

Swedfund

SWEDFUND INTEGRATED REPORT 2023

VOICES FOR DEVELOPMENT FINANCE



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* Directors' Report pages 62-86

About this annual report

Swedfund's 2023 Integrated Report is an integrated annual report in which sustainability information is integrated with financial information, 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.



Voices for development finance

This year's concept is based on stories. Stories about our investments and feasibility studies and the value they create. About the people who gain access to employment and a livelihood, but also about other types of impact. Taxes that enable education and healthcare, access to renewable energy that help societies make the transition. Together with our portfolio companies, their employees and our partners, we want to tell the story about how development finance contributes to a sustainable future.

Reducing poverty through sustainable investments

Swedfund is Sweden's development finance institution with the mission of fighting poverty through sustainable investments in the world's poorest countries. We play a vital role in Sweden's development cooperation and the implementation of the 2030 Agenda for Sustainable Development.

WE FINANCE AND DEVELOP companies that contribute to sustainable growth, job creation and improved access to socially important products and services in developing countries. Through sustainable investments, we create the right conditions for people to support themselves and lift themselves out of poverty.

Our operations contribute to sustainable development by fostering improved access to electricity and digitalisation, enabling more enterprises to meet

international standards, promoting increased local value creation, and facilitating the diversification of economies, amongst others.

Swedfund was established in 1979 and is a state-owned company managed by the Swedish Ministry of Finance. Our 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.

Since our inception, we have invested in companies, financial institutions and funds in countries across Africa, Asia, Latin America and Eastern Europe. At the end of 2023, Swedfund had 73 investments, with 62 percent of the portfolio invested in Africa, mainly in sub-Saharan Africa. The value of our portfolio amounted to more than SEK 10 billion at the end of 2023.

Similar development finance institutions exist in fourteen other European countries, all of which are members of European Development Finance Institutions (EDFI).



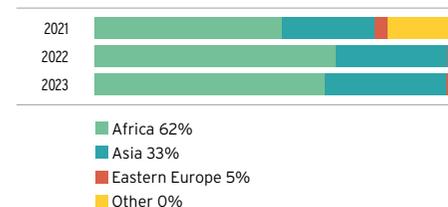
An entrepreneur weaves a basket in Addis Ababa, Ethiopia.



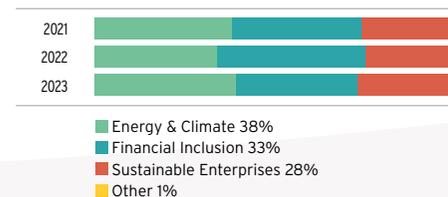
Portfolio distribution

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

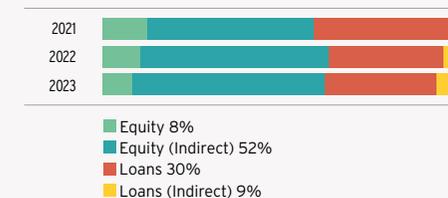
GEOGRAPHY



SECTOR



INSTRUMENTS



Our vision: A world without poverty

While Swedfund shares the same goal as Swedish development cooperation, we use other tools to achieve it. Our investments help to create more jobs with decent working conditions and improve access to essential products and services in the world's poorest 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 to support sustainable development. Our business model is based on three pillars: impact on society, sustainability and financial viability. We follow up and report a number of indicators.

Pillars



IMPACT ON SOCIETY

Our investments aim to have an impact on society in developing countries. We measure performance using the following indicators:

- Jobs
- Gender equality and women's economic empowerment
- Climate impact
- Tax revenues



SUSTAINABILITY

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

- Decent working conditions
- Management system for environmental and social issues, including human rights
- Management system for anti-corruption



FINANCIAL VIABILITY

We aim 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

→ Read more about our pillars on page 41.

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 some of the most vulnerable countries in Asia and Eastern Europe. Approximately 60% of Swedfund's investments are made in sub-Saharan Africa.

67%

Proportion of investments that increases both turnover and profitability

39%

Volume of mobilised capital of total contracted value

MSEK 1,460

Capital injection for 2023

Our additionality

According to Swedfund's Owner instructions, our investments must be additional in accordance with the OECD's definition. This means that we enable investments that would otherwise not take place. Swedfund assesses additionality from three perspectives: financially, in terms of sustainability and based on the investment's impact on society. A prerequisite within each new investment is that we contribute something in one of the dimensions. In addition to capital, it may be a question of providing skills to help companies develop in a sustainable direction. We often provide 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. We are catalytic by taking risks and showcasing opportunities. Our ambition is to act as a bridge to private capital and boost private investment in developing countries. Our risk management method aims to achieve risk optimisation based on our mission goals and business model, rather than risk minimisation in every respect.

→ Read more about our risks on pages 46-47.

Sectors

We invest in four sectors which we consider to be particularly important for achieving our goal: Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems. Climate, gender equality and women's economic empowerment, and digitalisation are three thematic areas that are integrated into all aspects of our work, irrespective of the chosen instrument, geography or sector.

Project Accelerator

The Project Accelerator carries out feasibility studies and capacity-building initiatives to develop sustainable and investable projects within critical infrastructure in developing countries. The projects are developed with a local project owner who thereafter implements it with financing from a development bank or a Swedish export credit solution. Swedish companies can be a part of the solution within sectors such as energy, water, digitalisation and sustainable transport. The Project Accelerator is an example of how synergies between trade and development cooperation can be utilised.

100%

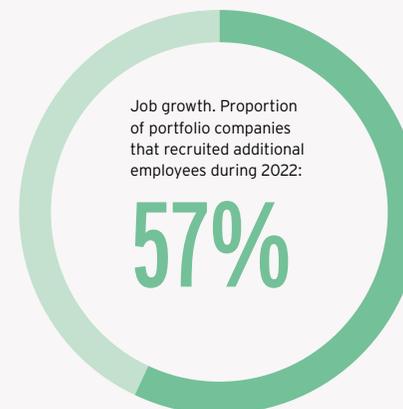
We only invest in renewable energy



A solar farm outside Pokhara, Nepal in which Doima Impact Fund has invested.

Impact and results at a glance

In our mission to contribute to poverty reduction through 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. The figures from 2023 show that our portfolio is performing as well as or better than last year in most of the indicators we use to measure the impact of an investment.



Return on the portfolio, IRR (see pages 76-77):

4.6%

Sector-specific results in line with each sector's Theory of Change

Energy & Climate

Energy production:
11 TWh

Number of households and enterprises with access to electricity via off- and mini-grids:
approx. **570,000**

Financial Inclusion

Number of microfinance loans:
approx. **8,100,000**

Number of loans to SMEs:
approx. **690,000**

Sustainable Enterprises

Number of jobs:
186,000

Tax revenues:
MSEK 6,886

Food Systems

Established:
2023

In 2023, we added a new sector to expand our work within the agriculture sector. By investing in production and processing, we aim to contribute to more efficient food supply.

Number of new investments during the year:
14

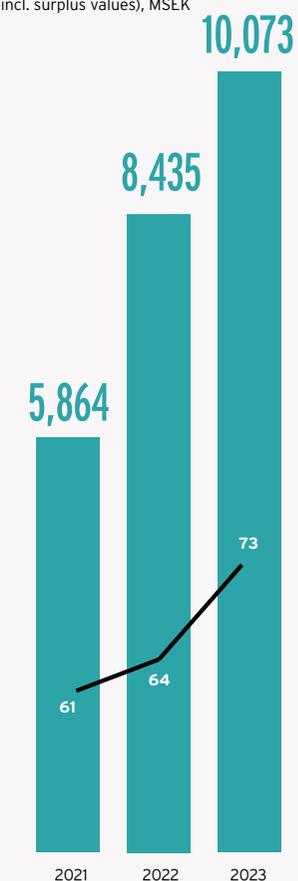
Number of investments concluded during the year:
3

Reported tax in total, SEK billion:
approx. 18.2

Number of jobs in the portfolio:
338,000

Number of portfolio companies and total contracted amount

(incl. surplus values), MSEK





Investments in 2023

Husk Power Systems

Type: **Equity (direct)**

Country/region: **India, Nigeria**

Sector: **Energy & Climate**

Amount: **MUSD 5**



In Nigeria, almost half of the population lacks access to electricity, while India is approaching 100 percent electrification but with electricity of varying quality and reliability.

Swedfund has invested an additional USD five million through equity in the existing portfolio company Husk Power Systems (Husk). Husk designs, builds, owns and operates solar-based microgrids in India and Nigeria. This additional investment will be used for the continued deployment of microgrids that enable increased access to clean, affordable and reliable energy in rural and semi-urban areas. We have been shareholders in Husk since 2017.



Vietnam Prosperity Joint Stock Commercial Bank

Type: **Loan (direct)**

Country/region: **Vietnam**

Sector: **Financial Inclusion**

Amount: **MUSD 25**



Vietnam has successfully reduced poverty for several years. According to the United Nations Development Programme (UNDP), the main reason is that Vietnam has prioritised investments for increased productivity and job creation in a range of sectors and industries. Vietnam is one of Southeast Asia's fastest-growing economies with a clear ambition to develop its private sector sustainably. It is therefore important that the country's financial sector is strengthened and that companies are given the opportunity to grow.

Small and medium-sized enterprises in Vietnam account for 98 percent of all enterprises and 40 percent of the country's GDP. Swedfund's loan to Vietnam Prosperity Joint Stock Commercial Bank provides the bank with complementary long-term financing, which is expected to support private sector growth, especially for small and medium-sized enterprises. The loan is part of a syndicate with other development finance institutions led by the International Finance Corporation (IFC) and is our first direct investment in Vietnam's financial sector.

Horizon Capital Growth Fund IV

Type: **Equity (indirect)**

Country/region: **Ukraine, Moldova**

Sector: **Sustainable Enterprises**

Amount: **MUSD 15**



Russia's full-scale invasion of Ukraine has had a major impact on the Ukrainian economy and has limited access to capital for businesses and others. However, companies in Ukraine's IT sector have quickly adapted to the new circumstances. The sector expanded by six percent in 2022 to over USD 7.3 billion in service exports and it paid over USD 1.5 billion in taxes and duties. These companies continue to create jobs, especially for the young population in Ukraine and Moldova.

Swedfund has agreed on an indirect equity investment of up to USD 15 million in Horizon Capital Growth Fund IV. Horizon Capital is a leading firm in Ukraine and the manager's fund IV is targeting investments in the IT sector in Ukraine and Moldova. The fund is expected to contribute to the creation of more jobs and export revenues for both countries as well as the continued development of the private sector in Ukraine and Moldova.

→ Read more about our work in Ukraine on pages 24-27.

E3 Low Carbon Economy Fund I

Type: **Equity (indirect)**

Country/region: **Sub-Saharan Africa**

Sector: **Energy & Climate**

Amount: **MUSD 10**



Enabling early-stage companies to grow and develop their business in areas such as renewable energy and digitalisation contributes to economic growth and job creation. Given this context, we made an indirect equity investment of USD ten million through E3 Low Carbon Economy Fund I (E3). E3 is focused on investments in renewable energy, climate and digitalisation in developing countries in sub-Saharan Africa. Kenya, South Africa, Ghana and Nigeria are examples of countries in which investments will be made.

The fund's strategy is to primarily invest small amounts in relatively new companies in three areas: off-grid renewable energy solutions; digital products and services; and low-carbon products and services that may include electric vehicles.

Transform Health Fund

Type: **Equity (indirect)**

Country/region: **Sub-Saharan Africa**

Sector: **Sustainable Enterprises**

Amount: **MUSD 5**



The healthcare systems in many African countries are not sufficiently robust or developed to meet the extensive needs that exist. According to the WHO, a combination of measures from public and private actors is necessary to establish a functioning health sector in these countries.

Swedfund has agreed on an indirect loan investment in the health sector through Transform Health Fund, which geographically prioritises investments in sub-Saharan Africa. The fund will provide debt financing to small and medium-sized enterprises to develop innovative healthcare models and digital solutions that contribute to a more resilient healthcare ecosystem in Africa.

Amethis Fund III

Type: **Equity (indirect)**

Country/region: **Africa**

Sector: **Sustainable Enterprises**

Amount: **MUSD 20**



A majority of Africa's young population lacks stable economic conditions. About a third of Africa's 420 million young people aged 15–35 are unemployed. Nine out of ten jobs are created in the private sector and investments are required for companies to grow and employ more people.

Swedfund made an indirect equity investment in Amethis Fund III, a generalist fund focused on several industries, mainly in consumer products and services. The fund's geographic focus is all of Africa, with East Africa and West Africa expected to account for the largest share of investments. In addition to job creation, Swedfund's investment in Amethis will contribute to the mobilisation of private and institutional capital.



South Asia Growth Fund III

Type: **Equity (indirect)**

Country/region: **India, Southeast Asia**

Sector: **Energy & Climate**

Amount: **MUSD 25**



In India and countries in Southeast Asia, many sectors show good growth potential, and in many cases, this is combined with a growing population. To facilitate green growth and reduce dependence on fossil fuels, investments in green solutions that lead to reduced carbon dioxide emissions and climate impact are required.

Swedfund has agreed on an indirect equity investment in South Asia Growth Fund III. The fund has a broad mandate to invest in various sectors where the focus is on climate benefits and resource efficiency in the agricultural sector and other sectors that include energy efficiency, mobile and digital solutions, recycling, water and sanitation.

Mirova Gigaton Fund

Type: Loan (indirect)

Country/region: Sub-Saharan Africa, Southeast Asia, Latin America

Sector: Energy & Climate

Amount: MUSD 30



Increased access to affordable, reliable and sustainable energy is crucial to achieving the Sustainable Development Goals. Today, about 760 million people lack access to electricity, which negatively affects countries' development and economic growth. According to the International Energy Agency, investments in renewable energy equivalent to USD 660–730 billion are needed to achieve the Sustainable Development Goals. This involves replacing fossil energy with renewable energy sources and increasing capacity to meet increased energy needs globally.

Our investment in Mirova Gigaton Fund aims to increase access to off-grid solar energy solutions. The investment enables debt financing of companies developing such solutions. The fund has a broad geographical mandate, but primarily targets countries in sub-Saharan Africa, Southeast Asia and to a lesser extent Latin America. We are helping to strengthen the fund's sustainability efforts in areas such as environmental and social issues and women's economic empowerment.

Apis Growth Markets Fund III

Type: Equity (indirect)

Country/region: Africa, South Asia, Southeast Asia

Sector: Sustainable Enterprises

Amount: MUSD 32



An obstacle to development and sustainable growth is the lack of well-functioning financial services such as savings, payment solutions or similar in developing countries. Swedfund has made an indirect equity investment in Apis Growth Market Fund III (Apis III), a fund that targets companies at the intersection of finance and technology in Asia and Africa. Apis III focuses primarily on companies in Egypt, India, Indonesia, Kenya and Nigeria.

Our investment is expected to contribute to increased digitalisation and innovation, improved access to and quality of financial services and the creation of jobs with decent working conditions. We have invested in two previous funds with the same fund manager and the investment in Apis III alongside other development finance institutions has enabled significant mobilisation of private capital. Our investment also contributes to the development of Apis's work with women's economic empowerment.

African Rivers Fund IV

Type: Loan (indirect)

Country/region: Sub-Saharan Africa

Sector: Financial Inclusion

Amount: MUSD 15



Increased access to long-term financing and value creation for small and medium-sized enterprises, as well as increased employment, income and women's economic empowerment, contribute to sustainable private sector development in Africa.

We agreed on an indirect loan investment through a commitment of up to USD 15 million in African Rivers Fund IV (ARF IV). Swedfund has invested as a shareholder in the manager's previous fund, African Rivers Fund III, and the investment in ARF IV expands its involvement in countries such as the Democratic Republic of Congo, Uganda, Angola and Zambia. ARF IV is a credit fund with a broad and general focus on several industries. The fund helps to increase access to finance for small and medium-sized enterprises in challenging markets where there is a high demand for growth capital.



Joliba Capital Fund IType: **Equity (indirect)**Country/region: **Africa**Sector: **Sustainable Enterprises**Amount: **MEUR 15**

Enabling small and medium-sized enterprises in the least developed regions of francophone Africa

to grow is essential to contribute to private sector growth, tax revenues, job creation and women's economic empowerment.

Swedfund has agreed to make an indirect equity investment in Joliba Capital Fund I. The fund is primarily focused on consumer sectors including financial services, consumer goods, insurance and education. The geographic focus of the fund is mainly countries in West Africa and Central Africa.

South East Asia Clean Energy FundType: **Equity (indirect)**Country/region: **Southeast Asia**Sector: **Energy & Climate**Amount: **MUSD 12**

Sustainable economic development and reduced inequality in Southeast Asia can be made possible by making growth capital available to young companies whose business ideas actively contribute to accelerating the green transition in some of the region's most fossil fuel intensive and rapidly growing economies.

Swedfund agreed on an indirect equity investment through a commitment of up to USD twelve million in Southeast Asia Clean Energy Fund II (SEACEF II). SEACEF II is an early-stage fund that invests in projects and companies in renewable energy, energy efficiency and e-mobility.

The fund focuses on countries in Southeast Asia, primarily Indonesia, Vietnam and the Philippines, and the investments are expected to contribute to climate change mitigation in a region characterised by high emissions from its largely fossil fuel-based energy production.

Evolution IIIType: **Equity (indirect)**Country/region: **Sub-Saharan Africa**Sector: **Energy & Climate**Amount: **MUSD 25**

In sub-Saharan Africa, access to reliable and clean electricity still lags behind most other parts of the world. With an electrification rate of 46 percent, 590 million people still have no access to electricity, reinforcing socio-economic inequalities and hindering economic development.

We agreed on an indirect equity investment through a commitment of up to USD 25 million in the first closing of the fund Evolution III. Evolution III is a fund with a broad focus on investments in renewable energy and energy efficiency with a focus on several countries in sub-Saharan Africa. Swedfund has also invested in the fund manager's previous fund Evolution II.

d.lightType: **Loan (direct)**Country/region: **Sub-Saharan Africa, India**Sector: **Energy & Climate**Amount: **MUSD 1**

Access to affordable and reliable electricity is an important factor for poverty reduction and job creation, and a prerequisite for achieving the Sustainable Development Goals.

An additional investment of up to USD one million was agreed in the existing portfolio company d.light. d.light operates in Africa and India and offers, amongst others, solar panels for off-grid energy supply in rural areas where there is often no connection to the larger electricity grids.

Swedfund has been a shareholder in d.light since 2018 and the current additional investment is in the form of a convertible loan.





Swedfund's investments accelerate progress on sustainable development

THE LAST FEW YEARS have been marked by global challenges and crises, such as Russia's full-scale invasion of Ukraine, the Covid-19 pandemic, conflicts flaring up in the Middle East and the increasing frequency of climate-related natural disasters. Combined with macroeconomic challenges, this has led to reduced flows of foreign direct investment into developing countries and an increased risk profile of Swedfund's investment countries. Despite this uncertainty, Swedfund's pace of investment during the 2020–2023 business plan was higher than ever. This has been made possible thanks to dedicated and competent employees who have worked hard to overcome unexpected challenges, a business model that has proved to work well in crises, and the government's and parliament's confidence in Swedfund as demonstrated by the increased capital injection.

The climate crisis is one of the greatest challenges of our time, and it is gratifying to note that historic decisions were taken during COP28 by including decarbonisation in the global climate agreement for the first time. The earmarked capital injection of MSEK 460 approved by parliament allows us to accelerate investments in climate mitigation, adaptation and resilience. The Energy & Climate sector saw the greatest expansion in terms of investment volume during the business plan period. In this sector, Swedfund

contributes to the green transition by investing in increased capacity for renewable energy production, climate mitigation and increased societal resilience. During 2023, we invested SEK 2.5 billion in poverty reduction, climate and development. SEK 1.46 billion was financed through the capital injection approved by parliament and the remaining through reflows from exited investments. Collaboration between the EU and the European development finance institutions deepened and increased in scope, particularly regarding the implementation of the Global Gateway and Team Europe initiatives. Development finance institutions are considered to be important actors in their implementation. We have raised our ambition regarding an increased number of investments in the food sector. In early 2024, we invested in Apollo Agriculture, which provides smallholder farmers in Kenya with agricultural products along with distribution, advice, insurance and financing. The investment is also the first to deploy a Global Gateway guarantee.

In 2023, we agreed on 14 new investments in the Energy & Climate, Financial Inclusion and Sustainable Enterprises sectors. This contributed to a portfolio value amounting to just over SEK ten billion at the end of 2023 and a portfolio value increase of SEK 1.6 billion. Operating profit, excluding currency effects, amounts to MSEK -16 for the full year, with the



A significant milestone in 2023 was the doubling of our portfolio size. An increased portfolio size enables us to generate greater impact by creating more jobs with decent working conditions, increasing women's economic empowerment and improving access to electricity.

negative result being primarily attributable to write-downs in the equity and fund portfolio. Dividends and net interest income continued to develop positively during the fourth quarter, contributing to a positive operating profit where recurring income exceeded operating expenses by a good margin. The return on the investment portfolio expressed through IRR remained stable at the end of the year, corresponding to 4.6 percent of the total portfolio.

We continue to demonstrate good results that align with our business model's three pillars and mission objectives.

- Approximately 338,000 people work in our portfolio companies. 57 percent of our investments have increased their number of employees and we have contributed to 1.9 million indirect jobs.
- Our investments contribute to 11 TWh in energy production and around 570,000 households and companies have gained access to energy through off and minigrids.
- We have provided capital to small and medium-sized enterprises through 690,000 loans.

During the year, Swedfund had a particular focus on Ukraine. As a development finance institution, Swedfund can create the right conditions for further development of Ukraine's private sector. Our experience in

operating in high-risk conflict areas with both investments and feasibility studies can support Ukraine's recovery and economic resilience. At the start of the year, I visited Ukraine to sign Swedfund's investment in Horizon Capital Growth Fund IV in the presence of President Volodymyr Zelenskyy. The fund invests in small and medium-sized enterprises in Ukraine and Moldova's IT sector, a sector which has continued to grow during the war and contributes to jobs as well as tax and export revenues in Ukraine. Together with 16 other development finance institutions, we signed an agreement with the European Bank for Reconstruction and Development to coordinate and share risk in investments in Ukraine. Through feasibility studies and capacity-building efforts in Ukraine, we are laying the foundations for more sustainable infrastructure projects in sectors such as digitalisation, water, waste and energy. Through the Project Accelerator, we contribute to more sustainable and investable projects in which Swedish companies can be part of the solution to meeting local infrastructure needs in Ukraine.

We are very proud of our achievements during the outgoing strategy period 2020–2023. A significant milestone in 2023 was the doubling of our portfolio size. An increased portfolio size enables us to generate greater impact by creating more jobs with decent working conditions, increasing women's economic

empowerment and improving access to electricity. During 2023 we opened a regional office in Abidjan, Côte D'Ivoire, to scale up investments in West Africa where there are great investment needs and good opportunities for further investments. At the same time, the region is characterised by political instability, meaning investments are made in a challenging context.

We enter the new year with a new strategy for 2024–2030. Our strategy is based on the expertise and areas that we have developed over the past years. Based on our experience and know-how, we aim to triple our contribution to the Sustainable Development Goals during the upcoming strategy period. This will be achieved by using our two instruments, investments and feasibility studies, which enable us to work holistically with sustainable development and inclusive growth during a time in which demand for our instruments is very high. During the coming strategy period, we will strive to enhance progress towards achieving the Sustainable Development Goals in partnership with other development finance institutions, private actors, institutional investors and civil society.

MARIA HÅKANSSON,
Chief Executive Officer

Results in line with our mission objectives

Proportion of portfolio companies in the active ownership phase that comply with the ILO's core conventions



Proportion of investments fulfilling the 2X Challenge criteria



Proportion of mobilised capital



Proportion of investments increasing turnover and profitability



The portfolio's total emission of greenhouse gases per invested Swedish krona



➔ Read more about our mission objectives on page 36.

2

VOICES IN
OUR WORLD



2023

Halfway to the 2030 Agenda

The 2030 Agenda for Sustainable Development and the Paris Agreement collectively form an action plan with the aim of leading to peace, prosperity, lower emissions and sustainable growth. Halfway to the year 2030, we can see that developments are not heading in the right direction. Progress on some goals has stalled, while progress in other areas is regressing - a trend exacerbated by the global crises of recent years. Part of the solution to reverse the trend is sustainable investments in companies that can contribute to inclusive economic growth, job creation, digitalisation and the green transition.

THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) were adopted in 2015 by all UN member states. The years following its adoption saw a number of positive trends. Extreme poverty and child mortality continued to decline. Progress was made in the fight against diseases such as HIV and hepatitis. Access to electricity in the poorest countries improved, as did the proportion of renewable energy sources in the energy mix. Globally, unemployment was back at levels not seen since before the 2008 financial crisis.

Today, it is clear that much of this progress was built on fragile foundations, and that too little progress was made in many areas. Several interconnected and global crises, including the coronavirus pandemic, Russia's invasion of Ukraine and the ongoing climate crisis, have presented significant additional challenges to implementation. 2023 marks seven years left until 2030, the year the goals must be achieved. Despite the negative trend, it is still possible to reverse the development and positively influence individuals, societies and the climate and, in the long run, contribute to more voices being heard and more opportunities for action for developing countries that are particularly vulnerable.

How are the SDGs progressing?

The UN's assessment of the approximately 140 targets for which data is available shows that around half of the targets are heading in the wrong direction. If current trends persist, an estimated 575 million people will continue to live in extreme poverty by 2030, with only around a third of countries achieving the target of halving national poverty levels. Global hunger is back at levels not seen since 2005, and food prices are still higher than in 2015–2019. In addition, the window for limiting global warming to 1.5°C is shrinking, which is what will be necessary to prevent the worst effects of the climate crisis.

At the current rate, it will take an estimated 140 years for women to be equally represented in leadership positions in the workplace, and 47 years to achieve equal representation

A project for sustainable potato cultivation in Kenya via our portfolio company Platcorp.





To succeed, we must leverage the efforts of various stakeholders who, with their respective mandates, methods and tools, can collaborate effectively to achieve shared objectives.

in national parliaments. Approximately 660 million people will continue to lack access to electricity, while nearly two billion individuals will be reliant on fossil fuels in 2030. Given this context, there remains a significant demand for sustainable investments.

Developing countries worst affected

Developing countries and the poor are to a greater extent affected by these developments. Since the pandemic, many countries are grappling with unprecedented increases in debt and an economic situation further exacerbated by high inflation, rising interest rates and geopolitical tensions. The limited fiscal scope restricts governments' capacity to implement reforms and launch support packages to strengthen the economy, enterprises and societal resilience. The capital available in the global financial system is sufficient, but not enough is being channelled to sustainable development to the extent and speed that is necessary to achieve the SDGs and the Paris Agreement. The funding gap for developing countries to achieve the goals is estimated at USD 2.5–3 trillion per year.

However, there is a silver lining. There are positive developments taking place within digitalisation,

with millions of people now having access to mobile networks and an internet connection. The increase is particularly rapid among low and middle income countries. Digitalisation is fundamental for sustainable and inclusive development and plays an important role in innovation, growth and job creation.

Investments promote growth

Trade and investments are mutually reinforcing and promote economic growth in developing countries. Between 1990 and 2017, the share of global exports among developing countries rose from 16 to 30 percent, while over the same period, global poverty levels fell from 36 to nine percent. Though not all countries have benefited equally, trade has overall generated strong economic growth and helped lift around one billion people out of poverty. At the same time, conducting trade between African countries is both expensive and time-consuming due to structural and actual obstacles such as a lack of infrastructure, weak institutions, corruption and the fact that many countries export similar and competing products. According to the United Nations Conference on Trade and Development (UNCTAD), only around two percent of global trade in 2015–2017 occurred between



Small enterprises in Ilani market outside Nairobi, Kenya.



African countries. The corresponding figure for Europe was 67 percent. The African Continental Free Trade Area (AfCFTA) agreement signed in 2021 has the potential to expand intra-African trade, deepen regional integration, and promote investment on the continent.

The situation in developing countries in Asia is different. A rapidly growing middle class and consumption patterns that have shifted due to the coronavirus pandemic has led to a strong recovery and a growing digital economy. Trade is more integrated within the region than in sub-Saharan Africa, but certain trade barriers continue to present challenges.

Sustainable investments can help to improve value chains locally, link a country's economy with global value chains, and foster economic growth and innovation. At the same time, foreign direct investments in Africa account for only 3.5% of total global flows in 2022. Development finance institutions operate in high-risk environments and can help mobilise additional private capital to developing countries through extensive experience and knowledge of sustainable investments in challenging contexts.

The importance of partnership and collaboration

The 2030 Agenda is underfunded and development finance institutions have a key role in accelerating its implementation. To succeed, we must leverage the efforts of various stakeholders who, with their respective mandates, methods and tools, can collaborate effectively to achieve common objectives.

Investing with other like-minded organisations is important to bring about change. Swedfund is one of 15 members of the European Development Finance Institutions (EDFI). At a strategic level, EDFI's agenda is harmonised with the Sustainable Development Goals. We often work together, and more than half of

all investments are made with one or more development finance institutions. Swedfund also works in partnership with other organisations, including civil society organisations, development banks, other business partners and traditional aid organisations. Together, we can accelerate the pace of investment in developing countries and contribute to the realisation of the SDGs.

Our contribution to the SDGs

Swedfund contributes to all of the sustainable development goals. Poverty reduction (Goal 1) is directly linked to our mission. Our focus on gender equality (Goal 5), decent work (Goal 8), equality (Goal 10) and climate (Goal 13) permeates all of Swedfund's operations and investment processes.



A circular portrait of Moky Makura, a Black woman with short dark hair, wearing a white collared shirt, smiling slightly. The portrait is set against a light grey circular background that overlaps with the main page background.

Interview

Moky Makura

Shifting the African narrative

Moky Makura is Executive Director at Africa No Filter, an organisation working to shift the narrative on Africa. She tells Swedfund about how contemporary and nuanced accounts can be a tool to influence the continent's development.

Africa No Filter's mission is to change the narrative on Africa. Why does this matter?

Narratives matter because they inform our worldview – our beliefs and ultimately our actions. The narrative about Africa as a broken continent, dependent and lacking the agency to make the change it needs is a persistent one – especially in the development sector. This narrative informs how the world sees Africa and increasingly how Africa sees itself. It's a narrative that has implications on aid and trade policies as well as investment and business, but also increasingly on African migration.

Africa No Filter has previously addressed the relevance of culture and creativity in the continent's development. Could you describe this connection and your view on it?

The creative industry aligns with Africa's demographic and urbanisation shifts. It's a low barrier entry sector that can help tackle unemployment. It also harnesses the inherent talents and strengths of the continent – our youth and our cultural assets in music, film, fashion, art and food. These are already areas where we are excelling, and they are helping to redefine the continent for an entire generation. These assets present a huge opportunity for us, and if properly unleashed, could have a transformational impact on Africa's development trajectory.



Kevin Anderson, teacher at The Red Hill Education Centre i Kangemi, Kenya och a Premier Credit client.



Stories do something powerful that data alone can't do - they inspire and provide hope. Hope is what we really need to drive Africa's development agenda, because without inspiration or hope nothing will happen.

In your opinion, what are the concerns and hopes of the upcoming generation in Africa?

I don't think the concerns and hopes of African youth are any different to the concerns and hopes of youth all over the world. They want the same things and they have largely the same aspirations. A recent Afrobarometer survey showed that employment is at the top of their agenda. The difference between African youth and youth in other parts of the world is that in some cases they are lacking the most important ingredient for success: hope. We need people to believe that African youth are not a 'ticking time bomb' but a resource to be nurtured and a huge opportunity for the continent.

Do you think digitalisation can bring about new opportunities for the continent's private sector, and if so, what are they? Do you see any challenges?

I think it would be foolish to think that the rapid change we are seeing across the world from the effects of digitalisation won't affect Africa positively - we are already seeing its effects in so many areas.

It presents us with an opportunity to leapfrog without following traditional development paths; we can chart a new course. Take the mobile telecommunications sector as an example. In just 36 years, the sector has connected over half a billion people in Africa, created thousands of jobs

as well as successful indigenous companies. Africa leapfrogged over its challenge of poor and non-existent fixed-line infrastructure and blasted into a bright new future.

The leap was possible because of new technology, cheaper infrastructure, more affordable products, competitive markets, an enabling regulatory environment and business models designed for the mass market. As a result, Africa today has the fastest-growing mobile market globally. One of the biggest challenges is the cost of data in Africa, prohibiting young people from accessing what is available to their western counterparts for a fraction of the cost. That's when you start understanding the inequity in the system. The digital divide is real.

Given the current status of the world, many people are struggling to feel hope and find stories of positive development. Do you have a story of hope to share with us?

I don't have just one story of hope, I have many. Africa No Filter funds a news agency called bird which puts out success, progress and human-interest stories that make you rethink what you know about the continent. Since it started two years ago, bird has published over 1,400 of these narrative-changing stories that offer hope for Africa.

For example, a story about how electricity access in Africa is higher than previously thought thanks to off-grid solutions. Another story about

how across the continent, ten nations are scripting a new narrative of empowerment and transparency and topping the Press Freedom Index, signalling greater press freedom in parts of Africa. Also, a home-grown African company that is breaking into the Chinese market with a product enabling users to monetise their WiFi connections.

How do you think development finance institutions can contribute to Africa No Filter's mission to change the narrative on Africa?

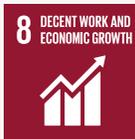
In his book Factfulness, Hans Rosling wrote, "The world cannot be understood without numbers. But the world cannot be understood with numbers alone". We need stories because they provide the nuance and context that is often missing with data. We need stories to help us understand what is really going on here in Africa, and stories do something powerful that data alone can't do - they inspire and provide hope. Hope is what we really need to drive Africa's development agenda because there is nothing that happens in this world without inspiration or hope.

All this to say that storytelling is an intrinsic part of the global development mix, and for something so important is woefully overlooked as a development tool.

We need investment into the creative economy, for example in African story platforms, local media, local distribution networks and for the storytellers themselves. It's the only thing that really matters.

JOBBS

with decent working conditions contribute to inclusive and sustainable economic growth



Recent global crises have exacerbated existing challenges in developing countries, leading to lower economic growth, higher unemployment and increased poverty. Sustainable investments create new jobs and can help meet the needs of a growing and increasingly urbanised population, and seize the opportunities that it brings about.

THE GLOBAL LABOUR MARKET is undergoing a period of change. According to a report by the World Economic Forum, 23 percent of all jobs globally will change over the next five years due to increased use of technology, the green transition and macroeconomic events. At the same time, the health, geopolitical and economic crises of recent years have already affected employment worldwide, and demographic shifts are likely to lead to even more changes over the coming years.

More people are living in cities

Sub-Saharan Africa accounts for more than half of the global population growth expected by 2050. The world's 46 least developed countries are expected to have the highest population growth by 2050. Some of these countries will double their population between 2022 and 2050, putting enormous pressure on resources and posing major challenges to the fulfilment of the SDGs. The UN has warned that it will become increasingly difficult to fight poverty, hunger and malnutrition and at the same time increase capacity in areas such as healthcare and education systems at the necessary pace.

In parallel with population growth, more and more people are moving to cities. Africa is forecast to have the fastest rate of urbanisation in the world, with an additional 950 million inhabitants living in cities by 2050. Much of this increase is taking place in small and medium sized cities. While urbanisation brings opportunities for growth, digitalisation and innovation, it also presents challenges.

One challenge is that 600 million new jobs will need to be created by 2030. In addition, the majority of jobs will need to be created in developing countries, where the economic situation is difficult due to high inflation, subdued growth and high levels of debt. More than 72 million young people in Africa today are unemployed, the majority of whom are young women. Almost half of the continent's young population has considered emigrating in search for work. In a survey by the research institute Afrobarometer, respondents were asked what their country's biggest problem is. 40 percent answered unemployment. A majority of these people also said they would sacrifice their democratic rights in order to get a job.

Private sector development and trade part of the solution

Although the situation is challenging, there is considerable potential in the private sector, in which nine out of ten jobs are created. Every new job creates ripple effects and leads to positive development effects. Employment is the single most important way out of poverty, and every job supports on average between five and seven people. Parallel efforts are necessary to create more jobs. Policy reforms are needed to create favourable conditions, combined with investments in the public sector to build human capital and in the private sector to enable businesses to grow and employ more people. A positive trend can be seen in the increasing levels of education. The proportion of young people in Africa with upper secondary or post-secondary education could reach 34 percent by 2040, compared to 23 percent in 2020.

Trade is another important aspect of job creation and economic growth. Trade spreads ideas and innovations that contribute to sustainable development. However, it is currently both expensive and time-consuming to conduct trade on the African continent.



Knight Kegode,
food entrepreneur.

In a survey by Afrobarometer, respondents were asked what their country's biggest problem is. 40 percent answered unemployment. A majority of these people also said they would sacrifice their democratic rights in order to get a job.

Investment in infrastructure is therefore urgently needed to link countries and regions together.

In addition to improved infrastructure, companies need to be able to grow to contribute to sustainable growth. Micro, small and medium enterprises account for 70 percent of all formal jobs in developing countries. Sub-Saharan Africa has a strong entrepreneurial spirit and its population has the highest percentage of people running start-ups. Promoting entrepreneurs' access to information, capital and markets creates good opportunities for job creation and growth.

Formalising informal jobs

To create positive development effects, the jobs that are created also need to be productive, offer decent working conditions and be covered by social safety nets. Initiatives that create this type of job can have a major impact on poverty reduction and economic development.

The informal sector presently dominates the labour market in developing countries. Around 85 percent

of sub-Saharan Africa's population is employed in the informal sector, a high proportion of whom are young people and women. The positive aspect of the informal sector is that it offers many jobs, which is particularly important in countries with a population growth rate that exceeds the number of new jobs in the formal sector. On the negative side, these tend to be low-productivity jobs that often lack decent working conditions.

Female entrepreneurs

Another aspect of creating jobs and growing economies is the importance of investing in female entrepreneurs. In developing countries, the proportion of female entrepreneurs is increasing, and there are between eight and ten million formal small and medium-sized enterprises (SMEs) with at least one female owner. Women face many barriers when expanding their businesses, despite a greater contribution to society as a whole by, for example, spending a higher proportion of their income on their

children's education. Likewise, companies with a gender-equal leadership tend to be more productive. A barrier to growth in women-owned enterprises is access to capital. Women generally have poorer access to basic banking services such as personal and savings accounts, and often have to rely on loans from family and friends or microloans to finance their businesses.

Development finance institutions contribute to job creation

Development finance institutions contribute to job creation by investing in SMEs to help them grow and employ people, as well as through other investments. Investments in renewable energy create indirect jobs by providing the private sector with cost-effective and reliable electricity. By prioritising sustainability aspects of investments, decent working conditions are ensured. This means, for example, that jobs are fairly remunerated, the workplace is safe, employees have access to social safety nets, and that employees enjoy the freedom to express their opinions, establish

or join a union, and take part in decisions that affect their work situation. Development finance institutions also help female entrepreneurs access capital by investing in banks, financial institutions and microfinance institutions that provide loans specifically targeted at women. In addition, feasibility studies can contribute to job creation by making more projects investable and feasible.

➔ Read more about women's economic empowerment on pages 68-69 and about the Project Accelerator on pages 54-55.

CLIMATE

investments help
reverse the trend



Climate change is the greatest challenge of our time, and the changes are happening even

faster than previously feared. At the same time, we are far from powerless when it comes to slowing down the effects. To reverse the trend, more investments in emission reduction, adaptation and increased resilience are required.

NO PLACE IN THE world is immune to the devastating consequences of climate change. Rising temperatures are fuelling environmental degradation, natural disasters and extreme weather, and leading to rising sea levels, melting ice caps, the death of coral reefs, acidification of lakes and forest fires. These effects are, in turn, leading to increased food and water insecurity, poverty, macroeconomic disruption, conflicts, terrorism and refugee flows. It is clear we cannot carry on in the same way. The cost of dealing with the effects of climate change is now greater than the amount being invested in emission reduction. The time to take action and slow down the trend is now.

The IPCC's summary of climate research

The UN Intergovernmental Panel on Climate Change (IPCC) regularly publishes reports on climate change and its impacts. The latest report was presented in March 2023 and summarises five years of research. It shows that current greenhouse gas emissions will lead to increased global warming that is likely to mean that we will exceed 1.5°C between 2030 and 2035. To stay below the 1.5°C target, emissions must be cut by at least 43 percent by 2030 compared with 2019 levels, and by at least 60 percent by 2035.

Developing countries are worse affected

A study by Stanford University shows that climate change has increased economic inequality between developing and more developed countries by 25 percent since 1960. This is because climate change is a risk multiplier that exacerbates pre-existing challenges and hits developing countries and the poor the hardest. The World Bank estimates that the effects of climate change could push an additional 100 million people below the poverty line by 2030. In addition, climate change is leading to increased competition for resources such as land, food and water, fuelling socio-economic tensions and, increasingly, leading to mass displacement. According to the World Bank, more than 140 million people in sub-Saharan Africa, Latin America and South Asia will be forced to migrate by 2050 if no action is taken.

The developments can still be halted

However, research also shows that it is not too late to halt these developments. It will require major changes in society, such as how we produce food, use land, transport goods and electrify our economies. There are already technical solutions for more than 70 percent of today's emissions, and the use of electric vehicles is increasing. In many places, renewable energy has become cheaper than fossil fuels, and investments in renewable energy sources are increasing at a much faster rate.

At the COP28 UN Climate Change Conference, negotiations finally led to an agreement which could mean "the beginning of the end" of fossil fuels. For the first time in 28 years, all countries in the world have agreed to make the transition. The capacity of renewable energy will triple by 2030 and the pace at which technical solutions for carbon capture and storage are developed will accelerate. An agreement was also reached on a framework to strengthen the efforts to achieve the global adaptation goals of the Paris Agreement.

A positive development for biodiversity is that in March, after more than 15 years of negotiations, the UN finally agreed on a new global agreement for the protection of marine biodiversity. Among other things, the agreement contains rules to limit environmental impact and create protected areas in the open seas, which make up around 95 percent of the volume of the world's oceans. The agreement suggests that the UN's goal of protecting 30 percent of the Earth's surface by 2030 will be achievable.

Economies can grow and transition simultaneously

It is vital that developing countries' economies can continue to grow in order to create jobs and reduce poverty while also transitioning to a green economy. Improving access to cost-effective and renewable

energy will be key. Switching from fossil fuels to low-carbon energy sources can help maintain the same or even higher production rates while at the same time reducing emissions, which in turn will facilitate sustainable growth. Technological advances can also help by reducing the energy or other resources needed for production in the first place.

Investments in renewable energy also lead to more jobs. The positive impact on job creation is the result of longer and more diverse value chains, higher productivity levels and increased profits. Jobs in the renewable energy sector can be created either directly or indirectly along the entire value chain, for example in the manufacturing and distribution of equipment, the production of components, or in services such as installation and maintenance of equipment. Improving energy supply through renewable energy sources can also help to expand existing businesses in other sectors.

Climate adaptation is essential

For the green transition to succeed, investments in emission reduction will be needed in both high and middle-income countries, which are major emitters, and in developing countries which need to build up sustainable energy infrastructure. At the same time, substantial resources must also be invested in increasing resilience and adapting to the changes that are already taking place. Recent climate-related disasters, such as the floods in Pakistan, Nigeria and Chad, and the prolonged drought and famine in the Horn of Africa, demonstrate the urgent need for investment in adaptation measures.

South Asia is one of the regions most affected. Climate change could lead to a sharp deterioration in living conditions of around 800 million people in a region that already has some of the world's poorest and most vulnerable populations. Yet the region is also at the forefront of a number of climate-smart solutions, including innovative methods aimed at improving coastal resilience, increased renewable energy production and sustainable forestry. Accelerating and scaling up these efforts will be key to increasing

resilience to the region's rapid warming and reducing emissions. Overall, developing countries need an estimated USD 160–340 billion per year until 2030 to adapt to climate change, including major investment needs. However, less than ten percent of all climate finance is currently targeted at adaptation.

Development finance institutions help fill the funding gap

Development finance institutions such as Swedfund can contribute to both emission reduction and adaptation. Investments in renewable energy, energy efficiency, adaptation measures and carbon capture and storage can enable developing countries to make a direct transition to climate-smart solutions. Over the past five years, European Development Finance Institutions (EDFI) has jointly agreed to allocate EUR eight billion to climate investments in low and middle income countries. For the past two years, Swedfund has received capital injections earmarked for climate investments from the government, enabling further acceleration of investments in emission reduction, adaptation and resilience.

With our long track record of investing in developing countries and business models focused on sustainability and societal impact, development finance institutions also play a crucial role in mobilising private and institutional capital. Feasibility studies can also contribute to a holistic approach to the climate issue by ensuring that more projects consider sustainability aspects and become investable. The energy transition and sustainable economic development can be achieved with the combined experience in climate investments of both European development finance institutions and other partners and investors.

→ Read more about Swedfund's climate work on pages 66–67.



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DIGITAL

development - for inclusive and sustainable growth



Digitalisation is increasing around the world and represents an important cornerstone of sustainable and inclusive development. At the same time, digital inequalities persist between and within countries, between urban and rural areas, and between women and men. Recent advances in AI have the potential to contribute to increased efficiency, innovation and job creation if used correctly.

A COUNTRY'S LEVEL OF digitalisation plays an important role in innovation, economic growth and job creation. Research shows that a ten-percent increase in mobile services increases a country's GDP by half a percent. Today, 95 percent of the world's population lives in areas covered by mobile broadband. Despite this, only 57 percent uses mobile internet. However, usage is increasing, and three-quarters of the increase seen in 2022 occurred in low- and middle-income countries, in which the majority of people without internet access live. One in four people in the least developed countries is now connected. At the same time, the rate of increase has slowed, which may be caused by an increase in the cost of mobile phones and in the cost of living, combined with difficulties in reaching the poorest part of the population.

Digital infrastructure strengthens resilience

Digitalisation can strengthen resilience and improve our ability to manage crises. Digital technologies introduce tools and innovative solutions to help address environmental challenges. They can also be used to increase resilience to climate change and protect those most vulnerable to natural disasters. Countries that had invested in digital infrastructure proved to be more resilient to the coronavirus pandemic. This was due to the fact that both private and public sector operations could continue working, despite lockdowns in society.

Digitalisation has also been important for Ukraine's economic resilience against Russia. Ukraine ranks as one of the top global destinations for the IT outsourcing industry and has seen strong growth in technology exports and investments in recent years. The IT sector

has adapted rapidly to face the new circumstances following Russia's full-scale invasion. Innovation has accelerated and digital solutions have been developed as a result of many businesses being forced to relocate and adapt their operations. In some occupied regions, operators have been unable to maintain equipment, and telecom companies have constantly had to repair base stations and replace cables damaged by the war in order to restore services. Despite this, Ukraine has managed to maintain a level of mobile coverage that is amongst the best in the world thanks to operators working together. In addition, the IT sector grew by six percent in 2022, fetching over USD 7.3 billion in service exports.

The digital divide persists

Despite the positive effects of digitalisation, digital inequalities persist within and between countries, between different socioeconomic groups, and between women and men, hampering digital development. SMEs in particular face challenges in accessing and using digital technologies, primarily due to a lack of access to finance. In developing countries, mobile internet is used to a lesser extent in rural areas compared to urban areas.

Owning a mobile phone has proven to be an important tool for empowering women, as it facilitates the dissemination of information and services, amongst other benefits. At the same time, 19 percent fewer women use mobile internet, and of the 900 million women who are not connected, almost two-thirds live in South Asia and sub-Saharan Africa.

AI brings new opportunities and risks

Artificial intelligence (AI) is constantly improving and can now perform tasks that previously only humans could do. The new technology will lead to one of the biggest transformations in human history and a transformation of the economy with new goods and services. Most sectors, if not all, will be affected.

How AI should be used is a complex issue, and there are differing opinions regarding how it can contribute to the realisation of the SDGs. For example, there have

been reports about substantial quantities of water and energy being used to maintain the data centres that are used to train generative AI systems. Other challenges include built-in bias, unequal access, and potentially devastating consequences if the technology is used for the wrong purposes.

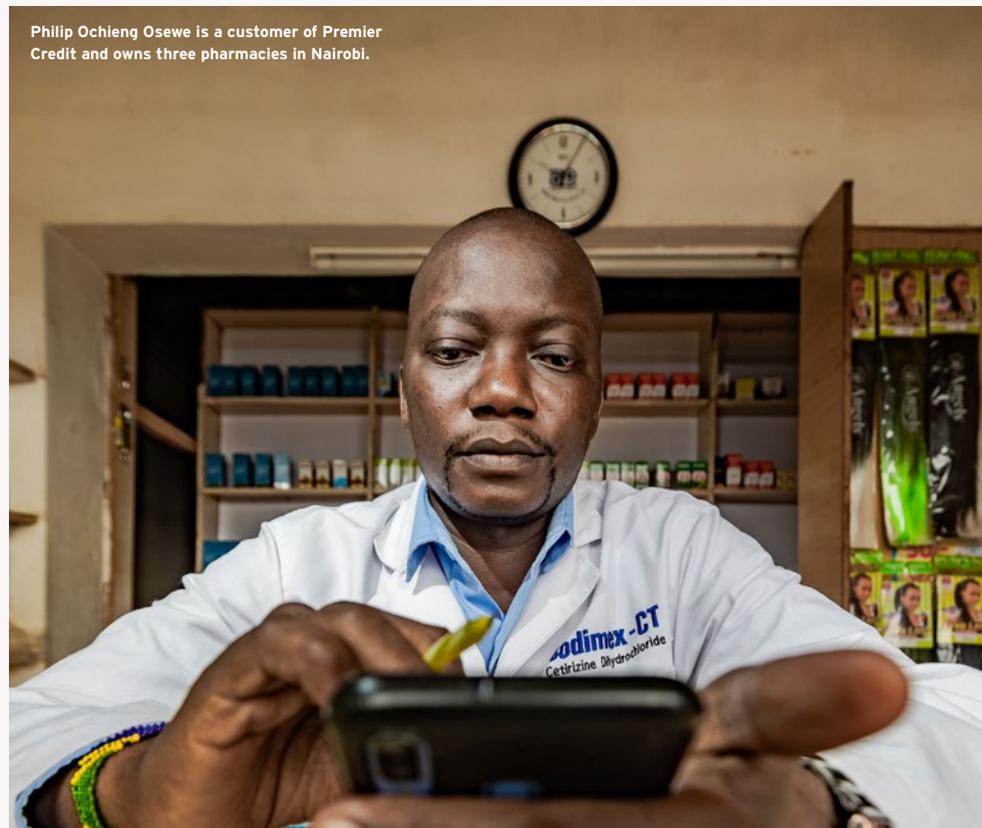
AI technologies have increased the scale, speed and effectiveness of digital repression. Automated systems have enabled governments to implement more precise and subtle forms of online censorship. A survey by Freedom House (2023) found that at least 47 governments used AI to manipulate online discussions to their advantage, twice as many as a decade ago. At the same time, AI-based tools that can generate text, sound and images have become more sophisticated, accessible and easy to use, leading to an escalation of disinformation flows.

AI can also positively contribute to development, for example by improving lending models and financial inclusion, by making "smart" electricity grids even smarter, supporting the integration of renewables into energy infrastructure, contributing to increased energy efficiency, and much more. AI can enable new types of remote preventive healthcare, improve diagnoses and accelerate the development of new medicines. The technology can also deliver personalised education online.

AI and digitalisation in general can boost productivity in certain occupations. However, increasing levels of automation may lead to higher unemployment and increase the need for new skills. The majority of developing countries will also need to expand and improve their digital infrastructure to utilise the potential of digitalisation and AI technologies. Another challenge is data security and privacy issues. It is therefore crucial that legislation evolves in line with technology and that digital education is made accessible.

Development finance institutions contribute to inclusive and sustainable digitalisation

Inclusive and sustainable digitalisation requires continued and extensive investments in infrastructure and business models based on digital solutions and



Philip Ochieng Osewe is a customer of Premier Credit and owns three pharmacies in Nairobi.

local needs. Development finance institutions have an important role to play by investing in cost-effective digital solutions that contribute to job creation, improved access to goods and services, and the emergence of new and innovative solutions, for instance in education, healthcare, financial services and logistics. By investing in SMEs with innovative business models, development finance institutions can promote innovation and new digital solutions. We can also invest in essential digital infrastructure, such as broadband networks, data storage and cloud services, which are essential for a fast and stable internet connection and other digital services. By promoting digital solutions and innovation in the private sector in developing

countries, development finance institutions can help to create the necessary conditions to accelerate sustainable and inclusive digital development.

Feasibility studies can also be used to accelerate digitalisation in developing countries. Feasibility studies in the public sector can, for example, contribute to improved digital and secure storage, strengthening of digital resilience and evaluation of new digital solutions.

➔ Read more about how digitalisation contributes to sustainable development in our interview with Mats Granryd on pages 22-23.

The role of digitalisation in poverty reduction

Mats Granryd is Director General of the GSM Association (GSMA), representing the interests of mobile network operators worldwide. Hear him describe how digitalisation has developed around the world and why it's important for sustainable development.

Please tell us about the GSMA and how you work for sustainable development.

In 2016, the GSMA led the mobile industry to commit to the SDGs, the first industry to collectively do so. In 2022, our industry achieved 53 percent of its potential contribution to the SDGs.

With over 57 percent of the world's population using mobile internet, individuals can engage in a range of online activities, with access to vital information and life-enhancing tools that contribute to several SDGs.

Through our GSMA Mobile for Development Foundation, we work to drive innovation in digital technology to reduce inequalities. Positioned at the intersection of the mobile ecosystem and the development sector, we stimulate digital innovation to deliver sustainable business and large-scale socio-economic impact for the underserved.

How would you describe the role of digitalisation in achieving the sustainable development goals?

Digitalisation is crucial to achieving the Sustainable Development Goals. Countries with higher levels of mobile connectivity have achieved greater progress towards meeting the SDGs. Mobile serves as the linchpin of the digital economy, propelling innovation and

acting as a catalyst for transformation across different sectors.

Mobile also stands as a crucial component in combating climate change, with mobile operators making rapid advances in their own decarbonisation efforts while offering valuable solutions to other industries. These include innovation for more efficient electricity usage, measuring emissions in their supply chains and greater circularity by boosting rates of reuse, remanufacturing, refurbishment and recycling.

Swedfund's main markets are Sub-Saharan Africa and South and Southeast Asia. What differences in the conditions for digitalization do you see between these regions?

In all regions except Middle East and North Africa and Sub-Saharan Africa, internet adoption has slowed down. In Sub-Saharan Africa, 15 percent of the population does not have coverage and 59 percent does not use mobile internet. Coverage remains a particular challenge in Central Africa, while in Southeast Asia the predominant problem is the usage gap. Gender gaps are highest in South Asia and Sub-Saharan Africa, while East Asia has a much smaller gender gap.



Interview

Mats Granryd

Collaboration and partnerships can help address the usage gap in Sub-Saharan Africa and Asia-Pacific regions. The recently established Affordability Coalition brings together operators, device manufacturers and organisations such as the World Bank to drive progress on the affordability of devices, one of the key barriers to addressing the usage gap. Along with manufacturing costs, our research shows that duty fees and taxation costs can add between 10–30 percent to the cost of a smartphone depending on the country, so taxation policy reforms are also necessary to help bridge the digital divide.

What connection do you see between digitalisation and poverty alleviation?

Between 2000 to 2019, global income per capita increased by USD 3,000, with mobile accounting for USD 300, or ten percent, of this gain. The resulting economic stimulus expanded the global economy by over USD 2.4 trillion.

The GSMA recently partnered with the World Bank to study the impact of mobile broadband coverage on poverty levels in Tanzania and Nigeria. In Tanzania, we found that households in areas covered by mobile broadband saw consumption rise between seven to



For working adults, access to mobile broadband coverage can mean access to new or different employment opportunities, positively impacting household consumption, and reducing poverty levels.

eleven percent, while in Nigeria we found that mobile broadband coverage reduced the proportion of households in extreme poverty by four to seven percent. For working adults, access to mobile broadband coverage can mean access to new or different employment opportunities, positively impacting household consumption, and reducing poverty levels.

Mobile is also enabling financial inclusion for 1.6 billion people through mobile money services, allowing them to pay their bills, send money abroad, manage their savings and access social support. This is particularly powerful when it comes to women. Our research shows that women with access to mobile money become more financially included, economically independent and play a stronger role as financial decision makers, which in turn has a positive impact on their communities and the broader economy.

However, women in low- and middle-income countries are currently 28 percent less likely than men to own a mobile money account. This gender gap in mobile money account ownership and usage is a missed opportunity for stakeholders and must be acted upon.

Development finance institutions like Swedfund have an important role in poverty alleviation by contributing to a financial sector inclusive of both small and medium-sized businesses, women and people living in poverty.

How can development finance institutions promote inclusive digitization?

Investing in infrastructure alone is insufficient to bridge the digital divide; we also need to address the barriers to usage, which include affordability of devices, digital literacy and skills, relevant local content, and safety and security concerns. Development finance institutions like Swedfund should invest in business models based on local needs and ensure local presence to gain deeper understanding of their markets.

It is vital that governments and the private sector work closely together, for an enabling policy and regulatory environment that is both investment-friendly and predictable.

Investing in the digitalisation of government agencies and services may also help expand the digital ecosystem. Digitalising public services can improve access, convenience, transparency and quality of life. Through digital identities more people will gain rights and access to essential services such as health care.



Erastus Ndaka works at d.light. Here pictured with his customer Redempta Nduva.

Swedfund contributes to Ukraine's recovery and reconstruction

Russia's full-scale invasion of Ukraine continues to have serious humanitarian, economic and political consequences. Considering the extent of the destruction, enormous investment will be needed to reconstruct the country. At the same time, Ukraine's private sector has proven to be resilient. The country has succeeded in doing something both difficult and unusual - to restore and rebuild the country while the war is ongoing.

Case



Swedfund's CEO attended the signing ceremony for Horizon Capital Growth Fund IV in the presence of President Zelensky.

THOUGH RUSSIA'S FULL-SCALE INVASION has significantly impacted the Ukrainian economy and led to increased poverty, Ukraine's GDP increased by 4.8 percent in 2023 – a positive development compared to 2022, when the country's GDP decreased by 29 percent. Ukraine is being reconstructed while the war is ongoing. Schools, hospitals and other types of infrastructure in the country's calmer regions are being continuously repaired and rebuilt.

An extensive amount of investment is needed to reconstruct Ukraine. According to the World Bank, the EU, the UN and the Ukrainian government, the cost of reconstruction and recovery is estimated to be EUR 393 billion. The private sector will play a crucial role in the Ukrainian economy's perseverance. Small and medium-sized enterprises need access to capital to maintain and grow businesses, create jobs, secure access to products and services as well as to generate important export revenue.

Swedfund's experience of operating in high-risk conflict areas with both investment activities and feasibility studies can support Ukraine's recovery and economic resilience. In 2023, we made investments in the country's private sector and facilitated infrastructure projects in the public sector through the Project Accelerator.



This is an important investment for Ukraine. You are leading the way and showing through this investment that it is possible to make investments in Ukraine.

Volodymyr Zelensky

Ukraine has a well-educated labour force, a strong industrial base to build upon and a resilient private sector. According to a report by the European Bank for Reconstruction and Development (EBRD), more than half of the country's small and medium-sized enterprises have maintained or increased their level of activity compared to pre-war levels. Merely six percent have been forced to close. A good example is the IT-sector that quickly adapted and grew by six percent during 2022.

Horizon: Investing during an ongoing war

In 2023, Swedfund invested in small and medium-sized IT companies in Ukraine through the fund Horizon Capital Growth Fund IV together with several other development finance institutions. The investment provides growth capital to a sector with high competence and potential to create conditions for increased export revenue, hard currency inflows and job creation, especially for young people. President Zelensky attended the signing ceremony and highlighted the importance of investors like Swedfund who demonstrate that investing in Ukraine is possible.

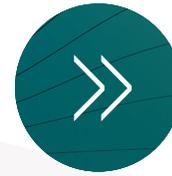
By setting out clear requirements as an investor, the fund's sustainability work is being strengthened in areas such as anti-corruption and human rights.

Coordinated efforts through an investment platform

In June, Swedfund, EBRD and a large number of other development finance institutions signed an agreement to establish a co-investment platform for Ukraine aiming to scale up investments through coordination and risk sharing. The agreement also creates more efficient ways of working by having one development finance institution represent the others, providing a simplified process for Ukrainian counterparts. It will be increasingly important to quickly and effectively scale up investments. The investment in Horizon and establishment of a Ukrainian investment platform are both good examples of how development finance institutions can provide capital that is long-term and willing to accept risks.



President Zelensky at the signing ceremony for Horizon Capital Growth Fund IV.



The investment in Horizon is an excellent way for us to support Ukraine's development in the midst of a raging war. By investing, we can contribute to lasting resilience through job creation and export revenue.

Maria Håkansson

A joint action plan for infrastructure projects in Ukraine

During the year, Swedfund's Project Accelerator has been active with feasibility studies and project preparation in Ukraine to assist the country in the construction of infrastructure such as energy, water, heating and waste management. Feasibility studies are particularly useful in the Ukrainian context since they can be used to both build critical infrastructure during the war as well as lay the foundation for sustainable reconstruction for when the war is over.

In 2023, a joint action plan was signed with the Ministry of Infrastructure Development, which builds the foundation for collaboration with Ukrainian municipalities and cities. The needs are enormous, partly as a consequence of the destruction of critical infrastructure in the war.

The action plan enables a more structured and well-coordinated collaboration with Ukrainian municipalities and cities, where the Project Accelerator intends to provide support by funding feasibility studies and project preparation efforts in areas such as energy, heat, water and waste management.

2023 saw the launch of several projects within the framework of this collaboration. One example relates to water supply in three cities, including access to clean drinking water, the development of new water sources and the upgrading of a water treatment works.

Feasibility studies have also been funded to analyse the modernisation and green transition of the energy supply network in the city of Mykolaiv and how sewage systems in a number of other cities could be implemented. The projects are an important prerequisite for strengthening Ukraine's compliance with relevant EU rules, thereby contributing to the country's future application for EU membership.

In 2023, the Project Accelerator received earmarked funding totalling MSEK 50 for projects in Ukraine. Eleven projects have been initiated and several other environmentally sustainable and financially feasible projects are under preparation. Taking these aspects into account in feasibility studies can benefit Swedish companies that tend to compete on quality, sustainability, cost, life expectancy and knowledge transfer.

MSEK 50

for projects in Ukraine

11

projects have been started

Swedfund is laying the foundation for Kremenchuk's water supply

Vitalii Malteskyi, Mayor of Kremenchuk, tell us about the city's challenges with infrastructure and water supply and why international collaboration is essential for Ukraine's reconstruction.

What are the main challenges in Kremenchuk's infrastructure reconstruction and water management?

Kremenchuk is facing significant challenges related to critical infrastructure needs. Following a missile attack in 2022, the combined heat and power station was damaged. As a result, over 180,000 residents and numerous institutions in the city are experiencing heating issues. The city currently relies on inefficient methods for heat generation, making it vulnerable to emergencies, especially during winter. To address this issue, we need to develop new heat sources, improve the central heating network, and moderately decentralise vital infrastructure.

Additionally, the city heavily depends on the Kremenchuk reservoir for its water supply, which is facing deteriorating water quality challenges. Approximately 32 percent of water supply networks require urgent repair, and the system has high energy consumption. To tackle these issues, we need to diversify water sources and invest in both immediate fixes and sustainable solutions to provide reliable services for its residents.

How will Swedfund's support for the water supply feasibility study contribute to addressing these challenges?

The funded feasibility study aims to strategically assess the options for Kremenchuk's future water system. Over ten months, this study will investigate various solutions such as new water intake systems, treatment plants, distribution network upgrades, and quality control measures. This initiative directly addresses the city's need to diversify water sources, improve infrastructure, and ensure water quality, benefiting the community's long-term water supply.

Why is international collaboration crucial for Ukraine's rebuilding efforts, and how does the ongoing feasibility study contribute?

International cooperation and support are vital to Ukraine's reconstruction efforts, particularly in areas such as housing and municipal services. Collaboration with international organisations has resulted in tangible outcomes such as the provision of key equipment and materials, and the construction of essential infrastructure such as modular boiler houses in case of emergencies in the district heating system. The ongoing feasibility study in Kremenchuk is crucial in this regard, as it will evaluate options for the water

Interview

Vitalii Maletskyi



Vitalii Maletskyi,
Mayor of
Kremenchuk.

supply system and pave the way for effective and innovative projects. Ultimately, such initiatives can be replicated in other Ukrainian cities.

How can more bankable projects attract domestic and international investors to support critical infrastructure, especially considering the ongoing conflict?

Developing projects with the help of international organisations such as Swedfund can make them more attractive to both local and global investors. These feasibility studies can help attract the attention of international financial institutions and private investors, including EU funds, because of the potential impact. In addition, these studies are in line with international standards and norms, creating a common space for business development, trade and cooperation. For example, our Kremenchuk Water Supply and Distribution Project, supported by the Swedfund Project Accelerator, will help to attract investors to implement measures to sustainably provide the city with water supply and sewerage services.

About the project

The Project Accelerator is financing a comprehensive feasibility study regarding water supply infrastructure in the city of Kremenchuk. The project will address critical challenges in the existing system related to water quality, reliability and energy efficiency. The study will help facilitate next steps, including financing of the project.

Value-creating initiatives

In addition to the impact we create through our investments and feasibility studies, we also carried out a number of value-creating initiatives linked to our thematic areas and the UN's Sustainable Development Goals during the year. These initiatives include the provision of technical assistance to our portfolio companies, development of our methods and strategies, and collaborations with our partners.

WOMEN'S ECONOMIC EMPOWERMENT Capacity-building

Together with the organisation Value for Women, we developed action plans for two microfinance institutions in India to develop and strengthen their efforts to address gender equality in their operations. The focus was on both prevention and risk management.

CLIMATE Collaboration

Participated in UNEP's Adaptation and Resilience Investors Collaborative to identify potential investment areas and develop strategies to scale up investments in climate adaptation and resilience. The network has identified three focus areas: assessment of physical climate risks, measurement of adaptation and resilience and capital mobilisation. The network aims to increase climate investments through enhanced cooperation between development finance institutions.

DECENT WORK Guiding Note

Launched a Guiding Note for Decent Work that describes how Swedfund contributes to creating more jobs with decent working conditions and how it is implemented in our investment process. It describes how we identify and manage relevant risks and support portfolio companies in ensuring decent work as part of our goal of 100 percent socially sustainable investments.

WOMEN'S ECONOMIC EMPOWERMENT Handbook

Launched a handbook and a training for fund managers, financial institutions and portfolio companies on the prevention of sexual exploitation, abuse and harassment together with the women's rights organisation Kvinna till Kvinna. The handbook helps our portfolio companies identify and address gender-based violence in the workplace and is part of our overall efforts to increase gender equality and women's economic empowerment.



A female entrepreneur selling textiles in Abidjan, Côte D'Ivoire.

DIGITALISATION Study

Investigated risks and impacts related to digital business models and digital infrastructure in our portfolio companies. The aim was to increase Swedfund's and the portfolio companies' understanding of opportunities, effects, risks and regulation of digitalisation in relevant markets and sectors. Strengthening the capacity of our portfolio companies also increases the potential for Swedfund to benefit from digitalisation.

HUMAN RIGHTS Collaboration

Collaboration in the European Development Finance Institutions' Human Rights Working Group whose mandate is to harmonise processes and practices between development finance institutions. In 2023, the approach to remediation of adverse human rights impacts at the institution and portfolio company level was developed. Swedfund also participated in a discussion with the UN High Commissioner for Human Rights on how the human rights perspective can be best addressed in investments.

CLIMATE Study

Launched a study on climate impacts and risks for our fund managers, financial institutions and portfolio companies operating in sub-Saharan Africa to identify the most urgent and effective measures to harmonise finance with the Paris Agreement and low-emission pathways. The study focuses on resilience, climate adaptation and emissions reduction and highlighted investors' opportunities and obligations.

BUSINESS INTEGRITY Collaboration

Together with the UK's development finance institution, we have developed common industry principles on business integrity to help investors identify, assess and manage business integrity risks, with a focus on anti-corruption. The guide is aimed at impact investors operating in high-risk markets. The work is led by Transparency International in the UK.

ESG & IMPACT Policy

Updated Policy for Sustainable Development, an update performed annually to ensure that the policy is relevant and useful in our work. Amongst other things, it describes our commitments to international standards, principles for responsible investment and sustainable business, and how we work with our thematic areas of human rights and decent working conditions, gender equality and women's economic empowerment, climate and environment, anti-corruption and business integrity, and tax.



RedHealth supplies more than 5,000 ambulances across India. The picture shows some of their employees in Hyderabad.

Our mission engages and delivers results

Catrin Fransson, Chair of the Board, reflects on the year and the 2020-2023 strategy period. Looking back, she sees that we have achieved good results, which she would like to thank all employees for. Continued confidence from the parliament and the government enables us to do more. Going forward, Swedfund aims to triple its contribution to the Sustainable Development Goals with the new strategy for 2024-2030.



2023 WAS A YEAR marked by a number of parallel crises, including an increase in the number of armed conflicts, the occurrence of major natural disasters and the impingement of democratic space. Rising energy and commodity prices, inflation, high interest rates and increasing sovereign debt burdens, as well as disruption in production and supply chains, have further exacerbated the negative trend. In short, we are living in difficult times, where global challenges and parallel crises have led to increased human suffering and had negative and far-reaching macroeconomic consequences.

Stress tested strategy produced results

Given the current situation in the world, Swedfund's mission to contribute to reduced poverty through sustainable investments in developing countries is extremely relevant. 2023 was the last year of Swedfund's four-year business plan, and a backward glance shows that we have achieved excellent results, despite the fact that the strategy period was greatly affected by Covid-19 and Russia's full-scale invasion of Ukraine.

Swedfund's business model, based on the three pillars of impact on society, sustainability and financial viability, has been tried and tested and proven to work well. During the strategy period, the number of sectors has increased from three to four by adding investments in the food sector. We have also strengthened our regional presence in West Africa by opening a regional office in Abidjan, Côte D'Ivoire. We have achieved good results during the 2020-2023 strategy period, primarily thanks to our dedicated and capable employees who have worked hard to deliver on our mission. The confidence that the Swedish parliament and government have shown Swedfund through the increase in Swedfund's capital injection has given us the opportunity to do more. For 2023, we received a capital injection of MSEK 1,460, of which MSEK 460 was earmarked for climate investments.

Tripled contribution to the SDGs in the new strategy

In December 2023, the Board adopted a new strategy for 2024-2030, with the clear goal of tripling our

contribution to the implementation of the 2030 Agenda using our two instruments: sustainable investments and technical feasibility studies. Sustainable investments in the private sector that help to create new jobs and improve access to energy, digital solutions, healthcare and food.

Swedfund's Project Accelerator also conducts technical feasibility studies and capacity-building initiatives to lay the foundations for more sustainable projects in socially critical infrastructure. These studies are aimed at public sector project owners and are funded either by a development bank or through a Swedish export credit solution. In this context, Swedish companies can be part of the solution to meet the needs of developing countries in areas such as energy, water and waste, as well as sustainable transport solutions. The Project Accelerator thus acts as a bridge between trade, investment and development cooperation.

In addition to sustainable investments and feasibility studies, Swedfund intends to step up its efforts to mobilise institutional capital for investments in

developing countries during the strategy period. This will be crucial if we are to reverse the trend and achieve the Sustainable Development Goals.

Finally, I would like to take this opportunity to thank the owner's representatives, the Board and the CEO and all the staff for their fantastic efforts during the year. Swedfund's mission is to make a difference for people who are struggling, which creates a strong sense of commitment both within the organisation and among many stakeholders. A strong focus on following up and measuring the results of every investment creates transparency and trust that provide the right conditions for the further development of the business.

CATRIN FRANSSON
Chair of the Board

3

VALUE CREATION IN PRACTICE



Value creation through impact and inclusive growth

Swedfund's value creation model describes how we create value in the delivery of our mission reducing poverty through sustainable investments in the world's poorest countries. We accomplish our mission by investing in and developing sustainable businesses and creating impact and inclusive growth, particularly in sub-Saharan Africa, certain regions of Asia and Eastern Europe. Impact on society, sustainability and financial viability form the foundation of our business model and also underpin our value creation and performance measurement.



Visiting a maize production facility in Lusaka, Zambia.

Value creation model

1 Mission

Our mission is to contribute to reduced poverty through sustainable investments in developing countries. Our approach is based on the Sustainable Development Goals, our mission objectives and Theory of Change and defines our strategy for fulfilling our mission.



→ Read more about the goals considered particularly relevant to our business on pages 62-63.

2 Strategy

Our business plan describes the activities and choices we make to deliver on our mission.

- Geography
- Sector
- Instrument



4 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 impact.



→ Read more about how we manage risk on pages 46-47 and about our investment process on pages 50-53.

3 Sectors for the greatest impact

We have identified four sectors within which we believe we have the best chance to create impact. These are Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems.

→ Read more about our sectors on pages 40-41.

5 Our capital

Our capital is tied to requirements and support in the form of financial capital, expertise and technical assistance, EU guarantees, partners and networks.

→ Read more about our tools for sustainable development on pages 48-49.

6 Results and performance monitoring

We measure impact through our indicators, which are based on our public policy assignment and our mission objectives.

→ Read more about our portfolio companies' results on pages 62-77.



THE GLOBAL GOALS

GOALS

Our goals for sustainable value creation

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

SWEDFUND HAS A PUBLIC policy assignment with specific mission objectives focused on sustainable value creation and the 2030 Agenda. We report on our attainment of our mission objectives and strategic goals for sustainable value creation, and describe our work on issues such as anti-corruption, environmental management systems and tax, which are essential aspects of our value creation. Our financial goals are adapted to our public policy assignment of being additional and catalytic and to invest in high-risk environments to create impact.

We deliver on our overall mission by creating more jobs with decent working conditions and by improving access to socially important products and services, such as renewable energy, food and healthcare.

Our mission

According to Swedfund's Owner instructions, the organisation shall contribute to the goal of Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to help reduce poverty by making sustainable investments in the world's poorest countries. Together with our strategic partners, we shall contribute to financially, environmentally and socially sustainable investments that create better living conditions for people living in poverty and oppression.

Our 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 no 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 no 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

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

THE COMPANY'S ADDITIONAL ROLE

>30%

The Company's investment portfolio shall mobilise no less than 30 percent of commercial capital.

FINANCIALLY VIABLE INVESTMENTS

60%

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

Our 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 62-77.

Mission objectives aligned with the Sustainable Development Goals



Beatrice Ng'ang'a, an employee at Jacaranda Maternity in Kahawa West outside Nairobi, Kenya, during a patient visit.

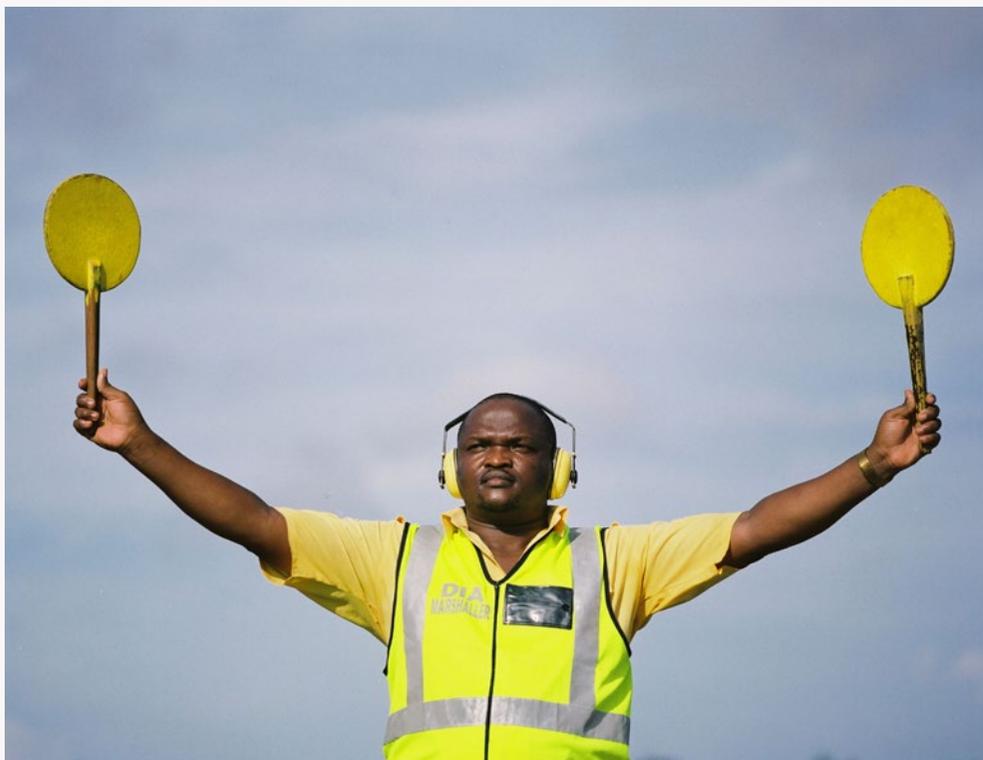


***2X Challenge -
For women's development**

The 2X Challenge is a G7 initiative aiming to boost investment in women's development. Swedfund joined the initiative in 2019. This means that we invest in companies that are owned or managed by, or employ, many women, that produce goods or services or offer capital to women.

A well-functioning business model paves the way for tripled impact

Swedfund's business plan, based on impact on society, sustainability and financial viability, contributes to all of the Sustainable Development Goals. During the new strategy period 2024-2030, we aim to triple our contribution to sustainable development and inclusive growth through our two instruments, investments and feasibility studies.



2023 WAS THE FINAL year of Swedfund's four-year business plan for 2020–2023, which is based on the State Ownership Policy and principles for state-owned enterprises and Swedfund's mission and financial goals. The results have been regularly evaluated and the strategy has also been continuously updated to account for developments in the world and in the countries in which Swedfund's portfolio companies operate. Although the 2020–2023 business plan period was greatly affected by a number of parallel crises caused by Covid-19, climate change and Russia's invasion of Ukraine, Swedfund has achieved good results in all three pillars. Swedfund's business model, based on the pillars of impact on society, sustainability and financial viability, has been stress tested and proven to work well.

New sector and regional office

Swedfund increased the number of sectors from three to four during the business plan period and now invests in Energy & Climate, Financial Inclusion, Food Systems and Sustainable Enterprises (which also includes thematic investments in healthcare and digitalisation). Swedfund worked with a number of thematic areas during the strategy period: climate,

digitalisation, decent working conditions and women's economic empowerment. Swedfund developed a climate lens, measured the extent to which the portfolio is aligned to the Paris Agreement and broadened the Energy & Climate sector to include investments in adaptation and increasing countries' resilience to climate change. The strong focus on sub-Saharan Africa has been maintained. The regional office in Nairobi has been expanded to include expertise in sustainability and impact. During 2023, a new regional office was established in Abidjan, Côte D'Ivoire to increase the number of investments in West Africa.

In-depth expertise and collaboration

To improve our understanding of contextual and external risks, Swedfund has strengthened its capacity for analysing global and regional trends and continued to deepen its collaboration with civil society organisations, embassies and other actors. Swedfund has also continued to develop its work within sustainability. To contribute to creating sustainable companies in the long-term, our portfolio companies must offer jobs with decent working conditions, implement a management system for environmental and social risks, human rights, and actively work with

anti-corruption. One example is the ongoing collaboration with the civil society organisation Kvinna till Kvinna. In 2023, a handbook was launched for Swedfund's portfolio companies which describes how gender-based violence, sexual exploitation, abuse and harassment can be prevented. Another example is our collaboration with the Danish Institute for Human Rights in the development of documents, tools and trainings, as well as in-depth analysis of risks and negative impacts on human rights in fragile and conflict-affected contexts.

New strategy 2024-2030

Our new strategy for 2024–2030 is based on our expertise and the areas that we have developed over the past five years. The aim is to triple our impact within the 2030 Agenda framework by utilising our two instruments, investments and feasibility studies, which enable us to work holistically with issues relating to sustainable development and inclusive growth.

Hannah Nyambura Muna,
employee at Premier Credit's
office in Kasarani, Kenya.



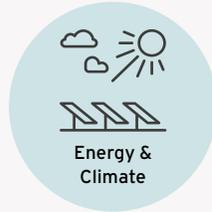
SECTORS

in focus

Swedfund has chosen to invest in four sectors: Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems. By focussing resources and expertise on selected areas, we can increase the effectiveness of our business and our impact.

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





Energy & Climate

Access to renewable energy is a crucial factor for economic growth and poverty reduction. Today, around 750 million people lack access to electricity, three quarters of whom live in sub-Saharan Africa and the least developed regions of Asia.

The Energy & Climate sector only invests in renewable energy sources. The expansion of sustainable energy supplies requires a broad approach and innovative solutions. Through our investments, we

finance both grid-connected power sources as well as stand-alone, so-called off-grid solutions that enable households, villages and communities to utilise locally produced energy.

We also finance broader climate investments such as energy and resource efficiencies that are key to the green transition. The sector also includes green infrastructure, such as water and waste management, digital infrastructure, forests and other carbon sinks, as well as biodiversity projects.



Sustainable Enterprises

With a growing population and an increasing number of young people entering the labour market, an additional 600 million jobs need to be created by 2030. These should be productive jobs in the formal sector with decent working conditions. Nine out of ten jobs are created in the private sector and investments are required to allow businesses to grow, employ more people and contribute to increased tax revenues. Small and medium-sized enterprises often face difficulties in accessing capital to grow, increase their productivity or otherwise develop their business. Depending on where a company is on its growth journey, different types of capital

are required in the form of investments in equity or loans.

The Sustainable Enterprises sector increases the availability of equity directly or indirectly, contributing to the sustainable development and growth of the private sector in developing countries. Imposing requirements and encouraging portfolio companies to attain international standards in areas such as sustainability, for example, promotes sustainable development of the private sector. Mobilisation of capital from institutional and private investors is also facilitated. Digital business models, gender equality and health are prioritised thematic areas for investment.



Financial Inclusion

In developing countries, small and medium-sized enterprises account for the majority of all jobs and drive economic and social development. Lack of financing is one of the most limiting factors for these companies' opportunity to grow. Financial Inclusion invests in, amongst others, regulated banks and microfinance institutions to reach out more broadly and effectively. In addition to enabling increased lending to the banks' customers, we also help develop institutions' work on sustainability and corporate governance, which are important aspects for inclusive growth.

Swedfund also invests in microfinance institutions that provide microloans to entrepreneurs, small businesses and low-income earners. We require microfinance institutions to comply with the Customer Protection Principles (CPP) which certify that they actively work with responsible lending and management. For example, pricing should be transparent, excessive indebtedness should be avoided, debts are collected responsibly and personal integrity is respected.



Food Systems

Globally, three billion people cannot afford a nutritious diet and more than 800 million people are undernourished. Despite favourable conditions for agriculture and food production, Africa imports up to 65 percent of the continent's food. A key area to address in this context is the low level of processing, which is an important factor in reducing food insecurity and nutritional deficiencies. In many countries, large quantities of food never reach the market and become waste. At the same time, food insecurity is exacerbated by factors such as climate change, geopolitics, war and population growth.

In the Food Systems sector, we contribute to increased food production, less waste during production and increased sustainability throughout the value chain. Investing in the food sector creates formal jobs, economic empowerment and increased food security through increased production and improved resource and energy efficiency. If investments are made correctly, they can be climate-adapted to better respond to climate change and reduce the negative impact on biodiversity.



Swedfund's business model is designed to create impact within its three pillars: impact on society, sustainability and financial viability.



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 of an investment, through active ownership and performance monitoring, 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 intend to create 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, women's economic empowerment and 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 studies with the aim of clarifying different effects and relationships.



Sustainability

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, ensure that human rights are respected, and work actively with anti-corruption.

The monitoring 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 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.

Investing 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 invested in new companies and made a number of additional investments in ongoing investments.



PERIOD REPORT 23.01.01-23.12.31

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

GLOBAL

- O** Investment: EFP
Sector: Other
- O** Investment: Interact Climate Change Facility
Sector: Energy & Climate

AFRICA AND ASIA

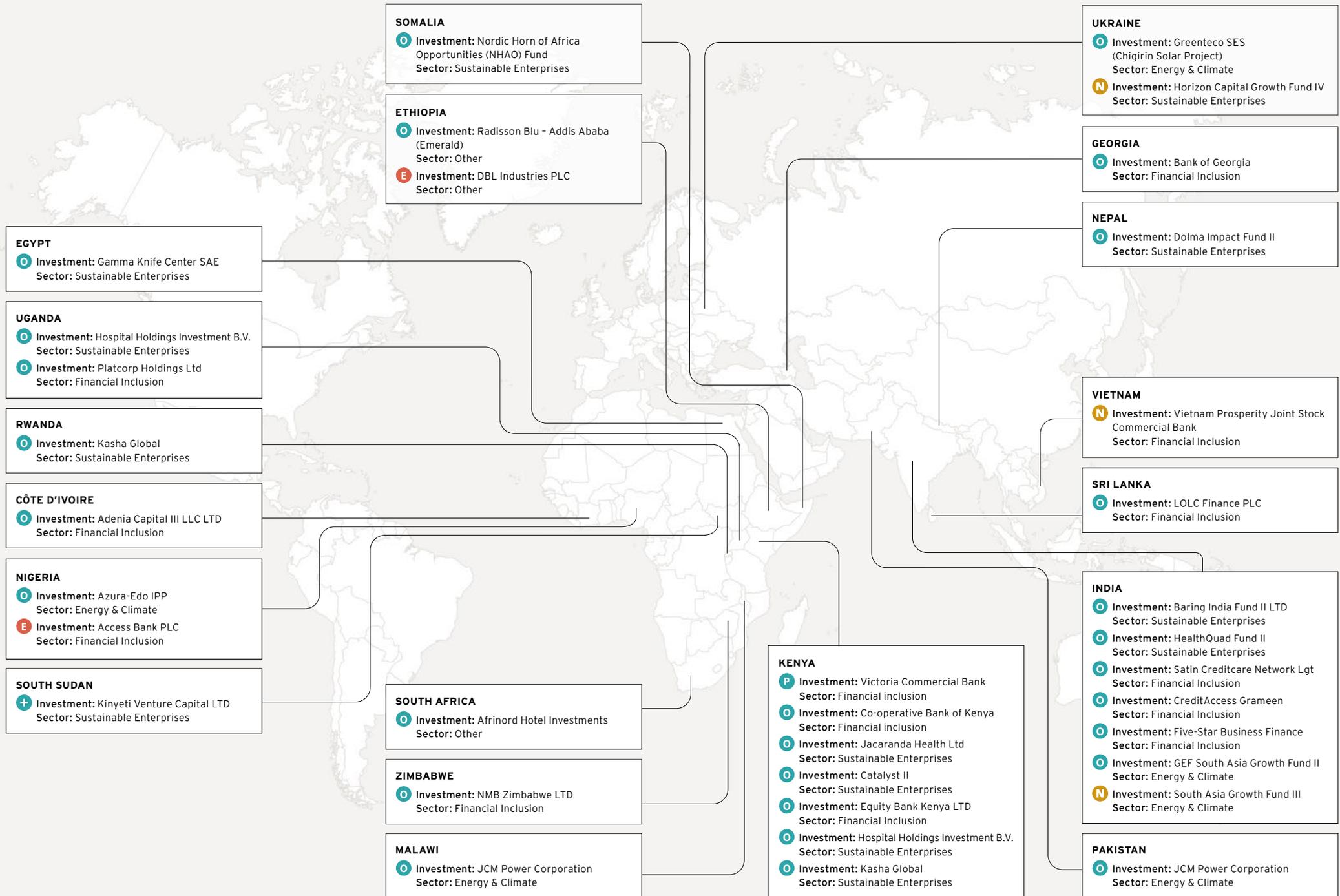
- O** Investment: Accion Digital Transformation Fund
Sector: Financial Inclusion
- O** Investment: Apis Growth Fund II LP
Sector: Sustainable Enterprises
- O** Investment: Climate Investor Two
Sector: Energy & Climate
- +** Investment: d.light
Sector: Energy & Climate
- +** Investment: Husk Power Systems INC
Sector: Energy & Climate
- N** Investment: Apis Growth Markets Fund III
Sector: Sustainable Enterprises
- N** Investment: Mirova Gigaton Fund
Sector: Energy & Climate
- E** Investment: IFC Women Entrepreneurs Debt Fund LP
Sector: Financial Inclusion

ASIA

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

AFRICA

- O** Investment: Adenia Capital III LLC LTD
Sector: Sustainable Enterprises
- O** Investment: AFIG Fund II LP
Sector: Sustainable Enterprises
- O** Investment: African Development Partners II LP
Sector: Sustainable Enterprises
- O** Investment: African Development Partners III LP
Sector: Sustainable Enterprises
- O** Investment: African Infrastructure Investment Fund 4
Sector: Energy & Climate
- O** Investment: AfricInvest Fund III LLC
Sector: Sustainable Enterprises
- O** Investment: Africa Renewable Energy Fund II
Sector: Energy & Climate
- O** Investment: African Rivers Fund III
Sector: Financial Inclusion
- O** Investment: Bayport Management LTD
Sector: Financial Inclusion
- O** Investment: BluePeak Private Capital Fund
Sector: Financial Inclusion
- O** Investment: ECP Africa Fund III PCC
Sector: Sustainable Enterprises
- O** Investment: Evolution II
Sector: Energy & Climate
- O** Investment: Frontier Energy Fund II
Sector: Energy & Climate
- O** Investment: Ninety One Private Equity Fund 2 L.P.
Sector: Sustainable Enterprises
- O** Investment: Medical Credit Fund II
Sector: Sustainable Enterprises
- O** Investment: Metier Sustainable Capital Fund II
Sector: Energy & Climate
- O** Investment: Norsad Finance
Sector: Financial Inclusion
- O** Investment: Platcorp Holdings Ltd
Sector: Financial Inclusion
- O** Investment: Serengeti Energy
Sector: Energy & Climate
- O** Investment: SunFunder
Sector: Energy & Climate
- O** Investment: Tide Africa Fund II
Sector: Sustainable Enterprises
- O** Investment: TLG Credit Opportunities Fund
Sector: Financial Inclusion
- O** Investment: Vantage Mezzanine Fund IV
Sector: Financial Inclusion
- N** Investment: Amethis Fund III
Sector: Sustainable Enterprises
- N** Investment: African Rivers Fund IV
Sector: Financial Inclusion
- N** Investment: Evolution III
Sector: Energy & Climate
- N** Investment: E3 Low Carbon Economy Fund I
Sector: Energy & Climate
- N** Investment: Joliba Capital Fund I
Sector: Sustainable Enterprises
- N** Investment: Transform Health Fund
Sector: Sustainable Enterprises



RISK

Managing risk in a challenging mission

As a development finance institution, risk is pivotal to our mission and business. Swedfund invests in countries and sectors characterised by considerable risks on a number of levels. We have processes and policies in place and work continuously with risk management.

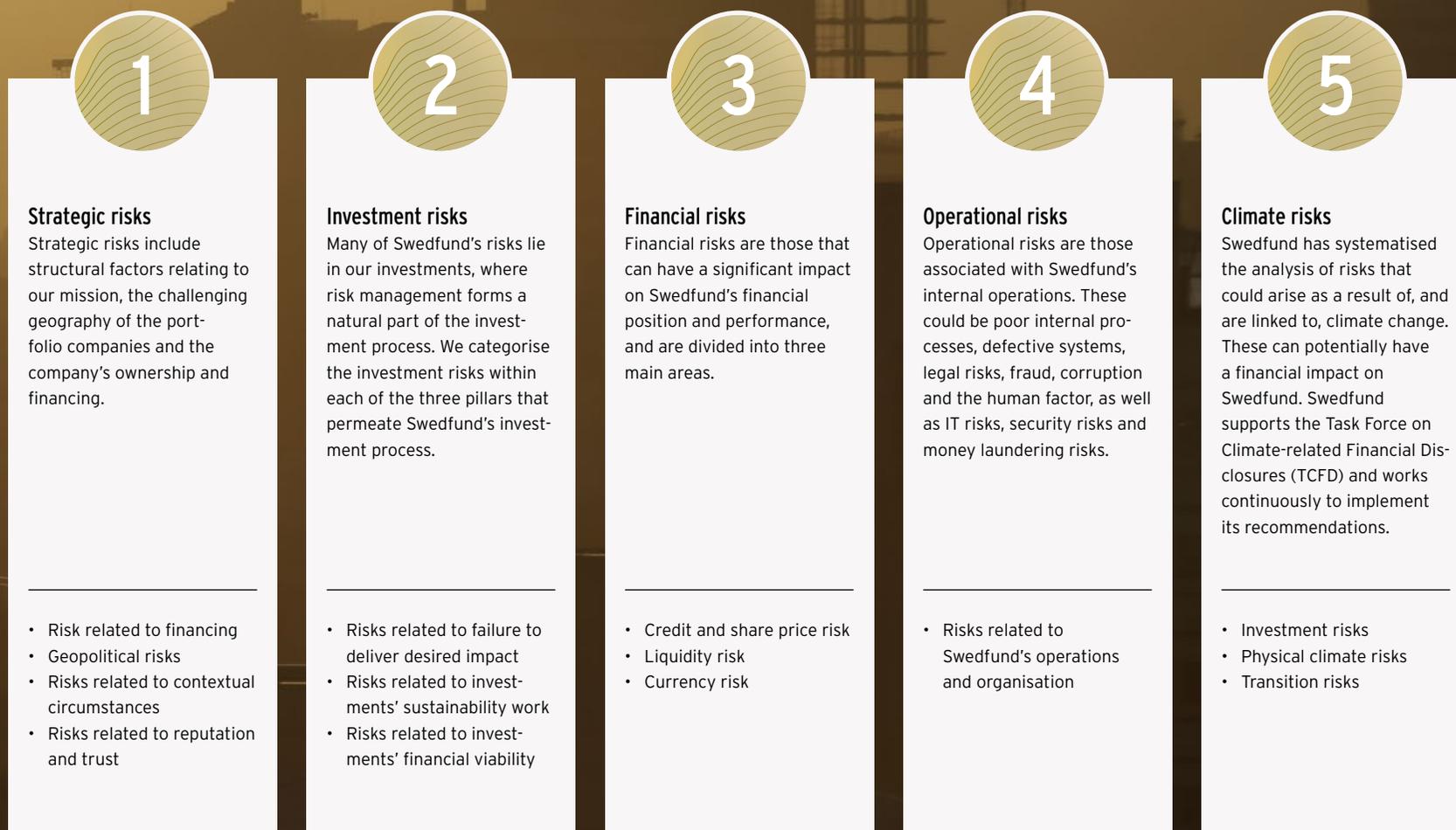
SWEDFUND'S MISSION AS A development finance institution is to act additionally and catalytically. This means that, where there is a shortage of commercial capital, we take greater risk than other investors are normally willing to accept. The mission also entails an expectation to take risks. The work relating to risk management aims 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 difficult to affect. We manage risks at different levels, and good risk management is both

a prerequisite for our business and enables increased impact. Swedfund's risk management framework is based on the risk policy adopted by the Board of Directors.

Risks relating to the company's own organisation and operations are identified and followed up on a regular basis. The outcome of the analysis is documented in a risk register. Risks relating to the investment portfolio are analysed and followed up in portfolio reports and regular risk reports.

All risk categories are addressed prior to each investment decision through a thorough risk analysis and, where applicable, associated action plans. Many strategic risks are managed through regular stakeholder dialogues. Other risks are managed through our policies and frameworks, which are updated as and when necessary. Swedfund's portfolio companies are monitored on an ongoing basis to ensure compliance with our agreed requirements. Every investment and project is actively managed, and we also actively evaluate our partners. We have a code of conduct that all employees are expected to comply with, along with a number of internal guidelines.





→ For a comprehensive table of risks, including how we manage our risks, see pages 58-59.

Tools for sustainable development

Swedfund's operations are centred on our investments and the development of sustainable and investable infrastructure projects through the Project Accelerator. The investment activities and the Project Accelerator are mutually reinforcing and are two tools that we employ to deliver on our mission. Both have well-developed sustainability processes and a process for following up and measuring performance.



Direct investments

SWEDFUND HAS SEVERAL FINANCIAL instruments for our investments: equity, loans and guarantees.

We make both direct investments through equity and loans and indirect investments through our fund investments. 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. Since 2023, Swedfund also has access to EU guarantees.

EQUITY

When Swedfund invests in equity, we are a minority shareholder. We have ample opportunity to exert influence and usually have a seat on the company's Board of Directors. As a shareholder, we aim to be a long-term investor, but to sell our shares as soon as we are no longer needed. Swedfund remains a shareholder as long as there is possibility to make a positive difference and contribute financial resources and knowledge, for example within sustainability and impact on society. When deciding to sell equity, we consider a range of factors, including the new owner's ambitions and the possibility of continuing to run the company in a sustainable way.

LOANS

A loan is based on a company's need for financing and entails less risk compared to an equity investment, although the general level of risk in Swedfund's markets is always high. As instruments, loans are more predictable, 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 after the loan has been disbursed, our possibility to exert influence decreases somewhat. It is therefore vital for Swedfund to agree on these requirements in a loan agreement before the first payment is made. Many jobs are created in small companies that need small loans or microloans. Using the loan instrument is an effective way of reaching many smaller companies and entrepreneurs.

GUARANTEE INSTRUMENT

In recent years, the relationship with the EU has deepened, primarily thanks to development finance institutions' experience with sustainable private sector investments in difficult contexts. As part of this, several development finance institutions, including Swedfund, have been pillar-accredited, meaning we can use the EU's instruments for private sector development. As a pillar-accredited development finance institution, Swedfund is a partner in EDFI MC, a management company set up to strengthen financial cooperation between pillar-accredited development finance institutions and the EU. Through EDFI MC, we have access to EU guarantees worth EUR 1.28 billion. The guarantee schemes will be implemented in areas such as renewable energy, digitalisation, climate and health.



Indirect investments

FUNDS

Funds enable small and medium-sized enterprises to access essential financing in the form of loans or equity. Through funds, Swedfund's capital can reach more people. These companies contribute to sustainable and profitable growth and help 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, amongst others.

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 focus on. This provides a good opportunity for us to exert influence and for cofinancing with other development finance institutions. The fund instrument enables us to share risks and contributes to better risk diversification in the portfolio. The fund instrument also facilitates the mobilisation of private capital and ensures that

Swedfund acts catalytically.

We require fund managers to set similar requirements on their direct investments as Swedfund sets as investor. 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 sustainability work. For Swedfund to invest in a fund, an important condition is that the fund's structure is transparent and that the fund investment fits with Swedfund's direct investments. Swedfund is often involved in LPAC, a group of representatives from the largest investors.

Swedfund may agree with the fund on what is known as an 'opt-out right', which entitles us to refrain from an investment that does not meet our requirements, for example regarding the geography of investment or certain sectors.

TECHNICAL ASSISTANCE

Funds for technical assistance (TA) is 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 owners in order to improve the quality of our portfolio in accordance with our mission and goals. The funds are primarily used to strengthen investments in terms of impact, gender equality and sustainability, including environment and climate, decent working conditions and business integrity, as well as anti-corruption.

Our potential, current and concluded investments can benefit from TA funds, and we can engage partners in the implementation of projects. The maximum budget for each TA project is SEK two 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 implementation of management systems, Gender Action Plans, the development of climate strategies and computational models, and training initiatives relating to human rights and gender equality.

→ Read more about technical assistance on page 80.

Project Accelerator

SWEDFUND'S PROJECT ACCELERATOR

The Project Accelerator carries out technical feasibility studies and capacity-building initiatives to lay the foundation for more sustainable and investable infrastructure projects in developing countries. The projects are developed with a public project owner who thereafter carries them out with financing from a development bank or a Swedish export credit solution. In the countries in which we work, the public sector often has limited financial resources and capacity, and the Project Accelerator can support with external expertise.

The Project Accelerator works closely with the embassies and actors within Team Sweden (including Sida, SEK, EKN and Business Sweden) and development banks to identify needs in our partner countries and assist during project implementation. Swedish companies can be part of the solution for the needs in developing countries in areas such as energy, water, digitalisation and sustainable transport. As such, the Project Accelerator serves as a bridge between trade, investments and development cooperation.

→ Read more about the Project Accelerator on pages 54-55.

PROCESS

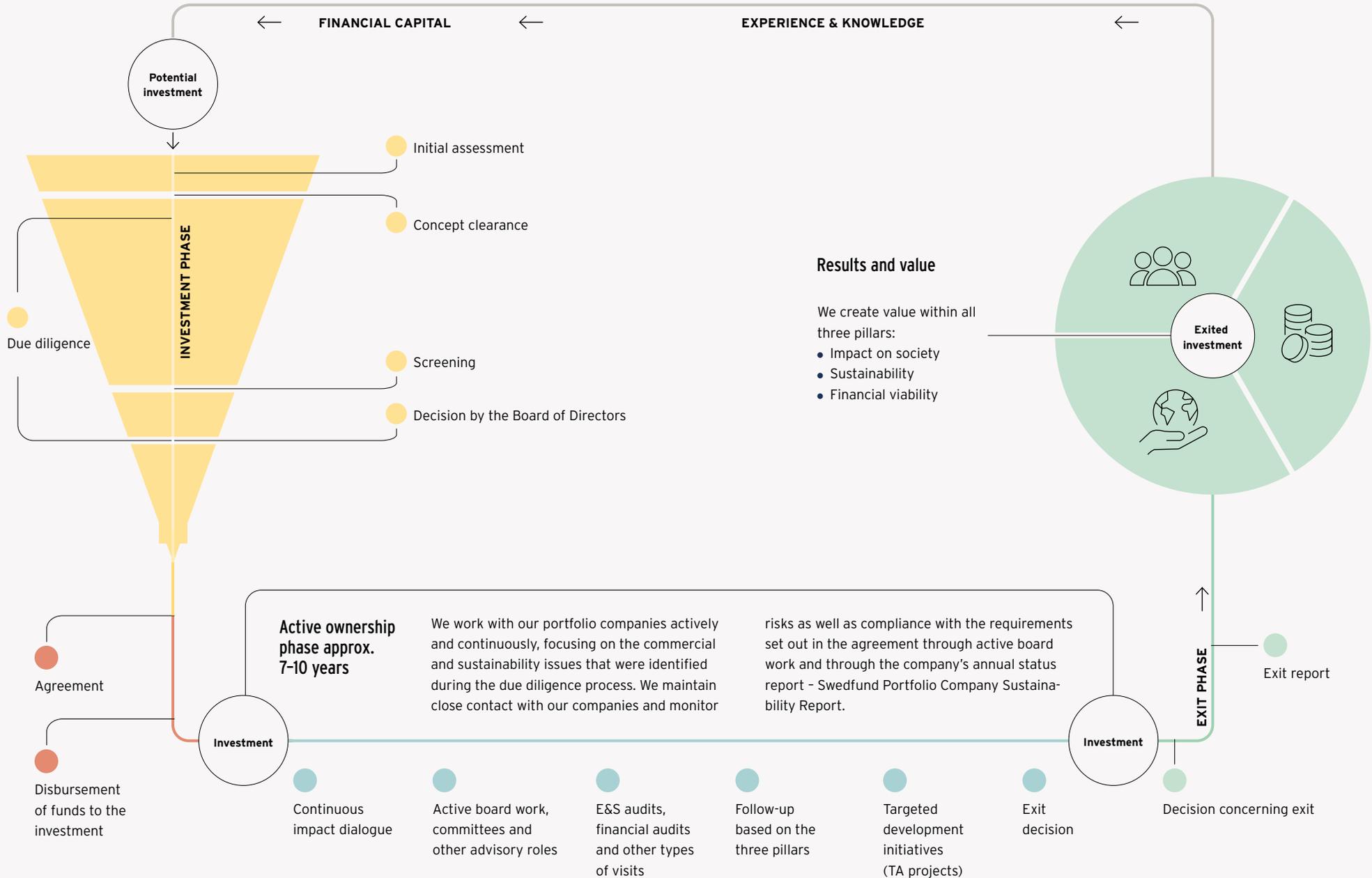
A thorough investment process



Wind farm in Marsabit County, Kenya.

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

INVESTING IN DEVELOPING COUNTRIES is associated with major risks, particularly financial risks. We endeavour to manage these risks through a comprehensive investment process. We work strategically to build a pipeline and select the investments that we believe have the most potential. Regional offices play an important role in identifying potential investments. In the case of investments that are in line with our investment strategy and criteria, a more in-depth analysis is conducted. The investment organisation, working alongside experts in ESG, law, business integrity and impact, conduct a thorough analysis. Business plans, investment partners, sustainability (environment, working conditions, anti-corruption and human rights) and societal impacts are all analysed. The analysis is then reviewed by Swedfund's Investment Committee and approved or rejected in a final step by the Board of Directors, or directly by the Investment Committee if it falls within the investment mandate granted by the Board. Each investment is considered to have the prerequisites to achieve 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 pages.



The investment process in practice

Our thorough investment process follows the same phases regardless of sector, instrument or whether the investment is made directly or indirectly. Below is a description of the process and each phase.

Investment phase

Prior to investment decision

INITIAL ASSESSMENT

Swedfund works actively with various investment needs, not least with our regional offices. A wide variety of investment proposals are evaluated every year. The initial assessment examines whether the proposal is consistent with our investment strategy and criteria, and how the investment can contribute to Swedfund's mission objectives and the Sustainable Development 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, 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 initial assessment, the investment team draws up a proposed decision, "concept clearance", which is then presented to Swedfund's Investment Committee. The Investment Committee consists of the management team and has both an advisory and decision-making role. Together with the investment team, key opportunities and the greatest risks associated with the investment which must be analysed

during the due diligence process are identified and discussed.

DUE DILIGENCE

If a decision is made to proceed, the investment proposal will continue on to the due diligence phase. A thorough analysis of the company is initiated. Examples of areas analysed include business idea, business model, market, financial history and forecast, investment calculation, partners, legal aspects, expected impact on society, 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 to gain a deeper understanding of the company, its processes and routines, and the documents that have been shared with us. We enlist the help of our regional offices that possess local expertise and knowledge. If necessary, external expertise is used 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 decision-making, including the required and contractual ESG

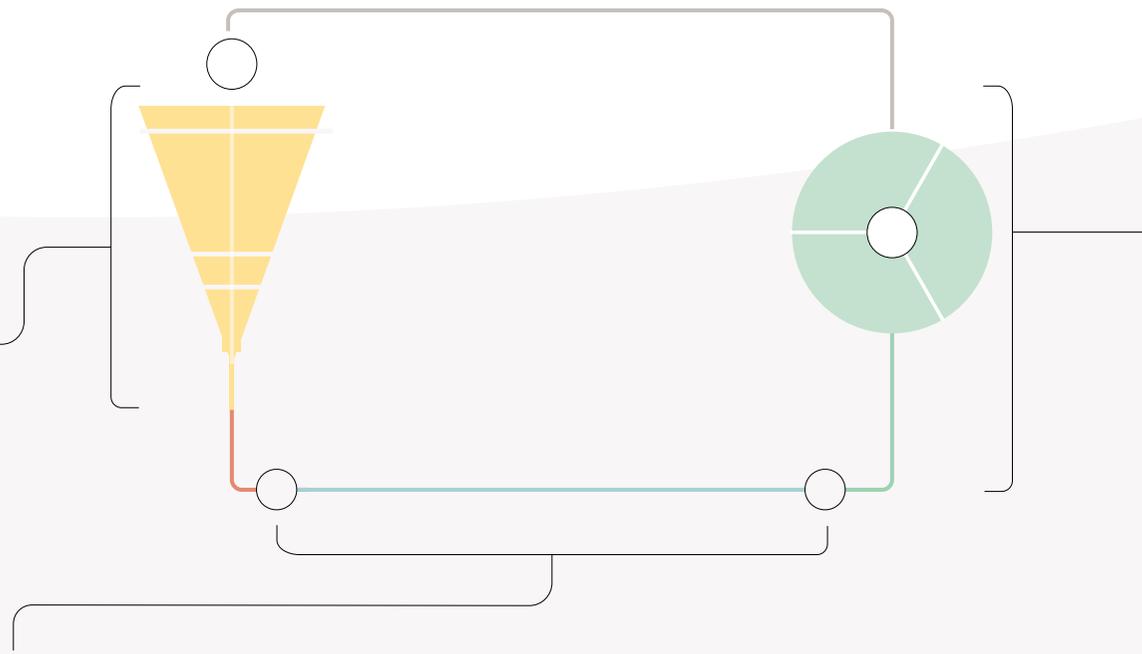
Action Plan (ESGAP), which describes the changes that the company needs to make in order to live up to Swedfund's sustainability requirements.

SCREENING

When the due diligence process is concluded, a screening meeting takes place, during which the Investment Committee will decide whether the investment meets our requirements and whether it should be presented to the 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

After passing the screening process, the proposal is presented to the Board, which will then make a decision. In some cases, the Investment Committee may reach a decision if it falls within the investment mandate granted by the Board of Directors. If the investment is approved, an agreement will be negotiated. The investment agreement also includes requirements regarding sustainability and reporting.



Active ownership phase

Ongoing work and follow-up

Once the agreement has been signed and the money disbursed, the work initiated earlier during the investment phase continues. We work actively and continuously with our portfolio companies, focusing on commercial, risk and sustainability issues identified during the due diligence phase. The regional offices play an important role in the continuous follow-up.

During the period in which we are shareholders of or lenders to a company or fund, usually seven to ten years, we maintain ongoing dialogue and close contact with the portfolio companies to follow up on risks and results, goal attainment and contractual conditions. This is done through visits, active board work and dialogue, as well as through the company's annual status reports (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, for example through visits, analyses, initiatives within ESG and impact supported by TA funds*, and through their reports.

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

Results, learning and experience

Swedfund is a long-term development finance institution, not a permanent owner. We exit an investment either by selling our shares, the loan being repaid or conclusion of the fund.

The exit phase generally starts when Swedfund considers the goals established for the investment to be achieved or when we cease to be 'additional'. Selling equity in the markets in which we operate can be a difficult and protracted process. Ahead of the exit process, the portfolio company is analysed on the basis of Swedfund's three pillars, and an assessment is made as to whether further initiatives are necessary.

An exit report is prepared for each exit, where we analyse the achieved results, what we have learned and what relevant knowledge and experiences we can bring 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 page 80.

Special Operations

Some of Swedfund's investments may sometimes require extra time or measures. There can be several underlying causes as to why a portfolio company does not perform as planned, such as poor market development, war and conflict, difficult divestment or liquidation situations or other aspects related to a company's governance. To support the portfolio companies in such situations, we have the Special Operations function. In Special Operations, we spend extra time on the investment or use other methods than usual for a limited period of time to help reverse the development. A decision to move an investment from the investment organisation to Special Operations is made by the Investment Committee.

For companies in Special Operations, it can be an advantage to receive extra support in areas where the challenges exist, such as financing, strategy or ESG issues. For Swedfund, the move to Special Operations can be advantageous as a different team can shed new light on the investment and the assessment of risks and opportunities, as well as providing the investment dedicated time to deal with the situation that has arisen.

The Project Accelerator - a bridge between development cooperation, trade and investment

The Project Accelerator is a facility within Swedfund whose work aims to support public project owners in developing countries to develop and implement more sustainable and financially viable infrastructure projects. The Project Accelerator has a catalytic effect and Swedish companies can be part of the solution. The Project Accelerator offers support for project development, capacity-building measures and financing of feasibility studies in sustainable and green infrastructure, which are important areas for achieving the Sustainable Development Goals.

Large need for project preparation initiatives

Large-scale investments in infrastructure are a prerequisite for sustainable development, economic growth and poverty reduction in developing countries. Investments in energy, water and sanitation systems, healthcare and sustainable transport systems are examples of infrastructure that play a crucial role in meeting immediate needs of populations and the Global Goals.

At the same time, developing countries often lack the financial resources and the capacity required to develop and implement necessary investments. In procurement processes, sustainability aspects are often deprioritised, leading countries to build themselves into unsustainable systems. Therefore, there is a great need for project preparation initiatives that can help to identify and develop prioritised and financially viable projects that also meet investors' social and environmental requirements and in which Swedish companies can be part of the solution.

Support through capacity-building initiatives and feasibility studies

The Project Accelerator aims to analyse the risks and opportunities associated with a specific project, demonstrate financial, social and environmental viability, and to help stakeholders make well-informed decisions. The Project Accelerator also provides technical support through external advisors to strengthen the project owner's ability to procure and implement studies in a structured manner in accordance with international standards. Overall, this helps unlock opportunities for external funding for the project's implementation through a development bank or a Swedish export credit, for example. It also allows Swedish companies that offer sustainable solutions to participate in a competitive procurement process.

Since its inception in 2016, the Project Accelerator has initiated more than 70 projects. Global crises are likely to increase needs. Increased funding during the year has enabled the initiation of more projects, including projects in Ukraine.

Team Sweden and key partnerships

The Project Accelerator works with different actors within Team Sweden, with the Embassies being particularly important. They are represented in our partner countries and help identify relevant needs and support during implementation, as discussions often take place with local ministries and authorities.

Other actors within Team Sweden (Business Sweden, SEK, EKN and Sida, amongst others) are also important partners, as well as Swedish companies that can offer sustainable solutions. These collaborations allow for collective project expertise and discussions with financiers at an early stage.

A tool for trade and investment

By contributing to the development of more sustainable projects, the Project Accelerator strengthens conditions for increased production capacity locally, trade and, ultimately, favourable economic development where the private sector can contribute to sustainable growth.



The Project Accelerator is also an important tool for Swedfund's investments by laying the foundation for more sustainable projects that can be financed and implemented in our countries. For example, the Project Accelerator can support investments in the Energy & Climate sector by strengthening the capacity of the electricity grid. This creates the conditions for renewable energy generated by Swedfund's investments to be used more efficiently, and for local actors' capacity development to contribute positively to Swedfund's investments.

The Project Accelerator thereby serves as an important bridge between development cooperation, trade and investment, and, by extension, more inclusive growth.



Case

Sustainable transport solutions in Manila

PUBLIC TRANSPORT PLAYS A crucial role in economic growth and sustainable and inclusive development. However, access to public transport in developing countries is often limited, with negative effects on people and the environment.

In Southeast Asia, 60 percent of the population lacks access to public transport. The effects can be seen in Manila, capital of the Philippines, where the traffic situation has long been difficult, with poor air quality and widespread traffic congestion.

In 2017, the Project Accelerator initiated a collaboration with the Philippines' Ministry of Transport to investigate the potential for a bus network with dedicated lanes and other functions that help buses move more efficiently. The first bus route was implemented during the Covid-19 pandemic and facilitates travel between districts, with up to 400,000 passengers daily.

Since then, we have continued our collaboration to further develop the public transport network. In 2023, new studies were initiated to develop an operator model for the organisation and management of the system.

An efficient public transport solution is very much in line with the Project Accelerator's continued focus on sustainable transport. The impact is considerable, with emission reductions, improved safety and better opportunities for people to transport themselves within the city.



Case

Wastewater treatment in South Sudan to reduce environmental impacts and improve health

AFTER MANY YEARS OF conflict, global crises and drought in the south and flooding in the north, South Sudan faces a difficult humanitarian situation, with over 80 percent of the population below the poverty line. Basic infrastructure for wastewater is lacking, which affects the environment and human health.

Since 2023, the Project Accelerator has supported a project together with South Sudan's state-owned water company. We have funded a feasibility study for the development of a wastewater treatment plant in the capital Juba that is both sustainable and resilient to climate change. By implementing a wastewater treatment system, the city can reduce the negative effects of flooding on crops, infrastructure, and the dispersal of pollutants and contaminants. Sustainable treatment systems can also contribute to resource efficiency, especially if circular technologies are used.

The project is expected to be completed in 2024 and the implementation of the wastewater facility is planned to be financed by the African Development Bank.



Case

Digitalisation project for a government cloud solution in Ukraine

RUSSIA'S INVASION HAS POSED major challenges for the digital sector in Ukraine in terms of the destruction of digital infrastructure, cyber attacks and the spread of disinformation. Despite this, the Ukrainian government has continued its efforts to provide, expand and digitalise public services for its population.

As part of these efforts, Ukraine's Ministry of Digital Transformation intends to develop a strategy for the development of a state-owned cloud solution. The Project Accelerator is supporting the strategy through a feasibility study analysing potential alternatives for cloud services and, in the long term, the implementation of a government cloud service.

The overall aim of the project is to contribute to the country's long-term goals regarding data security, digital resilience and access to reliable public services. Furthermore, the project represents an important step in strengthening Ukraine's compliance with EU rules in the digital domain, thereby strengthening the country's position for future EU membership.

Swedfund's ethical compass

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

Our ethical compass

The ethical compass has been developed based on Swedfund's mission and the needs that we have identified in close dialogue with our owner, partners and other stakeholders. Dialogue with our stakeholders is particularly important for us to develop and be challenged, and fulfil our mission as a development finance institution. Read more about our stakeholder and materiality analysis on pages 138–139.

Swedfund's Code of Conduct, Sustainability Policy, Anti-Corruption Policy and Tax Policy are key policies 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 also committed to complying with voluntary international guidelines. Our employees' adherence to our Code of Conduct and implementation of our Sustainability Policy, Anti-corruption Policy and Tax Policy, amongst others, is crucial to fulfilling our mission as a responsible investor. The ethical compass is an important part of the introduction programme for new employees. To boost internal sustainability competence, Swedfund provides continuous training on international guidelines and commitments, our policies and issues such as climate, gender equality, human rights, anti-corruption and corporate governance. Policies and

commitments in the ethical compass encompass both Swedfund as a company and our portfolio companies.

Updated policies

In 2023, the sustainability policy underwent a review and minor revision. The sustainability requirements for our portfolio companies were restructured and certain requirements were clarified, for example requirements related to climate calculations for financial institutions, forest certification and customer protection certification. The requirements for sustainable agriculture were also supplemented. Some requirements were removed from the policy, although they are still included in the investment process, such as requirements linked to the boards' sustainability committees.

Swedfund has a whistleblowing function that can be used in case of suspected irregularities conducted by executives within Swedfund or the portfolio companies. The whistleblowing function handles suspected corruption, accounting inaccuracies, deficiencies in internal control or other doubts that could seriously affect the company's interests or the health and safety of individuals. In 2023, Swedfund established a new internal reporting channel and carried out a review and update of the whistleblowing service due to new legislation.



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
- UN Principles for Responsible Investment (UNPRI)
- EDFI Principles on Responsible Financing
- World Bank 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 OFCs

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
- Open Aid
- IFI Harmonized Development Results Indicators for Private Sector Investment Operations
- Task force on Climate-related Financial Disclosures (TCFD)
- OECD DAC PSI Reporting

Read more about guidelines and policies here:



Risk management

In the table below, we break down and describe our risks and how we manage them. We manage risks at different levels according to the listed categories. Good risk management is both a prerequisite for the business and enabler of increased impact.

1. Strategic risks

Description of risk	Management of risk
Risk linked to financing As Swedfund is primarily financed through capital injections from the owner currently, there is a risk that political decisions could affect the conditions for the organisation's operations.	<ul style="list-style-type: none"> - Swedfund works methodically to ensure that the owner understands and sees the benefits of our business through an owner dialogue and request for capital injection, amongst others. - Regular stakeholder dialogues.
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.	<ul style="list-style-type: none"> - 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.
Risks linked to contextual circumstances Risks associated with the frequent lack of strong institutions, robust legislation and implementation and follow-up of laws and regulations in the countries in which Swedfund's portfolio companies operate.	<ul style="list-style-type: none"> - Swedfund's activities aim to reduce inequality and gaps and improve working and living conditions to strengthen communities and, by extension, their institutions.
Risks linked to reputation and trust Examples of particularly serious events which could impact on risks relating to reputation and trust include allegations of corruption, violations of human rights, poor working conditions or other situations in which Swedfund is not seen as utilising tax revenues and development cooperation funding in a responsible manner.	<ul style="list-style-type: none"> - Swedfund primarily manages these risks through a responsible and sound investment process. - Incident reporting from portfolio companies and transparent reporting on investments to owners and stakeholders. - Dialogue with owners and stakeholders in accordance with Swedfund's Crisis Management Policy.

2. Investment risks

Description of risk	Management of risk
Impact on society There is a risk that Swedfund's investment portfolio will not deliver the impact we aim to achieve in line with the company's mission goals 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.	<ul style="list-style-type: none"> - 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)
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 set 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 pages 56-57).	<ul style="list-style-type: none"> - Frameworks and policies are updated continuously as and when necessary. - Acceptable deviations and limits regarding sustainability risks 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.
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.	<ul style="list-style-type: none"> - 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 exit of holdings. - Swedfund's investment team is responsible for preventing and, where appropriate, managing risks in the portfolio through active management, which encompasses board and committee processes and visits to businesses, 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.

3. Financial risks

Description of risk	Management of risk
<p>Credit and share price risk Investments in equity and funds primarily take place in unlisted businesses 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.</p>	<ul style="list-style-type: none"> - Primarily managed on an ongoing basis through the investment process from investment decision through active management to exiting. - Swedfund strives to have a diverse portfolio where the board sets limits for geographical exposure and concentration on individual counterparties.
<p>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.</p>	<ul style="list-style-type: none"> - 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 Financial Policy established by the board of directors, which sets out the principles and risk limits that are to be applied to the company's liquidity management.
<p>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.</p>	<ul style="list-style-type: none"> - 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	Management of risk
<p>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.</p>	<ul style="list-style-type: none"> - 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	Management of risk
<p>Risks linked to investments</p>	<ul style="list-style-type: none"> - 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.
<p>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.</p>	<ul style="list-style-type: none"> - 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.
<p>Transition risks Examples of transition risks include rising prices for emissions or fossil-linked assets that fall sharply in value.</p>	<p>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.</p>

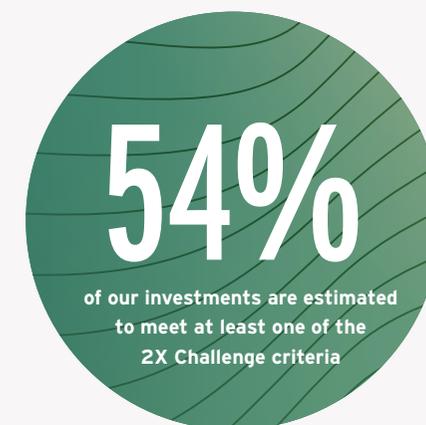
4



RESULTS AND GOVERNANCE

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 the 2030 Agenda. The trends in results are presented for all three pillars (impact on society, sustainability and financial viability), and are illustrated using a number of indicators.



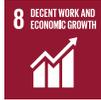
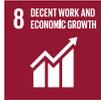
THE STRUCTURE OF THE analysis and the indicators chosen are based on the mission goals adopted for the company by the annual general meeting. The performance indicators are defined in the goals set out in the Ownership instructions which have also constituted the adopted goals for sustainable value creation 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's ownership policy and principles for state ownership. 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 2022.

The results of the portfolio companies indicate further growth in direct jobs, especially in the funds' underlying companies. The results also show an increase in tax payments. The number of indirect jobs created through supply chains, consumption and access to finance and energy is also growing. With regards to gender equality and women's economic empowerment, the portfolio is close to the adopted targets (54 percent of our investments are estimated

to meet at least one of the 2X Challenge criteria; the target is 60 percent), although the results have decreased slightly compared to the previous year due to a stricter interpretation of the criteria. The proportion of female employees has remained stable over the past three years, but the proportion of women in senior management positions has declined. Reported total greenhouse gas emissions from Swedfund's portfolio have increased due to expansion of the portfolio. At the same time, emissions per krona invested have continued to fall compared to the previous year. A new indicator for reporting emissions avoided has been introduced. The sustainability indicators regarding decent work, management systems for environmental and social issues, and anti-corruption, show that an increasing proportion of the companies that have been part of Swedfund's portfolio for more than three years are considered to meet the requirements that we have set. Sixty seven percent of direct investments increase both turnover and profitability (EBIT) with the investment year as the base year.

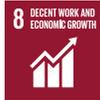
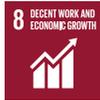
Impact on society



Indicator	Type of goal	Goal	Definition
Climate impact	Mission goal	By 2045, the company's investment portfolio will be climate-neutral	Total CO ₂ e emissions per scope (thousand tonnes) Reduced emissions per invested Swedish krona (tCO ₂ e/MSEK) Total emissions avoided (tCO ₂ e) 
Gender equality and women's economic empowerment	Mission goal	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 
	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 management 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 Number and proportion of companies showing growth in jobs Number of indirect jobs in the portfolio 
Tax revenues	Other goal	Increased tax revenues overall in the portfolio	Taxes and other similar items (as a minimum corporation tax) translated to Swedish kronor (SEK)  

Sustainability



Indicator	Type of goal	Goal	Definition
Decent working conditions	Mission goal	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 fundamental conventions 
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  
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 
Economically sustainable investments	Mission goal	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 
	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 goal	Increased mobilisation of private capital. Target >30% mobilised capital in investments made by Swedfund	Total private capital mobilised relative to Swedfund's contracted investment volume

Financial viability



Definitions, sources and presentation

Below, a general overview is provided of the methodology employed for data collection, as well as the definitions and assumptions used in reporting and presenting the trends in the performance of the portfolio companies across 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 2022.

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 2022 correspond to financial information in the annual report for the financial year 1 April 2022 to 31 March 2023.

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 E&S Monitoring Reports (prepared and distributed by other DFIs)
- Annual reports
- Fund reports

ANNUAL REPORTS

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

- Indicator carbon footprint (CO₂e 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. Data is collected via Sustainability Reports through a predominantly digitalised process. Information from Sustainability Reports distributed by Swedfund constitutes the source, in full or in part, of the following indicators:

- Indicator carbon footprint (CO₂e calculation)
- Total emissions avoided
- 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 anti-corruption management system

The Sustainability Reports are tailored to the type of investment concerned: direct investments (equity

or loans), banks and funds. Sustainability Reports intended for direct investments contain more detailed questions regarding management systems for sustainability issues, etc., while those intended for investments in financial institutions and funds are more process-oriented. This is because Swedfund's evaluation focuses primarily on 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 E&S MONITORING REPORTS (PREPARED AND DISTRIBUTED BY OTHER DFIS)

In some cases, the sources used for Swedfund's financial reports consist of Annual E&S Monitoring Reports prepared by another development finance institution, but with the results being submitted to Swedfund in its capacity as co-financier. These annual E&S Monitoring Reports are evaluated by Swedfund's sustainability experts and included in the aggregated financial reports. For 2022, this applies to fewer than ten investments.

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, three main samples, including the number of investments, are presented:

Sample	2020	2021	2022
Portfolio companies	60	55	58
Portfolio companies and co-financing facilities, including the underlying holdings of funds	237	252	258
Direct investments in equity and loans	35	27	28

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).

DIRECT INVESTMENTS

The sample includes all direct investments in the form of equity and loans.

PORTFOLIO COMPANIES

The sample comprises all direct investments in the form of equity and loans, as well as indirect investments in funds.

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

The sample includes all direct investments in the form of equity and loans, indirect investments via funds, co-financing facilities and the underlying holdings of funds. This sample is only used for the indicators Climate footprint (CO₂e estimation) and Indirect job creation. *With effect from 2021, data from the holdings of co-financing facilities have been aggregated, and different holdings will no longer be handled separately. As a result, the table does not include the number of underlying holdings of the co-facilities with the samples for 2021 and 2022.

WHEN AN INVESTMENT IS INCLUDED IN THE 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 exceptions to this principle are the indicators 'carbon footprint' (CO₂e) and 'emissions avoided', 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 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 50–53.

COMPARISON YEAR

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

Impact on society



Environmentally and climate-related sustainable investments

TYPE OF GOAL

Mission goal

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 CO₂e emissions per scope (thousand tonnes), emissions per Swedish krona invested (tCO₂e /MSEK), portfolio adaptation to the Paris Agreement and emissions avoided.

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. Vulnerable people living in poverty are also among those affected most by climate change. Swedfund has two mission goals 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 goals 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. At the time, 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. In line with the new strategy, Swedfund will start investing more in food and local production, which could result in an increase in emissions, although investments in agriculture could also have significant climate benefits. Thus, the calculation of portfolio alignment with the Paris Agreement will be repeated in the coming years when the portfolio contains more investments of this type. 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 CO₂e 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 Industry¹, which is a common method for measuring the portfolios' GHG emissions. As part of the efforts being made to bring about harmonisation between the European Development Finance Institutions, the Joint Impact Model (JIM)² 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 follows³, 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 then been converted

into emissions using emission factors based on sector and geography. In addition to carbon dioxide (CO₂), the model also includes other GHG emissions, nitrous oxide (N₂O), methane (CH₄) and fluorinated GHG (f-gases), and the results are reported as tonnes of CO₂ equivalents (tCO₂e). First, the total emissions of the portfolio companies were calculated. Next, Swedfund's share of these emissions was determined 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 JIM enables. As a result of the switch to the JIM calculation model in 2021, comparative data can only be reported for two years.

In 2022, total emissions from the portfolio amounted to about 132 thousand tonnes, which represents an increase of eight percent from 121* thousand tonnes in 2021. The increase in emissions is due to a number of factors, including a growing portfolio and an increase in economic activity among the portfolio companies (compared with 2021, when economic activity and thus also emissions were still affected by the pandemic). 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 a quarter of the portfolio's total emissions. Approximately 20 percent of the total emissions originates from lending to larger commercial banks, which in turn provide loans to SMEs with exposure to many different sectors. Just over half of the total emissions are generated by the remaining portfolio companies,

1 <https://carbonaccountingfinancials.com/>

2 <https://www.jointimpactmodel.org/>

3 https://c990f083-1dd0-46c6-bd86-9c35d8ba1b51.filesusr.com/ugd/7aa894_af1116d9866d4aeb8588760b527733d6.pdf

and thus the share of emissions from individual companies is generally small.

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, 54 percent, of Swedfund's total emissions (2021: 61* percent). Direct GHG emissions (Scope 1) account for 38 percent of Swedfund's total emissions (2021: 36*) and Scope 2 just eight percent (2021: three* percent). The emissions per Scope in Swedfund's portfolio vary annually depending on portfolio composition and data availability, but Scope 3 emissions from indirect sources are generally the most significant. During 2022 and 2023, we supported a number of fund managers in developing and implementing climate strategies, as well as supporting them in creating models to estimate and report greenhouse gas emissions from their portfolios. We have conducted a study on the climate impact of different sectors in collaboration with PwC in order to support the climate strategies of the fund managers. In addition, we have introduced a handbook for fund managers which provides guidance on how they can work, measure and report climate impact and risks in their investment processes and portfolios.

In order to achieve our goal of a greenhouse gas-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 with regards to the estimation, monitoring and reduction of their emissions and contributing to a greener transition. However, the total emissions from our portfolio could increase as a consequence of Swedfund's new strategy. This is due not only to the growing portfolio, but also to the introduction of a new sector, Food Systems, as well as planned increases in investments in enterprises that produce goods locally. At the same time, we will also start to evaluate opportunities to invest in carbon capture or storage, initially through investments in sustainable forestry.

Nevertheless, it remains crucial that every investment opportunity, including those focused on climate initiatives, actively contributes to poverty reduction and aligns with our overarching goals across the three pillars: impact on society, sustainability, and financial viability. In terms of calculations, 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 methodologies and models, and adjust our measurement methodology as and when necessary in order to present the portfolio's emission sources as accurately as possible and enhance comparability with other investors.

EMISSIONS PER INVESTED SWEDISH KRONA (tCO₂e/MSEK)

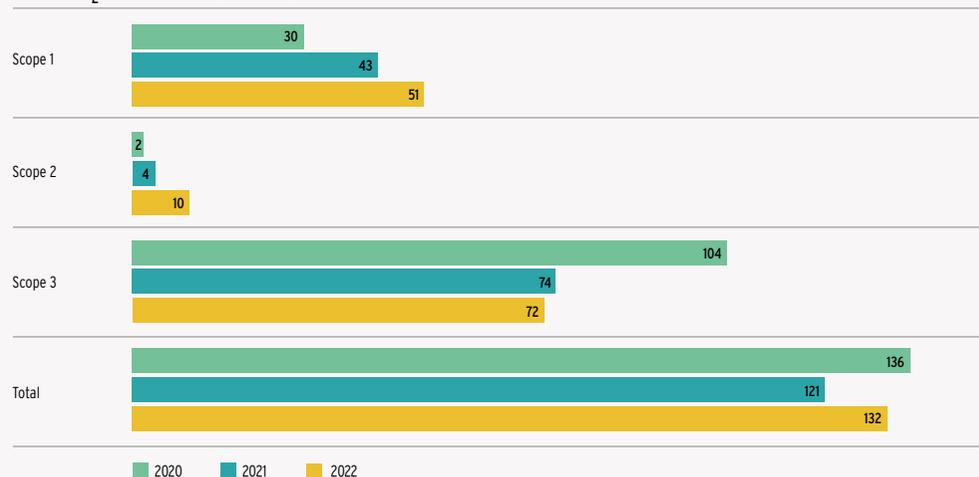
The indicator 'emissions per invested krona' (tCO₂e/MSEK) is based on the portfolio's total emissions and Swedfund's commitment report. This is an important key figure in the monitoring of the efforts being made to achieve the target for emission reductions. During 2022, GHG emissions per invested krona from Swedfund's portfolio fell from 307* tCO₂e per invested MSEK in 2021 to 28.38 tCO₂e per invested MSEK in 2022. The decrease is explained by the fact that although total emissions have increased compared to 2021, the size of the portfolio (measured in MSEK) has grown proportionately larger.

EMISSIONS AVOIDED

'Emissions avoided' is a new indicator which is being reported for the first time in 2022. Swedfund invests a high proportion of its portfolio in the production of renewable energy in Africa and Asia. This indicator clarifies the impact of investments that replace emissions from the production of energy from fossil sources. This is particularly important in economies where energy production is largely based on fossil fuels, e.g. in countries such as India, South Africa and Indonesia.

Swedfund follows the methodology of the International Financial Institutions Technical Working

Total CO₂e 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 BII, FMO, BIO, Proparco, AfDB and FinDev Canada. The results were 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.

Emissions per invested Swedish krona



Group (IFI TWG) for calculating emissions avoided, a methodology that EDFI has agreed to use. Emissions avoided include both large-scale grid-connected energy production and off-grid production, and the calculations are weighted against Swedfund's stake/share in the investment. Emissions avoided from grid-connected energy production are estimated based on annual energy produced from various sources, primarily solar, wind and hydropower, and using IFI TWG's electricity grid emission factors. Emissions

avoided from off-grid projects are calculated according to standardised factors ("impact metrics") from the Global Off-Grid Lighting Association (GOGLA).

During the year in question, the portfolio contributed to greenhouse gas emissions avoided equivalent to 71 thousand tonnes of tCO₂e. A significant part of this (almost 70 percent) was derived from Swedfund's investments in grid-connected energy.

* Restated figures from previous years, includes an additional emission category.



Gender equality and the economic empowerment of women

TYPE OF GOAL

Mission goal

GOALS AND DESCRIPTION

Greater gender equality in the Company's investment portfolio in terms of the 2X Challenge criteria or corresponding criteria, which shall be fulfilled in at least 60 percent 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 and 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 Ownership 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.

In addition to this, Swedfund works to help ensure that workplaces in its portfolio companies are free from discrimination and violence.

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 2X criteria established by the G7-founded initiative 2X Global 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.

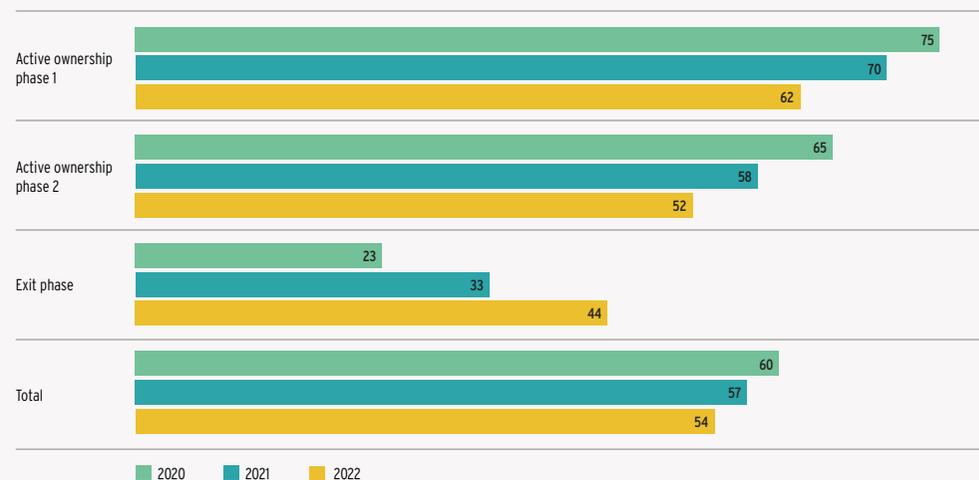
According to 2022 data, 54 percent of the investments in Swedfund's portfolio met at least one of the 2X criteria. This represents a decrease from previous years (57 percent) due to a stricter interpretation of the 2X criteria for financial institutions. The proportion of investments that fulfil at least one of the 2X criteria is highest (61 percent) in the Sustainable Enterprises sector (which includes investments in health). The Financial Inclusion sector continues to perform well in terms of meeting the 2X 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 promote products and services aimed at women, resulting in a high proportion of female customers. For Energy & Climate investments, the proportion of investments that meet at least one of the 2X criteria has decreased slightly, due to the fact that this sector has a number of new investments that do not yet meet the 2X criteria. The work to strengthen gender equality is particularly challenging in this sector, as it is traditionally relatively male-dominated.

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

Data from 2022 shows that 17 percent of all board members in Swedfund's reporting holdings were

Proportion of investments which meet at least one 2X Challenge criterion, (% per phase)



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

women. Over the past three years, the proportion of female board members has remained around 14–17 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 shifted over the past three years, from 26 percent in 2020, 28 percent in 2021 and to 23 percent in 2022. Financial institutions such as banks and microfinance

institutions contribute a higher proportion 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 and stabilised during the past three years to between 33 and 35 percent. In general, the proportion of female employees is higher among Sustainable Enterprises, while large 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.

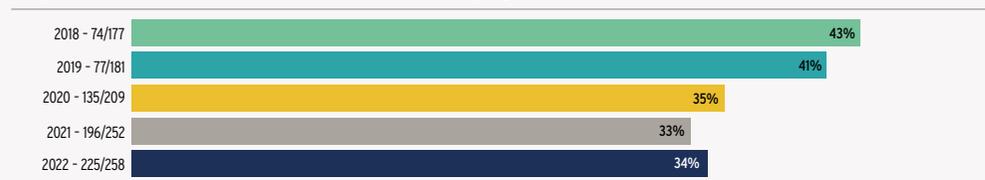
In order to achieve our goal, we will continue to evaluate how our portfolio and all new investment proposals contribute to gender equality and the economic empowerment of women. For the new investment proposals, improvement measures, or opportunities, are identified with the aim of promoting gender equality, which is included in the specific Impact and ESG action plans (Impact/ESGAPs) which are integrated into the agreements for the new investments. In addition to this, during 2023, we

continued to offer the Women4Growth programme to our portfolio companies and supported women with leadership potential to take part in The Female Future leadership programme in some African countries during the year. Phase 2 of the collaboration with The Kvinna till Kvinna Foundation has continued to raise awareness on gender-based violence, and a handbook explaining how gender-based violence, sexual exploitation, abuse and harassment can be prevented was launched, together with a training course for fund managers in Swedfund's portfolio.

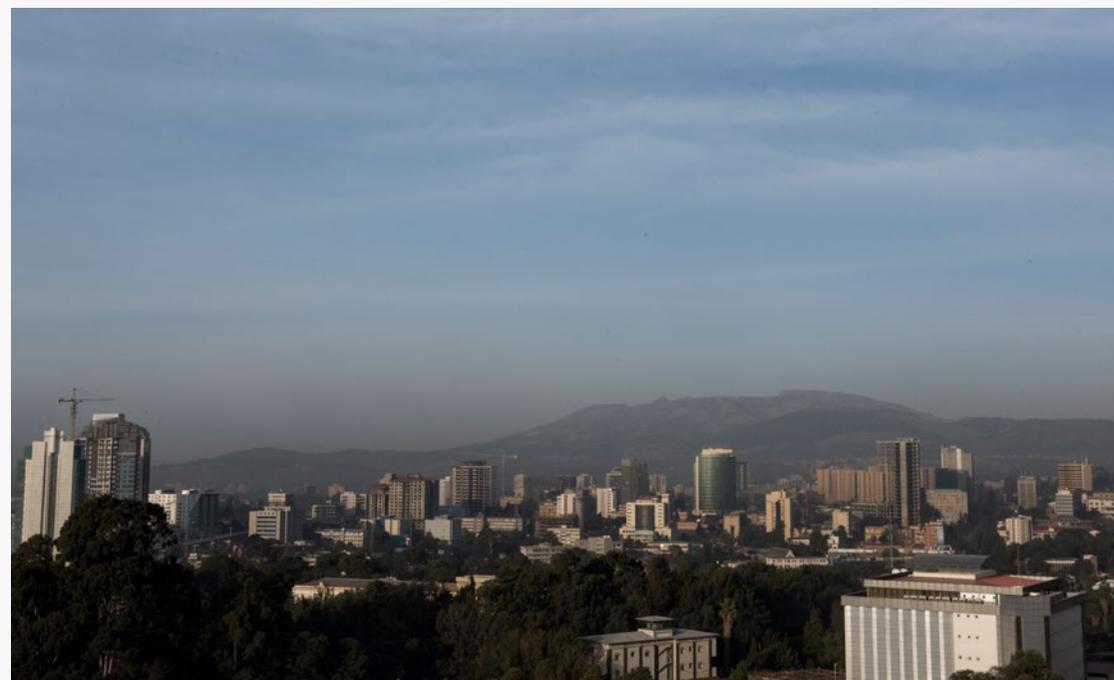
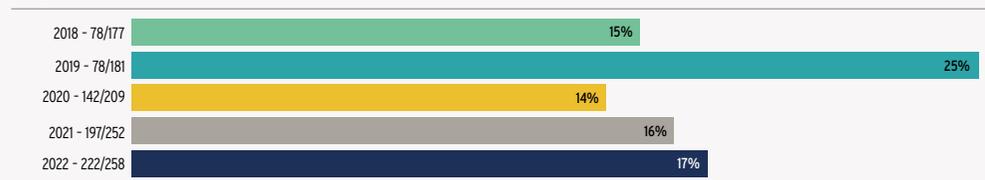
Proportion of women in senior management



Proportion of women out of total number of employees



Proportion of women on boards



View of Addis Ababa, Ethiopia.



Jobs

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 contribute to job creation. 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, increased 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 338,000 jobs in 2022. This again represents an increase over the previous year (2021: 333,000), partly as a result of the fact that more

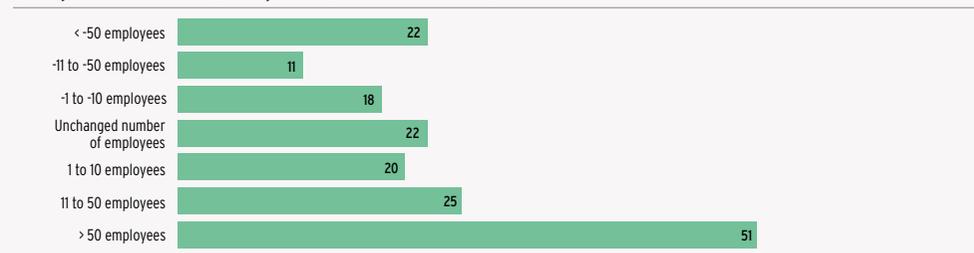
companies have reported data and that Swedfund's funds are growing by investing in new companies, which in turn contributes to job creation. Of the total number of employees in 2022, approximately 62 percent (approximately 209,000) were employees of funds and their underlying holdings, 32 percent (approximately 109,000) were employees of Swedfund's direct loan investments, primarily banks and financial institutions, and six percent (20,000) 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 to the right shows that there were 211 investments in Swedfund's portfolio in both 2021 and 2022, of which 169 have submitted reports for the respective years. The majority (57 percent) of these comparable entities in the portfolio recorded job growth in 2022 (30 percent of these also reported significant growth with >50 more employees), while 30 percent recorded a decrease. This meant that around 37,300 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 increase in the number of jobs for comparable entities between 2021 and 2022 amounted to approximately 21,500 jobs. This net increase can primarily be attributed to developments in the underlying holdings of the funds, as well as to positive growth in a number of financial institutions.

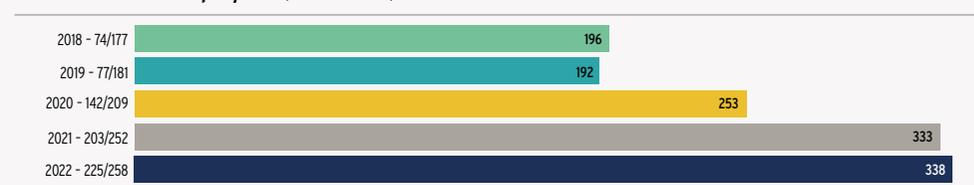
INDIRECT JOBS

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 generally consume more goods and services, which in turn can help to generate more jobs and higher incomes for people other

Change in number of employees (-/+) between 2021 and 2022 (comparable entities, sample 169/211 investments)



Total number of employees (thousands)



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.¹ 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 contributed to a total of approximately 1,9 million indirect jobs in 2022², which is in line with previous estimates based on various studies and models which indicate that one direct job typically creates between five and seven indirect jobs. As Swedfund's portfolio in 2022 contributed to approximately 338,000 (2021: 333,000) direct jobs, it can be concluded that, on average, direct employment contributed to over five indirect jobs. The model shows that the largest contributing factor to indirect jobs was increased consumption due to wages spent,

around 683,000, followed by indirect jobs through supply chains, around 468,000. The number of indirect jobs through improved access to finance fell to around 428,000, while the number through increased access to energy rose to around 352,000. These figures reflect the development of Swedfund's portfolio.

Total number of indirect jobs

Indirect jobs	2020	2021	2022
Through increased consumption of wages spent	345,000	417,000	683,000
Through supply chains	300,000	283,000	468,000
Through better access to finance	640,000	650,000	428,000
Through better access to energy	160,000	179,000	352,000
Total	1,445,000	1,529,000	1,931,000

¹ <https://www.jointimpactmodel.org/>

² 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 were 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.



Tax

TYPE OF GOAL

Other

GOALS AND DESCRIPTION

Increased tax revenues.

INDICATOR

Taxes and other similar items (corporation tax as a minimum) 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 in which we operate, and that the structure through which we invest does not contribute to tax evasion. For example Swedfund does not participate in investments through intermediate jurisdictions which have not been deemed to comply sufficiently with the requirements 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 regarding 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 annually, 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 authorities locally in the country. The geographical distribution of taxes is based on the most recent updated country list, which means that geographical distribution is estimated, especially for funds with investments in several countries. As a result of these changes, only one comparative year is reported for the tax indicator.

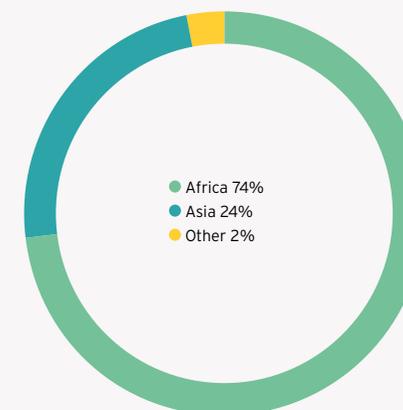
As the table shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 18.2 billion in tax revenues during 2022. This corresponds to an increase of approximately 47 percent compared with 2021 (when the amount was approximately SEK 12.4 billion). The increase can be explained by a growing portfolio with more investments, an increase in the number of investments reporting taxes, and an actual increase in reported taxes, particularly from the companies that pay the most taxes. When making comparisons between years, it should also be noted that differences may be linked to exchange rate fluctuations. The general weakening of the Swedish krona had a positive impact on reported tax for 2022, given that accounting currencies (local or USD) are translated into SEK in order to produce a consolidated outcome. The table also shows tax amounts by country for the ten countries with the highest tax revenues from portfolio companies. The total taxes are also presented by region. In four countries – Kenya, Nigeria, India and Tanzania – tax revenues accounted for more than 50 percent of total reported taxes. The investment in the portfolio that paid the most tax contributed almost 20 percent of the total reported tax, while the ten largest tax-paying investments accounted for approximately 65 percent. Viewed 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 in 2022 (ten largest (MSEK))

Country	2021	2022	Proportion of portfolio 2022 (%)
Kenya	2,813	3,343	18
Nigeria	1,363	2,804	15
India	1,282	2,218	12
Tanzania	434	1,494	8
South Africa	2,272	1,110	6
Georgia ¹	175	1,077	6
Ivory Coast	289	752	4
Togo	320	665	4
Egypt	500	592	3
Algeria ¹	63	473	3
Other ¹	2,861	3,675	21
Total	12,372	18,203	100

¹ Georgia and Algeria were not included in the top ten for 2021, but comparative figures are reported separately. Ghana and Cambodia, which were in the top ten in 2021, have now been included under the 'Other' category.

Share of total tax by region 2022



Sustainability



Decent working conditions

TYPE OF GOAL

Mission goal

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, which is also 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. To support our portfolio companies, during 2023, we also launched a handbook on the implementation of decent working conditions, as well as a handbook that explains how gender-based violence, sexual exploitation, abuse and harassment can be prevented. Both handbooks were launched along with a training course.

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 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.
- Occupational Safety and Health and the Working Environment, ILO 155.

Swedfund's ongoing efforts also encompass monitoring of the trend in ILO's basic working conditions:

- Hours of Work and Overtime, ILO 1.
- Minimum Wage, ILO 26, 131.

Read more about how we work in practical terms during the investment process on pages 50–53.

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

The graph below shows that 90 percent of portfolio companies held for less than three years were considered to act in a manner consistent with the ILO's fundamental Conventions in 2022. 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. These results are in line with last year. 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.

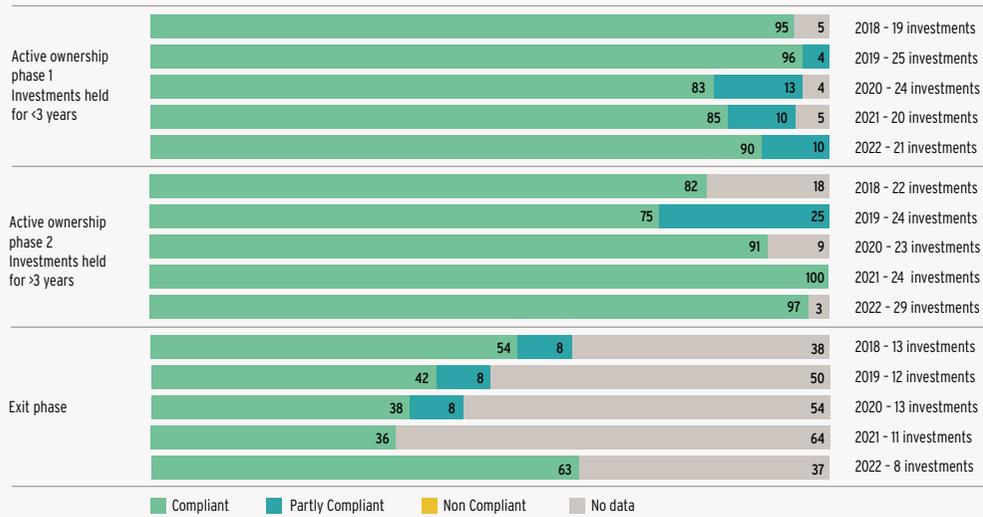
ACTIVE OWNERSHIP PHASE, PART 2 - INVESTMENTS HELD FOR MORE THAN THREE YEARS

Of the portfolio companies which were in the category of investments held for longer than three years in 2022, Swedfund estimates, on the basis of the reported data, that 97 percent of the holdings fulfil the requirement regarding acting in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies. One of the companies did not submit a report, as it concerned a loan that was repaid in early 2023.

EXIT PHASE

The number of investments identified as being in the process of being exited amounted to eleven at the end of 2022. Based on reported data, Swedfund estimates that 63 percent of holdings in the exit phase act consistently with the ILO Core Conventions. Three portfolio companies, corresponding to 37 percent of the portfolio companies in this category, have not submitted Sustainability Reports. These three companies either have no operations or constitute investments 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.

**Compliance with the ILO's fundamental Conventions 2018-2022
(per phase in the investment process)**



A health clinic under construction in Accra, Ghana.



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 imposing a requirement on our portfolio companies for a number of years now which requires them to have management systems in place for environmental and social issues. It is of great importance to us that these systems are implemented and that the companies have an active approach to these issues. Read about what we did to support the

implementation of social and environmental issues in our portfolio in 2023 on page 80.

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/procedure must be established in order to identify sustainability risks and the areas that are affected.
- Performance management – The enterprise'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 76 percent of portfolio companies held for less than three years are judged to meet the requirements for a management system concerning sustainability issues. Twenty four percent of the portfolio companies, corresponding to five companies, meet the requirements in part.

Some deficiencies in their management systems for environmental and social issues have been identified during due diligence, and the companies are working on improvement measures in accordance with ESGAP. No company reported that they have no management system for environmental and social issues. This represents a lower level compared with last year's outcome, when 85 percent of the companies were deemed to meet the requirements in full and ten 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

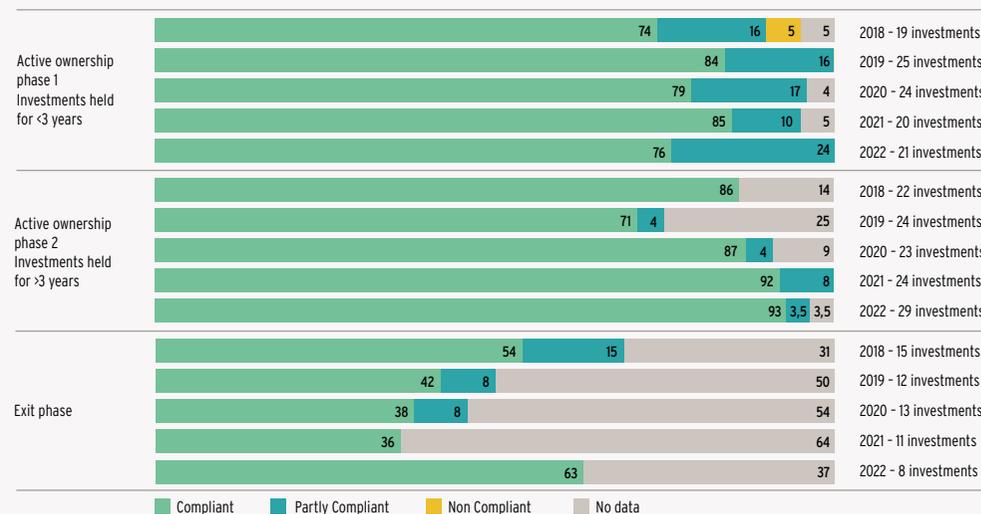
For the portfolio companies which were in the category of investments held for more than three years in 2022, 93 percent were judged to meet the requirements in their entirety. Only one company reported that they meet the requirements in part. Swedfund has made an additional investment in this company

and the company is working on improvement measures. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies, although there is still a need to support the implementation of management systems for social and environmental issues during this ownership phase. One of the companies has not reported.

EXIT PHASE

Eight portfolio companies were in the process of being exited at the end of 2022. Of these holdings, five portfolio companies have submitted information. All five are judged to have a functioning management system as regards sustainability issues. However, no information is available for three portfolio companies which failed to submit Sustainability Reports. These three companies either have no operations 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 2018-2022 (% , per phase in the investment process)





Management system for anti-corruption

TYPE OF GOAL

Other

GOALS AND DESCRIPTION

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

INDICATOR

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

SDG



16.5 - Significantly reduce all forms of corruption and bribery.

Introduction

In order for Swedfund to contribute to long-term sustainable enterprises, we have been imposing a requirement on our portfolio companies for a number of years now that they must have management systems in place for anti-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. Read more about how we developed our work relating to anti-corruption and business integrity during 2023 to improve our ability to set requirements and better support the portfolio companies on page 142.

Results and analysis

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

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

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

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

Sixty two 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. Thirty eight percent, corresponding to eight companies, are deemed 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 for anti-corruption. This represents a slightly lower level compared with last year's outcome, when 70 percent of the companies

were judged to meet the requirements in full and 25 percent in part. 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 HELD FOR MORE THAN THREE YEARS

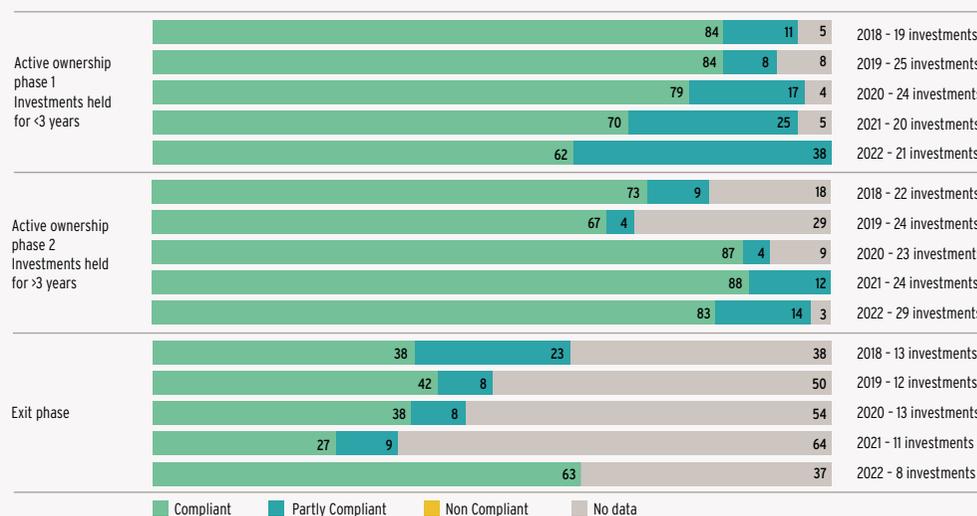
Among the portfolio companies which were in the category of investments held for more than three years in 2022, 83 percent reported and were deemed to meet Swedfund's requirements in their entirety. Fourteen percent, corresponding to four companies, reported that they meet the requirements in part. Three of these companies are older holdings, which met the previous requirements set by Swedfund, but not the more stringent requirements that are imposed today. One of the companies is working on improvement measures. One of the companies has

not reported. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial 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

Eight portfolio companies were in the process of being exited at the end of 2022. Five of these portfolio companies have submitted reports and were considered to have an adequate management system for anti-corruption. Three companies failed to submit reports for 2022. These three companies either have no operations 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 2018-2022 (% , per phase in the investment process)



Financial viability



Economically sustainable investments

TYPE OF GOAL

Mission goal

GOALS AND DESCRIPTION

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

INDICATOR

Turnover and 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 societal development effects, 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 goal for all direct investments that Swedfund had at the end of each of the years 2018–2022. 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 2022, the total sample fell to 24 holdings (down from 27 holdings in 2021). 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 2022, 67 percent of Swedfund's direct holdings reported an increase in both turnover and profit in relation to the investment year, while 29 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 higher inflation and global uncertainty. 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. Furthermore, it is apparent that the data coverage has been improved in the sample, as only one company in the portfolio has no provision for KPI monitoring, as a result of its non-operational status.

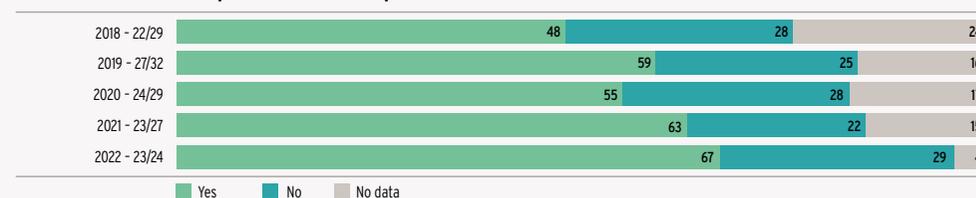
Within the group that meets the objective of Financial viability are companies which are active in different sectors and regions, as well as companies of different sizes, with a common denominator being that the majority of holdings have been operating for a long time. Within the group that does not yet meet the target, there are more enterprises 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 presents a summary of the proportion of Swedfund's active fund portfolio that has a current return in excess of three percent and a return between zero and three percent, and the proportion of the fund portfolio that has a negative return. The return is calculated as net IRR, i.e. accumulated average 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 2023, which means that they are not reported with the same lag as the majority of the other performance indicators. The sample includes 29 funds, which includes all active funds where the first payment was made no later than in 2022.

Proportion of investments reporting increased turnover and profit with the investment year as the base year



The proportion of funds with a positive return amounts to just over half of the portfolio, of which 38 percent of the holdings show a return > three percent IRR, and 14 percent of the holdings have a return between zero and one percent IRR. The corresponding 48 percent of the holdings show a negative return expressed in terms of IRR.

Swedfund's fund portfolio is relatively young, with eight out of 29 funds in the sample contracted during the past three years. Of these younger funds, only one in eight funds showed a positive return at the end of 2023. For funds older than three years, 14 out of a total of 21 funds in the sample show a positive return. 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 special 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 operators. 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

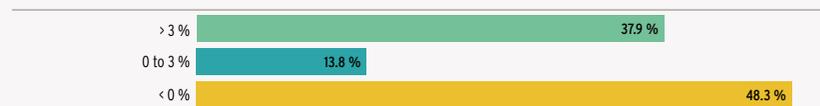
The mission goal is monitored using 2020 as the base year, and estimated mobilised capital is based on contracted investments during the year, which means that the goal is reported without a lag, unlike most other indicators for the portfolio companies. During 2023, Swedfund is estimated to have contributed private capital mobilisation corresponding to 39 percent of the total contracted value during the year, which is at a significantly higher level compared with the past two years. By comparison, the corresponding figure for both 2021 and 2022 was 20 percent. Private mobilised capital in 2023 is primarily attributable to a number of fund investments, with Amethis III, Apis Growth Markets Fund III and South Asia Growth Fund III contributing the most.

Calculated mobilised private capital for 2023 exceeds the target level of 30 percent of the contracted amount. In connection with the follow-up of the entire 2020-2023 period, the proportion of mobilised capital amounts to 30 percent, which is in line with the mission goal's 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. Through the investments which were contracted in recent years, Swedfund has helped to attract more private investors and capital in the longer term.



Philip Ochieng Osewe owns three pharmacies outside Nairobi, Kenya.

Proportion of investments with a positive IRR (net)



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 among portfolio companies and to increase the overall development effects that the operation generates.

Swedfund's Project Accelerator

Swedfund's Project Accelerator is a vital tool in the efforts being made to implement Agenda 2030. The initiative aims to support public sector project owners in countries receiving aid, so that more renewable energy, green infrastructure and sustainable transport projects can be developed and realised. 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 synergies between trade and development cooperation can be utilised and developed.

The need for the Project Accelerator is linked not only to the fact that too few investable projects are being developed, but also to the fact that sustainability aspects are often not taken into account to the desired extent in the projects that are developed, procured and implemented.

Swedfund's financing is intended to strengthen the capacity for project development and sustainable procurement. In this way, the Project Accelerator helps to ensure that project owners do not commit to costly solutions and technologies that are unsustainable in

the long term, and helps to boost business opportunities for enterprises that offer sustainable and long-term profitable solutions.

The Project Accelerator has been in use since autumn 2016 and is funded through annual appropriations. The appropriations for 2023 primarily originate from expense area 7 (International development cooperation) and a smaller amount from expense area 24 (Business). In 2023, the Project Accelerator received a total of MSEK 170 from expense area 7. Of this amount, MSEK 50 was specifically intended for initiatives in Ukraine. From expense area 24, the Project Accelerator had already received MSEK 10 for the 2022–2023 period. The funding that has been awarded includes management costs. During autumn 2023, two new employees were recruited to manage the expanded mission and growing project portfolio.

A total of 84 initiatives have been instigated since 2016, 23 of which were initiated in 2023; a number have been concluded, while the others are in different phases of engagement and activity. Projects are usually preceded by a comprehensive anchoring process before a decision is taken concerning the initiative.

The project itself is then carried out for about a year, depending on the procurement process and the scope of the initiative. The immediate result of the work is normally a decision-making basis, which in turn forms the basis for the procurement of a sustainable solution to meet the needs of the country concerned. The timing of the realisation of the procurement will depend on the national and local circumstances of the project owner, particularly its financial circumstances.

During 2023, operations could largely be carried out without the significant challenges created by the Covid-19 epidemic. 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. Many countries are experiencing fiscal problems as a result of high inflation and higher interest rates, making it difficult for them to manage their debt situation. In the long run, this will also reduce the scope for investment. As a result, the Project Accelerator's cooperation with various development banks became increasingly pivotal in 2023, as demand for soft financing increased.

SWEDFUND PROJECT ACCELERATOR, GENERAL STATUS

Aggregate	Number
Total proposals received	473
Approved measures	84
Ongoing	57
Concluded initiatives	27

During 2023, new initiatives began in the following countries: Ivory Coast, Philippines, Malawi, Malaysia, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Thailand and Ukraine.

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, Democratic Republic of Congo, Laos, Lesotho, Namibia, Rwanda, Senegal, Tanzania, Thailand, Uganda, Zambia and regional initiatives in southern Africa. The projects are being carried out within the transport, energy, water and sewage, forest and healthcare sectors.



Swedpartnership

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.

Swedpartnership's operations have focussed on providing start-up aid in the form of soft loans to Swedish small and medium enterprises relating to initiatives in developing countries. This aid has primarily been intended for skills transfer and investment in machinery and equipment.

There have been no outstanding soft loans in Swedpartnership since the start of 2023 and no new grants have been awarded for the current year. Soft loans disbursed during 2022 concern contracted commitments financed through appropriations up to and including 2020.

Region (MSEK)	Soft loans disbursed during the year	
	2022	2023
Africa	1.1	-
Asia	2.6	-
Latin America	0	-
Eastern Europe	0.5	-
Total	4.2	-

Funds for Technical Assistance (TA)

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

For 2023, Swedfund has been allocated MSEK 15.0 for Technical Assistance, of which MSEK 1.5 is allocated to administration of the operation. In addition to the abovementioned funding, Swedfund has during 2023 also reallocated funds from completed projects for new TA projects. A total of 18 decisions to fund projects with a combined value of MSEK 16.4 were made in 2023. MSEK 1.5 was used for administration purposes during 2023.

TA initiatives - approved 2023	Description
Women4Growth	Additional funding for activities for the ongoing Women4Growth programme with the aim of boosting women's empowerment.
Climate initiatives	Framework project for the implementation of models for estimating greenhouse gas emissions and in order to enhance the ability of portfolio companies to identify and manage climate-related risks and opportunities.
Capacity-enhancing initiatives within E&S, human rights and gender equality	Activity with the aim of developing a fund manager's environmental and social management system and strengthening the fund's processes and working methods within the areas of human rights, gender and climate with regard to the high-risk context of the area.
Initiative within human rights	Initiative relating to human rights for two portfolio companies in fragile states/conflict areas and for an evaluation of the companies' processes and working methods relating to human rights.
Model for measuring development effects	Additional funding for an ongoing project for the development of a standardised Impact Measurement and Management System (IMMS) offering for Swedfund's portfolio companies.
Initiative within human rights	Activity aimed at supporting basic humanitarian needs brought about by extraordinary circumstances in Ethiopia.
Certification of consumer protection principles	Support for a financial institution in Asia in the area of consumer protection for capacity-building and alignment with Customer Protection Principles (CPP) standards.
Initiative to improve working, health and safety conditions	Evaluation of the operational activities of fund managers' underlying companies in Sierra Leone for the follow-up of reported incidents, as well as a review and assessment of local working conditions.
Environmental and social management system	Additional funding for projects in Asia aimed at strengthening and further developing a fund company's environmental and social management system.
Preventive initiative in the field of business ethics	Project which aims to strengthen a fund management company's capacity and working methods in order to identify, mitigate and respond to corruption risks in the fund's portfolio companies.
Study in the Food Systems sector	Initiative with the aim of conducting a study of the value chains of two potential investments in the Food Systems sector in West Africa in order to bring about improvements in the companies' environmental and social management systems and management of human rights risks.
Study of major financial institutions	Additional funding for a study of the development effects of major commercial banks with the aim of contributing to a deeper insight and strengthening the portfolio companies' knowledge development and understanding of the effects to which their operations and financial services contribute.
Study in the Food Systems sector	Additional funding for a project with the principal aim of conducting a study in the Food Systems sector in West Africa.
Initiative with the theme of improved working conditions	Support for a fund's underlying companies for the implementation of training initiatives to improve the work environment, strengthen employment conditions and through opportunities for leadership development, including greater gender equality, based on the participation of female representatives.
Study in the field of infrastructure	Implementation of a study to deepen the understanding of the development effects and social and environmental impacts of infrastructure projects. The initiative is expected to contribute to the strategic development of fund companies and ensure that investments in roads make an effective contribution to sustainable development.
Gender equality in the financial sector	Implementation of in-person training sessions/workshops to support fund managers and financial institutions in their work to strengthen the implementation of a gender equality perspective within the companies' own organisations and investment processes.
Preventive initiative within gender equality	Initiative to develop a financial institution's preventive work and management of gender-based discrimination, violence, sexual exploitation, abuse and harassment, and to promote women's empowerment and gender equality within the enterprise.
Gender equality in the financial sector	Additional funding for a project to support fund managers and financial institutions in their efforts to ensure the implementation of a gender equality perspective.



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 in shares and loan instruments, either directly in companies and financial institutions or indirectly through funds. This section presents Swedfund's results and financial position for the 2023 financial year, together with a follow-up of the financial goals defined by the owners.

Investment activities

PORTFOLIO

During the financial year, the efforts being made to develop and alter the composition of the portfolio continued in line with Swedfund's strategy to invest in the four sectors: Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems.

During 2023, Swedfund contracted fourteen (14) agreements, of which twelve (12) were new portfolio holdings and two (2) were additional investments in existing portfolio companies. The total contracted value of all contracted investments during the year corresponds to just over SEK 2,500 million, split between nine equity investments (of which eight were through funds) and five loan investments (of which two through funds). The contracted investments during 2023 are described below under the respective sections for each sector.

In addition to contracted investments, decisions were made during the year regarding the equivalent of an additional MSEK 575 in four direct loan investments and one equity investment through a PE fund. For approved investments, contract negotiations are under way, with contracting expected during the first half of 2024.

During the year, a total of three portfolio holdings were fully concluded, all loan investments, of which two were direct loans and one a credit fund.

In addition to the fully exited holdings, two loans in co-financing facilities were also repaid in full.

Capital gains during 2023 from the sale of shares and participations amounted to MSEK 56.1 (82.0), with the capital gain for the year being attributable in its entirety 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 4,990 (4,121) as of 31 December 2023. At the end of the period, unrealised surplus values of shares and fund units also amounted to MSEK 591 (740), measured at fair value. Together with contractually agreed, but as yet unpaid, commitments of MSEK 4,492 (3,574), the total value of the portfolio at the end of the financial year amounted to MSEK 10,073 (8,435). The change in value of the portfolio during 2023 was primarily attributable to new contracted investment volumes that are significantly higher than the value of the portfolio holdings which were concluded during the year. During 2023, the value of the portfolio in SEK was also negatively affected by currency translation, as the Swedish krona strengthened noticeably during the latter part of the year against both the USD and EUR, which are the dominant transaction currencies in Swedfund's investment portfolio. The estimated impact on the portfolio value from currency translation during 2023 is approximately MSEK -400 relative to the value at the start of the year.

The return on the investment portfolio expressed in terms of IRR fell slightly during 2023 and is expected to amount to 4.6% at the year-end, compared with 5.1% 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 the fair value of shares and participations, primarily in the Energy & Climate sector, had a negative impact on IRR during the year, while growth in operating income from net interest income and dividends contributed to a continued stable level of return for the portfolio as a whole. Rising market interest rates generally had a negative impact on valuations of shares and participations in 2023, while a majority of the loan portfolio, with variable interest rates, benefited from higher interest rates.

INVESTMENTS

Energy & Climate sector

During 2023, 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, yet many energy projects cannot be implemented due to a

lack of knowledge or funding. The Energy & Climate sector's share of the contracted value of the total portfolio increased during the year and amounted to 38% as of 31 December. During 2023, seven (7) investments were contracted in the Energy & Climate sector. These are presented below:

- During the first quarter, an indirect equity investment was contracted through a commitment of up to MUSD 25 in the first closing of the Evolution III fund. Evolution III is a PE fund with a broad focus on investments in renewable energy and energy efficiency, with a particular focus on a number of countries in sub-Saharan Africa. Swedfund has also invested in the fund manager's previous Evolution II fund.
- During the first quarter, Swedfund contracted a loan to the Mirova Gigaton Fund of up to USD 30 million. The Mirova Gigaton Fund focuses on debt financing for projects that develop and invest in solar energy solutions outside the major power grids, known as 'off-grid solutions'. The fund has a broad geographical mandate, but is primarily aimed at countries in sub-Saharan Africa, Southeast Asia and to a lesser extent in Latin America. Swedfund already has an investment in the portfolio with the same manager through a loan to the Solar Energy Transformation Fund.

- An indirect equity investment of up to MUSD 10 through the E3 Low Carbon Economy Fund I (E3) was contracted during in the second quarter. E3 is an equity fund focused on investments in renewable energy, climate and digitalisation in developing countries in sub-Saharan Africa. The fund's strategy is to invest small amounts, primarily in relatively new enterprises.
- A new indirect equity investment of up to MUSD 25 through the South Asia Growth Fund III (SAGF III) was contracted during the second quarter. The fund builds on the strategy of previous funds (where Swedfund also invested in the manager's other fund, South Asia Growth Fund II), which entails a broad focus on a number of sub-sectors, including energy efficiency, mobile and digital solutions, recycling, water and sanitation. The geographical focus of the investments in SAGF III is predominantly India.
- An additional investment of up to MUSD 1 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 in d.light since 2018 and the current additional investment is in the form of a convertible loan.
- Swedfund has invested an additional MUSD 5 through equity in the existing portfolio company Husk Power Systems (Husk), which was contracted during the fourth quarter. Husk designs, builds, owns and operates solar-based microgrids in India and Nigeria. Swedfund's additional investment will be used for the continuing establishment of microgrids which improve access to clean, affordable and reliable energy in rural and semi-urban areas. Swedfund has invested in Husk as a shareholder since 2017.
- During the fourth quarter, an additional indirect equity investment was contracted through a commitment of up to MUSD 12 in the Southeast Asia Clean Energy Fund II (SEACEF II). SEACEF II is a PE fund that invests in early-stage enterprises and projects in renewable energy, energy efficiency

and e-mobility. The fund is focused on countries in Southeast Asia, primarily Indonesia, Vietnam and the Philippines, and the investments are expected to contribute to climate change adaptation in a region characterised by high emissions from its largely fossil energy production.

Financial Inclusion sector

In developing countries, small and medium enterprises (SMEs) 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 SMEs to grow. Swedfund's investments in Financial Inclusion can be made in regulated banks and microfinance institutions, which is an effective way of reaching out on a broader and more effective front, as well as indirectly through credit funds. At the end of 2023, the sector's share of Swedfund's total investment portfolio amounted to 33%. During 2023, two (2) investments were contracted in the Financial Inclusion sector:

- During the first quarter of 2023, a loan of up to MUSD 25 was contracted with Vietnam Joint Stock Commercial Bank (VP Bank). Swedfund's loan to VP Bank gives the bank access to supplementary long-term financing, which is expected to support growth in the private sector, especially for SMEs. The loan is part of a syndicate with other development finance institutions led by the International Finance Corporation (IFC) and is Swedfund's first direct investment in the financial sector in Vietnam.
- At the end of the fourth quarter, an indirect loan investment was contracted through a commitment of up to MUSD 15 in African Rivers Fund IV (ARF IV). Swedfund has invested as a shareholder in the manager's previous fund, African Rivers Fund III, and the commitment in countries such as the Democratic Republic of Congo, Uganda, Angola and Zambia is being expanded through the investment in ARF IV. ARF IV is a credit fund that has a broad and general focus on a range of industries. The fund is helping to improve access to finance for SMEs in challenging markets where there is strong demand for growth capital.

Sustainable Enterprises sector

Strengthening the growth and resilience of SMEs in developing countries is essential for local job creation, the accessibility of products and services, tax revenues and women's economic empowerment, among other things. The Sustainable Enterprises sector is helping to increase venture capital, which in turn will strengthen the business community in the countries in which Swedfund invests. The sector invests broadly in a range of industries, with digital business models, gender equality and health being prioritised themes. Investments are usually made using equity as an instrument, both directly and indirectly through funds. The sector's share of Swedfund's total investment portfolio amounted to 28% at the end of 2023, and a total of five (5) investments were contracted during the year.

- During the second quarter of 2023, an indirect equity investment of up to MUSD 15 in Horizon Capital Growth Fund IV (Horizon) was contracted during the second quarter. Horizon Capital is a leading PE firm in Ukraine, and the manager's fund IV will be directed towards investments in the IT sector in Ukraine and Moldova, which is expected to contribute to more jobs and export revenues for both countries. Russia's invasion of Ukraine has had a major impact on the Ukrainian economy and access to private venture capital is very limited. Through the investment in Horizon IV, Swedfund will contribute to the further development of the private sector in Ukraine and Moldova.
- An indirect loan investment was contracted during the second quarter through an initial commitment of up to MUSD 5 in the Transform Health Fund (THF), with Swedfund having the option to increase the commitment up to MUSD 12.5, provided that certain conditions are met. THF invests in the health sector in sub-Saharan Africa in areas that target low-income patients. The fund will primarily provide debt financing to SMEs, where the investments are expected to contribute to a more resilient ecosystem in the health sector in Africa.
- An indirect equity investment of up to MEUR 20 through Amethis Fund III (Amethis) was contracted

during the second quarter of 2023. Amethis is a generalist fund that is focused on a number of industries, primarily in consumer products and services. The geographical focus is on the whole of Africa, with East Africa and West Africa expected to account for the largest share of the fund's investments. Investments are primarily made through equity as an instrument in medium enterprises requiring growth capital. Swedfund's investment is expected to contribute to the mobilisation of private capital, as well as clear development effects in terms of job creation and improved access to basic products and services.

- During the fourth quarter, an indirect equity investment of up to MUSD 32 was contracted in Apis Groth Market Fund III (Apis III). Apis III is a PE fund with a geographical focus on Africa and Southeast Asia, and Swedfund's investment is expected to contribute to increased digitalisation and innovation, improved access to and quality of financial services, and the creation of jobs with decent working conditions. Swedfund has invested in two previous funds with the same fund manager, and the investment in Apis III in parallel with other development finance institutions has enabled significant mobilisation of private capital.
- At the end of December, an additional indirect equity investment was contracted through a commitment of up to MEUR 15 in Joliba Capital Fund I (Joliba). This fund is a PE fund primarily focused on consumer sectors such as financial services, consumer goods, insurance and education. The geographical focus of Joliba is primarily on countries in West Africa and Central Africa.

Sector Food Systems

In developing countries, agriculture and food production employ a high proportion of the population and constitute an important part of many countries' economies. Despite good conditions for agriculture and food production in many cases, it is estimated that Africa imports up to 65 percent of the continent's food. In many countries, a high proportion of food production never reaches the market and becomes

waste. At the same time, food insecurity is exacerbated by factors such as climate change, geopolitics, war and rapid population growth. Within the Food Systems sector, Swedfund invests in the entire value chain for agriculture and food production. At the end of the year, no investment in the sector had yet been contracted. After the end of the financial year, the first investment in Food Systems was contracted in January 2024 through a loan to Apollo Agriculture of up to MUSD 5.

DIVESTMENTS

During 2023, total of three (3) portfolio holdings were fully concluded, of which two were direct loan investments and one a credit fund.

Disposals of shares and participations

- During the fourth quarter, the last underlying holding in the credit fund Women Entrepreneurs Debt Fund (WEDF) was repaid, without any material impact on earnings, and WEDF is thus considered to have been divested from Swedfund's active portfolio.

Termination of loans

During 2023, two direct loan investments were wound up in their entirety:

- A loan to Access Bank in Nigeria, in the Financial Inclusion sector, was closed during the first quarter after the final repayment was received in accordance with the loan agreement.
- A loan to DBL Industries was formally terminated during the fourth quarter. In 2016, Swedfund contributed a loan equivalent to SEK 60 million to establish a textile factory in the Tigray region of Ethiopia. In November 2020, war broke out in Tigray, whereupon DBL's operations had to be shut down and the more than 1,500 employees were forced to flee. The situation in Tigray remains

uncertain and no production is currently taking place at the factory. Swedfund's loan to DBL has been fully written down since 2020; hence, the liquidation of the loan will not have any impact on earnings in 2023.

In addition to fully exited loan investments, a loan within the EFP co-financing facility was also fully amortised during the year as planned.

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 negative operating profit for 2023, and a summary of EBIT for the most recent five-year period 2019–2023 (see the table below) shows that total operating profit is weakly negative, which means that the financial goal had not been achieved at the end of 2023. Earnings and goal attainment are greatly affected by currency effects, which have also increased in volatility since currency hedging of the loan portfolio was completely phased out in 2022.

EBIT for the 2023 financial year amounted to MSEK -103.4 (151.0). The negative result is strongly affected by currency effects, the majority of which are attributable to unrealised currency effects in Swedfund's loan portfolio and currency effects which are included in the revaluation of shares and participations. 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 the 2022 financial year, Swedfund has been reporting an alternative performance measure, EBIT excluding currency effects, which is presented in more detail in Note 8.

COMMENTS ON THE RESULTS OF INVESTMENT ACTIVITIES

A total of three holdings in the portfolio were fully exited during the year, including two direct loans and a credit fund. Swedfund's net income from investment activities amounted to MSEK 27.4 (255.1) during the 2023 financial year. During the latter part of the year, the strengthening of the Swedish krona against the USD and EUR in particular has negatively impacted on the trend in earnings through unrealised currency effects in connection with the valuation of holdings in the portfolio. For the loan portfolio, currency effects are reported on the profit and loss line 'Currency effects', while the impact of currency on shares and participations is included under 'Net impairments' in the profit and loss statement.

Shares and fund units

During the financial year, Swedfund's investment activities generated dividends of MSEK 35.3 (23.4). Income growth from dividends during 2023 is primarily attributable to higher reflows from a number of mutual funds and credit funds, and to a lesser extent from direct shareholdings.

Net capital gains from the sale of shares and units for the full year 2023 amounted to MSEK 56.1 (82.0). Transactions during the year with the greatest impact on the capital gain originate from partial divestments in the funds South Asia Growth Fund II, Apis Growth Fund I and Baring India Private Equity II. No divestments of direct shareholdings took place during 2023.

Net interest income

Loan receivables in the investment portfolio had a book value at the year-end of MSEK 2,182 (MSEK 1,916). 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. Borrowing intended for currency hedging was completely phased out during 2022, which means that no interest expenses were charged to the profit from interest-bearing instruments during 2023. Net interest income for the full year 2023 amounted to MSEK 227.7 (114), corresponding to growth of 100% compared with the previous year. Growth in net interest income during the year was most positively affected by higher market interest rates, but the growth is also explained by the discontinued currency hedging, higher average loan volumes and, to a lesser extent, currency effects.

Other portfolio income and portfolio costs

Other portfolio income refers, for example, to board fees in portfolio companies. Other projects costs refer to direct costs attributable to active projects and investments, e.g. legal expenses and other external advisors and costs associated with due diligence. The net amount of other portfolio income and other portfolio costs for the full year 2023 was MSEK -5.5 (-4.6).

Currency effects

Recognised currency effects for the 2023 financial year amounted to MSEK -85.3 (147.1). The profit and loss line contains both realised currency gains and losses, as well as unrealised currency effects for loans receivable, which were strongly affected by the strengthening of the Swedish krona during the final quarter of 2023. Given Swedfund's strategy not to hedge loans receivable, recognised currency effects will become even more volatile and closely follow fluctuations in the currency market between the Swedish krona and the USD and EUR 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

MSEK	2019	2020	2021	2022	2023	Total 2019–2023
EBIT	41	-373	197	151	-103	-86

holdings in group companies, associates and joint ventures), Swedfund follows IFRS through the application of RFR2. This means that write-downs 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 2023, the unrealised surplus value amounted to MSEK 591 (MSEK 740); see also Note 21.

For the 2023 financial year, write-downs on shares and fund units (net) amounted to MSEK -210.1 (MSEK 47.1). The impact from currency translation has had a negative impact on write-downs in the amount of approximately MSEK -47, which means that the underlying change in the value of share and fund holdings recognised in the income statement is approximately MSEK -163. The write-downs are primarily attributable to direct shareholdings in the Energy & Climate sector. In general, higher market interest rates have had a negative impact on the valuations of underlying assets.

The valuation of loans in accordance with IFRS 9 had a positive impact in 2023 through lower expected credit losses, which had an impact on earnings of SEK 9.2 million (-59.7). The positive effect on earnings during the year was greatly affected by the receipt of amortisation for a number of loans placed in Stage 3 with elevated credit risk. There were no additional loans for Stage 3 during 2023.

COMMENTS ON OPERATING PROFIT (EBIT) AND FINANCIAL EXPENSES

Swedfund's operating profit (EBIT) for 2023 amounted to MSEK -103.4 (151.0). The negative result and the difference compared with the previous year are primarily affected by the effects of currency translation and write-downs of shares and participations. Expected credit losses and recurring income from net interest income and dividends had a positive impact on earnings compared with the previous year.

Recurring revenues also exceeded Swedfund's operating expenses by a good margin in 2023.

As the effects of currency translation have a significant impact on reported earnings, Swedfund has, with effect from 2022, introduced an alternative key ratio 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 alternative key ratio, see Note 8.

For the full year 2023, EBIT excluding currency effects amounted to MSEK -15.6 (MSEK -54.9). The negative result for the year is primarily attributable to write-downs of shares and participations recognised in the income statement which exceed the total capital gain from disposals of shares and participations.

Other operating income and expenses

The separate lines in the income statement 'Other operating income' and 'Other operating expenses' refer to the activities within 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 2023 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.

With effect from 2023, capitalised production costs have been recognised as a separate line in the income statement under 'Other operating income' in the amount of MSEK 1.2 (0.0). For 2023, this concerns the capitalisation of external costs for the development of a new external website. The revenue of MSEK 1.2 has

a corresponding cost that is recognised under 'Other external costs', which is why the net effect on earnings is 0 for the full year 2023. Capitalised expenses are expected to be written off against earnings from 2024 onwards.

Other external costs and personnel costs

The company's other external costs amounted to MSEK -39.9 (-29.3) for the 2023 financial year, with the growth in costs primarily being attributed to higher premises costs for offices, consultancy costs and IT-related costs.

Personnel costs in 2023 amounted to MSEK -90.6 (-74.2), with the increase during the year primarily being attributable to further strong growth in the average number of employees and wage inflation.

Other financial items

Net income from other financial items for 2023 amounted to MSEK 95.1 (MSEK 165.8) 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 invested in fixed-income securities in the corresponding currency to Swedfund's contractual commitments and in Swedish kronor. Since a high proportion of the liquidity management is invested in USD and EUR interest-bearing instruments, this entails a currency translation effect, which in 2023 had a negative impact on other financial items. At the same time, higher market interest rates have resulted in a better return on the liquidity management and for bank deposits in accounts, which explains why the net profit from other financial items is positive for the full year 2023.

TAXES

The estimated tax expense on profit for the year for the 2023 financial year amounts to MSEK -28.7 (-62.8). The tax calculation included additions for decisions by the Swedish Tax Agency regarding changes

to the tax assessment for 2022 (2021 financial year) where a tax audit was carried out in 2023.

See also Note 10 for calculation of reported tax.

Financial position

With the exception of Technical Assistance and Swedfund Project Accelerator which are funded through appropriations, Swedfund is financed through equity, i.e. capital injections and accumulated profits. For 2023, the State approved a capital injection totalling MSEK 1,460, which has been called off in its entirety. The financial position is strong and the equity/assets ratio amounts to 96% (96%) as of 31 December 2023. In 2024, the Swedish Parliament again decided to allocate a capital injection of MSEK 1,460 to Swedfund in the National Budget. Swedfund's liquid assets, including interest-bearing securities, amounted to MSEK 5,606 (MSEK 4,967) as of 31 December 2023, of which MSEK 5,212 (MSEK 4,691) 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 4,492 (3,574) as of 31 December 2023.

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 and co-financing facilities. 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, was positive and amounted to MSEK 212.5 (115.6). Including the changes in working capital, cash flow from operating activities amounted to MSEK 205.0 (-179.2). Cash flow from investment activities amounted to MSEK -1,143.3 (660.8) and shows a continuing high level of activity of investments with the acquisition of new financial

fixed assets which significantly exceed disposals. Cash flow from financing activities amounted to MSEK 1,460.1 (1,428.3), which corresponds to this year's capital injection. Total cash flow for the year amounted to MSEK 521.8 (946.7).

Personnel

The average number of employees in 2023 was 70 (62). On average, 64 employees worked at the office in Stockholm, five employees at the office in Nairobi (Kenya), and one employee at the newly established office in Abidjan (Ivory Coast). See also Note 5.

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 46–49 and about financial risks in Note 20.

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 126–130.

BOARD OF DIRECTORS

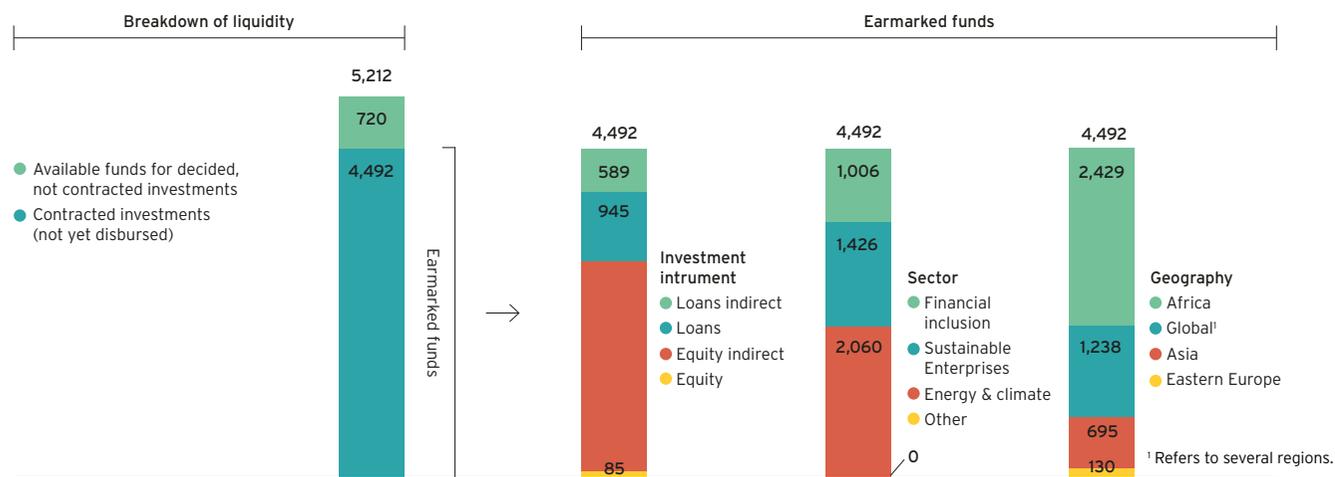
At the annual general meeting held on 25 April 2023, Catrin Fransson, Kerstin Borglin, Torgny Holmgren, Daniel Kristiansson, Catrina Ingelstam and Roshi Motman were re-elected as board members. Caroline af Kleen and Anna Stellingner were elected to the board of directors, while Jonas Eriksson resigned as a board member. Catrin Fransson was elected chair of the board of directors. During the year, Daniel Kristiansson resigned as a board member and was replaced by Josefine Ekros Roth at an extraordinary general meeting.

Proposal for allocation of profit

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

	2023
The following funds are at the disposal of the annual general meeting:	
Accumulated profit/loss	8,176,594,584
Capital injection	1,460,000,000
Profit/loss for the year	-36,938,687
	9,599,655,897
The board of directors proposes that the funds available to the annual general meeting be allocated so that:	
To be carried forward	9,599,655,897
	9,599,655,897

DISTRIBUTION OF OWN FUNDS AS OF 31 DECEMBER 2023, MSEK





Income statement

Amounts in TSEK	Note	2023	2022
Shares and fund units			
Dividends received	3	32,736	23,396
Sales proceeds	3	82,824	126,345
Acquisition cost of disposed of shares and fund units		-26,739	-46,307
Income from shares and fund units		88,820	103,434
Group companies, associates and joint ventures			
Dividends received	3	2,608	-
Sales proceeds	3	-	192
Acquisition cost sold equity		-	1,769
Net income from group companies, associates and joint ventures		2,608	1,961
Interest income and expenses			
Interest income	3	227,687	132,171
Interest expenses		-	-18,123
Income from interest-bearing instruments		227,687	114,048
Other portfolio income and portfolio costs			
Other portfolio income	3	786	1,505
Other portfolio expenses		-6,292	-6,123
Currency effects		-85,276	147,084
Income from other portfolio income and portfolio costs		-90,783	142,466
Write-downs and loan losses			
Write-downs of shares and fund units, net		-210,085	-47,089
Write-downs of group companies, associated companies and joint ventures, net		-	-
Write-downs for loan losses, net		9,160	-59,691
Net income from write-downs and loan losses		-200,925	-106,780
INCOME FROM INVESTMENT ACTIVITIES		27,407	255,129

Amounts in TSEK	Note	2023	2022
Other operating income			
Other operating income	3, 4	86,389	63,932
Capitalised production costs		1,181	-
Operating expenses			
Other external costs	6, 7	-39,948	-29,298
Personnel costs	5	-90,590	-74,225
Other operating expenses	4	-86,389	-63,932
Depreciation of non-current assets	11, 12	-1,410	-604
Net income from other operating income and expenses		-130,767	-104,126
OPERATING PROFIT (EBIT)	8	-103,360	151,003
Net income from other financial items			
Other financial income	9	172,782	203,490
Other financial expenses	9	-77,677	-37,670
Net income from other financial items		95,104	165,820
PROFIT AFTER FINANCIAL ITEMS		-8,256	316,823
PROFIT/LOSS BEFORE TAX		-8,256	316,823
Tax on profit/loss for the period	10	-28,683	-62,809
PROFIT/LOSS FOR THE PERIOD		-36,939	254,014
The Company's Statement of Comprehensive Income			
Profit/loss for the period		-36,939	254,014
Other comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE PERIOD		-36,939	254,014

Balance sheet

Assets

Amounts in TSEK	Note	31.12.2023	31.12.2022	Amounts in TSEK	Note	31.12.2023	31.12.2022
FIXED ASSETS				CURRENT ASSETS			
Intangible assets				Account receivables			
Capitalised development expenses	11	1,181	-		21, 22	60	9,000
Tangible fixed assets				Other receivables			
Buildings and land				Prepaid expenses and accrued income			
Improvement expenditure on leasehold	12	4,030	1,703		18, 21, 22	47,186	41,562
Equipment, tools and installations				Total			
Equipment	12	2,696	1,441			55,197	58,513
Total		7,907	3,144	Interest-bearing securities			
Financial fixed assets				Cash and bank balances			
Shares and fund units	13, 21, 22	2,787,767	2,184,914		19, 21, 22, 26	4,932,762	4,541,426
Participations in group companies, associates and joint ventures	14, 21, 22	20,469	20,469	Retained funds on behalf of others			
Loans receivable	15, 16, 21, 22, 26	2,181,814	1,915,986		21, 22, 26	661,265	413,815
Endowment insurance	21, 22	-	122		21, 22, 26	11,648	11,448
Other long-term securities	21, 22	738	738	Total			
Other non-current financial assets		8,600	8,600			5,605,675	4,966,689
Deferred tax assets	10	487	721	Total current assets			
Total		4,999,876	4,131,550			5,660,872	5,025,202
Total fixed assets				TOTAL ASSETS			
		5,007,782	4,134,694			10,668,654	9,159,896

Equity and liabilities

Amounts in TSEK	Note	31.12.2023	31.12.2022	Amounts in TSEK	Note	31.12.2023	31.12.2022
EQUITY				CURRENT LIABILITIES			
Share capital		50,000	50,000	Accounts payable	21, 22, 27	7,579	4,456
Statutory reserve		540,000	540,000	Tax liabilities	27	65,030	87,655
Fund for development expenses		1,181	-	Other liabilities	21, 22, 27	19,736	15,989
Total		591,181	590,000	Accrued expenses and deferred income	21, 22, 28	382,339	280,436
Accumulated profit/loss		9,636,595	7,923,761	Total		474,684	388,536
Profit/loss for the period		-36,939	254,014	Total provisions and liabilities		477,818	392,121
Total		9,599,656	8,177,775	TOTAL EQUITY AND LIABILITIES		10,668,654	9,159,896
Total equity		10,190,837	8,767,775				
LIABILITIES							
Provisions							
Provision for pension obligations	24	-	122				
Other provisions	16, 25, 26	3,134	3,462				
Total		3,134	3,584				

Statement of changes in equity

Amounts in TSEK	Restricted equity			Unrestricted equity		Total equity
	Share capital	Statutory reserve	Fund for development expenses	Accumulated profit/loss	Profit/loss for the year	
OPENING EQUITY AS OF 01.01.2022	50,000	540,000	-	6,503,541	220,220	7,313,761
Reversal result previous year	-	-	-	220,220	-220,220	-
Profit/loss for the period	-	-	-	-	254,013	254,013
Other comprehensive income for the year	-	-	-	-	-	-
Comprehensive net income for the year	50,000	540,000	-	6,723,761	254,013	7,567,776
Capital contribution	-	-	-	1,200,000	-	1,200,000
Total transactions with owners	-	-	-	1,200,000	-	1,200,000
Closing shareholders' equity as of 31.12.2022	50,000	540,000	-	7,923,761	254,013	8,767,775
OPENING EQUITY AS OF 01.01.2023	50,000	540,000	-	7,923,761	254,013	8,767,775
Transfer to fund for development expenses	-	-	1,181	-1,181	-	-
Reversal result previous year	-	-	-	254,013	-254,013	-
Profit/loss for the period	-	-	-	-	-36,939	-36,939
Other comprehensive income for the year	-	-	-	-	-	-
Comprehensive net income for the year	50,000	540,000	1,181	8,176,595	-36,939	8,730,836
Capital contribution	-	-	-	1,460,000	-	1,460,000
Total transactions with owners	-	-	-	1,460,000	-	1,460,000
Closing shareholders' equity as of 31.12.2023	50,000	540,000	1,181	9,636,595	-36,939	10,190,837

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

Cash flow statement

Amounts in TSEK	Note	2023	2022	Amounts in TSEK	Note	2023	2022
Ongoing activities				Financing operations			
Profit/Loss after financial items		-8,256	316,823	Capital contribution		1,460,000	1,200,000
Adjustment for non-cash items	31	268,050	-199,160	Loans taken up (+) / Amortised (-) ¹		-	-589,445
Income tax paid		-47,319	-2,093	Change in blocked funds		50	817,714
Cash flow from operating activities before changes in working capital		212,475	115,570	Cash flow from financing activities		1,460,050	1,428,269
Cash flow from changes in working capital				Cash flow for the year			
Increase (-)/Decrease (+) in operating receivables		4,734	64,265			521,834	946,651
Increase (+)/Decrease (-) in operating liabilities		-12,165	-606	Cash and cash equivalents at the beginning of the year²		4,690,615	3,743,964
Cash flow from operating activities		205,044	179,229	Cash and cash equivalents at the end of the year²		5,212,449	4,690,615
Investment activities							
Acquisition of intangible assets (-)		-1,181	-				
Acquisition of non-current assets (-)		-5,134	-3,736				
Acquisition of financial fixed assets (-)		-1,219,769	-783,651				
Sales of financial fixed assets (+)		82,824	126,538				
Cash flow from investment activities		-1,143,260	-660,848				

¹ Concerns amortisation of loans taken out in SEK intended for hedging of currency risks in connection with lending in investment activities. During the fourth quarter of 2022, the remaining loans for hedging were redeemed prematurely.

² This item has been reduced by liquid assets relating to Swedpartnership, TA funds and Swedfund Project Accelerator.

Notes

1 Significant accounting policies

Introduction

The Report includes 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 22 March 2024, the board of directors approved this annual report, which will be presented to the annual general meeting on 26 April 2024.

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 prepare consolidated financial statements in accordance with Chapter 7 Section 3(a) of the Swedish Annual Report Act (ÅRL), where the holdings of subsidiaries are considered to be of non-material importance.

Changes in accounting policies

Changes to standards during 2023 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 twelve months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve 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 under 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 development cooperation

Swedfund has received government grants for development cooperation (framework grants) for 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 interest-bearing securities and bank balances, excluding loans pledged and liquid assets within Technical Assistance and Swedfund Project Accelerator.

Revenue

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. Swedfund applies IFRS 15 regarding revenue accounting.

Other operating income consists of 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. In addition, up to and including 2022, repayments of softs

loans to small and medium enterprises were included under the previous Swedpartnership grant operation (which is being wound up), through which no new soft loans were disbursed during the current financial year.

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. The item 'income from interest-bearing instruments' includes any realised changes in value and any interest compensation from early repayment.

Note 1 (cont.)

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. Where appropriate, interest income and expenses include accrued fees received that are included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the initial value of the receivable/liability and the amount settled at maturity. Interest income is calculated using the effective interest method on gross amounts, i.e. excluding reserves for expected credit losses, except for credit-impaired assets (Stage 3 or issued credit-impaired assets).

Leases

The Company's leasing agreements are reported according to the exception in RFR 2 as operating lease. Payments made during the leasing period (less any incentive from the lessor) are expensed in the income statement linearly over the lease term. Any benefits received in connection with the signing of an agreement are reported in the Profit/Loss for the Year as a reduction of the leasing charges linearly over the term of the leasing contract. Variable fees are expensed in the periods they arise.

The Company is not a lessor.

Salaries and other compensation to employees

Employee Benefits consist of salaries, paid leave, paid sickness absence and other remuneration and pensions.

For the Company's employees, the Company primarily has defined contribution pension plans. For the defined contribution pension plans, the Company pays fixed contributions to a separate legal entity and has subsequently completed its commitment towards the employee. Defined contribution pension plans are recognised as an expense in the period to which the premiums are attributable.

Swedfund also had a limited commitment in pre-determined pension plans, which was fully paid up at the end of 2023. Swedfund does not apply IAS 19 Remuneration to employees for defined benefit pensions. The simplification rule in RFR 2 applies instead. 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, equity 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 recognised on the transaction date. The transaction date constitutes the date on which the enterprise commits to acquire or divest itself of the asset.

Swedfund recognises and values its financial assets and financial liabilities under RFR 2 in respect of IFRS 9; i.e. on the basis of acquisition value. Fair value is presented in the information and forms the basis for the impairment of investments in shares and fund units and shares in group companies, associates and joint ventures.

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.

Note 1 (cont.)

SHARES AND FUND UNITS

Shares and fund units are valued at acquisition value less any impairment losses 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 21.

OTHER LONG-TERM SECURITIES

Other long-term securities holdings are valued at amortised acquisition value using the principles of impairment testing and loss risk reserve in IFRS 9, Expected Credit Losses.

LOANS RECEIVABLE

Loans receivable are non-derivative financial assets that have fixed or determinable payments and are not listed on an active market. These assets are valued at amortised acquisition value. Accrued acquisition value is determined on the basis of the effective interest rate calculated at the time of acquisition. In calculating the net realisable value of loan receivables, the principles of impairment testing and loss risk reserve are applied in accordance with IFRS 9, Expected Credit Losses.

INTEREST BEARING SECURITIES

Interest bearing securities are recognised at amortised acquisition value using the principles of impairment testing and loss risk reserve in IFRS 9, Expected Credit Losses.

CASH AND BANK BALANCES

Cash and bank balances consist of cash and immediately available balances in banks and corresponding institutions and short-term liquid investments with a maturity from the acquisition date of less than three months, which are only exposed to an insignificant risk of fluctuation.

OTHER FINANCIAL LIABILITIES

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are valued at amortised acquisition value.

EFFECTIVE INTEREST RATE AND EFFECTIVE INTEREST METHOD

Long-term loan receivables and other long-term securities are reported at amortised acquisition value according to the effective interest method with impairment for expected credit losses.

The effective interest rate is the interest rate that accurately discounts the estimated future receipts and disbursements over the expected maturity period of the financial asset or financial liability to the initially reported gross value of a financial asset or to the accrued acquisition value of a financial liability. In calculating the effective interest rate, an enterprise shall estimate expected cash flows by taking into account all contractual terms of the financial instrument (such as options for early redemption, renewals, purchases and the like) but shall not take into account expected credit losses. The calculation includes all charges and items paid or received by the contracting parties, which are an integral part of the effective interest rate, transaction costs and any other premiums or discounts. It is assumed that the cash flows and expected maturity period of a group of similar financial instruments can 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 21.

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 recognised gross value (excluding credit loss reserve) (Stage 2).

For credit-impaired assets, a provision continues for the entire remaining maturity period, but interest income is calculated at amortised acquisition value (excluding credit loss reserve) (Stage 3).

The credit risk for a financial asset may change during the term, which affects the reserve for expected credit losses.

Loan receivables with renegotiated loan terms that are recognised as new loans and constitute credit-impaired financial assets, are initially not recognised as a loan loss reserve. As of each balance sheet date, the change in expected credit losses for the entire remaining maturity period is reported as a written-down gain or loss. Interest income is calculated on the accrued acquisition value (excluding credit loss reserve) and initially fixed credit adjusted effective interest rate.

Swedfund has developed methods for assessing and reserving expected credit losses in accordance with IFRS 9. The methods are based on the Company's risk classification model and take into account any collateral for Swedfund loans receivable, loan commitments and interest-bearing securities.

Swedfund's methods for calculating expected credit losses are described in more detail in Note 21.

Intangible assets

CAPITALISED DEVELOPMENT EXPENSES

Swedfund's intangible assets consist of capitalised development costs. Proprietary intangible assets are only recognised in the balance sheet if they fulfil the following criteria:

- It is technically possible to complete the intangible asset so that it can be used;
- The company intends to complete the intangible asset and use or sell it;
- The prerequisites for using or selling the intangible asset are met;
- The company can demonstrate how the intangible asset generates likely future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be estimated reliably.

Capitalised development costs are recognised at acquisition value less deductions for accumulated depreciation and write-downs, if any. Acquisition value includes expenses for the purchase of services and materials necessary to enable the asset to be used. Other development costs are recognised in the income statement as an expense as they are incurred.

The corresponding amount recognised as capitalised development expenditure is included as restricted equity in the fund for development expenses.

DEPRECIATION PRINCIPLES

Capitalised development costs are depreciated from the date on which the asset is completed. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Capitalised development expenses 3–5 years

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.

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.

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.

Note 2 (cont.)

Shares and fund units, participations in group enterprises, associates and joint ventures

MAIN SOURCES OF UNCERTAINTY IN ESTIMATES

Shares and fund units are recognised at acquisition value 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 21.

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 21.

3 Revenue distributed by geographical area and revenue type

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

2023	Africa	Asia	Latin America	Eastern Europe	Global ¹	Total
Share sales	8,954	51,857	-	-	22,013	82,824
Distribution of shares	27,878	2,082	-	12	2,764	32,736
Group and/or associated companies' sales	-	-	-	-	-	-
Group and/or associated companies' dividends	2,608	-	-	-	-	2,608
Interest income	82,259	87,473	-	53,035	4,920	227,687
Other portfolio income	427	359	-	-	-	786
Total	122,127	141,770	-	53,047	29,697	346,641

¹ Refers to several regions.

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	2023	2022
Technical Assistance and Swedfund Project Accelerator	86,439	62,106
<i>Date of revenue recognition in accordance with IFRS 15</i>		
Services transferred over time, management fee Swedpartnership	-50	1,825
Total	86,389	63,932

4 Swedpartnership, Technical Assistance (TA FUNDS) and Swedfund Project Accelerator

Swedpartnership	2023	2022
Other operating income	-50	1,825
Other operating expenses	50	-1,825
Total	0	0

Technical assistance	2023	2022
Other operating income	20,345	12,222
Other operating expenses	-20,345	-12,222
Total	0	0

Swedfund Project Accelerator	2023	2022
Other operating income	66,094	49,885
Other operating expenses	-66,094	-49,885
Total	0	0

5 Board of directors, employees and personnel costs

Gender distribution of the board of directors, CEO and other senior executives

	2023		2022	
	Total	Of which, men	Total	Of which, men
Board of Directors	8	1	7	3
CEO	1	-	1	-
Other senior executives	7	3	7	3

Average number of employees

Country	2023		2022	
	Total	Of which, men	Total	Of which, men
Ivory Coast	1	-	-	-
Kenya	5	20%	5	20%
Sweden	64	46%	57	47%
Total	70	44%	62	45%

Salaries, other remuneration and social welfare costs

	2023		2022	
	Salaries and remuneration	Social welfare costs	Salaries and remuneration	Social welfare costs
	59,545	29,986	49,162	26,121
<i>(of which pension costs)</i>	<i>(0)</i>	<i>(12,518)^{1,2}</i>	<i>(0)</i>	<i>(11,622)^{1,2}</i>
Total	59,545	29,986	49,162	26,121

¹ Of pension costs, 648 (654) concerns the CEO.

² 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

	2023		2022	
	Board of directors, CEO and other senior management	Other employees	Board of directors, CEO and other senior management	Other employees
Sweden	13,438	43,063	12,553	35,239
<i>(of which remuneration to the board of directors)</i>	<i>(1,089)</i>		<i>(910)</i>	-
<i>(of which pension to former CEO)</i>	<i>(122)</i>		<i>(310)</i>	-
<i>(of which salary to CEO)</i>	<i>(2,257)</i>		<i>(2,085)</i>	-
<i>(of which other management salaries)</i>	<i>(9,970)</i>		<i>(9,248)</i>	-
Kenya and Ivory Coast, rep. office		4,255	-	2,590
Total	13,438	47,318	12,553	37,829

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	253	0
Torgny Holmgren	Board member and member of the Audit Committee	150	0
Kerstin Borglin	Board member	125	0
Catrina Ingelstam	Board member and Chair of the Audit Committee	162	0
Roshi Motman	Board member	125	0
Caroline Af Kleen	Board member and member of the Audit Committee	150	0
Josefine Ekros Roth	Board member and member of the Audit Committee	-	0
Anna Stellingner	Board member	125	0
Total		1,089	

Fees are paid to the Chairman and members of the Board according to the decision of the General Meeting.

Note 5 (cont.)

Attendance of Board members at this year's meetings

Member	1/23	2/23	3/23	4/23	5/23	6/23	7/23	8/23	9/23	10/23	11/23
Jonas Eriksson ¹	●	●	●								
Daniel Kristiansson ²	●	●	●	●	●	●	●	●			
Catrin Franson	●	●	●	●	●	●	●	●	●	●	●
Kerstin Borglin	●	●	●	●	●		●		●	●	
Torgny Holmgren	●		●	●	●		●	●	●	●	●
Roshi Motman	●	●	●	●	●	●	●	●	●		●
Catrina Ingelstam	●	●	●	●	●	●	●	●	●	●	●
Anna Stellingner ³				●	●	●	●	●	●	●	●
Caroline Af Kleen ³				●	●	●	●	●	●	●	●
Josefine Ekros Roth ⁴										●	●

¹ Vacated post in April 2023.² Vacated post in September 2023.³ Took up post in April 2023.⁴ Took up post in October 2023

Total sick leave amounted to 0.45% (0.77%) 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	Chief Executive Officer	2	2,257	648	2,907
Ann-Caroline Andersson	Chief HR and Administration Officer	2	1,078	239	1,319
Fredrik Linton	Chief Business Development and Special Operations Officer	2	1,511	407	1,920
Marie Aglert	Chief Investment Officer from 01.08.23	1	723	180	904
Gunilla Nilsson ¹	Chief Investment Officer to 31.07.23	1	967	275	1,243
Jacob Hagerman	Chief Legal Counsel	2	1,398	355	1,755
Johan Selander	Chief Financial Officer	2	1,487	395	1,884
Johanna Raynal	Chief Sustainability Officer	2	1,425	364	1,791
Karin Kronhöffer	Chief Strategy and Communications Officer	2	1,381	339	1,722
Total		16	12,227	3,202	15,445

¹ Acting Chief Investment Officer from 16.09.22

For other senior executives and the CEO, defined contribution and other similar pension premiums are paid in accordance with the law and collective agreements and expensed during the year.

In the event of termination by the company, the rules of the collective agreement apply to other senior executives.

6 Auditors' fees and expenses

Ernst & Young AB	2023	2022
Auditing	1,010	988
Other auditing services	70	-
Tax consultancy services	-	-
Other services	-	18
Total	1,080	1,006

7 Leasing

The operating lease mainly includes lease agreements for the Company's premises in Stockholm, Nairobi and Abidjan, 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 8,844 (6,765). Future payment commitments as of 31 December are distributed as follows:

Future minimum lease payments	31.12.2023	31.12.2022
Within 1 year	8,476	7,148
Between 1-5 years	26,236	29,227
More than 5 years	-	2,195
Total	34,712	38,570

Expensed fees for operational leasing contracts amount to:	2023	2022
Minimum lease payments	8,844	6,765
Variable fees	-	-
Total leasing costs	8,844	6,765

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.

8 EBIT excluded for currency effect (alternative key ratio)

	2023			2022		
	Income statement	Currency effect	Excl. currency effect	Income statement	Currency effect	Excl. currency effect
Income from shares and fund units ¹	88,820	21,508	67,312	103,434	19,031	84,403
Net income from group companies, associates and joint ventures ¹	2,608	-	2,608	1,961	8	1,953
Income from interest-bearing instruments ¹	227,687	23,231	204,457	114,048	18,004	96,044
Income from other portfolio income and portfolio costs ²	-90,783	-85,275	-5,508	142,466	147,084	4,618
Net income from write-downs and loan losses ³	-200,925	-47,160	-153,765	-106,780	21,737	128,516
Income from investment activities	27,407	-87,697	115,104	255,129	205,864	49,266
Net income from other operating income and expenses ⁴	-130,767	-	-130,767	-104,126	-	-104,126
Operating profit (EBIT)	-103,360	-87,697	-15,663	151,003	205,864	-54,860

¹ Profit excluding currency effect was calculated by translating income in local currency into SEK at the acquisition exchange rate.

² Profit excluding currency effect was calculated by excluding the item 'Currency effects'.

³ Profit excluding currency effect was calculated by excluding the exchange rate change during the period compared with the previous period.

⁴ 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 key ratio which shows the EBIT excluding any currency effect.

9 Financial income and financial expenses

	2023	2022
Other financial income		
Interest income	172,782	20,419
Uncapitalised exchange rate differences	-	183,071
Total	172,782	203,490
Other financial expenses		
Write-down of financial fixed assets	-	-619
Other financial expenses	-2,326	-37,051
Uncapitalised exchange rate differences	-75,351	-
Total	-77,677	-37,670

10 Taxes

	2023	2022
Current tax expense (-)/tax income (+)		
The year's tax expense/tax revenue	-28,449	-62,809
Deferred tax expense (-)/tax income (+)		
Deferred tax relating to temporary differences	-234	-
Reported tax	-28,683	-62,809
Reconciliation of effective tax rate		
Profit/loss before tax	-8,256	316,823
Tax on reported earnings in accordance with the applicable tax rate	1,701	-65,266
Tax effect of:		
Non-taxable dividend	2,411	2,458
Non-deductible write-downs of financial assets	-46,944	-30,896
Non-taxable reversal of write-down of financial assets	5,895	44,028
Non-taxable realised capital gains	9,959	16,895
Non-deductible realised capital losses	-	-35,138
Non-deductible other costs	-676	-247
Deferred tax relating to temporary differences	-281	-72
Reversal tax reserve	-	5,430
Adjustment for the year's tax expense 2021	-747	-
Other	-	-
Reported tax	-28,683	-62,809
Effective tax rate	-347%	-20%

Disclosures on deferred tax assets and tax liabilities

The following tables specify the tax effect of temporary differences:

Deferred tax asset	31.12.2023	31.12.2022
Property, plant and equipment	487	487
Pension agreement, former CEO	-	234
Recognised value	487	721

The Company has no tax items that are recognised under other total income or directly against shareholders' equity.

11 Intangible assets

Capitalised development expenses

	31.12.2023	31.12.2022
Accumulated acquisition value		
At the start of the year	-	-
New acquisitions	1,181	-
Total acquisition value	1,181	-
Scheduled accumulated depreciation		
At the start of the year	-	-
Scheduled depreciation of acquisition value for the year	-	-
Total depreciation	-	-
Scheduled residual value at the year-end	1,181	-

12 Tangible assets

Buildings and land

Improvement expenditure on leasehold	31.12.2023	31.12.2022	Equipment	31.12.2023	31.12.2022
Accumulated acquisition value			Accumulated acquisition value		
At the start of the year	5,066	3,043	At the start of the year	4,470	3,348
New acquisitions	3,224	2,023	New acquisitions	1,910	1,122
Total acquisition value	8,290	5,066	Divestments and disposals	-	-
Scheduled accumulated depreciation			Total acquisition value	6,380	4,470
At the start of the year	-3,363	-3,043	Scheduled accumulated depreciation		
Scheduled depreciation of acquisition value for the year	-897	-320	At the start of the year	-3,029	-3,335
Total depreciation	-4,260	-3,363	Divestments and disposals	-	676
Scheduled residual value at the year-end	4,030	1,703	Scheduled depreciation of acquisition value for the year	-655	-370
			Total depreciation	-3,684	-3,029
			Scheduled residual value at the year-end	2,696	1,441

13 Portfolio investments shares and fund units

Portfolio investments shares and fund units

	31.12.2023	31.12.2022
Accumulated acquisition value		
At the start of the year	2,453,056	1,924,994
Investments during the year	858,869	610,526
Reclassification	-	-
Sales during the year	-45,931	-82,464
Total acquisition value	3,265,993	2,453,056
Accumulated write-downs		
At the start of the year	-268,142	-221,053
Reversed write-downs for the year attributable to sales	-	-
Reclassification	-	-
Reversals for the year	4,029	36,092
Write-downs for the year	-214,114	-83,181
Total write-down at year-end	-478,227	-268,142
Book value at year-end	2,787,766	2,184,914

Note 13 (cont.)

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

31.12.2023 Company	Sector ¹	Business activities	Share class	Ownership percentage	Acquisition value
Africa					
Accion Digital Transformation	Financial Inclusion	Fund	Fund units	10.0	71,895
Adenia Capital (III) LLC Ltd.(I&P), Africa	Sustainable Enterprises	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	8.4	49,301
African Development Partners II (DPI), Africa	Sustainable Enterprises	Fund	Fund units	2.1	88,012
African Development Partners III (DPI), Africa	Sustainable Enterprises	Fund	Fund units	2.8	176,500
African Infrastructure Investment Fund 4	Energy & Climate	Fund	Fund units	4.1	60,927
African Rivers Fund III	Financial Inclusion	Fund	Fund units	17.0	116,249
AfricInvest Fund III LLC, Africa	Sustainable Enterprises	Fund	Fund units	2.9	70,512
Amethis Fund III	Sustainable Enterprises	Fund	Fund units	15.1	7,727
Apis Growth Fund I, Africa	Sustainable Enterprises	Fund	Fund units	2.6	12,707
Apis Growth Fund II, Africa	Sustainable Enterprises	Fund	Fund units	2.7	77,001
AFIG Fund II	Sustainable Enterprises	Fund	Fund units	7.4	69,809
ASEAN Frontier Markets Fund (AFMF)	Sustainable Enterprises	Fund	Fund units	19.8	35,939
BluePeak Private Capital Fund	Financial Inclusion	Fund	Fund units	12.9	125,418
Catalyst Fund II	Sustainable Enterprises	Fund	Fund units	6.6	57,796
Climate Investor One	Energy & Climate	Fund	Fund units	1.9	107,153
Climate Investor Two	Energy & Climate	Fund	Fund units	4.6	100,821
E3 Low Carbon Economy Fund I	Energy & Climate	Fund	Fund units	20.8	27,243
ECP Africa fund III PCC, Africa	Sustainable Enterprises	Fund	Fund units	3.1	80,223
Evolution II	Energy & Climate	Fund	Fund units	6.9	120,873
Evolution II D.light Limited	Energy & Climate	Manufactures and distributes solar energy solutions	Stock	17.3	64,408
Evolution III LP	Energy & Climate	Fund	Fund units	13.3	51,595
Frontier Energy Fund II	Energy & Climate	Fund	Fund units	5.7	100,881
Hospital Holdings Investment BV	Sustainable Enterprises	Health platform	Stock	14.3	112,982
Ninety One Private Equity Fund 2 L.P.	Sustainable Enterprises	Fund	Fund units	4.1	78,603
JCM Solar Capital Ltd	Energy & Climate	Solar and wind turbines	Stock	21.2	227,570
Kasha Global Inc	Sustainable Enterprises	E-commerce platform for healthcare	Preference	4.4	9,280
Metier Sustainable Capital Fund II	Energy & Climate	Fund	Fund units	9.6	82,612
Norsad Finance Limited, Africa	Financial Inclusion	Credit institutions	Stock	16.7	50,052
Serengeti Energy	Energy & Climate	Energy producer	Stock	13.1	155,988
TLG Credit Opportunities Fund	Financial Inclusion	Fund	Fund units	18.6	59,571
Transform Health Fund	Sustainable Enterprises	Fund	Fund units	10.0	3,310
Vantage Mezzanine Fund IV	Financial Inclusion	Fund	Fund units	8.7	46,282
TIDE Africa Fund II	Sustainable Enterprises	Fund	Fund units	9.2	39,688
Total Africa					2,560,795

Note 13 (cont.)

31.12.2023 Company	Sector ¹	Business activities	Share class	Ownership percentage	Acquisition value
Asia					
Baring India Private Equity fund II Ltd, Mauritius	Sustainable Enterprises	Fund	Fund units	7.1	35,304
Dolma Impact Fund II	Energy & Climate	Fund	Fund units	13.9	31,360
GEF South Asia Growth Fund II	Energy & Climate	Fund	Fund units	7.8	87,993
GEF South Asia Growth Fund III	Energy & Climate	Fund	Fund units	6.6	5,734
HealthQuad Fund II	Sustainable Enterprises	Fund	Fund units	9.4	100,048
Husk Power Systems Inc	Energy & Climate	Mini-power grid - hybrid type	Stock	9.8	82,080
Quadria Capital Fund II	Sustainable Enterprises	Fund	Fund units	4.1	129,508
Renewable Energy Asia Fund II L.P.	Energy & Climate	Fund	Fund units	7.4	129,437
SUSI Asia Energy Transition Fund	Energy & Climate	Fund	Fund units	12.5	75,211
Total Asia					676,677
Eastern Europe					
Horizon Capital Growth Fund IV	Sustainable Enterprises	Fund	Fund units	5.0	24,136
Total Eastern Europe					24,136
Capitalised costs for the year					4,386
TOTAL ACQUISITION VALUE					3,265,993

¹ New sector subdivision as of 2023. The data for 2022 have been updated accordingly.

Note 13 (cont.)

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

31.12.2022 Enterprise	Sector ¹	Business activities	Share class	Ownership percentage	Acquisition value
Africa					
Accion Digital Transformation Fund	Financial Inclusion	Fund	Fund units	10.0	27,848
Adenia Capital (III) LLC Ltd.(I&P), Africa	Sustainable Enterprises	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	Sustainable Enterprises	Fund	Fund units	2.1	87,763
African Development Partners III (DPI), Africa	Sustainable Enterprises	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	Sustainable Enterprises	Fund	Fund units	2.9	71,179
Apis Growth Fund I, Africa	Sustainable Enterprises	Fund	Fund units	2.6	23,222
Apis Growth Fund II, Africa	Sustainable Enterprises	Fund	Fund units	2.7	29,160
AFIG Fund II	Sustainable Enterprises	Fund	Fund units	7.4	68,409
BluePeak Private Capital Fund	Financial Inclusion	Fund	Fund units	15.1	82,937
Catalyst Fund II	Sustainable Enterprises	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	Sustainable Enterprises	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	Sustainable Enterprises	Health platform	Stock	14.3	112,982
Ninety One Private Equity Fund 2 L.P.	Sustainable Enterprises	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	Sustainable Enterprises	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	Sustainable Enterprises	Fund	Fund units	10.0	36,676
Total Africa					1,901,685

Note 13 (cont.)

31.12.2022 Enterprise	Sector ¹	Business activities	Share class	Ownership percentage	Acquisition value
Asia					
Baring India Private Equity fund II Ltd, Mauritius	Sustainable Enterprises	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	Sustainable Enterprises	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	Sustainable Enterprises	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
Total Asia					548,280
Capitalised costs for the year					3,091
TOTAL ACQUISITION VALUE					2,453,056

¹ New sector subdivision as of 2023. The data for 2022 have been updated accordingly.

14 Participations in group companies, associates and joint ventures

Portfolio investments in group companies, associated companies, joint ventures

Accumulated acquisition value	31.12.2023	31.12.2022
At the start of the year	35,105	331,932
Investments during the year	-	-
Reclassification	-	-
Sales during the year	-	-296,827
Total acquisition value	35,105	35,105
of which: Listed Securities on the stock exchange	-	-
Unlisted Securities	35,105	35,105
Accumulated write-downs	31.12.2023	31.12.2022
At the start of the year	-14,636	-304,632
Reversed write-downs for the year attributable to sales	-	289,996
Reclassification	-	-
Reversals for the year	-	-
Write-downs for the year	-	-
Total write-down at year-end	-14,636	-14,636
Book value at year-end	20,469	20,469

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

31.12.2023					Number of shares	Share of votes and capital %	Acquisition value
Affiliated companies	Sector ¹	Business activities	Ownership %				
<i>Company, Corporate ID and registered office</i>							
Africa							
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0		37,104	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Sustainable Enterprises	Radiation Knife Clinic	24.3		27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Sustainable Enterprises	Investment companies	49.0		1,470	49.0	4,951
Total Africa							35,105
TOTAL ACQUISITION VALUE							35,105

¹ New sector subdivision as of 2023. The data for 2022 have been updated accordingly.

31.12.2022					Number of shares	Share of votes and capital %	Acquisition value
Affiliated companies	Sector ¹	Business activities	Ownership %				
<i>Company, Corporate ID and registered office</i>							
Africa							
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0		37,104	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Sustainable Enterprises	Radiation Knife Clinic	24.3		27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Sustainable Enterprises	Investment companies	49.0		1,470	49.0	4,951
Total Africa							35,105
TOTAL ACQUISITION VALUE							35,105

15 Loans receivable

	31.12.2023	31.12.2022
Outstanding loans receivable, gross		
Swedish currency	-	-
Foreign currency	2,354,572	2,178,810
Total	2,354,572	2,178,810
Accumulated write-downs		
At the start of the year	-262,825	-171,304
Of which		
Individual write-down:	-17,891	-59,567
Reversed write-down:	106,338	2,367
Exchange rate/translation differences for the year	1,621	-34,321
Total accumulated write-down	-172,757	-262,825
Recognised value	2,181,814	1,915,985

Breakdown of the loan portfolio by country and currency

Country	Currency	31.12.2023		31.12.2022	
		Loan amount	Of which, impaired	Loan amount	Of which, impaired
Africa	USD	574,798	-13,877	566,927	-10,989
Africa	EUR	218,800	-4,180	118,096	-9,295
Ethiopia	USD	-	-	82,485	-82,485
Ethiopia	EUR	24,123	-18,092	29,903	-22,427
Georgia	USD	302,358	-5,896	313,044	-6,104
Global ¹	USD	60,375	-8,954	58,096	-7,712
Global ¹	EUR	82,222	-18,849	78,236	-13,151
India	USD	403,144	-7,861	417,392	-8,139
Kenya	USD	159,242	-3,011	164,870	-3,117
Nigeria	USD	84,655	-4,419	111,563	-5,397
Sri Lanka	USD	60,472	-3,156	104,348	-5,446
South Sudan	USD	10,079	-79	-	-
Ukraine	EUR	85,740	-42,870	90,577	-45,289
Vietnam	USD	251,965	-4,913	-	-
Zimbabwe	USD	36,601	-36,601	43,273	-43,273
Total		2,354,572	-172,757	2,178,810	-262,825

¹ The 'Global' category refers to investment with operations in the majority of African countries and Latin America.

Convertible loan receivables and participation loans

Borrowers	Currency	Outstanding loan amounts in currency	Interest and equivalent	Conversion rights
Addis Emerald Hotel	EUR	2,168	Interest	Yes
d.light	USD	4,280	Interest	Yes
Jacaranda Maternity	USD	800	Interest	Yes

16 Loans receivable ECL

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
As of 31 December 2023					
Loans receivable, according to gross amount	1,858,236	323,461	172,875	-	2,354,572
Provision for expected credit losses	-31,685	-18,085	-122,988	-	-172,757
Amortised acquisition value recognised in the balance sheet	1,826,551	305,376	49,887	-	2,181,814
Provision for expected credit losses loan commitments	3,134	-	-	-	3,134
Loss reserve for loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
Loss reserve as of 1 January 2023	28,701	13,204	222,549	-	264,454
Investments in loans receivable	8,837	-	-	-	8,837
New loan commitments	493	-	-	-	493
Outgoing loan commitments	-821	-	-	-	-821
Refunds, including amortisation	-4,663	-4,168	-13,353	-	-22,184
Written-off amounts (recorded loan loss)	-	-	-83,645	-	-83,645
Transfers					
To 12 months of expected credit losses (Stage 1)	-	-	-	-	-
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-1,231	-8,972	-	-	-7,741
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-	-	-	-	-
At the year-end	31,315	18,008	125,552	-	174,875

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.

¹ The above table also includes loss reserve on accrued interest.

² Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

³ Expected credit losses are evaluated on an individual basis.

Note 16 (cont.)

Gross value of loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
Gross value as of 1 January 2023	1,674,088	250,719	285,111	-	2,209,918
Investments in loans receivable	496,699	-	-	-	496,699
Refunds, including amortisation	-126,045	-85,078	-17,893	-	-229,016
Written-off amounts (recorded loan loss)	-	-	-83,645	-	-83,645
Transfers					
To 12 months of expected credit losses (Stage 1)	-	-	-	-	-
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-157,801	148,757	-	-	-9,044
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-	-	-	-	-
At the year-end	1,886,941	314,398	183,573	-	2,384,912

¹ The above table also includes loss reserve on accrued interest.² Expected credit losses evaluated on a collective basis, except for loans receivable to banks.³ Expected credit losses are evaluated on an individual basis.

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
As of 31 December 2022					
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
Amortised acquisition value recognised in the balance sheet	1,620,673	241,730	53,582	-	1,915,985
Provision for expected credit losses loan commitments	3,462	-	-	-	3,462

Note 16 (cont.)

Loss reserve for loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
Loss reserve as of 1 January 2022	22,207	25,516	125,423	-	173,146
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
Transfers					
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
At the year-end	28,701	13,204	222,549	-	264,454

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.

¹ The above table also includes loss reserve on accrued interest.

² Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

³ Expected credit losses are evaluated on an individual basis.

Note 16 (cont.)

Gross value of loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
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
Transfers					
To 12 months of expected credit losses (Stage 1)	-	-	-	-	-
To expected credit losses for the remaining maturity period - non credit-impaired loans (Stage 2)	-90,447	104,376	-	-	13,929
To expected credit losses for the remaining maturity period - credit-impaired loans (Stage 3)	-11,853	-111,365	132,951	-	9,733
At the year-end	1,674,088	250,719	285,111	-	2,209,918

¹ The above table also includes loss reserve on accrued interest.

² Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

³ Expected credit losses are evaluated on an individual basis.

DESCRIPTION OF METHODS FOR CALCULATING EXPECTED CREDIT LOSSES

See also Note 21 for a more detailed description of the Swedfund loan loss model.

17 Collateral received

It occurs that Swedfund AB in connection with loan receivables 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.

18 Prepaid expenses and accrued income

	31.12.2023	31.12.2022
Prepaid expenses	5,750	4,546
Accrued interest income, interest-bearing securities	10,581	16,621
Accrued interest income, loans receivable	27,918	18,987
Other accrued income	2,938	1,408
Total	47,186	41,562

19 Interest-bearing securities

31.12.2023					
Specification of securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Recognised value
Bills	AAA	0.42	1,461,464	-	1,461,464
Treasury bond	AAA	5.73	101,353	-	101,353
Covered bonds	AAA	1.03	678,669	-	678,669
Municipal certificates	AAA	0.75	102,600	-	102,600
Government securities US	AAA	0.87	2,166,015	-	2,166,015
Government securities DE	AAA	0.83	362,291	-	362,291
Intergovernmental organisations	AAA	0.47	60,371	-	60,371
Total bonds and other interest-bearing securities			4,932,762	-	4,932,762

All interest-bearing securities are attributed to Stage 1, i.e. there has been no significant credit deterioration since initial recognition.

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	AAA	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
Total bonds and other interest-bearing securities			4,541,426	-	4,541,426

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 2023, the reserve for credit losses amounted to approximately SEK 0.

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

RISK MANAGEMENT

Credit and share price risks are managed through ongoing commercial control and financial follow-up of the portfolio companies. In addition, limits have been established for concentration and degree of exposure per counterparty and year, and per country.

Financial credit risk

DEFINITION

Financial credit risk is the risk of a Swedfund counterparty in a financial instrument being unable to fulfil its payment obligation and thereby cause the Company a financial loss. This exposure arises in relation to liquid assets and interest-bearing investments.

Note 20 (cont.)

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 19.

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 2023, the duration of Swedfund's interest rate exposure in the investment portfolio is 10.2 months. See the table below regarding fixed interest rates in Swedfund's lending and borrowing.

Interest conditions	Loan portfolio		
	USD	EUR	Equivalent SEK
Variable	1,502,670	50,229	1,552,899
Fixed	300,830	213,291	514,122
Mix ¹	51,420	63,373	114,794
Total	1,854,920	326,894	2,181,814

¹ Loans within the ICCF/EFP facilities are a mix of variable and fixed interest rates.

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 2023, would have an impact on profit before tax of +/- TSEK 22,013. 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 +/-41,646.

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 per CURRENCY

31.12.2023	USD	EUR	SEK total ¹
Shares and fund units	263,207	12,070	2,787,767
Participations in group companies, associates and joint ventures	992	-	20,469
Loans receivable	184,043	29,382	2,181,814
Interest-bearing securities	221,566	32,821	4,932,762
Cash and bank balances	20,080	3,652	661,265
Total	689,888	77,925	10,584,077

¹ Balance sheet

SENSITIVITY ANALYSIS - CURRENCY RISK

A change of +/- 10 percent in the Swedish krona against other currencies as at 31 December 2023 would entail a change in profit before tax of TSEK 783,000. 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.

21 Financial instruments

Valuation of financial assets and liabilities as of 31 December 2023

	Financial assets and liabilities valued on the basis of acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
Financial assets					
Shares and participations	-	2,787,767	-	2,787,767	3,375,906
Participations in group companies, associates and joint ventures	-	20,469	-	20,469	23,454
Loans receivable	2,181,814	-	-	2,181,814	2,181,814
Endowment insurance	-	-	-	-	-
Other long-term securities	-	738	-	738	738
Other non-current financial assets	-	8,600	-	8,600	8,600
Account receivables	60	-	-	60	60
Other receivables	-	7,951	-	7,951	7,951
Accrued income	27,918	19,269	-	47,186	47,186
Interest-bearing securities	4,932,762	-	-	4,932,762	4,944,242
Cash and bank balances	661,265	-	-	661,265	661,265
Retained funds on behalf of others	-	11,648	-	11,648	11,648
Total	7,803,819	2,856,441	-	10,660,261	11,262,864
Financial liabilities					
Accounts payable	-	-	7,579	7,579	7,579
Other liabilities	-	-	19,736	19,736	19,736
Accrued expenses	-	-	382,339	382,339	382,339
Total	-	-	409,654	409,654	409,654

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	
Financial assets					
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 ¹	-	738	-	738	738
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
Retained funds on behalf of others	-	11,448	-	11,448	11,448
Total¹	6,899,214	2,256,818	-	9,156,031	9,851,169
Financial liabilities					
Liabilities to credit institutions	-	-	-	-	-
Accounts payable	-	-	4,456	4,456	4,456
Other liabilities ¹	-	-	15,989	15,989	15,989
Accrued expenses ¹	-	-	280,436	280,436	280,436
Total¹	-	-	300,881	300,881	300,881

¹ The comparative figures have been corrected compared with Swedfund IR 2022.

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. At regular intervals, the company calibrates 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 on-going 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 applied, input data is based on market data as of the balance sheet date.

Holdings in unlisted shares are recognised at acquisition value in cases where a reliable fair value cannot be determined. The reason why they could not be reliably valued at fair value is that, according to the Company's management, there exists too much uncertainty in future cash flows and the risk adjustment that needs to be made on the discount rate. The company has no intention of disposing of its unlisted shares within the immediate future.

The carrying amount of 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 carried out. The various levels are defined as follows:

Level 1 – Listed prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Other observable inputs for the asset or liabilities other than quoted prices included in Level 1. This category includes instruments that are valued based on quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments traded on markets that are not active, or other valuation techniques where all material inputs are directly and indirectly observable on the market (i.e. either directly, as quotations) or indirectly, as derived from quotations.

Level 3 – Input for the asset or liability that is not based on observable market data (i.e. unobservable inputs and where the valuation technique has a material impact on valuation).

Transfers between Level 1 and Level 2

According to IFRS, information must also be provided on material transfers of instruments between Level 1 and Level 2 and the reasons for these transfers and principles for determining when the transfer is deemed to have taken place. Movements TO each level should be described separately from movements FROM each level.

According to IFRS, examples of the principles for timing of transfers are:

- The Date of the event that caused the transfer
- End of Reporting period

In Swedfund's portfolio, no transfers took place between level 1 and level 2 in either 2022 or 2023.

Reconciliation of fair values in Level 3

According to IFRS, disclosures shall be made in the form of a reconciliation of changes from opening to closing balance of the fair value of instruments valued at level 3 of the valuation hierarchy. As regards transfers between levels, according to IFRS information, the reasons for these and the principles for determining when the transfer is deemed to have taken place.

In accordance with IFRS, the disclosure of unrealised earnings on such assets and liabilities continues to be owned at year-end.

Valuation techniques and significant unobservable inputs

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

Methods for calculating expected credit losses

Financial assets other than shares and fund units 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

Note 21 (cont.)

with three stages, depending on the development of credit risk during the period of the claim. For issued credit-impaired loans receivable, there is no allocation of loan to different stages.

Expected credit losses are attributed to the product by their probability of default, default loss, and default exposure, except in the event that expected credit losses are valued on the basis of historical credit loss percentage and exposure at default. Added to these, are the management's forward-looking assessments in the form of, for example, company information, macroeconomic factors and sovereign risk. For credit-impaired assets and receivables, an individual assessment is made based on cash flow analysis, taking into account historical, current and forward-looking information. The valuation of expected credit losses takes into account any collateral and other credit enhancement in the form of guarantees.

Financial assets are reported in the balance sheet at amortised acquisition value, i.e. net of gross value and loss reserve. Credit loss provisions for loan commitments are reported as other provisions until payment is made of the loan.

Changes in loss provision are recognised in the income statement as write-down for credit losses.

LOANS RECEIVABLE

Loan receivables 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 the 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.

INTEREST-BEARING SECURITIES AND CASH AND BANK BALANCES

Interest-bearing securities and liquid funds consist of bonds to the municipality and the state and liquid funds that are essentially bank deposits in investment grade rating banks. Interest-bearing securities 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.

Note 21 (cont.)

Assets and liabilities valued at fair value

31.12.2023

	Level 1	Level 2	Level 3	Total
Financial assets				
Shares and participations	-	-	3,375,906	3,375,906
Participations in group companies, associates and joint ventures	-	-	23,454	23,454
Loans receivable	-	-	2,181,814	2,181,814
Endowment insurance	-	-	-	-
Other long-term securities	-	738	-	738
Other non-current financial assets	-	-	8,600	8,600
Account receivables	-	60	-	60
Other receivables	-	7,951	-	7,951
Accrued income	-	47,186	-	47,186
Interest-bearing securities	4,944,242	-	-	4,944,242
Cash and bank balances	661,265	-	-	661,265
Retained funds on behalf of others	-	11,648	-	11,648
Total	5,605,506	67,583	5,589,775	11,262,864
Financial liabilities				
Accounts payable	-	7,579	-	7,579
Other liabilities	-	19,736	-	19,736
Accrued expenses	-	382,339	-	382,339
Total	-	409,654	-	409,654

Assets and liabilities valued at fair value

31.12.2022

	Level 1	Level 2	Level 3	Total
Financial assets				
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 ¹	-	738	-	738
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 ¹	413,815	-	-	413,815
Retained funds on behalf of others	-	11,448	-	11,448
Total¹	4,910,886	70,821	4,869,461	9,851,169
Financial liabilities				
Liabilities to credit institutions	-	-	-	-
Accounts payable	-	4,456	-	4,456
Other liabilities ¹	-	15,989	-	15,989
Accrued expenses ¹	-	280,436	-	280,436
Total¹	-	300,881	-	300,881

¹ The comparative figures have been corrected compared with Swedfund IR 2022.

22 Maturity period analysis

31.12.2023 Maturity information Contractual remaining maturity (non-discounted value) and anticipated time of recovery	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		
Assets										
Shares and fund units	-	-	-	-	-	-	-	-	2,787,767	2,787,767
Participations in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	20,469	20,469
Loans receivable	-	9,863	42,506	343,087	378,776	647,471	478,950	281,162	-	2,181,814
Endowment insurance	-	-	-	-	-	-	-	-	-	-
Other long-term securities	-	-	-	-	-	-	-	-	738	738
Account receivables	-	60	-	-	-	-	-	-	-	60
Other receivables	-	7,951	-	-	-	-	-	-	-	7,951
Accrued income	-	47,186	-	-	-	-	-	-	-	47,186
Interest-bearing securities	-	1,523,509	1,254,464	1,022,830	500,842	529,765	72,271	29,081	-	4,932,762
Cash and bank balances	661,265	-	-	-	-	-	-	-	-	661,265
Retained funds on behalf of others	11,648	-	-	-	-	-	-	-	-	11,648
Total	672,912	1,588,569	1,296,970	1,365,917	879,618	1,177,236	551,221	310,243	2,808,974	10,651,660
Liabilities										
Accounts payable	-	7,579	-	-	-	-	-	-	-	7,579
Other liabilities	-	19,736	-	-	-	-	-	-	-	19,736
Accrued expenses	-	382,339	-	-	-	-	-	-	-	382,339
Total	-	409,654	-	-	-	-	-	-	-	409,654
Unrecognised loan commitments	-	194,937	68,955	137,910	-	-	-	-	-	401,802
Operating leases	-	2,265	2,121	4,090	8,296	7,820	10,120	-	-	34,712
Total difference	-	197,203	71,076	142,000	8,296	7,820	10,120	-	-	436,514

Note 22 (cont.)

31.12.2022		Non-discounted cash flows - contractual remaining maturity period								Without maturity	Total nominal cash flows
Contractual remaining maturity (non-discounted value) and anticipated time of recovery	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			
Assets											
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	
Total	425,263	2,300,565	672,472	928,393	746,373	572,694	742,852	552,576	2,206,243	9,147,431	
Liabilities											
Accounts payable	-	4,456	-	-	-	-	-	-	-	4,456	
Other liabilities	-	15,989	-	-	-	-	-	-	-	15,989	
Accrued expenses	-	280,436	-	-	-	-	-	-	-	280,436	
Total	-	300,881	-	-	-	-	-	-	-	300,881	
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	
Total difference	-	248,089	137,222	65,708	7,349	7,305	14,573	2,195	-	482,441	

23 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.

24 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	31.12.2023	31.12.2022
At the start of the year	122	414
Pension cost	-	-
Premium payments	-122	-310
Change in value	-	18
At the year-end	-	122
Fair value of endowment Insurance	-	122

25 Provision for expected credit losses on loan commitments

	31.12.2023	31.12.2022
Carrying amount at start of period	3,462	3,673
Provisions made during the period	493	480
Amounts committed during the period	-	-260
Unutilised amounts reversed during the period	-	-
Increase/reduction during the period of discounted amounts	-821	-431
Other	-	-
Carrying amount at end of period	3,134	3,462

26 Credit risk exposure

Credit risk exposure gross and net as of 31 December 2023	Credit risk exposure (before write-down)	Write-down/Provision	Recognised value	Credit risk exposure with respect to collateral	Guaranteed collateral
Cash and deposits with banks	661,265	-	661,265	661,265	-
Loans receivable	2,354,571	-172,757	2,181,814	2,181,814	-
Bonds and other interest-bearing securities					
Government securities and other public bodies					
AAA	4,254,094	-	4,254,094	4,254,094	-
Other Issuers					
AAA	678,669	-	678,669	678,669	-
	4,932,762	-	4,932,762	4,932,762	-
Total	7,948,598	-172,757	7,775,841	7,775,841	-
Other assets					
Issued loan commitments	401,802	-3,134	398,668	398,668	-
Total	401,802	-3,134	398,668	398,668	-
Total credit risk exposure	8,350,400	-175,891	8,174,509	8,174,509	-
Credit risk exposure gross and net as of 31.12.2022					
	Credit risk exposure (before write-down)	Write-down/Provision	Recognised value	Credit risk exposure with respect to collateral	Guaranteed collateral
Cash and deposits with banks	413,815	-	413,815	413,815	-
Loans receivable	2,178,810	-262,825	1,915,986	1,915,986	-
Bonds and other interest-bearing securities					
Government securities and other public bodies					
AAA	3,480,173	-	3,480,173	3,480,173	-
Other Issuers					
AAA	1,061,253	-	1,061,253	1,061,253	-
	4,541,426	-	4,541,426	4,541,426	-
Total	7,134,051	-262,825	6,871,227	6,871,227	-
Other assets					
Issued loan commitments	443,871	-3,462	440,409	440,409	-
Total	443,871	-3,462	440,409	440,409	-
Total credit risk exposure	7,577,922	-266,287	7,311,636	7,311,636	-

Note 26 (cont.)

Concentration of credit risk,
as of 31 December

	2023			2022		
	Number of borrowers	% total number of borrowers	% share of carrying amount	Number of borrowers	% total number of borrowers	% share of carrying amount
Loans receivable						
Exposure <MSEK 50	9	38	9	10	45	11
Exposure MSEK 50-100	6	24	20	3	14	13
Exposure >SEK 100 million	9	38	71	9	41	76
Total	24	100	100	22	100	100

The three largest borrowers account for 35% (35%) of loans receivable.

27 Other liabilities

	31.12.2023	31.12.2022
Accounts payable	7,579	4,456
Tax liabilities	65,030	87,655
Personnel withholding tax	2,161	1,551
Other liabilities	17,575	14,438
Total	92,345	108,100

None of the Company's liabilities are due more than five years after the balance sheet date.

28 Accrued expenses and deferred income

	31.12.2023	31.12.2022
Accrued holiday pay	5,538	4,608
Accrued social security expenses	8,097	7,239
Accrued interest expenses, liabilities to credit institutions	-	-
Other accrued expenses	6,635	5,929
Deferred income (Technical Assistance, Swedpartnership, Swedfund Project Accelerator)	361,996	262,660
Total	382,266	280,436

29 Pledged collateral

Pledges and thus equivalent collateral pledged for own liabilities and for such provisions reported obligations

	31.12.2023	31.12.2022
Bonds and other securities	-	-
Bank bills	-	50
Total	-	50

Other pledged assets and equivalent collateral

	31.12.2023	31.12.2022
Pledged endowment insurance	-	122
Total	-	122

30 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	31.12.2023	31.12.2022
Contracted unpaid portfolio commitments	4,492,094	3,573,828
Total	4,492,094	3,573,828

31 Cash flow statement

Adjustments for items not included in cash flow	31.12.2023	31.12.2022
Depreciation, amortisation and write-downs	202,475	108,003
Uncapitalised exchange rate differences	122,110	-224,661
Sale of fixed assets	-56,085	-81,999
Other non-cash items	-450	-503
Total	268,050	-199,160

32 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 5.

In addition, no transactions took place during the financial year between Swedfund and related parties which substantially affected the enterprise's position or performance.

33 Events after the balance sheet date

No significant events occurred after the balance sheet date.

34 Proposal for allocation of profit

	31.12.2023	31.12.2022
The following funds are at the disposal of the annual general meeting:		
Accumulated profit/loss	8,176,594,584	6,723,761,479
Capital injection	1,460,000,000	1,200,000,000
Profit/loss for the year	-36,938,687	254,013,827
	9,599,655,897	8,177,775,305
is distributed as follows:		
To be carried forward	9,599,655,897	8,177,775,305
	9,599,655,897	8,177,775,305



Corporate governance report

Corporate governance in Swedfund

Swedfund is a limited company wholly owned by the Swedish Government with a specific public policy assignment, which is set out in the Ownership 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 societal perspective.

The Ownership instructions set out a number of mission goals for the organisation. These are described in more detail in the Directors' Report under the Portfolio companies' results section on pages 62–77.

Both external and internal regulations form the basis for Swedfund's governance. 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's Ownership Policy, the owner's 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 2023 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 and the election of the chair of the board and 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 (Impact on society, Sustainability

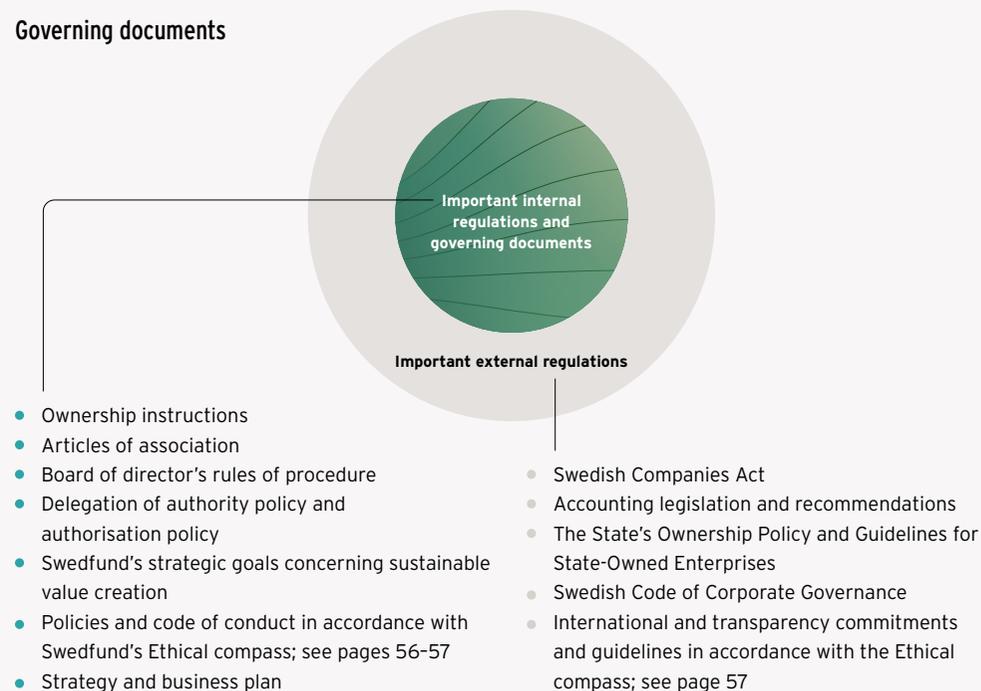
and Financial viability), governance and follow-up take place through, amongst other things, board work, self-evaluations and ESG advocacy work. The management of Swedfund's investments involves incorporating the company's policies in investment agreements as and when appropriate. Funds for Technical Assistance (TA) can also be used as a tool for quality-enhancing efforts among the portfolio companies. 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 138–139.

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 and the owner dialogue that the Swedish State

Governing documents



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 goals and financial goals
- Guidelines for remuneration to senior executives and approval of the remuneration report

ANNUAL GENERAL MEETING 2023

Swedfund's Annual General Meeting was held on 25 April 2023 at Westmanska Palatset 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 2022 and discharged the members of the board of directors and the CEO from liability for the 2022 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 2022. Ernst & Young AB was re-elected as auditor by the annual general meeting, with Jesper Nilsson as the lead auditor.

EXTRAORDINARY GENERAL MEETING 2023

An extraordinary general meeting was held on Tuesday 24 October 2023 at Westmanska Palatset in Stockholm. This extraordinary general meeting was open to the general public, and minutes are available on Swedfund's website. The extraordinary general meeting resolved to elect Josefine Ekros Roth as a board member.

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

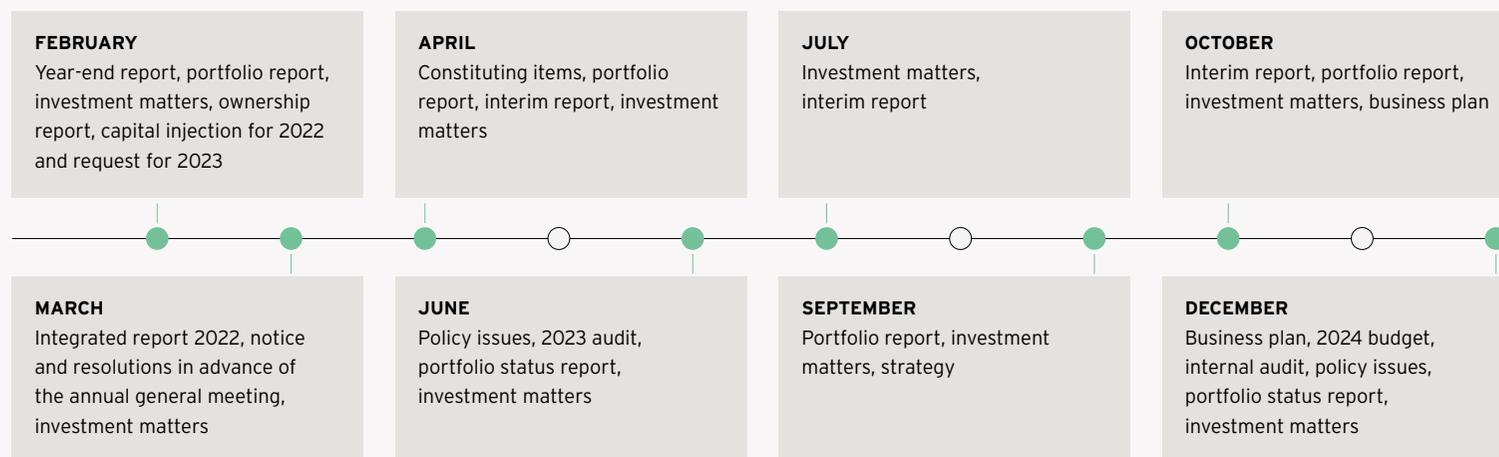
Board member Jonas Eriksson resigned in connection with the 2023 annual general meeting. At the annual general meeting, Catrina Ingelstam, Daniel Kristiansson, Roshi Motman, Kerstin Borglin, Torgny Holmgren and Catrin Fransson were re-elected as board members, and Caroline af Kleen and Anna Stellingner were newly elected. Following the annual general meeting, the board of directors comprised eight members, split between six women and two men. Catrin Fransson was re-elected as chair of the board. No member of Swedfund's executive management is a member of the board of directors. During the year, Daniel Kristiansson resigned as a board member and was replaced by Josefine Ekros Roth at the extraordinary general meeting. Information about the board members is provided on pages 132–133.

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 organisation is such that accounting, financial management and the company's financial circumstances generally are subject to satisfactory controls. The board of directors must ensure that the company has effective systems in place for monitoring and controlling the company's operations, and shall keep itself informed and evaluate how the company's internal control systems are functioning. The board of directors makes business decisions concerning issues that fall outside the scope of day-to-day management and the delegated mandate of the CEO, which includes, for example, major investment decisions. 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,

Key issues for the board of directors during 2023



Member	Position	Board of directors meetings	Audit committee meetings
Catrin Fransson	Chair of the Board	11/11	
Torgny Holmgren	Board member, Member of the Audit Committee	9/11	6/6
Catrina Ingelstam	Board member, Chair of the Audit Committee	11/11	6/6
Daniel Kristiansson	Board member, Member of the Audit Committee (to September 2023 inc.)	8/11	4/6
Kerstin Borglin	Board member	8/11	
Roshi Motman	Board member	10/11	
Jonas Eriksson	Board member (until the 2023 Annual General Meeting)	3/11	
Anna Stellingner	Board member (from the 2023 Annual General Meeting)	8/11	
Caroline af Kleen	Board member, Member of the Audit Committee (from the 2023 Annual General Meeting)	8/11	3/6
Josefine Ekros Roth	Board member, Member of the Audit Committee (from the extraordinary general meeting 2023)	2/11	1/6

analysed and managed appropriately, and that there is adequate control over the company's compliance with laws and other rules that apply to the company's operations. The board of directors is also responsible for establishing, implementing and following up the policy documents and other forms of governing documents relevant to the organisation, such as the rules of procedure of the board of directors and the audit committee, and the CEO's instructions. Amongst other things, these policy documents set out how responsibilities and authorities are delegated between the board of directors, the chair of the board and the CEO.

The board of directors has established an 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 four board members appointed annually by the board of directors. Since the inaugural board meeting in 2023, the Audit

Committee has consisted of Catrina Ingelstam (chair), Daniel Kristiansson, Torgny Holmgren and Caroline af Kleen. Josefine Ekros Roth was appointed as a member of the Audit Committee in October following Daniel Kristiansson's resignation from the board.

The board is responsible for maximising value creation 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 2023 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 2023

During 2023, the board met on eleven occasions, which included seven ordinary meetings, two extraordinary meetings and two meetings 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, updated strategy and business plan, mission goals, budgets, policy issues, organisational and staffing issues, and evaluation of the work of the board of directors and the CEO. During 2023, board meetings were predominantly conducted in the form of physical meetings.

In 2023, the Audit Committee met on six occasions, 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 2022 (including the annual report, sustainability and corporate governance report), Risk/Internal Control, policy updating, audit plans for internal and external audits, and reporting and 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 of the company's operations with the care and to the extent necessary to ensure that operations are carried out 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 2023, the management group comprising a total of eight people consisting of the CEO and the Chief HR & Administration Officer, Chief Legal Counsel, Chief Financial Officer, Chief Strategy & Communications Officer, Chief Investment Officer, Chief Sustainability Officer and Chief Business Development & Special Operations Officer. The management group is responsible for proposing and implementing strategies and business plans, budgets and operational planning, 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 five of the Audit Committee's meetings during 2023 and one board meeting. The remuneration paid to the auditors is presented in Note 6.

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 Swedfund's website). The remuneration conditions for the CEO and other senior executives are presented in Note 5 on page 99. 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, which primarily refers to interim reports (quarterly) and the integrated reports (annual). 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.

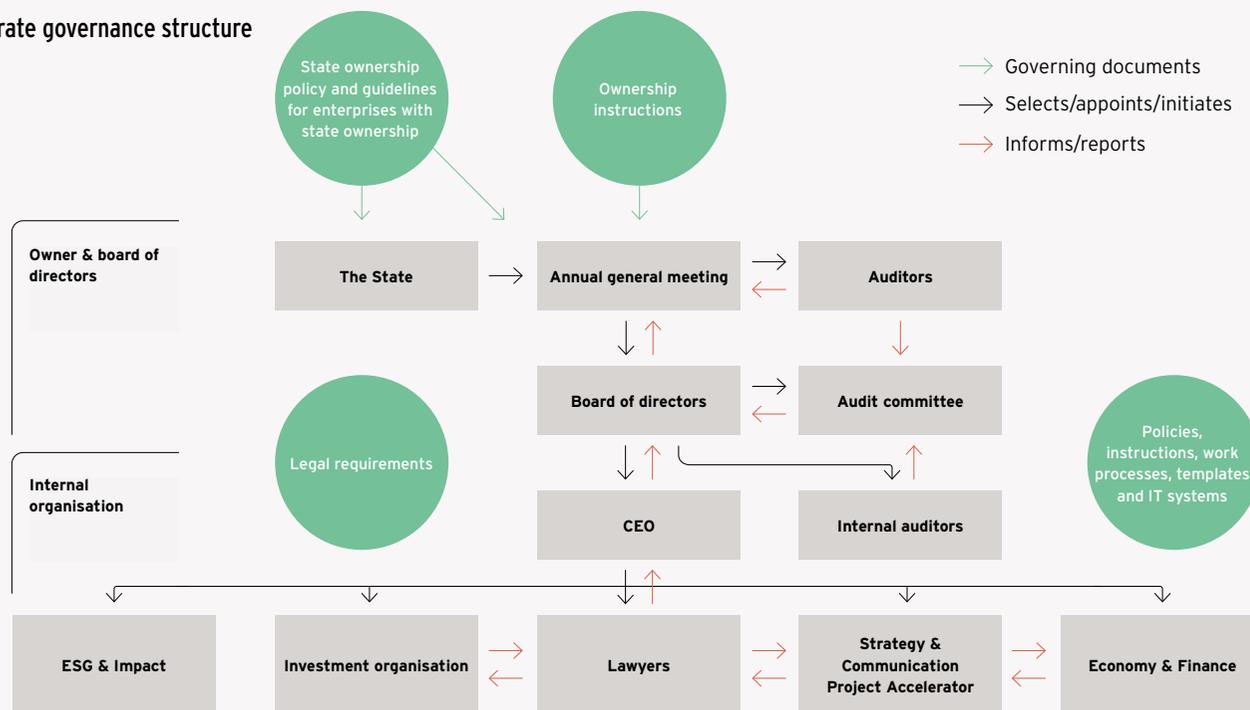
The audit committee appointed by the board of directors is tasked with preparing matters for decisions by the board. The audit committee works according to an adopted annual schedule and is responsible for

monitoring and quality assurance of the company's financial reports. This task covers areas such as the effectiveness of the company's internal control, risk-based annual plan for internal audits, assessments of estimates and reported values which could impact on the quality of financial reports, as well as the follow-up of observations from external and internal audits. 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 CSO 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 of 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 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 20 and 26, and general information about Swedfund's risks and risk management on pages 46–47.

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 through a portfolio report.

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 company 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 2023, the internal audit unit conducted two reviews regarding the investment process and compliance with the Operating Principles for Impact Management. The internal audit unit also followed up on previous 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 two regional offices.

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 2023, regular in-depth studies concerning relevant sustainability issues were presented to the board of directors relating to gender-based violence and harassment.

Swedfund also has an established a whistleblower function that can be used in the event of suspected irregularities by executives within Swedfund or one of its portfolio companies. The whistleblower service 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. As a result of new legislation, Swedfund has during 2023 established a new internal reporting channel and, in connection with this, conducted a review and update of the whistleblower service.

During the year, Swedfund also established a Complaints Mechanism, which can be used to draw

attention to issues linked to Swedfund and Swedfund's portfolio companies.

Follow-up

Control activities are monitored on an ongoing basis by Swedfund's corporate management and employees to ensure that risks have been appropriately taken into account and managed. Amongst other things, these procedures include the monitoring of results against budgets and forecasts, portfolio analyses and the follow-up of key performance indicators. Policy documents and other documents are evaluated on an annual basis. The company's financial situation is considered at each board meeting. Interim reports and the annual integrated report 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.

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 2023, the company's external auditors attended one board meeting and five meetings of the audit committee. At least once a year, the board of directors meets with the company's auditors in the absence of the CEO and other members of the management. These meetings normally take place in connection with the consideration/decision concerning the annual integrated report.

As of 31 December 2023, the assessment is that the control activities relating to internal control of the financial reporting are adequate.





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 board assignments: LKAB (board member), PRI Pensionsgaranti (board member).

Previous directorships: Almi Företagspartner Stockholm Sörmland AB (chair), Swedbank Robur AB (chair), Swedbank Franchise AB (chair), Entercard AB (board member), Swedbank Försäkring (board member).



Roshi Motman

(born 1979)

Board member

Board member since: 2019

Education: Industrial Engineering and Management, Chalmers University of Technology, Electrical Engineering, Chalmers University of Technology.

Current position: CEO of Amuse Music.

Other directorships: ICE telecom (board member).

Other directorships: CEO Millicom Ghana (Tigo), CEO AirtelTigo Ghana, Chair of Ghana Telecom Chambers, Chair of the Investment Committee Digital Changemakers Ghana (Tigo/Reach for Change).



Kerstin Borglin

(born 1960)

Board member

Board member since: 2016

Education: MSc. 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: -

Previous directorships: SWEACC, Swedish East African Chamber of Commerce (vice chair), Consul for Uganda in Sweden. Previous directorships: Ericsson Litauen (board member), Ericsson Kenya (board member), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (board member).



Catrina Ingelstam

(born 1961)

Board member

Board member since: 2019

Education: MBA and commercial law, University of Stockholm, approved public accountant FAR (not active).

Current position: Board assignments, own company.

Other directorships: Sixth Swedish National Pension Fund (chair), LÖF - Mutual Insurance Company of the Regions (board member), Kommuninvest i Sverige AB (board member), Sparbanken Rekarne AB (member), SH Pension tjänstepensionsförening (vice chair).

Previous directorships: Spiltan Fonder AB, Orio AB, Sparbanken Sjuhärad AB, Dina Försäkringar Mälardalen AB, Salus Ansvar AB, KPA AB and subsidiaries, Folksam LO Fondförsäkring AB and subsidiaries, Folksam Fondförsäkring AB, Min Pension i Sverige AB, Kammarkollegiet.


Anna Stellingher

(born 1974)

Board member
Board member since: 2023

Education: Master's degree in Political Science and Bachelor's degree in French, Lund University, and International Master in International Relations at Sciences Po in Paris, France.

Current position: Head of International and EU Affairs at the Confederation of Swedish Enterprise.

Other board assignments: Business Sweden (board member), Swedish Institute of International Affairs (board member).

Previous directorships: Lund University (vice chair and board member).


Caroline af Kleen

(born 1977)

Board member
Board member since: 2023

Education: MSc. Business Administration and Economics.

Current position: CFO of the Swedish Red Cross.

Other directorships: -

Previous directorships: -


Josefine Ekros Roth

(born 1974)

Board member
Board member since: 2023

Education: Bachelor of Arts in International Economics, University of Westminster, Master's degree in European Politics, College of Europe.

Current position: Under-Secretary, Ministry of Finance

Other board assignments: Samhall (board member), Industrifonden (board member)

Previous directorships: -


Torgny Holmgren

(born 1954)

Board member
Board member since: 2017

Education: MBA, Stockholm School of Economics.

Current position: Senior advisor, board work.

Other board assignments: Expert Group for Aid Studies (board member).

Previous directorships: International Center for Water Cooperation (chair), Water Aid (board member), World Water Council (acting member), Swedish Agency for Development Evaluation (SADEV) (member).

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 2023.

Swedfund International AB has produced this annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU. In addition, the standards of the Swedish Financial Reporting Board and its

recommended RFR 2 Supplementary Accounting Rules for Legal Entities have also been applied.

The annual report also includes the company's sustainability report in accordance with Chapter 6 Section 11 of the Swedish Companies Act, and the sustainability report in accordance with the Global

Reporting Initiative, GRI. The information provided corresponds with the factual circumstances and nothing of any material importance has been omitted which could impact on the picture of the company which is created in the annual report, the sustainability report and the COP.

Stockholm, 23 March 2024

Catrin Fransson
Chair

Kerstin Borglin

Catrina Ingelstam

Caroline af Kleen

Roshi Motman

Anna Stellingner

Torgny Holmgren

Josefine Ekros Roth

Maria Håkansson
Chief Executive Officer

Our audit report was submitted on 25 March 2024

Jesper Nilsson
State-Authorised Public Accountant, Ernst Young AB

Auditor's report

To the general meeting of the shareholders of Swedfund International AB, corporate identity number 556436-2084

This is a translation from the Swedish original.

Report on the Annual Report

OPINION

We have audited the annual accounts of Swedfund International AB for the financial year 2023.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Swedfund International AB as of 31st December 2023 and its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts 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.

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 and in accordance with IFRS as adopted by the EU. 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. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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 skepticism 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.

Report on other legal and regulatory requirements

OPINION

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedfund International AB for the financial year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

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 a 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 skepticism 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 the corporate governance report for the 2023 financial year on pages 126–130 and for ensuring that the report is prepared in accordance with the "State's Ownership Policy and Guidelines for State-Owned Enterprises" (the ownership policy).

Our audit was conducted in accordance with FAR's statement RevU 16 The Auditor's review of the corporate governance report. This means that our review of the corporate governance report has a different focus and a significantly smaller scope compared with that of an audit conducted in accordance with the International Standards on Auditing and generally accepted audit practice in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

A corporate governance report has been prepared. The information that is mandatory under the Ownership Policy is consistent with the annual report.

Stockholm 25th March 2024

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant



Additional sustainability information about Swedfund's operations and reporting

About our GRI reporting

Swedfund's 2023 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 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 enterprises 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, Nairobi and Abidjan, 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 2023, and for the portfolio companies' results 1 January – 31 December 2022. There were no significant changes in the information or reporting during the year. The report is published annually, on this occasion on 31 March 2024.

Swedfund has also certified 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 Kronhøffer, Chief Strategy and Communication Officer

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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 finance institution. The partnership is also a vital tool in the work on our business plan and during the value-adding phase.

During 2023, Swedfund reviewed its significant 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's Ownership Policy and principles for state owned companies in 2020, the company's special public policy assignment as defined in the Ownership 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 significant 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 62–77. In the following section, we present additional sustainability information regarding Swedfund's own operations.

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, Sidas Swedish Investors for Sustainable Development, 2X Global and AVCA.

Stakeholder category	Interest issues and focus	Type of dialogue, Swedfund's response and results
Owner and finance institution which determines Swedfund's mission and proposes Swedfund's funding via the development cooperation budget. Government (Ministry of Finance and Ministry of Foreign Affairs).	Corporate governance, management and follow-up with a focus on sustainable enterprise: Human rights, environment and climate, working conditions, anti-corruption, tax, business ethics, gender equality, additionality and diversity, and financial development and portfolio companies' performance.	The State's Ownership Policy and Guidelines for State-Owned Enterprises, the Ownership instructions, general meetings, shareholder dialogue, individual meetings and network meetings.
Politicians who determine the direction of Sweden's development cooperation policy and decide on the central government 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.
Embassy of Sweden	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.
Business partners 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. EDFI reference group meetings at various levels: CEO, HR, ESG, development effects, investments, legal affairs, communication, etc.
Portfolio companies	Development financing through Swedfund and results within impact on society, sustainability and financial viability.	Contractual commitments in all three areas: impact on society, sustainability and financial viability. Ongoing dialogue and follow-up throughout the investment period.
Civil society organisations and trade unions which, like Swedfund, are involved in development cooperation in Swedfund's markets. Civil society aid 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.
Media and opinion-formers 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 organisation.	Press releases, ongoing information in social media, Swedfund Frankly, interviews, background discussions and meetings for knowledge transfer.
Swedfund's employees 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.

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 enterprise, it is absolutely essential to respect and protect human rights. The ownership policy for state companies¹ 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".²

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 sustainability policy. This policy was revised in 2023 but retains the same focus on human rights. Swedfund has previously also published a 'Guiding Note on Human Rights', which describes how human rights are incorporated into Swedfund's investment activities. The revision of this Guiding Note began during 2023, as the process of evaluating human rights issues is continuously evolving. Swedfund works closely with the other development finance institutions in EDFI's

working group on human rights, currently relating to reparations.

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.

Given its growing exposure to conflict, post-conflict or fragile states, Swedfund has continued to develop its methodology for working with human rights and has conducted in-depth Human Rights Due Diligence for many portfolio companies that operate in these contexts. Swedfund has also conducted human rights studies in the sustainable food systems sector, given the number of potential risks associated with their value chain. Based on these studies and in line with UNGP, Swedfund will continue to develop its methodology for conducting in-depth Human Rights Due Diligence in conflict, post-conflict or fragile states and in sectors with multiple human rights risks.

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.

In 2023, two reports were received via the whistleblower service. 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 (UNGP). The channel 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.

In 2023, no complaints were received via the complaints mechanism. Both the complaints mechanism and the whistleblower service can be accessed via Swedfund's website. On the new website that is currently under development, the services will be

highlighted for greater visibility. 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 report 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 calls and site 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 development finance institutions 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 2023, a total of 45 (2022: 44) reports of serious incidents were received by Swedfund from portfolio companies, of which 34 (2022: 19) originated from the underlying holdings of the funds. A total of 30 (2022: 17) reports concerned fatalities. Twenty

¹ The State's Ownership Policy and Guidelines for State-Owned Enterprises 2020, 5.1.3 International guidelines, page 10.

² Government letter 2016/17:60 Policy framework for Swedish development cooperation and humanitarian aid, page 14.

four of the reports came from the underlying holdings of funds and six from direct investments. Of the 30 deaths, 18 were the result of road traffic accidents and eight were linked to safety incidents, and four 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. For the portfolio companies' results, see pages 62–77.

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. During 2023, travel returned to the same level as before the pandemic. A growing portfolio and an increasing number of employees also means more essential travel, which is an important part of the business and safeguards responsible ownership. During 2023, Swedfund's emissions from business travel amounted to 823.5 tonnes of CO₂, an increase of 39% compared with 2022. As in previous years, our reporting includes high-altitude emissions.

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 power outages. During the year, Swedfund also opened a new office in Abidjan. The combined energy consumption of the organisation during the year gives rise to 5.5 tonnes of CO₂, of which 2.4 tonnes was used for heating and 3.1 tonnes for electricity consumption.

For 2023, we report a total of 829 tonnes of CO₂, which includes electricity, heat and all air travel. Our total emissions have increased by 39% compared with 2022, mainly due to an increase in air travel, which is due to a growing portfolio and an increase in the number of employees. Our emissions per employee have increased from 9.6 tonnes of CO₂ in 2022 to 11.8

tonnes of CO₂ in 2023. However, emissions per employee in 2023 fell by 22% compared with 2019 (15.1 tonnes of CO₂ per employee), before the travel advice during the pandemic.

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 a reforestation project, which aims to eradicate poverty, reduce the effects of climate change and contribute to a sustainable environment in southwestern Tanzania. To capture and store carbon dioxide, the project is planting trees in grassland areas, and more than 10,000 hectares of degraded grasslands are being converted into forest. To promote environmental protection, the project is focusing on soil conservation, the protection of water sources and increasing biodiversity.

Personnel matters and working environment

During 2023, Swedfund continued its ongoing work on the development of leadership and employeeship and the digitalisation of HR. The office space was expanded during the year to make room for a growing organisation and to continue to offer employees a variety of work environments. Working according to a hybrid model continued during the year, involving a mix of working from home and working in the office.

During the year, the organisation continued to undergo training concerning feedback, communication, mentoring and work environment. In order to measure the impact of the initiatives, Swedfund has continually used pulse-measuring employee surveys

Emission source	Emissions (tonnes CO ₂ e)					Share 2023	Change 2022-2023
	2019	2020	2021	2022	2023		
Energy	3.7	3.2	3.4	2.9	5.5	0.7%	90.9%
Heating	2.2	1.9	2.2	1.5	2.4	0.3%	63.6%
Electricity consumption	1.5	1.3	1.2	1.4	3.1	0.4%	119.7%
Business travel	616.3	107.2	48.5	594.6	823.5	99.3%	38.5%
Total	620.0	110.4	51.9	597.4	828.9	100.0%	38.7%

Per Scope	Emissions (tonnes CO ₂ e)					Share 2023	Change 2022-2023
	2019	2020	2021	2022	2023		
Scope 1	0.1	0.1	0.1	0.1	0.2	0.0%	72%
Scope 2	2.7	2.3	2.3	1.9	4.2	0.5%	121%
Scope 3	617.2	108.0	49.5	595.4	824.5	99.5%	38%
Total	620.0	110.4	51.9	597.4	828.9	100%	39%

	Emissions (tonnes CO ₂ e)				
	2019	2020	2021	2022	2023
Per employee	15.1	2.4	1.0	9.6	11.8

Swedfund emission categories:

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, 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.

2023 emissions in scope 2 according to the "location-based method" 7.0 tonnes of CO₂e and according to the "market-based method" 4.2 tonnes of CO₂e.

and followed up on the results. The tool that Swedfund uses also covers the legal requirements in order to investigate the organisational and social 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 2023 in response to an increased capital injection and an expanding mission. A continuing 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.

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 2023, 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 128. Additional information concerning age distribution is provided in the tables below. The annual compensation ratio is 3.9. This figure is calculated by comparing the annual compensation of the highest-paid individual with the median compensation of the organisation's employees, excluding the highest-paid individual. 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 2023, we hired consultants to assist with regard to data and systems management, communication, finance and administration, corresponding to an average of approximately five full-time positions.

PERCENTAGE OF MANAGEMENT AND THE BOARD OF DIRECTORS REGARDING AGE DISTRIBUTION

	2022		2023	
	Number	Percent	Number	Percent
30-49 years	3	21%	6	38%
50 years or older	11	79%	10	62%
Total	14	100%	16	100%

PERCENTAGE OF EMPLOYEES REGARDING AGE DISTRIBUTION, INCLUDING MANAGEMENT

	2022		2023	
	Number	Percent	Number	Percent
29 years of age or younger	16	26%	21	30%
30-49 years	30	48%	33	47%
50 years or older	16	26%	16	23%
Total	62	100%	70	100%

Anti-corruption

Swedfund's most significant corruption risks are linked to our investments. For the work relating to anti-corruption and the results of portfolio companies, please refer to page 75.

During 2023, Swedfund continued to work systematically to combat corruption. We have expanded our internal resources to improve our risk analysis and the mitigation of corruption risks, continued to develop our tools for assessing business integrity risks, and carried out integrity due diligence for all new investment proposals. Swedfund has also helped a fund manager to develop a management system for anti-corruption. Together with another development finance institution, we have developed practical guidelines for investors to identify, assess and manage risks associated with business integrity. This work is being led by Transparency International in the UK. Our whistleblower system has been revised along with the underlying guidelines due to new legislation in Sweden.

All members of Swedfund's board, management and staff have undergone anti-corruption training. All new employees have completed an e-learning course on anti-corruption as part of the introductory process.

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 affairs 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.

GRI index

Swedfund International AB reports in accordance with GRI Standards for the reporting period 1 January 2023-31 December 2023.

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 2023-31 December 2023.
GRI 1 standard	GRI 1: Pillar 2021
GRI Sector standard	No sector standard is available yet.

GRI STANDARD	DISCLOSURE	NAME OF DISCLOSURE	PAGE REFERENCE	DEVIATION		
				REQUIREMENT FROM WHICH THE DEVIATION HAS BEEN MADE	REASON FOR THE DEVIATION	EXPLANATION
General information						
GRI 2: General information 2021	The organisation and its reporting methods					
	2-1	Information about the organisation	0-1, 42-43, 126-127, 143			
	2-2	Entities included in the organisation's sustainability reporting	64-65, 94, 138			
	2-3	Reporting period, frequency and contact point	64-65, 138			
	2-4	Restatements of information	138			
	2-5	External assurance	128, 149			
	Activities and employees					
	2-6	Activities, value chain and other business relationships	2, 5, 38-39, 82-83, 138, 142			
	2-7	Employees	86, 99, 141-142	2-7-b	Confidential information	No details concerning employment types are reported in order to guarantee confidentiality given Swedfund's size.
	2-8	Workers who are not employees	142		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.

GRI STANDARD	DISCLOSURE	NAME OF DISCLOSURE	PAGE REFERENCE	DEVIATION		
				REQUIREMENT FROM WHICH THE DEVIATION HAS BEEN MADE	REASON FOR THE DEVIATION	EXPLANATION
Governance						
	2-9	Governance structure and composition	126-129, 132-133			
	2-10	Nomination and election of the highest governance body	126-127			
	2-11	Chair of the highest governance body	127-128			
	2-12	Role of the highest governance body in overseeing the management of impacts	127-128			
	2-13	Delegation of responsibility for managing impact	128-129			
	2-14	Role of the highest governance body in sustainability reporting	129			
	2-15	Conflicts of interest	129			
	2-16	Communication of critical concerns	130			
	2-17	Collective knowledge of the highest governance body	127-128, 142			
	2-18	Evaluation of the performance of the highest governance body	128			
	2-19	Remuneration policy	100, 128			
	2-20	Process to determine compensation	128			
	2-21	Annual total compensation ratio	99-100, 142			
Strategies, policies and practice						
	2-22	Statement on sustainable development strategy	8-9, 28			
	2-23	Policy commitments	56-57, 126-128, 140			
	2-24	Anchoring the commitments in operations and business relationships	56-57, 74, 127-128, 140-142			
	2-25	Processes to remediate negative impacts	130, 140			
	2-26	Mechanisms for seeking advice and raising concerns	130, 140			
	2-27	Compliance with laws and regulations	141			
	2-28	Membership associations	139			
Stakeholder engagement						
	2-29	Approach to stakeholder engagement	139-140			
	2-30	Collective bargaining agreements	142			
Material topics						
GRI 3: Material topics 2021	3-1	Process to determine material topics	138-139			
	3-2	List of material topics	139			
Anti-corruption and business integrity						
	3-3	Management of material topics	56-57, 63, 75, 80, 139, 142			
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	75, 142			
	205-2	Communication and training about anti-corruption policies and procedures	50, 56-57, 142			

GRI STANDARD	DISCLOSURE	NAME OF DISCLOSURE	PAGE REFERENCE	DEVIATION	
				REQUIREMENT FROM WHICH THE DEVIATION HAS BEEN MADE	REASON FOR THE DEVIATION
Tax					
GRI 3: Material topics 2021	3-3	Management of material topics	56-57, 71, 139		
GRI 207: Tax 2019	207-1	Approach to tax	56, 71		
	207-2	Tax governance, control and risk management	47, 56-57, 71, 142		
	207-3	Stakeholder engagement and management of concerns related to tax. Portfolio companies' result: Tax per country	71, 142 71		
Environment and climate					
GRI 3: Material topics 2021	3-3	Management of material topics	18-19, 56-57, 66-67, 139, 141		
GRI 305: Emissions 2016	305-2	Other indirect GHG emissions (Scope 2)	141		
	305-3	Other indirect GHG emissions (Scope 3)	67, 141		
Gender equality and women's empowerment					
GRI 3: Material topics 2021	3-3	Management of material topics	56-57, 68, 139, 141-142		
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity of governance bodies and employees. Proportion of women, proportion of women in management positions, number of women on the boards of portfolio companies	69, 99, 142 69		
Human rights					
GRI 3: Material topics 2021	3-3	Management of material topics Proportion of investments that have implemented environmental and social management systems	74, 139-140 74		
Decent jobs					
GRI 3: Material topics 2021	3-3	Management of material topics Proportion of investments complying with the ILO's Declaration on Fundamental Principles and Rights at Work	16-17, 70, 72, 139, 141 72-73		

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
Governance	
Information about the organisation's governance concerning climate-related risks and opportunities	
The board's monitoring of climate-related risks and opportunities	126-128
The management's role in assessing and managing climate-related risks and opportunities	52-53, 56-57, 128-130
Strategy	
Information about the potential impact of climate-related risks and opportunities on the organisation, business, strategy and financial planning	
Climate-related risks and opportunities that the organisation has identified	18-19, 34, 36-37, 47, 52-53
Impacts from risks and opportunities on the organisation's operations, strategy and financial planning	18-19, 36-38
The preparedness of the organisation's strategy, taking into account various climate-related scenarios, including a two-degree Celsius or lower scenario	18-19, 66-67

Governance	Reference
Risk management	
Information on how the organisation identifies, assesses and manages climate-related risks	
The organisation's processes for identifying climate-related risks	46-47, 58-59
The organisation's processes for managing climate-related risks	46-47, 52-53, 56-57, 58-59, 66-67, 129
Integration of the above processes into the organisation's general risk management	46-47, 58-59, 129
Indicators & missions	
Information on indicators and missions used in the assessment of relevant climate-related risks and indicators	
The organisation's indicators for evaluating climate-related risks and opportunities	34, 62-63, 141
Scope 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol	66-67, 141
Targets for managing climate-related risks and opportunities	34, 63, 66

Auditor's report on the statutory sustainability statement

This is a translation from the Swedish original.

To the general meeting of the shareholders of Swedfund International AB, corporate identity number 556436-2084

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2023 on page 138 and that it has been prepared in accordance with the Annual Accounts Act.

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, 25 March 2024

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant

Auditor's Limited Assurance Report on Swedfund International AB's Sustainability Report

This is a translation from the Swedish original.

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 2023. The company has defined the scope of the Sustainability Report to the areas referred to in the GRI Index on pages 143-145 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 138, 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, 25 March 2024

Ernst & Young AB

Jesper Nilsson
Authorized Public Accountant

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