

# **OWNER INSTRUCTIONS FOR SWEDFUND INTERNATIONAL AB**

**(company registration no. 556436-2084)**

## **§1 Mission of the company**

The company shall:

a) contribute to the goal of Sweden's Policy for Global Development (PGD) for equitable and sustainable global development. The objectives of the company's operations are the goal of Sweden's international aid, to contribute to the creation of conditions for improved standards of living for people who live in poverty and oppression. The starting point for Swedish aid is based on the needs and circumstances of the poor and oppressed. Swedish aid shall contribute to long-term, concrete results to fight poverty and for financially, environmentally and climatically, and socially sustainable development;

b) ensure, in cooperation with strategic partners, participation in investments that are not assessed to be able to be carried out with commercial financing alone. Competition with commercial financial players shall be avoided. An assessment of the company's additional role shall be carried out ahead of investment decisions;

c) ensure that operations are conducted in a business-like manner. The investments shall be financially, environmentally and climatically, and socially sustainable. The company's operations shall promote the progress of gender equality. Investments in the energy sector shall focus on renewable energy, thereby precluding investments in fossil fuels. In preparing and taking decisions on investments, decisive importance shall be ascribed to their expected contributions to the aims of the operations in accordance with §1 a) above;

d) ensure that operations are guided by the principle of untied aid, with the exception of Swedpartnership and Strategic Project Development;

e) ensure that the investments take place in accordance with international norms and principles for sustainable enterprise, and within sound and clear corporate structures which do not contribute to tax evasion, money laundering or financing of terrorism;

f) invest in operations and in countries which, according to the OECD Development Assistance Committee (DAC) definition, qualify for development financing. Investments in low income countries and post-conflict countries should be given priority. Investments in upper middle income countries according to the OECD/DAC definition may be made under certain circumstances;

g) refrain from taking part in investments through intermediary jurisdictions which have been assessed within the framework of the OECD Global Forum Peer Review Process and that have thereby not been approved in Phase 1 or been deemed Partially Compliant or Non-Compliant in Phase 2.

## §2 Mission objectives and indicators

The operation shall be evaluated in terms of the following mission objectives;

### *a. Mission objectives relating to the economic sustainability of investments*

Economic sustainability is a prerequisite for each individual investment and a central component in the mission and the fight against poverty.

- Key ratios which measure turnover and profitability per investment.

The target level is that turnover and profitability shall increase over a period of five years, with the base year corresponding to the investment year.

### *b. Mission objectives relating to the environmental and climatic sustainability of investments*

In keeping with the clarified ambition in the 2015 Owner Instructions and a central component in the mission and the fight against poverty. The definition of “sustainable enterprise” is acting responsibly and minimising the risk of negative effects.

- Key ratios which measure CO2 per investment.

Key ratios shall be followed for the duration of the investment. A relevant target level shall be evaluated within three years.

- It is important that all investments are environmentally and climatically sustainable. In order to measure whether the investments and investment portfolio are climatically and environmentally sustainable, every third year (commencing 2017) Swedfund International AB should conduct an analysis of the manner in which climatic and environmental risks affect Swedfund’s investments and, in turn, the effects thereof on Swedfund International AB’s financial position. The analysis shall also include the largest environmental risks in the portfolio companies and the manner in which Swedfund International AB manages the same.

### *c. Mission objectives relating to the social sustainability of investments*

Social sustainability is a prerequisite for each individual investment and a central component in the mission and the fight against poverty.

- Key ratios which measure corporate tax per investment (in SEK) in accordance with information in the annual accounts of the respective company.

Key ratios shall be followed over the duration of the investment. A relevant target level shall be evaluated within three years.

- Key ratios which measure the ratio of men to women in executive positions (“executive position” means both company management and management groups) per investment.

The target level is that the ratio of men to women shall develop positively/approach an equilibrium over a five-year period with the base year corresponding to the investment year.

*d. Mission objectives relating to Swedfund International AB’s role in complementing the market*

Follow up on whether the investment is deemed capable of realisation exclusively by means of commercial financing and avoiding competition with commercial financial actors.

- Key ratios which measure the number of investments which are not deemed capable of realisation by means of commercial financing.

The target level is that 100% of the investments will be made where it is not deemed capable of realisation exclusively by means of commercial financing.

### **§3 Efficiency**

The company shall conduct operations in a commercial and efficient manner. Efficiency entails that:

- The largest possible share of Swedfund International AB’s resources shall be used for the investment operation; and that
- Swedfund International AB’s operations shall generate the greatest possible benefit when the mission objectives are achieved.

Efficiency is measured by:

- Total effect/benefit per investment - that the anticipated effects (the financial, environmental and climactic and social effects) comprising the conditions for the investment decision in respect of each individual investment develops positively over time (in which the base year corresponds to the investment year for each individual investment).
- Total cost per investment - follows the change in total cost per investment over time (2016 base year).

### **§4 Reporting**

The company shall:

a) in addition to the reporting necessary pursuant to applicable laws and guidelines, assist in the execution of the transparency guarantee in the aid for the purpose of increasing openness in Swedish development cooperation, among other things, by actively increasing public access to information about the company's operations;

b) to fulfil the requirements of §4 a) above, systematically and continuously assess and externally report on the overall result of the investments and their contribution to the aims of operations listed in §1 a) above. A summary report must be included in the Annual Report, based on monitorable indicators and with investments broken down into current and exited. Reports on activities shall also be sent to the International Aid Transparency Initiative (IATI), the OECD/DAC and the OpenAid.se information service;

c) in its annual report, report separately on financial and mission objectives adopted at the general meeting of shareholders;

d) annually, the company shall provide the Government Offices an accounting of:

- Activities and measurements in respect of §§ 2 and 3. This accounting shall be provided to the Government Offices as soon as possible after the beginning of the year.
- Use of capital contributions - which, where applicable, have been received during the preceding calendar year - by separately reporting costs, anticipated revenues and effects per investment including information regarding investment instruments, geography and sector. This accounting shall be provided to the Government Offices not later than 28 February.

## **§5 Validity**

These Owner Instructions supersede the former Owner Instructions adopted at the meeting on 8 December 2016. These Owner Instructions apply until otherwise decided by the general meeting.

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Adopted by a general meeting of the shareholders on 28 April 2017.