

AGENDA 2029

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LET'S ACCELERATE AGENDA 2030

Our mission is to combat poverty by creating jobs in poor countries. That is why we take risks that few others are willing to take. By providing capital and competence, we develop sustainable companies in the world's poorest countries.

As the businesses grow, they can offer more decent jobs which enable people to support their families. At the same time, we can set requirements for greater equality at all levels and promote the green shift in all sectors.

We are catalysts in a market in which the potential is enormous. In partnership with companies and other sources of finance, we share the risk and show the opportunities. People want to work so that they themselves can change their own personal situation and be part of society.

We can then use the return from our investments to invest in other companies. In the long term, this means more tax-paying companies and wage earners, and more families lifting themselves out of poverty.

This is how we create change. 2029 is our way of saying that it is urgent. Let's accelerate Agenda 2030.

THE FUTURE IS NOW

WE CAN LOOK BACK on a 2016 darkened by war, terrorism, humanitarian crises and people in flight. Yet it was also a historic and exceptionally inspiring year, the first on the road towards the global goals the world agreed on in New York in 2015.

For the first time, all countries are following a common agenda – with 17 goals and 169 targets – to root out extreme poverty and counteract the climate threat.

After almost 40 years of investing in the world's poorest countries, we have invaluable knowledge, contacts and experience. Risk management is an integral part of what we do, day after day. The global goals are integrated into our business model and investment process. And our portfolio companies work under the same sustainable guidelines.

We are ideally placed to inspire and clear the way for other players and providers of finance. Entrepreneurship, investment and job creation are vital tools in ensuring development and security. It is also very clear that new forms of partnership between business, politics and civil society are required to realise the global goals more rapidly and more effectively.

THE CHALLENGES AND THE NEEDS are enormous. At the same time, the opportunities to create

massive change and realise the global goals are greater than ever.

At an extraordinary general meeting in December, new owner instructions were adopted for Swedfund. The new company targets include aspects which Swedfund already measures, e.g. tax and equality, but also contain new target indicators for areas such as economic objectives and the portfolio's CO₂ footprint. The new company targets reinforce our clear ambition to measure, follow-up and deliver results in each of the company's pillars; impact on society, sustainability and financial viability.

With a capital injection of SEK 400 million, we were able to accelerate our investments during 2016, focusing on projects which create both direct and indirect development impact.

ENERGY IS A PRIORITY area, in which, for example, we finance a wind power project – The Lake Turkana Wind Power Project – in Kenya. When the project comes on stream in 2017, it will supply one million Kenyan households with clean electricity.

During the year, we also expanded our commitment in a number of projects focusing on women and women-owned businesses. One example is Cambodia's leading bank, Acleda, a pioneer in developing services and products for women entrepreneurs. Another is the Women Entrepreneurs Debt Fund, in which we invested SEK 166 million in 2016. A third example is Swedfund's talent programme, Women4Growth, in which we promote equality issues and women's career opportunities in our portfolio companies.

To gain even greater leverage in our investments, we are constantly looking for new strategic and financial partners.

Partners who share our vision, and are as committed to human rights, and to working on equality, climate and sustainability issues, as we are.

DURING 2016, Swedfund agreed new investments amounting to SEK 860 million in equity, loans and funds in our three prioritised sectors. We are reporting an operating profit of SEK 1.5 million. Our focused efforts to balance the portfolio are beginning to impact on our financial viability. Risk-taking however continues to be a core aspect of our mission. The average growth in jobs in our portfolio companies was 2.7 percent. Our work on sustainability is also producing results: 96 percent of the companies state that they have a sustainability or environmental policy, 79 percent that they adhere to the ILO Core Conventions and 83 percent that they have an anti-corruption policy. During 2017 we will continue to implement the ten UN Global Compact principles regarding human rights, labour, environment and anti-corruption in our portfolio companies.

These issues are essential in achieving Agenda 2030. But time is short. We have 14 years to go. It will be done! Swedfund's contribution to achieving the global goals will be continued investment in sustainable businesses for job creation and an inclusive growth, in places in the world where few others are prepared to take the risk, and where we can do the most good.

Agenda 2029 is our way of saying that it is urgent – the more we invest today, the greater our chance of achieving the global goals.



STOCKHOLM, MARCH 2017

ANNA RYOTT
CEO, SWEDFUND

SWEDFUND'S MISSION

SWEDFUND IS THE SWEDISH STATE development finance institution. Through the Ministry for Foreign Affairs, the Swedish government has assigned Swedfund (corporate ID number 556436-2084) to be Sweden's development finance institution for investments in poor countries. Swedfund is managed by Sweden's Ministry of Enterprise and Innovation.

Our mission is to reduce poverty through sustainable business.

Our activities shall contribute towards achieving the goals for Sweden's Policy for Global Development.

In collaboration with strategic partners, we shall participate in economically, socially and environmentally sustainable investments that create better conditions for people living in poverty and under repression.

With our strategic partners, we shall participate in investments which are not considered to be realisable through purely commercial financing. The company's activities shall promote progress towards equality. Our overarching and most important goal is to create jobs with good work environments and good working conditions.

ABOUT THIS REPORT

Swedfund's integrated report for 2016 is a fully integrated annual report. In the Directors' Report, information relating to sustainability is integrated with financial information, and vice versa.

The Integrated Report is published by the Board of Directors of Swedfund International AB, corporate ID number 556436-2084. The entire report is subject to verification with a reasonable level of reliability, i.e. auditing. A glossary can be found on page 114.

INTEGRATED REPORTING <IR>



INVESTMENT PRODUCES GENUINE CHANGE

Environmental and climate issues are central to Agenda 2030. Someone with extensive experience of developmental and environmental issues is Erik Solheim, Executive Director of the United Nations Environment Programme, UNEP, and former Chair of the OECD's Development Assistance Committee, DAC, and also former Norwegian Minister for the Environment and Minister of International Development. What are the challenges and opportunities he sees, and how can Swedfund and other development finance institutions contribute to achieving the goals? Here is an excerpt from a conversation between Swedfund's CEO, Anna Ryott, and Erik Solheim.

We are all very much aware of the massive challenge we are facing – what do you see as the most central issue in achieving sustainable change?

"First of all, it is essential to take account of the major changes which have taken place in recent years, not least in relation to increased life expectancy and reduced child mortality. But we are still faced with the enormous challenge of reducing poverty and dealing with the climate threat in line with Agenda 2030. In my view, a united political leadership is absolutely essential to achieving the goals. This means that every leader in the world must put the environment and the impact on society at the top of the agenda."

What role will companies and the business sector play?

"Private investment, along with taxes, is the most important source of finance. There is significantly more capital in circulation in the private sector than in the aid operations. A concrete example of this trend is Tanzania, where aid has rapidly fallen from 40 to 11 percent."

How can private investment be accelerated further?

"The main factor in real change and attracting private finance is the countries' ability to convert tax revenue into investment in health, education and infrastructure. I would also like to see more countries using their aid as a leverage for private investment, partly to deal with the

problems of corruption, currency risk and political risk."

Swedfund's three thematic priorities are job creation, increased equality and combating climate change. How can we – given these priorities – contribute to the implementation of Agenda 2030?

"A serious mistake in the debate on climate change is that it is regarded as a cost instead of a business opportunity. A better question is how can we create jobs and promote development with minimum impact on the environment? This is where Swedfund can set a good example with its agenda and investment process, which really does deal with all the components: how to create jobs, how to lift people out of poverty and how to make the world and the environment more sustainable."



ERIK SOLHEIM
EXECUTIVE DIRECTOR, THE UNITED NATIONS ENVIRONMENT PROGRAMME, UNEP

DIRECTORS' REPORT:

THE CHALLENGE



Our mission is to root out poverty; Goal number 1 in the global goals. With our pillars – impact on society, sustainability and financial viability – as the base and through our tool – investment – we can accelerate progress towards the global goals. Those goals that we have a direct impact on, we have made slightly larger in the diagram. For more on our development impact, please see page 14.

10 percent of the world’s population lives in poverty. Agenda 2030 and its 17 goals are aimed at achieving sustainable development without poverty. Swedfund’s mission is to reduce poverty, the first of the global goals, by investing in and developing sustainable business.

We create more decent work opportunities, and this in turn helps achieve sustainable societies with an increased ability to achieve all the global goals. We also contribute directly towards realising the goals by investing in businesses which have a direct impact on a specific global goal, such as hospitals or energy.

THE GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT:

- | | |
|--|---|
| 1 NO POVERTY | 10 REDUCED INEQUALITIES |
| 2 ZERO HUNGER | 11 SUSTAINABLE CITIES AND COMMUNITIES |
| 3 GOOD HEALTH AND WELL-BEING | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| 4 QUALITY EDUCATION | 13 CLIMATE ACTION |
| 5 GENDER EQUALITY | 14 LIFE BELOW WATER |
| 6 CLEAN WATER AND SANITATION | 15 LIFE ON LAND |
| 7 AFFORDABLE AND CLEAN ENERGY | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| 8 DECENT WORK AND ECONOMIC GROWTH | 17 PARTNERSHIPS FOR THE GOALS |
| 9 INDUSTRY, INNOVATIONS AND INFRASTRUCTURE | |

THE OPPORTUNITY

Our joint ability to mobilise finance is decisive if we are to achieve the global goals. The traditional sources of finance are insufficient: the amount invested must go from billions to trillions. This makes private finance essential.

DEVELOPMENT FINANCE INSTITUTIONS such as Swedfund have a key role: We invest where few others will, and we prepare the way for other financiers. And we develop sustainable businesses which, through their own operations and investments, contribute to achieving the goals.

In the past year, the International Community has clearly indicated that private investment is decisive in how quickly the global goals can be achieved. In this, Swedfund and other development finance institutions have a more important role than ever.

Development finance institutions are experts in assessing and reducing risk in complex investments. This means that our projects do not just generate profits in themselves, but also attract capital from other private investors. This *catalytic* ability means that development finance institutions act as accelerators for increased financing.

INCLUSIVE GROWTH ON A BROAD FRONT

Rooting out extreme poverty is at the heart of the global goals. Achieving this, requires inclusive economic growth. We know that a strong development of the private sector can rapidly lift a country out of poverty. This has already happened in South-east Asia, and is happening in many countries in Latin America and Africa.

Economic growth gathers speed when decent work are created on a broad front. Then large parts of the workforce are included, and even the poorest are given the opportunity of employment and a better standard of living.

In a global survey, "Voices of the Poor"¹, 70 percent of respondents stated that a job was the best way out of poverty.

WOMEN AND YOUNG PEOPLE IN FOCUS

Giving women access to paid work is one way of accelerating development. A woman who is given a job in the formal sector lifts an entire family out of

poverty. Every month, one million young people come onto the tough African labour market. Giving them a job does not just generate growth and reduce poverty, it is ultimately a matter of security. Unemployment creates alienation and instability, and is a breeding ground for violence and conflicts.

FINANCE AND ENERGY ARE KEY

At present, nine out of ten jobs in developing countries are generated in the private sector, with 80 percent of these in small and medium-sized companies. For these companies to grow and create even more jobs, it is essential that obstacles to business are removed, including lack of finance and inadequate energy supply. When companies have access to long-term and stable financing, they can grow more rapidly. And, in many cases, a reliable energy supply is a basic requirement for operating a business. If the global goals are to be achieved, it is essential that this energy supply comes from renewable sources such as solar, wind and hydropower.

ADDITIONALITY ON SEVERAL LEVELS

Development finance institutions can accelerate progress towards the global goals in a number of different ways:

- By being active in those countries which have least access to capital.
- By investing in sectors, projects and market segments that do not easily get access to other private capital.
- By remaining active during periods of

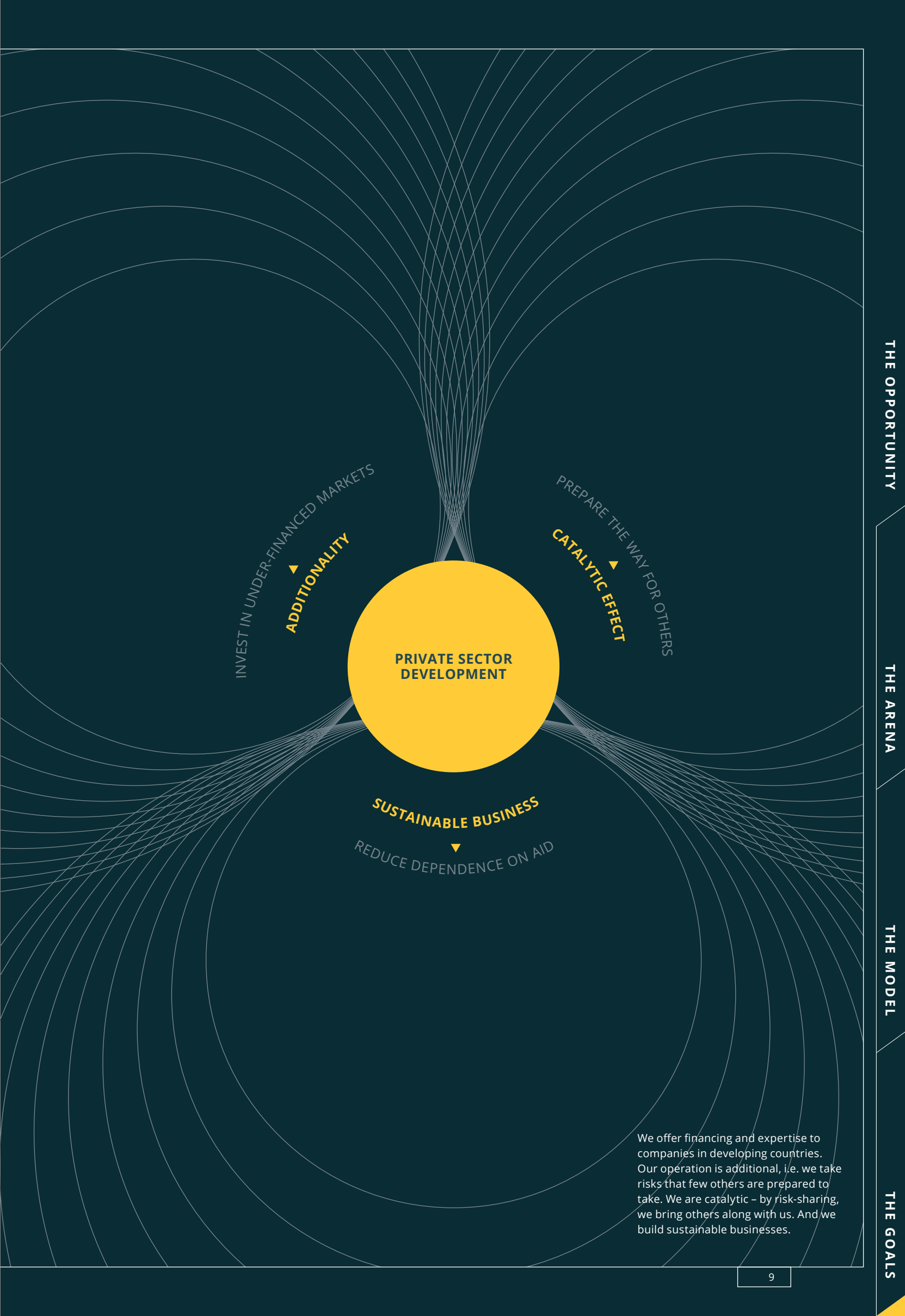
instability and recession, when other financiers withdraw.

- By being providers of finance who take a long-term view and have real staying power.
- By providing know-how and developing companies in all the dimensions of sustainability.

This is often referred to as the development finance institutions' *additionality*: the ability to provide resources which otherwise would not have been available and which are crucial to development.

Additionally is also the word used to describe the value-creating work which takes place in the businesses. Not just financially but in all the dimensions of sustainability. Partly in the evaluation of the companies but also during the investment period. By making demands on the companies we invest in and by selecting projects which, for example, benefit gender equality, the climate and technological and energy development, we can influence development towards the global goals and help in achieving them more rapidly.

And, of course, there are synergies throughout: resource-efficient companies have lower costs, companies that practice equality are more profitable and decent working conditions make everything run more smoothly. Swedfund aims to accelerate this trend, so that we can achieve the goals, preferably before 2029.



PRIVATE SECTOR
DEVELOPMENT

INVEST IN UNDER-FINANCED MARKETS
▲
ADDITIONALITY

PREPARE THE WAY FOR OTHERS
▲
CATALYTIC EFFECT

SUSTAINABLE BUSINESS
▼
REDUCE DEPENDENCE ON AID

We offer financing and expertise to companies in developing countries. Our operation is additional, i.e. we take risks that few others are prepared to take. We are catalytic – by risk-sharing, we bring others along with us. And we build sustainable businesses.

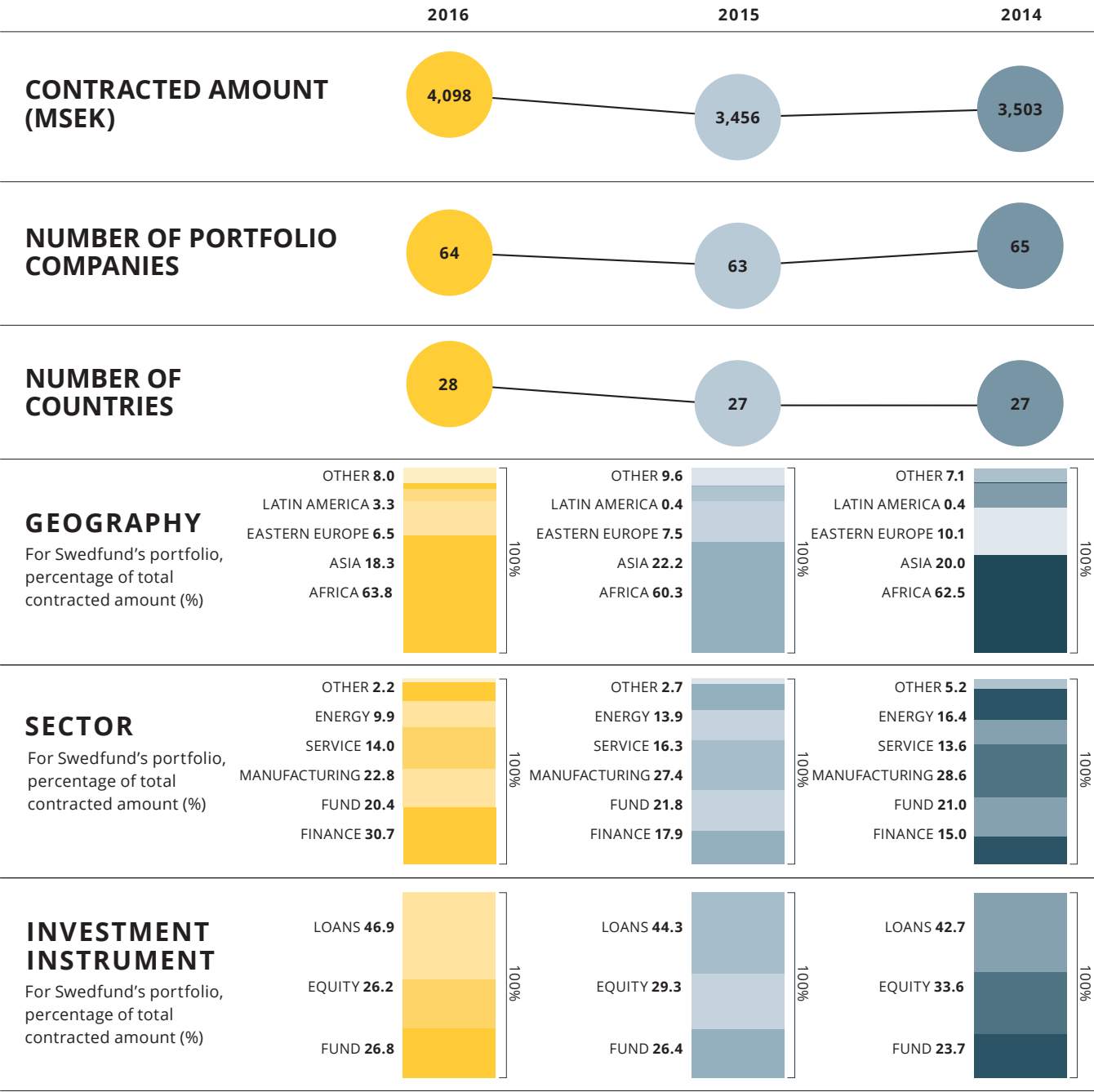
THE PORTFOLIO

In the long term, we shall generate development results in our portfolio companies, in combination with a positive result for Swedfund as a company.

We always strive for a good balance between risktaking, geographical spread and variation in investment instruments, such as equity, funds and loans. The table below shows the distribution of Swedfund's portfolio as of 31 December 2016, 2015 and 2014, respectively.

To enable us, in the long term, to generate development results in combination with a positive financial result, a new strategic approach has been adopted to build a more balanced portfolio with respect to risk, geography and investment instrument. Swedfund is committed to increasing

the proportion of loans, particularly in relation to financial institutions and funds, as well as the energy sector. We are continuing to focus on Sub-Saharan Africa. If investments approved, but not yet contracted, during 2016 are included, the proportion of loans and investments in Africa has increased.



SWEDFUND'S PORTFOLIO COMPANIES

Swedfund works actively to create results in the portfolio companies in all three pillars – impact on society, sustainability and financial viability. The results for the portfolio companies as of 31 December 2015 are presented below. For more detailed information on results and contributions, see "Portfolio companies' results" page 64.

IMPACT ON SOCIETY	SUSTAINABILITY	FINANCIAL VIABILITY
<div>111,791</div> <div>NUMBER OF JOBS CREATED IN PORTFOLIO COMPANIES</div>	<div><div>96%</div></div> <div>PROPORTION OF PORTFOLIO COMPANIES WITH A SUSTAINABILITY POLICY</div>	<div>7.3%</div> <div>AVERAGE GROWTH</div>
<div>2.7%</div> <div>AVERAGE JOB GROWTH IN PORTFOLIO COMPANIES</div>	<div><div>83%</div></div> <div>PROPORTION OF PORTFOLIO COMPANIES WITH AN ANTI-CORRUPTION POLICY AND A PERSON RESPONSIBLE FOR IMPLEMENTING THE POLICY</div>	<div>5.7%</div> <div>AVERAGE PROFITABILITY</div>
<div><div>79%</div></div> <div>PROPORTION OF PORTFOLIO COMPANIES WHICH ADHERE TO THE ILO AND THE ILO FUNDAMENTAL RIGHTS AT WORK</div>		<div>4.1%</div> <div>AVERAGE RETURN</div>
<div><div>19%</div></div> <div>PROPORTION OF WOMEN EMPLOYED IN PORTFOLIO COMPANIES (PROPORTION BASED ON THOSE COMPANIES THAT REPORTED THE NUMBER OF WOMEN EMPLOYED)</div>		
<div>1,206</div> <div>PORTFOLIO COMPANIES' REPORTED TAX (MSEK)</div>		

THE PARTNERSHIP

International cooperation and global partnership are essential if we are to achieve the global goals. For Swedfund, cooperation with other development finance institutions and development banks is a leverage for accelerating development.

PARTNERSHIP, A NECESSITY

Goal number 17 states: "Strengthen the means of implementation and revitalise the global partnership for sustainable development".

For us at Swedfund, the partnership concept is central. It is through collaboration with the people, communities and businesses in which we invest that we can create decent work and sustainable development. It is through partnership and shared risk with other finance providers that we can make our investments more effective and have a strong influence. It is through close dialogue with civil society that we learn and develop so that we can have even greater influence.

Read more about Swedfund's partnership approach on page 22 "The investment process", and on page 24 "The integration of ESG".

CO-FINANCING AND INFLUENCE

It is through EDFI – the Association for European Development Finance Institutions – that we are best able to carry out effective co-financing. Since 2001, annual financing from the DFIs has grown sharply: from around EUR 10 billion in 2000 to EUR 70 billion in 2014. Total commitments for 2015 amounted to EUR 40 billion for EDFI, EUR 20 billion for OPIC and EUR 80 billion for IFC. Within EDFI, we also harmonise our follow-up requirements and coordinate our advocacy, and much else. The players in EDFI can jointly – through EDFI or on their own account – participate in projects and investments in collaboration with the various development banks throughout the world.

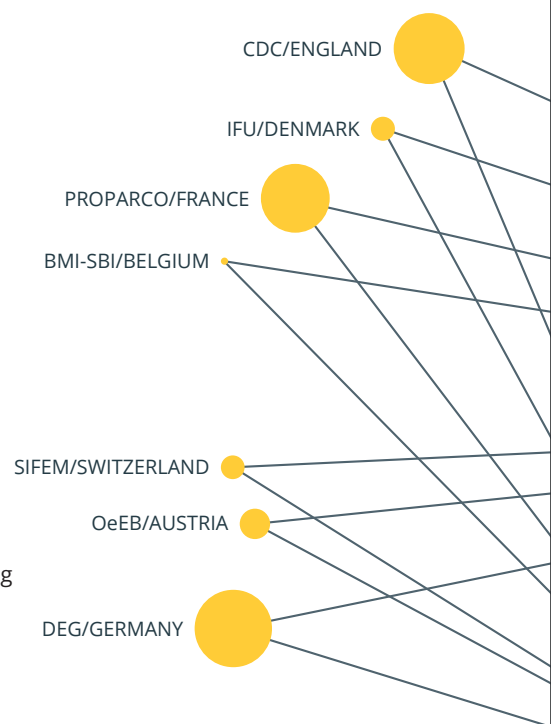
Within the framework of European cooperation, regular discussions, meetings and dialogues are held. Strategic decisions are taken there in respect of private sector development, sustainability issues and the development of new and existing facilities. The collaboration in EDFI gives us a

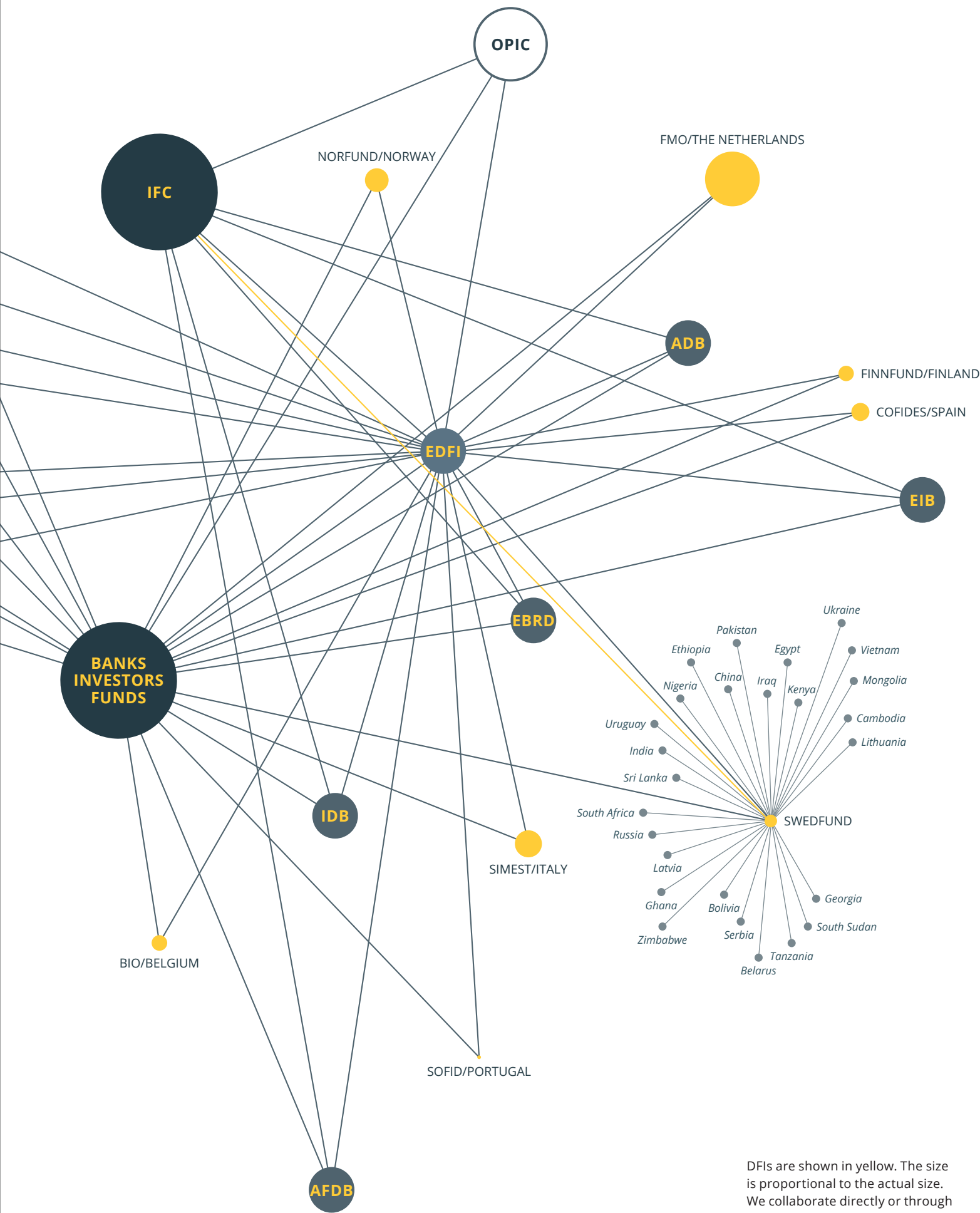
strong voice and our jointly developed processes provide for effective and strong partnership. As a collective, we are also in a stronger position to set standards for sustainability.

EDFI GIVES US EXTRA WEIGHT

EDFI is the foundation for a number of partnerships. One such is EFP (European Financing Partners) – a collaboration between EDFI and the EIB (European Investment Bank). Another example is ICCF (Interact Climate Change Facility) – a collaboration between EDFI, the EIB and AFD (Agence Française de Développement) aimed at increasing cooperation in relation to climate financing. Through ICCF, a development finance institution that has undertaken a project can treble its financing.

A third example is ElectriFI, a collaboration between the European Commission and EDFI which was launched in 2015. ElectriFI co-finances the development of renewable energy sources and energy efficient projects in developing countries, focusing on rural areas and regions which lack electricity. IFC, the World Bank's investment arm, is another player with whom Swedfund works closely. One example is the WEDF (Women Entrepreneurs Debt Fund), a fund focusing on financing businesses run by women. The development finance institutions also cooperate directly with the regional development banks in the regions in which they operate.





DFIs are shown in yellow. The size is proportional to the actual size. We collaborate directly or through EDFI. Development banks and other players are shown in blue. They also collaborate directly or through EDFI. OPIC is the US DFI. The dots around Swedfund show the markets in which we are active.

THE DEVELOPMENT IMPACT

Financing for sustainable development can come from several sources; aid, private capital, domestic tax-based financing and from development finance institutions. The sources of finance have different names and different development impact. They can be regarded as different, but complimentary, tools in the fight for sustainable development. Here we explain about the tools, focusing on what the development finance institution achieves¹.

AID

Aid, ODA (Official Development Assistance), can either be provided bilaterally (from state to state), multilaterally (from the UN, the World Bank, the EU etc.) or in cooperation with non-profit organisations.

Aid is aimed at fundamental areas such as institution building, economic development, health, human rights and democracy, as well as education, equality, environmental and humanitarian operations.

Aid continues to play a very important role in many of Swedfund's markets.

PRIVATE CAPITAL

Private investors account for an increasing proportion of development finance. More and more of them are also realising that sustainable investments generate a more secure return for both companies and employees and for society in general. Sometimes, however, private investors judge that the risks involved are too high, and then they prefer to share the risk with players such as Swedfund. For that reason, mobilising private capital often requires that a development finance institution, such as Swedfund, steps in and part-finances the project.

DOMESTIC FINANCING

The more companies that submit accounts and pay tax in the countries in which they operate, the stronger becomes the ability to provide domestic financing, and the opportunity for a country to influence its own development. The formal sector in developing countries is growing. More goods and services are in circulation. And tax revenues are increasing. But to achieve the global goals, domestic financing, i.e. the size of the tax base, must be strengthened through tax revenue from companies and individuals.

DEVELOPMENT FINANCE INSTITUTIONS

Businesses need finance to grow and develop. This is where Swedfund and other countries' development finance institutions play a vital role through investment in the form of equity and loans.

Development finance institutions make investments on commercial terms and take risks that few others are willing to take. We provide capital for countries, sectors and businesses where the investment is really needed and where it can generate benefits.

The development impact to which we contribute can be divided into direct and indirect effects:

Direct development impact

- Job creation
- Knowledge and capacity building
- Production of goods and services
- Tax revenue
- Financial returns which can be reinvested in the company
- Environmental and social effects
- Mobilisation of additional financing

Indirect development impact

Every direct job opportunity created in a company generates 7–25 indirect jobs two and three steps down the line². If a bank, for example, offers financing in the form of loans to an expanding business, this leads to increased

activity in the company, greater demand for input goods and more employees who spend their wages in the local economy. The indirect development impact is, accordingly, generated at several stages and in different parts of the economy. The effects of the employment locally and in total are greater than the direct job opportunities alone.

We raise productivity

Development finance institutions help generate direct productivity gains in their portfolio companies through knowledge transfer. Indirect productivity gains are achieved by investing in innovative and technologically-intensive businesses, as well as in sectors which have crucial effects on the future and progress of businesses and people. Energy investments which provide access to green electricity are one example.

We increase growth

There is a strong connection between the total amount that development finance institutions invest in a country, and that country's growth. Studies show that a ten percent increase in investment increases growth by 1.5 percent. The connection is particularly strong for investments in infrastructure and industry.

We reduce poverty

Direct development effects, in the

Edna Mwende, AAR Healthcare in Nairobi, Kenya.

form of job creation, reduce poverty. The indirect development impact leads overall to a tangible reduction in poverty in the countries in which the investments are made.

We reduce the climate impact

Development finance institutions work both broadly and intensively to reduce their portfolio companies’ negative impact on the environment and to increase the efficiency of resource utilisation. In certain projects – e.g. ICCF (Interact Climate Change Facility) – the CO₂ savings generated by investment in renewable energy or energy efficiency improvements are measured. The CO₂ savings are calculated in relation to the alternative of increasing capacity in non-renewable energy or not carrying out energy efficiency measures at all.



THE ARENA



Swedfund invests in countries which qualify for development financing in accordance with the OECD/DAC's definition. The map shows Swedfund's portfolio as of 31 December 2016.

- **GLOBALLY**

APIS

EFP

GLOBAL MEDICAL INVESTMENT GMI AB

IFC WOMEN ENTREPRENEURS DEBT FUND (WEDF)

INTERACT CLIMATE CHANGE FACILITY

- **BOLIVIA**

ENTEL

- **URUGUAY**

ONTUR INTERNATIONAL



The selection consists of Swedfund's contracted investments. New investments agreed during 2016 are underlined. The investments listed under "Global" or "Africa" are investments in funds with holdings in several countries or other financing facilities with investments in several countries. Investments which are part of the portfolio but which are now in the process of being liquidated and no longer carry on operations are excluded.

OUR FOCUS

Swedfund's geographical investment focus is low-income countries, which involves a strong focus on Sub-Saharan Africa. Here we give a brief description of the challenges facing the region.

AFRICA AS A CONTINENT shows major differences, not only at regional level but also between countries and within countries. The greatest challenge is in creating inclusive growth. The global economic situation has deteriorated, and prices are falling for many of the raw materials which represent a substantial part of the continent's exports. Even so, Africa as a continent showed average growth of 3.9 percent (GDP). The growth rate differs between regions (East Africa: 6.4 percent, North Africa: 3.3 percent, Southern Africa 2.2 percent¹).

CLIMATE CHANGE

The number of people in the world in poverty as a result of climate change may reach 120 million², the majority of whom will be in Sub-Saharan Africa. Climate change leads to natural disasters – droughts as well as floods – coming with increasing frequency, and with communities unable to recover. Water shortages are a permanent and growing problem. In recent years, drought and crop failures in Southern and East Africa have destroyed the harvests. The consequences include famine and mass migration.

INCREASED DEMOCRACY

Since the 1990s, democracy has made great strides forward on the African continent. The majority of countries have multi-party elections. At the same time, there are worrying signs of setbacks.

BETTER HEALTH

Extensive vaccination programmes and improved maternity care and child health care has sharply reduced infant mortality. Both malaria and HIV are being reduced, but they are still among the most common causes of death.

INCREASING POVERTY

Between 1990 and 2010, global poverty halved, measured as the number of people living in extreme poverty. But in Sub-Saharan Africa, the situation is unclear. In relative terms, the figures fell from 1990 (57 percent) to 2012 (43 percent) – but the number of poor people, as a result of the increasing population, rose by 100 million. Formerly, the highest proportion

of poor people was found in rural areas, but as urbanisation has accelerated, there is now increasing poverty in towns and cities³.

TRADE IS ESSENTIAL

Trade cooperation and partnership for private sector development is crucial in enabling people to lift themselves out of poverty. (At the same time, development cooperation continues to play an important role in areas such as institution building, human rights, health and education.)

INCREASING NUMBERS IN EDUCATION

The number of children in school has increased substantially in the past decade. Almost all children now go to school. But the quality of teaching in basic education is so poor that many pupils do not achieve even basic knowledge, such as literacy. Far too few continue studying after basic education. For the industry to raise its value added and create more jobs higher up the value chain, a more skilled labour force is required.

INHIBITED GROWTH

In the past fifteen years, Africa has enjoyed rapid economic growth. This is now weakening in raw material exporting and oil-producing countries. Growth is continuing in many countries which are not dependent on oil exports, as well as in countries which have managed to kick-start their economies and lift themselves out of poverty. But economic growth is being inhibited by a shortage of reliable energy supplies, infrastructure, corruption and weak civil institutions, such as central banks and the justice system

etc. The economic growth will not benefit everyone.

POPULATION GROWTH

The population of Africa will double to over two billion by 2050. 70 percent of the population of Africa today is under 30 years old⁴. A continuing high birth rate is the largest cause of the population increase, but life expectancy has also begun to rise.

URBANISATION

Rapid urbanisation is resulting in major challenges for infrastructure, such as water and sewerage systems. By 2030, it is estimated that 50 percent of Africa's population will live in towns and cities⁵. Enormous shantytowns are spreading around the towns and cities, lacking all forms of infrastructure and services. This is where Africa's youth are growing up.

DIGITALISATION

Africa's people are online. Mobile penetration is around 70 percent in Sub-Saharan Africa⁶. IT development will totally transform communities and sectors. This presents major opportunities, but also challenges.

SHORTAGE OF JOBS

A million people in Africa are coming onto the labour market every month. The current level of job creation is lagging behind, partly because the growth rate in jobs is not sufficiently high in relation to population growth, and partly because part of the growth is "jobless growth".

SOCIAL EXCLUSION

A growing population, rapidly being urbanised, with inadequate access to

work, combined with large permanent refugee groups, means that urban areas are facing increasing social exclusion. This is a breeding ground for destabilising society and a recruiting base for extremism.

CONFLICTS

In many cases, current conflicts are both fragmented – multiple groups fighting each other – and internationalised. And therefore difficult to resolve. Others have ethnic undertones. These conflicts are generating massive refugee flows, which are placing a major strain on the receiving countries. In addition, the conflicts lead to weak demand, which hits the countries’ economies hard.

GROWING SHORTAGE OF RESOURCES

Population growth, economic growth and climate change are increasing the demand for natural resources such as water, arable crops and energy. Dealing with these shortages will be one of the greatest development challenges into the future. Food safety is a high-priority issue.

CORRUPTION

Corruption – equivalent to the world’s third largest economic sector – continues to present an obstacle to development and economic growth. Companies are prevented from growing, and investors and entrepreneurs are reluctant to start businesses in countries where the business climate is affected by corruption.

Ambulance from AAR Healthcare, Nairobi, Kenya.



THE MODEL

Our pillars influence every step of the investment process, the entire monitoring phase, the follow-up of all development effects and final exit.

IMPACT ON SOCIETY

Swedfund shall contribute to the creation of jobs with good work environments and good working conditions.

- ▼ JOB CREATION
- ▼ TAX
- ▼ KNOWLEDGE AND CAPACITY BUILDING

SUSTAINABILITY

Swedfund shall contribute to the creation of long-term sustainable businesses in the world's poorest countries, and shall make proactive efforts to tackle corruption internally and within portfolio companies.

- ▼ ENVIRONMENT/CLIMATE
- ▼ WORKING CONDITIONS
- ▼ BUSINESS ETHICS AND ANTI-CORRUPTION

FINANCIAL VIABILITY

Swedfund shall contribute to the creation of businesses that are profitable in the long term and, therefore, financially viable, in the world's poorest countries.

- ▼ GROWTH
- ▼ PROFITABILITY
- ▼ RETURN ON EQUITY

CRITICAL PARTS OF OUR BUSINESS MODEL

Our business model integrates the global goals through our pillars. But it also manages risks, the inputs we make and the investments we take on and the results we generate.

RISK SHARING

Risk-taking is central to Swedfund's mission as a development finance institution. We invest in the world's poorest countries, where investment is needed most, and where few other commercial investors are prepared to take the risk. Risk is a source of returns. At the same time, it is essential to limit risk-taking to avoid unnecessary losses and to achieve more stable returns. For that reason, Swedfund always shares risks with one or more investment partners. For more information on how we manage risks, see page 27.

TIME PERSPECTIVE

We always invest with a long-term perspective, usually between seven and ten years. A vital long-term objective for our investments is that they must always contribute to realising the glob-

al goals. Our strategic sustainability targets relate to a three-year period, which is the medium term for us. The long term approach and our perseverance form an important part of our additionality.

GEOGRAPHY

Our mission is to invest in businesses and countries which qualify for development financing in accordance with the OECD/DAC's definition. We prioritise investment in low-income and post-conflict countries. We shall invest where the need is greatest.

SKILLS

The company's skills package consists of the staff's expertise in finance, investment, ESG (Environmental, Social and Governance) and law, as well as within specific sectors and the intangible values enshrined in the many years of development of Swedfund's business model, with its associated management systems and processes.

NETWORKS

Resources and skills are brought to-

gether through Swedfund's networks, such as EDFI, IFIs, UN-GC and UN PRI.

PARTNERS

Our investments are based on partnership and cooperation with other companies and development finance institutions. The partner must have the necessary financial strength and structural capital, and must also share our vision of how a sustainable company should be operated and managed.

FINANCIAL CAPITAL

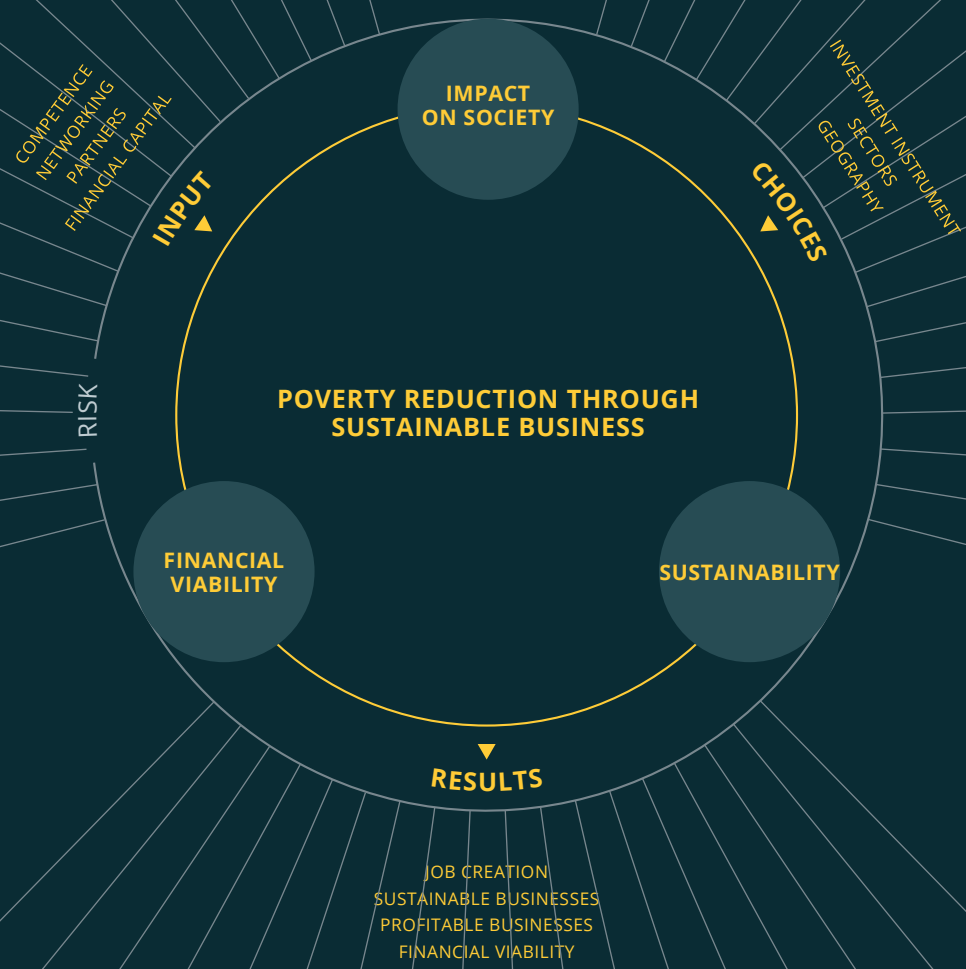
Refers to the financial capital Swedfund has available for investment.

FINANCING INSTRUMENTS

We aim for a good balance of equity, loans and funds. The choice of instrument depends on the respective portfolio company's financing requirements.

SECTORS

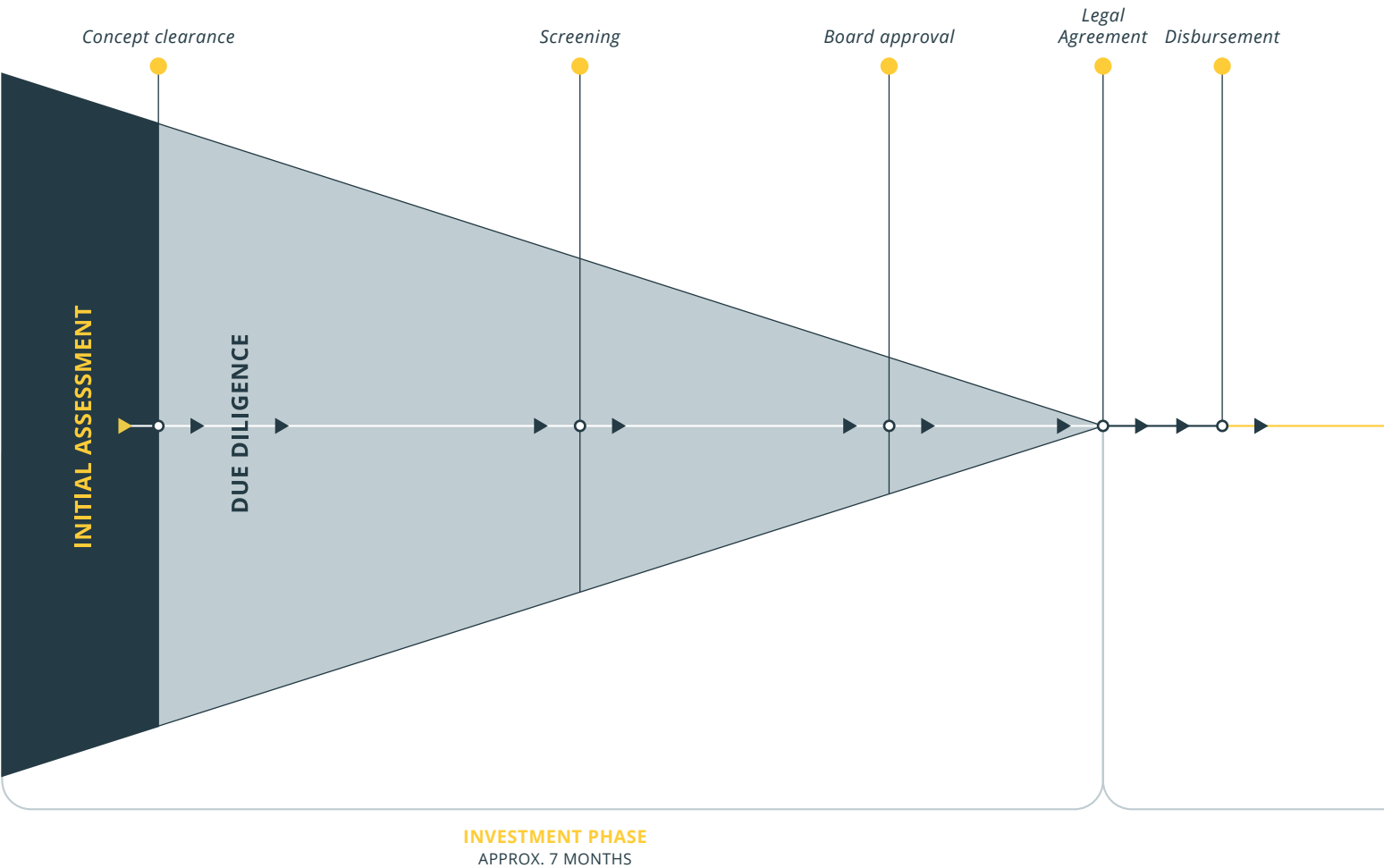
Our three priority investment sectors are energy, financial institutions & funds, and manufacturing & services.



Swedfund's business model is based on generating results within the three pillars of impact on society, sustainability and financial viability.

THE INVESTMENT PROCESS

Swedfund invests in the world’s poorest countries; in developing countries and in markets involving high risk. Our investment process is based on almost 40 years’ knowledge and experience of these complex markets.



EACH PROJECT PROPOSAL which comes to us is assessed, analysed and followed up in detail. Our Senior Investment Managers and Analysts, in collaboration with the ESG team, carry out a thorough analysis of market data, business plans, financial history and investment partners. The analysis is then reviewed by Swedfund’s investment committee and by the Board of Directors.

Every investment must meet the targets set within our three pillars, impact on society, sustainability and financial viability.

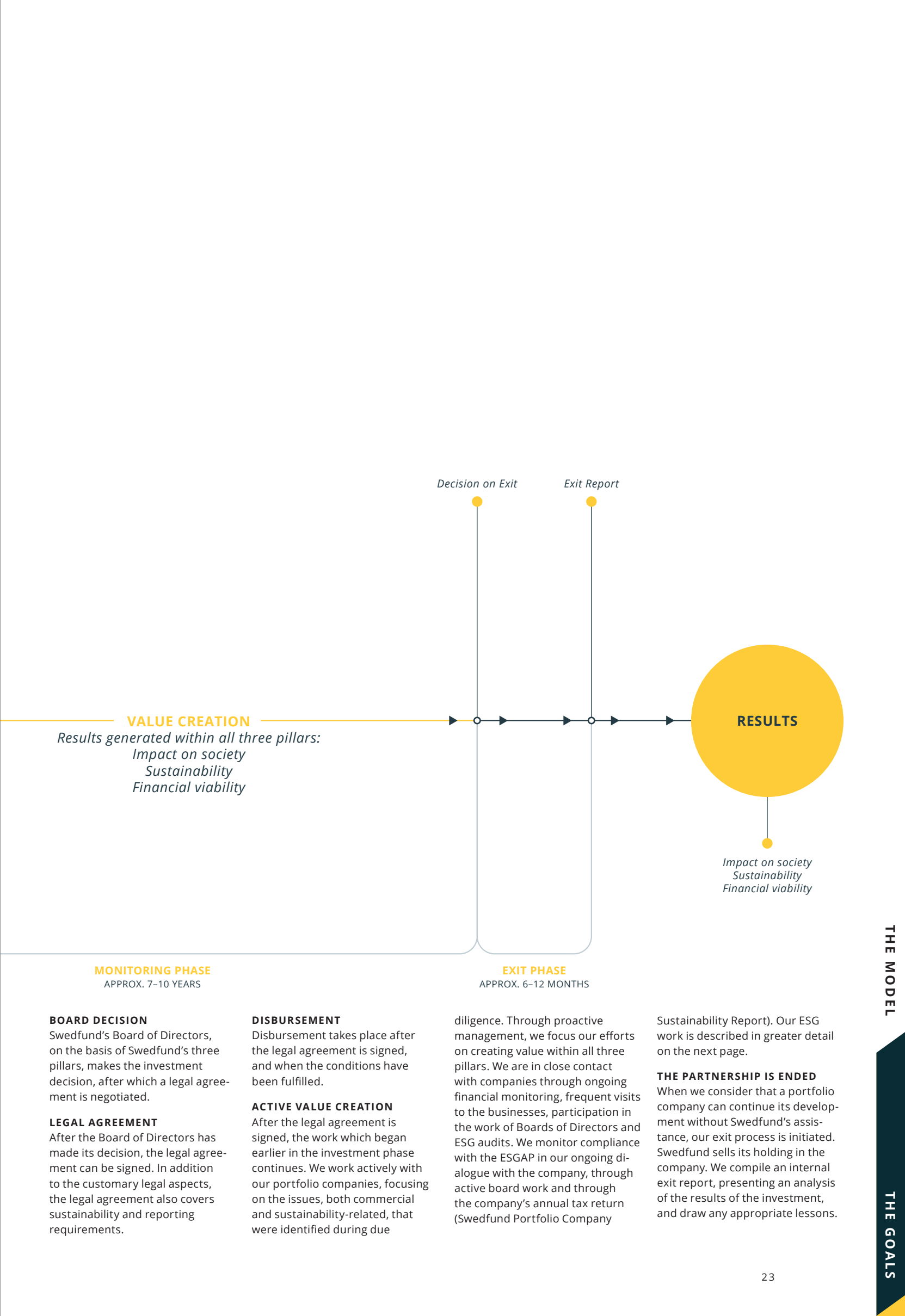
INITIAL ASSESSMENT
An overall assessment of the country, the company, strategic partners and Swedfund’s role. We review, for example, the company’s business plan and check it against a list of excluded sectors.

CONCEPT CLEARANCE
A first assessment of the ability of the project to meet the targets set within the three pillars: impact on society, sustainability and financial

viability. If approval is given by the investment committee, the preparations for the investment project continue.

DUE DILIGENCE
Review and in-depth analysis of the business idea, business plan, market, financial history and forecasts, capital investment appraisal, partner collaboration, legal aspects, expected development results and ESG issues. This work continues until the investment is disbursed.

SCREENING
In a more detailed analysis in the light of Swedfund’s three pillars, the investment committee decides whether or not to continue the preparation of the investment. Further issues may be raised. If approval is given by the investment committee, the proposal is further prepared for presentation to the Board of Directors for approval.



THE INTEGRATION OF ESG

Giving proper consideration to environmental and social issues, and adopting a sound corporate culture, are essential for a business venture to be sustainable and profitable in the long run.

IN 2010, SWEDFUND adopted a sustainability policy (a combination of Swedfund's environment policy from 1998 and ethics policy from 2003), and, since then, the sustainability requirements have been continuously made more stringent. The sustainability policy has been updated regularly, most recently in 2015. For more information on the development of our policies and processes, see page 30. The ESG assessment is part of our analysis of potential investments, and is an integral part of the investment process and the investment team.

NEW INVESTMENTS ARE ASSESSED

Swedfund's investment team is responsible for evaluating new investments and for ensuring active value creation in portfolio companies. ESG Managers are part of the investment team. They are specifically responsible for evaluating environmental issues, social issues, corporate governance and anti-corruption in portfolio companies. During the period in which Swedfund is a shareholder in or lender to a portfolio company, the Senior Investment Manager responsible is tasked with monitoring and ensuring compliance with the sustainability

policy, the anti-corruption policy, the strategic sustainability targets and the ESG Action Plan, ESGAP.

AN ACTION PLAN IS DRAWN UP

For each individual portfolio company which Swedfund finances, an ESGAP is prepared and implemented. The action plan includes a timetable and detailed descriptions of what the company needs to do to obtain financing. It also describes the changes which the company needs to implement over time. The action plan may, for example, include a requirement that the portfolio company carry out a risk analysis of its supply chain and take any necessary measures. The sustainability requirement may also be a condition for the disbursement of financing.

REQUIREMENTS SET OUT IN THE LEGAL AGREEMENT

ESGAP constitutes a part of the legal agreement. This means that Swedfund cannot set the same requirements for older portfolio companies that it sets for new ones. In companies with older legal agreements, we try to highlight the importance of issues that may not be included in our legal agreement.

To ensure that business ventures are sustainable and profitable over the long term, an ESGAP is an important tool, both for investment approval and monitoring.

MONITORING THROUGH DIALOGUE

The active value creation within the ESG area consists of monitoring the action plan through our ongoing dialogue with the company, in our work on the Board and through the company's annual self-declaration and our feedback on this. Through this, we have a good picture of the issues which should be prioritised in the future, and how well the company is complying with our requirements.

ESG AUDITS

In addition, we carry out regular site visits and/or internal and third-party audits as part of our commitment in the ESG area. For more information on audits and site visits during 2016, see page 73. Monitoring also takes place continuously within the framework of the Senior Investment Managers' regular dialogue and visits to portfolio companies.



Participants in the second round of the talent programme, Women4Growth. Radisson Blu, Addis Ababa, Ethiopia.

THE RISKS

In Swedfund's mission as a development finance institution, risk plays a central role in our activities. We are highly experienced in evaluating and managing risk in challenging markets.

PARTNERSHIP AND RISK-TAKING are central to our operations. Risk is a source of returns, and a necessity in enabling us to fulfil our mission. At the same time, it is essential to limit risk-taking to avoid unnecessary losses or damage. Our greatest risks are linked to our investments.

THE BOARD OF DIRECTORS' RESPONSIBILITY AND POLICIES

Swedfund's Board of Directors is responsible for defining and managing risks. By working actively within our three pillars, we strive to generate results and long-term value. At the same time, we manage all the risks arising in our investment operations.

To aid us in this, there are a number of control instruments, including Swedfund's policies (see Swedfund's ethical compass, page 30) and the delegation of responsibility to office holders and management bodies in the organisation (see corporate governance report page 101).

MAIN RISKS

Swedfund's main risks are the following:

- **Strategic risks:** Large-scale risks related to our mission at an overall level
- **Investment risks:** Risks associated with Swedfund's investments in equity, loans and funds, as well as the management of short-term funds
- **Investment risks (sustainability):** Risks related to our undertakings in accordance with our ethical compass including those related specifically to our strategic sustainability targets
- **Operational risks:** Risks linked to day-to-day operations





STRATEGIC RISKS

Strategic risks refer to large-scale and structural risks related to our mission at an overarching level.

RISKS IN THE BUSINESS ENVIRONMENT AND THE REGULATORY SYSTEM

Any shortcomings in strategy and implementation or inability of the portfolio companies to react adequately to changes in the regulatory system and business environment can reduce their ability to have a positive development impact in the investment countries. This could lead to a fall in confidence or a change in the mandate for the operation.

Risk management Swedfund manages strategic risks through business intelligence, value-creating collaboration with the portfolio companies and dialogue with stakeholders. For more information on our stakeholder dialogue, see page 34.

We also take into consideration country risk and concentration risk, i.e. imbalance in the allocation between countries/regions, sectors and instruments. These risks are managed primarily through limits and other restrictions and balancing. Given the limitations of our portfolio size, we risk being more severely affected by micro-risks than larger DFIs are.

INVESTMENT RISKS

Investment risks are risks associated with Swedfund’s investments in equity, loans and funds, as well as the management of short-term funds.

COMMERCIAL RISK AND PARTNER RISK

Commercial risk and partner risk are risks related to, for example, business idea, market and financial viability. It also includes risks linked to the choice of partner with whom Swedfund intends to invest.

Risk management Takes place continuously during the investment process, which lasts throughout the life of each holding. The initial assessment of each prospective investment may lead to an investment proposal. This is followed by an in-depth analysis (Due Diligence), for the purpose of analysing the identified risks, not least those relating to the partner with whom Swedfund wishes to invest (e.g. integrity check). The risks are evaluated and thereafter managed within the framework of the legal agreement. Swedfund’s investment team is responsible for managing risks in portfolio companies through work on the Board, site visits and other forms of monitoring.

LIQUIDITY RISK AND CREDIT RISK

Any limitations on the ability of portfolio companies to pay dividends and interest, refinance assets or meet other demands on the supply of cash and cash equivalents may be of a temporary nature (liquidity risk) or reflect a more serious problem in the operation and the ability to meet obligations in the long-term (credit risk).

Risk management These risks are managed by the Investment Department which regularly analyses the holding’s cash flows, liquidity, returns and other financial matters.

CURRENCY RISK AND INTEREST RATE RISK

Fluctuations in exchange rates can affect the value of investments in equity, funds and loans. Interest rate risk stems primarily from lending to portfolio companies, as well as to borrowing for the purpose of lending to portfolio companies.

Risk management Swedfund does not hedge against currency risk on investments in equity and funds, but does strive to minimise the currency risk on loans to portfolio companies. Swedfund matches investments in loans in its investment operation with borrowing for the corresponding period in order to eliminate interest rate risk.

RISKS IN FUNDS MANAGEMENT

Swedfund is provided with funds from its investments in the form of dividends, interest payments, fees and sales proceeds, as well as through equity injections from our owner. Inflows and outflows are only partly within Swedfund’s control. For that reason, Swedfund always manages a certain amount for disbursements of approved and agreed investments. This management of funds is exposed to certain financial risks.

Risk management The liquid funds may only be invested through the Swedish National Debt Office, bank deposits or interest-bearing securities, and with limitations as to counterparties.



Employees of Twiga Cement, Dar-es-Salaam, Tanzania.

INVESTMENT RISKS (SUSTAINABILITY)

Sustainability risks are related to our sustainability targets.

STRATEGIC SUSTAINABILITY RISKS

Swedfund runs the risk of making prioritisation errors, and, consequently, of investments not contributing to value creation in the long-term in both individual holdings and at portfolio level.

Risk management Sustainability risks are managed through active management, such as by setting standards for systems and processes aimed at managing risks and the impact on the companies, as well as through action plans and monitoring. These risks are managed and monitored through our strategic sustainability targets.

COMPLIANCE RISKS

Compliance risks refers to individual holdings failing to fulfil their obligations in accordance with the strategic sustainability targets, as well as other expected ESG aspects of an investment.

Risk management These risks are managed through Swedfund setting standards for compliance with the strategic sustainability targets through ESGAP for all new investments. In addition, these companies' compliance is monitored through their annual reporting to Swedfund. We cannot set the same requirements for older investments. However, Swedfund tries to highlight the importance of issues that may not be included in the older legal agreements.

OPERATIONAL RISKS

Operational risks are risks linked to day-to-day operation.

SECURITY AND PERSONNEL RISKS

These risks are primarily associated with personnel, information, IT systems and other systems.

Risk management To safeguard Swedfund's ongoing operation, we make continuous efforts to limit and deal with these risks, partly through Swedfund's Code of Conduct, as well as through clear guidelines for managing conflicts of interest.

RISKS ASSOCIATED WITH INTERNAL CONTROLS

Inadequate procedures can lead to losses.

Risk management Over time, Swedfund has built up thorough processes and approaches to ensure good internal controls and monitoring. The corporate governance report, page 101, gives a detailed report on Swedfund's internal governance and controls in respect of financial reporting.

In addition, during 2016, we launched a whistleblower system, which enables both Swedfund employees and employees of our portfolio companies to report any irregularities with full anonymity.

THE COMPASS

Our ethical compass consists of the policies, international obligations, guidelines and transparency undertakings with which we comply. This is a result of a close dialogue with our owners, partners and civil society organisations.

SWEDFUND'S ETHICAL COMPASS is rooted in our mission and the needs we ourselves identify, in close dialogue with our owners, partners and other stakeholders. The dialogue with our stakeholders is vital, and we depend on it to ensure that we are continuously challenged and continue to improve. Read more on our materiality and stakeholder analysis on page 34.

Swedfund's Code of Conduct and sustainability policy are core policies in our work, and are the responsibility of the Board of Directors. These obligations go further than compliance with relevant legislation, in that they support voluntary international ethical guidelines, which are listed on the right, in the ethical compass.

It is essential that Swedfund's employees comply with and implement Swedfund's Code of Conduct, sustainability policy and anti-corruption policy if Swedfund is to fulfil its mission as a responsible investor. Swedfund's ethical compass is a central component in the induction of new members of staff and new directors of Swedfund International AB. In addition, separate educational courses for employees are arranged regularly, in respect of human rights, anti-corruption, corporate governance, IFC Performance Standards, Swedfund's ESG Toolkit and sustainability policy.

Policies and obligations included in the ethical compass deal with aspects both within Swedfund as a company, and externally, i.e. in Swedfund's portfolio companies. The content of several of the policies and obligations overlap to some extent.

DURING 2016, WE HAVE FURTHER DEVELOPED THE FOLLOWING POLICIES AND AREAS:

Anti-corruption policy

During 2015, responsibility for anti-corruption issues was clarified internally within Swedfund, as well as regarding their implementation in the portfolio companies, along with the associated procedures. During 2016, as a further stage in the continuing process, the Board of Directors adopted a revised anti-corruption policy intended to reflect Swedfund's more stringent requirements on anti-corruption efforts both internally and in our portfolio companies. The revised anti-corruption policy does not involve any change in the sense that Swedfund's view of corruption has long been that of zero tolerance. Read more on the continuing work on the datasheet on anti-corruption on page 43.

Tax policy

For a number of years, Swedfund has worked actively on tax issues, and has also held regular dialogues with our stakeholders on this subject. As a result of this, and to demonstrate clearly where we stand on various issues in respect of taxation, Swedfund adopted a tax policy during 2016 which has been published on Swedfund's website. Read more on tax issues on the datasheet on page 41.

NEW OWNER INSTRUCTION AND NEW CORPORATE TARGETS

In December 2016, new owner instructions for Swedfund were adopted at an extraordinary general meeting.

The new owner instruction is available at swedfund.se. The decision was preceded by an owner-driven target project – an analysis of the company's developmental targets, sustainability targets and financial targets. The new targets cover aspects which Swedfund already meets (e.g. tax and equality), but also involves new target indicators (e.g. the financial targets as well as the portfolio's CO₂ footprint). The first performance report reflecting the new targets will be that for reporting period 2017, in addition to the financial targets reported on page 80 and onwards of this annual report.

ETHICAL COMPASS

POLICIES

- ▼ THE STATE'S OWNERSHIP POLICY AND GUIDELINES for companies in state ownership
- ▼ SWEDFUND'S CODE OF CONDUCT
- ▼ SWEDFUND'S POLICY FOR SUSTAINABLE DEVELOPMENT
- ▼ SWEDFUND'S ANTI-CORRUPTION POLICY
- ▼ SWEDFUND'S POSITION ON CHILDREN'S RIGHTS
- ▼ SWEDFUND'S WORK ENVIRONMENT POLICY
- ▼ SWEDFUND'S TAX POLICY

INTERNATIONAL OBLIGATIONS

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

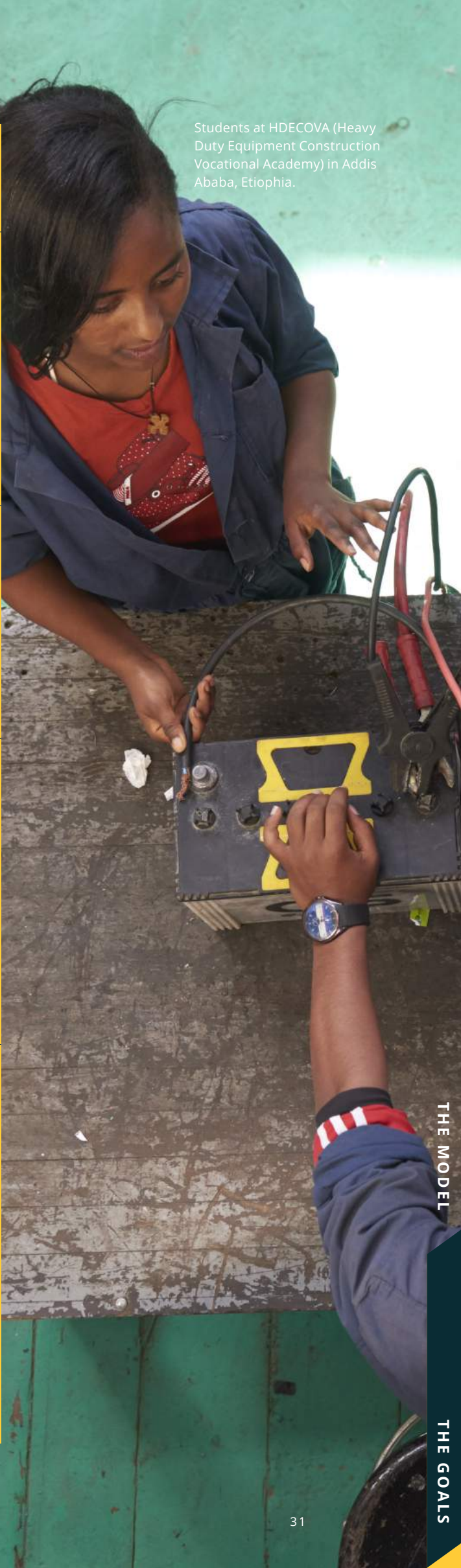
TRANSPARENCY OBLIGATIONS

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

GUIDELINES WHICH SWEDFUND FOLLOWS

- | | |
|--|---|
| ▼ IFC PERFORMANCE STANDARDS on Environmental and Social Sustainability | ▼ OECD GUIDELINES for Multinational Enterprises |
| ▼ IFC ENVIRONMENTAL, HEALTH AND SAFETY GUIDELINES | ▼ OECD CONVENTION on combating bribery of foreign public officials in international business transactions |
| ▼ EDFI HARMONIZED ENVIRONMENTAL AND SOCIAL STANDARDS for Direct Investments, Financial Institutions and Fund Investments | ▼ OECD GUIDELINES on Corporate Governance of State-owned Enterprises |
| ▼ EDFI GUIDELINES for OFCs | ▼ JOINT INTERNATIONAL FINANCE INSTITUTIONS COMMUNIQUÉ: Contributing to Creating More and Better Jobs |
| ▼ UN GUIDING PRINCIPLES (UNGPR) on Business and Human Rights | |

Students at HDECOVA (Heavy Duty Equipment Construction Vocational Academy) in Addis Ababa, Ethiopia.





ANTI-CORRUPTION POLICY

During 2016, the Board of Directors adopted a revised anti-corruption policy with more stringent standards for anti-corruption work both internally and in our portfolio companies. The revised anti-corruption policy does not involve any change in our view of corruption; we have zero tolerance.

THERE IS A SUPPLEMENT to the policy: an explanation of Swedfund's fourth sustainability target which deals with anti-corruption. In consequence of the anti-corruption target, the policy is no longer divided between the requirements applicable to Swedfund's internal operations and the requirements applicable to the portfolio companies. Instead, all operations are subject to the same requirements. The concept of corruption has also been expanded to cover money-laundering and financing terrorism, as well as cronyism. The policy covers the following categories within Swedfund's operation; employees and members of Swedfund's Board of Directors, as well as external Board Members of portfolio companies, and consultants. The policy also covers Swedpartnership's borrowers. The policy now stresses that serious offences can now be reported via Swedfund's whistleblower system.

During 2016, we have also adopted a policy on gifts, hospitality and inappropriate benefits. This is also a stage in our efforts to combat corruption and one way of ensuring that Swedfund complies with the "Code on gifts, rewards and other benefits in business."

UNDER DEVELOPMENT: CLIMATE STRATEGY

Given Swedfund's mission – combating poverty through sustainable businesses – and the importance of climate issues for our investment activities, during 2016, Swedfund decided to begin the development of a climate strategy.

THE PURPOSE OF A climate strategy is to intensify Swedfund's climate-related work, particularly through the company's investments, but also internally. It is, however, important to emphasise that Swedfund already integrates the environment and climate into its work. The preparation of the document had taken account of a number of different areas: owner instructions and the capital injection received for 2016, the Swedish government's view on climate in Sweden's cooperation with the development banks, the European development finance institutions' policies and objectives in the climate area. As part of this approach, a stakeholder dialogue on climate was held during March 2016, with representatives from the WWF, Naturvårdsverket (the Swedish Environmental Protection Agency), SIWI, Kvinna till Kvinna (Woman to Woman) and Fores, to identify civil society's view of the issue.

According to Swedfund's owner instruction all investments shall be environmentally and climate sustainable. Swedfund shall measure CO₂ per investment and within three years a relevant target level for the company shall be decided. In many cases, our markets are immature in their approach to handling issues which involve climate impact. That is why we intend to provide training on and promote environmental and climate-smart solutions to our portfolio companies.

During the first quarter of 2017, after an enquiry from the owners, Swedfund is investigating how the company would be affected if, within the energy sector, it invested solely in renewable energy. With the conclusions drawn from this investigation, the development of our climate strategy will probably be completed during 2017.

MATERIALITY & STAKEHOLDER ANALYSIS

Swedfund’s material aspects follow from our mission as a development finance institution, our owner instruction and the needs, challenges and opportunities we ourselves see in investments, in collaborations and in the countries in which we operate.

STAKEHOLDER CATEGORY	STAKEHOLDER	STAKEHOLDER ISSUES AND FOCUS
OWNER who defines Swedfund’s mission and finances Swedfund through the aid budget.	THE GOVERNMENT (Ministry of Enterprise and Innovation, and Ministry for Foreign Affairs).	<ul style="list-style-type: none">• Updated owner instruction during 2016, adding some new corporate targets e.g. focusing on climate and equality.• Corporate governance, administration and monitoring.• Sustainable business: human rights, environment, working conditions, anti-corruption, business ethics, equality and diversity.
POLITICIANS who decide the policy for global development and approve the government budget.	PARTIES IN THE RIKSDAG, THE SWEDISH PARLIAMENT	<ul style="list-style-type: none">• Swedfund’s role in the development agenda, in Swedish aid, the aid budget and decisions on capital injections.• Notification of capital injection 2016 and proposal for capital injection 2017–2018.
BUSINESS PARTNERS who, in close collaboration with Swedfund, finance and manage the companies in Swedfund’s portfolio.	CORPORATE PARTNERS	Financing, marketing matters, strategy and business models.
	DEVELOPMENT FINANCE INSTITUTIONS (DFIs, IFIs).	Private sector development, co-financing and development impacts.
	EDFI (European Association of DFIs).	Policy issues for European DFIs.
CIVIL SOCIETY ORGANISATIONS AND TRADE UNIONS who, like Swedfund, carry on development aid assignments in Swedfund’s markets.	CIVIL SOCIETY AID ORGANISATIONS <ul style="list-style-type: none">• Action Aid• Diakonia• Forum Syd• WWF• Naturskyddsföreningen (the Swedish Society for Nature Conservation)• Svenska kyrkan (The Church of Sweden)• Swedwatch• We Effect• Kvinna till Kvinna (Woman to Woman)	Policy issues e.g. human rights, development impacts, transparency and tax issues.
	TRADE UNIONS <ul style="list-style-type: none">• IF Metall• LO• LO TCO Biståndsnämnd (Union to Union)	The “decent work” agenda.
	INTERNATIONAL NGOS <ul style="list-style-type: none">• Eurodad• IBIS	Development impact, transparency and tax issues.
	CHILDREN’S RIGHTS ORGANISATIONS <ul style="list-style-type: none">• Plan Sverige• Rädda Barnen (Save the Children)• UNICEF	The children’s rights perspective (Global Compact’s Children’s Rights Principles).
MEDIA AND MULTIPLIERS whose reporting reaches and influences the general public and other stakeholders.	<ul style="list-style-type: none">• Dagens Industri• Svenska Dagbladet• Veckans Affärer• Aktuell Hållbarhet• Miljörapporten• Social media	Monitoring Swedfund as a development finance institution.
SWEDFUND’S EMPLOYEES who use their knowledge, experience and networks to implement Swedfund’s mission.	<ul style="list-style-type: none">• Members of staff• Employees’ representatives	Employee issues, organisational, strategic and resource issues.

THROUGH A CLOSE DIALOGUE with our owner, partner and other stakeholders, we aim to develop in the most essential aspects of our operations: decent work opportunities, equality, environment and climate, tax issues, business ethics and anti-corruption, and human rights. Our stakeholders help us to prioritise and guide us in our efforts to develop our investment strategy. We depend on them to ensure that we are continuously challenged and continue to improve. Firmly anchored in

our three pillars, our investment process and our prioritised material aspects (see dashboards on page 38 and onwards), we work to deliver in line with our mission – poverty reduction through sustainable business. Our material impact takes place both within Swedfund as a company and externally, i.e. in Swedfund’s portfolio companies. We focus especially on the materiality aspects of our investment operation and in our portfolio companies. The materiality aspects are also important within Swedfund

as an organisation, and a precondition for enabling us to achieve our mission. But it is in the portfolio companies that we aim to have the greatest impact, and it is in the portfolio companies that we want to generate development results. Our materiality analysis is refined continuously in close dialogue with our stakeholders. The schematic diagram below lists our stakeholders and our most important response and results in 2016.

TYPE AND FREQUENCY OF DIALOGUE		SWEDFUND’S RESPONSE AND RESULTS
	Annual general meeting, owner instruction, individual meetings and network meetings.	<ul style="list-style-type: none"> • Ongoing process for development of a climate strategy. • Active participation in target-related projects to develop Swedfund’s new corporate targets. • Further development of Women4Growth to work proactively on equality in more portfolio companies. • Participated in discussions on New policy framework for Swedish aid etc. • Participated in Swedish delegation to UN meeting on investing in the least developed countries, as well as the World Bank meeting 2016.
	Through meetings with representatives of the parties, and with Riksdag committees.	<ul style="list-style-type: none"> • Presentation and participation in the Foreign Affairs Committee, the Commerce Committee and the Tax Committee.
	Interaction and lobbying.	<ul style="list-style-type: none"> • New investment decisions, as well as active lobbying on shared investments. • Partnership with Scania on a biogas plant in India. • Partnership with H&M on the establishment of sustainable textile industry in Ethiopia.
	Ongoing contacts and meetings in collaboration groups.	<ul style="list-style-type: none"> • Legal agreements.
	Reference group meetings at multiple levels: CEO, HR, ESG, Development Effects, Legal etc.	<ul style="list-style-type: none"> • ICCF - decision on increased financing to ICCF, facility for investment in renewables and energy efficiency.
	Stakeholder dialogues, see notes at swedfund.se.	<ul style="list-style-type: none"> • Increased transparency and responsiveness. • Stakeholder dialogue on tax, as well as decision on Swedfund’s tax policy. • Stakeholder dialogue on climate strategy. • Stakeholder dialogue on Swedfund’s performance report.
	Stakeholder dialogues.	<ul style="list-style-type: none"> • Ongoing discussion on the opportunity for joint projects in portfolio companies or in specific markets.
	Roundtable discussions and conference.	<ul style="list-style-type: none"> • Support for country-by-country tax reporting. • Stakeholder dialogue on tax, as well as decision on Swedfund’s tax policy.
	Previous experience approach.	<ul style="list-style-type: none"> • Carried out an audit in the portfolio company’s value chain regarding the potential risk of child labour.
	Planned communication, discussions and meetings for knowledge transfer.	<ul style="list-style-type: none"> • Openness to dialogue. • Promoting responsible and sustainable investment.
	Staff meetings, career appraisals, salary discussions and Swedfund University.	<ul style="list-style-type: none"> • Development of Swedfund’s work environment policy. • Implementation of Swedfund University during the year (KPA Pension on Sustainable investment and Linklater’s on “Influencing & Negotiations”).

THE GOALS

Our starting point for sustainable business is to analyse and manage business opportunities and risks within what are for us central sustainability dimensions. Through active management of our portfolio companies, we drive development towards the global goals and, more specifically, towards a number of targets. This enables us to contribute to the realisation of the global goals for sustainable development. By investing now, we will achieve results right through to 2029.

On the following pages, there are six fact sheets which illustrate our work on our central sustainability dimensions.

THE GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT:

- 1 NO POVERTY
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
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- 17 PARTNERSHIPS FOR THE GOALS

8 DECENT WORK AND ECONOMIC GROWTH



DECENT WORK

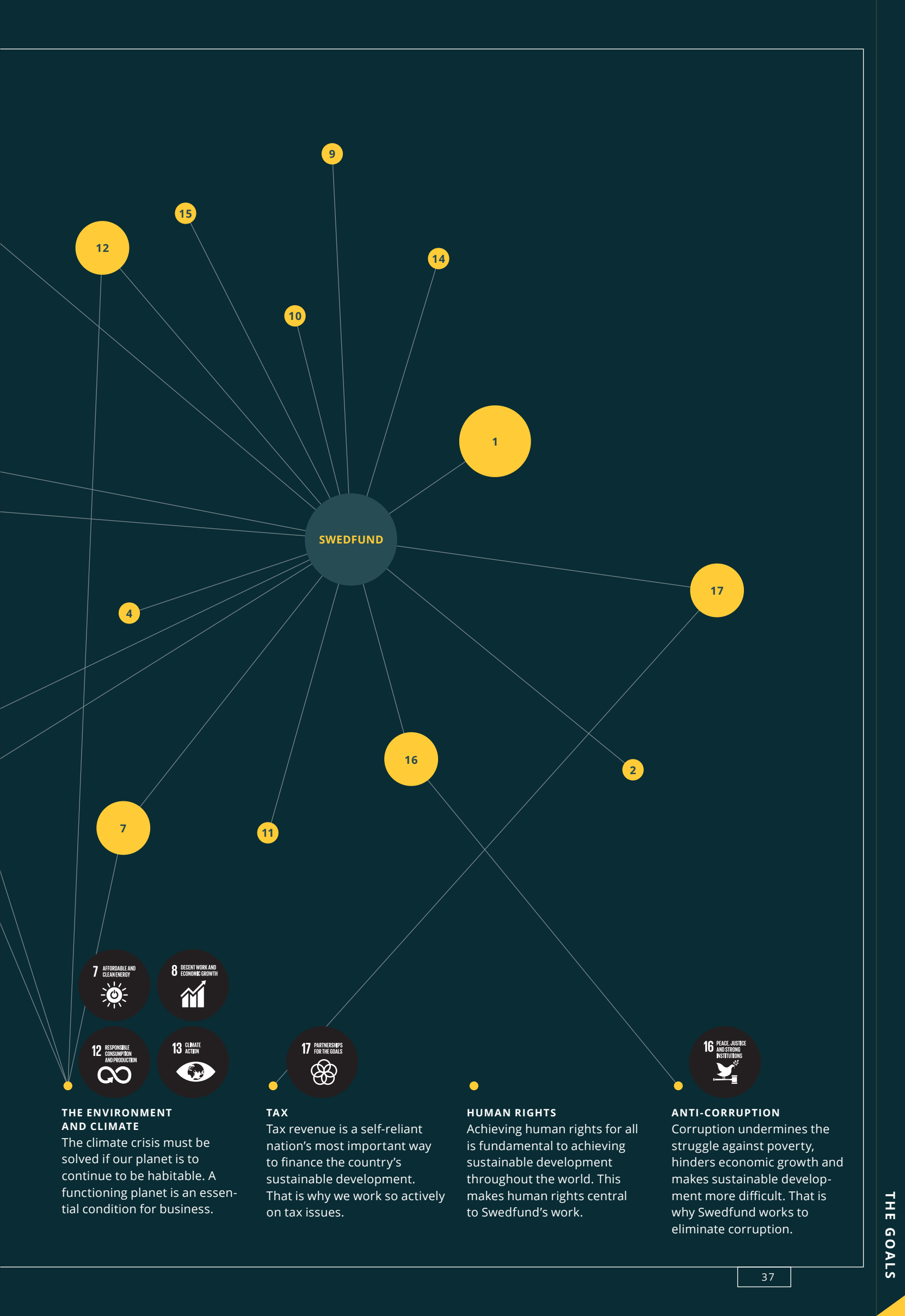
A decent work is the way for people to lift themselves out of poverty. That is why job creation is central to Swedfund's work in developing sustainable business.

5 GENDER EQUALITY



GENDER EQUALITY

It is only when women participate on equal terms at all levels in society that we can achieve sustainable development. This includes the business sector. That is why Swedfund focuses on equality issues.





DECENT WORK

INTRODUCTION

In the region which Swedfund focuses on, Sub-Saharan Africa, most people still live in rural areas and farm the land, even though the trend is moving rapidly towards urbanisation.

Over the next few decades, the population of Africa is expected to double. All these young people eventually need to find work, and, at present, nine out of ten of them find it in the informal sector. This is particularly the case with women. It leaves them with an uncertain income and without social security.

The strong growth we are currently seeing in Africa is often taking place without new jobs. This is due to the fact that the economies are based on raw materials which are not processed within the country. So other types of jobs must be created.

This is something we want to alter. We will ensure that people come onto the labour market. But not into just any work, but to decent work through sustainable investment, and in sustainable production. In sustainable, innovative companies which produce goods and services that can be purchased locally by consumers, or processed and exported to generate export income and the inflow of foreign currency, and to strengthen the country's competitiveness. That is why we invest in selected companies with selected partners in the

world's poorest countries. There we contribute to sustainable industrialisation and sustainable production of goods and services, and companies providing decent work.

Lake Turkana Wind Power Project in Kenya.



DATA

"Youth unemployment is a time bomb."

PATRICE TALON
President, Benin



4 OUT OF 5 WORKERS IN DEVELOPING COUNTRIES ARE IN VULNERABLE FORMS OF EMPLOYMENT²

IN SUB-SAHARAN AFRICA, THE LACK OF PRODUCTIVE OPPORTUNITIES FOR BOTH YOUNG PEOPLE AND ADULTS MEANS THAT

247 MILLION PEOPLE
WERE IN
VULNERABLE EMPLOYMENT
IN 2016

VULNERABLE EMPLOYMENT IS CONSISTENTLY HIGHER FOR WOMEN IN AFRICA, THE ASIA-PACIFIC REGION AND THE ARAB COUNTRIES³

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

▼ Through investment in the private sector, directly or through financing banks and funds who finance SMEs – where the majority of all jobs in our markets are generated – we help create more jobs.

▼ During our Due Diligence, we look at whether the company complies with the ILO's core conventions and the ILO's basic terms and conditions of employment. If deficiencies are identified, these are addressed through an ESGAP (Environmental Social Governance Action Plan), with a set date for rectifying the situation. ESGAP forms a part of the legal agreement with the portfolio companies.

▼ By developing financially sustainable businesses, we create the conditions for continued and additional employment in companies that survive and progress.

WE MEASURE RESULTS:

▼ We measure the number of jobs in our portfolio companies, and one of our objectives is that they must increase over time.

▼ We measure and set requirements for the portfolio companies' compliance with the ILO's Core conventions and the ILO's fundamental working conditions.

THE SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK:

▼ SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, partly through focusing on high-value added and labour-intensive sectors.

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

▼ 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.

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

GOVERNING POLICY & RESPONSIBILITY:

▼ Sustainability policy

▼ The Directors of Investment Operations



GENDER EQUALITY

5 GENDER EQUALITY



INTRODUCTION

Women comprise half the population of our world, and, therefore, represent half its potential.

But when a girl grows up in one of the world's poorest countries, she is far less likely to have been educated than her brother is. And when she grows up to be a poorly-educated woman, she often works in the home, or in some form of informal and vulnerable employment. That we must change. For if the woman is offered proper employment, she is more likely to use her wages to lift her family out of poverty. This means that giving a woman a job triggers a long chain of positive effects,

for society, for the prospects for peace and for democracy. In this way, we can reverse generations of living in poverty.

If we increase the number of women at all levels in the company, this increases the company's ability to make a profit. And if we can help create greater equality in this way throughout a country, it is highly likely that growth will increase in that country. When a large number of women in a country are given work, poverty is reduced and the country benefits from greater social fairness. This brings it a step nearer to sustainable development. That is what makes equality so important to us.

Promoting equality for women can add USD 12 trillion to global growth¹.



Florence Kimanathi, AAR Healthcare, Nairobi, Kenya.

DATA



50% OF EMPLOYED WOMEN IN THE WORLD ARE IN VULNERABLE EMPLOYMENT, OFTEN OUTSIDE THE PROTECTION OF LABOUR LEGISLATION²



75% OF ALL UNPAID WORK IN THE WORLD IS CARRIED OUT BY WOMEN³



WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ Swedfund invests in companies which have employing women as an explicit goal.
- ▼ We invest in banks which focus on lending to women-owned or women-managed SMEs.
- ▼ In our Due Diligence in preparation for an investment, we analyse the company's approach to equality such as the availability of parental leave, equal pay for equal work and non-discrimination. We start from the ILO's core conventions and the ILO's basic terms and conditions of employment.
- ▼ Through Women4Growth, a talent development programme for women employed in our portfolio companies, we make targeted interventions to strengthen

them in a professional role and to further develop them to achieve leading positions.

WE MEASURE RESULTS:

- ▼ We set requirements and constantly measure key ratios linked to compliance with the ILO's core conventions and the ILO's basic terms and conditions of employment.
- ▼ We measure:
 - 1) Compliance with the ILO's core conventions and basic terms and conditions of employment.
 - 2) Equality in the form of proportion of women
 - a) among employees
 - b) in leading positions
 - c) on the Board of Directors

In this way, we highlight women in our data. We know that what is measured, is visible. And highlighting facts is the start of change!

SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK:

- ▼ SDG 5.1: End all forms of discrimination against all women and girls everywhere.
- ▼ SDG 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Sustainability policy
- ▼ The Directors of Investment Operations

¹ Source: McKinsey.com. ² Source: ILO. ³ Source: McKinsey. ⁴ Source: IFC Jobs study, 2013. PHOTO Michael Tsegaye

THE ENVIRONMENT & CLIMATE

7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



INTRODUCTION

2015 a legally-binding climate agreement, the Paris Agreement, was adopted. The agreement means that all the countries of the world now have a common plan to reduce emissions.

The rising global temperatures must be kept well below 2 degrees, and every effort must be made to limit it to 1.5 degrees. Developing countries must receive continued support to limit their emissions and adapt their societies to climate change.

Climate change and poverty go hand in hand, and hit the world's poorest people hard. The preparations to deal with the effects, such as gradually rising sea levels,

stronger tropical storms, extreme drought, more unpredictable rainfall and more extensive and longer-lasting heat waves, are inadequate. It is essential that different types of investment do not contribute to binding countries into energy solutions which increase the negative impact. Using new technology, it is possible to create new solutions and commercial arrangements.

Climate change has gender-differentiating effects, and, in many ways, exacerbates the existing limitations on women who are dependent on agriculture for survival.



Biofuel bus in Nagpur, India.

DATA



1 PERSON IN 5 IN SUB-SAHARAN AFRICA HAS ACCESS TO ELECTRICITY³

A FURTHER
120 MILLION PEOPLE
MAY BE FORCED
TO LIVE IN POVERTY
IF NOTHING IS DONE TO STOP
CLIMATE CHANGE¹

THE TOTAL INSTALLED
GENERATING CAPACITY
IN AFRICA'S 48 SUB-SAHARAN
COUNTRIES IS ONLY
68 GIGAWATT
- WHICH IS NO MORE THAN SPAIN'S²

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

▼ In our Due Diligence in preparation for an investment, we analyse the company's resource utilisation and impact on the environment.

▼ We work actively to minimise resource use and negative environmental impact. We place requirements on the implementation of environmental and social management systems within three years from the date of the investment.

▼ Swedfund invests in projects for the production of renewable energy.

▼ DFIs fulfil an important role as sources of finance in the early stages of high-risk energy projects. In this, we act as catalysts and accelerate private investment within the renewable energy sector in Africa.

WE MEASURE RESULTS:

▼ We set requirements on and measure the degree of implementation of environmental and social management systems in our portfolio.

▼ We measure GWh of renewable electricity generated.

THE SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK:

▼ SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

▼ SDG 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework

of programmes on sustainable consumption and production, with developed countries taking the lead.

▼ SDG 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.

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

▼ SDG 13.3: Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

GOVERNING POLICY & RESPONSIBILITY:

▼ Sustainability policy

▼ The Directors of Investment Operations



TAX



INTRODUCTION

Healthcare, education and transport: Tax revenue creates the conditions for countries to build up their own structures for important social functions themselves, and thus lay the foundations for sustainable development.

The Mbeki Panel¹ states that Africa loses an estimated USD 50 billion a year through illicit financial flows. This includes

everything from corruption and money laundering to tax evasion. The total is roughly equivalent to the amount Africa received in aid during the same period. The UN-agreed Addis Ababa Action Agenda (the framework for financing Agenda 2030) states that a significant increase in domestic public sector funds is critical to achieving sustainable development and meeting the sustainable development goals. It stresses that combating tax evasion is central to success.

Swedfund’s mission is to combat extreme poverty through sustainable business. The tax revenues from our portfolio companies in the countries in which we are

tasked to operate are vital. Paying tax is a matter of development and fairness. There are, however, many challenges in our operational countries related to the like of defective tax structures. For that reason, it is important that the efforts to construct strong institutions which can administer the taxes which investment and business generate, continues.

Combating corruption is another issue linked to taxation. Reduction in corruption can contribute to more of the tax flows benefiting citizens.

DATA

EVERY YEAR, DEVELOPING COUNTRIES LOSE
USD 100 BILLION
IN REVENUE AS A RESULT OF
TAX EVASION
BY MULTINATIONAL COMPANIES²

AFRICA LOSES AN ESTIMATED
USD 50 BILLION
EACH YEAR THROUGH
ILLICIT FINANCIAL FLOWS
THIS INCLUDES EVERYTHING FROM CORRUPTION AND MONEY LAUNDERING TO TAX EVASION³

DEVELOPING COUNTRIES
LACK
USD 2.5 TRILLION
IN ANNUAL INVESTMENT WHICH WOULD BE NEEDED TO ENABLE THEM TO REACH THE GLOBAL GOALS⁴

WHAT SWEDFUND DOES

IN SWEDFUND’S INVESTMENT PROCESS:

▼ Tax forms part of Swedfund’s Due Diligence. This means that, in preparation for an investment, we review the project and its structure from a tax perspective. Swedfund will not, for example, invest in corporate structures which lead to unjustified profit transfers from the operating country to another country, leading to an unbalanced tax situation. We also require that our portfolio companies submit reports on their tax situation. In the course of its normal activities, Swedfund will encourage its portfolio companies to act responsibly on taxation matters.

WE MEASURE RESULTS:

▼ Swedfund reports the taxes reported by portfolio companies in its annual report, and aims to record information on the amount of tax paid by the companies, using a harmonised definition.

▼ We also report the amount of tax which our portfolio companies declare in their annual reports in an aggregate country-by-country report.

SDG IN FOCUS THROUGH OUR WORK:

▼ SDG 17.1: Strengthen domestic resource mobilisation, including through international support to developing countries,

to improve domestic capacity for tax and other revenue collection.

GOVERNING POLICY & RESPONSIBILITY:

▼ Swedfund’s owner instruction

▼ Swedfund’s tax policy

▼ The Chief Legal Counsel and the Directors of Investment Operations are responsible for tax issues in portfolio companies.

SWEDFUND’S TAX POLICY

SWEDFUND HAS TAKEN AN active approach to tax issues for a number of years. We also have regular discussions with stakeholders on tax. During 2016, we adopted a tax policy, which has been published on Swedfund’s website. We put a great deal of work into this, and it is one way for us to make our view abundantly clear.

FOR SOME CONSIDERABLE time, Swedfund has had two rules on taxation in place in its owner instruction: Firstly, Swedfund is not permitted to invest in intermediary jurisdictions which have been assessed within the framework of the OECD Global Forum Peer Review Process and that have thereby not been approved in phase 1, or have been deemed Partially Compliant or Non Compliant in phase 2. Secondly, Swedfund shall only invest in sound and transparent corporate

structures which do not contribute to tax evasion. Swedfund’s adopted policy is not aimed at changing Swedfund’s position on tax issues.

DURING 2016, SWEDFUND decided to report our portfolio companies’ domicile, including the domicile of any intermediary company, on our website. This decision will be implemented during 2017. Swedfund’s tax policy may be read on our website, swedfund.se.

¹ The UN High Level Panel on Illicit Financial Flows. ² Source: UNCTAD/Tax Justice Network. ³ Source: Illicit Financial Flows - Report of the High Level Panel on Illicit Financial Flows from Africa. ⁴ Source: UNCTAD, World Investment Report 2014.



HUMAN RIGHTS

INTRODUCTION

Protecting human rights for all is fundamental to achieving sustainable development throughout the world. That is why human rights permeate the global goals.

Even though progress has been made in certain areas, the human rights situation continues to be exceptionally serious in many countries. This is due, for example, to factors such as the refugee situation, war crimes, freedom of speech and freedom of the press. But it also involves

issues of labour law, water rights, the rights of women and children, as well as the rights of migrant workers. Companies have an obligation and a great opportunity to contribute to protecting human rights.

In 2008, the UN adopted the “Protect, Respect and Remedy” framework on business and Human Rights developed by John Ruggie. In June 2011, the United Nations Human Rights Council adopted the “UN Guiding Principles on Business and Human Rights” (UNGPs). Following that, the Swedish government drew up a national action plan for business and human rights. The UNGPs encompass the three guiding principles from the UN:

- The state duty to protect human rights.

- The corporate responsibility to respect human rights.

- People must have access to remedy if their rights have been breached.

“There is no peace without development, no development without peace and neither peace nor development without respect of human rights.”

JAN ELIASSON
UN Deputy Secretary-General

WHAT SWEDFUND DOES

THROUGH ITS INVESTMENT OPERATIONS

▼ Swedfund’s responsibility to respect human rights has been long enshrined in the guidelines and duties that guide us. These include Sweden’s national action plan for business and human rights, the State’s Ownership Policy, the UN Global Compact and the OECD guidelines. In 2014, we began the implementation of the UN Guiding Principles on Business and Human Rights by updating Swedfund’s sustainability policy in the light of these principles.

▼ Human rights are an integral part of the Due Diligence which covers all our new investments, see our Integrated Report 2015, pages 18–19.

▼ For more information on targeted interventions, such as the audit of the supply chain to check on the occurrence of child labour, see the results section on page 73 of this report.

WE MEASURE RESULTS:

▼ Last year, we produced our first report on Swedfund’s work on human rights, inspired by the UN Guiding Principles on

Business and Human Rights Reporting Framework. We are continuing in this path, and we report below on the gap analysis carried out during the year and on the human rights issues we are involved in. In next year’s report, our ambition is to report on our salient human rights risks.

GOVERNING POLICY & RESPONSIBILITY:

▼ Swedfund’s sustainability policy and Sweden’s National Action Plan for Business and Human Rights.

▼ The Directors of Investment Operations

SWEDFUND’S GAP ANALYSIS

TO ENSURE that Swedfund complies with the UN Guiding Principles on Business and Human Rights, and Sweden’s National Action Plan, we carried out a gap analysis of our approach to human rights during 2016. The aim of the project was to support Swedfund by:

- Developing procedures to evaluate and manage human rights risks and consequences in new investments and in the investment portfolio, including on exit;
- To identify shortcomings and areas for improvement.

Two of the prioritised recommendations address:

HUMAN RIGHTS DUE DILIGENCE:

- Swedfund should ensure that it carries out HR Due Diligence, at least in high-risk situations, and prioritise remedies for serious consequences.
- Assessments should be made at the beginning of the project, and then on a continuous basis throughout an investment, when the

circumstances may change, as well as on exit.

- To identify and define high-risk situations, i.e. situations which trigger an in-depth investigation on human rights, where there is a high risk that the project may have a negative impact on human rights, e.g. investments in repressive regimes, dictatorships, post-conflict areas, famine or drought.
- Swedpartnership: To implement capacity building, and integrate human rights throughout the processes, i.e. in risk assessments, partner meetings and site visits to the project.

During 2017, Swedfund intends to prioritise and implement selective recommendations. The work will begin by mapping high-risk situations, followed by the implementation of a number of Human Rights Impact Assessments during different phases of the investment cycle (pre-investment, monitoring and exit) at those portfolio companies which are deemed to have the highest risk in relation to human rights.

We will also identify salient risks in our operation as a part of developing our approach.

HUMAN RIGHTS ISSUES DURING THE YEAR

During the year, we worked more intensively on human rights in a couple of investment projects, as well as in existing portfolio companies:

- In carrying out Due Diligence on a new investment, we identified risks related to shortage of water, both for surrounding communities and for the company itself. As a result, an in-depth study of water supplies in the area was carried out, as well as of future water provision in the area. As a result of the study, the company undertook to implement a number of measures to reduce the water stress.
- During Due Diligence on another investment, risks relating to land acquisition and land-use were identified, as well as the rights of the local people to practice their religion. As a result, it was decided to carry out an in-depth study on land use. The study is ongoing.



ANTI-CORRUPTION



INTRODUCTION

Corruption exists in every market. It hits those countries especially hard where people live in vulnerability and poverty.

For Swedfund, anti-corruption work in portfolio companies is a strategic sustainability target, and our anti-corruption policy is clear: zero tolerance. Corruption undermines the struggle against poverty. It inhibits sound competition and a sound investment climate, thereby hindering economic growth and sustainable development. Resources for public services and products such as healthcare and

education are diminished. Corruption is not solely a problem in poor countries, but exists in every market, and takes a variety of forms. It hits those countries especially hard where people live in vulnerability and poverty. The more companies which show that it is possible to do business honestly, the more this approach will spread. Other companies in these markets can see that it is actually possible to carry on business without resorting to unhealthy business methods, and may adopt our model.

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

UN Global Compact, 2015

WHAT SWEDFUND DOES

IN SWEDFUND'S INVESTMENT PROCESS

- ▼ Swedfund applies zero tolerance to all forms of corruption. In all legal agreements entered into by Swedfund, it is made clear that zero tolerance applies. There is a high prevalence of corruption in Swedfund's markets. In the event of a serious case of corruption, Swedfund ultimately has the right to withdraw from the investment.
- ▼ In every Due Diligence carried out on all new investments, corruption risks are analysed, as is the company's approach to combating corruption. For each direct investment, an ESG Action Plan is drawn up, with measures to ensure that the companies comply with Swedfund's sustainability policy and anti-corruption policy.
- ▼ To make things easier for the portfolio companies, Swedfund has produced a template for an anti-corruption policy, which portfolio companies are welcome to use.
- ▼ Education and skills development on anti-corruption issues, internally and

in portfolio companies, are other important components of Swedfund's anti-corruption work.

WE MEASURE RESULTS:

- ▼ Swedfund requires that portfolio companies implement a management system in respect of anti-corruption issues. This is one of Swedfund's strategic sustainability targets. Read more in the results section on page 72.

SDG IN FOCUS THROUGH OUR WORK:

- ▼ SDG 16.5: Substantially reduce corruption and bribery in all their forms.

GOVERNING POLICY & RESPONSIBILITY

- ▼ Swedfund's anti-corruption policy.
- ▼ The Chief Legal Counsel is responsible for this work internally at Swedfund, and the Directors of Investment Operations are responsible for the work in the portfolio companies.

WHISTLEBLOWER SERVICE

IN JUNE 2016, Swedfund's whistleblower service was established, to provide the opportunity to report serious irregularities in Swedfund's and the portfolios companies' operations, anonymously. The service, which is accessed via swedfund.se, is aimed at employees, contractors, trainees etc., at Swedfund and the portfolio companies. Many of Swedfund's portfolio companies have their own systems for handling irregularities, but Swedfund's system can still work as a complement to this if, for example, the employee is not comfortable with reporting through the portfolio company's system.

Portfolio companies which do not yet have any system in place, are encouraged to establish one. Since Swedfund's system has been made available to the portfolio companies, employees and others in those companies are already able to report irregularities anonymously.

SWEDFUND'S GAP ANALYSIS

DURING 2016, SWEDFUND initiated a project to work even more actively on combating corruption in our portfolio companies. With the assistance of an external consultant, we developed a number of tools which will initially be offered to the portfolio companies on a voluntary basis. The project will provide our portfolio companies with tools to introduce procedures which counteract

and detect corruption. In addition, they will have support in working preventatively, and in handling cases of corruption that do arise. Training of Swedfund's personnel and selected personnel from the portfolio companies is also included in the project, which is being launched during 2017.

¹ The UN High Level Panel on Illicit Financial Flows.

RESULTS

PART 2:

RESULTS 2016

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ON THE WAY TO AGENDA 2030

This is part 2 of Swedfund's integrated report.

We begin by describing the three sectors in which Swedfund is active: energy, financial institutions and funds, as well as manufacturing and services, and we highlight some of our investments. We then report our results, using our three pillars: impact on society, sustainability and financial viability.

For new investments, the anticipated development results are described. For existing portfolio companies, the development results achieved are described, as well how we work actively on value creation to generate results and accelerate progress towards the global goals.

We also present Swedpartnership, our support vehicle for establishing small and medium-sized Swedish enterprises in developing and growth markets.

Finally, we present Swedfund's financial results, our work on meeting the strategic sustainability targets and the financial accounts and notes to the accounts.

STRATEGIC SECTORS

We invest in three strategically selected main sectors: energy; financial institutions and funds; and, manufacturing and services. We have focused our efforts in the sectors deemed best able to achieve development, which is in line with our mission. Where we have the greatest opportunity to generate benefits depends on a number of factors, such as experience in the sector and where we can best achieve results in equality, the environment and the creation of jobs.

ENERGY

ENTREPRENEURS IN DEVELOPING COUNTRIES cite deficiencies in electricity supply as the single greatest obstacle in running a business. When people have access to energy, it frees up time for them to carry out other work (refrigeration and washing machines are a couple of time-saving examples), and they can install lighting which, among other things, increases security and gives them the

opportunity to read and carry out work at home even after dark. Swedfund focuses on investments in renewable energy. We can also make investments in energy efficiency, i.e. investments in existing infrastructure, provided that they meet Swedfund's requirements within the three pillars: impact on society, sustainability and financial viability.

THERE IS A GREAT need to develop manufacturing industry and the service sector in Africa, particularly south of the Sahara. This involves sectors such as healthcare, hotels and various

types of manufacturing industry. By investing in these sectors, jobs are created at the same time as the companies contribute to increased value-added in their countries of operation.

**MANUFACTURING
& SERVICES**

**FINANCIAL
INSTITUTIONS
& FUNDS**

LACK OF ACCESS to finance is one of the greatest limiting factors in businesses' ability to grow in developing countries. Swedfund finances banks and funds in under-financed markets, and this enables them to increase their financing

and lending to businesses and entrepreneurs. With Swedfund's support, banks and funds can also develop services which lead to increased financial inclusion, i.e. better access to affordable financial services for more people.

ENERGY

Sustainable energy for all is an explicit goal in Agenda 2030. It is also a prioritised sector for Swedfund's investments. Electrification drives development, and is essential for job-creation and combating poverty.

OVER 600 MILLION PEOPLE¹ in Sub-Saharan Africa live without electricity. Communities, schools and hospitals lack electricity. Businesses see inadequate electricity supplies as their greatest obstacle to development. Existing electricity networks are outdated and unstable. Alternative electricity from diesel-powered generators is also expensive and environmentally damaging.

SEK 200 MILLION

The need for energy investment in developing countries is enormous. During 2016 alone, Swedfund has invested SEK 200 million in a range of energy projects based on wind, solar, hydro and geothermal energy. The bulk of this investment is made through ICCF (Interact Climate Change Facility), a facility financed by a large group of development finance institutions, including Swedfund. Through ICCF, Swedfund is also involved in the Lake Turkana Wind Power Project – Africa's largest wind farm, and the single largest private investment in Kenya's history. Read more on this project on page 53.

SECTOR REFORMS

There are many technically feasible projects with excellent potential returns in the renewable energy sector, but few of them obtain full financing. The main reason for this is that there is a shortage of experienced developers who know how these projects should be structured, implemented and monitored. Recognising this problem, the necessary sector reforms are being carried out with the support of the World Bank, IFC and a number of development finance institutions, including Swedfund. We also have an impact on development by offering loan finance on longer terms than other investors do, in line with project needs.

DFI INVESTMENTS IMPORTANT

Swedfund and other development finance institutions are currently responsible for one-third of all investment in renewable energy

in Africa. Many of these countries possess wonderful natural resources. By using them to best advantage, we help create the conditions for these countries to build their own prosperity in a sustainable way.

Renewable energy is a sector undergoing massive development, both in technology and in the expansion of installed capacity. In our investment process, we investigate and analyse every project individually on the basis of our pillars: impact on society, sustainability and financial viability (see page 22).

At the end of the year, Swedfund had 5 investments in the energy sector. This is equivalent to around 9.9 percent of the total contracted amount in Swedfund's portfolio.

CRUCIAL TO THE CLIMATE

To reduce climate-damaging emissions and realise the global goals, continued investment in renewable energy is both obvious and crucial. This is where Swedfund and other development finance institutions have a central role to play. Over and above the partnership with ICCF, we work closely with players such as ElectriFI (electrifi.org) – an EU initiative focusing on renewable electricity projects in developing countries.





"When we align investments and policies to achieve a low-emissions, climate resilient future, we open the way to a safer, healthier and more sustainable world for generations to come."

BAN KI MOON
FORMER SECRETARY GENERAL, UN

The Lake Turkana Wind Power Project in Kenya.

New fund investment focusing on renewable energy

TWO-THIRDS OF THE POPULATION of Sub-Saharan African have no electricity. The need is enormous, and the technical conditions for energy supply from renewable sources such as solar, wind, hydro and geothermal energy are good. The problem is that many energy projects fail due to shortage of know-how, resources and finance.

Thanks to funds such as the Frontier Energy II Fund, more small and medium-sized renewable energy projects are expected to succeed, increasing the generating capacity of renewable energy sources.

The fund, which is managed by Frontier Investment Management in Denmark, operates on an integrated investment strategy. This means that the manager takes total responsibility for financing, project management, establishment, commissioning and quality assurance. This enables the fund to guarantee that each individual project – irrespective of size – is carried out in a business-like and sustainable way, in respect both to society and the environment.

The fund focuses particularly on investment in East Africa, including Kenya and Uganda. The aim is to become involved in projects at a relatively early stage. A fundamental requirement is that the projects are based on renewable energy which help reduce emissions of greenhouse gases, such as wind, hydro and solar power, as well as geothermal energy. A number of other detailed requirements are also set.

The investor base is expected to include institutional investors as well as development finance institutions, including Swedfund, which is investing the equivalent of SEK 118 million in the fund.

Innovative solution for renewable energy.
Airport at Dar-es-Salaam, Tanzania.

FUND SIZE: UP TO USD 175 MILLION

FUND: FRONTIER ENERGY II FUND
MANAGER: FRONTIER INVESTMENT MANAGEMENT, DANMARK
START YEAR: 2017
LIFE OF FUND: 10 YEARS

FRONTIER

THE FUND'S FOCUS: RENEWABLE ENERGY PROJECTS IN SUB-SAHARAN AFRICA

The Lake Turkana Wind Power Project
in Kenya.

Africa's largest wind power project

TWELVE CO-FINANCIERS

Jointly with twelve European development finance institutions, Swedfund owns the co-financing facility, ICCF (Interact Climate Change Facility), which focuses on financing renewable energy projects in Africa and other places. The co-ownership makes larger investments possible, with wide-ranging expert knowledge in the areas of sustainability and effective financing.

“European development finance institutions are responsible for a significant part of all investment in renewable energy in Sub-Saharan Africa. The Lake Turkana Wind Power Project is an excellent example of what can be achieved when we join forces”, says Anna Ryott, CEO, Swedfund. In autumn 2016, Swedfund contributed an additional SEK 68 million of long-term loan capital to ICCF, part of which is helping finance Africa's largest wind farm. Complex investments in infrastructure are always challenging. If we are to implement sustainable investments, it is essential that non-financial factors, such as the needs of local people, are treated as an integral part of the project.

SIGNIFICANT ENVIRONMENTAL AND SOCIAL EFFECTS

Shortage of electricity and chronic outages in the existing network are harming Kenya's competitiveness and growth. In response, the Kenyan government launched a large-scale investment programme in 2013, with the goal of increasing installed capacity from 1664 MW to 6664 MW over a four-year period.

An important part of the programme is the utilisation of renewable sources such as solar, wind, hydro and geothermal energy. Kenya, in common with most other African countries, has good technical conditions for increasing the share of renewable energy generation. And development finance institutions such as Swedfund can actively contribute to economic and social growth by investing in projects of this type.

365 TURBINES MEET 20% OF THE DEMAND

The largest single investment in renewable electricity generation in Kenya is the Lake Turkana Wind Power Project. The 162-square kilometre windfarm in the Great Rift Valley in north-western Kenya is expected to be fully operational during 2017. The 365-turbine windfarm has a total production capacity equivalent to 20 percent of Kenya's current energy requirements. Over and above the turbines, a 436-kilometre transmission cable is being constructed between the windfarm and Nairobi.

The windfarm will employ 200 people, and the environmental effect will be significant. Clean and cheap electricity generated by wind turbines is expected to reduce carbon dioxide emissions by 382,000 tonnes per year, which is equivalent to the emissions of over 100,000 cars.

ICCF = INTERACT CLIMATE CHANGE FACILITY

ICCF Lake Turkana

KENYA

45 million people



- Relatively well developed economy, with agriculture at its core
- Tourism is a significant business sector
- Consisting of over 40 different ethnic groups

FINANCIAL INSTITUTIONS & FUNDS

An effective finance sector is fundamental for a country's economic growth. By investing in banks and funds, Swedfund contributes to financial inclusion, job-creation and sustainable businesses.

AN EFFECTIVE FINANCIAL sector is the foundation of economic growth. By effective, we mean that it is financially inclusive, and covers both small and medium-sized enterprises, as well as low-income workers, women, the unemployed and people living in extreme poverty.

LIMITED ACCESS TO LOANS

Access to loans and bank services in developing countries is extremely limited. Only 34 percent of the population of Sub-Saharan Africa have a bank account, according to the World Bank.

Swedfund invests in banks and funds in the world's poorest countries. This gives small and medium-sized enterprises access to essential financing for sustainable and profitable growth, and in a manner which contributes to poverty reduction by offering jobs, a strong tax base and participation in knowledge and capacity building.

Here are a couple of examples of bank investments from 2016:

- The equivalent of SEK 85 million invested in XacBank, Mongolia. The bank has a clear focus on climate change, running projects such as Clean Air, in which businesses are offered financing to enable them to switch to more energy-efficient operations.
- In September 2016, in partnership with the Dutch development finance institution, FMO, we signed a loan agreement with NMB Bank in Zimbabwe. The loan is for SEK 42 million. This financing will support growth among small and medium-sized enterprises in Zimbabwe. The bank supports vulnerable groups and women entrepreneurs in particular, and this is fully in line with our investment pillars.

FUNDS ALLOW US TO BROADEN OUR REACH

As a complement to investing in financial institutions – particularly banks – Swedfund invests in funds.

Fund investment makes it possible to reach more businesses, and smaller businesses, in a cost-effective way, in countries in which Swedfund lacks a local presence. Many funds have development finance institutions as investors, when institutional investors are not fully prepared to take the particular risk involved. In many cases, the development finance institutions' capital is a prerequisite for the fund's existence.

Funds constitute approximately 27 percent of our portfolio. We place equally stringent standards on a fund investment as we do in other investments in respect of impact on society, sustainability and financial viability.

FOCUS ON WOMEN

The equality perspective is now central to our investment decision. The inequality faced by women at all levels in commercial life is a major impediment to sustainable development. The exclusion of women also extends to access to financing. Women-owned small businesses receive, on average, only around 10 percent of the loans that financial institutions make to small

and medium-sized enterprises. More than 70 percent of women-owned SMEs report difficulties in gaining access to financing. By investing in financial institutions and funds which focus on financial inclusion for women, we help accelerate Agenda 2030:

- During 2016 we have decided to invest the equivalent of SEK 183 million in the Women Entrepreneurs Debt Fund (WEDF). The fund finances female businesses and entrepreneurship in developing countries. Other investors include the World Bank via IFC, the Second AP Fund and the Dutch development finance institution, FMO.
- During 2016, we disbursed the second (around SEK 43 million) of two loans to Cambodia's largest bank, Acleda. This is enabling them to expand their lending in rural districts and promote increased employment. The majority of the bank's customers are women.

At the end of the year, we held 29 investments in financial institutions and funds. This is equivalent to around 51 percent of the total contracted amount in Swedfund's portfolio.

Staff at the Ethiopian Commodity Exchange in Addis Ababa, Ethiopia.



Loans to businesses drive private sector development in Tanzania

When the new government took power in Tanzania in 2015, their priority was clear. The country must industrialise. This gives the private sector a more prominent role. But if this ambition is to become a reality, small and medium-sized enterprises must have increased financing.

The formerly state-owned bank, NMB, is a major lender, but has difficulty in acquiring the funds for the investments it would like to make. Swedfund has joined with other lenders to provide a solution to this.

60% OF THE COUNTRY'S ECONOMY IS INFORMAL

Tanzania is a large country. In surface area, it is almost as large as France and Germany combined, and it is home to a population of 53 million. But even though GDP has doubled since 2004, the economy is still small. The majority of the population work in the agricultural sector (70 percent). The majority have very low incomes, and it is estimated that around 60 percent of the country's economy is informal. It is a country which imports a great deal, but exports little. That is why it is important for the government to encourage domestic production.

FINANCING FOR ENTREPRENEURS THE MOST IMPORTANT CATALYST

"As in all markets, it is small and medium-sized enterprises that are the most important catalyst in kick-starting production," says Ineke Bussemaker, CEO of NMB.

Tanzania was a country with a large public sector, which is now being partly privatised. NMB (National Micro-finance Bank) is a privatised player, whose role is to offer financial services to all, both private citizens and businesses.

"Tanzania's liquidity is low. If we are to expand our lending operations, we need to find more sources of finance", Ineke Bussemaker continues. "In particular, we need long-term loans in USD and EUR. These we are now getting, thanks to the funds which institutions such as Swedfund are injecting."

LONG-TERM APPROACH ENSURES STABILITY

Swedfund is providing NMB with a 7-year loan of USD 5 million. This loan as part of a larger financing package totalling USD 25 million which is being made jointly with the Dutch and French development

finance institutions FMO and Proparco. The loan will give more entrepreneurs the opportunity to apply for financing to NMB. It will involve a wide range of small and medium-sized enterprises. A large proportion of the business sector concentrates on the processing of locally-grown foodstuffs, but there are also enterprises in areas such as healthcare, small-scale retailing and various types of transport operations.

In addition to its loan business for entrepreneurs in the country, NMB also offers financing to innovative farmers. This is an area which Ineke Bussemaker would like to expand, and it will, in turn, increase financial inclusion in the country.

NMB A COMPANY WITH DUTCH OWNERS

NMB is a well-run company, and its largest owners are the Dutch bank, Rabobank, with a 35 percent shareholding. Rabobank appoints directors to the Board. The bank's CEO, Ineke Bussemaker, is also from Rabobank.

"Rabobank is always available to us here in Tanzania. When we need help with projects such as building a data centre or a credit centre, we phone their specialists for advice", explains Ineke Bussemaker. "We also send our personnel to the Netherlands for training. But we are also aware that we are able to ask for help from the development finance institutions, thanks to our collaboration."

INCLUSION THROUGH THE MOBILE WALLET

Another vital mission which NMB has is to reach out to all the residents in the country with its banking services. NMB is the bank with the most branches in rural areas in Tanzania. This means that it can reach small businesses which no one else can.

Only about 16 percent of the population of Tanzania have a bank account, but many of them do have a mobile wallet through their mobile phones. All of NMB's services are available via mobile phones. It is estimated that 65 percent of the population are included in the financial system in this way. Older pushbutton telephones from manufacturers such as Nokia are the ones most used.

"The mobile operators have expanded the infrastructure so that everyone can have a mobile phone. That's why we want to expand our mobile banking services. We can offer these services at low charges, and they are highly scalable," commented Ineke Bussemaker.

NMB is happy to support the government's ambitions, and has set a target of going from 2.2 million customers to 4 million within four years. But Ineke Bussemaker believes that a lot more people are just waiting to sign up.



NMB's CEO Ineke Bussemaker converses with Amina Salum Ali, Minister for Trade, Industry and Marketing at Zanzibar, and a local entrepreneur who owns a company that makes bags.

TANZANIA
50 million people



- Included in Sweden's development collaboration
- One of Africa's fastest-growing economies, GDP has doubled since 2004
- One of the least developed countries, according to DAC
- Small and underdeveloped banking sector

ITS GOAL IS TO SERVE all types of citizens in the country. On the business side, the bank specialises in particular on micro, small and medium-sized enterprises

3,400 EMPLOYEES OF WHOM 45% ARE WOMEN

NATIONAL MICROFINANCE BANK

OVER 2 MILLION CUSTOMERS, 600 ATMS
AND 175 BANK BRANCHES

Women entrepreneurs receive financing

The inequality faced by women at all levels in commercial life is a major impediment to sustainable development. Equality is a crucial issue in Swedfund's investments. But there is a desire to do something even more focused on women entrepreneurs, who constitute one-third of all business owners in developing countries.

Around one-third (30–37 percent) of all small and medium-sized enterprises in developing countries are run by women. The shortage of capital is the largest barrier to development for businesses, and, at the same time, it is even more difficult for women to access financing. The Global Findex database shows that 20 percent fewer women than men have a bank account, and 17 percent fewer women than men have taken out a loan. Women are also less likely to have access to savings and insurance. The World Bank has concluded that women are more financially excluded than men on all parameters.

SWEDFUND PARTICIPATES IN FUND FOR WOMEN

For that reason, Swedfund's team of investment managers thought that it was important to provide targeted financing support to women entrepreneurs. So the Swedfund Women Entrepreneur Facility (SWEF) was set up. One of the investments in Swedfund's programme is the IFC's Women Entrepreneurs Debt Fund. Swedfund has contributed USD 20 million, jointly with the Second AP Fund.

USD 600 MILLION FOR 100,000 BUSINESSES

The fund's total resources will eventually amount to USD 150 million, and will be included in an even greater initiative backed by IFC and Goldman Sachs. In the project, USD 600 million will be lent

to around 100,000 women entrepreneurs in developing countries. This is the first fund of its time, and is an element in the World Bank's efforts to achieve its equality targets. IFC is a world leader in female entrepreneurship and has operated a programme called "Banking on women" since 2010, which has made 40 targeted investments totalling more than USD 1.2 billion. In the light of this wealth of experience, Swedfund's expectations include knowledge transfer.

REACHING MORE PRIORITISED COUNTRIES

The investments being made in the fund by institutional or private investors go to national banks, which then increase their lending to local women entrepreneurs. Acting jointly with IFC enables Swedfund to reach more prioritised countries. It is expected that the capital of USD 20 million will be invested in over 20 banks. The objective of the investment is to achieve results within Swedfund's three pillars, with a particular focus on increased lending to women.

The great success of the fund, and the considerable interest expressed by the development finance institutions in participating in the programme is highly gratifying to IFC. The aim is that this will help women become mainstream customers of the banks. IFC has an additional objective of wanting banks who receive financing to become better at promoting their female employees.

USD 300 BILLION LACKING

USD 600 million may seem like a great deal of money, but globally the World Bank estimates that there is an investment gap of USD 260-320 billion for small and medium-sized enterprises run by women in developing countries.

The IFC believe that an increased focus on women entrepreneurs will help to change the global economy fundamentally.





Ciiru Waweru Waithaka,
manufacturer of children's
furniture and loan recipient
from IFC WEDF.

RELATE TO: IFC Asset Management Company
CO-FINANCIERS: The Second AP Fund and FMO

IFC WEDF

NAME: IFC Women Entrepreneurs Debt Fund
TOTAL SIZE: USD 150 million

SWEDFUNDS' TARGET: To support female entrepreneurship
INVESTMENT SIZE: USD 20 MILLION
OTHER INVESTORS: IFC, AP2 and FMO

MANUFACTURING & SERVICES

Swedfund's investments in the manufacturing and services sectors are accelerating sustainable business, job growth and production.

JOBS MUST BE CREATED. And growth will take place in the private sector. The potential is particularly great in the service sector and in manufacturing industry.

Swedfund contributes knowledge and action plans for building sustainable business with decent and equal terms, as well as an acceptable and a good working environment.

One example from 2016 is Swedfund's newly-signed agreement with the DBL Group as industrial partner, and with the Ethiopian Investment Bank as financial partner. The project demonstrates the importance of partnership, risk-sharing, standard-setting in respect of sustainability and knowledge exchange in our investment process. Read more on this project on page 62.

HEALTHCARE AND RISK

Investment in healthcare is central to all developing societies. At the end of 2016, Swedfund had six investments in the healthcare sector within a range of medical disciplines. In the countries where Swedfund invests, there is an increasing demand for healthcare in general and specialist medical care in particular. It requires substantial investment both in public and private healthcare provision to meet the challenges of the future, Swedfund's portfolio company, AAR Healthcare, has grown to be one of East Africa's largest private medical care providers, with 39 modern health centres in Kenya, Uganda and Tanzania. In East Africa, there is a shortage of good and accessible medical services, expanding healthcare providers such as AAR are vital for increasing accessibility.

Investments in the healthcare sector develop skills in a variety of ways, both in the sector and in the country. In general, irrespective of medical discipline, the opportunity for specialist education and training is often limited in the countries involved. This often means that locally-educated doctors must go abroad to obtain the necessary education and experience in their specialist field. A major challenge is that many of them are unable to obtain work which matches their qualifications and knowledge in their home

country. Consequently, they often remain in North America or Europe. Initiatives which broaden the supply of health and medical care in countries with low levels of provision, increase opportunities for specialist doctors who want to return to their homelands.

Another example is Swedfund's investment in hotels. The hotel and tourism sector is labour-intensive, and has massive potential and exciting development effects. The tourism sector is highly labour-intensive. According to UNWTO and the ILO, every eleventh job created across the world is in the tourist industry. The sector is responsible for nine percent of all the world's total GDP, if both direct and indirect effects are taken into account, according to UNWTO. Tourism is seen as essential in reducing poverty and achieving the global goals. In addition, hotels represent a hub for tourism and drive investment within the sector. Hotel guests pay in hard currency, and consume goods and services in the surrounding area. The tourist sector is also one of the few possible career parts open to women and young without education. Hotels employ many people under 25 years old.

Swedfund has a number of investments in quality hotels in Africa, including Radisson Blu Hotels in both Nairobi and Addis Ababa. The investments were made jointly with the Nordic Development Finance Institutions and with Rezidor as the hotel operator. Working with Rezidor, which has a strong commitment to sustainability issues, also means that significant resources are devoted to employee education and training.

The Radisson Blu Nairobi is Green Key certified with solar panels on the roof and a closed waste water system with purification, in which 95 percent of the water is recycled. The hotel creates 250 direct job opportunities, of which around 40 percent are held by women. Rezidor places a great deal of weight on labour rights issues, as well as on the continuous training of personnel, equal pay, overtime payment and parental leave.

INCLUSIVE GROWTH

At the end of the year, Swedfund had 28 investments in the manufacturing and services sectors. This is equivalent to around 37 percent of the total contracted amount in Swedfund's portfolio.

We provide loans and equity to companies in several sectors: tourism, medical and healthcare, retail, clothing, steel industry and several other manufacturing segments. The main objective of the investments is to create sustainable businesses, more jobs and increased value added, thereby contributing to inclusive growth with better living conditions for the individual and stable revenue for the state through, for example, customs dues, tax, VAT and employers' contributions. This is how these investments accelerate Agenda 2030.



Yodit Nigussie and Tariku
Gizawe, students at
Entoto Technical Collage,
Addis Ababa, Ethiopia.

Ethiopia's industrialisation gets a boost from Bangladesh

Ethiopia is one of Africa's least developed countries, and one of the world's most populous. Most Ethiopians make their living from agriculture. Unemployment is high, and women, in particular, have difficulty in finding work. As the country industrialises, the textile industry is a good place to start. A textile factory can provide a large number of new jobs, particularly for women.

Ethiopia is keen to learn from others, so that mistakes made by previously low-income countries are not repeated. That is why the Bangladeshi textile supplier DBL, is being welcomed into the country. Swedfund and H&M will be involved as partners in the construction of the new factory. We had an interesting conversation with one of the founders of DBL, Mohammed Abdur Rahim.

NEW FACTORY WILL GENERATE 4,000 JOBS

DBL is a company with around 24,000 employees in sectors including the textile industry in Bangladesh. The new facility in Ethiopia will be their first international expansion. It is being made possible through financing from Swedfund and the Ethiopian Development Bank, and through the collaboration with H&M.

DBL's Mohammed Abdur Rahim explains:

"We will be creating work for more than 4,100 people. In particular, for women without formal education." This is a valuable initiative, since unemployment in Ethiopia is higher among women than among men (at 27 percent for women and 14 percent for men in urban areas).

DBL has a vision of increasing production by a factor of 10 by 2021, partly through training the employees. When the factory is completed, we will eventually be able to handle everything from weaving, dyeing and printing, to needlework. H&M, in turn, guarantees to buy clothes from the factory.

LESSONS LEARNED FROM BANGLADESH

When the new factory is being built, it is important that this is done in a sustainable way. DBL in Bangladesh is a supplier to Marks & Spencer, among others, and they are rewarded for their commitment to sustainability.

According to a report from DEG (Deutsche Investitions- und Entwicklungsgesellschaft), the company's wages are, on average, 20 percent above the minimum wage. They are committed to training their employees and contributing to the community. Through their sustainability efforts, the same report states, they have been able to reduce water consumption from 110 litres to 60 litres per kilo of cloth produced, which is far below the industry average.

"We have been a supplier to H&M for 14 years. The expertise we have built up in Bangladesh will now be shared with Ethiopia," says Mohammed Abdur Rahim. This applies across the board: Knowledge of how to run a factory successfully, on the environment and on social aspects. One example is training our employees and transferring knowledge to our subcontractors.

SWEDFUND'S CONTRIBUTION

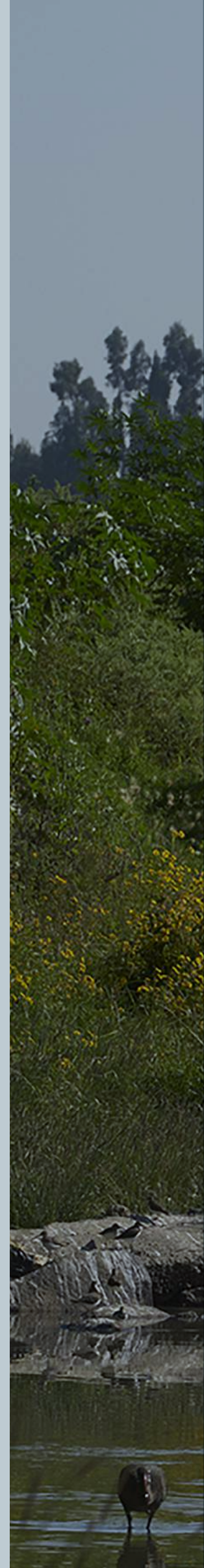
Ethiopia has not legislated for a minimum wage. Within the partnership framework, Swedfund and H&M have discussed wage levels, and Swedfund has made its views known to DBL. Swedfund has also made its own wage comparison in the country, with the help of an external party. This will provide a starting point for wage levels at DBL. Swedfund has also commissioned water studies to ensure that the supply of water in the area is adequate.

"Swedfund's financing allows us to acquire the most up-to-date machinery for the factory, and their global experience can help us find processes that are even better for employees and which reduce our impact on the environment," believes Mohammed Abdur Rahim. DBL's motto is "to learn is to grow, and lessons are eternal." Swedfund carefully monitors the challenges facing the country in relation to democracy and human rights, as we do in all the countries in which we are active.

THE FACTORY SPILLS OVER TO THE LOCAL ECONOMY

Mohammed Abdur Rahim also tells us that the factory is expected to boost the local economy:

"In Bangladesh, we have seen the local impact our operation has. When we started operating in Kashimpur in the year 2000, the area was underdeveloped. Now it has gone through an enormous transformation. Alongside the tax that the company pays, the employees spend 70 percent of their wages locally. In 2015, this amounted to USD 30 million, compared with only USD 6 million in 2008. We expect that we will have a similar impact on the area in Ethiopia. This will create new opportunities for local shops and businesses, as well as for schools and hospitals. This is how a textile factory can help the Ethiopian economy take itself to a higher level."



EXPORTS OVER 57 MILLION GARMENTS annually
(2014/15) . Platinum status supplier to H&M

24,000 EMPLOYEES and **SALES**
OF USD 365 MILLION

DBL

In addition to training its employees in skills such as needlework, DBL is also teaching them to read and write, providing information on contraception and rights, and arranging training in leadership skills

HEAD OFFICE IN BANGLADESH: through this international investment, DBL is creating a totally new factory on a greenfield site just outside Mekelle, in the Tigray region of Ethiopia

ETHIOPIA
96 million people



- One of the world's least developed countries
- Very much an agricultural country, with a very small industrial sector
- The majority of Ethiopians earn their living outside the formal labour market

THE PORTFOLIO COMPANIES' RESULTS

In this section, we report the results for our portfolio companies, and describe our proactive efforts to accelerate the global goals. "Portfolio companies" refers to direct investments through equity and loans, as well as equity investments in funds.

ADJUSTED REPORTING CYCLE

Swedfund and Swedfund's portfolio companies produce their annual report simultaneously. This means that the results report in IR16 includes the companies in our investment portfolio as per 31 December 2015, and the reported results for the portfolio companies refer to 2015. During 2016, we decided to adjust the reporting cycle so that financial and non-financial data refer to the same year.

The consequence of this is that non-financial data, i.e. for the pillars impact on society and sustainability, in the following results section is to some extent a repeat of the information in IR15. The reported ESG audits refer to 2016, since they are a consequence of the results the companies reported as at 31 December 2015, and the subsequent analysis of these results.













The adjusted reporting cycle provides the following advantages:

- ▼ The same reporting year for financial and non-financial data.
- ▼ Better adaption to the operation's processes and routines.
- ▼ Better link between results reporting and action/intervention and the results achieved.

	FINANCIAL DATA PORTFOLIO COMPANIES	NON-FINANCIAL DATA PORTFOLIO COMPANIES
SOURCE	The portfolio companies' audited annual reports, the funds' fund reports.	Portfolio companies' self-declarations, Swedfund Portfolio Company Sustainability Report or other finance institution's reporting format.
IR15	31 December 2014	31 December 2015
IR16	31 December 2015	31 December 2015

ANNUAL CYCLE FOR VALUE CREATION IN THE PORTFOLIO COMPANIES

DISPATCH of Swedfund Portfolio Company Report to direct investments. SUBMISSION of Swedfund Portfolio Company Report from direct investments.	FUND REPORTS and reports in the formats of other DFI's are submitted. PLAN for internal and external audits and site visits.	PORTFOLIO COMPANY REPORT to Swedfund's Board of Directors.	RESULTS aggregated for external reporting. AUDIT of portfolio companies' results.
Q1	Q2	Q3	Q4
Q1-Q3 Quality assurance, analysis and feedback takes place as the responses are received. Value creation takes place throughout the year. Planning of site visits and ESG audits.			

PILLAR	PERFORMANCE INDICATOR	DEFINITION	TARGET	
IMPACT ON SOCIETY	JOB GROWTH	Average annual change in the number of jobs in all Swedfund's investments.	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	8 DECENT WORK AND ECONOMIC GROWTH 
	DECENT WORK	Compliance with the ILO's core conventions and basic terms of employment.	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	8 DECENT WORK AND ECONOMIC GROWTH 
	GENDER EQUALITY	Proportion of women: employed, in management positions and on Boards of Directors.	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	5 GENDER EQUALITY 
	TAX	The Portfolio Companies' declared or reported tax.	17.1 Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.	17 PARTNERSHIPS FOR THE GOALS 
	ENERGY PRODUCED AND SHARE OF RENEWABLE ENERGY	Energy production measured in GWh. Percentage of renewable energy.	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services. 7.2 By 2030 increase substantially the share of renewable energy in the global energy mix.	7 AFFORDABLE AND CLEAN ENERGY 
SUSTAINABILITY	ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM	Implementation of management system (consisting of policy, identification of risks and impact, responsibility and competence/ESG manager and emergency preparation).	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
	MANAGEMENT SYSTEM FOR ANTI-CORRUPTION ISSUES	The adoption and implementation of a management system for handling anti-corruption issues (consisting of policy, responsible person, competence, systems and processes, and reporting).	16.5 Substantially reduce corruption and bribery in all their forms.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 
	ESG AUDITS	Audits and site visits to support the companies in their ESG work, the implementation of ESGAP and improvements to achieve the strategic sustainability targets.	9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. 12 Ensure sustainable consumption and production patterns.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
FINANCIAL VIABILITY	GROWTH	Percentage change in sales.	8 Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.	8 DECENT WORK AND ECONOMIC GROWTH 
	PROFITABILITY	Profit after tax/sales.	8 Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.	8 DECENT WORK AND ECONOMIC GROWTH 
	RETURN ON EQUITY	Profit after tax/equity closing balance.	8 Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.	8 DECENT WORK AND ECONOMIC GROWTH 

IMPACT ON SOCIETY

Swedfund shall contribute to the creation of jobs with a good work environment and good employment terms. The results for our strategic sustainability target impact on society, along with other indicators for equality and energy are reported below.

STRATEGIC SUSTAINABILITY TARGETS: IMPACT ON SOCIETY

FULFILMENT OF ILO core conventions and ILO's basic terms and conditions of employment in all companies within three years of the start. ▼ On average for all of Swedfund's investments the number of jobs shall increase every year.	INDICATOR ▼ Fulfilment of the ILO core conventions and ILO Basic Terms and Conditions of Employment plus a growing number of jobs within Swedfund's portfolio companies.	TO DETERMINE WHETHER a portfolio company complies with the ILO's core conventions and ILO's basic terms and conditions of employment, 16 specific questions are asked. This allows any improvement opportunities to be identified and enables Swedfund actively to advocate the achievement of the target. The questions asked relate to the following areas: ▼ Labour union rights, ILO 87, 98 ▼ Equal remuneration, ILO 100 ▼ Minimum wage, ILO 26, 131 ▼ Non-discrimination, ILO 111 ▼ Forced labour, ILO 29, 105 ▼ Minimum age, ILO 138 ▼ Child labour, ILO 182 ▼ Working hours and overtime, ILO 1 ▼ Occupational safety and health, ILO 155
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STRATEGIC SUSTAINABILITY TARGETS: COMPLIANCE WITH THE ILO'S CORE CONVENTIONS

TO ENSURE compliance with the ILO core conventions and basic terms and conditions of employment, the portfolio companies respond to questions in a Swedfund's Portfolio Company Sustainability Report. 19 out of 24 companies reply that they comply with the ILO core conventions. Four companies report more overtime than in the preceding year, and exceed the ILO's recommendation. This can partly be explained by the fact that in many cases the staff wish to work longer than the permitted working hours, which is a challenge for us and an issue that we believe will have to be tackled more actively in the future.

Of the nine (2015:9) funds which responded to the questions relating to the ILO's core conventions and basic terms and conditions of employment, all nine (2014:10) replied that they comply with the conventions. Three funds did not answer the questions.

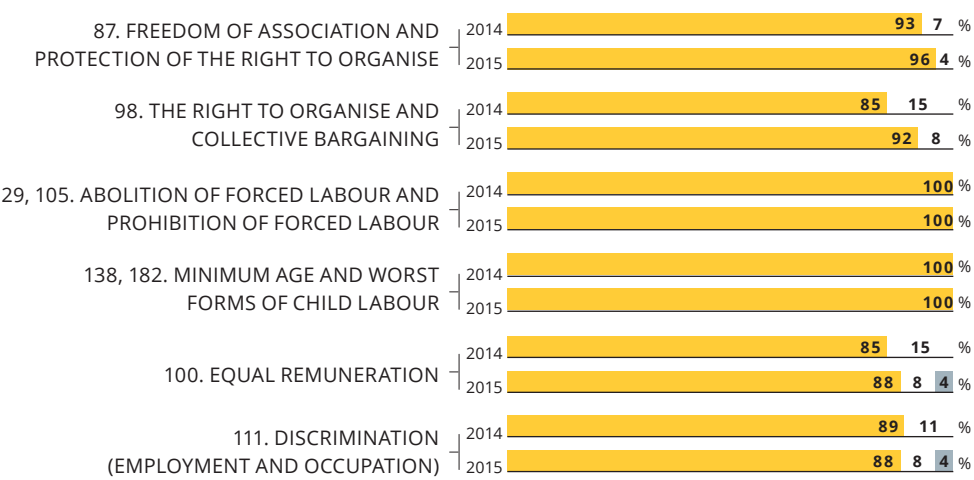
The strategic sustainability target of compliance with the ILO's core conventions applies to the fund manager and

not to its portfolio companies. With effect from 1 January 2015, the fund managers are encouraged to set the same standards on the portfolio companies through their environmental and social management system/ESG standards.

When Swedfund invests in a financial institution, it commences the due diligence process to ensure that the financial institution

complies with the ILO's core conventions and basic terms and conditions of employment.

Checks on compliance are then included in the bank's annual monitoring report in which Swedfund monitors whether any changes are taking place in the environmental and social management system in which the ILO's core conventions are included.



YES ■ NO ■ NO ANSWER ■

STRATEGIC SUSTAINABILITY TARGETS:

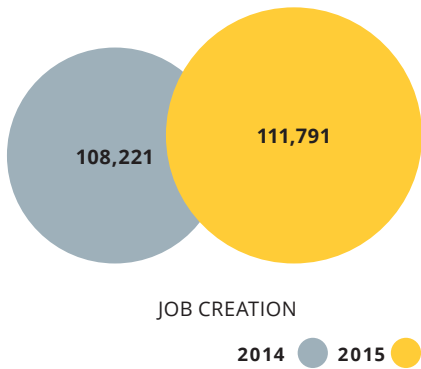
JOB CREATION

THE AVERAGE job growth in the 27 companies in the portfolio in both 2014 and 2015, and where information on the number of employees is available, amounted to 2.7 percent (2014: 1.5 percent).

Through its investments, Swedfund helps support a total of 111,791 job opportunities (2014: 108,221, 2013: 104,390).

80 percent of these job opportunities are in Swedfund’ fund investment holdings. For 2015, information on the number of employees from a total of 39 companies is included (2014: 53). 35 of these reported the number of employees both in 2014 and 2015. New investment which have been included in the compilation are equivalent to just over 29,000 job opportunities, of which 26,000 refer to a conglomerate in which one of the funds has invested.

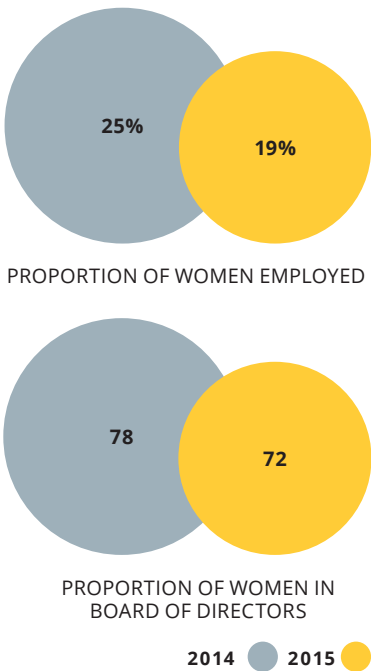
The direct job opportunities also generate a large number of indirect job opportunities. Swedfund does not calculate and report indirect job opportunities, but we are in process of introducing a calculation model for these during 2017. The World Bank’s investment organisation, IFC, estimates that the number of indirect job opportunities created in IFC’s portfolio companies is 7–25 per direct job opportunity. Many of these indirect job opportunities will benefit the unskilled and the poor. Swedfund believes that the effects of the employment, both locally and in total, are significantly greater than the direct job opportunities reported above. For the definition of job opportunity and for further explanations, see page 77.



GENDER EQUALITY

FOR THE SECOND YEAR, we are measuring and reporting the percentage of women employed in the portfolio companies – including fund investments and their holdings – as well as the proportion of women in senior management positions and the number of women in corporate boardrooms. These reports are a stage in the ongoing promotion of equality. The proportion of women employed amounted to 19 percent (25 percent), the proportion of women in senior management positions was 21 percent (2014: 777 women) and the number of women in corporate boardrooms was 72 (2014: 78 women). Due to lack of information, we are unable to report the proportion of women on portfolio companies’ Boards of Directors. There are changes between the two reporting years due to selection and divest-

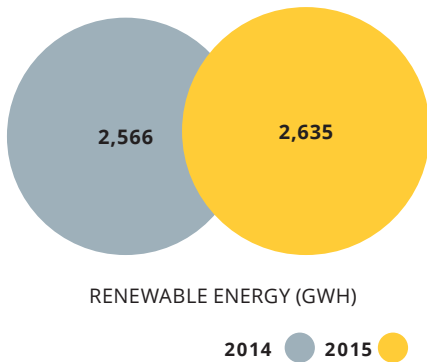
ments of portfolio companies as well as reporting companies. Proportion of women employed is based on data from 29 portfolio companies¹). We are working on more comprehensive data on proportion of women employed to be able to develop our analysis and formulate concrete action plans to complete the ongoing work. See data sheet on gender equality on page 39. If we are to achieve change, we must begin by measuring and highlighting women in our data. Our gender equality indicators now constitute one of the company’s target indicators in accordance with the new owner instruction. The target is that the proportion of men and women shall have a positive trend/approach equality over a five-year period, with the investment year as the base year.



ENERGY

AS AT 31 December 2015, Swedfund had four investments in the energy sector. Three of these report an aggregate total energy production of 2635 GWh (2014: 2566). The most recent investment within the energy sector (increased financing to ICCF and Frontier), have not yet begun to generate electricity. The results for these investments in renewable energy are not, therefore, included in the

graph on the right. During 2016, Swedfund began the formulation of a climate strategy – read more on page 33. For investments in the energy sector, the strategy involves an increased focus on investment in renewables.



¹ Data that forms the basis of calculations does not include all portfolio companies.

TAX

THE PORTFOLIO COMPANIES' TAX amounted to the equivalent of SEK 1,206 million (2014: SEK 502 million, 2013: SEK 347 million). The report for 2015 includes reports from 20 direct investments and five fund investments and their holdings. The substantial increase in the reported tax for the year is attributable to tax reported for three new banks. Almost 76 percent of the reported tax is attributable to the underlying holdings in four of Swedfund's fund investments.

The reported tax in the table below refers to reported tax from the portfolio companies' annual financial statements. For the funds, the figures refer to the tax paid by the underlying investments in accordance with the information reported in the funds' sustainability reports. The starting point for the tax performance indicator is the harmonised definition for tax which includes all types of flows to the state. Due to the format of our portfolio companies' financial reporting, we have been unable to extract all types of tax payments, and it is, therefore, probable that

the amount of taxes is underestimated. The total does not include, for example, taxes related to payroll costs, VAT or other types of fees to the state.

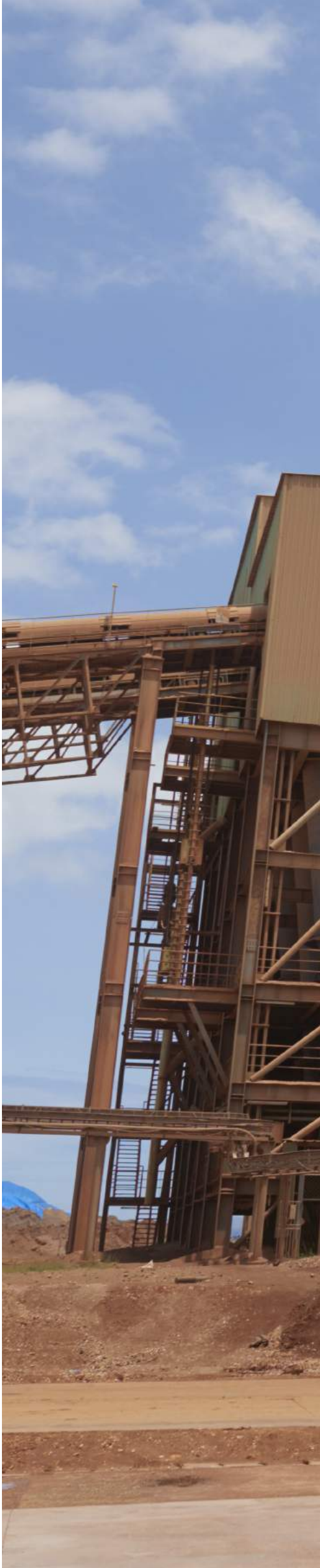
The tax reported by the companies varies from year to year as a result of variations in the companies' reported results.

For the past three years, Swedfund has made a country-by-country tax report. This accounting is a consequence of the dialogue on tax issues with civil society organisations which began in 2013. Swedfund's commitment on the issue has continued since then. Read more on page 41 on our further work on tax issues during the year, including the adoption of a tax policy. Where no information is provided on tax in specific countries, this is due to there being no investment in that particular country, that particular year or to a lack of information on tax.

TAX IN SEK MILLION, AGGREGATE FOR THE PORTFOLIO			
	2015	2014	2013
AFRICA	851	377.8	267.5
AFRICA ¹	367	372.0	195.7
EGYPT	2.6	3.5	1.4
ETHIOPIA	–	0.9	0.6
GHANA	0.1	0.1	50.4
KENYA	9.0	1.3	19.4
CONGO DRC	–	–	0.04
NIGERIA	3.2	–	–
TANZANIA	469.2	–	–
SOUTH SUDAN	–	0.02	0.003
ASIA	247.1	11	9
ASIA ²	–	9.5	–
INDIA	14.6	1.5	9
CAMBODIA	229.3	–	–
CHINA	1.4	–	0.1
PAKISTAN	0.06	0.004	–
SRI LANKA	1.7	–	–
UKRAINE	0.005	–	0.2
BELARUS	–	–	0.1
EASTERN EUROPE	107.7	112.6	69.0
RUSSIA	3.8	3.8	8.9
GEORGIA	102.5	100.8	57.9
LATVIA	–	0.003	–
LITHUANIA	1.4	6.2	–
SERBIA	–	1.8	1.9
WORLDWIDE	1.0	0.4	1.1
TOTAL	1206	502	347

¹ In the Africa category, tax is reported for companies operating in several African countries which can include African countries other than those reported here.

² In the Asia category, tax is reported for companies operating in several Asian countries which can include Asian countries other than those reported here.





Staff of Twiga Cement,
Dar-es-Salaam, Tanzania.

SUSTAINABILITY

Swedfund shall contribute to the creation of long-term sustainable business in the world's poorest countries. What more is, we shall make proactive efforts to tackle corruption internally and within the portfolio companies. Our strategic sustainability targets for ESG and anti-corruption are presented below.

STRATEGIC SUSTAINABILITY TARGETS: ESG	
TARGET ▼ Implementation of management systems at each company within three years of the investment.	INDICATOR ▼ Implementation in all portfolio companies and at Swedfund itself of ESG management systems which, where relevant, cover environmental and social issues, and corporate governance in all companies.
To determine whether a portfolio company fulfils the sustainability target, Swedfund will monitor whether the company has implemented a management system and that it contains the relevant components. This will enable any improvement opportunities to be identified. Ten questions are asked on the following components in a management system:	
POLICY: A sustainability policy shall be established and adopted by the management of the portfolio companies. IDENTIFYING RISKS AND EFFECTS: A system or routine shall be in place to enable environmental and social risks and impacts to be identified at regular intervals, as well as effect areas. PERFORMANCE MANAGEMENT: The company's performance in identified risk and impact areas shall be measured and evaluated regularly so that performance over time can be measured and improved. RESPONSIBILITY AND COMPETENCE: A member of the company management team shall have overall responsibility for sustainability issues.	EMERGENCY PLANNING: For permanent facilities, action plans shall be in place for dealing with accidents and emergency situations. REPORTING: Reporting shall be carried out regularly and not less than annually to the management and Board of the portfolio company, as well as to Swedfund. STAKEHOLDERS: Internal and external stakeholders shall be identified and consulted in situations which affect them, and relevant information shall be provided to them at appropriate points and intervals.

STRATEGIC SUSTAINABILITY TARGETS:

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

13 (2014: 12) of Swedfund's 24 (2014:27) direct investments report that they have an environmental and social management system. To fulfil the requirements for an approved management system, the companies must respond on ten questions. 13 (2014: 5) answer that they have important parts of a management system, while eight (2014: 11) lack important parts of a management system.

Of those which have implemented a management system, six companies have independently-certified management systems.

Sustainability or environmental policy

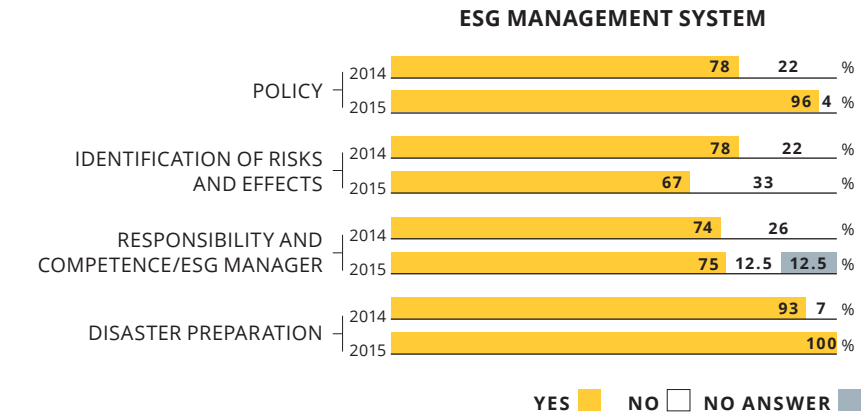
A sustainability policy lays the basis for how an operation shall run its sustainability work. It is vital that a sustainability policy is not just a piece of paper, but is actually implemented in the portfolio companies' operations. 96 percent of the reported direct investments state that they have a sustainability policy, compared with 78 percent in the preceding year. One (1) direct investment still does not have an environmental or sustainability policy, and the company also faces challenges in respect of its financial viability. Swedfund's portfolio companies have widely differing operations, in various sectors within manufacturing and services. Swedfund's advocacy efforts have helped ensure that the majority of portfolio companies now have a sustainability or environmental policy, and that the process of implementing the adopted policies is proceeding continuously.

Identification of risks and impact

67 percent (2014: 78 percent) of Swedfund's direct investments state that they carry out a risk and impact analysis of their operation. The risk and impact analysis forms the basis for the actions the companies need to take to mitigate their risks. It is essential that a risk and effect analysis remains an ongoing process at all times. During the year, unforeseen events happen in our portfolio companies, which we deal with immediately. One such was the discovery of waste from one of our companies in the municipal waste disposal site intended for domestic garbage. When this was discovered, we contacted the portfolio company immediately and then checked on-site a few weeks later that action had been taken and to ensure that the situation had been handled in the best possible way and would not arise again.

ESG Manager

The portfolio companies' responsibility for reporting on ESG lies at Board level, at management level or on the operational side. The responsibility for these issues often constitutes part of a wider management responsibility in the companies, and this is also reflected in the result. The proportion of direct investments which have an ESG Manager is 75 percent (2014: 74 percent), 13 percent have no manager and 13 percent did not answer the questions. The portfolio companies which have a specifically appointed ESG Manager or ESG team work much more proactively on improvement measures throughout the year. That is why Swedfund continues to advocate that an ESG Manager be appointed in companies which do not have one.



Emergency planning

An important part of emergency planning are fire precautions and fire drill, which all the portfolio companies report that they have in place. During the year, we held discussions with two companies which lacked disaster preparation in the previous year. Swedfund also monitors continuously whether the portfolio companies have emergency planning in place, not just to ensure that checks are carried out on firefighting equipment and evacuation plans, but also to ensure the tactical implementation of the systems and processes which should be in place, such as evacuation drills. A problematic and particular challenge we have encountered is with fire drills in hospitals, where there are patients who are difficult to move.

ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM

Seven of the ten financial institutions in Swedfund's portfolio have an environmental and social management system. The other three do not have an environmental and social management system. We visited one of these during the year, and took the opportunity to draw up an environmental and social action plan. Another is facing financial difficulties, and so our active impact work during the year has focused on the company's financial viability. The third portfolio company that does not have an environmental and social management system is an investment company which we co-own with other development finance institutions. Here, we have worked actively to coordinate and ensure reporting from all the company's holdings.

Seven out of the ten financial institutions also have a sustainability policy, which is the foundation and platform for a company's environmental and social management system. Eight companies have an ESG Manager, one does not and one did not answer the question. Of the 11 (2015: 10) funds which answered the questions

relating to an environmental and social management system, ten responded that they do have a system, one responded that they did not have a system and one did not answer any questions at all. The fund which had not answered the question contacted Swedfund during the year to obtain support in the setting up of a system, including policies, processes and reporting. The fund has informed us that an environmental and social management system will be in place during 2017. An efficient environmental and social management system is of the utmost importance in ensuring that the fund manager shall be able to evaluate, set standards for and monitor its portfolio companies.

The reason that so many funds have an environmental and social management system, is that Swedfund makes it a requirement for new funds that the fund manager must have a system in place before the first investment. Of the reporting fund companies, all have at least an ESG Manager, as well as an ESG policy.

DEVELOPING REPORTING ON THE PORTFOLIO'S CLIMATE FOOTPRINT

Swedfund's climate footprint mainly comes from our investments. To understand and obtain data on the climate impact of the portfolio, we started work during the year on refining our climatic consequences analysis method for positive and negative climate impact, as well as measuring and reporting the aggregate level for the full portfolio. The method development is aimed at further improving the ongoing climate and environmental work. Through the climatic consequences analysis, we also follow up to ensure that an action plan will be drawn up for the portfolio companies with the biggest climate impact. We are in an excellent position to influence environmental and climate factors in our portfolio companies through the technical assistance.

STRATEGIC SUSTAINABILITY TARGETS: ANTI-CORRUPTION

TARGET

▼ Adoption and implementation of a management system for handling anti-corruption issues shall be completed at Swedfund in 2014 and among portfolio companies within three years at the latest from when the investment was made.

INDICATOR

▼ Adoption and implementation internally and at portfolio companies of a management system to handle anti-corruption issues.

To determine whether a portfolio company fulfils the sustainability target, Swedfund monitors whether the company has implemented a management system and that it contains the relevant components. This will enable any improvement opportunities to be identified. Nine questions are asked on the following components in a management system for anti-corruption:

ANTI-CORRUPTION POLICY:

A policy shall be established as a starting point for the management system for anti-corruption issues.

Responsibility: Responsible person at management level.

System: Processes, procedures or controls to detect the existence of corruption.

Competence: Identifying and training key persons (those with the greatest exposure to the risk of corruption).

REPORTING:

Reporting shall take place regularly, at least once a year. Swedfund Portfolio Company Sustainability Report 2015 is available for reading at swedfund.se.

STRATEGIC SUSTAINABILITY TARGETS:

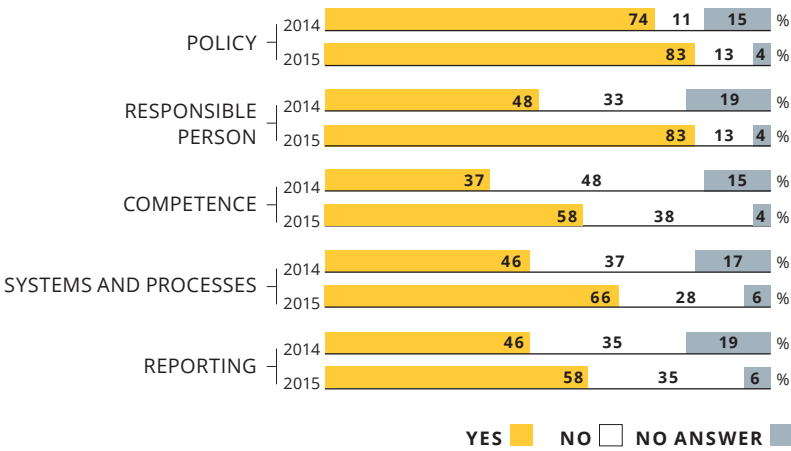
MANAGEMENT SYSTEM FOR ANTI-CORRUPTION

SWEDFUND'S PORTFOLIO COMPANIES undertake in agreements to adopt and implement a management system to handle anti-corruption issues. An important and often initial step in operating an active anti-corruption effort is to establish and implement an anti-corruption policy. 83 percent of the reporting companies have an anti-production policy, and have appointed a manager to implement it. To assist the portfolio companies in their efforts in this area, since 2012, Swedfund has offered an Anti-Corruption Policy Model which portfolio companies can adapt to their own needs.

As the graph shows, many portfolio companies have now implemented the policy, developed competence, appointed a manager for anti-corruption issues and developed systems and processes for reporting and monitoring. Many companies have not, however, answered the questions which indicates a lack of management systems for anti-corruption work.

Eight of the twelve reporting fund companies said that they have an anti-corruption policy. Four did not answer the question. Five of the funds had fully implemented an anti-corruption management system (anti-corruption policy, responsibility, system, competence and reporting), and a further three have partly implemented this system.

Anti-corruption is a priority area for Swedfund. It is both an important part of our active advocacy work and one of our strategic sustainability targets. During 2016, we further refined our internal and external anti-corruption efforts at both policy and company level. This includes a new anti-corruption policy, tools and training to strengthen the portfolio companies' efforts, as well as more stringent reporting for our financial institutions. This reporting has not yet, however, delivered sufficient results to appear in the report. But we are working on finding sufficient data to report over the next few years. Read more on page 43 (data sheet anti-corruption).



ESG AUDITS

For the purpose of supporting the portfolio companies in their ESG work, in the implementation of ESGAP and in other development efforts to achieve the strategic sustainability targets, Swedfund makes site visits. Site visits are also an important tool for checking compliance with the ILO and the terms of employment, which makes them a natural part of all three pillars. We choose, however, only to report this once.

At the beginning of the year, a plan is drawn up for which portfolio companies are to be visited during the year. The selection of companies undertaking visit is based on the risk in the portfolio company's operation, our knowledge of the company's challenges and information from the companies through the annual Swedfund's Portfolio Company Sustainability Report, as well as previous audits or visits.

Swedfund distinguishes between three different types of visit: external audit which is carried out by an external consultant, internal audit which is carried out by Swedfund's own ESG team, as well as site visits which are less comprehensive than an internal audit, and which are carried out by the ESG team.

The visit planned for 2016 included a total of eleven portfolio companies (2015: 6, 2014: 10, 2013: 5). One of these companies went through an external audit, six went through internal audits and the remaining four had site visits only. The visits usually result in an action list with specific actions and target dates which are monitored by Swedfund's ESG Managers and the Senior Investment Manager with responsibility for the investment.

With respect to Swedfund's direct investments, one external audit was carried out during the year, three internal audits and two site visits.

In 2014, Swedfund's Board resolved on a standpoint on the Children's Rights principles, and during the year we have focused on the ILO's core conventions on child labour (conventions 138 and 182), where we carried out an external subcontractors audit on one portfolio company. The audit began by analysing the company's operation, focusing on children's rights. Five of the company's subcontractors were also covered. The study revealed deficiencies in formal processes among several of the subcontractors

TYPE OF VISIT	SECTOR	COMPANY	COUNTRY
EXTERNAL AUDIT	Manufacturing & services	Polygenta	India
	Manufacturing & services	Deacon	Kenya
INTERNAL AUDIT	Financial institution	Norsad	Africa
	Financial institution	SEF	South Africa
	Manufacturing & services	Athi Steel	Kenya
	Manufacturing & services	AAR	Kenya
	Financial institution	XAC Bank	Mongolia
	Financial institution	Kinyeti	South Sudan ¹
SITE VISIT	Fund	ECP	Africa ¹
	Manufacturing & services	Athi Steel	Kenya
	Manufacturing & services	NWH	Kenya

in investigating the ages of their staff. The portfolio company has established a system to involve itself with its subcontractors, but there are improvement opportunities both at portfolio company level and with respect to the requirements placed on subcontractors.

An additional supply chain audit was carried out internally during the year in another portfolio company within the manufacturing and service sector. The focus was on analysing the portfolio company's systems and processes for purchases, and on giving advice on improvement opportunities. Both the external and internal audits resulted in recommendations and action plans.

During the year, three internal audits were carried out, as well as one site visit in the Financial Institutions sector. In two of the cases, the audit began with a meeting with the financial institution, in which the policy and processes, as well as implementation and execution in practice were discussed and checked. In addition, the companies' compliance with Swedfund's sustainability policy was analysed, followed by two or three visits to the financial institution's clients/investments. During the audits,

interviews were also held with the CFO, HR, E&S staff, quality, IT and more. In the first portfolio company, the audit was carried out as a first visit to the company, because the E&S categorisation (FI-B) in accordance with the procedures requires a visit every two or three years. The visit resulted in recommendations on how the company could improve, and the timetable for the execution of these recommendations.

In the second portfolio company, the audit was carried out because the ESG team, in its analysis of the annual Swedfund's Portfolio Company Sustainability Report, noticed that the company had not fulfilled all the strategic sustainability targets. The portfolio company itself was very positive about the visit and the support they were able to obtain for improvement measures. This visit also led to an environmental and social action plan.

A further internal audit was carried out at a bank, as well as a site visit. A site visit was made during the year to a fund manager.

SERIOUS INCIDENTS

The portfolio companies are contractually bound to report serious incidents to Swedfund. During 2016, four (2015: nine) serious incidents were reported, of which three (2015: nine) took place in portfolio companies of funds in which Swedfund invested. In total, two (2015: six) deaths were reported in connection with the incidents. Of the

incidents, three related to road traffic accidents, while one was related to workplace safety. Our goal is that no serious incidents shall take place in companies, and deaths are unacceptable, which is why we follow the investigation of these incidents carefully.

When serious incidents are reported, Swedfund follows up that appropriate actions have been taken. Depending on the circumstances (employee or "civilian", road traffic accident or workplace accident) an action plan is drawn up by

the portfolio company. The figures for the year show that there is a continuing need for improved safety procedures at the portfolio companies.

With effect from 2016, the reporting method has been changed to cover serious incidents at portfolio companies, as well as funds' portfolio companies. The report does not include serious incidents on the premises of borrowers from banks, as well as subcontractors to portfolio companies. This was included previously.

^{1,1}Took place in Nairobi

FINANCIAL VIABILITY

Swedfund shall contribute to the creation of businesses that are profitable in the long term and, therefore, financially viable, in the world's poorest countries. The overall progress of Swedfund's investment is described below.

DIRECT INVESTMENTS IN EQUITY AND LOANS

A PRECONDITION for the development results to be achieved through entrepreneurship is that the businesses are financially viable, i.e. profitable. That is why it is central for Swedfund to monitor and report on the financial performance of our investments. It is preferable to do this individually for each company, on the basis of the companies' specific conditions in the markets in which they operate. The monitoring of each individual investment is carried out internally, and this is an important part of the Investment Managers' work. With reference to each company's operation, and commercial secrecy in the investment agreements we have entered into, it is not possible for us to report key ratios at individual company level. For that reason, we have decided to report key ratios at an aggregate level for the companies, since this gives a picture of their performance. The median values of direct investments in equity and loans in terms of growth in turnover (percentage change in turnover 2014–2015), return on equity and profit margin (profit after tax/turnover) are given below. The figures are based on the latest available audited financial statements starting with the 47 direct investments via equity and/or loans in Swedfund's portfolio at the end of 2015 (see page 77 for more information

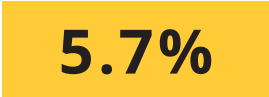
on the selection). In addition, the key ratios are reported only for the latest financial year, as holdings are acquired and sold continuously. This makes it impossible to compare the exact same holdings over time, without drastically limiting the selection. Finally, the median value has been used, since the limited number of investments in combination with the substantial variation in growth and profit margins means that the performance of an individual holding can have a major impact on the average value, and this would give a skewed picture of the performance of the portfolio as a whole. The median is not affected to the same extent by the figures for an individual holding, so it gives a more consistent picture over time, and also a fairer one. The variation in performance between holdings underscores the importance of Swedfund continuously monitoring the portfolio companies and, in close collaboration with them, affecting the companies' strategic commercial development. This is to enable the companies to achieve financial viability and continue to deliver development results over time, even after Swedfund has exited from the investment.



GROWTH IN TURNOVER
(MEDIAN)



RETURN ON EQUITY
(MEDIAN)



PROFIT MARGIN – PROFIT
BEFORE TAX AS A % OF
TURNOVER (MEDIAN)



FUNDS

FOR FUNDS, ACCESS to capital from private players remains low in our markets. Our fund investments give us the opportunity to actively support the mobilisation of private capital, contribute to the develop-

ment of entrepreneurs and SME's, which in turn provide essential job opportunities in the countries in which we operate. At the end of the year, Swedfund had 12 investments in funds (see table below), the total

contracted amount of SEK 866 million. Information on the number of investments is based on reports for seven funds from 2015 and five funds for 2014.

FUND	COUNTRY/REGION	AGREEMENT YEAR	NUMBER OF INVESTMENTS
Adenia III	Africa	2013	5
African Development Partners II (DPI)	Africa	2013	3
AfricInvest Fund III	Africa	2014	3
Apis ¹	Africa/Asia	2015	–
Baring India Fund II	India	2005	7
CEF III	China	2008	13
ECP Africa Fund II	Africa	2006	–
ECP Africa Fund III	Africa	2008	8
GIASF I	India	2007	4
Investec 2 (IAPEF2)	Africa	2015	4
Mint Capital II	Russia	2005	6
SEAF Sichuan SME Investment Fund LLC	China	2000	2
TOTAL			67

FINANCIAL INSTITUTIONS

THE NEED FOR CAPITAL among financial institutions such as banks is driven by strong market growth and stringent regulation. The opportunity to obtain long-term commercial financing is limited, given the limited maturity which characterises the financial system

in the countries in which we operate. Through increased lending to, and investment in, financial institutions, Swedfund contributes to the further development of the financial system and facilitates continued lending to SMEs, and this in turn creates job opportunities. As

of 31 December 2015, Swedfund had nine investments in financial institutions, see the table below.

INVESTMENT	COUNTRY	INVESTMENT INSTRUMENT	AGREEMENT YEAR
Acleda	Cambodia	Loans	2015
Ecobank Nigeria	Nigeria	Loans	2015
Fidelity Bank	Ghana	Loans	2014
Kinyeti Capital	South Sudan	Equity	2012
Komercijalna Banka	Serbia	Equity	2009
NMB	Tanzania	Loans	2015
Norsad Finance	Africa	Equity	2012
TBC Bank	Georgia	Loans	2013
The Small Enterprise Foundation (SEF)	South Africa	Loans	2012

SELECTION PRINCIPLES & DEFINITIONS

When we report the results for our portfolio companies and investment funds, we report them in their entirety, not in relation to Swedfund’s share of ownership or Swedfund’s percentage of the company’s financing.

Non-financial results reporting is based on Swedfund Portfolio Company Sustainability Report or other DFI’s reporting format. Financial data comes from the portfolio companies’ most recent audited financial statements.

SELECTION FOR SWEDFUND PORTFOLIO COMPANY SUSTAINABILITY REPORT

Portfolio companies which fall under the following categories are not included in the results reporting companies in liquidation, portfolio companies and co-financing facilities which report through another

DFI, companies not yet operational and projects in which investment has not yet begun.

Two of the companies from which Swedfund exited during the year carried on their operation during the year and have, therefore, been included in the report. 22 of the reporting companies were in the portfolio in both 2014 and 2015. New investments approved during 2015 were not included if investment had not begun (ie had not been disbursed) or if the company was not operational.

DEFINITIONS

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

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

Senior management: Includes both company management and senior management.

Tax*: Reported tax refers to tax reported in the income statement of the portfolio company’s audited annual accounts. For funds, the fund manager’s tax information is reported. For portfolio companies that show negative earnings before tax, no tax is included. The tax is converted from local currency to SEK at the closing date for the exchange rate.

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

*Definitions marked with * are harmonised definitions. Read more about the initiative and definitions of indicators at ifipartnership.org/indicators*

FOOTNOTES

1 Information on the number of job opportunities is derived from the companies’ self-declaration. For three funds for which we do not have the self-declaration for 2015, the information from the 2014 reports has been used. For one company, the information is taken from the latest available quarterly report. For one company, the information comes from the company’s annual report.

2 The portfolio contains a total of 47 share and loan investments (in addition to 12 funds and 4 co-financing mechanisms). Access to data may vary – profit margins are based on a single year, while sales growth and return on equity use data from multiple years. The date of each investment may, therefore, limit the size of the selection for the respective key ratio.

3 Reporting is based on the companies’ most recently audited financial statements. At the end of 2016, the

most recently audited annual reports as at 31 December 2015. Companies in India report as at 31 March, and a few investments have reporting periods to 30 June.

4 Investments in the Apis fund were contracted in 2015, and the fund did not make any investments in 2015.

5 Funds also have non-controlling interests in listed companies, and these are not included in the funds’ reports.

SWEDPARTNERSHIP

Swedpartnership, through its financial support, gives small and medium-sized Swedish businesses a unique opportunity to start sustainable collaborations with companies in developing and growth markets in which Swedfund operates.

WE SHARE SWEDISH COMPANIES' RISK

Swedpartnership contributes to the creation of sustainable and financially viable local companies in the countries where Swedfund is active. We share the risk with small and medium-sized Swedish businesses. This enables the companies to dedicate the resources required to establish long-term collaboration with local partners in Africa, Asia, Latin America and Eastern Europe.

TECHNOLOGY TRANSFER TO POOR COUNTRIES

The financial support is intended primarily for transfer of know-how and

investment in machinery and equipment. All activities and resources financed through the support are targeted at the staff or operations of local enterprises. Through this, the Swedish companies' technology, know-how, culture, willingness to invest and risk-taking help fulfil the purpose of Swedpartnership.

202 PROJECTS APPROVED SINCE 2009

Every year, Swedpartnership has contact with about a hundred Swedish companies planning to invest in a developing or emerging market. During 2016, these contracts resulted in 32 applications for financial support. Since the operation started in 2009,

Swedpartnership has approved a total of 202 projects. For 2017, SEK 30 million has been allocated for new applications, which provides the opportunity for financing additional 25–30 projects in the countries in which Swedfund is active.

DEVELOPMENT RESULTS 2016

SWEDPARTNERSHIP evaluates and monitors a project's development results based on the three pillars – impact on society, sustainability and financial viability. Specific indicators have been developed that are adapted to the format of the financial support and the time-frame of the projects. The indicators for the "impact on society" pillar are new job

opportunities, and the transfer of technology and know-how. During 2016, for sustainability, we introduced – according to plan – five measurable targets when monitoring the projects. Sustainability is the pillar for which Swedpartnership often has direct influence and the opportunity to further develop the applicant companies' own policies. The aim of the

requirements set for the projects is that Swedpartnership shall assist in establishing a long-term and systematic approach to sustainability issues within and among the collaborating companies. During 2016, Swedpartnership developed a new management system for ESG. The intention is to implement this during 2017.

MEASURE	2016	2015	2014
Number of projects approved during the year	21	17	25
Number of projects completed during the year	17	26	20
Number of new job opportunities (employees)	189	289	n.a.
Investments in machinery and equipment, SEK million	11.5	18.0	12.8
The transfer of know-how to which Swedpartnership has contributed, measured in number of hours during the year	42,400	58,700	42,500

Vertical Transparium as a fence and noise reducer at Luleå Energy.

SALES:
SEK 28.5 MILLION

SOLVINA

SWEDISH OPERATION: Engineering company with services aimed at the power industry and the energy intensive electricity generating industry

TURNOVER:
SEK 19.5 MILLION

METRUM
SWEDEN

SWEDISH OPERATION: Manufacturing and marketing of systems and instruments for measuring energy and electricity quality

SALES:
SEK 62.4 MILLION

PPAM
SOLKRAFT

SWEDISH OPERATION: Development, manufacture, sale and installation of solar power equipment and renewable energy systems

Swedish environmental technology companies boost sustainable energy supply in India

SWEDPARTNERSHIP is committed to its goal of increasing the proportion of projects in the environmental and climate area that it finances. That is why we are working closely with the Energy Agency in India, who, in partnership with Business Sweden and The Confederation of Indian Industry, runs ISIA (India-Sweden Innovations Accelerator). ISIA promotes commercial collaboration between Indian and Swedish companies focusing on environmental technology and renewable energy. The primary purpose of ISIA is to help Swedish companies establish local contacts and create a sustainable business plan in preparation for establishing operations in India.

Through ISIA, Swedpartnership has been able to discuss with companies the opportunity to apply for setup aid. Since financing is an important issue, and there are high risks involved in investing in India, the setup aid is an excellent complement to the activities of the Energy Agency.

THE COLLABORATION with the Energy Agency is helping to create better conditions for the companies to succeed in establishing themselves in India. It is fully in line with Swedpartnership's ambition to identify and finance more projects linked to the environment and climate.

TWO OF THE SWEDISH companies which are involved in ISIA are Metrum Sweden and PPAM Solkraft. India Metrum is co-operating with another company, Solvina AB, and both companies have received financial support from Swedpartnership when establishing their businesses in the country. At the turn of the year, PPAM Solkraft and Swedpartnership held far-reaching discussions regarding the Linköping-based company's ventures in solar power installations in India.

"We have already installed a facility with 120 solar panels in Bangalore, and we are continuing our involvement in the Indian market. ISIA is helping us with local contacts, meeting companies and opening doors for potential projects. But progressing further requires both personnel resources and expertise, as well as financing support. Swedpartnership has proved to be an exceptional partner in this respect", says Andreas Molin, CEO of PPAM Solkraft AB.

SWEDFUND'S PERFORMANCE

Two new financial targets were adopted at Swedfund's extraordinary general meeting in December. The first target declares that the company's key performance indicator for operating profit/loss (EBIT) must be positive. The second target requires that the company's cost (excluding write-downs) revenue (excluding capital gains/losses and reversals) ratio must be below the target figure of 0.9 within three years. The new targets strengthen the company in its ambition to carry out its operations in a business-like and profitable manner, in line with the owner instruction and Swedfund's mission.

The performance of companies which provide development finance varies sharply from year to year, depending on the sales results achieved and the particular investment phase the company is in. Sales of shares, dividends, interest and fees, as well as the net of reversals and write-downs constitute the key parameters for Swedfund's performance trends. As investors, we take a long-term per-

spective, with a time horizon for individual investments of 7–10 years.

Swedfund adopted a new strategy in 2013; to balance its portfolio between development benefit and a positive result for the company. Since then, the company has consistently improved its operating profit (EBIT). The proportion of loans in the portfolio is increasing steadily, which has been a major con-

tributory factor in the company achieving both a positive EBIT and a C/R ratio below 0.9 (the target level we are aiming for over a three-year period). This year, the increase is partly helped by non-recurring effects, such as reversals of provisions made in previous years.

Swedfund's operating profit for 2016 was SEK 1.5 million.

EBIT	2016	2015	2014
SEK MILLION	1.5	-4.6	-86.6
C/R	2016	2015	2014
	0.89	1.14	1.10

DEFINITION OF EBIT:
Operating profit, profit before financial items and tax > 0

DEFINITION OF C/R:
Costs (excluding write-downs)* divided by revenue (excluding capital gains)**

*Costs for interest and fees, other portfolio costs, other operating expense, other external expense, personnel costs and depreciation of tangible assets.

**Share dividends, income from interest and fees, other portfolio income and other operating income.

SALES OF SHARES

No significant sales of shares took place during the year. All sales refer to participations in funds and the accumulated sales gave rise to a capital loss of SEK 2.9 million.

DIVIDENDS

Dividends for the year totalled SEK 13.4 million, which is on a par with the preceding year.

INTEREST AND FEES

Interest and fees in respect of the company's loan portfolio show a clear trend. During the year, the company increased its lending by a net of SEK 441.6 million. The year generated a net interest income of SEK 63.7 million, compared with a net interest income of SEK 60.0 million the preceding year.

REVERSALS AND WRITE-DOWNS

Reversals and write-downs of shares, loan and interest are carried out in accordance with the company's accounting policy, which is presented in full on page 90. During the year, the net of reversals and write-downs amounted to SEK -7.4 million. Given Swedfund's mission and operation, reversals and write-downs are a natural part of its activities. Reversals for the year refer to SEK 57 million in loans and SEK 17 million in shares. Write-downs for the year refer to SEK 57 million in loans and SEK 24 million in equity and funds.

OTHER INCOME AND EXPENSE

Other portfolio income and expense, as well as other operating income and expense, refer to direct expenses attributable to active projects and investments, i.e. Swedpartnership,

TA (Technical Assistance), the Strategic Project Development programme and exchange differences.

OTHER EXTERNAL EXPENSE

Swedfund's other external expenses were lower this year than for the corresponding period of the preceding year. The higher expenses for 2015 are partly explained by non-recurring expenses. Among other things, the company moved into smaller and more suitable premises. In recent years, the company has implemented a number of cost-saving measures. Agreements have been renegotiated, the company's change of offices has resulted in lower rent and building expenses, we are travelling more cheaply etc. Costs which have increased are primarily related to HR, the development of new policies such as the environmental and

anti-corruption policies, as well as costs associated with the implementation of a new system for portfolio company data. While the costs have increased in these areas, Swedfund considers them to be critical to deliver against the business plan for the 2015–17 period.

OTHER INTEREST INCOME, INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS
Other interest income, interest expense and similar profit/loss items referred to return on the company's securities and cash and bank balances maintain

a certain level liquidity on its balance sheet, to be able to deliver on its commitments and disburse agreed amounts at various points in time. Swedfund does not aim to maximize the return on its liquidity, but rather to minimize the risk. The currently negative rates in the financial markets mean that the return this year was negative.

TAXES
During 2016, the company carried out a review of its tax status. Formerly, the company treated its business as a securities operation, and its portfolio

investments as inventory items. Once the review had been completed, Swedfund concluded that its operations, from a tax point of view, should be re-classified as capital management, and its assets classified as capital assets. A voluntary adjustment to the tax returns in respect of the years 2010–2015 was submitted to the Swedish Tax Agency on 21 December (see also notes to the accounting policies, pages 90–91).

INVESTMENTS ENDED DURING THE YEAR (SEK MILLION)

PROJECT	COUNTRY	INDUSTRY	INVESTMENT INSTRUMENT	PERIOD/ YEARS	INVESTED AMOUNT	EXIT AMOUNT	PROFIT/ LOSS	IR
ENERGY ACCESS PARTNERSHIP (EAP)	South Africa	Development of energy projects	Equity	5.0	0.3	0.0	-0.3	-100%
KURDMED	Iraq	Hospital	Equity/Loans	4.5	34.6	4.7	-29.9	-52.7%
POLYGENTA TECH-NOLOGIES LTD	India	Production of polyester thread from recycled PET bottles	Loans	7.0	76.5	32.6	-43.9	-15.3%
PRESTANDO ASIA	China	Manufacturing parts for the automotive, rubber and metal industries	Loans	7.0	4.0	1.8	-2.2	-15%
VMG	Belarus	Wood processing plant	Loans	4.0	57.5	96.3	38.8	15.9%

The table above shows the investments which were completed in their entirety during 2016. In the majority of the companies, the exit process has been implemented step-by-step over several years. Most investments, such as Kurdmed and Polygenta, were written off in the preceding year and do not affect this year's results. The most significant investments by amount invested, results and other development effects are reported below.

Polygenta: In 2011, Swedfund granted a loan to the company through a joint investment with the GIASF fund, in which Swedfund is an investor. The investment was used for the expansion of the existing factory and the purchase of production machinery. Polygenta's process uses the patented technology, ReNew, to manufacture polyester yarn from recycled PET bottles. ReNew is licensed from Polygenta's parent, PerPetual. The process makes it possible to restore PET bottles, to their original state irrespective of type or colour, which gives properties equiv-

alent to new petrochemical feedstock. The purpose of the investment was to make it possible to produce polyester yarn from recycled feedstock, improve the external environment, the working environment and working conditions. During the period of the investment, ESG processes and reporting have been made more stringent. A subcontractor review has also been carried out by a third party jointly with the company, with good results. In addition, considerable effort has gone into combating corruption. The factory now has around 250 employees. The loan was acquired in its entirety by PerPetual during 2016.

VMG Industry: A Belarusian company which was established with the aim of constructing, owning and operating a timber and furniture factory in Mogilev (Eastern Belarus). VMG Industry is owned by an experienced Lithuanian timber product company, who also contributed equity. The loan financing came from a number of sources, including EBRD and Swedfund, in which Swedfund granted a subordinated loan.

Swedfund's motives for participating in the project were to contribute to the creation of sustainable jobs and to support the development of the private sector in Belarus. Given the central role that the forestry industry plays in Belarus, the opportunity for knowledge transfer which was incorporated into the project was another motivating factor.

The factory has now been built and is in operation.

It is a modern facility with over 1,300 employees, supplying high-quality products. It is expected to remain an important player in the Belarusian timber industry in the future.

The agreement for the loan financing was signed in 2011. In 2016, the owners decided to refinance the loan, and Swedfund's loan was repaid in full at that point. The results achieved show that the project was successful with respect to Swedfund's three pillars (financial viability, sustainability and impact on society).

FINANCING OPERATIONS

With the exception of Swedpartnership and funds for Technical Assistance (TA) and Strategic Project Development, Swedfund is entirely financed through equity.

The company's financial position is satisfactory. The equity/assets ratio is 75.9 percent (81.3 percent). During the year, the company received a capital injection of SEK 400 million (SEK 0 million). Current liabilities amounted to 7.9 percent (6.9 percent) of the balance sheet total. The portfolio investments' share of the balance sheet total amounted to 41.2 percent (36.5 percent).

In order to limit the company's currency risk and interest-rate risk in connection with lending in foreign currency, lending was hedged through corresponding borrowing with the Swedish Export Credit Corporation. On 31 December, borrowing amounted to SEK 1,177 million, and is pledged in its entirety to the Swedish Export Credit Corporation.

Swedfund's own funds amounted to SEK 1,772 million, and consist of cash and bank balances and non-pledged securities. Own funds were appropriated in accordance with figure 1 on the right.

Provisions, otherwise known as "earmarked funds", for the company's approved and agreed investments, amounted to SEK 1,171 million, and are divided by investment instrument, sector and geography in accordance with figure 2 below. Approved and agreed investments are often disbursed in part disbursements over several years. Cash and cash equivalents must, therefore, be earmarked for approved and agreed investments to ensure that the company is able to fulfil its disbursement obligations.

FIGURE 1. SWEDFUND'S ALLOCATION OF OWN FUNDS, TOTAL SEK 1,772 MILLION, 31 DECEMBER 2016

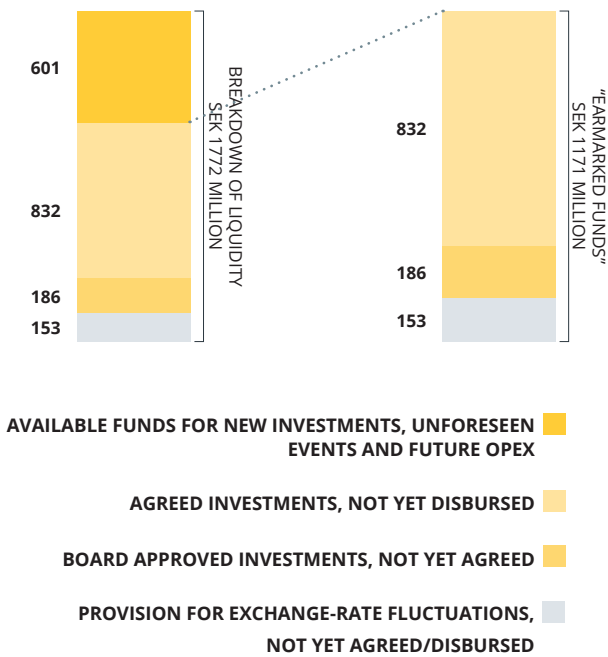
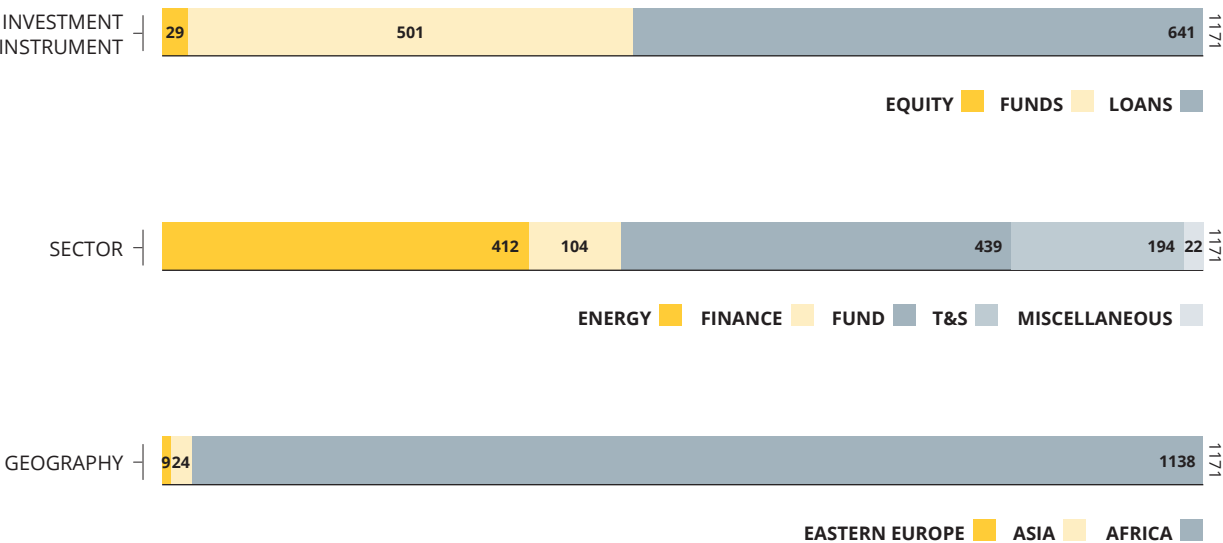


FIGURE 2. EARMARKED FUNDS ALLOCATED BY INVESTMENT INSTRUMENT, SECTOR AND GEOGRAPHY.



STRATEGIC SUSTAINABILITY
TARGET ENVIRONMENTAL AND
SOCIAL MANAGEMENT SYSTEM

Swedfund's internal management system, ESG Toolkit, describes the systems and processes applied for environmental and social issues in all investments, instruments and countries. ESG Toolkit is a manual for implementation of the policy documents, procedures and related documents that guide work on ESG issues. ESG Toolkit is updated continuously and during 2016 we commissioned a third-party review of all processes related to human rights. Read more on the HR datasheet on page 42.

SWEDFUND'S CARBON FOOTPRINT

Swedfund strives to reduce the company's carbon footprint. Electricity, heating and business travel generate Swedfund's largest emissions of greenhouse gases. Swedfund's headquarters in Stockholm has a green rental agreement based on 100 percent renewable electricity. There is no environment-friendly alternative available for supplies of electricity and heating for our office in Nairobi. A diesel generator is available to cover power cuts in the office building in Nairobi where Swedfund rents office space. Emissions from energy use in the offices amounted to 5.8 tonnes of carbon dioxide equivalents for 2016 (2015: 4.9). Travel by Swedfund staff creates an environmental load but is essential if Swedfund is to meet its responsibility as a proactive, value-generating owner and carry out thorough due diligence for new investments. We offset all emissions from our air travel. In 2016, Swedfund tightened its reporting of emissions, and, in contrast to previous years, now includes emissions at high

altitude. Emissions from business travel have been estimated to 661 tonnes of carbon dioxide equivalents for 2016 (2015: 614). Thus, totally, we report 667 tonnes of carbon dioxide equivalent, covering electricity, heating and all air travel. Swedfund's primary environmental impact is through the activities of portfolio companies. Starting in 2017, Swedfund will also record the emissions from companies in which we invest. This means that, from now on, Swedfund will be able to report the carbon footprint of the entire investment portfolio.

As in previous years, we compensate for our climate impact through a REDD+ project in south-eastern Kenya. REDD+ (Reducing Emissions from Deforestation and Degradation) is a strategy applied by the UN to limit climate change and help to stop the destruction of the world's forests.

Swedfund has recalculated flight emissions for 2015 business travel to include the cloud formation factor (RFI), which takes account of the increased climate impact of emissions at high altitudes. This has led to a figure of emissions of 619 tonnes of carbon dioxide equivalents for 2015, instead of the previously reported figure of 263 tonnes.

WORKING ENVIRONMENT POLICY

The work environment is an important issue for Swedfund, both internally and as a vital issue in our portfolio companies. During the year, we developed our working environment policy, starting from the regulatory framework within the area. Our ambition is to provide a first-class workplace. Our approach is intended to achieve a sound working environment and to prevent ill-health and accidents.

Swedfund's management have drawn up a structure and process for a systematic approach to the working environment. The employees' representatives were kept updated on the process and given the opportunity to present their views and suggestions for improvements. After the working environment policy was approved, all members of staff were invited to a review, discussion and education event. The working environment policy and the working environment processes will be evaluated and refined continuously to ensure that we achieve a working environment that all members of staff can be proud of.

EQUALITY

Swedfund is implementing a gender equality plan established for 2015–2017. The plan establishes how the monitoring and development of the company's HR activities are to be performed. The aim, based on the company's values and strategy, is to create an HR strategy focused on the development of the business with gender equality taking a central role. The effort to realise identified activities continued during 2016. This included a survey of the company's staff. The survey results led to the preparation of an action plan which has been incorporated in the company's operational plan for 2017.

The table below shows the age distribution of the Board of Directors, the management team and staff.

In 2016, the number of days taken for parental leave amounted to 148 (126) days, and other leave of absence to 101 (139) days. All employees are on full-time, permanent contracts of employment.

TABLE. DIVERSITY & GENDER EQUALITY

AGE DISTRIBUTION, MANAGEMENT AND BOARD	2016		2015	
	TOTAL	PERCENTAGE DISTRIBUTION	TOTAL	PERCENTAGE DISTRIBUTION
30-49 YEARS	6	43%	8	53%
50 YEARS OR OLDER	8	57%	7	47%
TOTAL	14	100%	15	100%

AGE DISTRIBUTION, EMPLOYEES (INCLUDING MANAGEMENT)	TOTAL	PERCENTAGE DISTRIBUTION	TOTAL	PERCENTAGE DISTRIBUTION
29 YEARS OR YOUNGER	1	3%	2	6%
30-49 YEARS	23	66%	22	61%
50 YEARS OR OLDER	11	31%	12	33%
TOTAL	35	100%	36	100%

STRATEGIC SUSTAINABILITY
TARGET – ANTI-CORRUPTION

During 2016, we put a great deal of effort into strengthening our anti-corruption campaign. For more information on our revised anti-corruption policy, as well as our policy on gifts, hospitality and improper benefits see page 33.

FUNDS FOR TECHNICAL
ASSISTANCE (TA)

The TA funds are used to strengthen development results in the portfolio company through initiatives within all three pillars. The support may not be used to finance investments which are judged to be part of the regular operation.

TA CONTRIBUTIONS	DESCRIPTION
Women 4 Growth	Refers to the implementation of the talent programme, Women4Growth, at four hotels in which Swedfund has invested. The investment was made in collaboration with Rezidor.
Water study DBL	Consists of a detailed study of water availability in the area, as well as a plan for optimising water use, in preparation for a decision on new investment.
Water investment Anti-corruption	Refers to the implementation of the improvement/intensification efforts involving anti-corruption work in the portfolio companies.
Climate calculation	Refers to a climate calculation for Swedfund focusing on the portfolio companies including identifying portfolio companies with the greatest impact on climate, and the development of action plans.
ESG Action Plan Addis Quarry	Refers to the development of an environmental and social management system, expertise and capacity development, as well as project management and communication.
Human Rights Impact Assessments	Refers to the implementation of a number of Human Rights Impact Assessments during different phases of the investment cycle at those portfolio companies which are deemed to have the highest risk in relation to human rights.
Addax Exit Support	Intended to support the new owners in continuing the excellent work pioneered by Addax in the form of high environmental and social standards, knowledge and capacity building, impact on society etc.

SWEDPARTNERSHIP

Swedfund’s finance programme, Swedpartnership, provides financial support through depreciation /write-downs loans to small and medium-sized Swedish enterprises for investments in the developing countries where Swedfund is active. The operation, which includes the exercise of public authority, is financed in its entirety by the Swedish government, through a specific allocation of funds. Read more on Swedpartnership on page 78. There is additional information at swedfund.se.

During the year, 30 loans totalling SEK 25,765,000 were settled/written down in accordance with the project plan. 13 loans totalling SEK 9,785,000 refers to loans which were concluded in the previous year, but were not reported until this year. 5 loans, involving SEK 453,000, have been repaid.

	AGREED WRITE-DOWN LOANS DURING THE YEAR		WRITE-DOWN LOANS DISBURSED DURING THE YEAR	
REGION	PROPORTION OF		PROPORTION OF	
AFRICA	7,160	30%	4,713	26%
ASIA	11,432	48%	8,558	47%
EASTERN EUROPE	5,205	22%	4,827	27%
TOTAL	23,797	100%	18,097	100%

STRATEGIC PROJECT DEVELOPMENT

During 2016, Swedfund received a total of SEK 27 million from the Swedish government’s export strategy, for financing the project preparation and project support investments in DAC countries.

The aim of this finance is to support the development of “sustainable projects”, i.e. projects which are financially, socially and environmentally sustainable. At present, procurements in DAC countries often give great weight to the lowest purchase price. Sustainability, system and life-cycle perspectives are largely lacking. In addition, there is often no capacity to develop projects which are “bankable”, i.e. they are not complete and are not carried out in a way which enables the project to attract financing. For this reason, the projects cannot be implemented, even where both the need and money which is looking for projects to finance, are present. Swedfund’s willingness to part-finance consulting and advisory inputs can, accordingly, enable more sustainable projects to be developed and implemented.

Supporting players in DAC countries in developing sustainable projects also creates greater business opportunities for Swedish

companies. Swedish companies have often found it difficult to compete internationally purely on the basis of lowest price, but they are often at the cutting edge in systems solutions, where sustainability and life-cycle costs are powerful sales arguments. For that reason, procurements based on sustainable project development generate greater opportunities for Swedish companies – as well as for other enterprises with equivalent qualities in their offers.

During 2016, Swedfund prepared and developed the approach to the new operation, and also initiated the operational work. The approach is based on collaborating with other players within Team Sweden. Identified potential investments are analysed and evaluated using a defined process. In the autumn of 2016, over 30 possible investments were identified. Three projects have Concept Clearance status, and so funds have been earmarked for investments. Two of these are projects in Africa and one in Southeast Asia. Two involve sustainable transport, and one energy. The projects in preparation, however, include the health and medical care sector, civil security and water purification. The majority of projects have been identified in Africa, followed by

Southeast Asia, but proposals are also under consideration in South America, Central Asia and Eastern Europe. The first investments are expected to be made during 2017.

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes that the profits be appropriated so that SEK 3,554,651,729 is carried forward. The company’s results and position are reported in the income statement, balance sheet, equity report and statement of cash flows, with the associated notes with accounting policies and notes to the accounts. Read more on pages 85–100.

The table below describes the profits in SEK at the disposal of the Annual General Meeting.

ACCUMULATED PROFIT/LOSS	CAPITAL CONTRIBUTION
3,197,287,507	400,000,000
NET PROFIT/LOSS FOR THE YEAR	TOTAL AVAILABLE FUNDS
-42,635,778	3,554,651,729

INCOME STATEMENT

AMOUNTS IN SEK (THOUSAND)	NOTE	01-01-2016–31-12-2016	01-01-2015–31-12-2015
SALE OF SHARES	2.4		
Sales proceeds		43,810	297,752
Acquisition costs		-46,695	-117,977
		-2,885	179,775
SHARE DIVIDEND	2	13,399	15,136
INTEREST AND FEES	2		
Income		78,926	68,474
Expenses		-15,239	-8,466
		63,687	60,008
NET REVALUATION OR WRITE-DOWNS OF PORTFOLIO INVESTMENTS	11, 12		
Reversals		73,983	29,566
Write-downs		-81,363	-200,888
		-7,380	-171,323
OTHER PORTFOLIO INCOME	2	6,804	2,558
OTHER PORTFOLIO EXPENSES		-4,259	-10,654
OTHER OPERATING INCOME/EXPENSES	3	5,301	7,733
GROSS PROFIT		74,667	83,234
OTHER EXTERNAL COSTS	3, 5	-20,101	-34,444
PERSONNEL COSTS	1, 3	-51,928	-52,197
DEPRECIATION OF TANGIBLE ASSETS	9	-1,103	-1,142
OPERATING PROFIT/LOSS		1,534	-4,550
RESULTS FROM FINANCIAL ITEMS			
OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS	6	-	8,855
INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS	7	-8,787	-1,504
PROFIT/LOSS AFTER FINANCIAL ITEMS		-7,253	2,802
PROFIT/LOSS BEFORE TAX		-7,253	2,802
TAX ON PROFIT/LOSS FOR THE YEAR	8	-35,383	-782
PROFIT/LOSS FOR THE YEAR		-42,636	2,020

BALANCE SHEET

ASSETS

AMOUNTS IN SEK THOUSAND	NOTE	31-12-2016	31-12-2015
NON-CURRENT ASSETS			
LAND AND BUILDINGS			
Expenses for improvement of other owner´s property	9	2,155	2,586
TANGIBLE ASSETS			
Equipment	9	1,877	2,549
FINANCIAL ASSETS			
Other securities held as non-current assets	10	1,666	1,834
Deferred tax asset	15	10,100	33,950
		11,766	35,784
TOTAL NON-CURRENT ASSETS		15,798	40,919
CURRENT ASSETS			
INVESTMENTS IN PORTFOLIO COMPANIES			
Shares	12	990,343	883,607
Loans	11	1,260,191	818,600
		2,250,534	1,702,206
CURRENT RECEIVABLES			
Tax asset		–	1,638
Accounts receivable		2,439	9,853
Other receivables		39,915	53,229
Prepaid expenses and accrued income	13	49,258	34,867
		91,612	99,588
INVESTMENTS IN SECURITIES ETC.	14, 18	3,008,035	2,754,010
CASH AND BANK BALANCES	18	95,458	60,765
TOTAL CURRENT ASSETS		5,445,639	4,616,569
TOTAL ASSETS		5,461,437	4,657,487

EQUITY AND LIABILITIES

AMOUNTS IN SEK THOUSAND	NOTE	31-12-2016	31-12-2015
EQUITY			
Share capital		50,000	50,000
Statutory reserve		540,000	540,000
		590,000	590,000
Accumulated profit/loss		3,597,288	3,195,267
Profit/loss for the year		-42,636	2,020
		3,554,652	3,197,288
TOTAL EQUITY		4,144,652	3,787,288
PROVISIONS			
Provision for pension obligations	18	1,369	1,536
LONG-TERM LIABILITIES			
Liabilities to credit institutions	16	881,363	545,203
		881,363	545,203
CURRENT LIABILITIES			
Liabilities to credit institutions, current part		295,758	207,685
Accounts payable		2,221	3,873
Income tax liabilities		9,815	-
Other liabilities		74,096	97,631
Accrued expenses and deferred income	13	52,163	14,273
		434,053	323,461
TOTAL PROVISIONS AND OTHER LIABILITIES		1,316,785	870,200
TOTAL EQUITY AND LIABILITIES		5,461,437	4,657,487

EQUITY

AMOUNTS IN SEK THOUSAND	SHARE CAPITAL	STATUTORY RESERVE	ACCUMULATED PROFIT/LOSS	PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
EQUITY 31-12-2014	50,000	540,000	3,257,896	-62,629	3.785.267
Appropriation of profit/loss in accordance with the resolution of the annual general meeting for the year:			-62,629	62,629	-
Capital contribution			-		-
Profit/loss for the year				2,020	2,020
EQUITY 31-12-2015	50,000	540,000	3,195,267	2,020	3,787,288
Appropriation of profit/loss in accordance with the resolution of the annual general meeting for the year:			2,020	-2,020	-
Capital contribution			400,000		400,000
Profit/loss for the year				-42,636	-42,636
EQUITY 31-12-2016	50,000	540,000	3,597,288	-42,636	4,144,652

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

CASH FLOW STATEMENT

AMOUNTS IN SEK THOUSAND	NOTE	2016	2015
OPERATING ACTIVITIES			
Profit/loss after financial items		-7,244	2,811
Adjustments for non-cash items etc.	17	78,616	181,873
		71,373	184,684
Tax paid		-79	7,019
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		71,294	191,703
Cash flow from changes in working capital			
Increase(-)/Decrease (+) in investments in portfolio companies		-510,163	-142,149
Increase(-)/Decrease(+) in operating receivables		-179	29,368
Increase(+)/Decrease (-) in operating liabilities		-32,973	-76,197
CASH FLOW FROM OPERATING ACTIVITIES		-472,021	2,725
INVESTING ACTIVITIES			
Acquisition of tangible assets		-1	-5,141
Investments in (-)/disposals of (+) financial assets		-381,379	-48,263
CASH FLOW FROM INVESTING ACTIVITIES		-381,380	-53,404
FINANCING ACTIVITIES			
Capital contribution		400,000	-
Decrease(-)/Increase (+) in loans		329,158	37,172
CASH FLOW FROM FINANCING ACTIVITIES		729,158	37,172
CASH FLOW FOR THE YEAR		-124,243	-13,507
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,896,044	1,909,551
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,771,801	1,896,044

SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

AMOUNTS IN SEK THOUSAND	2016	2015
INTEREST PAID AND DIVIDENDS RECEIVED		
Dividend received	13,399	15,136
Interest received	89,986	69,140
Interest paid	-17,438	-8,420
Cash and cash equivalents consist of:		
Cash and bank balances*	21,285	18,150
Investments in securities etc. not pledged	1,750,517	1,877,894
TOTAL	1,771,801	1,896,044

* This item has been reduced by a bank account under pledged assets, as well as cash and cash equivalents relating to Swedpartnership, and funds for TA and Strategic Project Development.

NOTES

WITH ACCOUNTING POLICIES AND

NOTES TO THE ACCOUNTS

(Amounts in SEK thousand unless otherwise indicated)

GENERAL ACCOUNTING POLICIES

The Integrated Report has been drawn up in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board (BFN)'s general advice BFNAR 2012:1 Annual Reports and Consolidated Financial Statements (K3). Swedfund does not constitute a Group, for which reason the company does not report in accordance with and apply IFRS. This is a deviation from the owner's basic principle for external reporting of companies in government ownership.

To make the income statement easier to read and to give a more full and fair picture, the headings and items specified in the Annual Report Act or FAR's guidelines on annual reports are not used. Expenses directly attributable to a particular income are reported net under the designation of the items included in the net figure.

Capital insurance is reported gross as financial assets and as provision.

The company has received funds for technical assistance ("TA"), Swedpartnership and the Strategic Project Development programme from the Swedish Government. How the funds affected the income statement is described in note 3.

ACCOUNTING AND VALUATION POLICIES

Income

Sale of shares is reported when share transfers take place in accordance with the sales conditions and to the amount of liquidity that is expected to flow in.

Dividend received is reported when the right to receive dividends is deemed to be secure. Income from sales of shares and dividends is attributable to the company's shareholding.

Interest income and interest expense are reported using the effective interest method. Interest income is attributable to the company's lending. Associated interest expense refers to borrowing to hedge the company against exchange rate fluctuations.

Assets and liabilities

Assets and liabilities are valued at cost unless otherwise indicated below. Bank balances, receivables and accounts payable, current and non-current liabilities, as well as loans

in foreign currencies have been translated at the closing day rate. Exchange differences are attributable to operating profit/loss. Exchange differences are included in Other operating income. Transactions in foreign currencies are translated at the transaction date rate.

Lending in foreign currency have largely been hedged through equivalent borrowing. The company does not apply hedge accounting.

In principle, receivables and liabilities with a duration of less than 1 year, are treated as current. Securities with a longer duration may be included in the company's investments in securities. Even so, due to the high level of liquidity and short duration, the entire portfolio is regarded as current.

Tax

Current taxes are calculated according to the tax rates and tax rules applicable as of the balance sheet date. Deferred taxes are calculated according to the tax rates and tax rules applicable before the balance sheet date.

Deferred tax assets relating to loss carry-forwards or other future tax deductions are reported to the extent it is likely that deduction can be settled against future taxation. The item is calculated on a regular basis.

Current tax, as well as changes in deferred tax, are recognised in the income statement unless the tax is attributable to an event or transaction recognised directly in equity. In such cases the tax is also recognised in equity.

During 2016, the company carried out a review of its tax status. Formerly, the company treated its business as a securities operation, and its portfolio investments as inventory items. After the review was completed, the company judged that its operation, from a tax point of view, should be classified as capital assets.

Depreciation principles for non-current assets

Depreciation according to plan is based on the original cost and estimated useful life. The depreciation period for assets is five years, apart from computer equipment which is depreciated over three years.

Financial instruments

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

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

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

Other securities held as non-current assets

Investments held as non-current assets are valued at historical cost. Their value is written down when a decline in value is judged to be permanent.

Shares

Shares in portfolio companies are to be regarded as investment holdings and are valued individually to the lowest of the historical cost and the net realizable value. For listed portfolio companies, net realizable value means the market value at the end of Swedfund's financial year. For unlisted companies, it is deemed to be the net worth as stated in the most recently received accounts – see table below – or are recognised at a lower amount the net worth is

NET ASSET VALUE AS A PERCENTAGE OF COST	CARRYING AMOUNT AS A PERCENTAGE OF COST
Over 62.5%	100%
62.4–37.5%	75%
37.4–12.5%	50%
12.5–5.0%	25%
Under 5.0%	SEK 1

expected to have fallen further since the most recently received accounts.

Write-down is applied at 25 percent intervals as follows:

There is no write-down on holdings that have a duration of less than two years, unless there are special circumstances. Write-downs in the value of unlisted portfolio companies are not reversed before the company has reported one profitable audited financial year. The maximum amount that may be reversed is the historical cost.

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

Loan receivables

Loans to portfolio companies are initially recognised at historical cost and subsequently measured at amortised cost using the effective interest method. Their values are written down successively in intervals of 25% after 12, 18, 24 and 30 months of non-payment, or alternatively at another rate if the borrower is deemed to lack capacity to pay.

Current receivables

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

Securities

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

Statement of cash flows

The cash flow statement is established using the indirect method. Cash and cash equivalent means securities and bank balances excluding collateral provided for borrowings. The statement of cash flows excludes TA, Swedpartnership and the Strategic Project Development programme, whereupon the comparison figures have been adjusted.

NOTE 1

BOARD, EMPLOYEES AND PERSONNEL COSTS

GENDER BREAKDOWN BOARD OF DIRECTORS, CEO AND OTHER SENIOR MANAGEMENT

	2016	OF WHOM WOMEN	OF WHOM MEN	2015	OF WHOM WOMEN	OF WHOM MEN
Board of Directors	7	3	4	8	4	4
CEO	1	1	–	1	1	–
Other senior management	6	3	3	6	2	4

AVERAGE NUMBER OF EMPLOYEES

COUNTRY	2016	OF WHOM MEN	2015	OF WHOM MEN
Kenya	4.0	25%	3.0	66%
Sweden	33.6	45%	33.0	39%
TOTAL	37.6	42%	36.0	42%

SALARIES, OTHER REMUNERATION AND SOCIAL WELFARE COSTS

	2016		2015	
	SALARIES AND REMUNERATION	SOCIAL WELFARE COSTS	SALARIES AND REMUNERATION	SOCIAL WELFARE COSTS
	30,524	17,101	28,211	15,620
(of which pension costs)	(0)	1.2) (8,308)	(183)	1.2) (7,140)
TOTAL	30,524	17,101	28,211	15,620

1) 516 (588) of pension costs refer to the CEO.

2) Defined contribution and the comparable pensions premiums in accordance with statutory provisions and collective agreements are paid for all employees and were expensed during the year.

SALARIES AND OTHER REMUNERATION ALLOCATED BY COUNTRY AND BETWEEN MEMBERS OF THE BOARD ETC. AND OTHER EMPLOYEES

	2016		2015	
	BOARD OF DIRECTORS, CEO AND OTHER SENIOR MANAGEMENT	OTHER EMPLOYEES	BOARD OF DIRECTORS, CEO AND OTHER SENIOR MANAGEMENT	OTHER EMPLOYEES
SWEDEN	8,748	20,538	8,803	25,648
(of which remuneration to the Board)	(639)	–	(630)	–
(of which pension for the former CEO)	(0)	–	(183)	–
(of which salary to the CEO)	(1,791)	–	(1,750)	–
(of which other management salaries)	(6,042)	–	(6,240)	–
KENYA, REPRESENTATIVE OFFICE		2,153		2,655
TOTAL	8,748	22,691	8,803	28,303

REMUNERATION PAID TO PRESENT AND FORMER MEMBERS OF THE BOARD

NAME		REMUNERATION	BOARD REMUNERATION IN PORTFOLIO COMPANIES
GÖRAN BARSBY	Chairman of the Board	184	–
BJÖRN BÖRJESSON	Vice-Chairman	92	–
FREDRIK ARP	Board member	92	–
KERSIN BORGLIN	Board member	92	–
STEFAN ISAKSSON	Board member	–	–
HANNA LAGERCRANTZ	Board member	–	–
CHARLOTTE SALFORD	Board member	92	–

Remuneration is payable to the Chairman of the Board and members of the Board in accordance with resolutions of the Annual General Meeting.

PRESENCE OF MEMBERS OF THE BOARD AT BOARD MEETINGS DURING THE YEAR

MEMBER	1/16	2/16	3/16	4/16	5/16	6/16	8/16	9/16	10/16	11/16
CLAES EKSTRÖM – resigned April	X	X	X							
RENÉE ANDERSSON – resigned April	X		X							
PERNILLA BARD – resigned April		X	X							
BENGT KVARNBÄCK – resigned April			X							
GÖRAN BARSBY – appointed April				X	X	X	X	X	X	X
FREDRIK ARP – appointed April				X	X	X	X	X	X	X
KERSTIN BORGLIN – appointed April				X	X	X		X	X	X
BJÖRN BÖRJESSON	X	X	X	X	X	X	X	X	X	X
STEFAN ISAKSSON	X	X	X	X	X	X	X	X	X	X
HANNA LAGERCRANTZ	X	X	X	X	X	X	X	X	X	X
CHARLOTTE SALFORD	X	X	X	X	X	X	X	X	X	X

SALARIES OF SENIOR MANAGEMENT

NAME	POSITION	OTHER BENEFITS	ANNUAL SALARY FIXED REMUNERATION PAID	PENSION PREMIUMS PAID	TOTAL
ANNA RYOTT	CEO	–	1,791	516	2,307
NICLAS DÜRING	Portfolio Director until end April	–	357	78	435
JACOB HAGERMAN	Chief Legal Counsel	–	1,091	258	1,349
KARIN KRONHÖFFER	Director of Strategy and Communication	–	1,043	289	1,332
FREDRIK LINTON	Director of Investment Operations and ESG from 1 October	–	407	115	522
HELENE LUNDKVIST	Director of Finance and Administration	–	1,133	335	1,468
KAI SUNDSTRÖM	Director of Communications until end August	–	818	0	818
FREDRIK WIJKANDER	Director of Investment Operations	–	1,194	362	1,556
TOTAL			7,833	1,954	9,787

Absence due to illness
Total absence due to illness amounted to 1 percent (prev. yr. 4.4 percent) of employees' total normal working hours. For reasons of privacy, absence due to illness is not allocated by age group and gender.

Salary of CEO and other senior management, severance pay etc.
CEO and other senior management receive a fixed remuneration per month. No variable remuneration is payable. The CEO, in the event of notice of term-

ination by the company, has an agreement on severance compensation corresponding to the salary during the 6 months of the period of notice, severance pay in the form of 12 months' fixed salary (pension provisions are not included). Severance compensation is not payable after the age of 65. Defined contribution and the comparable pensions premiums in accordance with statutory provisions and collective agreements are paid for other senior management and the CEO. These were expensed during the year. In the event

of notice of termination from the company, the rules in the collective agreement apply to other senior management.

Pension commitments
The former CEO is entitled to receive money in the form of a direct pension secured through an endowment policy owned by companies. This has been financed through payment of an annual premium in the preceding years.

NOTE 2

INCOME BREAKDOWN BY GEOGRAPHICAL AREA AND INCOME TYPE

INCOME BREAKDOWN BY GEOGRAPHICAL MARKET	2016	2015
Africa	67,184	317,638
Asia	52,686	35,769
Latin America	9,823	6,063
Eastern Europe	13,247	24,451
	142,939	383,920

INCOME BREAKDOWN BY INCOME TYPE	2016	2015
Sales of shares	43,810	297,752
Share dividend	13,399	15,136
Interest income	78,926	68,474
Other portfolio income	6,804	2,558
	142,939	383,920

NOTE 3

FINANCIAL SUPPORT (SWEDPARTNERSHIP), TECHNICAL ASSISTANCE AND STRATEGIC PROJECT DEVELOPMENT

SWEDPARTNERSHIP	2016	2015
SEE ITEM IN THE INCOME STATEMENT		
Other operating income/expenses	3,410	3,570
	3,410	3,570
Other external costs	-771	-669
Personnel costs	-2,639	-2,901
	-3,410	-3,570

TECHNICAL ASSISTANCE	2016	2015
SEE ITEM IN THE INCOME STATEMENT		
Other operating income/expenses	2,293	2,279
	2,293	2,279
Other external costs	-2,044	-2,115
	-2,044	-2,115

STRATEGIC PROJECT DEVELOPMENT	2016	2015
SEE ITEM IN THE INCOME STATEMENT		
Other operating income/expenses	536	ET*
	536	
Other external costs	-128	
Personnel costs	-407	
	-536	

* The facility started in 2016.

NOTE 4

SHARE INVESTMENTS SOLD/LIQUIDATED DURING THE YEAR

	2016	2015
Total acquisition value of shares sold	-69,218	-250,127
Written-down value of sold shares	22,523	132,150
ACQUISITION VALUE OF SHARES SOLD FOR THE YEAR	-46,695	-117,977
Payment received	43,810	297,752
CAPITAL GAIN/LOSS FOR THE YEAR	-2,885	179,775

NOTE 5

FEES AND EXPENSES FOR AUDITORS

	2016	2015
EY		
The auditing assignment	750	415
Tax consultancy services	159	60
Other services	-	45
TOTAL EY	909	520
PRICEWATERHOUSECOOPERS		
The auditing assignment	-	422
Audits in addition to the auditing assignment	-	125
Tax consultancy services	-	126
TOTAL PRICEWATERHOUSECOOPERS	-	672

Audit activity in addition to audit assignment refers to other audit services that do not relate to the statutory requirement for auditing of the company's annual report, such as a review of integrated reporting and other verifications.

NOTE 6

OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2016	2015
Income from asset management	-	8,621
Income bank deposits	-	51
Endowment insurance	-	183
	-	8,855

NOTE 7

INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2016	2015
Write-down, financial assets	431	256
Other financial expenses	8,357	1,248
	8,787	1,504

NOTE 8

TAX EXPENSES

TAX IN THE INCOME STATEMENT	2016	2015
Current tax	11,532	-
Change in deferred tax	23,851	-782
Total reported tax	35,383	-782
BALANCE OF EFFECTIVE TAX RATE		
Reported profit/loss before tax	-7,253	2,802
Tax on reported earnings in accordance with the applicable tax rate (22%):	-1,596	-616
TAX EFFECT OF:		
Non-taxable dividends	-2,508	-
Non-deductible write-downs of financial assets	17,900	-
Non-taxable reversal of write-downs of financial assets	-16,276	-
Non-deductible realised capital losses	5,590	-
Deductible realised loss on loan receivable	-14,138	-
Non-deductible other costs	208	-165
Deductible costs from previous year	-75	-
Adjustment of previous year's taxation as a result of change in taxable status	11,532	-
Adjustment of deferred tax as a result of change in taxable status	23,851	-
Non-capitalised loss in profit/loss for the year	10,896	-
REPORTED TAX	35,383	-782
Effective tax rate	-	-

NOTE 9

NON-CURRENT ASSETS

LAND AND BUILDINGS	2016	2015
ACCUMULATED ACQUISITION VALUE		
Expenses for improvement of other owner's property		
At the beginning of the year	3,017	914
New acquisitions	-	2,103
	3,017	3,017
ACCUMULATED DEPRECIATION ACCORDING TO PLAN		
At the beginning of the year	-431	-
Depreciation according to plan for the year	-431	-431
	-862	-431
PLANNED RESIDUAL VALUE AT THE END OF THE YEAR	2,155	2,586

EQUIPMENT	2016	2015
ACCUMULATED ACQUISITION VALUE		
At the beginning of the year	3,389	1,367*
New acquisitions	-	3,038
Disposals and scrapplings	-31	-1,016
	3,359	3,389
ACCUMULATED DEPRECIATION ACCORDING TO PLAN		
At the beginning of the year	-840	-1,145
Disposals and scrapplings	31	1,016
Depreciation according to plan for the year	-672	-711
	-1,482	-840
PLANNED RESIDUAL VALUE AT THE END OF THE YEAR	1,877	2,549

* The comparison year has been corrected after an error was detected in the note to the 2015 report.

NOTE 10

OTHER SECURITIES HELD AS NON-CURRENT ASSETS

	2016	2015
Shares in, EDFI	118	118
Shares in, EFP	127	127
Shares in, ICCF	53	53
Endowment insurance	1,369	1,536
CARRYING AMOUNT AT THE END OF THE YEAR	1,666	1,834

NOTE 11

LOANS

ACCUMULATED COST AND WRITE-DOWNS	2016	2015
At the beginning of the year	1,250,755	991,746
Lending for the year	538,620	242,549
Amortisation for the year*	-151,614	-90,440
Reclassifications	-85,944	57,882
Exchange rates/translation differences for the year	86,395	49,018
	1,638,212	1,250,755
ACCUMULATED WRITE-DOWNS	2016	2015
At the beginning of the year	-432,156	-301,185
Write-downs for the year	-35,012	-96,505
Reclassifications	28,097	-28,097
Reversed write-downs during the year	90,695	21,681
Exchange rates/translation differences for the year	-29,645	-28,049
	-378,021	-432,156
CARRYING AMOUNT AT THE END OF THE YEAR	1,260,191	818,600

* SEK 109.7 million is expected to be amortised during 2017. The closing period has been used in the translation of amortisations in foreign currency.

BREAKDOWN OF THE LOAN PORTFOLIO INTO COUNTRIES AND CURRENCIES

COUNTRY	CURRENCY	2016		2015	
		LOAN AMOUNT	OF WHICH WRITTEN DOWN	LOAN AMOUNT	OF WHICH WRITTEN DOWN
Africa	USD	597,767	-365,372	359,791	-259,435
Africa	EUR	40,421	-	35,424	-
Ethiopia	EUR	32,917	-	31,673	-15,837
Georgia	USD	90,697	-	84,186	-
Ghana	USD	126,976	-	117,861	-
India	USD	27,313	-9,696	41,262	-18,000
India	EUR	-	-	68,855	-34,427
Iraq	USD	-	-	34,516	-34,516
Cambodia	USD	90,697	-	42,093	-
Kenya	USD	-	-	97,873	-48,937
China	USD	10,720	-	9,951	-
China	SEK	-	-	3,333	-3,333
Latin America	SEK	23,954	-	49,035	-
Mongolia	USD	90,697	-	-	-
Nigeria	USD	280,234	-	93,228	-
Pakistan	USD	45,358	-	53,659	-
Russia	SEK	5,904	-2,952	5,503	-2,752
Sri Lanka	USD	2,343	-	3,915	-
South Africa	ZAR	4,937	-	6,766	-
Tanzania	USD	158,719	-	42,093	-
Belarus	EUR	-	-	59,674	-14,919
Belarus	USD	8,560	-	10,064	-
TOTAL		1,638,212	-378,021	1,250,755	-432,156

CONVERTIBLE LOANS AND PARTICIPATING LOANS

BORROWER	CURRENCY	OUTSTANDING LOAN AMOUNT IN CURRENCY	INTEREST AND EQUIVALENT	CONVERSION RIGHT
Addis Emerald Hotel	EUR	3,450	Interest and profit share	Yes
Athi River Steel Plant	USD	11,626	Interest	Yes
Raffia Holdings Ltd	USD	5,623	Interest	Yes

NOTE 12

PORTFOLIO INVESTMENTS SHARES AND FUNDS

ACCUMULATED ACQUISITION VALUE AND WRITE-DOWNS	2016	2015
ACCUMULATED ACQUISITION VALUE		
At the beginning of the year	1,504,608	1,623,163
Investments for the year	131,351	135,763
Reclassification	28,872	-1,688
Sales for the year	-69,218	-252,631
	1,595,612	1,504,608
ACCUMULATED WRITE-DOWNS		
At the beginning of the year	-621,001	-665,085
Reversed write-downs during the year attributable to sales	22,425	134,655
Reclassification	976	-
Reversals for the year	16,656	6,061
Write-downs for the year	-24,326	-96,631
	-605,269	-621,001
CARRYING AMOUNT AT THE END OF THE YEAR	990,343	883,607

DEVELOPING COUNTRIES	SHARE CLASS	PARTICIPATING INTEREST %	ACQUISITION VALUE
AFRICA			
AAR Health Care Holdings Limited, Kenya	Ordinary shares	18.2	28,188
ACACIA Fund Limited, Kenya	Ordinary shares	100.0	8,597
Addis Cardiac Hospital Plc, Ethiopia	Ordinary shares	36.2	7,600
Addis Quarry Development plc, Ethiopia	Ordinary shares	27.2	15,150
Adenia Capital (III) LLC Ltd.(I&P), Africa	Ordinary shares	10.4	69,400
Afrinord Hotel Investment A/S, Africa	Ordinary shares	20.0	470
African Development Partners II (DPI), Africa	Fund investments	2.1	50,369
Africap Microfinance Investment Company Ltd, Africa	Ordinary shares	7.4	13,474
AfricInvest Fund III LLC, Africa	Fund investments	3.5	31,872
Apis Growth Fund I, Africa	Fund investments	2.8	24,709
Athi River Steel Plant Ltd, Kenya	Ordinary shares	16.4	85,227
Deacons Kenya Limited, Kenya	Ordinary shares	13.4	7,866
ECP Africa fund II PCC, Africa	Fund investments	2.2	36,589
ECP Africa fund III PCC, Africa	Fund investments	2.8	93,004
Elgon Road Development Ltd, Kenya	Ordinary shares	27.2	101,496
Emerald Addis Hotels plc, Ethiopia	Ordinary shares	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Ordinary shares	24.3	6,756
Geratech Zirconium Beneficiation Ltd, South Africa	Ordinary shares	9.2	27,985
Investec Africa Private Equity Fund 2 L.P.	Fund investments	4.3	20,893
Kinyeti Venture Capital Ltd, South Sudan	Ordinary shares	49.0	4,951
Nairobi Womens Hospital Ltd, Kenya	Ordinary shares	19.1	26,459
Norsad Finance Limited, Africa	Ordinary shares	16.7	50,052
Raffia Holding Ltd, Africa	Ordinary shares	100.0	285,353
Timsales Holdings Limited, Kenya	Ordinary shares	19.5	10,679
Women Entrepreneurs Dept Fund	Fund investments	18.1	44,718
TOTAL AFRICA			1,075,255
ASIA			
Baring India Private Equity fund II Ltd, Mauritius	Fund investments	7.1	59,233
China Environment Fund III L.P.	Fund investments	4.4	55,792
Green Investment Asia Sustainable Fund I, Mauritius	Fund investments	28.5	38,585
HSF Electro Mechanic Wuxi Ltd, China	Units	40.0	16,684
Orilus Investment Holding Pte. Ltd. (Medica Synergie, India)	Ordinary shares	16.0 (12.5)	41,479
Mongolianord GmbH, Mongolia	Ordinary shares	14.3	16,160
Quanadil Al Rafidain Automotive Trading Company Ltd, Iraq	Ordinary shares	24.5	-
SEAF Sichuan SME Investment Fund LLC, Delaware	Fund investments	13.3	5,160
TOTAL ASIA			233,093
LATIN AMERICA			
Entel S.A., Bolivia	Ordinary shares	0.1	1,004
Global Medical Investments AB, Latin America	Ordinary shares	48.0	97,633
Ontur International S.A, Uruguay	Ordinary shares	14.0	14,077
TOTAL LATIN AMERICA			112,714
EASTERN EUROPE			
Eskaro Ukraine AB, Ukraine	Ordinary shares	20.0	21,874
Komercijalna Banka AD Beograd, Serbia	Ordinary shares	2.3	96,727
Mint Capital II Ltd, Russia	Fund investments	4.7	30,416
Pieno Zvaigzdes, Lithuania	Ordinary shares	6.6	15,892
SIA Troll Nursery, Latvia	Ordinary shares	24.4	9,640
TOTAL EASTERN EUROPE			174,550
TOTAL ACQUISITION VALUE			1,595,612

NOTE 13

INTERIM ITEMS

PREPAID EXPENSES AND ACCRUED INCOME	2016	2015
Prepaid expenses	1,784	1,926
Accrued interest securities	23,508	18,514
Accrued interest loan receivables	23,722	20,366
Accrued interest loan receivables, written down	-12	-5,939
Other accrued income	256	-
	49,258	34,867

ACCRUED EXPENSES AND DEFERRED INCOME	2016	2015
Deferred income (T/A funds)	38,849	4,569
Accrued salaries	2,485	3,783
Accrued social security contributions	2,606	2,616
Accrued interest liabilities to credit institutions	4,151	976
Accrued costs	4,072	2,329
	52,163	14,273

NOTE 14

SECURITIES

SPECIFICATION OF SECURITIES	AVERAGE MATURITY (YEARS)	FAIR VALUE 2016	CARRYING AMOUNT 2016	FAIR VALUE 2015	CARRYING AMOUNT 2015
Treasury bills	0.27	1,295,697	1,295,847	1,499,331	1,499,264
Government bonds	3.24	392,117	381,101	221,865	217,743
State guaranteed bonds	0.44	399,627	398,888	454,637	452,989
Secured bonds	1.38	640,671	640,014	293,386	291,947
Municipality Certificates	0.12	292,167	292,185	292,068	292,066
		3,020,280	3,008,035	2,761,287	2,754,010

Weighted effective annual interest for the portfolio amounted to -0.30%. Exchange rate risk in the event of 1% change in interest rate +/- 26,324.

NOTE 15

DEFERRED TAX ASSETS AND LIABILITIES

REPORTED DEFERRED TAX ASSETS CAN BE ATTRIBUTED TO THE FOLLOWING ASSETS:	2016	2015
Machinery and equipment	61	61
Pension agreement, CEO	232	232
Deferred tax loss 2009	-	1,027
Deferred tax loss 2010	-	19,384
Deferred tax loss 2011	9,806	13,245
	10,100	33,950

For tax purposes, the company has a loss carry-forward of SEK 45,907,000, of which deferred tax of SEK 45,907,000 was capitalised. The company considers it probable that the recorded deferred tax asset can be utilised for future taxable results.

NOTE 16

OTHER LIABILITIES TO CREDIT INSTITUTIONS, LONG-TERM

	2016	2015
Maturity date, 1–5 years from the balance sheet date	371,746	286,650
Maturity date, after five years from the balance sheet date	509,618	258,553
	881,363	545,203

The item refers in its entirety to a liability to the Swedish Export Credit Corporation. In order to limit the company's currency risk and interest-rate risk in connection with lending in foreign currency, lending was hedged through corresponding borrowing with the Swedish Export Credit Corporation. The borrowing is, in its entirety, pledged a liability to the Swedish Export Credit Corporation.

NOTE 17

OTHER ITEMS NOT INCLUDED IN CASH FLOW

	2016	2015
Revaluations- and write-downs, assets	83,454	172,711
Unrealised exchange rate differences	-4,671	9,146
Provisions, pensions	-167	16
	78,616	181,873

NOTE 18

PLEDGED ASSETS AND CONTINGENT LIABILITIES

ASSETS PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS	2016	2015
Bonds and other securities	1,257,518	876,116
Bank accounts	137	423
	1,257,655	876,539

OTHER PLEDGED ASSETS AND SECURITIES	2016	2015
Pledged endowment insurance	1,369	1,536

CONTINGENT LIABILITIES	2016	2015
Contract portfolio obligations not disbursed	832,414	645,571
	832,414	645,571

NOTE 19

APPROPRIATION OF PROFITS

The following earnings in SEK are at the disposal of the Annual General Meeting:

ACCUMULATED PROFIT/LOSS	CAPITAL CONTRIBUTION
3,197,287,507	400,000,000
PROFIT/LOSS FOR THE YEAR	TOTAL AVAILABLE FUNDS
-42,635,778	3,554,651,729

The Board of Directors proposes that the profits be appropriated so that SEK 3,554,651,729 is carried forward.

NOTE 20

EVENTS AFTER THE BALANCE SHEET DATE

The approved capital contribution of SEK 400 million is expected to be disbursed during spring 2017. The capital contribution is an important condition for the company's ambition to develop and expand its operation in the long term.

CORPORATE GOVERNANCE REPORT

1.1 CORPORATE GOVERNANCE WITHIN SWEDFUND

Swedfund belongs to the group of companies with a special social responsibility. Swedfund's governance is subject to both external and internal regulations. For the purpose of establishing guidelines for the company's operation, the Board has adopted policy documents to guide the organisation and its staff. Swedfund applies the Swedish Corporate Governance Code and reports deviations for the financial year below. The main reason for deviations of this kind is Swedfund's ownership, as Swedfund is one of the state's wholly-owned companies and is not, therefore, a listed company with diverse ownership. The company's auditors have carried out the statutory review of the Corporate Governance Report.

The operations are governed by the State's Ownership Policy, the company's owner instruction and policy documents, as well as the objectives set by the Annual General Meeting and the Board. During 2016, Swedfund's anti-corruption policy was revised, and the new version has been approved by the Board. In addition, the Board has adopted a tax policy. All Swedfund's policies are available on the company's website. Read more on further development of policies during the year on page 30. The company's policies are an important part of the company's values, and are continuously incorporated into approach and agreements. Regular training is provided for Swedfund's personnel and external members of the Boards of portfolio companies. The company is also governed by a number of international conventions and rules which, in various ways, influence the way it works. See the overview of Swedfund's policies, international obligations, guidelines and transparency undertakings on pages 30–33.

1.2 CORPORATE GOVERNANCE IN THE PORTFOLIO COMPANIES

The governance of Swedfund's portfolio companies is carried out through Swedfund's policies being incorporated into the investment agreements as appropriate. Read more on Swedfund's requirements on pages 38–43. Monitoring takes place through Board work, self-evaluation and ESG lobbying. Read about Swedfund's work on ESG issues in the portfolio companies and how Swedfund creates value on pages 20–24.

With two exceptions, the company holds only non-controlling interests in the portfolio companies. Companies which are wholly-owned are subject to liquidation, and have been taken over to

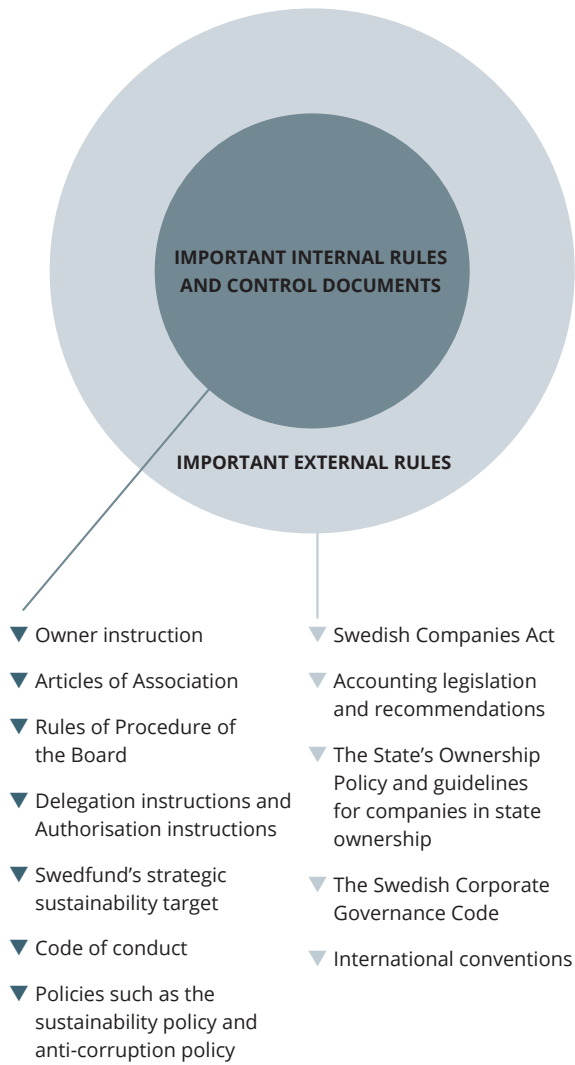
safeguard development results and protect Swedfund's invested capital. Swedfund endeavours to have an active dialogue with a range of stakeholders, including owner, business partners, organisations in civil society, trade unions and media representatives. Read Swedfund's Stakeholder and materiality analyses on pages 34–35.

1.3 GENERAL MEETINGS AND OWNER

Annual General Meeting and owner Swedfund is a limited liability company which is 100 percent owned by the Swedish state. The Annual General Meeting is Swedfund's ultimate decision-making forum, and it is through the Annual General Meeting that the owner exercises influence over the company. Sweden's Ministry of Enterprise and Innovation takes responsibility for the administration of the Swedish state's ownership of Swedfund, while the Ministry of Foreign Affairs is responsible for the company's aid policy mission. Notification of the Annual General Meeting or Extraordinary General Meeting where changes to the articles of association are to be addressed shall be submitted at the earliest six weeks and at the latest four weeks before the Meeting. Notification is given through publication in Post- och Inrikes Tidningar (PoIT) – The Official Swedish Gazette, and on Swedfund's website. Members of Sweden's parliament have the right to attend and address questions to the company. The Meeting is usually open to the public.

The function of the Annual General Meeting is to take decisions on a range of matters, including:

- adoption of the income statement and balance sheet
- appropriation of the company's profit or loss
- discharge from liability of the Board of Directors and the CEO
- appointment of the Board, the Chairman of the Board and the auditors
- determination of the remuneration of the Board and the auditors
- changes to the articles of association for the financial targets set by the Meeting
- owner instructions for the operation
- guidelines for senior management



DEVIATIONS FROM THE CODE

In respect of financial year 2016 Swedfund deviated on the following points from the provisions of the Code: (i) Nomination Committee. The nomination process for Board members, selection of chairman for the Annual General Meeting and the appointment of auditors is performed in accordance with the principles stated in the State's Ownership Policy; (ii) the Board's independence of the owner. Swedfund does not report, in accordance with the State's Ownership Policy, whether Board members are independent of the owner; (iii) Audit and Remuneration Committees. Swedfund does not have either an Audit or a Remuneration Committee. These assignments are instead performed by the Board.

1.4 ANNUAL GENERAL MEETING 2016

Swedfund's Annual General Meeting was held on 27 April 2016. Minutes of the Meeting are available on Swedfund's website. At the Annual General Meeting, Göran Barsby, Kerstin Borglin and Fredrik Arp were appointed members of the Board. Björn Börjesson, Stefan Isaksson, Charlotte Salford and Hanna Lagercrantz were reappointed as members of the Board. Pernilla Bard, Renée Andersson, Bengt Kvarnbäck and Claes Ekström declined reappointment and left the Board. Göran Barsby was appointed Chairman of the Board by the Annual General Meeting. The Annual General Meeting reappointed the firm Ernst & Young AB as auditors, with Jennifer Rock-Baley as the lead auditor. In addition, the Meeting adopted the income statement and balance sheet dated 31 December 2015 and approved discharge from liability for the Board and CEO for 2015. The Meeting approved the proposed appropriation of profit and the proposed guidelines for the remuneration of senior management.

1.4 EXTRAORDINARY GENERAL MEETING 2016

An Extraordinary General Meeting was held on 8 December 2016, at which new financial targets for the company were set and a new owner instruction was adopted, which was supplemented by the new mission targets set out for the company, as well as guidelines for reporting these targets. The minutes of the Extraordinary General Meeting are available on Swedfund's website.

1.5 AUDITORS

The State's Ownership Policy prescribes that responsibility for appointment of the auditors for state-owned companies rests with the owner at all times. Auditors are normally appointed for a period of one year. The auditors are accountable to the owner at the Annual General Meeting and submit an audit report on Swedfund's Integrated Report and the Board's administration. The auditors submit a summarised report of the audit to the Board in connection with the January to September interim report and again in connection with the financial statement.

1.5 BOARD OF DIRECTORS

Composition of the Board of Directors

In accordance with the articles of association, the Board shall comprise at least six, and at most nine, members, with no deputies. The General Meeting shall appoint the Chairman of the Board. If the Chairman leaves the post during the term of office, the Board shall elect a Chairman for the period until the end of the General Meeting when the new Chairman is appointed by the General Meeting. As of 31 December 2016, the Board of Directors comprised seven members, of

whom three were women and four men. None of Swedfund's management team are members of the Board. Information about Board members is presented on pages 108–109.

The Board's responsibilities and duties

The Board shall endeavour to ensure the best possible long-term development in the value of the company and that business is conducted in such a way that it favours sustainable development, financially, socially, environmentally and with respect to climate. The Board is responsible for the company's organisation and administers the company's affairs in the interest of the owner. The Board has responsibility for ensuring that the company sets a good example in the field of sustainable business and otherwise acts in ways that earn public trust. The Board appoints the Chief Executive Officer (CEO) and sets the CEO's salary and other benefits. The Board shall regularly assess the company's financial position and ensure that the company is organised in such a manner that the book-keeping, management of resources and other economic circumstances are controlled satisfactorily. The Board shall ensure that the company has an effective system for following up and controlling the business and shall keep itself informed of how the company's system for internal control functions, and evaluate this system.

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

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

The Board is further responsible for determining, implementing and monitoring of policy documents necessary for the business and of other forms of control documents such as rules of procedure for the Board and instructions for the CEO. These policy documents describe how responsibility and authority are divided between the Board, Chairman and the CEO.

Chairman of the Board

The Chairman is responsible for the annual evaluation of the Board's work and that relevant parts of this evaluation are

MAIN ISSUES DURING 2016



reported to the individual responsible for nominations within the ownership unit at the Ministry of Enterprise and Innovation. The 2016 Board evaluation was carried out internally and included individual and collective assessments of the Board's work and competence. The Chairman reported relevant parts of the evaluation results to the individual responsible for nominations within the ownership unit at the Ministry of Enterprise and Innovation.

When necessary the Chairman meets important contacts and represents the company in ownership matters. In addition, the Chairman of the Board has maintained contact with representatives of the company's owner with the aim of coordinating his view with the owner's on a few issues, when the company has been facing particularly important decisions.

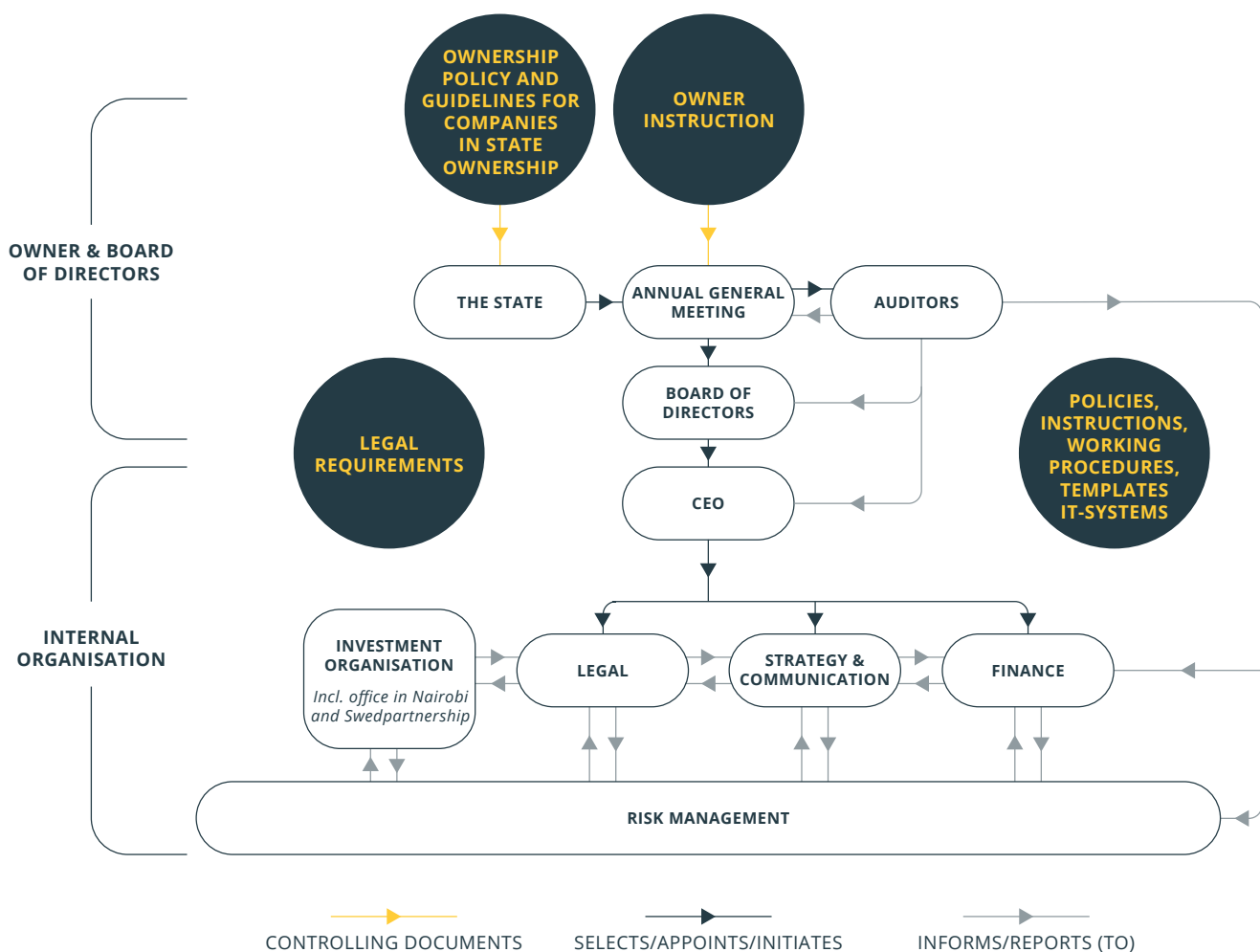
The work of the Board during 2016
During 2016, the Board met on 11 occasions, see note 1 page 92 for the attendance of members of the Board at meetings during the year. The meetings considered business activities in terms of the three pillars – Impact on society, Sustainability and Financial viability, and addressed the financial statement and interim reports, other reports, strategic issues, business targets, business plan, budget, organisation and staffing issues and the evaluation of the Board's performance.

1.7 CHIEF EXECUTIVE OFFICER
The CEO shall oversee the operational management of the company and coordinate activities with due care to the extent re-quired for performing these assignments in accordance with current legislation, the articles of association and the State's Ownership Policy, and act as the authorised signatory concerning day-to-day administration within the framework of the established budget. Actions taken within the remit of the CEO are reported to the Board at the following meeting. When members of the management team have signed for the company, this is also reported to the Board at the following meeting. Department heads may order consultancy services costing a maximum of SEK 200,000 without the CEO's prior approval. CEO is not a member of the Board of Directors.

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

1.8 ORGANISATION
During the third quarter of 2016, an additional Director of Investment Operations was appointed. The Director of Communications left to take up another employment in 2016, and this post was filled internally. The Communication Department now reports to the Director of Strategy and Communication. No other significant organisational changes were implemented. The management of the company is coordinated in a management team. At the end of the year, in addition to the CEO, this consisted of the Chief Legal Counsel, the Director of Finance and Administration, the Director of Strategy and Communication and two Directors of Investment Operations. The role of the management team is to prepare and implement strategies, handle corporate governance and organisational issues and monitor Swedfund's financial performance and sustainability work.

1.8 REMUNERATION OF SENIOR MANAGEMENT
The company applies the Government's Guidelines for Terms of Employment for Senior Management. The CEO's and senior management's remuneration and benefits are described in (Note 1).



BOARD REPORT ON INTERNAL CONTROL IN FINANCIAL REPORTING

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

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

CONTROL ENVIRONMENT

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

RISK ASSESSMENT

Swedfund works proactively in a structured way to identify, quantify, prevent and handle strategic, operational and financial risks. Significant strategic and operational risks once identified are reported at each Board meeting. The company’s financial risks are managed according to the financial policy and reports concerning financial risks are submitted to the Board each quarter. Read more about Swedfund’s risk management on pages 26–29. Risk assessments concerning financial reporting include the identification and assessment of significant risks in the aforementioned areas that could mean the company

not meeting requirements for accurate financial reporting in terms of completeness, correctness, evaluation and disclosure, and the risk of irregularities.

CONTROL ACTIVITIES

To ensure that the basis for financial reporting maintains the desired quality, various control activities are included in Swedfund’s processes. These include a review of the budget, liquidity, forecasts and outcomes. Once a year a major review is performed of portfolio companies where the companies are evaluated based on the three pillars of impact on society, sustainability and financial viability. Authorizations, verifications, reconciliations and IT systems, with backup procedures and permissions are also control activities Swedfund has developed a comprehensive investment manual to ensure that the quality is high during the appraisal of investments. In the portfolio companies, control is ensured through evaluation and follow-up of the regular financial reports received. In companies in which Swedfund is a shareholder, control is exerted through active participation in the work of the company’s Board of Directors. Internal control and management by senior managers of the company are evaluated annually by the company’s external auditors. In the light of the company’s size and turnover as well as the management and control system already in place, the Board finds in the current situation no need to set up any special audit function in the form of an internal audit.

INFORMATION AND COMMUNICATION

For internal controls to work correctly it is essential that all employees have access to up-to-date and relevant information about what needs to be controlled and how control shall be exercised. All Swedfund’s employees have access to the company’s policies, guidelines and manuals. At regular information meetings with company’s employees, the importance of complying with rules and processes is stressed and changes to rules and procedures are presented in detail. Within the various departments of the company and through internal training sessions there are continuous updates on the

application of these documents. Formal and informal communication between staff and managers is helped by the low number of staff who are in principle all based in the same office.

FOLLOW-UP

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

Assessments of policy documents and other control documents are performed annually. Follow-up to ensure that financial reporting meets the desired quality is done by the Board, the CEO, the senior management team, the department for portfolio analysis and within the investment organisation. This work focuses on the follow-up of financial outcomes and significant deviation from budget plans, investments, divestments and other key business events. As of 31 December 2016, it is considered that control activities relating to internal controls for financial reporting are adequate.



GRI-/COP-INDEX

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

Progress (COP), which presents the work on implementing the GC’s principles. In this GRI-/COP-index we describe where GRI and COP information can be found in this Swedfund Integrated Report 2016.

GENERAL STANDARD DISCLOSURES

DISCLOSURE	DESCRIPTION	REPORT/COMMENTS	REFERENCE	UNGC PRINCIPLES
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision-maker		10	
ORGANISATIONAL PROFILE				
G4-3	Name of the organisation		5	
G4-4	Primary brands, products, and/or services		8.9, 18–20	
G4-5	Location of organisation's headquarters		83	
G4-6	Number of countries in which the organisation operates		10, 16, 17	
G4-7	Nature of ownership and legal form		101–103	
G4-8	Markets served		16–17	
G4-9	Scale of the organisation		85–87, 91	
G4-10	Number of permanent employees by employment type, gender and region		91	6
G4-11	Percentage of total employees covered by collective bargaining agreements	All employees are covered by collective bargaining agreements.	–	3
G4-12	Organisation’s supply chain	Swedfund buys services and products for office operations in Stockholm and Nairobi, and employs consultants for screening and monitoring of portfolio companies.	–	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure and ownership		5, 30, 82, 102	
G4-14	Application of the precautionary principle		22, 31	
G4-15	External principles, or other initiatives to which the organisation subscribes		31, 38–39, 42	
G4-16	Memberships of associations		12–13	
IDENTIFIED MATERIAL ASPECTS & BOUNDARIES				
G4-17	Group companies included in reporting	Swedfund is a minority owner in portfolio companies, and these are not consolidated in the accounts (covered only indirectly by reporting).	–	
G4-18	Process for defining the report content		34, 35	
G4-19	Identified material aspects		35	
G4-20	Organisation’s boundaries for material aspects		105–107	
G4-21	Boundaries for material aspects outside company		105–107	
G4-22	Restatements of information provided in previous reports	2015 was the first year of measurement of carbon dioxide emissions. Consequently there are no comparables for 2014.	83	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes.	–	
STAKEHOLDER ENGAGEMENT				
G4-24	Stakeholder groups engaged by the organisation		34–35	
G4-25	Basis for identification and selection of stakeholders		34–35	
G4-26	Approach to stakeholder engagement		34–35	

DISCLOSURE	DESCRIPTION	REPORT/ COMMENTS	REFERENCE	UNGC PRINCIPLES
G4-27	Key issues raised through stakeholder engagement		34–35	
REPORT PROFILE				
G4-28	Reporting period	1 January – 31 December 2016 financial data Swedfund AB 1 January – 31 December 2015, portfolio company data	64	
G4-29	Date of most recent previous report	24-03-2016		
G4-30	Reporting cycle	Annual presentation of accounts	113	
G4-31	Contact person		113	
G4-32	Reporting in accordance with GRI guidelines and GRI index		111–113	
G4-33	Policy and current practice with regard to seeking external assurance	Swedfund’s policy is to permit EY to certify the Integrated Report in its entirety. For this reason, no column in the GRI Index presents the authentication, as all the information in the report has been subject to at least a general review with regard to risk and materiality in the information provided.		
CORPORATE GOVERNANCE				
G4-34	Report of the governance structure of the organisation		101–104	
ETHICS AND INTEGRITY				
G4-56	The organisation’s values, principles and codes of conduct		20, 30–32	10
SPECIFIC STANDARD DISCLOSURES				
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACT (PORTFOLIO COMPANIES)				
G4-DMA	Management approach – indirect impact		5, 20–24, 26, 28–29, 30, 31, 33, 38–43, 65–66, 70–73, 78	
G4-EC8	Significant indirect economic effects	Refers to portfolio companies’ results for all three pillars. Comparables for financial key figures are missing due to change in definitions.	11, 38–43, 50, 52–54, 56–62, 66–72, 78–79	1-10
MATERIAL ASPECT: ENERGY (SWEDFUND)				
G4-DMA	Generic Disclosures on Management Approach		30–31, 40	
G4-EC8	Energy consumption within the organisation		83	8
MATERIAL ASPECT: EMISSIONS (SWEDFUND)				
G4-DMA	Generic Disclosures on Management Approach		83	
G4-EN16	Indirect emission (energy) of greenhouse gases (area scope 2)		83	8
G4-EN17	Other indirect emissions of greenhouse gases (scope 3)		83	8
MATERIAL ASPECT: DIVERSITY AND GENDER EQUALITY (SWEDFUND AND THE PORTFOLIO COMPANIES)				
G4-DMA	Generic Disclosures on Management Approach		36, 39, 54, 65, 83	

DISCLOSURE	DESCRIPTION	REPORT/ COMMENTS	REFERENCE	UNGC PRINCIPLES
MATERIAL ASPECT: DIVERSITY AND GENDER EQUALITY (SWEDFUND AND THE PORTFOLIO COMPANIES) CONT.				
G4-LA12	Composition of Board and management team, and diversity within the organisation		83, 91	6
MATERIAL ASPECT: HUMAN RIGHTS (SWEDFUND)				
G4-DMA	Generic Disclosures on Management Approach		31, 37, 42	
G4-HR1	Significant investments that contain clauses concerning human rights or which have been evaluated to check how human rights are handled.	Human Rights is an integrated part of the investment process.	37, 66	1-2
MATERIAL ASPECT: ANTI-CORRUPTION (SWEDFUND AND THE PORTFOLIO COMPANIES)				
G4-DMA	Generic Disclosures on Management Approach		30–31, 33, 37, 43	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption, and report on largest identified risks.	Anti-corruption is integrated in the investment process.	43, 72	10
G4-SO4	Information and training in organisation's policies and procedures for dealing with corruption.		43	10
MATERIAL ASPECT: PRODUCT PORTFOLIO (SWEDFUND)				
G4-DMA	Generic Disclosures on Management Approach product portfolio		20–21	
FS6	Investment portfolio allocated by region, size, sector		10	
MATERIAL ASPECT: AUDITS (PORTFOLIO COMPANIES)				
G4-DMA	Generic Disclosures on Management Approach – audits		64, 73	
IN-HOUSE INDICATORS	Number of audits in respect of environmental and social policies and processes		73	3-9
MATERIAL ASPECT: ACTIVE OWNERSHIP (PORTFOLIO COMPANIES)				
G4-DMA	Generic Disclosures on Management Approach – active ownership		22–24, 50–62	
FS10	Percentage of portfolio companies with whom environmental or social issues have been addressed	Environmental and social issues are addressed in all portfolio companies based on assessed risk and impact.	–	3-10
FS11	Percentage of investments screened for environmental and social issues	All investments are screened for environmental and social issues.	–	

BJÖRN BÖRJESSON (D.O.B.1951)
BOARD MEMBER

Member of the Board of Directors since 2012

Education: LIB.

Current position: Consultant.

Other directorships:

Third Swedish National Pension Fund (vice chairman), member of Åke Wiberg's foundation, Euroclear Sweden, Euroclear Finland and Ahlströmska foundation.

Former board appointments:

Kommuninvest i Sverige AB (chairman), UC AB (chairman) and subsidiary of the Handelsbanken Group.

Former positions: Deputy CEO of Handelsbanken.

HANNA LAGERCRANTZ (D.O.B.1970)
BOARD MEMBER

Member of the Board of Directors since 2015

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

Current position: Investment Director, the Ministry of Enterprise and Innovation.

KERSTIN BORGLIN (D.O.B.1960)
BOARD MEMBER

Member of the Board of Directors since 2016

Education: MSc, Mechanical Engineering, Faculty of Engineering (LTH), Lund University, History of Science, Lund University, African History, Stockholm University.

Current position: Director, Spider (ICT Swedish Program in Development Regions, part of the DSV, Department of Computer and Systems Sciences institution, Stockholm University).

Other directorships: SWEACC, Swedish East African Chamber of Commerce (Vice chair), Honorary Consul for the Republic of Uganda in Sweden.

Former board appointments:

Ericsson Lithuania (director), Ericsson Kenya (director), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (director).

FREDRIK ARP (D.O.B.1953)
BOARD MEMBER

Member of the Board of Directors since 2016

Education: MBA and DrEcon (Hon) Lund University.

Current position: Entrepreneur and industrial advisor to Arle Capital Partners.

Other directorships: Nolato AB (chairman), Parques Reunidos (director), Vattenfall AB (director).

Former board appointments:

Medioplast AB (chairman), Qioptiq (chairman), Hilding Anders AB (director), Thule AB (chairman), Getinge AB (vice chairman), Perstorp AB (director), Munksjö AB (director), Bröderna Edstrand AB (director), Ahlsell AB, Innovations- and kemiindustrierna (chairman), the Confederation of Swedish Enterprise (Svenskt Näringsliv) (director), Technogym SpA (director).



GÖRAN BARSBY (D.O.B.1951)
CHAIRMAN

Member of the Board of Directors since 2016

Education: B.A./MBA Marketing, Lund University.

Current position: Senior Advisor, Nordic Buyout, Capman AB.

Other directorships: Holms Industri AB (chairman), MPT Sweden (director), Vanna AB (director), Willo AB (director), Solera Beverage Group (director).

Former board appointments: AudioDev AB (director 1999–2009), Time Care AB (director 2000–2003), Bindomatic AB (director 2000–2003), Lamiflex AB (director 2001–2003), Kungshagens Montessoriskola (director & founder 1998–2003), Toolex Int’l, N.V (Chairman of Management Board (1996–1998).

CHARLOTTE SALFORD (D.O.B.1970)
BOARD MEMBER

Member of the Board of Directors since 2014

Education: MSc National Economics. London School of Economics (LSE), BA, EU law, International Relations, Finance Université libre de Bruxelles, Belgium (ULB).

Current position: Managing Director, GrowthCap Ltd.

Other directorships: Give a Future, Neuroinvent, Reach for Change, Hugo Stenbecks Foundation.

STEFAN ISAKSSON (D.O.B.1963)
BOARD MEMBER

Member of the Board of Directors since 2013

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

Current position: Senior Advisor and Head of Policy, UD-IU.



STYRELSENS UNDERSKRIFTER

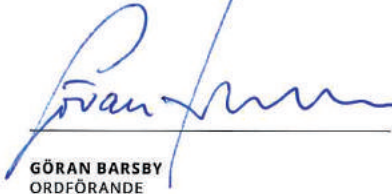
SWEDFUNDS STYRELSE lämnar härmed Swedfunds integrerade redovisning inkluderande såväl årsredovisning som hållbarhetsredovisning och Communication on Progress (COP) för 2016.


Årsredovisningen sid 6-84, 101-107 är upprättade i enlighet med god redovisningssed för statliga bolag (Riktlinjer för extern rapportering för företag med statligt ägande). Lämnade uppgifter stämmer med de faktiska förhållandena och ingenting


av väsentlig betydelse är utelämnat som skulle kunna påverka den bild av bolaget som skapats i årsredovisning, hållbarhetsredovisning och COP.

SWEDFUNDS INTEGRERADE REDOVISNING är upprättad med inspiration av The International <IR> Framework utgivet av International Integrated Reporting Council (IIRC).

STOCKHOLM DEN 23 MARS 2017


GÖRAN BARSBY
ORDFÖRANDE


FREDRIK ARP


KERSTIN BORGLIN


BJÖRN BÖRJESSON

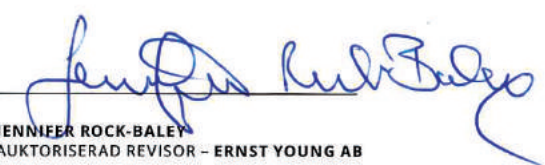

STEFAN ISAKSSON


HANNA LAGERCRANTZ


CHARLOTTE SALFORD


ANNA RYOTT
VERKSTÄLLANDE DIREKTÖR

VÅR REVISIONSBERÄTTELSE HAR LÄMNATS DEN 27 MARS 2017


JENNIFER ROCK-BALEY
AUKTORISERAD REVISOR – ERNST YOUNG AB

Revisionsberättelse

Till bolagsstämman i Swedfund International AB, org.nr 556436-2084

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Swedfund International AB för år räkenskapsåret 2016 med undantag för bolagsstyrningsrapporten på sidorna 101-104. Bolagets årsredovisning ingår på sidorna 6-107 i detta dokument.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Swedfund International ABs finansiella ställning per den 31 december 2016 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Våra uttalanden omfattar inte bolagsstyrningsrapporten på sidorna 101-104. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Swedfund International AB enligt god revisionssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Annan information än årsredovisningen

Detta dokument innehåller även annan information än årsredovisningen och återfinns på sidorna 1-5 samt 108-115. Det är styrelsen och verkställande direktören som har ansvaret för den andra informationen.

Vårt uttalande avseende årsredovisningen omfattar inte denna information och vi gör inget uttalande med bestyrkande avseende denna andra information.

I samband med vår revision av årsredovisningen är det vårt ansvar att läsa den information som identifieras ovan och överväga om informationen i väsentlig utsträckning är oförenlig med årsredovisningen och koncernredovisningen. Vid denna genomgång beaktar vi även den kunskap vi i övrigt inhämtat under revisionen samt bedömer om informationen i övrigt verkar innehålla väsentliga felaktigheter.

Om vi, baserat på det arbete som har utförts avseende denna information, drar slutsatsen att den andra informationen innehåller en väsentlig felaktighet, är vi skyldiga att rapportera detta. Vi har inget att rapportera i det avseendet.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller fel och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller på fel, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på fel, eftersom oegentligheter kan innefatta ågerande i maskopi, förfälskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning av Swedfund International AB för år räkenskapsåret 2016 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust. Vi tillstyrker att bolagsstämman behandlar förlusten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Swedfund International AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fort-löpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Revisorns granskning av bolagsstyrningsrapporten

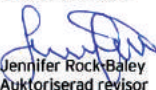
Det är styrelsen som har ansvaret för bolagsstyrningsrapporten för räkenskapsåret 2016 på sidorna 101-104 och för att den är upprättad i enlighet med "Statens ägarpolicy och riktlinjer för företag med statligt ägande" (ägarpolicy:n).

Vår granskning har skett enligt FARs uttalande RevU 16 *Revisorns granskning av bolagsstyrningsrapporten*. Detta innebär att vår granskning av bolagsstyrningsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för våra uttalanden.

En bolagsstyrningsrapport har upprättats. Den information som är obligatorisk enligt ägarpolicy:n är förenlig med årsredovisningen och koncernredovisningen.

Stockholm den 27 mars 2017

Ernst & Young AB


Jennifer Rock-Bailey
Auktoriserad revisor

ADHERENCE TO REPORTING GUIDELINES

REPORT PROFILE

Swedfund's Integrated Report 2016 is a fully integrated report in which information relating to sustainability is integrated with financial information, and vice versa. This approach means that the report is compiled in line with the International Integrated Reporting Council's (IIRC) International <IR> Framework.

Swedfund complies with the guidelines for external reporting included in the State's Ownership Policy.

Swedfund deviates from the Government's requirement for a separate review with limited level of reliability, of Sustainability Report, when instead applying full audit on the entire integrated report.

Applying audit, verification with a reasonable level of reliability, to the sustainability report, in accordance with GRI's guidelines, see below, means that Swedfund sets high standards for the accuracy of the information. The increased requirement for accuracy and traceability in the reports is a challenge for us, and leads to improved internal processes and procedures, as well as increased transparency. One assurance report of our entire integrated report is an effective tool for taking our approach to sustainable business forward through a systematic commitment to clear reporting and follow-up. Consequently, the audit involves a high level of quality assurance, which is crucial for the credibility of our reporting.

BOARD-DEFINED REPORTING

The Board of Directors has endorsed and published the integrated report in its entirety.

The annual report has a special focus on Swedfund's role as a development finance institution, and how Swedfund, through investment in sustainable business, contributes to the realisation of the Global Goals and Agenda 2030. As in previous reports, considerable space is given to describing the results in our investment portfolio in relation to our strategic sustainability targets and our three pillars: impact on society, sustainability and financial viability. A selection of investment cases illustrates poverty reduction through sustainable business.

The Sustainability Report is the ninth since the first was published in 2008, and forms an integral part of the report.

THE FINANCIAL REPORTING FRAMEWORK

In its financial reporting, Swedfund complies with the Swedish Annual Accounts Act's rules, the general advice 2012:1 of the Swedish Accounting Standards

Board (BFN) and the Swedish Corporate Governance Code.

SUSTAINABILITY REPORTING FRAMEWORK

We apply the Global Reporting Initiative's (GRI) reporting framework for sustainability reports, version G4, and GRI G4 Sector Disclosures, Financial Services, at Core level.

UN GLOBAL COMPACT, COMMUNICATION ON PROGRESS, COP

By committing to the UN Global Compact (GC), which Swedfund accepted in 2012, Swedfund is obliged to submit a Communication on Progress (COP), which presents the work on implementing the Global Compact's 10 principles. The company's first COP was submitted in April 2013.

Swedfund's fifth COP is incorporated in this report. We have decided to refer, in the separate GRI/COP index, to the information stipulated in the BASIC GUIDE Communication on Progress, GC Active Level, produced by the UN Global Compact.

UN PRI

By committing to the UN Principles for Responsible Investment (UN PRI), which Swedfund accepted in 2012, we have undertaken to report annually on the result of this work directly to PRI's Secretariat, in electronic format. Swedfund's third report in respect of financial year 2015 is presented in Swedfund's RI Transparency Report 2015/16. In so far, as all of Swedfund's reported data is concerned, this report was subject to a general review by EY. The report to PRI's Secretariat in respect of 2016 was submitted online before the end of March 2016, and is referred to in Swedfund's Integrated Report 2016.

AUDIT

EY submits an audit report in respect of Swedfund's annual report. Links in the report have not been subject to audit.

SCOPE AND DEMARCATION OF THE REPORT

The report largely covers Swedfund and our portfolio companies, with special focus on the company's equity portfolio in which we have Board representation. The report also covers portfolio companies in which Swedfund is a lender, as well as funds in which we have invested. Significant undertakings, the demarcations for the selection of portfolio companies for Performance Reports and measurement methods in respect of Impact on Society, Sustainability and Financial Viability are presented throughout the report.

Data reported at aggregate level, in respect of development results and other portfolio indicators, constitutes the summarised results of information provided by the portfolio companies in separate self-declarations, as well as in the companies' financial and other reports. Read more on demarcation in respect of reporting of development results on page 64.

We are convinced that transparent reporting of development results benefits both value creation and development results, as well as stakeholder relations, but, for reasons of confidentiality, we are unable to report on the performance of individual portfolio companies.

In this year's report, as in the previous year's, we provide country-by-country reporting of tax and a summary of the portfolio companies' reported tax, retrieved from the companies' annual reports or other separate reports. Swedfund pays tax only in Sweden.

LIMITATIONS

Our operation means that we invest in a number of new projects each year, and divest others. Consequently, the portfolio is constantly changing, which makes comparability between years difficult.

During 2016, we have changed the reporting procedures in respect of non-financial results. We have adjusted the reporting cycle so that the portfolio companies now have the same reporting year for both financial and non-financial data. Accordingly, in this report, the results of the portfolio companies are reported from the preceding year, i.e. 31 December 2015.

Financial data is retrieved from our portfolio companies' financial reports, which are subject to audit in the countries in which they operate. Non-financial data is taken from the portfolio companies' self-declaration, and has been collected from the Swedfund Portfolio Company Sustainability Report or from other agreed reporting formats.

CONTACT PERSONS

Helene Lundkvist, Director of Finance and Administration, for financial information. Karin Askelöf, Senior Manager Strategy & Impact, for reporting of development results and the integrated report in its entirety.

GLOSSARY

AAAA	Addis Ababa Action Agenda	OECD	Organisation for Economic Co-operation and Development
ADB	The Asian Development Bank	OeEB	Austria's DFI
AfDB	The African Development Bank	OFC	Offshore Financial Center
CEO	Chief Executive Officer	OPIC	Overseas Private Investment Corporation, the USA's DFI
COFIDES	Spain's DFI	Proparco	France's DFI
COP 21	Conference of Parties (COP) 21 or Climate Conference in Paris 2015	SBI	Belgium's DFI (as well as BIO)
DAC	Development Assistance Committee	SDG	Sustainable Development Goals
DD	Due Diligence	SEK	Swedish Kronor
DEG	Deutsche Entwicklungs Gemeinschaft, Germany's DFI	Sida	Swedish International Development Cooperation Agency
DFI	Development Finance Institution	SIFEM	Switzerland's DFI
EDFI	European Development Finance Institutions	SIMEST	Italy's DFI
EFP	European Financing Partners (ea collaboration between EIB and EDFI)	SIWI	Stockholm International Water Institute
EIB	European Investment Bank	SOFID	Portugal's DFI
EBRD	European Bank of Reconstruction and Development	SSA	Sub-Saharan Africa
ElectriFI	The Electrification Financing Initiative E&S Environmental & Social	TA	Technical assistance
ESG	Environmental Social & Governance	UNEP	United Nation's Environment Programme
ESGAP	Environmental Social Governance Action Plan	UN	The United Nations
ESHIA	Environmental Social Health Impact Assessment	UN GC	United Nation's Global Compact
Ethical Corporation ..	Monthly journal providing global news and about social, environmental and financial issues	UN GP	UN Guiding Principles on Business and Human Rights
Eurodad	A network of 49 international non-governmental organisations	UN PRI	United Nation's Principles for Reponsible Investments
FAR	Swedish institute for authorized public accountants	UNWTD	United Nation's World Tourism Organisation
FfD	Financing for Development	WB	World Bank
Financial		WDI	World Development Indicators
inclusion	Increased access to affordable financial services for larger numbers of people	WWF	World Wide Fund for Nature
Finnfund	Finland's DFI		
FMO	The Netherland's DFI		
GDP	Gross domestic product		
GRI G4	Global Reporting Initiative, G4 framework for sustainability reporting		
HIPSO	Harmonised Indicators for Private Sector Operations		
IBIS	An international non-governmental organisation		
IDB	Interamerican Development Bank		
IFC	International Finance Corporation		
IFI	International Finance Institution		
IFU	Denmark's DFI		
ICCF	Interact Climate Change Facility		
IIRC	International Integrated Reporting Council		
ILO	International Labour Organization		
IMF	International Monetary Fund		
MSEK	SEK million		
MUSD	USD million		
MW	Megawatt		
Norfund	Norway's DFI		
ODA	Official Development Assistance		

AWARDS

SWEDEN'S BEST SUSTAINABILITY REPORT 2015

Our integrated report for 2015 was published in March 2016.

On 2 June, Swedfund was awarded the prize for the best sustainability report in the public sector and government-owned company category. The prize was awarded by Aktuell Hållbarhet, who selected the finalists from 150 entries. Other finalists in the category were Göteborgs Energi and Jernhusen. The large company prize went to IKEA.

The jury said:

"Original sustainability reporting can deal with both form and content or on an innovative combination of both. And the winner in the public sector and government-owned company category has taken a new approach to the reporting of the whole of the organisation's operation. As the Board of Directors signed the sustainability report, it projected a picture of an organisation which is prepared to integrate sustainability issues into its core operation in a concrete manner."

ETHICAL CORPORATIONS RESPONSIBLE BUSINESS AWARDS

On 30 September, Swedfund was awarded a prize in Ethical Corporations Responsible Business Awards. The awards are intended to highlight genuine, innovative and meaningful approach to implementing responsible business. The Best Integrated Report category aims to shine a spotlight on integrated reporting that clearly shows and explains a company's value generation in all areas.

Swedfund's integrated report took the Highly Commended spot in the Best Integrated Report category.

The jury said:

"A VERY close runner-up with equally clear, comprehensive, value and data driven report."

SWEDFUND IN THE TOP FLIGHT AGAIN

In 2012, Swedfund accepted the UN's Principles for Responsible Investments (UNPRI, www.unpri.org), which bind Swedfund to report annually on how the principles are integrated into the operation. Swedfund was also in the top flight in the reports for 2015, with the highest A+ rating in three modules, and an A rating in one module. Swedfund is one of few investors to receive the highest rating. This award confirms the progress that Swedfund has made in integrating ESG factors into its investment analysis.

