

Swedfund

Disclosure Statement, the Operating Principles for Impact Management

Swedfund International AB, April 7th 2025



Swedfund International AB

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Poverty reduction through sustainable investments

Swedfund is Sweden's development finance institution with the mission of fighting poverty through sustainable investments in developing countries. Our work contributes to Sweden's development cooperation policy objectives and delivery of the 2030 Agenda and the Paris Agreement. Swedfund makes sustainable investments in the private sector and works on feasibility studies and capacity-building initiatives with public project owners. As a development finance institution, we invest for jobs with decent working conditions and increased access to essential products and services. We invest for gender equality, women's economic empowerment and reduced inequalities, and for mitigation, adaptation and increased resilience to climate change. Our investments promote innovation, ensure that more companies meet international standards and increase local value creation. Through feasibility studies and capacity-building efforts in the public sector, we are laying the foundations for more sustainable and investable infrastructure projects in developing countries. A well-developed infrastructure is vital in fighting poverty, for economic development and increased trade.

Swedfund's business model is centered on creating impact within three pillars: Impact on society, Sustainability and Financial viability. When we invest in companies, the pillars characterize every step of the investment process. Our work is based on our Theory of Change. This means that we carry out an analysis of how a potential investment can contribute to change and what direct and indirect development impact is created. We contractually bind the changes we want to achieve and consider possible, and provide expertise and technical assistance as and when necessary to support sustainable development. Swedfund's mission is to be additional, meaning we enable investments that would otherwise not have been made. Taking risk is a pivotal part of our mission and operations. We are additional by taking risks and showcasing opportunities. Making sustainable investments that create both impact and financial return is central to our role and has an important demonstrative purpose which facilitates capital mobilization.

In order to achieve development results effectively, we have chosen to organise our investment activities into four sectors, which allows us to focus our resources and continue building expertise: Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems. 66% of our investment portfolio is in Africa.

Swedfund International AB (Swedfund or the "Signatory") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles"). This Disclosure Statement applies to the following assets (the "Covered Assets"): Swedfund's total portfolio. The total assets under management, the Covered Assets, in alignment with the Impact Principles is MUSD 1171 as of December 31st, 2024.

Maria Håkansson, CEO
Swedfund International AB
April 7th, 2025



PRINCIPLE 1:

Define strategic impact objective(s), consistent with the investment strategy. The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- Swedfund is Sweden's development finance institution with the mission of fighting poverty through sustainable investments in developing countries.
- Swedfund was established in 1979 and is a state-owned company managed by the Swedish Ministry of Finance. Its operations are financed by reflows from the portfolio and through capital injections from the development cooperation budget, for which the Swedish Ministry for Foreign Affairs is responsible.
- Swedfund makes sustainable investments in the private sector and works on feasibility studies and capacity-building initiatives with public project owners. Swedfund's work contributes to Sweden's development cooperation policy objectives and delivery of the 2030 Agenda and the Paris Agreement. In accordance with the Swedfund's Owner's Instruction, Swedfund's operations are required to contribute to sustainable development across economic, social, environmental, and climate-related dimensions.
- Swedfund contributes to all of the Sustainable Development Goals (SDGs) but focuses on scaling its impact to five core SDGs. Poverty reduction (Goal 1) is directly linked to Swedfund's vision. Swedfund's focus on Gender equality (Goal 5), Decent work and economic growth (Goal 8), Reduced inequalities (Goal 10) and Climate action (Goal 13) permeate all of Swedfund's operations and investment processes.
- 2024 was the first year of the strategy adopted by Swedfund's Board of Directors for the period 2024-2030. The strategy is based on the needs Swedfund has identified combined with its competence and expertise. The aim is to triple its development impact within the framework of the 2030 Agenda by using its two instruments, investments and feasibility studies, which enables Swedfund to work holistically on issues related to sustainable development and inclusive growth.
- Swedfund has several instruments for its investments: equity, loans and guarantees. Swedfund makes both direct investments through equity and loans and indirect investments through the funds in which Swedfund invests. The choice of investment form depends on the financing requirements of each company, but Swedfund also strives to establish a good balance of instruments in its combined portfolio. Since 2023,



Swedfund has also had access to and deployed investments leveraging EU guarantees.

- Swedfund's business model is based on three pillars: impact on society, sustainability and financial viability. By setting targets for each of these pillars at the portfolio level, monitoring the performance and working closely with its portfolio companies, Swedfund aims to ensure that its portfolio develops in the right direction and delivers the expected development effects.
- [Swedfund's Policy for Sustainable Development](#) states its approach on impact and includes key impact requirements for its portfolio companies.
- Swedfund has formulated Theories of Change (ToC) for its overall institutional mission as well as for its focus sectors and themes. The ToCs frame the impact rationale for all investments in association with Swedfund's mission, strategy and targets. The content and relevance of the ToCs are regularly revised based on evidence gathered through impact studies and dialogues with internal and external stakeholders.
- As a development finance institution, the achievement of Swedfund's impact focused mission steers the development of its (i) strategy, (ii) targets and (iii) processes. This in turns stipulates how Swedfund integrates impact in its decision-making process, from proposal to exit.

PRINCIPLE 2:

Manage strategic impact on a portfolio basis. The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- Swedfund sets targets and manages its impact both on portfolio level and in individual investments. Swedfund has portfolio level mission objectives relating to the economical sustainability of investments, environmental and climatic sustainability of investments, social sustainability of investments and regarding Swedfund's additional role:
 - Turnover and profitability shall increase in not less than 60% of the Company's investments during the holding period with a base year corresponding to the investment year.
 - By 2045, Swedfund's investment portfolio shall be climate-neutral, meaning the portfolio shall have a net zero release of greenhouse gases. Also, the total release of greenhouse gases per invested Swedish krona shall accordingly decline over time with 2020 as the base year.
 - Increased gender equality in the investment portfolio, which entails fulfilment of the 2x-Challenge criteria or equivalent in at least 60%



- of the investments of the total portfolio, not later than three years from the date of investment.
- Compliance by 100% of the investment portfolio with decent working conditions in accordance with the core ILO conventions not later than three years from the date of investment.
- The Company's investment portfolio shall mobilise not less than 30% of commercial capital.
- The portfolio level mission targets guide investment selection and management. Swedfund's impact management process is integrated, together with environmental and social (ES) and business integrity (BI) management, into its investment process.
- Swedfund's mission targets are at the core of Swedfund's strategy and form a basis for its annual plans and target setting for management, departments and all staff. In addition, Swedfund's Board of Directors have approved complementary strategic targets, including impact targets such as majority of the portfolio companies should grow the number of employees.
- Swedfund has implemented and updated its Impact Rating Tool to assess and illustrate the impact drivers of the portfolio and individual investments – in order to support decision making and balance portfolio impact.
- Data across all three pillars, impact on society, sustainability and financial viability, is collected and verified annually through a sustainability survey and annual reports of portfolio companies. The data is aggregated at portfolio level and published in Swedfund's annual integrated report. Swedfund's portfolio impact and sustainability data reported in the integrated report is audited by an external auditor with equivalent level of confidence as the financial data.
- Indicators that are collected and analysed for portfolio management are harmonized with other Development Finance Institutions, private sector investors or other industry initiatives such as HIPSO, Joint Impact Indicators, the 2X Criteria and the GIIN's IRIS+ catalogue. It is essential for Swedfund to align with relevant industry initiatives and encourage harmonization in order to ensure quality indicators and enable benchmarking of Swedfund's performance with its peers. Most importantly, it also contributes to the continued knowledge and growth of the industry.



PRINCIPLE 3:

Establish the Manager's contribution to the achievement of impact. The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- Swedfund's mission is to be additional, meaning Swedfund enables investments that would otherwise not have been made. Swedfund assesses additionality according to the OECD Development Assistance Committee's definition which includes financial, value and development additionality.
- As mentioned under Principle 1, Swedfund has developed Theories of Change for its overall mission as well as key sectors and focus themes (e.g., gender, climate, digitalisation). Each investment is assessed to formulate a relevant impact narrative in line with the relevant Theory of Change. This narrative is evaluated, as applicable, regularly throughout the investment life cycle e.g., through ex ante evaluations (due diligence), ex post impact studies, monitoring of data, other engagements during the holding period and exit evaluations and studies.
- Swedfund acts as an active owner to achieve desired development effects. In addition to direct financial contribution through its investment, Swedfund aims to mobilise private capital.
- In selected cases, Swedfund applies an incentive framework based on impact performance for pricing of a loan for a financial institution or compensation for a fund manager, which is a method for Swedfund to use its leverage and enhance contribution to desired impact outcomes.
- Swedfund maintains ongoing dialogue and close contact with the portfolio companies in order to monitor risks, performance, target attainment and contractual conditions. This is done through visits, active board and committee work and regular consultations. Both internal and third-party audits are conducted. Technical assistance funding for capacity building can be allocated to support portfolio companies to reach impact targets and mitigate impact risks, including funding to improve impact management and monitoring of Swedfund's investments.



PRINCIPLE 4:

Assess the expected impact of each investment, based on a systematic approach. For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- All three pillars, impact on society, sustainability and financial viability, are included in all phases of Swedfund's investment process.
- Swedfund's Impact Management System is aligned with the Impact Principles and the Impact Frontier's five dimensions of impact.
- All investment proposals to be presented to the Investment Committee for concept clearance are required to first go through an additionality assessment and impact potential assessment. This step ensures that Swedfund only invests where there is an explicit need for its funds while also identifying key impact areas and risks to be further assessed during a potential due diligence. The assessment is conducted by dedicated impact experts.
- Results from due diligence presented to the Investment Committee show the alignment with Swedfund's applicable Theory of Change and key Sustainable Development Goals, present a narrative on level of expected impact and answer the following questions: What is the expected impact, Who will experience the impact, How much impact (scale, depth, duration) is expected to occur, Contribution of Swedfund, Level of risk that the desired impact will not be realised.
- To better understand what the main impact drivers of individual investments are and how they contribute to Swedfund's portfolio impact, an Impact Rating Tool has been developed and implemented. It is being used during investment decision and annually to complement other elements of Swedfund's impact assessment.
- In addition, key metrics to be assessed for the baseline and to be monitored during the investment are identified and selected from Swedfund's KPI catalogue. The KPIs are harmonized with other Development Finance Institutions, private sector investors or other industry initiatives such as HIPSO, Joint Impact Indicators, the 2X Criteria and the GIIN's IRIS+ catalogue. It is essential for Swedfund to align with



relevant industry initiatives and encourage harmonization in order to ensure quality indicators and enable benchmarking of Swedfund's performance with its peers. Key metrics can include portfolio levels indicators that are measured for all investments, sector specific indicators and investment specific indicators.

- To support Swedfund's portfolio companies with processes and methods to strengthen their capacity to systematically manage and measure impact, a standardised Impact Measurement and Management (IMM) framework and technical assistance offering has been developed and piloted with selected portfolio companies. Continued development, implementation and uptake of the framework amongst portfolio companies, in Swedfund's internal processes, as well as harmonisation with other Development Finance Institutions and private sector investors is ongoing and will be an important focus area going forward.
- A value creation plan based on the assessment of expected impact is created ex-ante as applicable and this together with an ESG Action Plan is anchored to the investment. The aim of the value creation plan is to find ways to accelerate and maximize positive impact. Negative impact is managed through Swedfund's ES Management System described in Principle 5.

PRINCIPLE 5:

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- Swedfund's Ethical Compass states the international commitments, policies, guidelines and transparency obligations that Swedfund has adopted. Swedfund's Policy for Sustainable Development and Business Integrity Policies are integral parts of Swedfund's sustainability framework and determine the requirements Swedfund set for its portfolio companies regarding impact and sustainability. The policies are available at Swedfund's home page: [Swedfund's Policy for Sustainable Development](#) and [Swedfund's Business Integrity Policy](#).
- Swedfund's sustainability goals imply that:
 - 100% of Swedfund's investments shall act consistently with ILO's Declaration on Fundamental Principles and Rights of Work and ILO Basic Terms and Conditions of Employment within 3 years from the time of the investment. Further, investments are expected to act in



- compliance with ILO C190 Convention on Violence and Harassment.
- 100% of portfolio companies have implemented an Environmental and Social Management System within 3 years from the time of the investment, including Human Rights.
- 100% of portfolio companies have implemented a Business Integrity Management System within 3 years from the time of the investment.
- ES and BI considerations are applied to all Swedfund's investments, and Swedfund's Environmental and Social Management System and Business Integrity Risk Assessment (BIRA) describes in detail how ES and BI are included in the investment process to identify and mitigate ES and BI risks.
- Swedfund categorises all potential investments in four or three risk categories to reflect the potential ES risks and impacts and BI risks related to the business activities of the investment. The risk categorisation guides its due diligence procedure. The main frameworks and guidelines used during the ES due diligence are EDFI Harmonised ES Standards, IFC Performance Standards and the United Nations Guiding Principles on Business and Human Rights (UNGP). In addition, Swedfund applies specific lenses to assess for example gender and climate issues.
- The Impact Frontier's ten types of Impact risks provide further guidance to structure our analysis according to (i) Type of impact risk, (ii) Level of impact risk and lastly (iii) a mitigation strategy.
- The improvements that the investments are required to undertake in order to meet its ES, Impact and BI requirements are summarised in an ESG Action Plan that is included in the investment agreement.
- Once the agreement has been signed and the funds disbursed, Swedfund will follow the implementation of the Action Plans and monitor the performance of the investment through annual surveys, site visits, audits and work through boards and sustainability committees.
- Ahead of the exit process, the investment is analysed on the basis of Swedfund's three pillars as applicable. During this process, Swedfund considers whether further initiatives are necessary, for example to mitigate residual risks.



PRINCIPLE 6:

Monitor the progress of each investment in achieving impact against expectations and respond appropriately. The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework.

- As an active owner, Swedfund collects data to assess performance across its three pillars (see Principle 1). Swedfund's performance and result management incorporates both quantitative and qualitative data.
- As part of Swedfund's investment agreements with its clients, Swedfund outlines data collection, methodologies and responsibilities prior to the beginning of monitoring activities and requires that clients report on key indicators each year.
- Both qualitative and quantitative data including portfolio level and sector level indicators is gathered through annual sustainability surveys via its online data collection system, WorldFavor. Other reporting from Swedfund's portfolio companies, such as fund reports and annual reports, are used as well. The ESG & Impact Team is responsible for collecting and verifying the data.
- Every investment has a dedicated Impact Manager responsible for analysing the data, monitoring the impact performance and proposing plan of action to address potential gaps or development needs.
- Data from each individual investment is inputted to Swedfund's Impact Rating Tool annually, to monitor the development of the rating and impact performance of individual investments and portfolio.
- Data is aggregated and analysed at portfolio level and the results are published in Swedfund's annual integrated report. Swedfund's impact and sustainability data reported in the annual integrated report is audited by an external auditor with equivalent level of confidence as the financial data. Portfolio level metrics are assessed based on their contribution towards Swedfund's mission goals.
- In addition, Swedfund reports quarterly to the Board of Directors on the portfolio progress including impact related information. Swedfund conducts regular internal business reviews to discuss performance of its portfolio regarding its strategy and business plan, and monitor the changes in relation to risks, including impact risks and likelihood.



PRINCIPLE 7:

Conduct exits considering the effect on sustained impact. When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure and process of its exit will have on the sustainability of the impact.

- Swedfund's investment process includes a pre-exit evaluation, as applicable, including effects on sustained impact and mitigations needed to maintain and sustain impact generation after Swedfund's active engagement. Need for additional assessments or initiatives including use of technical assistance funding is evaluated. This assessment can affect the timing of the exit, its structure or the choice of buyer.
- Swedfund is a long-term investor with engagements ranging on average between 7-10 years. This provides a significant period to support capacity building and influence aspects believed to be essential in order to generate desired impact in investees. Generated as well as potential impacts are taken into account when considering an exit.
- Debt instruments are self-liquidating in nature. In these cases, Swedfund writes an exit report including an impact evaluation.
- An exit report is documented for all performed exits, including an assessment of Swedfund's three pillars. The assessment summarizes the expected impacts at the time of investment, compares the actual impact in relation to the baseline and evaluates Swedfund's contribution to the realized impact. The exit assessment is essential for Swedfund's continuous learning and improvements of future investment decisions, and has highlighted for example the importance of setting expected impact outcomes and consistent KPI:s to monitor the outcomes throughout the holding period.
- Some exits are of special interest to understand development effects, i.e. if additional evidence for Theory of Change development will be needed. In these cases, Swedfund will aim to conduct impact studies to harvest learnings.



PRINCIPLE 8:

Review, document and improve decisions and processes based on the achievement of impact and lessons learned. The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- Swedfund's results are evaluated on a regular basis by independent governmental agencies, committees, researchers and others.
- An annual evaluation of performance towards mission targets is conducted by the Board of Directors and management as a part of Swedfund's integrated reporting.
- With each new commitment Swedfund conducts an ex-ante analysis which states the expected impact to be generated by the investment project. The analysis includes both a quantitative and qualitative assessment and is performed as an integrated part of the due diligence, as applicable. A baseline is established for each investment which subsequently enables a tangible assessment of impact improvements or potential deviations in relation to expectations and targets during the active management phase.
- Regular reviews of the actual impact in individual projects are also conducted based on data and Impact Rating Tool results, but also in direct dialogue with the investees, which further supports the identification of potential gaps and needs in order to deliver on targets. In doing so Swedfund can proactively improve the portfolio's impact performance while also learning from portfolio companies and continuously enhancing its support in future projects.
- Swedfund conducts demand-driven impact studies to better understand the development effects of different investment types and to identify assumptions and conditions that can enhance desired impact. These studies are generally delivered by a third party. Impact studies also enables Swedfund to build empirical support for its Theories of Change while identifying additional pathways to deliver development impact.
- Swedfund has an internal audit function that conducts regular audits also on impact processes. The first internal audit on its impact management system was conducted in 2020 and a new audit in 2023 to further develop our impact assessment, management and evaluation capabilities. All recommendations from the audits have been implemented.



PRINCIPLE 9:

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment. The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concern.

- This Disclosure Note re-affirms the alignment of Swedfund’s impact management procedures with the Impact Principles and will be updated annually.
- Swedfund’s portfolio companies’ impact and sustainability results reported in the annual integrated report is audited by an external auditor with equivalent level of confidence as the portfolio companies’ financial results, meaning its portfolio companies’ results regarding impact on society has also undergone an independent audit. Swedfund’s annual integrated reports are available at <https://www.swedfund.se/en/about-swedfund/annual-and-interim-reports> The latest independent verification report from 2023 on the alignment of Swedfund with the Operating Principles for Impact Management is available at <https://www.swedfund.se/media/yampkbiv/swedfund-opim-verification-statement-2023.pdf> covering total assets under management.
- The verification will be replicated regularly, likely every three years.
- Information on the current independent verifier is as follows:
 - Name and address: Transcendent Group Stockholm AB, Östermalmstorg 1, 114 42 Stockholm, Sweden
 - Qualifications: “At Transcendent Group we are experts in making the complex straightforward. We are specialists in Governance, Risk and Compliance (GRC) and we tailor make solutions to fit our client's situations and circumstances. Our services provide security and enable new opportunities for our clients in the public and private sectors, including government agencies, businesses and other organisations in a variety of industries. All internal audit consultants at Transcendent Group have several years of experience and work in accordance with IIA’s guidelines. Most consultants hold related certifications, including CIA, CISA, CISM and CFE.”
 - Verification process: Swedfund has outsourced its internal audit function to Transcendent Group Stockholm AB. The main purpose of the internal audit is to monitor that Swedfund’s operations are in line with guidelines from the Board of Directors. Annual plan for the internal audit is approved the Board and the internal audit reports regularly to Audit Committee.
 - Most recent review: The most recent verification statement was dated November 20th, 2023.



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