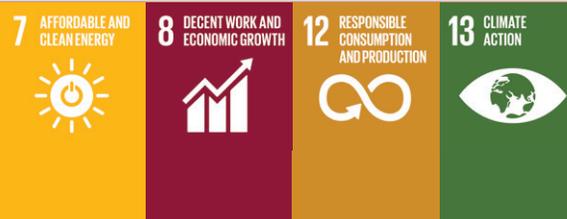


THE ENVIRONMENT & CLIMATE



INTRODUCTION | SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK: ▼ SDG 7.2 ▼ SDG 8.4 ▼ SDG 12.2 ▼ SDG 13.1 ▼ SDG 13.3

Climate change is one of the greatest challenges the world faces. The global average temperature increases, leading to a changing climate and more extreme weather such as droughts, floods, storms and a higher sea level.

The impact of these hit the world's poor the hardest. Not only do they often live in vulnerable areas, but they also have limited or no resources to use to adapt or recover from extreme weather and natural disasters. As the effects of climate change are exacerbated, the opportunities for them to take themselves out of poverty are reduced

The global economy is highly dependent

on fossil fuels, and it will take time to change course in a more sustainable direction. Developing countries need support to develop their societies with minimal environmental impact and also to carry out the necessary adaptations to the changing climate.

The need for energy investment in developing countries is enormous. Access to energy can generate significant development effects. Businesses report that the shortage of reliable energy is a fundamental impediment to development¹. At present, many companies in Sub-Saharan Africa have a diesel generator in reserve. Repeated interruptions in the energy supply make it essential to use these.

Swedfund strives to minimise negative climate impact in all our investments. Our environmental and climate work is integrated into our investment process but

with a slightly different focus in our selected sectors; financial institutions and funds, energy and manufacturing and services.

In 2014, renewable energy sources supplied 18 percent of global energy needs.² Swedfund makes new investments only in renewable energy with the aim of increasing this proportion. In the manufacturing and services sector, Swedfund makes every effort to find solutions which improve the use of resources.

During 2017, Swedfund developed a methodology to estimate the climate impact of all our portfolio companies. By measuring the present situation and then monitoring the trend over time, we can reach an understanding of the environmental and climate situation in our investments – and make the necessary improvements.

 **40%**

OF THE GROWTH IN ENERGY IN THE WORLD COMES FROM RENEWABLE SOURCES.³

GLOBAL EMISSIONS OF GREENHOUSE GASES FROM THE USE OF FOSSIL FUELS **ARE EXPECTED TO HAVE INCREASED BY TWO PERCENT IN 2017**⁴.

“THE EXPECTED TRANSITION TO A LOWER-CARBON ECONOMY IS ESTIMATED TO REQUIRE AROUND \$1 TRILLION OF INVESTMENTS A YEAR FOR THE FORESEEABLE FUTURE, GENERATING NEW INVESTMENT OPPORTUNITIES.”

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES – TCFD JUNE, 2017⁵

“CLIMATE ACTION IS A RACE AGAINST TIME.”

ANTONIO GUTERRES UN SECRETARY GENERAL, 2017⁵

120 MILLION

PEOPLE RISK BEING DRIVEN INTO POVERTY AS A DIRECT RESULT OF CLIMATE CHANGE IF CURRENT TRENDS CONTINUE UNTIL 2030.⁷

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ In our Due Diligence in preparation for an investment, we analyse the company's resource utilisation and impact on the environment.
- ▼ We work actively to minimise resource use and negative environmental impact. We place requirements on the implementation of environmental and social management systems within three years from the date of the investment.
- ▼ Swedfund only invests in the production of renewable energy.
- ▼ Development finance institutions fulfil an important role as sources of finance in the early stages of high-risk energy projects. In this, we act as catalysts and accelerate private investment within the renewable energy sector in Africa.

WE MEASURE RESULTS:

- ▼ We place requirements on portfolio companies to implement an environmental and social management system. We also monitor their implementation.
- ▼ We measure GWh of renewable electricity generated.
- ▼ We calculate the climate impact of all our portfolio companies. By measuring the present situation and then monitoring the trend over time, we can reach an understanding of the total environmental impact of our investments. On the basis of this knowledge, we can then make necessary improvements.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Swedfund's Sustainability Policy
- ▼ Swedfund's Position Paper on Climate Impact
- ▼ The investment managers