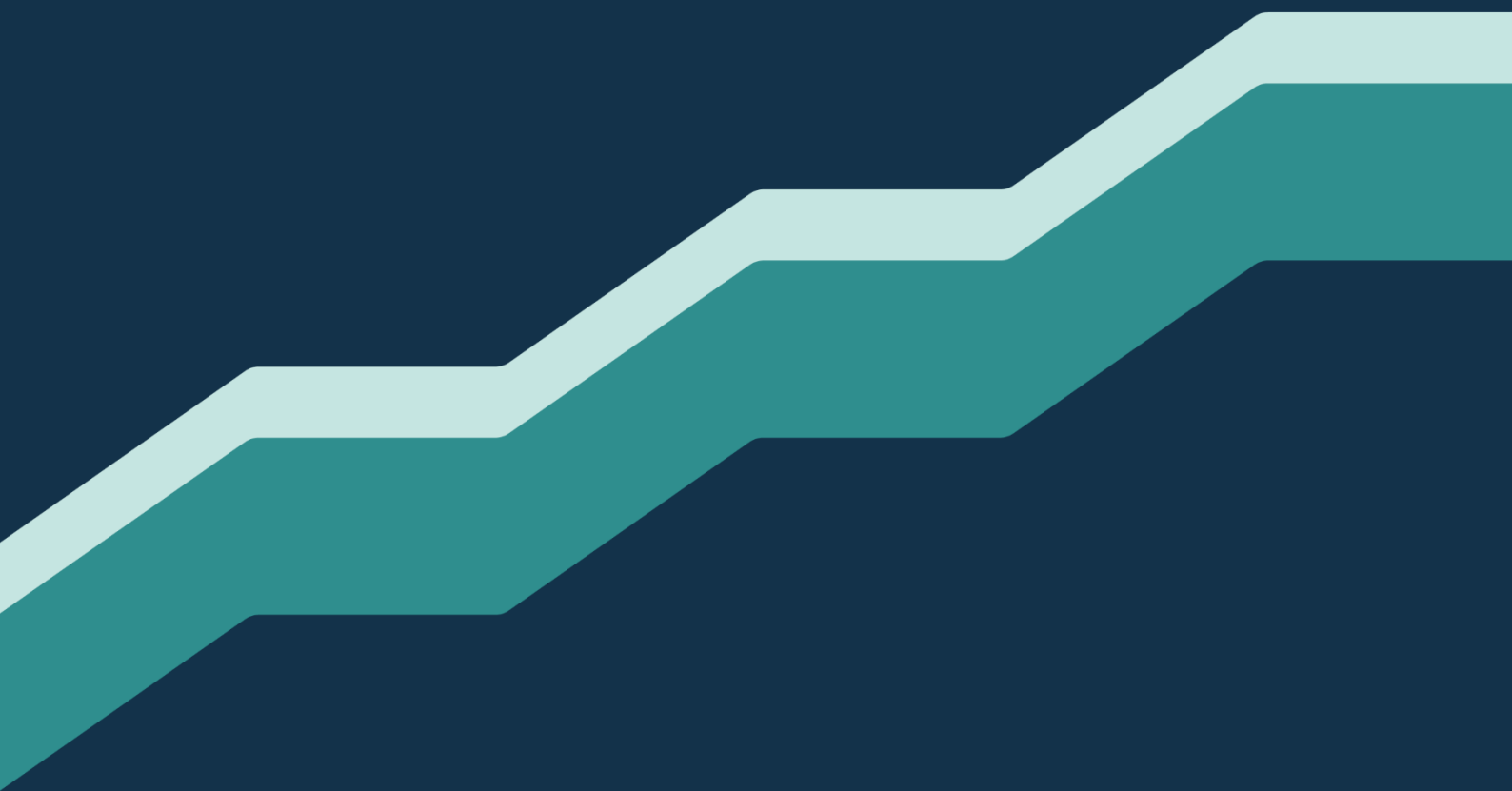


Swedfund

Swedfund's Policy for Sustainable Development

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Swedfund's Policy for Sustainable Development

1. Purpose and scope

Swedfund's mission as the Swedish Development Finance Institution is to reduce poverty through sustainable investments in developing countries. Swedfund's commitment to sustainable development is guided by Agenda 2030, including the UN Sustainable Development Goals and the Addis Ababa Action Agenda, which together with the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework, constitute a transformative plan of action, aimed at eliminating poverty, reducing inequalities, and protecting our planet. Swedfund contributes to all of the UN Sustainable Development Goals (SDGs) but focuses on scaling its impact to five core SDGs. No Poverty (Goal 1) is directly linked to Swedfund's vision. Further, Swedfund focuses on Gender Equality (Goal 5), Decent Work and Economic Growth (Goal 8), Reduced Inequalities (Goal 10) and Climate Action (Goal 13). Digitalisation and increased connectivity also permeate all our investments and operations and serve as important enablers for achieving results. This Policy for Sustainable Development forms an integral part of Swedfund's sustainability framework and applies to all Swedfund's investments regardless of geography, sector, instrument or company type. More specifically, the commitments and principles of the Policy apply to all Swedfund's activities, including the Project Accelerator and the Business Accelerator.

Swedfund's investments are strategic and long-term commitments. It is Swedfund's conviction that sustainable business practices mitigate risks and create long-lasting value in its portfolio, companies, and society. Swedfund's business model is based on three equally important pillars: Impact on Society, Sustainability, and Financial Viability. This Policy for Sustainable Development describes what Swedfund expects from itself and its investments to fulfil its ambitions within the first and second pillars.

Within the pillar of "Impact on Society" Swedfund assesses and monitors the impact contribution of its portfolio and investments, including increased number of decent jobs and tax generation, improved access to essential products and services, improved gender equality and women's economic empowerment, increased climate action, and nature and biodiversity efforts.

Within the pillar of "Sustainability" Swedfund assesses and manages the performance of its portfolio and investments in relation to environmental and social risks and impacts including respect for human rights, labour rights,

gender equality, climate change, nature and biodiversity, and business integrity.

2. Swedfund's commitment to all stakeholders

Swedfund is a signatory to, and has committed to, a set of international standards, principles for responsible investment, and sustainable business practices. These standards and commitments have been defined in close dialogue with Swedfund's stakeholders and integrated into the business model and investment process. Where applicable, they are also integrated in the governance of Swedfund's own operations, suppliers, the Project Accelerator and the Business Accelerator. A complete list of Swedfund's commitments is included in the Ethical Compass¹.

The cornerstones of Swedfund's responsibility as an investor include:

- Swedfund identifies, assesses, manages, and monitors the impact and sustainability performance of its portfolio and individual investments throughout the investment process:
 - i) Swedfund will invest in companies that are expected to deliver impact aligned with its goals and Theory of Change, that share its view on sustainability and that are expected to meet its requirements over time. During due diligence, Swedfund assesses the investment's impact potential and whether applicable sustainability requirements are met. If opportunities for enhancing the expected impact or gaps in meeting the sustainability requirements are identified, Swedfund requires that the portfolio company commits to an action plan to ensure compliance within a defined timeline and further value creation.
 - ii) The applicable requirements and the action plan form part of the legal agreement entered with the portfolio company. In the event of a breach, contractual measures are available to Swedfund.
 - iii) Throughout the life of the investment, Swedfund regularly monitors the impact and sustainability performance, including progress towards set targets and the implementation of the action plans. Swedfund creates value by actively supporting its portfolio companies in improving their performance, where applicable, through Technical Assistance funding, when appropriate.
 - iv) At exit, Swedfund conducts a responsible exit review, assesses the extent to which impact and sustainability expectations were met and identifies any residual risks and opportunities.

¹ [Ethical compass](#)

- Swedfund contributes to the wider development and harmonization within the investor community on sustainability and impact measurement, management, and reporting.

3. Swedfund’s key thematic areas for sustainable development

Swedfund has identified key thematic areas for sustainable development that are essential to delivering its strategy, including Human Rights, Decent Work, Gender Equality and Reduced Inequalities, Climate, Nature and Biodiversity, Business Integrity and Digitalization. Swedfund recognizes that these thematic areas are closely interlinked, might overlap, and are equally important. They are described in more detail in this Policy, other policies and Guiding Notes², as appropriate.

Human Rights and Decent Work

Swedfund recognizes that all business enterprises should respect human rights including labour rights and promote decent work. This means avoiding infringing upon basic human rights and addressing any adverse human rights and labour-related impacts of the enterprise:

- This responsibility to respect human rights refers to all Internationally Recognized Human Rights – understood, at a minimum, to be the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (collectively known as the International Bill of Human Rights) and the ILO’s Declaration on Fundamental Principles and Rights at Work³. In addition, Swedfund recognizes the UN Convention on the Rights of the Child and the Children’s Rights and Business Principles (CRBP)⁴.
- Swedfund is committed to working actively to comply with the United Nations Guiding Principles on Business and Human Rights (UNGPs)⁵.

² [Swedfund Guidelines, Policies and Guiding Notes](#)

³ The ILO’s Declaration on Fundamental Principles and Rights at Work refers to the following core Conventions: the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); the Right to Organise and Collective Bargaining Convention, 1949 (No. 98); the Forced Labour Convention, 1930 (No. 29); the Abolition of Forced Labour Convention, 1957 (No. 105); the Minimum Age Convention, 1973 (No. 138); the Worst Forms of Child Labour Convention, 1999 (No. 182); the Equal Remuneration Convention, 1951 (No. 100); the Discrimination (Employment and Occupation) Convention, 1958 (No. 111); the Occupational Safety and Health Convention, 1981 (No. 155); and the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).

⁴ [The Children’s Rights and Business Principles \(CRBP\)](#)

⁵ [UN Guiding Principles on Business and Human Rights](#)

Swedfund continuously develops and implements a human rights due diligence process to identify, prevent, mitigate, and account for how it addresses its impacts on human rights and engage and consult with potentially affected stakeholders. The human rights due diligence process is largely embedded in Swedfund's existing environmental and social management system.

- To fulfil Swedfund's commitment to respect human rights, Swedfund aims to avoid causing or contributing to adverse human rights impacts resulting from its own activities and to address such impacts if they occur. Where Swedfund identifies that it has caused or contributed to adverse human rights impacts, Swedfund will provide for, or cooperate in, their remediation through legitimate processes.
- Swedfund also aims to prevent and mitigate adverse human rights impacts that are directly linked to its operations through its business relationships. Where Swedfund identifies such adverse impacts,, Swedfund will seek to work with its business partners to ensure that remediation occurs.
- Swedfund works actively to encourage and support its portfolio companies in their efforts to safeguard and contribute to strengthening human rights, through their own collaboration and engagement with stakeholders on the topic.
- Swedfund's commitment to Decent Work is guided by the ILO's Decent Work Agenda and the IFC Performance Standards⁶. Swedfund promotes employment creation, workers' rights, social protection, and social dialogue across its portfolio, in line with international labour standards. Swedfund invests in countries where informal employment predominates and the provision of decent jobs is far from certain, which makes the task particularly important. As mandated by its owner, Swedfund's mission objective is for all portfolio companies to achieve 100% compliance with the ILO Declaration on Fundamental Principles and Rights at Work within three years of investment.
- Swedfund integrates Decent Work considerations into its investment process to identify, prevent, and mitigate labour-related risks. This includes promoting fair wages, ensuring safe and healthy working conditions, fostering non-discrimination, supporting freedom of association and collective bargaining, and eliminating unacceptable workplace practices such as forced labour, child labour, and harassment.
- Swedfund engages with its portfolio companies to strengthen human resource management, career progression, enhance worker participation, and establish grievance mechanisms, fostering continuous improvement in working conditions and labour standards. Additionally, Swedfund aims to support its portfolio companies in advancing the Decent Work Agenda, encouraging the creation of fair, safe and inclusive workplaces, and collaborating with them to drive positive change for employees and their communities.

⁶ [The IFC Performance Standards](#)

Gender and Reduced Inequalities

Swedfund is committed to advancing equitable, inclusive and sustainable global development. Women's economic empowerment and gender equality is both a goal in itself and an essential enabler fundamentally linked to Swedfund's mission to contribute to poverty reduction.

- Swedfund recognizes that achieving gender equality requires targeted efforts, both linked to promotion of economic empowerment, as well as to prevention of and response to gender-based discrimination, violence, sexual exploitation, abuse and harassment (SEAH).
- Swedfund embeds a gender lens across its investment processes with the aim of ensuring that gender equality is systematically addressed as a key area for decision making, value creation as well as risk mitigation and management throughout the life of its investments.
- Swedfund targets increased gender equality in the portfolio by using the 2X Criteria⁷ Framework to identify and evaluate investments aimed at promoting women's entrepreneurship and ownership, leadership and employment opportunities, as well as access to capital, products, and services that can contribute to economic empowerment and equality.
- Swedfund supports progress on gender equality in its portfolio companies by requiring target setting and action items with reference to the 2X Criteria Framework as appropriate at different maturity levels. As mandated by its owner, Swedfund's mission objective is that 60% of its portfolio companies meet at least one 2X Criteria within 3 years from investment. Additionally, Swedfund qualifies investments for the 2X Challenge based on full 2X Criteria Framework alignment, and also acknowledges progress amongst portfolio companies that are far from reaching the 2X Criteria but implement basic safeguards.
- Swedfund obliges all portfolio companies to provide employment in line with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, not only concerning equal opportunities but also the guidance on workplaces free from discrimination, violence and harassment, in line with the ILO Convention No. 190 (C190)⁸.
- Swedfund is committed to reducing inequalities between and within countries. Swedfund invests in developing countries, where there is both a great need and a great opportunity to make a difference. Swedfund strives to promote social and economic inclusion and fair opportunities for all. Swedfund invests in increased access to essential products and services, like electricity, financial services and food as well as in local value creation and income growth. Swedfund also aims to advance local representation, decision making and ownership.

⁷ [2X Criteria](#)

⁸ ILO Convention No. 190 (C190): recognizes the right of everyone to a world of work free from violence and harassment, including gender-based violence and harassment.

- Swedfund works actively with its portfolio companies to contribute to a world with equal rights, equal conditions, equal opportunities, and equal power.

Climate

Swedfund acknowledges that climate change undermines efforts to alleviate poverty, disproportionately affecting developing countries that historically contributed least to the global emissions and populations in vulnerable situations, including women. Swedfund is dedicated to investing in initiatives aimed at reducing global warming and increasing adaptation and resilience to the effects of climate change. Swedfund carefully balances between its developmental and climate contributions, recognizing that investments for poverty reduction that create many jobs and contribute to local income generation may at times increase emissions.

- Swedfund is committed to aligning its practices with the goals of the Paris Agreement, which aims to limit global warming well below 2, preferably to 1.5 degrees Celsius when compared to pre-industrial levels.
- In line with this, Swedfund shall invest in low emission pathways and climate resilient development; and contribute towards net zero emissions. Swedfund's climate goals, set forth by its owner, are as follows:
 - The Investment portfolio shall be climate neutral by 2045 and
 - The portfolio's average GHG emissions per invested SEK shall decrease over time.
- Swedfund's climate finance definition builds on the Multilateral Development Bank's (MDB) Common Principles for tracking climate mitigation and climate adaptation finance⁹, uses the OECD Rio Markers for Climate, and draws upon the EU taxonomy's criteria which requires that activities categorized as climate finance must make a significant contribution while causing no significant harm.
- Swedfund assesses the climate vulnerability and climate risks, both physical and transition risks, of its portfolio companies and supports them to work on adaptation measures and climate resilience.
- According to Swedfund's Owner Instructions, investments in the energy sector shall promote fossil-free energy, energy efficiency and effective reduction of emissions. Investments shall not be made in fossil energy with the exception of investments contributing to achieving the effective reduction of emissions and the transition from use of fossil fuels. Swedfund also strives to reduce emissions from its operations, while actively collaborating with its portfolio companies to support their low carbon transitions.

⁹ [The Common Principles for Climate Mitigation Finance Tracking](#)

- Inspired by the Task Force for Climate-related Financial Disclosures (TCFD)¹⁰ Swedfund continually strives to improve its reporting on climate-related risks and opportunities.

Nature and Biodiversity

Swedfund acknowledges that businesses both impact and depend on nature and that the current rate of biodiversity loss is a significant component of overall nature loss. Swedfund's focus is on increasing positive contributions while reducing negative risks or impacts on nature and biodiversity in its investment activities. Swedfund understands that climate and biodiversity, while distinct, are closely related topics.

- Swedfund is committed to aligning its practices with the global biodiversity goals under the Kunming-Montreal Global Biodiversity Framework (KMGBF)¹¹ as the guiding principle, which envisions a world living in harmony with nature. Swedfund continuously develops and improves its screening for nature and biodiversity risks and positive impact potential, employing a general approach aimed at avoiding net loss while pursuing opportunities towards net gain.
- Swedfund utilizes the IFC Performance Standards to evaluate and minimize nature and biodiversity risks at the project level. Swedfund's objective is to also create value by promoting and unlocking biodiversity co-benefits across its portfolio and exploring nature-positive investments wherever feasible.
- Swedfund tracks nature and biodiversity efforts across its portfolio. Swedfund's nature finance definition builds on the Multilateral Development Bank's (MDB) Common Principles for tracking nature-positive finance and the OECD Rio Markers for Biodiversity.
- As a Forum member of the Taskforce for Nature-related Disclosures (TNFD)¹², Swedfund draws upon its recommendations and guidance to assess, report and act on nature-related dependencies, impacts, risks and opportunities within its portfolio.

4. Requirements for Swedfund's portfolio companies

Swedfund has several financial instruments for its investments including equity and loans. When Swedfund invests, it expects each portfolio company to comply with the following requirements, in addition to the requirements stipulated in other key documents in Swedfund's sustainability framework, and as set out in the legal agreements. When Swedfund provides loans through the Business Accelerator, it expects each company

¹⁰ [Task Force on Climate-related financial disclosure](#)

¹¹ [Kunming-Montreal Global Biodiversity Framework \(KMGBF\)](#)

¹² [Task Force on Nature-related financial disclosures](#)

to comply with the following requirements if applicable, and as set out in the loan agreements.

4.1 Environmental and social requirements for portfolio companies

All portfolio companies are required to:

- Comply with legal and regulatory requirements in the jurisdictions where they operate.
- Comply with the Harmonized EDFI Exclusion List¹³ and the EDFI Fossil Fuels Exclusion List¹⁴, and with Swedfund's Owner Instructions regarding fossil energy. Comply with Swedfund's 100% exclusion on the financing of weapons and munitions¹⁵.
- Develop, implement, and maintain an appropriate Environmental and Social Management System, and assign Environmental and Social responsibilities to designated representative(s).
- Adhere to IFC Performance Standards and IFC EHS Guidelines, as applicable.
- Commit to respect all recognized human rights, as defined in the International Bill of Human Rights and in line with the understanding of the United Nations ("UN") Guiding Principles on Business and Human Rights.
- Offer working conditions consistent with the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Basic Terms and Conditions of Employment¹⁶ and ILO Violence and Harassment Convention.
- Conduct an assessment of material climate impacts and risks of the project/activity and undertake measures to mitigate climate change impacts and to the extent possible enhance adaptation and resilience to climate risks as appropriate to the size and nature of their business.

When Swedfund invests through Financial Institutions and Funds, these entities are expected to develop an Environmental and Social Management System including the above requirements for their clients and portfolio companies, as appropriate to the size and nature of their business.

¹³ [Harmonized_edfi_exclusion_list_2012.pdf](#)

¹⁴ [Harmonised EDFI Fossil Fuel Exclusion List_2020.docx](#)

¹⁵ Via direct financing (equity or debt), indirect financing (equity or debt) through commitments to investment funds and platforms or dedicated lending (use of proceeds) via financial institutions.

¹⁶ The ILO's Basic Terms and Conditions of Employment refers to the Hours of Work Convention, 1919 (No. 1); and the Minimum Wage Fixing Conventions, 1970 and 1928 (No. 131 and 26).

In investments with other Development Finance Institutions or investors who share Swedfund's mindset and values with respect to Environmental and Social matters, the requirements outlined in the EDFI Harmonized Standards will be applied as the minimum for the investment. Swedfund may also agree to apply requirements that are similar to those in the EDFI Harmonized Standards, provided they are satisfactory to Swedfund.

4.2 Impact requirements for portfolio companies

For portfolio companies where Swedfund identifies the need to enhance impact and value creation or mitigate impact risks, the following requirements will be applied:

- Align with The Operating Principles on Impact Management¹⁷.
- Develop, implement, and maintain an appropriate Impact Management and Measurement System.
- Contribute to increasing Gender equality (SDG 5) based on target setting in alignment with the 2X Criteria Framework.
- Categorize and track thematically linked finance in alignment with international frameworks and definitions including SME financing primarily according to the IFC's definition, the EU definitions and requirements in cases leveraging EU Guarantees, and Gender, Climate and Nature and Biodiversity as described in the respective sections in this Policy.

4.3 Additional environmental, social and impact requirements

The following Environmental, Social, and Impact requirements may be applied to certain portfolio companies, depending on the investment instrument, sector, or specific contextual considerations:

- Adopt Greenhouse Gas (GHG) emission accounting in line with the GHG Protocol¹⁸ and/or the Partnership for Carbon Accounting Financials (PCAF)¹⁹, and/or climate reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD).
- Conduct an assessment of material nature and biodiversity impacts and risks of the project/activity and undertake measures to reduce negative impacts and to the extent possible enhance positive contributions to nature as relevant and appropriate to the size and focus of the business, and/or nature reporting in line with the Task Force on Nature-Related Financial Disclosures (TNFD).

¹⁷ [Operating Principles for Impact Management](#)

¹⁸ [Greenhouse Gas Protocol](#)

¹⁹ [The Partnership for Carbon Accounting Financials \(PCAF\)](#)

- Comply with relevant client protection principles²⁰, as appropriate to the sector.
- Adopt relevant forestry certifications, including the Forestry Stewardship Council.²¹
- Align with and/or adopt relevant food system principles, standards, or certifications, including the UN FAO Principles for Responsible Investment in Agriculture and Food Systems²² and the Roundtable on Sustainable Palm Oil (RSPO)²³, as applicable to the value chain and sector.
- Commit to United Nations Guiding Principles on Business and Human Rights (UNGP).
- Commit to Principles for Responsible Investment (UNPRI)²⁴.
- Commit to OECD Guidelines for Multinational Enterprises²⁵.

5. Swedfund’s stakeholders and grievance mechanism

Swedfund is committed to building and maintaining trust with its local external stakeholders, including individuals and the communities Swedfund and its portfolio companies serve.

- Swedfund commits to involving relevant external stakeholders as appropriate when evaluating new investments.
- Swedfund recognizes the crucial role played by its portfolio companies, who identify relevant stakeholders, establish meaningful engagement, and address stakeholder grievances arising from their operating contexts. Throughout the life of the investment, the portfolio company is primarily responsible for engagement with relevant stakeholders, with Swedfund monitoring and conducting additional engagement where necessary.
- Swedfund recognizes the need for its external stakeholders to be able to lodge grievance directly with Swedfund. Therefore, Swedfund makes a grievance mechanism available on its website to respond to legitimate concerns and grievances about Swedfund and its portfolio companies in a timely manner.

²⁰ [Client Protection Standards & Pathway](#)

²¹ [Forestry Stewardship Council](#)

²² [UN FAO Principles for Responsible Investment in Agriculture and Food Systems](#)

²³ [Roundtable on Sustainable Palm Oil \(RSPO\)](#)

²⁴ [Principles for Responsible Investment \(UNPRI\)](#)

²⁵ [OECD Guidelines for Multinational Enterprises](#)

- Swedfund has, via its website, a whistleblowing service available for employees, contractors, and consultants at its portfolio companies to make it easy to anonymously report serious irregularities.

6. Approval, revision and distribution

This Policy for Sustainable Development was updated and approved by the Board of Swedfund International AB on 11 June 2026. The Policy is distributed to all employees and portfolio companies of Swedfund. The Policy is publicly available on the website. Swedfund regularly evaluates the results of implementing this Policy. The Policy will be reviewed annually and updated when necessary, in close cooperation with its stakeholders.