

# INVESTING FOR HUMANITY

INTEGRATED REPORT 2021



Swedfund





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Our investment process and the way in which we work from a practical perspective in order to create jobs



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How development finance works

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Interview with Ulrika Modéer, Assistant Secretary-General, UNDP on page 16

## About this annual report

Swedfund's Swedfund's Integrated Report 2021 is a fully integrated annual report. Sustainability information is integrated with the financial information in the report and vice versa. The Integrated Report is submitted by the Board of Directors of Swedfund International AB, organisation number 556436–2084. The report is inspired by the International Integrated Reporting Council's (IIRC) framework.

INTEGRATED REPORTING 

 **PRI** Principles for Responsible Investment



# WE ARE REDUCING POVERTY THROUGH SUSTAINABLE INVESTMENT

Swedfund is Sweden's development finance institution and aims to contribute to poverty reduction through sustainable investments in the world's poorest countries. We play a vital role in the development cooperation and in the implementation of Agenda 2030.

Our mission is to finance and develop sustainable businesses. A well-developed private sector with jobs offering decent working conditions leads to stable communities and reduces poverty. Swedfund is a state owned company which is managed by the Swedish Ministry of Enterprise and Innovation. Its operations are financed by reflows from the portfolio and through capital contributions from the development cooperation budget, for which the Swedish Ministry for Foreign Affairs is responsible.

Swedfund was established in 1979 and has ever since invested in businesses, financial institutions and funds in countries in Africa, Asia, Latin America, the Middle East,

Eastern Europe and the Baltic States. There are similar development finance institutions in fourteen other European countries. They are all part of the European Development Finance Institutions Association (EDFI). At the end of 2021, Swedfund had 61 investments in companies, financial institutions and funds, with over 60 percent of the portfolio being targeted at sub-Saharan Africa.

Swedfund is a state owned company which is managed by the Swedish Ministry of Enterprise and Innovation

We are a leading actor within development finance and cooperation





# OUR METHOD CONTRIBUTES TO SUSTAINABLE DEVELOPMENT

Swedfund has the same goals as Swedish development cooperation, but uses different tools. We invest in equity, provide loans and use funds to reach more people. Our investments help to create jobs with decent working conditions and improve access to essential products and services in the world's most vulnerable countries.



## How we operate

Our work is based on our Theory of Change. This means that we carry out an analysis of how a potential investment can contribute to change and what direct and indirect development effects we can help to create. To secure the development impacts, we contractually bind the changes we want to achieve and consider possible, and provide expertise and technical assistance as and when necessary in order to support a development in the right direction. Our business model is based on three pillars: impact on society, sustainability and financial viability. We follow up and report a number of indicators linked to each pillar, and our overall results describe the impact and development effects we have generated.

Read more about our pillars on pages 46–47

# >60%

of Swedfund's portfolio is located in sub-Saharan Africa

## IMPACT ON SOCIETY

Swedfund aims to contribute to impact on society in the world's least developed countries. We measure our work through indicators linked to:

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



## SUSTAINABILITY

Swedfund aims to help create sustainable businesses in the world's least developed countries. We measure our work through indicators linked to:

- Working conditions
- Environment and social management system
- Anti-corruption management system



## FINANCIAL VIABILITY

Swedfund aims to help create profitable and financially viable businesses in the world's least developed countries. We measure our work through indicators linked to:

- Turnover and profitability
- Capital mobilisation





### Our focus

According to our Owner's instructions, Swedfund's remit is to operate in the least developed countries, where there is the greatest opportunity to make a difference.

We have therefore opted to have a geographical focus on sub-Saharan Africa and the most vulnerable countries in Asia. More than 60 percent of Swedfund's investments take place in sub-Saharan Africa.

## 55%

Proportion of investments that reports growth in revenue and profit

## 20%

Volume of mobilised private capital in relation to contracted value

## SEK 1 billion

Capital injection in 2021

We invest in three sectors which we consider to be particularly important for achieving our goal, to contribute to poverty reduction: Energy & Climate, Financial inclusion and Health. Climate, gender equality and women's empowerment, and digitalisation are three thematic areas that permeate everything we do, regardless of the chosen instrument, geography or sector.

### We are additional

According to Swedfund's Owner's instructions, our investments must be additional in accordance with the international aid agency OECD/DAC's definition of additionality. This means that we enable investments that would otherwise not take place. Swedfund assesses additionality from three perspectives: financially, in terms of sustainability and from the impact on society that an investment generates. That we add something in all three dimensions is a prerequisite for us to go ahead with a new investment. In addition to capital, it may be a question of providing skills to help companies develop in the right direction. We often use Technical Assistance (TA) for quality-enhancing initiatives amongst portfolio companies and to increase the overall development effects that the business generates.

### Our risks

Taking risk is a pivotal part of our mission and business. By taking risks and highlighting the opportunities, we are catalytic and aim to act as a bridge to private capital and boost private investment in developing countries. The work relating to risk management aims to achieve risk optimisation based on mission goals and a business model, rather than risk minimisation in every regard.

# FIGURES SHOWING POSITIVE DEVELOPMENT

In our mission to contribute to sustainable investments in developing countries, it is vital that we set clear goals and measure results. Here, we present some of the key results that we have achieved.



Total number of jobs in the portfolio companies:

**253,000**

Proportion of portfolio companies that have increased the number of employees during 2020:

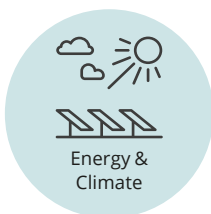
**59%**

Proportion of portfolio companies in the active value creation phase in line with the ILO Fundamental Conventions:

**91%**

Job growth: The high figure for this year is primarily explained by the funds' underlying holdings.

**32%**



Energy production:

**10.7 TWh**



Number of microfinance loans:

**approx. 880,000**



Number of doctors and nurses at hospitals and clinics:

**approx. 4,900**

Number of households and companies with access to electricity via off- and mini-grids:

**almost 217,000**

Number of loans to SMEs:

**approx. 550,000**

Number of patient consultations:

**> 1 million**





Philip Ochieng Osewe owns and manages three pharmacies in Kangemi, outside Nairobi. He has had a loan from Premier Credit for the past five years.

Proportion of investments in line with 2X (see page 39):

**60%**

Portfolio emissions per invested Swedish krona:

**34.5 tCO<sub>2</sub>e/MSEK**

Reported tax in total, SEK billion:

**approx. 5.7**

Proportion of mobilised capital:

**20%**

Portfolio return (see page 96):

**IRR 5.4%**

Proportion of investments that increase both sales and profitability:

**55%**

Estimated number of indirect jobs to which the portfolio contributes:

**1,445,000**

Number of new investments during the year:

**10**

Number of divestments during the year:

**10**

2019 Number of portfolio companies:

**64**

Total contracted amount (incl. surplus values) SEK million:

**5,558**

2020 Number of portfolio companies:

**65**

Total contracted amount (incl. surplus values) SEK million:

**4,915**

2021 Number of portfolio companies:

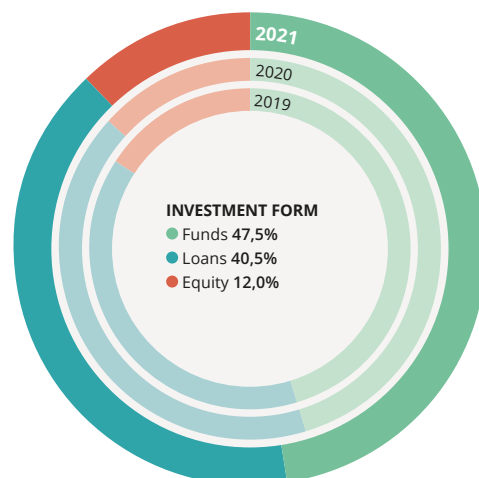
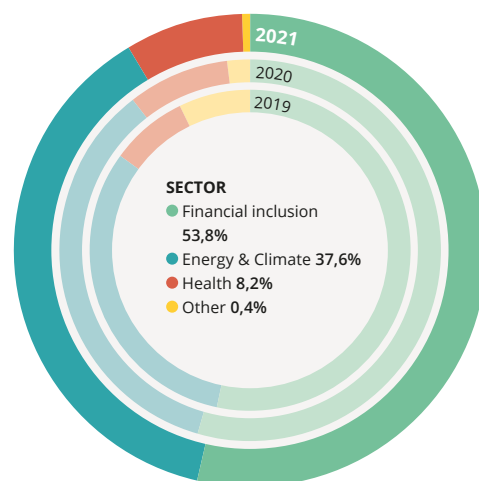
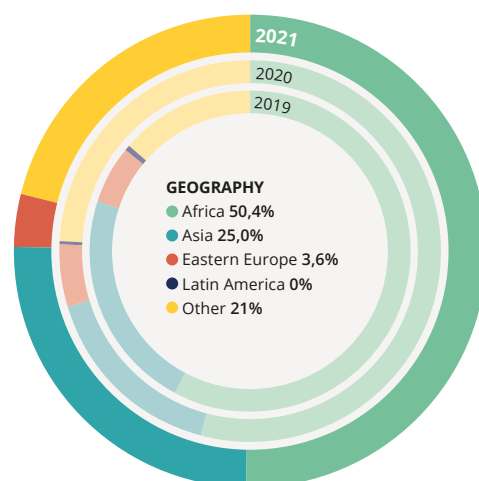
**61**

Total contracted amount (incl. surplus values) SEK million:

**5,864**

## Portfolio distribution

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



# SUSTAINABLE INVESTMENTS FOR REDUCED POVERTY IN AN UNCERTAIN WORLD

The consequences of the pandemic also left their mark on 2021 with increased poverty, rising inflation and uncertainty about how quickly a sustainable recovery can be achieved given the uneven distribution of vaccines. The Russian invasion of Ukraine on 24 February has caused great suffering for the Ukrainian population, affected the security situation and increased uncertainty about the future. We are monitoring the development and note that our mission to reduce poverty through sustainable investments remains highly relevant.



In January 2022, the World Bank estimated that the advanced economies will generally recover this year, with investment levels similar to those before the pandemic. On the other hand, no corresponding development is apparent in regions such as Africa or certain parts of Asia. The report warns of increasing poverty and inequality linked to the fact that the countries have not had access to vaccines, and have thus had lower vaccination rates at a time when there is a risk of new and more infectious variants of the virus spreading. The macro-economic imbalance between countries has reached historical proportions as a result of the pandemic, which in turn has led to substantial budget deficits and substantial increases in levels of indebtedness.

Rising inflation is further exacerbating the situation, leading to a risk of interest rates being increased, which would particularly affect debt-laden countries and reduce the budgetary scope to implement measures to support companies or individuals affected by the pandemic. Many people have lost their job or seen a cut in their income, and already vulnerable groups like young adults and women have been hit particularly hard.

It is too early to assess the long-term impact of the Russian invasion of Ukraine on Swedfund's portfolio and the countries where we operate. Swedfund does not have any investments in Russia. When it comes to the Energy & Climate sector we have two investments in Ukraine, which totally represent 1.6 percent of Swedfund's portfolio value. In 2019, Swedfund together with Scatec, the EBRD and NEFCO contracted a loan to finance the construction and operation of a solar power park in central Ukraine. While Ukraine is heavily dependent on fossil fuels and nuclear power for its energy production,

the country has a strategy to increase renewable energy capacity, which at the time of investment accounted for a limited share of the country's total energy production. The target was for Chigrin to generate renewable energy equivalent to the average consumption of 28,000 households and to contribute to a reduction in carbon emissions equivalent to 36,000 tonnes. Under the ICCF, a facility where European development finance institutions co-finance energy investments, Swedfund has also financed a small part of a syndicated loan led by our French counterpart, Proparco. The loan has financed the construction of the Syvash wind farm in Ukraine.

I note that short- and long-term uncertainty has increased for the global economy and for countries in sub-Saharan Africa where 60 percent of Swedfund's portfolio is located. It is however too early to predict the long-term consequences for Swedfund's operations and portfolio. We continue to monitor the development and note that our mission to invest in vulnerable and risky environments remains highly relevant. The World Bank believes that a joint approach is needed in many areas to reverse this trend. Investments to create jobs in the formal sector and improve access to socially important goods and services, such as renewable energy and healthcare, will be pivotal to support a sustainable and equal recovery. Our business model has been stress tested through extended periods of crisis and proven to work well in generating the development impact needed to reduce poverty and inequality.

During the year, we made ten new investments in our three sectors (Energy & Climate, Financial Inclusion and Health) with a total value of SEK 1,100 million. These investments were financed through capital injections





from the aid budget and Swedfund's own reflows from the portfolio. The value of Swedfund's contracted portfolio continued to grow and amounted to just under SEK 5,900 million at the turn of the year, which means that the value of the portfolio rose by almost SEK 1,000 million in 2021. The value of the portfolio has increased as a result of a higher level of new contracted investment volumes relative to the value of holdings that have been exited, and the positive impact on the portfolio value during the year as a result of the effects of currency translation. The reported operating profit (EBIT) for the fourth quarter amounts to SEK 121 million, and for the full year to SEK 197 million. This positive result has also been boosted by currency translation, but a number of divestments also generated good capital gains during the fourth quarter, with a marked impact on both operating profit and cash flow. At the same time, ongoing incomes from net interest income and dividends remain at a stable level which exceeds the operating costs of the business.

During the year, we grew our organisation in order to better meet the investment needs that exist in developing countries. Despite the challenges that characterised the year, Swedfund's employees have found new and innovative working methods in order to continue implementing sustainable investments in very challenging contexts. Our expertise within the sectors in which we invest, combined with our business model which balances impact on society, sustainability and financial viability, formed the basis for this year's strong results. Active value creation, along with well-developed partnerships with other development finance institutions, investors, civil society and our portfolio companies, is a prerequisite for continuing to accelerate development and delivery towards Agenda 2030.



During 2022, we will continue to implement UN Global Compact's ten principles regarding human rights, labour, environment and anti-corruption amongst our portfolio companies.

Given the challenges we have seen as a result of the pandemic, with rising poverty, increasing inequality and the climate crisis, it is a very positive sign that our total portfolio is contributing to 253,000 jobs, that around half of the portfolio companies have seen positive job growth, and that 91 percent of our holdings in the active value creation phase fulfil the ILO's Declaration on Fundamental Principles and Rights at Work. A job is often exactly what is needed to get out of poverty, and a job in the formal sector helps to create even more indirect jobs, e.g. through better access to electricity. For the first time, we will this year report the number of indirect jobs that our portfolio contributes to, which is estimated at around 1.5 million. 60 percent of our portfolio meets the requirements for investing in women entrepreneurs, in companies with women in senior positions, with a high proportion of female employees or products and services aimed at women. In the renewable energy sector, our investments provide 217,000 households and businesses with energy through our investments in mini-grids, primarily in rural areas. We expect that this sector will increase in relevance, given both climate change and the need to accelerate the transformation of the energy sector in a global context. 550,000 small and medium enterprises are accessing loans through our investments in financial inclusion, and through our investments in the health sector we have helped to ensure more than one patient consultations.

In 2022, I look forward to continuing to develop Swedfund's operations to meet the enormous need for sustainable investments in developing countries. Digitalization is a tool and an area that has increased in relevance for poverty reduction. Development finance institutions can contribute in several ways to reduce the digital gap between and within countries. Swedfund has developed its portfolio in this regard and made investments where new technology can improve the access to crucial products and services in a positive way, for example within financial inclusion and health. The continued expansion of our organisation, combined with good liquidity and an increase in capital injections from the owner means that Swedfund is strongly positioned for growth in the coming years. In 2022, the deteriorating global environment requires us to act, and we will therefore continue to increase our rate of sustainable investment to fight poverty, reduce inequality and to mitigate the climate crisis.

**Maria Håkansson**  
Chief Executive Officer



## INVESTING FOR HUMANITY

### With a focus on humanity

Greater urgency is needed in the implementation of Agenda 2030 and the Paris Agreement. As a development finance institution, we can help to strengthen resilience in societies and individuals through sustainable investments. Sweden's mission to contribute to poverty reduction is our starting point.

A prerequisite for completing the mission is a deep understanding of the trends in the countries in which we invest. Through our investments, we create jobs with decent working conditions and improve access to essential products and services, such as renewable energy and healthcare.

In our external analysis, which can be found on the following pages, we have chosen to describe the world around us based on three areas: people and society, the climate and job creation. These areas form the foundations of Swedfund's mission and go hand in hand with our goals and investments.







# PARTNERSHIPS KEY TO BUILDING BACK BETTER

The Covid-19 pandemic is still gripping the world. The consequences of the pandemic have further exacerbated inequalities between and within countries. With the global economy having been hard-hit, millions of jobs lost and increasing poverty, many years of development are at risk of being lost. There is therefore an urgent need for sustainable investments to build back better.

## The vaccination situation varies hugely

The fact that today we have safe and effective vaccines is a great success, but in order to defeat the pandemic, the vaccines will need to reach every country, not just the most developed ones. As long as we have large populations around the world that remain unvaccinated, the spread of infection can continue and new virus variants can arise.

One challenge facing the developing countries, particularly those in Africa, is that they lack the economic capacity to purchase the vaccines that are available on the global market. In some countries there is also a strong resistance to vaccines among the population, and a fear for taking the vaccines which negatively impacts the vaccination rate. Other problems include shortcomings in the distribution and logistics chain, as well as limited capacity to produce vaccines locally. Vaccine

supplies will accelerate in 2022, and logistics and distribution will instead become the biggest challenges in increasing the vaccination rate. Alongside the efforts being made to increase local production, continuing investments in resilient healthcare systems will therefore be essential.

Many initiatives and measures have been carried out to improve access to vaccines. Covax is the international co-operation programme that was set up to ensure that vaccines also benefit poorer countries. The programme has gained momentum, but funding is urgently needed and there is a long way to go before the goal of vaccinating two billion people is achieved.

## Uncertain economic recovery

The pandemic has had a major impact on the global economy, with 114 million jobs lost and 97 million people forced into poverty –





an unparalleled increase. Most developed countries have addressed the economic and humanitarian consequences of the pandemic and implemented financial and monetary policy measures, as well as offering assistance to vulnerable groups. However, developing countries lack the resources needed to do this.

The International Monetary Fund (IMF) has pointed to rising inflation rates in both developed and less developed economies.

services. Rising inflation can lead to austerity measures in the form of higher interest rates or other monetary policy measures. Many developing countries are already heavily indebted, leading to greater vulnerability to interest rate rises, which in turn could have a direct impact on the economies of the countries concerned.

Developing countries have been hit hard and, according to the UN Secretary-General, they will need a further USD 35 billion in order to recover. Tailored initiatives will therefore be necessary in order to mitigate the economic effects of the pandemic.

Despite the fact that 90 percent of all jobs are created in the private sector, few initiatives to mitigate the impacts for small and medium enterprises have been implemented in these countries. This is because many governments do not have adequate structures and resources to offer packages of measures to enterprises and individuals in the same way as has been done in Europe. The rate at which the economy can recover will depend to some extent on the spread of infection and access to vaccines. At a global level, the economy recovered during 2021, but this recovery is unevenly distributed and looks set to further widen the gap between advanced economies and developing countries. Africa is expected to recover from

## 90%

Of all jobs are created in the private sector.

## EUR 80 billion

Funding that will be available to countries outside the European Union over a seven-year period through the EU's new NDICI programme. (Read more on page 35)

## USD 35 billion

The amount developing countries need to recover, according to the UN.

The rise in inflation is partly explained by rising food and commodity prices, the delayed effects of rising oil prices, and currency devaluation in many countries. Disruptions in the supply chain and trade have further strengthened the imbalance between demand and supply of goods and



recession in 2020 with growth of 3.3 percent in 2021, although the growth forecast varies between countries in the region. According to forecasts, many low- and middle-income countries will return to pre-pandemic growth levels by 2023 at the earliest.

### **“Build back better” with the climate in focus**

Climate change is one of the greatest global challenges of our time and a major obstacle on the way to achieving the goals of Agenda 2030. Climate change is affecting both the public and private sectors, people’s livelihoods, economic growth and sustainable development. Rising average temperatures are leading to climate change and more extreme weather conditions, which have a greater impact on people in less developed countries, who often lack the means and prerequisites to deal with such developments. As the impacts of climate change worsen, the opportunities to escape from poverty are decreasing.

The conclusions of the IPCC’s sixth report are alarming, yet it is still possible to reverse the trend by drastically cutting carbon dioxide emissions globally. As a result, there is still an urgent need for investments in areas such as renewable energy, while the focus must be broadened to include investments in adaptation to enhance the resilience of developing countries.

The crisis must be managed in a coordinated way based on all of these dimensions, which places demands on actors who do not normally cooperate to work together more. The UN has launched the concept of “build back better”, i.e. build sustainable solutions for the future with a particular focus on climate, which will be a prerequisite for the work ahead and in order to ensure sustainable and inclusive recovery after the pandemic. An important enabler for this is development finance institutions, who contribute to the development of a sustainable private sector through sustainable investments.



The pandemic has had a major impact on the global economy, with 114 million jobs lost and 97 million people forced into poverty.



## INVESTING FOR HUMANITY

### Investments to reduce poverty

Together, we must create better conditions for sustainable development which includes all countries and all individuals. More investments to reduce poverty are needed. Investments by development finance institutions help to increase equality and inclusive growth which also captures the full potential of the fourth industrial revolution.

### Investments that increase gender equality and women's economic empowerment

Sustainable investments will be essential in order to increase gender equality and boost the economic empowerment of women. It is about increasing the proportion of women who have a job or who are representatives in management teams and boards. It is also about increasing the supply of goods and services that women need, as well as making capital available to enable their companies to grow.



## STRENGTHEN INDIVIDUAL EMPOWERMENT

Poverty, human rights, gender equality and women's economic empowerment are areas where progress has been made over several decades, but where we have seen a decline during the pandemic. This is why it is more important than ever to strengthen the cooperation in order to limit the effects of the crisis caused by the pandemic.

### Increased poverty and a new group of poor

The consequences of the Covid-19 pandemic have negatively affected people and societies, and poverty levels have risen. Closures, bankruptcies and reduced tourism and trade have led to millions of people losing their jobs. This is having a particularly severe impact on developing countries, where an average income provides for five to seven people.

Almost 40 million people have been forced back into extreme poverty and now live on less than USD 1.9 a day. Although the greatest increase in extreme poverty is taking place in South Asia, particularly in India, Africa is expected to be hit hardest by the long-term increase in poverty. This is because economic growth is expected to be higher in Asia, which means that the increase in poverty will not be permanent. In Africa, on the other hand, growth is forecast to be slower, with the result that the impact of the pandemic will have longer lasting consequences. The World Bank's forecasts also show that a new population of poor people has been created. This group, "the new poor", can be found to a greater extent in middle-income countries, in urban areas and in populations with a higher level of education than is traditionally the case.

Governments in developing countries have limited resources to spend on reducing poverty due to high government debt levels, reduced export revenues and reduced tax revenues due to unemployment and lower wages during the pandemic. In Africa, an average of three percent of GDP is spent on stimulus packages, compared with 22 percent of GDP in G20 countries.

According to the World Bank's forecast, remittances (money sent to home countries by people living and working abroad) to low- and middle-income countries will grow by 7.3 percent in 2021. Remittances thus exceed financial





flows from both foreign direct investment and international aid for the second year in a row. Although foreign direct investment has recovered globally, international investment in developing countries continues to decline.

### Healthcare under pressure finds new ways

Access to healthcare is crucial to achieving the goals of Agenda 2030. Despite this, around 400 million people in developing countries have no access to basic health care, while the quality of care that is available is often substandard.

Healthcare infrastructure is often inadequate because a low proportion of the GDP of developing countries is allocated to the health sector, combined with poorly developed social safety nets. As a result, falling ill will have major consequences for the individual concerned.

A positive impact of the pandemic is the stronger focus we are seeing on strengthening the health sector amongst many operators. This concerns a combination of measures and initiatives aimed at rapidly improving access to healthcare, and thereby enhancing the resilience of individuals and society at large.

Another major global health issue is the high proportion of substandard or counterfeit medicines which cause over a million deaths each year. The WHO reports that the issue is particularly widespread in low- and middle-income countries, where one in ten medicines is counterfeit. New technical solutions for the purchase and distribution of certified medicines can help to reduce the spread of counterfeit medicines. In recent years, many consumers have adopted digital healthcare solutions, which make healthcare available to more people and help reduce healthcare costs. New and innovative technology will also be crucial for initiating the production of medicines and vaccines in developing countries.

To ensure that everyone has access to healthcare, a number of parallel initiatives by different actors will be needed. As a result, the governments in these countries

must invest more, while traditional aid, civil society and investments are also needed. More initiatives are needed to bridge the gap between supply and demand. These include everything from building more clinics and hospitals, to making care and medicines available through digital platforms.

### Democracy is being weakened

The organisation IDEA has analysed the development of democracy globally and concluded that democracy is in decline. During the past decade, the countries seeing a negative development in democracy have doubled in number, with last year being described as the worst on record. A new trend that is emerging is that, during the pandemic, many democracies used methods commonly used by authoritarian regimes to restrict civil society and the free media. The pandemic has simply made it easier for some states to justify measures which restrict individuals' freedom of speech and the right to demonstrate.

Africa is no exception to the global reduction in democratic space. Despite progress since the 1990s, the number of democracies fell from 22 to 18 between 2015 and 2020. A major challenge is that the people in power in some countries have acquired extensive powers to manipulate reform processes in order to extend their time in power. However, there is considerable potential for future democratic development thanks to the high proportion of young people in the population who are connected to the internet and are more aware of human rights and the active civil society. At a general level, elections were held despite changes to take account of the stricter health and safety requirements that the pandemic entailed.

### Stronger need for gender equality and equality

A gender-equal and equal society is pivotal to sustainable development. Even before the pandemic, women were overrepresented amongst the proportion living in extreme poverty and particularly vulnerable to the impacts of climate change. The pandemic widened the gap between people from different socio-economic backgrounds and further aggravated the situation facing already vulnerable groups. Women were affected to a greater extent by loss of income and an increase in unpaid work. UN Women reports that all forms of violence against women, especially domestic violence, have escalated during the pandemic. In addition to the impact on life and health, violence prevents women from participating in economic activities and thereby empowering themselves.

Developing countries often lack developed digital infrastructure, especially in rural areas. This means that, in some places, virtually no teaching has taken place when the schools have been closed. The World Bank's forecasts suggest that the lockdown will lead to lower levels of education, knowledge and future income. According to UNESCO, around eleven million girls will not return to school after the pandemic. This will impact on both individuals and society at large.

INTERVIEW WITH

# ULRIKA MODÉER, ASSISTANT SECRETARY-GENERAL UNDP

Ulrika Modéer is Assistant Secretary-General and Director of the Bureau of External Relations and Advocacy, United Nations Development Programme, UNDP. One of her tasks is to push for attainment of the UN's 17 Sustainable Development Goals by 2030. Ulrika Modéer's background includes many years of experience from the foreign service and civil society, including as State Secretary and Policy Director at Diakonia.

## How do you view the impacts of the pandemic in developing countries?

Existing problems with socio-economic inequality have been exacerbated by the pandemic. The UN report shows that 120 million people were forced into extreme poverty, and 160 million ended up in famine. At the same time, we see that 20 years of education have been lost and that 243 million girls and women have been the victim of sexual violence, in part because of the socio-economic stress that is caused by the pandemic.

The developing economies have had insufficient financial muscle to deal with the crisis. As it has been the inadequacy of social systems that has made the crisis so extensive, we must now focus on how we can build back better. In this regard, the unequal supply of vaccines remains a major challenge, as well as the fact that the health budgets of developing countries would need to increase by around 57 percent in order to reach the WHO's recommendation of 70 percent vaccination coverage.

## What are your thoughts on the development of democracy?

The UN has been clear that lockdowns must not be seen as an excuse to reduce democratic space, and governments have a great responsibility to ensure that it is maintained. An increasing trend that concerns UNDP is that of misinformation. In the social unrest surrounding the pandemic, we are also seeing a decline in trust in institutions, in both democracies and authoritarian states.

## What significance does digitalisation have as regards sustainable development?

The UNDP's "Human Development Report" has shown that digital infrastructure is extremely inadequate in most

countries, and that capacity is very unevenly distributed both between and within countries. UNDP therefore highlights digitalisation as a key enabler for sustainable development and is working with governments to develop digital strategies. It is important that all groups in society are included in the digitalisation process.

## How do you see the climate issue linked to Agenda 2030?

The climate issue is the greatest challenge facing our generation, and the way in which it is handled will affect everything in the future. The IPCC report clearly shows that we are no longer dealing with an alarm clock, but an alarm bell. With the commitments that have now been made, we are heading for a position well above the target of 1.5°C warming. It is also important to tackle the crisis facing biodiversity, with the deforestation of extensive areas and extinction of species. The climate issue must therefore be an integral part of the UN's Sustainable Development Goals.

## How can we mobilise the resources needed to achieve the goals of Agenda 2030?

It is not about a lack of money, but rather ensuring that the financing ends up in the right place. Investors need to invest in companies that operate in line with the Global Goals. Improvements are needed in this regard concerning planning, reporting and responsibility both from the finance institution and from companies. Although many investors are interested in investing in line



with Agenda 2030, they find it difficult to take risks and identify suitable investments in developing countries. To enable investments to take place, we need to design new instruments order to drive the development financing that the UN believes is necessary. Various types of fund instruments could for example be set up.

### What are the three most important issues for a sustainable future?

UNDP's core mandate concerning good governance and constitutional state issues are pivotal. It is absolutely vital that we create a climate in close cooperation with governments and other stakeholders where investors dare to invest and local companies have the opportunity to grow. We also need to focus on digitalisation and the climate – two crucial issues for a sustainable future.

We must not forget that the Global Goals are interlinked and mutually reinforcing. It is when we find solutions based on a system perspective that we can move forward.

### What can development finance institutions do more of or differently?

Development finance institutions like Swedfund have a really important mission in demonstrating that it is possible to make both commercially smart and sustainable investments in challenging environments.

It would be exciting if more could be done to engage larger commercial actors who have not previously been part of the international development cooperation.

## Our work during the year

**DURING THE SPRING**, Swedfund invested in Aspen Pharmacare in order to increase the local production of Covid-19 vaccines. A combination of locally produced vaccines and coordination with the global vaccine initiatives will facilitate a substantial increase in the availability of vaccines on the continent.

**SWEDFUND HAVE ADOPTED** various approaches in our work relating to issues concerning women's economic empowerment and gender equality, including through an educational programme for our funds which has given them the knowledge and tools they need to work on these issues on the way to meeting the 2X criteria. We have also digitally implemented the Women4Growth talent programme in two portfolio companies, and strengthened the work to combat gender-based violence in the portfolio.

**TO RAISE AWARENESS** of human rights amongst our fund managers, we have continued the launch of a toolbox for human rights which was developed in partnership with the Danish Institute for Human Rights. We have also shared experiences and expertise within the framework of EDFI and in our Swedish networks.

**THROUGH AN ADDITIONAL** investment in the HealthQuad II innovation fund, we are supporting digital solutions in healthcare in India. Technology-based solutions are needed to take a step forward in the Indian healthcare sector and to improve access to affordable, high-quality healthcare.



Read the full interview  
at [ir.swedfund.se](https://ir.swedfund.se)






## INVESTING FOR HUMANITY

### **Investments that are sustainable from an environmental and climate perspective**

Climate change is a very real threat which affects everyone, everywhere. For us, it is about investing in order to reduce CO<sub>2</sub> emissions, manage climate risks and limit the impacts of climate change. It is about more green investments which help to reduce poverty through green and sustainable economic growth.

### **Investments that contribute to the mobilisation of private capital**

Traditional aid will not be enough to finance Agenda 2030 and the implementation of the Paris Agreement. New partnerships will be needed for this, and mobilising private capital for developing countries will be pivotal both to meet existing needs and to accelerate the work relating to climate change.



## CLIMATE TRANSITION MUST HAPPEN NOW!

Climate change is continuing unabated and developing countries are undoubtedly the hardest hit. In order to strengthen the resilience of societies, further investments will be needed in adequate and secure energy supply systems based on renewable energy. As the climate has already been affected, greater investment in adaptation measures will also be required in order to strengthen societies and people.



Agnes Ndinda Kaloki runs a fruit and vegetable stand, which she can now keep open longer into the evenings thanks to the solar cell lamp she purchased from our portfolio company d.light.

### Build resilience to climate change

The turning point for slowing down climate change has already been passed, and measures are now urgently needed in order to adapt to both present and future climate change. Climate-related disasters are occurring more and more regularly and having more far-reaching consequences. There is now a greater risk that the number of climate refugees will increase significantly.

The funding being given to the affected countries to adapt to these changes is not enough and does not prioritise the countries that are in greatest need. Even if measures and planning for adaptation to climate change are increased, funding and implementation will still lag behind. The 15 most vulnerable countries received less than six percent of global funding for climate adaptation in 2019.

At the COP26 global climate summit in Glasgow, the issue received considerable attention, and the need for additional financing in order to achieve the goals of the Paris Agreement was discussed. A positive movement is

under way which is being embraced by more and more governments, central banks, investors and companies. For example, the World Bank's reconstruction package includes a climate dimension. A stronger focus on green investments has resulted in new tools and collaborations between development finance institutions and private investors. During COP26, almost 500 global financial services companies agreed that USD 130 trillion, around 40 percent of the world's financial assets, should be managed in line with the Paris Agreement and the goal of a maximum warming of 1.5°C.

### Investments in renewable energy and access to electricity need to increase

Nearly one billion people around the world, half of whom live in sub-Saharan Africa, have no access to electricity. The lack of reliable electricity is partly due to the fact that too little electricity is produced in the formal energy sector, and partly due to the inadequate development of national distribution grids. This forces individuals and companies to have their own diesel generators as a back-up, which both costs money and is inefficient. The lack of electricity also means that people are lighting their homes using kerosene and cooking over an open fire or on a wood-burning stove, which is harmful to both health and the climate.

Lack of access to electricity is also an obstacle to the health and economic empowerment of girls and women. When women need to walk long distances to collect firewood, they are exposed to physical risks and it also consumes their time – time that could be spent on education or paid work instead. In addition, they are more affected by the negative health impacts that stem from burning wood indoors.

In order to electrify rural areas, more and more money is being invested in smaller local electricity distribution grids, off-grids, which complement the electricity that is distributed via the national grid. Off-grid networks enable households, villages and communities to access locally generated and reliable energy.

There is great potential to produce renewable energy. Africa has good conditions as regards wind and hydropower. In Kenya, for example, energy production is mainly derived from renewable energy sources. However, demand considerably outstrips production, and investments will be essential in order to scale up production. The extreme fluctuations in weather conditions have for example meant that wind farms need to be adapted to withstand stronger winds, and that small hydropower plants must be adapted to handle larger volumes of water.

By investing at an early stage with sustainable capital and by taking risk, development finance institutions such as Swedfund have an important role to play. Based on an understanding of what private investors need, as well as extensive experience and expertise in sustainable investments, development finance institutions can identify trends and translate them into new investment areas and structures.

INTERVIEW WITH

# JOHAN KUYLENSTIERNA, CHAIR OF THE SWEDISH CLIMATE POLICY COUNCIL

Johan Kuylenstierna is chair of the Swedish Climate Policy Council, adjunct professor and honorary doctor at Stockholm University. He has many years of experience of working in an integrated way with environmental and development issues, including as CEO of the Stockholm Environment Institute and within a number of UN bodies. He is now also an active lecturer and debater, as well as a board member in many organisations and companies.

## Can you give your view of how the pandemic has impacted on global development, especially in relation to the climate issue?

The pandemic has had a direct impact on emissions, which fell when economies came to a standstill. It was a reminder of how our current economic system is based around fossil fuels and thus impacts the climate. We must therefore focus on changing the system, rather than shutting down our societies.

We have also gained experience of crisis management which can be of value with regard to the work relating to the climate issue. Even after just two years, more people are becoming tired of the 'crisis' perspective. In this regard, there is a need to think about how we need to discuss and approach the climate crisis in the longer term. Instead of speaking only in terms of a crisis, we should place greater emphasis on the opportunities that climate change entails for societies to develop.

In addition, the pandemic has the potential to integrate investments in economic recovery with investments in climate change. Investments aimed at maintaining existing economic systems, such as counteracting unemployment and creating economic growth, are also positive from the perspective of climate work in the longer term.

## What will be needed to deal with the impacts of climate change?

The transformation we are facing requires unequivocal support from politicians, the business community and the population at large – I believe this already exists.

It will be vital to create incentives to enable new investments and implement a change in investment flows, so that money ends up where it does the most good. In our part of the world, we have developed established

structures for transport, amongst other things, which need to be restructured. In developing countries, it will instead be necessary to invest in enabling investments to build structures that both contribute to positive impact on society and are smart from a climate perspective.

## How do you view the discussion on climate injustice?

The problem when talking about climate injustice is that the discussion is not very nuanced. Personally, I am hesitant to start from the perspective of inherited sin as regards climate emissions and the view that this entails a climate debt for some countries. A more constructive approach to the debate would be to start from the perspective of which countries have the capacity to invest more in climate change, a responsibility to take the lead, which in practice are the same countries that have historically been responsible for the largest emissions.

## What is most central to sub-Saharan Africa from a climate perspective?

The climate adaptation must be seen as an integral part of the development of societies. Many countries in sub-Saharan Africa are facing enormous problems such as poverty, corruption and a weak economy. These are issues which must be tackled in order to better manage the climate issue and gain access to the investments that will be needed. It will therefore be key to develop stable welfare and social systems, as well as a fossil-free





economy which can become a driving force for development in the region.

### How can a development finance institution like Swedfund contribute to a green transition?

Swedfund has a carefully considered approach to the climate issue. It is important that there is risk capital and that investments are made locally in small and medium enterprises. We need investments that can bring about long-term change, capacity and leadership on the ground – an area in which Swedfund possess considerable expertise. Swedfund also contributes by conveying a positive message regarding the potential that lies in developing countries and their markets.

### What will be the key issues going forward?

A key issue is how we get capital to countries that are not currently considered to be sufficiently stable from an investment perspective. We need to develop a well-functioning global trading system, where countries can profit from their own industries, so that capital remains within their borders. If we are to move on from the current situation, we need more investment in regional trade networks, infrastructure and energy supply based on solar, wind and water sources. Even if we ignore the climate aspect, investments in renewable energy and other climate-smart systems have a positive impact on society, which both Africa and the rest of the world need.

## Our work during the year

**SWEDFUND INVESTED EUR 15 million** in Africa Renewable Energy Fund II to finance the expansion of renewable energy in sub-Saharan Africa with a focus on the least developed countries. The fund invests in technology which focuses on small and medium-sized power plants, as well as solar, wind and battery storage solutions.

**TOGETHER WITH THE** Stockholm School of Economics, we have trained three of our banks in sustainable financing and green bonds, so that they can develop green bonds themselves. Amongst other things, this will help to mobilise more private capital and more green investments locally.

**IN PARTNERSHIP WITH** other DFIs, we have developed and made available the web-based tool FRESOS, which is used to calculate carbon dioxide sequestration in connection with forest projects. The aim is to better calculate and analyse the carbon dioxide balance in projects in agriculture and forestry, based on the IPCC's guidelines and methodology.



Read the full interview  
at [ir.swedfund.se](https://ir.swedfund.se)

INTERVIEW WITH

## NED TOZUN, FOUNDER AND CEO D.LIGHT

Ned Tozun co-founded d.light with Sam Goldman. The business was established in 2006 and primarily sold portable solar cell lanterns. Today, d.light has developed into a solar energy company which offers products as well as distribution and financing. The company has sold more than 25 million products in over 70 countries, helping to improve access to energy for more than 125 million people.



### Climate change is one of the most pressing issues to which we need to find solutions. How do you see this issue?

We agree that this is one of the most important problems facing humanity. We also believe it is unacceptable that an essential part of the world's population lack access to reliable energy access. We believe it is critical that people without reliable energy access are fully powered using business models and technologies that will not further accelerate the climate crisis. With the technology that is now available, it is possible to take the next step directly to renewable and sustainable energy solutions.

### You refer to something called “climbing the energy ladder”, what does that mean?

We founded d.light with a product that filled one of the most basic need for lighting. Thanks to the efficiency of LEDs, only a very small solar panel is needed to power it. Providing access to quality lighting and eliminating the need to buy kerosene increased customers' purchasing power and demand. This enables larger investments to be made through PAYG financing (see fact box), which meant that customers could purchase products for charging phones and use other electronic goods that improved their quality of life.

### How does the need for your type of solar energy solutions look like, compared with mini-grids or national grids?

In many sub-Saharan African countries, the expansion of national distribution grids is lagging behind the population growth, and can be both expensive and unreliable. Mini-grids fill an important gap in the ecosystem, and we see

them as complementary to our household-focused energy solutions. However, they are not the cheapest solution for people in sparsely populated areas, there needs to be a fairly high level of density of household distribution and a stable anchor user in order to become financially viable.

### What are the main obstacles to overcome in order to secure energy for all?

One obstacle to securing energy supply is a lack of capital and financing. Renewable energy solutions require a fixed investment upfront and then pay-off over time. The households and businesses in developing markets normally do not have the capital to make these upfront investments even if the economic return on investment makes sense after a relatively short period. The PAYG model and other facilities for financing solar energy solutions will therefore be vital.

Another obstacle is the difficulty of reaching poor and marginalised societies. Refugee camps, for example, need substantial subsidies to be able to afford solar energy solutions. It is important that the conditions are the same for all the alternatives, so that fossil-based solutions are not subsidised, while solar energy products are taxed.

### What evidence have you seen that the absence of an energy supply affects job creation?

Our customers in rural areas often tell us how grateful they are for the jobs that we create. We employ solar



technicians and installers, and create opportunities for retailers and sales agents. When people in rural areas have access to smartphones that they can power and to the internet, more opportunities open up and incomes rise markedly. Access to energy creates a virtuous circle, where more people opt to stay where they are, instead of moving to a city to find a job. This enables local communities to better thrive.

### What is the role of development finance institutions?

I see the role of DFIs as a sustainable capital that is helping to make the energy access sector to full economic viability. We have succeeded in getting where we are today because our investors understood from the beginning the challenges associated with being a pioneer, and therefore accepted a longer investment horizon. As the industry matures, development finance institutions should lead the way in taking the PAYG business model to the next level.

### Pay-As-You-Go (PAYG)

Pay-As-You-Go is a payment system that enables low-income customers to purchase a solar cell product on credit. The customer makes an initial deposit and then pays instalments over a period of one to two years through small daily payments via a mobile payment platform. The product can be used as long as the customer continues to make payments on time. When the repayment is complete, the customer will own the product.

## Our work during the year

**IN NOVEMBER, SWEDFUND** made an additional investment in the solar energy company d.light, which manufactures and distributes solar energy solutions aimed at people who lack access to reliable electricity. Our investment is helping to accelerate d.light's operations across Africa.

**MANY COUNTRIES HAVE** the ambition to increase the share of renewable, fossil-free energy in national electricity production, but supplying energy from solar and wind sources also creates challenges, as power distribution grids often have difficulty managing electricity production efficiently. Swedfund's Project Accelerator has eleven projects which are looking at the opportunities for using new technology in order to overcome the problems.

**THROUGH OUR INVESTMENT** in the SUSI Asia Energy Transition Fund, we are helping to boost the production of renewable energy and promote increased energy efficiency and energy storage in Southeast Asia. This is contributing to sustainable reconstruction in the wake of the pandemic and represents an important contribution to limiting climate change.



Read the full interview  
at [ir.swedfund.se](https://ir.swedfund.se)



## INVESTING FOR HUMANITY

### Investments that create more jobs with decent working conditions

A job with decent working conditions lifts people out of poverty. In sub-Saharan Africa, there is a growing young population and the number of people of working age is increasing by 20 million year on year. To create viable societies, sustainable investments will be essential in order to increase the number of jobs with decent working conditions in the formal sector.

### Investments that are financially viable

There is a lack of access to capital for companies and financial institutions in developing countries. Financially viable and sustainable companies create jobs, tax revenues and contributes to transfer of know-how. Healthy businesses and a sustainable private sector are a prerequisite to build back better.



Shiku Rahab and Peter Gikonjo work in a store which sells pearls and jewellery. The owner of the store has a loan from our portfolio company Premier Credit.



John Mutie works as a Field Technician for d.light in Kenya.





## MORE JOBS FOR REDUCED POVERTY

Contributing to the creation of more jobs in developing countries is crucial for poverty reduction. Nine out of ten jobs are created in the private sector.

### Informal jobs should be lifted to formal ones

More jobs and better opportunities to start up businesses are vital for reducing poverty and increased empowerment. Low- and middle-income countries tend to have substantial informal labour markets. They are characterised by small businesses and workers on a daily wage, who often work for low wages in substandard conditions, with no job security or overtime pay. In Africa, only 17.8 percent of the population is covered by a social safety net or insurance. This means that anyone who loses their job will be hit hard by the loss of their income, and it will take them longer to get back into the job market.

Women tend to work in the informal sector to a greater extent. Sectors in which women are overrepresented, such as the healthcare sector and tourism, were also severely affected by the pandemic. Women also tend to take on a greater share of unpaid work and are the main caregivers for the family's children and the elderly. Women also have considerably lower access to capital compared with men. The World Bank states that the probability of a woman losing her job as a result of the pandemic is eleven percent higher than for a man.

Converting informal jobs into formal ones will require investment and capital for companies. A larger formal labour market and a regulated and private business sector

will be vital for generating tax revenues, improving opportunities for employees to join a union, and driving change for better working conditions and greater gender equality.

A large modification of the labour markets is needed in developing countries, where the informal sector stands for around 80 percent of all jobs. It is therefore important to in parallel continue to work with operators like microfinance institutions to enable for entrepreneurs, agriculturists, and other groups to continuously finance their businesses.

### Financial inclusion is a prerequisite for a stronger economy

In developing countries, the lack of capital and access to financial services for both individuals and companies represents a major challenge. Globally, 1.7 billion people have no access to a bank account, and 200 million companies have no access to capital, the majority in Asia and sub-Saharan Africa. During the Covid-19 pandemic, we saw how the reduction in financial flows both within and between countries led to an even greater shortage of capital. Although global financial flows recovered during 2021, international investment in developing countries is expected to continue to decline.

Financial inclusion is about ensuring that individuals and companies have access to financial services and products at affordable prices which meet their needs. A major challenge is that small and medium enterprises, which account for 80

percent of all jobs in developing countries, have limited opportunity to grow due to a lack of funding and poor access to capital. Another challenge is that groups such as women, young people and people in rural areas have particularly poor access to financial services.

An important task for development finance institutions is to contribute long-term capital to cover the lack of capital. Financial institutions enable financing for all types of businesses and are therefore an important driving force for increasing financial inclusion. Banks perform a socially important role by acting as intermediaries in the economy and linking savings to investments. Strengthening the ability of banks to offer financial services such as bank loans to businesses, entrepreneurs and private individuals can have major development effects in the form of poverty reduction and economic growth.

Gaining access to a bank account empowers people. It enables families and businesses to set long-term goals and to have access to savings or an insurance that can be used for unforeseen events. When people gain access to a bank account, they are more likely to start using other financial services, such as insurance or savings, which in turn can lead to them starting or expanding a business or investing in education and health.

Microfinance institutions are also important in pro-

moting financial inclusion in developing countries. These institutes provide microloans to entrepreneurs, small businesses and low-income earners, who can then use the loans to purchase revenue-generating assets, such as a sewing machine. Offering microloans is an important complement to bank loans because banks often require a different type of security, credit history or only offer larger loans.

### Digitalisation is driving development

Digitalisation has increased dramatically worldwide in recent years. In sub-Saharan Africa, internet use has increased tenfold since the early 2000s, compared with a threefold increase in the rest of the world.

Digitalisation is creating opportunities for both individuals and businesses, and has a positive impact on productivity, jobs and growth. Although the digital infrastructure across much of sub-Saharan Africa is still inadequate, investments have improved access to mobile broadband for over 80 million people. Tech hubs are emerging in many African countries, such as South Africa, Kenya, Egypt and Nigeria, which form the basis for the continent's emerging IT industry.

However, there are major differences both between and within countries in the region. Countries with higher incomes have progressed further in their digitalisation journey. People living in rural areas are 40 percent less likely to use mobile internet compared with their counterparts in urban areas. The digital gap between both men and women and young and old, is widening. Only 23 percent of women in sub-Saharan Africa have access to the internet, compared with 34 percent of men.

Despite these challenges, interest in and awareness of new technology and its significance for sustainable development is growing in many sectors. More than 50 percent of all mobile payment services around the world are located in sub-Saharan Africa and play an important role in promoting financial inclusion. In rural areas, these types of services have been able to bridge the gap to physical financial institutions, which are often based in cities. In order to take advantage of the opportunities that digitalisation entails, and to reduce the global digital gap, further investments will be needed in digital infrastructure, such as mobile internet and electricity, as well as in capacity-building and sustainable business models.







Jane Kiambu runs a primary school with seven staff outside Nairobi. Jane is a customer of our portfolio company Premier Credit.



INTERVIEW WITH

## **RUNA ALAM, CEO, DEVELOPMENT PARTNERS INTERNATIONAL (DPI)**

Runa Alam is the founder and CEO of DPI, which is among Africa's leading private equity institutions. She has many years of experience working with sustainable investments in private equity in developing countries, including 22 years in Africa. Runa Alam chaired the African Private Equity Association (AVCA) and serves as Vice Chair and Africa council member for the Global Private Capital Association. She sits on the board of CARE, the international humanitarian relief agency, and on a Future Challenge Committee of the World Economic Forum on Investing with UN Sustainable Development Goals. Runa studied Development Economics at Princeton University and is a graduate of Harvard Business School.

### **What is the situation in regards to the labour market in Africa after almost two years of the pandemic?**

The restrictions that were introduced to prevent the spread of infection had a major impact on Africa's informal sector, which is the largest in the world and considered to generate the most jobs on the continent. Most economies have now opened up again and are starting to recover. Despite further protective measures being taken due to the spread of the Omicron variant, the recovery of the informal sector continues to take speed.

### **How has the pandemic affected businesses in your funds? And what is the situation facing small and medium enterprises in Africa?**

The pandemic has had a limited impact on the ADP funds, which generally comprises of large established companies. Our team has worked closely with the portfolio companies to ensure both that they can continue to operate and that safety is maintained for their employees. No portfolio company has been at risk of liquidation and most have continued to grow their bottom line.

The pandemic has had a significant impact on SME-dominant sectors in Africa, such as tourism and retail trade. This has resulted in an increase in demand for liquidity, as many smaller enterprises have limited cash reserves at their disposal. At the same time, the pandemic has also presented opportunities for SMEs to adopt technology faster, which is likely to bear fruits in the medium to long term.

### **How important is gender equality in the private sector?**

The private sector often acts as a catalyst for change, which means that gender equality would be difficult to achieve without its commitment. USD 12 trillions could be added to the global GDP by 2025 by advancing gender equality. To get women back into the job market after the pandemic, businesses will need to implement guidelines concerning recruitment which do not discriminate against women who have had to take a break from work, and offer flexible working conditions.

### **What aspects are most important for creating more jobs with decent working conditions?**

For DPI, health and safety are an integral part of the entire investment process and of paramount importance in the work with the portfolio companies. Decent working conditions also mean adequate pay, medical insurance, and access to pensions. Another important aspect is to offer skills-enhancing initiatives to employees to give them the opportunity to rise within the company and improve their employability.

### **How can we build sustainable and resilient societies which will be crucial to economic stability after the pandemic, when it is also apparent that there is greater risk aversion amongst investors?**

Many investors see Africa as a high-risk continent due to its lack of infrastructure, political instability, currency fluctuations, climate change, inaccessibility and corruption. However, Africa's untapped resources, young population and emerging middle class offer a favourable climate for



long-term investment. There is also greater awareness of the risks associated with investing in businesses that do not act sustainably. This has led to new regulations and requirements regarding reporting and transparency for companies.

Since it was founded in 2007, DPI has navigated through several crises, including political turbulence, climate catastrophes, wars and the Covid-19 pandemic. This makes DPI experienced in risk mitigation, and we are also at the forefront when it comes to supporting the development of resilient and sustainable societies in a risk adverse environment.

### How do you view the possibility of mobilising institutional investors in developing countries?

The major obstacles include a heightened perception of the risk of investing in developing countries vs developed markets, and as a result of that, a relatively small asset allocation to such countries from global institutional investors. However, there is interest amongst investors in supporting businesses that have high standards as regards good governance, impact and ESG.

### What is the significance of development finance institutions for DPI and its operations?

Since the beginning, development finance institutions have been excellent partners. We have built strong relationships and received funding for all our funds. DFIs have also been instrumental in bringing the highest standards of Impact & ESG into the African private equity industry, and continue to help us on a continuous basis by providing further training and assistance in these matters, and more.

## Our work during the year

**DURING THE SUMMER**, Swedfund invested in CreditAccess Grameen, which exclusively targets female customers and develops its offerings in a way that both benefits and strengthens women's economic empowerment, role and opportunities in society.

**TOGETHER WITH TRANSPARENCY** International Sweden and five other investors, we have formed the Investors Integrity Forum. This is a platform for sharing and disseminating knowledge, deepening dialogue and promoting transparency concerning corruption issues.

**SWEDFUND HAVE INITIATED** TA projects to support both existing and potential portfolio companies in managing Decent work in practice, with the aim of increasing the proportion of portfolio companies acting in line with relevant ILO conventions and international labour standards.

**DURING THE YEAR**, we worked hard to support our existing portfolio companies in various ways, while also approving 10 new investments and additional investments. Overall, we have invested a total of SEK 1,100 million to create jobs and thereby improve conditions for people during the pandemic and, in the longer term, reduce poverty.



Read the full interview  
at [ir.swedfund.se](https://ir.swedfund.se)

# REPORT FROM THE CHAIR

Swedfund's role as a development finance institution, to develop sustainable businesses, create jobs and improve living conditions for people living in poverty, will be an important contribution to reversing the trend to continue in the same positive direction as before the pandemic.

Over the past 25 years, we have seen a positive development in many areas in a number of the countries in which Swedfund invests. One indicator of this is that the proportion of people living in poverty has steadily declined, from 1.9 billion people in 1990 to 689 million in 2017. Unfortunately, this fantastic development has now been reversed as a result of the pandemic. This negative development with a rising proportion of poor people has been further intensified due to climate change and political conflicts.

Climate change is particularly impacting on countries in sub-Saharan Africa and South Asia, where the majority of the poverty is found. Climate change is leading more frequent extreme weather events and natural disasters. People are being forced to leave their homes, food prices are rising and the risk of hunger is increasing – all changes which are impacting on the whole of society. The consequences of the pandemic are reminiscent of climate change in that they must be addressed jointly and cannot be overcome by a single country.

The challenges that we are now seeing throw light on Swedfund's important role as a development finance institution with direct and indirect investments in sustainable businesses to create jobs and better living conditions for people living in poverty. Our investments can contribute to reverse the trend to continue in the same positive direction as before the pandemic.

The wide range of investments that Swedfund makes in the three sectors, Energy & Climate, Financial Inclusion and Health, are all examples of how we can contribute to the spreading of development impacts and enhance the resilience of both individuals and societies.

During the year, we made investments in Digitalisation. New technology can be used to improve access to healthcare and medicines, efficient and appropriate

electricity supply, and enable small businesses based on local needs to grow. Digitalisation is a powerful tool for achieving the goal of inclusive growth.

Together, we can do more, and Swedfund's efforts to increase the proportion of mobilised capital through a broader collaboration with institutional investors is therefore of great value. The new needs and challenges that have arisen in the world have prompted the board to review the company's business plan. The board notes that Swedfund's geographical focus, themes and focus on three sectors are still relevant today. Our business model has proven to work well even under the very special conditions that currently prevail. The plan reflects the priorities of the owners, the board and the management over the next two years.

This year's positive operating profit and the increase in the value of the portfolio are the result of a structured and long-term approach. The overall picture is further strengthened by the positive results generated within the three individual pillars of impact on society, sustainability and financial viability, and confirms Swedfund as a capable actor within development finance.

I am very impressed and proud of the flexibility, commitment and effort shown by all the company's employees over the past year. On behalf of the board and the company, I am extremely grateful for our owner's trust and capital injection of SEK 1,200 million for 2022. It gives Swedfund the opportunity to accelerate our investments, grow and have even more impact.


**Göran Barsby**  
Chairman of the Board







# INVESTING FOR HUMANITY



Agnes Ndinda Kaloki owns a fruit and vegetable stand and is one of our portfolio company d.light's customer.

# DEVELOPMENT FINANCE TO ERADICATE POVERTY

Swedfund is Sweden's development finance institution. Our mission is to fight poverty by investing in sustainable businesses in developing countries. This means that we have the same goals as Sweden's international development cooperation, to improve living conditions for people living in poverty and oppression. However, as a development finance institution, Swedfund uses other tools than traditional aid organisations.

**S**wedfund invests in equity, provides loans and utilises funds as instruments in order to reach out to more small and medium enterprises. Our investments help to strengthen the resilience of communities and individuals alike by contributing to the sustainable development of the private sector. We do this by helping to create more jobs with decent working conditions, empowering women in the economy, reducing the climate impact and helping to mobilise more capital from private investors. Businesses which are both sustainable and profitable also contribute to tax revenues,

which can be used to strengthen other socially important functions in the country. The UN Sustainable Development Goals, combined with the goals of the Paris Agreement, give us the direction that is required for our development work.

## **The catalytic role of development finance institutions**

Development finance institutions must act catalytically, which means that they must accelerate change. Some limit the catalytic role of development finance institutions to include only the task of mobilising private



capital. However, we believe that the role is broader than this and covers a number of different dimensions: financial, sustainability and capacity-building.

Financially, we are catalytic in that, in connection with every investment opportunity, we analyse the possibility of mobilising private capital to accelerate the implementation of Agenda 2030 and the Paris Agreement. Many development finance institutions, like Swedfund, have developed a structured approach to capital mobilisation. New partnerships and platforms are being established and include co-investments with private investors, as well as the use of bond or fund instruments to raise institutional capital. The tools that European development finance institutions have at their disposal as regards capital mobilisation can, in addition to sustainable investments in equity or loans, also include access to their own guarantee instrument.

Sustainability is key for development finance institutions and the work we do helps to create more sustainable companies and investors in developing countries. We achieve change by imposing strict require-

ments on sustainability in investment agreements, and by working actively during the value creation process to support the companies' own work relating to sustainability, both through offering expertise and through initiatives financed by funds for technical assistance. The work is followed up regularly to ensure that the portfolio companies are moving in the right direction. The sustainability work increases the opportunity for more sustainable investments and means that local operators realise the importance of working sustainably in order to attract capital from Swedfund and other like-minded investors.

Sustainable capacity development is another example of the catalytic capacity of development finance institutions, which is closely linked to the development of society and the individual. This includes strengthening women's economic empowerment, contributing tax revenues, and limiting the negative impact on the climate. Many development finance institutions have access to technical assistance which can be used for this. Swedfund has, for example, financed a programme to enhance the capacity of local

banks to issue green bonds. The programme is being carried out in partnership with Stockholm School of Economics and a number of local banks in which Swedfund has invested. The basis for this work is the efforts being made by Swedfund relating to sustainability in relation to the bank. By creating competence locally, more green investments are made possible by the fact that private capital can be mobilised.

Swedfund has another tool in the Project Accelerator which finances project initiatives in the public sector to accelerate and facilitate the development of sustainable projects in developing countries. When a country takes account of aspects relating to environmental and social sustainability ahead of a major procurement which could include streamlining electricity distribution networks, improving access to renewable energy or establishing a new transport system, the country avoids getting caught up in dependencies which will be unsustainable in the long term. The Project Accelerator helps to boost competence relating to sustainability locally and create the right conditions for sustainable investments.







### Partnerships are important for achieving common goals

Swedfund is one of 15 members of the European network for DFIs, European Development Finance Institutions (EDFI). At strategic level, EDFI's agenda is harmonised with the UN's Sustainable Development Goals. In 2020, EDFI's portfolio corresponded to EUR 43.8 billion spread across more than 6,000 projects, with sub-Saharan Africa and South and Southeast Asia being the main geographic areas. We often work together and around half of all investments are made in partnership with one or more development finance institutions. Acting as an investor with other like-minded organisations is important in order to bring about change and

displacement. During 2020, EDFI's portfolio contributed to the creation of 11.2 billion jobs, 100 GWh of energy and EUR 15 billion in tax revenues in developing countries.

Swedfund also works in partnership with other organisations, including civil society organisations, development banks and other business partners, as well as traditional aid organisations. During the pandemic, the importance of partnerships has grown in order to lay the foundations for rapid recovery and relevant support measures.

### Stronger focus on development financing to reduce climate change

The impacts of climate change are increasing the need for investments within areas

such as renewable energy, restructuring and measures to boost the capacity of developing countries to manage the effects of climate change. Thus, the mission of the development finance institutions is more relevant now than ever before, including from a climate perspective.

Collectively, climate investments and investments in financial inclusion make up two thirds of EDFI's portfolio. During COP26 in Glasgow, the need to boost climate and adaptation financing in developing countries, along with the pledge to double the financing commitment, was highlighted as being a decisive factor for the entirety of the agreement. Insufficient investments are being made to reduce emissions in developing



During 2020, EDFI's portfolio contributed to the creation of 11.2 billion jobs, 100 GWh of energy and EUR 15 billion in tax revenues in developing countries.

and increase the number of green jobs, in order to contribute to sustainable growth in developing countries. We have also joined the G7 initiative Adaption & Resilience Investors Collaborative, which is intended to increase climate-related investments in adaptation and resilience.

It is apparent that many European countries are stepping up their investments in development finance institutions in the field of climate by providing capital aimed at climate investments in developing countries. In many cases, it includes an investment mandate in more developed countries included on the OECD/DAC's list because they emit more greenhouse gases compared with poorer countries. This is seen as an effective tool for achieving the goals of the Paris Agreement.

### **The cooperation with the EU regarding development finance is being deepened**

The European Parliament has adopted new legislation to establish the Neighbourhood, Development and International Cooperation Instrument (NDICI) framework. The aim of this framework is to better coordinate and simplify the work of the EU relating to

development issues, humanitarian aid and peace-building efforts in the European Union's partner countries. The framework means that the ten pre-existing instruments are now managed collectively, i.e. as a single financial instrument. The hope is that, by bringing these tools together, the EU will be better placed to promote multilateral cooperation and the European Union's strategic priorities, and accelerate the implementation of international commitments such as the

UN Sustainable Development Goals, Agenda 2030 and the Paris Agreement. Almost EUR 80 billion has been set aside for the period 2021–2027 to finance NDICI and step up efforts in for example sub-Saharan Africa.

The financial tools that are available are a guarantee instrument which is primarily intended to enable the mobilisation of private capital, blending in the form of a donation or the direct part-financing of an investment, along with technical assistance for skills-enhancing measures. In order to use tools and funding from the EU, an organisation must have undergone "pillar accreditation", which means that the European Commission must have reviewed and evaluated the ability of the organisation to use EU funds responsibly. Thirteen out of 15 European DFIs, including Swedfund, are pillar accredited. Swedfund became pillar accredited in 2021. EDFI accounts for 70 percent of all development finance to sub-Saharan Africa, and thus possesses the right skills and prerequisites needed to boost investment volumes in these countries.

European DFIs have the competence, experience and working methods that gives good prerequisites to use EU's instrument in a responsible manner, in order to contribute to an increased investment volume. Against this backdrop, EDFI has deepened its relationship with the EU and worked actively to clarify the role and function of development finance institutions and highlight the development impacts that our investments generate. EDFI's mandate and activities have been fully harmonised with the EU's policy for sustainable development, and the network participates in many of the EU's working groups relating to sustainable financing.

EDFI has also set up EDFI Management Company (EDFI MC), which has been pillar accredited to use the EU's resources for development finance. The purpose of EDFI MC is to manage programmes that are common to European development finance institutions, and represents an important platform for cooperation and joint allocation of resources amongst pillar accredited DFIs.

countries and, as the climate has already been affected, the issue of financing adaptation measures is becoming an urgent one. Solutions and better conditions are needed to increase financial flows from private investors in these countries. Through EDFI, Swedfund is part of the Global Energy Alliance for People & Planet, a platform which aims to accelerate the transition to sustainable and green energy, reduce CO<sub>2</sub> emissions



# SOLID EXPERIENCE AND WORKING METHODS PROMOTES A SOLID BASE FOR INVESTMENTS

Swedfund has over 40 years of experience of sustainable investments in the world's most vulnerable countries. Our investments generate positive development impacts which help to reduce poverty.

**F**or many years, expertise and knowledge within ESG and impact on society have been integrated into our business model, our policies and the investment process. We have many years of experience of evaluating and following up environmental, social and corruption risks relating to our investments, as well as monitoring the various regulations surrounding them. Yet we are also well aware that the world around us is constantly changing and we are therefore determined to continually develop our working methods and tools, both in order to limit risks and to measure our positive impacts.

As an investor, we monitor the requirements that we have agreed with the portfolio companies, but we are also responsive to any new needs that arise during the value creation phase. We measure the development effects in terms of impact on society, sustainability and financial viability. Follow-up and monitoring take place, e.g. through visits to businesses, audits and an active dialogue with the companies, either directly or as part of board work or through various committees. We also collect information via surveys and evaluate the companies' own reports. This gives us a clear picture of our portfolio companies, which we then present in the portfolio company analysis (pages 70-91).

## Investments to support businesses

While contextual risks have increased in the countries in which Swedfund has investments, our ability to monitor and assess investments has been reduced as a result of strict travel bans. It was only during the last few months of the year that a few business-critical trips became possible.



Swedfund has invested in the Indian microfinance institution CreditAccess Grameen Ltd. The photograph shows a weekly meeting with a group of borrowers.

However, the development of digital tools and the global experience of holding meetings in digital forums has meant that our operations have largely been able to continue as planned. We have also received support from local partners and independent consultants in order to maintain a high investment rate. Our mission as a development finance institution, to act additionally and catalytically, take risks and act as a pioneer, has not been affected by the pandemic. Stimulating other operators to want and dare to do more has become more important than ever.

Swedfund invests in equity, funds and provides loans, so that businesses can grow sustainably. When a loan is repaid or we exit equity investments, the proceeds will be used to finance new investments. This means that we act circularly and contribute to the efficient management of tax revenues, while creating more jobs with decent





p.64

Read more about the  
Project Accelerator on page  
64-67.

working conditions in developing countries. We are also improving access to important goods and services, such as renewable energy and healthcare.

### Tools to help us do more

In our operation, there are also two tools which help to broaden our offering and boost development impacts further: Swedfund's Project Accelerator and Funds for Technical Assistance.

The Project Accelerator is a facility which aims to accelerate the implementation of sustainable projects, and thereby contribute to sustainable development in line with Agenda 2030. The goal is to strengthen institutional capacity in developing countries in project development and sustainable procurement in the public sector. Thanks to funding and support from the Project Accelerator, external expertise can be brought in at an

early stage in the project development process in order to support the local project owner. As a result, the Project Accelerator has a catalytic effect and enables the development of sustainable and financially viable projects that are practicable. Read more about the results of the Project Accelerator on page 64-67.

Technical Assistance are funds which are outside the capital injection and can be used to develop the businesses in which Swedfund invests. This could for example be used for quality-enhancing initiatives relating to sustainability, gender equality or human rights. Read more about Technical Assistance on page 53.



## OUR GOAL STRUCTURE

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

Swedfund has a public policy assignment and mission goals, with a focus on sustainable value creation and Agenda 2030. In addition to reporting on the degree of attainment of the mission goals, which are the same as the company's strategic goals for sustainable value creation, we describe our work relating to issues such as anti-corruption, environmental management systems and tax, which are key aspects of the value-creating work. Our economic goal is adapted to our mission to be additional and catalytic, i.e. to dare to invest in high-risk environments in order to create development effects.

### Mission

According to Swedfund's Owner's instructions, the work of the organisation must contribute to attainment of the goal for Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to contribute to poverty reduction by making sustainable investments in developing countries. In cooperation with our strategic partners, we will contribute to financially, environmentally and socially sustainable investments that create better living conditions for people living in poverty and oppression.

### Mission objectives

#### ECONOMICALLY SUSTAINABLE INVESTMENTS

>60%

Turnover and profitability shall increase in not less than 60 percent of the Company's investments during the holding period, with a base year corresponding to the investment year.

#### ENVIRONMENTALLY AND CLIMATE-RELATED SUSTAINABLE INVESTMENTS

2045

Not later than 2045, the investment portfolio of the Company shall be climate-neutral, by which is meant that the portfolio shall have a net zero release of greenhouse gases in accordance with the IPCC definition. The total release of greenhouse gases per invested krona shall accordingly decline over time with 2020 as the base year.

#### SOCIALLY SUSTAINABLE INVESTMENTS

100%

Compliance by 100 percent of the Company's investments with decent working conditions in accordance with the core ILO conventions not later than three years from the date of investment.

>60%

Increased gender equality in the Company's investment portfolio in terms of the 2X Challenge\*, or comparable criteria shall be met in not less than 60 percent of the Company's investments no later than three years from the date of investment.

#### THE COMPANY'S ADDITIONAL ROLE

>30%

The Company's investment portfolio shall mobilise not less than 30 percent of commercial capital.



## Financial goal

### OPERATING PROFIT

>0

Operating profit shall be greater than zero over a five-year period.

p.70

Read about goal attainment and the results of our portfolio companies from page 70 onwards.

### \*2X Challenge

The 2X Challenge is a G7 initiative which aims to boost gender lens investments to promote women economic empowerment. Swedfund joined the initiative in 2019. This means that we invest in companies that are owned, managed by or employ many women, which produce goods or services or which offer capital to women. Our mission goals include a requirement for 60 percent of the companies in our portfolio to fulfill the 2X criteria.

## Mission goals in line with Agenda 2030

We achieve our overarching mission by contributing to the creation of more jobs with decent working conditions and by improving access to socially important products and services, such as renewable energy and healthcare. In order to achieve the goals of the Swedish development cooperation, Swedfund shall integrate poor people's perspectives on development, a rights perspective, a conflict perspective, a gender perspective and an environmental and climate perspective.

There is a clear link between Swedfund's mission goals and the UN's Sustainable Development Goals. Our work will contribute to long-term sustainable results and we will have an impact on all 17 goals, but some of them are of particular relevance. In 2021, the board decided to add SDG 10 to the goals which we have previously focused on: SDGs 1, 5, 8 and 13. This was done to reflect the importance of striving to promote inclusion both during and after the pandemic, and to harmonise our work relating to the Global Goals with our European partners in EDFI.

The private sector is crucial for the implementation and financing of Agenda 2030 and the post-pandemic reconstruction. Development finance institutions such as Swedfund play a key role by investing sustainably and acting catalytically and as a bridge to private capital. The innovative financing platforms that are being established to pool capital from private organisations and development finance institutions also represent an important step in accelerating 2030 Agenda.





# VALUE CREATION MODEL FOR CARRYING OUT OUR MISSION

Swedfund's value creation model has been developed to describe how we best fulfill our mission in order to fight poverty in the world's most vulnerable countries. We accomplish the mission by investing in and developing sustainable businesses in order to generate development results and inclusive growth, particularly in sub-Saharan Africa and certain regions of Asia. Social, environmental and economic aspects permeate and govern our work, and these pillars also form the basis for our values and measurement of results.



1

Swedfund's overarching mission is to **help reduce poverty by making sustainable investments in developing countries**. Our approach is based on Agenda 2030, our mission goals and our "Theory of Change", and defines our strategy for fulfilling our mission in our business plan.



Read more about the five goals which we consider to be of particular relevance to our business on page **39**.



Impact on society



Sustainability



Financial viability

Read more about our pillars on page **46-47**

Read more about how we manage risk on page **48-51**

Read more about our investment process on page **54-57**

4

Our business model is based on three pillars which permeate the entire investment process. These pillars help us to **evaluate investments and risk**, to **create value** and generate **long-term development effects**.



5

Our capital is linked to **requirements and support** in the form of:

Financial capital  
Expertise and TA funds  
Project Accelerator  
Partners and networks

Read more about our approach to TA on pages **53 and 94**

Read more about our investment instruments on page **52-53**

Read more about the results of the Project Accelerator on page **64-67**

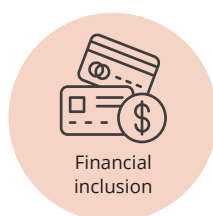
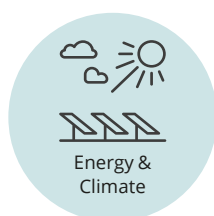




2

Our business plan describes our choices and activities in order to accomplish our mission.

Geography • Sector • Investment form



3

We have identified **three sectors** within which we believe we have the best opportunity to **generate development effects**.

Read more about our sectors on page **44-45**

6



We measure **development results** via our **indicators**, which are based on our public policy assignment and our mission goals.

Read more about our performance indicators on page **71**  
Read more about our portfolio companies' results on page **70 onwards**



**THE GLOBAL GOALS**

# A STRATEGIC BUSINESS PLAN WITH A CLEAR AMBITION TO GROW

Swedfund's business plan demonstrates a clear ambition to grow and act catalytically by mobilising capital from private investors to help meet the needs that we identify. Jobs must be created, the empowerment of women must be promoted, and climate change must be limited.

**S**wedfund's strategy is set out in our business plan for the period 2020 – 2023. We review the strategy annually to ensure that we are moving in the right direction in order to achieve our set goals. Our external analysis and the situation in our operating countries represents important input in our work. We see that no major changes are needed and that, on the contrary, the need for development finance has increased in developing countries, where there remains a strong need for capital and investment. Our sectors and themes lie at the interface between the challenges that the pandemic has created and in the efforts being made to build back better. Our ambition is to grow in order to meet the needs that we identify.

Our mission is to invest in countries which, according to the OECD/DAC's definition, are eligible for development finance. We prioritise investments in the least developed countries, while geographically we focus on sub-Saharan Africa and certain regions of Asia. These countries have been hit hard economically by the pandemic and are in need of investment in order to increase the resilience of society and individuals alike.

Swedfund has ambitious targets, to ensure that we deliver our mission. We have measurable indicators linked to our three pillars, impact on society, sustainability and financial viability, and selected goals in Agenda 2030. Our three pillars remain, as are the indicators we have established to measure progress in our public policy assignment.

## Sectors and themes

The business plan identifies three sectors in which Swedfund focuses its development work. These sectors are Energy & climate, Financial inclusion and Health. Jobs, the climate issue and health are key aspects in the efforts being made to ensure a sustainable recovery.







Rose Cheptoo and Mediatries Muruka work at St Teresa Medical Clinic, which is a customer of Premier Credit.



Staff meeting. Pauline Achieng, Esther Britan, Kevin Underson and Judith Khikami are teachers at the Jane Kiambui Githuas School, The Red Hill Education Centre. Judith is a customer of Premier Credit.

We invest directly in companies and indirectly through financial institutions and funds. Indirect investments are made because it is an effective way of reaching SMEs and increasing lending to entrepreneurs. We strive to achieve a good balance between equity, loans and funds in the portfolio.

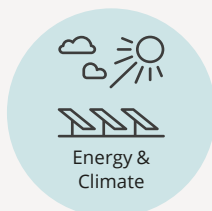
Regardless of the country, sector or instrument in which we are operating, we work with a number of thematic areas: climate, gender equality and digitalisation. Human rights are also a vital dimension which must permeate our investment activities, in the process before we take a decision on a new investment and during the value creation period.

### Additional and catalytic

A key part of Swedfund's mission is to take risks, which goes hand-in-hand with the organisation's business plan. The contextual risks in our business have increased as a consequence of the pandemic, and we have developed our processes and systems in order to face up to these risks. Taking risks is also closely linked to our desire to be both additional and catalytic, and to safeguard investments that would otherwise not have been realised. This is an aspect that has grown in importance given the fact that many private investors are now withdrawing from the countries in which we operate. Yet Swedfund is aiming to continue leading the way for institutional investors, as this is an aspect that has become increasingly important as a result of the pandemic. Our aim is to contribute to the mobilisation of a higher proportion of capital for developing countries, which will enable us to accelerate the rate at which Agenda 2030 is implemented. We can achieve more and reach more people through partnerships.

# FOCUS ON THREE SECTORS

For many years, we have focussed our development work to three sectors: Energy & Climate, Financial inclusion and Health. It is within these three sectors that we believe we are best placed to make a difference. Pooling resources and excellence in a focussed way in limited and selected areas boosts the effectiveness of our operation as well as improves our development results. We have a Theory of Change for each sector, which forms our starting point when we analyse an investment and identify the direct and indirect development impacts. We have also developed sector-specific indicators for impact measurement.



## Energy & Climate

Access to electricity is a critical factor in reducing poverty and evening out the gaps in the world. Today, close to one billion people live without access to electricity; 75 percent of these people live in sub-Saharan Africa and the least developed regions of Asia.

As part of its aim to achieve Agenda 2030, Swedfund has been investing in renewable energy sources since 2014. Energy & Climate also includes broader climate investments, such as energy and resource efficiencies, key elements for a sustainable transition. Green infrastructure, such as water and waste management, along with forests and other carbon sinks, are included in the sector.

The expansion of sustainable energy supplies requires a broad approach and innovative solutions. Through our investments, we are therefore financing both power sources connected to the grid and off-grid solutions which enable households, villages and communities to access locally produced energy. One particular challenge associated with investments in renewable energy is that they often concern relatively small projects which are difficult to finance individually. This particularly applies to off-grid solutions, such as small solar power plants. Swedfund therefore often invests in funds which specialise in energy and climate as a way of financing more projects.



Financial inclusion

## Financial inclusion

In developing countries, small and medium enterprises account for the majority of jobs and are thus a driving factor in the economic and social development of the countries concerned. A shortage of funding is one of the most limiting factors as regards the ability of these companies to grow.

Swedfund's investments in Financial inclusion are made in funds and financial institutions. This is an effective way of reaching out to companies and countries which we would otherwise find it difficult to reach. Financial institutions such as banks perform a socially important function. Our investment helps to develop the work of the institution in relation to sustainability and corporate governance, both vital factors in achieving inclusive growth. We are helping to increase the proportion

of capital willing to take risk in developing countries. We are primarily doing this by investing in funds, which in turn then invest in equity in privately owned companies.

Swedfund also invests in microfinance institutions, which provide micro-loans to entrepreneurs, small enterprises and people on low incomes. In the case of microfinance institutions, we impose requirements to ensure that they comply with the Customer Protection Principles (CPP), which certifies that they work actively to treat their borrowers well and in accordance with these principles of responsible credit and management. For example, pricing must be transparent, excessive debt must be avoided, debt recovery must be carried out in a responsible manner, and privacy must be respected.



Health

## Health

In developing countries, there are major shortages of medicines, essential infrastructure for healthcare and trained health professionals. In order to achieve the UN Sustainable Development Goals and the Universal Health Coverage (UHC) goals, over 18 million health professionals will be needed by 2030. There is a gap between supply and demand as regards health workers, particularly in low- and lower middle-income countries.

Health can also be viewed from the perspective of gender equality. Only 17 percent of mothers and children in the poorest households in low- and low-middle-income countries receive basic maternal and child healthcare, compared with 74 percent in wealthier households.

Swedfund is investing in general healthcare, specialist care, drug production, drug distribution and e-health.

We are working in a variety of ways to identify business models and partners which will enable us to reach more people, given the urgent needs that exist. At the same time, the right conditions are being created to ensure that medical expertise is retained and developed in the country and can be passed on to other healthcare institutions.

We also see digitalisation as an important way of developing the health sector and promoting greater inclusion. Many developing countries face major health care challenges as regards accessibility, price, quality and efficiency. Investments in digital solutions are creating new opportunities for innovative healthcare solutions for a growing population. Digital platforms are helping to make medical equipment, medicines and healthcare more accessible.





## THREE PILLARS WHICH PERMEATE OUR DECISIONS

Our business model is centred on generating results within three pillars: impact on society, sustainability and financial viability. These pillars permeate every stage of the investment process – right from the initial assessment during the investment phase, through the active ownership phase and all monitoring of performance, and finally exit from the investment.

### Impact on society

Swedfund aims to contribute to impact on society in the world's poorest countries. We assess how our investments are contributing to our Theory of Change and our mission goals by creating desired development effects, such as development of the private sector, strengthening of local communities, inclusive development and economic growth, as well as climate change mitigation and adaptation. We follow up measurable results in key areas where we contribute to direct impacts, such as job numbers, gender equality in the workplace according to 2X Challenge criteria, climate impacts and tax revenues. The indirect impact is more difficult to demonstrate through data, and we have therefore carried out impact studies in order to demonstrate different effects and relationships.





Almaz Munaye and Yohannes Gebremichael.

### Sustainability

Swedfund aims to help create sustainable enterprises in the world's poorest countries. This means that our portfolio companies must offer jobs with decent working conditions, implement a management system concerning environmental and social risks, and actively strive to combat corruption. The monitoring of this pillar involves following up the status of employment conditions in accordance with the ILO Declaration on Fundamental Principles and Rights at Work, Work and Basic Terms and Conditions of Employment and the implementation and performance of management systems. This pillar also includes indicators concerning corporate governance, anti-corruption and human rights.



### Financial viability

Swedfund aims to help create profitable and financially viable companies in the world's poorest countries. A company that is financially viable has the right prerequisites to grow, contribute to the creation of more jobs with decent working conditions, increase the tax base of the countries in which it is based, strengthen women's empowerment and have a positive impact in other areas. Financially viable companies are a prerequisite for Swedfund's overarching mission goals. Swedfund is a long-term owner, and the profitability of an individual portfolio company may vary during the investment cycle. The pillar includes indicators regarding turnover, profitability and the mobilisation of private capital.



# RISK MANAGEMENT IN A CHALLENGING MISSION

As a development finance institution, risk is pivotal to our mission and business. Swedfund invests in countries and sectors which are characterised by considerable risks on a number of levels. We have processes and policies in place and continually strive to manage risk.

**S**wedfund's mission as a development finance institution is to act additionally and catalytically. This means that, where there is a shortage of commercial capital, we must take greater risk than other investors are normally willing to accept. The mission also entails an expectation to take risks, and the aim of the work relating to risk management is to achieve risk optimisation based on mission goals and the business model, rather than to minimise risks in every respect.

In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced. We manage risks at various levels, including strategic, investment, financial and operational risks. Sound risk management is both a prerequisite for the business and ultimately a potential way of improving development results. The risk policy adopted by the board in 2020 forms the basis for Swedfund's risk management framework.

The sections below describe the main risks to which Swedfund's business is or could be exposed.

## Strategic risks

Strategic risks include structural factors relating to our mission, the challenging geography of the portfolio companies and the company's ownership and financing. Strategic risks can be divided into a number of different areas.

### *Risks relating to the ownership picture:*

Swedfund is a state-owned company with a special societal mission financed by reflows from the portfolio, as well as annual capital injections from expense area 7, International aid. Views regarding aid more generally and the use of aid for private sector investments vary within and between operators within society, interest groups and opinion-formers. As Swedfund is currently primarily financed through capital injections from the owner, there is a risk that political decisions could alter the framework conditions under which the business operates.

**Geopolitical risks:** Understanding geopolitical risk, how geography, politics and relations between countries and operators in the regions in which Swedfund operates is pivotal. Geopolitical risks include trade disruption, the impact of the global economy, monetary policy effects and climate-related threats and risks. External events such as conflicts, natural disasters and pandemics are also included within the framework of geopolitical risks.

**Contextual risks:** Risks associated with the fact that the markets in which Swedfund's portfolio companies operate often lack strong institutions, robust legislation and the implementation and follow-up of laws and regulations. Important causes of contextual risks include poverty and inequality, lack of democracy, conflicts, weak legal systems and public governance, and human rights violations.

**Reputational risk:** Reputational risk is primarily linked to the risk of individual holdings not developing as expected. Examples of particularly serious events which could impact on reputational risks are allegations of corruption, human rights violations, poor working conditions or other situations where Swedfund is not seen as utilising tax revenues and aid in a responsible manner.

Swedfund manages strategic risks through a robust investment process, an active dialogue with its owners, ongoing follow-up and regular stakeholder dialogues, strategic collaborations and collaboration with other development finance institutions within EDFI. In order to manage the risks going forward, Swedfund strives to establish a balance in the distribution of the portfolio between



Jackline Waithira Irungu is an employee at Premier Credit's offices in Kasarani, outside Nairobi.





countries/regions, sectors and instruments, where the board of directors sets limits for geographical exposure and counterparties.

### Investment risks

It is in the investments that many of Swedfund's risks lie, and risk management forms a natural part of our investment process. Our capital is linked to requirements and we strive to prevent the risks that we can identify by being active and supporting the portfolio companies with our expertise. We categorise the investment risks within each of the three pillars that permeate Swedfund's investment process.

*Impact on society:* There is a risk that Swedfund's investment portfolio will not deliver the development effects we are aiming to

achieve in line with the company's mission goals and theories of change, or that an individual investment will not have the impact on society that was expected at the time the investment was approved. This may include factors such as a lower rate of job growth and tax revenues, or reduced impacts on gender equality or climate impact. The risks associated with impact on society are managed through a thorough evaluation process ahead of the investment decision, as well as active management; see below under sustainability and financial viability.

*Sustainability:* In individual holdings and at portfolio level, there is a risk that our investments do not meet the sustainability requirements that we impose and thus do not contribute to long-term value creation.

Corruption is often rife amongst the communities in which Swedfund invests, and the lack of robust national legislation locally in areas such as work environment, land issues, human rights, environment and climate, places exacting demands on both Swedfund and our portfolio companies to establish the necessary procedures and processes. The sustainability risks, within the framework of the investment risks, that we have identified are linked to our sustainability policy and our sustainability goals (see Swedfund's ethical compass on page 68).

*Financial viability:* Economic risks are linked to the financial viability of our investments. This includes, for example, business and partner risks, credit risks and currency and interest rate risks. Business risks can be

risks related to business concepts, sustainable business models, markets and the partners with which Swedfund chooses to invest.

Investment risks are monitored and managed throughout the investment process, from decisions on new investments to the winding up of holdings. Swedfund's investment team is responsible for preventing and, where appropriate, managing risks in the portfolio through active management, which encompasses board and committee processes and company visits, quality-enhancing initiatives through technical assistance and other regular follow-up. Frameworks and policies are updated continually as and when required and, as regards sustainability risks, acceptable deviations and limits are defined in Swedfund's sustainability policy. Risks within the pillar of sustainability are always evaluated for each investment, while risks under the pillars of impact on society and financial viability may also be assessed from a portfolio perspective. Partner selection is of the utmost importance in the management of investment risks in the portfolio, where Swedfund strives to invest only in, and together with, strong and competent partners who have experience, integrity and a history of strong performance.

### Financial risks

Financial risks are risks that can have a significant impact on Swedfund's financial position and performance, and are divided into three main areas.

**Share price and credit risk:** Investments in shares and funds primarily take place in unlisted companies where there is a risk of negative value development relative to the amount invested. Given a lack of liquid assets and functioning financial markets, the process of divesting holdings can also be protracted and time-consuming. Credit risk is the risk that a borrower will be unable to



Philip Ochieng Osewe is 40 years old and has three employees at his pharmacies in Kengemi outside Nairobi in Kenya.

fulfil its obligations due to a reduction in its ability to repay, which could potentially lead to credit losses in Swedfund's loan portfolio.

**Liquidity risk:** Liquidity risk refers to the risk that Swedfund will not have access to cash and cash equivalents in order to fulfil its contractual obligations or that the cost of raising cash and cash equivalents increases.

**Currency risk:** Swedfund is exposed to currency risk in that financing from the owner takes place in Swedish kronor (SEK) while contractual commitments usually take place in other currencies (primarily USD and EUR). The currency risks in Swedfund's business are complex. Transactions usually take place in an internationally viable currency, while the real currency risk is usually in the currency in which the investment country operates. Fluctuations in exchange rates can lead to substantial unrealised exchange rate effects with an associated impact on Swedfund's financial results which are reported in Swedish kronor.

Financial risks are also largely managed on an ongoing basis through the investment process from investment decision to winding up. Swedfund strives to have a diverse portfolio where the board sets limits for

geographical exposure and concentration on individual counterparties. The general principle applied to new investments is not to protect such investments against currency risk. Swedfund's own liquidity management must be invested in low-risk instruments, in currencies which match contractual commitments. Liquidity and currency risks are primarily managed and governed by the Financial Policy established by the board of directors which sets out the principles and risk limits that are to be applied to the company's liquidity management.

### Operational risks

Operational risks are risks that are associated with Swedfund's operations and organisation. These can be poor internal processes, defective systems, legal risks, fraud, corruption and the human factor. Specific risk areas are IT risks, security risks and money laundering risks.

There are also operational risks associated with internal controls where inadequate procedures could have adverse consequences. The corporate governance report on page 140 presents an account of how the organisation of Swedfund's governance and controls.

To safeguard Swedfund's day-to-day operations, the company works continually to limit and, where applicable, address the





Patience Bunei is a midwife. She works at Jacaranda's clinic in Kahawa West, outside Nairobi.



Workplace meeting at Premier Credit's office in Kasarani.

operational risks, partly through our Code of Conduct, regarding which all employees receive ongoing updates and training. In order to manage operational risks, the company has also established descriptions of processes for all significant aspects of the business, along with internal guidelines.

Swedfund's board of directors decided to establish an internal audit function in 2020. The principal task of the internal audit function is to carry out monitoring to ensure that the scope and direction of the business are in line with the board of directors' guidelines, which encompasses reviewing and assessing Swedfund's organisation, governance, risk management procedures and internal control.

Since 2016, a whistleblowing service has been available via which employees in Swedfund and our portfolio companies can report irregularities with complete anonymity. During 2021, 2 notifications were received which was dealt with in accordance with the established procedures. In 2020, the whistleblower service was supplemented by a complaints mechanism.

### Climate risks

Swedfund has systematised the analysis of the risks that could arise as a result of climate change and thus potentially have a financial impact on Swedfund. Swedfund

supports the Task Force on Climate-related Financial Disclosures (TCFD) and is continuously working to implement its recommendations. This year, climate reporting has been included in our Integrated Report and, based on the TCFD index on page xx, information is presented on where more specific information can be obtained concerning our climate risks and climate work.

Climate risks are included in Swedfund's general risk framework and risk policy, which has been approved by the board. Swedfund's management is responsible for maintaining a risk register, which is regularly updated based on internal changes, as well as changes in the external environment. Climate risks are included in both the risk policy and the risk register, and managed in the same way as other risks. As part of our review at the time of an investment, we analyse the company's potential climate risks, both physical and transition risks, based on the country's vulnerability to climate change and sector- and project-specific risks. We then work with our companies to help them assess and manage the effects of climate risks.

During the late summer of 2021, the sixth IPCC report, published by the United Nations Climate Panel, confirmed that extreme weather events are affecting every part of the world, but Swedfund's markets are being hit

harder than the global average. With regard to physical climate risks, Swedfund is exposed to such risks through our portfolio companies which operate in countries that are already, and will continue to be, exposed to physical climate impacts, such as drought, higher temperatures, floods, erratic rainfall and other natural disasters. The sectors that are generally expected to be most affected by physical climate risks are transport, infrastructure and agriculture. Swedfund has very limited exposure to these sectors, as they are not focus sectors in our investment strategy. Physical assets in Swedfund's Energy & Climate sector may be affected by physical climate risks, and it is therefore becoming increasingly common to incorporate climate risks into technical due diligence and construction. Sectors such as microfinance can be impacted indirectly by physical climate risks, as the income of many microfinance customers depends on agriculture, which is a sector with exposure to physical climate risks, such as droughts, rising sea levels, extreme weather events and floods. During 2020, we conducted an analysis of the portfolio and concluded that the entire portfolio is well-aligned with the Paris Agreement. The transition risks, i.e. from the transition to a low-emission economy, in our portfolio are limited, as Swedfund has only invested in renewable energy production since 2014.



# UNIQUE COMBINATION TO CREATE GOOD OPPORTUNITIES

Swedfund has the same goals as Swedish development cooperation, but uses different tools. We invest in equity, provide loans and use funds to reach more people. We have a well-developed approach to sustainability and an established way of measuring results. This gives us a broad range of excellent opportunities to contribute to sustainable businesses in developing countries.

The choice of investment form depends on the financing requirements of each company, but we also strive to establish a good balance of instruments in our combined portfolio. In addition to this, Swedfund is able to offer technical assistance funds (TA funds), which are used to boost the development results of our portfolio companies through initiatives within all three pillars: impact on society, sustainability and financial viability.



## Equity

When Swedfund invests in equity, we are a minority shareholder. We have an excellent opportunity to exert an influence and usually have a seat on the company's board of directors. Our goal as a shareholder is to be a long-term investor, but to sell the shares in the company as soon as we are no longer needed. Swedfund will remain a shareholder for as long as there is scope to make a positive difference and contribute financial resources and knowledge, e.g. within ESG and Impact. When deciding whether or not to sell shares, we consider a range of factors, including the new owner's ambitions and opportunities to continue to run the company in a sustainable way.

## Loans

A loan entails less risk compared with contributing equity, even if the level of risk in Swedfund's markets is generally always high. Loans are more predictable as instruments, partly because there is an agreed amortisation plan, ongoing interest payments and a planned closing date. Requirements regarding sustainability, reporting and further development of sustainability work are established in the same way as for other forms of financing, but we usually have less scope to exert an influence after the loan has been disbursed. It is therefore vital for Swedfund to agree on these requirements in a loan agreement, i.e. before the first payment is made. Many jobs are created in small companies which are in need of small loans or microloans. Using the loan instrument is an effective way of reaching many smaller companies and entrepreneurs.





Spencer Moraa, Abigail Okwiri and Faith Oronga work as agents for Kasha in Kenya. They deliver goods to customers, and can also assist with information and give an introduction to Kasha's digital platform.

## Funds

Funds enable small and medium enterprises to access essential financing in the form of loans or equity. This enables Swedfund's capital to reach out to more companies. These businesses contribute to sustainable and profitable growth and thus help to reduce poverty by creating jobs, strengthening the tax base and participating in knowledge-building. Swedfund also invests in thematic funds to improve access to healthcare and renewable energy, for example.

The funds in which Swedfund invests are long-term and the managers we work with have a high level of expertise in the countries and sectors we are focussing on. This gives us an excellent opportunity to exert an influence and contribute cofinancing. We often invest in funds together with other development finance institutions. The fund instrument enables us to share risk and contributes to a better spread of risk in the portfolio. The fund instrument also facilitates the mobilisation of private capital and ensures that Swedfund acts catalytically.

We require fund managers to impose similar requirements to those imposed by Swedfund on their own direct investments. By setting out the requirements that the fund must meet and supporting the sustainability work in particular, we contribute to the development of sustainable solutions. For Swedfund to invest in a fund, it is also a condition that the structure of the fund is transparent and that the fund investment is a good fit with Swedfund's direct investments. Swedfund is often involved in LPAC (see the fact box).

Swedfund may reach agreement with the fund concerning what is known as an 'opt-out right', which gives entitlement not to go ahead with an investment that does not meet Swedfund's requirements, e.g. with regard to the country of investment or certain sectors.

## TECHNICAL ASSISTANCE

Technical assistance (TA) funds are a strategic tool used for quality-enhancing initiatives relating to portfolio companies through initiatives within all three pillars.

The aim is to strengthen Swedfund's capacity as an active owner in order to improve the quality of our portfolio in accordance with our mission and goals. The funds will primarily be used to strengthen investments in development effects, gender equality and sustainability, including the environment and climate, decent jobs and business ethics, as well as anti-corruption.

Our potential, current and completed investments can benefit from TA funds, and the funding can also be used to develop partnerships with strategic partners.

The maximum budget for each TA project is SEK 2 million. TA funds cannot be used for activities that are deemed to be part of the portfolio companies' day-to-day operations, such as replacing obsolete equipment or employing specific expertise.

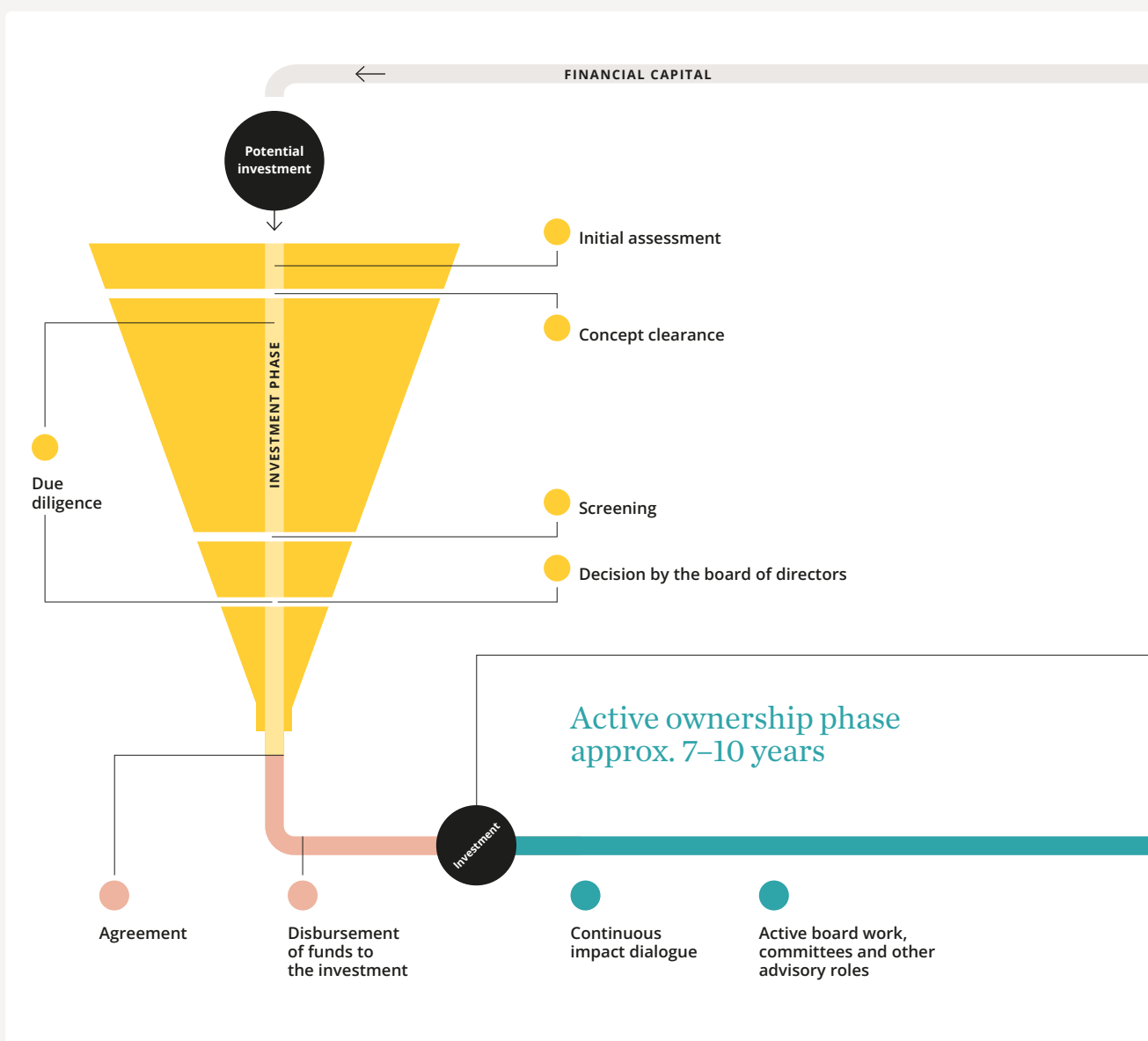
Examples of TA projects include quality-enhancing initiatives aimed at systematising and improving the portfolio companies' environmental work and social responsibility through the implementation of management systems, Gender Action Plans, the development of climate strategies and calculation models, and training initiatives relating to human rights and gender equality.

## LPAC

Amongst fund managers, some advice is given through LPAC, which is an association of eight to ten representatives from the largest investors. Swedfund is participating in this, partly to ensure that the investment is developing in the desired direction.

# A THOROUGH INVESTMENT PROCESS

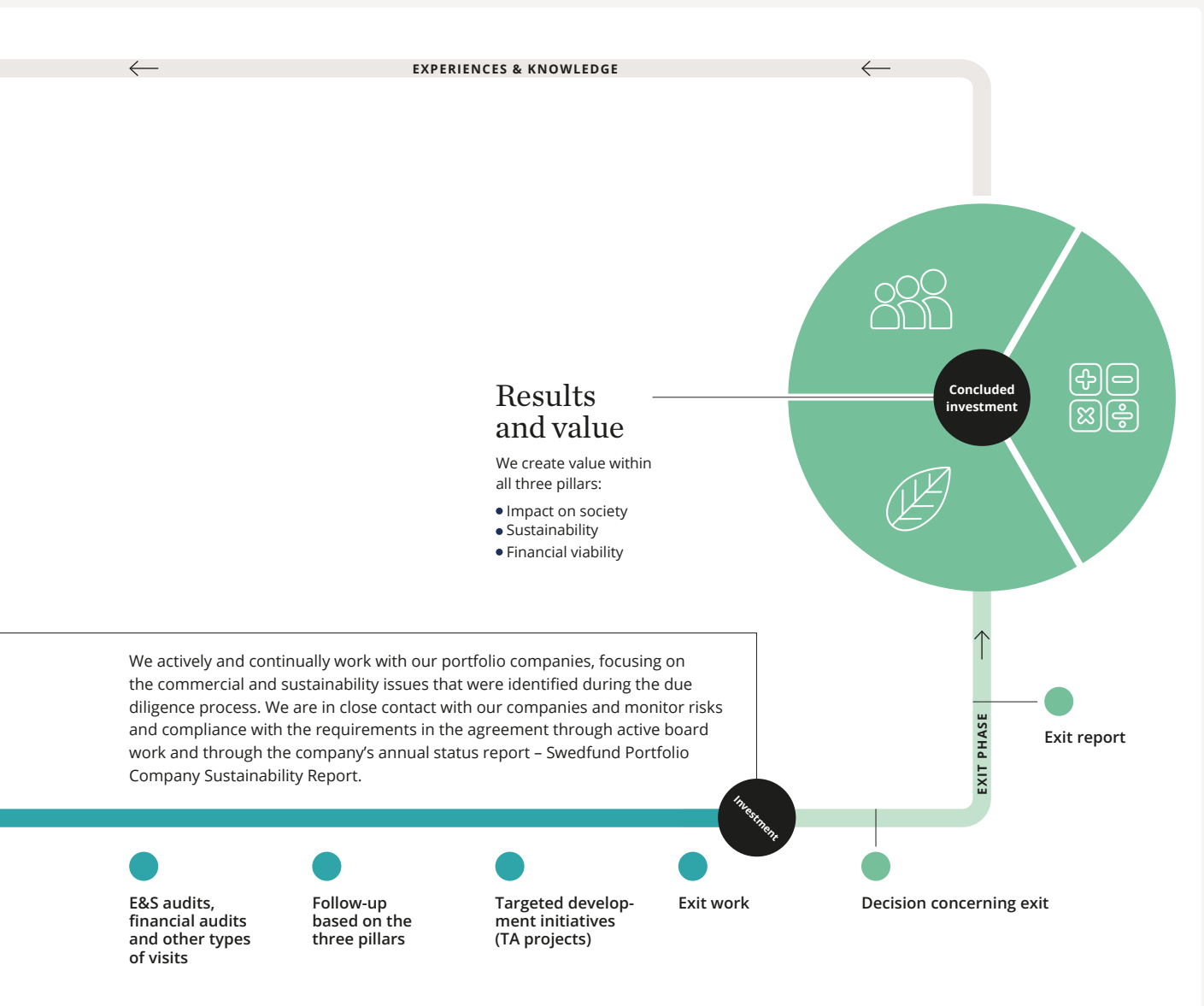
We support private companies, financial institutions and funds by providing loans and equity in order to create jobs with decent working conditions and improve access to socially important products and services such as renewable energy and health. We have developed an investment process that will enable us to succeed in our challenging mission.





Investing in developing countries is associated with major risks, particularly economic risks. We endeavour to manage these risks through a comprehensive investment process. The investment proposals that we receive are first reviewed, and those which match our investment strategy and criteria are then analysed in more detail. Investment managers and analysts, working alongside experts in ESG, law and impact, conduct a thorough analysis. Business plans, invest-

ment partners, sustainability (environment, working conditions, anti-corruption and human rights) and impact on society are all analysed. The analysis is then reviewed by Swedfund's Investment Committee and the process is concluded with a decision by the board of directors. Each investment must achieve the goals set in our three pillars: impact on society, sustainability and financial viability. The model below is described in more detail on the next spread.



# THE INVESTMENT PROCESS IN PRACTICE

Here, we break down and describe how we operate during the various phases of the investment process. This approach is followed regardless of the sector in which the investment is made, or whether we invest in the form of equity or a loan or in a fund.

## Investment phase

### INITIAL ASSESSMENT

Swedfund annually evaluates a wide variety of investment proposals. The initial assessment examines whether the proposal is consistent with our investment strategy and criteria, and how the investment can contribute to attainment of the global goals. We carry out an overall evaluation of the country, the company and its business plan and strategic partners, and our potential role. In every investment that we make, our role must be additional, which means that we provide resources which are crucial to the development of the investment that would otherwise not have been available.

### CONCEPT CLEARANCE

After this initial step, the investment team draws up a proposed decision, the “concept clearance”, which is then presented to Swedfund's Investment Committee. Swedfund's investment committee, which consists of the Management Group and Senior Advisor Special Operations, has both an advisory and a decision-making role. Together with the investment team, the investment committee identifies and discusses the key opportunities and the greatest risks associated with the investment which must be analysed during the due diligence process.

### DUE DILIGENCE

If the committee decides to proceed, the investment proposal will continue on to the due diligence phase. A thorough analysis of the company is now initiated. Examples of factors which are analysed include the business concept, business model, market, financial history and forecast, investment calculation, partners, legal aspects, expected impact results, as well as sustainability risks and impacts, including the environment, working conditions, human rights, tax, risk of corruption, gender

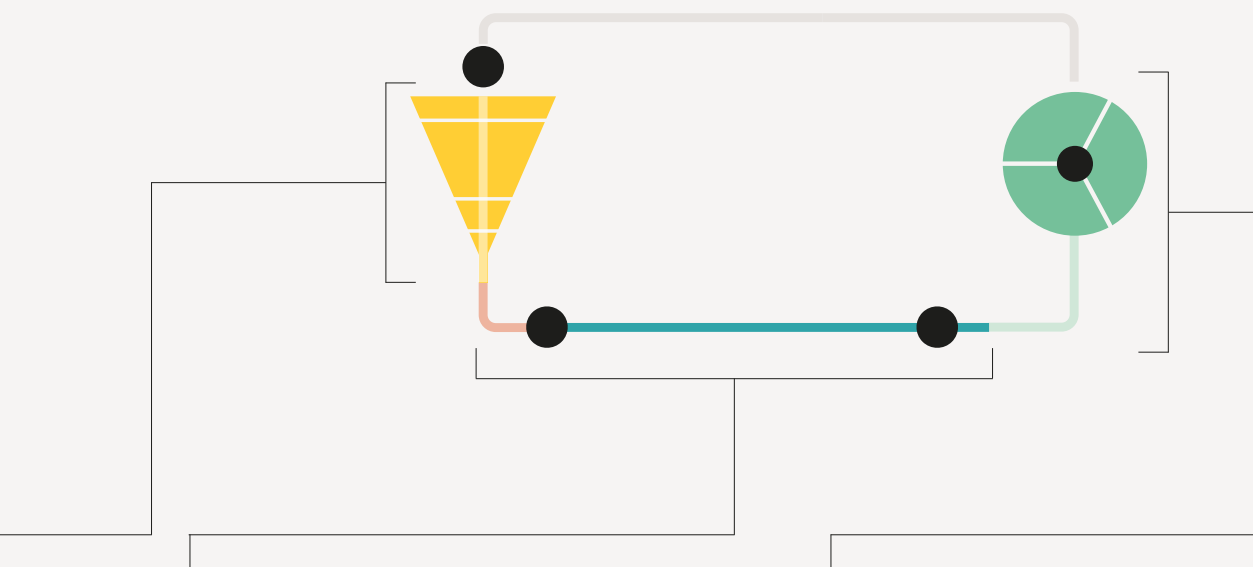
equality and climate issues. During the due diligence phase, the investment team meets representatives of different areas of the company in order to gain a deeper understanding of the company and the processes, routines and documents that they have shared with Swedfund. If necessary, external expertise is hired to examine specific issues. Before the meeting, the company will be asked to complete a comprehensive questionnaire on environmental, social and corporate governance. The due diligence process forms the basis for the information that is used in the decision-making process. This includes an ESG Action Plan (ESGAP), which sets out the applicable requirements and also forms part of the investment agreement. It describes the changes that the company needs to make in order to meet Swedfund's sustainability requirements.

### SCREENING

When the due diligence process is concluded, a screening meeting will take place during which the Investment Committee will decide whether the investment meets our requirements and is ready to be presented to Swedfund's board of directors. If the investment is not approved at this stage, it may be because new information came to light during the due diligence process. It is not uncommon for new questions to be raised, which the team then examines in the final stage of the due diligence process.

### DECISION BY THE BOARD OF DIRECTORS

Once the screening process has been approved, the investment team will present the proposal to Swedfund's board of directors, which will then reach a decision. If the investment is approved by the board of directors, an agreement will be negotiated. The investment agreement also includes requirements regarding sustainability and reporting.



## Active ownership phase

Once the agreement has been signed and the money disbursed, the work that was begun earlier during the investment phase will continue. We work actively and continuously with our portfolio companies, focusing on the commercial, risk and sustainability issues which were identified during the due diligence phase.

During the period when we act as a lender or the co-owner of a company or fund, which usually extends over 7-10 years, an ongoing dialogue and close contact are maintained with the portfolio companies in order to monitor risks and performance, goal attainment and contractual conditions, both through visits, active board work and dialogue and through their annual report (the Swedfund Portfolio Company Sustainability Report). Both internal audits and third party audits are conducted. In connection with fund investments, we can have direct contact with the underlying holdings of the funds, e.g. through visits, analyses, ESG initiatives and TA funds\*, and through their feedback.

The Senior Investment Managers are responsible for following up and ensuring that the companies comply with the agreed conditions, relevant parts of our policies and ESGAP. Within a three-year period from the date of disbursement, companies must achieve Swedfund's strategic sustainability goals. To help companies attain these goals, we can allocate funds in the form of technical assistance, which can for example be used for training or consultancy.

## Exit phase

Swedfund is a long-term investor, but not a permanent owner. We end the investment and the partnership either through selling our shareholding, through the loan being repaid or through the fund being concluded.

The exit phase generally starts when Swedfund considers the goals that were established for the investment to have been achieved or when we cease to be 'additional'. Once Swedfund has invested in equity, selling them in the markets in which Swedfund operates can be a difficult and time-consuming process. Ahead of the exit process, the portfolio company is analysed on the basis of Swedfund's three pillars. During this process, we consider whether further initiatives are necessary.

An exit report is prepared for each closure, where we analyse the results we have achieved, what we have learned and what relevant knowledge and experiences we can take with us into future investments. The report will also clearly explain how the investment has taken into account our three pillars, all in a single step to ensure a responsible exit.

### \*Funds for Technical Assistance (TA)

Read more on pages 53 and 94.



# INVESTMENTS WITH A FOCUS ON SUB-SAHARAN AFRICA

Swedfund's investments have a wide geographical spread. In accordance with our Owner's instructions, our focus is on the world's least developed countries, which above all means sub-Saharan Africa. Despite the Covid-19 pandemic, Swedfund has made many investments in new companies, along with a number of additional investments in existing portfolio companies.

## PERIOD REPORT 21.01.01–21.12.31

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

### GLOBAL (8)

- O** Investment: Apis Growth Fund I LP  
Sector: Financial inclusion
- O** Investment: Apis Growth Fund II LP  
Sector: Financial inclusion
- O** Investment: Climate Investor One  
Sector: Energy & Climate
- O** Investment: EFP  
Sector: Other
- O** Investment: Global Medical Investments GMI AB  
Sector: Health
- O** Investment: IFC Women Entrepreneurs Debt Fund LP  
Sector: Financial inclusion
- +** Investment: Interact Climate Change Facility  
Sector: Energy & Climate
- O** Investment: JCM Power Corporation  
Sector: Energy & Climate

### ASIA (4)

- O** Investment: GEF South Asia Growth Fund II  
Sector: Energy & Climate
- O** Investment: Quadria Capital Fund II  
Sector: Health
- O** Investment: Renewable Energy Fund Asia II LP  
Sector: Energy & Climate
- N** Investment: SUSI Asia Energy Transition Fund  
Sector: Energy & Climate

### AFRICA (25)

- O** Investment: Adenia Capital III LLC LTD  
Sector: Financial inclusion
- O** Investment: AFIG Fund II LP  
Sector: Financial inclusion
- O** Investment: African Development Partners II LP  
Sector: Financial inclusion

- O** Investment: African Development Partners III LP  
Sector: Financial inclusion
- O** Investment: AfricInvest Fund III LLC  
Sector: Financial inclusion
- O** Investment: African Rivers Fund III  
Sector: Financial inclusion
- O** Investment: Afrinord Hotel Investments  
Sector: Other
- O** Investment: Bayport Management LTD  
Sector: Financial inclusion
- O** Investment: Catalyst II  
Sector: Financial inclusion
- +** Investment: d.light  
Sector: Energy & Climate
- O** Investment: ECP Africa Fund III PCC  
Sector: Financial inclusion
- O** Investment: Equity Bank Kenya LTD  
Sector: Financial inclusion
- O** Investment: Evolution II  
Sector: Energy & Climate
- O** Investment: Frontier Energy Fund II  
Sector: Energy & Climate
- O** Investment: Hospital Holdings Investment B.V.  
Sector: Health
- O** Investment: Investec 2 (IAPEF2)  
Sector: Financial inclusion
- O** Investment: Kasha Global  
Sector: Health
- O** Investment: Metier Sustainable Capital Fund II  
Sector: Energy & Climate
- O** Investment: Norsad Finance  
Sector: Financial inclusion
- O** Investment: Platcorp Holdings Ltd  
Sector: Financial inclusion
- O** Investment: SunFunder  
Sector: Energy & Climate
- O** Investment: TLG Credit Opportunities Fund  
Sector: Financial inclusion
- N** Investment: Africa Renewable Energy Fund II  
Sector: Energy & Climate
- N** Investment: Medical Credit Fund II  
Sector: Health
- N** Investment: Tide Africa Fund II  
Sector: Financial inclusion
- E** Investment: Africap II LTD  
Sector: Financial inclusion
- E** Investment: ECP Africa Fund II PCC  
Sector: Financial inclusion

### EGYPT (1)

- O** Investment: Gamma Knife Center SAE  
Sector: Health

### SOUTH SUDAN (1)

- O** Investment: Kinyeti Venture Capital LTD  
Sector: Financial inclusion

### NIGERIA (2)

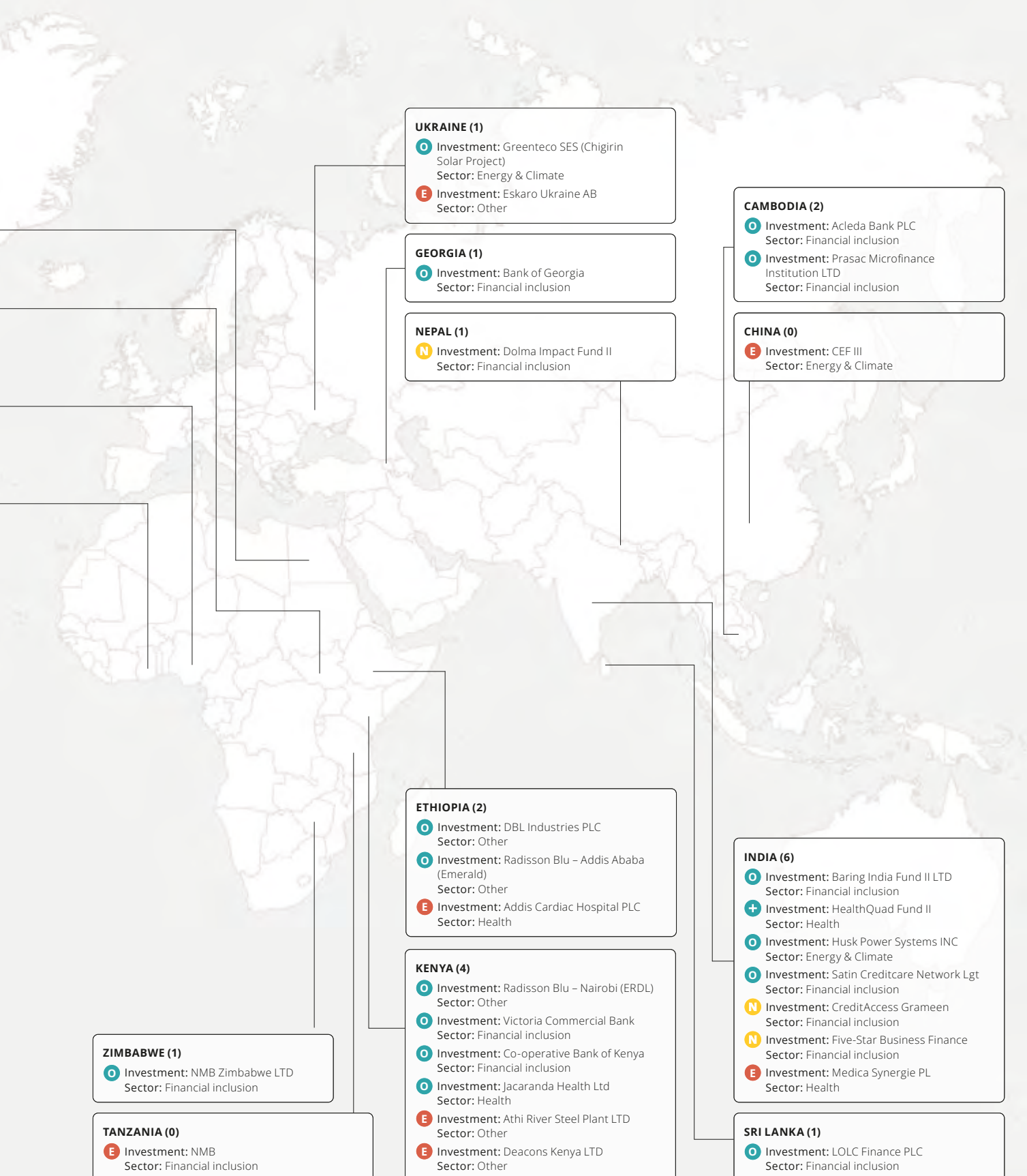
- O** Investment: Access Bank PLC  
Sector: Financial inclusion
- O** Investment: Azura-Edo IPP  
Sector: Energy & Climate

### GHANA (1)

- O** Investment: Fidelity Bank Ghana LTD  
Sector: Financial inclusion

### URUGUAY (0)

- E** Investment: Ontur International SA  
Sector: Other



# EXAMPLES OF INVESTMENTS DURING THE YEAR



## Additional investment for the further development of reliable electricity

In 2018, Swedfund invested in the solar energy company d.light for the first time. The company manufactures and distributes solar energy solutions for people with no access to reliable electricity. Covering everything from portable solar lanterns to complete solar cell systems for the home, d.light's sustainable solutions reach no fewer than 125 million people.

In 2021, Swedfund contributed additional financing to the company. Other finance institutions include the Norwegian and Dutch development finance institutions Norfund and FMO, as well as the Evolution II fund. The financing is enabling d.light to accelerate its growth by expanding the "Pay-Go" business, offer new products and establish itself in new markets throughout Africa.

## Microfinance for Indian women

India's leading microfinance institution, CreditAccess Grameen, exclusively has female customers and develops its products and services in a way that both benefits and strengthens women's economic empowerment, role and opportunities in society.

Swedfund invested in the institute in order to promote financial inclusion amongst women in rural India who had not previously had access to income-generating loans, e.g. in order to start a business, invest in machinery, increase production or invest in working capital. In addition to loans, CreditAccess Grameen also provides financial literacy training to customers which is expected to contribute to women's economic empowerment and lasting impact in terms of improved income generation and gender equality.



## Production of Covid-19 vaccine in Africa

Together with IFC, the World Bank, the American development bank DFC, EFP and other European development finance institutions, Swedfund has granted a loan to Aspen Pharmacare Holdings Limited (Aspen) to increase the local production of a Covid-19 vaccine.

Aspen has signed a licence agreement with Johnson & Johnson to produce their Covid-19 vaccine. At present, Aspen is the only company on the African continent that is able to produce vaccines on a large scale. The aim is to produce 400 million doses over 18 months.

The combination of producing vaccines locally and coordinating with the African Vaccine Acquisition Trust (AVAT) and the global vaccine collaboration Covax, makes it possible to significantly increase vaccine supply on the continent.





### Sustainable energy transition in Southeast Asia

SUSI Asia Energy Transition Fund is a fund which focuses on projects in sustainable energy transition in the least developed countries of Southeast Asia. By financing the fund, we are helping to increase the production of renewable energy, improve energy efficiency and energy storage, and promote the more efficient use of resources.

Swedfund's investment also represents an important contribution to sustainable reconstruction in the wake of the pandemic and in order to limit climate change. Our investment also facilitates the mobilisation of private capital.

### Investment for more jobs through scalable innovations

Our investment in Tide Africa Fund II was agreed in December. The fund focuses on scalable tech companies with a marked focus on digitalisation in sectors such as health, financial services and logistics in sub-Saharan Africa.

Swedfund's investment is expected to generate both direct and indirect employment, create local economic development and contribute solutions to meet local needs regarding socially important products and services. Our investment also acts as a catalyst for the digital ecosystem in Africa and can also contribute to the mobilisation of commercial capital in the long term. The investment represents an important step in our work to accelerate digitalisation in developing countries.



## Exits

### Divested investment in East Africa's first cardiovascular hospital

June 2007 saw the opening of the Addis Cardiac Hospital (ACH), East Africa's first cardiovascular hospital, in Addis Ababa, Ethiopia. The hospital was a joint investment between the founder and doctor Fikru Maru, Swedfund and a couple of other Swedish investors. When ACH opened, no one else in the country was able to perform invasive cardiology, such as balloon dilation and stent insertion, or heart surgery and pacemaker implants.

In 2013, Fikru Maru was arrested in connection with the arrest of numerous other people. He was imprisoned for over five years and then released, after all charges against him had been dropped. During this time, the hospital was able to continue operating, thanks to support from the staff and Swedfund.

Swedfund divested its holding in the company in 2021. We have been a very active owner in ACH, many TA initiatives have been carried out, particularly during the pandemic, and we have assisted the hospital in training many cardiologists and nurses through an exchange programme with Sweden. Other developmental and societal impacts that have been achieved are a guaranteed equal and high level of competence amongst the staff, the prevention of a brain drain by offering qualified jobs and skills development, access to high-quality care, promoting knowledge transfer, and the opportunity for patients to receive care in their own country, instead of having to travel abroad. Since the hospital was opened, more than 60,000 patients have received treatment there.



### Expansion of renewable energy in southern Africa

In June, Swedfund invested in the Africa Renewable Energy Fund II (AREF II) in order to finance, in a sustainable and efficient manner, the expansion of renewable energy in sub-Saharan Africa. AREF II primarily invests in small and medium-sized power plants, as well as solar, wind and battery storage solutions.

The power plants are based on a type of technology which uses natural water flows to generate electricity and requires limited water storage, compared with large-scale hydropower plants which need dams in order to store water. This minimises the negative impact on the environment and nearby communities, and provides a continuous supply of power to the grid.

By investing in AREF II, especially now that the Covid-19 pandemic has increased the risks associated with the raising of capital for fund managers, we are hoping to mobilise private capital from commercial investors.

### An investment in both capital and expertise for growth companies in Nepal

Dolma Impact Fund II (DIF II) is a fund which primarily focuses on renewable energy, technology and healthcare in Nepal. DIF II's target sectors will directly address capacity constraints in healthcare and enable digital solutions to be rapidly scaled up.

Creating jobs and helping to improve access to renewable energy are the primary goals behind this investment. The fund is also expected to contribute to gender equality and fulfils the criteria in the 2X Challenge. The aim of this investment is to increase the number of jobs with decent conditions in the formal sector and stimulate the local economy in Nepal.

### Investment to support Indian micro-entrepreneurs

Five-Star is an Indian micro-finance company that provides small-ticket loans to self-employed micro-entrepreneurs in urban and semi-urban areas in Southern India.

The financing from Five-Star enables micro-entrepreneurs and their families to finance their business and to invest in expansion and development. It also gives the borrowers the possibility to build credit history, which improves their possibility to gain financing from traditional banks.

Through this investment we emphasize the support to financial inclusion and contribute to job creation in rural India, as well as improve the living conditions for millions of Indian families.

Except providing long-term financing to Five-Star, Swedfund will work closely with the institution to develop its work within sustainability, as well as contribute to women's economic empowerment and equality both within the company and its customers.



### Accelerator for increased investment in fragile countries in Africa

Together with other DFIs in the G7 countries, Swedfund has joined the Africa Resilience Investment Accelerator (ARIA), a recently launched investment accelerator aimed at boosting investment in fragile and conflict-affected countries in Africa.

ARIA will act as a platform for developing more investable projects and carrying out more investments in fragile contexts. The focus is on developing tools to map the market for investments and develop common standards for integrity issues regarding how DFIs should handle investments in high-risk areas affected by conflict.

The goal is for the development finance institutions participating in ARIA to jointly invest USD 80 billion in African private sector by 2027.



### Fund for SMEs in the healthcare sector

MCF II is a loan fund whose business model is based on three pillars: provision of digital and term loans, quality improvement, and business skills training. Borrowers are often small primary care clinics which provide services, primarily in maternal and child health, as well as preventive measures and the treatment of malaria. The fund is also qualified as a gender investment under the 2X Challenge.

Since its inception, the Medical Credit Fund has provided over 6,500 loans to healthcare providers in Africa. MCF will use the financing to further scale up its operations in order to increase its impact in sub-Saharan Africa, where the focus will be on advancing the digital loan products.

## Escalated conflict in Ethiopia

Ethiopia is one of the world's poorest countries. The economy is weak and the country has a very high level of indebtedness relative to the currency reserve, which is now virtually down to zero. In November 2020, fighting broke out in northern Ethiopia, and the conflict escalated further in 2021, through fighting between rebel groups, the Tigran People's Liberation Front (TPLF) and government forces in many parts of the country.

Swedfund has two investments in Ethiopia: DBL Ethiopia and Radisson Emerald Addis Hotels. In 2017, Swedfund joined a group of lenders which granted a loan to DBL Ethiopia, for the construction of a textile factory in Mekelle, Tigray Province in northern Ethiopia. The factory was built from scratch and, by the start of 2020, employed around 1,700 people, 900 of whom were women. The factory is believed to have suffered serious damage and closed in November 2020. The challenging security situation has not allowed any visits to be made to the region, which means that we have not been able to create a picture of the current situation facing the factory and its employees. Swedfund has conducted a regular dia-

logue with DBL Ethiopia, co-investors, the Ministry for Foreign Affairs, and the Swedish Embassy in Ethiopia in order to monitor developments. We have also investigated the possibility of supporting employees by providing cash support through a local international organisation. However, payments will only be possible once the security situation has improved and the banking system is functioning satisfactorily again.

In 2008, Swedfund invested in Radisson Emerald Addis Hotels together with the Danish development finance institution (IFU) and others. The hotel, which is situated in Addis Ababa, has not been directly affected by the ongoing fighting, but the conflict has resulted in insecurity amongst the staff and the hotel has had fewer guests than expected. Swedfund is in regular contact with the hotel's management, other co-investors, the Ministry for Foreign Affairs and the Swedish Embassy in Addis Ababa. We have also been in contact with external expertise for advice on how we should act in this very difficult situation, particularly in the light of the UN Guiding Principles on Business and Human Rights.



# ACCELERATOR TO DEVELOP AND IMPLEMENT MORE SUSTAINABLE PROJECTS

Swedfund's Project Accelerator contributes to the development and implementation of more sustainable projects in renewable energy and green infrastructure in developing countries, and is thus an important tool for achieving the goals of Agenda 2030.

In addition to limited financial resources, a further challenge in many less developed countries is the lack of capacity in the public sector to work on project development in the early stages. This is limiting the opportunities to invest in sustainable projects, in a situation where there is considerable need, particularly within the green infrastructure and renewable energy sectors. This is also complicating the work to achieve the goals of Agenda 2030. There is therefore a considerable risk that many countries will adopt simple, short-term solutions, with the result that they build in dependencies which are unsustainable in the long term.

Thanks to funding from the Project Accelerator, external expertise can be brought in at an early stage in the project development process to support the local project owner. In this way, the Project Accelerator has a catalytic effect and helps to promote the development

of sustainable projects and make them financially viable and feasible. Sustainable procurement, where sustainability and life-cycle costs are emphasized, also generates opportunities for companies that offer solutions that are holistic. This encourages more Swedish companies to participate in tenders in developing countries.

The role of the Project Accelerator is to develop projects by financing feasibility studies and capacity support throughout the project. The feasibility studies form the basis for the technical solutions and highlight opportunities and risks in the project, thus contributing to sustainable project implementation. Other operators in the investment process then take over.

The Project Accelerator works with various partners within Team Sweden, where the embassies are of particular importance. They are represented in our partner countries and, through Sweden's good contacts and networks, they help to identify relevant needs in the countries which could become projects. The embassies are also important during the implementation process, as discussions often take place with ministries and authorities during this process. Other actors within Team Sweden (Sida, SEK, EKN, Business Sweden and others) are also important partners in the work of the Project Accelerator.

The Project Accelerator's projects primarily concern the renewable energy and green infrastructure sectors. The projects are normally preceded by extensive anchoring and preparation within Team Sweden and with other actors such as development banks. The specific initiative funded by Swedfund normally lasts between six and





twelve months. It can sometimes take time between a decision being made regarding an initiative and the initiative actually being implemented, primarily depending on developments in the country concerned. Since the start in 2016, a total of 40 projects have been initiated and are now at different stages of commitment and activity.

The need for the type of projects that the Project Accelerator works with has not been affected by the pandemic. Instead, the inflow of projects has increased, and decisions concerning more initiatives have been made possible by an increase in the appropriation during 2021. As a result of the restrictions and the new needs brought about by the pandemic, the process and working methods have therefore been modified to enable new projects to be identified and implemented. The Team Sweden partnership has deepened over the past year, which has helped to enable more projects to be implemented. The Project Accelerator also works with strategic partnerships to a greater extent, with development banks, UN organisations, regional actors and others. These institutions are often represented at local level and active in the sectors on which the Project Accelerator is focussing, which helps to boost the overall expertise surrounding a project. These partnerships also open up the possibility of discussions with financiers at an early stage in the investment process. Many organisations share the same problems, namely the lack of sustainable, well-developed investment-ready projects, and cooperation at an early stage benefits everyone involved.

The Project Accelerator can also support Swedfund's investment activities in developing countries by laying



the foundations for more sustainable projects which can be financed and implemented in the countries concerned. This is most evident in the Energy & Climate sector.

During 2020, as part of Swedfund's application, the Project Accelerator was accredited for handling the EU's instrument for gift financing.



# EXAMPLES FROM THE PROJECT ACCELERATOR'S OPERATIONS

## Sustainable waste systems at Georgia's ports

Substantial quantities of waste are discharged into the world's oceans every single day, with a significant proportion originating from ships. As global trade and activity levels at ports around the world increase, so does the need for sustainable waste management and modern reception facilities in order to protect the marine environment and local residents.

In 2021, the Project Accelerator decided to fund a feasibility study to look at the opportunities to develop and implement a modern and sustainable waste system at Georgia's four largest ports: Batumi, Poti, Kulevia and Supsa. The project has been carried out in close collaboration with the Maritime Transport Agency, which is the project owner.

Like the Project Accelerator's other projects, the project owner has gained access to external expertise and support through the procurement process. This, combined with strong commitment from the project owner, has ensured that strong progress has been made in the project. The Project Accelerator has also supported the dialogue with various stakeholders, including the EU delegation.

Work on the feasibility study will continue during the autumn/winter of 2021 and is scheduled to be completed during the first quarter of 2022.



### Sustainable transport solutions in Ouagadougou

In 2019, the Project Accelerator began a study to support the development of sustainable transport solutions in Ouagadougou, the capital of Burkina Faso. The city has around 2.5 million inhabitants, but this number is expected to double by 2030. The city has no public transport system and limited experience of managing such systems.

Solutions for urban mobility are a focus area for the Project Accelerator. The development impacts are substantial: reduced emissions, improved safety and better opportunities for residents to get to and from work, schools, hospitals and other service facilities. The improvements are often particularly apparent for women.

An international consultant has been engaged thanks to funding from the Project Accelerator. This consultant was tasked with analysing the potential for a bus network in the city and drawing up a strategy for implementation in partnership with local authorities. Key aspects are the long-term sustainability of the

network and how it should be developed in order to best meet demand for transport both today and in the future. The project has been carried out in close collaboration with the city, the country's Ministry of Transport and the World Bank.

In 2021, it was decided that the project should go ahead, and Scania and RAPT (the organisation responsible for public transport in Paris) have since jointly entered into an agreement concerning the delivery of city buses and construction of the bus network. The buses will be prepared to use biofuel, and the delivery includes workshops, as well as the training of mechanics and bus drivers and institutional and organisational development.

The Project Accelerator's approach emphasises the partnership between consultant and client. This means not only that the process has as much value as the recommendations, but also that the results are securely anchored.

### Floating solar power plants in Uganda

Uganda's electricity production largely comes from renewable sources, primarily hydropower, but the country also has significant undeveloped solar energy resources.

Renewable energy is one of the Project Accelerator's strategic areas, and the portfolio includes projects within power generation, transmission and initiatives aimed at increasing the efficiency of energy systems. Many countries are aiming to increase the proportion of renewable, fossil-free energy in their electricity production, but supplying energy from solar and wind does create challenges. Existing, often inadequate, power distribution grids have difficulty efficiently managing electricity production because it takes place unevenly over the course of the day.

New innovative technology is becoming available which can help to improve the stability of power distribution grids, facilitate renewable energy and reduce losses; one example is floating solar power plants. The Project Accelerator is working with UEGCL, Uganda's power company, to investigate the opportunities for

building solar power plants at existing hydropower plants. The technology has several advantages, the energy from the solar panels reduces the need for hydropower during the day and, in practice, the dam becomes a battery which is switched on when the sun goes down. Another advantage is that existing infrastructure can be used in connection with the construction of a solar energy plant, particularly as regards the power distribution grid which was developed for the hydropower plant.

During 2021, the Project Accelerator and UEGCL jointly drew up a scope of work and engaged a consulting firm which will be responsible for identifying a suitable hydropower plant for the solar energy plant. The work includes a technical and financial feasibility study for the facility and will be completed during the first half of 2022. The feasibility study is a prerequisite for discussions with potential financiers of the facility, as it provides the basis for an investment decision.

# SWEDFUND'S ETHICAL COMPASS

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

## Swedfund's ethical compass

Swedfund's ethical compass has been developed on the basis of our mission and the needs that we have identified in a close dialogue with our owner, partners and other stakeholders. The dialogue with our stakeholders is particularly important in order for us to be continually challenged and developed, so that we can fulfil our mission as a development finance institution. Read more about our stakeholder and materiality analysis on pages 150.

Swedfund's Code of Conduct, Policy for Sustainable Development, Anti-Corruption Policy and Tax Policy are key policies which are adopted by the board of directors and communicated to our stakeholders via our website. The commitments in our policies extend beyond compliance with existing legislation, as we are committed to complying with voluntary international guidelines. The fact that Swedfund's employees follow our Code of Conduct and implement, amongst other things, our Policy for Sustainable Development, Anti-corruption Policy and Tax Policy, is crucial to fulfilling our mission as a responsible investor. The ethical compass is an important component in our introductory programme for new employees. To boost internal competence in the field of sustainability, continuous training is provided for Swedfund's employees concerning international guidelines and

commitments, our policies and issues such as climate, gender equality, human rights, anti-corruption and corporate governance. Policies and commitments in the ethical compass encompass both Swedfund as a company and our portfolio companies.

## Updated policies

In 2021, we revised our tax policy in order to adapt it to the developments that have taken place in the field of taxation since the policy was last adopted in 2016. We also wish to stress that, since 2018, we have formally been following the EU's blacklist for "non-cooperative jurisdictions for tax purposes". This means that Swedfund does not invest through countries which are included in the list at any time.

In 2021, we also updated Swedfund's Policy for Sustainable Development. This policy has been updated to reflect our latest developments in the area of impact and the interaction between impact and sustainability. The section describing our thematic areas has also been expanded as regards gender, the environment and climate. The requirements and recommendations we make in our investments have been updated and clarified, although this did not result in any significant changes. The policy is reviewed annually and revised as and when necessary.



# Ethical compass

## Policies

- Swedfund's Code of Conduct
- Swedfund's Policy for Sustainable Development
- Swedfund's Anti-Corruption Policy
- Swedfund's Tax Policy

## International commitments

- UN Global Compact
- United Nations Principles for Responsible Investment (UNPRI)
- EDFI Principles on Responsible Financing
- The World Bank's framework for Corporate Governance Development
- EDFI Exclusion Lists
- 2X Challenge – Financing for Women
- EDFI Statement on climate and energy finance
- Paris development banks statement on gender equality and women's empowerment

## Guidelines

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- IFC's Operating Principles for Impact Management
- IFC Performance Standards on Environmental and Social Sustainability
- IFC Environmental, Health and Safety Guidelines
- EDFI Harmonized Environmental and Social Standards for direct investments, financial institutions and fund investments
- EDFI Guidelines for OFC's

## Transparency commitments

- The International Framework for Integrated Reporting
- Global reporting initiative (GRI) Standards
- UN Global Compact Communication on Progress (CoP)
- UN Principles for Responsible Investment (UNPRI) reporting framework
- Open aid
- IFIs' Harmonized Development Results Indicators for Private Sector Investment Operations
- Task force on Climate-related Financial Disclosures (TCFD)
- OECD DAC PSI Reporting

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Read more about our stakeholder and materiality analysis on pages 150.



# THE PORTFOLIO COMPANIES' RESULTS




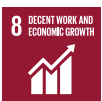
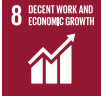


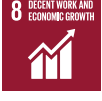




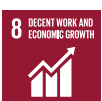
This section, which opens the Directors' Report, presents the trends in the results of Swedfund's investment portfolio. It also describes how Swedfund is working to achieve its stated goals and thus support the implementation of Agenda 2030. The trends in results are presented for all three pillars (impact on society, sustainability and financial viability), and are illustrated using a number of indicators.

The structure of the analysis and the indicators chosen are based on the mission goals adopted for the company by the Annual general meeting. The performance indicators are defined in the goals set out in the Owner's instructions which have constituted the adopted goals for sustainable value creation approved by the Board of Directors since 2020. With the aim of further clarifying the trends in performance under each pillar, Swedfund reports on the basis of the additional performance indicators within the pillars of impact on society and sustainability approved by the Board of Directors. The work has also taken into account the State Ownership Policy and principles for state-owned enterprises. As in previous years, Swedfund is reporting the results of portfolio companies with a one-year lag, which means that this year's report is based on the results of the portfolio companies in 2020.

Despite the pandemic, the portfolio generally shows strong results. New investments are contributing to an increase in development effects, while most older holdings have adapted their operations and weathered the pandemic relatively well. The results of the portfolio

companies show significant job growth, especially in the underlying holdings of the funds, and the number of indirect jobs in Swedfund's portfolio is reported for the first time. Regarding gender equality and women's economic empowerment, the portfolio is at the target level: 60 percent of our investments are considered to fulfil at least one of the 2X Challenge criteria. Reported greenhouse gas emissions, especially Scope 3 emissions, have increased, due to the introduction of a new tool to model Swedfund's financed greenhouse gas emissions in the portfolio. A new indicator, emissions per invested krona (tCO<sub>2</sub>e/MSEK) was introduced during the year. This indicator will be an important key figure to monitor going forward in the efforts being made to achieve the goal of emission reductions. The sustainability indicators regarding decent jobs and management systems for environment and social issues, along with anti-corruption, show that many of the companies that have been in Swedfund's portfolio for more than three years are considered to meet the requirements that we have set. 55 percent of investments report growth in revenue and profit (EBIT) with the investment year as the base year.



	INDICATOR	TYPE OF GOAL	GOAL	DEFINITION	
Impact on society 	Climate impact	Mission goal	By 2045, the company's investment portfolio shall be climate-neutral	Total CO <sub>2</sub> e emissions per scope (thousand tonnes)  Reduced emissions per krona invested (tCO <sub>2</sub> e/MSEK)	
	Gender equality and women's economic empowerment	Mission goal	Greater gender equality in the company's investment portfolio. Target level >60% of investments must fulfil the 2X Challenge criteria no later than three years from the investment date	Proportion of investments fulfilling the 2X Challenge criteria	
		Other goal	Increase in the proportion of women on company boards and in senior positions and the overall workforce	Development in the proportion of women on boards, in senior positions and in total %	
	Jobs	Other goal	Increase in the number of employees in a majority of companies in the portfolio	Number of jobs in the portfolio  Number and proportion of companies showing growth in jobs  Number of indirect jobs in the portfolio	
	Tax revenues	Other goal	Increased tax revenues overall in the portfolio	Total reported tax converted into SEK	 
Sustainability 	Working conditions	Mission goal	Decent working conditions in accordance with the ILO's Declaration on Fundamental Principles and Rights at Work shall be provided by all of the company's investments within no more than three years from the date of investment	Proportion of investments complying with the ILO's Declaration on Fundamental Principles and Rights at Work	
	Environment and social management system	Other goal	Environmental and social management systems shall be implemented by all of the company's investments by no later than three years from the investment date	Proportion of investments that have implemented environmental and social management systems	 
	Anti-corruption management system	Other goal	A management system for combating corruption shall be implemented by all of the company's investments by no later than three years from the investment date	Proportion of investments that have implemented an anti-corruption management system	
Financial viability 	Economically sustainable investments	Mission goal	Turnover and profitability shall increase over a five-year period, with the investment year as the base year. Target level > 60%	Proportion of investments that report growth in revenue and profit with the investment year as the base year	
		Mission goal	Increased mobilisation of private capital. Target >30% mobilised capital in investments made by Swedfund	Total private capital mobilised relative to Swedfund's contracted investment volume	

# DEFINITIONS, SOURCES AND PRESENTATION

A general description is given below of the method used for data collection, definitions and assumptions used in the reporting and presentation of the trends in the performance of the portfolio companies under the three pillars.

## Reporting cycle

Swedfund and Swedfund's portfolio companies prepare their annual reports over the same period, which means that the information used for the portfolio companies' performance reports cannot be presented for the current year. Swedfund has therefore opted to present trends in the results of portfolio companies with a one-year lag, which means that the following report on results is based on 2020.

In the few cases where portfolio companies have a financial year that does not coincide with the calendar year, the breakpoint has been 31 March, i.e. the figures for 2020 correspond to financial information in the annual report for the financial year 1 April 2020 to 31 March 2021.

## Sources

The indicators described in the subsequent sections are based on reports from portfolio companies and the underlying holdings of funds. The underlying data for the reports primarily comprises the following:

- Sustainability Reports (prepared and distributed by Swedfund)
- Sustainability Reports (prepared and distributed by other DFIs)
- Annual reports
- Fund reports

### ANNUAL REPORTS

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

- Indicator carbon footprint (CO<sub>2</sub>e calculation)
- indicator for tax
- Indicators concerning women's empowerment
- Indicator for job creation
- Indicator for financial viability

### SUSTAINABILITY REPORTS (PREPARED AND DISTRIBUTED BY SWEDFUND)

Swedfund requires portfolio companies to annually submit information concerning the pillars 'Impact on Society' and 'Sustainability' in Sustainability Reports prepared by Swedfund. Information is collected via Sustainability Reports through system support and a largely digitalised process. Information from Sustainability Reports distributed by Swedfund constitutes the source, in full or in part, of the following indicators:

- Indicator carbon footprint (CO<sub>2</sub>e calculation)
- Indicators concerning women's empowerment
- Indicator for job creation
- indicator for tax
- Indicator for decent work
- Indicator for environmental and social management system
- Anti-corruption indicator management system

The Sustainability Reports are tailored to the type of investment concerned: direct investment, banks and funds. Sustainability Reports intended for direct investments contain more detailed questions regarding management systems for sustainability issues, etc., while those intended for investments in financial institutions and funds are more process-oriented. This is because Swedfund's evaluation is aimed more at the procedures, expertise and guidelines that have been established to ensure that the banks' customers and the funds' holdings in turn comply with the requirements and conditions which Swedfund imposes on its portfolio companies. Sustainability Reports for the underlying holdings of funds are prepared by the fund's managers.

### SUSTAINABILITY REPORTS (PREPARED AND DISTRIBUTED BY OTHER DFIS)

In some cases, the sources used for Swedfund's financial reports consist of Annual E&S Monitoring Reports prepared by another DFI, but with the results being submitted to Swedfund in its capacity as co-financier. These annual E&S Monitoring Reports are evaluated by Swedfund's sustainability experts and included in the aggregated financial reports. For 2020, this concerns around ten investments which have been reported in this way.

### FUND REPORTS

Fund reports consist of both financially oriented quarterly reports and sustainability reports.



## Scope of performance reports

### AGGREGATED PORTFOLIO INFORMATION

In this integrated report, Swedfund presents the aggregated results of the investments in the portfolio. Swedfund does not present developments in the results of individual investments, partly because Swedfund sees the investments as a portfolio, and partly because in many cases the investment agreements that Swedfund enters into and the information that is collected under each agreement (such as financial reports and sustainability reports) constitute confidential information.

### SAMPLE

The portfolio sample/composition that is presented may vary depending on the indicator presented in the following sections. Unless otherwise stated, four main samples, including the number of investments, are presented:

Sample	2018	2019	2020
Portfolio companies	54	61	60
Portfolio companies, including the underlying holdings of funds	177	181	209
Portfolio companies, including the underlying holdings of funds and co-facilities	210	208	237
Direct investments in equity and loans	34	39	35

The sample that is presented in the following sections comprises all investments still in existence at the end of the respective year (unless stated otherwise).

### PORTFOLIO COMPANIES

The sample comprises all investments through equity and loans, as well as investments in funds.

### PORTFOLIO COMPANIES, INCLUDING THE UNDERLYING HOLDINGS OF FUNDS

The sample comprises all direct investments through equity, loans and funds, as well as the underlying holdings of the funds.

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

The sample is matched by portfolio companies, including the underlying holdings of the funds, as well as underlying holdings in the

two co-financing facilities in which Swedfund is an investor. This sample is only used for the indicators Carbon footprint (CO<sub>2</sub>e calculation) and Indirect job creation.

### DIRECT INVESTMENTS IN EQUITY AND LOANS

The sample corresponds to all direct investments in the instruments 'equity' and 'loans'.

### WHEN AN INVESTMENT IS INCLUDED IN A SAMPLE

An investment is included in the sample for performance reporting from the year in which the first disbursement for the investment takes place.

The portfolio of investments presented in the following sections consists of the investments that were still in existence at the end of the respective year (unless stated otherwise), which means that investments which have been exited are not included in the calculation for the year in which the investment was actually exited.

### WEIGHTING BASED ON OWNERSHIP INTEREST OR SHARE OF FINANCING

When reporting trends in the results of portfolio companies, funds and co-financing facilities, the overall outcome is considered, i.e. no weighting is carried out in relation to Swedfund's holding or share of the company's financing. This follows from an established principle for reporting within EDFI. The exception to this principle is the indicator carbon footprint (CO<sub>2</sub>e), for which weighting is based on Swedfund's stake/share in the investment.

### NON-AVAILABILITY OF INFORMATION

For a number of portfolio companies and underlying holdings in funds and co-financing facilities, no reports are available for one or more years. In some cases, the reported information is incomplete or of poor quality, which has a variable impact on the calculation of one or more indicators. This means that the reporting of indicators only covers holdings and years for which data has been obtained.

## Presentation and comparisons

The following sections present the trends in the portfolio's results. In order to illus-

trate the portfolio's investment phases and age structure and increase comparability between years, a number of presentation formats for the portfolio sample have been used to augment the reports on the respective indicators for the entire portfolio:

- Phases of the investment process
- Comparable entities

### PHASES OF THE INVESTMENT PROCESS

In order to reflect how Swedfund operates with investments over their lifetime, the organisation's investments have been divided into the following three categories in the report on certain indicators under the pillars of impact on society and sustainability:

1. Active ownership phase, part 1 – Investments held for three years or less.
2. Active ownership phase, part 2 – Investments held for more than three years
3. Exit phase – Investments which, at the end of the respective accounting period, have been identified as being subject to exiting.

Swedfund is a long-term, but not eternal, investor. Swedfund ends its investments and partnerships either through selling the organisation's equity holdings, through repayment of the loan or through expiry of a fund's term. The exit phase generally commences when Swedfund considers that the investment is achieving results within all three pillars. The absence of any scope to pursue active ownership may be one reason why an investment is exited.

See also the description of the investment process on pages 54–57.

### COMPARABLE ENTITIES

The scope to compare years in the development of the portfolio is influenced by the fact that investments are added or exited over the years. To facilitate comparisons over time, certain indicators have been supplemented with a compilation of comparable entities, i.e. the population of investments that have been part of the portfolio in every year which has been reported. Swedfund's portfolio has undergone a major transformation over a number of years with a relatively high number of exited and new investments, which has affected the sample of comparable units.

# IMPACT ON SOCIETY



## Environmentally and climate-related sustainable investments

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

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

### INDICATOR

Total CO<sub>2</sub>e emissions per scope (thousand tonnes), emissions per Swedish krona invested (tCO<sub>2</sub>e/MSEK), portfolio adaptation to the Paris Agreement.

### SDGs



**13.1** – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



**13.2** – Integrate climate measures into policies, strategies and planning at national level.



**13.3** – Improve education, awareness and human and institutional capacity regarding climate change mitigation, climate adaptation, mitigation of climate change impacts and early warning.

## Introduction

Fighting climate change and its consequences is a key part of Swedfund's mission to contribute to poverty reduction through sustainable investments. The people who live in poverty and vulnerability are also those who are most affected by climate change, which can contribute to further increases in poverty. Swedfund has two mission goals regarding the environment and climate which we measure and report the results of. Climate is also one of the strategic themes which permeate all our investments, and we have an active approach to the issue of climate in our relationship with our portfolio companies. Environment and climate are integrated in the investment process, based on Swedfund's Policy for Sustainable Development and Guiding Note on Climate.

## Results and analysis

### PORTFOLIO ADAPTATION TO THE PARIS AGREEMENT

Fighting the consequences of climate change and poverty goes hand in hand, and Swedfund's ambition is thus to contribute to achieving the goals of the Paris Agreement. In order to realise our ambition and our mission goals relating to climate, we work at three different levels: portfolio level, sector level and portfolio company level.

At portfolio level, we regularly evaluate how closely aligned our portfolio is with the Paris Agreement. The most recent evaluation was conducted in 2020 with the assistance of an external expert. It is planned that the calculation of portfolio alignment with the Paris Agreement will be carried out regularly, but not annually. We are closely monitoring the development of a common



method for portfolio alignment with the Paris Agreement, which is being discussed amongst European Development Finance Institutions (EDFI). During the most recent calculation, the emission intensity from each investment was compared with the relevant emissions target in The Beyond 2°C Scenario from the International Energy Agency (IEA) for both 2030 and 2045. The underlying data used in the model was taken from the model used to calculate the portfolio's total emissions for 2018, supplemented by company-specific data. Results were calculated for both direct and indirect investments. Swedfund's investment portfolio showed a relatively strong alignment with the Paris Agreement: Ninety percent of our direct investments were considered to be in line with the Paris Agreement in both 2030 and 2045. Approximately 90 percent of indirect investments were considered to be aligned with the Paris Agreement in 2030, with the corresponding figure for 2045 being approximately 80 percent. The relatively high degree of alignment is the result of Swedfund's investment strategy. Since 2014, we have only invested in renewable energy and address climate as a consistent theme in our investments. The results also indicate that we must continue to focus more on financial institutions within the area of climate change, in order to align even more closely with the Paris Agreement. In 2021, a training initiative concerning sustainable finance and green bonds was carried out in partnership with the Stockholm School of Economics. Three portfolio companies, commercial banks in sub-Saharan Africa in the Financial Inclusion sector, took part in the training. The training is a capacity-enhancing initiative aimed at supporting our portfolio companies in their transition to a greener and more climate-friendly portfolio.

#### Total CO<sub>2</sub>e emissions per scope (thousand tonnes)



(Totalt CO<sub>2</sub>e utsläpp per scope)

Emissions from Swedfund's portfolio, i.e. the emission categories of the portfolio companies:

Scope 1: Direct greenhouse gas emissions, over which the organisation has direct control, e.g. from the company's own vehicles and the combustion of fuels in production.

Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a network (not generated by the company), i.e. the consumption of electricity, district heating and district cooling.

Scope 3: Other indirect emissions, which take place outside the boundaries of the business either upstream or downstream, such as purchased goods and services, purchased transport, waste, business travel, hired equipment, distribution, use of products and investments.

The results were calculated using the Joint Impact Model, a web-based tool for impact investors in developing markets developed by Steward Redqueen and coordinated with CDC, FMO, BIO, Proparco, AfDB and FinDev Canada. The results are calculated with the aid of User guide JIM 2.0. They are based on economic modelling and do not represent actual figures, but are estimates and should be interpreted as such.

#### TOTAL CO<sub>2</sub>e EMISSIONS PER SCOPE (THOUSAND TONNES)

Swedfund has calculated greenhouse gas emissions from the portfolio in accordance with the GHG Protocol since 2016. Swedfund had previously calculated these emissions using its own model. During 2021, the European Development Finance Institutions (EDFI) agreed to adopt the PCAF Global Standard for the Financial Industry<sup>1</sup>, which is a common method for measuring the portfolio's greenhouse gas emissions. As part of the efforts being made to bring about harmonisation between the European Development Finance Institutions, the Joint Impact Model (JIM)<sup>2</sup> was also updated to support the calculation of greenhouse gas emissions in the portfolio according to the PCAF method.

During 2021, Swedfund implemented JIM as a new tool for modelling Swedfund's financed greenhouse gas emissions in the portfolio. According to the PCAF method which JIM follows<sup>3</sup>, the portfolio companies' own reported emissions (primary data) have been used where they are considered to be reliable and to have been calculated in accordance with the GHG Protocol. In other cases, modelling has been carried out using financial and other data reported by the portfolio companies, which have been converted into emissions using emission factors based on sector and geography. In addition to carbon dioxide (CO<sub>2</sub>), the model also includes other greenhouse gas emissions, nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>) and fluorinated greenhouse gases (f-gases), and the results



are reported as tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e). First, all the total emissions of the portfolio companies were calculated, and Swedfund's share of these emissions was then calculated, based on the share of financing, which is included in the reporting. Like certain other EDFI members, Swedfund continues to include the Scope 3 emissions of financial institutions in its Scope 3 reporting, which the JIM model enables, although PCAF does not yet include a method for this. As a result of the switch to the JIM calculation model this year, comparative data for previous years cannot be reported.

In 2020, total emissions from the portfolio amounted to approximately 135,000 thousand tonnes. Compared with the results of the previous calculation model used from 2016 through to 2019, the total emissions calculated using JIM are higher. This is because JIM includes all greenhouse gases and not just CO<sub>2</sub> (CO<sub>2</sub> accounts for 44 percent of emissions in this year's calculation, while other greenhouse gases account for 56 percent). The calculation of Scope 3 emissions also includes more emission categories and is thus more comprehensive.

The majority of the total emissions originate from one of Swedfund's older investments, a gas-fired power station in Nigeria (2013). Emissions from this power station account for one third of the portfolio's total emissions. Another third of the total emissions originates from lending to larger commercial banks, which in turn provide loans to SMEs with exposure to many different sectors. The remaining third is generated by the rest of the portfolio, and the proportion of emissions from individual companies is therefore small.

Scope 3 emissions make up the majority (77 percent) of Swedfund's total emissions. Emissions from indirect financing via funds and financial institutions, i.e. emissions from their investments and other indirect sources, account for the majority (94 percent) of Swedfund's Scope 3 emissions. Direct greenhouse gas emissions (Scope 1) account for 22 percent of Swedfund's total emissions, while Scope 2 accounts for just one percent. The new JIM model is expected to provide a more complete estimate of the climate

impact of Swedfund's portfolio with regard to our investment strategy and portfolio composition.

The increase in emissions arising from the change in calculation model is not expected to impact on Swedfund's ability to achieve our climate goals or strategy. In order to achieve our goal of a greenhouse gas-neutral portfolio by 2045, we will continue to invest in projects that make a positive contribution to the Paris Agreement and, together with other Development Finance Institutions, further develop our climate evaluation of new investment opportunities. We will reduce emissions from the portfolio by imposing requirements on and supporting our portfolio companies as regards the calculation, monitoring and reduction of their emissions and contributing to a greener transition. In the longer term, we will also start to evaluate opportunities to invest in carbon sequestration or storage, for example by investing in sustainable forestry and supporting new economic models and technological innovations for carbon sequestration. However, it is important that all investment opportunities, including climate investments, help to reduce poverty and contribute to attainment of goals in all three of our pillars of impact on society, sustainability and financial viability. On the calculation side, we are continuing our efforts relating to harmonisation with our EDFI colleagues and further developing our data acquisition process in order to increase primary data and accuracy in our emission calculations. We are closely monitoring the development of calculation methodology and models, and adjust our measurement methodology as and when necessary in order to produce as true and fair a picture of the portfolio's emission sources as possible and increase comparability with other investors.

#### **EMISSIONS PER INVESTED SWEDISH KRONA (tCO<sub>2</sub>e/MSEK)**

Emissions per invested krona (tCO<sub>2</sub>e/MSEK) is a new indicator that is being reported for the first time for 2020 linked to the mission goal of reducing emissions per invested krona. During 2020 (the base year), greenhouse gas emissions per invested

krona from Swedfund's portfolio amounted to 34.5 tCO<sub>2</sub>e per invested MSEK. This figure is based on the portfolio's total emissions and Swedfund's commitment report and will be an important key figure to monitor going forward in the work to achieve the goal of emission reductions.

#### **Measures 2021**

At sector level, we have continued to invest in projects that can be classified as climate investments, i.e. investments that lead to a net reduction in greenhouse gas emissions (mitigation projects) or investments that support adaptation to the negative impacts of climate change (adaptation projects). According to Swedfund's strategy, approximately 40 percent of the investment portfolio is classified as climate investments.

At portfolio company level, we further developed our "climate lens" during the year, whereby all investments are analysed to identify significant climate risks, both physical and transition risks which impact on the project, and to determine the climate impact that investments are expected to generate. For all new investments where the climate impact is considered to be significant, climate-related improvement measures have been incorporated into negotiating plans in agreements. During 2021, a number of climate-related projects were also implemented, alongside the training initiative relating to sustainable financing and green bonds referred to above, amongst our portfolio companies with the aid of funds for technical assistance. In addition to this, the method used to calculate the emissions

**34.5**

Emissions per invested Swedish krona (tCO<sub>2</sub>e/MSEK)

that have been avoided through investments in renewable energy has been further developed, and a model for calculating the emissions that investments in forest projects can sequester (FRESCOS<sup>4</sup>) has been developed and launched together with a number of other EDFI members. In connection with COP26 in November 2021, Swedfund agreed to enter into a strategic collaboration with other Development Finance Institutions to boost investments that support adaptation to the impacts of climate change (adaptation projects).

1 <https://carbonaccountingfinancials.com/>

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

3 [https://c990f083-1dd0-46c6-bd86-9c35d-8ba1b51.filesusr.com/ugd/7aa894\\_af1116d-9866d4aeb8588760b527733d6.pdf](https://c990f083-1dd0-46c6-bd86-9c35d-8ba1b51.filesusr.com/ugd/7aa894_af1116d-9866d4aeb8588760b527733d6.pdf)

4 <https://www.frescos.earth/>





## Gender equality and women's economic empowerment

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Greater gender equality in the Company's investment portfolio in terms of the 2X Challenge criteria or corresponding criteria, which shall be fulfilled in at least 60% of the company's investments within no more than three years from the date of investment.

### INDICATOR

Proportion of investments which meet the 2X Challenge criteria, proportion of women on company boards, in senior positions and of the total workforce.

### SDGs



**5.5** – Ensure the full and actual participation of women and equal opportunities regarding leadership at all levels of decision-making in political, economic and public life.



**5.A** – Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.



**5.B** – Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.

## Introduction

Gender equality and women's economic empowerment have long been key issues for Swedfund, which according to the Owner's instructions and the company's strategy must be systematically taken into account in the investment process, irrespective of sector, region and investment instrument. During 2021, we continued to strengthen our focus on SDG 5 and we have a clear ambition to be a leading player in contributing to this target area going forward. This is particularly important in light of how the consequences of the pandemic have negatively impacted on women. The importance of inclusive and gender-aware workplaces, free from gender-based violence and harassment, plays a key role in the efforts being made to strengthen gender equality and the economic empowerment of women. In addition to presenting the progress being made towards Swedfund's mission goals linked to the 2X Challenge criteria, we have therefore opted to continue the separate reporting of the proportion of women who are employed and the proportion who hold decision-making positions amongst our portfolio companies.

## Results and analysis

### PROPORTION OF INVESTMENTS FULFILLING THE 2X CHALLENGE CRITERIA

Swedfund's overall mission within the area of gender equality and women's economic empowerment is that at least 60 percent of investments in our portfolio should meet at least one of the criteria established by the G7-led 2X Challenge initiative in 2018 in order to identify and promote investments that can strengthen the development of women, women-led companies and companies that employ many women or offer products and services that specifically improve the situation of women or girls in society. Swedfund has been a member of the 2X Challenge since 2019, and through this initiative and the 2X Challenge criteria, we have identified that Swedfund as a Development Finance Institution can particularly contribute to gender equality and the economic empowerment of women in the following three areas:

- **Women as leaders:** Swedfund works to promote meaningful and equal participation for women in managerial positions and on boards and as entrepreneurs.

- **Women as employees:** Swedfund works to create meaningful and equal opportunities and conditions for women to participate and develop both at their workplace in particular and in working life generally.

- **Women as consumers:** Swedfund encourages the development and financing of products, services and capital which helps to enhance the situation and participation of women and girls in society.

Data from 2020 indicates that systematic work produces results, as 60 percent of our investments are considered to fulfil at least one of the 2X Challenge criteria. This means that our portfolio has already reached the company's objectives according to the Owner's instructions. Compared with 2019, the proportion of investments fulfilling at least one of the 2X Challenge criteria has improved in all sectors. The Financial Inclusion sector is the best-performing, with banks in particular having a relatively high number of female employees and specific policies and programmes which support the employment of women. Many of the banks also have a relatively high proportion of women on their boards and in senior positions, or products and services which are aimed at promoting the economic participation of women, resulting in a high proportion of female customers. In 2022, we will continue to evaluate all investments from a gender perspective and support our portfolio companies through our gender programmes.

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

Data from 2020 shows that 14 percent (2019: 25 percent (2018: 15 percent) of all board members in Swedfund's reporting holdings were women. In recent years, the proportion of female board members has fluctuated between 15 and 25 percent, partly as a result of the underlying data, i.e. which companies have reported data. Compared with 2019, the number of companies reporting the proportion of female board members increased for 2020. At the same time, the total number of female members in the portfolio fell by 20 people, mainly as a result of a small number of underlying holdings in an older fund which reported lower numbers of female members. As in previous years, a significant proportion of port-



folio companies reported that they either have no female board members or only one female board member. This particularly applies to the underlying holdings of the funds, confirming the need to continue our efforts in the area of gender equality amongst fund managers.

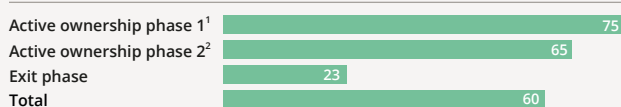
The proportion of women in senior management positions is slightly higher in 2020 (34 percent) compared with 2019 (32 percent) if we look at comparable entities, i.e. investments which were part of the portfolio at the end of each year and which were neither added nor exited in between. The analysis based on comparable entities for 2020 shows a higher proportion of women than for the portfolio as a whole (see the graph below). In general, the proportion of women in senior positions in the overall portfolio rose from 22 percent in 2019 to 26 percent in 2020. This is mainly due to an increase in holdings with women in senior positions in one of our co-investments in the Financial Inclusion sector. As a general rule, there tend to be more female executives in financial institutions such as banks and microfinance institutions, while the proportion of women in managerial positions is generally lower in energy-producing companies and amongst the underlying holdings of older funds in the manufacturing industry.

The proportion of female employees fell from 42 percent in 2019 to 35 percent in 2020. This is partly because the number of employees in a major co-investment which employed women fell sharply and because an older, large holding with many female employees has not reported its figures. Otherwise, there were no significant changes in the number of female employees during the 2019-2020 period in most holdings. In general, the proportion of women is higher in the health sector, and major financial institutions also offer many jobs for women. As with the proportion of women in senior management positions, the proportion of female employees is lower in energy-producing companies and in the underlying holdings of funds in the manufacturing industry.

## Measures 2021

During the year, with the aid of the 2X Challenge criteria, we have continued to evaluate how our portfolio and all new investment proposals contribute to gender equality and the economic empowerment of women. For

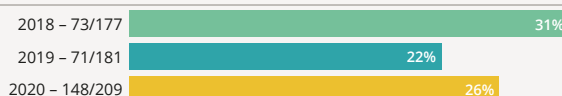
### Proportion of investments which meet at least one 2X Challenge criterion (% per phase)



1) Holding period ≤ 3 years

2) Holding period ≥ 3 years

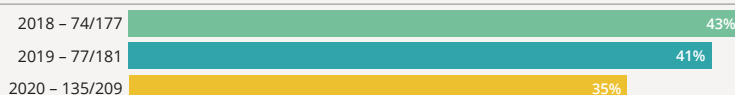
### Proportion of women in senior management (Total)



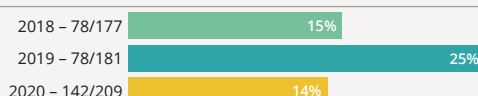
### Proportion of women in senior management (comparable entities)



### Proportion of women out of total number of employees



### Proportion of women on boards (Total)



the new investment proposals, identified improvement measures, or opportunities, aimed at promoting gender equality have been included in the specific ESG action plans (ESGAPs) and integrated into the agreements for the new investments. With some companies, we have also opted to sign a special letter of intent stating how they promote gender equality. These companies have been officially qualified as contributing to the 2X Challenge's goal of mobilising USD 15 billion for investments which meet the 2X Challenge criteria during the period 2021-2022. We have also further developed our technical assistance programme Women4Growth in digital form, and have thus been able to implement the programme in two of our financial institutions, in spite of the prevailing travel restrictions. Furthermore, we have developed a new

programme for our fund managers aimed at strengthening their knowledge and processes in order to promote the economic empowerment of women and gender equality.

Based on the understanding that the work to strengthen the empowerment of women and gender equality is partly based on minimising risks relating to gender-based violence and harassment, we also continued to develop our work in this sub-area during the year. We began the year by providing training for the investment organisation in cooperation with the organisation Kvinna till Kvinna. We have also further developed our internal analysis tool, which we now use to better identify and limit risks in our investments linked to gender-based violence and harassment, as well as to stipulate relevant requirements and offer support to our portfolio companies.



## Jobs

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

The majority of portfolio companies are increasing the number of employees.

### INDICATOR

Number of and growth in jobs in Swedfund's portfolio and an estimate of the number of indirect jobs.

### SDGs



**8.5** – By 2030, achieve full and productive employment with decent working conditions for all men and women, including young persons and persons with disabilities.

## Introduction

In order to achieve Swedfund's overall mission of contributing to a reduced poverty, we must help to create jobs. Creating jobs with good working conditions requires long-term and sustainable investments that contribute to responsible businesses. We are monitoring the development in the number of direct jobs in Swedfund's portfolio, and aim to increase this number over time in a majority of Swedfund's investments. Our investments also help to create indirect jobs, which is why we have begun using a model (see the section on indirect jobs) to calculate and monitor the number of indirect jobs that our investments contribute to through supply chains, greater consumption and better access to finance and energy.

## Results and analysis

### DIRECT JOBS

Swedfund's investments in portfolio companies and funds, including their underlying holdings, contributed to approximately 253,000 jobs in 2020 (without the result being weighted for Swedfund). This represents a significant increase over the previous year (2019: 192,000), partly as a result of the fact that more companies have reported data and that Swedfund's funds are growing by investing in new companies, which in turn contributes to job creation. Of the total number of employees in 2020, approximately 66 percent (166,500) were employees of funds and their underlying holdings, 27 percent (69,000) were employees of banks and financial institutions and seven percent (17,000) were employees of Swedfund's direct share investments. The graph below illustrates the investments that were part of the portfolio at the end of each year, which means that the difference in the number of employees between the two years is partly affected by the fact that certain investments have either been added or exited.

An alternative way of analysing job creation within Swedfund's portfolio is to analyse comparable entities. The graph below shows that there were 209 investments in Swedfund's portfolio in both 2019 and 2020, of which 99 have submitted reports for the respective years. The majority (59 percent)

of these comparable entities in the portfolio recorded job growth in 2020 (31 percent of these also reported significant growth with >50 more employees), while 35 percent recorded a decrease. This meant that around 16,600 jobs were added to Swedfund's portfolio through the companies which took on more employees, while around 6,600 jobs were lost through the companies which laid off more staff than they recruited. The net increase in the number of jobs for comparable entities between 2019 and 2020 amounted to approximately 10,000 jobs, corresponding to growth of approximately 13 percent. The net increase can primarily be attributed to the development in the underlying holdings of the funds, as well as to the positive growth in a number of financial institutions and through direct investments in the field of Energy & Climate.

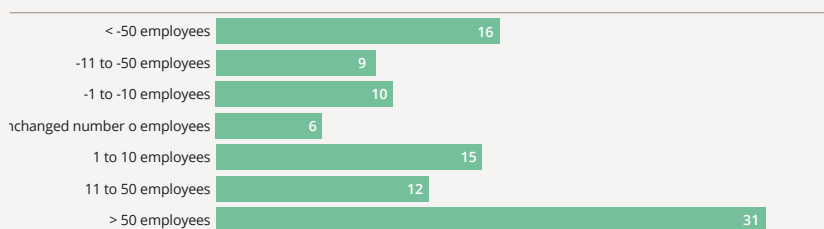
### INDIRECT JOBS

Swedfund's investments also contribute to indirect jobs in Swedfund's markets. To begin with, an investment in a portfolio company can lead to an increase in demand for subcontracted products and services, which in turn contributes to the creation of more jobs. At the same time, people with higher incomes generally consume more goods and services, which in turn can help to generate more jobs and higher incomes for people other than those directly employed by a business. An investment which helps to improve access to finance and energy can also facilitate the establishment and expansion of businesses, which in turn leads to the creation of more jobs and the reduction of poverty.

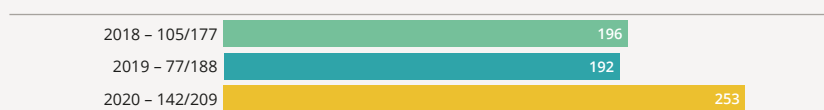
In order to calculate and report indirect effects on job creation, EDFI has developed the Joint Impact Model (JIM) as part of its harmonisation agenda.<sup>1</sup> The pilot version of JIM was launched in 2020. Swedfund participated in the development phase and tested the pilot model using limited data from 2019. The model was first officially launched in January 2021, which is why we are now reporting, for the first time, estimates of indirect jobs to which Swedfund's investments contributed in 2020. According to JIM, Swedfund's portfolio contributed to a total

of approximately 1,445,000 indirect jobs in 2020<sup>2</sup> (without the result being weighted for Swedfund), which is in line with previous estimates based on various studies and models which indicate that a direct job typically creates between five and seven indirect jobs. As Swedfund's portfolio in 2020 contributed to approximately 253,000 direct jobs, it can be concluded that direct employment contributed an average of around six indirect jobs. The model indicates that, of the number of indirect jobs supported from Swedfund's portfolio, around 300,000 jobs were through supply chains, around 345,000 were due to higher consumption as a result of the spending of wages, 640,000 were due to better access to finance, and around 160,000 stemmed from greater access to energy. Amongst other things, the results show that investments via funds and financial institutions make an effective contribution to indirect, as well as direct, jobs.

#### Change in number of employees (-/+ ) between 2019 and 2020 (comparable entities, sample 99/209 investments)



#### Total number of employees (thousands)



<sup>1</sup> <https://www.jointimpactmodel.org/>

<sup>2</sup> The results were calculated using the Joint Impact Model, a web-based tool for impact investors in developing markets developed by Steward Redqueen and coordinated with CDC, FMO, BIO, Proparco, AfDB and FinDev Canada. The results are calculated with the aid of User guide JIM 2.0. They are based on economic modelling and do not represent actual figures, but are estimates and should be interpreted as such.







## Tax

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

Increased tax revenues.

### INDICATOR

Tax (corporation tax, deferred tax and other similar items) translated into Swedish kronor (SEK).

### SDGs



**8.3** – Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



**17.1** – Strengthen domestic resource mobilisation, partly through the provision of international support to developing countries, in order to boost domestic capacity to raise taxes and other revenues.

## Introduction

Tax is a key issue and an important indicator for Swedfund. Profitable and growing companies generate tax revenues and jobs, giving the state more scope to finance welfare measures and economic growth, and contribute to reducing poverty. Prior to an investment, we also review the project and its structure from a tax perspective. Our main focus is on ensuring that taxation takes place where value is created, i.e. in the country in which we operate, and that the structure through which we invest does not contribute to tax evasion. For example Swedfund does not participate in investments through intermediate jurisdictions which have not been deemed to comply sufficiently with the requirements adopted by the OECD, or which are included in the EU list of non-cooperative jurisdictions for tax purposes. Parallel to this, we also work to promote responsible management through a dialogue and advocacy with other co-investors. We require our portfolio companies to account for their tax circumstances, an aspect which we follow up annually. We encourage our portfolio companies to adopt an active approach to tax issues and to act responsibly as regards taxes. As a relatively small investor, it is important to strive to influence major players in this area and to increase the proportion of sustainable investment amongst the world's poorest countries.

## Results and analysis

As the table below shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 5.7 billion in tax in 2020. Where possible, the table presents tax per country. In the case of funds with underlying holdings in a number of different countries, the fund's holdings are instead reported under a single collective designation per region (Africa, Asia) or Global. The reported tax from Swedfund's portfolio amounted to MSEK 5,650 in 2020. The company in the portfolio that paid the most tax contributed approximately 28 percent of the total reported tax, while the ten largest tax-paying portfolio companies contributed approximately 80 percent. Financial institutions report the majority of

tax revenues, in addition to a few large individual holdings in the underlying portfolio of the funds. Reported tax increased by four per cent compared with the previous year, while the underlying data, the number of investments that reported their tax expense, fell compared with the previous year. The growth primarily originates from the Asia and Cambodia region, where the underlying data from some financial institutions are of better quality. The decrease primarily comes from Kenya, where reporting by one major tax-paying company has a significant impact on the outcome.

When making comparisons between the years, it should be noted that differences may be linked not only to the underlying data, but also to exchange rate fluctuations, given that local accounting currencies are translated into SEK in order to produce a consolidated outcome.

Some portfolio companies reported a net tax revenue instead of a tax expense. This is normally because they have the right to post positive, deferred tax under the accounting rules of the country concerned. Deferred tax is usually attributable to temporary differences or unutilised loss carry forwards, i.e. items re-posted/deducted in the status report in one year which will be reversed at some point in the future or which are attributable to accounting adjustments. Net deferred tax corresponded to reported tax revenues of SEK 34 million (2020), SEK 12 million (2019) and SEK 91 million (2018) is included in and has reduced the reported tax expense in the table below. It should be noted that many taxes are not explicitly reported in annual reports, e.g. wage-related costs, value added tax, property taxes, customs duties and other types of contributions to the state. It is therefore likely that Swedfund's investments contribute more tax revenues over and above the income tax that is reported here.

**Tax per country**

(MSEK)

	2018	2019	2020
<b>Africa</b>	<b>3,165</b>	<b>4,588</b>	<b>4,027</b>
Africa*	2,155	2,912	2,897
Ethiopia	10	9	10
Ghana	147	79	178
Kenya	26	673	24
Mauritius	230	372	307
Nigeria	381	262	258
Tanzania	166	281	357
Zimbabwe	51	–	3
<b>Asia</b>	<b>404</b>	<b>621</b>	<b>1,417</b>
Asia*	22	28	472
India	8	18	5
Cambodia	374	575	940
<b>Europe</b>	<b>5</b>	<b>192</b>	<b>198</b>
Europe (Other)*	14	3	1
Georgia	–	188	198
<b>Global</b>	<b>1,956</b>	<b>15</b>	<b>8</b>
<b>Total</b>	<b>5,532</b>	<b>5,417</b>	<b>5,650</b>

\*Investments where taxes are paid in several countries in Eastern Europe, Asia and Africa



# SUSTAINABILITY



## Decent working conditions

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Decent working conditions consist with the ILO's Declaration on Fundamental Principles and Rights at Work shall be provided by all of the company's investments within no more than three years from the date of investment.

### INDICATOR

Proportion of investments acting consistently with the with the ILO's Declaration on Fundamental Principles and Rights at Work.

### SDGs



**8.7** – Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers. End child labour in all its forms by 2025.



**8.8** – Protect workers' rights and promote a safe and secure working environment for all workers, including labour migrants, particularly female migrants and people in insecure employment.

## Introduction

The core of Swedfund's mission is to create jobs to enable people to escape poverty. For us as a company, issues regarding decent working conditions are afforded a high priority. In conjunction with the initial analysis of a potential investment, an assessment is carried out of the present situation and the scope to bring about improvements. If Swedfund opts to proceed with an investment, the requirements for improvements are linked to the financial conditions for the disbursement of funds for the portfolio company. We operate in markets where our conditions are far from clear. This makes our work extra important.

## Results and analysis

To determine whether a portfolio company is acting consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, an assessment is made of whether the company is complying with the following eight fundamental Conventions:

- Freedom of Association and Protection of the Right to Organise, ILO 87, 98.
- Abolition of Forced Labour, ILO 29, 105.
- Equal Remuneration, ILO 100.
- Discrimination in Employment, ILO 111.
- Minimum Age for Admission to Employment and Work, ILO 138, 182.

Swedfund's ongoing efforts also encompass monitoring of the trend in the ILO's Basic Terms and Conditions of Employment:

- Hours of Work and Overtime, ILO 1.
- Minimum Wage, ILO 26, 131.
- Occupational Safety and Health and the Working Environment, ILO 155.

When assessing whether or not a direct investment in equity or loans (excluding financial institutions) is considered to act in a manner consistent with the ILO's

Declaration on Fundamental Principles and Rights at Work, an overall analysis is made of compliance with all the fundamental Conventions referred to above. As regards Swedfund's assessment of whether or not funds meet the applicable requirements, the analysis is based on whether the fund manager is acting consistently with all fundamental Conventions in its operations, and on the procedures, competences and guidelines established by the fund manager to ensure that the funds' holdings are in turn aligned with the relevant Conventions. When Swedfund invests in banks and financial institutions, the due diligence process includes an assessment of whether or not the financial institution is acting in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work. In the context of annual reporting, Swedfund follows up any changes made by the financial institution in order to assess whether the Conventions are still being fulfilled. The ESG Manager is part of each investment team and evaluates whether the company is acting consistently under the ILO's Declaration on Fundamental Principles and Rights at Work and basic working conditions; thus, all new investments approved during the year have been assessed with regard to working conditions. Any deficiencies that are identified are incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. Following an investment decision, the ESG Manager monitors developments in ESGAP and improvements in working conditions through an ongoing dialogue, audits and site visits, active work in the sustainability committees for investments and annual monitoring surveys. In a typical year, Swedfund conducts two types of audits on portfolio companies: external audits carried out by an external consultant and internal audits carried out by



Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but nevertheless form a key part of Swedfund's active advocacy work. During the coronavirus pandemic, the monitoring process was complicated by the introduction of travel restrictions. Swedfund still has monitoring and advocacy supported by digital tools. The collaboration with other Development Finance Institutions and co-investors has been strengthened, and external consultants have been used to a greater extent. ESG managers also support the portfolio companies through TA initiatives.

#### *Active ownership phase 1 – Investments held for three years or less*

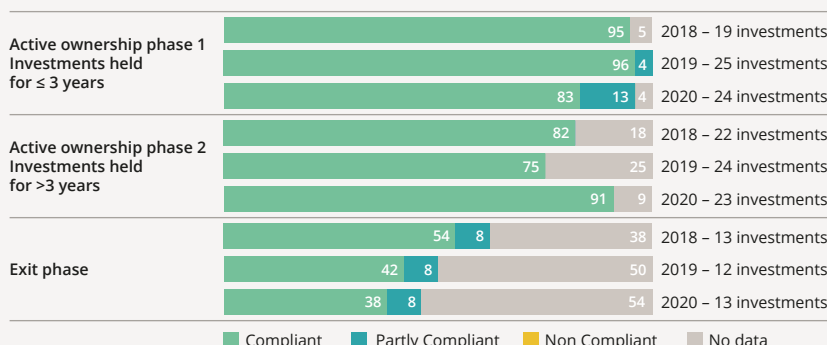
The adjacent graph shows that 83 percent of portfolio companies held for less than three years were considered to act in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work in 2020. Three portfolio companies, equivalent to 13 percent, are considered to largely act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, but some deficiencies have been identified and an action plan to correct these deficiencies has been established. One of the companies has not reported. This represents a decline compared with last year's outcome, when 96 percent of the companies were judged to meet the requirements in full and four percent in part. However, this outcome was expected because Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

#### *Active ownership phase 2 – Investments held for more than three years*

Of the portfolio companies which were in the category of investments held for longer than three years in 2020, Swedfund estimates, on the basis of the reported data, that 91 percent of the holdings fulfil the requirement regarding acting in a manner consistent with the ILO's Declaration on Fundamental Prin-

### **Compliance with the ILO's Declaration on Fundamental Principles and Rights at Work 2017-2019**

(%, per phase in the investment process)



ciples and Rights at Work. For two portfolio companies, corresponding to nine percent of the holdings, there is no information regarding this indicator concerning one holding that was exited during the year and another that was inactive during the year. Within this ownership phase, our assessment is that all holdings for which responses from Sustainability Reports are available fulfil the requirements. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies.

#### *Exit phase*

The number of investments identified as being in the process of being exited amounted to 13 investments at the end of 2020. Based on reported data, Swedfund estimates that 38 percent of the holdings in the exit phase act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, and another company, equivalent to eight percent, is considered to act consistently with most of the fundamental Conventions, although some deficiencies have been identified. Seven portfolio companies, corresponding to 54 percent of the portfolio companies in this category, have not submitted Sustainability Reports. These seven companies are either inactive or being exited, or constitute investments which were approved before 2013, meaning that Swedfund has little or no contractual scope to require

reports to be submitted. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list. Also within this ownership phase, Swedfund's assessment is that all holdings for which responses from Sustainability Reports are available fulfil the requirements in their entirety or in part.

### **Measures 2021**

During the coronavirus pandemic, the efforts being made with regard to working conditions has been a priority. Through TA funds, Swedfund has supported investments in the health sector to procure personal protective equipment for employees, in order to contribute to a safer working environment. This support was again relevant in 2021, although to a lesser extent than at the start of the pandemic. Swedfund has also approved TA funds for a portfolio company which will be used to train staff on business-critical issues and leadership. A TA project to support existing and potential portfolio companies in the efforts being made to promote decent working conditions in practice has been initiated and will be launched in 2022. We have also had a close dialogue with the European Development Finance Institutions with whom we often invest concerning working conditions and taken part in various joint improvement measures, such as developing guidelines for fund managers relating to decent working conditions.



## Environment and social management system

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

Management systems for environmental and social issues must be implemented in all of the company's investments no later than three years from the date of the investment.

### INDICATOR

Proportion of investments that have implemented environmental and social management systems.

### SDGs



**10.3** – Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.



**12.2** – By 2030, achieve sustainable management and the efficient use of natural resources.



**12.6** – Encourage companies, particularly large and multinational enterprises, to implement sustainable practices and integrate sustainability information into their reporting cycle.

## Introduction

In order for Swedfund to contribute to the creation of businesses that are sustainable in the long term, we have been imposing a requirement on our portfolio companies for a number of years now which requires them to have management systems in place for environmental and social issues. It is of great importance to us that these systems are implemented and that the companies have an active approach to these issues. Swedfund has therefore decided to continue monitoring and measuring results relating to these indicators, even though they are not included in the mission goals in accordance with the Owner's instructions.

## Results and analysis

### PROPORTION OF INVESTMENTS THAT HAVE IMPLEMENTED ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

In order to determine whether a portfolio company has implemented a management system, we evaluate whether it contains the components that are relevant in accordance with IFC Performance Standards:

- Sustainability policy – A sustainability policy must be established and adopted by the management of the portfolio companies.
- Identification of risks and impacts – A system/routine must be established in order to identify sustainability risks and the areas that are affected.
- Performance management – The company's results within identified risks and impact areas must be continually monitored and evaluated in order to monitor and improve results over time.
- Responsibility and competence – A member of the company's management team must have overall responsibility for sustainable development issues.
- Emergency preparedness – In the case of fixed installations, action plans must have been established for accidents and disaster situations.
- Reporting – Reporting must take place regularly and at least annually both to the management and to the board of directors of the portfolio company, as well as to Swedfund.

- Stakeholders – Internal and external stakeholders must be identified and consulted in situations which affect them and be given relevant information at appropriate times and intervals.

The monitoring of compliance with the above components has been gradually tightened up by Swedfund. For a direct investment in equity or loans (excluding financial institutions), an overall assessment is made of all the above components. As regards Swedfund's assessment of whether or not banks and funds fulfil the requirements, the assessment is oriented more towards the procedures, expertise and guidelines that have been established to ensure that the banks' customers and the fund's holdings in turn implement an effective management system for sustainability issues. The ESG Manager is part of each investment team and evaluates whether the company has implemented a management system for environmental and social issues in accordance with Swedfund's requirements. As a result, all new investments approved during the year have been assessed with regard to the above components. Any deficiencies that are identified are incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. Following an investment decision, the ESG Manager monitors developments in ESGAP and, where necessary, works to improve the portfolio company's management systems through various types of measures, including ongoing dialogue, audits and site visits, active work in the sustainability committees for invest-



ments and annual monitoring surveys. In a typical year, Swedfund conducts two types of audits on portfolio companies: external audits carried out by an external consultant and internal audits carried out by Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but nevertheless form a key part of Swedfund's active advocacy work. During the coronavirus pandemic, the monitoring process was complicated by the introduction of travel restrictions. Swedfund still has monitoring and advocacy supported by digital tools. The collaboration with other Development Finance Institutions and co-investors has been strengthened, and external consultants have been used to a greater extent. ESG Managers also support the portfolio companies through TA initiatives, and support in the development of environmental and social management systems is one of our standard projects.

#### **Active ownership phase, part 1 – Investments held for three years or less**

The graph below shows that 79 percent of portfolio companies held for less than three years have reported and been judged by Swedfund as meeting the requirements for a management system concerning sustainability issues. Seventeen percent of portfolio companies, corresponding to four companies, meet the requirements in part, but some deficiencies in their management systems for environmental and social issues have been identified during due

diligence, and the companies are working on improvement measures in accordance with ESGAP. One of the companies has not reported. This represents a slight decline compared with last year's result, when 84 percent of the companies were judged to meet the requirements in full and 16 percent in part. However, this outcome was expected because Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

#### **Active ownership phase, part 2 – Investments held for more than three years**

For the portfolio companies which were in the category of investments held for more than three years in 2020, 87 percent reported and were judged to meet the requirements in their entirety. Four percent, corresponding to one company, reported that they meet the requirements in part. No information is available for two portfolio companies, corresponding to nine percent of the holdings. The category includes one holding that was shut down during the year and another that was inactive during the year.

#### **Exit phase**

Thirteen portfolio companies were in the process of being exited at the end of 2020. Of these holdings, six portfolio companies have submitted information. Five of the companies that Swedfund has assessed have

a functioning management system regarding sustainability issues, while one company meets the requirements in part. No company in the category reported that it did not have a management system in place for sustainability issues. However, no information is available for seven portfolio companies which failed to submit Sustainability Reports. These seven companies are either inactive, in the process of being exited or were exited before 2013, and Swedfund therefore has little or no contractual scope for requiring reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list. Also within this ownership phase, Swedfund's assessment is that all holdings for which responses from Sustainability Reports are available fulfil the requirements in their entirety or in part.

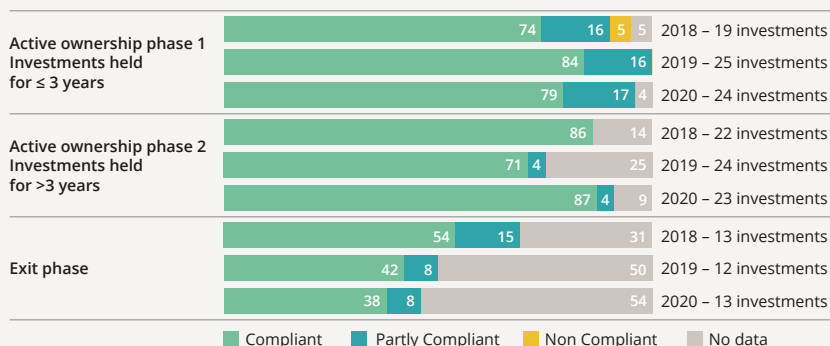
## **Measures 2021**

The results of the evaluation of new investments and monitoring of companies show that there is a need to support the implementation of human rights in social and environmental management systems. In addition to the monitoring of ESGAPs and regular advocacy work, we have continued to launch a human rights toolbox which was jointly developed with the Danish Institute for Human Rights in order to raise awareness concerning human rights amongst our fund managers. We have also shared experiences and expertise within the framework of our Swedish networks and led a working group within EDFI on human rights.



### **Existence of management system for sustainability issues 2017-2019**

(%, per phase in the investment process)







## Anti-corruption management system

### TYPE OF GOAL

Other

### GOALS AND DESCRIPTION

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

### INDICATOR

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

### SDGs



**16.5** – Significantly reduce all forms of corruption and bribery.

## Introduction

In order for Swedfund to contribute to the creation of businesses that are sustainable in the long term, we have been imposing a requirement on our portfolio companies for a number of years now that they must have management systems in place for corruption issues. It is of great importance to us that the system is implemented and that the companies have an active approach to these issues. Swedfund has therefore decided to continue monitoring and measuring results relating to these indicators, even though they are not included in the mission goals in accordance with the Owner's instructions.

## Results and analysis

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

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

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

A direct investment in equity or loans is deemed to meet the requirement if all five of the above components are fulfilled. As re-

gards Swedfund's assessment of whether or not the funds are fulfilling the requirements, the assessment is oriented more towards the procedures, expertise and guidelines that have been established to ensure that the funds' holdings in turn have an effective management system for anti-corruption.

The ESG Manager is a member of every investment team and evaluates whether the company has implemented an anti-corruption management system which meets Swedfund's requirements, if necessary with the aid of an internal specialist. As a result, all new investments approved during the year have been assessed with regard to the above components. Any deficiencies that are identified are incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. Following an investment decision, the ESG Manager monitors developments in ESGAP and improvements to management systems through an ongoing dialogue, audits and site visits, active work in the sustainability committees for investments and through annual monitoring surveys. In a typical year, Swedfund conducts two types of audits of portfolio companies, external audits carried out by an external consultant and internal audits carried out by Swedfund's ESG team. In addition to audits, site visits are also carried out which are less comprehensive than internal audits but nevertheless form a key part of Swedfund's active advocacy work. During the coronavirus pandemic, the monitoring process was complicated by the introduction of travel restrictions. Swedfund has continued its monitoring and advocacy work supported by digital tools. The collaboration with other Development Finance Institutions and co-investors has been strengthened, and external consultants have been used to a greater extent. ESG managers also support the portfolio companies through TA initiatives.

### *Active ownership phase 1 – Investments held for three years or less*

Seventy nine percent of the portfolio companies held for less than three years reported and were judged to meet the requirements for an anti-corruption management system.

Seventeen percent, corresponding to four companies, are deemed to meet the requirements in part. Action plans have been agreed for the companies that partially meet our requirements. Although no company has reported that they do have a management system for anti-corruption issues in place, no information has been submitted regarding one portfolio company. This represents a slight decline compared with last year's outcome, when 84 percent of the companies were judged to meet the requirements in full and eight percent in part. However, this outcome was expected because Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

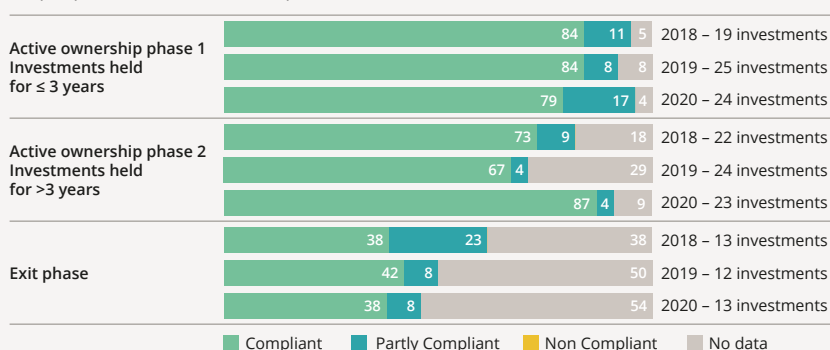
#### **Active ownership phase 2 – Investments held for more than three years**

Amongst the portfolio companies which were in the category of investments held for more than three years in 2020, 87 percent responded and were judged to meet Swedfund's requirements in their entirety. Four percent, corresponding to one company, reported that they meet the requirements in part. No company has reported that it does not have a management system for anti-corruption issues in place, but no information is available for nine percent of holdings, corresponding to two portfolio companies, as these have not submitted Sustainability Reports. The category includes one holding that was shut down during the year and another that was inactive during the year. Within this ownership phase, Swedfund's assessment is that all holdings for which responses from Sustainability Reports are available fulfil the requirements in their entirety or in part. Swedfund's demands in connection with new investments and advocacy have had a marked impact on the prevalence of anti-corruption management systems in this early active ownership phase.

#### **Exit phase**

Thirteen portfolio companies were in the process of being exited at the end of 2020. Five

#### **Existence of management system for anti-corruption issues 2017-2019** (%, per phase in the investment process)



of these portfolio companies have submitted reports and were considered to have an adequate anti-corruption management system, while one portfolio company was judged to meet the criteria in part. Seven companies failed to submit reports for 2020. These six companies are either inactive, in the process of being exited or were exited before 2013, and Swedfund therefore has little or no contractual scope for requiring reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list. Also within this ownership phase, Swedfund's assessment is that all holdings for which responses from Sustainability Reports are available fulfil the requirements in their entirety or in part.

#### **Measures 2021**

In addition to the monitoring of ESGAPs and regular advocacy, we set up the Investors Integrity Forum in partnership with Transparency International Sweden and five other investors. This is a platform for sharing and disseminating knowledge, deepening dialogue and promoting transparency concerning corruption issues, which ultimately aims to strengthen our investment process and portfolio regarding anti-corruption. Using TA funds, a specific project has been initiated to identify and deepen knowledge of the key corruption risks, and a TA project to develop anti-corruption management systems has been carried out in a portfolio company.



# FINANCIAL VIABILITY



## Economically sustainable investments

### TYPE OF GOAL

Mission goal

### GOALS AND DESCRIPTION

Investments must be financially viable.

Mobilise at least 30 percent in private capital in investments that are made.

### INDICATOR

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

Mobilise at least 30 percent in private capital in investments that are made.

### SDG



8 – Promote inclusive and long-term sustainable economic growth, full and productive employment with decent working conditions for all.

## Introduction

The purpose of Swedfund's investments is to facilitate growth and greater profitability, and in this way strive to achieve our public policy assignment. That our portfolio companies achieve profitability is a prerequisite if the development effects we contribute to are to continue after we have exited as a shareholder or lender.

The investments should generate returns which can then be reinvested in new projects where we can act as an additional and enabling investor in developing countries.

Capital mobilisation means that development finance institutions act catalytically through our invested capital enabling co-investment with private capital. Swedfund and other development finance institutions can act as a bridge to private capital and, thanks to their many years of experience of investing in developing countries and proven business models with an emphasis on sustainability and impact on society, are well placed to act catalytically.

## Results and analysis

### TURNOVER AND PROFITABILITY MUST INCREASE IN AT LEAST 60 PERCENT OF THE COMPANY'S INVESTMENTS

The graph below shows the percentage of holdings that met the above mission objective for all direct investments that Swedfund had at the end of each of the years 2018 - 2020. Indirect investments, e.g. investments made through funds, are excluded.

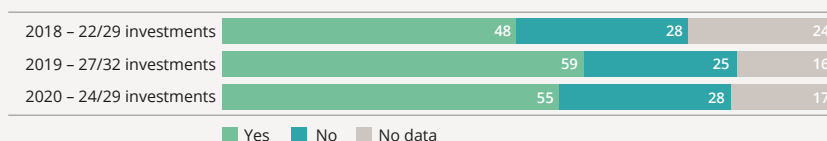
The outcome is binary, i.e. companies have either grown in terms of both turnover and profitability or not grown at all, which creates comparability between companies of different sizes and maturity.

During 2020, the total sample fell to 29 holdings (down from 32 holdings in 2019). This is explained by that Swedfund have exited more direct investments than has been added to the portfolio. The component of the portfolio which grew was instead indirect investments through funds.

In 2020, 55 percent of Swedfund's direct holdings reported an increase in both turnover and profit in relation to the investment year, while 28 percent reported a decrease in one or both parameters. The proportion of holdings that meet the target is slightly below the target level and fell slightly compared with the previous year. However, the portfolio as a whole still shows relatively strong financial viability, given that most of the portfolio holdings were either directly and/or indirectly affected by the pandemic during 2020. In addition, the proportion of companies recording growth in both turnover and profit remains at a higher level in 2020 than in 2018, which means that the slightly longer term trend is positive, which may be a result of Swedfund's revised investment strategy.

Within the group that meets the objective of Financial viability are companies which are active in different sectors and regions, as well as companies of different sizes, with

### Proportion of investments reporting increased turnover and profitability (EBT) with the investment year as the base year







a common denominator being that the majority of holdings have been operating for a long time. Within the group that does not yet meet the target, there are more businesses that are at an early stage in their life-cycle and growth, when there is often growth in turnover but profitability is still negative.

During the holding period, Swedfund actively works in various ways to support the company, with the form of active ownership depending on the ownership share/exposure and the type of instrument through which Swedfund invested.

It is important to stress that the pace of financial development varies considerably between direct investments, depending on various factors, including the development phase, local market conditions and the sector. Volatility in the markets in which Swedfund operates is generally considerably greater than in more developed economies.

#### **CAPITAL MOBILISATION**

Swedfund's public policy assignment

includes mobilising at least 30 percent in private capital within the investments we make.

For many years, Swedfund has acted catalytically and helped to mobilise private capital through co-investments with private operators. During the year, Swedfund also continued to work with a structured approach to improve the company's communication with Swedish institutional investors. The principal aim is to create a better picture of Swedish investors' interest in and scope to carry out sustainable investments in developing countries.

The multilateral development banks have developed a method for calculating mobilised capital, and Swedfund annually reports to EDFI in accordance with this method and model.

#### **VOLUME OF MOBILISED CAPITAL**

The mission objective is monitored using 2020 as the base year, and estimated mobilised capital is based on contracted investments during the year, which means

that the goal is reported without a lag, unlike other indicators for the portfolio companies. During 2021, Swedfund is estimated to have contributed private capital mobilisation corresponding to 20 percent of the total contracted value during the year. By comparison, the corresponding figure for 2020 was 42 percent. Privately mobilised capital during the year is mainly attributable to the investments in Tide Africa Fund II, Health Quad II (additional investment) and the SUSI Asia Energy Transition Fund. Calculated mobilised private capital for 2021 is below the target level of 30 percent, but the outcome is in line with the target when 2020 and 2021 are aggregated. At the same time, it is believed that more of the investments during 2021 where Swedfund contributed loan financing will in the long term represent important contributions in order for borrowers to grow their capital base and attract more private investors.

# GRANT-FUNDED ACTIVITY

Reducing poverty in developing countries requires an integrated approach and a variety of tools. Swedfund receives direct government funding for technical assistance for quality-enhancing initiatives amongst portfolio companies and to increase the overall development effects that the operation generates. Swedfund also receives grants to promote sustainable procurement in developing countries through the Project Accelerator.

## Swedfund's Project Accelerator

Swedfund Project Accelerator is a vital tool in the efforts being made to implement Agenda 2030. The business aims to support public sector project owners in OECD/DAC countries, so that more sustainable projects can be developed and realised within the areas of renewable energy and green infrastructure.

The need for a tool like the Project Accelerator is linked not only to the fact that too few projects are being developed, but also the fact that sustainability aspects are often not taken into account to the desired extent in the projects that are developed, procured and implemented. Through the funding that Swedfund contributes, external expertise can be brought in to assist with project development and sustainable procurement. In this way, the Project Accelerator helps to boost capacity and prevent countries from committing to solutions and technologies that are unsustainable in the long term, and helps to boost business opportunities for enterprises that offer sustainable and long-term profitable solutions.

The Project Accelerator has been in use since autumn 2016, and is funded through separate annual appropriations. The grants are sourced from two areas of expenditure: expense area 24 (Industry and trade) and expense area 7 (International development cooperation). In 2021, the Project Accelerator received MSEK 60 from expense area 7.

From expense area 24, the Project Accelerator received MSEK 10 for the business in 2022 – 2023. In addition, SEK 10 million had already been received for 2021 – 2022 from expense area 24. These amounts include funds which Swedfund can utilise to cover the organisation's administration costs.

A total of 41 projects have been initiated since 2016; some projects have been concluded, while the others are in different phases of engagement and activity. Projects are usually preceded by a comprehensive anchoring process. The project itself will then be carried out over a period of approximately nine to twelve months. The immediate result of the initiative funded by Swedfund is normally a decision-making basis, which in turn forms the basis for the procurement of a sustainable system to meet the needs of the country concerned. Exactly when the procurement is subsequently realised will depend on the national and local circumstances of the public stakeholder that is the project owner.

Covid-19 has delayed the implementation of certain consultancy initiatives, partly as a result of travel restrictions. Wherever possible, the starting point for the Project Accelerator has been a pragmatic approach to ensuring the implementation of the project whilst maintaining quality levels. The Project Accelerator has worked with project owners through digital platforms, as well as through other operators within Team

Sweden. The pandemic has not affected the influx of projects, and the need for project preparation and support initiatives has instead increased as a result of a need for sustainable projects to “build back better” in the poorest and worst-affected countries.

## Swedfund Project Accelerator, general status

Aggregate	Number
Total proposals received	357
Approved measures	41
Ongoing	33
Concluded initiatives	8

Project Accelerator has initiatives in the following countries: Albania, Angola, Bolivia, Brazil, Burkina Faso, Colombia, Côte d'Ivoire, Egypt, Eswatini, Philippines, Georgia, Indonesia, Kenya, Congo-Kinshasa, Laos, Lesotho, Malaysia, Mozambique, Myanmar, Namibia, Rwanda, Senegal, Tanzania, Thailand, Uganda, Ukraine, Vietnam, Zambia. Sectors: Transport, energy, water and sewage, forests and healthcare.

## Swedpartnership

Swedpartnership provides financial support to Swedish SMEs that establish an operation in developing countries. This aid is primarily intended for skills transfer and investment in machinery and equipment. Swedpartnership's activities, which involve the exercising of public authority, are entirely funded by the Swedish government through a special allocation of funds. Swedpartnership is separated from Swedfund's other investment activity. During 2019, Swedfund requested a new organisational domicile for Swedpartnership. The matter was the subject of a consultation round in 2020 and preparations are currently underway within the Government Offices of Sweden. Allocated appropriations for 2021 amounted to SEK 0 million for lending and SEK 3.8 million for administration costs.

Indicator	2019	2020	2021
Number of projects approved	14	7	0
Number of projects concluded during the year	26	20	25
Number of new jobs (employees)	305	219	595
Investments in machinery and equipment (MSEK)	13.3	12.5	11.4
Knowledge transfer to which Swedpartnership contributed, measured in number of hours during the year	61,000	50,300	70,527

Region (SEK million)	Investment loans agreed during the year	Pro-portion	Soft loans disbursed during the year	Pro-portion
Africa	0	0%	6.8	~ 58%
Asia	0	0%	4.3	37%
Latin America	0	0%	0.2	2%
Eastern Europe	0	0%	0.4	3%
Total	0	0%	11.7	100%





## Funds for Technical Assistance (TA)

Technical assistance funds are used to strengthen Swedfund's investments in all three pillars – impact on society, sustainability and financial viability – concerning development effects, gender equality and sustainability, including the environment

and climate, decent working conditions, business ethics and anti-corruption. TA funds may be used in any country in which Swedfund operates, in accordance with the annual letter of allocation.

For 2021, Swedfund has been allocated SEK 15.2 million for Technical Assistance, of which SEK 1.5 million is allocated to

administration of the operation. In addition to the abovementioned funds, Swedfund was during 2021 able to utilise the accumulated grant saving for TA projects from previous years. A total of 20 projects with a total value of MSEK 15.2 were approved in 2021.

TA initiatives – approved 2021	Description
Quality-enhancing initiatives within ESG	Support for an Indian health fund with the development of an environmental and social management system and ESG training.
Women4Growth	Additional funding for further development and implementation of the talent programme aimed at promoting the empowerment of women, Women4Growth, during the period 2021 – 2022.
Gender equality training for fund managers	Development and implementation of three pilot programmes focusing on gender equality for fund managers.
Training concerning sustainable finance and green bonds	Development and provision of training concerning sustainable finance and green bonds for three African banks in partnership with the Stockholm School of Economics' Executive Education.
Capacity-building initiative given the Covid-19 pandemic	Financing of protective equipment and training initiatives for one of the funds' underlying holdings in Madagascar to secure jobs and reduce the impact of the Covid-19 pandemic.
Climate adaptation, loans to agriculture	Support for a microfinance institution in East Africa to carry out a pilot project concerning sustainable potato cultivation as part of the development of a financing model for smallholders.
Human rights – humanitarian aid	Support for employees of a portfolio company in a conflict zone, with basic humanitarian needs due to extraordinary circumstances, as a result of the armed conflict in the Tigray region of Ethiopia.
Study concerning anti-corruption	A study and webinar concerning corruption risks in Swedfund's main operating markets and sectors in order to raise awareness and debate about such risks within portfolio companies.
Initiative to promote gender equality in microfinance institutions in India	Support for a microfinance institution in India to develop its work relating to gender equality.
Initiative to promote gender equality in microfinance institutions in India	Support for a microfinance institution in India to develop its work relating to gender equality.
Exit study of the effects of special care	Exit study to evaluate the development effects of investments in specialist clinics.
Quality-enhancing initiatives within ESG	Support for a fund in Nepal to develop its work relating to sustainability through training and specialist expertise concerning certain investments.
Training of employees and management	Support for a hotel in East Africa concerning the training of their staff (English and finance), as well as leadership training - as a result of the effects of the coronavirus pandemic.
Women4Growth	Funding for a Women4Growth project concerning technical development of the training platform.
Practical guidelines on decent working conditions	Development of a "Good practice note" concerning decent working conditions for the portfolio companies.
Effects and risks of digitalisation	A study concerning risks and opportunities linked to digitalisation, including case studies from the portfolio companies.
Gender equality in the energy sector	Support for a company in the energy sector in India to step up its work relating to gender equality and offering for female customers.
Quality-enhancing initiatives in the health sector	Quality-enhancing initiative and a gender equality-related study to develop the underlying customers of a health fund in Africa.
Gender equality training for fund managers	Development and implementation of three pilot programmes focusing on gender equality for fund managers (part 2).
Capacity-enhancing initiatives within digitalisation and as a result of coronavirus pandemic	Upgrading of the digital infrastructure in one of Swedfund's energy investments in Nigeria to enable remote control and monitoring of mini-grids, as well as improvements to services aimed at customers (part 2).



# SWEDFUND'S RESULTS

Swedfund is Sweden's development finance institution for sustainable investments in the world's poorest countries. Swedfund is a wholly state owned company and is administered by the Swedish Ministry of Enterprise and Innovation. The operation is financed through capital injections from the owner, along with reflows generated from the investment portfolio. Swedfund invests directly in companies and financial institutions and indirectly through funds. This section presents Swedfund's results and financial position for the 2021 financial year, together with a follow-up of the economic goals defined by the owners.

## Investment activities

### PORTFOLIO

During 2021, the efforts being made to develop and alter the composition of the portfolio continued in line with Swedfund's strategy to invest in the three sectors; Health, Energy & Climate and Financial Inclusion.

During the year, a total of eleven (11) investments were completely exited. In addition to fully exited holdings, one loan in the remaining portfolio was also repaid in full. Capital gains in 2021 from the sale of shares and participations developed strongly compared with the previous year and amounted to SEK 97.3 million (53.4) net. The two divestments that have had the greatest impact on this year's capital gains are the sale of the shareholdings in Medica Synergie and Ontur International SA, with both transactions being completed during the fourth quarter. In addition to sales of entire shareholdings, fifteen partial sales within a number of funds are also included in this year's capital gains.

During 2021, Swedfund also signed ten (10) agreements with both new and existing portfolio companies. The total contracted value of these agreements is equivalent to just over MSEK 1,100 and concerns to five fund investments and five loans. The contracted investments during the year are described below under the respective sections for each sector.

In addition to contracted investments, decisions were also made during the year regarding an additional MSEK 700 million in three equity and fund investments, as well as one loan, where contractual negotiations are ongoing and contracting is expected to take place during the first half of 2022.

The book value of Swedfund's portfolio of equity, mutual fund units and loans amounted to MSEK 3,291 (2,898) as of 31 December 2021. Unrealised surplus values of shares and fund units also amounted to MSEK 403 (368), measured at fair value. Together with contractually agreed, but as yet unpaid, commitments, the total value of the portfolio at the end of the financial year amounted to MSEK 5,864 (4,915). During the year, the value of the portfolio has been positively affected by currency translation, as the Swedish krona weakened significantly during the year, particularly against the USD, which is the dominant transaction currency in Swedfund's investment portfolio. The estimated positive effect on the portfolio value from currency translation is approximately 8%, corresponding to just over MSEK 400 relative to the value at the start of the year. Most of the growth in the value of

the portfolio during the year came from new contracted investment volumes. At the end of 2021, the return in the investment portfolio expressed in IRR amounts to 5.4%. The return is calculated in USD, which is the main transaction currency, and concerns the total portfolio with the 2013 investment year as the base year.

### INVESTMENTS

#### *Energy & Climate sector*

During the year, Swedfund continued to invest in the Energy & Climate sector based on the strategic decision to invest exclusively in renewable energy sources. The availability of cost-effective, reliable and sustainable energy is one of the UN's global goals for sustainable development. Normally, the technical conditions for energy supply through renewable sources are very good in developing countries, but many energy projects cannot be implemented due to a lack of knowledge or funding. As a proportion of Swedfund's investment portfolio, the Energy & Climate sector continued to grow in 2021 and at the end of the period, the sector corresponds to 38% of the portfolio's total contracted value. Five (5) investments were agreed during the year. These are presented below:

- Swedfund has agreed to further increase its commitment up to an additional MEUR 15 in the Interact Climate Change Facility (ICCF). Together with most other development finance institutions within EDFI, Swedfund has been investing in the platform for more than ten years. ICCF invests widely in renewable energy and energy efficiency projects in Africa and Asia in particular.
- A new investment in Dolma Impact Fund II was agreed during the second quarter of 2021. This fund is entirely focused on investments in Nepal and has a sector focus on renewable energy as well as health and technology. Dolma Impact Fund II represents Swedfund's first investment in Nepal and has a total contracted commitment of up to MUSD 10.
- The Susi Asia Energy Transition Fund has a geographical focus on a number of countries in Southeast Asia and invests widely in renewable energy projects, as well as solutions for energy efficiency and the storage of energy. Swedfund entered into an agreement with the fund during the second quarter of 2021, with a total commitment to invest up to MUSD 15.
- Another fund investment was agreed during the second quarter where Swedfund participated in the first closure of Africa Renewable



Energy Fund II (AREF II). This fund focuses on renewable energy projects, primarily in hydropower and solar energy. Its geographical focus is on sub-Saharan Africa, with a high proportion of its projects expected to be in the DAC 1 countries Uganda, Zambia and Madagascar. Swedfund has agreed to invest up to MUS\$ 15 in AREF II.

- During the third quarter, an additional investment was agreed in the existing portfolio company d.light, in which Swedfund has been a shareholder since 2018. The additional investment in d.light relates to a convertible loan of up to USD 1.4 million.

### **Financial Inclusion sector**

In developing countries, small and medium-sized enterprises are responsible for the majority of jobs and are thus a driving factor in the economic and social development of the countries concerned. A shortage of funding is one of the most limiting factors as regards the ability of these enterprises to grow. Swedfund's investments in financial institutions and funds in these markets are helping to boost financial inclusion through lending and the provision of venture capital to enterprises and entrepreneurs. The sector's share of Swedfund's investment portfolio remains at around 54% at the end of the financial year. During 2021, three (3) investments were agreed in the Financial Inclusion sector:

- Credit Access Grameen is one of India's leading microfinance institutions and focuses on loan products aimed at female micro and small business owners in rural areas where access to banks and financial services is limited. During the third quarter of 2021, Swedfund entered into a loan agreement of up to MUS\$ 25 with Credit Access.
- During the fourth quarter, Swedfund entered into a loan agreement of up to a total of MUS\$ 20 with Five-Star Business Finance, which is a financial institution in India. Five-Star is primarily geographically focused on the southern regions of India, and its commercial operations focus on loans to small and micro-enterprises.
- A fund investment was agreed during the fourth quarter through a commitment for Swedfund to invest up to USD 10 million in TIDE Africa Fund II (TIDE). TIDE is a Venture Capital (VC) fund focusing on Africa, where the strategy involves entering as an early investor in growth companies in a range of industries which use digitalisation/technology to create innovative business models.

### **Health sector**

In developing countries, around 400 million people have no access to basic health care and the quality of care is often poor. This is in part due to a shortage of qualified doctors and medical personnel, infrastructure and medicines. As a proportion of Swedfund's investment portfolio, the Health sector amounts to 8% at the year-end. During 2021, Swedfund agreed two (2) investments in the Health sector:

- HealthQuad Fund II is a fund which invests in small and medium enterprises with innovative business models in the health sector in India. Swedfund became an investor and unit-holder in the fund in 2020 and entered into an agreement during the fourth quarter of 2021 to increase its commitment by an additional MUS\$ 5. After the supplementary agreement, Swedfund's overall investment in Health-Quad II therefore amounts to a total commitment of MUS\$ 15.
- Medical Credit Fund II (MCF) is a credit fund which focuses on loan products primarily aimed at small and medium-sized primary

care clinics in a number of countries in East and West Africa. MCF helps to bridge a critical gap in access to quality healthcare at affordable prices, with many of the services offered by MCF borrowers being targeted at women and children. During the fourth quarter of 2021, Swedfund entered into a loan agreement with MCF to lend up to MEUR 5 to the fund.

### **DIVESTMENTS**

During the year, eleven (11) portfolio holdings were fully exited, including seven equity investments, two funds and two loans

#### **Disposals of shares and participations**

- The shareholding in Eskaro Ukraine AB, a paint manufacturing company with operations in Ukraine, was exited through the sale of all equity during the second quarter. The sale resulted in a certain capital gain which is included in the profit for the year.
- The remaining equity in FUND CEF III was divested during the third quarter, resulting in a small capital loss.
- The shareholding in Addis Cardiac Hospital (ACH), in which Swedfund has been a partner since 2006, was divested during the third quarter. Swedfund's equity was sold to another existing shareholder after a process of external valuation and pricing within the valuation range, with only a marginal impact on the capital gain for the year.
- Swedfund has been a shareholder in Deacons Kenya Ltd since 2010. Deacons has ceased operating and is now in administration with the aim of liquidating the company. Swedfund does not consider that the investment can be classified as a portfolio holding, as the company is no longer active and there are no assets of any significant value, nor any scope to exert any influence as an owner. The liquidation of Deacons as a portfolio holding had no impact on the capital gain for the year.
- ECP Africa Fund II made its last divestment of holdings in the fund during the fourth quarter, and Swedfund therefore sees the investment as having been exited. During 2021, ECP II contributed a small capital gain to the profit for the year.
- Africap II was created as a microfinance fund/investment company and has ceased to operate. It also has no remaining assets of any significant value. Swedfund therefore sees the investment as having been exited and no longer an active portfolio holding. The winding up of Africap II had no impact on the profit for the year.
- Athi River Steel Plant Ltd operates a steel mill in Kenya, and Swedfund has invested in the company both as a shareholder and through a shareholder loan. Athi River has been in administration for a number of years, and the business is being run by a trustee. As Swedfund lacks access and scope to exert any influence and the equity is of no value, the investment in Athi River is considered to be discontinued. The winding up of Athi River has not had any impact on the capital gain for the year.
- The shareholding in Ontur International SA, which operates a port terminal in Uruguay, was divested during the fourth quarter through a sale to two of the other existing owners. Swedfund has had a holding in Ontur since 2005, and the sale had a marked positive effect on this year's capital gain.
- The shareholding in the Indian healthcare company Medica Syner-

gie was divested through a sale during the fourth quarter. Swedfund has been a co-owner of Medica since 2013 through a co-investment in a holding company (Orilus Investment Holding Pte Ltd) together with the fund manager Quadria Capital. The transaction contributed strongly to the year's positive capital gain from divestments of shares and participations.

### **Settlement of loans**

During 2021, two loan investments were wound up in their entirety:

- The loan to Ecobank Nigeria was terminated in its entirety during the second quarter, after the borrower requested early redemption of the remaining outstanding loan amount.
- The loan to NMB Tanzania was repaid in full during the third quarter in accordance with the loan agreement.

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

## **Earnings performance**

### **ECONOMIC OBJECTIVES**

Swedfund's financial targets were adopted in 2019 and stipulate that operating profit (EBIT) should be positive when measured as a mean over a five-year period. The goal requires the company's operations to be financially sustainable and to be cost-effective for taxpayers. The economic goal is a long-term goal and must be evaluated over an extended period of time. Swedfund reports a significant positive operating profit for 2021. However, as the operating profit was strongly negative last year, Swedfund has not yet achieved the company's economic goals after the current financial year.

EBIT for the 2021 financial year amounted to MSEK 197.1 (-372.6). The strong result for the year was primarily influenced by the positive effects of the capital gains from shares and participations, as well as the impact of currency effects, the majority of which concern unrealised currency effects in Swedfund's loan portfolio and currency effects which are included in the revaluation of shares and participations. The overall impact on the profit during the year of currency translation is of the order of MSEK 125, compared with just under MSEK -200 during the previous year. Operating income and cash flow from operations before changes in working capital remained positive in 2021, with recurring income from dividends and net interest income more than covering Swedfund's operating expenses. Given the limited size of the investment portfolio, individual transactions and currency effects can have a significant impact on EBIT, which can thus fluctuate significantly, both negatively and positively, both between quarters and between years.

### **COMMENTS ON THE RESULTS OF INVESTMENT ACTIVITIES**

A total of eleven holdings in the portfolio were fully exited during the year, including seven equity investments, two funds and two loans. Swedfund's overall net income from investment activities amounted to MSEK 284.1 (-292.0) during the financial year. The weakening of the Swedish krona against the USD in particular had a positive impact on the development of earnings through unrealised currency effects in connection with the valuation of the holdings in the portfolio, which for the loan portfolio is included separately on the currency effects line

in the profit and loss statement, while currency effects for shares and participations are included in net impairments in the same statement.

### **Shares and fund units**

Swedfund's investment activities generated dividends of MSEK 29.3 (45.0) during 2021. Earnings from dividends included a large retrospective dividend from a previously exited shareholding, which is the main explanation for the lower outcome in 2021.

Net capital gains from the sale of shares and participations for the full year 2021 amounted to MSEK 97.3 (53.4). The transactions during the year with the greatest impact on capital gains originate from the divestments of the equity holdings in Orilus Investment Holding Pte Ltd (Medica Synergie), Ontur International SA and Eskaro Ukraine AB. In addition to these equity divestments, partial sales in a number of funds also had a net positive impact on the overall capital gain for the year.

### **Net interest income**

Loans receivable in the investment portfolio had a book value at the year-end of MSEK 1,560 (1,328), while borrowing from the Swedish Export Credit Corporation relating to currency hedging amounted to MSEK 607 (820). Net interest income for the full year 2021 amounted to MSEK 84.8 (85.4), corresponding to a reduction of -1% compared with the previous year. During 2021, the impacts of currency and lower market interest rates also had a negative effect on net interest income compared with the previous year.

At the end of 2019, Swedfund began implementing a new strategy for the management of currency risks. According to this strategy, no new protective positions will be taken up in order to hedge loans receivable in the investment portfolio against Swedish kronor. During 2021, net interest income was positively impacted by lower interest costs as the outstanding balance of borrowings has been amortised.

### **Other portfolio income and portfolio costs**

Other portfolio income refers, for example, to board fees in portfolio companies. Portfolio costs refer to direct costs attributable to active projects and investments e.g. legal expenses and costs associated with due diligence.

### **Currency effects**

Recognised currency effects for the full year 2021 amounted to MSEK 61.0 (-40.1). The profit and loss line contains both realised currency gains and losses, as well as unrealised currency effects for loans receivable, which were strongly affected by the weakening of the Swedish krona during the latter part of 2021. Given the strategy to cease hedging loans receivable, volatility will increase in recognised exchange rate effects and broadly follow fluctuations in the currency market between Swedish krona and the USD in particular.

### **Impairments (measured at fair value) and credit losses**

Swedfund operates in difficult geographical markets, whilst the size of the portfolio is limited. For the valuation of shares and mutual fund shares (including holdings in group companies, associates and joint ventures), Swedfund follows IFRS through the application of RFR2. This means that impairment occurs in the income statement

in cases where the fair value is less than the book value. This can lead to substantial variations in net impairments between different reporting periods. If an overvalue compared with the acquisition value can be shown when measuring fair value, this surplus value is reported in the notes. As of 31 December 2021, the unrealised surplus value amounted to MSEK 403 (368); see also Note 22.

For the 2021 financial year, impairment losses on shares and fund units (net) amounted to MSEK 35.8 (-353.6). Unlike the previous year, the impact from currency translation was positive in 2021, being estimated to have affected net impairments by MSEK +64, which when combined with underlying valuation changes, gives a total write-up of SEK 35.8 million. Compared with the previous year, there were relatively limited changes in 2021 in underlying valuations of Swedfund's shares and participations.

Valuation of loans in accordance with IFRS 9 was charged to the profit and loss statement for 2021 with expected credit losses of MSEK -17.1 (-78.1). There were no stage changes within Swedfund's loan portfolio during the year (see Note 1 and Note 22 for more information), and the negative earnings effect from anticipated credit losses is attributable to new loans in a growing portfolio and to a holding that has already shown an elevated credit risk. Amortisations and interest payments were generally received in accordance with agreed instalment plans during the year as regards portfolio holdings in stage 1.

#### COMMENTS ON OPERATING PROFIT (EBIT) AND FINANCIAL EXPENSES

Swedfund's operating profit (EBIT) for 2021 amounted to MSEK 197.1 (-372.6). The positive result was primarily influenced by the effects of currency translation and a positive outcome from divestments in shares and participations. Operating income and cash flow were also positive during 2021, with recurring income from net interest income and dividends exceeding operating costs.

#### Other operating income and expenses

Other operating income and expenses refers to the activities of Swed-partnership, Technical Assistance and the Swedfund Project Accelerator, which are funded through separate grants. Net, these revenues and expenses amounted to MSEK 0 (0) for the 2021 financial year. Swedfund's costs are normally covered in full by the appropriation, which means that these operations do not have a direct impact on the company's financial results.

#### Other external costs and personnel costs

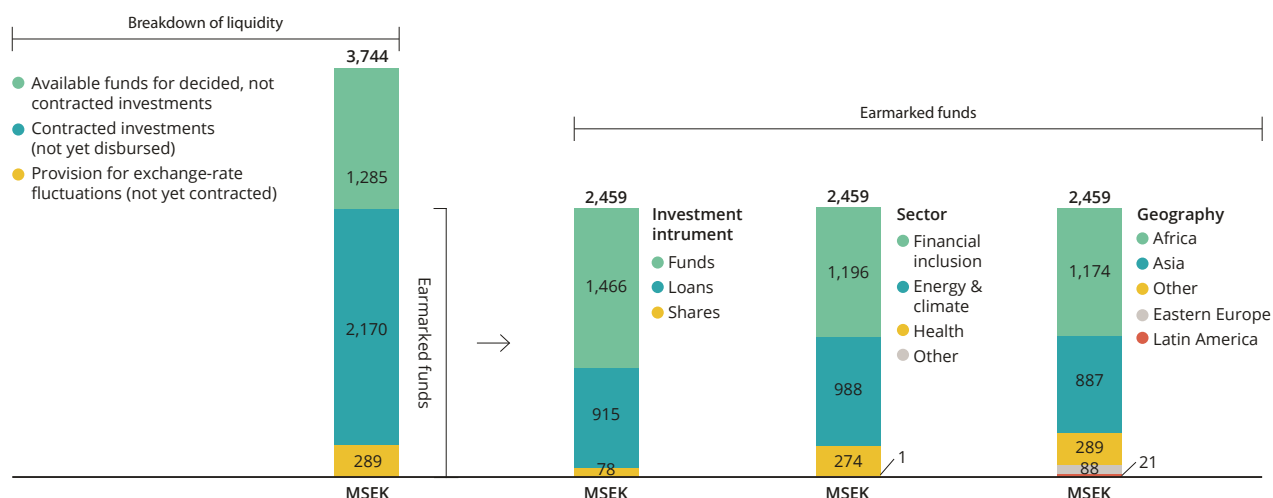
The company's other external costs were virtually unchanged from the previous year and amounted to MSEK -25.1 (-24.9) for the 2021 financial year.

Personnel costs in 2021 amounted to MSEK -61.4 (-55.2), with the increase primarily being explained by wage inflation and continued growth in the average number of employees.

#### Other financial items

Net income from other financial items for 2021 amounted to MSEK 46.5 (-2.9) and is attributable to Swedfund's financial management in the form of cash and cash equivalents and interest bearing securities. Surplus liquidity is managed in low risk securities in accordance with the Company's financial policy. In addition, a proportion of the surplus liquidity is pledged as collateral for loans from Svensk Exportkredit (taken up with the aim of hedging currency risks). During the year, a gradual transition saw more surplus liquidity in fixed-income securities being placed in the corresponding currency to Swedfund's contractual commitments. As a result, a certain proportion of liquidity management has now primarily been placed in USD interest-bearing investments, which has led to positive translation effects from currency, which explains the year's positive net income from other financial items.

#### DISTRIBUTION OF OWN FUNDS AS OF 31.12.2021, MSEK





## TAXES

Since 2018, Swedfund has also had an ongoing tax case in Kenya concerning whether Swedfund local operations are to be considered as a permanent establishment and thus subject to taxation in Kenya. The tax authorities in Kenya (KRA) did not reach a decision on the matter in 2021. With the support of external advisors, Swedfund has calculated and reserved a tax liability that is considered to correspond to the exposure. See also Note 10 for calculation of reported tax.

## Financial position

With the exception of Swedpartnership, Technical Assistance and Swedfund Project Accelerator which are funded through appropriations, Swedfund is financed through equity, i.e. capital injections and accumulated profits. The financial position is good and the equity/assets ratio was deemed as 89% (85) as of December 31, 2021.

To limit the company's currency risks in connection with lending in foreign currency, Swedfund has historically hedged currency risks through corresponding borrowing from the Swedish Export Credit Corporation (SEK). Outstanding loans receivable amounted to MSEK 607 (820) as of 31 December 2021, of which MSEK 183 (264) pertained to short-term borrowings. As collateral for its borrowing, Swedfund has made interest bearing securities of MSEK 818 (1,173) in pledges. In 2019, Swedfund's board of directors adopted a new strategy for managing currency risks, according to which no new positions are taken in order to hedge loan investments against the Swedish krona. Remaining borrowing is expected to largely be amortised as planned over the next three years.

Swedfund's liquid assets, including interest bearing securities, amounted to MSEK 4,803 (4,213) as of 31 December 2021, of which MSEK 3,744 (2,841) related to funds that Swedfund has at its disposal. These funds, also referred to as "own funds", are allocated as illustrated on the previous page. Reserved "earmarked funds" for contracted investments, including the reserve for exchange rate fluctuations, amounted to MSEK 2,459 (1,850) at the end of 2021.

Liquid assets are reserved for contracted investments to enable the Company to fulfil its commitments in connection with payments. Contracted investments are often disbursed in instalments over a number of years, particularly as regards investments in funds. The "earmarked funds" are distributed according to form of investment, sector and geographically, as illustrated on the previous page.

## Cash flow

Cash flow for the year from operating activities, before changes in working capital, remains positive with growth and amounted to MSEK 67.2 (45.3). Including the changes in working capital, cash flow from operating activities amounts to MSEK -21.7 (47.0), with a sales transaction at the end of the year resulting in a large increase in operating receivables. Cash flow from investment activities amounted to MSEK -166.8 (-288.0) and shows further strong activity with the acquisition of new financial fixed assets which exceed disposals. Cash flow from financing activities amounted to MSEK 1,091.6 (958.4), with this year's capital injection of MSEK 1,000 accounting for the majority. Total cash flow for the year amounted to MSEK 903.1 (717.4).

## Personnel

The average number of employees in 2021 was 52 (46). On average, 48 employees work at the office in Stockholm and four at the office in Nairobi, Kenya. See also Note 6.

## Risks

As a development finance institution, risk is pivotal to our business. Swedfund invests in countries and areas where the risks are more numerous and potentially more serious than they are in developed markets. Read more about risks and risk management in Swedfund's operations on pages 48-51 and about financial risks in Note 21.

## Corporate governance

In accordance with the annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"), a special Corporate Governance Report with a section on internal control has been prepared. The Corporate Governance Report is attached to this integrated report on pages 137-142.

## BOARD OF DIRECTORS

At the annual general meeting held on 29 April 2021, Göran Barsby, Fredrik Arp, Kerstin Borglin, Torgny Holmgren, Daniel Kristiansson, Catrina Ingelstam and Roshni Motman were re-elected. Jonas Eriksson was newly elected to the board at the same time as Mikael Sandström resigned as a board member. Göran Barsby was re-elected chair of the board.

## Proposal for allocation of profit

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

	2021
The following funds are at the disposal of the annual general meeting:	
Accumulated profit/loss	5,503,541,305
Capital injection	1,000,000,000
Profit/loss for the year	220,220,174
	<b>6,723,761,479</b>
The board of directors proposes that the funds available to the annual general meeting be allocated so that:	
To be carried forward	6,723,761,479
	<b>6,723,761,479</b>



# INCOME STATEMENT

Amounts in SEK (thousands)	Note	2021	2020
<b>Shares and fund units</b>			
Dividends received	3, 4	28,075	44,970
Sales proceeds	3, 4	312,162	142,361
Acquisition cost of disposed of shares and fund units	4	-214,632	88,960
<b>Income from shares and fund units</b>		<b>125,606</b>	<b>98,371</b>
<b>Group companies, associates and joint ventures</b>			
Dividends received	3, 4	1,204	-
Sales proceeds	3, 4	2,800	-
Acquisition cost sold equity	4	-3,000	-
<b>Income from group companies, associates and joint ventures</b>		<b>1,004</b>	<b>-</b>
<b>Interest Income and expenses</b>			
Income from interest	3	92,530	108,230
Interest expenses		-7,744	-22,785
<b>Income from interest-bearing instruments</b>		<b>84,787</b>	<b>85,445</b>
<b>Other portfolio income and portfolio costs</b>			
Other Portfolio Income	3	341	1,062
Other Portfolio Expenses		-7,282	-5,159
Currency effects		60,972	-40,130
<b>Income from other portfolio income and portfolio costs</b>		<b>54,030</b>	<b>-44,227</b>
<b>Write-downs and loan losses</b>			
Write-downs of shares and fund units, net		53,827	-243,666
Write-downs of group companies, associated companies and joint ventures, net		-17,999	-109,894
Write-downs for loan losses, net		-17,116	-78,067
<b>Result from write-downs and loan losses</b>		<b>18,712</b>	<b>-431,626</b>
<b>INCOME FROM INVESTMENT ACTIVITIES</b>		<b>284,138</b>	<b>-292,038</b>
<b>Other operating income</b>			
Other operating income	3, 5	38,566	48,196
<b>Operating expenses</b>			
Other external costs	7, 8	25,099	-24,855



Amounts in SEK (thousands)	Note	2021	2020
Personnel costs	6	-61,407	-55,176
Other operating expenses	5	-38,566	-48,196
Depreciation of non-current assets	11	-502	-493
<b>Result from other operating income and expenses</b>		<b>-87,008</b>	<b>-80,524</b>
<b>OPERATING PROFIT (EBIT)</b>		<b>197,130</b>	<b>-372,562</b>
<b>Results from other financial items</b>			
Other financial income	9	50,466	-
Other financial expenses	9	-3,949	-2,940
<b>Results from other financial items</b>		<b>46,517</b>	<b>-2,940</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>243,647</b>	<b>-375,503</b>
<b>PROFIT/LOSS BEFORE TAX</b>		<b>243,647</b>	<b>-375,503</b>
Tax on profit/loss for the period	10	-23,427	292
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>220,220</b>	<b>-375,211</b>
<b>The Company's Statement of Comprehensive Result</b>			
Profit/loss for the period		220,220	-375,211
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>220,220</b>	<b>-375,211</b>

# BALANCE SHEET

## Assets

Amounts in SEK (thousands)	Note	31.12.2021	31.12.2020
<b>FIXED ASSETS</b>			
<b>Non-current assets</b>			
<i>And and buildings</i>			
Improvement expenditure on leasehold	11	-	447
<i>Tangible fixed assets</i>			
Equipment	11	13	69
<b>Total</b>		<b>13</b>	<b>515</b>
<b>Financial fixed assets</b>			
Equities and mutual Fund shares	12, 22, 23	1,703,940	1,521,005
Participations in group companies, associates and joint ventures	13, 22, 23	27,300	48,093
Loans receivable	14, 15, 22, 23, 27	1,559,605	1,328,498
Endowment insurance	22, 23	414	614
Other long-term securities	17, 22, 23	707	298
Deferred tax assets	10	721	721
<b>Total</b>		<b>3,292,687</b>	<b>2,899,228</b>
<b>Total fixed assets</b>		<b>3,292,700</b>	<b>2,899,744</b>
<b>CURRENT ASSETS</b>			
Current receivables	22, 23	2,993	2,391
Other receivables	18, 22, 23	9,883	27,607
Prepaid expenses and accrued income	19, 22, 23	112,117	29,809
<b>Total</b>		<b>124,993</b>	<b>59,807</b>
Interest bearing securities	20, 22, 23, 27	4,406,734	3,525,513
Cash and bank balances	22, 23, 27	378,615	661,818
Retained funds on behalf of others	22, 23, 27	17,764	25,597
<b>Total</b>		<b>4,803,112</b>	<b>4,212,928</b>
<b>Total current assets</b>		<b>4,928,106</b>	<b>4,272,735</b>
<b>TOTAL ASSETS</b>		<b>8,220,806</b>	<b>7,172,479</b>

## Equity and liabilities

Amounts in SEK (thousands)	Note	31.12.2021	31.12.2020
<b>EQUITY</b>			
Share capital		50,000	50,000
Statutory reserve		540,000	540,000
<b>Total</b>		<b>590,000</b>	<b>590,000</b>
Accumulated profit/loss		6,503,541	5,878,752
Profit/loss for the period		220,220	-375,211
<b>Total</b>		<b>6,723,761</b>	<b>5,503,541</b>
<b>Total equity</b>		<b>7,313,761</b>	<b>6,093,541</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Provision for pension obligations	25	414	614
Other provisions	15, 26, 27	3,673	2,324
<b>Long-term liabilities</b>			
Liabilities to credit institutions	22, 23	424,614	555,963
<b>Total</b>		<b>428,700</b>	<b>558,901</b>
<b>CURRENT LIABILITIES</b>			
Liabilities to credit institutions, short-term part	22, 23	182,626	263,877
Accounts payable	22, 23, 28	1,983	3,602
Tax liabilities	28	26,939	3,557
Other liabilities	22, 23, 28	28,814	61,090
Accrued expenses and deferred income	22, 23, 29	237,982	187,910
<b>Total</b>		<b>478,344</b>	<b>520,036</b>
<b>Total provisions and liabilities</b>		<b>907,045</b>	<b>1,078,937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,220,806</b>	<b>7,172,479</b>



# STATEMENT OF CHANGES IN EQUITY

Amounts in SEK (thousands)	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Accumulated profit/loss	Profit for the year	
OPENING EQUITY AS OF 01.01.2020	50,000	540,000	5,038,133	40,619	5,668,752
Reversal result previous year	-	-	40,619	-40,619	-
Profit/loss for the period	-	-	-	-375,211	-375,211
Other comprehensive income for the year	-	-	-	-	-
Comprehensive net income for the year	50,000	540,000	5,078,752	-375,211	5,293,542
Capital contribution	-	-	800,000	-	800,000
Total transactions with owners	-	-	800,000	-	800,000
Closing shareholders' equity as of 31.12.2020	50,000	540,000	5,878,752	-375,211	6,093,541
OPENING EQUITY AS OF 01.01.2021	50,000	540,000	5,878,752	-375,211	6,093,541
Reversal result previous year	-	-	-375,211	375,211	-
Profit/loss for the period	-	-	-	220,220	220,220
Other comprehensive income for the year	-	-	-	-	-
Comprehensive net income for the year	50,000	540,000	5,503,541	220,220	6,313,761
Capital contribution	-	-	1,000,000	-	1,000,000
Total transactions with owners	-	-	1,000,000	-	1,000,000
Closing shareholders' equity as of 31.12.2021	50,000	540,000	6,503,541	220,220	7,313,761

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

# CASH FLOW STATEMENT

Amounts in SEK (thousands)	Note	2021	2020
<b>Ongoing activities</b>			
Profit/Loss after financial items		243,647	-375,503
Adjustment for non-cash items	32	-174,369	422,883
Income tax paid		-2,091	-2,058
<b>Cash flow from operating activities before changes in working capital</b>		<b>67,187</b>	<b>45,322</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		-82,671	12,700
Increase (+)/Decrease (-) in operating liabilities		-6,201	11,068
<b>Cash flow from operating activities</b>		<b>-21,686</b>	<b>46,954</b>
<b>Investment activities</b>			
Acquisition of financial Fixed assets (-)		-481,789	-727,859
Sales of financial fixed assets (+)		314,962	439,842
<b>Cash flow from investment activities</b>		<b>-166,827</b>	<b>-288,017</b>
<b>Financing operations</b>			
Capital contribution		1,000,000	800,000
Loans taken up (+) / Amortised (-) <sup>1</sup>		-263,444	-356,477
Change in blocked funds		355,056	514,892
<b>Cash flow from financing activities</b>		<b>1,091,612</b>	<b>958,415</b>
<b>Cash flow for the year</b>		<b>903,099</b>	<b>717,352</b>
<b>Cash and cash equivalents at the beginning of the year<sup>2</sup></b>		<b>2,840,865</b>	<b>2,123,513</b>
<b>Cash and cash equivalents at the end of the year<sup>2</sup></b>		<b>3,743,964</b>	<b>2,840,865</b>

<sup>1)</sup> Concerns amortisation of loans taken out in SEK intended for hedging of currency risks in connection with lending in investment activities.

See also the section on Financing activities on page 7.

<sup>2)</sup> This item has been reduced by bank account under Pledged assets and by liquid assets relating to Swedpartnership, TA funds and Swedfund Project Accelerator.

# NOTES

## NOTE 1 | SIGNIFICANT ACCOUNTING POLICIES

### Introduction

This report concerns Swedfund International AB (556436-2084), which is a limited company registered in Sweden with its head office at Drottninggatan 92-94, SE-103 65 Stockholm, Sweden.

On 22 March 2022, the board of directors approved this annual report, which will be presented to the annual general meeting on 26 April 2022.

### Basis of accounting

Swedfund International AB has produced this annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU. In addition, the standards of the Swedish Financial Reporting Board and its recommended RFR 2 Supplementary Accounting Rules for Legal Entities have also been applied. Thus, in accordance with RFR 2, Swedfund applies a series of exemptions from IFRS based on the relationship between taxation and accounting in the Annual Report Act (1995:1554) – ÅRL.

Swedfund does not produce consolidated financial statements in accordance with ÅRL Chapter 7, § 3, (a) where the holdings of subsidiaries are considered to be of non-material importance.

### Changes in accounting policies

Changes to standards during 2021 have not had a significant impact.

### Classification

Fixed assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

### Functional currency

The Company's functional currency is the Swedish kronor (SEK), which is also its reporting currency. All amounts are in SEK thousands unless otherwise stated. Functional currency is the currency of the primary economic environments in which the companies conduct their business.

### Transactions in foreign currency

Transactions in foreign currencies are translated into Swedish kronor at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are converted into Swedish

kronor at the exchange rate on the balance sheet date. Exchange-rate differences arising from translation are reported in Profit/Loss for the Year. Non-monetary assets and liabilities that are reported at historical acquisition value are translated at the exchange rate prevailing on the transaction date.

### State development cooperation

Swedfund has received government grants for development cooperation (framework grants) for Swedpartnership (to SMEs), Technical Assistance (technical assistance) and Swedfund Project Accelerator (support for project preparatory efforts).

Assets under management are recognised in the balance sheet (cash, receivables from recipients and liabilities to the grantor) until the operations/projects are completed.

See also below in the section, Income.

### Cash flow statement

The cash flow statement is prepared according to the indirect method. 'Cash and cash equivalents' means short-term investments and bank balances, excluding loans pledged and liquid assets within Swedpartnership, Technical Assistance and Swedfund Project Accelerator.

### Revenue

Swedfund applies IFRS 15 regarding revenue accounting. IFRS 15 deals with the accounting of revenue from contracts with customers and the sale of certain non-financial assets. It superseded IAS 11 Construction contracts and IAS 18 Revenue together with related interpretations. The new standard entails a new revenue recognition model based on when the control of a product or service is transferred to the customer and revenue being accounted for in an amount that reflects the remuneration that the Company would be expected to be entitled to receive in exchange for the product or service. Swedfund's application of revenue recognition in accordance with IFRS 15 makes no material difference compared with the previous standard.

Swedfund is an investment company whose operations consist mainly of the acquisition, development and sale of shares and participations in, and loans to, listed and unlisted companies. The main revenue consists of dividends, proceeds from the sale of shares and participations and interest income.

Other operating income consists of an administrative fee to cover administrative expenses for the management of state development cooperation for the establishment by means of a depreciation loan to Swedish small and medium-sized companies within the Swedpartnership (SWP). As Swedfund work is carried out continuously, income is reported according to a linear method.



## Note 1 (cont.)

In addition, revenues attributable to government grants for Technical Assistance (TA) and Swedfund Project Accelerator (SPA) are included. Revenue is based on actual consumed resources. The Production method is thus used as a method for calculating performance commitments. Appropriations are systematically accrued in the profit or loss for the Year in the same way and over the same periods as the costs that contributions are intended to compensate for.

### Income from shares and fund units

Dividends received from shares and fund units are reported in the item "Dividends received" when the right to receive payment is determined. Income from share sales and dividends pertains to the Company's equity and fund holdings.

Sales proceeds are recognised when the transfer is made in accordance with the terms of sale and the amount the liquidity is expected to be received.

### Income from participations in group companies, associates and joint ventures

Dividends received from participations in group companies, associates and joint ventures are recognised under the item "Dividends received" when the right to receive payment is determined. Proceeds from sales and dividends relate to the Company's shareholdings.

Sales proceeds are recognised when the transfer is made in accordance with the terms of sale and the amount the liquidity is expected to be received.

### Income from interest-bearing instruments

Income from interest-bearing instruments refers to interest income and expenses related to loan receivables and liabilities to credit institutions. Liabilities to credit institutions refers to borrowings to protect the Company from exchange rates fluctuations.

The Item Capital Gain from interest-bearing instruments includes any realised changes in value and any interest compensation from early repayment.

Interest income on receivables and interest expenses on liabilities is calculated and reported using the effective interest method. The Effective Interest Rate is the interest rate that means that the present value of all estimated future receipts and disbursements during the expected fixed-rate period will be equal to the initial carrying amount of the receivable or liability. Interest income and expenses include, where appropriate, accrued fees received that are included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the initial value of the receivable/liability and the amount settled at maturity. Interest income is calculated using the effective interest method on gross amounts, i.e. excluding reserves for expected credit losses, except for credit-impaired assets (Stage 3 or issued credit-impaired assets).

### Leases

The Company's leasing agreements are reported according to the exception in RFR 2 as operating lease. Payments made during the leasing period (less any incentive from the lessor) are expensed in the income statement linearly over the lease term. Any benefits received

in connection with the signing of an agreement are reported in the Profit/Loss for the Year as a reduction of the leasing charges linearly over the term of the leasing contract. Variable fees are expensed in the periods they arise.

The Company is not a lessor.

### General Administrative expenses

General administrative expenses are expensed continuously in the period to which they relate and cover.

### Salaries and other compensation to employees

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

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

Swedfund also has a limited commitment in predetermined pension plans. Swedfund does not apply IAS 19 Remuneration to employees for defined benefit pensions. Instead the simplification rule in RFR 2 applies. Defined Benefit Pension plans relate to pension obligations secured through endowment insurance. Pension Obligations are reported as provision for pensions and endowment insurance is recognised as a financial fixed asset.

### Taxes

The Year's Tax consists of current tax and deferred tax. Taxes are recognised in the income statement except where the underlying transaction is recognised in other comprehensive income or directly against equity when the associated tax effect is also reported in this place.

Current tax is the tax calculated on the taxable income for the period. The taxable profit differs from the reported result by adjusting it for non-taxable and non-deductible items. Current tax is tax payable or receivable for the current year and may be adjusted for current tax attributable to prior periods.

Deferred tax is reported on the difference between the carrying amounts and the tax values of assets and liabilities. Changes in the reported deferred tax asset or liability are recognised as an expense or income in the income statement except when the tax is attributable to items recognised in other comprehensive income or directly to shareholders' equity.

### Subsidiaries

Group Companies (Subsidiaries) are companies that are under a controlling influence from Swedfund International AB. A controlling influence exists if Swedfund International AB has an influence over the investment object, is exposed to or has the right to receive variable returns from its involvement and is able to exercise its control over the investment to influence yields. When assessing whether or not a controlling influence exists, potential voting shares are taken into account, as well as whether "de facto control" exists.

Note 1 (cont.)

## Associated companies and joint ventures

An associate is an enterprise over which the Company has significant influence but does not exert any definite control over its operational and financial management. This is normally brought about by the Company's shareholdings facilitating between 20 and 50% of the voting power. From the date on which significant influence is attained, equity in associates are recognised according to the acquisition value method. For example, significant influence may involve participation by the investor in decisions relating to the financial and operational strategies of an enterprise, but does not imply control or joint control of these strategies.

A "joint venture" is a cooperative arrangement where the parties with joint control are entitled to the arrangement's net assets. The shares are recognised according to the acquisition value method.

## Financial instruments

Within the framework of RFR 2, accounting in a legal person, there is a choice of applying IFRS 9 to its fullest extent or applying a recognition based on acquisition value. Swedfund has chosen to report financial instruments according to the acquisition value method.

A financial instrument is recognised in the balance sheet when the Company becomes a party under the contractual terms of the instrument. Financial instruments reported in the statement of financial position include, on the asset side, liquid funds, loan receivables, accounts receivable and financial investments. The liability side contains accounts payable, loan liabilities and other liabilities.

A financial asset is removed from the balance sheet when the rights in the contract are realised, have expired or the Company loses control of them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability.

A financial asset and a financial liability are offset and accounted for with a net amount in the balance sheet only where there is a legal right to offset the amounts as well as there being an intention to regulate the items with a net amount or to simultaneously realise the asset and settle the debt.

## CLASSIFICATION AND VALUATION

Financial instruments are initially recognised at acquisition value corresponding to the fair value of the instrument plus transaction costs. A financial instrument is classified on initial recognition based on, inter alia, the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued following initial recognition.

The Company recognises financial instruments within the following categories:

- Shares and fund units
- Participations in group companies, associates and joint ventures
- Loans receivable
- Other long-term securities
- Short-term investments
- Cash and bank balances
- Other financial liabilities

Acquisitions and divestments of financial assets are recognised on the transaction date. The transaction date constitutes the date on which the enterprise commits to acquire or divest itself of the asset.

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

Where these instruments constitute short-term investments, accounting is based on the lowest value principle by reporting the lower of the acquisition value and fair value. Other financial assets are recognised at acquisition value, or amortised acquisition value, less impairments for expected credit losses.

## SHARES AND FUND UNITS

Shares and fund units are valued at acquisition value less any impairment losses based on fair value.

Any surplus values for shares and fund units which, when measuring fair value, show a fair value exceeding acquisition value are presented in Note 22.

## OTHER LONG-TERM SECURITIES

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

## LOANS RECEIVABLE

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

## INTEREST BEARING SECURITIES

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

## CASH AND BANK BALANCES

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

## OTHER FINANCIAL LIABILITIES

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

Note 1 (cont.)

## EFFECTIVE INTEREST RATE AND EFFECTIVE INTEREST METHOD

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

The Effective Interest Rate is the interest rate that accurately discounts the estimated future receipts and disbursements over the expected maturity period of the financial asset or financial liability to the initially reported gross value of a financial asset or to the accrued acquisition value of a financial liability. In calculating the effective interest rate, an enterprise shall estimate expected cash flows by taking into account all contractual terms of the financial instrument (such as options for early redemption, renewals, purchases and the like) but shall not take into account expected credit losses. The calculation includes all charges and items paid or received by the contracting parties, which are an integral part of the effective interest rate, transaction costs and any other premiums or discounts. It is assumed that the cash flows and expected maturity period of a group of similar financial instruments are able to be estimated reliably. However, in those rare cases where it is not possible to reliably estimate cash flows or residual maturity of a financial instrument (or a group of financial instruments), the enterprise shall use the contractual cash flows over the entire term of the financial instrument (or the group of financial instruments). The Effective Interest Method is used to calculate the accrued acquisition value of a financial asset or financial liability and for accrual and accounting of interest income or interest expense in profit or loss during the relevant period.

## Impairment of financial assets

### IMPAIRMENT BASED ON FAIR VALUE

For financial assets in the form of shares and participations in group companies, associates and joint ventures, impairment is effected based on fair value. Impairments are assessed on an individual basis per holding. Swedfund's methods for determining fair value are described in more detail in Note 22.

### IMPAIRMENT BASED ON EXPECTED CREDIT LOSSES

In the case of accounting based on acquisition value, impairment testing and loss risk reserve in accordance with IFRS 9, Expected Credit Losses are applied. This means that Swedfund sets aside provisions for expected credit losses upon initial recognition. Provision for expected credit losses is made for financial instruments in the form of financial fixed assets and current assets. For Swedfund, this primarily entails provision for expected credit losses for loans receivable. Credit losses are assessed on an individual basis.

Upon initial recognition and on subsequent balance sheet dates, a credit loss reserve is recognised for the next 12 months, or a shorter period depending on the remaining maturity period, for financial assets in the form of loans receivable, but also for short-term investments and certain other smaller items. Interest income is calculated using the effective interest method on the reported gross (excluding loan loss reserve) (Stage 1).

If the credit risk for the financial instrument has increased significantly since initial recognition, a credit loss reserve is instead

recognised for the entire remaining maturity period. Interest income is also calculated in this case on the recognised gross value (excluding credit loss reserve) (Stage 2).

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

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

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

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

Swedfund's methods for calculating expected credit losses are described in more detail in Note 22.

## Tangible fixed assets

Tangible fixed assets are reported in the Company at acquisition value less deductions for accumulated depreciation and impairment losses, if any. The acquisition value includes the purchase price and expenditure directly attributable to the asset to bring it into place and in condition to be used in accordance with the purpose of the acquisition.

The reported value of an asset is removed from the balance sheet upon its being sold or otherwise disposed of, or when no future economic benefits are expected from the use or sale/disposal of the asset. Gains or losses arising from the disposal or sale of an asset are the difference between the selling price and the carrying amount of the asset less direct selling costs. Profit and loss are reported as other operating income/expense.

### ADDITIONAL EXPENDITURE

Additional expenditure is added to the acquisition value only if it is probable that the future economic benefits associated with the asset will be to Swedfund's account and the acquisition value can be calculated reliably. All other additional expenditure is recognised as an expense in the period in which it arises. Repairs are expensed continuously.

### DEPRECIATION PRINCIPLES

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful life periods are:

- Leasehold improvements: 7 years (corresponding to the length of the rental agreement)
- Equipment: 5 years



## Note 1 (cont.)

The use of depreciation methods, residual value and useful life periods are reviewed at the end of each financial year.

### Impairment of non-financial assets

Property, plant and equipment and any intangible assets that are depreciated are assessed in terms of value decline whenever events or changes in circumstances indicate that the carrying amount is not recyclable. A impairment loss is made by the amount where the carrying value of the asset exceeds its recoverable value. The recoverable amount is the greater of fair value less selling costs and value in use. In calculating the value in use, future cash flows are discounted by a factor taking into account the risk-free interest rate and the risks associated with the specific asset.

The previously reported impairment loss is reversed if the recoverable amount is assessed to exceed the carrying value. However, reversal is not carried out by any amount greater than the carrying value of what it would have been if the impairment had not been recognised in previous periods.

### Provisions

A provision differs from other debts in that there is uncertainty about the term of payment or the amount to regulate the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of an event occurring, and it is probable that an outflow of financial resources will be required to regulate the obligation, as well as that a reliable estimate of the amount can be made.

Provisions are made with the amount that is the best estimate of what is required to settle the existing obligation at the balance sheet date. Where the effect of when payment is made is material, provisions are calculated by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

Provision for expected credit losses is also made for issued loan commitments and is reported as other provisions until payment of loan receivables takes place.

### Contingent liabilities

A contingent liability is recognised when there is a possible commitment arising from past events and where existence of the liability is confirmed only by one or more uncertain future events or when there is a commitment that is not recognised as a liability or provision because of it being unlikely that an outflow of resources will be required.

## NOTE 2 | SIGNIFICANT ESTIMATES AND ASSESSMENTS

### Introduction

The drawing up of financial statements in accordance with IFRS often requires management to make assessments and estimates and make assumptions about future events that may affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

Assessments are based on estimates and assumptions that are considered reasonable and properly estimated at the time of the assessment. However, as with other assessments, assumptions or estimates, the result may be different and events may occur that may require a substantial adjustment of the carrying amount of the asset or liability concerned. The actual outcome can thus deviate from these estimates.

Estimates and assumptions are continuously evaluated. Changes to estimates are recognised in the period in which the change is made, if the change only affects this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

The following represent the main accounting policies, the application of which is based on such assessments and the main sources of uncertainty in estimates that the Company considers may have the most significant impact on the Company's reported earnings and financial position.

### Shares and mutual fund units, participations in group companies, associates and joint ventures

#### MAIN SOURCES OF UNCERTAINTY IN ESTIMATES

Shares and mutual fund units are recognised at cost and tested for impairment at fair value. Valuing private investment in developing countries at fair value implies a large inherent uncertainty regarding the fair value of unlisted equity and fund holdings.

#### ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES

For unlisted shares and fund units, fair value is an assessment in accordance with applied valuation methods. Applied methods are formulated in accordance with IFRS 13, Fair Value and International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines).

See also the description of accounting policies in Note 22.

### Other financial instruments

#### MAIN SOURCES OF UNCERTAINTY IN ESTIMATES

Expected credit losses are assessed in respect of loan receivables, long-term securities holdings, trade receivables, other receivables and loan commitments. Valuing claims in developing countries at fair value implies a large inherent uncertainty.

#### ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES

Expected credit losses shall be estimated in a manner that reflects an objective and probability-weighted amount determined by evaluating a range of possible outcomes. Reserve for expected credit losses is based on a Swedfund assessment of the magnitude of these expected losses. The valuation shall take into account reasonable and verifiable information that is available without involving undue costs or operations at the balance sheet date of past events, current conditions and forecasts for future economic conditions.

See also the description of accounting policies in Note 22.

Note 2 (cont.)

**Deferred tax/valuation of loss carryforwards****MAIN SOURCES OF UNCERTAINTY IN ESTIMATES**

Deferred tax assets and liabilities are reported for temporary differences and for unused loss carryforwards. The estimated tax effects of these loss carryforwards are recognised as fixed assets.

**ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES**

If necessary, external advisers are used to assess the magnitudes of the deficits. If the Company's management considers that the Company can, in the near future, benefit from the future lower payments that existing tax deficits will give rise to, a deferred asset is reported.

**Accounting for income tax, value added tax and other taxes****MAIN SOURCES OF UNCERTAINTY IN ESTIMATES**

Accounting for these items is based on an evaluation of income tax, VAT and other tax rules in the countries where Swedfund is active.

**ASSESSMENTS WHEN APPLYING ACCOUNTING POLICIES**

Due to the overall complexity of all tax and accounting rules, management must be involved in the assessment of the classification of transactions and in the estimation of probable outcomes in respect of claims for deductions, disputes and future payment requirements. If necessary, external advisers are engaged in this assessment.

**NOTE 3 | REVENUE DISTRIBUTED BY GEOGRAPHICAL AREA AND TYPE OF REVENUE**

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

<b>2021</b>	<b>Africa</b>	<b>Asia</b>	<b>Latin America</b>	<b>Eastern Europe</b>	<b>Other</b>	<b>Total</b>
Share sales	74,363	117,437	36,438	34,571	49,353	312,162
Distribution of shares	18,642	1,767	6,468	-	1,199	28,075
Group and/or associated companies' sales	2,800	-	-	-	-	2,800
Group and/or associated companies' dividends	1,204	-	-	-	-	1,204
Interest income	58,910	13,969	-	13,548	6,103	92,530
Other portfolio income	184	157	-	-	-	341
<b>Total</b>	<b>156,102</b>	<b>133,330</b>	<b>42,906</b>	<b>48,120</b>	<b>56,655</b>	<b>437,112</b>

The division of revenue is based on how the activities and information are regularly reviewed and followed up by the chief executive decision-maker in order to evaluate the operations.

<b>Other operating income</b>	<b>2021</b>	<b>2020</b>
Technical Assistance and Swedfund Project Accelerator	35,334	45,302
<i>Date of revenue recognition in accordance with IFRS 15</i>		
Services transferred over time, management fee Swedpartnership	3,232	2,894
<b>Total</b>	<b>38,566</b>	<b>48,196</b>

**NOTE 4 | EARNINGS FROM SHARES AND FUND UNITS**

	<b>Income from shares and fund units</b>		<b>Income from group enterprises, associates and joint ventures</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Dividends	28,075	44,970	1,204	-
Sales proceeds	312,162	142,361	2,800	-
Total cost of equity sold	-267,071	-110,478	-7,600	-
Impaired value of equity sold	52,440	21,518	4,600	-
<b>Total</b>	<b>125,606</b>	<b>98,371</b>	<b>1,004</b>	<b>-</b>

**NOTE 5 | SWEDPARTNERSHIP, TECHNICAL ASSISTANCE (TA-FUNDS) AND SWEDFUND PROJECT ACCELERATOR**

<b>Swedpartnership</b>	<b>2021</b>	<b>2020</b>	<b>Swedfund Project Accelerator</b>	<b>2021</b>	<b>2020</b>
Other operating income	3,232	2,894	Other operating income	24,289	23,522
Other operating expenses	-3,232	-2,894	Other operating expenses	-24,289	-23,522
<b>Total</b>	<b>0</b>	<b>0</b>	<b>Total</b>	<b>0</b>	<b>0</b>

<b>Technical assistance</b>	<b>2021</b>	<b>2020</b>
Other operating income	11,045	21,780
Other operating expenses	-11,045	-21,780
<b>Total</b>	<b>0</b>	<b>0</b>

**NOTE 6 | BOARD OF DIRECTORS, EMPLOYEES AND PERSONNEL COSTS****Gender distribution of the board of directors, CEO and other senior executives**

	<b>2021</b>		<b>2020</b>	
	<b>Total</b>	<b>Of which, men</b>	<b>Total</b>	<b>Of which, men</b>
Board of Directors	8	5	8	5
CEO	1	-	1	-
Other senior executives	7	3	6	3

**Average number of employees**

<b>Country</b>	<b>2021</b>		<b>2020</b>	
	<b>Total</b>	<b>Of which, men</b>	<b>Total</b>	<b>Of which, men</b>
Kenya	4	25%	2	0%
Sweden	48	48%	44	50%
<b>Total</b>	<b>52</b>	<b>46%</b>	<b>46</b>	<b>48%</b>

**Salaries, other remuneration and social welfare costs**

	<b>2021</b>		<b>2020</b>	
	<b>Salaries and remuneration</b>	<b>Social welfare costs</b>	<b>Salaries and remuneration</b>	<b>Social welfare costs</b>
	41,678	23,421	36,951	19,650
<i>(of which pension costs)</i>	<i>(0)</i>	<i>(11,114)<sup>1,2</sup></i>	<i>(0)</i>	<i>(9,303)<sup>1,2</sup></i>
<b>Total</b>	<b>41,678</b>	<b>23,421</b>	<b>36,951</b>	<b>19,650</b>

<sup>1)</sup> Of pension costs, 651 (623) concerns the CEO.

<sup>2)</sup> For all employees, defined contribution and equivalent pension premiums are paid in accordance with the law and collective agreements which were expensed during the year.

**Salaries and other remuneration distributed by country and between board members, et al and other employees**

	<b>2021</b>		<b>2020</b>	
	<b>Board of directors, CEO and other management</b>	<b>Other employees</b>	<b>Board of directors, CEO and other management</b>	<b>Other employees</b>
Sweden	12,107	28,733	10,346	26,173
<i>(of which remuneration to the board of directors)</i>	<i>(984)</i>	<i>-</i>	<i>(930)</i>	<i>-</i>
<i>(of which pension to former CEO)</i>	<i>(265)</i>	<i>-</i>	<i>(260)</i>	<i>-</i>
<i>(of which salary to CEO)</i>	<i>(2,005)</i>	<i>-</i>	<i>(1,966)</i>	<i>-</i>
<i>(of which other management salaries)</i>	<i>(8,853)</i>	<i>-</i>	<i>(7,190)</i>	<i>-</i>
Kenya, representative office	-	2,087	-	1,621
<b>Total</b>	<b>12,107</b>	<b>30,820</b>	<b>10,346</b>	<b>27,794</b>



Note 6 (cont.)

**Remuneration paid to current and former board members and the former CEO**

Member	Position	Remuneration	Board remuneration in portfolio companies
Göran Barsby	Chair of the Board	233	0
Torgny Holmgren	Member of the Board and Member of the Audit Committee	138	0
Catrina Ingelstam	Member of the Board and Chair of the Audit Committee	149	0
Daniel Kristiansson	Board member and member Audit committee	-	0
Fredrik Arp	Member of the board	116	0
Kerstin Borglin	Member of the board	116	0
Jonas Eriksson	Member of the board	116	0
Roshi Motman	Member of the board	116	0
<b>Total</b>		<b>984</b>	

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

**Attendance of Board members at this year's meetings**

Member	1/21	2/21	3/21	4/21	5/21	6/21	7/21	8/21	9/21	10/21
Göran Barsby	●	●	●	●	●	●	●	●	●	●
Torgny Holmgren	●	●	●	●	●	●	●	●	●	●
Catrina Ingelstam	●	●	●	●	●	●	●	●	●	●
Daniel Kristiansson	●	●	●	●	●	●	●	●	●	●
Fredrik Arp	●	●	●	●		●	●	●	●	●
Kerstin Borglin	●	●	●	●	●	●	●	●	●	
Jonas Eriksson <sup>2)</sup>				●	●	●	●	●	●	●
Roshi Motman	●	●	●	●	●	●	●	●	●	●
Mikael Sandström <sup>1)</sup>	●	●	●							

<sup>1)</sup> Vacated post in April 2021.

<sup>2)</sup> Took up post in April 2021.

Total sick leave amounted to 0.78% (1.38%) of employees' total regular working hours.

For integrity reasons, sick leave has not been reported by age group or gender.

**Salary to the CEO and other senior executives, severance pay, etc.**

The CEO and other senior executives have a fixed remuneration per month. No variable remuneration is paid.

In the event of termination by the Company, the CEO has an agreement on severance pay corresponding to salary during the 6 month notice period, severance pay in the form of 12 months' fixed salary (pension provisions are not included).

Severance pay is not paid after 65 years of age.

For other senior executives and the CEO, defined contribution and thus equivalent pension premiums are paid by law and collective agreements which were expensed during the Year. In the event of termination by the Company, the rules of the collective agreement apply to other senior executives.

**Salaries to senior executives**

Name	Position	Other benefits	Annual salary fixed remuneration paid	Pension premiums paid	Total
Maria Håkansson	CEO	3	2,005	651	2,659
Ann-Caroline Andersson	HR and Administration Manager	3	887	188	1,078
Fredrik Linton	Director Special Operations and Business Development	3	1,494	409	1,906
Karin Parmenstam	Chief Investment Officer from 01.03.21	2	1,247	470	1 719
Jacob Hagerman	Chief Legal Counsel	3	1,278	303	1,584
Johan Selander	Chief Financial Officer	3	1,428	353	1,784
Johanna Raynal	Director of ESG & Impact	3	1,275	414	1,692
Karin Kronhöffer	Director of Strategy and Communication	3	1,244	350	1,597
<b>Total</b>		<b>23</b>	<b>10,858</b>	<b>3,138</b>	<b>14,019</b>

## Note 6 (cont.)

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

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

### Pension commitments

Former CEO, Björn Blomberg, is entitled to receive funds in the form of a direct pension secured through capital insurance owned by the Company. Payments have been made in previous years by way of an annual premium.

## NOTE 7 | AUDITORS' FEES AND EXPENSES

Ernst & Young AB	2021	2020
The auditing assignment	955	937
Other auditing services	70	70
Tax consultancy services	0	0
Other services	321	825
<b>Total</b>	<b>1,346</b>	<b>1,832</b>

## NOTE 8 | LEASING

The operating lease mainly includes lease agreements for the Company's premises in Stockholm and in Nairobi, for which a substantial part of the risks and benefits of ownership are retained by the lessor. Leasing costs for operating leases for the year amounted to TSEK 5,094 (5,138). Future payment commitments as of 31 December are distributed as follows:

Future minimum lease payments	2021	2020
Within 1 year	6,200	5,189
Between 1-5 years	10,880	930
More than 5 years	0	-
<b>Total</b>	<b>17,080</b>	<b>6,119</b>

Expensed fees for operational leasing contracts amount to:	2021	2020
Minimum lease payments	5,094	5,138
Variable fees	-	-
<b>Total leasing costs</b>	<b>5,094</b>	<b>5,138</b>

The Company's leasing agreements usually contain no variable fees. Leasing contracts for premises contain terms that give the right to extend the contract in question for a predetermined period of time. The Company does not act as a lessor.

## NOTE 9 | FINANCIAL INCOME AND FINANCIAL EXPENSES

Other financial income	2021	2020
Interest income	86	-
Uncapitalised exchange rate differences	50,380	-
<b>Total</b>	<b>50,466</b>	<b>-</b>

Other financial expenses	2021	2020
Impairment of financial fixed assets	-619	-643
Other financial expenses	-3,330	-2,297
<b>Total</b>	<b>-3,949</b>	<b>-2,940</b>

## NOTE 10 | TAX EXPENSES

	2021	2020
<b>Current tax expense (-)/tax income (+)</b>		
The year's tax expense/tax revenue	-23,427	292
<b>Deferred tax expense (-)/tax income (+)</b>		
Deferred tax relating to temporary differences	-	-
<b>Reported tax</b>	<b>-23,427</b>	<b>292</b>

Reconciliation of effective tax rate	2021	2020
<b>Profit/loss before tax</b>	<b>243,647</b>	<b>-375,503</b>
Tax on reported earnings in accordance with the applicable tax rate	-50,191	80,358
Tax effect of:		
Non-taxable dividend	3,318	1,025
Non-deductible impairments of financial assets	11,887	-88,675
Non-taxable reversal of impairment of financial assets	19,878	4,052
Non-taxable realised capital gains	19,823	7,365
Non-deductible realised capital losses	-4,352	-2,085
Non-deductible capital losses which are only deductible against taxable capital gains on shares and other participatory rights	-1,463	-
Non-deductible other costs	-648	-739
Uncapitalised deficit, profit/loss for the year	-	-1,324
Deferred tax relating to temporary differences	14	26
Use of loss carryforwards for which no deferred tax asset has previously been capitalised	2,082	-
Other	-	292
<b>Reported tax</b>	<b>-23,427</b>	<b>292</b>
<b>Effective tax rate</b>	<b>-10%</b>	<b>0%</b>

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

Note 10 (cont.)

## Disclosures on deferred tax assets and tax liabilities

The following tables specify the tax effect of temporary differences:

Deferred tax asset	31.12.2021	31.12.2020
Tangible fixed assets	487	487
Pension agreement, former CEO	234	234
Recognised value	721	721

## NOTE 11 | TANGIBLE ASSETS

### Buildings and land

Improvement expenditure on leasehold	31.12.2021	31.12.2020	Equipment	31.12.2021	31.12.2020
Accumulated acquisition value			Accumulated acquisition value		
At the start of the year	3,043	3,043	At the start of the year	3,348	3,348
New acquisitions	-	-	New acquisitions	-	-
<b>Total acquisition value</b>	<b>3,043</b>	<b>3,043</b>	Divestments and disposals	-	-
			<b>Total acquisition value</b>	<b>3,348</b>	<b>3,348</b>
Scheduled accumulated depreciation			Scheduled accumulated depreciation		
At the start of the year	-2,596	-2,149	At the start of the year	-3,280	-3,234
Scheduled depreciation of acquisition value for the year	-447	-447	Divestments and disposals	-	-
<b>Total depreciation</b>	<b>-3,043</b>	<b>-2,596</b>	Scheduled depreciation of acquisition value for the year	-55	-46
			<b>Total depreciation</b>	<b>-3,335</b>	<b>-3,280</b>
Scheduled residual value at the year-end	0	447	Scheduled residual value at the year-end	13	69

## NOTE 12 | PORTFOLIO INVESTMENTS SHARES AND FUND UNITS

### Portfolio investments shares and fund units

Accumulated acquisition value	31.12.2021	31.12.2020
At the start of the year	1,954,892	1,740,299
Investments during the year	361,746	378,975
Reclassification	-106,567	-
Sales during the year	-285,076	-164,381
<b>Total acquisition value</b>	<b>1,924,994</b>	<b>1,954,892</b>
Accumulated impairments	31.12.2021	31.12.2020
At the start of the year	-433,887	-211,739
Reversed impairments for the year attributable to sales	52,440	21,518
Reclassification	106,567	-
Reversals for the year	89,013	23,940
Impairments for the year	-35,186	-267,606
<b>Total impairments at year-end</b>	<b>-221,054</b>	<b>-433,887</b>
Book value at year-end	1,703,940	1,521,005



Note 12 (cont.)

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

<b>31.12.2021 Enterprise</b>	<b>Sector</b>	<b>Business activities</b>	<b>Share class</b>	<b>Ownership percentage</b>	<b>Acquisition value</b>
<b>Africa</b>					
Adenia Capital (III) LLC Ltd.( I&P), Africa	Financial inclusion	Fund	Stock	10.4	21,398
Afrinord Hotel Investment A/S, Africa	Other	Hotels	Stock	20.0	470
Africa Renewable Energy Fund II (AREF)	Energy & Climate	Fund	Fund units	10.8	16,481
African Development Partners II (DPI), Africa	Financial inclusion	Fund	Fund units	2.1	110,487
African Development Partners III (DPI), Africa	Financial inclusion	Fund	Fund units	2.8	55,006
African Rivers Fund III	Financial inclusion	Fund	Fund units	12.4	48,274
AfricInvest Fund III LLC, Africa	Financial inclusion	Fund	Fund units	2.9	70,534
Apis Growth Fund I, Africa	Financial inclusion	Fund	Fund units	2.6	38,147
Apis Growth Fund II, Africa	Financial inclusion	Fund	Fund units	2.7	55,477
AFIG Fund II	Financial inclusion	Fund	Fund units	7.4	70,325
Catalyst Fund II	Financial inclusion	Fund	Fund units	6.6	49,219
Climate Investor One	Energy & Climate	Fund	Fund units	1.9	81,350
ECP Africa fund III PCC, Africa	Financial inclusion	Fund	Fund units	2.8	86,788
Evolution II	Energy & Climate	Fund	Fund units	6.9	89,520
Evolution II D.light Limited	Energy & Climate	Manufactures and distributes solar energy solutions	Stock	17.3	64,408
Frontier Energy Fund II	Energy & Climate	Fund	Fund units	5.7	69,339
Hospital Holdings Investment BV	Health	Health platform	Stock	14.2	99,497
Ninety One Private Equity Fund 2 L.P.	Financial inclusion	Fund	Fund units	4.1	73,516
JCM Solar Capital Ltd	Energy & Climate	Solar power plants and wind farms	Stock	14.5	227,570
Kasha Global Inc	Health	E-commerce platform for healthcare	Preference	9.0	9,280
Metier Sustainable Capital Fund II	Energy & Climate	Fund	Fund units	9.6	30,300
Norsad Finance Limited, Africa	Financial inclusion	Credit institutions	Stock	16.7	50,052
TLG Credit Opportunities Fund	Financial inclusion	Fund	Fund units	19.9	59,571
Women Entrepreneurs Dept Fund	Financial inclusion	Fund	Fund units	14.4	36,779
<b>Total Africa</b>					<b>1,513,789</b>
<b>Asia</b>					
Baring India Private Equity fund II Ltd, Mauritius	Financial inclusion	Fund	Fund units	7.1	40,516
Dolma Impact Fund II	Energy & Climate	Fund	Fund units	24.8	5,394
GEF South Asia Growth Fund II	Energy & Climate	Fund	Fund units	7.8	57,680
HealthQuad Fund II	Health	Fund	Fund units	10.0	30,224
Husk Power Systems Inc	Energy & Climate	Mini-power grid – hybrid type	Stock	10.2	45,527
Quadria Capital Fund II	Health	Fund	Fund units	2.5	94,352
Renewable Energy Asia Fund II L.P.	Energy & Climate	Fund	Fund units	7.4	132,157
SUSI Asia Energy Transition Fund	Energy & Climate	Fund	Fund units	18.6	4,717
<b>Total Asia</b>					<b>410,567</b>
Capitalised costs for the year					637
<b>TOTAL ACQUISITION VALUE</b>					<b>1,924,994</b>

**NOTE 13 | PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATES AND JOINT VENTURES****Portfolio investments in group companies, associated companies, joint ventures**

<b>Accumulated acquisition value</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
At the start of the year	339,326	309,469
Investments during the year	206	5,521
Reclassification		24,336
Sales during the year	-7,600	-
<b>Total acquisition value</b>	<b>331,932</b>	<b>339,326</b>
of which: Listed Securities on the stock exchange	-	-
Unlisted Securities	331,932	339,326
<b>Accumulated impairments</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
At the start of the year	-291,234	-181,340
Reversed impairments for the year attributable to sales	4,600	-
Reclassification	-	-
Reversals for the Year	-	-
Impairments for the year	-17,999	-109,894
<b>Total impairments at year-end</b>	<b>-304,632</b>	<b>-291,234</b>
<b>Book value at year-end</b>	<b>27,300</b>	<b>48,093</b>

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

<b>31.12.2021</b>						
<b>Affiliated companies</b>	<b>Sector</b>	<b>Business activities</b>	<b>Participating interest %</b>	<b>Number of shares</b>	<b>Share of votes and capital %</b>	<b>Acquisition value</b>
<i>Company, Corporate ID and registered office</i>						
<b>Africa</b>						
Elgon Road Development Ltd, Kenya	Other	Hotels	31.0 <sup>1</sup>	15,026,423	31.0	174,515
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0	37,104	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Health	Radiation Knife Clinic	24.3	27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Financial inclusion	Investment companies	49.0	1,470	49.0	4,951
<b>Total Africa</b>						<b>209,621</b>
<b>Latin America</b>						
Global Medical Investments GMI AB, Latin America	Health	Healthcare/management company	48.0	15,408	48.0	122,312
<b>Total Latin America</b>						<b>122,312</b>
<b>TOTAL ACQUISITION VALUE</b>						<b>331,932</b>

<sup>1)</sup> The figures refer to Swedfund's proportion of the total shares in all classes. Swedfund holdings are distributed as "Ordinary Shares", "First ranking class of preference shares" and "Cumulative redeemable preference"

Note 13 (cont.)

31.12.2020 Affiliated companies	Sector	Business activities	Participating interest %	Number of shares	Share of votes and capital %	Acquisition value
<i>Company, Corporate ID and registered office</i>						
<b>Africa</b>						
Addis Cardiac Hospital Plc, Ethiopia	Health	Hospital	36.2	19,319	36.2	7,600
Elgon Road Development Ltd, Kenya	Other	Hotels	31.0 <sup>1</sup>	15,026,423	31.0	174,309
Emerald Addis Hotels plc, Ethiopia	Other	Hotels	27.0	37,104	27.0	23,399
Gamma Knife Center S.A.F, Egypt	Health	Radiation Knife Clinic	24.3	27,000	24.3	6,756
Kinyeti Venture Capital Ltd, South Sudan	Financial inclusion	Investment companies	49.0	1,470	49.0	4,951
<b>Total Africa</b>						<b>217,015</b>
<b>Latin America</b>						
Global Medical Investments GMI AB, Latin America	Health	Healthcare/management company	48.0	15,408	48.0	122,312
<b>Total Latin America</b>						<b>122,312</b>
<b>TOTAL ACQUISITION VALUE</b>						<b>339,326</b>

<sup>1)</sup> The figures refer to Swedfund's proportion of the total shares in all classes. Swedfund holdings are distributed as "Ordinary Shares", "First ranking class of preference shares" and "Cumulative redeemable preference"

## NOTE 14 | LOANS

	31.12.2021	31.12.2020
<b>Outstanding loans receivable, gross</b>		
Swedish currency	-	-
Foreign currency	1,730,909	1,572,595
<b>Total</b>	<b>1,730,909</b>	<b>1,572,595</b>
<b>Accumulated impairments</b>		
At the start of the year	-244,097	-204,127
Of which		
Individual impairment:	28,057	-76,836
Reversed impairment:	92,191	31,367
Exchange rate/translation differences for the year	8,658	5,499
<b>Total accumulated impairment</b>	<b>-171,304</b>	<b>-244,097</b>
<b>Recognised value</b>	<b>1,559,605</b>	<b>1,328,498</b>

Note 14 (cont.)

**Breakdown of the loan portfolio by country and currency**

Country	Currency	31.12.2021		31.12.2020	
		Loan amount	Of which, impaired	Loan amount	Of which, impaired
Africa	USD	456,731	9,249	457,186	-103,253
Africa	EUR	131,216	-9,077	157,280	-9,454
Ethiopia	USD	71,487	-71,487	64,783	-64,783
Ethiopia	EUR	27,535	-13,768	26,978	-210
Georgia	USD	135,652	-2,645	122,930	-2,397
Ghana	USD	10,551	-206	43,982	-858
Global <sup>1)</sup>	USD	58,057	-7,375	53,971	-8,828
Global <sup>1)</sup>	EUR	58,106	-1 404	-20,031	-1,045
India	USD	-271,304	-3,703		
Cambodia	USD	36,174	-600	90,149	-1,758
Kenya	USD	135,652	-2,645	122,930	-2,397
Nigeria	USD	127,101	-5,525	205,562	-9,055
Sri Lanka	USD	90,435	-1,763	81,953	-1,598
Tanzania	USD	-	-	8,195	-160
Ukraine	EUR	83,405	-4,353	82,678	-4,315
Zimbabwe	USD	37,503	-37,503	33,986	-33,986
<b>Total</b>		<b>1,730,909</b>	<b>-171,304</b>	<b>1,572,595</b>	<b>-244,097</b>

<sup>1)</sup> The 'Global' category refers to investment with operations in many African countries and Latin America.

**Convertible loan receivables and participation loans**

Borrowers	Currency	Outstanding loan amounts in currency	Interest and equivalent	Conversion right
Addis Emerald Hotel	EUR	2,684	Interest and share of profits	Yes

**NOTE 15 | LOANS RECEIVABLE ECL**

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) <sup>1)</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>2)</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>2)</sup>	Purchased or issued credit-impaired loans <sup>2)</sup>	Total
As of 31 December 2021					
Loans receivable, according to gross amount	1,358,033	249,346	123,529	-	1,730,908
Provision for expected credit losses	-22,429	-25,345	-123,529	-	-171,303
Amortised acquisition value recognised in the balance sheet	1,335,604	224,001	0	-	1,559,605
Provision for expected credit losses loan commitments	3,673	-	-	-	0

<sup>1)</sup> The above table also includes loss reserve on accrued interest.

<sup>2)</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

<sup>3)</sup> Expected credit losses are evaluated on an individual basis.



Note 15 (cont.)

Loss reserve for loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
Loss reserve as of 1 January 2021	22,204	14,876	211,436	-	248,516
Investments in loans receivable	1,748	260	11,185	-	13,193
New loan commitments	2,517	-	-	-	2,517
Outgoing loan commitments	-1,168	-	-	-	-1,168
Refunds, including amortisation	-2,939	-3,234	-	-	-6,173
Written-off amounts (recorded loan loss)	-	-	-97,198	-	-97,198
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	56	-276	-	-	-220
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-211	13,890	-	-	13,679
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
<b>At the year-end</b>	<b>22,207</b>	<b>25,516</b>	<b>125,423</b>	<b>-</b>	<b>173,146</b>
Total amount of non-discounted expected credit loss for credit-impaired loans receivable accrued during the year.					
Written-off amounts still outstanding, but still subject to compliance measures.					

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

Gross value of loans receivable at amortised acquisition value (total)	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
Gross value as of 1 January 2021	1,093,602	285,229	220,242	-	1,599,073
Investments in loans receivable	444,607	4,985	11,185	-	467,777
Refunds, including amortisation	-148,078	-61,965	-	-	-210,043
Written-off amounts (recorded loan loss)	-	-	-97,198	-	-97,198
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	7,130	-5,285	-	-	1,845
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-27,020	27,780	-	-	760
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
<b>At the year-end</b>	<b>1,370,240</b>	<b>250,744</b>	<b>134,229</b>	<b>-</b>	<b>1,755,213</b>

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

Note 15 (cont.)

Loans receivable recognised at amortised acquisition value	12-month expected credit losses (Stage 1) <sup>1</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>2</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>2</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
As of 31 December 2020					
Loans receivable, according to gross amount	1,079,676	283,153	209,699	-	1,572,528
Provision for expected credit losses	-19,551	-14,779	-209,699	-	-244,030
Amortised acquisition value recognised in the balance sheet	1,060,124	268,374	0	-	1,328,498
Provision for expected credit losses loan commitments	2,324	-	-	-	2,324

<sup>1</sup> The above table also includes loss reserve on accrued interest.<sup>2</sup> Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

Loss reserve for loans receivable at amortised acquisition value (total) <sup>1</sup>	12-months of expected credit losses (Stage 1) <sup>2</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>3</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>3</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
Loss reserve as of 1 January 2020	27,098	-	180,941	-	208,039
Investments in loans receivable	6,432	-	51,992	-	58,424
New loan commitments	1,894	-	-	-	1,894
Outgoing loan commitments	-1,360	-	-	-	-1,360
Refunds, including amortisation	-7,394	-	-21,497	-	-28,890
Written-off amounts (recorded loan loss)	-	-	-	-	-
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	-	-	-	-	-
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-4,466	14,876	-	-	10,410
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
At the year-end	22,204	14,876	211,436	-	248,516
Total amount of non-discounted expected credit loss for credit-impaired loans receivable accrued during the year.					
Written-off amounts still outstanding, but still subject to compliance measures.					

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

Note 15 (cont.)

Gross value of loans receivable at amortised acquisition value (total) <sup>1</sup>	12-months of expected credit losses (Stage 1) <sup>2</sup>	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) <sup>3</sup>	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) <sup>3</sup>	Purchased or issued credit-impaired loans <sup>2</sup>	Total
Gross value as of 1 January 2020	1,494,662	-	265,736	-	1,760,398
Investments in loans receivable	358,152	-	-	-	358,152
Refunds, including amortisation	-398,990	-	-45,494	-	-444,484
Written-off amounts (recorded loan loss)	-	-	-	-	-
<b>Transfers</b>					
To 12 months of expected credit losses (Stage 1)	-	-	-	-	-
To expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-360,222	285,229	-	-	-74,993
To expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
<b>At the year-end</b>	<b>1,093,602</b>	<b>285,229</b>	<b>220,242</b>	<b>-</b>	<b>1,599,073</b>

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

## Description of methods for calculating expected credit losses

See also Note 22 for a more detailed description of the Swedfund credit loss model.

## NOTE 16 | COLLATERAL RECEIVED

In connection with loans receivable, Swedfund AB sometimes has collateral in the form of buildings, machinery, etc. Given the markets in which Swedfund's borrowers operate, this collateral is not considered to have any value.

## NOTE 17 | OTHER LONG-TERM SECURITIES

	31.12.2021	31.12.2020
Shares, EDFI	118	118
Shares, EFP	127	127
Shares, ICCF	53	53
Shares, EDFI Management	410	-
<b>Book value at year-end</b>	<b>707</b>	<b>298</b>

## NOTE 18 | OTHER RECEIVABLES

	31.12.2021	31.12.2020
Other receivables	-	-
Receivables, soft loans (Swedpartnership)	9,883	27,607
<b>Total</b>	<b>9,883</b>	<b>27,607</b>

## NOTE 19 | PREPAID EXPENSES AND ACCRUED INCOME

	31.12.2021	31.12.2020
Prepaid expenses	2,309	2,100
Accrued interest income, interest bearing securities	11,652	12,353
Accrued interest income, loans receivable	14,397	14,536
Other accrued income	83,759	819
<b>Total</b>	<b>112,117</b>	<b>29,808</b>

**NOTE 20 | INTEREST BEARING SECURITIES****31.12.2021**

Specification of securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Reported value
Bills	AAA	0.16	1,521,706	-	1,521,706
Treasury bond	AAA	2.50	602,151	-	602,151
State-guaranteed bonds	-	-	-	-	-
Covered bonds	AAA	2.60	894,844	-	894,844
Municipal certificates	AA-A	0.89	543,595	-	543,595
Government securities US	AAA	0.91	805,914	-	805,914
Government securities DE	AAA	0.95	18,184	-	18,184
Intergovernmental organisations	AAA	1.31	20,340	-	20,340
<b>Total bonds and other interest-bearing securities</b>			<b>4,406,734</b>	<b>-</b>	<b>4,406,734</b>

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

**31.12.2020**

Specification of securities	Rating	Average maturity, years	Gross value	Reserve for expected credit losses (Stage 1)	Reported value
Bills	AAA	0.24	890,488	-	890,488
Treasury bond	AAA	2.79	586,813	-	586,813
State-guaranteed bonds	AAA	0.03	893,009	-	893,009
Covered bonds	AAA	2.88	724,542	-	724,542
Municipal certificates	AA-A	0.95	430,660	-	430,660
<b>Total bonds and other interest-bearing securities</b>			<b>3,525,513</b>	<b>-</b>	<b>3,525,513</b>

As the finance policy only allows for the placement of government-guaranteed papers and covered bonds, the estimated reserve for expected credit losses is intangible and therefore not recorded. As of 31 December 2020, the reserve for credit losses amounted to approximately TSEK 0.

**NOTE 21 | FINANCIAL RISKS****Introduction**

Swedfund invests in places in the world where, although there is a strong need for foreign capital, private investors often consider the risks to be too high. As a result, it is in these investments that Swedfund's greatest risks are to be found. In its operations, Swedfund is exposed to a variety of risk factors, some of which are not easily influenced.

Sound risk management is both a prerequisite for the business and an enabler for improvements in development results. The company's management of financial risks is regulated by a Finance Policy, which is established by the board of directors. The Finance Policy contains, inter alia, rules for the financial reporting, including risk exposure and sensitivity analysis, that is to be provided to the board of directors on an ongoing basis.

**Capital structure**

The dimensioning of Swedfund's equity is governed by a commission from the State. Swedfund is thus financed (with the exception of Swedpartnership, Technical Assistance and Swedfund Project Accelerator, which are appropriations funded) by capital injections from the state and by accumulated earnings from its operations. Borrowing on the market to finance the business can be carried out following a decision by the Board. No such borrowing has taken place to date.

**Risk management**

In its financial risk management, Swedfund operates according to the following basic principles:

- Swedfund shall have a low debt-to-equity ratio
- Swedfund shall maintain a satisfactory liquidity buffer/available funds
- Credit risks shall not be protected by financial
- Financial risks in the management of the company's own liquid assets must be minimised where financially reasonable and practicable
- Currency risks should not normally be protected by
- Operational risks must be identified and monitored closely
- Wherever possible, incomes/expenses attributable to financial activities must allocated to the investment they concern



## Note 21 (cont.)

Swedfund's board of directors has established risk limits applicable to the company's financial policy for exposure to liquidity risk and interest rate risk. In addition, restrictions on country and counterparty exposure have been established in the company's Risk Policy.

The company's financial transactions and risks are jointly managed on an ongoing basis by Swedfund's investment organisation and Finance Department. The Finance Department is responsible for liquidity management and the reporting of financial risks to the board of directors.

Swedfund classifies financial risks as:

- Commercial credit/share price risk
- Financial credit risk
- Interest rate risk
- Currency risk
- Liquidity risk

### Commercial credit/share price risk

#### DEFINITION

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

#### RISK MANAGEMENT

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

### Financial credit risk

#### DEFINITION

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

#### RISK MANAGEMENT

Swedfund only employs credit institutions and other players with a high credit rating. Swedfund invests excess liquidity primarily in securities such as Treasury bills, government bonds, municipal certificates and covered mortgage bonds with a long-term credit rating of AAA. See Note 20.

### Interest Rate Risk

#### DEFINITION

Interest Rate risk is the risk that fair value or future cash flows from a financial instrument may vary due to changes in market interest rates. Interest rate risk may thus partly comprise changes in fair value (price risk), together with changes in cash flow (cash flow risk). A significant factor influencing interest rate risk is the fixation period. Long fixation periods counteract cash flow risk but increase price risk. Shorter fixation periods counteract price risk but increase cash flow risk. Swedfund is primarily exposed to interest rate risk regarding the company's loan receivables linked to the investment activities, as well as loan liabilities to Svensk Exportkredit which have historically been used as currency hedging instruments.

#### RISK MANAGEMENT

Swedfund shall, if possible, use short fixation periods on both loans and borrowings and on the placement of liquid funds. In accordance with the Company's financial policy, the financial risks in the business are controlled by limits i.e. the fixation periods of the Company's interest-bearing investments must remain within certain time and monetary frameworks.

#### SENSITIVITY ANALYSIS – FIXED INTEREST RATE PERIOD

As of 31 December 2021, the duration of Swedfund's interest exposure in the investment portfolio is 14.2 months (policy: max. 18 months). See the table below regarding fixed interest rates in Swedfund's lending and borrowing.

#### SENSITIVITY ANALYSIS – INTEREST RATE RISK

A change in the market rate by +/-1 percentage point, calculated on the net of Swedfund lending to investments and borrowing from SEK at the balance sheet date, 31.12.2021, would have an impact on profit before tax of +/- TSEK 9,254. A calculation of the effects on the interest bearing securities at the closing date would result in an increase in interest rates of 1 percentage point on the closing date, with an impact on profit before tax of TSEK -52,008. However, the short maturities in the investment portfolio (see also Note 20 and Note 23) mean that the probability of this scenario is limited.

### Fixed interest rate periods, lending and borrowing

31.12.2021	Total	0-3 months	3-6 months	7-12 months	>1-2 years	>2-3 years	>3-5 years	5-10 years
Lending	1,559,605	273,321	1,265,490	719	1,509	2,293	5,741	10,532
Borrowing	607,240	83,566	523,675	0	0	0	0	0
Net	952,365	189,755	741,815	719	1,509	2,293	5,741	10,532

Note 21 (cont.)

## Currency risk

### DEFINITION

Currency risk is the risk that the fair value or future cash flows from a financial instrument may vary due to changes in exchange rates. Swedfund's exposure to currency risks consists primarily of the risk of fluctuations in the value of financial instruments, and currency risk in expected and contracted cash flows. These risks are referred to as transaction exposure.

### RISK MANAGEMENT

Swedfund does not hedge its investments in shares and fund units. Loans agreed after 6 December 2019 are also not hedged as regards currency. Historically, currency risks have been hedged in respect of loan receivables by borrowing from Svensk Exportkredit, where the

key parameters are “mirrored” as far as possible (currency, maturity, fixation period and amortisation structure).

On 6 December 2019, Swedfund's board of directors decided to cease the hedging of currency loans receivable with effect from this date. This was the result of a new way of looking at Swedfund's business model, where all flows from loans receivable in foreign currency are reinvested in the corresponding currency, and thus no actual currency risk arises. As loans from the Swedish Export Credit Corporation are amortised, the liability to the credit institution will therefore decrease as Swedfund's currency exposure increases for carrying amounts in SEK.

Swedfund's greatest exposure is to the USD, but it also has significant exposure to EUR; see the table below.

## Currency risk exposure

31.12.2021	Recognised values in SEK thousand		
	USD	EUR	Other
<b>Assets</b>			
Shares and fund units	1,583,833	91,249	28,389
Participations in group companies, associates and joint ventures	10,200	-	6,756
Loans receivable	1,285,041	274,564	-
Other long-term securities	-	298	-
Interest bearing securities	825,302	20,176	-
Cash and bank balances	108,520	43,475	261
<b>Total assets</b>	<b>3,812,897</b>	<b>429,761</b>	<b>35,405</b>
<b>Liabilities</b>			
Liabilities to credit institutions	529,872	77,369	-
<b>Total liabilities</b>	<b>529,872</b>	<b>77,369</b>	<b>-</b>

### SENSITIVITY ANALYSIS – EXCHANGE RATE RISK

A change of +/- 10% in the Swedish krona against other currencies as at 31 December 2021 would entail a change in the valuation of the loan portfolio of TSEK 95,236 and affect net interest income by TSEK 9,523. The sensitivity analysis is based on the assumption that all other factors (e.g. interest) remain unchanged.

## Liquidity risk

### DEFINITION

Liquidity risk refers to the risk that liquid funds are not available if necessary and that financing is only partially possible, or not at all possible, or at an increased cost.

### RISK MANAGEMENT

The Company minimises liquidity risk by maintaining adequate cash and investment placements in liquid interest-bearing instruments to cover potential financing needs. Under normal circumstances, they shall be negotiable to liquid funds within a reasonable time and to negligible transaction costs.

Swedfund has non-negligible liquidity in the balance sheet, but there are a number of restrictions on availability. A proportion of the liquidity is pledged to SEK as collateral for borrowings, another part is reserved according to an internal process (documented in the finance policy), for contracted, unpaid commitments. The remaining liquidity represents a surplus and is intended to cover new future investments, unforeseen events and the Company's operating costs.

**NOTE 22 | FINANCIAL INSTRUMENTS****Valuation of financial assets and liabilities as of 31 December 2021**

	Financial assets and liabilities valued on the basis of acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
<b>Financial assets</b>					
Shares and participations	-	1,703,940	-	1,703,940	2,092,980
Participations in group companies, associates and joint ventures	-	27,300	-	27,300	41,041
Loans receivable	1,559,605	-	-	1,559,605	1,559,605
Endowment insurance	-	414	-	414	414
Other long-term securities	-	707	-	707	707
Account receivables	2,993	-	-	2,993	2,993
Other receivables	-	9,883	-	9,883	9,883
Accrued income	25,989	86,129	-	112,117	112,117
Interest bearing securities	4,406,734	-	-	4,406,734	4,406,228
Cash and bank balances	378,615	-	-	378,615	378,615
Client funds	-	17,764	-	17,764	17,764
<b>Total</b>	<b>6,373,936</b>	<b>1,846,136</b>	<b>-</b>	<b>8,220,072</b>	<b>8,622,347</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	-	607,240	607,240	607,240
Accounts payable	-	-	1,983	1,983	1,983
Other liabilities	-	-	28,814	28,814	28,814
Accrued expenses	-	-	237,982	237,982	237,982
<b>Total</b>	<b>-</b>	<b>-</b>	<b>876,019</b>	<b>876,019</b>	<b>876,019</b>

**Valuation of financial assets and liabilities as of 31 December 2020**

	Financial assets and liabilities valued on the basis of acquisition value				Fair value
	Loans receivable	Other financial assets	Other financial liabilities	Total Carrying Amount	
<b>Financial assets</b>					
Shares and participations	-	1,521,005	-	1,521,005	1,839,925
Participations in group companies, associates and joint ventures	-	48,093	-	48,093	97,497
Loans receivable	1,328,498	-	-	1,328,498	1,328,498
Endowment insurance	-	614	-	614	614
Other long-term securities	-	298	-	298	298
Accounts receivable	2,391	-	-	2,391	2,391
Other receivables	-	27,607	-	27,607	27,607
Accrued income	16,608	13,201	-	29,809	29,809
Short-term investments	3,525,513	-	-	3,525,513	3,535,487
Cash and bank balances	661,818	-	-	661,818	661,818
Client funds	-	25,597	-	25,597	25,597
<b>Total</b>	<b>5,534,828</b>	<b>1,636,414</b>	<b>-</b>	<b>7,171,242</b>	<b>7,549,541</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	-	819,840	819,840	819,840
Accounts payable	-	-	3,602	3,602	3,602
Other liabilities	-	-	61,090	61,090	61,090
Accrued expenses	-	-	187,910	187,910	187,910
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,072,442</b>	<b>1,072,442</b>	<b>1,072,442</b>

Note 22 (cont.)

## Introduction

Fair value is the price that would be obtained on the sale of an asset, or paid for the transfer of a liability by way of an orderly transaction between market participants at the measurement date.

## Methods for the determination of fair value

### FINANCIAL INSTRUMENTS LISTED ON AN ACTIVE MARKET

For financial instruments listed on an active market, fair value is determined on the basis of the asset's quoted bid price on the balance sheet date without the addition of transaction costs (e.g. brokerage fees) at the time of acquisition. A financial instrument is considered to be listed in an active market if quoted prices are readily available on a stock exchange, by a trader, broker, trade association, company providing current price information or regulatory authority; and these prices represent actual and regularly occurring market transactions on a commercial basis. Any future transaction costs of a disposal are not taken into account. For financial liabilities, fair value is determined from the listed selling price. Instruments listed on an active market can be found in the balance sheet under Equities and mutual fund units and Short-Term investments. The majority of the Company's financial instruments have been assigned a fair value with prices quoted on an active market.

### FINANCIAL INSTRUMENTS NOT LISTED ON AN ACTIVE MARKET

If the market for a financial instrument is not active, the Company proposes the fair value by using a valuation technique. The valuation techniques used are based as much as possible on market data. Company-specific data are used as little as possible. The Company calibrates with regular intervals the valuation technique and tests its validity by comparing the outcome of the valuation technique with prices from observable current market transactions in the same instrument. Valuation techniques are used for the following classes of financial instruments: Interest-bearing securities (when quotations in an active market are not available), shares (when quotations in an active market are not available), other interest-bearing assets and liabilities. The applied valuation models are calibrated so that the fair value at initial recognition amounts to the transaction price, and changes in fair value are then reported on an ongoing basis based on the changes that have taken place in the underlying market risk parameters.

### SHARES AND INTEREST-BEARING SECURITIES

The fair value of financial instruments is calculated (i) with reference to financial instruments that are essentially the same or to recent transactions in the same financial instrument, or if such data are not available to (ii) future cash flows of principal and interest discounted at current market rates on the balance sheet date. In cases where discounted cash flows have been used, future cash flows are calculated on the basis of the management's best estimate. The discount rate used is the market-based interest on similar instruments at the balance sheet date. When other valuation models have been applied, input data is based on market data as of the balance sheet date.

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

The carrying amount of account receivables, other receivables, liquid funds, trade payables and other liabilities constitutes a reasonable approximation of fair value.

The table below shows financial instruments valued at fair value, based on how the classification in the fair value hierarchy has been carried out. The various levels are defined as follows:

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

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

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

## Transfers between Level 1 and Level 2

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

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

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

## Reconciliation of fair values in Level 3

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

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



Note 22 (cont.)

## Valuation techniques and significant unobservable inputs

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

## Methods for calculating expected credit losses

Financial assets other than shares and mutual funds and participations in group companies, associates and joint ventures are subject to provision for expected credit losses. Provision for expected credit losses also includes issued loan commitments.

The impairment for expected credit losses under IFRS 9 is forward-looking and a loss risk reserve is made when there is an exposure to credit risk – usually at initial recognition for an asset or receivable, but also for issued loan commitments. Expected credit losses reflect the present value of all deficits in cash flows attributable to default either for the next 12 months or for the expected remaining maturity period of the financial instrument, depending on the asset class and credit degradation since initial recognition. Expected credit losses reflect an objective, weighted probability outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

Swedfund applies the general method for its loan receivables, liquid funds and short-term investments. The general method applies an impairment model with three stages, depending on the development of credit risk during the period of the claim. For issued credit-impaired loans receivable, there is no allocation of loan to different stages.

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

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

Changes in loss provision are recognised in the income statement as impairments for credit losses.

## LOANS RECEIVABLE

Loans receivable are segmented into financial and non-financial enterprises. The methodology for credit loss provisioning in Stage 1 for non-financial enterprises is based on historical credit loss percentage combined with forward-looking factors. Financial enterprises in Stage 1 are written down individually according to a credit rating-based methodology predicated on essentially external rating and an assessment of default loss.

Loans receivable are considered to have a significant increase in credit risk, Stage 2, when remission has taken place or the official rating has dropped a level. In addition, the Company has also established a number of criteria which constitute indications or evidence of significant increases in credit risk for individual loans or for groupings of loans receivable. For loans receivable in Stage 2, the credit loss provisions according to management's assessment of weighted probability of expected cash flows into the expected timing of default compared with agreed cash flows. Assessments are conducted on an individual basis.

Loans receivable are considered as credit-impaired, Stage 3, when there is an imminent risk of bankruptcy. In addition, the management also has a number of criteria which constitute indications or evidence that a loan is considered to be credit-impaired for the individual loan or for groupings of loans receivable. For loans receivable in Stage 3, as well as for credit-impaired issued loan receivables, credit loss provision is conducted according to management's assessment of the weighted probability of expected cash flows taking into account expected timing of default compared with agreed cash flows. Assessments are conducted on an individual basis.

## INTEREST BEARING SECURITIES AND CASH AND BANK BALANCES

Interest bearing securities and cash and cash equivalents consist of bonds to the municipality and the state, along with cash and cash equivalents that are essentially bank deposits in investment grade rating banks. Interest bearing securities and cash and cash equivalents are depreciated according to a credit rating-based methodology based on external rating and the management's assessment of loss on default. Financial assets are considered to have a significant increase in credit risk if the debtor receives a downgrade in the rating under the investment grade rating.

## LIABILITIES TO CREDIT INSTITUTIONS (INTEREST-BEARING LIABILITIES)

For the purposes of disclosure, the fair value of interest-bearing liabilities is calculated by discounting future cash flows of principal and interest discounted at the current market rate.

## CURRENT RECEIVABLES AND LIABILITIES

For current receivables and liabilities, such as account receivables and account payables, with a lifespan of less than six months, the carrying amount is considered to reflect fair value.

Note 22 (cont.)

**Assets and liabilities valued at fair value****31.12.2021**

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares and participations	-	-	2,092,980	2,092,980
Participations in group companies, associates and joint ventures	-	-	41,041	41,041
Loans receivable	-	-	1,559,605	1,559,605
Endowment insurance	-	414	-	414
Other long-term securities	-	707	-	707
Account receivables	-	2,993	-	2,993
Other receivables	-	9,883	-	9,883
Accrued income	-	112,117	-	112,117
Interest bearing securities	4,406,228	-	-	4,406,228
Cash and bank balances	-	378,615	-	378,615
Retained funds on behalf of others	-	17,764	-	17,764
<b>Total</b>	<b>4,406,228</b>	<b>522,493</b>	<b>3,693,626</b>	<b>8,622,347</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	607,240	-	607,240
Accounts payable	-	1,983	-	1,983
Other liabilities	-	28,814	-	28,814
Accrued expenses	-	237,982	-	237,982
<b>Total</b>	<b>-</b>	<b>876,019</b>	<b>-</b>	<b>876,019</b>

**Assets and liabilities valued at fair value****31.12.2020**

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares and participations	-	-	1,839,925	1,839,925
Participations in group companies, associates and joint ventures	-	-	97,497	97,497
Loans receivable	-	-	1,328,498	1,328,498
Endowment insurance	-	675	-	675
Other long-term securities	-	298	-	298
Current receivables	-	2,391	-	2,391
Other receivables	-	27,607	-	27,607
Accrued income	-	29,809	-	29,809
Short-term investments	3,535,487	-	-	3,535,487
Cash and bank balances	-	661,818	-	661,818
Retained funds on behalf of others	-	25,597	-	25,597
<b>Total</b>	<b>3,535,487</b>	<b>748,195</b>	<b>3,265,921</b>	<b>7,549,604</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	819,840	-	819,840
Accounts payable	-	3,602	-	3,602
Other liabilities	-	61,090	-	61,090
Accrued expenses	-	187,910	-	187,910
<b>Total</b>	<b>-</b>	<b>1,072,442</b>	<b>-</b>	<b>1,072,442</b>

**NOTE 23 | MATURITY PERIOD ANALYSIS****31.12.2021****Maturity information****Contractual remain-  
ing maturity (non-  
discounted value) and  
anticipated time of  
recovery****Non-discounted cash flows – contractual remaining maturity period**

	On demand	< than 3 months	> than 3 months < than 6 months	> than 7 months < than 1 year	> than 1 year < than 2 years	> than 2 year < than 3 years	> than 3 years < than 5 years	> than 5 years	With- out ma- turity	Total nominal cash flows
<b>Assets</b>										
Shares and Fund Units	-	-	-	-	-	-	-	-	1,703,940	1,703,940
Participations in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	27,300	27,300
Loans receivable	-	76,610	10,127	109,782	249,772	324,566	450,438	338,309	-	1,559,605
Endowment insurance	-	-	-	-	-	-	-	-	414	414
Other long-term securities	-	-	-	-	-	-	-	-	707	707
Account receivables	-	2,993	-	-	-	-	-	-	-	2,993
Other receivables	-	9,883	-	-	-	-	-	-	-	9,883
Accrued income	-	112,117	-	-	-	-	-	-	-	112,117
Interest bearing securities	-	1,660,207	553,709	239,425	990,820	654,986	284,307	23,281	-	4,406,734
Cash and bank balances	378,615	-	-	-	-	-	-	-	-	378,615
Retained funds on behalf of others	17,764	-	-	-	-	-	-	-	-	17,764
<b>Total</b>	<b>396,379</b>	<b>1,861,810</b>	<b>563,836</b>	<b>349,207</b>	<b>1,240,593</b>	<b>979,551</b>	<b>734,745</b>	<b>361,590</b>	<b>1,732,361</b>	<b>8,220,072</b>
<b>Liabilities</b>										
Liabilities to credit institutions	-	73,181	20,014	89,431	211,704	203,081	9,829	-	-	607,240
Accounts payable	-	1,983	-	-	-	-	-	-	-	1,983
Other liabilities	-	28,814	-	-	-	-	-	-	-	28,814
Accrued expenses	-	237,982	-	-	-	-	-	-	-	237,982
<b>Total</b>	<b>-</b>	<b>341,960</b>	<b>20,014</b>	<b>89,431</b>	<b>211,704</b>	<b>203,081</b>	<b>9,829</b>	<b>0</b>	<b>-</b>	<b>876,019</b>
Unrecognised loan commitments	-	253,365	72,495	144,991	-	-	-	-	-	470,851
Operating leases	-	1,580	1,580	3,040	5,473	5,396	11	-	-	17,080
<b>Total difference</b>	<b>-</b>	<b>254,945</b>	<b>74,075</b>	<b>148,030</b>	<b>5,473</b>	<b>5,396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>487,931</b>

Note 23 (cont.)

31.12.2020

## Maturity information

## Non-discounted cash flows – contractual remaining maturity period

Contractual remaining maturity (non-discounted value) and anticipated time of recovery	On demand	< than 3 months	> than 3 months < than 6 months	> than 7 months < than 1 year	> than 1 year < than 2 years	> than 2 year < than 3 years	> than 3 years < than 5 years	> than 5 years	With-out maturity	Total nominal cash flows
<b>Assets</b>										
Shares and Fund Units	-	-	-	-	-	-	-	-	1,521,005	1,521,005
Participations in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	48,093	48,093
Loans receivable	-	104,272	22,902	93,085	190,588	222,319	318,227	377,103	-	1,328,498
Endowment insurance	-	-	-	-	-	-	-	-	614	614
Other long-term securities	-	-	-	-	-	-	-	-	298	298
Current receivables	-	2,391	-	-	-	-	-	-	-	2,391
Other receivables	-	27,607	-	-	-	-	-	-	-	27,607
Accrued income	-	29,809	-	-	-	-	-	-	-	29,809
Short-term investments	-	1,543,193	162,661	382,203	693,174	357,684	295,109	91,488	-	3,525,513
Cash and bank balances	661,818	-	-	-	-	-	-	-	-	661,818
Retained funds on behalf of others	25,597	-	-	-	-	-	-	-	-	25,597
<b>Total</b>	<b>687,415</b>	<b>1,707,273</b>	<b>185,563</b>	<b>475,289</b>	<b>883,762</b>	<b>580,003</b>	<b>613,337</b>	<b>468,592</b>	<b>1,570,009</b>	<b>7,171,242</b>
<b>Liabilities</b>										
Liabilities to credit institutions	-	95,375	44,776	131,977	159,723	195,047	192,942	-	-	819,840
Accounts payable	-	3,602	-	-	-	-	-	-	-	3,602
Other liabilities	-	61,090	-	-	-	-	-	-	-	61,090
Accrued expenses	-	187,910	-	-	-	-	-	-	-	187,910
<b>Total</b>	<b>-</b>	<b>347,977</b>	<b>44,776</b>	<b>131,977</b>	<b>159,723</b>	<b>195,047</b>	<b>192,942</b>	<b>-</b>	<b>-</b>	<b>1,072,442</b>
Unrecognised loan commitments	-	74,491	74,491	148,982	-	-	-	-	-	297,964
Operating leases	-	1,299	1,299	2,591	869	61	-	-	-	6,119
<b>Total difference</b>	<b>-</b>	<b>75,790</b>	<b>75,790</b>	<b>151,573</b>	<b>869</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>304,083</b>

## NOTE 24 | OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Swedfund has no financial assets or financial liabilities that are subject to legally binding framework agreements on netting or similar agreements with a contractual right to offset.



**NOTE 25 | PROVISION FOR PENSION OBLIGATIONS**

Swedfund has pledged a direct pension secured through endowment insurance. The endowment insurance is pledged in favour of the pension obligation.

The pension obligation is exclusively dependent on the value of the endowment insurance, recognised as a financial fixed asset. Provisions for pension obligations do not constitute a provision for a pension under the Act on the safeguarding of pension commitments (tryggandelagen).

<b>Endowment insurance</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
At the start of the year	614	858
Pension cost	-	-
Premium payments	-265	-260
Change in value	65	16
<b>At the year-end</b>	<b>414</b>	<b>614</b>
Fair value of endowment Insurance	414	614

**NOTE 26 | PROVISION FOR EXPECTED CREDIT LOSSES ON LOAN COMMITMENTS**

	<b>31.12.2021</b>	<b>31.12.2020</b>
Carrying amount at start of period	2,324	1,791
Provisions made during the period	2,517	1,722
Amounts committed during the period	-959	-1,355
Unutilised amounts reversed during the period	-139	-6
Increase during the period of discounted amounts	-70	172
Other	-	-
<b>Carrying amount at end of period</b>	<b>3,673</b>	<b>2,324</b>

**NOTE 27 | CREDIT RISK EXPOSURE**

<b>Credit risk exposure gross and net as of 31.12.2021</b>	<b>Credit risk exposure (before impairment)</b>	<b>Impairment/ Provision</b>	<b>Recognised value</b>	<b>Credit risk exposure with respect to collateral</b>	<b>Guaranteed collateral</b>
Cash and deposits with banks	396,379	-	396,379	396,379	-
Loans receivable	1,730,908	-171,303	1,559,605	1,559,605	-
<b>Bonds and other interest-bearing securities</b>					
Government Securities and other public bodies					
AAA	3,507,183	-	3,507,183	3,507,183	-
Other Issuers					
AAA	899,551	-	899,551	899,551	-
	<b>4,406,734</b>	<b>-</b>	<b>4,406,734</b>	<b>4,406,734</b>	<b>-</b>
<b>Total</b>	<b>6,534,021</b>	<b>-171,303</b>	<b>6,362,718</b>	<b>6,362,718</b>	<b>-</b>
<b>Other assets</b>					
Issued loan commitments	470,851	-3,673	467,178	467,178	-
<b>Total</b>	<b>470,851</b>	<b>-3,673</b>	<b>467,178</b>	<b>467,178</b>	<b>-</b>
<b>Total credit risk exposure</b>	<b>7,004,871</b>	<b>-174,976</b>	<b>6,829,895</b>	<b>6,829,895</b>	<b>-</b>

Note 27 (cont.)

<b>Credit risk exposure gross and net as of 31.12.2020</b>	<b>Credit risk exposure (before impairment)</b>	<b>Impairment/ Provision</b>	<b>Recognised value</b>	<b>Credit risk exposure with respect to collateral</b>	<b>Guaranteed collateral</b>
Cash and deposits with banks	687,415	-	687,415	687,415	-
Loans receivable	1 572 618	-244,120	1,328,498	1,328,498	-
<b>Bonds and other interest-bearing securities</b>					
Government Securities and other public bodies					
AAA	-2,800,970	-	-2,800,970	-2,800,970	-
Other Issuers					
AAA	724,542	-	724,542	724,542	-
	3,525,513	-	3,525,513	3,525,513	-
<b>Total</b>	<b>-5,785,545</b>	<b>-244,120</b>	<b>5,541,426</b>	<b>5,541,426</b>	<b>-</b>
<b>Other assets</b>					
Issued loan commitments	297,964	-2,324	295,640	295,640	-
<b>Total</b>	<b>297,964</b>	<b>-2,324</b>	<b>295,640</b>	<b>295,640</b>	<b>-</b>
<b>Total credit risk exposure</b>	<b>6,083,509</b>	<b>-246,444</b>	<b>5,837,065</b>	<b>5,837,065</b>	<b>-</b>

**Concentration of credit risk, as of 31 December**

	<b>2021</b>			<b>2020</b>		
	<b>Number of Borrowers</b>	<b>% total number of borrowers</b>	<b>% share of carrying amount</b>	<b>Number of Borrowers</b>	<b>% total number of borrowers</b>	<b>% share of carrying amount</b>
<b>Loans receivable</b>						
Exposure < SEK 50 million	11	46	13	15	58	21
Exposure SEK 50 – 100 million	7	29	33	7	27	40
Exposure > SEK 100 million	6	25	54	4	15	39
<b>Total</b>	<b>24</b>	<b>100</b>	<b>100</b>	<b>26</b>	<b>100</b>	<b>100</b>

The three largest borrowers account for 29% (30%) of loans receivable.

**NOTE 28 | OTHER LIABILITIES**

	<b>31.12.2021</b>	<b>31.12.2020</b>
Accounts payable	1,983	3,602
Tax liabilities	26,938	3,557
Personnel withholding tax	1,381	1,145
Other liabilities	27,433	59,945
<b>Total</b>	<b>57,735</b>	<b>68,249</b>

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

**NOTE 29 | ACCRUED EXPENSES AND DEFERRED INCOME**

	<b>31.12.2021</b>	<b>31.12.2020</b>
Accrued holiday pay	3,822	2,849
Accrued social security expenses	4,482	3,641
Accrued interest expenses, liabilities to credit institutions	2,493	3,410
Other accrued expenses	4,593	5,852
Deferred income (Technical Assistance, Swedpartnership, Swedfund Project Accelerator)	222,592	172,157
<b>Total</b>	<b>237,982</b>	<b>187,909</b>

**NOTE 30 | PLEDGED COLLATERAL****Pledges and equivalent collateral pledged for own liabilities and reported commitments for such provisions**

	31.12.2021	31.12.2020
Bonds and other securities	815,454	1,172,195
Bank bills	2,312	627
Total	817,765	1,172,822

**Other pledged assets and equivalent collateral**

	31.12.2021	31.12.2020
Pledged endowment insurance	414	614
Total	414	614

**NOTE 31 | CONTINGENT LIABILITIES**

The Company is involved in various processes and legal proceedings that have arisen from its everyday business. These claims relate to, but are not limited to, the Company's business practices, personnel matters and tax issues. With regard to matters which do not require provisions, the Company considers, on the basis of information currently available, that these will not have a significant negative effect on the Company's financial performance.

Commitments	31.12.2021	31.12.2020
Contracted unpaid portfolio commitments	2,169,923	1,649,325
Total	2,169,923	1,649,325

**NOTE 32 | CASH FLOW STATEMENT**

Adjustments for items not included in cash flow	31.12.2021	31.12.2020
Depreciation, amortisation and impairments	-17,590	427,896
Uncapitalised exchange rate differences	-60,598	48,098
Sale of fixed assets	-97,330	-53,401
Other non-cash items	1,149	290
Total	-174,369	422,883

**NOTE 33 | TRANSACTIONS WITH RELATED PARTIES**

Related party transactions are based on accepted commercial terms in the industry and have been concluded under normal commercial conditions. For information on salaries and other remuneration, costs and obligations relating to pensions and similar benefits for the board of directors, the CEO and other senior executives; see Note 6.

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

**NOTE 34 | EVENTS AFTER THE BALANCE SHEET DATE**

No significant events occurred after the balance sheet date.

**NOTE 35 | PROPOSAL FOR UTILISATION OF PROFIT**

	31.12.2021	31.12.2020
The following funds are at the disposal of the annual general meeting:		
Accumulated profit/loss	5,503,541,305	5,078,752,042
Capital injection	1,000,000,000	800,000,000
Profit/loss for the year	220,220 174	-375,210,737
	6,723,761,479	5,503,541,305
is distributed as follows:		
To be carried forward	6,723,761,479	5,503,541,305
	6,723,761,479	5,503,541,305

# CORPORATE GOVERNANCE REPORT

## Corporate governance in Swedfund

Swedfund is a limited liability company wholly owned by the Swedish state with a specific public policy assignment, which is set out in the Owner's instructions. According to the mission, Swedfund must contribute to attainment of the goal set out in Sweden's Global Development Policy of fair and sustainable global development and, together with strategic partners, the company must contribute to investments which are not deemed to be realisable solely through commercial financing. Swedfund must ensure that the investments are sustainable from an economic, environmental, climate and societal perspective. The Owner's instructions set out a number of mission goals for the organisation. These are described in more detail in the Directors' Report under the Portfolio companies' results section on pages 70-91.

Both external and internal regulations form the basis for Swedfund's governance. The board of directors has established guidelines for the company's operations with the aim of providing guidance for the organisation and its employees. Swedfund applies the Swedish Corporate Governance Code ("the Code"). Deviations from this Code for the financial year are explained below. The main reason behind such non-conformities is Swedfund's ownership circumstances, with Swedfund being a wholly state-owned company and thus not a listed enterprise with dispersed ownership. The company's auditors have conducted a statutory review of the corporate governance report.

The state's ownership policy, the owner's instructions for the company, the articles of association and the goals established by the general meeting and the board of directors govern the operation. Swedfund's strategy and policy documents form the starting point for the implementation of the mission. Swedfund's policies form a key part of the company's values, governance and internal control, and are continually being incorporated into working methods and agreements. The training of Swedfund staff and external board members amongst the portfolio companies is ongoing. The company is also affiliated to a number of international conventions and regulations which have impacted on the working methods that are followed in different ways.

## Corporate Governance Code

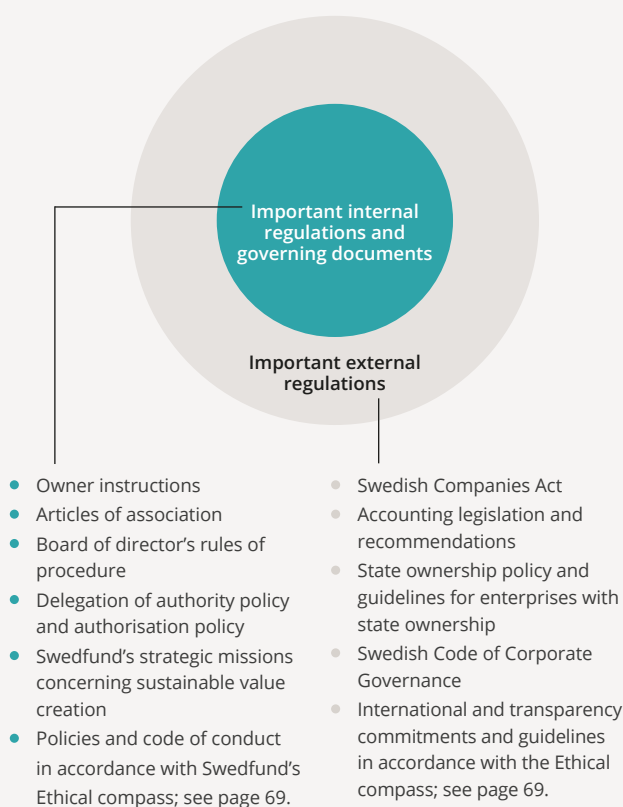
The Corporate Governance Code forms part of the state's corporate governance framework. Swedfund follows the Corporate Governance Code in accordance with the owner's guidelines.

## DEVIATIONS FROM THE CORPORATE GOVERNANCE CODE

Swedfund deviated from the provisions of the Corporate Governance Code during the 2021 financial year with regard to the following points:

- (i) Nomination committee. Due to its ownership structure, Swedfund has no nomination committee. Instead, the nomination process for board members, election of a chair for meetings and appointment of auditors is based on a separate process for state-owned companies.
- (ii) The board of directors' independence in relation to the owner. In accordance with the state's ownership policy, Swedfund does not report whether or not board members are independent of the owner
- (iii) Remuneration committee. The board of directors has instead opted to perform this task

## Governing documents





## Corporate governance amongst the portfolio companies

As regards investments through equity, Swedfund normally has a role as a minority shareholder, but normally endeavour to ensure that it holds a board position. In connection with fund investments, Swedfund is often represented on the fund's advisory board. Through active ownership based on the three pillars, governance and follow-up take place through, amongst other things, board work, self-evaluations and ESG advocacy work. The management of Swedfund's investments involves incorporating the company's policies in investment agreements as and when appropriate. Information on the development of the portfolio companies is obtained through regular owner dialogues, the follow-up of annual reports and other agreed information.

Swedfund strives to maintain an active dialogue with stakeholders such as owners, business partners, civil society organisations, trade unions and media representatives. For further information, read Swedfund's stakeholder and materiality analysis on pages 150-151.

## Votes and owners

Swedfund is a limited liability company which is wholly owned by the Swedish state. The general meeting is the supreme decision-making body within Swedfund, and it is through participation in this meeting that the Swedish state exerts its influence on the company. The Ministry of Enterprise and Innovation is responsible for managing the state's ownership of Swedfund, while the Ministry of Foreign Affairs is responsible for the company's aid policy. Invitations to the annual general meeting and extraordinary general meetings at which matters concerning the amendment of the articles of association will be considered must be distributed no earlier than six weeks and no later than four weeks before the meeting. Invitations are issued through publication in post- och inrikes tidningar and on Swedfund's website. A Member of Parliament has the right to be present at the meeting

and to ask the company questions during the meeting. Under normal circumstances, the meeting is also open to the general public.

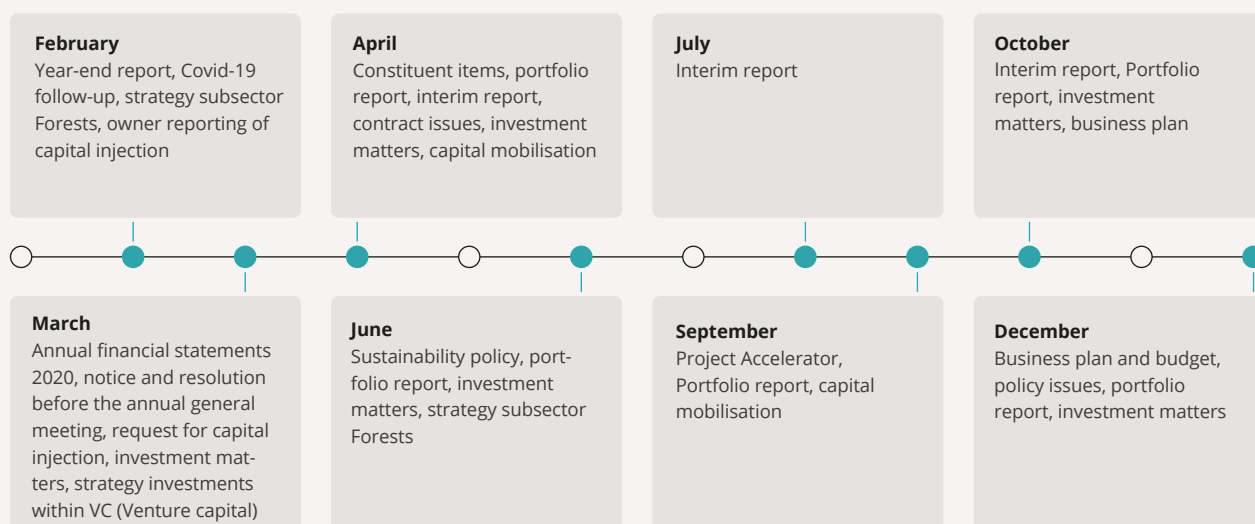
## THE TASKS OF THE ANNUAL GENERAL MEETING INCLUDE REACHING DECISIONS CONCERNING:

- Adoption of the income statement and balance sheet
- Appropriation of the company's profit or loss
- Discharge from liability for the board of directors and the CEO
- Election of the board of directors, chair of the board and auditors
- Determination of fees to the board of directors and auditors
- Amendments to the articles of association
- Owner's instructions for the organisation, including mission goals and financial goals
- Guidelines for remuneration to senior executives and approval of the remuneration report

## ANNUAL GENERAL MEETING 2021

Swedfund's annual general meeting was held on Thursday 29 April 2021, mainly in digital format due to the ongoing pandemic. Prior to the meeting, it had also been resolved and announced through the notice of the meeting that the public would not be granted access to the annual general meeting due to the risk of spreading Covid-19. The annual general meeting adopted the income statement and balance sheet as of 31 December 2020 and discharged the members of the board of directors and the CEO from liability for the 2020 financial year. The annual general meeting also resolved on appropriation of the profit, guidelines for remuneration of the senior management, and the remuneration report for 2020. Ernst & Young AB was re-elected as auditor by the annual general meeting, with lead auditor Jennifer Rock-Baley. Minutes from annual general meetings are available on Swedfund's website.

## Key issues for the board of directors during 2021



## Attendance at board of directors and audit committee meetings during 2021

Member	Position	Board of directors meetings	Audit committee meetings
Göran Barsby	Chair of the board	10/10	
Torgny Holmgren	Member of the board	10/10	8/8
Catrina Ingelstam	Board member and chair of the audit committee	10/10	8/8
Daniel Kristiansson	Member of the board	10/10	8/8
Fredrik Arp	Member of the board	9/10	
Kerstin Borglin	Member of the board	9/10	
Mikael Sandström	Board member (until the 2021 annual general meeting)	3/3	
Roshi Motman	Member of the board	10/10	
Jonas Eriksson	Board member (from the 2021 annual general meeting)	7/7	

### Board of directors

According to the articles of association, the board of directors must consist of at least six and no more than nine members without alternates. The annual general meeting must appoint the chair of the board of directors. If the chair leaves his or her post during their term of office, the board of directors must elect a chair from amongst its members for the period through until the end of the general meeting when the new chair is elected by the meeting.

#### COMPOSITION OF THE BOARD

In connection with the 2021 annual general meeting, member Mikael Sandström resigned. At the annual general meeting, Göran Barsby, Fredrik Arp, Catrina Ingelstam, Daniel Kristiansson, Roshi Motman, Kerstin Borglin and Torgny Holmgren were all re-elected. Jonas Eriksson was elected as a new member, which means that, after the annual general meeting the board of directors comprises eight members, three women and five men. Göran Barsby was also re-elected as chair of the board. No member of Swedfund's executive management is a member of the board of directors. Information about the members of the board of directors is given on pages 144-145.

#### RESPONSIBILITIES AND DUTIES OF THE BOARD OF DIRECTORS

The board of directors is required to continuously assess the company's financial situation, and ensure that the company achieves the established missions and manages its resources appropriately. The board of directors is responsible for ensuring that the company's organisation is such that accounting, financial management and the company's financial circumstances generally are subject to satisfactory controls. The board of directors must ensure that the company has effective systems in place for monitoring and controlling the company's operations, and shall keep itself informed and evaluate how the company's internal control systems are functioning. The board of directors is responsible for establishing goals and a strategy for the company's operations. It is the responsibility of the board of directors to integrate sustainable business into the company's business strategy and business development, and to establish strategic goals for sustainable value creation in accordance with the ownership policy. The board of directors is responsible for the company's risk management and compliance. This means that the board of directors is responsible for ensuring that risks associated with the company's operations are

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

The board of directors has established an audit committee whose duties are aimed at the quality assurance of Swedfund's external reporting, and ensuring that the company has appropriate risk management in place, that established principles for external reporting and internal control are complied with, and that Swedfund undergoes qualified, effective and independent auditing. The audit committee consists of three board members appointed annually by the board of directors. Since the inaugural board meeting in 2021, the Audit Committee has consisted of Catrina Ingelstam (chair), Daniel Kristiansson and Torgny Holmgren.

The board of directors is responsible for maximising the development of value in Swedfund, and for ensuring that the operation is managed in a way which promotes sustainable development, financially, socially and environmentally and as regards climate. The board of directors is responsible for the company's organisation and management of its affairs in the interests of the company and the shareholder. The board of directors is responsible for ensuring that the company acts as a role model within the field of sustainable business and also otherwise operates in a manner that is worthy of public confidence. The board of directors appoints the chief executive officer (CEO) and determines the salary and other benefits of the CEO.

#### CHAIR OF THE BOARD

The chair is responsible for annually evaluating the work of the board of directors and for ensuring that the evaluation is reported as and when relevant to the owner's nomination administrator. The 2021 board evaluation was carried out within the board and involved a collective evaluation of the work and expertise of the board of directors. As and when necessary, the chair participates in connection with important contacts and represents the company in relation to owner-

ship matters. The chair of the board is also responsible for maintaining contact with representatives of the company's owners with the aim of coordinating his or her views with these representatives when the company must make particularly important decisions.

#### THE WORK OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE DURING 2021

During 2021, the board met on ten occasions, which included seven ordinary meetings, one extraordinary meeting and two meetings per capsulam. Amongst other matters, the meetings considered investment cases and the business operation based on the three pillars (impact on society, sustainability and financial viability), annual and interim financial statements and related reports, strategy and business plan, mission goals, budgets, policy issues, organisational and staffing issues, and evaluation of the work of the board of directors and the CEO. During 2021, board meetings were predominantly conducted in digital format.

In 2021, the Audit Committee met on eight occasions, including five ordinary meetings and three extraordinary meetings in connection with audit procurement. Amongst other things, the Audit Committee has prepared questions regarding interim reports and integrated reporting for 2020 (including the annual report, sustainability and corporate governance report), Risk/Internal Control, annual update of the Sustainability Policy, Risk Policy and Financial Policy, investigation of alternative key figures, audit plans for internal and external audits, and the follow-up of audit reports and previous observations from the auditors. The Audit Committee has also active-

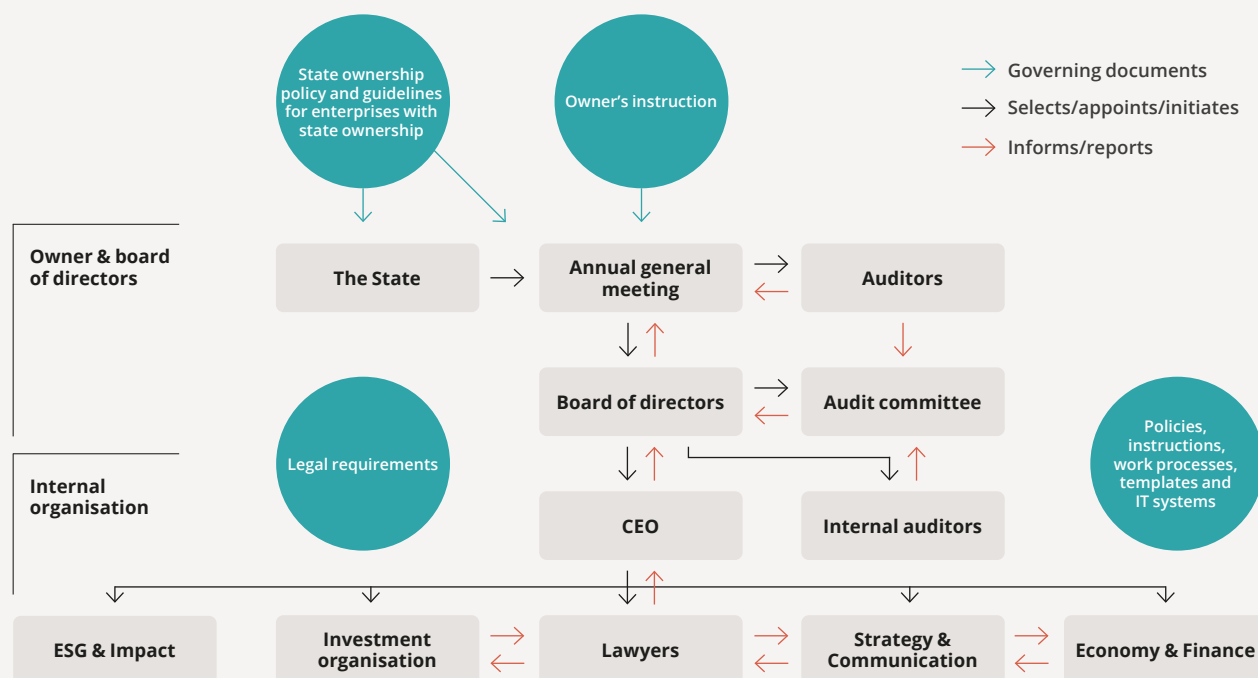
ly worked on the procurement procedure concerning an external audit firm for the 2022 financial year.

#### CEO and company management

Maria Håkansson (born 1970) has been CEO of Swedfund since 2018. The CEO is responsible for the ongoing management and coordination of the company's operations with the care and to the extent necessary to perform these tasks in accordance with applicable legislation, the articles of association, the CEO's instructions and the board of directors' instructions and the state's ownership policy. The CEO signs on behalf of the company's with regard to the ongoing administration of the company within the adopted budget. Decisions within the CEO's own decision-making remit are reported to the board of directors at the next meeting. When a member of the management group signs on behalf of the company, this is also reported at the next meeting.

Management work is coordinated by a management team based on Swedfund's organisation. At the year-end, the management group comprising a total of eight people consisted of the CEO, Chief Legal Counsel, Chief Financial Officer, Director of Strategy and Communication, Chief Investment Officer, Director of ESG & Impact, Director of Business Development and Special Operations and the Head of Administration. The role of the management group is to prepare and implement strategies and business plans, manage corporate governance and organisational issues, and follow up Swedfund's financial development and initiatives relating to sustainability.

#### Corporate governance structure



## Auditors

The state's ownership policy states that responsibility for the election of auditors in state-owned enterprises always rests with the owner. Proposals for the election of auditors and approval of auditors' fees in companies with state ownership are submitted by the board of directors. Auditors are normally appointed for a term of one year at a time.

The auditors are accountable to the owner at the general meeting and submit audit reports concerning Swedfund's integrated reports and the board of directors' management. The auditors submit a summary report on the audit to the audit committee and the board, partly in connection with the performance audit and the general review of the interim report for January to September and partly in connection with the audit of the annual financial statements. The external auditors participated in all five of the audit committee's regular meetings during 2021.

The remuneration paid to the auditors is presented in Note 7.

## Remuneration of senior executives

Swedfund applies the government's guidelines for employees in managerial positions. The remuneration conditions for the CEO and other senior executives are presented in Note 6 (page 115). Swedfund also prepares a Remuneration Report for approval by the annual general meeting.

## Internal control regarding financial reporting

Under the Companies Act and the Code, the board of directors is responsible for ensuring that the company has good internal controls in place. This report has been prepared in accordance with Chapter 6 Section 6 of the Swedish Annual Accounts Act, and Articles 7.3 - 7.4 of the Code, and is limited to the internal controls regarding financial reporting.

Effective board work forms the basis for good internal control. Swedfund's internal controls can be described based on the following five main areas.

### GOVERNANCE AND CONTROL ENVIRONMENT

The basis for internal controls regarding financial reporting is the control environment. The board of directors has overall responsibility for financial reporting. Every year, the board of directors adopts a set of written rules of procedure for its work, and specifies the division of work between the board of directors on the one hand and the CEO and the audit committee on the other.

The audit committee appointed by the board of directors is tasked with preparing matters for decisions by the board. The audit committee works according to an annual schedule and is responsible for monitoring and quality assurance of the company's financial reports. This task covers areas such as the effectiveness of the company's internal control and assessments of estimates and reported values which could impact on the quality of financial reports. The audit committee also keeps itself informed concerning the auditing of the annual integrated reporting (including the annual report and reports regarding corporate governance and sustainability) and the management through regular attendance of the committee's meetings by the company's auditors. The CEO, CFO and Director of ESG & Impact are

co-opted to the committee's meetings, but the committee's members are also in regular contact with these executives.

One aspect of the board of directors' work is to prepare, update and approve a number of fundamental policies which govern the company's work. The board of directors issues guidelines which set out the conditions for an organisational structure with the clear delegation of powers and responsibilities documented in a set of instructions for the work of the CEO and in a policy concerning the delegation of authority. Based on these, internal rules, processes and structures are created which form the basis for internal governance and control throughout the organisation. Financial policy, sustainability policy, risk policy, accounting and reporting instructions and an investment manual set out the framework and provide guidance in key areas for the company's financial reporting.

The competence of the employees and the core values that the board of directors and the management operate on the basis of and communicate also form a significant part of the control environment. The CEO is tasked with establishing guidelines to ensure that all employees understand the requirements regarding the maintenance of ethical values and the role of the individual in this task, which is partly governed by the Code of Conduct, which all employees are required to follow.

## Risk assessment

There may be a risk of material misstatement in the financial statements in connection with the accounting and valuation of assets, liabilities, income and expenses, or deviations from information requirements. Other risks relating to financial reporting include fraud, loss or misappropriation of assets, or undue favouring of other parties at the company's expense. Accounting and financial reporting policies and directives and associated processes cover areas of particular importance in order to promote accurate and complete accounting, reporting and information provision at the right time.

Identified risk types are managed through well-defined business processes with integrated risk management measures, as well as through the clear division of responsibility and tasks, and an appropriate decision-making policy. This means that specific approval is required for investments and other important transactions to ensure that assets are managed appropriately. The company's financial risks are managed in accordance with the board of directors' established risk policy and financial policy, and reporting concerning financial risks takes place on a quarterly basis.

In connection with the evaluation of new investments, detailed analyses (due diligence) are carried out of factors such as developments in financial results and position. Based on the assessment of financial risks, specific conditions in the investment contracts are also included as and where necessary in order to reduce risk exposure.

Find out more about Swedfund's management of financial risks in Notes 21 and 27, and about Swedfund's other risks and risk management on pages 48-51.



## Control activities

To ensure that financial reports present a true and fair picture of the business and maintain the desired level of quality, Swedfund's processes include various control activities. These control activities involve every level of the organisation, from the board of directors and the management to other employees, and are intended to prevent, detect and correct any errors and non-conformities.

Results are followed up with respect to budgets and/or forecasts on a monthly basis, along with liquidity monitoring. Examples of other control activities within Swedfund's operation include the approval and control of different types of accounting transactions, reconciliations, analysis of key ratios and relationships, as well as other follow-up of financial information. The analytical follow-up is carried out on an ongoing basis by the corporate management and the finance function.

In addition to this, portfolio company reviews are conducted quarterly for each sector, where portfolio holdings are evaluated based on the three pillars of impact on society, sustainability and financial viability. These meetings are attended by the management group with the responsible investment manager as presenter.

Swedfund has developed an investment process to ensure that high levels of quality are maintained during the preparation of investment cases. In connection with the evaluation of new investments, a special process has been established where an investment committee, comprising the management group and the person responsible for the specific project, evaluates a potential investment in two stages before it is presented to the board of directors for a final decision.

The process of active ownership amongst the portfolio companies involves the investment organisation taking responsibility for continually monitoring financial developments by obtaining and analysing financial reports, conducting visits and actively participating in board work. Part of the aim of this is to ensure the assessment of developments in the value of investments, which are in turn reflected in Swedfund's income statement and balance sheet.

Internal control and the management of the company are evaluated annually by the company's external auditors. A special audit function in the form of an internal audit function was established in 2020 and, during the current year, conducted two audits regarding ESG aspects of new investments, as well as an audit of Swedfund's Risk Framework and management of risks. As regards internal control, Swedfund has also undergone a special comprehensive audit in connection with the application to the EU for pillar accreditation in order to have the opportunity to utilise EU funds and guarantees in the future. During 2021, the European Commission announced its decision that Swedfund's application for pillar accreditation had been approved in its entirety.

## Information and communication

The company's information and communication channels must contribute to full and accurate financial reporting at the right time. All Swedfund employees have access to the company's policies, guidelines and manuals. During regular information meetings with employees, the importance of applying the rules and processes that exist is stressed, and the associated resultant changes are described

in more detail. Within the company's various departments, reviews and updates are carried out concerning the application of these documents on an ongoing basis as and when necessary. Formal and informal communication between employees and management is facilitated by the fact that the employees are small in number and largely geographically concentrated to one office.

The board of directors and the audit committee regularly review the management's reports concerning financial developments with analyses and comments on outcomes, budgets and forecasts. The board of directors also regularly receives detailed portfolio reports which present developments for each investment and in the portfolio.

Swedfund also has a whistleblower function that can be used in the event of suspected irregularities by executives within Swedfund and its portfolio companies. This function can be used in connection with suspected cases of corruption, accounting errors, deficiencies in internal control or other doubts which could seriously harm the company's interests or the health and safety of individuals. During the year, Swedfund also established a Complaints Mechanism, which can be used to draw attention to issues linked to Swedfund and Swedfund's portfolio companies

## Follow-up

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

The audit committee carries out preparations for the board of director's evaluation of the information provided by the corporate management and the company's auditors. The responsibilities of the audit committee also include ensuring that, on behalf of the board of directors, action is taken concerning deficiencies and proposed measures that have emerged from the external audit concerning financial reporting and internal control.

Every year, the audit committee reviews the internal and external auditors' audit plans and considers the auditors' observations on an ongoing basis. The board of directors and the audit committee also receive summary audit reports. The company's external auditors attended one board meeting and five meetings of the audit committee. At least once a year, the board of directors meets the company's auditors without the CEO or any other member of the management group present.

As of 31 December 2021, the assessment is that the control activities relating to internal control of the financial reporting are adequate.











**Fredrik Arp** (born 1953)  
*Member*

**Board member since:** 2016

**Education:** MBA and Honorary Doctorate, Lund University.

**Current position:** Own company.

**Other directorships:** Nolato AB (chair), Bravida Holding AB (chair), Vattenfall AB (member).

**Previous directorships:** Mediplast AB (chair), Qioptiq (chair), Hilding Anders AB (member), Thule AB (chair), Getinge AB (vice chair), Perstorp AB (member), Munksjö AB (member), Bröderna Edstrand AB (member), Ahlsell AB, Innovations- och kemiindustrierna (chair), Confederation of Swedish Enterprise (member), Technogym SpA (member), Parques Reunidos (member), Nuevolution AB (member).



**Göran Barsby** (born 1951)  
*Report from*

**Board member since:** 2016

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

**Directorships:** Holms Intressenter AB (chair), Willo AB (chair), CityMail Sweden AB (chair), Stena Adactum AB (member).

**Previous directorships:** AudioDev AB (member), Time Care AB (member), Kungshagens Montessoriskola (member and founder), Tooltex Int. N.V. (member), Enklare Ekonomi AB (chair), INR AB (chair)



**Rosh Motman** (born 1979)  
*Member*

**Board member since:** 2019

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

**Current position:** Own company.

**Previous assignments:** CEO Millicom Ghana (Tigo), CEO Airtel-Tigo Ghana, Chair of Ghana Telecom Chambers, Chair of the Investment Committee Digital Changemakers Ghana (Tigo/Reach for Change).



**Torgny Holmgren** (born 1954)  
*Member*

**Board member since:** 2017

**Education:** Degree in Economics, Stockholm School of Economics.

**Current position:** CEO of Stockholm International Water Institute (SIWI).

**Other directorships:** Water Aid, Expert Group for Aid Analysis, World Water Council, Swedish Leadership for Sustainable Development.



**Kerstin Borglin** (born 1960)  
Member

**Board member since:** 2016

**Education:** MSc, Mechanical Engineering, Lund University Faculty of Engineering, History of Science, Lund University, African History, Stockholm University.

**Current position:** Executive Advisor, Spider (ICT Swedish Program in Development regions, part of the Department of Computer and Systems Sciences, Stockholm University).

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

**Previous directorships:** Ericsson Lithuania (member), Ericsson Kenya (member), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (member).



**Daniel Kristiansson** (born 1974)  
Member

**Board member since:** 2019

**Education:** MBA, Stockholm School of Economics.

**Current position:** Under-Secretary, Ministry of Enterprise and Innovation.

**Other directorships:** SBAB Bank AB (publ) (member), Stiftelsen Industrifonden (member).

**Previous directorships:** Vasallen AB (member), Metria AB (member), AB Bostadsgaranti (member), Green Cargo (member).



**Jonas Eriksson** (born 1967)  
Member

**Board member since:** 2021

**Education:** MSc Mathematics, Uppsala University.

**Current position:** Own company.

**Other directorships:** -

**Previous directorships:** Riksdag Board.



**Catrina Ingelstam** (born 1961)  
Member

**Board member since:** 2019

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

**Current position:** Consultant in own company, Creatme AB.

**Other directorships:** Sixth Swedish National Pension Fund (chair and chair of Sustainability Committee), Orio AB (member and chair of Audit Committee), Spiltan Fonder AB (member), LÖF - Mutual Insurance Company of the Regions (member), Kommuninvest i Sverige AB (member)

**Previous directorships:** Sparbanken Sjuhärads AB, Försäkringar Mälardalen AB, Salus Ansvar AB, KPA AB and subsidiaries, Folksam LO Fondförsäkring AB and subsidiaries, Folksam Fondförsäkring AB, Min Pension i Sverige AB, Legal, Kammarkollegiet (Financial and Administrative Services Agency).



# SIGNATURES OF THE BOARD OF DIRECTORS

Swedfund International AB's board of directors and CEO hereby submit Swedfund International AB's integrated report, including the annual report, sustainability report and Communication on Progress (COP) for 2020.

Swedfund International AB has produced this annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and as adopted by the EU. In addition, the standards of the Swedish Financial Reporting Board and its recommended RFR 2 Supplementary Accounting Rules for Legal Entities have also been applied.

The annual report also includes the company's sustainability report in accordance with Chapter 6 Section 11 of the Swedish Companies Act, and the sustainability report in accordance with the Global Reporting Initiative, GRI. The information provided corresponds with the factual circumstances and nothing of any material importance has been omitted which could impact on the picture of the company which is created in the annual report, the sustainability report and the COP.

Stockholm, 22 March 2022

Göran Barsby  
*Chair*

Fredrik Arp

Kerstin Borglin

Catrina Ingelstam

Roshi Motman

Daniel Kristiansson

Torgny Holmgren

Jonas Eriksson

Maria Håkansson  
*Chief Executive Officer*

Our audit report was submitted on 22 March 2022

Jennifer Rock-Baley  
State-Authorised Public Accountant, Ernst  
Young AB

# AUDITOR'S REPORT

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

This is a translation from  
the Swedish original

## Report on the annual accounts

### OPINIONS

We have audited the annual accounts of Swedfund International AB for the 2021 financial year, with the exception for the corporate governance statement on pages 137-145. The company's annual report is included on pages 70-136 in this document.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and in all material respects gives a true and fair picture of Swedfund International AB's financial position as of 31 December 2020 and of its financial results and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and the Swedish Financial Reporting Board and its recommendation RFR 2 and the Swedish Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 137-145. The directors report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the annual general meeting adopt the income statement and balance sheet.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 1-69 and 137-164. The remuneration report for the financial year 2021 also contains other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting.

### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate

ate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## Report on other requirements in accordance with laws and other statutes

### OPINIONS

In addition to our audit of the annual accounts, we have also conducted an audit of the administration of the Board of Directors and the Managing Director of Swedfund International AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend that the annual general meeting appropriate the profit in accordance with the proposal in the directors' report and discharge the members of the board of directors and the CEO from liability for the financial year.

### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, We exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, ac-

tions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

#### **THE AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT**

The Board of Directors is responsible for that the corporate governance report on pages 137-145 has been prepared in accordance with State Ownership Policy and Guidelines for Companies with State Ownership" (the ownership policy).

Our review was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our review of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the review has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. The information that is mandatory under the ownership policy is consistent with the annual report and the financial statements.

Stockholm 22 March 2022  
Ernst & Young AB

Jennifer Rock-Baley  
Authorized Public Accountant



# ADDITIONAL SUSTAINABILITY INFORMATION ABOUT SWEDFUND'S OPERATIONS AND REPORTING

## About our GRI reporting

Swedfund's 2021 Integrated Report is a fully integrated report in which sustainability information is integrated with the financial information. The report has been prepared drawing on inspiration from the International Integrated Reporting Council's (IIRC) framework, The International Framework.

The report follows the Swedish Government Offices' "Guidelines for external reporting for companies with state ownership". According to these principles, sustainability reports must be prepared in accordance with the Global Reporting Initiative's (GRI) guidelines or another international framework for sustainability reporting. Rules concerning sustainability reporting applicable to larger enterprises in accordance with the Swedish Annual Accounts Act also apply. Information in the sustainability report will be reviewed and verified by the auditor who is appointed as the company's auditor.

Swedfund's sustainability reporting applies the Global Reporting Initiative's (GRI) Standards reporting framework at Core level, and GRI G4 Sector Disclosures, Financial Services. The company's overarching ambition behind its reporting is for it to be transparent and provide material and reliable information to our stakeholders. The sustainability information in this report has been audited by Ernst & Young.

Swedfund published its first sustainability report in 2008. As in previous years, the aggregated development results generated by Swedfund's portfolio companies are presented. The report is based on the state's ownership policy and principles for companies with state ownership in 2021, Swedfund's special public policy assignment and other important missions in our strategy. The intention is to illustrate how Swedfund, as a development finance institution, is contributing to the implementation of Agenda 2030 through sustainable investments in enterprises in developing countries. Results from Swedfund's own activities are reported when they have a significant impact from a sustainability perspective.

## UN GLOBAL COMPACT, COMMUNICATION ON PROGRESS, COP

With the commitment to UN Global Compact, which Swedfund certified in 2012, it follows that Swedfund reports the work to implement Global Compact's 10 principles in an annual report entitled 'Communication on Progress' (COP). The company's first COP was submitted in April 2013. In this year's report, Swedfund integrates a ninth COP. In the special GRI/COP index, we have opted to refer to the information that is stipulated in the Basic Guide to Communication on Progress, GC Active Level, developed by UN Global Compact.

## UN PRI

In 2012, Swedfund became signatory to the UN Principles for Responsible Investment (UN PRI). Through these principles, Swedfund has undertaken to report results in electronic format on an annual basis directly to UN PRI's secretariat. In accordance with instructions issued by the secretariat, no reports will be submitted regarding the 2021 financial year.

## CONTACTS

Karin Kronhoffer, Director of Strategy and Communication.

## INDEX FOR SUSTAINABILITY REPORTING IN ACCORDANCE WITH GUIDELINES FOR EXTERNAL REPORTING FOR COMPANIES WITH STATE OWNERSHIP

Indicator	Page reference
Business model	4-5, 40-41
Sustainability policy and Anti-corruption policy, as well as review procedures	54-57, 68-69, 84-85, 86-87, 88-89, 152-154
Material sustainability risks and their management	48-51
Results	
Environment	74-76, 86-87, 153
Social conditions and staff	78-81, 84-87, 114, 154
Human rights	86-87, 152-153
Anti-corruption	88-89, 154

## STAKEHOLDER AND MATERIALITY ANALYSIS

The roadmap to achieving the UN's Sustainable Development Goals (SDGs) is complex and requires a stronger partnership between many different stakeholders.

Significant aspects of Swedfund's assignment have been identified based on the state's ownership policy and principles for state-owned companies in 2021, the company's public policy assignment as defined in the ownership instructions, other missions in the strategy adopted by the board of directors, and the needs and challenges that we face in our investments and partnerships and the countries in which we operate. Our influence is exerted both within Swedfund as a company and externally, i.e. in Swedfund's portfolio companies. It is in the portfolio companies that we strive to have the greatest influence, and it is in the countries in which Swedfund operates that we want to generate development results.

For Swedfund, the ongoing dialogue with our principal stakeholders is essential to the success of our mission. Dialogue is pivotal in the process of identifying the key issues for us as a development finance institution. The partnership is also a vital tool in the work on our

business plan and during the value-adding phase.

The crisis brought about by the Covid-19 pandemic has led to a greater need to cooperate both at every level of society and between countries and organisations. For Swedfund, the importance of partnerships continued to grow during 2021. At a time when travel restrictions have limited our scope to visit the countries in which we operate and our portfolio companies, cooperation with other operators on the ground has been intensified and helped to increase the opportunities to exchange information and gain a detailed knowledge of developments in the countries concerned.

During the pandemic, the cooperation taking place within EDFI has also deepened. Regular meetings have been held to share information and discuss joint initiatives aimed at saving both jobs and financial and humanitarian values.

Swedfund's dialogue and partnerships have formed the basis for validating and identifying the materiality analysis and confirmed that Swedfund's material sustainability issues are as follows: Decent jobs, gender equality and women's empowerment, environment and climate, tax issues, good corporate governance and anti-corruption, as well as human rights. We have also identified an additional theme, which we have included in our strategy work: digitalisation. The matrix below lists our stakeholders, the issues that have been in focus, and the steps that Swedfund has taken to answer the questions that have been highlighted in our work to identify key issues.

We mainly describe the key issues, how we manage them and how we measure results in the section entitled 'Portfolio companies' results' on pages 70–91. In the following section, we present additional sustainability information regarding Swedfund's own operations.

Stakeholder category	Interest issues and focus	Type of dialogue, Swedfund's response and results
<b>Owner and finance institution</b> which determines Swedfund's mission and proposes Swedfund's funding via the aid budget. Government (Ministry of Enterprise and Innovation and Ministry of Foreign Affairs).	Corporate governance, management and follow-up with a focus on sustainable enterprise: Human rights, environment and climate, working conditions, anti-corruption, tax, business ethics, gender equality, additionality and diversity, and financial development and portfolio companies' performance.	State ownership policy and guidelines for companies with state ownership, owner's instructions, general meeting, shareholder meetings, individual meetings and network meetings.
<b>Politicians</b> who establish Sweden's Policy for Global Development (PGD) and decide on the National Budget. Members of Parliament.	The way in which Swedfund carries out its mission as a development finance institution, and the development effects that Swedfund's investments generate and how well Swedfund fulfils the requirements imposed on sustainable enterprises.	Through regular meetings with the parties' representatives and meetings with the Swedish Parliament's Foreign Affairs Committee.
<b>Embassy of Sweden</b>	Swedfund's role as a development finance institution and the way in which we can contribute to sustainable and inclusive development in each country through our work.	Through meetings and dialogue concerning Swedfund's assignments and activities.
<b>Business partners</b> who, together with Swedfund, fund and run the companies in Swedfund's portfolio. Business partners and development finance institutions (DFIs, IFIs and EDFI).	Funding, market issues, strategy and business models. Private sector development, co-financing, sustainability issues and development effects. Policy issues for Europe's development finance institutions.	Interaction and advocacy work. Ongoing communication and meetings in collaboration groups. Established the Investors Integrity Forum with Transparency International Sweden and five other investors. EDFI reference group meetings at various levels: CEO, HR, ESG, Impact, Legal Affairs, Communication, etc.
<b>Portfolio companies</b>	Development finance through Swedfund and results within impact on society, sustainability and financial viability.	Contractual commitments in all three areas: impact on society, sustainability and financial viability. Ongoing dialogue and follow-up throughout the investment period.
<b>Civil society organisations and trade unions</b> which, like Swedfund, are involved in development cooperation in Swedfund's markets. Civil society's aid organisations, trade unions and international NGOs.	Policy issues, such as human rights, gender equality, climate, development effects, anti-corruption and transparency, and tax issues. The "Decent work" agenda.	Stakeholder dialogues. Participation in round table discussions and conferences, as well as the ongoing exchange of experience from us both. Stakeholder dialogue concerning tax issues and the updating of Swedfund's tax policy. Digital dialogue in order to obtain the views of civil society organisations and EDFI's members concerning Swedfund's Guiding Note on Climate.
<b>Media and opinion-formers</b> Swedish newspapers, periodicals, other media and opinion-formers in both the traditional media and social media in Sweden, whose reporting and comment reach and influence the public and other stakeholders.	Monitor Swedfund as a development finance institution and development cooperation organisation.	Press releases, ongoing information in social media, Swedfund Frankly, interviews, background discussions and meetings for knowledge transfer.
<b>Swedfund's employees</b> who through their knowledge, experience and networks carry out Swedfund's mission.	Working environment, organisational, strategic and resource issues.	Internal information through meetings and the intranet, performance appraisals, salary reviews, competence development and training.

## Human rights

Most of Swedfund's portfolio companies operate in countries and markets in which respect human rights (HR) present a challenge. In the work relating to sustainable development and sustainable enterprise, it is absolutely essential to respect and protect human rights. The ownership policy for state companies<sup>1</sup> calls on companies in the state's portfolio of companies to "act responsibly and work actively to comply with international guidelines such as the ten principles of UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises". The Swedish national "Action Plan on Entrepreneurship and Human Rights" aims to translate the UN's Guiding Principles on Business and Human Rights into practical action at national level. The rights perspective is also one of two high-priority perspectives in the Swedish development cooperation and means that "human rights and democracy must be seen as fundamental to development".<sup>2</sup>

In recent decades, democracy and human rights have been strengthened in many regions around the world. However, developments have taken a negative turn in recent years, escalated by the pandemic. In many places, the pandemic has led to the imposition of restrictions on human rights and setbacks for democracy.

### GOVERNANCE

Human rights are included in Swedfund's sustainability policy. This policy was revised in 2021 but retains the same focus on human rights. During 2020, a 'Guiding Note on Human Rights' was also published which describes how human rights are incorporated into Swedfund's investment activities. This Guiding Note is regularly revised, as the process of evaluating human rights issues is continuously evolving.

The aim of the process for evaluating human rights issues in investment activities is to identify, mitigate and account for negative impacts on human rights. The ambition is to apply this process in connection with decisions concerning new investments regularly during the value creation phase and for companies in the exit phase. Human rights and impacts are already taken into account at an early stage in the investment process by preparing a categorisation of the project as regards human rights based on country, location, operating conditions, type of business and business partners.

During the screening process, i.e. stage two of the analysis phase of a potential investment, a risk analysis is carried out during which human rights risks and impacts are analysed in more detail. A contextual risk analysis is then carried out at country and regional levels in order to identify risks associated with weak rule of law in the country concerned, indigenous peoples and/or minority groups in the region, etc. The analysis is then continued at sector level, where we identify any risks associated with specific sectors, such as migrant workers or the use of large volumes of water. In the third step, the analysis is performed at project or investment level, where we identify any risks associated with insecure or unequal working conditions, etc.

Swedfund then pursues a dialogue with the portfolio companies concerning the situation in the country concerned and any human rights violations that are occurring. Depending on the outcome of this analysis, a decision is then made as to whether or not a more detailed human rights analysis should be carried out. This is carried out

using internal resources or with the support of an external expert. The mitigation of identified risks and impacts is incorporated into the ESG Action Plan (ESGAP), which forms part of the investment agreement. As and when relevant, a risk analysis is also performed on companies in the exit phase.

### COMPLAINTS MECHANISMS

Swedfund requires all portfolio companies to have their own reporting channel and to at least implement a complaint mechanisms in accordance with the IFC Performance Standards. We also offer Swedfund's reporting channels – the whistleblowing service and complaints mechanism.

Swedfund's whistleblowing service can be used by employees, contractors, trainees and others at Swedfund, and by the companies and funds in which Swedfund invests. During 2021, two reports were received via the whistleblowing service, one of which was not considered to be in accordance with the whistleblowing guidelines and was therefore not investigated further. An investigation was initiated regarding the second report, which is still ongoing at the year-end 2021/2022. The number of reports is considered to be reasonable in view of the fact that the service is primarily intended as a supplement to the portfolio companies' own complaints mechanisms.

In June 2020, Swedfund launched a complaints mechanism, primarily based on the UN Guiding Principles on Business and Human Rights (UNGP). The channel, which is available on Swedfund's website, can be used for all types of complaints concerning Swedfund and Swedfund's portfolio companies, but not for complaints concerning individuals as a result of restrictions arising from data protection legislation. The channel complements Swedfund's whistleblowing service. Two complaints were received under the complaints mechanism in 2021, one of which was also received via the whistleblowing service.

### WE MONITOR RESULTS

The annual sustainability report which is distributed to Swedfund's portfolio companies, the Annual Portfolio Company Sustainability Report, asks a number of questions regarding the policies and processes that the portfolio companies have in place regarding human rights. The answers show a certain level of understanding of human rights, but that there is scope to deepen this work further. These questions are then followed up by e-mail, phone calls and visits.

#### *Results from Swedfund's operations. During 2021, Swedfund:*

- Participated in a network group with AP2, Business Sweden, EKN, SEK and others in order to discuss and develop common issues and guidelines within the area of human rights;
- Participated in Enact's networking group for enterprises and human rights with representatives from Swedish companies, including Electrolux, HM, Stora Enso, Telia and others;
- Led a working group within EDFI (EDFI HR WG) with the aim of drawing up a joint voluntary Guiding Note on Human Rights and a contextual risk tool;
- Collaborated with the Danish Institute for Human Rights (DIHR) on behalf of EDFI HR WG to develop a voluntary Guiding Note on Human Rights, as well as a contextual risk tool;

<sup>1)</sup> State ownership policy and guidelines for companies with state ownership 2017, 3.4.2, page 4.

<sup>2)</sup> Government letter 2016/17:60 Policy framework for Swedish development cooperation and humanitarian aid. Page 14.

- Introduced the Swedfund Human Rights Toolkit for Fund Managers and provided training for three fund managers concerning enterprises and human rights which was developed in partnership with DIHR in 2020;
- Started the development of a guide for our investments regarding how a basic stakeholder engagement plan can be drawn up.

## Serious incidents

The portfolio companies are contractually bound to report serious incidents to Swedfund. Examples of serious incidents include: fatalities, severe injuries which require medical care, occupational injuries suffered by a number of workers at the same time and incidents involving serious danger to life or health. Serious incidents also include adverse effects on human rights, fire, release of hazardous substances, strikes, various forms of harassment, corruption, fraud and theft.

During 2021, a total of 43 (2020: 25) reports of serious incidents were received by Swedfund from portfolio companies, of which 25 (2020: 20) originated from the underlying holdings of the funds. A total of 16 (2020: 19) reports concerned deaths, including two victims in one case. Twelve of the reports came from the underlying holdings of funds and four from direct investments. Of the 17 deaths, ten were the result of road traffic accidents and two were linked to safety incidents, and five to various work operations, such as falls from height. Serious incidents other than deaths mainly concerned robbery or theft, fire and road accidents resulting in injuries.

We aim to ensure that no serious incidents occur amongst our portfolio companies or in the underlying holdings of our funds, and we and the fund managers therefore monitor the investigations that are conducted into these events and ensure that appropriate measures are implemented. Depending on the circumstances (employees or others, road traffic accidents or occupational accidents), an action plan is drawn up by the portfolio company concerned.

This year's figures show a rise in the number of reported serious incidents, partly due to an expanding portfolio and partly due to even more stringent reporting procedures. There is a need to continually improve the reporting and safety practices of our portfolio companies and the funds and their underlying holdings. The reporting methodology covers serious incidents amongst portfolio companies and the underlying holdings of funds. Reporting does not include serious incidents that occur amongst borrowers from banks or in the supply chain of portfolio companies.

## Environment and climate

The portfolio companies account for the majority of Swedfund's environmental impact and bear much of the climate-related risk. See pages 74-76 for the portfolio companies' results.

Swedfund strives to reduce the company's own climate impact. Business travel, electricity and heat account for Swedfund's largest sources of greenhouse gas emissions.

Swedfund's business travel entails an environmental impact, but it is also crucial in order for us to bring about change during the value-adding phase and to conduct a solid due diligence process ahead of new investments. Since March 2020, the number of flights taken has fallen sharply due to travel advice during the pandemic. Videoconferencing technology which was installed in 2019 in order to reduce the need for physical meetings has been an essential part of ensuring

that investment activities are able to continue, but will also continue to reduce the need to travel after the pandemic. As in previous years, our emission reports have included emissions at high altitude, and Swedfund's emissions from business travel amounted to 48,5 tonnes of CO<sub>2</sub> (2020: 107 tonnes of CO<sub>2</sub>). This represents a decrease of 55 percent compared with 2020, and of 92 percent compared with 2019.

Swedfund's head office in Stockholm has a green lease agreement based on 100 percent renewable electricity. For our office in Nairobi, there are no environmental options for the supply of electricity and heat. A diesel generator is used in the event of electrical outages in Nairobi in the office building in which Swedfund hires offices. The combined energy consumption of the organisation during the year gives rise to 3.4 tonnes of CO<sub>2</sub> (2020: 3.2 tonnes of CO<sub>2</sub>), of which 2.2 tonnes (2020: 1.9 tonnes) are used for heating and 1.2 tonnes (2020: 1.3 tonnes) for electricity consumption.

For 2021, we report 52 tonnes of CO<sub>2</sub> (2020: 110 tonnes of CO<sub>2</sub>), which includes electricity, heat and all air travel. Our emissions have fallen by 53 percent compared with 2020 and by 92 percent compared with 2019.

Emission source	Emissions (tonnes of CO <sub>2</sub> e)			Share 2021	Change 2020-21
	2019	2020	2021		
Energy	3.7	3.2	3.4	7%	6%
Heating	2.2	1.9	2.2	4%	12%
Electricity consumption	1.5	1.3	1.2	2%	-3%
Business travel	616.3	107.2	48.5	93%	-55%
<b>Total</b>	<b>620.0</b>	<b>110.4</b>	<b>51.9</b>	<b>100%</b>	<b>92%</b>

Per Scope				Share 2021	Change
	2019	2020	2021		
Scope 1	0.1	0.1	0.1	0.2%	-11%
Scope 2	2.7	2.3	2.3	4.4%	0%
Scope 3	617.2	108.0	49.5	95.5%	-54%
<b>Total</b>	<b>620</b>	<b>110</b>	<b>52</b>	<b>100%</b>	<b>-53%</b>

Swedfund emission categories:

Scope 1: Direct greenhouse gas emissions, over which the organisation has direct control, e.g. from the company's own vehicles and the combustion of fuels in production.

Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a network, i.e. the consumption of electricity, district heating and district cooling.

Scope 3: Other indirect emissions which occur outside the limits of the business, such as business travel.

Swedfund has chosen to continue carbon-offsetting the company's environmental impact. Swedfund sees this as a supplement to the company's active climate work, where the intention is to finance climate-improving measures on a par with emissions that cannot be reduced immediately. The intention is to offset emissions through projects which are locally based, do not have unexpected adverse environmental or impacts on society, and contribute to long-term reductions in emissions. The project will be certified in accordance with an independent standard and verified by third parties in accordance with the above criteria.



This year, we have decided to carbon-offset Swedfund's environmental impact by supporting the Vi-skogens project, which aims to eradicate poverty, reduce the effects of climate change and contribute to a sustainable environment around Lake Victoria in Kenya through tree-planting and the implementation of sustainable agricultural practices.

## Personnel matters and working environment

During 2021, Swedfund continued its ongoing work on the development of leadership and employeeship and the digitalisation of HR. The year was greatly affected by Covid-19 and Swedfund has worked actively to adapt attendance and the layout of the office in line with current recommendations, and on the transition to a hybrid model involving a mix of home and office working.

During the year, the organisation continued to undergo training concerning feedback, communication, mentoring and work environment. In order to measure the impact of the initiatives, Swedfund has continually used pulse-measuring employee surveys and followed up on the results. The tool that Swedfund uses also covers the legal requirements in order to investigate the organisational and social aspects of the working environment. The tool has been particularly important as an aid to monitoring employee well-being during the year more closely during the pandemic. Swedfund's managers have continually received support in their largely new type of leadership, not only as a group but also individually as and when necessary.

The organisation grew considerably during 2021 and a strong focus has been placed on optimising the introduction process in the digital forum for new employees. HR has adapted courses to suit digital forums and provided training concerning procedures and policies to ensure that employees understand what applies in different situations.

Attracting employees with the right skills while also retaining our dedicated and capable personnel is enabling us to succeed in our challenging mission. A key part of this is a good working environment, which is therefore an important area for Swedfund. Through our efforts relating to the environment, we are aiming to create a good working environment which allows employees to do a good job, both at the office and when working from home, while at the same time also preventing ill health and accidents through a preventive approach. During 2021, Swedfund continued to work systematically and efficiently in order to create an even better working environment.

Safety representatives and the local union have been kept informed on an ongoing basis and been given the opportunity to provide feedback relating to initiatives aimed at staff wellbeing which took place during the year.

The majority of Swedfund's employees work on a full-time basis. Some employees have ordinary fixed-term employment.

## PERCENTAGE OF MANAGEMENT AND THE BOARD OF DIRECTORS REGARDING AGE DISTRIBUTION

	2020		2021	
	Number	Percent	Number	Percent
30-49 years	7	47%	6	40%
50 years or older	8	53%	9	60%
Total	15	100%	15	100%

## PERCENTAGE OF EMPLOYEES CONCERNING AGE DISTRIBUTION, INCLUDING MANAGEMENT

	2020		2021	
	Number	Percent	Number	Percent
29 years of age or younger	7	15%	15	29%
30-49 years	30	65%	24	46%
50 years or older	9	20%	13	25%
Total	46	100%	52	100%

## Anti-corruption

Swedfund's most significant corruption risks are linked to our investments. For the work relating to anti-corruption and the results of portfolio companies, please refer to pages 88–89.

During 2021, Swedfund continued to work systematically to combat corruption. In partnership with Transparency International Sweden and five other Swedish investors (Folksam, the First Swedish National Pension Fund, SEB Investment Management, Skandia and the Church of Sweden), we have formed the Investors Integrity Forum, which is a platform where investors and Transparency International Sverige can jointly pursue key issues relating to corruption risks, acquire and disseminate knowledge, and promote transparency, integrity and accountability. We have also deepened the analysis of the most significant corruption risks in our markets and sectors, and reviewed our approach, in order to identify further opportunities for improvement. Risks and risk management linked to corruption have been discussed as part of a series of in-depth discussions concerning sustainability issues with Swedfund's board of directors.

All Swedfund employees undergo regular training concerning anti-corruption. New employees complete an e-learning course on anti-corruption as part of the introductory process. Swedfund's policy concerning gifts and representation has been revised and communicated throughout the organisation.

## Taxes

Since 2016, Swedfund has had a tax policy which is adopted by the board of directors. The most recently revised version was adopted in 2021 and is available on Swedfund's website. The policy is reviewed on an ongoing basis and revised if necessary.

Swedfund works actively on tax issues and, in connection with each investment, an assessment is carried out to determine whether the investment meets the requirements set out in Swedfund's tax policy. The legal affairs department is responsible for this assessment, and external tax advisors are also hired in as and when necessary, often in connection with more complex structures.

Our policy, process and working methods were reviewed by the European Commission during 2021 in connection with the EU pillar accreditation and subsequently accepted as fulfilling EU requirements in the field of taxation.

An annual evaluation of all portfolio companies is also carried out to ensure that tax continues to be an issue that the companies are actively working on and to highlight any problems or issues. This is done through a form which is distributed to all companies.

Swedfund continuously monitors developments in the field of taxation and, as part of EDFI, we also participate on an ongoing basis in discussions concerning tax issues with other EDIs.

# GRI INDEX

Swedfund applies the Global Reporting Initiative's (GRI) reporting framework for sustainability reporting, version Standards, and GRI G4 Sector Disclosures, Financial Services, at "Core" level. With the commitment to UN Global Compact (GC), Swedfund submits a Communication on Progress (COP), which describes the implementation of GC's principles. This GRI/COP index describes where GRI and the COP information can be found in this Swedfund integrated report for 2021.

## GRI Standards Core Option

Disclosure	Page	Comments	UNGC
102: GENERAL DISCLOSURES 2016			
<b>Organisational profile</b>			
102-1	Name of the organisation	Swedfund International AB	
102-2	Activities, brands, products, and services	4-7, 42-45	
102-3	Location of headquarters	Stockholm	
102-4	Location of operations	7, 58-59	
102-5	Ownership and legal form	135	
102-6	Markets served	7, 44-45, 58-59	
102-7	Scale of the organisation	6-7, 102-105, 114	
102-8	Information on employees and other workers	114, 154	6
102-9	Supply chain	Swedfund primarily purchases services and products for office operations in Stockholm and Nairobi, and employs consultants for screening and monitoring the portfolio companies	
102-10	Significant changes to the organisation and its supply chain	96-97	
102-11	The precautionary principle	54-57, 68-69	7
102-12	External initiatives	69	
102-13	Membership of associations	EDFI, Swedish Network for Business and Human Rights, UN PRI, GIIN, Global Compact, Sida's Swedish Investors for Sustainable Development, 2X Collaborative, AVCA	

Disclosure	Page	Comments	UNGC
<b>Strategy</b>			
102-14	Statement from senior decision-maker	9, 30	
<b>Ethics and integrity</b>			
102-16	Values, principles and ethical guidelines	69	
<b>Governance</b>			
102-18	Governance	137-142	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	151	
102-41	Collective bargaining agreements	All employees are covered by collective bargaining agreements	3
102-42	Identifying and selecting stakeholders	151	
102-43	Approach to stakeholder engagement	150-151	
102-44	Key topics and concerns raised	151	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Swedfund has non-controlling interests in portfolio companies, and these are not consolidated in the financial statements (covered only indirectly by reporting)	
102-46	Defining report content and topic boundaries	151	
102-47	List of material topics/sustainability issues	151	
102-48	Restatements of information	No significant changes during the year	
102-49	Changes in reporting	No significant changes during the year	
102-50	Reporting period	1 January - 31 December 2021: Financial data Swedfund International AB 1 January - 31 December 2020: Portfolio company data	
102-51	Date of most recent report	31 March 2021	
102-52	Reporting cycle	Annual presentation of accounts	
102-53	Contact point for questions regarding the report	150	
102-54	Reporting in accordance with the GRI Standards	150	
102-55	GRI content index	155-157	
102-56	External assurance	150, 161	

Disclosure	Page	Comments	UNGC
<b>SIGNIFICANT ISSUES, GOVERNANCE AND ISSUE-SPECIFIC DISCLOSURES</b>			
<b>GRI 205: Anti-corruption</b>			
103-1, 103-2, 103-3	Declaration, governance, evaluation	38-39, 46-47, 68-69, 71, 88-89, 154	Limitations: Swedfund and portfolio companies
205-1	Total number and percentage of the organisation assessed for risks related to corruption, and report on largest identified risks	88-89, 154	Anti-corruption issues are an integral part of the investment process
205-2	Communication and training about anti-corruption policies and procedures	154	All of Swedfund's employees have completed training concerning anti-corruption. New employees are always given information and undergo e-learning concerning anti-corruption as part of the introduction process. The board of directors discussed anti-corruption issues in June as part of the series of ESG in-depth discussions which was organised in 2021 in connection with three board meetings.

Disclosure		Page	Comments	UNGC
<b>GRI 207: Tax</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	48-51, 54-57, 68-69, 71, 82-83, 154	Limitations: Swedfund and portfolio companies	
207-1	Position		Swedfund's tax policy, which has been approved by the board of directors, is available at <a href="https://www.swedfund.se/media/1861/swedfund_tax_policy.pdf">https://www.swedfund.se/media/1861/swedfund_tax_policy.pdf</a> . This policy is reviewed annually and updated as and when necessary.	
207-2	Governance, control and risks	48-51, 88-89, 154		
207-3	Stakeholder dialogue	151, 154		
Own	The portfolio companies' results: Tax per country	83		
<b>GRI 305: Emissions</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	32-35, 38-39, 42-44, 46-47, 54-57, 68-69, 71, 74-76, 153-154	Limitations: Swedfund and portfolio companies	
305-2	Energy indirect (Scope 2) GHG emissions	153	IEA's emission factors have been applied. 2021 emissions in scope 2 according to the "location-based method" 4.0 tonnes of CO <sub>2</sub> e and according to the "market-based method" 2.3 tonnes of CO <sub>2</sub> e.	8
305-3	Other indirect (scope 3) GHG emissions	153, 75	IEA's emission factors have been applied	8-9
<b>GRI 405: Diversity and gender equality</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	36-37, 38-39, 46-47, 56-59, 68-69, 71, 78-79, 84-85, 152-154	Limitations: Swedfund and portfolio companies	6
405-1	Composition of Board and management team, and diversity within the organisation	114-115, 154		6
Own	Proportion of women, proportion of women in management positions, number of women on the Boards of the portfolio companies	79		
<b>GRI 412: Human rights</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	38-39, 46-47, 54-57, 68-69, 71, 78-79, 84-87, 152-153	Limitations: Swedfund and portfolio companies	
412-3	Significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	152, 86-87	Human rights issues are an integral part of the investment process. All new investments (2021: 10, 2020: 11) have undergone human rights screening	1-2
<b>Product portfolio</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	6-7, 42-45	Limitations: Swedfund	
FS 6	Investment portfolio allocated by region, size, sector	7, 44-45		
<b>Active ownership</b>				
103-1, 103-2, 103-3	Declaration, governance, evaluation	36-39, 46-47, 54-57, 68-69, 71, 86-87	Limitations: Portfolio companies	
FS 10	Percentage of portfolio companies with whom environmental and social issues have been addressed	6-7, 36-37	Environmental and social issues are addressed in all portfolio companies based on assessed risk and impact	1-10
FS 11	Percentage of investments screened for environmental and social issues	54-57, 86-87	All investments are screened for environmental and social issues	1-10



# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Swedfund supports the Task Force on Climate-related Financial Disclosures (TCFD) and is continuously working to implement its recommendations. This year, climate reporting has been included in our Integrated Report and, based on the TCFD index below, information is presented on where more specific information can be obtained concerning our climate risks and climate work.

Principle	Referens
<b>Governance</b>	
Disclose the organization's governance around climate-related risks and opportunities	
The board's oversight of climate-related risks and opportunities	137-139
Management's role in assessing and managing climate-related risks and opportunities	54-57, 68-69, 139-140
<b>Strategy</b>	
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	
The climate-related risks and opportunities the organization has identified over the short, medium, and long term	18-19, 38, 42-44, 51, 54-56
The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	18-19, 32-35, 42-44
The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	18-19, 74-76
<b>Risk Management</b>	
Disclose how the organization identifies, assesses, and manages climate-related risks	
The organization's processes for identifying and assessing climate-related risks	48-51, 54-56, 76
The organization's processes for managing climate-related risks	48-51, 54-56, 68, 74-76, 86-87, 141
Integration of identifying, assessing, and managing climate-related risks into the organization's overall risk management	48-51, 141
<b>Metrics and Targets</b>	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities	
The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	38, 71, 153
Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks	74-76, 153
The targets used by the organization to manage climate-related risks and opportunities and performance against targets	38, 71, 74



# AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

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

## Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report as defined on page 150, , and for ensuring that the report is prepared in accordance with the “State Ownership Policy and Guidelines for Companies with State Ownership” (the ownership policy).

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

A statutory sustainability statement has been prepared.

Stockholm 22 March 2022  
Ernst & Young AB

Jennifer Rock-Baley  
Authorized Public Accountant

This is a translation from the Swedish original

# AUDITOR'S LIMITED ASSURANCE REPORT ON SWEDFUND INTERNATIONAL AB'S SUSTAINABILITY REPORT

To Swedfund International AB, corporate, identity number 556436-2084

## Introduction

We have been engaged by the Board of Directors of Swedfund International AB to undertake a limited assurance engagement of Swedfund International AB's Sustainability Report for the year 2021. The company has defined the scope of the Sustainability Report to the areas referred to in the GRI Index on pages 155-157 in this document.

## Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 150, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in

accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 22 March 2022  
Ernst & Young AB

Jennifer Rock-Baley  
Authorized Public Accountant

Charlotte Söderlund  
Authorized Public Accountant

This is the translation of the auditor's report in Swedish.





## Publishing Prize 2021

The winners of the Publishing Prize were announced in November. Unfortunately, the award ceremony was cancelled again this year due to the restrictions in force during the Covid-19 pandemic. Swedfund's Integrated Report 2020 Development finance for a sustainable future, which was nominated in the 'Annual reports of publicly owned enterprises' category, won Gold "for a super stylish, climate-offset report with interesting texts that open a window to the world".

## Swedish Design Awards 2021

Swedfund's Integrated Report 2020 was also nominated for the 2021 Swedish Design Awards in the Information – Annual Report – Print category.

### Swedfund International AB

Visiting Address: Drottninggatan 92-94, 111 36 Stockholm

Postal address: Box 3286, 103 65 Stockholm

Website: [www.swedfund.se](http://www.swedfund.se), [ir.swedfund.se](http://ir.swedfund.se)

Production: Swedfund & Narva

Photo: Ignacio Hennigs/Thought Leader Global: 2, 3, 6-7, 11, 13, 18-19, 24-25, 26-27, 31, 40-41, 42, 43, 48-49, 50, 51, 52, 53, 60, 66-67, 74, 81, 83, 91, 93, 101, 142-143, 162-163. Michael Tsegaye: 26, 32-33, 34, 35, 44, 46-47, 61, 64-65, 68-69, 77, 95. Shutterstock: 4-5, 12, 13, 14-15, 38-39, 44, 60. Jesper Prytz, UNDP: pages 16-17. Olof Holdar: 8-9, 30, 144-145. Swedfund: 10, 12-13, 61, 62. Smart Power India: 10-11, 70, 89. Elisabeth Ohlson/Swedish Climate Policy Council: 20-21. d.light: 22-23. Development Partners International (DPI): 28-29. CreditAccess Grammen Ltd.: 36-37. MCF: 63. EDFI: 64. Husk Power Systems: 86-87.

The printed version of the annual report is 100% climate-offset.



Even before the pandemic, it was clear that greater urgency was needed in the work to implement Agenda 2030 and the Paris Agreement. Swedfund's Integrated Report is based on how we as a development finance institution can contribute, through sustainable investments, to the implementation of the goals for the future adopted by the UN and countries. Our mission to contribute to poverty reduction is our starting point.

