

# INVESTMENTS WITH RIPPLE EFFECTS

INTEGRATED REPORT 2022



Swedfund

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### COVER

On the front cover, we see Judy Nyambura Mwang who works as a Team leader at Premier Credit in Kasarani outside Nairobi, Kenya. On the back cover, Samuel Gichau Kirema is portrayed. Samuel is a Supakwik intern at Premier Credit in Kasarani. Judy and Samuel were photographed for our Integrated Report by Ignacio Hennigs/Thought Leader Global.

### ABOUT THIS ANNUAL REPORT

Swedfund's 2022 Integrated Report is an integrated annual report. Sustainability information is integrated with the financial information in the report and vice versa. The integrated report is submitted by the Board of Directors of Swedfund International AB, organisation number 556436-2084. The report is inspired by the International Integrated Reporting Council's (IIRC) framework.



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## We are reducing poverty through sustainable investment

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

**OUR MISSION IS TO** finance and develop sustainable companies in order to create jobs and improve access to socially important products and services. A well-developed private sector with jobs offering decent working conditions leads to stable communities and reduces poverty. Swedfund is a state-owned company which is managed by the Swedish Ministry of Finance. Its operations are financed by reflows from the portfolio and through capital injections from the development cooperation budget, for which the Swedish Ministry for Foreign Affairs is responsible.

Swedfund was established in 1979 and has ever since invested in businesses, financial institutions and funds in countries in Africa, Asia, Latin America, the Middle East and Eastern Europe. There are similar development finance institutions in fourteen other European countries. They are all part of the European Development Finance Institutions (EDFI) collaborative organisation. At the end of 2022, Swedfund had 64 investments in companies, financial institutions and funds, with 65 percent of the portfolio being located in sub-Saharan Africa.

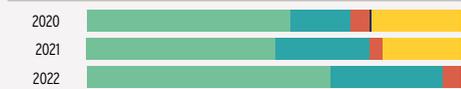
Swedfund is a state-owned company which is managed by the Swedish Ministry of Finance

We are a leading development cooperation organisation within development finance

### PORTFOLIO DISTRIBUTION

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

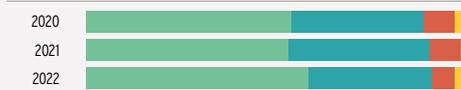
#### GEOGRAPHY



- Africa 65.0%
- Asia 30.0%
- Eastern Europe 5.0%
- Latin America 0%
- Other 0%

\*In 2022, the 'Other' category, which historically included investments with a broad geographical mandate, was distributed to underlying countries based on actual distribution and qualified pipeline.

#### SECTOR



- Financial inclusion 59.0%
- Energy & Climate 33.0%
- Health 6.0%
- Other 2.0%

#### INVESTMENT INSTRUMENTS



- Equity 10.0%
- Funds (equity) 51.0%
- Funds (loan) 8.0%
- Loans 31.0%

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# Our method contributes to sustainable development

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

## HOW WE OPERATE

Our work is based on our Theory of Change. This means that we carry out an analysis of how a potential investment can contribute to change and what direct and indirect development effects we can help to create. We contractually bind the changes we want to achieve and consider possible, and provide expertise and technical assistance as and when necessary in order to support a development in the right direction. Our business model is based on three pillars: impact on society, sustainability and financial viability. We follow up and report a number of indicators linked to each pillar, and our overall results describe the impact and development effects we have generated.

We are also involved in capacity-enhancing initiatives and feasibility studies through the Swedfund Project Accelerator. This takes place at an early stage in the investment cycle and helps to ensure that more sustainable projects are developed and implemented in developing countries. The projects pave the way for more sustainable investments and increased trade between countries.



### IMPACT ON SOCIETY

Swedfund's investments shall have an impact on society in developing countries. We measure performance using the following indicators:

- Jobs
- Gender equality and the economic empowerment of women
- Climate impact
- Tax revenues



### SUSTAINABILITY

Swedfund's investments are aimed at helping to create sustainable businesses in developing countries. We measure performance using the following indicators:

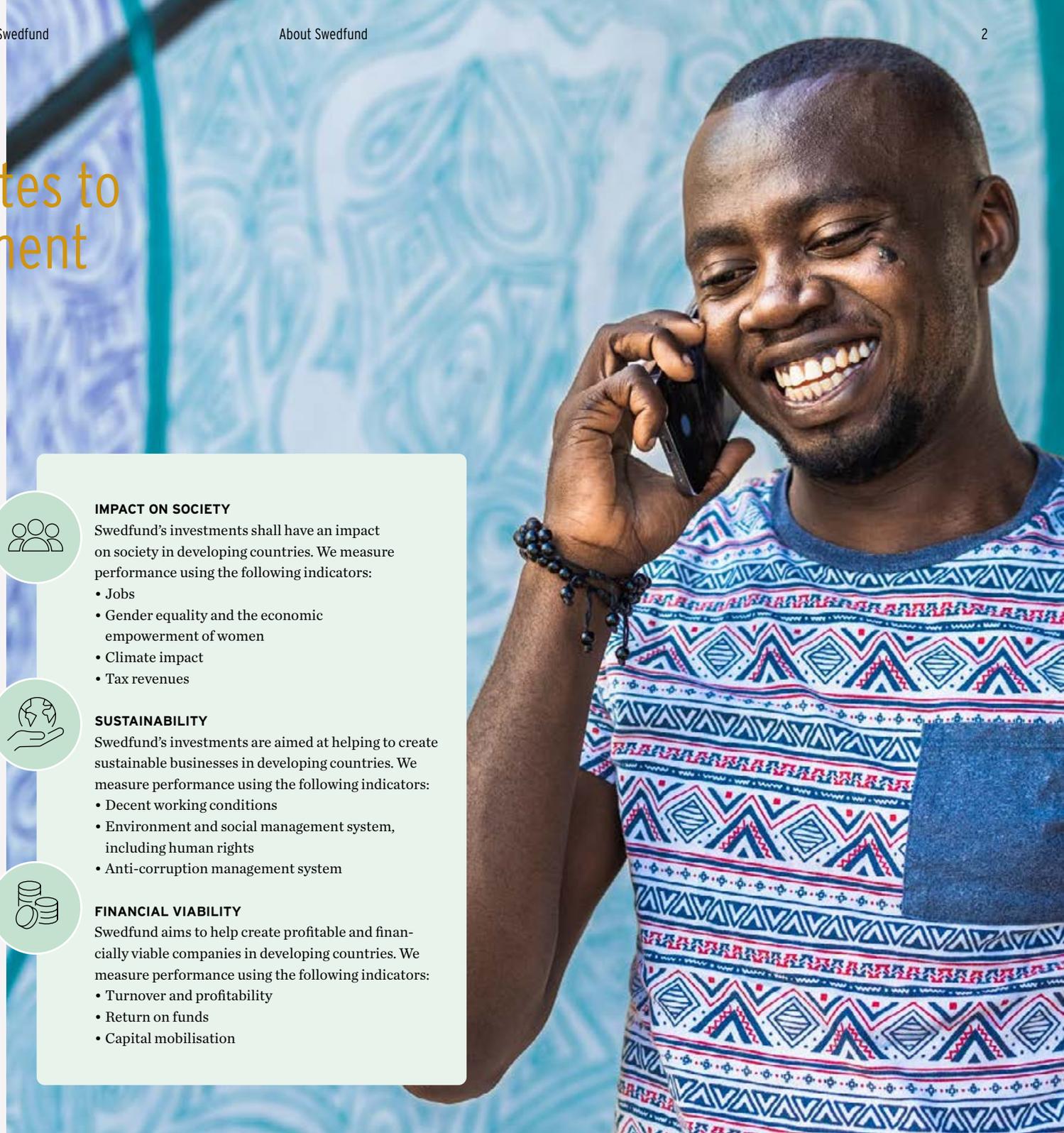
- Decent working conditions
- Environment and social management system, including human rights
- Anti-corruption management system



### FINANCIAL VIABILITY

Swedfund aims to help create profitable and financially viable companies in developing countries. We measure performance using the following indicators:

- Turnover and profitability
- Return on funds
- Capital mobilisation



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## OUR FOCUS

According to our Owner Instructions, Swedfund's remit is to operate in the least developed countries, where there is the greatest opportunity to make a difference. We have therefore opted to have a geographical focus on sub-Saharan Africa and the most vulnerable countries in Asia and Eastern Europe. 65 percent of Swedfund's investments take place in sub-Saharan Africa.

**63%**  
Proportion of investments that reports growth in revenue and profit

**20%**  
Volume of mobilised private capital in relation to contracted value

**SEK 1.2 billion**  
Capital injection during the year

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

Through Swedfund's Project Accelerator, we are also able to contribute to the development and implementation of sustainable projects in renewable energy and green infrastructure, with the aim of achieving the goals of Agenda 2030.

## OUR ADDITIONALITY

According to Swedfund's Owner Instructions, our investments must be additional in accordance with the OECD Development Assistance Committee's definition of additionality. This means that we enable investments that would otherwise not take place. Swedfund assesses additionality from three perspectives: financially, in terms of sustainability and from the impact on society that an investment generates. That we add something in all three dimensions is a prerequisite for us to go ahead with a new investment. In addition to capital, it may be a question of providing skills to help businesses develop in the right direction. We often use funds for Technical Assistance (TA) for quality-enhancing initiatives amongst portfolio companies and to increase the overall development effects that the business generates.

## OUR RISKS

Taking risk is a pivotal part of our mission and business. By taking risks and showing the opportunities, we are catalytic. Our ambition is to act as a bridge to private capital and boost private investment in developing countries. The work relating to risk management aims to achieve risk optimisation based on mission objectives and a business model, rather than risk minimisation in every regard.

[Read more about our risks on pages 42-44](#)



Phewa Lake in Pokhara is Nepal's second largest lake.

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## Figures showing positive development

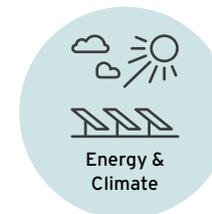
In our mission to contribute to sustainable investments in developing countries, it is vital that we set clear goals and measure results. Here, we present some of the key results that we have achieved. Compared with last year's results, our portfolio this year has performed significantly better as regards the majority of the indicators that we use to measure the impact of an investment.

Total number of jobs in the portfolio companies:	Reported tax in total, SEK billion:	Proportion of portfolio companies that have increased the number of employees during 2021:
--	-------------------------------------	--

<b>333,000</b>	<b>approx. 12.4</b>	<b>61%</b>
----------------	---------------------	------------

Estimated number of indirect jobs to which the portfolio contributes:	Job growth: The high figure for the year is primarily explained by the funds' underlying holdings.
---	--

<b>approx. 1,530,000</b>	<b>32%</b>
--------------------------	------------



Energy production:

**10 TWh**



Number of microfinance loans:

**approx. 7,700,000**



Number of doctors and nurses at our hospitals and clinics:

**approx. 6,200**

Number of households and companies with access to electricity via off- and mini-grids:

**approx. 3 million**

Number of loans to SMEs:

**approx. 450,000**

Number of patient consultations:

**approx. 6 million**

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Number of new investments during the year:

15

Number of divestments during the year:

5

Portfolio return, IRR (read more on page 86):

5,1%

Number of portfolio companies and total contracted amount (incl. surplus values) SEK million



## OUR MISSION OBJECTIVES

Proportion of investments in line with 2X (see page 33):

57%

Portfolio emissions per invested Swedish krona:

28.9 tCO<sub>2</sub>e/MSEK

Read more about our mission objectives on pages 32-33

Operating profit:

MSEK 151

Proportion of mobilised capital:

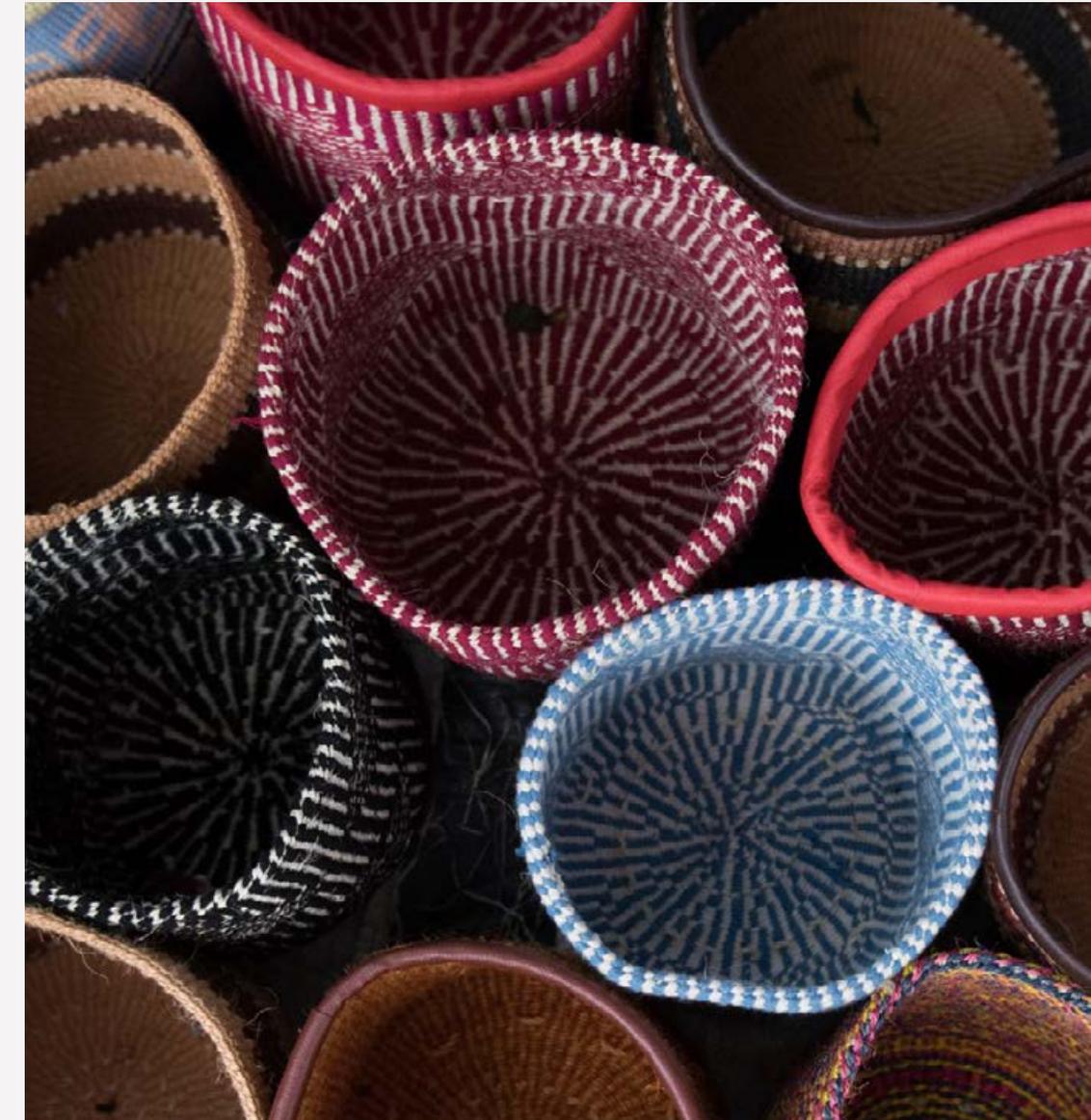
20%

Proportion of investments that increase both sales and profitability:

63%

Proportion of portfolio companies in the active value creation phase which fulfil the ILO Fundamental Conventions:

100%



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# Swedfund's investments lay the foundations for a better future

2022 was marked by a number of interlinked crises. Russia's invasion of Ukraine has heightened uncertainty in the global economy and added to pandemic-related problems such as trade disruption and slowing economic growth. This is reinforcing pre-existing challenges in developing countries, such as poverty, food insecurity, inflation and high debt. At the same time, climate change is continuing unabated. Swedfund's mission, to reduce poverty through sustainable investments, is therefore more important now than ever before.

**AT THE START** of the year, we began to return to normality after two years of pandemic. However, this situation was rapidly changed when Russia invaded Ukraine and began a war that has caused enormous suffering and had major consequences globally. According to the OECD, the global economy is facing major challenges in the form of an energy crisis, lower growth, high inflation and rising interest rates. Higher interest rates globally are putting pressure on households, businesses and governments and hitting vulnerable groups and already indebted developing countries, whose economies are still in a recovery phase in the wake of the pandemic.

At the same time, the Intergovernmental Panel on Climate Change is warning of global warming far in excess of the goals of the Paris Agreement. At COP27 (climate) and COP15 (biodiversity), many important decisions were made that must be implemented and financed. The report from the UN Environment Agency (UNEP) shows a huge gap between the need for climate adaptation and the actual investment taking place in developing countries. An example of the type of investment that is needed is Swedfund's investment in the Climate Investor Two fund, which

invests in water, waste management and ocean-related projects.

## FAST PACE OF INVESTMENT SET TO CONTINUE

Swedfund carried out a total of 15 new investments within Energy & Climate, Financial inclusion and Health, with a value of SEK 2.1 billion. These investments were financed through capital injections from the development cooperation of SEK 1.2 billion and Sweden's own reflows from the portfolio.

The value of Swedfund's contracted portfolio continued to grow and amounted to just over MSEK 8,400 at the turn of the year, which means that the value of the portfolio rose by almost MSEK 2,600 in 2022. This increase is the result of a high volume of new contracted investments and a positive effect on the value of the portfolio from currency translation and changes in the value of a number of holdings. The reported operating profit (EBIT) for the full year amounts to MSEK 151 and was positively affected by currency effects. Full-year earnings have been negatively impacted by a number of write-downs, which are predominantly attributable to holdings in the Energy & Climate sector, where higher market

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”  
Our expertise within the sectors in which we invest, combined with our business model which balances impact on society, sustainability and financial viability, formed the basis for this year’s good results. Like well-developed partnerships with other actors, active value creation is a prerequisite for continuing to accelerate development.

interest rates have generally had a negative impact on valuations of underlying assets and as regards investments in Ukraine. However, the portfolio as a whole has shown growth in surplus values, which are reported outside the income statement. Swedfund is achieving the financial goal of a positive EBIT on average over five years, and the portfolio’s average annual return since 2013 (IRR) amounts to 5.1 percent.

### RESULTS WITH A BIG IMPACT

Given the global situation, it is crucial to strengthen the resilience and growth of small and medium-sized enterprises (SMEs). Many African companies find it difficult to obtain finance from banks because they lack collateral and a formal credit history. During the year, Swedfund invested in two credit funds based in Africa – BluePeak and Vantage. The aim is to improve access to long-term capital for SMEs and to contribute to their further growth, which is expected to lead to significant job creation and improve access to essential goods and services, such as medicines and connectivity and communication services.

Given the challenges we have seen, it is a very positive sign that our total portfolio is contributing 333,000 jobs, that 61 percent of the portfolio companies have seen positive job growth, and that 100% of the holdings in the active value creation phase are fulfilling the ILO’s Declaration on Fundamental Principles and Rights at Work. A job is often what people need to escape from poverty, and a job in the

formal sector also helps to create even more indirect jobs. Our portfolio is estimated to have contributed to 1.53 million indirect jobs. 57 percent of the portfolio meets the requirements for investing in women entrepreneurs, in companies with women in senior positions, with a high proportion of female employees or products and services targeting women. In the Energy & Climate sector, our investments supply energy to around three million households and companies. Approximately 450,000 SMEs gain access to loans through our investments in financial inclusion, and we have contributed to approximately six million patient visits through investments in the health sector. Through this type of impact, our investments have a ripple effect and contribute to sustainable and inclusive economic development.

### GROWTH LEADS TO NEW SECTOR AND NEW REGIONAL OFFICE

Swedfund’s organisation has grown during the year in order to better meet the needs of developing countries, and we have also been able to conduct many site visits thanks to the relaxation of travel restrictions. We have decided to establish the sector Sustainable Enterprises, which brings together our fund investments and thematic investments in health and digitalisation. Following the increasing food insecurity and growing hunger, we have decided to add a new sector, within which we will contribute to streamlining food supply through investments at the production and

processing stages. Furthermore, Swedfund has decided to expand its regional presence by establishing a regional office in Abidjan in Ivory Coast. In the same way as the regional office in Nairobi, the office will help to boost investment volumes in West Africa. Our expertise within the sectors in which we invest, combined with our business model which balances impact on society, sustainability and financial viability, formed the basis for this year’s good results. Well-developed partnerships with other actors, as well as active value creation are prerequisites for continuing to accelerate development.

### PROJECT ACCELERATOR AS A BRIDGE

During the year, Swedfund’s Project Accelerator continued to address the challenge of limited capacity in the public sector in developing countries, and helped sustainable projects to develop, become financially viable and be implemented. The Project Accelerator serves as an important bridge between development cooperation, trade and investment. When sustainability aspects and life-cycle costs are taken into account in procurements, business opportunities can be created for Swedish companies which offer sustainable and long-term solutions. The primary focus is on green infrastructure, renewable energy and sustainable transportation. The work of the Project Accelerator is closely linked to Swedfund’s investments through, for example, feasibility studies that help to improve the electricity grids of the countries



concerned and create the right conditions to enable renewable energy generated through Swedfund’s investments to be managed. In cooperation with the Ukrainian Ministry of Internal Affairs, the Project Accelerator has worked on preparations and support for the procurement of a national emergency “112 system” in Ukraine. We see excellent opportunities to further use the feasibility study instrument to contribute to the recovery and reconstruction of Ukraine.

### WELL-EQUIPPED TO MEET GREATER NEEDS

In 2023, I look forward to continuing to develop the business together with my employees. A capital injection of MSEK 1,460, with MSEK 460 earmarked for climate investments, presents us with excellent opportunities to continue to deliver on our mission. Through the cooperation within EDFI, we have gained access to an EU guarantee framework to carry out investments in line with the priority areas set out in Global Gateway, renewable energy, digital infrastructure, climate and health. This will enable both us and other development finance institutions to further accelerate investments to meet the enormous needs that exist today, while at the same time ensuring that our efforts generate positive effects for the future and accelerate progress towards Agenda 2030.

Maria Håkansson,  
Chief Executive Officer

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# Swedfund has a clear mission, generates strong results and continues to grow



Catrin Fransson took over as Chair of Swedfund's Board in April 2022. It has been an eventful time recently, with the restrictions relating to the Covid-19 pandemic being relaxed, yet at the same time, Russia's invasion of Ukraine has impacted the entire global economy. We spoke to Catrin about the task she faces and how she views the future.

## WHAT WAS THE DECIDING FACTOR WHEN YOU ACCEPTED THE ROLE OF SWEDFUND'S CHAIR OF THE BOARD?

Accepting the offer was an easy decision. I believe that Swedfund's mission, to help reduce poverty through sustainable investments in developing countries, is a vital one. There has long been a strong need for sustainable investments in developing countries and, given what is happening in the world around us today, this need is only continuing to increase. Swedfund's many years of experience and strong expertise put us in a position to make a genuine difference.

During the years I worked as CEO of another state-owned company, I came across and worked with Swedfund on numerous occasions. Through the partnership within Team Sweden and STEP, where Swedish operators work together according to their different mandates, I was fortunate enough to travel with colleagues from Swedfund and visit some of Swedfund's portfolio companies.

## AS CHAIR OF SWEDFUND'S BOARD, WHAT DO YOU HOPE TO CONTRIBUTE WITH AND WHAT IS YOUR VISION?

I was fortunate to join Swedfund at a time when the organisation is growing and has strong leadership and highly motivated employees. Swedfund has a clear vision and effective and efficient processes in place. My hope is that I and the rest of the board will be able to support the management in further developing the strategy, a task that will be performed in 2023.

## WHAT ARE YOUR TOP PRIORITIES FOR THE MISSION IN THE SHORT TERM?

The mission from our owner is clear but, now that we have a new government in place, it is important that they feel well-informed about what Swedfund is doing. Swedfund is Sweden's development finance institution and this field of development cooperation is growing in importance, both within the EU and internationally.

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We have set the bar high as regards transparency and reporting back on the development effects and financial results that our investments create, with sustainability at the core of the investment process. Although our financial position is very strong, in order to continue to grow and increase our contribution to Agenda 2030 further, we are dependent on annual capital injections.

### THE WORLD IS CURRENTLY BEING BATTERED BY A NUMBER OF PARALLEL CRISES - WHICH AREAS DO YOU SEE AS BEING MOST IMPORTANT FOR SWEDFUND TO FOCUS ON?

Unfortunately, the situation facing the world, with numerous crises all happening at the same time, is leading to a marked increase in poverty and an increasing need for sustainable investments. Through its contribution to the sustainable development of the private sector in developing countries, Swedfund is an important part of the solution. I believe it is vital that we continue to contribute to the creation of more jobs with decent working conditions. Our investments lead to the creation not only of direct jobs, but also indirect jobs at subcontracting level, as a result of increased consumption, etc.

Another vital area will be to continue to address the challenges that we see linked to climate change. The climate crisis is leading to increased poverty, and it is therefore pleasing to see that we have received a capital injection specifically earmarked for climate investments. We will continue to work on our priority sectors, while at the same time including and addressing climate impacts to an even greater extent. We have also begun work to improve access to food through investments in the production and processing of food.

In October, the board travelled to Nairobi, where Swedfund has its regional office. This gave the board the opportunity to visit several portfolio companies and to see the impacts that Swedfund's investments are having, and the importance of development finance institutions to contribute to sustainable and inclusive growth.

### THE WORLD'S NEEDS AND CHALLENGES ARE INEXTRICABLY INTERTWINED - WHAT IS SWEDFUND'S UNIQUE CONTRIBUTION TO ACHIEVING THE GOALS OF AGENDA 2030?

Swedfund has a clear mission, generates good results and continues to grow. At the same time, we are a small player in an international perspective. This makes it particularly important that we work with other actors. We currently have an excellent collaboration with our European colleagues within EDFI, along with a deep and close collaboration with our Nordic colleagues.

Swedfund has built an excellent organisational structure and strong expertise in the sectors that we have chosen to focus on. This means that in many cases we are a much sought-after partner and that, through cooperation, we can benefit from the expertise of others. Working together, we can achieve results which, from a number of dimensions, have a positive impact on individuals, communities and the development and future competitiveness of the countries concerned. Our unique contribution is that we, in partnership with others, carry out investments which create ripples on the water.

Catrin Fransson  
Chair of the Board



” My hope is that I and the rest of the board will be able to support the management in further developing the strategy, a task that will be performed in 2023.

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# Investments to create sustainable development for more people

In recent years, a number of global crises have negatively impacted the implementation of Agenda 2030. In order to reverse the trend and overcome challenges such as increasing poverty, climate change and inequality both within and between countries, various types of tools and initiatives will be needed that create positive effects for the future.

## JOINT WORK AND INITIATIVES FOR AGENDA 2030

Agenda 2030 is an action plan that includes the UN's 17 Sustainable Development Goals (SDGs), which aims to create a sustainable society for people, the planet and prosperity. Agenda 2030's goals and targets are linked; success within one of these affects other goals positively, and vice versa.

Even before the Covid-19 pandemic, there was concern that the developments aimed at achieving the goals of Agenda 2030 were not taking place fast enough. The effects of the pandemic, the invasion of Ukraine and the ongoing climate crisis have further negatively affected the implementation of Agenda 2030. Progress in relation to some of the goals has come to a complete standstill and, in some cases, developments are even going backwards.

Developing countries are more affected by crises. They are often highly indebted and are hit hard by rising interest rates and higher inflation. At the same time, there is a limited scope for implementing reforms and launching support packages to strengthen the economy, companies and the society's resilience. Many countries lack the resources and capacity needed to effectively limit or deal with the consequences of a crisis.

Despite the negative developments, we believe it is still possible to reverse the trend through various initiatives that directly or indirectly have a positive impact on individuals, communities and the climate. This will require effort on the part of a number of operators who, through their respective mandates, methods and tools, can work together and contribute to the attainment of common goals. Both major and minor initiatives today are creating positive ripples for the future.

” Investments that are made today will create positive ripples for the future.

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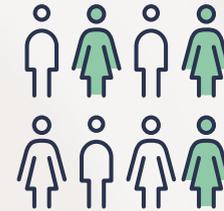
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**1 INVESTMENT**

Swedfund invests capital, expertise and technical assistance in sustainable companies and conducts feasibility studies in developing countries in line with the company's strategy, and often in partnership with other development finance institutions or other like-minded investors.



**2 VALUE CREATION**

Active ownership within our three pillars: impact on society, sustainability and financial viability. To secure sustainable development, we contractually bind the changes we want to achieve and consider possible among the portfolio companies, and provide expertise and technical assistance as and when necessary.



**3 DIRECT EFFECTS**

Our investment activities generate measurable results such as more jobs, improved access to products and services, reduced environmental footprint, higher tax revenues and growth in sustainable companies with good corporate governance.



**4 INDIRECT EFFECTS**

Swedfund's investments have indirect effects in the form of sustainable private sector development, more resilient and prosperous local communities, inclusive development and economic growth, along with accelerated adaptation to and mitigation of climate change.



**5 THE GOAL IS AGENDA 2030**

Collectively, the direct and indirect effects of Swedfund's investments and feasibility studies contribute to fulfilment of the goals of Agenda 2030.

## Development finance has lasting effects

**ONE METHOD THAT** can be used to contribute to Agenda 2030 is development finance. Development finance institutions invest in sustainable companies in developing countries to contribute to poverty reduction, job creation and inclusive economic growth, which also strengthens the resilience of societies to crises. Swedfund is the Swedish state's development finance institution and has more than 40 years of

experience of investing in sustainable companies in developing countries.

Private sector companies account for 90 percent of all jobs in sub-Saharan Africa. Through our investments, both direct and indirect effects are created that lead development forward. If a man or woman in one of the countries in which Swedfund operates gets the opportunity to work in the formal sector or

gains access to a loan to start or grow his or her own company, a number of positive effects will ensue.

According to the World Bank, one job can support 5-7 people and is an important factor in enabling people to lift themselves out of poverty. As a company grows, new direct jobs are created, along with indirect jobs. This takes place through people with an income consuming more and through an increase in demand

for products and services at subcontracting level. The same applies to investments in renewable energy. Access to energy frees up time to work or study and offers the opportunity to start up companies and provide healthcare and other socially important functions.

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## Stronger through collaboration

**SWEDFUND IS ONE** of 15 members of the European Development Finance Institutions (EDFI). At strategic level, the EDFI's agenda is harmonised with the UN Sustainable Development Goals. We often work together and more than half of all investments are made with one or multiple other development finance institutions.

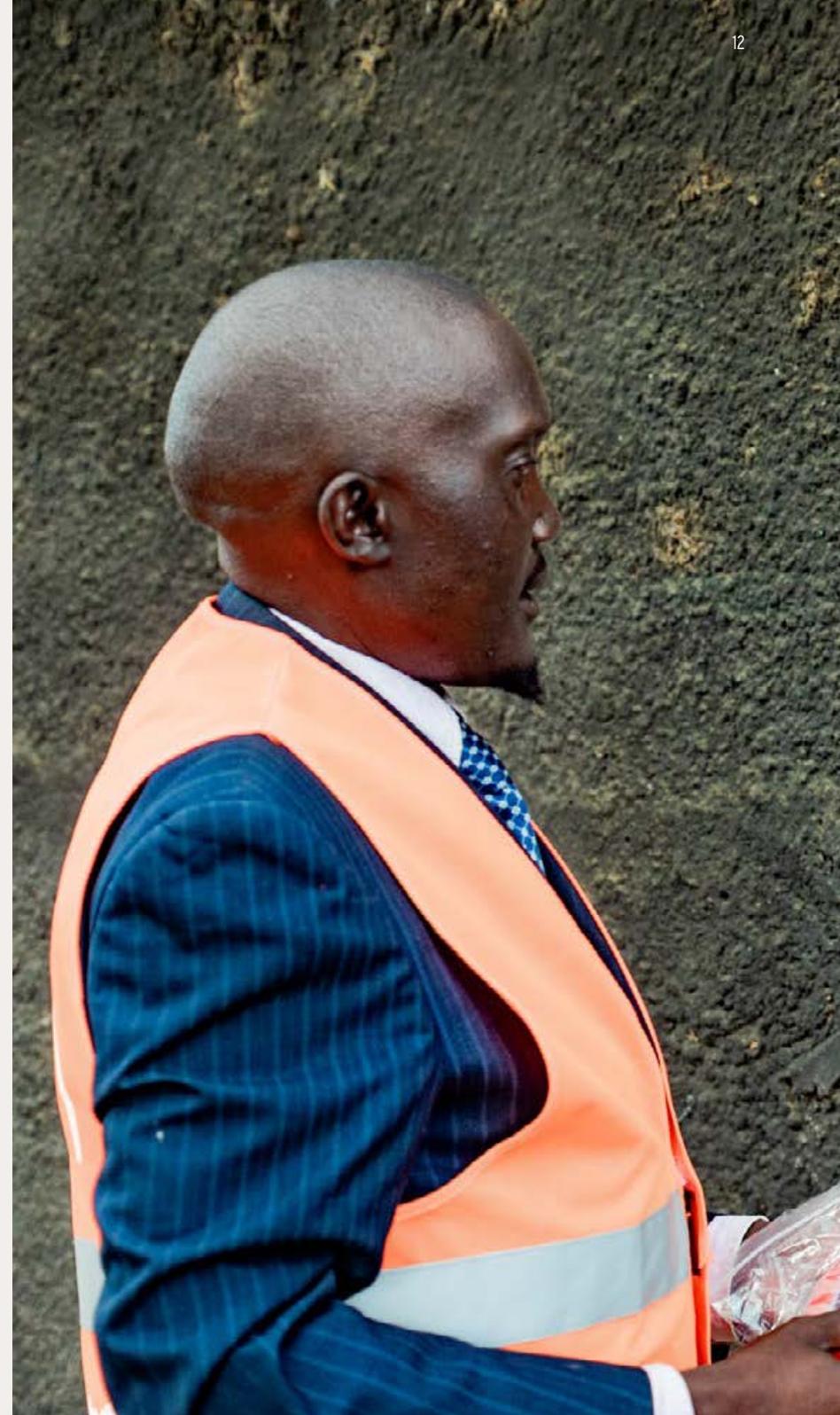
Acting as an investor with other like-minded organisations is important in order to bring about change and displacement. Swedfund also works in partnership with other organisations, including civil society organisations, development banks and other business partners, as well as traditional aid organisations.

As Agenda 2030 is underfunded, development finance institutions have a central role to play in accelerating the implementation by investing and contributing to the development of the private sector in developing countries to promote inclusive growth, an increased tax base and increased trade between countries.

Swedfund works with the European development finance institutions within the framework of EDFI to increase the pace of investment in developing countries and contribute to the realisation of Agenda 2030.

In recent years, the relationship with the EU has developed significantly and several development finance institutions, including Swedfund, are pillar accredited, which means that there is an opportunity for us to use the EU's various instruments for private sector development. As a pillar accredited development finance institution, Swedfund is also a partner in a management company, EDFI MC, which was set up to strengthen financial cooperation between pillar accredited development finance institutions and the EU.

During 2022, EDFI MC developed seven guarantee programmes to increase the proportion of sustainable investments in developing countries with a particular focus on sub-Saharan Africa, Latin America, Asia and Oceania. These guarantee programmes are being implemented within the framework of the EU's Global Gateway strategy, which aims to boost investments in areas such as renewable energy, digitalisation, climate and health. In December 2022, the EU decided to grant guarantees in the amount of EUR 1.28 billion to the EDFI MC. During 2023, Swedfund plans to carry out our first investment actually using the guarantees.



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Erastus Ndaka works for d.light in Kenya. He delivers a solar cell lamp to Redempta Nduva who lives in Machakos outside Nairobi.

## Our contribution to Agenda 2030

**SWEDFUND'S WORK RELATING** to development finance contributes to all the goals of Agenda 2030, but we are particularly focusing on Goal 1 No poverty, Goal 5 Gender equality, Goal 8 Decent work and economic growth, Goal 10 Reduced inequalities, Goal 13 Climate action and Goal 2 Zero hunger. Goals 1, 5, 8, 10 and 13 permeate Swedfund's entire operations and investment process.

Goal 5, Gender equality, is not only an end in itself, but also a prerequisite for sustainable and inclusive development. Poverty declines and economic productivity and growth increase as women participate in the economy and the labour market, gain access to resources and access to functioning markets. According to the World Bank, women reinvest 90 percent of their income in their family or the local community. This means that their income is spent on food, medical care and improvements to the home, but women also use funds to educate themselves and to pay for education for their children. For every year a girl stays in school, her future income increases by 10–25 percent.

On following pages, we have chosen to tell more about how we are working with regard to Goal 8 on decent work and economic growth, Goal 13 on climate action and Goal 2 on ending hunger.



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# Interview with Amit Bouri, CEO and co-founder of GIIN

GIIN, The Global Impact Investing Network is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world.

## CAN YOU ELABORATE A BIT ON THE REASON WHY YOU FOUNDED THE GIIN AND HOW IT HAS DEVELOPED SINCE?

In 2009 when the GIIN was founded, it was before the SDG's and the Paris climate accords. But we recognized that the traditional way of working would be insufficient to rise to the challenges of inequality, climate change, and gender inequity... and all the other critical problems that needed attention and resources.

There were several examples of investors around the world putting capital to work to improve the lives of people and to address environmental issues while maintaining a financial return. We saw the potential to build a global industry and a new way of investing at scale and launched the GIIN to harness the opportunity.

## AT THE GIIN YOU PUT EMPHASIS ON THE IMPORTANCE OF MEASURING, FINDING INDICATORS AND WAYS OF DESCRIBING THE IMPACT OF THE INVESTMENTS. WHY IS THIS IMPORTANT?

We see a growing trend amongst investors to commit to net zero, the SDG's or specific targets like regenerative agriculture or advancing gender equity. Many investors want to measure their success by the actual impact their investments have on people and on the planet. The measurements are important because

it helps translate the good impact intentions into real impact results. It helps us focus on advancing the global goals to be anchored in measures that will drive real results for societies and the planet.

Our tools help investors formulate strategies around impact and identify the core metric sets that they can use to measure and understand their impact performance at a granular level. We envision that these practices and principles will become a standard part of how investors conduct business. That investors will look at their impact performance and their financial performance side by side when they think about whether they're being successful.

## WE ARE NOT ADVANCING AS QUICKLY AS WE WOULD LIKE ON THE SDGS OR ON AGENDA 2030. WHAT ARE THE MOST IMPORTANT ACTIONS TO TAKE?

I think this is a really challenging time and we are constantly contending with all the effects of the poly-crises that we are navigating; the mix of the pandemic, the climate crises, the ecological collapse, and rising inequality. To address systemic problems, we must think about solutions in systemic ways. So, to address the poly-crisis, we have to shift the way finance operates on a fundamental level.

I believe we can change some of the fundamentals so that impact becomes part of the new business-

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as-usual, where investors wake up daily thinking about their impact alongside financial performance.

## HOW DO YOU VIEW THE DFIS AND THEIR ROLE FOR IMPACT INVESTING AND MOBILIZING PRIVATE CAPITAL.

DFIs operate at a critical juncture in the broader effort to mobilize capital for the SDGs. DFIs have a tremendous amount of expertise and experience and relationships on the ground, and an ability to work with investors in ways that donor agencies and other entities usually aren't able to do. For example, DFIs play a critical role in amplification and mobilization.

I hope that the GIIN can continue to be an essential partner to the DFI community and that we have a global network of investors mainly from

private investors who are interested in helping to move more capital to high-impact projects. DFIs also have pipelines and learnings to share with that broader audience.

## AN INVESTMENT CAN CREATE RIPPLE EFFECTS FOR COUNTRY, SOCIETIES, AND PEOPLE. EVERY INVESTMENT AND EVERY EFFORT TO CREATE IMPACT IS IMPORTANT IF WE WANT TO REACH AGENDA 2030. DO YOU AGREE?

Yes, of course. I previously spoke about systemic change, and we must focus on that. But it's also important to recognize that every successful impact investment has a positive impact on people which can in itself have a multiplying effect. You get households that have greater stability, and better livelihoods can ripple through generations and through

communities. And similarly, every company that is growing and having a positive impact is another example of building a broader ecosystem of the private sector actors in the given country and around the world.

The GIIN seeks to help accelerate that ripple effect. By design, we are growing a global network to help to spread learnings, ideas, and opportunities. We don't want people in Kenya, India, Singapore, and Stockholm reinventing the wheel in isolation. Instead, we want to help accelerate the flow of information, ideas, and resources so that we can collectively become more effective faster in response to the poly-crises were all contending with.

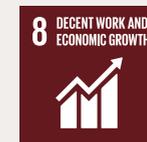
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# JOB S

## Decent working conditions contribute to inclusive and sustainable economic growth

Negative developments in the global economy are hitting developing countries hard and threatening the fulfillment of goal 8 of Agenda 2030. To reverse this trend, more jobs with decent working conditions needs to be created.



### GOAL 8 IN AGENDA 2030

Goal 8 in Agenda 2030 is about promoting inclusive and long-term sustainable economic growth and productive employment, with decent working conditions for all. Today, over half of the world's workers are still in precarious jobs. In developing countries, many people are stuck in a vicious circle of low-productivity occupations, often in the informal sector, with low wages and limited access to education and social security. The global workforce is expected to grow by 800 million people over the next 20 years, making the goal of creating decent work and inclusive economic growth more important than ever.

### THIS DEVELOPMENT IS GOING BACKWARDS

The Covid-19 pandemic led to the worst economic crisis in decades and adversely affected the targets for goal 8. The recovery has been uneven and many developing countries continue to have sluggish economic growth, which in turn is having a negative impact on the labour market. At the end of 2021, the global recovery was further hampered by rising inflation, supply chain disruption and political uncertainty. For 2022, the

ILO estimates that the total number of working hours globally will remain at two percent below pre-pandemic levels. In addition, inflation, which has risen as a result of the war in Ukraine, is expected to have a negative impact on global economic growth. Among developing countries, economic growth is currently well below the target of seven percent in Agenda 2030.

### JOB CREATION AND POVERTY REDUCTION ARE INTERRELATED

In developing countries, over 90 percent of jobs are classified as low-quality or low-productive. The informal labour market, dominated by women, is substantial and characterised by small business owners and workers who are paid on a daily basis. This type of job provides low pay and often lacks security and overtime pay. In Africa, only 17.4 percent of the workforce is covered by a social safety net or insurance.

To reverse this negative trend, more jobs and better opportunities to start a business are needed. According to the World Bank, nine out of ten jobs are created in the private sector, and having a job is the single most important factor in enabling people to lift themselves

out of poverty. A further aspect is the importance of the job being productive, with decent working conditions and a social safety net. Initiatives creating this type of jobs can have a major impact on poverty reduction and economic development.

### SWEDFUND CREATES JOBS WITH DECENT WORKING CONDITIONS

For Swedfund, a job with decent working conditions meets the ILO Fundamental Conventions and Basic Terms of Employment. They concern freedom of association and the right to collective bargaining, the abolition of forced and child labour, the elimination of all forms of discrimination, regulated working hours, minimum wage, and health and safety.

Swedfund's investments help to accelerate the transition of jobs from the informal sector to the formal. When we consider a possible investment, we analyse the current situation and the scope to bring about improvements. If we go ahead with the investment, we will then link our requirements regarding improvements to our financial terms and conditions in the agreement. We operate in markets where our

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requirements are far from standard. This makes our work especially important.

### CORRUPTION AN OBSTACLE TO DEVELOPMENT

In order to achieve goal 8, parallel initiatives aimed at combating corruption will be necessary. The UN estimates that USD 2.6 trillion, equivalent to five percent of the world's GDP, is lost to corruption every year. That is much more than the total value of development cooperation.

Corruption undermines democracy and damages trust in society. It also creates inequality and hinders economic growth and development of the private sector. Research by the IMF shows that corrupt countries attract a significantly lower number of foreign investments compared with countries relatively free from corruption. Corruption also increases the cost for companies of doing business by an average of ten percent.

Swedfund has over 40 years of experience of sustainable investments in the world's most vulnerable countries, many of which are also among the most corrupt. This gives us both a deep understanding of and a sense of humility ahead of the challenges when we work on sustainability among the portfolio companies, by stipulating requirements and supporting them in their efforts to fight corruption.

### DIGITALISATION AN OPPORTUNITY TO ACCELERATE DEVELOPMENT

Digitalisation contributes to increased productivity, jobs, innovation and economic growth. Research shows that a ten-percent increase in mobile services in a country increased GDP by half a percent. Despite this, almost 2.9 billion people in the world, particularly those in developing countries, still have no access to digital services. There is still a substantial digital divide between men and women, between income groups and between urban and rural areas. A study by the IFC shows that approximately 230 million jobs in Africa will require some form of digital knowledge by 2030. To seize the opportunities offered by



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SDG 8 is not just about full employment but the quality of that employment.

Deborah Greenfield, ILO Deputy Director-General for Policy

digitalisation and reduce the digital divide, further investments will be necessary in infrastructure and business models based on digital solutions.

Development finance institutions have an important role to play by investing in cost-effective digital solutions that contribute to job creation, better access to goods and services, and the emergence of new and innovative solutions, e.g. in education, healthcare, financial services and logistics. Digitalisation is one of Swedfund's thematic areas that we work with regardless of country, sector or instrument.

### DEVELOPMENT FINANCE INSTITUTIONS IMPORTANT FOR ACHIEVING GOAL 8

In conclusion, we are a long way from achieving the objective of decent work and inclusive economic growth. However, by continuing to work with sustainable

investments in the private sector in developing countries, we as a development finance institution can contribute to the creation of more jobs and help to ensure that informal jobs are formalised and that working conditions are improved, inclusion and digitalisation increased and corruption reduced. These factors have ripple effects and ultimately lead to more inclusive economic growth and a better future in line with the 2030 Agenda.



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## Work during the year - SDG 8

The core of Swedfund's mission is to create jobs with decent working conditions to enable people to escape poverty.



Joel Mutie works as a Field Technician at d.light in Machakos, outside Nairobi, Kenya.

**OUR INVESTMENTS ARE** helping to create both direct and indirect jobs. During 2022, the majority of Swedfund's portfolio companies saw a net increase in the number of employees. The total number of jobs in Swedfund's portfolio has also increased, and we are particularly seeing an increase in the underlying holdings of the funds.

### DIRECT JOBS CREATE INDIRECT JOBS

Studies have shown that one direct job creates an average of between five and seven indirect jobs, e.g. through an increase in demand for goods and services (read more about indirect jobs on page 74). This is for example evident in our investments in financial institutions and the energy sector, which contribute to the creation of both direct and indirect jobs. This year's analysis shows that one direct employment in Swedfund's portfolio is estimated to contribute to almost five indirect jobs.

### FOCUS ON IMPROVED WORKING CONDITIONS

When Swedfund analyses a new investment, an assessment is made of the current situation and the opportunities to bring about the improvements that we want to see with regard to working conditions. In accordance with goal 8, an evaluation is carried out in relation to the ILO Fundamental Conventions and Basic Terms of Employment. Any deficiencies that are identified are then incorporated into the ESG Action Plan (ESGAP) and included in the investment agreement. This can mean improvements in areas such as benefits, work environment and occupational safety. The development is then followed up on an ongoing basis through an active dialogue, site visits and an annual survey.

Swedfund promotes active value creation among our portfolio companies throughout the investment cycle. A list is presented below showing a selection of initiatives relating to goal 8 that we carried out during the year.

### NEW INVESTMENTS

- Accion Digital Transformation Fund, USD 15 million, Africa and Asia, fund focused on the digital transformation of financial institutions.
- BluePeak, USD 20 million, Africa, credit fund for small and medium-sized enterprises.
- Vantage, USD 25 million, Africa, credit fund for medium-sized enterprises.
- Bank of Georgia, additional investment, USD 15 million, Georgia, bank.
- African Rivers Fund 3, additional investment, USD 4.45 million, Democratic Republic of Congo, Uganda and Angola, fund for loan financing for small and medium-sized enterprises.
- Nordic Horn of Africa Opportunities, USD 5 million, Somalia, fund
- Bayport, USD 2,5 million, Uganda and Tanzania, Financial institution
- ASEAN Frontier Market Fund, 10 MUS\$D, Cambodia and Laos, fund for growth-oriented small and medium-sized enterprises.

Read more about our new investments on pages 54-59

### PA INITIATIVES

- Initiative to procure a national digital Emergency Response system in Ukraine (a '112 system').
- An analysis of the benefits and drawbacks of various fossil-free alternatives for public transport in Abidjan, Ivory Coast.
- A feasibility study concerning biofuels in Tanzania.

Read more about the Project Accelerator's initiatives on pages 62-63



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# Value-creating initiatives

During the year, we carried out a number of value-creating initiatives linked to the UN's Sustainable Development Goal 8: Decent working conditions and economic growth.



## WORKING CONDITIONS GUIDING NOTE

We have developed a Guiding Note for Decent Work. It explains how Swedfund is working to contribute to the creation of more jobs with decent working conditions that follow the ILO's Fundamental Conventions.

## WORKING CONDITIONS HANDBOOK

A handbook for implementing the Decent Work agenda has been developed: the Good Practice Handbook on Decent Work. This offers practical guidance regarding compliance with international standards, as well as tools for improving the quality of working conditions. The handbook will be shared with our portfolio companies in 2023.

## GENDER EQUALITY HANDBOOK

Phase 2 of the collaboration with Kvinna till Kvinna to raise awareness of gender-based violence. A handbook will be launched which describes how gender-based violence, sexual exploitation, abuse and harassment can be prevented. It is intended that the handbook will primarily support fund managers in their work.

## GENDER EQUALITY WOMEN4GROWTH

Women4Growth has been implemented in six portfolio companies across a range of sectors and regions. The programme has been developed and supplemented by, among other things, a mentorship module, an intranet for participants and alumni, and an innovation module for fund managers.

## GENDER EQUALITY LEADERSHIP

Support for a second round of the Female for Future programme for women employed by our portfolio companies in Kenya, Tanzania, Uganda, Ghana and elsewhere, in order to promote their advancement towards leadership and leadership positions.

## GENDER EQUALITY GENDER LENS TRAINING

Gender Lens Investing training has been developed in cooperation with the organisation Value for Women. On two occasions, participants from our fund managers and investment platforms have received practical guidance on how to draw up action plans in order to develop and strengthen the work to address gender equality aspects in investment activities.

## GENDER EQUALITY ECONOMIC EMPOWERMENT

Together with Value for Women, we have also assisted two microfinance institutions and two portfolio companies in the energy sector by providing TA funds to advance the work relating to gender equality and women's economic empowerment.

## GENDER EQUALITY TRAINING

A portfolio company in the Energy & Climate sector has received funding to develop ongoing gender and educational activities in line with the UN's Women Empowerment Principles and 2X Challenge criteria.

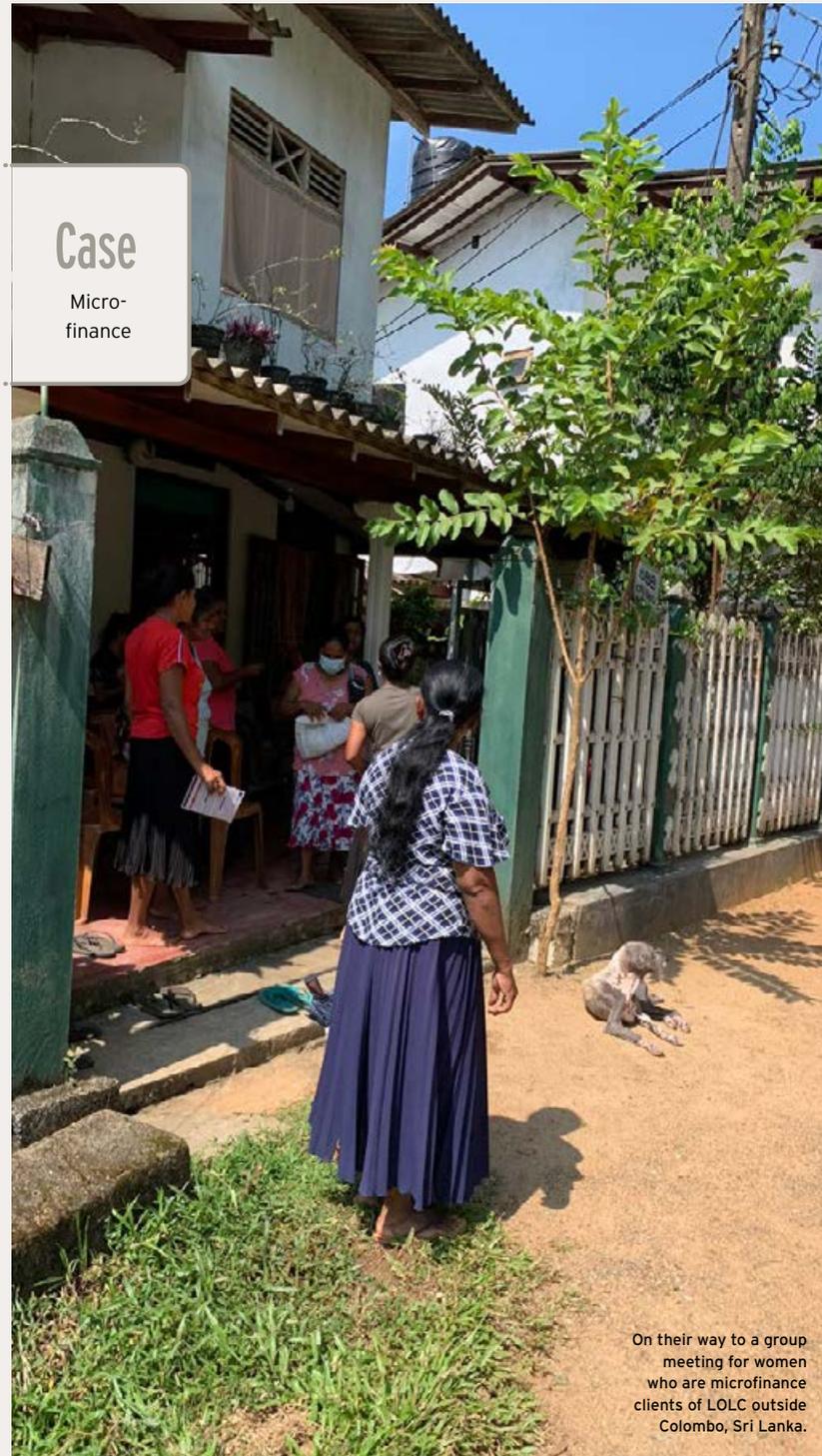
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## Case

### Micro-finance



On their way to a group meeting for women who are microfinance clients of LOLC outside Colombo, Sri Lanka.

# Microfinance - research shows a two-sided tool

Responsible microfinance is an important supplement to bank loans for private individuals and entrepreneurs, which contribute to financial inclusion and give people an opportunity to escape from poverty.

**MICROFINANCE HAS LONG** been seen as an opportunity to increase financial inclusion and promote the potential of the private sector in developing countries, which in turn addresses challenges such as poverty, inequality and unemployment. Microfinance institutes (MFIs) provide microloans to entrepreneurs, small enterprises and low-income earners, who can then use the loans to purchase revenue-generating assets. These microloans are an important supplement to bank loans because banks often require a different type of security or a credit history or only offer larger loans. Globally, 75 percent of the MFI market is currently located in Asia, while sub-Saharan Africa accounts for less than ten percent.

## RESEARCH SHOWS DIFFERENT RESULTS

Extensive research has been conducted concerning microfinance. Numerous studies show many positive results in Bangladesh, Myanmar, India, Chile and elsewhere. The results show that it can help to reduce poverty and hunger, improve children's access to education, raise the standard of living of women, and strengthen the empowerment of female borrowers. Other results have suggested that households and businesses accessing financial services are better placed to withstand financial shocks.

Recently, however, there has been criticism of the

effectiveness of microfinance in reducing poverty and boosting women's economic empowerment. Microfinance is intended to help reduce poverty and is thus targeted at people with the greatest need, many of whom live in rural areas. However, progress towards financial inclusion in rural areas has been slow. There is often a lack of information and education about financial services, as well as low literacy levels, which can lead to difficulties in understanding the terms of a loan. In turn, this can result in higher transaction costs which impact on the ability of microfinance institutions to remain financially sustainable.

Another aspect of the criticism of MFIs relates to interest rate levels. Interest rates are normally higher for microloans, because institutions offer a higher number of small short-term loans compared with traditional banks, and customers often do not have a credit history or are unable to provide security for the loan. In addition, regulation and oversight of the microfinance industry is inadequate in many countries. Among other things, this contributes to an informal sector within the microfinance industry, where operators provide loans without being registered and are thus not covered by central regulations. These operators often set high interest rates and sometimes use unethical debt collection methods, which can hit customers hard.

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## Client Protection Pathway

CPP is a standard which is designed to protect the customers of MFIs. The MFIs that Swedfund invests in will implement the eight principles of the standard. This means that many requirements must be fulfilled, including measures to avoid over-indebtedness, transparency of conditions and pricing, responsible collection methods, complaints mechanisms and confidentiality.

### SWEDFUND'S INVESTMENTS ARE PRECEDED BY A SOLID SELECTION PROCESS

Swedfund primarily invest in MFIs which are well-placed to contribute to good results within Swedfund's three pillars. In practice, this means that we invest in MFIs that focus on loans to individuals or micro-enterprises in order to boost income generation. Swedfund always takes into account the interest rates that MFIs charge for their loans. As a rule, we do not invest in MFIs that charge interest rates that are significantly higher than the market average for comparable loans.

We are aware of the challenges that borrowers face and the criticisms that have emerged, which is why the selection process is so crucial for us. In order for Swedfund to consider an investment in an MFI, the institute must be certified through the Client Protection Pathway, or be able to demonstrate that it has implemented the CPP principles within its business (see the fact box above). If the institution does not have such a certificate in place, a commitment to meet these requirements within a specific time frame is incorporated into the agreement between Swedfund and the portfolio company. Through this, Swedfund's investments help to promote responsible lending in developing countries.

## Field visits to microfinance institutions

During the autumn, we visited a number of our portfolio companies in India and Sri Lanka with operations aimed at microfinance customers. It was a journey that provided valuable insight and many exciting meetings.

**IN NOVEMBER, SWEDFUND'S** employees from the ESG & Impact and Strategy teams travelled to visit some of our portfolio companies within the sector Financial Inclusion in India, Credit Access Grameen and Five Star. Due to travel restrictions during the Covid-19 pandemic, it has not been possible to make physical visits to our portfolio companies during the past two years. Using digital tools, we have managed to maintain a good dialogue, but the purpose of this trip was to meet the teams and visit their microfinance customers.

During some very rewarding meetings, we were able to discuss challenges in the sector, how the portfolio companies differ in relation to the type of customers that they target, cultural conditions, the country's economy, and how the sector of microfinance institutions is regulated. We also had the opportunity to meet microfinance customers who talked about their enterprises and what the loans from our portfolio companies were being used for.

During a weekly meeting with Credit Access Grameen and their group borrower outside Ramanagara in India, we met a woman who has taken out several loans over the 20 years that she has been a customer. These loans have enabled her to buy a goat and a cow. We also visited her home, where we got to see the business that she had set up and expanded with her latest loan – silk production using silkworms. The worms produce silk, which she then sells at the wholesale market nearby. This venture is her main source of income and supports both her and her two children.

Silk production is a popular business. Silkworms are relatively easy to keep, but they do need to be fed regularly.



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# CLIMATE

The issue has never been more crucial



Climate change is the greatest global challenge of our time. Greenhouse gas emissions continue to increase, and we are heading for temperature rises that are well above the target set out in the Paris Agreement. In order to reverse the trend and achieve goal 13 of Agenda 2030, powerful initiatives will be needed to bring about reductions in emissions. At the same time, the adaptability and resilience of societies and individuals will need to be strengthened in order to withstand the effects of climate change.

## GOAL 13 IN AGENDA 2030

Climate change is one of the greatest challenges of our time and it is important to take action to accelerate the green transition. Heat waves, droughts and floods are affecting billions of people and disrupting global ecosystems. At the same time, Russia's invasion of Ukraine, the global energy crisis and the effects of the Covid-19 pandemic have all contributed to the climate issue being overshadowed.

Achieving goal 13 of Agenda 2030 – to combat climate change – will require immediate and substantial reductions in emissions, alongside adaptation measures. Climate change makes it more difficult for people to escape from poverty, hits vulnerable groups such as women and girls the hardest, and leads to increased conflicts over resources, such as food and water. Goal 13 is therefore also a prerequisite for achieving the other goals of Agenda 2030.

## GLOBAL WARMING IS ACCELERATING

The latest report by the United Nations Intergovernmental Panel on Climate Change (IPCC) shows that global emissions must be halved by 2030 in order to achieve the 1.5-degree target of the Paris Agreement. Nevertheless, greenhouse gas emissions are increasing, leading to a rise in the global average temperature. A warmer climate brings more extreme weather events, leading to heat waves, melting ice and glaciers, and rising sea levels, with serious social and economic consequences. The UN warns that the number of natural disasters could rise to 560 per year by 2030, representing a 40 percent increase since 2015.

## DEVELOPING COUNTRIES HIT THE HARDEST

Climate change is exacerbating existing challenges. This leads to more competition for land, food and water, which in turn adds to socio-economic tensions and can lead to mass migration. The IPCC estimates that up to 3.6 billion people live in conditions that make them particularly vulnerable to climate

change. The worst affected are people in developing countries.

Poverty, limited access to basic social services, conflicts and weak political institutions reduce society's ability to adapt to and withstand the effects of climate change. By 2030, 700 million people are at risk of having to flee their homes due to drought alone. Africa is one of the hardest hit regions, despite the fact that the continent accounts for only four to six percent of global emissions.

## ADAPTATION MEASURES ARE NEEDED

As climate change is already a fact, we need to enhance our adaptability to the current and future effects of it. This is particularly important for the least developed countries and the most vulnerable populations. Adaptation measures may include building more resilient infrastructure, improving rainwater use, or using seeds that are more resistant to pests and drought. However, many developing countries lack the capacity and financial resources

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needed to implement these measures, and investments in adaptation measures account for less than ten percent of all climate financing.

### NOT TOO LATE TO REVERSE THE TREND

Alongside adaptation measures, we must find ways to slow down climate change. This will require major changes in society – how we produce food, use land, transport goods and run our economies. Middle-income countries such as Indonesia, Brazil and India account for a significant proportion of global emissions. Parallel to investments in the most vulnerable countries, investments in these countries are therefore also needed. The climate issue is global, and helping to ensure that major emitters replace fossil fuels with renewables will have positive effects for the whole world.

New and effective technologies can help reduce emissions. An analysis by the IFC, the World Bank's development finance institution, indicates that there are major investment opportunities in developing countries relating to green buildings, public transport, electric vehicles, improved water resource management, renewable energy and waste management. In many places, renewable energy has become the cheapest source of energy, and the use of electric vehicles is on the rise.

### THE ISSUE OF CLIMATE FINANCE REMAINS UNRESOLVED

Today, there is a considerable gap between the need for climate finance and the funding available. Developed countries have committed to collectively contributing USD 100 billion annually through to 2025 for climate action in developing countries. According to data from the OECD, climate finance totalled USD 79.6 billion in 2019, and the target is only expected to be achieved in 2023. The target is far below what is actually needed according to the IPCC. They estimate that between USD 1.6 and 3.8 trillion will be needed annually by 2050 to limit global warming to 1.5 degrees.

As public funding is far from sufficient, private

investment needs to accelerate. EDFI accounts for 74 percent of all development finance to sub-Saharan Africa and is therefore well placed to scale up investments in the region. In 2021, 27 percent of EDFI's portfolio consisted of climate investments, an increase of eight percent over the previous year. In addition to their own investments, development finance institutions can act catalytically and contribute to the mobilising of private capital for green and profitable solutions in developing countries. In 2021, EDFI mobilised a total of EUR 4.4 billion in private capital.

### SWEDFUND AS A CLIMATE INVESTOR

Goal 13 is one of five goals that Swedfund has a special focus on, and climate is a theme that permeates the entire operation, irrespective of the choice of instrument, geography or sector. Swedfund is a climate investor and, back in 2014, we decided to invest exclusively in renewable energy. Today, the Energy & Climate sector makes up almost 40 percent of the

portfolio and, for 2023, Swedfund has received an earmarked capital injection for climate of MSEK 460. Swedfund's Project Accelerator is contributing to the green transition by assisting our investment countries in the transition from fossil to renewable and from traditional infrastructure to green solutions. Swedfund's investments contribute to the development of the private sector, where our portfolio companies are expected to live up to high social and environmental standards.

Through EDFI, Swedfund is part of the Global Energy Alliance for People & Planet, a platform which aims to accelerate the transition to sustainable and green energy, reduce CO<sub>2</sub> emissions and increase the number of green jobs, in order to contribute to sustainable growth in developing countries. We have also joined the G7 initiative Adaption & Resilience Investors Collaborative, which is intended to increase climate-related investments in adaptation and resilience.

”  
The scientific evidence is unequivocal: climate change is a threat to human well-being and the health of the planet. Any further delay in concerted global action will miss a brief and rapidly closing window to secure a livable future.

IPCC, The Intergovernmental Panel on Climate Change is the United Nations body for assessing the science related to climate change



Dolma Impact Fund has invested in a solar farm outside Pokhara, Nepal.

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# Work during the year - SDG 13

Combating climate change and its consequences is a key element in Swedfund's mission. We are investing in order to reduce CO<sub>2</sub> emissions, manage climate risks and limit the impacts of climate change. More green investments are helping to reduce poverty through sustainable economic growth.



Construction of a wind farm in Kenya.

## WE ARE BROADENING THE SCOPE OF OUR WORK

The climate crisis is creating an urgent need to help enhance the ability of developing countries to adapt to the effects of climate change. To help solve this, Swedfund has continued to broaden its strategy within the Energy & Climate sector by actively working to identify potential investments in water, waste and forestry.

## A CLIMATE LENS FOR RISKS AND IMPACTS

Swedfund works actively with regard to the climate issue both throughout the investment process and with our portfolio companies. We have developed a climate lens, which means that all investments

undergo an analysis in order to identify any significant climate risks, including both physical and conversion risks, as well as an analysis of the climate impact that the investment is expected to generate.

Most of our portfolio companies have climate-related requirements in their investment agreements, and we work closely with the companies to assist them in driving the climate agenda themselves and adapting their operations to reduce the impact on the climate.

Swedfund promotes active value creation among portfolio companies throughout the investment cycle. A list is presented below showing a selection of initiatives relating to goal 13 that we carried out during the year.

## NEW INVESTMENTS

- Serengeti Energy, MUS\$ 20, sub-Saharan Africa, energy producer which was founded in 2013.
- Climate Investor Two, MUS\$ 35, global, climate fund for measure within water, waste management and ocean-related projects.

Read more about our new investments on pages 54-59

## PA INITIATIVES

- A study to investigate the prerequisites and opportunities to utilise energy storage (e.g. batteries) in order to better manage fluctuations in electricity grids in southern Africa.
- An add-on initiative within sustainable forestry in Laos, which will provide capacity support for the implementation of measures and recommendations.
- A study concerning the interconnectivity of electricity grids between Malawi and Zambia.
- A study in Mozambique concerning opportunities to develop models and initiatives to limit and avoid impacts on the electricity grid due to climate change.
- An initiative linked to upgrading of the main electricity grid in Malawi, to enable further development and increase the connection of electricity from renewable energy.
- A study to investigate the prerequisites for further interconnection of the electricity grids for greater energy efficiency within the Southern African Power Pool with PPP models.

Read more about the Project Accelerator's initiatives on pages 62-63



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# Value-creating initiatives

During the year, we carried out a number of value-creating initiatives linked to the UN's Sustainable Development Goal 13: Climate action.



## CLIMATE IMPACT GUIDELINES

Since 2014, Swedfund has invested exclusively in renewable energy sources. We have also worked to exclude investments with fossil content. During the year, these procedures were clarified in a number of guidelines that cover the entire value chain.

## GREEN INVESTMENTS COOPERATION

Within the G7 Adaptation & Resilience Investors Collaborative initiative, we have participated in working groups concerning physical climate risk assessment, in order to identify investable projects in climate adaptation and resilience, and to follow up investments in climate adaptation.

## GREEN INVESTMENTS CAPACITY INCREASE

Approved TA funding for an initiative aimed at increasing the capacity of a financial institution in Georgia in order to strengthen the work to identify, evaluate and report environmentally and climate-sustainable investments to boost lending to green projects.

## CLIMATE IMPACT COOPERATION

Swedfund's employees continuously participate in EDFI's working groups in order to harmonise methodologies and working methods. This year, efforts have been made to develop methods for assessing whether projects are consistent with the goals of the Paris Agreement.

## CLIMATE IMPACT CAPACITY INCREASE

Approved TA funds to four fund managers with the aim of increasing capacity and developing the methodology for implementing a model for calculating the climate impact of the funds and underlying portfolio companies, as well as exposure to physical climate risks.

## CLIMATE IMPACT CAPACITY INCREASE

During the year, we accelerated our climate work and gradually strengthened the requirements, which has led to our portfolio companies also picking up the pace in this area. Through a close dialogue and follow-up of action plans, we have supported them in their internal processes, e.g. the development of climate strategies and emission calculations.

## CLIMATE IMPACT CALCULATION MODEL FOR CO<sub>2</sub> EMISSIONS

Support for the development and implementation of a model for calculating greenhouse gas emissions for two fund managers and underlying portfolio companies in the energy sector.

## ACCESS TO RENEWABLE ENERGY DIGITAL INFRASTRUCTURE

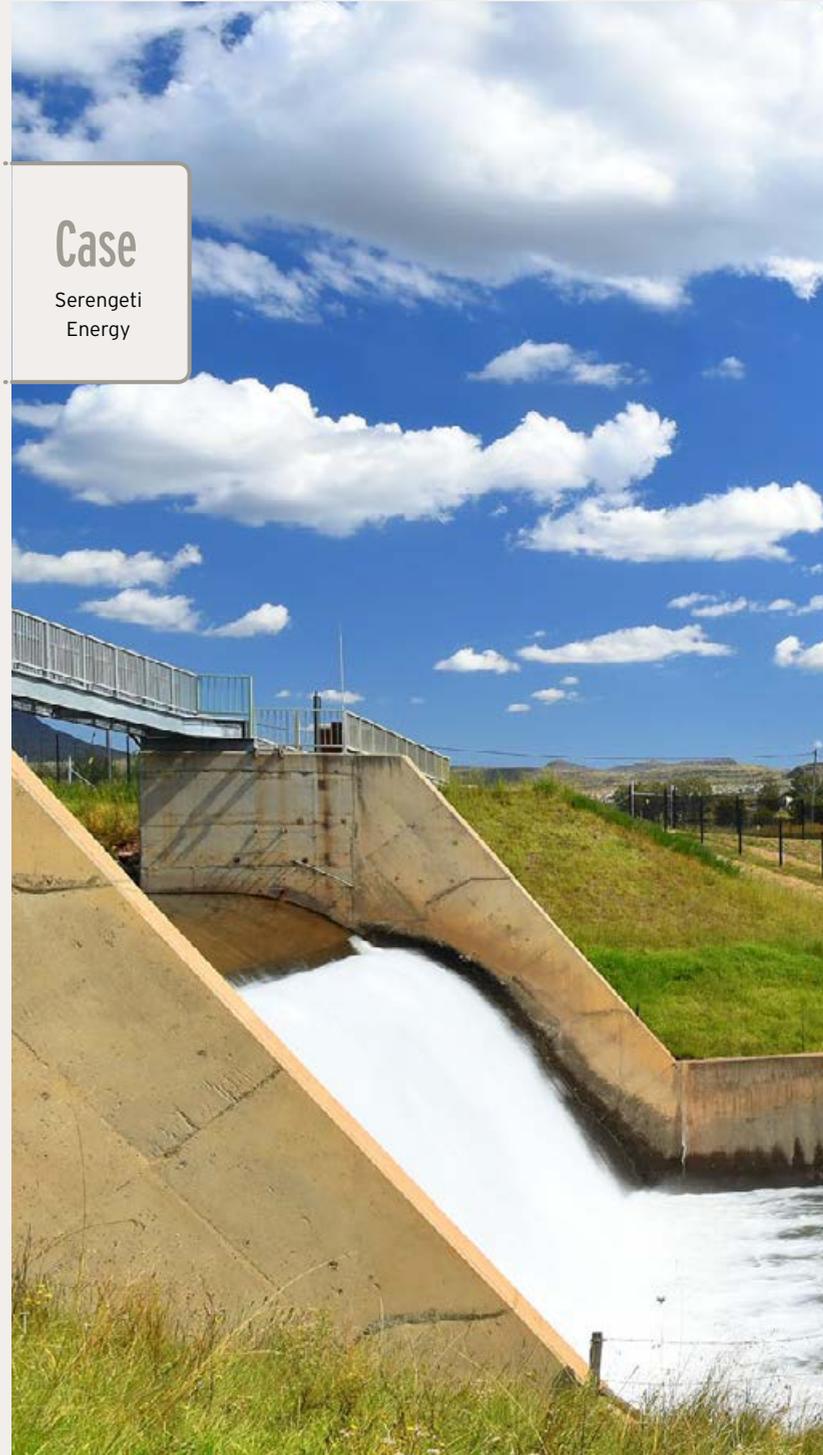
Over the past two years, we have worked with our portfolio company Husk Power Systems to enable the remote control and monitoring of their mini-grids, and to improve services regarding electricity use, data protection, complaints, etc.

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## Case

### Serengeti Energy



# Developer of small-scale water, solar and wind energy

Electricity generation capacity in sub-Saharan Africa is insufficient to meet either current or future demand, and the region remains dependent on fossil energy production. Through the investment in Serengeti Energy, Swedfund is contributing capital to energy projects in the early growth phase.

**AROUND 770 MILLION** people in developing countries have no access to electricity, the majority of whom live on the African continent. In sub-Saharan countries, an average of around 49 percent of residents had access to electricity in 2019, compared with developing countries in Asia, where the corresponding figure was about 97 percent. Africa also has the youngest and fastest growing population in the world. By 2023, the continent is expected to have a larger population than China and India, which in turn means that investments will be needed to meet the increasing demand for electricity.

### RENEWABLE ENERGY FOR NATIONAL GRIDS

In 2022, Swedfund invested in Serengeti Energy (Serengeti), an independent energy producer that develops, builds, owns and operates small and medium-sized renewable energy projects in sub-Saharan Africa to supply electricity to the national grids.

Founded in 2013, Serengeti is based in Nairobi, Kenya, with projects in some of the world's poorest countries, such as Rwanda, Malawi, Uganda and Sierra Leone. The company focuses on solar and hydropower and has eight projects in operation and two under construction. Additional projects are at the planning stage.

### CLOSING THE GAP BETWEEN ENERGY DEMAND AND SUPPLY

Although the cost of deploying renewable energies is falling, insufficient capital is available for energy projects at the early growth stage. In addition, hydropower is generally more difficult to build, as it often has a more complicated technical structure than solar and wind power.

Serengeti's goal is to help reduce the gap between sustainable energy demand and supply. The company is focussing on further developing the power plants that it currently owns and actively expanding by establishing new solar power plants and hydropower plants.

### ACTIVE OWNERSHIP OFFERS GOOD OPPORTUNITIES TO EXERT AN INFLUENCE

Serengeti is an active owner in its projects and sees great value in improving access to renewable energy for people in a region that has the world's highest proportion of households not connected to the grid.

For Swedfund, the role as a shareholder in Serengeti means that we have a seat on both the Board of Directors and the Investment Committee. This presents us with an excellent opportunity to influence the direction that the company takes. Swedfund is

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**The capital provided by our new investors will enable the company to develop and build over 100MW of new renewable energy capacity.**  
 Chris Bale, CEO, Serengeti Energy

also contributing to the development of their processes regarding the environment, climate, biodiversity and gender equality.

**GOOD CONDITIONS BUT WITH CHALLENGES**

Around 80 percent of the total electricity production in sub-Saharan Africa originates from fossil fuels. This is despite the fact that the region has enormous potential to produce renewable energy. In the region, there are huge opportunities for hydropower, along with the richest solar resources anywhere in the world.

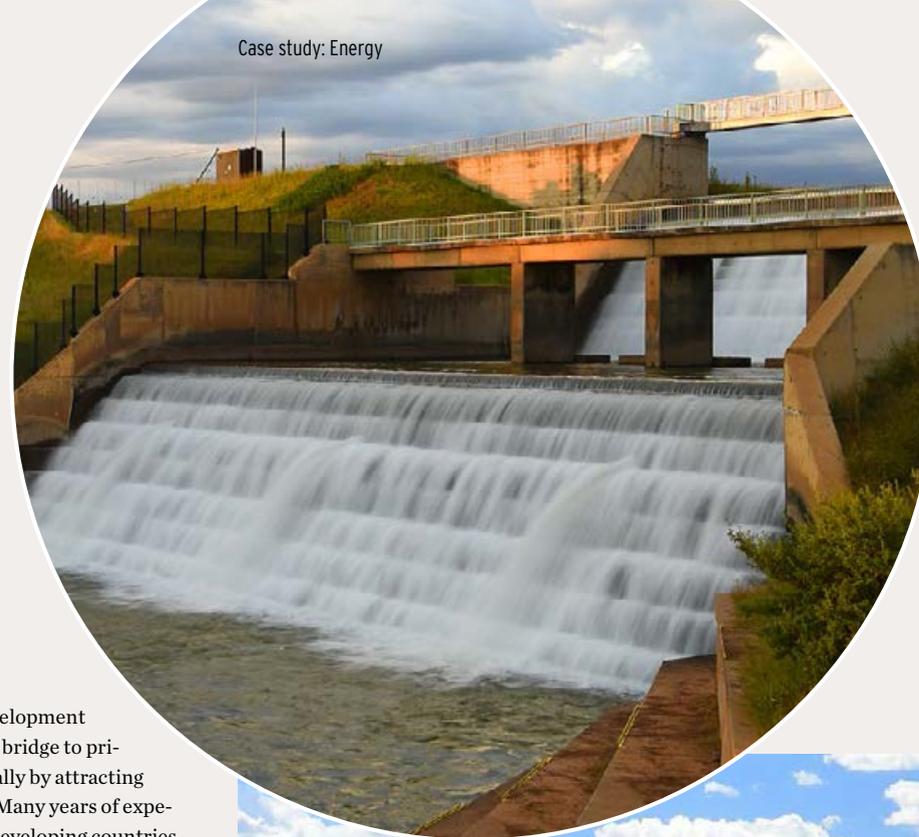
To meet demand, Africa must greatly scale up investments in production and electricity grids, but the public sector's resources and capacity to meet investment needs are in many cases low. This makes private operators important for the production of renewable energy.

**DEVELOPMENT FINANCE INSTITUTIONS IMPORTANT IN THE EARLY STAGES**

By taking risks and investing sustainable capital at an early stage, development finance institutions such as Swedfund have a central role to play. Based on an understanding of what private investors need, as well as extensive experience and expertise relating

to sustainable investments, development finance institutions can act as a bridge to private investors and act catalytically by attracting private capital to investments. Many years of experience and strong expertise in developing countries enable us to identify trends early on and translate them into new investment areas and structures.

Swedfund's Project Accelerator can also contribute in this regard. Through the Project Accelerator's work to finance feasibility studies where the climate perspective is central, the climate work of the other organisations supplements and contributes to a holistic approach by influencing and enabling sustainable projects in developing countries at an early stage. Electricity grids are often a bottleneck in the transition from fossil to renewable energy, and investments are urgently needed. The Project Accelerator can enter at early stage of the project development phase and finance feasibility studies with the aim of upgrading and streamlining the grid, which can then accelerate and enable further investments in the renewable energy sector.



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# The global food system needs to be transformed



In recent years, uncertainty as regards food supply has increased in many parts of the world. Climate change is one reason for this, but disruption to trade as a result of the Covid-19 pandemic and the war in Ukraine has also had a negative impact. Deficiencies have also become apparent in the structure of the global food system. To reverse this trend, a sustainable and inclusive food system is needed, where the food produced benefits everyone.

## GOAL 2 OF AGENDA 2030

Goal 2 of Agenda 2030 is to end hunger, achieve food security and improve nutrition, and promote sustainable agriculture in the world by 2030. Access to sufficient nutritious food is a human right and a prerequisite for being able to escape poverty. Today, 850 million people live in hunger. Insufficient nutritional intake leads to adverse effects on education and productive work, hindering the opportunities for development and economic growth.

## DEVELOPMENT HAS STAGNATED

The Covid-19 pandemic and the war in Ukraine have disrupted global trade patterns and the production and consumption of goods, leading to rising food prices. The populations of developing countries are the hardest hit, as they spend a higher proportion of their household income on food. In addition, droughts, floods and heat waves caused by climate change are also complicating food production in many regions.

As a result of the situation, the development towards achieving goal 2 has stagnated. According to the UN's annual SDG report, almost 670 million people, around eight percent of the world's population, will still live in hunger by 2030. This is the same figure as in 2015, when the target was first adopted.

## AN UNEQUAL GLOBAL FOOD SYSTEM

Recent global trends and extreme weather events, such as the severe drought in the Horn of Africa, have further highlighted the issue of food security on the development policy agenda. According to a report from the Expert Group for Aid Studies, agricultural development is one of the most effective tools for eliminating extreme poverty, reducing inequality and coping with a global population increase to 9.7 billion people by 2050. However, the challenge is not that there is not enough food produced globally, rather how it is distributed.

Today, it is mainly large companies and developed

countries that benefit from the way in which the food system is structured. Globally, 78 percent of the value in the food and agricultural chain is generated by operators other than the farmers themselves. In Africa, the proportion is only 34 percent, reflecting the underfunding of the part of the food chain processing and handling food. Food produced in Africa is often exported to richer countries in order to be processed there, and then imported back. Between 2016 and 2018, the continent imported 85 percent of all the food that it consumed.

At the same time, food waste and losses along the entire value chain present a major challenge. Around 30 percent of the food that is produced is wasted or lost in the food chain. Food waste is not only a social problem, but also an environmental issue. When food is lost, it also means that the energy and water used to produce, store, transport and package the food is lost.

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A sustainable food system is one that delivers food security and nutrition for all in such a way that the economic, social and environmental bases to generate food security and nutrition for future generation is not compromised.

Food and Agriculture Organization of the United Nations

### OPPORTUNITIES AND CHALLENGES IN SUB-SAHARAN AFRICA

The food and agriculture sector accounts for 20 percent of Africa's total GDP. Just one percent of private investment in the food system globally goes to the region, while demand for food is growing by an average of three percent per year as the population increases. To meet demand and attract more investment, the food system needs to be improved and streamlined. Africa has huge resources in the form of arable land that could be used to boost food production. Despite this, the output of most crops is far below what could technically be produced.

One reason for this is the complex system of land rights based on common, rather than individual, tenure and ownership, which means that farmers are often allocated relatively small and scattered plots of land. This system tends to limit the intensity of agricultural production and slow down the pace of investment aimed at modernising production. Moreover, much of the arable land in Africa is located in inaccessible places due to poor infrastructure both within and between countries.

### DEVELOPMENT FINANCE INSTITUTIONS CAN CONTRIBUTE TO A MORE EFFICIENT AND INCLUSIVE FOOD CHAIN

The World Bank believes that long-term investments in agriculture could be up to four times as effective in reducing poverty compared with investments in

other areas. However, there is a substantial funding gap, and public funding in itself will not be enough. It is estimated that USD 350 billion a year in investments will be needed to transform the global food system. Many of these investments will have to be made in developing countries. Investments in the sector entail numerous risks not only from a financial perspective, but also in terms of sustainability. As a result, investors must be willing to take risks and have a business model that prioritises sustainability and helps to mitigate the risks that are identified.

Africa's agrifood system could generate billions of US dollars by 2030 if access to capital, electricity, technology and irrigation systems were to be improved. Development finance institutions such as Swedfund can contribute through sustainable investments in different parts of the food chain which increase the efficiency of the food system, production methods and value chains, and in turn increase production, connect farmers with markets, and reduce food waste. However, in order to have an impact, parallel initiatives from different operators will be needed, e.g. regarding regulatory issues.

Sustainable investment in the food system can create more decent and formal jobs. Over 50 percent of workers in the agricultural sector workers in developing countries in Africa and Asia are women, and sustainable investments in the sector can therefore help to strengthen women's economic empowerment and working conditions. As agriculture and forestry account for around 25 percent of global greenhouse gas emissions, initiatives in the sector can also help to address the climate crisis. This can be done through investments in climate-smart production and distribution, as well as new technology and services.

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# Work during the year - SDG 2

There is a strong need for investments in food systems in developing countries. Swedfund believes that we can contribute by investing in the supply chain, production and logistics, and there is also an opportunity to work on the food sector's impact on the climate. Going forward, more efficient food production will be essential, which also needs to be sustainable.



## INVESTMENTS THAT ALREADY SUPPORT MORE EFFICIENT AND SUSTAINABLE FOOD PRODUCTION

- Through the ADP II fund – an investment in a company with operations in irrigation, plant protection, fertilizers and seeds.
- Through the AfricInvest III fund – an investment in an agricultural conglomerate that trades in raw materials, supplies, fertilizers and food processing.
- Platcorp has developed a loan product for small-scale potato growers (see the next page)
- Bayport – targets rural and semi-rural areas, where many customers use the loans for agricultural purposes.
- Access Bank offers loan products dedicated to enterprises in agricultural production, processing, distribution and consumption.
- Within Norsad – an enterprise that has set up an organic sugarcane cultivation and processing plant in Mozambique.

Read more about new investments on pages 54-59

” A global food crisis fuelled by conflict, climate shocks and the Covid-19 pandemic is growing because of the ripple effects of the war in Ukraine driving rising prices of food, fuel and fertilizer.

United Nations World Food Programme

### NEW SECTOR ADDED

Many developing countries import food to meet their needs. Swedfund wants to help boost food production, reduce waste in production and increase sustainability throughout the value chain, as part of the work relating to SDG 2 – Zero hunger. During the year, we also decided to add a new sector for investments.

### MAJOR OPPORTUNITIES FOR GOOD DEVELOPMENT EFFECTS

Investments in the food sector help to create formal jobs and promote economic empowerment and food security through increased production and improved resource and energy efficiency. If investments are carried out correctly, they can be climate-adapted to better meet the climate changes that we are facing

and reduce the negative impact on biodiversity. There are also excellent opportunities to make use of digitalisation through investments aimed at increasing the development effects and strengthening the work relating to women's economic empowerment.

During the year, Swedfund conducted a needs assessment, pursued a dialogue with other development finance institutions with experience of investing in the sector, and analysed the type of investments that produce the desired effect by contributing to greater food security. Swedfund already has some exposure to the food sector through our investments in Financial Inclusion and Energy & Climate. Many microfinance institutions and banks lend capital to the food sector, e.g. so that small-scale farmers are able to buy important input goods such as seed and fertilizers, or solar panels to electrify irrigation systems.



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# Value-creating initiatives

During the year, we carried out a number of value-creating initiatives linked to the UN's Sustainable Development Goal 2: Zero hunger.

## THE FOOD SECTOR STRATEGY AND THEORY OF CHANGE

Swedfund has developed an investment strategy for the food sector which corresponds well with the needs that have been identified, our mission and our goals. We have also developed a Theory of Change for the sector.

## FOOD SECURITY ISO CERTIFICATION

Swedfund has awarded TA funding to a portfolio company in a pan-African fund for accreditation of the company's fresh produce business in accordance with ISO 22000:2018 Food safety management systems.

## JOB CREATION NEW FINANCING MODEL

Swedfund has financed a pilot project to develop and expand an innovative financing model for smallholder farmers through a project for sustainable potato cultivation in Kenya. The project offered around 200 smallholding farmers a combination of microfinance and TA funds. The purpose of the project was to investigate how production, and thus the farmers' income, could be increased, while at the same time ensuring that potato cultivation takes place in a sustainable way. The project is now entering its second phase.



One of the smallholder farmers who have taken part in the sustainable potato cultivation project in Kenya, via Platcorp.

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# GOALS

Swedfund's strategic goals for sustainable value creation lay the foundation for the company's business operations. The goals must be long-term, challenging, measurable, clear and comparable.

**SWEDFUND HAS A** public policy assignment and mission objectives with a focus on sustainable value creation and Agenda 2030. In addition to reporting on the degree of attainment of the mission objectives, which are the same as the company's strategic goals for sustainable value creation, we describe our work relating to issues such as anti-corruption, environmental management systems and tax, which are essential aspects of the value-creating work. Our financial goal is adapted to our mission to be additional and catalytic, i.e. to dare to invest in high-risk environments in order to create development effects.

## MISSION

According to Swedfund's Owner Instructions, the work of the organisation must contribute to attainment of the goal for Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to help reduce poverty by making sustainable investments in developing countries. In cooperation with our strategic partners, we will contribute to financially, environmentally and socially sustainable investments that create better living conditions for people living in poverty and oppression.

## MISSION OBJECTIVES

### SOCIALLY SUSTAINABLE INVESTMENTS

100%

Compliance by 100 percent of the Company's investments with decent working conditions in accordance with ILO's Fundamental Conventions not later than three years from the date of investment.

>60%

Increased gender equality in the Company's investment portfolio in terms of the 2X Challenge\*, or comparable criteria shall be met in not less than 60 percent of the Company's investments no later than three years from the date of investment.

### ENVIRONMENTALLY AND CLIMATE-RELATED SUSTAINABLE INVESTMENTS

2045

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

## FINANCIAL GOAL

### OPERATING PROFIT

>0

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

Read more about our portfolio companies' results on pages 66-81

### THE COMPANY'S ADDITIONAL ROLE

>30%

The Company's investment portfolio shall mobilise not less than 30 percent of commercial capital.

### ECONOMICALLY VIABLE INVESTMENTS

60%

Turnover and profitability shall increase in not less than 60 percent of the Company's investments during the holding period, with a base year corresponding to the investment year.

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## MISSION OBJECTIVES IN LINE WITH AGENDA 2030

**WE ACHIEVE OUR** overarching mission by contributing to the creation of more jobs with decent working conditions and by improving access to socially important products and services, such as renewable energy, food and healthcare. In order to achieve the goals of the Swedish development cooperation, Swedfund shall integrate poor people's perspectives on development, a rights perspective, a conflict perspective, a gender perspective and an environmental and climate perspective.

There is a clear link between Swedfund's mission objectives and the UN's Sustainable Development Goals. Our work will contribute to long-term sustainable results and we will have an impact on all 17 goals, but some of them are of particular relevance. In 2022, the board decided to add SDG 2 (sector goals) to the previous overarching goals that we have previously focused on: SDG 1, SDG 5, SDG 8, SDG 10 and SDG 13. There is an urgent need for investments in food systems in developing countries. Swedfund has identified excellent opportunities to help boost food production in developing countries, reduce waste in production, create jobs and increase sustainability throughout the value chain.

The private sector is crucial for the implementation and financing of 2030 Agenda in a context characterised by a number of ongoing parallel crises. Development finance institutions such as Swedfund play a key role by investing sustainably and acting catalytically and as a bridge to private capital.



Maurine Mirigo Njenga and Salome Waithira Gituro work at Premiere Credit's offices in Kasarani, outside Nairobi, Kenya.



## For women's development

\*The 2X Challenge is a G7 initiative which aims to boost gender lens investments to promote women economic empowerment. Swedfund joined the initiative in 2019. This means that we invest in companies that are owned, managed by or employ many women, which produce goods or services or which offer capital to women.

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# Value creation model for carrying out our mission

Swedfund's value creation model has been developed to describe how we create value when we carry out our mission in order to help reduce poverty in the world's most vulnerable countries. We will accomplish the mission by investing in and developing sustainable businesses, and generating development results and inclusive growth, particularly in sub-Saharan Africa, certain regions of Asia and Eastern Europe. Impact on society, sustainability and financial viability permeate and govern our work and based on these three pillars we create value and measure development results.



SMEs play an important role in creating jobs in developing countries. In this case, a café chain in Addis Ababa, Ethiopia and The Red Hill Education Centre in Kenya.

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## 1 The mission

Our mission is to contribute to reduced poverty through sustainable investments in developing countries. Our approach is based on Agenda 2030, our mission objectives and Theory of Change, and defines our strategy for fulfilling our mission in our business plan.



Read more about the goals which we consider to be of particular relevance to our business on **page 13**.

## 2 Strategy

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

- Geography
- Sector
- Investment form



## 4 Value-creating business model

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

- Read more about
- Our pillars on **page 41**
  - How we manage risk on **pages 42-45**
  - Our investment process on **pages 48-51**

## 3 Sectors with the greatest development effects

We have identified three sectors within which we believe we have the best opportunity to generate development effects. These are Energy & Climate, Financial inclusion and Health.

- Read more about
- Our sectors on **pages 38-39**

## 5 Our capital

Our capital is linked to requirements and support in the form of financial capital, expertise and TA funds, the Project Accelerator, EU guarantees, partners and networks.

- Read more about
- Our approach to TA on **pages 47 and 84**
  - Our investment instruments on **pages 46-47**
  - The Project Accelerator on **pages 60-63**

## 6 Results and performance monitoring

We measure development results via our indicators, which are based on our public policy assignment and our mission objectives.

- Read more about
- Our performance indicators on **page 47**
  - The portfolio companies' results on **pages 66 onwards**



**THE GLOBAL GOALS**

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# A business plan with good goal achievement paves the way for a new sector

Swedfund's business plan demonstrates a clear ambition to grow and act catalytically by mobilising capital from private investors to help meet the needs that we identify. Jobs must be created, women's economic empowerment strengthened and climate change limited.



Some of the harvest that Platcorp's project has given a potato grower in Kenya.

**SWEDFUND'S STRATEGY IS** set out in our business plan for the period 2020 – 2023. We review the strategy annually to ensure that we are moving in the right direction in order to achieve our set goals. Our external analysis and the situation in our operating countries represent important inputs in our work. In this year's review, we note that the world is being greatly affected by a number of parallel crises and that the Russian invasion of Ukraine has led to greater uncertainty and negatively impacted on economies in developing countries. At the same time, Swedfund is continuing to deliver towards the goals in the business plan. There is an increasing need for investment to create decent jobs, provide access to renewable energy, and invest in adaptation measures and carbon reduction. Our ambition is to grow in order to meet the needs that we have identified.

Our mission includes investing in countries which are eligible for development cooperation in accordance with the OECD/DAC's definition. We are prioritising investments in the least developed countries, while geographically we are focusing on sub-Saharan Africa and specific regions in Asia and Eastern Europe. These countries have been hit hard economically by the consequences of the pandemic, climate change and the war in Ukraine. In these regions, sustainable investments will be essential in order to increase the resilience of communities and individuals. In 2023, Swedfund intends to set up another local office in Abidjan in Ivory Coast. During the year, we intend to

make further investments in a number of countries in East and West Africa.

Swedfund has an ambitious vision to ensure that we deliver our mission. We have an effective business model with measurable indicators linked to our three pillars: impact on society, sustainability and financial viability, as well as selected goals in Agenda 2030. Our three pillars remain. At the same time, we have supplemented our existing indicators with an additional indicator to measure the performance of the funds, within the pillar of financial viability.

## SECTORS AND THEMES

Swedfund continues to invest in both Energy & Climate and Financial inclusion. Investments in the health sector were previously a separate sector, but during the year it was decided that health investments, together with investments in increased digitalisation, will be included as thematic aspects of a new sector called 'Sustainable enterprises'. This year's review has also resulted in the Board of Directors approving the creation of a new sector which focuses on investments in sustainable food systems. This decision stemmed from a need to improve access to food and thereby highlight the importance of streamlining food supply, e.g. through investments in the supply chain, processing and logistics. In this area, there is also an opportunity to work with regard to the sector's impact on the climate and job creation. We invest directly in companies and indirectly

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through financial institutions and funds. Indirect investments are made because they are an effective tool for reaching out to SMEs, boosting lending to entrepreneurs and for use as a platform for mobilising private capital. We strive to achieve a good balance between equity, loans and funds in the portfolio and intend to increase the proportion of direct investments in the portfolio in 2023.

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

### ADDITIONAL AND CATALYTIC

An essential part of Swedfund's mission is taking risks. The contextual risks in our operations have increased as a result of the pandemic and Russia's invasion of Ukraine. To help improve our understanding of contextual and external risks, Swedfund enhanced its capacity with regard to external analysis during the year. Swedfund also conducted a large number of site visits to the portfolio companies during the year, something that was not possible during the pandemic. Taking risks is also closely linked to our desire to be both additional and catalytic, and to safeguard investments that would otherwise not have been realised. As uncertainty and assessed risk have increased, many private investors have now become more hesitant to invest in developing countries. This has heightened the importance of development finance institutions, while at the same time, it will also be crucial to lead the way in attracting investment and private capital to developing countries through cooperation with institutional investors. Our aim is to contribute to the mobilisation of a higher proportion of capital for developing countries, which will enable us to accelerate the rate at which Agenda 2030 is implemented. We can achieve more and reach more people through partnerships.



Judy Nyambura Mwang work as a team leader at Premier Credit in Kasarani outside Nairobi, Kenya.

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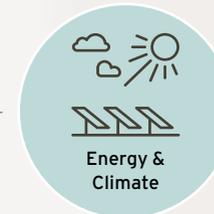
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# SECTORS

## In focus

During 2022, Swedfund opted to invest and focus our development work on three sectors: Energy & Climate, Financial inclusion and Health. Pooling resources and specialist expertise in limited and selected areas both boosts the effectiveness of our operation and improves our development results.

We have a Theory of Change for each sector, which forms our starting point when we analyse an investment and identify the direct and indirect development impacts. We have also developed sector-specific indicators for impact measurement.



### ENERGY & CLIMATE

Access to electricity is a critical factor in reducing poverty. Today, around 770 million people live without any access to electricity; 74 percent of these people live in sub-Saharan Africa and the least developed regions of Asia.

In the Energy & Climate sector, we exclusively invest in renewable energy sources and make broader climate investments, such as improvements in energy and resource efficiency, as these are key aspects of a sustainable transition. Green infrastructure, such as water and waste management, along with forests and other carbon sinks, are included in the sector.

The expansion of sustainable energy supplies

requires a broad approach and innovative solutions. Through our investments, we are therefore financing both power sources connected to the grid and off-grid solutions which enable households, villages and communities to generate their own energy. One particular challenge associated with investments in renewable energy is that they often concern relatively small projects which are difficult to finance individually. This particularly applies to off-grid solutions, such as small solar power plants. Swedfund therefore often invests in funds which specialise in energy and climate as a way of financing more projects.

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The Seti Khola river, outside Pokhara, Nepal.



Financial inclusion

## FINANCIAL INCLUSION

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

Swedfund's investments in Financial inclusion are made in financial institutions and microfinance institutions. This is an effective way of reaching out to businesses which we would otherwise find it difficult to reach. Financial institutions such as banks perform a socially important function. Our investment helps to develop the work of the institution in relation to sustainability and corporate governance, both vital factors in achieving inclusive growth.

Swedfund invests in microfinance institutions, which provide micro-loans to entrepreneurs, small businesses and people on low incomes. As regards microfinance institutions, we require them to comply with Customer Protection Principles (CPP), which certifies that they are actively working in accordance with the principles of responsible credit and management. For example, pricing must be transparent, excessive debt must be avoided, debt recovery must be carried out in a responsible manner, and privacy must be respected.

Swedfund also uses the fund instrument to reach out to more enterprises and contribute to job creation. The fund can offer share capital or provide loans to privately owned companies.



Health

## HEALTH

In developing countries, there are major shortages of medicines, essential infrastructure for healthcare and trained health professionals. In order to achieve the UN Sustainable Development Goals and the Universal Health Coverage (UHC) goals, over 18 million health professionals will be needed by 2030. There is a gap between supply and demand as regards health workers, particularly in low- and lower middle-income countries.

Health can also be viewed from the perspective of gender equality. Just 17 per cent of mothers and children in the poorest households in low- and low-middle-income countries receive basic maternal and child healthcare, compared with 74 percent in wealthier households.

Swedfund invests in general healthcare, specialist care, pharmaceutical production, pharmaceutical

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

We also see digitalisation as an important way of developing the health sector and promoting greater inclusion. Many developing countries face major health care challenges as regards accessibility, price, quality and efficiency. Investments in digital solutions are creating new opportunities for innovative healthcare solutions for a growing population. Digital platforms are helping to make medical equipment, medicines and healthcare more accessible.

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Swedfund is a long-term owner, and the profitability of an individual portfolio company may vary during the investment cycle.



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# THREE

Pillars which permeate every step

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



### IMPACT ON SOCIETY

Swedfund assesses how an investment can contribute to impact on society based on our Theory of change. The investments are intended to create desired development effects, such as development of the private sector, strengthening of local communities, inclusive development and economic growth, as well as climate adaptation.

We monitor measurable results in key areas where we have a direct impact, such as the number of jobs, gender equality in the workplace according to 2X Challenge criteria, climate impact and tax revenues. The indirect impacts of our investments are more difficult to demonstrate through data, and we have therefore initiated impact studies with the aim of clarifying different effects and relationships.



### SUSTAINABILITY

In order to contribute to the creation of long-term sustainable businesses, our portfolio companies must offer jobs with decent working conditions, implement a management system for managing environmental and social risks, and actively strive to combat corruption.

The evaluation of this pillar involves monitoring the status of employment conditions in accordance with the ILO Declaration on Fundamental Principles and Rights at Work, and the implementation and results of management systems. Indicators concerning corporate governance, anti-corruption and human rights are also measured and followed up.



### FINANCIAL VIABILITY

A business that is financially viable has the right prerequisites to grow, contribute to the creation of more jobs with decent working conditions, increase the tax base of the countries in which it is based, strengthen women's economic empowerment and have a positive impact in other areas.

Swedfund is a long-term owner, and the profitability of an individual portfolio company may vary during the investment cycle. This pillar includes indicators regarding turnover, profitability and the mobilisation of private capital.

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# Risk management in a challenging mission

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

**SWEDFUND'S MISSION AS** a development finance institution is to act additionally and catalytically. This means that, where there is a shortage of commercial capital, we must take greater risk than other investors are normally willing to accept. The mission also entails an expectation to take risks, and the aim of the work relating to risk management is to achieve risk optimisation based on mission objectives and the business model, rather than to minimise risks in every respect.

In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced. We manage risks at different levels (see the categories below), and good risk management is both a prerequisite for the operation and an enabler for improving development results. Swedfund's risk management framework is based around the risk policy that is adopted by the board of directors.



## 1 STRATEGIC RISKS

Strategic risks include structural factors relating to our mission, the challenging geography of the portfolio companies and the company's ownership and financing.

## 2 INVESTMENT RISKS

Many of Swedfund's risks lie in our investments, where risk management forms a natural part of the investment process. We categorise the investment risks within each of the three pillars that permeate Swedfund's investment process.

## 3 FINANCIAL RISKS

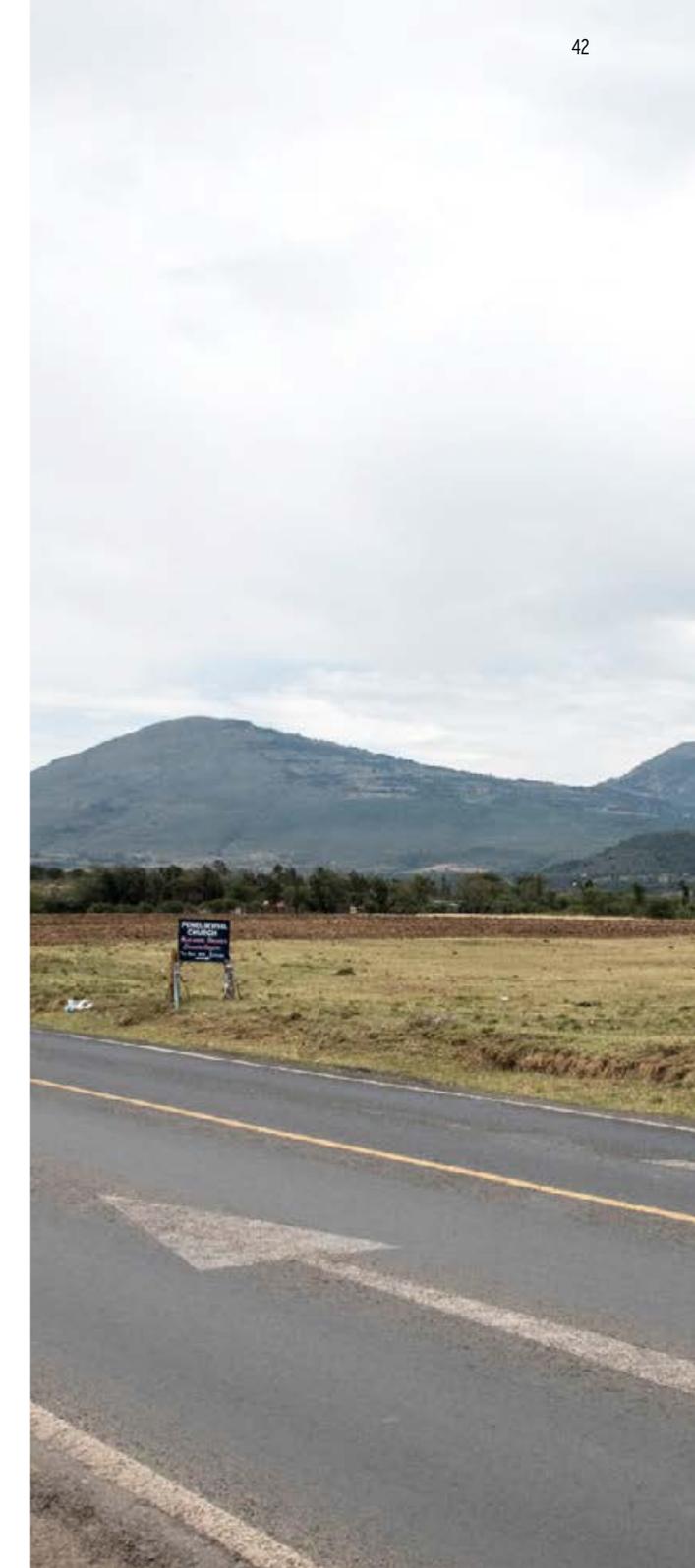
Financial risks are risks that can have a significant impact on Swedfund's financial position and performance, and are divided into three main areas.

## 4 OPERATIONAL RISKS

Operational risks are risks that are associated with Swedfund's operations and organisation. These risks could relate to weak internal processes, legal risks, fraud, corruption and the human factor, as well as IT risks, security risks and the risk of money laundering.

## 5 CLIMATE RISKS

Swedfund has systematised its analysis of the risks that may arise as a result of and be linked to climate change, and thus could entail a financial impact on Swedfund. Swedfund supports the Task Force on Climate-related Financial Disclosures (TCFD) and is continuously working to implement its recommendations.



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Road outside Nairobi, Kenya

# 1 STRATEGIC RISKS

## Description of risk

### Risk linked to financing

As Swedfund is currently primarily financed through capital injections from the owner, there is a risk that political decisions could alter the framework conditions under which the business operates.

### Geopolitical risks

Include trade disruption, the impact of the global economy, monetary policy effects and climate-related threats and risks. External events such as conflicts, natural disasters and pandemics are also included within the framework of geopolitical risks.

### Risks linked to contextual circumstances

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

### Risks linked to reputation and trust

Examples of particularly serious events which could impact on risks relating to reputation and trust are allegations of corruption, violations of human rights violations, poor working conditions or other situations where Swedfund is not seen as utilising tax revenues and development cooperation funding in a responsible manner.

## Management of risk

- Swedfund works methodically to ensure that the owner understands and sees the benefits in what we do, partly through an owner dialogue and requests.  
- Regular stakeholder dialogue.

- In order to manage risks relating to geopolitical situations, developments in the countries in which Swedfund invests are monitored closely.  
- Swedfund strives to achieve a balance in the distribution of the portfolio across countries and regions, sectors and instruments.  
- The board of directors establishes concentration limits for geographic exposure and counterparties.

- Swedfund's activities aim to reduce inequality and gaps and improve working and living conditions in order to strengthen communities and, by extension, their institutions.

- Swedfund primarily manages these risks through a responsible and sound investment process.  
- Dialogue with owners and stakeholders in accordance with Swedfund's Crisis Management Policy.

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## 2 INVESTMENT RISKS

### Description of risk

#### Impact on society

There is a risk that Swedfund's investment portfolio will not deliver the development effects we are aiming to achieve in line with the company's mission objectives and theories of change, or that an individual investment will not have the impact on society that was expected at the time the investment was approved.

#### Risks linked to the sustainability work of investments

In individual holdings and at portfolio level, there is a risk that our investments do not meet the sustainability requirements that we impose and thus do not contribute to long-term value creation. The sustainability risks, within the framework of the investment risks, that we have identified are linked to our Policy for Sustainable Development and our sustainability goals (see Swedfund's ethical compass on page 64-65).

#### Risks linked to the financial viability of investments:

Economic risks are linked to the financial viability of our investments. This includes, for example, business and partner risks, credit risks and currency and interest rate risks.

### Management of risk

- The risks associated with impact on society are managed through a thorough evaluation process ahead of the investment decision, as well as active management.

- Quality improvement initiatives through Technical Assistance (TA)

- Frameworks and policies are updated continuously as and when necessary

- As regards sustainability risks, acceptable deviations and limits are defined in Swedfund's Policy for Sustainable Development.

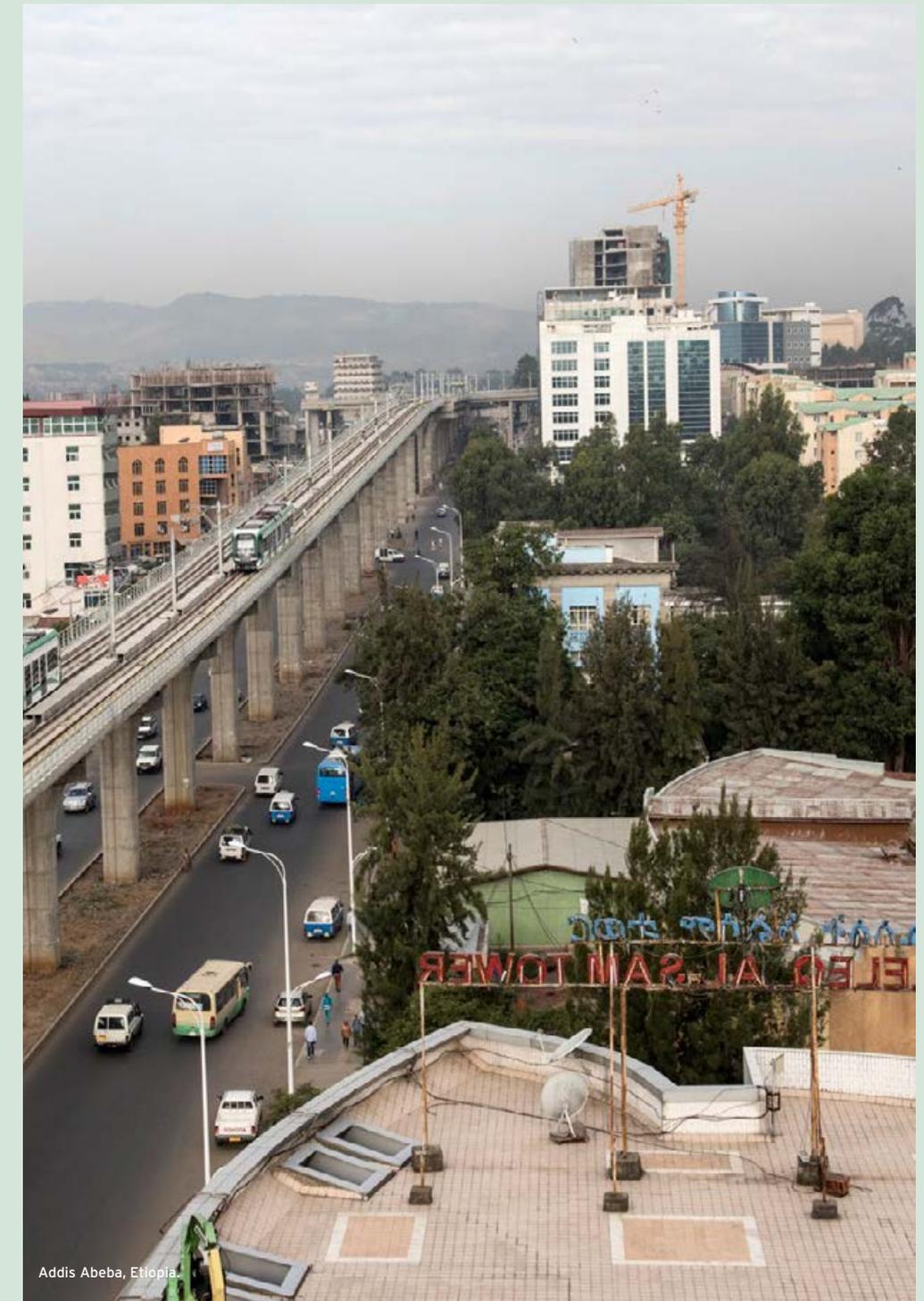
- Continuous follow-up to ensure that the portfolio companies meet set requirements according to agreements.

- Quality improvement initiatives through Technical Assistance (TA).

- Risks relating to the financial sustainability of the portfolio companies are monitored and managed throughout the investment process, from decisions on new investments to the exiting of holdings.

- Swedfund's investment team is responsible for preventing and, where appropriate, managing risks in the portfolio through active management, which encompasses board and committee processes and company visits, quality-enhancing initiatives through Technical Assistance and other regular follow-up.

- The evaluation and selection of partners are vital steps in the management of investment risks in the portfolio, where Swedfund strives to invest in, and together with, strong and competent partners who have experience, integrity and a history of strong performance.



Addis Ababa, Ethiopia.

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## 3 FINANCIAL RISKS

### Description of risk

#### Credit and share price risk

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

#### Liquidity risk

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

#### Currency risk

Swedfund is exposed to currency risk in that financing from the owner takes place in Swedish kronor (SEK) while contractual commitments usually take place in other currencies (USD and EUR). The currency risk in Swedfund's business is complex, with transactions normally being executed in an internationally viable currency, while real currency risk often lies in local currencies where the portfolio companies actually operate. Fluctuations in exchange rates can lead to substantial exchange rate effects with an associated impact on Swedfund's financial results which are reported in Swedish kronor.

### Management of risk

- Primarily managed on an ongoing basis through the investment process from investment decision through active management to winding up.  
- Swedfund strives to have a diverse portfolio where the board sets limits for geographical exposure and concentration on individual counterparties.

- Swedfund's own liquidity management must be invested in low-risk instruments, in currencies which match contractual commitments.  
- Liquidity risks are managed and governed by the Finance Policy established by the board of directors, which sets out the principles and risk limits that are to be applied to the company's liquidity management.

- The general principle is not to protect the investments in the portfolio against currency risk.  
- The risk is managed and regulated through Swedfund's Finance Policy.

## 4 OPERATIONAL RISKS

### Description of risk

#### Risks linked to Swedfund's operations and organisation

These could be poor internal processes, defective systems, legal risks, fraud, corruption and the human factor. Specific risk areas are IT/cyber risks, other security risks and money laundering risks.

### Management of risk

- In order to safeguard Swedfund's day-to-day operations, efforts are continuously made to identify and limit operational risks.  
- Swedfund's Code of Conduct is a governing policy which all employees are given continuous information and training on.  
- Establishment of process descriptions for key areas of the operation and numerous internal guidelines.  
- Work relating to the development of leadership and values  
- Internal audit function with responsibility for reviewing and evaluating Swedfund's organisation, governance, procedures for risk management and internal control  
- Established whistleblower service and complaints mechanism.

## 5 CLIMATE RISKS

### Description of risk

#### Risks linked to investments

#### Physical climate risks

During the late summer of 2021, the sixth IPCC report, published by the United Nations Climate Panel, confirmed that extreme weather events are affecting every part of the world, but Swedfund's markets are being hit harder than the global average. With regard to physical climate risks, Swedfund is exposed to such risks through our portfolio companies which operate in countries that are already, and will continue to be, exposed to physical climate impacts, such as drought, higher temperatures, floods, erratic rainfall and other natural disasters. The sectors that are generally expected to be most affected by physical climate risks are transport, infrastructure and agriculture.

#### Transition risks

Examples of transition risks include rising prices for emissions or fossil-linked assets that fall sharply in value.

### Management of risk

- As part of our review at the time of an investment, we analyse the company's potential climate risks, both physical and transition risks, based on the country's vulnerability to climate change and sector- and project-specific risks. We then work with our companies to help them assess and manage the effects of climate risks.

- Swedfund has limited exposure to these high-risk sectors, as they are not focus sectors in our investment strategy.  
- Physical assets in Swedfund's Energy & Climate sector may be affected by physical climate risks, and it is therefore becoming more common to incorporate climate risks into technical due diligence and construction.  
- Sectors such as microfinance can be impacted indirectly by physical climate risks, as the income of many microfinance customers depends on agriculture, which is a sector with exposure to physical climate risks, such as droughts, rising sea levels, extreme weather events and floods.

The transition risks, i.e. from the transition to a low-emission economy, in our portfolio are limited, as Swedfund has only invested in renewable energy production since 2014.

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Josephine Mutisya and Redempta Nduva have both bought solar lamps from d.light, which they can use for lighting their shop and home. Machakos, outside Nairobi, Kenya.



## Main instruments for sustainable development

Swedfund has three main instruments for investments: we invest in equity, provide loans and utilise funds to reach out to more businesses. We have well-developed sustainability processes and a proven process for following up and measuring performance.

**THE CHOICE OF INVESTMENT FORM** depends on the financing requirements of each company, but we also strive to establish a good balance of instruments in our combined portfolio. Swedfund can also offer funds for Technical Assistance, which are used to strengthen the development results of the portfolio companies through initiatives within areas such as impact on society and sustainability. Swedfund also has the opportunity to carry out feasibility studies and skills-enhancing initiatives at an early stage in order to promote sustainable procurement and future investments. From 2023 onwards, we will also have access to EU guarantees.

### EQUITY

When Swedfund invests in equity, we are a minority shareholder. We have an excellent opportunity to exert an influence and usually have a seat on the company's board of directors. Our goal as a shareholder is to be a long-term investor, but to sell the shares in the company as soon as we are no longer needed. Swedfund will remain a shareholder for as long as there is scope to make a positive difference and contribute financial resources and knowledge, e.g. within ESG and Impact. When deciding whether or not to sell shares, we consider a range of factors, including the new owner's ambitions and opportunities to continue to run the company in a sustainable way.

### LOANS

A loan entails less risk compared with contributing equity, even if the level of risk in Swedfund's markets is generally always high. Loans are more predictable as instruments, partly because there is an agreed amortisation plan, ongoing interest payments and a planned closing date. Requirements regarding sustainability, reporting and further development of sustainability work are established in the same way as for other forms of financing, but we usually have somewhat less scope to exert an influence after the loan has been disbursed. It is therefore vital for Swedfund to agree on these requirements in a loan agreement, i.e. before the first payment is made. Many jobs are created in small companies which are in need of small loans or microloans. Using the loan instrument is an effective way of reaching many smaller companies and entrepreneurs.

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## LPAC

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

### FUNDS

Funds enable small and medium-sized enterprises to access essential financing in the form of loans or equity. This enables Swedfund's capital to reach out to more people. These companies contribute to sustainable and profitable growth and thus help to reduce poverty by creating jobs, strengthening the tax base and participating in knowledge-building. Swedfund also invests in thematic funds to improve access to healthcare, digitalisation and renewable energy, for example.

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

We require fund managers to impose similar requirements to those imposed by Swedfund on their own direct investments. By setting out the requirements that the fund must meet and supporting the sustainability work in particular, we help the fund's portfolio companies to strengthen their work relating to sustainability. For Swedfund to invest in a fund, it is also a condition that the structure of the fund is transparent and that the fund investment is a good fit with Swedfund's direct investments. Swedfund is often involved in LPAC (see the fact box).

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

Kalkidan Bogale in Addis Ababa, Ethiopia.

### TECHNICAL ASSISTANCE

Funds for technical assistance (TA) are a strategic tool that is used for quality-enhancing initiatives relating to portfolio companies through initiatives within impact on society and sustainability.

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

Our potential, current and concluded investments can benefit from TA funds, and we have an opportunity to engage partners in the implementation of projects, an example being the collaboration with Kvinna till Kvinna concerning gender-based violence in the workplace.

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

Examples of TA projects include quality-enhancing initiatives aimed at systematising and improving the portfolio companies' environmental work and social responsibility through management system implementation, Gender Action Plans, the development of climate strategies and calculation models, and training initiatives relating to human rights and gender equality.

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# A thorough investment process

We invest in private businesses, financial institutions and funds by providing loans and equity in order to create jobs with decent working conditions and improve access to socially important products and services such as renewable energy, food and health. We have developed an investment process that will enable us to succeed in our challenging mission.

Investing in developing countries is associated with major risks, particularly economic risks. We endeavour to manage these risks through a comprehensive investment process. The investment proposals that we receive are first reviewed, and those which match our investment strategy and criteria are then analysed in more detail. Investment managers and analysts, working alongside experts in ESG, law and impact, conduct a thorough analysis. Business plans, investment partners, sustainability (environment, working conditions, anti-corruption and human rights) and impact on society are all analysed. The analysis is then reviewed by Swedfund's Investment Committee and the process is concluded with a decision by the board of directors. Each investment is considered to have the prerequisites for achieving the goals set in our three pillars: impact on society, sustainability and financial viability. The model on the right is described in more detail on the next spread.

View of Addis Ababa, Ethiopia.

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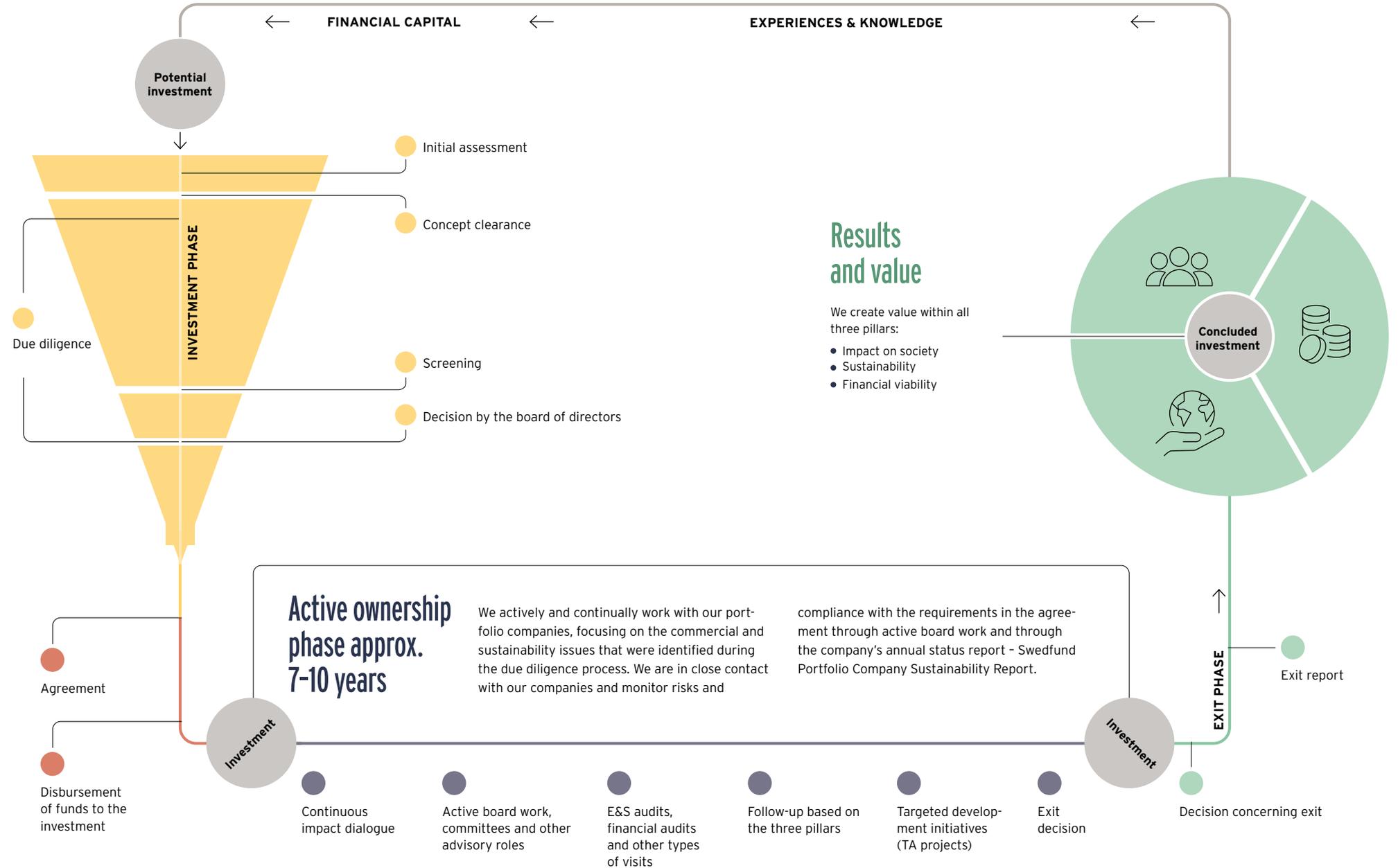
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# The investment process in practice

Here, we break down and describe how we operate during the various phases of the investment process. This approach is followed regardless of the sector in which the investment is made, or whether we invest in the form of equity or a loan or in a fund.

## Investment phase

### INITIAL ASSESSMENT

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

### CONCEPT CLEARANCE

After this initial step, the investment team draws up a proposed decision, the "concept clearance", which is then presented to Swedfund's Investment Committee. Swedfund's investment committee, which consists of the Management Group and Senior Advisor Special Operations, has both an advisory and a decision-making role. Together with the investment team, the investment committee identifies and discusses the key opportunities and the greatest risks associated with the investment which must be

analysed during the due diligence process.

### DUE DILIGENCE

If the committee decides to proceed, the investment proposal will continue on to the due diligence phase. A thorough analysis of the company is now initiated. Examples of factors which are analysed include the business concept, business model, market, financial history and forecast, investment calculation, partners, legal aspects, expected impact results, as well as sustainability risks and impacts, including the environment, working conditions, human rights, tax, risk of corruption, gender equality and climate issues. During the due diligence phase, the investment team meets representatives of different areas of the company in order to gain a deeper understanding of the company and the processes, routines and documents that they have shared with Swedfund. If necessary, external expertise is hired to examine specific issues. Before the meeting, the company will be asked to complete a comprehensive questionnaire on environmental, social and corporate governance. The due diligence process forms the basis for the information that is used in the decision-making process. This includes an ESG Action Plan (ESGAP), which sets out

the applicable requirements and also forms part of the investment agreement. It describes the changes that the company needs to make in order to meet Swedfund's sustainability requirements.

### SCREENING

When the due diligence process is concluded, a screening meeting will take place during which the Investment Committee will decide whether the investment meets our requirements and is ready to be presented to Swedfund's board of directors. If the investment is not approved at this stage, it may be because new information came to light during the due diligence process. It is not uncommon for new questions to be raised, which the team then examines in the final stage of the due diligence process.

### DECISION BY THE BOARD OF DIRECTORS

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

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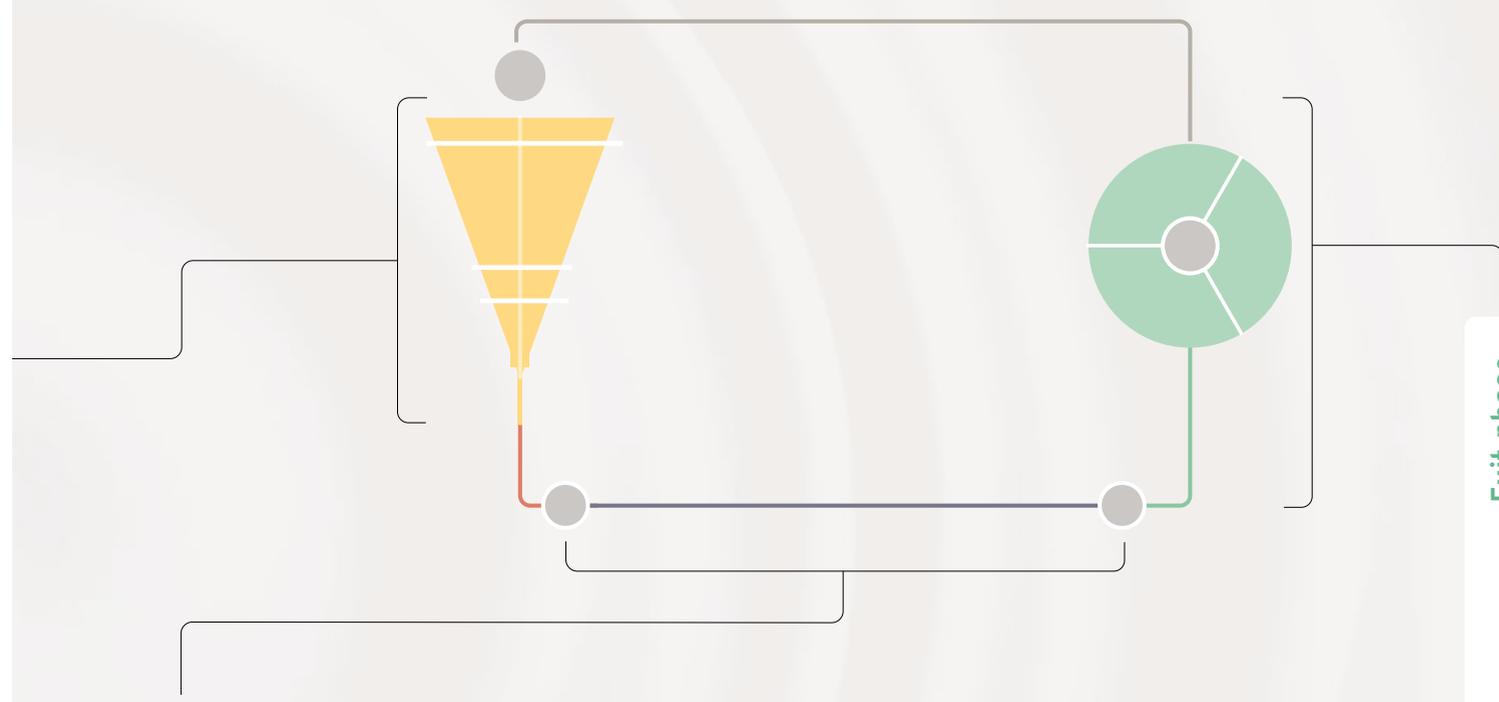
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**Active ownership phase**

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

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

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

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

**Exit phase**

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

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

An exit report is prepared for each closure, where we analyse the results we have achieved, what we have learned and what relevant knowledge and experiences we can take with us into future investments. The report must also clearly describe how the investment has lived up to Swedfund's requirements and contributed to the objectives adopted at the time of the investment.

**\*FUNDS FOR TECHNICAL ASSISTANCE (TA)**  
Read more on pages 47 and 84.

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

Swedfund's investments have a wide geographical spread. In accordance with our Owner Instructions, our focus is on the world's least developed countries, which above all means sub-Saharan Africa. During the year, Swedfund has made many investments in new companies, along with a number of additional investments in ongoing investments.



**PERIOD REPORT 22.01.01-22.12.31**

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

**GLOBAL**

- +** Investment: EFP  
Sector: Other
- +** Investment: Interact Climate Change Facility  
Sector: Energy & Climate
- E** Investment: Global Medical Investments GMI AB  
Sector: Health

**AFRICA AND ASIA**

- O** Investment: Apis Growth Fund II LP  
Sector: Financial inclusion
- O** Investment: IFC Women Entrepreneurs Debt Fund LP  
Sector: Financial inclusion
- N** Investment: Accion Digital Transformation Fund  
Sector: Financial inclusion
- N** Investment: Climate Investor Two  
Sector: Energy & Climate

**ASIA**

- O** Investment: Apis Growth Fund I LP  
Sector: Financial inclusion
- O** Investment: Climate Investor One  
Sector: Energy & Climate
- O** Investment: Quadria Capital Fund II  
Sector: Health
- O** Investment: Renewable Energy Fund Asia II LP  
Sector: Energy & Climate
- O** Investment: SUSI Asia Energy Transition Fund  
Sector: Energy & Climate
- N** Investment: ASEAN Frontier Market Fund (AFMF)  
Sector: Financial inclusion

**AFRICA**

- O** Investment: AFIG Fund II LP  
Sector: Financial inclusion
- O** Investment: African Development Partners II LP  
Sector: Financial inclusion
- O** Investment: African Development Partners III LP  
Sector: Financial inclusion
- O** Investment: AfricInvest Fund III LLC  
Sector: Financial inclusion
- O** Investment: Africa Renewable Energy Fund II  
Sector: Energy & Climate
- +** Investment: African Rivers Fund III  
Sector: Financial inclusion
- +** Investment: Bayport Management LTD  
Sector: Financial inclusion
- +** Investment: d.light  
Sector: Energy & Climate
- O** Investment: ECP Africa Fund III PCC  
Sector: Financial inclusion
- O** Investment: Evolution II  
Sector: Energy & Climate
- O** Investment: Frontier Energy Fund II  
Sector: Energy & Climate
- O** Investment: Investec 2 (IAPEF2)  
Sector: Financial inclusion

- O** Investment: Medical Credit Fund II  
Sector: Health
- O** Investment: Metier Sustainable Capital Fund II  
Sector: Energy & Climate
- O** Investment: Norsad Finance  
Sector: Financial inclusion
- O** Investment: SunFunder  
Sector: Energy & Climate
- O** Investment: Tide Africa Fund II  
Sector: Financial inclusion
- O** Investment: TLG Credit Opportunities Fund  
Sector: Financial inclusion
- N** Investment: African Infrastructure Investment Fund 4  
Sector:
- N** Investment: BluePeak Private Capital Fund  
Sector: Financial inclusion
- N** Investment: Serengeti Energy  
Sector: Energy & Climate
- N** Investment: Vantage Mezzanine Fund IV  
Sector: Financial inclusion

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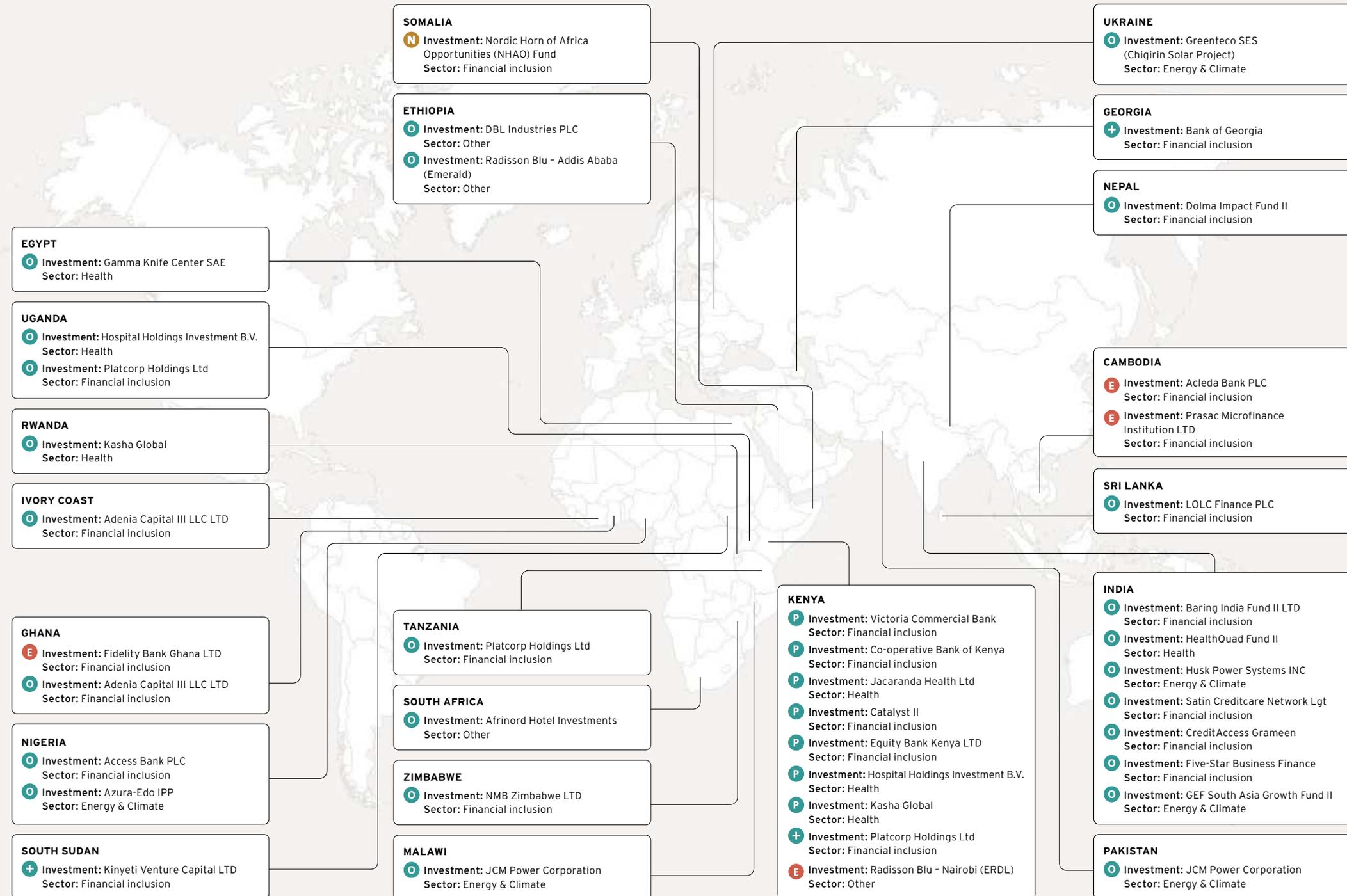
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## Example of investments

**ADDITIONAL INVESTMENT FOR GROWTH COMPANIES IN DRC, UGANDA AND ANGOLA**

At the beginning of the year, an additional investment in African Rivers Fund 3 (ARF 3) was contracted. ARF 3 invests through loans to SMEs in Uganda, the Democratic Republic of Congo and Angola.

Finance institutions and access to finance are often limited in developing countries, yet they are crucial in enabling companies to become stronger and develop and boosting job creation. The fund manager strives to grow small businesses into medium and large businesses. Since Swedfund's first investment in August 2020, the fund manager has invested in around 20 businesses and expects to provide growth capital to around 30-40 businesses.

This additional investment also gives Swedfund the opportunity to contribute to further improvements in the fund's portfolio companies, especially as regards ESG processes, labour rights, gender equality and human rights.

**WE DRIVE DIGITALISATION AND SUPPORT FINANCIAL INCLUSION**

In July, Swedfund invested in the Accion Digital Transformation Fund, a fund that focuses on the digital transformation of financial institutions in developing countries.

An estimated 1.7 billion adults worldwide do not have an account with a bank or financial services provider. Most of these people live in developing countries. Yet two-thirds of those without a bank account have a mobile phone. Digitalisation can therefore play a key role in making financial products and services more accessible and tailored to the needs of the target group. Digital solutions also facilitate further improvements in reliable lending and collection methods, as well as more efficient business models.

Accion have a long history of supporting both micro-entrepreneurs and unbanked individuals by supporting the digital transformation through capital, strategic and technical advice and governance support.

**EXPANSION OF SMALL-SCALE RENEWABLE ENERGY IN AFRICA**

During the first half of the year, Swedfund invested USD 20 million in Serengeti Energy. Serengeti Energy develops, builds, owns and operates renewable energy projects in sub-Saharan Africa, a region that is heavily reliant on fossil fuels power generation and home to many people with no access to electricity. The countries in the region are facing an enormous need for renewable energy capacity, while access to capital for energy projects that are in the early growth phase is limited.

Serengeti Energy focuses on investing in and jointly developing small to medium-sized grid-connected renewable energy projects, with a focus on small-scale water, solar and wind energy. By investing in Serengeti Energy, Swedfund is helping to boost the production of renewable energy for the national grids. We are also strengthening our existing renewable energy portfolio with more small-scale hydro-power and solar energy installations in sub-Saharan Africa and contributing to sustainable economic development. (Read more on pages 26-27)

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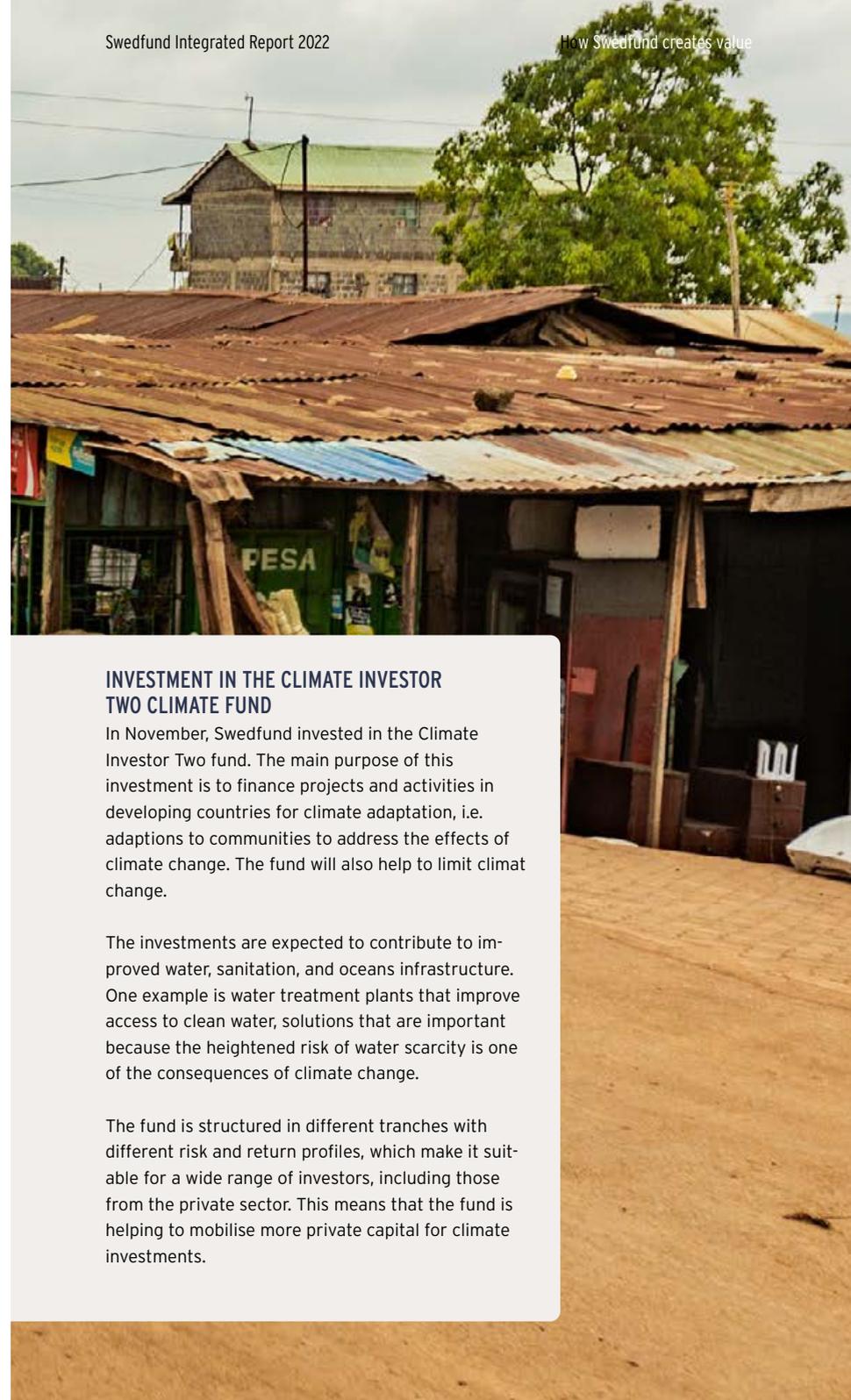
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### INVESTMENT IN THE CLIMATE INVESTOR TWO CLIMATE FUND

In November, Swedfund invested in the Climate Investor Two fund. The main purpose of this investment is to finance projects and activities in developing countries for climate adaptation, i.e. adaptations to communities to address the effects of climate change. The fund will also help to limit climate change.

The investments are expected to contribute to improved water, sanitation, and oceans infrastructure. One example is water treatment plants that improve access to clean water, solutions that are important because the heightened risk of water scarcity is one of the consequences of climate change.

The fund is structured in different tranches with different risk and return profiles, which make it suitable for a wide range of investors, including those from the private sector. This means that the fund is helping to mobilise more private capital for climate investments.



## CASE

# The war in Ukraine is disrupting global trade and creating an uncertain situation in the region

**RUSSIA'S INVASION OF** Ukraine has drastically altered the security situation in Europe and impacted global trade. It is primarily the countries that trade with Russia or Ukraine that are affected. Some countries close to Ukraine, such as Moldova, have been hit hard by substantial flows of refugees, while other countries, such as Georgia, Kazakhstan, Armenia and Azerbaijan, have primarily seen an impact on their economies as a result of the sanctions aimed at Russia. In addition, poor households in the region are being affected by rising inflation, as food and fuel account for a high proportion of their overheads.

Swedfund has two investments in the energy and climate sector in Ukraine. One investment, Syvash-EnergProm LLC (Syvash), is being carried out within the framework of the European development finance institutions' joint platform for climate investments (ICCF). Syvash is a wind farm that is located in a region that is currently annexed by Russia and was knocked out at an early stage of the war.

The other investment, Chigirin Solar Power Plant, for which Swedfund has provided a loan, is currently operational. Some of the staff have been able to return after originally having to flee the area, and the

solar farm supplies the Ukrainian electricity grid with electricity. During the lead-up to the war, Swedfund conducted an in-depth analysis based on a number of possible scenarios and implemented a range of measures. The intention was partly to increase the preparedness of the portfolio companies to handle a deteriorating security situation, and to pursue a dialogue concerning evacuation plans and the preventive work being carried out by the companies to protect staff and employees.

During the year, Swedfund worked with the European development finance institutions and the EIB and EBRD to monitor developments and consider possible investments that could support employment and the Ukrainian economy in those parts of the country wherever possible. During the year, Swedfund also approved another investment in the Bank of Georgia aimed at promoting financial inclusion and the green transition in what is a very vulnerable situation for the country. During the year, the Project Accelerator, together with the Ukrainian Ministry of Internal Affairs, also worked on preparations and support for the procurement of a national '112 system' in Ukraine.

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EXITS

## Radisson Blu, Nairobi Upper Hill

**IN 2008, SWEDFUND** invested in the construction of a new hotel in Nairobi. At this time, there were few similar hotels in existence which were geared towards business travellers and conferences. The investment was made in the development company Elgon Road Developments Ltd (ERDL). The hotel, run by the Radisson Hotel Group, opened in January 2016.

Hotels contribute to many development effects, including by creating jobs and facilitating important career paths for women. Investments in the hotel sector also contribute to the creation of formal jobs

with decent working conditions. In addition, the hotel sector often uses infrastructure and services provided by local enterprises, which promotes regional development. The hotel sector also facilitates greater access to foreign currency, which is often scarce in developing countries.

The board seat at ERDL became an important platform for working closely with the business and pursuing issues such as gender equality, the environment and good working conditions. For example, the hotel had a resource efficiency plan for water and

energy, solar panels on the roof for water heating purposes, and proper waste management systems, including recycling. This contributed to it becoming the first hotel in Kenya to be certified according to the Green Key standard.

In 2016 and 2018, Swedfund carried out Women-4Growth with the hotel staff. This resulted in an extra month of parental leave, more flexible working hours for new parents, and five days of paid leave per year for childcare purposes. Staff were also entitled to other benefits such as extra pension provisions,

extended healthcare insurance, and a certain amount of paid leave for further training.

The hotel was forced to close when the Covid-19 pandemic struck in March 2020. After consultation with the union, the hotel was able to offer the staff conditions which were better than those required by law. Negotiations were initiated to sell the company, with the new owners signing the purchase agreement during the first quarter of 2022. The hotel is now open again to guests.

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## INVESTMENT IN CREDIT FUNDS FOR JOB CREATION AND LOCAL ECONOMIC GROWTH

Strengthening the growth and resilience of SMEs is crucial for job creation and local economic development. Many African mid-sized companies find it difficult to obtain funding from banks because they lack collateral and a formal credit history.

To fill the funding gap facing these companies, Swedfund has invested in two leading Africa based credit funds: BluePeak Private Capital Fund (BluePeak) and Vantage Mezzanine Fund IV (Vantage). The aim is to improve access to long-term growth capital and contribute to the further growth of mid-sized companies, which is expected to lead to significant job creation and improve access to essential goods and services, such as medicines and connectivity and communication services.

BluePeak's financing solutions target SMEs with a specific commitment to gender-lens investments, reducing inequality and limiting climate impact.

Vantage is the largest and one of the most experienced mezzanine investors on the African continent. The focus is on high-growth medium-market businesses in a number of sectors, but with priority being given to sectors that particularly contribute to a positive impact on society, such as information and communication technologies, healthcare and infrastructure.

## SWEDFUND SUPPORTS FINANCIAL INCLUSION IN GEORGIA

Swedfund has made a second investment in the Bank of Georgia to support financial inclusion and the green transition.

The economy of Georgia has been adversely affected by the Covid-19 pandemic and the ongoing war in Ukraine. Declining tourism and restrictions on domestic mobility have triggered the biggest economic downturn since the 1990s. This has led to rising unemployment and poverty, and much of the progress made in recent years has been lost. By strengthening the capital base of the systemically important Bank of Georgia, Swedfund can help to stabilise the Georgian financial system and contribute to continued lending to Georgian customers.

The Bank of Georgia has a broad customer base, a diverse loan portfolio and a strong presence in every major sector of the Georgian economy, as well as a proven track record of supporting SMEs. Swedfund is investing alongside EBRD in order to facilitate the expansion of the bank's portfolio of green financing projects.

## A STRONGER COMMITMENT TO EFP ICCF REGARDING JOBS AND CLIMATE

European Financing Partners (EFP) and the Interact Climate Change Facility (ICCF) were created by the European development finance institutions to create jobs and fight climate change in developing countries. Today, they form a common financial platform and represent a very effective tool for reaching out to those in greatest need.

Swedfund has been a financing partner in EFP ever since 2004 and, through the collaboration, important and relevant projects can be carried out with the aim of creating sustainable jobs in developing countries. Launched in 2011, the ICCF aims to finance climate projects, such as renewable energy, in developing countries. By demonstrating the financial viability of the projects, EFP/ICCF also aims to be catalytic and attract additional sources of funding for the development of jobs and sustainable energy in emerging markets.

Emerging economies are at great risk of being hit hard by climate change, yet the impact of measures implemented at an early stage can be significant. By providing long-term financing for sustainable investments in the world's poorest countries, Swedfund is actively supporting the development of a more energy-efficient and climate-friendly global economy.

## INVESTMENT TO REACH OUT TO SMES AND INDIVIDUALS

To support the development of small enterprises and individuals in sub-Saharan Africa, Swedfund has invested an additional EUR 15 million in the microfinance institution Platcorp, which is aimed at customers in Kenya, Uganda and Tanzania.

Platcorp is a microfinance institution that provides loans to both SMEs and individuals. The group has a broad and efficient platform for providing access to financing, enabling Swedfund to reach out to entrepreneurs and small enterprises in the region. At a time when many countries are facing economic challenges, our investment will help to create the right conditions for increased employment and financial inclusion.

Since Swedfund's investment in 2018, Platcorp has developed ESG policies and processes, built up an ESG team among the subsidiaries, and worked proactively with regard to customer protection and gender equality issues. By providing TA funds, Swedfund has also assisted Platcorp in implementing the Women4Growth programme, in order to support gender equality initiatives among the subsidiaries and pilot a climate-resistant agricultural loan product (read more on page 31).

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Juba, South Sudan.

### INVESTMENT TO SUPPORT ENTREPRENEURS AND BUSINESSES IN SOUTH SUDAN

At the end of the year, Swedfund invested an additional USD 4 million through a loan to Kinyeti Capital (Kinyeti), together with Norfund, the Norwegian development finance institution. Kinyeti is an investment company that was founded as a joint venture between Swedfund and Norfund in 2012. Kinyeti's goal is to contribute to private sector development in South Sudan by offering capital to entrepreneurs and growing businesses, leading to more job creation.

Kinyeti is a strong and enduring partner for investment in a fragile state like South Sudan. Over the past ten years, the company has helped to find investments, supported SMEs with credit financing and contributed to job creation, despite the political and economic instability in the country.

Swedfund's funds will be used to boost Kinyeti's capital for re-lending and support to SMEs. Key customers are SMEs operating in a range of sectors (mainly construction and hotels) that are contributing to the rebuilding of the country after years of civil war.

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### INVESTMENT IN BROADER INFRASTRUCTURE

In December, Swedfund invested in African Infrastructure Investment Fund 4 (AIIF4). AIIF4's mandate covers energy infrastructure, such as renewable energy production, digital infrastructure including fiber networks, and transportation infrastructure in the form of roads and logistics solutions at ports. This is the first investment that Swedfund has made in broader infrastructure, which encompasses more than just clean energy and climate infrastructure.

AIIF4 focuses on countries in Africa, and the fund's investments enable infrastructure to be built that strengthens businesses, e.g. logistical solutions at ports and improvements to digital infrastructure. Part of the fund's investments are expected to go to expansion of renewable energy, which will help to facilitate the green transition. Nevertheless, the fund primarily creates jobs by boosting the competitiveness of businesses.

Like energy-related investments, AIIF4's investments in digital infrastructure and mobility and logistics can help to overcome the lack of access to services and infrastructure that play a key role in growth, development and supply.

### ADDITIONAL INVESTMENT TO IMPROVE ACCESS TO RELIABLE AND CLEAN ENERGY

At the end of December, Swedfund agreed an additional investment in the solar energy company d.light. D.light supplies off-grid electricity to people without access to reliable and clean energy in Africa and India. Swedfund's financing will be used to support the further expansion of the business.

In Africa, more people had no electricity supply in 2022 than in 2019, and the price of electricity has now become too high for up to 30 million people who previously had access to electricity. Lack of access to an electricity supply is both a reason for poverty and a consequence of it. This additional investment confirms Swedfund's strong commitment to fighting poverty and promoting economic growth.

Since Swedfund's first investment in d.light in December 2018, the company has expanded from Kenya and India into Uganda, Tanzania, Nigeria and elsewhere, and introduced new products and services.

Swedfund has supported d.light in the form of Technical Assistance, e.g. through Women4Growth via the company in Kenya and in connection with a project to electrify 250 healthcare facilities in Kenyan villages through sustainable solar energy solutions.

### INVESTMENT TO CONTRIBUTE GROWTH CAPITAL IN CAMBODIA AND LAOS

During the year, Swedfund invested in the ASEAN Frontier Market Fund (AFMF), which provides capital to strengthen and upscale regional growth-oriented SMEs which constitute important contributors to economic development.

Before the pandemic, Cambodia was among the fastest growing economies in the world. However, the country was hit hard by the pandemic and growth has now stalled.

Laos has made great strides forward as regards developments in many areas over the past twenty years, halving poverty, reducing malnutrition and improving education. However, economic growth has slowed over the past two years, and there is a risk that development in the country may even go backwards.

Investing in AFMF is one way for Swedfund to reach more small businesses that can invest and create jobs, which is crucial for people in developing countries.

This is Swedfund's first investment in a fund which focuses on Cambodia and Laos. The investment is being carried out jointly with a group of other development finance institutions.

### SWEDFUND'S FIRST INVESTMENT IN SOMALIA

In December, Swedfund signed off an investment in the Somali fund Nordic Horn of Africa Opportunities Fund (NHAO), which invests in SMEs.

Despite the recent decades of conflict, Somalia has maintained a growing private sector, which generates more than 90 percent of the country's GDP. In many cases, the private sector has performed the role usually held by public institutions. This includes financial services, safety/security and education. SMEs in Somalia have a strong need for capital, but have no accessible and financially attractive source of financing. From this perspective, efforts to strengthen small businesses, especially those led by women, are very important. NHAO's investment structures are Sharia-compliant, with USD-denominated secured debt instruments (Murabaha).

However, the challenges facing investors are many and linked to weak laws, considerable political uncertainty, poor infrastructure and limited formal banking and currency mechanisms. In addition to the many challenges, the Somali market also offers many opportunities. Rapid urbanisation, increasing use of digital technologies and planned investments in sectors such as energy, ports, education and health can help to support economic growth and job creation.

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# Accelerator to develop and implement more sustainable projects

Swedfund's Project Accelerator contributes to the development and implementation of more sustainable projects in renewable energy, green infrastructure and sustainable transportation in developing countries, and is thus an important tool for achieving the goals of Agenda 2030. The work of the Project Accelerator starts at a relatively early stage in the project development phase and lays the foundations for the financing of priority sustainable solutions. Specific projects facilitate sustainable investments and increased trade, which collectively have a positive development effect.



**LIMITED FINANCIAL RESOURCES** and a lack of capacity in the public sector are examples of challenges faced by many less developed countries, which hinders the work relating to project development in the early stages. This is limiting the opportunities available to invest in sustainable projects, in a situation where there is considerable need, particularly within the green infrastructure and renewable energy sectors. It also leads to difficulties in the efforts being made to achieve the goals of Agenda 2030, because many countries adopt short-term simple solutions, which means that they tie themselves to technology and systems that are unsustainable in the long term.

## WE ENTER THE PROCESS AT AN EARLY STAGE

Thanks to funding from the Project Accelerator, external expertise can be brought in at an early stage in the project development process to support the local public sector project owner. In this way, the Project Accelerator has a catalytic effect and helps to promote the development of sustainable projects and make them financially viable and feasible. Through procurements which give greater consideration to sustainability and life-cycle costs, commercial opportunities are created for Swedish companies which

offer sustainable and long-term profitable solutions.

The role of the Project Accelerator is to develop projects by providing capacity support and financing feasibility studies. The feasibility studies form the basis for the technical solutions and highlight opportunities and risks in the project, thus contributing to sustainable project implementation. Other operators in the investment process then take over.

## PARTNERSHIPS AN IMPORTANT ASPECT OF THE METHOD OF WORKING

The Project Accelerator works with various partners within Team Sweden, where the embassies are of particular importance. They are represented in our partner countries and, through Sweden's good contacts and networks, they help to identify relevant needs in the countries which could become projects. The embassies are also important during the implementation process, as discussions often take place with ministries and authorities locally in the country during this process. Other actors within Team Sweden (Sida, SEK, EKN, Business Sweden and others) are also important partners in the work of the Project Accelerator, which also involves Swedish businesses in many cases.

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## 61 projects

Since the beginning in 2016, a total of 61 projects have been initiated and are now at different stages of commitment and activity.



The Project Accelerator's projects can primarily be found in the renewable energy and green infrastructure sectors. The projects are normally preceded by extensive anchoring and preparation within Team Sweden and with other operators such as development banks. The specific initiative funded by Swedfund normally lasts between six and twelve months. It can sometimes take time between a decision being made regarding an initiative and the initiative actually being implemented, primarily depending on the needs of the project owner and developments in the country concerned. Since the start in 2016, a total of 61 projects have been initiated and are now at different stages of commitment and activity.

### STRONG DEMAND HAS LED TO AN INCREASE IN FUNDING AND MORE PARTNERSHIPS

The need for the type of project that the Project Accelerator works with has not been affected by the pandemic. Instead, the inflow of projects has increased, and decisions concerning more initiatives have been made possible by an increase in the appropriation during 2022. As a result of the restrictions and the new needs brought about by the pandemic, the process and working methods have therefore been modified to enable new projects to be identified and implemented, which also contributes to effective methods after the pandemic.

The Team Sweden partnership has been further deepened over the past year, which has helped to enable more projects to be implemented. The Project Accelerator also works with strategic partnerships to

a greater extent, with development banks, UN organisations, regional actors and others. These institutions are often represented at local level and active in the sectors on which the Project Accelerator is focussing, which helps to boost the overall expertise surrounding a project. These partnerships also open up the possibility of discussions with finance institutions at an early stage in the investment process. Many organisations share the same problems, namely the lack of sustainable, well-developed investment-ready projects, and cooperation at an early stage benefits everyone involved.

The Project Accelerator is an important tool in the work relating to Swedfund's investment activities in developing countries, as it lays the foundations for more sustainable projects which can be financed and implemented in the countries concerned. This is most evident in the Energy & Climate sector, where the Project Accelerator supports Swedfund's investments in a number of ways. This may involve feasibility studies aimed at strengthening the capacity of electricity grids to distribute renewable energy, or the feasibility study instrument could be used as an initial step before an investment is made in a renewable energy source. The development in capacity that is taking place among local operators regarding a greater understanding of investments and sustainability is another pivotal aspect with a positive impact on Swedfund's investments.

During 2020, as part of Swedfund's application, the Project Accelerator was accredited for handling the EU's instrument for gift financing.

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# Examples from the Project Accelerator's operations



## PROCUREMENT OF A NATIONAL '112 SYSTEM' FOR UKRAINE

Ukraine still uses different numbers for its emergency services, including the police, fire brigade and ambulance services. By introducing a single national emergency number, all emergency services will become available through a single phone number. Coordinating relief efforts will significantly improve efficiency and security in the event of accidents, especially in cases where several emergency resources need to be alerted simultaneously.

In 2022, the Project Accelerator received a request from the Ukrainian Ministry of Internal Affairs regarding preparation and support for the procurement of a national 112 system. This initiative is based on a feasibility

study that was completed in December 2021. This feasibility study describes key aspects of the technical specifications, financial consequences and level of integration for each rescue service. However, the feasibility study must be tailored based on the prevailing circumstances due to the Russian invasion. Procurement documentation and project documentation also need to be drawn up to facilitate international financing. The support provided by the Project Accelerator will include updating of the previous feasibility study, the preparation of procurement documentation, a call for tenders and support for the evaluation of incoming proposals. The project is expected to be completed in 2023.

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### PHASING-OUT OF COAL-FIRED POWER STATIONS IN MALAYSIA

Sarawak Energy Berhad (SEB) supplies energy to the Sarawak region of Malaysian Borneo. SEB is an integrated energy company that both produces energy and is responsible for electricity grids and stability. As part of its ambition to reduce carbon dioxide emissions in line with the Paris Agreement, SEB has initiated work to reduce the amount of carbon in its mix of energy types. Around 70 percent of SEB's electricity production currently comes from hydropower, but a significant proportion also originates from fossil fuels. The company has no production from solar power.

In 2021 and 2022, Swedfund funded a study that analysed the potential for expanding electricity production from solar power in Sarawak. The study looked at the magnitude of the potential, possible suitable locations, and how the stability and efficiency of the electricity grid would be affected when the base load is replaced by renewable electricity production. The study indicated that there is poten-

tial to integrate large quantities of solar power and provided important information for use as a basis for SEB's choice of a strategy going forward. When large quantities of renewable electricity production are integrated, other use requirements are placed on the ability of the electricity grid to balance production and consumption. Large-scale energy storage and batteries are therefore now being analysed in a second study by SEB and Swedfund.

In 2022, SEB developed its strategic plan through to 2030. The goal is to phase out two coal-fired power stations, which will reduce carbon dioxide emissions by up to 1.7 million tonnes annually. The plan also involves expanding production from hydropower and other renewable sources, including 1,700 MW of solar power. A first floating 50 MW solar power plant will be constructed in 2023-2024. SEB also has a long-term ambition to export fossil-free electricity from the region, including to Singapore.

### UPGRADING OF THE ELECTRICITY GRID IN MALAWI

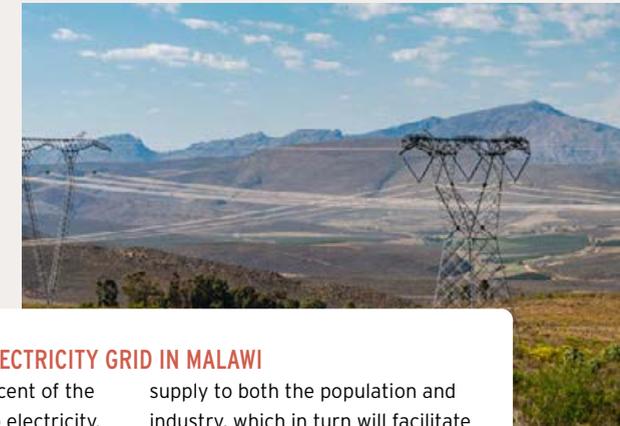
In Malawi, around 15 percent of the population has access to electricity. Increasing this percentage is a key item on the country's agenda. At the same time, the power system is facing major problems. Electricity generation capacity is limited and has been reduced even further due to damages from storms. The electricity distribution grid is ageing and inadequate, leading to frequent power outages for the population and industry, and making the integration of new power plants into the system a challenge. To improve access to electricity, improvements will be needed both in areas such as the electricity grid and in the form of increased production.

Swedfund has decided to support the state-owned transmission and distribution company Escom Malawi, with the aim of enabling an investment in a new national grid in eastern and northern Malawi. Upgrading approximately 40 miles of national grid will improve the security of

supply to both the population and industry, which in turn will facilitate economic development. An upgraded electricity grid will also enable new renewable production from solar farms, etc. to be absorbed into the grid and boost production capacity in the country.

At present, Swedfund's investments in renewable energy in the country are being hampered by the poor national grid. Improving this grid will better enable companies to supply electricity to customers and receive full compensation.

In concrete terms, Swedfund's support is funding an environmental impact assessment for the upgraded network, so that the environmental and social consequences of the project can be identified, minimised and offset in accordance with international standards. In this way, a further ambition is to enable international financing of the project.



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# Swedfund's ethical compass

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

## SWEDFUND'S ETHICAL COMPASS

The ethical compass has been developed on the basis of Swedfund's mission and the needs that we have identified in a close dialogue with our owner, partners and other stakeholders. The dialogue with our stakeholders is particularly important in order for us to be continually challenged and developed, so that we can fulfil our mission as a development finance institution. Read more about our stakeholder and materiality analysis on pages 140–141.

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

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

## UPDATED POLICIES

The anti-corruption policy underwent a review and minor revision in 2022. The most important change was the supplementation of the definition of corruption with the concept of sextortion: where a person takes advantage of his or her position and offers something in exchange for sexual favours.

Swedfund has also developed a transparency policy, which has been published on our website. The policy is based on the transparency requirements expressed in the governance of Swedfund as a state-owned company and development cooperation organisation. The policy describes how and what we publish in the form of results and information linked to our portfolio companies.

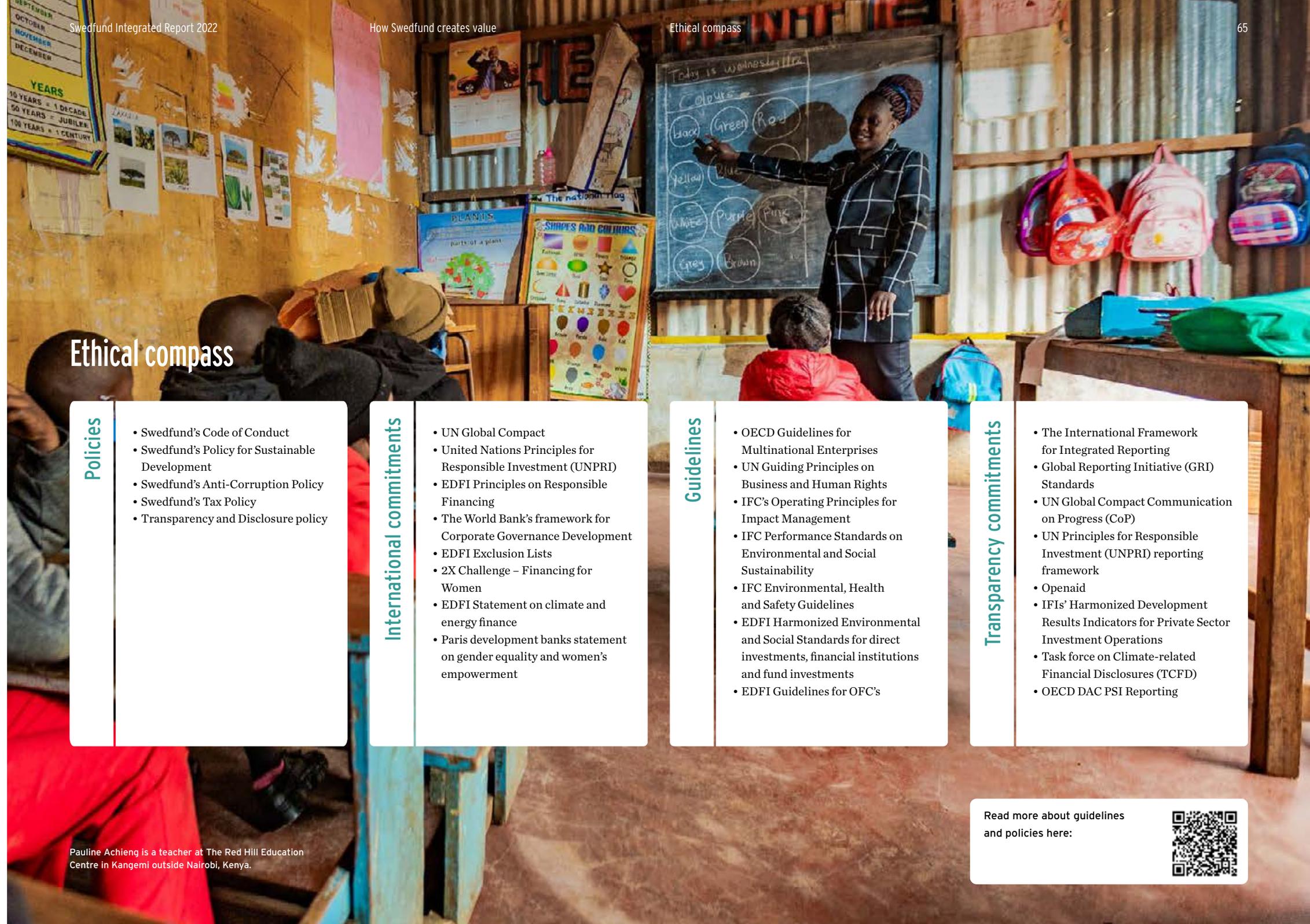


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## Ethical compass

### Policies

- Swedfund's Code of Conduct
- Swedfund's Policy for Sustainable Development
- Swedfund's Anti-Corruption Policy
- Swedfund's Tax Policy
- Transparency and Disclosure policy

### International commitments

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

### Guidelines

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- IFC's Operating Principles for Impact Management
- IFC Performance Standards on Environmental and Social Sustainability
- IFC Environmental, Health and Safety Guidelines
- EDFI Harmonized Environmental and Social Standards for direct investments, financial institutions and fund investments
- EDFI Guidelines for OFC's

### Transparency commitments

- The International Framework for Integrated Reporting
- Global Reporting Initiative (GRI) Standards
- UN Global Compact Communication on Progress (CoP)
- UN Principles for Responsible Investment (UNPRI) reporting framework
- Openaid
- IFIs' Harmonized Development Results Indicators for Private Sector Investment Operations
- Task force on Climate-related Financial Disclosures (TCFD)
- OECD DAC PSI Reporting

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Read more about guidelines and policies here:



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# The portfolio companies' results

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



Workers at one of our since earlier exited investments in Ethiopia.

The structure of the analysis and the indicators chosen are based on the mission objectives adopted for the company by the annual general meeting. The performance indicators are defined in the objectives set out in the Owner Instructions which have also constituted the adopted goals for sustainable value creation approved by the Board of Directors since 2020. In order to further clarify the trends in performance under each pillar, Swedfund reports on the additional performance indicators within the pillars of impact on society and sustainability, which are based on the business strategy approved by the Board of Directors. The work has also taken into account the State Ownership Policy and principles for state-owned enterprises. As in previous years, Swedfund is reporting the results of portfolio companies with a one-year lag, which means that this year's report is based on the results of the portfolio companies in 2021.

Even though the pandemic significantly affected Swedfund's markets during 2021, the portfolio generally continues to show strong results. New investments are contributing to an increase in development effects, while most older holdings have adapted their operations and weathered the pandemic relatively well. The results of the portfolio companies indicate

significant growth in direct jobs, especially in the funds' underlying companies, as well as increased tax payments. The number of indirect jobs created through supply chains, consumption and access to finance and energy is also growing. Regarding gender equality and women's economic empowerment, the portfolio is still close to the target level: 57 percent of our investments are considered to fulfil at least one of the 2X Challenge criteria; the target is 60 percent. The proportion of female employees is declining, but the proportion of women in senior positions is increasing. Reported total greenhouse gas (GHG) emissions from Swedfund's portfolio and emissions per invested Swedish krona have decreased. The sustainability indicators regarding decent jobs and management systems for environment and social issues, along with anti-corruption, show that a higher proportion of the companies that have been in Swedfund's portfolio for more than three years are considered to meet the requirements that we have set. A new indicator for reporting the financial viability of funds has been introduced, and 63 percent of direct investments increased both their sales and profitability (EBIT), with the investment year as the base year.

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Indicator	Type of goal	Goal	Definition	Impact on society	
Climate impact	Mission objective	By 2045, the company's investment portfolio shall be climate-neutral	Total CO <sub>2</sub> e emissions per scope (thousand tonnes)  Reduced emissions per invested Swedish krona (tCO <sub>2</sub> e/MSEK)	13 CLIMATE ACTION	
Gender equality and the women's economic empowerment	Mission objective	Improved gender equality in the company's investment portfolio. Target level >60% of investments must fulfil the 2X Challenge criteria no later than three years from the investment date	Proportion of investments fulfilling the 2X Challenge criteria	5 GENDER EQUALITY	
	Other goal	Increase in the proportion of women on company boards and in senior positions and the overall workforce	Development in the proportion of women on boards, in senior positions and in total %		
Jobs	Other goal	Increase in the number of employees in a majority of companies in the portfolio	Number of jobs in the portfolio	8 DECENT WORK AND ECONOMIC GROWTH	
			Number and proportion of companies showing growth in jobs		
Tax revenues	Other goal	Increased tax revenues overall in the portfolio	Taxes and other similar items (such as minimum corporate tax) translated into Swedish kronor (SEK).	8 DECENT WORK AND ECONOMIC GROWTH	
				17 PARTNERSHIPS FOR THE GOALS	

Indicator	Type of goal	Goal	Definition	Sustainability	
Decent working conditions	Mission objective	Decent working conditions in accordance with the ILO's Declaration on Fundamental Principles and Rights at Work shall be provided by all the company's investments within no more than three years from the date of investment	Proportion of investments complying with the ILO's Declaration on Fundamental Principles and Rights at Work	8 DECENT WORK AND ECONOMIC GROWTH	
Environment and social management system	Other goal	Environmental and social management systems shall be implemented by all of the company's investments by no later than three years from the investment date	Proportion of investments that have implemented environmental and social management systems	10 REDUCED INEQUALITIES	
				12 RESPONSIBLE CONSUMPTION AND PRODUCTION	
Anti-corruption management system	Other goal	A management system for combating corruption shall be implemented by all of the company's investments by no later than three years from the investment date	Proportion of investments that have implemented an anti-corruption management system	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	
Economically sustainable investments	Mission objective	Turnover and profitability shall increase over a five-year period, with the investment year as the base year. Target level > 60%	Proportion of investments reporting increased turnover and profitability with the investment year as the base year	8 DECENT WORK AND ECONOMIC GROWTH	
	Other goal	Increased proportion of holdings in the fund portfolio with a positive return	Proportion of funds in the fund portfolio reporting a positive IRR		
	Mission objective	Increased mobilisation of private capital. Target >30% mobilised capital in investments made by Swedfund	Total private capital mobilised relative to Swedfund's contracted investment volume		

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# Definitions, sources and presentation

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

## REPORTING CYCLE

Swedfund and Swedfund's portfolio companies prepare their annual reports over the same period, which means that the information used for the portfolio companies' performance reports cannot be presented for the current year. Swedfund has therefore opted to present trends in the results of portfolio companies with a one-year lag, which means that the following report on results is based on 2021.

In the few cases where portfolio companies have a financial year that does not coincide with the calendar year, the breakpoint has been 31 March, i.e. the figures for 2021 correspond to financial information in the annual report for the financial year 1 April 2021 to 31 March 2022.

## SOURCES

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

- Sustainability Reports (prepared and distributed by Swedfund)
- Annual Monitoring Report (prepared and distributed by other DFIs)
- Annual reports
- Fund reports

## ANNUAL REPORTS

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

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

## SUSTAINABILITY REPORTS (PREPARED AND DISTRIBUTED BY SWEDFUND)

Swedfund requires portfolio companies to annually submit information concerning the pillars 'Impact on Society' and 'Sustainability' in Sustainability Reports prepared by Swedfund. Information is collected via Sustainability Reports through system support and a largely digitalised process. Information from Sustainability Reports distributed by Swedfund constitutes the source, in full or in part, of the following indicators:

- Indicator carbon footprint (CO<sub>2</sub>e calculation)
- Indicators concerning women's empowerment
- Indicators concerning job creation
- Indicator for tax
- Indicator for decent work
- Indicator for environmental and social management system
- Indicator for management system for anti-corruption issues

The Sustainability Reports are tailored to the type of investment concerned: direct investment, banks and funds. Sustainability Reports intended for direct investments contain more detailed questions regarding

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management systems for sustainability issues, etc., while those intended for investments in financial institutions and funds are more process-oriented.

This is because Swedfund's evaluation is aimed more at the procedures, expertise and guidelines that have been established to ensure that the banks' customers and the funds' holdings in turn comply with the requirements and conditions which Swedfund imposes on its portfolio companies. Sustainability Reports for the underlying holdings of funds are prepared by the fund managers.

### ANNUAL MONITORING REPORTS (PREPARED AND DISTRIBUTED BY OTHER DFIS)

In some cases, the sources used for Swedfund's integrated reporting consist of Annual Monitoring Report prepared by another DFI, but with the results being submitted to Swedfund in its capacity as co-financier.

These annual Monitoring Reports are evaluated by Swedfund's sustainability experts and included in the aggregated results in integrated report. For 2021, this concerns fewer than ten investments which have been reported in this way.

### FUND REPORTS

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

## SCOPE OF PERFORMANCE REPORTS

### AGGREGATED PORTFOLIO INFORMATION

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

### SAMPLE

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

Sample	2019	2020	2021
Portfolio companies	61	60	55
Portfolio companies, including the underlying holdings of funds	181	209	252
Portfolio companies, including the underlying holdings of funds and co-facilities	208	237	n.a.*
Direct investments in equity and loans	39	35	27

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

### PORTFOLIO COMPANIES

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

### PORTFOLIO COMPANIES, INCLUDING THE UNDERLYING HOLDINGS OF FUNDS

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

### PORTFOLIO COMPANIES, INCLUDING THE UNDERLYING HOLDINGS OF FUNDS AND CO-FINANCING FACILITIES

The sample is matched by portfolio companies, including the underlying holdings of the funds, as well as underlying holdings in the two co-financing facilities in which Swedfund is an investor. This sample is only used for the indicators Carbon footprint (CO<sub>2</sub>e estimation) and Indirect job creation. \*With effect from 2021, data from the co-facilities' holdings

will be aggregated, and different holdings will no longer be handled separately. Thus, the table showing the sample for 2021 does not include the number of underlying holdings of the co-facilities.

### DIRECT INVESTMENTS IN EQUITY AND LOANS

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

### WHEN AN INVESTMENT IS INCLUDED IN A SAMPLE

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

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

### WEIGHTING BASED ON OWNERSHIP INTEREST OR SHARE OF FINANCING

When reporting trends in the results of portfolio companies, funds and co-financing facilities, the overall outcome is considered, i.e. no weighting is carried out in relation to Swedfund's holding or share of the company's financing. This follows from an established principle for reporting within EDFI. The exception to this principle is the indicator Carbon footprint (CO<sub>2</sub>e), for which weighting is based on Swedfund's stake/share in the investment.

### NON-AVAILABILITY OF INFORMATION

For a number of portfolio companies and underlying holdings in funds and co-financing facilities, no reports are available for one or more years. In some cases, the reported information is incomplete or of poor quality, which has a variable impact on the calculation of one or more indicators. This means that the reporting of indicators only covers holdings and years for which data has been obtained.

## PRESENTATION AND COMPARISONS

The following sections present the trends in the portfolio's results. In order to clarify the investment phases and age structure of the portfolio, some indicators are presented in the phases of the investment process as a supplement to reporting the respective indicators for the entire portfolio.

### PHASES OF THE INVESTMENT PROCESS

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

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

Swedfund is a long-term, but an not an indefinite, investor. Swedfund ends its investments and partnerships either through selling the organisation's equity holdings, through repayment of the loan or through expiry of a fund's term. The exit phase generally commences when Swedfund considers that the investment is achieving results within all three pillars. The absence of any scope to pursue active ownership may be one reason why an investment is exited.

See also the description of the investment process on pages 48–51.

### COMPARISON YEAR

In the case of indicators where relevant historical data is available, indicators for the reporting year and four comparative years are presented.

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# Impact on society



## ENVIRONMENTALLY AND CLIMATE-RELATED SUSTAINABLE INVESTMENTS

### TYPE OF GOAL

Mission objective

### GOALS AND DESCRIPTION

The company's investment portfolio shall be climate-neutral by 2045, meaning that GHG emissions from the portfolio shall be net zero as defined by the IPCC. The portfolio's total GHG emissions per Swedish krona invested must therefore decrease over time, with 2020 as the base year.

### INDICATOR

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

### SDG

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

 13.2 - Integrate climate measures into policies, strategies and planning at national level.

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

## INTRODUCTION

Combating climate change and its consequences is a key element in Swedfund's mission. People in vulnerable situations living in poverty are also among those affected most by climate change. Swedfund has two mission objectives regarding the environment and climate which we measure and report the results of. Climate is also one of the strategic themes which permeate all our investments, and we have an active approach to the issue of climate in our relationship with our portfolio companies. The efforts being made in relation to the environment and climate form an integral part of the investment process, based on Swedfund's Sustainability Policy and Guiding Note on Climate. Since 2014, we have exclusively invested in renewable energy.

## RESULTS AND ANALYSIS

### PORTFOLIO ADAPTATION TO THE PARIS AGREEMENT

Fighting the consequences of climate change and poverty goes hand in hand, and Swedfund's ambition is thus to help ensure that the goals of the Paris Agreement are achieved. In order to realise our ambition and our mission objectives relating to climate, we work at three different levels: portfolio level, sector level and portfolio company level.

At portfolio level, we regularly evaluate how closely aligned our portfolio is with the Paris Agreement. The most recent evaluation was conducted in 2020 with the assistance of an external expert. Swedfund's investment portfolio showed a relatively strong alignment with the Paris Agreement: Ninety percent of our direct investments were considered to be in line with the Paris Agreement in both 2030 and 2045. Approximately 90 percent of indirect investments were considered to be aligned with the Paris Agreement in

2030, with the corresponding figure for 2045 being approximately 80 percent. The relatively high degree of alignment is the result of Swedfund's investment strategy. The results also indicate that we must continue to invest in and accelerate the green transition of financial institutions, in order to align the portfolio even more closely with the Paris Agreement. The portfolio's alignment with the Paris Agreement will be determined regularly, but not annually, as our investment strategy and portfolio composition do not change significantly on an annual basis. We are closely monitoring the development of a common method for portfolio alignment with the Paris Agreement, which is being discussed amongst the European Development Finance Institutions (EDFI).

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

Swedfund has estimated GHG emissions from the portfolio in accordance with the GHG Protocol since 2016. During 2021, EDFI agreed to adopt the Standard for the Financial Industry<sup>1</sup>, which is a common method for measuring the portfolio's GHG emissions. As part of the efforts being made to bring about harmonisation between the European Development Finance Institutions, the Joint Impact Model (JIM)<sup>2</sup> was also updated to support the estimation of GHG in the portfolio according to the PCAF method.

During 2021, Swedfund implemented JIM as a new tool for modelling Swedfund's financed GHG emissions in the portfolio. According to the PCAF method which JIM follows<sup>3</sup>, the portfolio companies' own reported emissions (primary data) have been used where they are considered to be reliable and to have been calculated in accordance with the GHG Protocol. In other cases, modelling has been carried out using financial and other data reported by the

portfolio companies, which have been converted into emissions using emission factors based on sector and geography. In addition to carbon dioxide (CO<sub>2</sub>), the model also includes other GHG emissions, nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>) and fluorinated GHG (f-gases), and the results are reported as tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e). First, all the total emissions of the portfolio companies were calculated, and Swedfund's share of these emissions was then calculated, based on the share of financing, which is included in the reporting. Like certain other EDFI members, Swedfund continues to include the Scope 3 emissions of financial institutions in its Scope 3 reporting, which the JIM model enables. As a result of the switch to the JIM calculation model in 2021, comparative data can only be reported for one year.

In 2021, total emissions from the portfolio amounted to about 114 thousand tonnes, which represents a decrease of 16 percent from 135 thousand tonnes in 2020. The decrease in total emissions is primarily due to Swedfund's investment strategy and the fact that Swedfund's stake in certain investments which are major emission sources has been reduced through the amortisation of loans. However, declining revenues and economic activity from certain companies with major emissions have also played a part. The majority of the total emissions originate from one of Swedfund's older investments, a gas-fired power station in Nigeria (2013). Emissions from this gas-fired power station account for around one third of the portfolio's total emissions. Another third of the total emissions originates from lending to larger commercial banks, which in turn provide loans to SMEs with exposure to many different sectors. The remaining third is generated by the rest of the portfolio, and the proportion of emissions from individual companies is therefore generally small.

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Scope 3 emissions, which include emissions from investments made by the funds and financial institutions, in addition to other indirect sources, account for the majority, 59 percent, of Swedfund's total emissions (2020: 77 percent). Direct GHG emissions (Scope 1) account for 37 percent of Swedfund's total emissions (2020: 22) and Scope 2 just four percent (2020: one percent). The emissions per Scope in Swedfund's portfolio vary slightly annually depending on portfolio composition and data availability, but Scope 3 emissions from indirect sources are generally the most significant. Read about what we did with regard to climate and the environment during 2022 on pages 24–25.

In order to achieve our goal of a GHG-neutral portfolio by 2045, we will continue to invest in projects that make a positive contribution to the Paris Agreement and, together with other Development Finance Institutions, further develop our climate evaluation of new investment opportunities. We will reduce emissions from the portfolio by imposing requirements on and supporting our portfolio companies as regards the calculation, monitoring and reduction of their emissions and contributing to a greener transition. In the longer term, we will also start to evaluate opportunities to invest in carbon sequestration or storage, for example by investing in sustainable forestry and supporting new economic models and technological innovations for carbon sequestration. However, it is important that all investment opportunities, including climate investments, help to reduce poverty and contribute to attainment of goals in all three of our pillars of impact on society, sustainability and financial viability. On the calculation side, we are continuing our efforts relating to harmonisation with our EDFI colleagues and further developing our data acquisition process in order to increase primary data

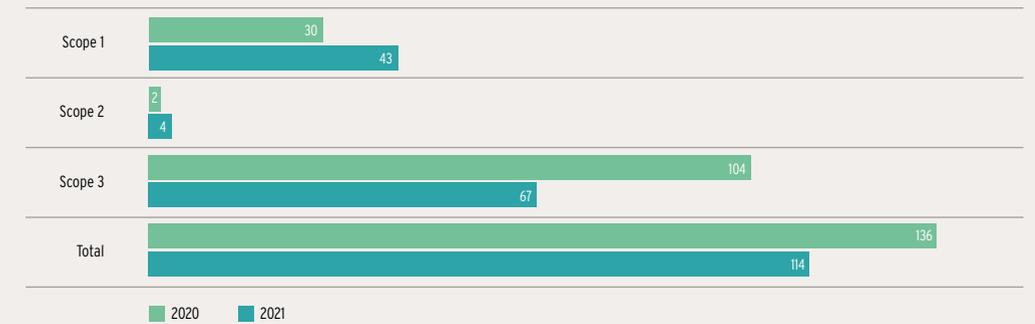
and accuracy in our emission calculations. We are closely monitoring the development of calculation methodology and models, and adjust our measurement methodology as and when necessary in order to produce as true and fair a picture of the portfolio's emission sources as possible and increase comparability with other investors.

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

Emissions per invested krona (tCO<sub>2</sub>e/MSEK) is a new indicator that is being reported for the second time for 2021, linked to the mission objective of reducing emissions per invested krona. This figure is based on the portfolio's total emissions and Swedfund's commitment report and will be an important key figure to monitor going forward in the work to achieve the goal of emission reductions. During 2021 (the base year), GHG emissions per invested krona from Swedfund's portfolio fell to 28.9 tCO<sub>2</sub>e per invested MSEK compared with 34.5 tCO<sub>2</sub>e per invested MSEK in 2020. This decrease stems from the fact that total emissions fell, while the size of the portfolio increased.

- <https://carbonaccountingfinancials.com/>
- <https://www.jointimpactmodel.org/>
- [https://c990f083-1dd0-46c6-bd86-9c35d8ba1b51.filesusr.com/ugd/7aa894\\_af1116d9866d4aeb8588760b527733d6.pdf](https://c990f083-1dd0-46c6-bd86-9c35d8ba1b51.filesusr.com/ugd/7aa894_af1116d9866d4aeb8588760b527733d6.pdf)
- <https://www.frescos.earth/>

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



Emissions from Swedfund's portfolio, i.e. the emission categories of the portfolio companies: Scope 1: Direct GHG emissions, over which the organisation has direct control, e.g. from the company's own vehicles and the combustion of fuels in production. Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a network (not generated by the company), i.e. the consumption of electricity, district heating and district cooling. Scope 3: Other indirect emissions, which take place outside the boundaries of the business either upstream or downstream, such as purchased goods and services, purchased transport, waste, business travel, hired equipment, distribution, use of products and investments.

The results were calculated using the Joint Impact Model, a web-based tool for impact investors in developing markets developed by Steward Redqueen and coordinated with CDC, FMO, BIO, Proparco, AfDB and FinDev Canada. The results are calculated with the aid of User guide JIM 2.0. They are based on economic modelling and do not represent actual figures, but are estimates and should be interpreted as such.



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## GENDER EQUALITY AND THE ECONOMIC EMPOWERMENT OF WOMEN

### TYPE OF GOAL

Mission objective

### GOALS AND DESCRIPTION

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

### INDICATOR

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

### SDG

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



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



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

## INTRODUCTION

Gender equality and the economic empowerment of women have long been key issues for Swedfund, which in accordance with the Owner Instructions and the company's strategy must be systematically taken into account in the investment process, irrespective of sector, region and investment instrument. We have identified that, as a development finance institution, Swedfund can promote gender equality and women's economic empowerment, especially in the following three areas:

- **Women as owners, entrepreneurs and leaders:** Swedfund works to promote meaningful and equal participation for women as owners and entrepreneurs, as well as in senior management and on boards.
- **Women as employees:** Swedfund works to create secure, meaningful and equal opportunities and conditions for women to develop both at their workplace in particular and in working life generally.
- **Women as consumers:** Swedfund encourages the development and financing of products, services and business models which help to improve the situation and participation of women and girls in society.

## RESULTS AND ANALYSIS

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

Swedfund's overall goal in the area of gender equality and women's economic empowerment is to ensure that, by no later than three years from the date of investment, at least 60 percent of the investments in our portfolio meet at least one of the criteria established by the G7-founded initiative 2X Challenge in 2018. The aim is to identify and promote investments that can either strengthen women's development, women-led companies and companies that employ many women, or offer products and services that specifically improve the situation facing women or girls in society.

According to data from 2021, 57 percent of investments in Swedfund's portfolio met at least one of the 2X Challenge criteria, which is at a similar level to

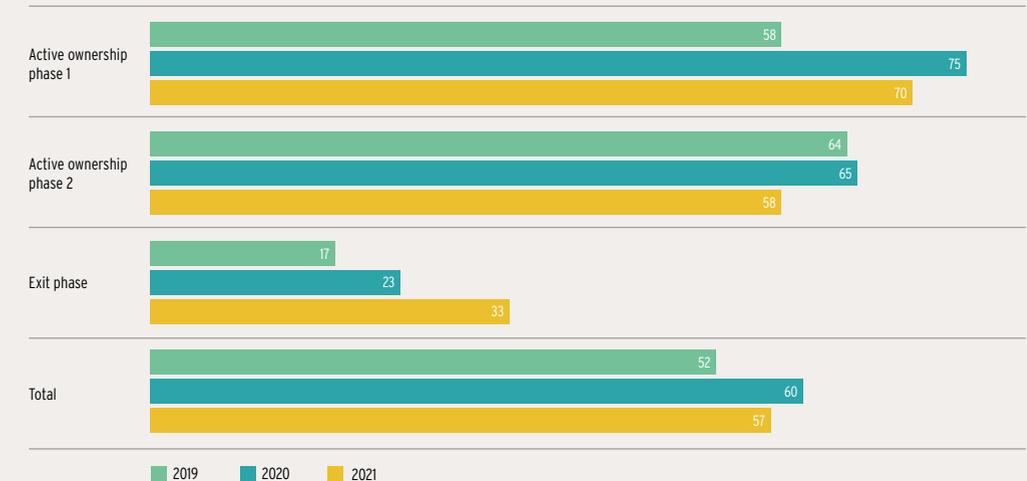
the previous year, when 60 percent of the companies in the portfolio met at least one criterion. Compared with 2020, the proportion of investments that meet at least one of the 2X Challenge criteria has increased in the Health sector and the Energy & Climate sector, which is also the sector in which the efforts being made to strengthen gender equality have proved to be particularly challenging, as it is traditionally relatively male-dominated. The Financial Inclusion sector continues to outperform the other sectors in terms of meeting the 2X Challenge criteria. The banks in particular have a relatively high number of female employees and specific policies and programmes which support women's employment. Many of the banks also have a relatively high proportion of women on their boards and in senior positions, or products and services which promote products and services aimed at women, resulting in a high proportion of female customers.

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

Data from 2021 shows that 16 percent of all board members in Swedfund's reporting holdings were women. Over the past two years, the proportion of female board members has remained around 14-16 percent. As in previous years, a significant proportion of portfolio companies reported that they either have no female board members or only one female board member. This particularly applies to the underlying companies of the funds, confirming the need to continue our efforts in the area of gender equality amongst fund managers.

The proportion of women in senior positions in Swedfund's portfolio has risen over the past three years, from 22 percent in 2019 and 26 percent in 2020, to 28 percent in 2021. Financial institutions such as banks and microfinance institutions contribute a

### PROPORTION OF INVESTMENTS WHICH MEET AT LEAST ONE 2X CHALLENGE CRITERION, (% PER PHASE)



1) Holding period ≤ 3 years

2) Holding period ≥ 3 years

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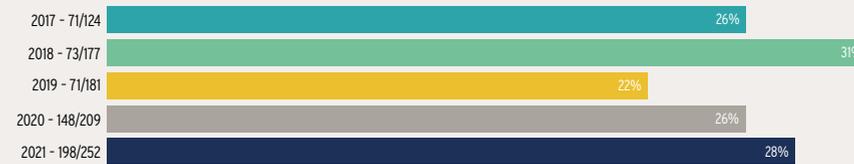
larger number of women in senior positions, while the proportion of women in senior positions is generally lower in the funds' underlying companies and especially in the Energy & Climate sector.

The total number of jobs in Swedfund's portfolio has risen over the past five years, and the number of female employees has also increased, albeit not at the same rate. As a result, the proportion of female employees in the portfolio continues to decline, from 43 percent in 2018 to 33 percent in 2021. In general, the proportion of female employees is higher in the health sector, and major financial institutions also offer many jobs for women. As with the proportion of women in senior positions, the proportion of female

employees is lower in the Energy & Climate sector, which is a growing sector in Swedfund's portfolio.

In order to achieve our goal, we will continue to evaluate how our portfolio and all new investment proposals contribute to gender equality and the economic empowerment of women. For the new investment proposals, improvement measures, or opportunities, are identified with the aim of promoting gender equality, which is included in the specific ESG action plans (ESGAPs) which are integrated into the agreements for the new investments. Read about what we did to promote gender equality and women's economic empowerment during 2022 on pages 18–19.

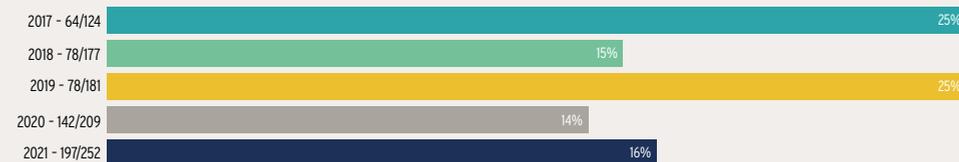
### PROPORTION OF WOMEN IN SENIOR MANAGEMENT



### PROPORTION OF WOMEN OUT OF TOTAL NUMBER OF EMPLOYEES



### PROPORTION OF WOMEN ON BOARDS



Loan meeting at Premiere Credit's offices in Kasarani outside Nairobi, Kenya.

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## JOB

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

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

### INDICATOR

Number of and growth in jobs in Swedfund's portfolio and an estimate of the number of indirect jobs.

### SDG

 8.5 - By 2030, achieve full and productive employment with decent working conditions for all men and women, including young persons and persons with disabilities.

## INTRODUCTION

In order to achieve Swedfund's overall goal of contributing to a reduction in poverty, we must help to create jobs. Creating jobs with good working conditions requires long-term and sustainable investments that contribute to responsible businesses. We are monitoring the development in the number of direct jobs in Swedfund's portfolio, and aim to increase this number over time in a majority of Swedfund's investments. Our investments also help to create indirect jobs, which is why we use a model (see the section on indirect jobs) to calculate and monitor the number of indirect jobs that our investments contribute to through supply chains, greater consumption and better access to finance and energy.

## RESULTS AND ANALYSIS

### DIRECT JOBS

Swedfund's investments in portfolio companies and funds, including their underlying holdings,

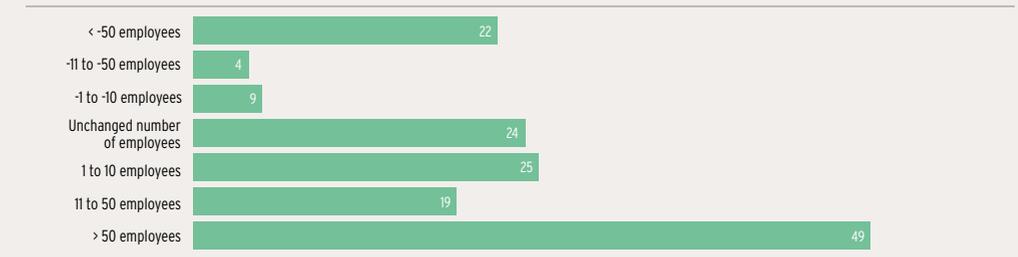
contributed to approximately 333,000 jobs in 2021. This again represents a significant increase over the previous year (2020: 253,000), partly as a result of the fact that more companies have reported data and that Swedfund's funds are growing by investing in new companies, which in turn contributes to job creation. Of the total number of employees in 2021, approximately 61 percent (202,400) were employees of funds and their underlying holdings, 38 percent (126,900) were employees of banks and financial institutions, and one percent (3,900) were employees of Swedfund's direct equity investments. The adjacent graph illustrates the investments that were part of the portfolio at the end of each year, which means that the difference in the number of employees between the two years is partly affected by the fact that certain investments have either been added or exited.

An alternative way of analysing job creation within Swedfund's portfolio is to analyse comparable entities. The graph below shows that there were 252 investments in Swedfund's portfolio in both 2020 and 2021, of which 152 have submitted reports for the respective years. The majority (61 percent) of these comparable entities in the portfolio recorded job growth in 2021 (32 percent of these also reported significant growth with >50 more employees), while 23 percent recorded a decrease. This meant that around 35,000 jobs were added to Swedfund's portfolio through the companies which took on more employees, while around 15,800 jobs were lost through the companies which laid off more staff than they recruited. The net number of jobs for comparable entities between 2020 and 2021 amounted to approximately 19,200. The net increase can primarily be attributed to the development in the underlying holdings of the funds, as well as to the positive growth in a number of financial institutions.

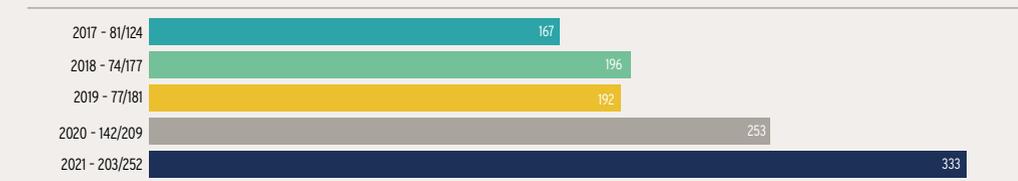
### INDIRECT JOBS

Swedfund's investments also contribute to indirect jobs in Swedfund's markets. To begin with, an investment in a portfolio company can lead to an increase in demand for subcontracted products and services, which in turn contributes to the creation of more jobs. At the same time, people with higher incomes

## CHANGE IN NUMBER OF EMPLOYEES (-/+ ) BETWEEN 2020 AND 2021 (COMPARABLE ENTITIES, SAMPLE 152/252 INVESTMENTS)



## TOTAL NUMBER OF EMPLOYEES (THOUSANDS)



generally consume more goods and services, which in turn can help to generate more jobs and higher incomes for people other than those directly employed by a business. An investment which helps to improve access to finance and energy can also facilitate the establishment and expansion of businesses, which in turn leads to the creation of more jobs and the reduction of poverty.

In order to calculate and report indirect effects on job creation, EDFI has developed the Joint Impact Model (JIM) as part of its harmonisation agenda.<sup>1</sup> The pilot version of JIM was launched in 2020. Swedfund took part in the development phase and tested the pilot model using limited data from 2019 and, for the first time, reported estimates of indirect jobs to which Swedfund's investments contributed in 2020. According to JIM, Swedfund's portfolio in 2021 contributed to a total of approximately 1,529,000 (2020: 1,445,000) indirect jobs<sup>2</sup>, which is broadly in line with previous estimates based on various studies and models which suggest that one direct job creates between five and seven indirect jobs. As Swedfund's portfolio in 2021

contributed to approximately 333,000 (2020: 253,000) direct jobs, it can be concluded that, on average, direct employment contributed to almost five indirect jobs. The model shows that the number of indirect jobs created from Swedfund's portfolio through supply chains was approximately 283,000 (2020: 300,000), while increased consumption due to wages spent contributed approximately 417,000 jobs (2020: 345,000), better access to finance approximately 650,000 (2020: 640,000) and better access to energy approximately 179,000 (2020: 160,000). Amongst other things, the results show that investments via funds and financial institutions make an effective contribution not only to direct jobs, but also to indirect jobs.

<sup>1</sup> <https://www.jointimpactmodel.org/>

<sup>2</sup> The results were calculated using the Joint Impact Model, a web-based tool for impact investors in developing markets developed by Steward Redqueen and coordinated with CDC, FMO, BIO, Proparco, AfDB and FinDev Canada. The results are calculated with the aid of User guide JIM 2.0. They are based on economic modelling and do not represent actual figures, but are estimates and should be interpreted as such.

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## TAX

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

Increased tax revenues.

### INDICATOR

Taxes and other similar items (such as minimum corporate tax) translated into Swedish kronor (SEK).

### SDG

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

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

## INTRODUCTION

Tax is a key issue and an important indicator for Swedfund. Profitable and growing companies generate tax revenues and jobs, giving the state more scope to finance welfare measures and economic growth, and contribute to reducing poverty. Prior to an investment, we also review the project and its structure from a tax perspective.

Our main focus is on ensuring that taxation takes place where value is created, i.e. in the country of operations, and that the structure through which we invest does not contribute to tax evasion. For example Swedfund does not participate in investments through intermediate jurisdictions which have not been deemed to comply sufficiently with the requirements adopted by the OECD, or which are included in the EU list of non-cooperative jurisdictions for tax purposes. Parallel to this, we also work to promote responsible management through a dialogue and advocacy with other co-investors. We require our portfolio companies to account for their tax circumstances, an aspect which we follow up annually. We encourage our portfolio companies to adopt an active approach to tax issues and to act responsibly as regards taxes. As a relatively small investor, it is important to strive to influence major players in this area and increase the proportion of sustainable investment amongst the world's poorest countries.

## RESULTS AND ANALYSIS

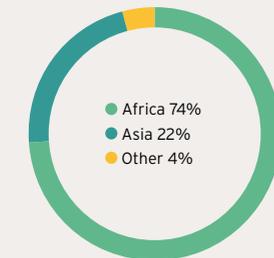
Swedfund has been collecting data on portfolio companies' taxes and reported taxes by country for many years. For 2021, the data collection method was altered and data on taxes is now obtained from annual Sustainability Reports that the portfolio companies submit to Swedfund, rather than annual reports. This has helped to considerably increase the amount of data available concerning taxes. In connection with the change in data collection method, the definition of the indicator has also been revised, so that it is now harmonised with other development finance institutions and includes taxes and other similar items paid to government locally in the country. As a result of these changes, comparative years are not reported for the tax indicator.

As the table below shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 12.4 billion in tax in 2021. The table shows taxes by country for the ten countries with the highest tax revenues from portfolio companies. The total taxes are also presented by region. In three countries, Kenya, South Africa and Nigeria, more than 50 percent of the local tax revenues that were reported had been paid. The investment in the portfolio that paid the most tax contributed approximately 20 percent of the total reported tax, while the ten largest tax-paying investments accounted for approximately 60 percent. From a portfolio perspective, Financial institutions and co-investment facilities account for the largest share of taxes paid, along with some major underlying holdings in the fund portfolio.

## TAX - COUNTRIES WITH THE LARGEST TAX REVENUES (10 LARGEST)

Country	Total tax per country, MSEK	Proportion of portfolio
Kenya	2,813	23%
South Africa	2,272	18%
Nigeria	1,363	11%
India	1,282	10%
Egypt	500	4%
Cambodia	458	4%
Tanzania	434	4%
Ghana	360	3%
Togo	320	3%
Ivory Coast	289	2%
Other	2,280	18%
<b>Total</b>	<b>12,372</b>	<b>100%</b>

## SHARE OF TOTAL TAX BY REGION



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# Sustainability



## DECENT WORKING CONDITIONS

### TYPE OF GOAL

Mission objective

### GOALS AND DESCRIPTION

Decent working conditions in accordance with the ILO's Declaration on Fundamental Principles and Rights at Work shall be provided by all of the company's investments within no more than three years from the date of investment.

### INDICATOR

Proportion of investments complying with the ILO's Declaration on Fundamental Principles and Rights at Work.

### SDG

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

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

## INTRODUCTION

The core of Swedfund's mission, and part of our public policy assignment is to create jobs to enable people to escape poverty. It is equally important that these jobs are linked to decent working conditions. In conjunction with the initial analysis of a prospective investment, an assessment is carried out of the present situation and the scope to bring about improvements. If Swedfund opts to proceed with an investment, the requirements for improvements are linked to the financial conditions for the disbursement of funds for the portfolio company. We follow up the improvement plans and work actively with our investments. We operate in markets where working conditions in accordance with our requirements are far from clear. This makes our work particularly important. Read about what we did in the area of decent working conditions in 2022 on pages 18–19.

## RESULTS AND ANALYSIS

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

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

In June 2022, the ILO's Declaration on Fundamental Principles and Rights at Work was supplemented by the principle of a safe and healthy working environment. Swedfund's sustainability policy and ongoing efforts have previously also included follow-up of the development of the ILO's fundamental working conditions:

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

Read more about how we work in practical terms during the investment process on pages 48–51.

### ACTIVE OWNERSHIP PHASE 1 - INVESTMENTS HELD FOR THREE YEARS OR LESS

The graph below shows that 85 percent of portfolio companies held for less than three years were considered to act in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work in 2021. Two portfolio companies, equivalent to ten percent, are considered to largely act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, but some deficiencies have been identified and action plans to correct these deficiencies has been established. One of the companies has not reported. This result is in line with the previous year, when 83 percent of the companies were judged to meet the requirements in full and 13 percent in part. Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, including working conditions, ideally within three years from the date of investment.

### ACTIVE OWNERSHIP PHASE 2 - INVESTMENTS HELD FOR MORE THAN THREE YEARS

Of the portfolio companies which were in the category of investments held for longer than three years in 2021, Swedfund estimates, on the basis of the reported data, that all of the holdings fulfil the requirement regarding acting in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work.

Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the performance of the portfolio companies.

### EXIT PHASE

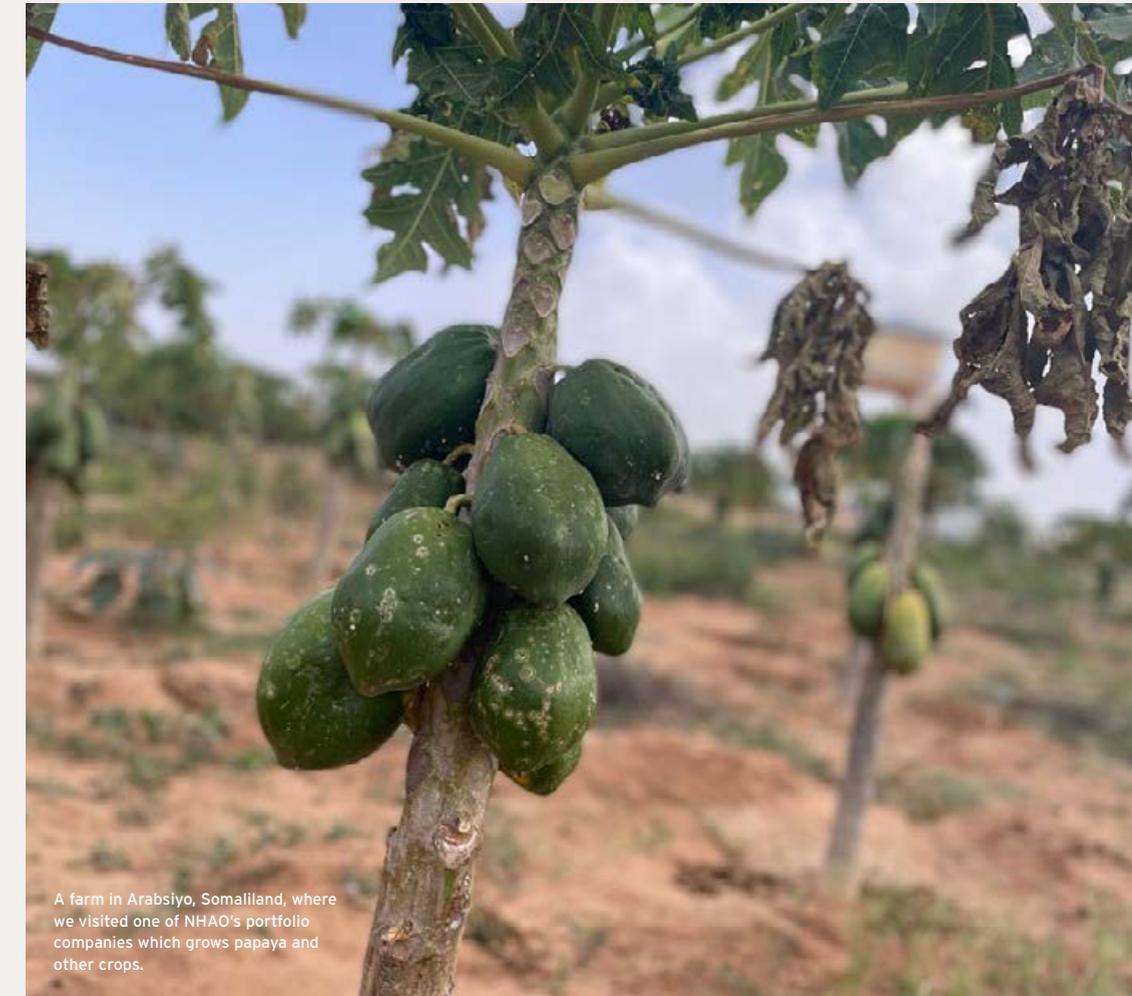
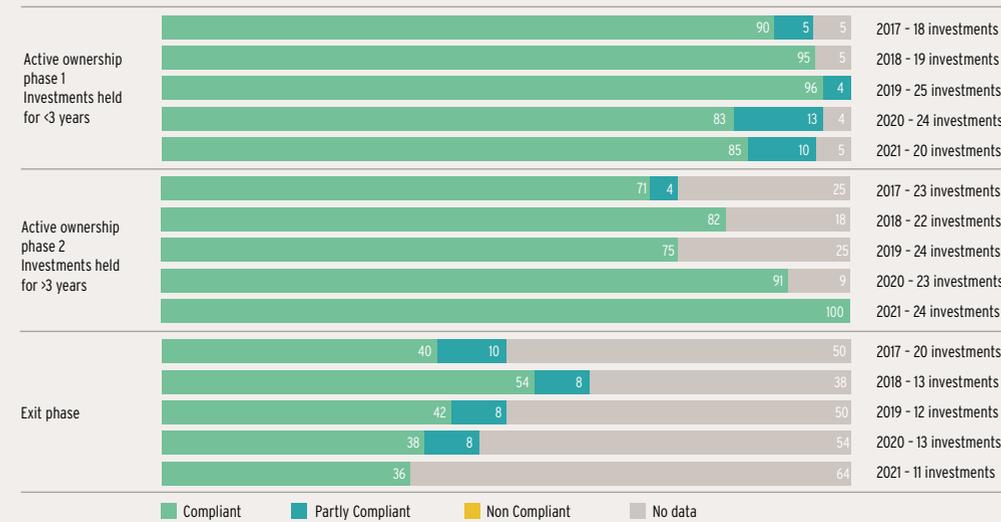
The number of investments identified as being in the process of being exited amounted to eleven at the end of 2021. Based on reported data, Swedfund estimates that 36 percent of holdings in the exit phase act consistently with the ILO Declaration on Fundamental Principles and Rights at Work. Like the previous year, seven portfolio companies, corresponding to 64 percent of the portfolio companies in this category, have not submitted Sustainability Reports. These seven companies either have no operations, are being exited or were exited in early 2022, or constitute investments that were approved before 2013. In these cases, Swedfund has little or no scope under contract law to demand reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list. Within this ownership phase, Swedfund's view is that all holdings for which responses from status reports are available fulfil the requirements in full.

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## COMPLIANCE WITH THE ILO'S DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK 2017-2021 (% , PER PHASE IN THE INVESTMENT PROCESS)



A farm in Arabsiyo, Somaliland, where we visited one of NHAO's portfolio companies which grows papaya and other crops.

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**ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM**

**TYPE OF GOAL**  
Other

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

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

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

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

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

**INTRODUCTION**

In order for Swedfund to contribute to the creation of businesses that are sustainable in the long term, we have been requiring our portfolio companies for a number of years now to have environmental and social management systems. It is of great importance to us that these systems are implemented and that

the companies have an active approach to these issues. Swedfund has therefore decided to continue monitoring and measuring results relating to these indicators. Read more on the implementation of social and environmental issues in our portfolio in 2022 on pages 18–19 and 24–45.

**RESULTS AND ANALYSIS**

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

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

- Sustainability policy – A sustainability policy must be established and adopted by the management of the portfolio companies.
- Identification of risks and impacts – A system/routine must be established in order to identify sustainability risks and the areas that are affected.
- Performance management – The company's results within identified risks and impact areas must be continually monitored and evaluated in order to monitor and improve results over time.
- Responsibility and competence – A member of the company's management team must have overall responsibility for sustainable development issues.
- Emergency preparedness – In the case of fixed installations, action plans must have been established for accidents and disaster situations.
- Reporting – Reporting must take place regularly and at least annually both to the management and to the board of directors of the portfolio company, as well as to Swedfund.
- Stakeholders – Internal and external stakeholders must be identified and consulted in situations which affect them and be given relevant information at appropriate times and intervals.

**ACTIVE OWNERSHIP PHASE, PART 1 – INVESTMENTS HELD FOR THREE YEARS OR LESS**

The graph below shows that 85 percent of portfolio companies held for less than three years are judged to

meet the requirements for a sustainability management system. Ten percent of portfolio companies, corresponding to two companies, meet the requirements in part, but some deficiencies in their environmental and social management systems have been identified during due diligence, and the companies are working on improvement measures in accordance with ESGAP. One of the companies has not reported. This represents a slight improvement compared with last year's outcome, when 79 percent of the companies were judged to meet the requirements in full and seventeen percent in part. Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

**ACTIVE OWNERSHIP PHASE, PART 2 - INVESTMENTS HELD FOR MORE THAN THREE YEARS**

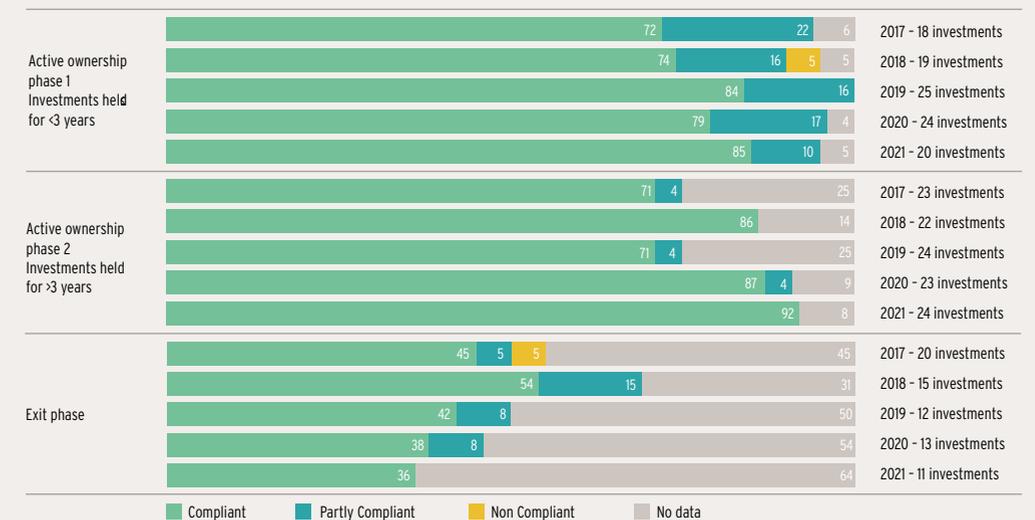
For the portfolio companies held for more than three years in 2021, 92 percent reported and were judged to meet the requirements in their entirety. Eight

percent, corresponding to two companies, reported that they meet the requirements in part. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the performance of the portfolio companies, although there is still a need to support the implementation of environmental and social management systems during this ownership phase.

**EXIT PHASE**

Eleven portfolio companies were in the process of being exited at the end of 2021. Of these holdings, four portfolio companies have submitted information. All four are judged to have a functioning sustainability management system. However, no information is available for seven portfolio companies which failed to submit Sustainability Reports. These seven companies either have no operations, are being exited or were exited in early 2022, or the investment was made before 2013. In these cases, Swedfund has little or no scope under contract law to demand reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

**EXISTENCE OF MANAGEMENT SYSTEM FOR SUSTAINABILITY ISSUES 2017-2021 (% , PER PHASE IN THE INVESTMENT PROCESS)**



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## MANAGEMENT SYSTEM FOR ANTI-CORRUPTION

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

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

### INDICATOR

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

### SDG



16.5 - Significantly reduce all forms of corruption and bribery.

## INTRODUCTION

In order for Swedfund to contribute to long-term sustainable companies, we have been requiring our portfolio companies for a number of years now to have management systems in place for corruption issues. It is of great importance to us that the system is implemented and that the companies have an active approach to these issues. Swedfund has therefore decided to continue monitoring and measuring results relating to these indicators. Read more about how we developed our work relating to anti-corruption and business integrity during 2022 to improve our ability to set requirements and support the portfolio companies on page 144.

## RESULTS AND ANALYSIS

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

The incidence and risk of corruption is high in the markets in which Swedfund operates. We have an active approach to ensuring that our portfolio companies have the necessary processes and competence in place to work preventively on corruption issues and to act if necessary. However, we can never guarantee that individuals do not sometimes make the wrong decisions or that corruption does not occur. To determine whether a portfolio company meets the requirements which we stipulate in our anti-corruption policy, Swedfund assess whether the portfolio company has implemented a management system for anti-corruption issues and, if so, whether it includes the relevant components:

- Anti-corruption policy – A policy must be established as a starting point for the management system for anti-corruption issues.
- Responsibility – Responsible person at management level.
- Systems – Processes or controls to detect the existence of corruption.
- Expertise – Identification and training of key personnel (those with the greatest exposure to the risk of corruption).
- Information – Regular reporting must take place.

### ACTIVE OWNERSHIP PHASE 1 - INVESTMENTS THAT ARE HELD FOR 3 YEARS OR LESS

Seventy percent of the portfolio companies held for less than three years reported and were judged to meet the requirements for an anti-corruption management system. Twenty five percent, corresponding to five companies, are judged to meet the requirements in part.

Contracted action plans have been agreed for the companies that partially meet our requirements. No company reported that they have no management system anti-corruption in place at all, but no information is available concerning this for one portfolio company. This represents a slight decline compared with last year's outcome, when 79 percent of the companies

were judged to meet the requirements in full and 17 percent in part. However, this outcome was expected because Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

### ACTIVE OWNERSHIP PHASE 2 - INVESTMENTS THAT ARE HELD FOR MORE THAN 3 YEARS

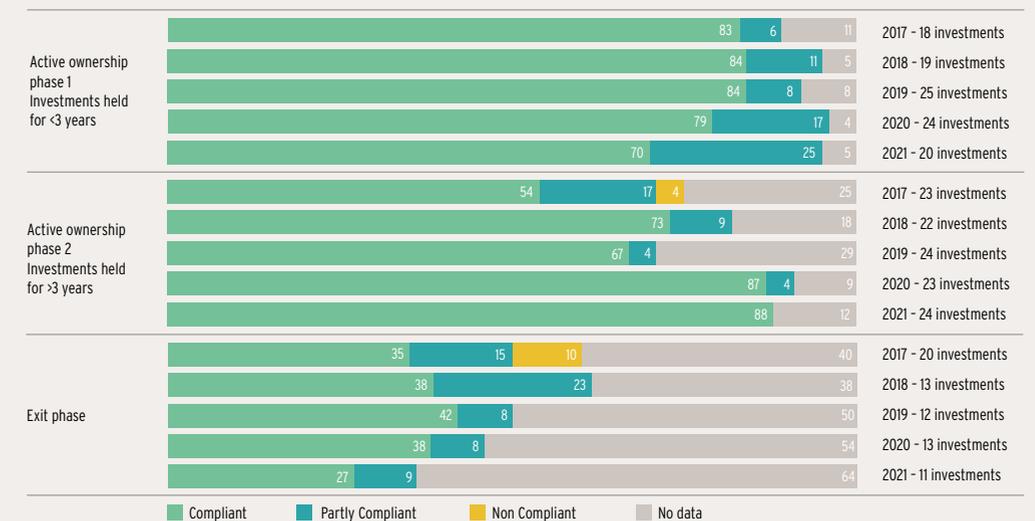
Amongst the portfolio companies which were in the category of investments held for more than three years in 2021, 88 percent responded and were judged to meet Swedfund's requirements in their entirety. 12 percent, corresponding to three companies, reported that they meet the requirements in part. No company reported that they have no management system for anti-corruption. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the performance of

the portfolio companies, although there is also a need to impose requirements and support the implementation of management systems for anti-corruption during this ownership phase.

### EXIT PHASE

Eleven portfolio companies were in the process of being exited at the end of 2021. Three of these portfolio companies have submitted reports and were considered to have an adequate anti-corruption management system, while one portfolio company was judged to meet the criteria in part. Seven companies failed to submit reports for 2021. These seven companies either have no operations, are being exited or were exited in early 2022, or the investment was made before 2013. In these cases, Swedfund has little or no scope under contract law to demand reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

## EXISTENCE OF MANAGEMENT SYSTEM FOR ANTI-CORRUPTION ISSUES 2017-2021 (% , PER PHASE IN THE INVESTMENT PROCESS)



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# Financial viability



## ECONOMICALLY SUSTAINABLE INVESTMENTS

### TYPE OF GOAL

Mission objective

### GOALS AND DESCRIPTION

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

### INDICATOR

Turnover and profit shall increase in at least 60 percent of the company's investments during the holding period, with a base year corresponding to the investment year.

Proportion of funds in the portfolio with a positive IRR.

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

### SDG



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

## INTRODUCTION

Our portfolio companies must grow and achieve profitability if the development effects we help to create are to remain in place in the longer term.

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

## RESULTS AND ANALYSIS

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

The graph below shows the percentage of holdings that met the above mission objective for all direct investments that Swedfund had at the end of each of the years 2017–2021. Indirect investments via funds are excluded, but these are reported in the separate follow-up below.

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

During 2021, the total sample fell to 27 holdings (down from 29 holdings in 2020). This is explained by the continuation in the trend for there to be more older direct investments being exited than there are new additions to the portfolio holding in this category. The component of the portfolio which grew was instead indirect investments through funds.

In 2021, 63 percent of Swedfund's direct holdings reported an increase in both turnover and profit in

relation to the investment year, while 22 percent reported a decrease in one or both parameters. The proportion of investments that have met the target is thus slightly above the established target level, and the portfolio as a whole shows relatively strong financial viability, even though many holdings have been both directly and indirectly affected by the pandemic. The longer-term trend witnessed over the past five-year period also shows a positive development, with a rising proportion of the active portfolio showing growth in both turnover and profit.

Within the group that meets the objective of Financial viability are companies which are active in different sectors and regions, as well as companies of different sizes, with a common denominator being that the majority of holdings have been operating for a long time. Within the group that does not yet meet the target, there are more companies that are at an early stage in their life-cycle and where a growing business normally generates growth in turnover but still records a deficit.

The pace of financial development varies considerably between direct investments, depending on various factors, including the development phase, local market conditions and the sector. Volatility in

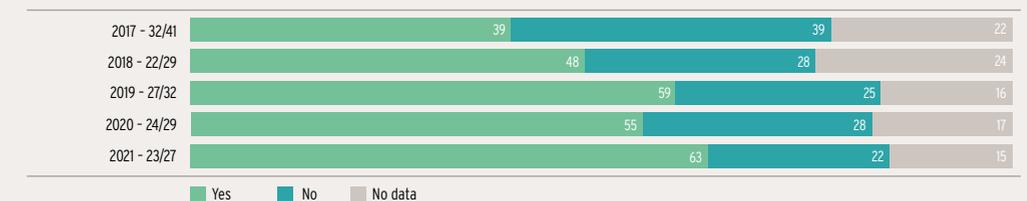
the markets in which Swedfund operates is generally greater than in more developed economies.

### PROPORTION OF FUNDS WITH A POSITIVE IRR

The graph on the following page summarises the proportion of Swedfund's active fund portfolio with a positive return in excess of > 3 percent, between 0-3 percent, and a negative return. The return is calculated as net IRR, i.e. accumulated annual return per investment where realised and unrealised changes in value are compared with the amount actually invested. The fact that a majority of fund holdings can report a positive return over time is an important indicator that the investments are economically viable and that the funds' underlying holdings are showing financial viability. IRR figures are based on the latest valuation of the funds as of 31 December 2022, which means that they are not reported with the same lag as other performance indicators. The sample includes 26 funds, which includes all active funds where the first payment was made no later than in 2021.

The proportion of funds with a positive return amounts to half the portfolio, with 42 percent of the holdings showing a return of > 3 percent IRR and eight percent of the holdings recording a lower return

## PROPORTION OF INVESTMENTS REPORTING INCREASED TURNOVER AND PROFIT WITH THE INVESTMENT YEAR AS THE BASE YEAR



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of between 0-3 percent IRR. The corresponding 50 percent of the holdings show a negative return expressed in terms of IRR.

Swedfund's fund portfolio is relatively young, with 18 out of 26 funds in the sample contracted during the past five years. The fact that the active fund portfolio contains a relatively high number of younger funds is one explanation why the proportion of holdings with a negative IRR is equal to the proportion with a positive IRR. A typical PE fund will normally need a certain number of years of investment and work on its underlying holdings before any growth in value can be demonstrated. The indicator should therefore be monitored over an extended period of time in order to evaluate how a more mature portfolio will develop over time.

#### CAPITAL MOBILISATION

Swedfund's public policy assignment includes mobilising at least 30 percent in private capital within the investments we make.

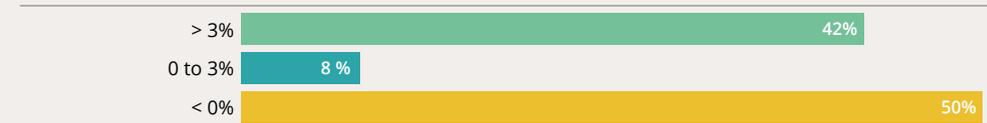
For many years, Swedfund has acted catalytically and helped to mobilise private capital through co-investments with private actors. The multilateral development banks have developed a method for calculating mobilised capital, and Swedfund annually reports to EDFI in accordance with this method.

#### VOLUME OF MOBILISED CAPITAL

The mission objective is monitored using 2020 as the base year, and estimated mobilised capital is based on contracted investments during the year, which means that the goal is reported without a lag, unlike most other indicators for the portfolio companies. During 2022, Swedfund is estimated to have contributed private capital mobilisation corresponding to 20 percent of the total contracted value during the year, which is at an unchanged level compared with 2021. By comparison, the corresponding figure for 2020 was 42 percent. Privately mobilised capital during the year is primarily attributable to the fund investments African Infrastructure Investment Fund IV and Accion Digital Transformation Fund.

Estimated mobilised private capital for 2022 is below the target level of 30 percent, and a summary of the entire period 2020-2022 also shows an outcome below the target level. Greater uncertainty and risks in the global economy have generally had a negative impact on direct foreign investment, especially in sub-Saharan Africa, which is making it more challenging to mobilise private capital in the short term. At the same time, the view is that, through the investments which were approved in 2022, Swedfund has helped to attract more private investors and capital in the longer term.

#### PROPORTION OF INVESTMENTS WITH A POSITIVE IRR (NET)



During a visit to a microfinance institution outside Mathugama, Sri Lanka.

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# Grant-funded activity

Reducing poverty in developing countries requires an integrated approach and a variety of tools. Swedfund also receives grants to promote sustainable procurement and initiatives relating to project preparation and support in developing countries through the Project Accelerator. Swedfund also receives direct government funding for technical assistance for quality-enhancing initiatives amongst portfolio companies and to increase the overall development effects that the operation generates.

**SWEDFUND PROJECT ACCELERATOR**

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

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

ergies between trade and development cooperation can be utilised and developed.

The Project Accelerator started its operations in autumn 2016, and is funded through separate annual appropriations. The grants are sourced from two areas of expenditure: expense area 24 (Industry and trade) and expense area 7 (International development cooperation). In 2022, the Project Accelerator received MSEK 75 from expense area 7. From expense area 24, the Project Accelerator received MSEK 10 in 2022–2023. In addition, MSEK 10 had already been received for 2021–2022 from expense area 24. These amounts include funds which Swedfund can utilise to cover the organisation's administration costs. In spring 2022, three employees were recruited to manage the higher grant and a growing project portfolio.

A total of 61 initiatives have been initiated since 2016, 12 of which were initiated in 2022; some have been concluded, while the others are in different phases of engagement and activity. Projects are usually preceded by a comprehensive anchoring process. The project itself will then be carried out over a period of approximately nine to twelve months. The immediate result of the initiative funded by Swedfund is normally a decision-making basis, which

in turn forms the basis for the procurement of a sustainable system to meet the needs of the country concerned. Exactly when the procurement is subsequently realised will depend on the national and local circumstances of the public stakeholder that is the project owner.

Covid-19 greatly affected the operation and many consultancy initiatives were delayed during 2021, partly as a result of travel restrictions. The starting point for the Project Accelerator has been a pragmatic approach to ensuring the implementation of the project whilst maintaining quality levels, as the need for project preparation and support initiatives increased as a result of the need for sustainable projects for "build back better" in the poorest and worst-affected countries. During 2022, the operation was largely able to make progress without encountering similar obstacles. However, the war in Ukraine and the economic impacts at macroeconomic level have been felt in many of the countries in which the Project Accelerator operates. As a result, the Project Accelerator's cooperation with various development banks became increasingly pivotal in 2022.

**SWEDFUND PROJECT ACCELERATOR, GENERAL STATUS**

Aggregated	Number
Total proposals received	473
Approved measures	61
Ongoing	43
Concluded initiatives	18

During 2022, new initiatives began in the following countries: Ivory Coast, Gabon, Malawi, Malaysia, Mozambique, Moldova, South Sudan, Ukraine and Vietnam.

Since 2016, the Project Accelerator has also instigated initiatives in the following countries: Albania, Angola, Bolivia, Brazil, Burkina Faso, Colombia, Egypt, Eswatini, Philippines, Georgia, Indonesia, Kenya, Congo-Kinshasa, Laos, Lesotho, Namibia, Rwanda, Senegal, Tanzania, Thailand, Uganda, Zambia.

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

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Kidist Ketema and Wegen Meshesha at HDECOVA (Heavy Duty Equipment Construction Vocational Academy) in Ethiopia.

## SWEDPARTNERSHIP

Swedpartnership have focussed on providing financial support to Swedish SMEs that establish an operation in developing countries. This support has primarily been intended for skills transfer and investment in machinery and equipment.

During 2019, Swedfund requested a new organisational domicile for Swedpartnership. The matter was the subject of a consultation round in 2020 and preparations are currently underway within the Government Offices of Sweden.

The appropriations allocated for 2022 amount to MSEK 0 for lending and MSEK 3.8 for administrative expenses. Loans disbursed during the period concern previously contracted commitments financed through appropriations through to 2020 inclusive.

Indicator	2020	2021	2022
Number of projects approved	7	0	0
Number of projects concluded during the year	20	25	12
Number of new jobs (employees)	219	595	98
Investments in machinery and equipment (MSEK)	12.5	11.4	4.4
Knowledge transfer to which Swedpartnership contributed, measured in number of hours during the year	50,300	70,527	49,665

Region (MSEK)	Investment loans contracted during the year	Proportion	Soft loans disbursed during the year	Proportion
Africa	0	0%	1.1	26%
Asia	0	0%	2.6	62%
Latin America	0	0%	0	0%
Eastern Europe	0	0%	0.5	12%
<b>Total</b>	<b>0</b>	<b>0%</b>	<b>4.2</b>	<b>100%</b>

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## FUNDS FOR TECHNICAL ASSISTANCE (TA)

Funds for Technical Assistance (TA) are used to strengthen Swedfund's investments relating to all three pillars – impact on society, sustainability and financial viability – with regard to development effects, gender equality and sustainability, including the environment and climate, decent working conditions, business ethics and anti-corruption. TA funds may be used in any country in which Swedfund operates, in accordance with the annual letter of allocation.

For 2022, Swedfund has been allocated MSEK 15.2 for Technical Assistance, of which MSEK 1.5 is allocated to administration of the operation. In addition to the abovementioned funds, Swedfund was during 2022 able to utilise the accumulated grant saving for TA projects from previous years. A total of 25 projects with a combined value of MSEK 17.4 were approved in 2022. MSEK 1.5 was used for administration purposes during 2022.

TA initiatives - approved 2022	Description
Climate initiatives	Development and implementation of a climate model for estimating GHG emissions for a fund manager in the energy sector.
Preventive initiative within gender equality	Risk identification and development of a toolbox for the prevention of gender-based violence.
Model for measuring development effects	Development of a standardised Impact Measurement and Management System (IMMS) offering for Swedfund's portfolio companies.
Climate initiatives	Support for the development and implementation of a model for estimating GHG emissions for one fund manager and underlying portfolio companies in the energy sector.
Climate initiatives	Initiative with the aim of boosting the capacity of a financial institution with regard to the identification, evaluation and reporting of sustainable investments.
Quality-enhancing initiatives within ESG	Additional funding for investment companies in a post-conflict region for supportive and capacity-enhancing initiatives, primarily within ESG.
Women4Growth	Funding for a Women4Growth project for the development of a digital learning material – e-Learning for men – as a supplementary tool to the programme's existing modules and educational platform.
ESG and Impact – evaluation of opportunities and risks	From a sustainability perspective, carry out an evaluation of the operations and value chain of a West African fund in order to identify ESG and Impact-related risks and opportunities.
Female Future Program	Support for a second round of the Female Future Program and leadership and board development initiatives aimed at women employed by portfolio companies and the underlying companies of funds in Kenya, Tanzania, Uganda, Ghana and Tunisia.
Management system for food safety	Support for a company within a pan-African fund for accreditation of the company's Fresh food business in accordance with ISO 22000:2018 Food Safety Management System.
Study of the development effects of the microfinance industry	Implementation of a sustainability study of the microfinance industry in Cambodia.
Climate adaptation, loans to agriculture	Continuing support to a microfinance institution in East Africa regarding the adaptation and further development of completed pilot projects concerning sustainable potato cultivation for the development of a financing model for small-scale farmers.
Climate initiatives	Two initiatives aimed at boosting capacity and developing the methodology followed by two fund managers in order to implement a model for estimating the climate impact of the funds and underlying portfolio companies.
Initiatives relating to human rights, climate and gender equality	Support to strengthen and develop a fund manager's processes and working methods in HR, climate and gender equality, as well as the implementation and follow-up of activities in the underlying portfolio companies.
Gender equality in the energy sector	Funding for an investment aimed at renewable energy production in order to support and develop ongoing gender equality and educational activities in line with the UN Women Empowerment Principles and 2X Challenge criteria.
Study concerning business integrity	Initiative to promote high standards and develop a common framework for Business Integrity that can be used by Swedfund's portfolio companies, primarily financial institutions and fund managers.
Climate initiatives	Study aimed at enhancing the ability of the portfolio companies to identify and manage climate-related risks and opportunities, and focus their efforts on the most effective measures.
Study of the development effects of digitalisation	Supplementary funding for a study looking at the sustainability risks and development effects of digitalisation for improved management of digital risks and opportunities among the portfolio companies.
Digitalisation initiative in the health sector	Support relating to digitalisation with the aim of strengthening and developing fund companies within the areas of clinical quality, working conditions, gender equality and business integrity, as well as for reporting the development effects of the business.
Women4Growth	Additional funding for activities for the ongoing Women4Growth programme with the aim of boosting women's empowerment.
Environmental and social management system	Funding for the development of an environmental and social management system (ESMS) for investment companies, implementation of the Customer Protection Pathway (CPP) for the investment portfolio, as well as the analysis and assessment of the portfolio's climate risks and climate impact.
Gender equality in the energy sector	Initiative to conduct a study aimed at supporting portfolio companies' knowledge development and understanding of the possibility of strengthening and improving the effects of Solar Home Systems with regard to women's empowerment and gender equality.
Study of the development effects of major financial institutions	Study of the anticipated development effects, risks and potentially negative impact in connection with investments in major commercial banks.
Climate initiatives	Development of a methodology for fund managers to evaluate and reduce the climate footprint of the business, and to conduct climate and sensitivity analyses.

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Abayneh Ashenafi and Alemayehu Taye from one of our, since earlier, exited investments in Ethiopia.

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# Swedfund's results

Swedfund is Sweden's development finance institution for sustainable investments in the world's poorest countries. Swedfund is a wholly state owned company and is administered by the Swedish Ministry of Finance. The operation is financed through capital injections from the owner, along with reflows generated from the investment portfolio. Swedfund invests directly in companies and financial institutions and indirectly through funds. This section presents Swedfund's results and financial position for the 2022 financial year, together with a follow-up of the financial goals defined by the owners.

## INVESTMENT ACTIVITIES

### PORTFOLIO

During 2022, the efforts being made to develop and alter the composition of the portfolio continued in line with Swedfund's strategy to invest in the three sectors; Health, Energy & Climate and Financial Inclusion.

In 2022, Swedfund contracted fifteen (15) agreements, of which eight (8) were new portfolio holdings and seven (7) were additional investments in existing portfolio companies. The total contracted value for contracted investments during the year is equivalent to MSEK 2,100 and is divided into one equity investment, eight fund investments and six loans. The contracted investments during the year are described below under the respective sections for each sector.

In addition to contracted investments, decisions were also made during the year regarding the equivalent of an additional MSEK 1,400 in four fund investments and two loans. For these investments, contract negotiations are under way, with contracting expected during the first half of 2023.

During the year, a total of five (5) portfolio holdings were completely exited, including two (2) equity investments and three (3) loans. In addition to the fully exited portfolio holdings, two loans in co-financing facilities were also repaid in full. Net capital gains in 2022 from the sale of shares and participations amounted to MSEK 82.0 (97.3), with the capital gain made during the year predominantly attributable to partial sales in a number of mutual funds.

The book value of Swedfund's portfolio of shares, fund units and loans amounted to MSEK 4,121 (3,291) as of 31 December 2022. Unrealised surplus values of shares and fund units also amounted to MSEK 740 (403), measured at fair value. Together with contracted, but as yet unpaid, commitments, the total value of the portfolio at the end of the financial year amounted to MSEK 8,435 (5,864), corresponding to a change in value of 44%. Most of the change in the value of the portfolio in 2022 can be attributed to the value of this year's contracted investment volumes, which is significantly higher than the value of holdings that were exited during the year. During 2022, the value of the portfolio was also positively affected by currency translation, as the Swedish krona noticeably weakened during the year, particularly against the USD, which is the dominant transaction currency in Swedfund's investment portfolio. The estimated positive effect on the portfolio value from currency translation is approximately 15%, corresponding to just over MSEK 850 relative to the value at the start of the year. The return on the investment portfolio expressed in terms of IRR was stable in 2022 and is expected to reach 5.1% at the year-end, compared with 5.4% at the start of the year. IRR is calculated in USD, which is the main transaction currency, and concerns the total portfolio, with the 2013 investment year as the base year. Changes in fair value and expected credit losses had a slight negative impact on the IRR in 2022, while some growth in ongoing income from net interest

income and dividends helped to maintain a stable level of return for the portfolio as a whole.

### INVESTMENTS

#### Energy & Climate sector

During 2022, Swedfund continued to invest in the Energy & Climate sector based on the strategic decision to invest exclusively in renewable energy sources. The availability of cost-effective, reliable and sustainable energy is one of the UN's global goals for sustainable development. The technical prerequisites for energy supply through renewable sources are often very good in developing countries, but many energy projects cannot be implemented due to a lack of knowledge or funding. At the end of the period, the Energy & Climate sector's share of the total portfolio's contracted value corresponded to 33%, and four (4) investments were contracted during 2022. These are presented below:

- During the second quarter, an equity investment in Serengeti Energy of up to MUSD 20 was contracted. Serengeti develops, builds and operates renewable energy projects in a number of countries in sub-Saharan Africa. Swedfund's investment and capital injection will facilitate further expansion of the business, which is expected to help boost the production of renewable energy in a region that relies heavily on fossil fuels.

- An additional investment of up to MUSD 1.9 in the existing portfolio company d.light was contracted during the fourth quarter. D.light operates in Africa and India and offers, among other things, solar panels for off-grid energy supply in rural areas, where there is often no connection to the main electricity grid. Swedfund has been a shareholder since 2018 and the current additional investment is in the form of a convertible loan, which will enable d.light to expand and grow further.
- A fund investment in African Infrastructure Investment Fund IV (AIIF), with a commitment of up to MUSD 26, was contracted at the end of the year. AIIF is a broad infrastructure fund, focused on Africa, which includes investments in energy infrastructure, digital infrastructure and transport and logistics solutions. The fund is the first investment that Swedfund has made in broader infrastructure, which encompasses more than just clean energy and climate infrastructure.
- During the fourth quarter, an investment of up to MUSD 35 in the Climate Investor Two fund was contracted. This fund finances projects and activities aimed at climate adaptation, i.e. adaptations of communities to the effects of the changing climate. Investments are focused on areas such as water, waste management and maritime projects, and the fund has a broad geographical focus on developing countries in Africa and Asia.

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### Financial Inclusion sector

In developing countries, small and medium enterprises are responsible for the majority of jobs and are thus a driving factor in the economic and social development of the countries concerned. A shortage of funding is one of the most limiting factors as regards the ability of these businesses to grow. Swedfund's investments in financial institutions and funds in these markets are helping to boost financial inclusion through lending and the provision of venture capital to businesses and entrepreneurs. The sector's share of Swedfund's investment portfolio is around 59%. During 2022, eleven (11) investments were contracted in the Financial Inclusion sector:

- An additional investment of up to MUSD 4.5 in the existing African Rivers Fund III (ARF) portfolio holding was contracted during the first quarter. In 2020, Swedfund became an investor in ARF in the first closing of the fund. ARF is a credit fund which predominantly focuses on direct loans, as well as loans with equity elements, to small and medium enterprises in the DAC1 countries of the Democratic Republic of Congo, Uganda and Angola.
- An investment in the Blue Peak Private Capital Fund (Blue Peak) was contracted during the second quarter. Blue Peak is a credit fund which invests through various types of debt instruments with a broad focus on sectors and countries in Africa, primarily in West and East Africa. The fund's strategy focuses on SMEs, where there is a strong need for funding that cannot be met by local and regional banks. Swedfund's investment involves a commitment of up to MUSD 20 in Blue Peak.
- An additional investment in the Bank of Georgia, an existing portfolio company, was contracted during the second quarter. The additional investment of MUSD 15 relates to an Additional Tier 1 (AT1) loan, which will result in an increase in the bank's Tier 1 capital. This is Swedfund's first loan through this type of loan instrument. The purpose of the loan is to support Bank of Georgia's expansion of its portfolio of green financing projects which will help to accelerate Georgia's transition towards more renewable energy.

- During the third quarter, an investment of up to MUSD 25 in Vantage Mezzanine Fund IV (Vantage) was contracted. Vantage is a credit fund that primarily invests through various debt instruments aimed at medium businesses seeking growth capital in West, East and North Africa. The fund invests broadly across numerous sectors, including information and communication technologies, healthcare and infrastructure.
- An investment of up to MUSD 15 in the PE fund Accion Digital Transformation Fund (Accion) was contracted during the third quarter. Accion is a fund which focuses on the digital transformation of financial institutions in developing countries in Africa and South and Southeast Asia. A high proportion of adults in developing countries currently have no account with a bank or other financial institution, and the digitalisation of financial products and services can help to make such accounts available to a wider audience.
- An additional investment in the European Finance Partners (EFP) and Interact Climate Change Facility (ICCF) co-financing facilities was contracted during the fourth quarter. Swedfund has been a financing partner in EFP since 2004, and in ICCF since its launch in 2011. With an increased commitment of MEUR 10, Swedfund's total commitment amounts to MEUR 45 in a now-common EFP/ICCF platform, where underlying projects are distributed between the Energy & Climate and Financial Inclusion sectors.
- A fund investment of up to MUSD 10 in the Asean Frontier Market Fund (AFMF) was contracted during the fourth quarter of 2022. AFMF is a sector-agnostic PE fund which focuses on investments in growth companies in Southeast Asia, with Cambodia and Laos as the primary countries in focus. This represents a broadening of the geographical exposure and complements Swedfund's existing investment portfolio well.
- During the fourth quarter, an investment of up to MUSD 2.5 in the Nordic Horn of Africa Opportunities Fund (NHAO) was also contracted. NHAO is a credit fund which focuses on small and medium

enterprises in Somalia, where there is a strong need for capital for loan financing. The investment in NHAO represents Swedfund's first investment in Somalia.

- During the fourth quarter, an extended loan commitment of an additional MEUR 15 was contracted with the existing portfolio company Platcorp. Platcorp is a microfinance institution which provides credit to both small and medium enterprises and individuals and has been part of Swedfund's investment portfolio since 2019. The expanded loan commitment is aimed at customers in Kenya, Uganda and Tanzania.
- An additional investment and expanded loan commitment of MUSD 2.5 to microfinance institution Bayport was contracted during the fourth quarter. The loan will be targeted at Bayport's operations in Mozambique, Tanzania and Uganda. Bayport has been a portfolio company since 2016 and, in connection with the expanded commitment, the existing loan agreement is being transferred to a new loan agreement over a period of five years with a total outstanding loan of MUSD 20.
- At the year-end, agreement was reached concerning a loan and expanded commitment of up to MUSD 4 in the existing portfolio company Kineyti Venture Capital. Kineyti is an investment company which was founded in 2012 as a joint venture between Swedfund and Norfund, the Norwegian development finance institution. The company operates in South Sudan with the aim of contributing to private sector development in the country by offering loan financing to small and medium enterprises across a range of industries.

### Health sector

In developing countries, around 400 million people have no access to basic healthcare and the quality of care that is provided is often poor. This is in part due to a shortage of qualified doctors and medical personnel, infrastructure and medicines. As a proportion of Swedfund's investment portfolio, the Health sector amounted to 6% at the year-end. During the year, no new investments were contracted in the Health sector.

### DIVESTMENTS

During the year, five (5) portfolio holdings were fully concluded, including two equity investments and three funds.

#### Disposals of shares and participations

- All shares in Elgon Road Developments Ltd were divested during the first quarter without any material impact on earnings. Swedfund has invested and been an owner in the property company Elgon Road since 2008, with the capital being used to build and commission a hotel property in Nairobi. Through the investment, Swedfund has contributed to the creation of almost 400 direct jobs, a high proportion of which were taken up by women, with the business becoming the first hotel in Kenya to be Green Key-certified. The business was adversely affected by the Covid-19 pandemic, with the result that no commercial activity was conducted during parts of 2020 and the whole of 2021. The entry of a new industrial owner has enabled the business to be restarted.
- During the first quarter, all shares in Global Medical Investments AB (GMI) in the Health sector were divested. Swedfund has been an investor in GMI since its formation in 2009 and the company has entered a joint ownership between Swedfund and Elekta, which together with minority owners and local partners have invested in and developed a number of cancer clinics in several developing countries, including Ecuador, the Dominican Republic and Ghana. The divestment of Swedfund's shares in GMI took place through a transfer to the other main owner and resulted in the earnings effect that is recognised in the capital gain for the year being less positive.

#### Exiting of loans

- During 2022, three loan investments were concluded in their entirety:
- An outstanding loan to Prasac Microfinance Institution Ltd in Cambodia was repaid in full during the first quarter, with the result that the entire loan amount of MUSD 25 to Prasac has now been repaid.

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- During the first quarter, the loan to Fidelity Bank in Ghana was also cancelled (total loan amount MUS\$ 14).
- At the year-end, the loan to Aceda Bank Plc (Cam-bodia) was terminated according to plan, which means that the entire loan amount of a total of MUS\$ 10 has now been repaid.

In addition to fully exited loan investments, two loans under the EFP co-financing facility was also exited, one of which was cancelled and one written off.

## EARNINGS PERFORMANCE

### FINANCIAL GOALS

Swedfund's financial goals were adopted in 2019 and stipulate that operating profit (EBIT) must be positive when measured as a mean over a five-year period. The goal requires the company's operations to be financially sustainable and to be cost-effective for taxpayers. The financial goal is a long-term goal and must be evaluated over an extended period of time. Swedfund reports a positive operating profit for 2022, and a summary of EBIT for the most recent five-year period 2018–2022 (see the table below) shows that total operating profit (excluding non-recurring effects arising from the transition to IFRS) is positive and the financial goal has thus been achieved.

EBIT for the 2022 financial year amounted to MSEK 151.0 (197.1). The positive result is strongly affected by currency effects, the majority of which concern unrealised currency effects in Swedfund's loan portfolio and currency effects which are included in the revaluation of shares and participations. Operating profit remained positive during 2022, with recurring income from dividends and net interest income covering Swedfund's operating expenses by a good margin. Given the limited size of the investment portfolio, individual transactions and currency effects

can have a significant impact on EBIT, which can thus fluctuate significantly, both negatively and positively, both between quarters and between years. With effect from 2022 onwards, Swedfund has implemented an alternative performance measure (APM), EBIT excluding currency effects, which is described below both under the comments concerning operating profit and in Note 9.

### COMMENTS ON THE RESULTS OF INVESTMENT ACTIVITIES

A total of five holdings in the portfolio were fully exited during the year, including two equity investments and three loans. Swedfund's overall net income from investment activities amounted to MSEK 255.1 (284.1) during the financial year. The weakening of the Swedish krona against the USD in particular had a positive impact on the development of earnings through unrealised currency effects in connection with the valuation of the holdings in the portfolio, which for the loan portfolio is included separately on the currency effects line in the profit and loss statement, while currency effects for shares and participations are included in net write-downs in the same statement.

### Shares and fund units

During the financial year, Swedfund's investment activities generated dividends of MSEK 23.4 (29.3). Net income from dividends in 2022 exclusively refers to reflows from mutual funds and credit funds, and the difference compared with the previous year can largely be explained by the disposals of shareholdings that were carried out in 2021.

Net capital gains from the sale of shares and participations for the full year 2022 amounted to MSEK 82.0 (97.3). Transactions during the year with the greatest impact on the capital gain originate

from partial divestments in the funds Apis Growth Fund I and II and African Development Partners II. Disposals of shareholdings had only a limited effect on earnings in 2022.

### Net interest income

Loan receivables in the investment portfolio had a book value at the year-end of MSEK 1,916 (MSEK 1,560). Following the decision in 2019 to adopt a new strategy for managing currency risks, no new protective positions have been adopted to hedge loan receivables in the investment portfolio. The borrowing from the Swedish Export Credit Corporation intended for currency hedging was completely phased out at the year-end, which is why the closing balance sheet as of 31 December 2022 amounts to MSEK 0 (MSEK 607). The early redemption of the remaining currency hedging loans led to non-recurring costs being incurred for compensation for net interest loss. This is recognised in this year's interest expenses in the amount of approximately MSEK 4.5. Net interest income for the full year 2022 amounted to MSEK 114.0 (MSEK 84.8), corresponding to an increase of 34% compared with the previous year. During 2022, currency impacts also had a strongly positive effect on net interest income compared with the previous year. Higher loan volumes and rising market interest rates have also contributed to the rising net interest income, while non-recurring costs for the early redemption of foreign currency loans have had a negative impact.

### Other portfolio income and portfolio costs

Other portfolio income refers, for example, to board fees in portfolio companies. Portfolio costs refer to direct costs attributable to active projects and investments e.g. legal expenses and costs associated with due diligence. The net amount of other portfolio income and expenses for 2022 was MSEK -4.6 (MSEK -6.9).

### Currency effects

Recognised currency effects for the full year 2022 amounted to MSEK 147.1 (MSEK 61.0). The profit and loss line contains both realised currency gains

and losses, as well as unrealised currency effects for loans receivable, which were strongly affected by the weakening of the Swedish krona during the year. As a result of Swedfund's strategy to cease hedging loans receivable and the early redemption of previous currency hedging loans, recognised currency effects will become more volatile and broadly follow fluctuations in the currency market between Swedish krona and the USD in particular.

### Write-downs (measured at fair value) and credit losses

Swedfund operates in difficult geographical markets, whilst the size of the portfolio is limited. For the valuation of shares and mutual fund shares (including holdings in group companies, associates and joint ventures), Swedfund follows IFRS through the application of RFR2. This means that write-down takes place in the income statement in cases where the fair value is less than the book value. This can lead to substantial variations in net write-downs between reporting periods. If an overvalue compared with the acquisition value can be shown when measuring fair value, this surplus value is reported in the notes. As of 31 December 2022, the unrealised surplus value amounted to MSEK 740 (MSEK 403); see also Note 22.

For the 2022 financial year, write-downs on shares and fund units (net) amounted to MSEK -47.1 (MSEK 35.8). The impact from currency translation has had a positive impact on write-downs in the amount of approximately MSEK 20, which means that the underlying change in the value of share and fund holdings recognised in the income statement is approximately MSEK -67. The write-downs are predominantly attributable to holdings in the Energy & Climate sector where, among other things, higher market interest rates have generally had a negative impact on the valuations of underlying assets.

Valuation of loans in accordance with IFRS 9 was charged to the profit for 2022 with expected credit losses of MSEK -59.7 (MSEK -17.1). The write-downs during the year are primarily affected by two loans for investment projects in Ukraine, where the credit risk increased significantly following Russia's invasion,

MSEK	2018	2019	2020	2021	2022	Total 2018-2022
EBIT	-11.1*	41.4	-372.6	197.1	151.0	5.9

\* Excluding non-recurring effects of MSEK 44.2 arising from the transition to IFRS

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resulting in a reassessment of the situation and the transfer of the assets to stage 3 according to Swedfund's accounting policies. Other than these changes in stage, the profit for the year from expected credit losses has only been affected by general provisions and dissolutions of credit loss reserves for new and amortised loans, which have had a limited effect on earnings overall.

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

Swedfund's operating profit (EBIT) for 2022 amounted to MSEK 151.0 (MSEK 197.1). The positive result was primarily influenced by the effects of currency translation and a positive outcome from capitalised divestments in shares and participations, while write-downs and expected credit losses had a negative impact on the result. Operating income and cash flow were also positive during 2022, with recurring income from net interest income and dividends exceeding operating costs.

As the effects of currency translation have a significant impact on reported earnings, Swedfund has, with effect from 2022, introduced an alternative perfor-

mance measure (APM) where the currency effects on net income from investment activities are excluded from the reported operating profit. Currency effects on net income primarily arise from revaluation of the portfolio holdings where currency effects from loan instruments are reported on a separate line in the income statement, while the corresponding currency effect for shares and fund units is recognised in the income statement through net write-downs. In addition to this, certain currency effects are also recognised in the income statement through shares and fund units, as well as net interest income. For further information on the APM, see Note 9.

For the full year 2022, EBIT excluding currency effects amounted to MSEK -54.9 (MSEK 31.3). The negative result for the year is primarily attributable to the write-downs and expected credit losses recognised in the income statement which exceed the total capital gain from disposals of shares and participations.

**Other operating income and expenses**

Other operating income and expenses refers to the activities of Swedpartnership, Technical Assistance

and the Swedfund Project Accelerator, which are funded through separate grants. Net, these revenues and expenses amounted to MSEK 0 (MSEK 0) for the 2022 financial year. Swedfund's costs are normally covered in full by the appropriation, which means that these operations do not have a direct impact on the company's financial results.

**Other external costs and personnel costs**

The company's other external costs amounted to MSEK -29.3 (MSEK -25.1) for the 2022 financial year, with the growth in costs primarily being attributed to IT-related costs and higher premises costs for offices.

Personnel costs in 2022 amounted to MSEK -74.2 (MSEK -61.4), with the increase primarily being explained by wage inflation and further strong growth in the average number of employees.

**Other financial items**

Net income from other financial items for 2022 amounted to MSEK 165.9 (MSEK 46.5) and is attributable to Swedfund's financial management in the form of cash and cash equivalents and interest-bearing securities. Surplus liquidity is managed in

low risk securities in accordance with the Company's financial policy. During the year, surplus liquidity was increasingly invested in fixed-income securities in the corresponding currency to Swedfund's contractual commitments. As a result, a high proportion of liquidity management has now primarily been placed in USD interest-bearing investments, which has led to positive translation effects from currency, which explains the year's positive net income from other financial items.

**TAXES**

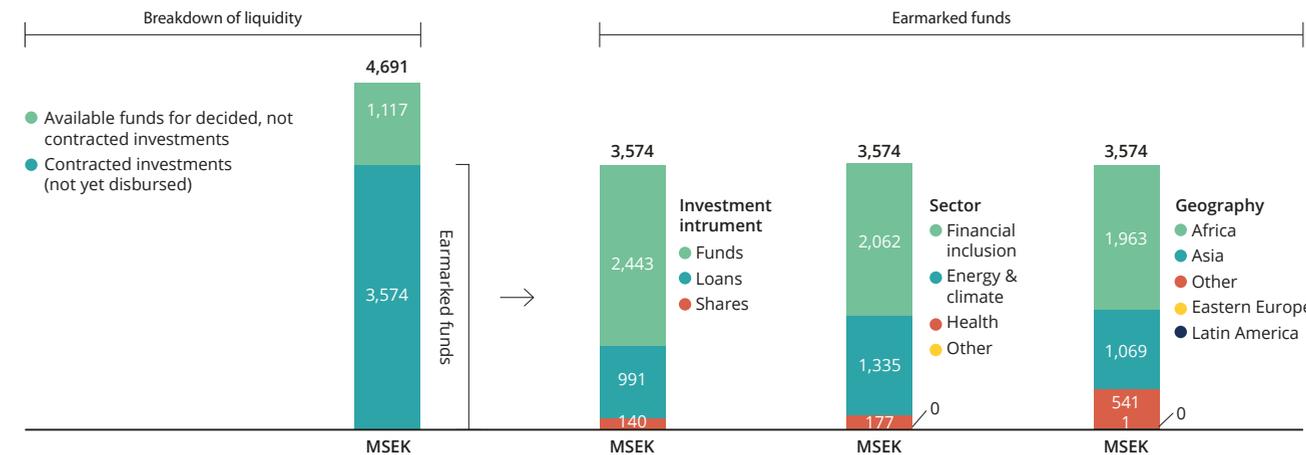
Since 2018, Swedfund has also had an ongoing tax case in Kenya concerning whether Swedfund local operations are to be considered as a permanent establishment and thus subject to taxation in Kenya. As there has been no further correspondence or new information concerning the case since 2019, the view is that the matter has been closed and the previously reserved tax liability returned to tax expense for the year (MSEK 5.5). See also Note 10 for calculation of reported tax.

**FINANCIAL POSITION**

With the exception of Swedpartnership, Technical Assistance and Swedfund Project Accelerator which are funded through appropriations, Swedfund is financed through equity, i.e. capital injections and accumulated profits. The financial position is good and the equity/assets ratio amounts to 96% (89%) as of 31 December 2022.

To limit the company's currency risks in connection with lending in foreign currency, Swedfund has historically hedged currency risks through corresponding borrowing from the Swedish Export Credit Corporation (SEK). After the remaining loan had been redeemed prematurely in 2022, outstanding loan debt as of 31 December 2022 amounted to MSEK 0 (MSEK 607). The previous collateral for borrowing through a pledged depot deposit has been settled as a consequence of the early redemption, and surplus funds have been transferred to Swedfund's own available funds.

**DISTRIBUTION OF OWN FUNDS AS OF 31 DECEMBER 2022, MSEK**



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Swedfund's liquid assets, including interest-bearing securities, amounted to MSEK 4,967 (MSEK 4,803) as of 31 December 2022, of which MSEK 4,691 (MSEK 3,744) related to funds that Swedfund has at its disposal. These funds, also referred to as "own funds", are allocated as illustrated below. Reserved "earmarked funds" for contracted investments amounted to MSEK 3,574 (MSEK 2,459) at the end of 2022.

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

## CASH FLOW

Cash flow for the year from operating activities, before changes in working capital, remains positive with growth and amounted to MSEK 115.6 (MSEK 67.2). Including the changes in working capital, cash flow from operating activities amounted to MSEK 179.2 (MSEK -21.7). Cash flow from investment activities amounted to MSEK -660.8 (MSEK -166.8) and shows further strong activity with the acquisition of new financial fixed assets which exceed disposals. Cash flow from financing activities amounted to MSEK 1,428.3 (MSEK 1,091.6), with this year's capital injection of MSEK 1,200 accounting for the majority. Total cash flow for the year amounted to MSEK 946.7 (MSEK 903.1).

## PERSONNEL

The average number of employees in 2022 was 62 (52). On average, 57 employees work at the office in Stockholm and five at the office in Nairobi, Kenya. See also Note 6.

## RISKS

As a development finance institution, risk is pivotal to our business. Swedfund invests in countries and areas

where the risks are more numerous and potentially more serious than they are in developed markets. Read more about risks and risk management in Swedfund's operations on pages 42-44 and about financial risks in Note 22.

## CORPORATE GOVERNANCE

In accordance with the annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"), a special Corporate Governance Report with a section on internal control has been prepared. The Corporate Governance Report is attached to this integrated report on pages 128-132.

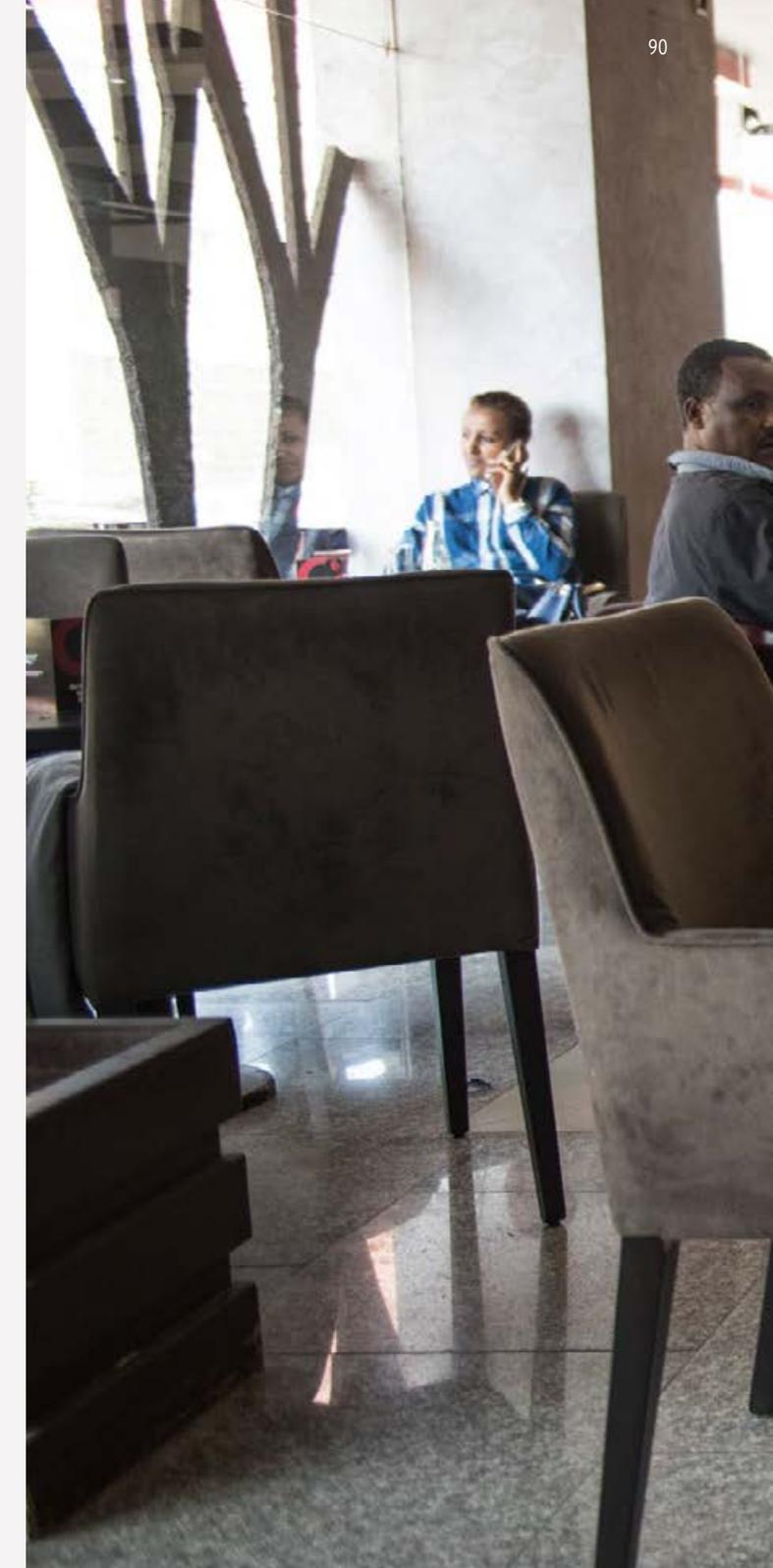
## BOARD OF DIRECTORS

At the annual general meeting held on 26 April 2022, Kerstin Borglin, Torgny Holmgren, Daniel Kristiansson, Catrina Ingelstam, Jonas Eriksson and Roshi Motman were re-elected. Catrin Fransson was newly elected to the board of directors at the same time as Göran Barsby and Fredrik Arp resigned as a board members. Catrin Fransson was elected chair of the board of directors.

## PROPOSAL FOR ALLOCATION OF PROFIT

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

	<b>2022</b>
The following funds are at the disposal of the annual general meeting:	
Accumulated profit/loss	6,723,761,479
Capital injection	1,200,000,000
Profit/loss for the year	254,013,827
	<b>8,177,775,305</b>
The board of directors proposes that the funds available to the annual general meeting be allocated so that:	
To be carried forward	8,177,775,305
	<b>8,177,775,305</b>



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Meheret Woldemariam and Namrot Legesse,  
in a café in Addis Ababa, Ethiopia.

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# Income statement

Amounts in TSEK	Note	2022	2021
<b>Shares and fund units</b>			
Dividends received	3, 4	23,396	28,075
Sales proceeds	3, 4	126,345	312,162
Acquisition cost of disposed of shares and fund units	4	-46,307	-214,632
<b>Income from shares and fund units</b>		<b>103,434</b>	<b>125,606</b>
<b>Group companies, associates and joint ventures</b>			
Dividends received	3, 4	0	1,204
Sales proceeds	3, 4	192	2,800
Acquisition cost sold equity	4	1,769	-3,000
<b>Net income from group companies, associates and joint ventures</b>		<b>1,961</b>	<b>1,004</b>
<b>Interest income and expenses</b>			
Interest income	3	132,171	92,530
Interest expenses		-18,123	-7,744
<b>Income from interest-bearing instruments</b>		<b>114,048</b>	<b>84,787</b>
<b>Other portfolio income and portfolio costs</b>			
Other portfolio income	3	1,505	341
Other Portfolio Expenses		-6,123	-7,282
Currency effects		147,084	60,972
<b>Income from other portfolio income and portfolio costs</b>		<b>142,466</b>	<b>54,030</b>
<b>Write-downs and loan losses</b>			
Write-downs of shares and fund units, net		-47,089	53,827
Write-downs of group companies, associated companies and joint ventures, net		0	-17,999
Write-downs for loan losses, net		-59,691	-17,116
<b>Net income from write-downs and loan losses</b>		<b>-106,780</b>	<b>18,712</b>
<b>INCOME FROM INVESTMENT ACTIVITIES</b>		<b>255,129</b>	<b>284,138</b>

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Amounts in TSEK	Note	2022	2021
<b>Other operating income</b>			
Other operating income	3, 5	63,932	38,566
<b>Operating expenses</b>			
Other external costs	7, 8	-29,298	-25,099
Personnel costs	6	-74,225	-61,407
Other operating expenses	5	-63,932	-38,566
Depreciation of non-current assets	12	-604	-502
<b>Net income from other operating income and expenses</b>		<b>-104,126</b>	<b>-87,008</b>
<b>OPERATING PROFIT (EBIT)</b>	<b>9</b>	<b>151,003</b>	<b>197,130</b>
<b>Net income from other financial items</b>			
Other financial income	10	203,490	50,466
Other financial expenses	10	-37,670	-3,949
<b>Net income from other financial items</b>		<b>165,820</b>	<b>46,517</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>316,823</b>	<b>243,647</b>
<b>PROFIT/LOSS BEFORE TAX</b>		<b>316,823</b>	<b>243,647</b>
Tax on profit/loss for the period	11	-62,809	-23,427
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>254,014</b>	<b>220,220</b>
<b>The Company's Statement of Comprehensive Income</b>			
Profit/loss for the period		254,014	220,220
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>254,014</b>	<b>220,220</b>

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# Balance sheet

## ASSETS

Amounts in TSEK	Note	31.12.2022	31.12.2021
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
<i>Buildings and land</i>			
Improvement expenditure on leasehold	12	1,703	-
<i>Tangible fixed assets</i>			
Equipment	12	1,441	13
<b>Total</b>		<b>3,144</b>	<b>13</b>
<b>Financial fixed assets</b>			
Shares and fund units	13,23,24	2,184,914	1,703,940
Participations in group companies, associates and joint ventures	14,23,24	20,469	27,300
Loans receivable	15,16,23,24,28	1,915,986	1,559,605
Endowment insurance	23,24	122	414
Other long-term securities	18,23,24	738	707
Other non-current financial assets		8,600	
Deferred tax assets	11	721	721
<b>Total</b>		<b>4,131,550</b>	<b>3,292,687</b>
<b>Total fixed assets</b>		<b>4,134,694</b>	<b>3,292,700</b>

Amounts in TSEK	Note	31.12.2022	31.12.2021
<b>CURRENT ASSETS</b>			
Account receivables	23,24	9,000	2,993
Other receivables	19,23,24	7,951	9,883
Prepaid expenses and accrued income	20,23,24	41,562	112,117
<b>Total</b>		<b>58,513</b>	<b>124,993</b>
Interest-bearing securities	21,23,24,28	4,541,426	4,406,734
Cash and bank balances	23,24,28	413,815	378,615
Retained funds on behalf of others	23,24,28	11,448	17,764
<b>Total</b>		<b>4,966,689</b>	<b>4,803,112</b>
<b>Total current assets</b>		<b>5,025,202</b>	<b>4,928,106</b>
<b>TOTAL ASSETS</b>		<b>9,159,896</b>	<b>8,220,806</b>

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## EQUITY AND LIABILITIES

Amounts in TSEK	Note	31.12.2022	31.12.2021
<b>EQUITY</b>			
Share capital		50,000	50,000
Statutory reserve		540,000	540,000
<b>Total</b>		<b>590,000</b>	<b>590,000</b>
Accumulated profit/loss		7,923,761	6,503,541
Profit/loss for the period		254,014	220,220
<b>Total</b>		<b>8,177,775</b>	<b>6,723,761</b>
<b>Total equity</b>		<b>8,767,775</b>	<b>7,313,761</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Provision for pension obligations	26	122	414
Other provisions	16,27,28	3,462	3,673
<b>Long-term liabilities</b>			
Liabilities to credit institutions	23,24	-	424,614
<b>Total</b>		<b>3,584</b>	<b>428,700</b>

Amounts in TSEK	Note	31.12.2022	31.12.2021
<b>CURRENT LIABILITIES</b>			
Liabilities to credit institutions, short-term component	23,24	-	182,626
Accounts payable	23,24,29	4,456	1,983
Tax liabilities	29	87,655	26,939
Other liabilities	23,24,29	15,989	28,814
Accrued expenses and deferred income	23,24,30	280,436	237,982
<b>Total</b>		<b>388,536</b>	<b>478,344</b>
<b>Total provisions and liabilities</b>		<b>392,121</b>	<b>907,045</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,159,896</b>	<b>8,220,806</b>

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# Statement of changes in equity

Amounts in TSEK	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Accumulated profit/loss	Profit for the year	
<b>OPENING EQUITY AS OF 01.01.2021</b>	<b>50,000</b>	<b>540,000</b>	<b>5,878,752</b>	<b>-375,211</b>	<b>6,093,541</b>
Reversal result previous year	-	-	-375,211	375,211	-
Profit/loss for the period	-	-	-	220,220	220,220
Other comprehensive income for the year	-	-	-	-	-
<b>Comprehensive net income for the year</b>	<b>50,000</b>	<b>540,000</b>	<b>5,503,541</b>	<b>220,220</b>	<b>6,313,761</b>
Capital contribution	-	-	1,000,000	-	1,000,000
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>
<b>Closing shareholders' equity as of 31.12.2021</b>	<b>50,000</b>	<b>540,000</b>	<b>6,503,541</b>	<b>220,220</b>	<b>7,313,761</b>
<b>OPENING EQUITY AS OF 01.01.2022</b>	<b>50,000</b>	<b>540,000</b>	<b>6,503,541</b>	<b>220,220</b>	<b>7,313,761</b>
Reversal result previous year	-	-	220,220	-220,220	-
Profit/loss for the period	-	-	-	254,013	254,013
Other comprehensive income for the year	-	-	-	-	-
<b>Comprehensive net income for the year</b>	<b>50,000</b>	<b>540,000</b>	<b>6,723,761</b>	<b>254,013</b>	<b>7,567,776</b>
Capital contribution	-	-	1,200,000	-	1,200,000
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>	<b>-</b>	<b>1,200,000</b>
<b>Closing shareholders' equity as of 31.12.2022</b>	<b>50,000</b>	<b>540,000</b>	<b>7,923,761</b>	<b>254,013</b>	<b>8,767,775</b>

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

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# Cash flow statement

Amounts in TSEK	Note	2022	2021	Amounts in TSEK	Note	2022	2021
<b>Ongoing activities</b>							
Profit/Loss after financial items		316,823	243,647	Capital contribution		1,200,000	1,000,000
Adjustment for non-cash items	33	-199,160	-174,369	Loans taken up (+) / Amortised (-) <sup>1</sup>		-589,445	-263,444
Income tax paid		-2,093	-2,091	Change in blocked funds		817,714	355,056
<b>Cash flow from operating activities before changes in working capital</b>		<b>115,570</b>	<b>67,187</b>	<b>Cash flow from financing activities</b>		<b>1,428,269</b>	<b>1,091,612</b>
<b>Cash flow from changes in working capital</b>				<b>Cash flow for the year</b>			
Increase (-)/Decrease (+) in operating receivables		64,265	-82,671			<b>946,651</b>	<b>903,099</b>
Increase (+)/Decrease (-) in operating liabilities		-606	-6,201	<b>Cash and cash equivalents at the beginning of the year<sup>2</sup></b>		<b>3,743,964</b>	<b>2,840,865</b>
<b>Cash flow from operating activities</b>		<b>179,229</b>	<b>-21,686</b>	<b>Cash and cash equivalents at the end of the year<sup>2,3</sup></b>		<b>4,690,615</b>	<b>3,743,964</b>
<b>Investment activities</b>							
Divestments of tangible fixed assets (+)		-3,736	-				
Acquisition of financial fixed assets (-)		-783,651	-481,789				
Sales of financial fixed assets (+)		126,538	314,962				
<b>Cash flow from investment activities</b>		<b>-660,848</b>	<b>-166,827</b>				
<b>Financing operations</b>							

<sup>1</sup> Concerns amortisation of loans taken out in SEK intended for hedging of currency risks in connection with lending in investment activities. See also the section entitled 'Financial position' on page 89.

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

<sup>3</sup> Cash and cash equivalents include the equivalent of TSEK 14,786 at the closing price for bank funds in Sri Lanka which, given currency restrictions, are not judged to be fully available to Swedfund.

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# Notes

## NOTE 1 | SIGNIFICANT ACCOUNTING POLICIES

### INTRODUCTION

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

On 24 March 2023, the board of directors approved this annual report, which will be presented to the annual general meeting on 25 April 2023.

### BASIS OF ACCOUNTING

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

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

### CHANGES IN ACCOUNTING POLICIES

Changes to standards during 2022 have not had a significant impact.

### CLASSIFICATION

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

sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

### FUNCTIONAL CURRENCY

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

### TRANSACTIONS IN FOREIGN CURRENCY

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

### STATE AID

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

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

See also below in the section, Income.

### CASH FLOW STATEMENT

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

### REVENUE

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

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

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

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

### INCOME FROM SHARES AND FUND UNITS

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

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

### INCOME FROM PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATES AND JOINT VENTURES

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

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

### INCOME FROM INTEREST-BEARING INSTRUMENTS

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

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Note 1 (cont.)

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

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

## LEASES

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

The Company is not a lessor.

## GENERAL ADMINISTRATIVE EXPENSES

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

## SALARIES AND OTHER COMPENSATION TO EMPLOYEES

Employee Benefits consist of salaries, paid leave, paid sickness absence and other remuneration and pensions.

For the Company's employees, the Company

primarily has defined contribution pension plans. For the defined contribution pension plans, the Company pays fixed contributions to a separate legal entity and has subsequently completed its commitment towards the employee. Defined Contribution pension plans are recognised as an expense in the period for which premiums are attributable.

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

## TAXES

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

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

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

## SUBSIDIARIES

Group Companies (Subsidiaries) are companies that are under a controlling influence from Swedfund International AB. A controlling influence exists if Swedfund International AB has an influence over the investment object, is exposed to or has the right

to receive variable returns from its involvement and is able to exercise its control over the investment to influence yields. When assessing whether or not a controlling influence exists, potential voting shares are taken into account, as well as whether "de facto control" exists.

## ASSOCIATED COMPANIES AND JOINT VENTURES

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

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

## FINANCIAL INSTRUMENTS

Within the framework of RFR 2, accounting in a legal person, there is a choice of applying IFRS 9 to its fullest extent or applying a recognition based on acquisition value. Swedfund has chosen to report financial instruments according to the acquisition value method.

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

A financial asset is removed from the balance sheet when the rights in the contract are realised, have expired or the Company loses control of them. The

same applies to part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability.

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

## CLASSIFICATION AND VALUATION

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

The Company recognises financial instruments within the following categories:

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

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

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

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*Note 1 (cont.)*

Where these instruments constitute interest-bearing securities, accounting is based on the lowest value principle by reporting the lower of the acquisition value and fair value. Other financial assets are recognised at acquisition value, or amortised acquisition value, less write-down for expected credit losses.

**SHARES AND FUND UNITS**

Shares and fund units are valued at acquisition value less any write-downs based on fair value.

Any surplus values for shares and fund units which, when measuring fair value, show a fair value exceeding acquisition value are presented in Note 23.

**OTHER LONG-TERM SECURITIES**

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

**LOANS RECEIVABLE**

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

**INTEREST-BEARING SECURITIES**

Interest-bearing securities are reported at amortised acquisition value using the principles of write-down testing and loss risk reserve in IFRS 9, Expected Credit Losses.

**CASH AND BANK BALANCES**

Cash and bank balances consist of cash and immediately available balances in banks and corresponding institutions and short-term liquid investments with a maturity from the acquisition date of less than three

months, which are only exposed to an insignificant risk of fluctuation.

**OTHER FINANCIAL LIABILITIES**

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

**EFFECTIVE INTEREST RATE AND EFFECTIVE INTEREST METHOD**

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

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

**WRITE-DOWN OF FINANCIAL ASSETS**

**WRITE-DOWN BASED ON FAIR VALUE**

For financial assets in the form of shares and participations in group companies, associates and joint ventures, write-down is effected based on fair value. Write-downs are assessed on an individual basis per holding. Swedfund's methods for determining fair value are described in more detail in Note 22.

**WRITE-DOWN BASED ON EXPECTED CREDIT LOSSES**

In the case of accounting based on acquisition value, write-down testing and loss risk reserve in accordance with IFRS 9, Expected Credit Losses are applied. This means that Swedfund sets aside provisions for expected credit losses upon initial recognition. Provision for expected credit losses is made for financial instruments in the form of financial fixed assets and current assets. For Swedfund, this primarily entails provision for expected credit losses for loans receivable. Credit losses are assessed on an individual basis.

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

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

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

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

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

Swedfund has developed methods for assessing and reserving expected credit losses in accordance with IFRS 9. The methods are based on the Company's risk classification model and take into account any collateral for Swedfund loans receivable, loan commitments and interest-bearing securities.

Swedfund's methods for calculating expected credit losses are described in more detail in Note 23.

**TANGIBLE FIXED ASSETS**

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

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

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Note 1 (cont.)

## ADDITIONAL EXPENDITURE

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

## DEPRECIATION PRINCIPLES

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

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

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

## WRITE-DOWN OF NON-FINANCIAL ASSETS

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

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

## PROVISIONS

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

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

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

## CONTINGENT LIABILITIES

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

## NOTE 2 | SIGNIFICANT ESTIMATES AND ASSESSMENTS

### INTRODUCTION

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

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

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

The following represent the main accounting policies, the application of which is based on such assessments and the main sources of uncertainty in estimates that the Company considers may have the most significant impact on the Company's reported earnings and financial position.

### SHARES AND FUND UNITS, PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATES AND JOINT VENTURES

#### MAIN SOURCES OF UNCERTAINTY IN ESTIMATES

Shares and fund units are recognised at cost and tested for write-down at fair value. Valuing private investment in developing countries at fair value implies a large inherent uncertainty regarding the fair value of unlisted equity and fund holdings.

### ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES

For unlisted shares and fund units, fair value is an assessment in accordance with applied valuation methods. Applied methods are formulated in accordance with IFRS 13, Fair Value and International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines).

See also the description of accounting policies in Note 23.

### OTHER FINANCIAL INSTRUMENTS

#### MAIN SOURCES OF UNCERTAINTY IN ESTIMATES

Expected credit losses are assessed in respect of loan receivables, long-term securities holdings, account receivables, other receivables and loan commitments. Valuing claims in developing countries at fair value implies a large inherent uncertainty.

### ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES

Expected credit losses shall be estimated in a manner that reflects an objective and probability-weighted amount determined by evaluating a range of possible outcomes. Reserve for expected credit losses is based on a Swedfund assessment of the magnitude of these expected losses. The valuation shall take into account reasonable and verifiable information that is available without involving undue costs or operations at the balance sheet date of past events, current conditions and forecasts for future economic conditions.

See also the description of accounting policies in Note 23.

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Note 2 (cont.)

## DEFERRED TAX/VALUATION OF LOSS CARRYFORWARDS

**MAIN SOURCES OF UNCERTAINTY IN ESTIMATES**  
Deferred tax assets and liabilities are reported for temporary differences and for unused loss carryforwards. The estimated tax effects of these loss carryforwards are recognised as fixed assets.

### ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES

If necessary, external advisers are used to assess the magnitudes of the deficits. If the Company's management considers that the Company can, in the near future, benefit from the future lower payments that existing tax deficits will give rise to, a deferred asset is reported.

## ACCOUNTING FOR INCOME TAX, VALUE ADDED TAX AND OTHER TAXES

**MAIN SOURCES OF UNCERTAINTY IN ESTIMATES**  
Accounting for these items is based on an evaluation of income tax, VAT and other tax rules in the countries where Swedfund is active.

### ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES

Due to the overall complexity of all tax and accounting rules, management must be involved in the assessment of the classification of transactions and in the estimation of probable outcomes in respect of claims for deductions, disputes and future payment requirements. If necessary, external advisers are engaged in this assessment.

## NOTE 3 | REVENUE DISTRIBUTED BY GEOGRAPHICAL AREA AND TYPE OF REVENUE

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

2022	Africa	Asia	Latin America	Eastern Europe	Other	Total
Share sales	42,810	13,778	-	-	69,757	126,345
Distribution of shares	19,152	2,561	-	-	1,684	23,396
Group and/or associated companies' sales	192	-	-	-	-	192
Group and/or associated companies' dividends	-	-	-	-	-	-
Interest income	72,400	30,970	-	24,236	4,565	132,171
Other portfolio income	1,486	19	-	-	-	1,505
<b>Total</b>	<b>136,040</b>	<b>47,327</b>	<b>-</b>	<b>24,236</b>	<b>76,005</b>	<b>283,609</b>

The division of revenue is based on how the activities and information are regularly reviewed and followed up by the executive management.

Other operating income	2022	2021
Technical Assistance and Swedfund Project Accelerator	62,106	35,334
<i>Date of revenue recognition in accordance with IFRS 15</i>		
Services transferred over time, management fee Swedpartnership	1,825	3,232
<b>Total</b>	<b>63,932</b>	<b>38,566</b>

## NOTE 4 | EARNINGS FROM SHARES AND FUND UNITS

	Income from shares and fund units		Net income from group companies, associates and joint ventures	
	2022	2021	2022	2021
Dividends	23,396	28,075	-	1,204
Sales proceeds	126,345	312,162	192	2,800
Total cost of equity sold	-46,307	-267,071	-172,540	-7,600
Written-down value of equity sold	-	52,440	174,309	4,600
<b>Total</b>	<b>103,434</b>	<b>125,606</b>	<b>1,961</b>	<b>1,004</b>

## NOTE 5 | SWEDPARTNERSHIP, TECHNICAL ASSISTANCE (TA FUNDS) AND SWEDFUND PROJECT ACCELERATOR

Swedpartnership	2022	2021
Other operating income	1,825	3,232
Other operating expenses	-1,825	-3,232
<b>Total</b>	<b>0</b>	<b>0</b>
Technical assistance	2022	2021
Other operating income	12,222	11,045
Other operating expenses	-12,222	-11,045
<b>Total</b>	<b>0</b>	<b>0</b>
Swedfund Project Accelerator	2022	2021
Other operating income	49,885	24,289
Other operating expenses	-49,885	-24,289
<b>Total</b>	<b>0</b>	<b>0</b>

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## NOTE 6 | BOARD OF DIRECTORS, EMPLOYEES AND PERSONNEL COSTS

### GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES

	2022		2021	
	Total	Of which, men	Total	Of which, men
Board of directors	7	3	8	5
CEO	1	-	1	-
Other senior executives	7	3	7	3

### AVERAGE NUMBER OF EMPLOYEES

Country	2022		2021	
	Total	Of which, men	Total	Of which, men
Kenya	5	20%	4	25%
Sweden	57	47%	48	48%
<b>Total</b>	<b>62</b>	<b>45%</b>	<b>52</b>	<b>46%</b>

### SALARIES, OTHER REMUNERATION AND SOCIAL WELFARE COSTS

	2022		2021	
	Salaries and remuneration	Social welfare costs	Salaries and remuneration	Social welfare costs
	49,162	26,121	41,678	23,421
<i>(of which pension costs)</i>	<i>(0)</i>	<i>(11622)<sup>1,2</sup></i>	<i>(0)</i>	<i>(11,114)<sup>1,2</sup></i>
<b>Total</b>	<b>49,162</b>	<b>26,121</b>	<b>41,678</b>	<b>23,421</b>

<sup>1</sup>Of pension costs, 654 (651) concerns the CEO.

<sup>2</sup> For all employees, defined contribution and equivalent pension premiums are paid in accordance with the law and collective agreements which were expensed during the year.

### SALARIES AND OTHER REMUNERATION DISTRIBUTED BY COUNTRY AND BETWEEN BOARD MEMBERS, ET AL AND OTHER EMPLOYEES

	2022		2021	
	Board of directors, CEO and other management	Other employees	Board of directors, CEO and other management	Other employees
Sweden	12,553	35,239	12,107	28,733
<i>(of which remuneration to the board of directors)</i>	<i>(910)</i>	-	<i>(984)</i>	-
<i>(of which pension to former CEO)</i>	<i>(310)</i>	-	<i>(265)</i>	-
<i>(of which salary to CEO)</i>	<i>(2,085)</i>	-	<i>(2,005)</i>	-
<i>(of which other management salaries)</i>	<i>(9,248)</i>	-	<i>(8,853)</i>	-
Kenya, representative office	-	2,590	-	2,087
<b>Total</b>	<b>12,553</b>	<b>37,829</b>	<b>12,107</b>	<b>30,820</b>

### REMUNERATION PAID TO CURRENT AND FORMER BOARD MEMBERS AND THE FORMER CEO

Member	Position	Remuneration	Board remuneration in portfolio companies
Catrin Fransson	Chair of the Board	245	-
Torgny Holmgren	Member of the Board and Member of the Audit Committee	145	-
Kerstin Borglin	Board member	121	-
Catrina Ingelstam	Board member and member Audit committee	157	-
Daniel Kristiansson	Member of the Board and Member of the Audit Committee	-	-
Jonas Eriksson	Board member	121	-
Roshi Motman	Board member	121	-
<b>Total</b>		<b>910</b>	<b>-</b>

Fees are paid to the Chairman and members of the Board according to the decision of the General Meeting.

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Note 6 (cont.)

**ATTENDANCE OF BOARD MEMBERS AT THIS YEAR'S MEETINGS**

Member	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22	9/22	10/22	11/22	12/22
Göran Barsby <sup>1</sup>	●	●	●	●	●							
Torgny Holmgren	●	●		●	●	●	●	●	●	●	●	●
Catrina Ingelstam	●	●	●	●	●	●	●	●	●	●	●	●
Daniel Kristiansson	●	●	●	●	●	●	●	●		●	●	●
Fredrik Arp <sup>1</sup>	●	●		●	●							
Kerstin Borglin	●	●	●	●	●			●	●	●	●	
Jonas Eriksson	●	●	●	●	●	●	●	●	●	●	●	●
Roshi Motman	●	●	●	●	●		●	●	●	●	●	●
Catrin Fransson <sup>2</sup>						●	●	●	●	●	●	●

<sup>1</sup> Vacated post in April 2022.

<sup>2</sup> Took up post in April 2022.

Total sick leave amounted to 0.77% (0.78%) of employees' total regular working hours. For integrity reasons, sick leave has not been reported by age group or gender.

**SALARY TO THE CEO AND OTHER SENIOR EXECUTIVES, SEVERANCE PAY, ETC.**

The CEO and other senior executives have a fixed remuneration per month. No variable remuneration is paid. In the event of termination by the Company, the CEO has an agreement on severance pay corresponding to salary during the 6 month notice period, severance pay in the form of 12 months' fixed salary (pension provisions are not included).

Severance pay is not paid after 65 years of age. For other senior executives and the CEO, defined contribution and thus equivalent pension premiums are paid by law and collective agreements which were expensed during the Year. In the event of termination by the company, the rules of the collective agreement apply to other senior executives.

**SALARIES TO SENIOR EXECUTIVES**

Name	Position	Other benefits	Annual salary fixed remuneration paid	Pension premiums paid	Total
Maria Håkansson	CEO	2	2,085	654	2,741
Ann-Caroline Andersson	HR and Administration Manager	2	923	193	1,118
Fredrik Linton	Director Special Operations and Business Development	2	1,461	402	1,865
Karin Parmenstam	Chief Investment Officer	1	1,072	397	1,470
Gunilla Nilsson	Chief Investment Officer from 16.09.22 <sup>1</sup>	1	459	130	590
Jacob Hagerman	Chief Legal Counsel	2	1,315	307	1,624
Johan Selander	Director of Finance	2	1,443	357	1,802
Johanna Raynal	Director of ESG & Impact	2	1,303	373	1,678
Karin Kronhöffer	Director of Strategy and Communication	2	1,272	346	1,620
<b>Total</b>		<b>16</b>	<b>11,333</b>	<b>3,159</b>	<b>14,508</b>

<sup>1</sup> Acting Chief Investment Officer from 16.09.22

For other senior executives and the CEO, defined contribution and thus equivalent pension premiums are paid by law and collective agreements which were expensed during the year. In the event of termination by the company, the rules of the collective agreement apply to other senior executives.

**PENSION COMMITMENTS**

Former CEO, Björn Blomberg, is entitled to receive funds in the form of a direct pension secured through capital insurance owned by the Company. Payments have been made in previous years by way of an annual premium.

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## NOTE 7 | AUDITORS' FEES AND EXPENSES

Ernst & Young AB	2022	2021
Auditing	988	955
Other auditing services	0	70
Tax consultancy services	0	0
Other services	18	321
<b>Total</b>	<b>1,006</b>	<b>1,346</b>

## NOTE 8 | LEASING

The operating lease mainly includes lease agreements for the Company's premises in Stockholm and in Nairobi, for which a substantial part of the risks and benefits of ownership are retained by the lessor. Leasing costs for operating leases for the year amounted to TSEK 6,765 (5,094). Future payment commitments as of 31 December are distributed as follows:

Future minimum leasing charges	31.12.2022	31.12.2021
Within 1 year	7,148	6,200
Between 1-5 years	29,227	10,880
More than 5 years	2,195	0
<b>Total</b>	<b>38,570</b>	<b>17,080</b>

Expensed fees for operational leasing contracts amount to:	2022	2021
Minimum lease payments	6,765	5,094
Variable fees	-	-
<b>Total leasing costs</b>	<b>6,765</b>	<b>5,094</b>

The Company's leasing agreements usually contain no variable fees. Leasing contracts for premises contain terms that give the right to extend the contract in question for a predetermined period of time. The Company does not act as a lessor.

## NOTE 9 | EBIT EXCLUDED FOR CURRENCY EFFECT (ALTERNATIVE PERFORMANCE MEASURE)

	2022 Jan-Dec			2021 Jan-Dec		
	Income statement Jan-Dec	Currency effect	Excl. currency effect Jan-Dec	Income statement Jan-Dec	Currency effect	Excl. currency effect Jan-Dec
Income from shares and fund units <sup>1</sup>	103,434	19,031	84,403	125,606	41,479	84,127
Income from group companies, associates and joint ventures <sup>1</sup>	1,961	8	1,953	1,004	0	1,004
Income from interest-bearing instruments <sup>1</sup>	114,048	18,004	96,044	84,787	1,634	86,421
Income from other portfolio income and portfolio costs <sup>2</sup>	142,466	147,084	4,618	54,030	60,973	6,943
Net income from write-downs and loan losses <sup>3</sup>	-106,780	21,737	128,516	18,712	64,989	-46,277
<b>Income from investment activities</b>	<b>255,129</b>	<b>205,864</b>	<b>49,266</b>	<b>284,138</b>	<b>165,807</b>	<b>118,332</b>
Net income from other operating income and expenses <sup>4</sup>	-104,126	0	-104,126	-87,008	0	-87,008
<b>Operating profit (EBIT)</b>	<b>151,003</b>	<b>205,864</b>	<b>-54,860</b>	<b>197,130</b>	<b>165,807</b>	<b>31,324</b>

<sup>1</sup> Profit excluding currency effect was calculated by translating income in local currency into SEK at the acquisition exchange rate.

<sup>2</sup> Profit excluding currency effect was calculated by excluding the item 'Currency effects' from the profit according to the income statement.

<sup>3</sup> Profit excluding currency effect was calculated by excluding the exchange rate change during the period compared with the previous period.

<sup>4</sup> Profit excluding currency effect has not been translated compared with the income statement.

As the effects of currency translation have such a significant impact on reported earnings, Swedfund has implemented an alternative performance measure (APM) which shows the EBIT excluding any currency effect. The income statement for January to December shows the results according to the income statement. Excl. exchange rate shows the results excluding currency effect. Currency effect shows the currency effect during the period.

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## NOTE 10 | FINANCIAL INCOME AND FINANCIAL EXPENSES

Other financial income	2022	2021
Interest income	20,419	86
Uncapitalised exchange rate differences	183,071	50,380
<b>Total</b>	<b>203,490</b>	<b>50,466</b>
Other financial expenses	2022	2021
Write-down of financial fixed assets	-619	-619
Other financial expenses	-37,051	-3,330
<b>Total</b>	<b>-37,670</b>	<b>-3,949</b>

## NOTE 11 | TAX EXPENSES

	2022	2021
<b>Current tax expense (-)/tax income (+)</b>		
The year's tax expense/tax revenue	-62,809	-23,427
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax relating to temporary differences	-	-
<b>Reported tax</b>	<b>-62,809</b>	<b>-23,427</b>
<b>Reconciliation of effective tax rate</b>	<b>2022</b>	<b>2021</b>
<b>Profit/loss before tax</b>	<b>316,823</b>	<b>243,647</b>
Tax on reported earnings in accordance with the applicable tax rate	-65,266	-50,191
Tax effect of:		
Non-taxable dividend	2,458	3,318
Non-deductible write-downs of financial assets	-30,896	-11,887
Non-taxable reversal of write-down of financial assets	44,028	19,878
Non-taxable realised capital gains	16,895	19,823
Non-deductible realised capital losses	-35,138	-4,352
Non-deductible capital losses which are only deductible against taxable capital gains on shares and other participatory rights (Sw.: <i>aktiefållan</i> )	0	-1,463
Deductible realised loss loan	-	-
Non-deductible other costs	-247	-648
Deductible expenses from previous years	-	-
Deductible write-downs of current assets	-	-
Adjustment of deferred tax due to change in tax status	-	-
Uncapitalised deficit, profit/loss for the year	-	-
Non-taxable income	-	-
Non-deductible costs	-	-
Deferred tax relating to temporary differences	-72	14
Use of loss carryforwards for which no deferred tax asset has previously been capitalised	0	2,082
Reversal tax reserve	5,430	-
Other	-	-
<b>Reported tax</b>	<b>-62,809</b>	<b>-23,427</b>
Effective tax rate	-20%	-10%

The Company has no tax items that are recognised under other total income or directly against shareholders' equity.

## DISCLOSURES ON DEFERRED TAX ASSETS AND TAX LIABILITIES

The following tables specify the tax effect of temporary differences:

Deferred tax asset	31.12.2022	31.12.2021
Tangible fixed assets	487	487
Pension agreement, former CEO	234	234
<b>Recognised value</b>	<b>721</b>	<b>721</b>

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## NOTE 12 | TANGIBLE ASSETS

### BUILDINGS AND LAND

Improvement expenditure on leasehold	31.12.2022	31.12.2021
<b>Accumulated acquisition value</b>		
At the start of the year	5,066	3,043
New acquisitions	0	0
<b>Total acquisition value</b>	<b>5,066</b>	<b>3,043</b>
<b>Scheduled accumulated depreciation</b>		
At the start of the year	-3,043	-2,596
Scheduled depreciation of acquisition value for the year	-320	-447
<b>Total depreciation</b>	<b>-3,363</b>	<b>-3,043</b>
<b>Scheduled residual value at the year-end</b>	<b>1,703</b>	<b>0</b>

Equipment	31.12.2022	31.12.2021
<b>Accumulated acquisition value</b>		
At the start of the year	3,348	3,348
New acquisitions	1,122	-
Divestments and disposals	-	-
<b>Total acquisition value</b>	<b>4,470</b>	<b>3,348</b>
<b>Scheduled accumulated depreciation</b>		
At the start of the year	-3,335	-3,280
Divestments and disposals	676	-
Scheduled depreciation of acquisition value for the year	-370	-55
<b>Total depreciation</b>	<b>-3,029</b>	<b>-3,335</b>
<b>Scheduled residual value at the year-end</b>	<b>1,441</b>	<b>13</b>

## NOTE 13 | PORTFOLIO INVESTMENTS SHARES AND FUND UNITS

### PORTFOLIO INVESTMENTS SHARES AND FUND UNITS

Accumulated acquisition value	31.12.2022	31.12.2021
At the start of the year	1,924,994	1,954,892
Investments during the year	610,526	361,746
Reclassification	-	-106,567
Sales during the year	-82,464	-285,076
<b>Total acquisition value</b>	<b>2,453,056</b>	<b>1,924,994</b>
<b>Accumulated write-downs</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
At the start of the year	-221,053	-433,887
Reversed write-downs for the year attributable to sales	-	52,440
Reclassification	-	106,567
Reversals for the year	36,092	89,013
Write-downs for the year	-83,181	-35,186
<b>Total write-down at year-end</b>	<b>-268,142</b>	<b>-221,054</b>
<b>Book value at year-end</b>	<b>2,184,914</b>	<b>1,703,940</b>

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**SPECIFICATION OF THE COMPANY'S DIRECTLY OWNED HOLDING OF SHARES AND FUND UNITS**

**31.12.2022**

<b>Enterprise</b>	<b>Sector</b>	<b>Business activities</b>	<b>Share class</b>	<b>Ownership %</b>	<b>Acquisition value</b>
<b>Africa</b>					
Accion Digital Transformation Fund	Financial Inclusion	Fund	Fund units	10.0	27,848
Adenia Capital (III) LLC Ltd.( I&P), Africa	Financial Inclusion	Fund	Stock	10.4	21,398
Afrinord Hotel Investment A/S, Africa	Other	Hotels	Stock	20.0	470
Africa Renewable Energy Fund II (AREF)	Energy & Climate	Fund	Fund units	10.8	33,097
African Development Partners II (DPI), Africa	Financial Inclusion	Fund	Fund units	2.1	87,763
African Development Partners III (DPI), Africa	Financial Inclusion	Fund	Fund units	2.8	107,706
African Rivers Fund III	Financial Inclusion	Fund	Fund units	17.0	93,895
AfricInvest Fund III LLC, Africa	Financial Inclusion	Fund	Fund units	2.9	71,179
Apis Growth Fund I, Africa	Financial Inclusion	Fund	Fund units	2.6	23,222
Apis Growth Fund II, Africa	Financial Inclusion	Fund	Fund units	2.7	29,160
AFIG Fund II	Financial Inclusion	Fund	Fund units	7.4	68,409
BluePeak Private Capital Fund	Financial Inclusion	Fund	Fund units	15.1	82,937
Catalyst Fund II	Financial Inclusion	Fund	Fund units	6.6	56,305
Climate Investor One	Energy & Climate	Fund	Fund units	1.9	90,870
Climate Investor Two	Energy & Climate	Fund	Fund units	7.6	21,985
ECP Africa fund III PCC, Africa	Financial Inclusion	Fund	Fund units	2.7	86,788
Evolution II	Energy & Climate	Fund	Fund units	6.9	105,389
Evolution II D.light Limited	Energy & Climate	Manufactures and distributes solar energy solutions	Stock	17.3	64,408
Frontier Energy Fund II	Energy & Climate	Fund	Fund units	5.7	87,726
Hospital Holdings Investment BV	Health	Health platform	Stock	14.3	112,982
Ninety One Private Equity Fund 2 L.P.	Financial Inclusion	Fund	Fund units	4.1	77,048
JCM Solar Capital Ltd	Energy & Climate	Solar and wind turbines	Stock	21.2	227,570
Kasha Global Inc	Health	E-commerce platform for healthcare	Preference	9.0	9,280
Metier Sustainable Capital Fund II	Energy & Climate	Fund	Fund units	9.6	49,199
Norsad Finance Limited, Africa	Financial Inclusion	Credit institutions	Stock	16.7	50,052
Serengeti Energy	Energy & Climate	Energy producer	Stock	11.5	103,379
TLG Credit Opportunities Fund	Financial Inclusion	Fund	Fund units	19.5	59,571
Vantage Mezzanine Fund IV	Financial Inclusion	Fund	Fund units	10.5	13,375
Women Entrepreneurs Dept Fund	Financial Inclusion	Fund	Fund units	18.9	1,997
Tide Africa Fund II	Financial Inclusion	Fund	Fund units	10.0	36,676
<b>Total Africa</b>					<b>1,901,685</b>

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Note 13 (cont.)

31.12.2022 Enterprise	Sector	Business activities	Share class	Ownership %	Acquisition value
<b>Asia</b>					
Baring India Private Equity fund II Ltd, Mauritius	Financial Inclusion	Fund	Fund units	7.1	40,516
Dolma Impact Fund II	Energy & Climate	Fund	Fund units	14.0	8,916
GEF South Asia Growth Fund II	Energy & Climate	Fund	Fund units	7.8	92,478
HealthQuad Fund II	Health	Fund	Fund units	9.4	45,527
Husk Power Systems Inc	Energy & Climate	Mini-power grid - hybrid type	Stock	10.2	111,456
Quadria Capital Fund II	Health	Fund	Fund units	2.5	132,157
Renewable Energy Asia Fund II L.P.	Energy & Climate	Fund	Fund units	7.4	97,093
SUSI Asia Energy Transition Fund	Energy & Climate	Fund	Fund units	16.3	20,138
<b>Total Asia</b>					<b>548,280</b>
Capitalised costs for the year					3,091
<b>TOTAL ACQUISITION VALUE</b>					<b>2,453,056</b>

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**NOTE 14 | PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATES AND JOINT VENTURES**

**PORTFOLIO INVESTMENTS IN GROUP COMPANIES, ASSOCIATED COMPANIES, JOINT VENTURES**

Accumulated acquisition value	31.12.2022	31.12.2021
At the start of the year	331,932	339,326
Investments during the year	-	206
Reclassification	-122,312	
Sales during the year	-174,515	-7,600
<b>Total acquisition value</b>	<b>35,105</b>	<b>331,932</b>
of which: Listed Securities on the stock exchange	-	-
Unlisted Securities	35,105	331,932

Accumulated write-downs	31.12.2022	31.12.2021
At the start of the year	-304,632	-291,234
Reversed write-downs for the year attributable to sales	174,309	4,600
Reclassification	115,687	-
Reversals for the year	-	-
Write-downs for the year	-	-17,999
<b>Total write-down at year-end</b>	<b>-14,637</b>	<b>-304,632</b>
<b>Book value at year-end</b>	<b>20,469</b>	<b>27,300</b>

**SPECIFICATION OF THE COMPANY'S DIRECTLY OWNED HOLDINGS OF PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES**

31.12.2022 Affiliated companies	Sector	Business activities	Participating interest %	Number of shares	Share of votes and capital %	Acquisition value
<i>Company, Corporate ID and registered office</i>						
<b>Africa</b>						
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0	37,104	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Health	Radiation Knife Clinic	24.3	27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Financial Inclusion	Investment companies	49.0	1,470	49.0	4,951
<b>Total Africa</b>						<b>35,105</b>
<b>TOTAL ACQUISITION VALUE</b>						<b>35,105</b>

31.12.2021 Affiliated companies	Sector	Business activities	Participating interest %	Number of shares	Share of votes and capital %	Acquisition value
<i>Company, Corporate ID and registered office</i>						
<b>Africa</b>						
Elgon Road Development Ltd, Kenya	Other	Hotels	31.0 <sup>1</sup>	15,026,423	31.0	174,515
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0	37,104	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Health	Radiation Knife Clinic	24.3	27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Financial Inclusion	Investment companies	49.0	1,470	49.0	4,951
<b>Total Africa</b>						<b>209,621</b>
<b>Latin America</b>						
Global Medical Investments GMI AB, Latin America	Health	Healthcare/management company	48.0	15,408	48.0	122,312
<b>Total Latin America</b>						<b>122,312</b>
<b>TOTAL ACQUISITION VALUE</b>						<b>331,932</b>

<sup>1</sup> The figures refer to Swedfund's proportion of the total shares in all classes. Swedfund holdings are distributed as "Ordinary Shares", "First ranking class of preference shares" and "Cumulative redeemable preference"

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## NOTE 15 | LOANS

	31.12.2022	31.12.2021
<b>Outstanding loans receivable, gross</b>		
Swedish currency	-	-
Foreign currency	2,178,810	1,730,909
<b>Total</b>	<b>2,178,810</b>	<b>1,730,909</b>
<b>Accumulated write-downs</b>		
At the start of the year	-171,304	-244,097
Of which		
Individual write-down:	-59,567	-28,057
Reversed write-down:	2,367	92,191
Exchange rate/translation differences for the year	-34,321	8,658
<b>Total accumulated write-down</b>	<b>-262,825</b>	<b>-171,304</b>
<b>Recognised value</b>	<b>1,915,985</b>	<b>1,559,605</b>

## BREAKDOWN OF THE LOAN PORTFOLIO BY COUNTRY AND CURRENCY

Country	Currency	31.12.2022		31.12.2021	
		Loan amount	Of which, written down	Loan amount	Of which, written down
Africa	USD	566,927	-10,989	456,731	-9,249
Africa	EUR	118,096	-9,295	131,216	-9,077
Ethiopia	USD	82,485	-82,485	71,487	-71,487
Ethiopia	EUR	29,903	-22,427	27,535	-13,768
Georgia	USD	313,044	-6,104	135,652	-2,645
Ghana	USD	-	-	10,551	-206
Global <sup>1</sup>	USD	58,096	-7,712	58,057	-7,375
Global <sup>1</sup>	EUR	78,236	-13,151	58,106	-1,404
India	USD	417,392	-8,139	271,304	-3,703
Cambodia	USD	-	-	36,174	-600
Kenya	USD	164,870	-3,117	135,652	-2,645
Nigeria	USD	111,563	-5,397	127,101	-5,525
Sri Lanka	USD	104,348	-5,446	90,435	-1,763
Ukraine	EUR	90,577	-45,289	83,405	-4,353
Zimbabwe	USD	43,273	-43,273	37,503	-37,503
<b>Total</b>		<b>2,178,810</b>	<b>-262,825</b>	<b>1,730,909</b>	<b>-171,304</b>

<sup>1</sup> The 'Global' category refers to investment with operations in many African countries and Latin America.

## CONVERTIBLE LOAN RECEIVABLES AND PARTICIPATION LOANS

Borrowers	Currency	Outstanding loan amounts in currency	Interest and equivalent	Conversion right
Addis Emerald Hotel	EUR	2,684	Interest	Yes
d.light	USD	2,330	Interest	Yes
Jacaranda Maternity	USD	800	Interest	Yes

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## NOTE 16 | LOANS RECEIVABLE ECL

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
<b>As of 31 December 2022</b>					
Loans receivable, according to gross amount	1,649,531	255,041	274,238	-	2,178,810
Provision for expected credit losses	-28,858	-13,311	-220,656	-	-262,825
<b>Amortised acquisition value recognised in the balance sheet</b>	<b>1,620,673</b>	<b>241,730</b>	<b>53,582</b>	<b>-</b>	<b>1,915,985</b>
<b>Provision for expected credit losses loan commitments</b>	<b>3,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,462</b>
<b>Loss reserve for loans receivable at amortised acquisition value (total)</b>					
<b>Loss reserve as of 1 January 2022</b>	<b>22,207</b>	<b>25,516</b>	<b>125,423</b>	<b>-</b>	<b>173,146</b>
Investments in loans receivable	10,335	363	18,394	-	29,092
New loan commitments	480	-	-	-	480
Outgoing loan commitments	-691	-	-	-	-691
Refunds, including amortisation	-1,732	-	-	-	-1,732
Written-off amounts (recorded loan loss)	-	-	-636	-	-636
<b>Transfers</b>					<b>-</b>
To 12 months of expected credit losses (Stage 1)	-	-	-	-	-
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-1,763	5,446	-	-	3,683
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-135	-18,121	79,368	-	61,112
<b>At the year-end</b>	<b>28,701</b>	<b>13,204</b>	<b>222,549</b>	<b>-</b>	<b>264,454</b>

Total amount of non-discounted expected credit loss for credit-impaired loans receivable accrued during the year.

Written-off amounts still outstanding, but still subject to compliance measures.

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

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Note 18 (cont.)

<b>Gross value of loans receivable at amortised acquisition value (total)</b>	<b>12-month expected credit losses (Stage 1)<sup>1</sup></b>	<b>Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)<sup>2</sup></b>	<b>Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)<sup>2</sup></b>	<b>Purchased or issued credit-impaired loans<sup>2</sup></b>	<b>Total</b>
Gross value as of 1 January 2022	1,370,240	250,744	134,229	-	1,755,213
Investments in loans receivable	503,824	6,964	18,567	-	529,355
Refunds, including amortisation	-97,676	-	-	-	-97,676
Written-off amounts (recorded loan loss)	-	-	-636	-	-636
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	-	-	-	-	0
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-90,447	104,376	-	-	-
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-11,853	-111,365	132,951	-	9,733
<b>At the year-end</b>	<b>1,674,088</b>	<b>250,719</b>	<b>285,111</b>	<b>-</b>	<b>2,209,918</b>

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

<b>Loans receivable recognised at amortised acquisition value</b>	<b>12-month expected credit losses (Stage 1)<sup>1</sup></b>	<b>Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)<sup>2</sup></b>	<b>Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)<sup>2</sup></b>	<b>Purchased or issued credit-impaired loans<sup>2</sup></b>	<b>Total</b>
<b>As of 31 December 2021</b>					
Loans receivable, according to gross amount	1,358,033	249,346	123,529	-	1,730,908
Provision for expected credit losses	-22,429	-25,345	-123,529	-	-171,303
<b>Amortised acquisition value recognised in the balance sheet</b>	<b>1,335,604</b>	<b>224,001</b>	<b>-</b>	<b>-</b>	<b>1,559,605</b>
<b>Provision for expected credit losses loan commitments</b>	<b>3,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>

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Note 16 (cont.)

Loss reserve for loans receivable at amortised acquisition value (total) <sup>1</sup>	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
Loss reserve as of 1 January 2021	22,207	25,516	125,423	-	173,146
Investments in loans receivable				-	13,193
New loan commitments	2,517	-	-	-	2,517
Outgoing loan commitments	-1,168	-	-	-	-1,168
Refunds, including amortisation	-2,939	-3,234	-	-	-6,173
Written-off amounts (recorded loan loss)			-97,198	-	-
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	56	-276	-	-	-
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-211	13,890	-	-	13,679
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-	-	-	-	-
<b>At the year-end</b>	<b>22,207</b>	<b>25,516</b>	<b>125,423</b>	<b>-</b>	<b>173,146</b>

Total amount of non-discounted expected credit loss for credit-impaired loans receivable accrued during the year.

Written-off amounts still outstanding, but still subject to compliance measures.

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

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Gross value of loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
Gross value as of 1 January 2021	1,093,602	285,229	220,242	-	1,599,073
Investments in loans receivable	444,607	4,985	11,185	-	467,777
Refunds, including amortisation	-148,078	-61,965	-	-	-210,043
Written-off amounts (recorded loan loss)	-	-	-97,198	-	-97,198
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	7,130	-5,285	-	-	1,845
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-27,020	27,780	-	-	760
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-	-	-	-	-
<b>At the year-end</b>	<b>1,370,240</b>	<b>250,744</b>	<b>134,229</b>	<b>-</b>	<b>1,755,213</b>

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

## DESCRIPTION OF METHODS FOR CALCULATING EXPECTED CREDIT LOSSES

See also Note 23 for a more detailed description of the Swedfund loan loss model.

## NOTE 17 | COLLATERAL RECEIVED

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

## NOTE 18 | OTHER LONG-TERM SECURITIES

	31.12.2022	31.12.2021
Shares, EDFI	148	118
Shares, EFP	127	127
Shares, ICCF	53	53
Shares, EDFI Management	410	410
<b>Book value at year-end</b>	<b>738</b>	<b>707</b>

## NOTE 19 | OTHER RECEIVABLES

	31.12.2022	31.12.2021
Other receivables	-	-
Receivables, soft loans (Swedpartnership)	7,951	9,883
<b>Total</b>	<b>7,951</b>	<b>9,883</b>

## NOTE 20 | PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2022	31.12.2021
Prepaid expenses	4,546	2,309
Accrued interest income, interest bearing securities	16,621	11,652
Accrued interest income, loans receivable	18,987	14,397
Other accrued income	1,408	83,759
<b>Total</b>	<b>41,562</b>	<b>112,117</b>

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## NOTE 21 | INTEREST BEARING SECURITIES

31.12.2022					
Specification of securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Recognised value
Bills	AAA	0.08	668,124	-	668,124
Treasury bond	AAA	3.79	344,256	-	344,256
Covered bonds	AAA	0.46	1,061,253	-	1,061,253
Municipal certificates	AA-A	0.14	540,466	-	540,466
Government securities US	AAA	0.84	1,809,005	-	1,809,005
Government securities DE	AAA	0.83	97,009	-	97,009
Intergovernmental organisations	AAA	1.43	21,313	-	21,313
<b>Total bonds and other interest-bearing securities</b>			<b>4,541,426</b>	<b>-</b>	<b>4,541,426</b>

All interest bearing securities are attributed to Stage 1, i.e. there has been no significant credit deterioration since initial recognition.

31.12.2021					
Specification of securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Recognised value
Bills	AAA	0.16	1,521,706	-	1,521,706
Treasury bond	AAA	2.50	602,151	-	602,151
State-guaranteed bonds	-	-	-	-	-
Covered bonds	AAA	2.60	894,844	-	894,844
Municipal certificates	AA-A	0.89	543,595	-	543,595
Government securities US	AAA	0.91	805,914	-	805,914
Government securities DE	AAA	0.95	18,184	-	18,184
Intergovernmental organisations	AAA	1.31	20,340	-	20,340
<b>Total bonds and other interest-bearing securities</b>			<b>4,406,734</b>	<b>-</b>	<b>4,406,734</b>

As the finance policy only allows for the placement of government-guaranteed papers and covered bonds, the estimated reserve for expected credit losses is intangible and therefore not recorded. As of 31 December 2022, the reserve for credit losses amounted to approximately SEK 0.

## NOTE 22 | FINANCIAL RISKS

### INTRODUCTION

Swedfund invests in places in the world where, although there is a strong need for foreign capital, private investors often consider the risks to be too high. As a result, it is in these investments that Swedfund's greatest risks are to be found. In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced.

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

### CAPITAL STRUCTURE

The dimensioning of Swedfund's equity is governed by a commission from the State. Swedfund is thus financed (with the exception of Swedpartnership, Technical Assistance and Swedfund Project Accelerator, which are appropriations funded) by capital injections from the state and by accumulated earnings from its operations. Borrowing on the market to finance the business can be carried out following a decision by the Board. No such borrowing has taken place to date.

### RISK MANAGEMENT

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

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

- Operational risks must be identified and monitored closely
- Wherever possible, incomes/expenses attributable to financial activities must be allocated to the investment they concern

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

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

Swedfund classifies financial risks as:

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

### COMMERCIAL CREDIT/SHARE PRICE RISK

#### DEFINITION

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

#### RISK MANAGEMENT

Credit and share price risks are managed through ongoing commercial control and financial follow-up of the portfolio companies. In addition, limits have been established for concentration and degree of exposure per counterparty and year, and per country.

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Note 22 (cont.)

## FINANCIAL CREDIT RISK

### DEFINITION

Financial credit risk is the risk of a Swedfund counterparty in a financial instrument being unable to fulfil its payment obligation and thereby cause the Company a financial loss. This exposure arises in relation to liquid assets and interest-bearing investments.

### RISK MANAGEMENT

Swedfund only employs credit institutions and other players with a high credit rating. Swedfund invests excess liquidity primarily in securities such as Treasury bills, government bonds, municipal certificates and covered mortgage bonds with a long-term credit rating of AAA. See Note 21.

## INTEREST RATE RISK

### DEFINITION

Interest Rate risk is the risk that fair value or future cash flows from a financial instrument may vary due to changes in market interest rates. Interest Rate risk may thus partly comprise changes in fair value (price risk), together with changes in cash flow (cash flow risk). A significant factor influencing interest rate risk is the fixation period. Long fixation periods counteract cash flow risk but increase price risk. Shorter fixation periods counteract price risk but increase cash flow risk. Swedfund is primarily exposed to interest rate risk regarding the company's loan receivables linked to the investment activities, as well as loan liabilities to Svensk Exportkredit which have historically been used as currency hedging instruments.

### RISK MANAGEMENT

Swedfund shall, if possible, use short fixation periods on both loans and borrowings and on the placement of liquid funds. In accordance with the Company's financial policy, the financial risks in the business are controlled by limits i.e. the fixation periods of the Company's interest-bearing investments must remain within certain time and monetary frameworks.

## SENSITIVITY ANALYSIS - FIXED

### INTEREST RATE PERIOD

As of 31 December 2022, the duration of Swedfund's interest exposure in the investment portfolio is 9.2 months (policy: max. 18 months). See the table below regarding fixed interest rates in Swedfund's lending and borrowing.

Interest conditions	Loan portfolio		
	USD	EUR	Equivalent SEK
Variable	134,559	5,398	1,464,225
Fixed	22,505	9,105	336,269
Mix <sup>1</sup>	4,828	5,842	115,468
<b>Total</b>	<b>161,892</b>	<b>20,344</b>	<b>1,915,963</b>

## SENSITIVITY ANALYSIS - INTEREST RATE RISK

A change in the market rate by +/-1 percentage point, calculated on net Swedfund lending to investments on 31 December 2022, would have an impact on profit before tax of +/- TSEK 15,797. A calculation of the effects on the interest-bearing securities at the closing date would result in an increase in interest rates of 1 percentage point on the closing date, with an impact on profit before tax of TSEK -33,500. However, the short maturities in the investment portfolio (see also Note 21 and Note 24) mean that the probability of this scenario is limited.

## CURRENCY RISK

### DEFINITION

Currency risk is the risk that the fair value or future cash flows from a financial instrument may vary due to changes in exchange rates. Swedfund's exposure to currency risks consists primarily of the risk of fluctuations in the value of financial instruments, and currency risk in expected and contracted cash flows. These risks are referred to as transaction exposure.

## RISK MANAGEMENT

On 6 December 2019, Swedfund's board of directors decided to cease the hedging of currency loans receivable with effect from this date. This was the result of a new way of looking at Swedfund's business model, where all flows from loans receivable in foreign currency are reinvested in the corresponding currency, and thus no actual currency risk arises. During 2022, it was decided to prematurely redeem the remaining loans against SEK.

Swedfund's greatest exposure is to the USD, but it also has significant exposure to EUR; see the table below.

## CURRENCY RISK EXPOSURE

### 31.12.2022

	USD	EUR	SEK total
Shares and fund units	-	-	2,184,914
Participations in group companies, associates and joint ventures	-	-	20,469
Loans receivable	161,892	20,344	1,915,986
Interest-bearing securities	175,473	8,815	4,541,426
Cash and bank balances	14,398	323	413,815
<b>Items subject to revaluation</b>	<b>351,763</b>	<b>29,483</b>	

## SENSITIVITY ANALYSIS - EXCHANGE RATE RISK

A change of +/- 10 percent in the Swedish krona against other currencies as at 31 December 2022 would entail a change in profit before tax of TSEK 400,000. The sensitivity analysis is based on the assumption that all other factors (e.g. interest) remain unchanged.

## LIQUIDITY RISK

### DEFINITION

Liquidity risk refers to the risk that liquid funds are not available if necessary and that financing is only partially possible, or not at all possible, or at an increased cost.

## RISK MANAGEMENT

The Company minimises liquidity risk by maintaining adequate cash and investment placements in liquid interest-bearing instruments to cover potential financing needs. Under normal circumstances, they shall be negotiable to liquid funds within a reasonable time and to negligible transaction costs.

Swedfund has non-negligible liquidity in the balance sheet, but there are a number of restrictions on availability. A proportion of the liquidity is pledged to SEK as collateral for borrowings, another part is reserved according to an internal process (documented in the finance policy), for contracted, unpaid commitments. The remaining liquidity represents a surplus and is intended to cover new future investments, unforeseen events and the Company's operating costs.

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## NOTE 23 | FINANCIAL INSTRUMENTS

### VALUATION OF FINANCIAL ASSETS AND LIABILITIES AS OF 31 DECEMBER 2022

	Financial assets and liabilities valued on the basis of acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
<b>Financial assets</b>					
Shares and participations	-	2,184,914	-	2,184,914	2,920,248
Participations in group companies, associates and joint ventures	-	20,469	-	20,469	24,628
Loans receivable	1,915,986	-	-	1,915,986	1,915,986
Endowment insurance	-	122	-	122	122
Other long-term securities	-	795	-	795	795
Other non-current financial assets	-	8,600	-	8,600	8,600
Account receivables	9,000	-	-	9,000	9,000
Other receivables	-	7,951	-	7,951	7,951
Accrued income	18,987	22,574	-	41,562	41,562
Interest-bearing securities	4,541,426	-	-	4,541,426	4,497,071
Cash and bank balances	413,815	-	-	413,815	413,815
Client funds	-	11,448	-	11,448	11,448
<b>Total</b>	<b>6,899,214</b>	<b>2,256,875</b>	<b>-</b>	<b>9,156,089</b>	<b>9,851,226</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	-	-	-	-
Accounts payable	-	-	4,456	4,456	4,456
Other liabilities	-	-	17,116	17,116	17,116
Accrued expenses	-	-	280,297	280,297	280,297
<b>Total</b>	<b>-</b>	<b>-</b>	<b>301,869</b>	<b>301,869</b>	<b>301,869</b>

### VALUATION OF FINANCIAL ASSETS AND LIABILITIES AS OF 31 DECEMBER 2021

	Financial assets and liabilities valued on the basis of acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
<b>Financial assets</b>					
Shares and participations	-	1,703,940	-	1,703,940	2,092,980
Participations in group companies, associates and joint ventures	-	27,300	-	27,300	41,041
Loans receivable	1,559,605	-	-	1,559,605	1,559,605
Endowment insurance	-	414	-	414	414
Other long-term securities	-	707	-	707	707
Account receivables	2,993	-	-	2,993	2,993
Other receivables	-	9,883	-	9,883	9,883
Accrued income	25,989	86,129	-	112,117	112,117
Interest-bearing securities	4,406,734	-	-	4,406,734	4,406,228
Cash and bank balances	378,615	-	-	378,615	378,615
Client funds	-	17,764	-	17,764	17,764
<b>Total</b>	<b>6,373,936</b>	<b>1,846,136</b>	<b>-</b>	<b>8,220,072</b>	<b>8,622,347</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	-	607,240	607,240	607,240
Accounts payable	-	-	1,983	1,983	1,983
Other liabilities	-	-	28,814	28,814	28,814
Accrued expenses	-	-	237,982	237,982	237,982
<b>Total</b>	<b>-</b>	<b>-</b>	<b>876,019</b>	<b>876,019</b>	<b>876,019</b>

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Note 23 (cont.)

## INTRODUCTION

Fair value is the price that would be obtained on the sale of an asset, or paid for the transfer of a liability by way of an orderly transaction between market participants at the measurement date.

## METHODS FOR THE DETERMINATION OF FAIR VALUE

### FINANCIAL INSTRUMENTS LISTED ON AN ACTIVE MARKET

For financial instruments listed on an active market, fair value is determined on the basis of the asset's quoted bid price on the balance sheet date without the addition of transaction costs (e.g. brokerage fees) at the time of acquisition. A financial instrument is considered to be listed in an active market if quoted prices are readily available on a stock exchange, by a trader, broker, trade association, company providing current price information or regulatory authority; and these prices represent actual and regularly occurring market transactions on a commercial basis. Any future transaction costs of a disposal are not taken into account. For financial liabilities, fair value is determined from the listed selling price. Instruments listed on an active market can be found in the balance sheet under Shares and fund units and Interest-bearing securities. The majority of the Company's financial instruments have been assigned a fair value with prices quoted on an active market.

### FINANCIAL INSTRUMENTS NOT LISTED ON AN ACTIVE MARKET

If the market for a financial instrument is not active, the Company proposes the fair value by using a valuation technique. The valuation techniques used are based as much as possible on market data. Company-specific data are used as little as possible. The Company calibrates with regular intervals the valuation technique and tests its validity by comparing the outcome of the valuation technique with prices from observable current market transactions in the same instrument. Valuation techniques are

used for the following classes of financial instruments: Interest-bearing securities (when quotations in an active market are not available), equity (when quotations in an active market are not available), other interest-bearing assets and liabilities. The applied valuation models are calibrated so that the fair value at initial recognition amounts to the transaction price, and changes in fair value are then reported on an ongoing basis based on the changes that have taken place in the underlying market risk parameters.

### EQUITY AND INTEREST-BEARING SECURITIES

The fair value of financial instruments is calculated (i) with reference to financial instruments that are essentially the same or to recent transactions in the same financial instrument, or if such data are not available to (ii) future cash flows of principal and interest discounted at current market rates on the balance sheet date. In cases where discounted cash flows have been used, future cash flows are calculated on the basis of the management's best estimate. The discount rate used is the market-based interest on similar instruments at the balance sheet date. When other valuation models have been used, input data are based on market data at the balance sheet date.

Holdings in unlisted shares are recognised at acquisition value in cases where a reliable fair value cannot be determined. The reason why they could not be reliably valued at fair value is that, according to the Company's management, there exists too much uncertainty in future cash flows and the risk adjustment that needs to be made on the discount rate. The Company has no intention of disposing of its unlisted shares within the immediate future.

The Carrying amount of account receivables, other receivables, liquid funds, trade payables and other liabilities constitutes a reasonable approximation of fair value.

The table below shows financial instruments valued at fair value, based on how the classification in the fair value hierarchy has been made. The various levels are defined as follows:

- Level 1 – Listed prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Other observable inputs for the asset or liabilities other than quoted prices included in Level 1. This category includes instruments that are valued based on quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments traded on markets that are not active, or other valuation techniques where all material inputs are directly and indirectly observable on the market (i.e. either directly, as quotations) or indirectly, as derived from quotations.
- Level 3 – Input for the asset or liability that is not based on observable market data (i.e. unobservable inputs and where the valuation technique has a material impact on valuation).

### TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

According to IFRS, information must also be provided on material transfers of instruments between Level 1 and Level 2 and the reasons for these transfers and principles for determining when the transfer is deemed to have taken place. Movements TO each level should be described separately from movements FROM each level.

According to IFRS, examples of the principles for timing of transfers are:

- The Date of the event that caused the transfer
- End of Reporting period

### RECONCILIATION OF FAIR VALUES IN LEVEL 3

According to IFRS, disclosures shall be made in the form of a reconciliation of changes from opening to closing balance of the fair value of instruments valued at level 3 of the valuation hierarchy. As regards transfers between levels, according to IFRS information, the reasons for these and the principles for determining when the transfer is deemed to have taken place.

In accordance with IFRS, the disclosure of unreal-

ised earnings on such assets and liabilities continues to be owned at year-end.

## VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

For recurring and non-recurring fair value measurements entered at Level 2 and Level 3 of fair value hierarchy, according to IFRS, a description of the valuation technique or valuation techniques and the inputs used in the valuation to Fair value is provided.

## METHODS FOR CALCULATING EXPECTED CREDIT LOSSES

Financial assets other than equity and mutual funds and participations in group companies, associates and joint ventures are subject to provision for expected credit losses. Provision for expected credit losses also includes issued loan commitments.

The write-down for expected credit losses under IFRS 9 is forward-looking and a loss risk reserve is made when there is an exposure to credit risk – usually at initial recognition for an asset or receivable, but also for issued loan commitments. Expected credit losses reflect the present value of all deficits in cash flows attributable to default either for the next 12 months or for the expected remaining maturity period of the financial instrument, depending on the asset class and credit degradation since initial recognition. Expected credit losses reflect an objective, weighted probability outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

Swedfund applies the general method for its loan receivables, liquid funds and short-term investments. The general method applies a write-down model with three stages, depending on the development of credit risk during the period of the claim. For issued credit-impaired loans receivable, there is no allocation of loan to different stages.

Expected credit losses are attributed to the product by their probability of default, default loss, and default exposure, except in the event that expected credit losses are valued on the basis of historical

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credit loss percentage and exposure at default. Added to these, are the management's forward-looking assessments in the form of, for example, company information, macroeconomic factors and sovereign risk. For credit-impaired assets and receivables, an individual assessment is made based on cash flow analysis, taking into account historical, current and forward-looking information. The valuation of expected credit losses takes into account any collateral and other credit enhancement in the form of guarantees.

Financial assets are reported in the balance sheet at amortised acquisition value, i.e. net of gross value and loss reserve. Credit loss provisions for loan commitments are reported as other provisions until payment is made of the loan.

Changes in loss provision are recognised in the income statement as write-down for credit losses.

#### LOANS RECEIVABLE

Loans receivable are segmented into financial and non-financial enterprises. The methodology for credit loss provisioning in Stage 1 for non-financial enterprises is based on historical credit loss percentage combined with forward-looking factors. Financial enterprises in Stage 1 are written down individually according to a credit rating-based methodology predicated on essentially external rating and an assessment of default loss.

Loans receivable are considered to have a significant increase in credit risk, Stage 2, when remission has taken place or the official rating has dropped a level. In addition, the Company has also established a number of criteria which constitute indications or evidence of significant increases in credit risk for individual loans or for groupings of loans receivable. For loans receivable in Stage 2, the credit loss provisions according to management's assessment of weighted probability of expected cash flows into the expected timing of default compared with contracted cash flows. Assessments are conducted on an individual basis.

Loans receivable are considered as credit-impaired, Stage 3, when there is an imminent risk of bankruptcy. In addition, the management also has a number of criteria which constitute indications or evidence that a loan is considered to be credit-impaired for the individual loan or for groupings of loans receivable. For loans receivable in Stage 3, as well as for credit-impaired issued loan receivables, credit loss provision is conducted according to management's assessment of the weighted probability of expected cash flows taking into account expected timing of default compared with contracted cash flows. Assessments are conducted on an individual basis.

#### SHORT-TERM INVESTMENTS AND CASH AND BANK BALANCES

Interest-bearing securities and cash and cash equivalents consist of bonds to the municipality and the state, along with cash and cash equivalents that are essentially bank deposits in investment grade rating banks. Short-term investments and cash and cash equivalents are depreciated according to a credit rating-based methodology based on external rating and the management's assessment of loss on default. Financial assets are considered to have a significant increase in credit risk if the debtor receives a downgrade in the rating under the investment grade rating.

#### LIABILITIES TO CREDIT INSTITUTIONS (INTEREST-BEARING LIABILITIES)

For the purposes of disclosure, the fair value of interest-bearing liabilities is calculated by discounting future cash flows of principal and interest discounted at the current market rate.

#### CURRENT RECEIVABLES AND LIABILITIES

For current receivables and liabilities, such as account receivables and account payables, with a lifespan of less than six months, the carrying amount is considered to reflect fair value.

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Note 23 (cont.)

## ASSETS AND LIABILITIES VALUED AT FAIR VALUE

31.12.2022	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares and participations	-	-	2,920,248	2,920,248
Participations in group companies, associates and joint ventures	-	-	24,628	24,628
Loans receivable	-	-	1,915,986	1,915,986
Endowment insurance	-	122	-	122
Other long-term securities	-	795	-	795
Other non-current financial assets	-	-	8,600	8,600
Account receivables	-	9,000	-	9,000
Other receivables	-	7,951	-	7,951
Accrued income	-	41,562	-	41,562
Interest-bearing securities	4,497,071	-	-	4,497,071
Cash and bank balances	-	413,815	-	413,815
Retained funds on behalf of others	-	11,448	-	11,448
<b>Total</b>	<b>4,497,071</b>	<b>484,693</b>	<b>4,869,461</b>	<b>9,851,226</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	-	-	0
Accounts payable	-	4,456	-	4,456
Other liabilities	-	17,116	-	17,116
Accrued expenses	-	280,297	-	280,297
<b>Total</b>	<b>-</b>	<b>301,869</b>	<b>-</b>	<b>301,869</b>

## ASSETS AND LIABILITIES VALUED AT FAIR VALUE

31.12.2021	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares and participations	-	-	2,092,980	2,092,980
Participations in group companies, associates and joint ventures	-	-	41,041	41,041
Loans receivable	-	-	1,559,605	1,559,605
Endowment insurance	-	414	-	414
Other long-term securities	-	707	-	707
Account receivables	-	2,993	-	2,993
Other receivables	-	9,883	-	9,883
Accrued income	-	112,117	-	112,117
Interest-bearing securities	4,406,228	-	-	4,406,228
Cash and bank balances	-	378,615	-	378,615
Retained funds on behalf of others	-	17,764	-	17,764
<b>Total</b>	<b>4,406,228</b>	<b>522,493</b>	<b>3,693,626</b>	<b>8,622,347</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	607,240	-	607,240
Accounts payable	-	1,983	-	1,983
Other liabilities	-	28,814	-	28,814
Accrued expenses	-	237,982	-	237,982
<b>Total</b>	<b>-</b>	<b>876,019</b>	<b>-</b>	<b>876,019</b>

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**NOTE 24 | MATURITY PERIOD ANALYSIS**

**31.12.2022**

**Maturity information**

**Contractual remaining maturity period (non-discounted value) and the expected time of recovery**

**Assets**

	Non-discounted cash flows - contractual remaining maturity period								Without maturity	Total nominal cash flows
	On demand	< 3 months	> 3 months < 6 months	> 7 months < 1 year	> 1 year < 2 years	> 2 years < 3 years	> 3 years < 5 years	> 5 years		
Shares and fund units	-	-	-	-	-	-	-	-	2,184,914	2,184,914
Participations in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	20,469	20,469
Loans receivable	-	32,061	49,925	134,524	345,332	267,226	651,255	435,663	-	1,915,986
Endowment insurance	-	-	-	-	-	-	-	-	122	122
Other long-term securities	-	-	-	-	-	-	-	-	738	738
Account receivables	-	9,000	-	-	-	-	-	-	-	9,000
Other receivables	-	7,951	-	-	-	-	-	-	-	7,951
Accrued income	-	41,562	-	-	-	-	-	-	-	41,562
Interest-bearing securities	-	2,209,991	622,547	793,869	401,041	305,468	91,597	116,913	-	4,541,426
Cash and bank balances	413,815	-	-	-	-	-	-	-	-	413,815
Retained funds on behalf of others	11,448	-	-	-	-	-	-	-	-	11,448
<b>Total</b>	<b>425,263</b>	<b>2,300,565</b>	<b>672,472</b>	<b>928,393</b>	<b>746,373</b>	<b>572,694</b>	<b>742,852</b>	<b>552,576</b>	<b>2,206,243</b>	<b>9,147,431</b>

**Liabilities**

Accounts payable	-	4,456	-	-	-	-	-	-	-	4,456
Other liabilities	-	15,989	-	-	-	-	-	-	-	15,989
Accrued expenses	-	280,436	-	-	-	-	-	-	-	280,436
<b>Total</b>	<b>-</b>	<b>300,881</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>300,881</b>
Unrecognised loan commitments	-	245,523	135,681	62,666	-	-	-	-	-	443,871
Operating leases	-	2,566	1,540	3,042	7,349	7,305	14,573	2,195	-	38,570
<b>Total difference</b>	<b>-</b>	<b>248,089</b>	<b>137,222</b>	<b>65,708</b>	<b>7,349</b>	<b>7,305</b>	<b>14,573</b>	<b>2,195</b>	<b>-</b>	<b>482,441</b>

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**31.12.2021**

**Maturity information**

**Contractual remaining maturity period (non-discounted value) and the expected time of recovery**

**Non-discounted cash flows - contractual remaining maturity period**

	On demand	< 3 months	> 3 months < 6 months	> 7 months < 1 year	> 1 year < 2 years	> 2 years < 3 years	> 3 years < 5 years	> 5 years	Without maturity	Total nominal cash flows
<b>Assets</b>										
Shares and fund units	-	-	-	-	-	-	-	-	1,703,940	1,703,940
Participations in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	27,300	27,300
Loans receivable	-	76,610	10,127	109,782	249,772	324,566	450,438	338,309	-	1,559,605
Endowment insurance	-	-	-	-	-	-	-	-	414	414
Other long-term securities	-	-	-	-	-	-	-	-	707	707
Account receivables	-	2,993	-	-	-	-	-	-	-	2,993
Other receivables	-	9,883	-	-	-	-	-	-	-	9,883
Accrued income	-	112,117	-	-	-	-	-	-	-	112,117
Interest-bearing securities	-	1,660,207	553,709	239,425	990,820	654,986	284,307	23,281	-	4,406,734
Cash and bank balances	378,615	-	-	-	-	-	-	-	-	378,615
Retained funds on behalf of others	17,764	-	-	-	-	-	-	-	-	17,764
<b>Total</b>	<b>396,379</b>	<b>1,861,810</b>	<b>563,836</b>	<b>349,207</b>	<b>1,240,593</b>	<b>979,551</b>	<b>734,745</b>	<b>361,590</b>	<b>1,732,361</b>	<b>8,220,072</b>
<b>Liabilities</b>										
Liabilities to credit institutions	-	73,181	20,014	89,431	211,704	203,081	9,829	-	-	607,240
Accounts payable	-	1,983	-	-	-	-	-	-	-	1,983
Other liabilities	-	28,814	-	-	-	-	-	-	-	28,814
Accrued expenses	-	237,982	-	-	-	-	-	-	-	237,982
<b>Total</b>	<b>-</b>	<b>341,960</b>	<b>20,014</b>	<b>89,431</b>	<b>211,704</b>	<b>203,081</b>	<b>9,829</b>	<b>-</b>	<b>-</b>	<b>876,019</b>
Unrecognised loan commitments	-	253,365	72,495	144,991	-	-	-	-	-	470,851
Operating leases	-	1,580	1,580	3,040	5,473	5,396	11	-	-	17,080
<b>Total difference</b>	<b>-</b>	<b>254,945</b>	<b>74,075</b>	<b>148,030</b>	<b>5,473</b>	<b>5,396</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>487,931</b>

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## NOTE 25 | OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Swedfund has no financial assets or financial liabilities that are subject to legally binding framework agreements on netting or similar agreements with a contractual right to offset.

## NOTE 26 | PROVISION FOR PENSION OBLIGATIONS

Swedfund has committed direct pension secured through endowment insurance. The endowment insurance is pledged in favour of the pension obligation. The pension obligation is exclusively dependent on the value of the endowment insurance, recognised as a financial fixed asset. Provision for pension obligations does not constitute a provision for a pension under the Act on the safeguarding of pension commitments (*tryggandelagen*).

Endowment insurance	31.12.2022	31.12.2021
<b>At the start of the year</b>	<b>414</b>	<b>614</b>
Pension cost	-	-
Premium payments	-310	-265
Change in value	18	65
<b>At the year-end</b>	<b>122</b>	<b>414</b>
Fair value of endowment Insurance	122	414

## NOTE 27 | PROVISION FOR EXPECTED CREDIT LOSSES ON LOAN COMMITMENTS

	31.12.2022	31.12.2021
<b>Carrying amount at start of period</b>	<b>3,673</b>	<b>2,324</b>
Provisions made during the period	480	2,517
Amounts committed during the period	-260	-959
Unutilised amounts reversed during the period	-	-139
Increase/reduction during the period of discounted amounts	-431	-70
Other	-	-
<b>Carrying amount at end of period</b>	<b>3,462</b>	<b>3,673</b>

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## NOTE 28 | CREDIT RISK EXPOSURE

<b>Credit risk exposure gross and net as of 31.12.2022</b>	<b>Credit risk exposure (before write-down)</b>	<b>Write-down/Provision</b>	<b>Recognised value</b>	<b>Credit risk exposure with regard to collateral</b>	<b>Collateral claimed</b>
Cash and deposits with banks	413,815	-	413,815	413,815	-
Loans receivable	2,178,810	-262,825	1,915,986	1,915,986	-
<b>Bonds and other interest-bearing securities</b>					
<b>Government securities and other public bodies</b>					
AAA	3,480,173	-	3,480,173	3,480,173	-
<b>Other Issuers</b>					
AAA	1,061,253	-	1,061,253	1,061,253	-
<b>Total</b>	<b>4,541,426</b>	<b>-</b>	<b>4,541,426</b>	<b>4,541,426</b>	<b>-</b>
<b>Total</b>	<b>7,134,051</b>	<b>-262,825</b>	<b>6,871,227</b>	<b>6,871,227</b>	<b>-</b>
<b>Other assets</b>					
Issued loan commitments	443,871	-3,462	440,409	440,409	-
<b>Total</b>	<b>443,871</b>	<b>-3,462</b>	<b>440,409</b>	<b>440,409</b>	<b>-</b>
<b>Total credit risk exposure</b>	<b>7,577,922</b>	<b>-266,287</b>	<b>7,311,636</b>	<b>7,311,636</b>	<b>-</b>
<b>Credit risk exposure gross and net as of 31.12.2021</b>	<b>Credit risk exposure (before write-down)</b>	<b>Write-down/Provision</b>	<b>Recognised value</b>	<b>Credit risk exposure with regard to collateral</b>	<b>Collateral claimed</b>
Cash and deposits with banks	396,379	-	396,379	396,379	-
Loans receivable	1,730,908	-171,303	1,559,605	1,559,605	-
<b>Bonds and other interest-bearing securities</b>					
<b>Government securities and other public bodies</b>					
AAA	3,507,183	-	3,507,183	3,507,183	-
<b>Other Issuers</b>					
AAA	899,551	-	899,551	899,551	-
<b>Total</b>	<b>4,406,734</b>	<b>-</b>	<b>4,406,734</b>	<b>4,406,734</b>	<b>-</b>
<b>Total</b>	<b>6,534,021</b>	<b>-171,303</b>	<b>6,362,718</b>	<b>6,362,718</b>	<b>-</b>
<b>Other assets</b>					
Issued loan commitments	470,851	-3,673	467,178	467,178	-
<b>Total</b>	<b>470,851</b>	<b>-3,673</b>	<b>467,178</b>	<b>467,178</b>	<b>-</b>
<b>Total credit risk exposure</b>	<b>7,004,871</b>	<b>-174,976</b>	<b>6,829,895</b>	<b>6,829,895</b>	<b>-</b>

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Note 28 (cont.)

### Concentration of credit risk, as of 31 December

	2022			2021		
	Number Of Borrowers	% total number of borrowers	% share of carrying amount	Number Of Borrowers	% total number of borrowers	% share of carrying amount
<b>Loans receivable</b>						
Exposure < MSEK 50	10	45	11	11	46	13
Exposure MSEK 50 - 100	3	14	13	7	29	33
Exposure > SEK 100 million	9	41	76	6	25	54
<b>Total</b>	<b>22</b>	<b>100</b>	<b>100</b>	<b>24</b>	<b>100</b>	<b>100</b>

The three largest borrowers account for 35% (29%) of loans receivable.

<sup>1</sup> The above table also includes loss reserve on accrued interest.

<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3</sup> Expected credit losses are evaluated on an individual basis.

### NOTE 29 | OTHER LIABILITIES

	31.12.2022	31.12.2021
Accounts payable	4,456	1,983
Tax liabilities	87,655	26,938
Personnel withholding tax	1,551	1,381
Other liabilities	14,438	27,433
<b>Total</b>	<b>108,100</b>	<b>57,735</b>

None of the Company's liabilities are due more than five years after the balance sheet date.

### NOTE 30 | ACCRUED EXPENSES AND DEFERRED INCOME

	31.12.2022	31.12.2021
Accrued holiday pay	4,608	3,822
Accrued social security expenses	7,239	4,482
Accrued interest expenses, liabilities to credit institutions	0	2,493
Other accrued expenses	5,929	4,593
Deferred income (Technical Assistance, Swed-partnership, Swedfund Project Accelerator)	262,600	222,592
<b>Total</b>	<b>280,376</b>	<b>237,982</b>

### NOTE 31 | PLEDGED COLLATERAL

	PLEDGES AND EQUIVALENT COLLATERAL PLEDGED FOR OWN LIABILITIES AND REPORTED COMMITMENTS FOR SUCH PROVISIONS	
	31.12.2022	31.12.2021
Bonds and other securities	-	815,454
Bank bills	50	2,312
<b>Total</b>	<b>50</b>	<b>817,765</b>
OTHER PLEDGED ASSETS AND EQUIVALENT COLLATERAL		
	31.12.2022	31.12.2021
Pledged endowment insurance	122	414
<b>Total</b>	<b>122</b>	<b>414</b>

### NOTE 32 | CONTINGENT LIABILITIES

The Company is involved in various processes and legal proceedings that have arisen from its everyday business. These claims relate to, but are not limited to, the Company's business practices, personnel matters and tax issues. With regard to matters which do not require provisions, the Company considers, on the basis of information currently available, that these will not have a significant negative effect on the Company's financial performance.

Commitments	31.12.2022	31.12.2021
Contracted unpaid portfolio commitments	3,573,828	2,169,923
<b>Total</b>	<b>3,573,828</b>	<b>2,169,923</b>

### NOTE 33 | CASH FLOW STATEMENT

Adjustments for items not included in cash flow	31.12.2022		31.12.2021	
Depreciation, amortisation and write-downs	108,003		-17,590	
Uncapitalised exchange rate differences	-224,661		-60,598	
Sale of fixed assets	-81,999		-97,330	
Other non-cash items	-503		1,149	
<b>Total</b>	<b>-199,160</b>		<b>-174,369</b>	

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## NOTE 34 | TRANSACTIONS WITH RELATED PARTIES

Related party transactions are based on accepted commercial terms in the industry and have been concluded under normal commercial conditions. For information on salaries and other remuneration, costs and obligations relating to pensions and similar benefits for the board of directors, the CEO and other senior executives; see Note 6.

In addition, no transactions took place during the financial year between Swedfund and related parties which substantially affected the enterprise's position or performance.

## NOTE 35 | EVENTS AFTER THE BALANCE SHEET DATE

Russia's invasion of Ukraine has markedly increased the level of risk for two of Swedfund's portfolio investments in the form of a loan to the Chigirin Solar Power farm and a loan under the ICCF co-financing facility, which financed the construction of a wind farm in Ukraine. The impact of the ongoing war on these two investments and any indirect effects on other investments in Swedfund's portfolio is difficult to assess at the time of publication of the integrated report for 2021.

## NOTE 36 | PROPOSAL FOR UTILISATION OF PROFIT

	31.12.2022	31.12.2021
The following funds are at the disposal of the annual general meeting:		
Accumulated profit/loss	6,723,761,479	5,503,541,305
Capital injection	1,200,000,000	1,000,000,000
Profit/loss for the year	254,013,827	220,220,174
	<b>8,177,775,305</b>	<b>6,723,761,479</b>
is distributed as follows:		
To be carried forward	8,177,775,305	6,723,761,479
	<b>8,177,705,305</b>	<b>6,723,761,479</b>



Northern Ethiopia.

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# Corporate governance report

## CORPORATE GOVERNANCE IN SWEDFUND

Swedfund is a limited company wholly owned by the Swedish Government with a public policy assignment, which is set out in the Owner Instructions.

According to the mission, Swedfund shall contribute to attainment of the goal set out in Sweden's Global Development Policy of fair and sustainable global development and, together with strategic partners, the company must contribute to investments which are not deemed to be realisable solely through commercial financing. Swedfund must ensure that the investments are sustainable from an economic, environmental, climate and social perspective.

The Owner Instructions set out a number of mission objectives for the organisation. These are described in more detail in the Directors' Report under the Portfolio companies' results section on pages 66-81.

Both external and internal regulations form the basis for Swedfund's governance. The Board of Directors has established guidelines for the company's operations with the aim of providing guidance for the organisation and its employees. Swedfund applies the Swedish Corporate Governance Code ("the Code"). Deviations from this Code for the financial year are explained below. The main reason behind such non-conformities is Swedfund's ownership circumstances, with Swedfund being a wholly state-owned company and thus not a listed enterprise with dispersed ownership. The company's auditors have conducted a statutory review of the corporate governance report.

The State Ownership Policy, the Owner Instructions for the company, the articles of association and the goals established by the general meeting and the board of directors govern the operation. Swedfund's strategy and policy documents form the

starting point for the implementation of the mission. Swedfund's policies form a key part of the company's values, governance and internal control, and are continually being incorporated into working methods and agreements. The training of Swedfund staff and external board members amongst the portfolio companies is ongoing. The company is also affiliated to a number of international conventions and regulations which have impacted on the working methods that are followed in different ways.

## THE CODE OF CONDUCT

The Code of Conduct forms part of the state's corporate governance framework. Swedfund follows the Code of Conduct in accordance with the owner's guidelines.

## DEVIATIONS FROM THE CODE OF CONDUCT

Swedfund deviated from the provisions of the Code of Conduct during the 2022 financial year with regard to the following points:

- (i) Nomination committee. Due to its ownership structure, Swedfund has no nomination committee. Instead, the nomination process for board members, election of a chair for meetings and appointment of auditors is based on a separate process for state owned companies in accordance with the State's Ownership Policy.
- (ii) The board of directors' independence in relation to the owner. In accordance with the State's Ownership Policy, Swedfund does not report whether or not board members are independent of the owner.
- (iii) Remuneration committee. The board of directors has instead opted to perform this task

## CORPORATE GOVERNANCE AMONGST THE PORTFOLIO COMPANIES

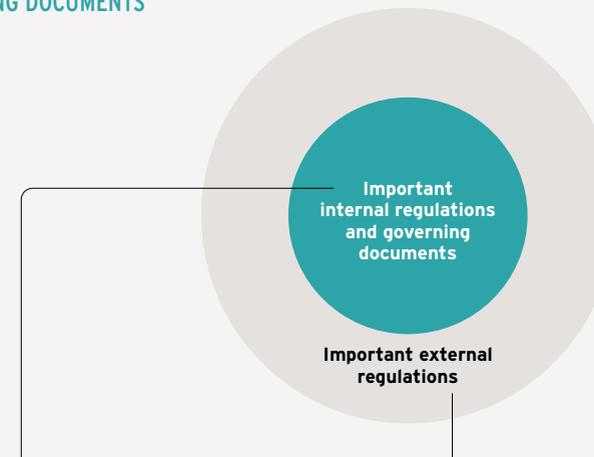
As regards investments through equity, Swedfund normally has a role as a minority shareholder, but normally endeavour to ensure that it holds a board position.

In connection with fund investments, Swedfund is often represented on the fund's advisory board. Through active ownership based on the three pillars, governance and follow-up take place through, amongst other things, board work, self-evaluations

and ESG advocacy work. The management of Swedfund's investments involves incorporating the company's policies in investment agreements as and when appropriate. Information on the development of the portfolio companies is obtained through regular owner dialogues, the follow-up of annual reports and other agreed information.

Swedfund strives to maintain an active dialogue with stakeholders such as owners, business partners, civil society organisations, trade unions and media representatives. For further information, read Swedfund's stakeholder and materiality analysis on pages 121.

## GOVERNING DOCUMENTS



- Ownership instructions
- Articles of association
- Board of director's rules of procedure
- Delegation of authority policy and authorisation policy
- Swedfund's strategic missions concerning sustainable value creation
- Policies and code of conduct in accordance with Swedfund's Ethical compass; see page 64.

- Swedish Companies Act
- Accounting legislation and recommendations
- The State's Ownership Policy and Guidelines for State-Owned Enterprises
- Swedish Corporate Governance Code
- International and transparency commitments and guidelines in accordance with the Ethical compass; see page 64.

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## VOTES AND OWNERS

Swedfund is a limited liability company which is wholly owned by the Swedish government. The general meeting is the supreme decision-making body within Swedfund, and it is through participation in this meeting that the Swedish state exerts its influence on the company. The Ministry of Finance is responsible for managing the state's ownership of Swedfund, while the Ministry of Foreign Affairs is responsible for the company's development cooperation policy. Invitations to the annual general meeting and extraordinary general meetings at which matters concerning the amendment of the articles of association will be considered must be distributed no earlier than six weeks and no later than four weeks before the meeting. Invitations are issued through publication in the Postal and Inrikestidningar gazette and on Swedfund's website. A Member of Parliament has the right to be present at the meeting and to ask the company questions during the meeting. Under normal circumstances, the meeting is also open to the general public.

### THE TASKS OF THE ANNUAL GENERAL MEETING INCLUDE REACHING DECISIONS CONCERNING:

- Adoption of the income statement and balance sheet
- Appropriation of the company's profit or loss
- Discharge from liability for the board of directors and the CEO
- Election of the board of directors, chair of the board and auditors
- Determination of fees to the board of directors and auditors
- Amendments to the articles of association
- Ownership instructions for the organisation, including mission objectives and financial goals
- Guidelines for remuneration to senior executives and approval of the remuneration report

### ANNUAL GENERAL MEETING 2022

Swedfund's Annual General Meeting was held on Tuesday 26 April 2022 at Clarion Sign in Stockholm. The meeting was open to the general public, and minutes from annual general meetings are made available on Swedfund's website.

The annual general meeting adopted the income statement and balance sheet as of 31 December 2021 and discharged the members of the board of directors and the CEO from liability for the 2021 financial year. The annual general meeting also presented proposals for appropriation of the profit and proposals concerning guidelines for remuneration of the senior management, and prepared the remuneration report for 2021. Ernst & Young AB was re-elected as auditor by the annual general meeting, with Jesper Nilsson taking over as the new lead auditor.

## BOARD OF DIRECTORS

According to the articles of association, the board of directors must consist of at least six and no more than nine members without deputies. The annual general meeting shall appoint the chair of the board. If the chair leaves his or her post during their term of office, the board of directors must elect a chair from amongst its members for the period through until the end of the general meeting when the new chair is elected by the meeting.

## COMPOSITION OF THE BOARD

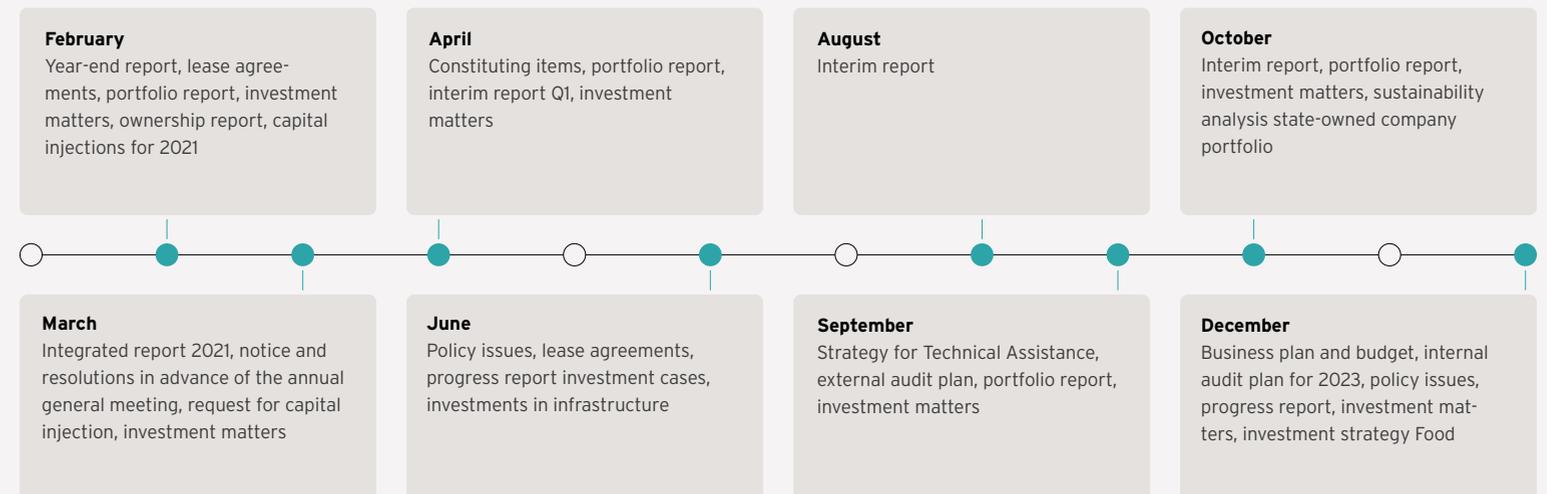
In connection with the 2022 annual general meeting, board members Fredrik Arp and Göran Barsby (chair of the board of directors) resigned. At the annual general meeting, Catrina Ingelstam, Daniel Kristiansson, Roshi Motman, Kerstin Borglin, Torgny Holmgren and Jonas Eriksson were re-elected as board members, and Catrin Fransson was newly elected. Following the annual general meeting, the board of directors comprises seven members, split between four women and three men. Catrin Fransson was newly elected chair of the board of directors. No member of Swedfund's executive management is a member of the board of directors. Information about the members of the board of directors is given on pages 90-91.

### RESPONSIBILITIES AND DUTIES OF THE BOARD OF DIRECTORS

The board of directors is required to continuously assess the company's financial situation, and ensure that the company achieves the established missions and manages its resources appropriately. The board of directors must ensure that the company's organi-

sation is such that accounting, financial management and the company's financial circumstances generally are subject to satisfactory controls. The board of directors must ensure that the company has effective systems in place for monitoring and controlling the company's operations, and shall keep itself informed and evaluate how the company's internal control systems are functioning. The board of directors is responsible for establishing goals and a strategy for the company's operations. It is the responsibility of the board of directors to integrate sustainable business into the company's business strategy and business development, and to establish strategic goals for sustainable value creation in accordance with the Ownership Policy. The board of directors is responsible for the company's risk management and compliance. This means that the board of directors is responsible for ensuring that risks associated with the company's operations are continually identified, analysed and managed appropriately, and that there is adequate control over the company's compliance with laws and other rules that apply to the company's operations. The board of directors is also responsi-

## KEY ISSUES FOR THE BOARD OF DIRECTORS DURING 2022



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Member	Position	Board of directors meetings	Audit committee meetings
Göran Barsby	Chair of the Board (until the 2022 Annual General Meeting)	5/12	
Catrin Fransson	Chair of the Board (from the 2022 Annual General Meeting)	7/12	
Torgny Holmgren	Board member, Member of the Audit Committee	11/12	5/5
Catrina Ingelstam	Board member, Chair of the Audit Committee	12/12	5/5
Daniel Kristiansson	Board member, Member of the Audit Committee	11/12	4/5
Fredrik Arp	Board member (until the 2022 Annual General Meeting)	4/12	
Kerstin Borglin	Board member	9/12	
Roshi Motman	Board member	11/12	
Jonas Eriksson	Board member	12/12	

ble for establishing, implementing and following up the policy documents and other forms of governing documents relevant to the organisation, such as the rules of procedure of the board of directors and the audit committee, and the CEO's instructions. Amongst other things, these policy documents set out how responsibilities and authorities are delegated between the board of directors, the chair of the board and the CEO.

The Board of Directors has established an integrated audit committee whose duties are aimed at the quality assurance of external financial and sustainability reporting, and ensuring that the company has appropriate risk management in place, that established principles for external reporting and internal control are complied with, and that Swedfund undergoes qualified, effective and independent auditing. The Audit Committee also prepares sustainability-related matters, such as the sustainability policy and anti-corruption policy, as well as significant sustainability issues for consideration by the board of directors.

The audit committee consists of three board members appointed annually by the board of directors. Since the inaugural board meeting in 2022, the Audit Committee has consisted of Catrina Ingelstam (chair), Daniel Kristiansson and Torgny Holmgren.

The board of directors is responsible for maximising the development of value in Swedfund, and for ensuring that the operation is managed in a way

which promotes sustainable development, financially, socially and environmentally and as regards climate. The board of directors is responsible for the company's organisation and management of its affairs in the interests of the company and the shareholder. The board of directors is responsible for ensuring that the company acts as a role model within the field of sustainable business and also otherwise operates in a manner that is worthy of public confidence. The board of directors appoints the chief executive officer (CEO) and determines the salary and other benefits of the CEO.

### CHAIR OF THE BOARD

The chair is responsible for annually evaluating the work of the board of directors and for ensuring that the evaluation is reported as and when relevant to the owner's nomination administrator. The 2022 board evaluation was carried out within the board and involved a collective evaluation of the work and expertise of the board of directors. As and when necessary, the chair participates in connection with important contacts and represents the company in relation to ownership matters. The chair of the board is also responsible for maintaining contact with representatives of the company's owners with the aim of coordinating his or her views with these representatives when the company must make particularly important decisions.

## THE WORK OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE DURING 2022

During 2022, the board met on twelve occasions, which included seven ordinary meetings and five meetings conducted by letter. Amongst other matters, the meetings considered investment cases and the business operation based on the three pillars (impact on society, sustainability and financial viability), annual and interim financial statements and related reports, strategy and business plan, mission objectives, budgets, policy issues, organisational and staffing issues, contract issues and evaluation of the work of the board of directors and the CEO. During 2022, board meetings were predominantly conducted in the form of physical meetings.

In 2022, the Audit Committee met on five occasions, all ordinary meetings, with the meetings being conducted in both digital and physical format. Amongst other things, the Audit Committee has prepared questions regarding interim reports and integrated reporting for 2021 (including the annual report, sustainability and corporate governance report), Risk/Internal Control, annual update of the Anti-correction Policy, Sustainability Policy, Risk Policy and Financial Policy, the work relating to capital efficiency, audit plans for internal and external audits, and the follow-up of audit reports and previous observations from the auditors.

## CEO AND COMPANY MANAGEMENT

Maria Håkansson has been CEO of Swedfund since 2018. The CEO is responsible for the ongoing management and coordination of the company's operations with the care and to the extent necessary to perform these tasks in accordance with applicable legislation, the articles of association, the CEO's instructions and the board of directors' instructions and the State's Ownership Policy. The CEO signs on behalf of the company's with regard to the ongoing administration of the company within the adopted budget. Decisions within the CEO's own decision-making remit are reported to the board of directors at the next meeting. When a member of the management group signs on behalf of the company,

this is also reported at the next meeting.

Management work is coordinated by a management team based on Swedfund's organisation. At the end of 2022, the management group comprising a total of eight people consisting of the CEO, Head of HR & Administration, Chief Legal Counsel, Chief Financial Officer, Director of Strategy & Communication, Chief Investment Officer, Director of ESG & Impact and Director of Business Development & Special Operations. The management group is responsible for proposing and implementing strategies and business plans, budgets and operational planning, corporate governance and organisational issues, and for monitoring Swedfund's financial development and initiatives relating to sustainability.

## AUDITORS

The State's Ownership Policy states that responsibility for the election of elected auditors in state owned companies always rests with the owner. Proposals for the election of auditors and approval of auditors' fees in companies with state ownership are submitted by the board of directors. Auditors are normally appointed for a term of one year at a time.

The auditors are accountable to the owner at the general meeting and submit audit reports concerning Swedfund's integrated reports and the board of directors' management. The auditors submit a summary report on the audit to the audit committee and the board, partly in connection with the performance audit and the general review of the interim report for January to September and partly in connection with the audit of the annual financial statements. The external auditors participated in all five of the audit committee's regular meetings during 2022 and two board meetings.

The remuneration paid to the auditors is presented in Note 7.

## REMUNERATION OF SENIOR EXECUTIVES

Swedfund applies the Government's guidelines for persons in managerial positions (see the "Guidelines for the remuneration of senior executives at Swedfund International AB", which can be found on

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Swedfund's website). The remuneration conditions for the CEO and other senior executives are presented in Note 6 (page 104). Swedfund also prepares a Remuneration Report for approval by the annual general meeting.

### INTERNAL CONTROL REGARDING FINANCIAL REPORTING

Under the Companies Act and the Code, the board of directors is responsible for ensuring that the company has good internal controls in place. This report has been prepared in accordance with Chapter 6 Section 6 of the Swedish Annual Accounts Act, and Articles 7.3 - 7.4 of the Code, and is limited to the internal controls regarding financial reporting.

Effective board work forms the basis for good internal control. Swedfund's internal controls can be described based on the following five main areas.

#### GOVERNANCE AND CONTROL ENVIRONMENT

The basis for internal controls regarding financial reporting is the control environment. The board of directors has overall responsibility for financial reporting. Every year, the board of directors adopts a set of written rules of procedure for its work, and specifies the division of work between the board of directors on the one hand and the CEO and the audit committee on the other.

The audit committee appointed by the board of directors is tasked with preparing matters for decisions

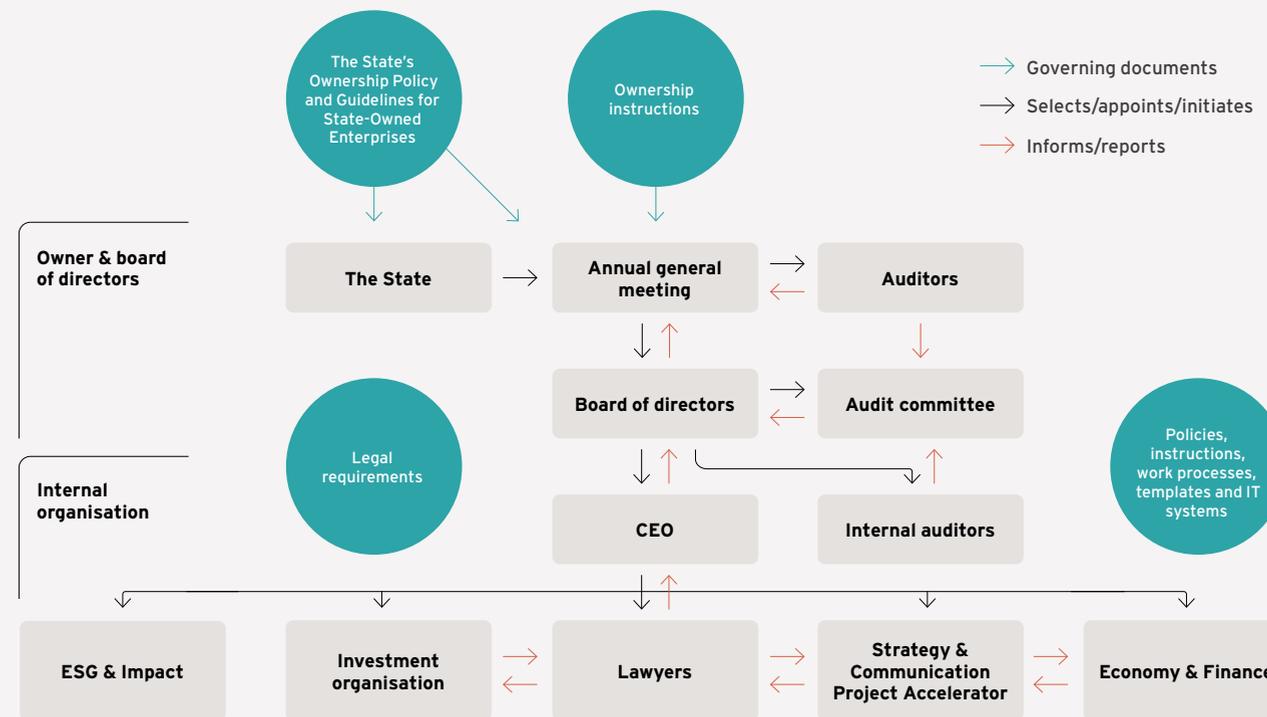
by the board. The audit committee works according to an adopted annual schedule and is responsible for monitoring and quality assurance of the company's financial reports. This task covers areas such as the effectiveness of the company's internal control and assessments of estimates and reported values which could impact on the quality of financial reports. The audit committee also keeps itself informed concerning the auditing of the annual integrated reporting (including the annual report and reports regarding corporate governance and sustainability) and the management through regular attendance of the committee's meetings by the company's auditors. The CEO, CFO and Director of ESG & Impact are co-opted to the committee's meetings, and the committee's

members are also in regular contact with these executives between ordinary meetings.

One aspect of the board of directors' work is to prepare, update and approve a number of fundamental policies which govern the company's work. The board of directors issues guidelines which set out the conditions for an organisational structure with the clear delegation of powers and responsibilities documented in a set of instructions for the work of the CEO and in a policy concerning the delegation of authority. Based on these, internal rules, processes and structures are created which form the basis for internal governance and control throughout the organisation. Financial policy, risk policy, sustainability policy, accounting and reporting instructions and an investment manual set out the framework and provide guidance in key areas for the company's financial reporting.

The competence of the employees and the core values that the board of directors and the management operate on the basis of and communicate also form a significant part of the control environment. The CEO is tasked with establishing guidelines to ensure that all employees understand the requirements regarding the maintenance of ethical values and the role of the individual in this task, which is partly governed by Swedfund's Code of Conduct. The Code of Conduct adopted by the board of directors, which all Swedfund employees have undertaken to follow, includes a section to prevent conflicts of interest and other similar situations from arising. Among other things, this states that employees are not permitted to participate in projects where a conflict of interest could arise or where there are parallel assignments which could jeopardise the employee's loyalty to Swedfund. To ensure compliance, there is a process where employees are under an obligation to declare any conflicts of interest and parallel assignments every year or as and when necessary.

### CORPORATE GOVERNANCE STRUCTURE



### RISK ASSESSMENT

There may be a risk of material misstatement in the financial statements in connection with the accounting and valuation of assets, liabilities, income and

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expenses, collection and compilation of sustainability information or deviations from information requirements. Other risks relating to financial reporting include fraud, loss or misappropriation of assets, or undue favouring of other parties at the company's expense. Accounting and financial reporting policies and directives and associated processes cover areas of particular importance in order to promote accurate and complete accounting, reporting and information provision at the right time.

Identified risk types are managed through well-defined business processes with integrated risk management measures, as well as through the clear division of responsibility and tasks, and an appropriate decision-making policy. This means that specific approval is required for investments and other important transactions to ensure that assets are managed appropriately. The company's risks are managed in accordance with the board of directors' established risk policy and financial policy, and reporting concerning financial risks takes place on a regular basis.

In connection with the evaluation of new investments, detailed analyses (due diligence) are carried out of factors such as expected impact on society, sustainability risks and developments in financial results and position. Based on the assessment of impacts and risks, the terms of the investment contracts are also included as and where necessary in order to reduce risk exposure.

Find out more about Swedfund's management of financial risks in Notes 21 and 27, and general information about Swedfund's risks and risk management on pages 42-45.

## CONTROL ACTIVITIES

To ensure that financial and sustainability reports present a true and fair picture of the business and maintain the desired level of quality, Swedfund's processes include various control activities. These control activities involve every level of the organisation, from the board of directors and the management to other employees, and are intended to prevent, detect and correct any errors and non-conformities.

Outcomes are followed up on a monthly basis with respect to budgets and/or forecasts and liquidity monitoring within the company and reported at all board meetings. Examples of other control activities within Swedfund's operation include the approval and control of different types of accounting transactions, reconciliations, analysis of key ratios and relationships, as well as other follow-up of financial information, which are carried out on an ongoing basis by the corporate management and the finance function.

In addition to this, portfolio company reviews are conducted regularly for each sector, where portfolio holdings are evaluated based on the three pillars of impact on society, sustainability and financial viability. These meetings are attended by certain members of the management group with the responsible investment manager as rapporteur. The portfolio's status is reported to the board of directors on a quarterly basis based on the three pillars.

Swedfund has developed an investment process to ensure that high levels of quality are maintained during the preparation of investment cases. In connection with the evaluation of new investments, a special process has been established where an investment committee, comprising the management group and the person responsible for the specific project, evaluates a potential investment in two stages before it is presented to the board of directors for a final decision.

The process of active ownership amongst the portfolio companies involves the investment organisation taking responsibility for continually monitoring developments within the three pillars of impact on society, sustainability and financial viability by obtaining and analysing financial and non-financial reports, conducting visits and actively participating in board work, investment committees and advisory boards. Part of the aim of this is to ensure the assessment of developments in the value of investments, which are in turn reflected in Swedfund's income statement and balance sheet and the results of portfolio companies.

Internal control and the management of the com-

pany are evaluated annually by the company's external auditors. A special audit function in the form of an internal audit unit has also been established, which reports to the board of directors. In 2022, the internal audit unit conducted two audits regarding cyber security and HR-related areas, as well as follow-up of the previous year's observations.

## INFORMATION AND COMMUNICATION

The company's information and communication channels shall contribute to complete, accurate and timely financial and non-financial reporting. All Swedfund employees have access to the company's policies, guidelines and manuals. During regular joint information meetings for all employees at the company's head office and regional office, the importance of applying the rules and processes that exist is stressed, and the associated resultant changes are described in more detail. Within the company's various departments, reviews and updates are carried out concerning the application of these documents on an ongoing basis as and when necessary. Formal and informal communication between employees and management is facilitated by the fact that the employees are small in number and largely geographically concentrated at the head office and a regional office.

The board of directors and the audit committee regularly review the management's reports concerning financial developments with analyses and comments on outcomes, budgets and forecasts. The board of directors also regularly receives detailed portfolio reports which present developments for each investment and in the portfolio, based on the three pillars of impact on society, sustainability and financial viability. During 2022, regular in-depth studies concerning relevant sustainability issues were presented to the board of directors relating to anti-corruption.

Swedfund also has an established whistleblower function that can be used in the event of suspected irregularities by executives within Swedfund or one of its portfolio companies. This function can be used in connection with suspected cases of corruption, accounting errors, deficiencies in internal control or

other doubts which could seriously harm the company's interests or the health and safety of individuals. Swedfund also has an established Complaints Mechanism, which can be used to draw attention to issues linked to Swedfund or Swedfund's portfolio companies.

## FOLLOW-UP

Control activities are monitored on an ongoing basis by Swedfund's corporate management and employees to ensure that risks have been appropriately taken into account and managed. Amongst other things, these procedures include the monitoring of results against budgets and forecasts, portfolio analyses and the follow-up of key performance indicators. Policy documents and other documents are evaluated on an annual basis. The company's financial situation is considered at each board meeting. Interim reports and annual integrated reports are submitted to the audit committee for preparation, and to the board of directors for approval.

The audit committee carries out preparations for the board of director's evaluation of the information provided by the corporate management and the company's auditors. The responsibilities of the audit committee also include ensuring that, on behalf of the board of directors, action is taken concerning any deficiencies and proposed measures that have emerged from the external audit concerning integrated reporting and internal control.

Every year, the audit committee reviews the internal and external auditors' audit plans and considers the auditors' observations on an ongoing basis. The board of directors and the audit committee also receive summary audit reports. During 2022, the company's external auditors attended two board meetings and five meetings of the audit committee. At least once a year, the board of directors meets the company's auditors without the CEO or any other member of the management group present.

As of 31 December 2022, the assessment is that the control activities relating to internal control of the financial reporting are adequate.

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Photographed during a visit prior to the investment in NHAO, Somalia.

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**CATRIN FRANSSON**  
(born 1962)  
*Chair*

**Board member since:** 2022

**Education:** MBA, Luleå University of Technology, Senior Executive Program, London Business School

**Current position:** Board work.

**Other directorships:** LKAB (member).

**Previous directorships:** Almi Företagspartner Stockholm Sörmland AB (chair), Swedbank Robur AB (chair), Swedbank Franchise AB (chair), Entercard AB (member), Swedbank Försäkring (member).



**ROSHI MOTMAN**  
(born 1979)  
*Member*

**Board member since:** 2019

**Education:** Industrial Engineering and Management, Chalmers University of Technology, Electrical Engineering, Chalmers University of Technology.

**Current position:** Own company.

**Previous assignments:** CEO Millicom Ghana (Tigo), CEO AirtelTigo Ghana, Chair of Ghana Telecom Chambers, Chair of the Investment Committee Digital Changemakers Ghana (Tigo/Reach for Change).



**TORGNY HOLMGREN**  
(born 1954)  
*Member*

**Board member since:** 2017

**Education:** MBA, Stockholm School of Economics.

**Current position:** CEO of Stockholm International Water Institute (SIWI).

**Other directorships:** Expert Group for Aid Analysis, World Water Council, Swedish Leadership for Sustainable Development.



**KERSTIN BORGLIN**  
(born 1960)  
*Member*

**Board member since:** 2016

**Education:** MSc, Mechanical Engineering, Lund University Faculty of Engineering, History of Science, Lund University, African History, Stockholm University.

**Current position:** Executive Advisor, Spider (ICT Swedish Program in Development regions, part of the Department of Computer and Systems Sciences, Stockholm University).

**Other directorships:** SWEACC, Swedish East African Chamber of Commerce (vice chair), Consul for Uganda in Sweden.

**Previous directorships:** Ericsson Litauen (member), Ericsson Kenya (member), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (member).

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**DANIEL KRISTIANSSON**  
(born 1974)  
**Member**

**Board member since:** 2019

**Education:** MBA, Stockholm School of Economics.

**Current position:** Senior Advisor, Ministry of Finance.

**Other directorships:** Vattenfall AB (member), Stiftelsen Industrifonden (member).

**Previous directorships:** SBAB Bank AB (publ) (member), Vasallen AB (member), Metria AB (member), AB Bostadsgaranti (member), Green Cargo (member).



**JONAS ERIKSSON**  
(born 1967)  
**Member**

**Board member since:** 2021

**Education:** MSc Mathematics, Uppsala University.

**Current position:** Own company.

**Other directorships:** -

**Previous directorships:** Riksdag Board.



**CATRINA INGELSTAM**  
(born 1961)  
**Member**

**Board member since:** 2019

**Education:** MBA and commercial law, University of Stockholm, approved public accountant FAR (not active).

**Current position:** Consultant in own company, Creatme AB.

**Other directorships:** Sixth Swedish National Pension Fund (chair and chair of Sustainability Committee), Orio AB (member and chair of Audit Committee), Spiltan Fonder AB (member), LÖF - Mutual Insurance Company of the Regions (member), Kommuninvest i Sverige AB (member)

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

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# Signatures of the board of directors

Swedfund International AB's board of directors and CEO hereby submit Swedfund International AB's integrated report, including the annual report, sustainability report and Communication on Progress (COP) for 2022.

Swedfund International AB has produced this annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU. In addition, the standards of the Swedish Financial Reporting Board and its rec-

ommended RFR 2 Supplementary Accounting Rules for Legal Entities have also been applied.

The annual report also includes the company's sustainability report in accordance with Chapter 6 Section 11 of the Swedish Companies Act, and the sustainability report in accordance with the Global

Reporting Initiative (GRI). The information provided corresponds with the factual circumstances and nothing of any material importance has been omitted which could impact on the picture of the company which is given in the annual report, the sustainability report and the COP.

Stockholm, 24 March 2023

Catrin Fransson  
*Chair*

Kerstin Borglin

Catrina Ingelstam

Roshi Motman

Daniel Kristiansson

Torgny Holmgren

Jonas Eriksson

Maria Håkansson  
*Chief Executive Officer*

Our audit report was submitted on 24 March 2023

Jesper Nilsson  
State-Authorised Public Accountant, Ernst Young AB

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# Auditor's report

To the general meeting of the shareholders of Swedfund International AB, corporate identity number 556436-2084

## REPORT ON THE ANNUAL ACCOUNTS

### OPINIONS

We have audited the annual accounts of Swedfund International AB for the 2022 financial year, with the exception for the corporate governance statement on pages 128-132. The company's annual report is included on pages 66-127 in this document.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and in all material respects gives a true and fair picture of Swedfund International AB's financial position as of 31 December 2022 and of its financial results and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and the Swedish Financial Reporting Board and its recommendation RFR 2 and the Swedish Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 128-132. The directors report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the annual general meeting adopt the income statement and balance sheet.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 1-65 and 128-156. The remuneration report for the financial year 2022 also contains other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting.

### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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## REPORT ON OTHER REQUIREMENTS IN ACCORDANCE WITH LAWS AND OTHER STATUTES

### OPINIONS

In addition to our audit of the annual accounts, we have also conducted an audit of the administration of the Board of Directors and the Managing Director of Swedfund International AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend that the annual general meeting appropriate the profit in accordance with the proposal in the directors' report and discharge the members of the board of directors and the CEO from liability for the financial year.

### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization

is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, We exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures

performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

### THE AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for that the corporate governance report on pages 128-132 has been prepared in accordance with State Ownership Policy and Guidelines for Companies with State Ownership" (the ownership policy).

Our review was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our review of the corporate governance report 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. We believe that the review has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared.

The information that is mandatory under the ownership policy is consistent with the annual report and the financial statements.

Stockholm 24 March 2023

Ernst & Young AB

Jesper Nilsson

Authorized Public Accountant

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Visit to one of Norsad's portfolio companies outside Windhoek, Namibia

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# Additional sustainability information about Swedfund's operations and reporting

## ABOUT OUR GRI REPORTING

Swedfund's 2022 Integrated Report is an integrated report in which sustainability information is integrated with the financial information. The report has been prepared drawing on inspiration from the International Integrated Reporting Council's (IIRC) framework, The International Framework.

The report follows the Swedish Government Offices' "Guidelines for external reporting for companies with state ownership". According to these principles, sustainability reports must be prepared in accordance with the Global Reporting Initiative's (GRI) guidelines or another international framework for sustainability reporting. Rules concerning sustainability reporting applicable to larger companies in accordance with the Swedish Annual Accounts Act also apply. Information in the sustainability report will be reviewed and verified by the auditor who is appointed as the company's auditor.

Swedfund's sustainability report has been prepared in accordance with the new revised Global Reporting Initiative (GRI) Standards 2021 reporting framework. GRI G4 Sectors Disclosures, Financial Services, is no longer used in GRI Index. The company's overarching ambition behind its reporting is for it to be transparent and provide material and reliable information to our stakeholders. The sustainability information in

this report has been audited by Ernst & Young. Swedfund published its first sustainability report in 2008.

The intention behind the report is to illustrate how Swedfund, as a development finance institution, is contributing to the implementation of Agenda 2030 through sustainable investments in companies in developing countries. Results from Swedfund's own activities are reported when they have a significant impact from a sustainability perspective. Swedfund primarily purchases services and products for office operations in Stockholm and Nairobi, and employs consultants for screening and monitoring the portfolio companies. Sustainability aspects in the supply chain are managed through procurement guidelines and agreements, but are not considered to be of significance for the report.

As in previous years, the sustainability report focuses on the results of the portfolio companies, which are reported aggregated at portfolio level. Swedfund has non-controlling interests in portfolio companies, and these are not consolidated in the financial statements and their financial results are only indirectly covered by the report. The reporting period for information regarding Swedfund is 1 January – 31 December 2022, and for the portfolio companies' results 1 January – 31 December 2021. There were no significant changes in the information or reporting

during the year. The report is published annually, on this occasion on 31 March 2023.

Swedfund is also signatory to the UN Global Compact's 10 principles and the UN Principles for Responsible Investment (UN PRI). In separate reports, Swedfund reports on how the UN Global Compact's principles and UN PRI's principles are being applied within the organisation and the investment process.

## CONTACTS

Karin Kronhoffer, Director of Strategy and Communication.

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## STAKEHOLDER AND MATERIALITY ANALYSIS

The roadmap to achieving the UN's Sustainable Development Goals (SDGs) is complex and requires a stronger partnership between many different stakeholders. For Swedfund, the ongoing dialogue with our principal stakeholders is essential to the success of our mission. Dialogue is pivotal in the process of identifying the key issues for us as a development

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finance institution. The partnership is also a vital tool in the work on our business plan and during the value-adding phase.

During 2022, Swedfund reviewed its material sustainability issues in accordance with the updated GRI Standards. There are no relevant sector-specific standards for Sweden as yet, so the starting point for our materiality analysis and sustainability context was the State Ownership Policy and principles for state-owned enterprises in 2020, the company's public policy assignment as defined in the Owner Instructions, other missions in the strategy adopted by the Board of Directors, and the needs and challenges that we face in our investments and partnerships and the countries in which we operate. Our influence is exerted both within Swedfund as a company and externally, i.e. in Swedfund's portfolio companies. It is among the portfolio companies that the greatest impact occurs, and it is in the countries in which Swedfund operates that we want to generate development results.

For each investment, a thorough evaluation is carried out of sustainability risks and impacts on the environment and people, including human rights. These evaluations help us to identify, evaluate and prioritise the most significant sustainability issues, which are then tested and prioritised in a dialogue with our stakeholders. Finally, Swedfund's Board of Directors has approved the most material sustainability issues for this report: decent jobs, gender equality and women's empowerment, the environment and climate, tax issues, anti-corruption and business integrity, and human rights. The matrix below lists our stakeholders, the issues that have been in focus, and the steps that Swedfund has taken to answer the questions that have been highlighted in our work to identify key issues.

We mainly describe the key issues, how we manage them and how we measure results in the section entitled 'Portfolio companies' results' on pages 66-81. In the following section, we present additional sustainability information regarding Swedfund's own operations.

Stakeholder category	Interest issues and focus	Type of dialogue, Swedfund's response and results
<b>Owner and finance institution</b> which determines Swedfund's mission and proposes Swedfund's funding via the aid budget. Government (Ministry of Finance and Ministry of Foreign Affairs).	Corporate governance, management and follow-up with a focus on sustainable business: Human rights, environment and climate, working conditions, anti-corruption, tax, business ethics, gender equality, additionality and diversity, and financial development and portfolio companies' performance.	The State Ownership Policy and principles for state-owned enterprises, the Owner Instructions, general meetings, shareholder dialogue, individual meetings and network meetings.
<b>Politicians</b> who establish Sweden's Policy for Global Development (PGD) and decide on the National Budget. Members of Parliament.	The way in which Swedfund carries out its mission as a development finance institution, and the development effects that Swedfund's investments generate and how well Swedfund fulfils the requirements imposed on sustainable enterprises.	Through regular meetings with the parties' representatives and meetings with the Swedish Parliament's Foreign Affairs Committee.
<b>Embassy of Sweden</b>	Swedfund's role as a development finance institution and the way in which we can contribute to sustainable and inclusive development in each country through our work.	Through meetings and dialogue concerning Swedfund's assignments and activities.
<b>Business partners</b> who, together with Swedfund, fund and run the companies in Swedfund's portfolio. Business partners and development finance institutions (DFIs, IFIs and EDFI).	Funding, market issues, strategy and business models. Private sector development, co-financing, sustainability issues and development effects. Policy issues for Europe's development finance institutions.	Interaction and advocacy work. Ongoing communication and meetings in collaboration groups. Established the Investors Integrity Forum with Transparency International Sweden and five other investors. EDFI reference group meetings at various levels: CEO, HR, ESG, Development Effects, Legal Affairs, Communication, etc.
<b>Portfolio companies</b>	Development financing through Swedfund and results within impact on society, sustainability and financial viability.	Contractual commitments in all three pillars: impact on society, sustainability and financial viability. Ongoing dialogue and follow-up throughout the investment period.
<b>Civil society organisations and trade unions</b> which, like Swedfund, are involved in development cooperation in Swedfund's markets. Civil society development cooperation organisations, trade unions and international NGOs.	Policy issues, such as human rights, gender equality, climate, development effects, anti-corruption and transparency, and tax issues. The "Decent work" agenda.	Stakeholder dialogues. Participation in round table discussions and conferences, as well as the ongoing exchange of experience.
<b>Media and opinion-formers</b> Swedish newspapers, periodicals, other media and opinion-formers in both the traditional media and social media in Sweden, whose reporting and comment reach and influence the public and other stakeholders.	Monitor Swedfund as a development finance institution and development cooperation actor.	Press releases, ongoing information in social media, Swedfund Frankly, interviews, background discussions and meetings for knowledge transfer.
<b>Swedfund's employees</b> who through their knowledge, experience and networks carry out Swedfund's mission.	Working environment, organisational, strategic and resource issues.	Internal information through meetings and the intranet, performance appraisals, salary reviews, competence development and training, as well as regular dialogue with local unions and the workers committee.

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## MEMBERSHIP OF ASSOCIATIONS

Swedfund is a member of many different organisations where we benefit from the exchange with other members or the organisation and its networks. These include EDFI, Swedish Network for Business and Human Rights, UN PRI, GIIN, Global Compact, Sida's Swedish Investors for Sustainable Development, 2X Collaborative and AVCA.

## HUMAN RIGHTS

Most of Swedfund's portfolio companies operate in countries and markets in which respect human rights (HR) present a challenge. In the work relating to sustainable development and sustainable business, it is absolutely essential to respect and protect human rights. The State Ownership Policy<sup>1</sup> calls on companies in the state's portfolio of companies to "act responsibly and work actively to comply with international guidelines such as the ten principles of UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises". The Swedish national "Action Plan on Entrepreneurship and Human Rights" aims to translate the UN's Guiding Principles on Business and Human Rights into practical action at national level. The rights perspective is also one of two high-priority perspectives in the Swedish development cooperation and means that "human rights and democracy must be seen as fundamental to development".<sup>2</sup>

In recent decades, democracy and human rights have been strengthened in many regions around the world. However, developments have taken a negative turn in recent years, escalated by the pandemic, the war in Ukraine and other conflicts. In many places, the pandemic and conflicts have led to restrictions being imposed on human rights and setbacks for democracy.

## GOVERNANCE

Human rights are included in Swedfund's Policy for Sustainable Development. This policy was revised in 2021 but retains the same focus on human rights. During 2020, a 'Guiding Note on Human Rights' was also published which describes how human rights are incorporated into Swedfund's investment activities. This Guiding Note will be revised during 2023, as the process of evaluating human rights issues is continuously evolving.

The aim of the process for evaluating human rights issues in investment activities is to identify, mitigate and account for negative impacts on human rights. The ambition is to apply this process in connection with decisions concerning new investments regularly during the value creation phase in the event of changes in circumstances and for companies in the exit phase. Human rights and impacts are already taken into account at an early stage in the investment process by preparing an assessment of the project as regards human rights based on country, location, operating conditions, type of business and business partners.

During the screening process, i.e. stage two of the analysis phase of a potential investment, a risk analysis is carried out during which human rights risks and impacts are analysed in more detail. When a contextual risk analysis is carried out at country and regional levels, we can identify risks associated with weak rule of law in the country concerned, indigenous peoples and/or minority groups in the region, etc. The analysis is then continued at sector level, where we identify any risks associated with specific sectors, such as migrant workers or the use of large volumes of water. In the third step, the analysis is performed at project or investment level, where we identify any risks associated with insecure or unequal working conditions, etc.

Swedfund then pursues a dialogue with the portfolio companies concerning the situation in the country concerned and any human rights violations that are occurring. Depending on the outcome of this analysis, a decision is then made as to whether or not a more detailed human rights analysis should be carried out. This is carried out using internal resources or with the support of an external expert. The mitigation of identified risks and impacts is incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement.

## REPORTING CHANNELS

Swedfund requires all portfolio companies to have their own reporting channel and to at least implement a complaint mechanisms in accordance with the IFC Performance Standards. We also offer Swedfund's reporting channels – the whistleblowing service and complaints mechanism. Swedfund's whistleblowing service can be used by employees, contractors and others at Swedfund, and by the companies and funds in which Swedfund invests.

During 2022, two reports were received via the whistleblowing service, one of which was not considered to be in accordance with the requirements set out in the whistleblowing guidelines and was therefore not investigated further. An investigation was carried out into the second report. The number of reports is considered to be reasonable in view of the fact that the service is primarily intended as a supplement to the portfolio companies' own complaints mechanisms.

In June 2020, Swedfund launched a complaints mechanism, primarily based on the UN Guiding Principles on Business and Human Rights (UNGPR). The channel, which is available on Swedfund's website, can be used for all types of complaints concerning Swedfund and Swedfund's portfolio companies, but not for complaints concerning individuals as a result of restrictions arising from data protection legislation. The channel complements Swedfund's whistleblowing service.

During 2022, one complaint was received via the

complaints mechanism, which was also received via the whistleblowing service. Swedfund regularly reminds the portfolio companies of the whistleblowing service and the complaints mechanism. The board of directors receives an annual summary of significant events linked to Swedfund's reporting channels during the previous year.

## WE MONITOR RESULTS

The annual sustainability survey which is distributed to Swedfund's portfolio companies, the Annual Portfolio Company Sustainability Report, asks a number of questions regarding the policies and processes that the portfolio companies have in place regarding human rights. The answers show a certain level of understanding of human rights, but that there is scope to deepen this work further. These questions are then followed up by e-mail, phone and visits.

As regards the further development of Swedfund's processes, the implementation of conflict-sensitive HR evaluations has been further developed when a number of Swedfund's investments are taking place in conflict environments. Swedfund also participates in EDFI's working group on human rights. Once the first phase of completing a guide for DFIs and human rights, "Voluntary Guidance Note on Human Rights – EDFI Internal document", has been completed, work will continue on the development of a guide for "Remedy and EDFIs".

## SERIOUS INCIDENTS

The portfolio companies are contractually bound to report serious incidents to Swedfund. Examples of serious incidents include: fatalities, severe injuries which require medical care, occupational injuries suffered by a number of workers at the same time and incidents involving serious danger to life or health. Serious incidents also include adverse effects on human rights, fire, release of hazardous substances, strikes, various forms of harassment, corruption, fraud and theft.

During 2022, a total of 44 (2021: 43) reports of serious incidents were received by Swedfund from

<sup>1</sup> The State Ownership Policy and principles for state-owned Enterprises 2020, 5.1.3 International guidelines, page 9.

<sup>2</sup> Government letter 2016/17:60 Policy framework for Swedish development cooperation and humanitarian aid. Page 14.

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portfolio companies, of which 19 (2021: 25) originated from the underlying holdings of the funds. A total of 17 (2021: 16) reports concerned fatalities. Ten of the reports came from the underlying holdings of funds and seven from direct investments. Of the 17 deaths, eight were the result of road traffic accidents and two were linked to safety incidents, and seven to various work operations, such as falls from height. Serious incidents other than deaths mainly concerned robbery or theft, fire and road accidents resulting in injuries.

We aim to ensure that no serious incidents occur amongst our portfolio companies or in the underlying holdings of our funds, and we and the fund managers therefore monitor the investigations that are conducted into these events and ensure that appropriate measures are implemented. Depending on the circumstances (employees or others, road traffic accidents or occupational accidents), an action plan is drawn up by the portfolio company concerned.

This year's figures show a rise in the number of reported serious incidents, partly due to an expanding portfolio and partly due to even more stringent reporting procedures. There is a need to continually improve the reporting and safety practices of our portfolio companies and the funds and their underlying holdings. The reporting methodology covers serious incidents amongst portfolio companies and the underlying holdings of funds. Reporting does not include serious incidents that occur amongst borrowers from banks or in the supply chain of portfolio companies. As far as Swedfund is concerned, there were no significant cases of breaches of the law or fines during the reporting year.

## ENVIRONMENT AND CLIMATE

The portfolio companies account for the majority of Swedfund's environmental impact and bear much of the climate-related risk. See pages 66–81 for the portfolio companies' results.

Swedfund strives to reduce the company's own climate impact. Business travel, electricity and heat account for Swedfund's largest sources of GHG emissions.

Swedfund's business travel entails an environmental impact, but it is also crucial in order for us to bring about change during the value-adding phase and to conduct a solid due diligence process ahead of new investments. The number of travels by air fell sharply from March 2020 due to travel restrictions during the pandemic, until the spring of 2022, when travel once again became possible. As in previous years, our emission reports have included high-altitude emissions, and Swedfund's emissions from business travel during 2022 amounted to 594.6 tonnes CO<sub>2</sub>. During the pandemic, business travel decreased by over 90 percent, resulting in significantly lower emissions during these years. During 2022, it once again became possible for Swedfund to visit the portfolio companies, which is an important part of the operation and ensures responsible ownership. However, this development led to an increase in emissions

compared with 2020 and 2021. \*Using 2019 as the base year (620.0 tonnes of CO<sub>2</sub>), emissions were four percent lower despite the fact that the organisation grew significantly during this period in terms of the number of employees. A growing portfolio also means more essential travel.

Swedfund's head office in Stockholm has a green lease agreement based on 100 percent renewable electricity. For our office in Nairobi, there are no environmental options for the supply of electricity and heat. A diesel generator is used in the event of electrical outages in Nairobi in the office building in which Swedfund hires offices. The combined energy consumption of the organisation during the year gives rise to 2.9 tonnes of CO<sub>2</sub>, of which 1.5 tonnes was used for heating and 1.4 tonnes for electricity consumption.

For 2022, we report 597.5 tonnes of CO<sub>2</sub>, which

covers electricity, heat and all air travel. Our emissions have declined by four percent compared with 2019, but increased significantly compared with 2021 due to an increase in air travel.

Swedfund has chosen to continue carbon-offsetting the company's environmental impact. Swedfund sees this as a supplement to the company's active climate work, where the intention is to finance climate-improving measures on a par with emissions that cannot be reduced immediately. The intention is to offset emissions through projects which are locally based, do not have unexpected adverse environmental or impacts on society, and contribute to long-term reductions in emissions. The project will be certified in accordance with an independent standard and verified by third parties in accordance with the above criteria. This year, we have decided to carbon-offset Swedfund's environmental impact by supporting the Vi-skogens project, which aims to eradicate poverty, reduce the effects of climate change and contribute to a sustainable environment around Lake Victoria in Kenya through tree-planting and the implementation of sustainable agricultural practices.

## PERSONNEL MATTERS AND WORKING ENVIRONMENT

During 2022, Swedfund continued its ongoing work on the development of leadership and employeeship and the digitalisation of HR. Swedfund has worked actively to implement a structured return to the office following a prolonged period of Covid-19 and working from home. Remodelling of the office has been completed in order to offer employees a varied work environment, and work has continued to be performed according to a hybrid model consisting of a mix of working from home and working in the office.

During the year, the organisation continued to undergo training concerning feedback, communication, coaching and work environment. In order to measure the impact of the initiatives, Swedfund has continually used pulse-measuring employee surveys and followed up on the results. The tool that Swedfund uses also covers the legal requirements in order

Emissions (tonnes CO<sub>2</sub>e)

Emission source	2018	2019	2020	2021	2022	Share 2022	Change 2019-22*
Energy	4.6	3.7	3.2	3.4	2.9	7%	-24%
Heating	2.7	2.2	1.9	2.2	1.5	4%	-34%
Electricity consumption	1.9	1.5	1.3	1.2	1.4	3%	-9%
Business travel	773.2	616.3	107.2	48.5	594.6	93%	-4%
<b>Total</b>	<b>777.9</b>	<b>620.0</b>	<b>110.4</b>	<b>51.9</b>	<b>597.4</b>	<b>100%</b>	<b>-4%</b>

Per Scope	2018	2019	2020	2021	2022	Share 2022	Change
Scope 1	0.3	0.1	0.1	0.1	0.1	0.0%	-7%
Scope 2	3.5	2.7	2.3	2.3	1.9	0.3%	-31%
Scope 3	774.1	617.2	108.0	49.5	595.4	99.7%	-4%
<b>Total</b>	<b>777.9</b>	<b>620.0</b>	<b>110.4</b>	<b>51.9</b>	<b>597.4</b>	<b>100%</b>	<b>-4%</b>

Swedfund emission categories:

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

Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a network, i.e. the consumption of electricity, district heating and district cooling.

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

IEA's emission factors have been applied.

2022 emissions in scope 2 according to the "location-based method" 7.1 tonnes of CO<sub>2</sub>e and according to the "market-based method" 1.9 tonnes of CO<sub>2</sub>e.

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to investigate the organisational and social aspects of the working environment. Swedfund's managers have continually received support in their leadership, not only as a group but also individually as and when necessary.

The organisation grew significantly in 2022 in response to an increased capital injection and an expanding mission. A strong focus has been placed on creating as good an introduction as possible for new employees, while at the same time ensuring that existing and more senior employees have a sustainable workload. HR has provided training concerning procedures and policies to ensure that employees understand what applies in different situations. During the year, we jointly defined and implemented new corporate values during a number of workshops: Integrity, Inclusion, Dedication.

Attracting employees with the right skills while also retaining our dedicated and capable personnel is enabling us to succeed in our challenging mission. A key part of this is a good working environment, which is therefore an important area for Swedfund. Through our efforts relating to the environment, we are aiming to create a good working environment which allows employees to do a good job, both at the office and when working from home, while at the same time also preventing ill health and accidents through a preventive approach. During 2022, Swedfund continued to work systematically and efficiently in order to create an even better working environment.

Safety representatives and the local union have been kept informed on an ongoing basis and been given the opportunity to provide feedback relating to initiatives aimed at staff wellbeing which took place during the year.

Information on the board of directors, management and employees can be found on page 130. Additional information concerning age distribution is provided in the tables below. Information has been obtained from the payroll system and is valid for the end of the reporting period, unless stated otherwise. The majority of Swedfund's employees work on a full-time basis. Some employees have ordinary fixed-term

employment. Due to the size of Swedfund's organisation, more detailed information about different types of employment has not been disclosed in order to guarantee confidentiality regarding employment. All employees at the head office in Stockholm are covered by a collective agreement. For employees at Swedfund's overseas regional offices, who are not covered by a collective agreement, working conditions and terms of employment are applied in accordance with the Swedish collective agreement. As and when necessary, Swedfund hires consultants for certain long-term assignments. During 2021, we hired consultants to assist with regard to data and systems management, communication, legal affairs, finance and administration, corresponding to an average of approximately six full-time positions.

**PERCENTAGE OF MANAGEMENT AND THE BOARD OF DIRECTORS REGARDING AGE DISTRIBUTION**

	2021		2022	
	Number	Percent	Number	Percent
30-49 years	6	40%	3	21%
50 years or older	9	60%	11	79%
<b>Total</b>	<b>15</b>	<b>100%</b>	<b>14</b>	<b>100%</b>

**PERCENTAGE OF EMPLOYEES REGARDING AGE DISTRIBUTION, INCLUDING MANAGEMENT**

	2021		2022	
	Number	Percent	Number	Percent
29 years of age or younger	15	29%	16	26%
30-49 years	24	46%	30	48%
50 years or older	13	25%	16	26%
<b>Total</b>	<b>52</b>	<b>100%</b>	<b>62</b>	<b>100%</b>

**ANTI-CORRUPTION**

Swedfund's most significant corruption risks are linked to our investments. At the start of 2022, we launched the internal results from a study which summarised the most significant corruption risks in Swedfund's largest markets and sectors. In summary, the following factors increase the risk of corruption: interaction with government officials, whether or not the project is in the early development phase, as well as projects in rural areas. Swedfund's largest markets are linked to high corruption risks, and the risks vary more between sectors and type of business than between countries. All of Swedfund's portfolio companies are evaluated with regard to corruption risks, as Swedfund's most significant corruption risks are linked to our investments. For the work relating to anti-corruption and the results of portfolio companies, please refer to page 79.

During 2022, Swedfund continued to work systematically to combat corruption. In partnership with Transparency International Sweden and five other Swedish investors (Folksam, the First Swedish National Pension Fund, SEB Investment Management, Skandia and the Church of Sweden), we have continued the collaboration within the framework of the Investors Integrity Forum, which is a platform where investors and Transparency International Sverige can jointly pursue key issues relating to corruption risks, acquire and disseminate knowledge, and promote transparency, integrity and accountability. We have further developed our working methods and allocated additional internal resources to improve risk analysis and the mitigation of corruption risks. All members of Swedfund's board, management and staff have undergone training regarding anti-corruption. All new employees have completed an e-learning course on anti-corruption as part of the introductory process. At the start of 2022, Swedfund's board of directors, management and staff underwent training concerning corruption and the most significant corruption risks.

Swedfund's policy concerning gifts and representation has been communicated throughout the organisation.

**TAXES**

Since 2016, Swedfund has had a tax policy which is adopted by the Board of Directors. The most recently revised version was adopted in 2021 and is available on Swedfund's website. The policy is reviewed on an ongoing basis and revised if necessary.

Swedfund works actively on tax issues and, in connection with each investment, an assessment is carried out to determine whether the investment meets the requirements set out in Swedfund's Tax Policy. The legal department is responsible for this assessment, and external tax advisors are also hired in as and when necessary, often in connection with more complex structures.

Our policy, process and working methods were reviewed by the European Commission during 2021 in connection with the EU pillar accreditation and subsequently accepted as fulfilling EU requirements in the field of taxation.

An annual evaluation of all portfolio companies is also carried out to ensure that tax continues to be an issue that the companies are actively working on and to highlight any problems or issues. This is done through a form which is distributed to all companies.

Swedfund continuously monitors developments in the field of taxation and, as part of EDFI, we also participate on an ongoing basis in discussions concerning tax issues with other EDIs.

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# GRI index

Swedfund International AB reports in accordance with GRI Standards for the reporting period 1 January 2022 - 31 December 2022.

## GRI STANDARDS INDEX 2021

Statement concerning use	Swedfund International AB hereby reports in accordance with GRI Standards and the report covers the reporting period 1 January 2022 - 31 December 2022.
GRI 1 standard	GRI 1: Pillar 2021
GRI Sector standard	No sector standard is available yet.

GRI STANDARD	DISCLOSURE	NAME OF DISCLOSURE	PAGE REFERENCE	OMISSION		
				REQUIREMENT FROM WHICH THE OMISSION HAS BEEN MADE	REASON FOR THE OMISSION	EXPLANATION
<b>General information</b>						
GRI 2:	<b>The organisation and its reporting methods</b>					
General information	2-1	Information about the organisation	0-1, 52-53, 128-129, 145			
2021	2-2	Entities covered by the sustainability report	98, 140			
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	2-5	External assurance	130, 151			
	<b>Activities and employees</b>					
	2-6	Activities, value chain and other business relationships	2-5, 38-39, 86-87, 140, 144			
	2-7	Employees	90, 103, 143-144	2-7-b	Confidential information	Details concerning employment types are not reported, in order to guarantee confidentiality given Swedfund's size.

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GRI STANDARD	DISCLOSURE	NAME OF DISCLOSURE	PAGE REFERENCE	OMISSION		
				REQUIREMENT FROM WHICH THE OMISSION HAS BEEN MADE	REASON FOR THE OMISSION	EXPLANATION
	2-8	Co-workers who are not employees	144		Confidential information	Due to the size of Swedfund's organisation, more detailed information about different types of employment has not been disclosed in order to guarantee confidentiality regarding employment.
<b>Governance</b>						
	2-9	Composition and structure of governance	128-131, 134-135			
	2-10	Nomination and election of the highest governing body	128-129			
	2-11	Chair of the highest governing body	129-130			
	2-12	Role of the highest governing body regarding review of impact management	129-130			
	2-13	Delegation of responsibility for managing impact	130			
	2-14	Role of the highest governing body in sustainability reporting	131			
	2-15	Conflicts of interest	131			
	2-16	Communication of critical issues	132			
	2-17	Collective knowledge of the highest governing body	129-130, 144			
	2-18	Evaluation of the work of the highest governing body	130			
	2-19	Remuneration policy	104, 130			
	2-20	Process for determining compensation	130			
	2-21	Annual total replacement rate	103, 104, 146			The total salary of the highest paid individual, as well as total salaries, but not median, for the entire staff has been disclosed for the year and comparative years, but not percentage change. This information will be prepared during 2023.
<b>Strategies, policies and practice</b>						
	2-22	Statement concerning sustainable development strategy	6-7, 8-9			
	2-23	Policy commitments	64-65, 129-131, 142			
	2-24	Anchoring the commitments in operations and business relationships	64-65, 78, 129, 142-144			
	2-25	Processes to address negative impacts	132, 142			
	2-26	Mechanisms for seeking advice and reporting concerns	132, 142			
	2-27	Compliance with laws and regulations	143			
	2-28	Membership of associations	141			
<b>Stakeholder engagement</b>						
	2-29	Methods for stakeholder engagement	141-142			
	2-30	Collective bargaining agreements	144			

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				REQUIREMENT FROM WHICH THE OMISSION HAS BEEN MADE	REASON FOR THE OMISSION EXPLANATION
<b>Significant issues</b>					
GRI 3: Significant issues 2021	3-1	Process for determining significant issues	140-141		
	3-2	List of significant issues	141		
<b>Anti-corruption and business integrity</b>					
GRI 205: Anti-corruption 2016	3-3	Management of significant issues	17, 64-65, 67, 79, 84, 141, 144		
	205-1	Operations evaluated with regard to corruption risks	79, 144		
GRI 205: Anti-corruption 2016	205-2	Communication and training concerning anti-corruption policies and procedures	48, 64, 144		
	<b>Tax</b>				
GRI 3: Significant issues 2021	3-3	Management of significant issues	64-65, 75, 141		
GRI 207: Tax 2019	207-1	Tax approach	64, 75		
	207-2	Governance, control and risk management of tax matters	43, 64, 75, 144		
	207-3	Stakeholder engagement and management of issues relating to tax	75, 144		
	Own	The portfolio companies' results: Tax per country	75		
<b>Environment and climate</b>					
GRI 3: Significant issues 2021	3-3	Management of significant issues	22-23, 64, 70-71, 141, 143		
GRI 305: Emissions 2016	305-2	Other indirect GHG emissions (Scope 2)	143		
	305-3	Other indirect GHG emissions (Scope 3)	71, 143		
<b>Gender equality and women's empowerment</b>					
GRI 3: Significant issues 2021	3-3	Management of significant issues	64-65, 72, 141, 143-144		
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity in management and among employees	103, 144		
Swedfund's own disclosures: S1	S1	Proportion of women, proportion of women in management positions, number of women on the boards of portfolio companies	73		
	<b>Human rights</b>				
GRI 3: Significant issues 2021	3-3	Management of significant issues	78, 141-142		
Swedfund's own disclosures: S5	S5	Proportion of investments that have implemented environmental and social management systems	78		
	<b>Decent jobs</b>				
GRI 3: Significant issues 2021	3-3	Management of significant issues	16-19, 74, 76, 141, 143		
Swedfund's own disclosures: S6	S6	Proportion of investments complying with the ILO's Declaration on Fundamental Principles and Rights at Work	77		

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# Task Force on Climate-related Financial Disclosures

Swedfund supports the Task Force on Climate-related Financial Disclosures (TCFD) and is continuously working to implement its recommendations. This year, climate reporting has been included in our Integrated Report and, based on the TCFD index below, information is presented on where more specific information can be obtained concerning our climate risks and climate work.

Governance	Reference
<b>Governance</b>	
<b>Information about the organisation's governance concerning climate-related risks and opportunities</b>	
The board's monitoring of climate-related risks and opportunities	128-130
The management's role in assessing and managing climate-related risks and opportunities	50-51, 64-65, 130-132
<b>Strategy</b>	
<b>Information about the potential impact of climate-related risks and opportunities on the organisation, business, strategy and financial planning</b>	
Climate-related risks and opportunities that the organisation has identified	22-23, 32, 36-38, 42, 50-51
Impacts from risks and opportunities on the organisation's operations, strategy and financial planning	22-23, 36-37, 36-38
The preparedness of the organisation's strategy, taking into account various climate-related scenarios, including a two-degree Celsius or lower scenario	22-23, 70-71

Governance	Reference
<b>Risk management</b>	
<b>Information on how the organisation identifies, assesses and manages climate-related risks</b>	
The organisation's processes for identifying climate-related risks	42-45, 50-51, 71
The organisation's processes for managing climate-related risks	42-45, 50-51, 64, 70-71, 78, 131
Integration of the above processes into the organisation's general risk management	42-45, 131
<b>Indicators &amp; missions</b>	
<b>Information on indicators and missions used in the assessment of relevant climate-related risks and indicators</b>	
The organisation's indicators for evaluating climate-related risks and opportunities	32, 67, 143
Scope 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol	70-71, 143
Targets for managing climate-related risks and opportunities	32, 67, 70

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Beatrice Nganga, High Risk Gynaecologist Coordinator at Jacaranda Maternity clinic Kahawa West outside Nairobi, Kenya, and her client Evalyne Maina.

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# Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Swedfund AB,  
corporate identity number 556436-2084

## ENGAGEMENT AND RESPONSIBILITY

The Board of Directors is responsible for the statutory sustainability report as defined on page 140, and for ensuring that the report is prepared in accordance with the “State Ownership Policy and Guidelines for Companies with State Ownership” (the ownership policy).

## THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

## OPINIONS

A statutory sustainability statement has been prepared.

Stockholm 24 March 2023  
Ernst & Young AB

Jesper Nilsson  
Authorized Public Accountant

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# Auditor's Limited Assurance Report on Swedfund International AB's Sustainability Report

This is the translation of the auditor's report in Swedish.

To Swedfund International AB, corporate, identity number 556436-2084

## INTRODUCTION

We have been engaged by the Board of Directors of Swedfund International AB to undertake a limited assurance engagement of Swedfund International AB's Sustainability Report for the year 2022. The company has defined the scope of the Sustainability Report to the areas referred to in the GRI Index on pages 145-147 in this document.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 140, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding

compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## CONCLUSION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 24 March 2023  
Ernst & Young AB

Jesper Nilsson  
Authorized Public Accountant

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On these pages you see Judy Nyambura Mwangi and David Vundi Mwangangi. Judy holds a degree in Business Administration and work as Team leader at Premier Credit in Kasarani outside Nairobi, Kenya. David holds a bachelor's degree in Arts and Economics and work as Supakwik intern at Premier Credit in Kasarani.

Samuel Gichau Kirema which is portrayed on the back side of the cover holds a degree in Criminology and Security studies. Judy, David and Samuel was photographed for our Integrated report by photographer Ignacio Hennigs/Thought Leader Global.



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**Production:** Swedfund & Narva Communications  
**Photo:** Ignacio Hennigs/Thought Leader Global: Cover, and page 2, 12, 17, 18, 30, 31, 33, 34, 35, 37, 46, 54-55, 64-65, 73, 149, 152-153.  
Michael Tsegaye: sid 4, 5, 17, 34, 40, 42-43, 45, 47, 48, 56, 60, 61, 66, 83, 85, 90-91.  
Norfund: page 24, 25.  
Olof Holdar: page 0, 6, 7, 8, 9, 134-135.  
Sarawak Energy Berhad: page 65.  
Serengeti Energy: page 26, 27.  
Shutterstock: page 0, 10, 29, 55, 62, 63.  
Swedfund: page 1, 3, 13, 20, 21, 23, 30, 31, 36, 38-39, 58, 60-61, 77, 81, 127, 132-133, 139.



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