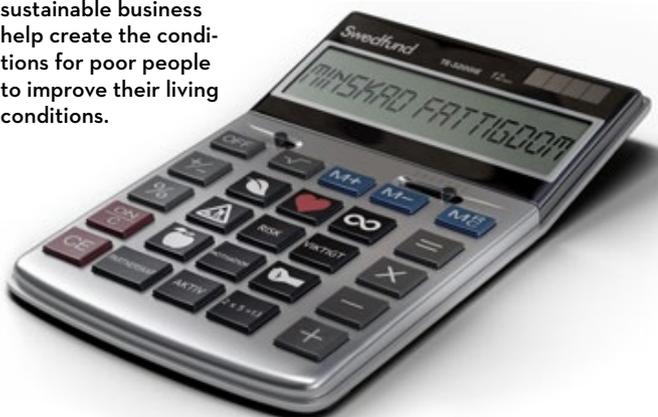
GUIDELINES OBSERVED BY SWEDFUND

- GUIDELINES FOR EXTERNAL REPORTING
for state-owned enterprises
- *
- 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
- *
- UN GUIDING PRINCIPLES (UNGP)
on Business and Human rights
- *
- OECD GUIDELINES
for Multinational Enterprises
- *
- OECD CONVENTION
on combating bribery of foreign public officials in international business transactions
- *
- OECD GUIDELINES
on Corporate Governance of State-owned Enterprises
- *
- JOINT INTERNATIONAL FINANCE INSTITUTIONS COMMUNIQUÉ:
Contributing to Creating More and Better Jobs

TRANSPARENCY COMMITMENTS

- THE INTERNATIONAL <IR> FRAMEWORK FOR INTEGRATED REPORTING
- *
- GLOBAL REPORTING INITIATIVE (GRI)
- SUSTAINABILITY REPORTING GUIDELINES (G4)
- *
- UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)
- *
- UN PRINCIPLES FOR RESPONSIBLE INVESTMENT(PRI) REPORTING FRAMEWORK
- *
- OPEN AID
- *
- IFIs' HARMONIZED DEVELOPMENT RESULTS INDICATORS
for Private Sector Investment Operations

Financial viability and sustainable business help create the conditions for poor people to improve their living conditions.



STAKEHOLDER ANALYSIS 2015

Stakeholder category	Stakeholder	Key issue	Type of dialogue and frequency
OWNER Defines Swedfund's mission and finances Swedfund through aid budget	Government Offices of Sweden (Foreign Affairs, Enterprise & Innovation and Finance)	<ul style="list-style-type: none"> • Corporate governance, administration and monitoring • Sustainable business: human rights, the environment, employment terms, anti-corruption, business ethics, gender equality and diversity • Updated owner instructions in 2015 	AGM, owner instructions, individual meetings and network meetings
POLITICIANS Decide on policies for global development (PGU)	Parliamentary parties	<ul style="list-style-type: none"> • Swedfund's role in development agenda, aid platforms, aid budget and decisions on funding • Notification of capital contribution for 2016 and proposals for contributions in 2017-18 	Meetings with party representatives and foreign affairs committee
BUSINESS PARTNERS Co-finance and manage the companies in Swedfund's portfolio in close collaboration with Swedfund	Company partners	Financing, marketing issues, strategy and business models	Interaction and advocacy
	Development Finance Institutions (DFI)	Private sector development, co-financing and development effects	Regular contacts and group meetings
	EDFI (European branch organisation for DFIs)	Policy issues for European DFIs	Reference group meetings at various levels: CEO, HR, ESG, Development effects, Legal, etc.
CIVIL SOCIETY ORGANISATIONS AND TRADE UNIONS Carry out development aid assignments in Swedfund's markets	CIVIL SOCIETY AID ORGANISATIONS <ul style="list-style-type: none"> • Action Aid • Diakonia • Forum Syd • Kvinna till Kvinna • Church of Sweden • Swedwatch • We Effect 	Policy issues (e.g. human rights), development effects, transparency and taxes	Stakeholder dialogue, see meeting notes on swedfund.se
	TRADE UNIONS <ul style="list-style-type: none"> • IF Metall • LO • LO TCO Aid committee 	Decent work agenda	Stakeholder dialogue
	INTERNATIONAL NGOS <ul style="list-style-type: none"> • Eurodad • IBIS 	Development effects, transparency and taxes	Round-table discussions and UN conference
	CHILDREN'S RIGHTS ORGANISATIONS <ul style="list-style-type: none"> • Plan Sweden • Save the Children • Unicef 	Global Compact's children's rights	Exchange of experience
MEDIA AND OPINION MAKERS Influence public opinion and other stakeholders	<ul style="list-style-type: none"> • Dagens Industri • SvD • Veckans Affärer • Miljöaktuellt • Miljörapporten • Social media 	Follow Swedfund as state-owned development finance institution	Planned communication, discussions and meetings for exchange of experiences
SWEDFUND EMPLOYEES Through their knowledge, experience and networks they implement Swedfund's mission	<ul style="list-style-type: none"> • Staff • Staff organisations 	Employee, organisation, strategy and resource issues	Staff meetings, career appraisals, Swedfund University

Swedfund's response
<ul style="list-style-type: none"> Started the process of developing a climate strategy Started further development of Women4Growth to work proactively with gender equality in several portfolio companies Participated in a dialogue concerning a memorandum on sustainable enterprise, a new policy framework for Swedish aid, etc. Participated in the Swedish delegation to the UN Financing for Development and World Bank meeting in 2015
Presentation and participation in the foreign affairs committee and tax committee
<ul style="list-style-type: none"> New investment decision and active advocacy in shared investments Partnership with Scania concerning the biogas plant in India Partnership with H&M concerning the building of a sustainable textile industry in Ethiopia
<ul style="list-style-type: none"> Agreement on Investment Agreement of Phase 2 of the Harmonized Indicators for monitoring of results
ElectriFI - decision on innovative financing platform for investments in renewable energy and rural electrification in Africa
<ul style="list-style-type: none"> Greater transparency and responsiveness, country-by-country reporting of tax, see Notes from the meetings at swedfund.se Stakeholder dialogue on human rights. Extended reporting on human rights in Swedfund's Integrated Report 2015 Knowledge sharing on gender equality with Kvinna till Kvinna and Swedish Church
<ul style="list-style-type: none"> Participation in the 2nd Joint OECD / DAC and the ITUC Forum Discussion of the possibility of joint projects in portfolio companies or in specific markets
<ul style="list-style-type: none"> Support for country-by-country reporting of tax Participation in the tax committee, speeches in parliament, participation in seminar on tax evasion, organised by ForumSyd and CSR Sweden, meeting on tax evasion, organised by Concord and participation in "The Tax Dialogue on Corporate Responsibility" organised by Ibis, Christian Aid and Share Action.
Initiated a detailed examination (audit) of the portfolio companies' supply chain where the risk of child labor exists
<ul style="list-style-type: none"> Openness to dialogue Promotion of responsible and sustainable investment
<ul style="list-style-type: none"> Formulation of Swedfund's core values Inclusive process for the production of VP 2016 Arrange Swedfund University during the year (Global Compact 15 years, the OECD BEPS, AP4 Sustainable investments etc.)

EUROPEAN DEVELOPMENT FINANCING INSTITUTIONS



Fifteen countries in Europe have established bilateral institutions which, like Swedfund, perform private sector development in developing countries and emerging markets. These Development Finance Institutions (DFIs) promote economic, environmental and socially sustainable development by

financing and investing in sustainable enterprises within the private sector and are important business partners in several of Swedfund's investments. Together we have a strong voice and are an important instrument for achieving development goals and promoting development of the private sector.

NUMBER OF INVESTMENTS AND INVESTED AMOUNTS

Development Finance Institution	Country	Year of formation	Total investments at end of 2014, EUR million	Number of investments at end of 2014	New investment in 2014, EUR million
BIO	Belgium	2001	587	183	12
CDC	UK	1948	5 286	192	377
COFIDES	Spain	1988	855	219	203
DEG	Germany	1962	7 109	760	1 473
FINNFUND	Finland	1980	541	160	112
FMO	Netherlands	1970	8 013	916	1 632
IFU	Denmark	1967	522	218	62
NORFUND	Norway	1997	1 424	126	409
OeEB	Austria	2007	802	69	195
PROPARCO	France	1977	5 052	464	1 107
SBI	Belgium	1971	21	26	4
SIFEM	Switzerland	2005	475	78	82
SIMFEST	Italy	1991	1 883	481	258
SOFID	Portugal	2007	14	17	3
SWEDFUND	Sweden	1979	383	93*	43

* Includes 22 underlying investments in the EDFI facilities European Financing Partners (EFP) and Interact Climate Change Facility (ICCF).

SOURCE: EDFI.BE

OUR PORTFOLIO

In 2015 Swedfund signed agreements for five new investments and two additional investments in existing portfolio companies.

Through investments in financial institutions and funds, Swedfund reaches small and medium-sized companies in need of financing.

MAJOR CONTRACTED INVESTMENTS IN 2015

INVESTMENT IN FINANCIAL SERVICES

► **What:** Apis Growth Fund
 ► **Where:** Africa and South Asia
 ► **Investment amount*:** SEK 64.9 million
 The fund's focus will be on investments in companies providing financial services, often with a technological component, on emerging markets in Africa and in South Asia. Solutions for mobile banking services, for example, will lead to increased financial inclusion that will have a direct and measurable impact on economic growth and development in those markets and for the financial sector specifically. This will enable more individuals to access the formal financial services sector.

► apis.com
 ► **SDG 9.3 ****

PAN-AFRICAN INVESTMENT IN GROWTH COMPANIES

► **What:** Investec Africa Private Equity Fund 2
 ► **Where:** Africa
 ► **Investment Amount*:** SEK 100.6 million
 Investec's second African private equity fund will invest in growth companies in various sectors to actively support their continued development and value creation. The focus will be on consumer-driven sectors such as retail, food, etc. and sectors that will benefit indirectly from growth in these sectors such as telecommunications and transport. The active investment strategy means that the portfolio companies will receive support to develop their business and grow regionally.

► investec.com
 ► **SDG 9.3 ****

SUPPORT FOR ENTREPRENEURS IN CAMBODIA

► **What:** Aceda Bank
 ► **Where:** Cambodia
 ► **Investment amount*:** SEK 86.9 million
 Only 10% of Cambodia's population have access to financial services in the formal system. Cambodia's around one million SME companies are expected to generate 75% of the country's jobs. Cambodia's largest bank (market share of around 20%) has a strong focus on social and economic development. The loan, which is part of a syndication, will enable the bank's continued expansion in rural areas and thus contribute to increased employment and demand, as well as the build-up of domestic production.

► acedabank.com.kh
 ► **SDG 10.8 **, SDG 9.3 ****

STRENGTHENING ACCESS TO CAPITAL FOR SMALL BUSINESSES IN TANZANIA

► **What:** National Microfinance Bank (NMB)
 ► **Where:** Tanzania
 ► **Investment amount*:** SEK 42.3 million
 An investment in one of Tanzania's largest banks, with 2.5 million customers, through a syndicated loan led by FMO, the Dutch DFI. The aim is to increase the bank's lending to small and medium-sized enterprises and to corporate clients with a focus on agro-industry. The funds will thus help to create jobs in Tanzania where the funding for banks is limited and the private sector, in turn, is dependent on financing from local banks if they are to grow and create jobs.

► nmbtz.com
 ► **SDG 8.10 **, SDG 9.3 ****

INVESTMENT IN BANKING SECTOR GIVES SUPPORT TO COMPANIES IN NIGERIA

► **What:** Ecobank
 ► **Where:** Nigeria
 ► **Investment Amount*:** SEK 82.4 million
 This full-service bank is ranked as number six in Nigeria and has the country's second largest office network. The bank offers products and services to large corporate clients, small and medium-sized enterprises and private customers. Financing of Ecobank will have positive multiplier effects and enable growth in bank lending, which will support private sector development in the region. Swedfund's loan is part of a syndicated loan led by FMO, the Dutch DFI.

► ecobank.com
 ► **SDG 10.8 **, SDG 9.3 ****

HOTEL INVESTMENT FOR MORE SUSTAINABLE JOBS IN KENYA

► **What:** Radisson Blu Hotel Nairobi
 ► **Where:** Kenya
 ► **Investment amount*:** SEK 49 million
 The investment decision relates to an additional investment in Radisson Blu Hotel Nairobi, in which the initial investment was approved in 2008. The hotel is Green Key certified thanks to an environmental profile with solar panels on the roof, an enclosed wastewater treatment system and recycling (95%) of waste. The hotel employs many people aged under 25, often in their first job, and is a hub for tourism and will drive further investments in the sector. Multiplier effects will follow in terms of job creation among suppliers and the construction of more hotels, roads, sewers, etc.

► radissonblu.com/en/hotel-nairobi
 ► **SDG 8.2 **, 8.5 **, 12.2 **, 12.5 ****



****8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

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

****8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

****9.3** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

****12.2** By 2030, achieve the sustainable management and efficient use of natural resources.
****12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

* Contracted amount is calculated using the exchange rate valid for the contract date.

INVESTMENT PROCESS DECISIONS IN 2015

TYPE OF DECISION	WHAT IS THAT?	NO. OF DECISIONS/ PORTFOLIO COMPANY	AMOUNT*	GEOGRAPHY
Concept clearance	An assessment of the investment is made based on Swedfund's three pillars.	3 Funds 4 Financial institutions 3 Energy 3 Manufacturing & services		
Screening	In a more detailed analysis of the potential investment, Swedfund's three pillars are considered. Other issues may be raised. The proposal is prepared and if accepted presented to the board for approval.	2 Funds 3 Financial institutions 1 Energy 1 Manufacturing & services		
Board decision	Swedfund's Board makes a decision to invest and legal agreements are negotiated.	2 Funds 3 Financial institutions 2 Manufacturing & services	SEK 166 million SEK 273 million SEK 148 million	Africa and South Asia Cambodia, Rwanda, Tanzania Ethiopia, Kenya
Legal agreement	After the board has made a decision to invest, a legal agreement is negotiated	Funds: Apis Growth Fund Investec Private Equity Fund 2 Financial institutions: Aclea Bank National Microfinance Bank (NMB) Ecobank Manufacturing & services: Radisson Nairobi (additional investment) Global Medical Investments (additional investment)	SEK 65 million SEK 101 million SEK 87 million SEK 42 million SEK 82 million SEK 49 million SEK 12 million	Africa and South Asia Africa Cambodia Tanzania Nigeria Kenya Global
Exit	Swedfund sells its holding in the portfolio company and ends its involvement.	Addax Bioenergy AMSCO Ilac Hotel Izhma Reindeer Meat UAP Group	Read more about exits on page 69	

Contracted amounts are the sums of money Swedfund commits to financing in the legal agreement. Disbursements are recorded on the balance sheet, amounts not disbursed are recorded as contingent liabilities.

* Amounts are based on the exchange rate at the time the agreement is signed.

3.5 BILLION

At the end of 2015, Swedfund had 63 investments with a total contracted amount of SEK 3.65 billion.

READ MORE!

You can find more information about Swedfund's investments on pages 26-55.



SWEDFUND IN THE WORLD

You can see a map of our investments on Swedfund.se

SWEDPARTNERSHIP SUPPORTS SMALL AND MEDIUM-SIZED SWEDISH COMPANIES ON NEW MARKETS

Swedfund's financing programme, Swedpartnership gives small and medium-sized Swedish businesses better opportunities when starting collaborations with other companies on developing and growth markets.

Swedpartnership provides financial support to small and medium-sized Swedish companies. The support, which is intended for transfer of know-how and investment in machinery and equipment, helps businesses to allocate resources that will provide quality-assurance for the investment and the collaboration.

The purpose of Swedpartnership is to contribute to the creation of sustainable and financially viable companies in the countries where Swedfund is active.

"Since starting in 2009, Swedpartnership has received SEK 30 million each year for financing. In 2016 the total amount available is SEK 32.5 million. This means that in 2016 we have the resources to identify and finance 25-30 new projects," explains Staffan Ahl, Director at Swedpartnership.

Swedpartnership is also covered by

Swedfund's sustainability policy, which was updated in 2015.

"All applications for financing that we receive will go through a separate ESG assessment. Swedpartnership's management of sustainability issues helps Swedish businesses to develop their activities and their own policies."

THE SWEDISH COMPANIES should also implement sustainability activities with their local partners as part of the project.

"Our ambition is to create a platform for continued systematic and long-term sustainability efforts by the partners in the project. It's only proper that Swedpartnership should be included in Swedfund's sustainability policy and this strengthens the value and significance of giving priority to ESG issues in the projects we are financing," says Staffan Ahl.

DEVELOPMENT RESULTS 2015

SWEDPARTNERSHIP evaluates and monitors a project's development results based on the three pillars - impact on society, sustainability and financial viability. Specific indicators have been developed that are adapted to the content of the financing and investment horizon. For the impact on society pillar the indicators are new jobs and capacity building and transfer of technology. For sustainability, five specific

indicators are used related to the project's ESG activities. For financial viability, the indicators reflect the project's contribution to increasing the turnover and improving the profitability of the local company.

REPORTING OF the projects' development results has so far focused on the impact on society and the indicators for capacity building and transfer och technology. The

new jobs indicator was introduced in 2015. With projects running to a maximum of 18 months, completed projects in 2015 had contributed to a total of 289 new jobs in the local partner companies. In 2016 the intention is to include the sustainability pillar in project follow-up.

Measurement	2015	2014	2013
No. of projects approved during the year	17	25	27
No. of projects ended during the year*	26	20	32
New jobs created (employees)	289	n.a.	n.a.
Investment in machinery and equipment, SEK million	18,0	12,8	11,4
Knowledge transfer via Swedpartnership, total hours	58,700	42,500	49,000

* Of 26 loans ended during the year, 22 have been cancelled in Swedfund's accounts.



CASE STORY

Swedish IT competence strengthens local development in Vietnam

Precio Fishbone AB has established a subsidiary in Ho Chi Minh City in Vietnam. Swedpartnership contributed to the transfer of know-how and financing for equipment.

PRECIO FISHBONE AB is a Swedish IT and consulting firm specialising in Microsoft's technology. In 2013 the company started the establishment of a subsidiary in Vietnam to strengthen the company's competitiveness internationally and in the Swedish market. Swedpartnership contributed financial support for the transfer of know-how and investments in equipment.

"We have funded a total of ten Swedish IT companies that have established subsidiaries or entered into partnerships with local businesses to benefit from qualified and cost-competitive programming and

development skills available in several developing and emerging markets. Precio Fishbone's project in Vietnam is a very good example of this. The project is progressing according to plan and has quickly generated a number of positive development results which I myself could verify during our site visit to Precio Vietnam Ltd. in Ho Chi Minh City in August this year," says Staffan Ahl, Director of Swedpartnership.

A SOURCING PROJECT like this generates numerous local development results. Many developing and emerging countries have a young and well-educated population. International companies wanting to boost capacity and delivery capability who invest in these markets contribute to the development of the local IT sector, creating good quality jobs for young people.

PRECIO FISHBONE AB

Swedish business: Development and sales of IT-related consulting and development services.

Founded: 1989 (refers to Precio Systemutveckling AB, merged with Fishbone AB in 2015).

Turnover in 2014: Around SEK 133 million (refers to Precio Systemutveckling AB).

Current focus: In the period 2013-2015 they established a subsidiary in Vietnam. The local Vietnamese business supplies services in programming and software development related to the products, systems and services marketed by the Swedish parent company. The subsidiary Precio Vietnam Ltd's premises are located in central Ho Chi Minh City and in August 2015 the local company had a total of 27 Vietnamese employees, of whom 25 worked with software development.

Number of employees: A total of 200 of whom around 170 in Sweden and 30 in Vietnam.

Website: preciofishbone.se

"Swedfund's experience from funding a total of 10 sourcing projects is good. The projects generally have positive effects on local employment and normally involve extensive transfers of technology and expertise related to the Swedish company's systems, processes and procedures.

Sustainability issues and handling of ESG issues generate positive effects. The Swedish companies take great responsibility to bridge cultural differences and to introduce the local staff to the new leadership style, corporate culture and business operations.

"Precio Fishbone's project and their establishment Vietnam is a good example of the positive development impacts we seek. That's the purpose of Swedpartnership's operations, to participate to the creation of sustainable and financially viable local businesses.

SWEDFUND'S RESULTS

STRATEGIC SUSTAINABILITY TARGET FOR FINANCIAL VIABILITY	
<p>TARGET</p> <p>► Average return on equity before tax shall exceed the average interest rate for Swedish government debt over one year. Return shall be measured over rolling seven-year periods.</p>	<p>INDICATOR</p> <p>► Return on equity. This indicator is measured using Swedfund's financial results and position. A key component of the result is a valuation of the portfolio company. This valuation is based on the portfolio company's annual and quarterly reports.</p>

The results of Swedfund International AB's activities as a development finance institution are presented on pages 33-35, 43-45 and 53-54. The following pages present Swedfund's financial results and are the same as those presented in the company's

financial statement, published in February 2016. The company reported a pre-tax profit of SEK 2.8 m (loss of 62.5 in 2014) and reversed the trend of losses in recent years. The company's results in recent years were negatively affected by external events

such as difficult security situations in many countries caused by war, conflicts, currency collapses and the Ebola outbreak in West Africa. These events, combined with specific company challenges, led to write-downs in several portfolio companies.

TABLE 1 - TARGET - AVERAGE RETURN ON EQUITY

Year	Average return on equity, opening balance, rolling seven year period, Swedfund	Average interest on Swedish central government debt of one-year maturity, rolling seven year period	Average return on equity, opening balance, Swedfund	Average interest on Swedish central government debt of one-year maturity
2015	-3.25%	0.71%	0.07%	-0.31%
2014	-2.36%	1.29%	-1.81%	0.44%
2013	-1.93%	1.76%	-2.95%	0.94%
2012	0.25%	2.02%	-7.34%	0.96%
2011	2.56%	2.19%	-2.24%	1.68%
2010	5.72%	2.34%	-4.05%	0.74%
2009	6.94%	2.70%	-4.45%	0.51%

The year's return on equity was 0.07%, compared with the average government debt yield of one-year maturity of -0.31%, see above table. Despite this year's positive return, the previous years negative results mean that the average return on equity over rolling seven-year periods fell from -2.36% in 2014 to -3.25% in 2015, and the company has not met its strategic sustainability target for financial viability.

Earnings for financial development institutions vary considerably over the

years depending on sales results and the development phase that the portfolio company is currently in. Sales of shares, dividends, interest rates and the net result of reversals and write-downs form the determining parameters for the company's earnings trend. Swedfund invests in the poorest countries where few others are prepared to accept risks. This is the scale of the mission and Swedfund and its business partners understand that investing in these countries in many cases

can mean high-risk projects and they have a high awareness of the need for patience. As investors we have a long-term perspective, with individual investments having a maturity period of 7-10 years. We are confident that through perseverance, ongoing activities and being an active owner we can help to create sustainable enterprises, which in turn will contribute to sustainable inclusive development that will eventually generate a profit for Swedfund.

Sales of shares

During the year 18 sales were completed, of which 13 were participations in funds. The sold shareholdings and fund participations produced net capital gains of SEK 179.8 m (37.5). The single largest sale of shares was in the insurance company, UAP Group, which generated SEK 157.2 m in capital gains. This insurance company has grown since 2006 to become a pan-African financial services group with activities in six countries. Swedfund became a shareholder in 2012, investing the equivalent of SEK 72.7 m for a 7% holding. This investment generated SEK 5.7 m in dividends during the investment period, of which SEK 2.1 m was received in 2015. Read more about UAP Group and the value creation that Swedfund has contributed to on page 49.

Dividends

Dividends for the year of SEK 15.1 m were affected by the reversal of previous years' tax payments on dividends received overseas, amounting to SEK 9.8 m. The company has accumulated losses brought forward amounting to SEK 419 m. The company's assessment is that, within current timeframes, the company will not make suf-

ficient profits to be able to utilise this asset and an adjustment was therefore made during the year so that the amount reflects what it is considered can be utilised.

Interest and fees

Interest and fees were higher than in the previous year due to a larger loan portfolio. In order to generate long-term development results, in combination with a positive financial result, Swedfund has started to build a more balanced portfolio with respect to risk, geography and instruments. Unlike equity investments, loan investments generate regular income during the investment period. In an equity investment, mainly received when exiting. One of the goals of achieving a more balanced portfolio is that the company's income, mainly through dividends, interest and fees, shall cover the operating costs. In 2015 the company's dividends, interest and fees amounted to SEK 75.1 m (64.5), compared with the company's operating costs in 2015 of SEK 87.8 m (86.4). Comparisons between 2014 and 2015 show the positive cost coverage trend that rebalancing has produced. See page 17 for the development of the portfolio in 2013-2015.

Reversals and write-downs

Reversals and write-downs were carried out on shares, loans and interest, in accordance with the valuation principles described in the accounting principles on page 77. During the year reversals and write-downs amounted to a net total of SEK -171.3 m (-115.6). The single largest write-down was SEK -85.8 m in Athi River Steel. This company has experienced a lack of liquidity for some time. The investment was consequently written down according to the precautionary principle.

Other interest income

Other interest income and similar items refer to return on the company's 'Current investments' and 'Cash and bank accounts'. Differences compared to the previous year are mostly due to the fall in market interest rates.

Tax assets

Swedfund is reporting a deferred tax asset of SEK 33.9 m (34.7). Our assessment, based on analysis of future exits from portfolio companies, is that we will earn sufficient capital gains within one investment cycle (7-10 years) to be able to utilise the tax assets.

INVESTMENTS EXITED DURING THE YEAR (SEK MILLION)

Project	Country	Industry	Investment form	Time/ years	Invested amount, SEK m	Exit amount, SEK m	Profit	Internal rate of return
Addax Bioenergy	Sierra Leone	Integrated agriculture and bioenergy	Shares	4.0	89.2	0.0	-89.2	-100%
AMSCO	Africa	Staffing	Shares	4.0	4.7	0.0	-4.7	-100%
Bain (E F P)	India	Telecom	Loan	1.5	5.3	5.4	0.1	3.1%
Equity Bank (E F P)	Kenya	Banking	Loan	7.0	2.4	3.8	1.4	7.7%
Ilac Hotel	DRC	Hotel	Loan	5.0	1.2	1.5	0.3	6.9%
Izma Reindeer	Russia	Slaughterhouse	Loan	10.0	2.7	0.0	-2.7	-100%
UAP Group	Kenya	Insurance	Shares	3.0	72.7	230.0	157.2	47.7%

The above table shows only those investments that were exited in full in 2015. Exits have been made in stages from several companies over several years. Most investments, such as Addax, Amsco and Izma were written down in previous years and do not affect the year's results. The most significant details about these companies

in terms of invested amount, results and other development effects are commented on below. The exit from UAP Group has been described above.

EXIT

ADDAX BIOENERGY: An integrated agriculture and bioenergy investment in

Sierra Leone. Swedfund contributed as shareholder to the execution of the investment, which created development effects in the country and has been held up as a model for a sustainable investment. The company has been affected by several challenges since start-up, not least the Ebola outbreak, which led to delays, lost

earnings, increased costs and an increased need for financing. Swedfund was unable to increase its financial exposure, whereby our shareholding was reduced to 1%. With such a small shareholding our influence would be reduced and Swedfund therefore exited the company. During the Ebola outbreak, Addax Bioenergy was actively involved in fighting the disease, both with its own funds and through economic support from several DFIs, including Swedfund.

AMSCO: African Management Staffing Company is a pan-African staffing and human capacity building company. Swedfund invested in the company in 1989 in order to promote access to competent managers in Africa. AMSCO has not achieved satisfactory financial results, but during the investment period, thousands of assignments and training courses have been performed, many focused on female leadership.

ILAC HOTELL: Swedfund approved a loan for financing of a hotel in the Democratic Republic of Congo in 2010. The hotel is located on lake Tanganyika's northern shore in Kivu province in the east of DRC, close to Burundi's international airport in Bujumbura. The hotel is a welcome addition to the region and has meant further development in the neighbourhood. The security situation in Burundi has gradually worsened, leading to unrest and violence and resulting in deteriorated market conditions for the hotel. Pre-payment of the loan was concluded in full at the end of 2015.

SWEDPARTNERSHIP

Swedfund's financing programme, Swedpartnership, offers loans that can be converted into grants to small and medium-sized Swedish companies for business partnerships in the countries in which Swedfund is active. These operations are financed entirely by the Swedish state through the allocation of separately-budgeted funds. Read more about Swedpartnership on page 66 and at swedfund.se/en.

CONTRACTED LOANS IN 2015, (SEK 000)

Region	Amount	Share
Africa	2,376	14%
Asia	8,926	51%
Eastern Europe	6,012	35%
Total	17,314	

LOAN DISBURSEMENTS IN 2015, (SEK 000)

Region	Amount	Share
Africa	2,126	10%
Asia	12,393	57%
Latin America	986	4%
Eastern Europe	6,238	29%
Total	21,743	

During the period 22 loans totalling SEK 17,165,000 were converted into grants, i.e. the projects were completed in line with the project plan. Two loans totalling SEK 110,000 have been paid back.

FUNDS FOR TECHNICAL ASSISTANCE

Technical Assistance funds can be used for support for quality-enhancing ESG measures in existing and exited portfolio companies and for follow-up and analysis of development results for completed investments. This support should not be used to finance measures considered to be part of the ongoing investment activity.

In 2015, Technical Assistance funds were approved for:

Quality-enhancing ESG measures linked to children's rights

ACTIVITY: Assisted by others acting in this field, implement Social and Corporate Assessments with the purpose of strengthening children's rights in both the portfolio companies and among their suppliers.

Follow-up/analysis

ACTIVITY: Development of an analysis tool for Swedfund's Impact on society pillar. The analysis shall be used in the active management of portfolio companies to help them direct their strategic course towards customer segments or geographic regions where the economic and social impact is considered to be greatest. Such analysis would thus be a quality-enhancing and value-creating tool for the individual portfolio company.

Addax Bioenergy, Sierra Leone

ACTIVITY: Monitoring of S&E impact on exit.

At the end of 2015 SEK 0.5 million was available for further Technical Assistance activities.

**GENDER EQUALITY/
ORGANISATION**

Swedfund is observing a gender equality plan established for 2015–2017. The plan establishes how monitoring and development of the company's HR activities shall be performed. The aim, based on the company's values and strategy, is to create an HR strategy focused on the development of the business with gender equality taking a central role. In 2015 work was carried out to realise identified activities such as implementing a more structured and competence-based recruitment process and a more uniform performance management process.

The table on the right shows the age distribution of the Board of directors, management team and staff. In 2015 the

**DIVERSITY/
GENDER EQUALITY**

Age distribution, board and management	2015		2014	
	Total	Percentage distribution	Total	Percentage distribution
30–50 years	8	53%	7	44%
50+	7	47%	9	56%
Total	15	100%	16	100%

Age distribution, employees (including management)	Total	Percentage distribution	Total	Percentage distribution
<29 years	2	6%	1	3%
30–50 years	22	61%	23	59%
50+ years	12	33%	15	38%
Total	36	100%	39	100%

total number of days taken for parental leave was 126 (574) and for other leave

of absence 139 (0). All employees have permanent, full-time terms of employment.

FINANCING OPERATIONS

With the exception of Swedpartnership and funds for technical assistance, Swedfund is financed entirely with shareholders' equity. Long-term and short-term loans are utilised to limit the company's currency risks and interest rate risks when lending in foreign currency. More information is available in the section on financial risks on pages 58–59.

During the year the company initiated a review of existing financial policy covering procurement of currency protection, rules for hedging of currency and interest rate risks, and current investments. This review should be completed by the spring of 2016.

The company's current investments have yielded a return of 0.33% (0.54%). The company has a sound financial position. The equity/assets ratio is 81.3% (83.6%). Unlike last year, the company did not receive a shareholders' contribution (SEK 400 million in 2014). Current liabilities amount to 6.9% (4.8%) of total assets. The portfolio investments correspond to 36.5% (36.8%) of total assets.

Swedfund's liquid assets, amounting to SEK 1,938 million (see cash flow statement on page 76), comprise cash and bank balances and non-pledged current investments. Pledged and non-pledged current investments is presented in note 14 on page 86. Current investments and cash and bank is distributed according to Figure 1 in the following column. As of 31 December 2015, the company had surplus liquidity of

SEK 771 million for use in new, future investments and to cover operating costs. On the closing date the company's pipeline amounted to SEK 415.6 million. Contracted investments are sometimes paid out over a number of years. Liquidity must be reserved both for investments approved by the Board and contracted commitments, to ensure that the company has sufficient funds to fulfil its commitments. The company makes long-term liquidity forecasts taking into account all types of return flows.

PROPOSED APPROPRIATION OF PROFITS

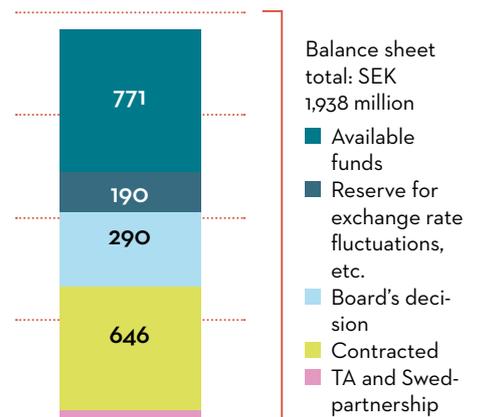
The following funds are at the disposal of the Annual General Meeting (amounts in SEK):

RETAINED EARNINGS	CAPITAL CONTRIBUTION
3,195,267,500	0

PROFIT FOR THE YEAR	TOTAL UNAPPROPRIATED EARNINGS
2,020,006	3,197,287,506

The Board proposes that the unappropriated earnings of SEK 3,195,267,500 be carried forward. For further information regarding the results of the company's operations and financial position, refer to the following income statements and balance sheets, statement of shareholders' equity and cash flow statement, with associated notes and supplementary information, see page 72.

FIGURE 1, CURRENT INVESTMENTS AND CASH AND BANK, 31 DECEMBER 2015



EVENTS AFTER THE CLOSING DATE

The agreed capital injection of SEK 400 million is expected to be paid out in the spring 2016. This capital contribution is an important part of the company's ambition to develop and expand the business over the long term.

INCOME STATEMENT

Expressed in SEK thousand	Note	2015.01.01 – 2015.12.31		2014.01.01 – 2014.12.31	
Sales of shares	2, 4				
Sales income		297,752		76,627	
Acquisition costs		- 117,977	179,775	- 39,165	37,462
Share dividend	2		15,136		19,606
Interest and charges					
Income	2	68,474		51,594	
Expenses		- 8,466	60,008	- 6,722	44,872
Net reversals and write-downs of portfolio investments	11, 12				
Reversals		29,566		41,054	
Write-downs		- 200,888	- 171,323	- 156,697	- 115,643
Other portfolio income	2		2,558		1,261
Other portfolio costs			- 10,654		-
Other operating income/costs	3		7,733		12,217
Gross profit			83,234		- 226
Other external costs	3, 5		- 34,444		- 30,752
Personnel costs	1, 3		- 52,197		- 55,063
Depreciation of tangible fixed assets	9		- 1,142		- 146
Other operating costs					- 407
Operating profit/loss			- 4,550		- 86,595
Financial items and results					
Other interest income and similar profit/loss items	6		8,855		25,266
Interest expenses and similar profit/loss items	7		- 1,504		- 1,221
Profit after financial items			2,802		- 62,549
Profit before tax			2,802		- 62,549
Tax on the profit for year	8		- 782		- 80
Profit/loss for the year			2,020		- 62,629

BALANCE SHEET

Expressed in SEK thousand	Note	2015.12.31	2014.12.31
ASSETS			
Fixed assets			
Building and land			
Expenses for improvement of other owner's property	9	2,586	914
Tangible fixed assets			
Equipment	9	2,549	222
Financial fixed assets			
Other long-term holdings of securities	10	1,834	1 817
Deferred tax claim	15	33,950	34 732
		<u>35,784</u>	<u>36 549</u>
Total fixed assets		40,919	37 685
Current assets			
Investments in portfolio companies			
Shares	12	883,607	958,078
Loan claims	11	818,600	706,525
		<u>1,702,206</u>	<u>1,664,603</u>
Current receivables			
Income taxes recoverable		1,638	8,657
Accounts receivable		9,853	5,515
Other receivables		53,229	53,585
Prepaid expenses and accrued income	13	34,867	20,721
		<u>99,588</u>	<u>88,478</u>
Current investments	14	2,754,010	2,609,629
Cash and bank accounts		60,765	128,470
Total current assets		4,616,569	4,491,180
TOTAL ASSETS		4,657,487	4,528,866

BALANCE SHEET

Expressed in SEK thousand	Note	2015.12.31	2014.12.31
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		50,000	50,000
Legal reserve		540,000	540,000
		590,000	590,000
Retained earnings		3,195,267	3,257,896
Profit/loss for the year		2,020	- 62,629
		3,197,288	3,195,267
		3,787,288	3,785,267
Provisions			
Provisions for pension commitments		1,536	1,520
Long-term liabilities			
Liabilities to credit institutions	16	545,203	526,625
Other liabilities		-	194
		545,203	526,819
Current liabilities			
Liabilities to credit institutions, current part of long-term liabilities		207,685	93,068
Accounts payable		3,873	4,289
Other liabilities		97,631	101,918
Accrued expenses and prepaid income	13	14,273	15,986
		323,461	215,261
		4,657,487	4,528,866
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES			
4,657,487			
4,528,866			
Expressed in SEK thousand	Note	2015.12.31	2014.12.31
PLEGGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets for liabilities to credit institutions			
Bonds and other securities		876,116	828,002
Bank accounts		423	546
Total pledged assets		876,539	828,548
Other pledged assets and securities			
Pledged endowment insurances		1,536	1,520
Contingent liabilities			
Guarantees issued for loan claims		-	25,464
Contracted, but not disbursed, portfolio commitments		645,571	727,120
		645,571	752,584

SHAREHOLDERS' EQUITY

Expressed in SEK thousand	Share capital	Restricted reserves	Profit carried forward	Profit for the year	Total shareholders' equity
Shareholders' equity 31/12/2013	50,000	540,000	2 950,675	- 92,780	3,447,896
Appropriation of profit according to Annual General Meeting:			- 92,780	92,780	-
Capital contribution			400,000		400,000
Profit/loss for the year				- 62,629	- 62,629
Shareholders' equity 31/12/2014	50,000	540,000	3,257,896	- 62,630	3,785,267
Appropriation of profit according to Annual General Meeting:			- 62,629	62,629	-
Capital contribution			-		-
Profit/loss for the year				2,020	2,020
Shareholders' equity 31/12/2015	50,000	540,000	3,195,267	2,020	3,787,288

The share capital consists of 50 shares each having a ratio value of 1,000.

CASH FLOW STATEMENT

Expressed in SEK thousand	Note	2015	2014
Ongoing operations			
Profit/loss after financial items		2,802	- 62,549
Adjusted for non-cash items	17	181,882	160,956
		184,684	98,407
Tax paid		7,019	274
Cash flow from current operations before changes in working capital		191,703	98,681
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in investment in portfolio companies		-142,149	- 175,585
Increase (-)/Decrease (+) in investment in operating receivables		-17,782	- 10,341
Increase (-)/Decrease (+) in investment in operating liabilities		13,144	- 9,109
Cash flow from current operations		44,916	- 96,354
Investment activities			
Acquisition of tangible fixed assets		- 5,141	- 914
Investments in (-)/disposal of (+) financial fixed assets		- 48,263	- 228,986
Cash flow from investment activities		- 53,404	- 229,900
Financing activities			
Capital contribution		-	400,000
Increase (-)/Decrease (+) in loan liabilities		37,172	98,859
Cash flow from financing activities		37,172	498,859
Cash flow for the period		28,685	172,606
Liquid assets at the beginning of the year		1,909,551	1,736,946
Liquid assets at the end of the year		1,938,236	1,909,551

SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

Expressed in SEK thousand	2015	2014
Interest paid and dividends received		
Dividends received	15,136	19,606
Interest received	69,140	92,621
Interest paid	- 8,420	- 8,738
Liquid assets comprise:		
Cash and bank accounts	60,342	127,924
Non-pledged current investments	1,877,894	1,781,627
Total	1,938,236	1,909,551

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

(AMOUNTS IN SEK THOUSANDS EXCEPT WHERE OTHERWISE STATED)

GENERAL ACCOUNTING PRINCIPLES

The company has previously applied the Annual Accounts Act and the Swedish Financial Standards Council's recommendations and statements. From fiscal year 2014 the annual report will be produced in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice in BF-NAR 2012: 1 Annual Report and Consolidated financial statements (K3, Swedish: Årsredovisning och koncernredovisning). The transition to K3 has not led to any changes in measurement or presentation. Swedfund is not a consolidated group, which is why IFRS is not applied. This is a deviation from the owner's basic principle for external reporting for companies owned by the state.

To increase the readability of the income statement and give a true view, the headings and items listed in the Swedish Annual Accounts Act or the recommendations for annual accounting issued by FAR (the institute for the accounting profession in Sweden) have not been used. Costs directly attributable to each item of revenue are stated net with specification of the items included in the net result.

Endowment insurance is stated gross as an asset and as a provision.

The company has received government grants for Technical Assistance (TA) and Swedpartnership from the Swedish government. The effect that this has had on the income statement is shown in Note 3.

ACCOUNTING AND VALUATION PRINCIPLES

Income

Divestments of shares are recognised in the accounts when the shares have been transferred in accordance with the terms of the sale and in an amount that is expected to be received. Dividend income is recognised in the accounts when the right to dividend income has been established. Income from the sale of shares and dividends is related to the company's shareholding.

Interest income and interest expenses are recognised in accordance with the

effective interest method. Interest income is attributable to the company's lending. Related interest costs are attributable to borrowing to protect the company from exchange rate fluctuations.

Assets and liabilities

Assets and liabilities are valued at historical cost except where otherwise specified. Bank accounts, accounts receivable and accounts payable, current and long-term liabilities as well as loans in foreign currency are translated at closing date rates. Currency differences are stated in the operating result. These currency differences are included in Other operating income. Foreign currency transactions are translated at transaction date exchange rates.

Lending in foreign currency has mainly been hedged by the borrowing of corresponding amounts. The company does not apply hedge accounting.

In principle receivables and liabilities with durations of less than one year are presented as current. Securities with a longer duration can be included in the company's current investments. The entire portfolio is presented as current due to its high liquidity and short duration.

Taxes

Current tax is assessed using tax rates and rules applicable at the closing date. Deferred taxes are measured using tax rates and tax laws that have been enacted before the closing date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Assessments of this item are made regularly.

Current taxes, as well as changes in deferred tax, are recognized in the income statement if the tax is not attributable to an event or transactions recognized directly in equity.

Depreciation principles for fixed assets

Depreciation according to plan is based on historical cost and estimated useful life. Assets are depreciated over five years except

for computers, which are depreciated over three years.

Financial instruments

Financial instruments are reported in accordance with chapter 11 of K3 rules, which means that assessment is based on historical cost.

Financial instruments are recognised when the company is a part of the instrument's contractual terms. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when commitments have been settled or have otherwise ended.

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Other investments held as fixed assets

Investments held as fixed assets are valued at historical cost. Their value is impaired when a decline in value is judged to be permanent.

Shares

Shares in portfolio companies are to be regarded as investment holdings and are valued individually to the lowest of the historical cost and the net realizable value. For listed portfolio companies, net realizable value means the market value at the end of Swedfund's financial year. For unlisted companies, it is deemed to be the net worth as stated in the most recently received accounts (see table on next page). If Swedfund considers the net realizable value estimated as above does not reflect the value of the holding, an individual assessment may be made which could result in recognition of a higher or lower value than the net realizable value calculated in accordance with the above. However, the disclosed amount cannot exceed the historical cost of the holding.

There is no impairment on holdings that have a duration of less than two years, unless there are special circumstances. In connection with impairment of shares where Sida is responsible for either all or part of the investment, the share of the impairment that will be charged to Sida is not stated as a cost in Swedfund's accounts. The actual amount is instead stated as an impairment in the value of Swedfund's loans from Sida, subject to Sida's agreement.

Impairments in the value of unlisted portfolio companies are not reversed before the company has reported one profitable audited financial year. The maximum amount that may be reversed is the historical cost.

The cost of administration of a fund is part of Swedfund's portfolio commitments and the historical cost of the fund.

Loans

Loans to portfolio companies are initially recognised at historical cost and subsequently measured at amortised cost using the effective interest method. Their values

are impaired successively in intervals of 25% after 12, 18, 24 and 30 months of non-payment, or alternatively at another rate if the borrower is deemed to lack capacity to pay.

Current receivables

Following an individual valuation, current receivables are valued at the amounts that are expected to be received less provisions for impairment.

Current investments

Current investments are valued at the lower of amortised cost and fair value.

Cash flow statement

The cash flow statement is established using the indirect method. Liquid funds refer to current investments and bank accounts, excluding collateral provided for loans.

Impairments are provided in intervals of 25% as follows.

NET WORTH AS A PERCENTAGE OF HISTORICAL COST	BOOK VALUE AS A PERCENTAGE OF HISTORICAL COST
Over 62.5%	100%
62.4-37.5%	75%
37.4-12.5%	50%
12.5-5.0%	25%
Under 5.0%	1 SEK

NOTE 1 THE BOARD, EMPLOYEES AND PERSONNEL COSTS

GENDER DISTRIBUTION ON BOARD, MANAGING DIRECTOR AND OTHER SENIOR MANAGEMENT LEVELS

	2015	of whom, women	of whom, men	2014	of whom, women	of whom, men
Board of Directors	8	4	4	9	4	5
Managing Director	1	1	-	1	1	-
Other senior management personnel	6	2	4	6	2	4

AVERAGE NUMBER OF EMPLOYEES

Country	2015	of whom, women	of whom, men	2014	of whom, women	of whom, men
Kenya	3.0	34%	66%	3.0	34%	66%
Sweden	33.0	61%	39%	36.3	53%	47%
Total	36.0	58%	42%	39.3	52%	48%

SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

	2015		2014	
	Salaries and remuneration	Payroll overheads	Salaries and remuneration	Payroll overheads
	28,211	15,620	30,060	16,252
(of which pension expenses)	(183)	1,2) (7,140)	(171)	1,2) (6,997)
Total	28,211	15,620	30,060	16,252

- 1) SEK 588,000 (508,000 last year) of the pension expenses relate to pension insurance premium for the Managing Director.
- 2) For all employees, defined-premium and comparable pension premiums are paid and capitalised during the year in accordance with the law and collective agreements.

SALARIES AND OTHER REMUNERATION BROKEN DOWN BY COUNTRY AND BETWEEN MEMBERS OF THE BOARD AND OTHER PERSONNEL

	2015		2014	
	Board, Managing Director and other managers	Other employees	Board, Managing Director and other managers	Other employees
Sweden	8,803	25,648	8,783	21,106
(of which remuneration to the board)	(630)		(360)	
(of which pension to former Managing Director)	(183)		(171)	
(of which salary to Managing Director)	(1,750)		(1,705)	
(of which salary to other senior managers)	(6,240)		(6,547)	
Kenya, representative office		2,655		2,501
Total	8,803	28,303	8,783	23,607

REMUNERATION TO CURRENT AND FORMER MEMBERS OF THE BOARD

Name		Directors' remuneration	Directors' remuneration in portfolio companies
Claes Ekström	Chairman of the board	180	-
Björn Börjesson	Vice Chairman of the board, Board member	90	-
Renée Andersson	Board member	90	-
Pernilla Bard	Board member	90	-
Stefan Isaksson	Board member	-	-
Bengt Kvarnback	Board member	90	-
Hanna Lagercrantz	Board member	-	-
Charlotte Salford	Board member	180 (2014 and 2015)	-

Remuneration is paid to the chairman and other members of the Board in accordance with the AGM's decision.

BOARD MEMBERS' ATTENDANCE RECORD DURING THE YEAR

Board member	1/15	2/15	3/15	4/15	5/15	6/15	7/15	8/15	9/15	10/15	11/15	12/15	13/15	14/15	15/15
Claes Ekström	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Björn Börjesson	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Renée Andersson	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Pernilla Bard	X	X	X	X		X	X	X	X	X	X	X	X	X	X
Stefan Isaksson	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Bengt Kvarnback	X	X	X	X	X	X	X	X		X		X		X	
Hanna Lagercrantz - elected April 2015							X	X	X	X	X	X	X	X	X
Lotta Mellström - resigned April 2015	X	X	X	X	X	X									
Charlotte Salford	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Per Östensson - resigned April 2015	X	X	X	X	X										

SALARIES OF SENIOR MANAGEMENT

Name	Position	Other benefits	Fixed annual salary	Pension premium paid	Total
Anna Ryott	Managing Director	-	1,749,504	524,851	2 337,095
Niclas Düring	Portfolio Director	-	1,085,595	315,049	1 400,644
Jacob Hagerman	Chief Legal Counsel	-	1,034,727	260,982	1 295,709
Kevin Kronhöffer	Director of Business Development (from 15/3/2015)	-	778,502	192,348	970,850
Helene Lundkvist	Director of Finance and Administration	-	1,094,236	312,514	1,406,750
Kai Sundström	Director of Communications	-	1,094,541	0	1,094,541
Fredrik Wijkander	Director of Investment Operations	-	1,152,140	338,699	1,490,839
Total			7,989,245	2,007,183	9,996,428

Absence due to sickness

Total absenteeism due to sickness amounted to 4.4% (2.0% last year) of the employees' aggregate ordinary working hours. The company has one employee whose total absence due to sickness amounts to or exceeds 60 days. For integrity reasons, sick leave statistics are not shown by age group and gender.

Salary of Managing Director and other senior management personnel, severance pay, etc.

Swedfund's guidelines for remuneration to

senior managers is based on the Swedish government's "Guidelines for Terms of Employment for Senior Executives in state owned Companies" dated 2009. Swedfund's guidelines state that remuneration shall be reasonable, not variable, competitive and be consistent with good ethics. In the event of termination by the company, the Managing Director has the right to severance pay corresponding to 12 months' salary (not after age 65, pension provisions not included, to be offset against new income). The rules for collective agreements apply for other senior managers.

Defined-contribution and comparable pension premiums are paid for other senior managers and the Managing Director in accordance with statutory and collective agreements. All pension premiums were booked during the year. It is proposed that guidelines for 2016 remain largely unchanged.

Pension commitments

The former Managing Director is entitled to a direct pension secured by an endowment insurance owned by the company. Payment is made via an annual premium.

NOTE 2 NET TURNOVER PER GEOGRAPHIC MARKET AND PER LINE OF BUSINESS**NET TURNOVER PER GEOGRAPHIC MARKET**

	2015	2014
Africa	317,638	68,013
Asia	35,769	24,650
Latin America	6,063	6,190
Eastern Europe	24,451	50,234
	383,920	149,088

NET TURNOVER PER OPERATIONAL AREA

	2015	2014
Sales of shares	297,752	76,627
Share dividends	15,136	19,606
Interest income	68,474	51,594
Other portfolio income	2,558	1,261
	383,920	149,088

NOTE 3 SWEDPARTNERSHIP AND TECHNICAL ASSISTANCE

Swedpartnership	2015	2014
SEE HEADING IN INCOME STATEMENTS		
Other operating income /expenses	3,570	4,733
	3,570	4,733
Other external costs	- 669	- 1,408
Personnel costs	- 2,901	- 3,325
	- 3,570	- 4,733

Technical Assistance	2015	2014
SEE HEADING IN INCOME STATEMENTS		
Other operating income /expenses	2,279	1,325
	2,279	1,325
Other external costs	- 2,115	- 1,074
	- 2,115	- 1,074

NOTE 4 EQUITY INVESTMENTS SOLD/WOUND-UP DURING THE YEAR

	2015	2014
Total acquisition value of shares sold	- 250,127	- 76,009
Written-down value of sold shares	132,150	36,844
Acquisition value of shares sold for the year	- 117,977	- 39,165
Payments received	297,752	76,627
Capital gain/loss for the year	179,775	37,462

NOTE 5 AUDITORS' FEES AND REMUNERATION

	2015	2014
PRICEWATERHOUSECOOPERS		
Audit assignment	422	894
Audit activity in addition to audit assignment	125	421
Tax advice	126	82
Other services	-	29
Total PriceWaterhouseCoopers	672	1,426
EY		
Revisionsuppdraget	415	-
Revisionsverksamhet utöver revisionsuppdraget	-	-
Skatterådgivning	60	-
Övriga tjänster	45	-
Summa EY	520	-

Audit activity in addition to audit assignment refers to other audit services that do not relate to the statutory

requirement for auditing of the company's annual report, such as a review of integrated reporting and other verifica-

tions. EY was elected as the new auditor at the Annual General Meeting held on 27 April 2015.

NOTE 6 OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2015	2014
Income from asset management	8,621	25,068
Income from bank balance	51	27
Endowment insurance	183	171
	8,855	25,266

NOTE 7 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	2015	2014
Write-down, financial fixed assets	256	266
Other financial expenses	1,248	954
	1,504	1,221

NOTE 8 TAX COSTS

Reconciliation of effective tax rate	Tax rate	2015	Tax rate	2014
Reported in income statement				
Current tax		-		-
Deferred tax		- 782		- 80
Total reported tax cost		- 782		- 80
Reconciliation of effective tax rate				
Profit before tax		2,802		- 62,549
Tax as per applicable tax rate	22.0%	- 616	22.0%	13,761
Tax effect of non-deductible costs	5.9%	- 165	- 0.2%	- 150
Latent tax on current year's loss not posted as a deferred claim	0.0%	0	- 21.9%	- 13,690
Effective tax on profit for the year	- 27.9%	- 782	- 0.1%	- 80

NOTE 9 FIXED ASSETS

BUILDING AND LAND

	2015	2014
Accumulated acquisition value		
Expenses for improvement of other's property		
Opening value	914	-
New acquisitions	2,103	914
	3,017	914
Accumulated depreciation according to plan		
Depreciation for the year according to plan on acquisition value	- 431	-
	- 431	-
Closing book value according to plan	2,586	914

INVENTORIES

	2015	2014
Accumulated acquisition value		
Opening value	10,937	6,152
New acquisitions	3,038	-
Sales and disposal	1,016	4,785
	14,991	10,937
Accumulated depreciation according to plan		
Opening value	- 10,715	- 5,784
Sales and disposal	- 1,016	- 4,785
Depreciation for the year according to plan on acquisition value	- 711	- 146
	- 12,442	- 10,715
Closing book value according to plan	2,549	222

NOTE 10 OTHER LONG-TERM HOLDINGS OF SECURITIES

	2015	2014
Shares in EDFI	118	118
Shares in EFP	127	127
Shares in ICCF	53	53
Endowment insurance policies	1,536	1,520
Book value at year-end	1,834	1,817

NOTE 11 LOANS

Accumulated acquisition value and write-downs		2015	2014
Accumulated acquisition value			
Opening book value		991,746	744,415
Lending for the year		242,549	250,750
Repayments for the year		- 90,440	- 139,819
Reclassifications		57,882	15,964
Currency rate/translation differences for the year		49,018	136,400
		1,250,755	1,007,710
Accumulated write-downs			
Opening book value		- 301,185	- 258,177
Write-downs for the year		- 96,505	- 29,453
Reclassifications		- 28,097	-
Reversed write-downs for the year		21,681	35,218
Currency rate/translation differences for the year		- 28,049	- 48,772
		- 432,156	- 301,185
Book value at year-end		818,600	706,525

BREAKDOWN OF THE LOAN PORTFOLIO BY COUNTRY AND CURRENCY

Country	Currency	2015		2014	
		Loan amount	Of which written-down	Loan amount	Of which written-down
Africa	USD	359,791	- 259,435	297,383	- 210,473
Africa	EUR	35,424	-	41,837	-
Ethiopia	EUR	31,673	- 15,837	32,446	- 24,334
Georgia	USD	84,186	-	77,527	-
Ghana	USD	117,861	-	108,538	-
India	USD	41,262	- 18,000	57,686	- 24,482
India	EUR	68,855	- 34,427	70,534	-
Iraq	USD	34,516	- 34,516	31,786	- 31,786
Cambodia	USD	42,093	-	-	-
Kenya	USD	97,873	- 48,937	85,654	-
China	USD	9,951	-	12,218	-6,109
China	SEK	3,333	- 3,333	4,000	-4,000
Congo	SEK	-	-	600	-
Latin American	SEK	49,035	-	34,008	-
Nigeria	USD	93,228	-	-	-
Pakistan	USD	53,659	-	59,217	-
Russia	SEK	5,503	- 2,752	5,000	-
Sri Lanka	USD	3,915	-	5,207	-
South Africa	ZAR	6,766	-	11,720	-
Tanzania	USD	42,093	-	-	-
Belarus	EUR	59,674	- 14,919	61,130	-
Belarus	USD	10,064	-	11,219	-
Total		1,250,755	- 432,156	1,007,710	- 301,185

NOTE 11 LOANS, CONTINUED

CONVERTIBLE LOANS AND PROFIT-SHARING LOANS

Borrower	Currency	Outstanding loan amount in currency	Interest and equivalent	Conversion right
Addis Emerald Hotel	EUR	3,450	Interest and profit share	Yes
Athi River Steel Plant	USD	11,626	Interest	Yes
Raffia Holdings Ltd	USD	5,623	Interest	Yes

NOTE 12 PORTFOLIO INVESTMENTS IN EQUITY

Accumulated acquisition value and write-downs	2015	2014
Accumulated acquisition value		
Opening book value	1,623,163	1,651,349
Investments for the year	135,763	73,551
Reclassifications	- 1,688	-
Sales for the year	- 252,631	- 101,737
	1,504,608	1,623,163
Accumulated write-downs		
Opening book value	- 665,085	- 589,605
Reversed write-downs for the year related to sales	134,655	61,504
Write-ups for the year	6,061	5,905
Write-downs for the year	- 96,631	- 142,889
	- 621,001	- 665,085
Closing book value	883,607	958,078

Developing Countries	Share category	Share %	Acquisition value
Africa			
AAR Healthcare Kenya Ltd	Ordinary	18.2	28,188.1
ACACIA Fund, Kenya	Ordinary	100.0	8,596.7
Addis Cardiac Hospital Plc, Ethiopia	Ordinary	36.2	7,600.0
Addis Quarry Development plc, Ethiopia	Ordinary	27.2	15,149.5
Afrinord Hotel Investment A/S, Africa	Ordinary	20.0	470.1
African Development Partners II (DPI)	Fund units	2.1	32,017.6
Africap Microfinance Investment Company Ltd, Africa	Ordinary	7.4	13,474.3
AfricInvest Fund II, Africa	Fund units	4.8	25,880.2
Apis, Africa	Fund units	5.0	13,997.0
Athi River Steel Plant Ltd, Kenya	Ordinary	19.4	85,227.1
Deacons Kenya Limited, Kenya	Ordinary	13.4	7,865.9
Energy Poverty Action, Africa	Ordinary	-	252.6
ECP Africa Fund II PCC	Fund units	2.2	36,588.9
ECP Africa Fund III PCC	Fund units	2.8	93,003.9
Elgon Road Development Ltd, Kenya	Ordinary	27.2	81,327.9
Emerald Addis Hotels plc, Ethiopia	Ordinary	27.0	23,398.8
Gamma Knife Center S.A.F, Egyptia	Ordinary	24.3	6,755.5
Geratech Zirconium Beneficiation Ltd, South Africa	Ordinary	9.2	27,984.9
Adenia Capital (III) LLC Ltd.(I&P), Afrika	Ordinary	10.6	64,854.1
Kinyeti Venture Capital Ltd, South Sudan	Ordinary	49.0	4,951.1
Nairobi Womens Hospital	Ordinary	19.1	26,459.2
Norsad	Ordinary	16.7	50,052.1
Raffia Holdings Ltd, Africa	Ordinary	100.0	285,353.5
Timsales	Ordinary	19.5	10,678.5
Total Africa			950,127.7

* Company is being wound up and has been taken over to secure development results.

NOTE 12 PORTFOLIO INVESTMENTS IN EQUITY

Developing Countries	Share category	Share %	Acquisition value
Asia			
Baring India Private Equity Fund II Ltd, India	Fund units	7.1	67,007.4
China Environment Fund III	Fund units	4.4	59,275.7
Green Investment Asia Sustainable Fund I	Fund units	30.8	52,262.5
HSF Electro Mechanic Wuxi Ltd, Kina	Units	40.0	16,684.1
Kurdistan Medical Services, Iraq	Ordinary	23.0	-
Medica Synergie , India	Ordinary	16.0	41,479.3
Mongolia Nord GmbH, Mongolia	Ordinary	14.3	16,159.6
Quanadil Al Rafidain Automotive Trading, Iraq	Ordinary	24.5	35,299.0
SEAF Sichuan SME Investment Fund	Fund units	13.3	5,160.5
Total Asia			293,328.0
Latin America			
Entel S.A., Bolivia	Ordinary	0.1	1,003.8
Global Medical Investments AB, Latin America	Ordinary	48	67,050.9
Ontur International S.A, Uruguay	Ordinary	14	14,076.5
Total Latin America			82,131.2
Eastern Europe			
Ambiente Furniture A/S, Ukraine	Preference	-	975.6
Eskaro Ukraine, Ukraine	Ordinary	20	21,873.8
Komercijalna Banka AD Belgrade, Serbia	Ordinary	2.9	96,727.0
Mint GP Ltd, Russia	Fund units	4.7	33,911.1
Pieno Zvaigzdes, Lithuania	Ordinary	6.0	15,891.9
Troll Nursery, Latvia	Ordinary	24.4	9,640.5
Total Central and Eastern Europe			179,019.9
Total acquisition value			1,504,606.8

NOTE 13 MEMORANDUM ITEMS

Prepaid costs and accrued income	2015	2014
Prepaid costs	1,926	2,013
Accrued interest current investments	18,514	8,964
Accrued interest loan claims	20,366	21,725
Write-downs accrued interest loan claims	- 5,939	- 12,318
Other accrued income	-	337
	34,867	20,721
Accrued costs and prepaid income		
	2015	2014
Prepaid income (Technical Assistance)	4,569	6,418
Accrued wages	3,783	3,867
Accrued payroll charges	2,616	2,819
Accrued interest liabilities to credit institutions	976	1,022
Other accrued costs	2,329	1,859
	14,273	15,986

NOTE 14 CURRENT INVESTMENTS

Specification of security	Average duration in years	Fair value 2015	Book value 2015	Fair value 2014	Book value 2014
Treasury bills	0.19	1,499,331	1,499,264	1,527,725	1,527,726
Government bonds	6.09	221,865	217,743	196,447	184,985
Bonds (government guarantee)	0.8	454,637	452,989	214,490	211,525
Secured bonds	1	293,386	291,947	298,659	295,518
Municipal Certificates	0.08	292,068	292,066	283,961	283,938
Bank, mortgage and corporate certificates	0	-	-	105,967	105,937
		2,761,287	2,754,010	2,627,249	2,609,629

Weighted effective annual interest rate for the portfolio is 0.23%. Interest rate risk in the event of 1% change in interest rates +/- 20 079.

NOTE 15 DEFERRED TAX RECEIVABLES AND LIABILITIES

Stated deferred tax receivable can be attributed to:	2015	2014
Machinery and equipment	61	97
Pension agreement for former Managing Director	232	272
Deferred tax loss 2009	1,027	1,734
Deferred tax loss 2010	19,384	19,384
Deferred tax loss 2011	13,245	13,245
	33,950	34,732

The company has losses brought forward totalling SEK 419,114,000, of which a deferred tax claim has been reserved for SEK 152,380,000. The company considers that it is probable that the recognized deferred tax assets will be utilized for future taxable profit.

NOTE 16 OTHER LIABILITIES TO CREDIT INSTITUTIONS, LONG TERM

	2015	2014
Due date, 1-5 years from balance sheet date	286,650	386,403
Due date more than five years from balance sheet date	258,553	140,222
	545,203	526,625

NOTE 17 ITEMS NOT INCLUDED IN CASH FLOW

	2015	2014
Items that may be depreciated and written down	172,720	169,966
Unrealised exchange rate differences	9,146	- 8,944
Pension provisions	16	- 66
	181,882	160,956

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE IN SWEDFUND

Information below concerning corporate governance in 2015 is submitted in accordance with the Swedish Code of Corporate Governance (hereafter “the Code”). The articles of association, ownership policy, most recent corporate governance reports and other information that in accordance with the Code shall be available on the company’s website, may be found at www.swedfund.se. The 2015 corporate governance report is a part of the Integrated Report and has thus been audited by the company’s auditors. The Swedish state owns 100% of the company, which belongs to the group of companies with special social responsibility. The company has its head office in Stockholm and a regional office in Nairobi

SWEDFUND APPLIES the State’s ownership policy and guidelines for state-owned companies (2015) which includes the Code. Operations are governed by the aforementioned ownership policy, the company’s owner’s instructions and policy document and the financial targets set by the Annual General Meeting. In 2015 Swedfund’s Policy for Sustainable Development was updated and a new version adopted by the Board. Read more about Swedfund’s policy work on pages 18-19 and 60-61. The company’s policies, all of which are available on its website, are an important part of the company’s values and are continually being integrated into instructions and contracts. Continuous training takes place of Swedfund personnel and external members of portfolio company boards. Swedfund is a signatory of several international conventions and regulatory frameworks that in different ways influence working methods. For more details, see the overview of Swedfund’s policies, international obligations, guidelines and transparency commitments on page 61.

THE SWEDISH STATE’S ownership policy is not implemented in the portfolio companies. Instead, control is handled by implementing Swedfund’s policies in investment agreements. You can read about the requirements that Swedfund sets for its portfolio companies on page 58. Follow-up is carried out through work on the boards, self-assessments and active work on ESG issues. Read about Swedfund’s work on ESG issues in the portfolio companies and how Swedfund

creates value on pages 20-55. In all other regards, the local laws and norm systems of the portfolio company are applied.

With two exceptions the company only has minority stakes in portfolio companies. Wholly-owned companies are in the process of liquidation and have been transferred to Swedfund in order to secure development results and protect the company’s assets. Swedfund aims to have active dialogue with stakeholders such as owners, business partners, civil society organisations, trade unions and media representatives. For more information, see pages 62-63 for details of Swedfund’s stakeholder analysis.

In some cases Swedfund has chosen to deviate from the Code in accordance with the Code’s rules concerning “observe or explain”. The main reason for deviating is Swedfund’s ownership situation whereby Swedfund is wholly-owned by the Swedish state and thus not a listed company with broad ownership.

*Deviation from Swedish Code of Corporate Governance

In 2015 Swedfund deviated from the Code in the following areas: (i) nomination committee. Swedfund has no such committee due to its ownership structure. The nomination process for Board members, selection of chairman for the AGM and the appointment of auditors is performed in accordance with the principles stated in the Swedish state’s ownership policy; (ii) the Board’s independence to the owners. Swedfund does not report, in accordance with the Swedish state’s ownership policy, whether Board members are independent of the owners; (iii) audit and remuneration committees. Swedfund does not have either an audit or a remuneration committee. These assignments are instead performed by the Board.

MEETINGS AND OWNER

The owner exercises influence at Annual General Meetings and Extra Meetings, which are the company’s highest decision-making forums. Sweden’s Ministry of Enterprise and Innovation takes responsibility for administration of the Swedish state’s ownership of Swedfund. The Annual General Meeting appoints the Chairman of the Board, Board members and auditors, and determines remuneration for the

Chairman of the Board, other Board members and auditors. Further, the Meeting adopts the company’s income statement and balance sheet, and addresses issues that arise in accordance with the companies act or articles of association. The Meeting makes resolutions regarding changes in the articles of association, financial targets set at the Meeting and presents new Owner’s Instructions for the company’s operations. Notification of the Annual General Meeting or Extra Meeting where changes to the articles of association are to be addressed shall be submitted at the earliest six weeks and at the latest four weeks before the Meeting.

ANNUAL GENERAL MEETING

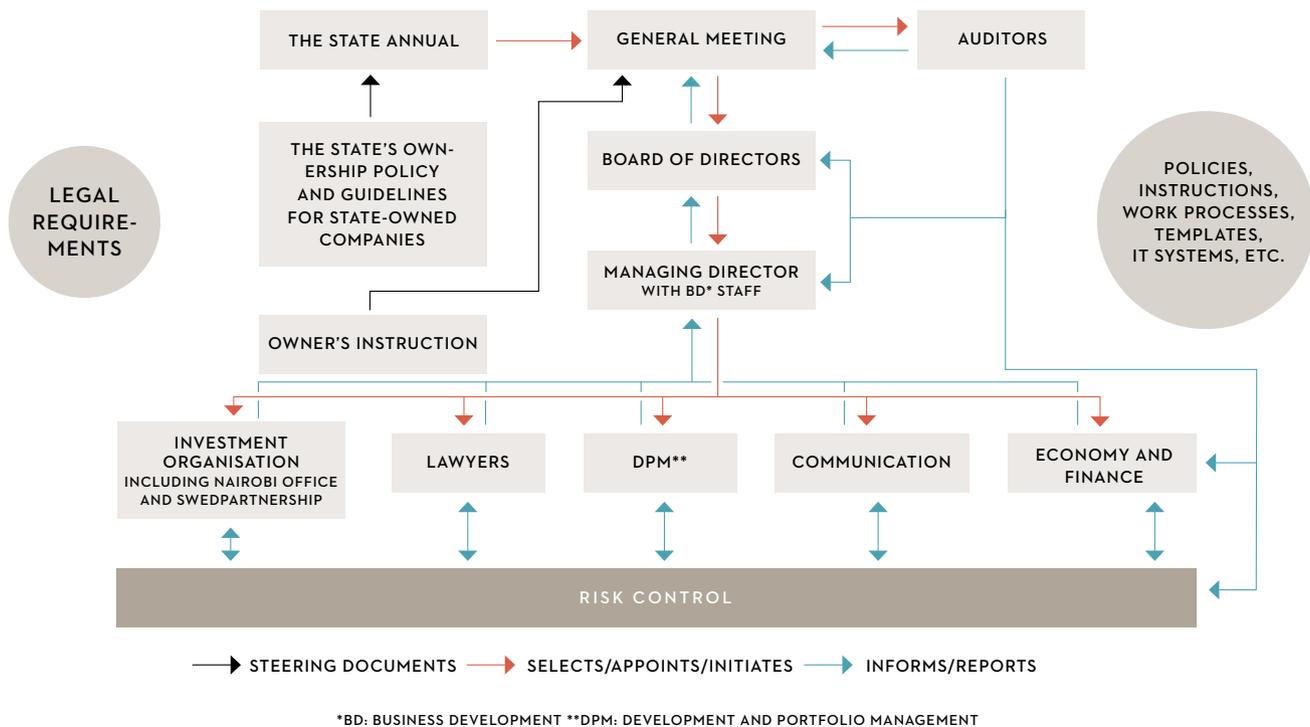
Swedfund’s Annual General Meeting was held on 27 April 2015. Members of Sweden’s parliament have the right to attend and address questions to the company. The Meeting is usually open to the public. Minutes of the Meeting are available on Swedfund’s website.

The following Board members were re-elected at the Meeting: Renée Andersson, Pernilla Bard, Björn Börjesson, Claes Ekström, Stefan Isaksson, Bengt Kvarnback and Charlotte Salford. Lotta Mellström and Per Östensson left the Board. Hanna Lagercrantz was elected as a new Board member. Claes Ekström was re-elected Chairman of the Board. The Meeting adopted the income statement and balance sheet dated 31 December 2014 and approved discharge from liability for the Board and Managing Director for 2014. The Meeting approved the proposed appropriation of profit and the proposed guidelines for remuneration to senior executives.

AUDITORS

The state’s ownership policy prescribes that responsibility for selection of auditors appointed by the Annual General Meeting for state-owned companies rests with the owner. Auditors are normally appointed for a period of one year. At the 2015 Meeting, Ernst & Young AB were appointed auditors, with Jennifer Rock-Baley as the lead auditor. The auditors are accountable to the owner at the Annual General Meeting and submit an audit report on the Integrated Report and the Board’s administration. The auditors submit a summarised report of the audit to the Board in connection with the Q3 interim report and again in connection with the financial statement.

STRUCTURE FOR CORPORATE GOVERNANCE - OVERVIEW



BOARD OF DIRECTORS

In accordance with the articles of association, the Board shall comprise at least six, and at most nine, members, with no deputies. The General Meeting shall appoint the Chairman of the Board. If the Chairman leaves the post during the term of office, the Board shall elect a Chairman for the period until the end of the General Meeting when the new Chairman is elected by the General Meeting. As of 31 December 2015 the Board of Directors comprised eight members. None of Swedfund's management team are members of the Board. On 31 December 2015 the Board comprised four women and four men. Information about Board members is presented on pages 96-97.

The Board shall endeavour that the long-term development in the value of the company shall be the best possible and that business is conducted such that it favours sustainable development, in terms of the economy, society and the environment. The Board is responsible for the company's organisation and administers the company's affairs on behalf of the owner. The Board has responsibility for ensuring that the company sets a good example in the field of sustainable business and otherwise acts in ways that earn public trust. The Board appoints the Managing Director. The Board shall regularly assess the company's financial position and

ensure that the company is organised in such a manner that the book-keeping, management of resources and other economic circumstances are controlled satisfactorily. The Board shall ensure that the company has an effective system for following up and controlling the business and shall stay informed of how the company's system for internal control functions, and evaluate this system.

The Board is responsible for determining strategic goals for the company's sustainability work and ensuring that these strategic goals are integrated into the company's business strategy. The Board shall ensure that sustainability work is reported in accordance with the Global Reporting Initiative (GRI) and otherwise in accordance with the ownership policy.

The Board is responsible for the company's risk management and judicial compliance. This means the Board shall ensure that the risks associated with the company's business are continually identified, analysed and managed appropriately and that there is satisfactory internal control of compliance with those laws and regulations that cover the company's operations, including internal rules such as policies and instructions.

The Board is responsible for determining, implementing and monitoring of policy documents necessary for the business

and of other forms of control documents such as rules of procedure for the Board and instructions for the Managing Director. For a presentation of the current policy documents adopted by the Board, see swedfund.se. These policy documents describe how responsibility and authority are divided between the Board, Chairman and Managing Director. The Chairman is responsible for the annual evaluation of the Board's work and that relevant parts of this evaluation are reported to the individual responsible for nominations within the ownership unit at the Ministry of Enterprise and Innovation. The 2015 Board evaluation was assisted by an external consultant and included individual and collective assessments of the Board's work and competence. The Chairman reported relevant parts of the evaluation results to the individual responsible for nominations within the ownership unit at the Ministry of Enterprise and Innovation.

Apart from the specific assignments of the Chairman there is no specific division of labour within the Board. When necessary the Chairman meets important contacts and represents the company in ownership matters.

In 2015, the Board met on 15 occasions, see Note 1 on page 79 for attendance at this year's meetings. The meetings considered business activities in terms of the three pillars - Impact on society, Sustainability and Financial viability, and addressed the financial statement and

interim reports, other reports, strategic issues, business targets, business plan, budget, organisation and staffing issues and the evaluation of the Board's performance.

The Chairman maintained contacts with representatives of the company's owner in order to coordinate on issues where important decisions were to be made about the company.

MANAGING DIRECTOR

The Managing Director shall oversee the operational management of the company and coordinate activities with due care to the extent required for performing these assignments in accordance with current legislation, articles of association, ownership policy of the Swedish state and associated guidelines for state-owned companies, owner's instructions, rules of procedure for the Board, Managing Director instructions and other policies and guidelines adopted by the Board. The Managing Director is appointed by the Board but is not a member of the Board. Management activities are coordinated by a management group consisting at the end of 2015 of the Managing Director, Chief Legal Counsel, Director of Communications, Director of Finance and Administration, Director of Investment Operations, Director of Business Development and Portfolio Director.

The current Managing Director, Anna Ryott, was born in 1972 and took over the position in August 2013. She has an MSc in Business & Economics from Stockholm University and joined Swedfund from SOS Barnbyar, where she was general secretary. She has also been deputy general secretary of Unicef Sweden. In the private sector she has worked for Storåkers McCann as deputy Managing Director, and for McKinsey and Hagströmer & Qviberg. Anna Ryott sits on the Board of Anna Lindh Academy and she is a member of the UN Foundation Global Entrepreneurs Council and Analysgruppen Global Samverkan.

SIGNATORIES

The authorised signatories of the company are the Board and two Board members jointly. Through the authorization by the Board, the Managing Director together with another member of the management team may sign for the company, and two of these members jointly may in turn own sign for the company in the Managing Director's absence in respect of any issue relating to investment operations. The Board's authorization is conditional on a valid board resolution for all commitments in excess of SEK 10 million. In accordance with the Managing Director instructions, the Managing Director has sole signatory power

concerning day-to-day administration within the framework of the established budget. Actions taken within the remit of the Managing Director are reported to the Board at the following meeting. When members of management have signed for the company, this is also reported to the Board at the following meeting. Department heads may order consultancy services costing a maximum of SEK 200,000 without the Managing Director's prior approval.

REMUNERATION TO SENIOR EXECUTIVES

The company applies the Government's

Guidelines for Terms of Employment for Senior Executives in state-owned Companies. Remuneration and benefits to the Managing Director and other senior executives are described in Note 1.

ORGANISATION

In the spring of 2015 a new Director of Business Development was appointed after the former director left to join another company. In the autumn of 2015 recruitment began for a new Director of Investment Operations after the former director moved to another position at Swedfund. No other significant organisational changes were implemented.

WORK OF THE BOARD IN 2015

The Board held 15 meetings. The work of the Board follows a structure constituting fixed and recurring activities, mainly as in the table above.

ACTIVITY	TIME
Inaugural meeting/Formal work plan for the Board/Managing Director Instructions/Signatory instructions/Delegation instructions/Authorisation instructions	After AGM
Status report/ Project inflow/Portfolio/Exit reports	Each meeting
Current investments/Cash and bank balances	Each meeting
Board decisions	Each meeting
Interim reports	Quarterly
Liquidity forecast	Quarterly
Risk report	Quarterly
Mission report	Every six months
Liquidity report	Every six months
Financial management policy	Annually
Performance evaluation of Board and Managing Director	Annually
Review of portfolio activities/Fund reports/Development results/ESG	Annually
Risk analysis	Annually
Swedfund's Integrated Report/Corporate governance/Internal controls/Audit issues	Annually
AGM/ Guidelines for salaries and other remuneration to senior executives	Annually
Strategy	Annually
Evaluation of policy documents and other guiding documents	Annually
Business plan/Activity plan and budget	Annually
Employee issues/Salary review	Annually

(The members of the Board are presented on the company's website www.swedfund.se/en and on pages 94-95.)

THE BOARD'S REPORT ON INTERNAL CONTROL IN FINANCIAL REPORTING

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been prepared in accordance with Chapter 6, Section 6 of the Annual Accounts Act and with sections 7.3-7.4 of the Swedish Code of Corporate Governance, and is limited to the internal control in financial reporting.

Effective Board practices are the foundation for good internal controls. Internal control at Swedfund is described below based on five key areas.

CONTROL ENVIRONMENT

The base for internal controls regarding financial reporting is the control environment. Swedfund's control environment is defined by its organisational structure, clearly documented delegation of decision-making responsibilities from the Board to the Managing Director and other senior executives, various steering documents such as policies, guidelines, manuals, reporting instructions that give clear instructions within important areas to employees at various levels, business plan and budget. Employee competence and the values that the Board and the management team work from and communicate are also a part of the control environment and the task of the Managing Director is to establish guidelines so that all employees shall understand the requirement for maintaining ethical values and the role of each individual in this work, which among other things is regulated by the Code of Conduct that all employees shall observe.

RISK ANALYSIS

Swedfund works proactively in a structured way to identify, quantify, prevent and handle strategic, operational and financial risks. Significant strategic and operational risks once identified are reported at each Board meeting. The company's financial risks are managed according to the Financial Policy and reports concerning financial risks are submitted to the Board each quarter. Read

more about Swedfund's risk management on pages 57-59. Risk assessments concerning financial reporting include the identification and assessment of significant risks in the aforementioned areas that could mean the company not meeting requirements for accurate financial reporting in terms of completeness, correctness, evaluation and disclosure, and the risk of irregularities.

CONTROL ACTIVITIES

To ensure that the basis for financial reporting maintains the desired quality, various control activities are included in Swedfund's processes. These include a review of the budget, liquidity, forecasts and outcomes. Once a year a major review is performed of portfolio companies where the companies are evaluated based on the three pillars of impact on society, sustainability and financial viability. Authorizations, verifications, reconciliations and IT systems, with backup procedures and permissions are also control activities.

Swedfund has developed a comprehensive Investment manual to ensure that the quality is high during the appraisal of investments. In the portfolio companies control is ensured through evaluation and follow-up of financial reporting. In companies where Swedfund is a shareholder control is exerted through active participation in the work of the company's board of directors.

Internal control and management by senior managers of the company are evaluated annually by the company's external auditors. With consideration for the company's size and turnover as well as the steering and control system already in place, the Board finds in the current situation no need to set up any special audit function in the form of an internal audit.

INFORMATION AND COMMUNICATION

For internal controls to work correctly it is essential that all employees have access to up-to-date and relevant information about

what needs to be controlled and how control shall be exercised. All Swedfund's employees have access to the company's policies, guidelines and manuals.

At regular information meetings with company employees the importance of complying with rules and processes is stressed and changes to rules and procedures are presented in detail. Within the various departments of the company and through internal training sessions there are continuous updates on the application of these documents. Formal and informal communication between staff and managers is helped by the low number of staff who are in principle all based in the same office.

FOLLOW-UP

The Board's measures for checking that internal controls for financial reporting are functioning correctly may be summarised as follows. Control activities are followed up regularly to ensure that risks have been addressed and treated in a satisfactory way. The auditor reports to the Board observations from the general review of the interim report for Q3 and from the review of the financial statement. Company managers ensure and check that appropriate measures are taken relating to the recommendations for measures submitted by the Board and/or by the auditors.

Assessments of policy documents and other control documents are performed annually. Follow-up to ensure that financial reporting meets the desired quality is done by the Board, Managing Director, senior management team, the department for portfolio analysis and within the investment organisation. This work focuses on the follow-up of financial outcomes and significant deviation from budget plans, investments, divestments and other key business events. As of 31 December 2015 it is considered that control activities relating to internal controls for financial reporting are adequate.



GRI-/COP-INDEX

Swedfund applies Global Reporting Initiative's (GRI) reporting framework for sustainability reports, version G4, and GRI G4 Sector Disclosures, Financial Services, Core level. By committing to the UN Global Compact (GC) Swedfund is obliged to submit a

Communication on Progress (COP), which presents work on implementing the GC's principles. In this GRI-/COP-index we describe where GRI and COP information can be found in this Swedfund Integrated Report 2015.

GENERAL STANDARD DISCLOSURES

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision-maker		4-5, 8	1-10
ORGANISATIONAL PROFILE				
G4-3	Name of the organisation		2	
G4-4	Primary brands, products, and/or services		9, 17	
G4-5	Location of organisation's headquarters		87	
G4-6	Number of countries where the organisation operates		17	
G4-7	Nature of ownership and legal form		9, 87	
G4-8	Markets served		17, 84-85	
G4-9	Scale of the organisation		72-74, 78	
G4-10	Number of permanent employees by employment type, gender and region	On 31 December 2015 there were 35 full-time employees in permanent jobs	71, 78	6
G4-11	Percentage of total employees covered by collective bargaining agreements	All employees are covered by collective agreements	-	3
G4-12	Organisation's supply chain	Swedfund buys services and products for office operations in Stockholm and Nairobi, and employs consultants for screening and monitoring of portfolio companies	-	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership	No significant changes. Administration of the company was moved from Sweden's Ministry of Finance to the Ministry of Enterprise and Innovation as of 31 January 2015.	9	
G4-14	Application of precautionary approach	Value & Risks Risk management	24 57-59	7
G4-15	External principles, or other initiatives to which the organisation subscribes	Focus on human rights Swedfund's ethical compass Swedfund at the top level, again	18-19, 60-61, 95	
G4-16	Memberships of associations		63	

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Group companies included in reporting	Swedfund is minority owner of portfolio companies and these are not consolidated in the accounts (covered only indirectly by reporting)	84-85	
G4-18	Process for defining the report content	Our sectors How Swedfund works with sustainability	15-16 62-63	
G4-19	Identified material aspects	Swedfund's sustainable efforts are based on 3 pillars that correspond with GRI as follows: - Impact on society = Indirect economic impacts - Sustainability = Product portfolio, Audits and Active ownership (GRI Supplement for the financial sector) - Financial viability = refers to portfolio companies' financial development (no relevant GRI aspect)	20-21, 30-32, 37-38, 35-37, 40-42, 47-48, 50-52, 52-23	
G4-20	Organisation's boundaries for material aspects	Swedfund's primary influence on sustainability and material aspects takes place indirectly in the portfolio companies. Swedfund's direct impact on sustainability is limited but to remain a responsible investor we strengthen work on material aspects internally.	100	
G4-21	Boundaries for material aspects outside company	The specified aspects are essential primarily for portfolio companies.	100	
G4-22	Restatements of information provided in previous reports	No significant changes	-	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes.	-	
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organisation		62-63	
G4-25	Basis for identification and selection of stakeholders		62-63	
G4-26	Approach to stakeholder engagement		62-63	
G4-27	Key topics and concerns raised through stakeholder engagement		32, 42, 52, 62-63	
REPORT PROFILE				
G4-28	Reporting period	1 January to 31 December 2015. Reporting of development results (p. 33-35, 43-45, 53-55) is based in some cases on the last available annual reports from portfolio companies that were published in 2015.	-	
G4-29	Date of most recent previous report	24 March 2015	-	
G4-30	Reporting cycle		2	
G4-31	Contact point		100	
G4-32	Reporting in accordance with GRI guidelines and GRI index	Swedfund reports in accordance with GRI's G4 guidelines, Core level	91-94	
G4-33	Policy and current practice with regard to seeking external assurance for the report	Swedfund has chosen to allow EY to certify the Integrated Report in its entirety. For this reason, no column in the GRI Index presents the authentication, as all the information in the report has been subject to at least a general review with regard to risk and materiality in the information provided.	99-100	

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
CORPORATE GOVERNANCE				
G-34	Report of the governance structure of the organisation		87-90	
ETHICS AND INTEGRITY				
G4-56	Organisation's values, principles, codes of conduct	Our Values Swedfund's ethical compass	21, 60-61	10

SPECIFIC STANDARD DISCLOSURES

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
ECONOMIC CATEGORY				
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACT				
G4-DMA	Management approach - indirect impact	Contributing to the positive indirect economic impacts is central to Swedfund's mission - poverty reduction through sustainable business	9, 20-21	1-10
		See "Our sectors" and "How we work with sustainability"	15-16	
G4-EC8	Significant indirect economic effects	The report includes several examples of how Swedfund's investments produce non-financial results within Swedfund's three pillars:	16, 20	
		See the section on Development results for Impact on society	33-35	
		See the section on Development results for Sustainability (ESG)	43-45	
		See the section on Development results for Financial viability	53-55	
ENVIRONMENT CATEGORY				
MATERIAL ASPECT: ENERGY				
G4-DMA	Generic Disclosures on Management Approach	Sustainability goals, Swedfund's ESG Management system.	43	
G4-EN3	Energy use within the organisation		43	
ENVIRONMENT CATEGORY				
MATERIAL ASPECT: EMISSIONS				
G4-DMA	Generic Disclosures on Management Approach		43	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		43	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Swedfund's primary environment impact occurs in the portfolio companies. Our ambition is to extend reporting of our carbon footprint to include the portfolio companies.	43	

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLE
SOCIAL CATEGORY / SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK				
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA	Generic Disclosures on Management Approach			
G4-LA12	Composition of Board and management team and diversity within the organisation	Gender equality/Organisation Note 1 The Board, employees and personnel costs	71 78	6
SOCIAL CATEGORY / SUB-CATEGORY: HUMAN RIGHTS				
MATERIAL ASPECT: HUMAN RIGHTS				
G4-DMA	Generic Disclosures on Management Approach			1-2
G4-HR1	Significant investments that contain clauses concerning human rights or which have been evaluated to check how human rights are handled.	Human rights in focus A tool for key issues in our portfolio companies	18-19 23	1-2
SOCIAL CATEGORY / SUB-CATEGORY: SOCIETY				
MATERIAL ASPECT: ANTI-CORRUPTION				
G4-DMA	Generic Disclosures on Management Approach	A tool for key issues in our portfolio companies Corruption restricts sustainable development, Swedfund's ethical compass	23, 40-41, 60	10
G4-SO3	Total number and percentage of operations assessed for risks related to corruption, and report on largest identified risks.		23, 40-41	10
G4-SO4	Information and training in organisation's policies and procedures for dealing with corruption.	Strategic sustainability targets for anti-corruption Swedfund's ethical compass	45 60	10
MATERIAL ASPECT: PRODUCT PORTFOLIO				
G4-DMA	Management approach - product portfolio		20-21, 58-59	
FS6	Investment portfolio divided by region, size and sector	How Swedfund's investments are distributed Reporting of development results Our portfolio and Investment process decisions in 2015	17, 53-54, 64-65	
MATERIAL ASPECT: AUDITS				
G4-DMA	Management approach - audits		23	3-9
Egen indikator	Number of audits		25	
MATERIAL ASPECT: ACTIVE OWNERSHIP				
G4-DMA	Management approach - active ownership	Swedfund's investment process Financial viability	22-23 47-48 50-51	
FS10	Percentage of portfolio companies with whom environmental or social issues have been addressed	Environmental and social interests are addressed in all portfolio companies based on assessed risk and impact.	16, 19-24	3-9
FS11	Percentage of investments screened for environmental and social issues	All investments are screened for environmental and social issues	1-10	

SWEDFUND AT THE TOP, AGAIN

In the UN PRI's Pilot Assessment Report 2015, Swedfund has been given a rating of A+.

IN 2012 SWEDFUND became a signatory to the UN Principles for Responsible Investment (UN PRI, www.unpri.org), which require that Swedfund each year reports how the principles are integrated in activities. Swedfund's first report to UN PRI was made in 2014 concerning activities in 2013. The 2015 report concerned activities in 2014. Disclosure of information has generated two different reports:

- (i) Swedfund International AB RI (Responsible Investment) Transparency Report 2014/15, an official report that is published on PRI's website;
- (ii) Swedfund International AB Pilot Assessment Report 2015, a comparison report that Swedfund has submitted and which is published on www.swedfund.se.

In the comparison report, Swedfund is assessed against the 924 other investors that have signed up to PRI and given a rating, from A+ to E, to reflect how the principles are integrated in activities. The rating is made in three categories: overall approach, direct investments (shares and loans) and investments via funds.

The report places Swedfund at the top level, A+, in all three categories.

Swedfund is one of just 18 signatories that received the A+ rating for all applicable modules.

Swedfund is one of few signatories that have allowed its Transparency Report (Swedfund International AB RI Transparency Report 2014/2015) to be subject for independent verification by authorised auditors.

Swedfund's work with responsible investment thus stands up very well in comparison

“SWEDFUND IS ONE OF FEW SIGNATORIES THAT RECEIVED THE A+ RATING FOR ALL APPLICABLE MODULES.” UN PRI

with other investors that are signatories to the PRI principles of responsible investment. The measures taken in the areas for improvement that the previous year's report identified related in particular to improved procedures for managing conflicts of interest, and have affected the year's results positively.

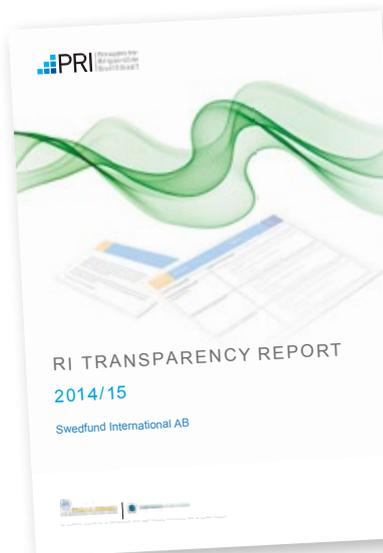
Areas in which Swedfund continues to have development potential:

- Improvements can be even more pro-active in exchanging experience with other stakeholders and investors in order to encourage taking responsibility for sustainable

development and social impact. A more active exchange of experience with other investors and participation in networks such as PRI and Global Compact Nordic Network is naturally not an end in itself, but should support Swedfund's future business development.

- Improvements can be made in other specific ESG results, such as a higher percentage of the portfolio companies that have sustainability policies and responsibility at management level. Improved ESG performance in the portfolio requires continued long-term and active ownership and continuous improvement. It takes time to produce results for strategic sustainability targets but we are sharply focused on making improvements.

“The rating in the report confirms Swedfund's ability to integrate and prioritise ESG issues throughout the entire investment process. By extending the exchange of experience with other investors we can become even better and together we can advance our positions for the financial sector in terms of responsible investment. We will continue to clarify how our investments contribute to the sustainable development goals,” says Karin Askelöf, Senior Manager ESG Affairs, responsible for Swedfund's commitment to UN PRI.



UN PRI RESPONSIBLE INVESTMENT TRANSPARENCY REPORT

With the adoption of the UN Principles for Responsible Investment (UN PRI), which Swedfund signed in 2012, we at Swedfund have undertaken to report annually the results of our work directly on-line within the UN PRI Reporting Framework. Swedfund's first RI Transparency Report 2014/2015 was published both on the UN PRI website, www.unpri.org, and on Swedfund's website in 2015. Swedfund's RI Transparency Report 2015/2016 will be published in the spring 2016.

BOARD OF DIRECTORS

STEFAN ISAKSSON, MEMBER OF THE BOARD

Born: 1963

Board member since: 2013

Education: Economics degree, Uppsala University, MSc London School of Economics.

Current position: Head of policy and analysis group, Ministry of Foreign Affairs, USTYR.

HANNA LAGERCRANTZ, MEMBER OF THE BOARD

Born: 1970

Board member since: 2015

Education: MSc, Stockholm School of Economics, MPhil Economics Cambridge University, UK. Courses: Asian American Studies UCLA USA, Theoretical philosophy, History of ideas, Rhetoric, Stockholm University.

Current position: Deputy director, Ministry of Finance

Other board assignments: Lousavaara Kiirunavaara AB (board member), Svenska rymdaktiebolaget (board member).

Previous board assignments: Svenska skeppshypotekskassan (2008-2010), AO Dom Shvetsii (2009-2011), SOS Alarm Sverige AB (2008-2010), Fouriertransform AB (2012-2014), SBAB Bank (2010-2013).

RENÉE ANDERSSON, MEMBER OF THE BOARD

Born: 1947

Board member since: 2012

Education: Medical secretary and autodidact.

Current position: Consultant and lecturer in sustainability issues, Honorary doctor, Lund University.

Other board assignments: Swedbank Roburs sustainability committee

(member) The Swedish Anti-Corruption Institute (member), Stockholm International Water Institutes Scientific Program Committee (board member) and other non-profit commitments, Blichta Association, leprosy village, Addis Ababa, Ethiopia (member and treasurer)

Former appointments: Head of Ethics and Environment Issues, Indiska Magasinet AB.



Stefan Isaksson

Hanna Lagercrantz

Renée Andersson

MANAGEMENT TEAM

ANNA RYOTT
CEO

FREDRIK WIJKANDER
Director Investment Operations,

HELENE LUNDKVIST
Director Finance and Administration

JACOB HAGERMAN
Chief Legal Counsel

KAI SUNDSTRÖM
Director of Communications,

KARIN KRONHÖFFER
Business Development

NICLAS DÜRING
Portfolio Director

CLAES EKSTRÖM, CHAIRMAN

Born: 1958

Board member since: 2008

Education: Graduate engineer, Chalmers; bachelor of economics and law studies at the University of Gothenburg.

Current position: Partner, Altor Equity Partners.

Other board assignments: Northstar (board member), Papyrus (board member), Orchid Orthopedic Solutions (board member), and several other non-profit commitments; Mentor (preventing drugs), Karolinska institutet, Stella and World's Children's Prize.

PERNILLA BARD, MEMBER OF THE BOARD

Born: 1967

Board member since: 2012

Education: Master of Science from the Stockholm School of Economics.

Current position: Founder of Social Initiative.

Other board assignments: Social Initiative Norden AB, Riksteatern.

BJÖRN BÖRJESSON, MEMBER OF THE BOARD

Born: 1951

Board member since: 2012

Education: Candidate of Law

Current position: Consultant

Other board assignments: Tredje AP-fonden (vice chairman), member of Åke Wiberg's foundation, Euroclear Sweden, Euroclear Finland and Ahlströmska foundation.

Former board appointments: Kommuninvest i Sverige AB (chairman), UC AB (chairman) and subsidiary of the Handelsbank group.

Former positions: Deputy CEO, Handelsbanken.

CHARLOTTE SALFORD, MEMBER OF THE BOARD

Born: 1970

Board member since: 2014

Education: MSc, London School of Economics; BA, EU law, International Relations, Finance Université libre de Bruxelles, Belgium.

Current position: Managing Director, GrowthCap Ltd.

Other board assignments: Give a Future, Neuroinvent, Reach for Change, Hugo Stenbeck foundation.

BENGT KVARNBÄCK, MEMBER OF THE BOARD

(not in picture)

Born: 1945

Board member since: 2012

Education: Master degree in Materials engineering, Royal Institute Of Technology, Stockholm (1970).

Other board assignments: Q-Matic AB.

Former board appointments: Nimbus Boats Holding AB, Relacom AB, Dynapac AB, Volvo Penta AB, Kalmar Industries AB, Industriförvaltnings AB Kinnevik, Invik AB, Ålö AB, Korsnäs AB, Atlas Copco Airpower BV (Belgium), a large number of companies within the Atlas Copco Group, etc.



Claes Ekström

Pernilla Bard

Charlotte Salford

Björn Börjesson

DIRECTORS' SIGNATURES

SWEDFUND'S BOARD herewith submits Swedfund's Integrated report including Annual Report and Sustainability / Communication on Progress (COP) Report for 2015.

The Annual Report (pages 9-94) is prepared in accordance with generally accepted accounting principles for state-owned companies (Guidelines for external reporting for state-owned companies). The submitted information reflects

the real circumstances and nothing of significance has been omitted that is likely to affect the image of the company as described in the Annual Report, Sustainability / COP Report.

SWEDFUND'S INTEGRATED REPORT has drawn inspiration from The International <IR> Framework issued by the International Integrated Reporting Council (IIRC).

STOCKHOLM, 23 MARCH 2016


CLAES EKSTRÖM
CHAIRMAN


RENÉE ANDERSSON


PERNILLA BARD


BJÖRN BÖRJESSON


STEFAN ISAKSSON


BENGT KVARNÄCK


HANNA LAGERCRANTZ


CHARLOTTE SALFORD


ANNA RYOTT
MANAGING DIRECTOR

OUR AUDIT REPORT WAS SUBMITTED ON 3 MARCH 2016
ERNST YOUNG AB


JENNIFER ROCK-BALEY
AUTHORISED PUBLIC
ACCOUNTANT



TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report

To the annual meeting of the shareholders of Swedfund International AB, corporate identity number 556436-2084

Report on the annual accounts

We have audited the annual accounts of Swedfund International AB for the year 2015 except for the corporate governance statement on pages 87-90. The annual accounts of the company are included in the printed version of this document on pages 9-94.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Swedfund International AB as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 87-90. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Other matters

The audit of the annual accounts for 2014 was performed by another auditor who submitted an auditor's report dated 24 March 2015, with unmodified opinions in the Report on the annual accounts.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Swedfund International AB for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 87-90 has been prepared in accordance with the "Government's owner policy and guidelines for government owned companies" (Statens ägarpolicy och riktlinjer för företag med statligt ägande).

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, in accordance with the owner policy, and its mandatory statutory content is consistent with the other parts of the annual accounts.

Stockholm 23 March 2016

Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant

OUR ADHERENCE TO REPORTING GUIDELINES

Report profile

Swedfund's annual report for 2015 is a totally integrated report in which the sustainability-related information in the directors' report is fully integrated with financial data, and vice versa. This structure means that this report is formulated in line with the International Integrated Reporting Council's (IIRC) Framework, The International <IR> Framework. Swedfund complies with the Government Offices of Sweden's Guidelines for external reporting for state-owned companies.

The entire annual report is subject to verification with a reasonable level of reliability, i.e. auditing. This means that Swedfund deviates from the government's demands for a separate review with limited level of reliability, concerning review of the Sustainability Report. The application of audit on the sustainability report, according to the GRI guidelines see below, means for Swedfund, high demands on the accuracy of the information. The increased demands on accuracy and traceability in the report challenge us and lead to improved internal processes and procedures and increased transparency. One assurance (auditor's report) of our entire integrated report is a very effective tool to pursue the work on sustainable business ahead by working systematically with clear reporting and monitoring. Audit means a high degree of quality assurance which is crucial for the credibility of our reporting.

Report defined by the Board

The Board has signed the integrated report and publishes it in its entirety. This year's report has a special focus on Swedfund's strategic focus and on the reporting of development results, which is why significant space has been reserved for descriptions of a selection of investment case studies to show how they contribute to reducing poverty through their impact on society, sustainability and financial viability.

The Sustainability report is the eighth to be produced since the first in 2008 and is an integrated part of the report.

Framework for financial reporting

In its financial reporting, Swedfund follows the Swedish annual accounts act, Swedish Accounting Standards Board's general

advice (2012:1) and the Swedish Code of Corporate Governance.

Sustainability reporting framework

We apply version G4 of the Global Reporting Initiative's (GRI) sustainability reporting framework, as well as GRI G4 Sector Disclosures, Financial Services, core level.

UN Global Compact, Communication on Progress, COP

Following Swedfund's adoption in 2012 of the UN Global Compact, Swedfund reports on its implementation of the Global Compact's 10 principles in an annual Communication on Progress (COP). The first COP was submitted in April 2013. In this report we are integrating our fourth COP. In the GRI/COP index we follow the BASIC GUIDE Communication on Progress, GC Active Level, prepared by UN Global Compact.

UN PRI

By adopting the UN Principles for Responsible Investment (UN PRI) in 2012, Swedfund undertook to report the results of these activities directly online to the PRI secretariat. Swedfund's first report concerning 2013 is found in Swedfund's RI TRANSPARENCY REPORT 2013/2014. Data reported by Swedfund was subject to a general review by EY. Swedfund will report data for 2015 to the PRI secretariat online before the end of March 2016 and references will be made to this in the 2016 integrated report.

Audit

EY submits an audit report for Swedfund's annual report. The links in the report have not been subject to auditing.

Scope of the report and demarcations

This report mainly covers Swedfund and its portfolio companies, with a specific focus on companies in which we have Board representation, but we also report about portfolio companies in which Swedfund is a lender and on the funds we invest in. Significant assumptions, restrictions in the selection of portfolio companies for reporting and methods for measuring impact on society, sustainability and financial viability are presented throughout the report.

The data presented on an aggregated level regarding development results and other portfolio indicators comprises compiled results provided by portfolio companies in special self-assessments, as well as through financial and other reporting. Read more about the demarcations concerning the reporting of development results on page 56.

We are convinced that transparent reporting of development results benefits value creation, development results and stakeholder relations. However for confidentiality reasons we do not have the possibility to report about individual portfolio companies' performance.

In this report, as in last year's, we are reporting taxes country by country based on the portfolio companies' tax payments, which can be found in the companies' annual reports. Swedfund itself pays tax in Sweden only.

Limitations

Our activities mean that we invest in a number of new projects every year and divest others. The portfolio is therefore under constant transformation, which makes comparison between years rather difficult. In this year's report we observe the reporting routines for development results in the portfolio companies first introduced in last year's report. This enables some comparison. Development results are thus reported for the reporting year from 1 January to 31 December 2015 compared with results for 2014 and for some indicators, results for 2013. For some indicators there are no comparisons with previous years.

Our portfolio companies' financial reporting is subject to auditing in the countries where they operate. Reporting of development results are based on self-assessments by portfolio companies, collected via the questionnaire: Swedfund Portfolio Company Sustainability Report 2015.

Contacts

The contacts at Swedfund for the 2015 Integrated Report are as follows: for financial information, Helene Lundkvist, Director of Finance and Administration; for reporting of development results and for the integrated report in its entirety, Karin Askelöf, Senior Manager ESG Affairs.

GLOSSARY

AAAA.....	Addis Ababa Action Agenda	IFI.....	International Finance Institution
Audit.....	Extensive assessment of ESG matters	IFU.....	Denmark's DFI
COFIDES.....	Spain's DFI	IICF.....	Interact Climate Change Facility
COP 21.....	Conference of Parties (COP) 21 or climate conference in Paris 2015	IIRC.....	International Integrated Reporting Council
DAC.....	Development Assistance Committee	ILO.....	International Labour Organisation
DD.....	Due Diligence	IMF.....	International Monetary Fund
DEG.....	Deutsche Entwicklungs Gemeinschaft, Germany's DFI	MW.....	Megawatt
DFI.....	Development Finance Institution	Norfund.....	Norway's DFI
EDFI.....	European Development Finance Institutions	OECD.....	Organisation for Economic Co-operation and Development
E&S.....	Environmental & Social	OeEB.....	Austria's DFI
ElectriFI.....	The Electrification financing Initiative	OFC.....	Offshore Financial Center
ESG.....	Environmental, Social & Governance	PGU.....	Swedish global development policies
ESGAP.....	Environmental Social Governance Action Plan	SBI.....	Belgium's DFI
ESHIA.....	Environmental, Social, Health Impact Assessment	SDG.....	Sustainable Development Goals
Ethical Corporation.....	Monthly journal providing global news about social, environmental and financial issues	SEK.....	Swedish kronor
FAR.....	Swedish institute for authorized public accountants	Sida.....	Swedish International Development Cooperation Agency
FfD.....	Financing for Development	SIFEM.....	Switzerland's DFI
Finnfund.....	Finland's DFI	SIMEST.....	Italy's DFI
Financial inclusion.....	Increased access to affordable financial services for larger numbers of people	SOFID.....	Portugal' DFI
FMO.....	The Netherlands' DFI	SSA.....	Sub-Saharan Africa
GDP.....	Gross Domestic Product	TA.....	Technical Assistance
GRI G4.....	Global Reporting Initiative, G4	UN.....	United Nations
HIPSO.....	Harmonised Indicators for Private Sector Operations	UN GC.....	United Nations Global Compact
IFC.....	International Finance Corporation	UN GP.....	UN Guiding Principles on Business and Human Rights
		UN PRI.....	United Nation's Principles for Responsible Investments
		USD.....	US dollars
		WDI.....	World Development Indicators



Swedfund