

WITH A FOCUS ON HUMANITY

INTEGRATED REPORT 2018

Swedfund

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*Swedfund fights poverty by
investing in sustainable businesses*



ABOUT THIS ANNUAL REPORT

Swedfund's 2018 integrated report 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 has been prepared drawing on inspiration from the International Integrated Reporting Council's (IIRC) framework.

INTEGRATED REPORTING <IR>



* Directors' Report pages 52-87

OUR MISSION

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REPORT FROM THE CEO

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VALUE CREATION

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TRENDS

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BUSINESS PLAN

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OUR MISSION:

Swedfund fights poverty by investing in sustainable businesses

Swedfund is Sweden's development finance institution for sustainable investments in developing countries and plays an important role in the implementation of Agenda 2030. Our mission is to finance and develop sustainable businesses, a developed private sector with decent jobs contributes to stable communities and reduced poverty. Swedfund is a state-owned company and is managed by the Swedish Ministry of Enterprise and Innovation. Its operations are financed by capital injections, for which the Swedish Ministry for Foreign Affairs is responsible, and through reflows from the portfolio.

Swedfund was established 1979 and has 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 EDFI (European Development Finance Institutions) collaboration organisation. At the end of 2018, Swedfund had 58 investments in businesses, financial institutions and funds in 23 countries, with the majority being located in Africa.



HOW WE OPERATE

As a development finance institution, Swedfund has a special role to play both within Swedish aid cooperation and as a catalyst for achieving Agenda 2030. We invest in equity, provide loans and utilise funds as instruments to reach out to more small and medium-sized enterprises. Our business model is based on three pillars: impact on society, sustainability and financial viability. By setting requirements for development results and working closely with our portfolio companies, we monitor and ensure that they develop in the right direction.



IMPACT ON SOCIETY

Swedfund shall contribute to the creation of decent jobs with good working environments and good working conditions, as well as sustainable and inclusive growth.

- Job creation
- Tax
- Carbon dioxide emissions
- Proportion of women in senior management
- Additionality



SUSTAINABILITY

Swedfund shall contribute to the creation of sustainable businesses in developing countries.

- Environment/climate
- Human rights and working conditions
- Business ethics and anti-corruption



FINANCIAL VIABILITY

Swedfund shall contribute to the creation of businesses that are profitable in the long-term and therefore financially viable.

- Growth
- Profitability
- Return on equity



Swedfund shall contribute to the goal of Sweden's Policy for Global Development (PGD) on fair and sustainable global development.

OUR FOCUS

According to the Owner's instruction, Swedfund shall operate in the world's poorest countries, where there is the greatest opportunity to make a difference. We have therefore chosen to have a geographical focus on sub-Saharan Africa and the poorest countries in Asia. Over 60% of Swedfund's investments are in sub-Saharan Africa.

We have defined three sectors within which we focus our investments and which are particularly important for achieving the goal of reducing poverty: Energy & Climate, Financial Institutions and Funds, in order to increase the proportion of SMEs and promote entrepreneurship, as well as Health. Climate and women's empowerment are two thematic areas that permeate what we do, regardless of the choice of instrument, geography or sector.

63%

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

RISK – PART OF OUR EVERYDAY BUSINESS

Swedfund's mission involves taking risks. Investing in developing countries involves substantial risks. By taking on considerable risk and leading the way, our ambition is to attract more private investors to our markets. This *catalytic* role means that Swedfund, as a development finance institution, acts as an accelerator to boost investments in developing countries.

Additionality

According to Swedfund's Owner's instruction, our investments should be additional, which means that Swedfund shall provide capital where investments are not deemed capable of realisation exclusively by means of commercial financing.

For us, additionality also means striving to develop our portfolio companies within all three pillars. We will achieve this by providing both capital and expertise to help businesses develop in the right direction. We often use special resources, funds for technical assistance (TA), to boost the performance of businesses within the three pillars and increase the combined development effects which the activity generates.

40%

of the portfolio companies' employees are women

11

new investments approved in 2018

40 years

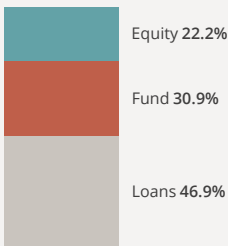
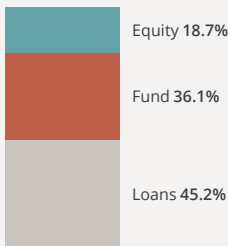
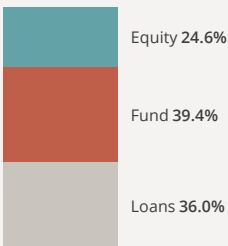
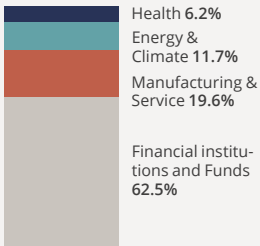
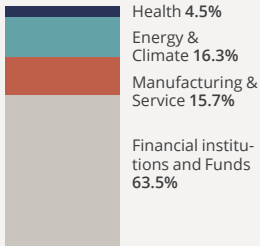
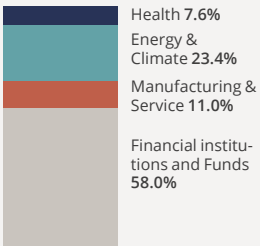
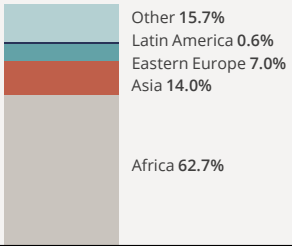
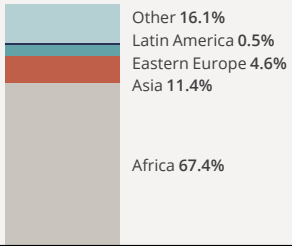
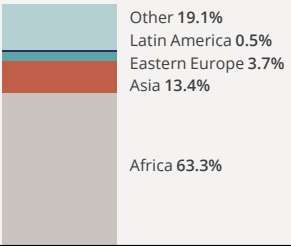
We have 40 years of experience of sustainable investment in developing countries

Swedfund's portfolio and portfolio companies

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

PORTFOLIO DISTRIBUTION

We always strive to establish a good balance between risk-taking, geographical spread and distribution in investment instruments. The following information shows the distribution of Swedfund's portfolio as of 31 December 2018, 2017 and 2016 respectively.

	2016	2017	2018
NUMBER OF PORTFOLIO COMPANIES/CONTRACTED AMOUNTS, INC. SURPLUS VALUES (SEK MILLION)	64/3,475	65/3,771	58/4,516
INVESTMENT FORM Swedfund's portfolio, proportion of total contracted amount (%)	 <p>Equity 22.2%</p> <p>Fund 30.9%</p> <p>Loans 46.9%</p>	 <p>Equity 18.7%</p> <p>Fund 36.1%</p> <p>Loans 45.2%</p>	 <p>Equity 24.6%</p> <p>Fund 39.4%</p> <p>Loans 36.0%</p>
SECTOR Swedfund's portfolio, proportion of total contracted amount (%)	 <p>Health 6.2%</p> <p>Energy & Climate 11.7%</p> <p>Manufacturing & Service 19.6%</p> <p>Financial institutions and Funds 62.5%</p>	 <p>Health 4.5%</p> <p>Energy & Climate 16.3%</p> <p>Manufacturing & Service 15.7%</p> <p>Financial institutions and Funds 63.5%</p>	 <p>Health 7.6%</p> <p>Energy & Climate 23.4%</p> <p>Manufacturing & Service 11.0%</p> <p>Financial institutions and Funds 58.0%</p>
GEOGRAPHY Swedfund's portfolio, proportion of total contracted amount (%)	 <p>Other 15.7%</p> <p>Latin America 0.6%</p> <p>Eastern Europe 7.0%</p> <p>Asia 14.0%</p> <p>Africa 62.7%</p>	 <p>Other 16.1%</p> <p>Latin America 0.5%</p> <p>Eastern Europe 4.6%</p> <p>Asia 11.4%</p> <p>Africa 67.4%</p>	 <p>Other 19.1%</p> <p>Latin America 0.5%</p> <p>Eastern Europe 3.7%</p> <p>Asia 13.4%</p> <p>Africa 63.3%</p>

THE PORTFOLIO COMPANIES' RESULTS

Swedfund works actively to create results in the portfolio companies within all three pillars – impact on society, sustainability and financial viability. Below is a selection of the indicators we measure for the companies that were part of the Swedfund portfolio as of 31 December 2018. A positive trend in the results is apparent within the three pillars. The subdivision of the portfolio that we have adopted this year, linked to investment year and comparable entities, shows that our business model is proving to be effective. For more detailed information on results and initiatives, see "The portfolio companies' results" on page 52.



IMPACT ON SOCIETY

167,000

Number of jobs in portfolio companies

34%

Proportion of women in senior management
(comparable entities)

4,907

Portfolio companies' reported tax (SEK million)



SUSTAINABILITY

Proportion of portfolio companies
with an implemented Environmental
and social management system

94%

Holding period ≤ 3 years

68%

Holding period > 3 years

60%

Exit phase



FINANCIAL VIABILITY

4%

Sales growth (comparable entities)

14%

Profitability - Return on average equity
for direct investments

Increasing the rate of investment enable us to contribute more

After an inspiring first year, it is a great pleasure as CEO of Swedfund to be able to present our integrated report, which sets out our mission, our work and the company's results.

For almost 40 years, Swedfund has been tasked with fighting poverty by investing in sustainable businesses in developing countries. Job creation has always been at the heart of what we do. Our Business Plan 2018-2020 sets out how we will develop the work further, with the ambition to increase our contribution to implementing Agenda 2030. We will do this through targeted and sustainable investments aimed at creating more decent jobs, providing finance to entrepreneurs, limiting climate change and increasing women's economic empowerment.

The UN believes that USD 5-7 trillion will be needed annually at global level to finance the implementation of the UN's sustainable development goals, including USD 4 trillion in developing countries. Traditional aid will not be sufficient to finance the Agenda, and it currently only accounts for around USD 1 billion a year. The investment gap that has been identified can be bridged through the efforts of development finance institutions working in cooperation with private investors. In addition, many developing countries are seeking to boost investment as they see it as an important tool for job creation and growth. Together, we can identify sustainable investment opportunities in areas such as climate, renewable energy and health, i.e. sectors with a clear link to Agenda 2030. However, progress is not being made at the rate we would like to see, as most private capital that is being mobilised is going to middle-income countries, rather than fragile states or the least developed countries. Nevertheless, Swedfund differs from other finance institutions in this regard in that around 60 percent of its portfolio is in sub-Saharan Africa.

During my first year as CEO, I have been fortunate to witness and experience how Swedfund's investments are making a difference and helping to change and improve living conditions for the people in developing countries today. With a capital injection from the Swedish Parliament equivalent to SEK 600 million and through reflows from our portfolio, we have invested SEK 1,069 million, considerably more than in previous years. One example is our investment in the TLG Credit Opportunities Fund, where we are supporting lending to small and medium enterprises in sub-Saharan Africa. Businesses which are currently driving Africa's economy

forward by creating four out of five jobs and which collectively account for 33% of Africa's GDP. In the energy sector, we are currently the only development finance institution which invests solely in renewable energy sources in order to offer sustainable energy supply alternatives to the 600 million people in sub-Saharan Africa who have no access to electricity. Through this year's investment in JCM Power, we are helping to improve access to renewable energy sources. We are also growing our health portfolio through an innovative investment in a health platform that will provide care for people, in eastern and southern Africa.

When we invest, we evaluate every investment based on our business model, where the investment's impact on society, sustainability and financial viability is analysed, and we draw up a plan for how we want the investment to develop. We work throughout the value creation phase to support companies in this work, partly by using technical assistance. One example is our Women4Growth programme at the hotel in Nairobi. I had the opportunity to sit down with the delegates and discuss their experiences of working for a company with Swedfund as an owner. It was great to have the opportunity to listen to the women and the fantastic results that the programme has generated, as well as the ideas that the delegates presented concerning how their company could be developed further and thereby generate even better results. The role of women for inclusive growth is key, as is their importance for a company's development. Businesses with an equal gender balance at every level are both more profitable and more sustainable. Our business model, contractual requirements on key issues and support for companies in form of our expertise and technical assistance to move the companies in the right direction, is pivotal to the success of our mission. Simply put, our capital comes with conditions and support.

It has been an eventful year. We have approved 11 new investments worth nearly SEK 1,100 million within health, renewable energy and financial institutions and funds that help us to reach small and medium enterprises. We have also exited 19 holdings which were not in line with our current business plan. Overall, this

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During 2019, we will continue to implement UN Global Compact's ten principles regarding human rights, labour, environment and anti-corruption in our portfolio companies.

means that we have completed significantly more transactions during the current year compared to previous ones.

We have also initiated a comprehensive change programme that has resulted in clearer priorities and the introduction of a more appropriate organisation. The reorganisation which has been carried out has impacted the organisation's financial performance in the short term, but the gains from a mid to long term perspective will be significant. We are already delivering solid results within our three pillars of impact on society, sustainability and financial viability, but with the changes we have implemented within the portfolio and the organisation, we are now even better placed to make an effective contribution to Agenda 2030.

Operating profit (EBIT) for 2018 amounted to SEK -55.3 million (50.1). This profit included SEK -44.2 million for write-downs attributable to a change in the method used for valuation of shares and mutual fund shares at fair value in accordance with IFRS. Adjusted for this non-recurring item, Swedfund recorded an operating profit (EBIT) of SEK -11.1 million (50.1) in 2018. As a part of the portfolio restructuring, several holdings were exited in 2018, but capital gains have been limited and significantly lower than in 2017. Impairment losses, mainly related to older holdings, have also had a negative impact on EBIT. Given the limited size of the portfolio, individual transactions can have a major impact on EBIT, which as a result can vary considerably between quarters and between years.

However, we have achieved our C/I ratio, which is 0.88 (0.97), demonstrating that we are working in an appropriate and cost-effective manner on our vital mission – to fight poverty by investing in sustainable businesses.

If I had to summarise 2018, I would describe it as a year of change. Change which means that we are now even better equipped to accelerate the implementation of Agenda 2030 through sustainable investments and increased mobilisation of capital to developing countries.

Maria Håkansson
CEO



“Swedfund’s goal is a world without poverty”

2018 was another important year for Swedfund, since we began the task of implementing our three-year business plan.

In this plan, we set out our ambitions and our contribution to the UN resolution on sustainable development: Agenda 2030. Our mission will be pivotal to Sweden achieving the UN’s sustainable development goals, whilst safeguarding the climate at the same time.

We will fight poverty by investing in sustainable businesses in developing countries. To achieve our aims, we are strengthening our focus on sub-Saharan Africa and the least developed countries of Asia. We want to improve access to renewable energy, as well as people’s access to healthcare in these regions, and we see great potential in prioritising investment in small and medium enterprises – vital tools for job creation.

In 2018, the board of directors and I also had the pleasure of welcoming Swedfund’s new CEO, Maria Håkansson, who with my full support and that of the board and the team is now leading Swefund’s efforts to implement the business plan.

A milestone in 2019 will be to celebrate

Swedfund’s 40th anniversary, which reminds me of the difficult but vital work that Swedfund’s employees have been doing for almost four decades, fighting poverty through sustainable investments and job creation. We can see that it is delivering results and we will continue our efforts over the coming decades to improve people’s living conditions in developing countries. Swedfund’s goal is a world without poverty.

Our owner has submitted a proposal to the Swedish Parliament for a capital contribution of SEK 600 million in 2019. We will leave no stone unturned in our efforts to turn our owner’s ambition into something they can be proud of, and our business plan and business partners will be key if we are to succeed in this task.

Göran Barsby
Chairman of the Board

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Our mission will be pivotal to Sweden achieving the UN’s sustainable development goals, whilst safeguarding the climate at the same time.





Dr Joyce Sitonik, AAR

With the goal of being a role model for other women

AAR Healthcare (AAR) is one of the largest private healthcare providers in East Africa. Since Swedfund invested in AAR 2013, the company has expanded rapidly and now has 35 modern primary healthcare centres in Kenya, Uganda and Tanzania, 12 ambulances and a hospital in Uganda. The almost 1,000 staff care for more than 700,000 patients every year. Dr Joyce Sitonik is Head of Clinic Business Operations at AAR in Nairobi, Kenya.

1,000

AAR Healthcare has almost 1,000 employees

Joyce Sitonik wanted to become a doctor from early age. So as soon as she graduated from upper secondary school, she started training to become a doctor at the University of Nairobi. After her work experience at Kenyatta National Hospital came the opportunity of a job at Kiambu District Hospital, one of the public hospitals just outside the city.

In 2010, Dr Sitonik was 23 years old and she had had her first child a year earlier. She decided to send her CV to AAR Healthcare, and six months later, she was working as a Junior Doctor at one of AAR's clinics in Nairobi. AAR strives to give every patient as much time as they need with the doctor, the availability of medicines is good, the work at the clinic is structured and the hours are predictable.

After three years, her career began to take off. Dr Sitonik was appointed Healthcare Manager at one of the smaller clinics, and soon after she was promoted to Executive Manager at one of the AAR's larger clinics. Dr Sitonik now works at the head office in the centre of Nairobi, as Head of Clinic Business Operations. In practice, this means she is responsible for the clinical operating activities of all outpatient centers in Kenya.

Dr Sitonik has always had an aptitude for, and an interest in, leadership and wants to be a role model for other women. In Kenya, it is common to continue further education after having worked for a few years, and Dr Sitonik considered taking an MBA in Health Care Management. AAR's CEO encouraged her to apply. Studying while keeping up with work and family commitments is a challenge. However, with the support of her employer and her family, she managed to combine her job with studying, and Dr Sitonik is very grateful that she completed her studies.



Dr Joyce Sitonik is responsible for running all AAR's outpatient clinics in Kenya.

The training helped her both to develop as a leader and to qualify for the role she currently holds at AAR.

It has not always been easy. Competition is fierce, but Dr Sitonik feels she has been successful. She did not know anyone when she started at AAR, and she has worked hard to get to where she is today. What really helped her is the unique supportive corporate culture at AAR. There is a clear and transparent structure for employee career development, and the corporate culture is characterised by openness towards new initiatives. The management is open to trying out new ideas from the staff, and if the ideas prove to be successful, the management is quick to implement the changes throughout the organisation.

One of the major projects that Dr Sitonik has developed at AAR is a health programme for the employees at Kenya Commercial Bank, one of the biggest banks in the region. AAR carried out health checks on 2,500 of the bank's staff in order to offer care for pre-existing conditions and to contribute to preventive healthcare. The

programme has been a huge success and for Dr Sitonik, who is no longer a practising doctor, it means she can really make a difference and contribute to good health care for a large numbers of people.

Dr Sitonik believes that AAR, with its diverse shareholder base reflects many different experiences and utlooks that are beneficial to both the company and its stakeholders. Having a development finance institution like Swedfund as a shareholder has also given a broader perspective on business and emphasis on employees. The company has been professionalised and there are now more requirements to monitor and follow up qualitative targets, such as environmental and social issues.

Since autumn 2018, Dr Sitonik has been participating in a leadership development programme aimed at enhancing the leadership and board skills of women in private companies, to help them qualify for senior positions in the company management and on boards. The programme, known as the Female Future Programme, was originally an initiative by the Confederation of Norwegian Industry, which has been taken to Kenya, Uganda and Tanzania. Like the Norwegian development finance institution Norfund, Swedfund sponsors a proportion of the cost of female employees in our portfolio companies who attend the training through TA funds.

Participating in the programme and continuing to learn and develop is another step for Dr Sitonik towards becoming the role model she has always strived to be – to pave the way for other women by showing that there are good opportunities out there for women to succeed in working life. It is about daring to take advantage of the opportunities that are available in order to achieve your goals.

“

With Swedfund as owner, we have a broader perspective on the operation and a stronger focus on the staff.

“

AAR has a corporate culture which is characterised by openness to new initiatives and the management is open to trying out new ideas from the staff.

Fighting poverty by investing in sustainable businesses

MISSION

According to Swedfund's Owner's instruction, the work of the organisation must contribute to the realisation of the goal for Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to reduce poverty by investing in sustainable businesses. 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. The company's activities shall promote gender equality and investments to fight climate change.

MISSION OBJECTIVES AND INDICATORS

Swedfund has several measurable mission objectives and financial objectives which are defined through Swedfund's Owner's instruction as adopted by the annual general meeting:

1

Turnover and profitability per investment, with the goal of increasing turnover and profitability over a five-year period.

2

Carbon dioxide emissions and corporation tax per investment shall be evaluated within a three-year period.

3

The ratio of men and women in senior management per investment shall develop positively/approach an equilibrium over a five-year period.

4

Swedfund shall have a market-complementary role, with the goal that 100% of the investments will be made where it is not deemed capable of realisation exclusively by means of commercial financing.

5

Efficiency, measured by the total effect/benefit per investment and the total cost per investment.

6

Two economic goals, at Swedfund level: C/I (Costs/Income) shall not exceed 0.9 and operating profit (EBIT) shall be positive.



SUSTAINABILITY GOALS

Swedfund has four strategic sustainability goals that have been adopted by the board. Based on these goals, we annually monitor the performance of our portfolio companies, primarily through follow-up and feedback in an annual Sustainability Report comprising many detailed questions.

I

IMPACT ON SOCIETY

Each company shall act consistently with the ILO Declaration on Fundamental Principles and Rights at Work and labour standards no more than three years from the date of financing. The average number of jobs shall increase year-on-year in all investments.

S

SUSTAINABILITY

An environmental and social management system must be implemented in each portfolio company no later than three years from the date on which the financing was agreed.

F

FINANCIAL VIABILITY

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

A

ANTI-CORRUPTION

The adoption and implementation of a management system to handle anti-corruption issues shall be in place no later than three years from the date on which financing was agreed for Swedfund's portfolio companies.

SWEDFUND AND AGENDA 2030

Agenda 2030 is a global materiality analysis which includes the UN's 17 sustainable development goals and the funding of the goals. The agenda encompasses all dimensions of sustainable development. The first goal, to end poverty in all its forms everywhere, sums up Swedfund's main mission, but all 17 goals are relevant to the investments that we make and the development effects to which we contribute.

The UN estimates that USD 5-7 trillion a year is needed to implement Agenda 2030. Traditional aid is not sufficient to fund the initiatives that will be necessary. Investments are needed, and here the development finance institutions, together with private investors, are playing an important role in achieving development goals.

During 2018, Swedfund continued our ambition to implement a number of specific initiatives with the aim of achieving the agenda. These include investments in renewable energy and health, as these have a positive impact on several of the SDG's. We have also prioritised investments aimed at increasing the proportion of small and medium-sized enterprises and promoting entrepreneurship in developing countries. The gender equality goal is influenced positively by our work relating to the Women4Growth programme. Learn more about how we work to achieve the global goals on pages 22-23.



With a focus on value creation

Swedfund's value creation process has been developed to describe how we best fulfill our mission in order to fight poverty by investing in sustainable businesses. We will accomplish the mission by investing in and developing sustainable companies and generating development results and inclusive growth, particularly in sub-Saharan Africa and certain regions of Asia. Social, environmental and financial aspects permeate and govern our work and based on these three pillars we create value and measure development results.

- 1 Our overarching mission is to **fight poverty** by **investing in sustainable businesses**. Our approach is based on Agenda 2030 and our mission objectives, and defines our strategy for fulfilling our mission in our business plan.



THE GLOBAL GOALS
For Sustainable Development

Read more about our business plan and strategy on pages **22 – 25**



- Impact on society
- Sustainability
- Financial viability

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



Read more about our investment instruments on page **32**
Read more about our investment process on pages **34 – 37**
Read more about our pillars on page **38**



- 5 Our capital is linked to **conditions and support** in the form of:

- Expertise
- Risk management
- Financial capital and TA funds
- Partners and networks

2 Our business plan describes our priorities and activities in order to achieve our mission.

- Geography
- Sector
- Investment instrument



- Energy & Climate
- Financial institutions and Funds
- Health

Read more about our sectors on page 30

3 In our business plan, we have identified **three sectors** within which we believe we have the best opportunity to **generate development effects**.

Read more about how we manage risk on pages 42 – 43
Read more about our expertise within ESG on page 44
Read more about our partners and networks on pages 46 – 47



6 We measure **development results** through our **indicators** which are based on our mission objectives and strategic sustainability goals.

Read more about our performance indicators on page 53
Read more about our portfolio companies' results on pages 52 – 78

Interview with Dr Stephen Spratt

Wanted: A more holistic approach to returns

Dr Stephen Spratt is a Director of Just Economics, a Research Company based in the UK and Ireland. He was previously a Research Fellow at the Institute of Development Studies (IDS) in England, where he remains a Research Associate of IDS. Over a couple of years, Dr Spratt conducted an evaluation of Swedfund on behalf of EBA (Expert Group for Aid Studies). The report was published in early 2018.

2.5

The funding gap for achieving the sustainable development goals is around USD 2.5 trillion, half of which must be sourced from private investment.

What are your main conclusions from the analysis of Swedfund?

A key finding is that many of Swedfund's investments are additional. By additional I mean that they do not carry out the same types of investments as other DFIs (Development Finance Institutions) or displace private investors willing to take the risk. Another important finding is that if Swedfund remains in an investment for an extended period of time, it is more likely that the company's development effects and results within ESG (Environmental, Social and Governance) will increase.

Why is the private sector in developing countries in need of more targeted resources?

If you look at any country that has developed successfully in manners of raising income, living standard and well-developed public service, it is clear that it would not have been possible without support from the private sector.

The funding gap for achieving the UN's development goals is about 2.5 trillion dollars, half of which needs to be mobilised through private investments. DFIs play a vital role, not only by investing, but also by acting as catalysts and co-investors with private investors. I recommend that Swedfund expands in size, to enable it to contribute more. Compared to other countries' DFIs, Swedfund is small relative to Sweden's GDP.

How could the investments of Swedfund and other DFIs generate greater development effects?

One way is to focus on the least developed and poorest countries, because this is where the highest impact can be created. Investing in these countries is not easy, but if the goal is

to contribute to development these countries should be given priority. In Finland, the government has set up a special risk instrument to ensure that investors are guaranteed to recover a certain proportion from investments they make in high-risk environments. This enables them to operate with a long term, strategic approach.

Another way is by the choice of sectors in which you invest. Agriculture is a very important sector in the poorest countries, and I would recommend Swedfund to do more for this sector.

“

The longer Swedfund owns a company, the greater the likelihood that the company can be influenced in a positive way.

Unfortunately, many DFIs have withdrawn from the agricultural sector because of its complexity.

It is also important to measure and report on the results you have achieved. If it is difficult to evaluate the results that has been accomplished it is difficult to establish whether you have the right approach. Rather than focusing on hundreds of indicators, my recommendation is to focus on a smaller set of goals that summarizes the overall effect.

What is your definition of blending and how do you see it?

My definition of blending is when you combine various types of financing with different return expectations. There are several ways of doing it. I believe in blending as a tool for development, but one must keep it simple and be very clear about why it is being used. If the DFIs are to take on more risks than the private sector some kind of blending mechanism is needed. The goal should be to shift focus from financial returns to a much more holistic model of development return.

“

My recommendation is that Swedfund should expand in size.



Dr Stephen Spratt, Director of the UK research institute Just Economics, with Maria Håkansson, CEO of Swedfund.

Trends shaping our world

Analysis and business intelligence are essential in order to understand and relate to events and trends which impact on Swedfund. A number of growing global challenges have impact on our investments. Here, we have opted to consider four trends where Swedfund is able to exert an influence and make a difference.

1

Job creation

Swedfund endeavours to contribute to inclusive growth by creating more decent jobs in our investments. A job gives people their own disposable income and thereby empowers them. By creating more jobs, we also minimise the risk of child labour, because working parents create more opportunities for their children to attend school.

According to the World Bank, which interviewed 60,000 people living in extreme poverty, work is by far the most important factor for them in their efforts to improve their living conditions.¹

Six hundred million jobs will be needed by 2030 in the developing countries.² We can see that many young people are going to university and that more and more people are connected to the internet, but large groups of people still have no job. A frequently used term is “jobless growth”, which is a situation where although overall production in a country is rising, the employment rate remains stationary.

To create more jobs, we therefore need to transform jobs in the informal sector into jobs with good employment conditions in the formal sector. A decent job is characterised by good employment conditions, such as regulated working hours, a safe environment and a right to leave and a reasonable salary.

Creating decent jobs to help people escape poverty and improve their standard of living lies at the heart of Swedfund's mission.

2

Climate change

Climate change is affecting us all here and now, and must be addressed. The UN climate summit in Katowice confirmed this, as did the report by the UN climate panel which was published in September 2018.

The average global temperature is rising steadily as a consequence of increasing concentrations of greenhouse gases in the atmosphere. Sea levels are rising, glaciers are melting and the frequency of natural disasters and extreme weather events is continuing to increase. Moreover, the challenges will only become greater as the population of many poor countries continues to increase. More and more people will need to co-exist on the already depleted natural resources of the Earth.

The world's poor are most affected. Not only do they often live in vulnerable areas, they also have little or no resources to adapt to or recover from extreme weather and natural disasters. As the effects of climate change worsen, the opportunities to escape from poverty are decreasing. Swedfund's mission, to fight poverty by investing in sustainable businesses, is more relevant today than ever before, including from a climate perspective.

Our renewable energy portfolio has increased five-fold since 2015. In 2018, we prepared a climate report which analyses the environmental and climate-related risks that impact on Swedfund's portfolio and the way in which we operate in order to minimise these risks. We have adopted a structured approach to environmental issues in all our holdings.

3

Empowering women

In order to boost growth in a country, both men and women need to be in employment and when management teams also are gender-balanced, productivity is improved and companies become more viable over time.³ An important aspect of Swedfund's efforts is to develop companies as regards working conditions, e.g. working hours, remuneration, health and safety. When a woman earns money, there are also social consequences, because research suggests that women spend 90% of their wages on their family in the form of food, medicines and schooling for the children.⁴ This has positive effects for the woman's children, since the daughter of a working woman is more likely to go on to higher education than that of a woman who is not in employment, while the son of a working woman is more likely to help out at home with chores that were previously considered to be the preserve of women.

Swedfund is implementing our Women-4Growth programme to encourage companies that we invest in, to unleash the full potential of their female employees.

Another way to increase growth is to free up time for women and girls. The term “time poor” is used in this context. This term refers to the hours that women and girls in the poorest countries spend collecting firewood and water. Investments in water and energy help to free up time for people to go to work, attend school or do other things. There are many examples where an investment in energy, for example, has positive effects on gender equality and growth.

¹ Voices of the Poor, The World Bank and Oxford University Press. Study conducted during the 1990s and summarised in a report published in 2002

² Implementering av Agenda 2030 i Sverige och globalt. Sammanfattande rapport” The analysis group Global samverkan. <https://www.regeringen.se/contentassets/378ec-34646ca46e7be9901f9794378ec/slutrapport-implementering-av-agenda-2030-i-sverige-och-globalt.pdf>

³ Boston University. Are Women the Key to Sustainable Development? Sustainable Development Insights. 2010, page 7

⁴ <https://www.globalcitizen.org/10-reasons-why-investing-in-women-and-girls-is-so-vital> (2014). Downloaded 20 February 2018

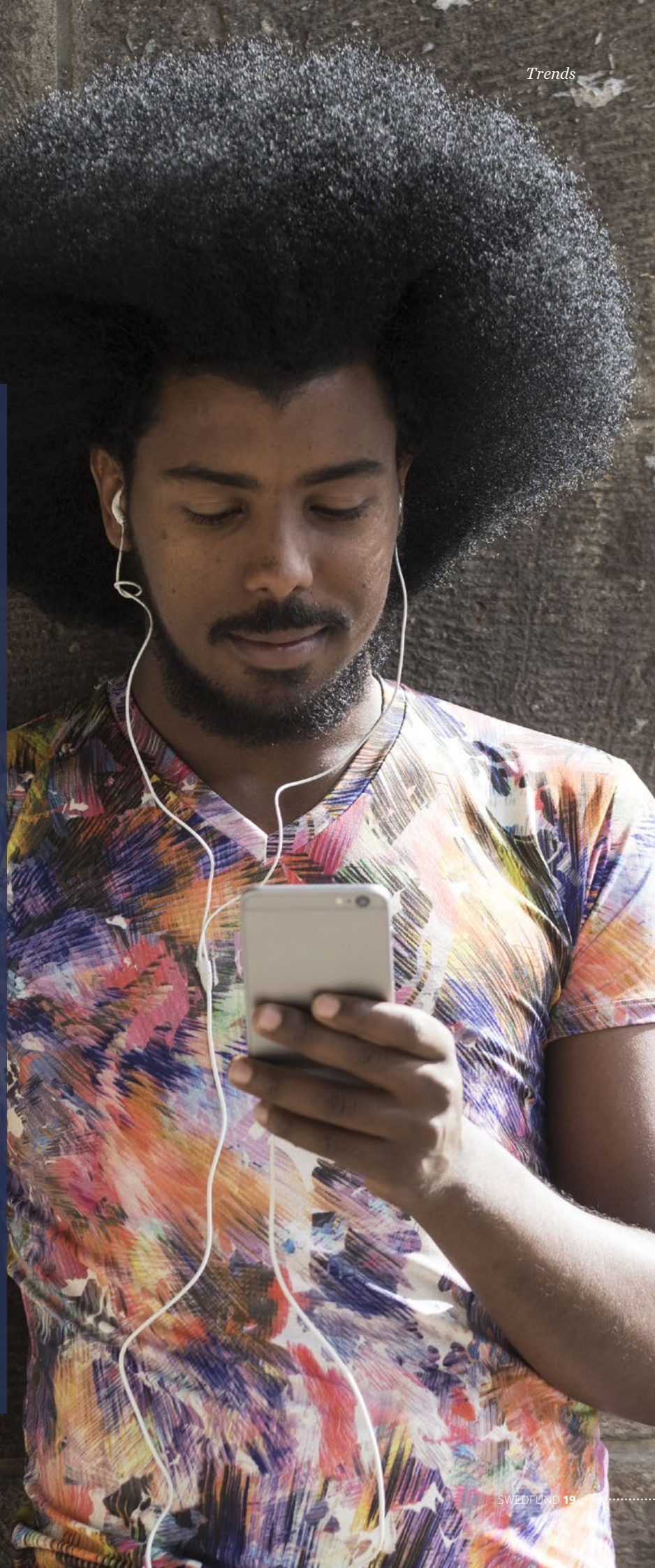
4

Blending

When Swedfund carries out an investment, we must generate a return within our three pillars: impact on society, sustainability and financial viability. At the same time, we are willing to take on far greater risk than private investors – it is a vital part of being not only additional, but also catalytic. Development finance institutions also invest under market conditions so as not to disrupt the market and in order to contribute to long-term sustainable private sector development.

The ability to use blending instead is something which has grown in importance globally. In somewhat simplistic terms, blending involves mixing aid with private financing in order to reduce the financial risk that private investors have to take on. This can lead to a higher degree of investment by private investors. Blending can therefore be a vital instrument in the mobilising of capital to implement Agenda 2030. Development finance institutions such as Swedfund can act as a bridge between traditional aid and private investors.

The danger of blending is that you must be careful not to disrupt the market or create artificial developments in the private sector, which could lead to the emergence of dependencies that are unsustainable in the long term. The outcome may be that private investors choose not to invest, i.e. instead of mobilising private capital for Agenda 2030, private operators opt to withdraw their investment because the rate of return is too low. Blending should therefore be used carefully and with caution. Twenty three DFIs and multilateral development banks have jointly developed a set of guidelines, which emphasise the importance of having a clear exit strategy, minimising the use of blending and ensuring that blending is primarily used to mobilise private capital for developing countries.



Climate Investor One

A shorter path from investment to renewable energy production

In December 2015, 195 countries signed the Paris Agreement, which clarifies and implements the climate convention, the UN Framework Convention on Climate Change, dating from 1992. The key goal in the Paris Agreement is that countries must keep global warming below two degrees Celsius, and ideally below 1.5 degrees Celsius. In 2018, a report was published by the UN's Climate Panel which warned of serious consequences for the future of the planet if the countries fail to achieve this goal. This was confirmed at the UN's Climate Summit in Katowice in December 2018.

1.5

The key goal in the Paris Agreement is that countries must keep global warming below two degrees Celsius, and ideally below 1.5 degrees Celsius.

To prevent a climate catastrophe, the world's states must take drastic and urgent action. For example, substantial sums of money will be needed to reduce carbon dioxide emissions. At the same time, demand for energy is increasing, partly driven by strong growth in the developing countries. All this means that the need to increase the generation of sustainable and renewable energy is greater than ever before.

One of the main obstacles to establishing renewable energy enterprises in developing countries is that the time period from project development to completed installation often spans several years. One reason for this is that, despite favourable technical circumstances, many countries lack robust and established legal and regulatory frameworks. As a result, private project developers often find it difficult to obtain funding for the project development phase, leading to many renewable energy projects being significantly delayed even at this early stage. When a project reaches the construction phase, considerable resources, including time, have often been invested in securing and structuring the funding, further delaying the start of electricity generation.

One solution to this problem is initiatives such as the innovative financing facility 'Climate Investor One' (CIO). CIO was established by the Dutch development bank FMO and Sanlam InfraWorks, part of the South African Sanlam Group. CIO focuses on developing, constructing and operating businesses that produce renewable energy (particularly from solar parks and wind farms, as well as hydroelectric plants without dams), with a focus on Africa and parts of Asia.



CIO invests in renewable energy from solar, wind and hydro power in developing countries. Swedfund has invested USD 15 million in the fund as part of our investment in the Energy & Climate sector.

What makes CIO unique is the fact that it offers tailored financing throughout the life-cycle of a project, with the overarching aim of developing renewable energy capacity faster. The facility has been developed based on the knowledge that different stages of a project's life-cycle are suited for financing with different types of capital. CIO itself has been developed based on the principles of so called "blended finance", which involves different investors having the opportunity to participate in line with their own risk profile.

CIO encompasses three separate but operationally interconnected funds:

- **CIO Development Fund**, which provides loans and technical assistance at the development phase. As this part of the project is the phase that comprises the highest risk, this fund is financed by donor capital.
- **The CIO Construction Equity Fund**, which provides equity and equity-like capital during the construction phase. This fund includes both donor capital and commercial capital from development finance institutions and institutional investors.

- **CIO Refinancing Fund**, which will provide long-term loan financing once the project is operational. The raising of capital for this fund has not yet been completed, but is expected to raise funds from institutional investors.

In June 2018, Swedfund invested USD 15 million in the CIO Construction Equity Fund. Access to sustainable energy is a prerequisite for effective poverty eradication, which is the overarching reason why Swedfund is investing heavily both in the sector itself and in broader climate investments. Another factor behind the investment in CIO is that we want to increase capital flows from the private sector to sustainable climate projects in developing countries, and we believe that Swedfund can act as a catalyst for private investment. The expectation is that CIO will be able to serve as a good example of how financing facilities can be structured in order to attract different types of capital and contribute to a pronounced increase in sustainable energy production in developing countries.

FACTS

EFFECTS OF CIO

CIO is expected to generate considerable social and environmental development effects. The fund aims to boost renewable energy capacity by more than 1,000 MW (equivalent to the energy consumption of 3.6 million Nigerian households) and help create over 10,000 jobs.

CIO estimates it will help seven million people gain access to cost-effective renewable electricity. CIO further estimates it will reduce carbon emissions by around 1.2 million tonnes a year - equivalent to emissions of approximately 257,000 cars.

A strategic business plan

Swedfund's strategy is set out in our business plan for the period 2018 – 2020. During the year, the current business plan was implemented throughout the investment process and Swedfund's activities as regards the choice of sectors, geography and focus issues.

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.

Swedfund's business plan is challenging and outlines a complex vision, with measurable indicators linked to the three pillars and on to the goals of Agenda 2030.

The business plan identifies three sectors in which Swedfund focuses its development work. These sectors are Energy & Climate, Financial Institutions and Funds, and Health. It is in these sectors that we believe we have the best opportunity to bring about development and results in line with our mission.

We invest directly in companies and indirectly through financial institutions and funds, in order to increase the proportion of SMEs and promote entrepreneurship. We

strive to achieve a good balance between equity, loans and funds in the portfolio.

Regardless of country, sector or instrument, our two thematic areas, climate and women's empowerment, permeate all our decisions concerning a potential investment and our value creation during the investment period.

A key part of Swedfund's mission is to take risks, which goes hand-in-hand with the organisation's business plan. Taking risks is also closely linked to our desire to be additional and catalytic, and to safeguard investments that would otherwise not take place. At the same time, Swedfund wants to lead the way for private investors and thereby increase the number of investments taking place in developing countries. The outcome will be the mobilisation of a higher proportion of capital for developing countries, which in turn will accelerate the implementation of Agenda 2030. We can achieve more and reach more people through partnerships.





FACTS

RELEVANT GOALS

Swedfund has an important role to play in Sweden's contribution to the UN's development goals and Agenda 2030. All these goals are relevant to us as a company and to the investments that we make in order to create sustainable businesses. At the same time, some of the goals are more prominent than others in our business.

The business plan in practice

Our activities contribute to implementation and financing of the global goals of Agenda 2030. Our business plan has been developed to meet these goals and challenges in the best possible way. Swedfund's business model is based on three pillars, impact on society, sustainability and financial viability, which support us in our efforts to achieve our goals.

FACTS

DEVELOPMENT ASSISTANCE COMMITTEE

The Development Assistance Committee (DAC) is an association within the OECD whose purpose is to organise and administer development assistance so that it is utilised in the most efficient way. DAC also publishes a list of countries eligible for aid. The list is divided into four columns, depending on the magnitude of the need for aid, and the GDP/capita of the countries is decisive for the category in which the countries are placed.

Geographically, we focus our investments on the world's poorest countries. We can invest in the countries listed in columns 1 - 3 of the OECD's DAC list. In exceptional cases, we are also able to invest in countries listed in column 4, i.e. upper middle-income countries. Such an exception could for example concern an investment in renewable energy. This is because renewable energy helps to reduce carbon dioxide emissions no matter where in the world the investment takes place, while the consequences of climate change are global and often hit the poorest people the hardest. Our goal is to invest 60 – 80% in sub-Saharan Africa, which is in line with the structure of our current portfolio. In the past, our Owner's instruction permitted investments in Eastern Europe and China, which is why we still have some companies in the portfolio from these countries today.

Swedfund invests through equity, loans and funds. Swedfund invests directly in companies and indirectly through funds and financial institutions. By 'indirect investment', we mean an investment in, for example, a bank or a fund, where the main purpose is for our money to be loaned to the bank's customers or invested by the fund in small and medium enterprises. It may also be an investment that enables micro-loans to be distributed to entrepreneurs. Around 60% of our portfolio concerns investments in sub-Saharan Africa.

Health – a new focus sector for Swedfund

Our business strategy has changed over time and we now have a more focused sector strategy. Since 2018, we have been focussing our investments on three sectors: Energy & Climate, Financial institutions and Funds, and Health. At the end of the year, Swedfund's portfolio was split between 23% Energy & Climate, 58% Financial institutions and Funds, 8% Health and 11% Manufacturing and Service (a former focus sector). Within the new focus area of Health, we carried out a major investment in 2018, but we also previously invested in this sector. In accordance with our strategy, the Health focus sector will continue to evolve going forward.

Previously, Swedfund also focused on the sector Manufacturing and Services. Most of the companies in this sector have been part of the portfolio for a long time. In 2018, we exited 19 investments, including 13 holdings in the Manufacturing and Servicing sector, e.g. Pieno Žvaigždės, Vireo and HSF Wuxi Electro Mechanical. Although our business plan no longer has Manufacturing and Service as a focus sector, we can reach more companies in this sector than before through our indirect investments in banks and funds.

Investments during the year

During the year, we carried out 11 new investments, including d.light within the area of Energy & Climate, Hospital Holdings Investments BV (HHI) in the area of Health, as well as Prasac Microfinance institution and Platcorp Holdings Ltd in the area of Financial institutions and Funds.

d.light is an enterprise in the rapidly growing sector of renewable electricity generation outside the national electricity grid, whose ultimate beneficiaries are people with little or no access to electricity. Through this investment, we primarily meet Goal 7 "Affordable and clean energy", but we also meet both Goal 13 "Climate action" and Goal 3 "Good health and well-being".

HHI is a group of hospitals and clinics in Eastern Africa which is organised under an umbrella to exploit economies of scale within procurement and skills transfer, and to improve access to care through the construction of new hospitals and clinics. The investment in HHI primarily addresses Goal 3 "Good health and well-being".

Platcorp Holdings Ltd provides microfinancing for SMEs and wage earners in Kenya, Tanzania and Uganda. Prasac is a microfinance institution in Cambodia. Both of these companies are examples of how Swedfund invests in strengthening local capital markets and access to finance for small and medium-sized enterprises. The link to Goal 8 'Decent work and economic growth' has been a driving force behind these investments.

Decent work and Women4Growth

Focus on gender equality and ensuring a good working environment

At the Radisson Blu Hotel, Nairobi Upper Hill in Kenya, the dedicated work of listening to and investing in employees at every level of the organisation has been a sound investment. This process has led to a better working environment and greater profitability. For Swedfund, issues relating to decent working conditions and gender equality are accorded a high priority. As a partner we have therefore through our board work, taken on an active role to focus on these issues together with the other co-owners and the hotel management, and ensure good working conditions.

FACTS

GREEN KEY

When the hotel opened in 2016, it was awarded the Green Key environmental certification. Green Key is an independent environmental organisation that certifies hotels and other tourist facilities that meet the highest environmental standards. Radisson Blu Hotel, Nairobi Upper Hill was the first hotel in Kenya to receive this certification.

The key to reducing poverty lies in creating jobs. However, in order to contribute to sustainable development, the jobs that are created must be covered by rights, representation and protection; *Decent work*. In recent years, the concept of *quality jobs* has also attracted more attention. This means jobs with a stronger focus on the type of duties, a secure working environment, fixed working hours, wages and benefits which enable a healthy and stable work-life balance.

The hotel contributes to many development effects; it provides jobs for those with little or no education and offers important career paths for women. Investments in the hotel sector also help to formalise an informal sector characterised by uncertain working hours and poor working conditions. Hotels also need infrastructure and services from local businesses, such as transport, waste management, food deliveries and laundry services, which supports regional development. In turn, investing in a hotel helps to develop the local economy by supporting tourism and acting as a meeting place for the business community. It also helps to ensure that money, often hard currency, is brought into and spent in the host country.

Swedfund is a partner and has a seat on the board in Elgon Road Developments LTD (ERDL). The Radisson Hotel Group (RHG) runs the Radisson Blu Hotel, Nairobi Upper Hill for ERDL under a management agreement. The hotel opened in January 2016, and is today one of Kenya's most prestigious hotels. The 290 staff arrange many meetings and events for local and international organisations.

The position on the board of ERDL affords an excellent platform for Swedfund to work closely with the business and to pursue issues relating to



"Having strong and powerful women in top management is the best way to inspire and push us. They show that it is possible to be mothers and still have a successful career. We have been given what we need to become what we want to be."

Annie Njenga, Engineering Coordinator. Annie has been working with the implementation of the recommendations presented at the final workshop in 2016. In autumn 2018, she took part in the second round of Women4Growth.

"I am happier and have much more fun at work now. The management truly listens to us and challenge us to make use of our learnings and abilities. This makes us grow professionally as well as colleagues. And as individuals."

Mercy K. Mwangi, Front Office Service Manager and participant in Women4Growth 2016.

decent work, quality jobs and gender equality, issues which we as a development finance institution place high on our agenda. In order to succeed in our aims, an active board and a close and open cooperation with the hotel management is essential. During the quarterly board meetings and weekly coordination meetings between Radisson and ERDL, we have placed considerable emphasis on these issues.

One goal is to create a meritocratic workplace, where everyone has the same opportunities, regardless of gender, nationality or ethnicity. As part of this, it was decided to give the HR department a clearer and more prominent role within the organisation, partly in order to review and clarify recruitment processes and develop and raise the level of competence amongst the employees. The hotel management has also established channels to capture the needs and wishes of the employees, partly by setting up a forum where trade unions and the hotel management meet regularly to discuss how the company can promote employee development.

At the end of 2016, Swedfund implemented the *Women4Growth* initiative at the hotel. *Women4Growth* is a programme that aims to help female employees reach their full potential, and to help the company become aware of obstacles that prevent female employees from advancing within

the company. The programme was carried out in the form of four one-day workshops, which concluded with the participants presenting a number of recommendations to the hotel management and the board of directors.

The outcome of the programme has been successful. The follow-up in October 2018 revealed that almost all recommendations had been implemented. The programme has also lived on and inspired further improvements for employees, encompassing both men and women, e.g. the option of staying at home in order to care for sick children. For the hotel management, the aim is for this approach to become a natural part of the corporate culture, so that all processes are equal and clear to all employees and based on everyone having the same starting point from which to exploit their full potential. Getting employees to understand that gender equality benefits both men and women is crucial to succeeding in creating an equal corporate culture.

At the end of 2018, a second round of *Women4Growth* was carried out at the hotel. Based on the follow-up that was carried out, Swedfund developed the programme to meet the needs of the company and its employees. This was done in order to take the hotel's employees to the next level and develop the business positively.

FACTS

DECENT WORK

The support for Decent work is a prominent feature of the work of development finance institutions relating to the global development goals with particular emphasis on Goal 8, concerning decent working conditions and economic growth. An important task for development finance institutions is to demonstrate through their portfolio companies that Decent work and the quality of the work can go hand-in-hand with a thriving business.

98%

At Radisson Blu Hotel, Nairobi Upper Hill, there is a trade union which has a membership rate of 98% amongst non-senior management employees.

36%

The proportion of women by all of the employees is 36%, with the corresponding proportion at management level being 40%.

Arena

Swedfund's investments have a wide geographical spread. In accordance with our Owner's instruction, our focus is on the world's least developed countries, which primarily means sub-Saharan Africa. Swedfund is a long-term owner, which means that some holdings in our portfolio are investments that were approved many years ago when our Owner's instruction differed from today.

PERIOD REPORT 18.01.01 – 18.12.31

- N New Investments
- O Ongoing Investments
- E Exited Investments

GLOBAL (7)

- O Investment: APIS Growth Fund I LP
Sector: Fund
- O Investment: Women Entrepreneurs Debt Fund, LP
Sector: Fund
- O Investment: Interact Climate Change Facility
Sector: Energy & Climate
- O Investment: Global Medical Investments GMI AB
Sector: Health
- O Investment: EFP
Sector: Manufacturing and Service
- N Investment: JCM Power Corp
Sector: Energy & Climate
- N Investment: Climate Investor One
Sector: Energy & Climate

ASIA (5)

- O Investment: Baring India Private Equity Fund II Ltd
Sector: Fund
- O Investment: SEAF Sichuan SME Investment Fund LLC
Sector: Fund
- O Investment: Renewable Energy Asia Fund II L.P.
Sector: Energy & Climate
- O Investment: Green Investment Asia Sustainability Fund I
Sector: Energy & Climate
- O Investment: CEF III
Sector: Energy & Climate

AFRICA (16)

- O Investment: Adenia Capital (III) LLC Ltd
Sector: Fund
- O Investment: AFIG Fund II LP
Sector: Fund
- O Investment: African Development Partners II LP
Sector: Fund
- O Investment: Africap Microfinance Investment Company Ltd
Sector: Fund
- O Investment: AfricInvest Fund III LLC
Sector: Fund
- O Investment: Catalyst Fund II LP
Sector: Fund
- O Investment: ECP Africa Fund II PCC
Sector: Fund
- O Investment: ECP Africa Fund III PCC
Sector: Fund

- O Investment: Investec Africa Private Equity Fund 2 L.P.
Sector: Fund
- O Investment: Norsad Finance
Sector: Financial Institutions
- O Investment: Frontier Energy II Alpha K/S
Sector: Energy & Climate
- O Investment: Afrinord Hotel Investments Company Ltd
Sector: Manufacturing and Service
- N Investment: Hospital Holdings Investment BV
Sector: Health
- N Investment: TLG Credit Opportunities
Sector: Fund
- N Investment: d.light
Sector: Energy & Climate
- N Investment: Evolution II Fund
Sector: Energy & Climate

SERBIA (1)

- O Investment: Komercijalna Banka a.d
Sector: Financial Institutions

EGYPT (1)

- O Investment: Gamma Knife Center S.A.E.
Sector: Health

SOUTH SUDAN (1)

- O Investment: Kinyeti Venture Capital Ltd
Sector: Financial Institutions

GHANA (1)

- O Investment: Fidelity Bank Ghana Ltd
Sector: Financial Institutions

NIGERIA (3)

- O Investment: Access Bank Plc.
Sector: Financial Institutions
- O Investment: Ecobank Nigeria Ltd
Sector: Financial Institutions
- O Investment: Azura Power West Africa Ltd
Sector: Energy & Climate
- E Investment: Guaranty Trust Bank Plc.
Sector: Financial Institutions

MOZAMBIQUE (1)

- O Investment: Bayport Management Ltd
Sector: Financial Institutions

SOUTH AFRICA (0)

- E Investment: The Small Enterprise Foundation
Sector: Financial Institutions
- E Investment: Geratech
Sector: Manufacturing and Service

URUGUAY (1)

- O Investment: Ontur International S.A.
Sector: Manufacturing and Service

BOLIVIA (0)

- E Investment: Entel S.A.
Sector: Manufacturing and Service

LATVIA (0)

E Investment: SIA Troll Nursery
Sector: Manufacturing and Service

LITHUANIA (0)

E Investment: Pieno Zvaigzdes
Sector: Manufacturing and Service

BELARUS (0)

E Investment: Vireo Energy FLLC
Sector: Energy & Climate

UKRAINE (1)

O Investment: Eskaro Ukraine AB
Sector: Manufacturing and Service

GEORGIA (1)

O Investment: TBC Bank
Sector: Financial institutions

PAKISTAN (1)

O Investment: Engro Powergen Qadirpur Limited
Sector: Energy & Climate

MONGOLIA (2)

O Investment: Xac Bank LLC
Sector: Financial institutions

O Investment: MongoliaNord GmbH (Radisson Blu – Ulaanbator)
Sector: Manufacturing and Service

RUSSIA (0)

E Investment: FJ Holding AB
Sector: Manufacturing and Service

CHINA (0)

E Investment: Karlsson Spools Precision Machining (Kunchan) Co. Ltd
Sector: Manufacturing and Service

E Investment: HSF Electro Mechanic Wuxi Ltd
Sector: Manufacturing and Service

VIETNAM (0)

E Investment: Mekong Building Materials Holding Ltd
Sector: Manufacturing and Service

CAMBODIA (2)

O Investment: ACLEDA Bank Plc
Sector: Financial institutions

O Investment: Prasac Microfinance Institution
Sector: Financial institutions

INDIA (2)

O Investment: Husk Power Systems, Inc.
Sector: Energy & Climate

O Investment: Medica Synergie Private Limited (Orilus SSA)
Sector: Health

ZIMBABWE (1)

O Investment: NMB Bank Limited
Sector: Financial institutions

MAURITIUS (0)

E Investment: Raffia Holdings Ltd
Sector: Manufacturing and Service

KENYA (7)

O Investment: AAR Health Care Holdings Ltd
Sector: Health

O Investment: Elgon Road Developments Limited (Radisson Blu – Nairobi)
Sector: Manufacturing and Service

O Investment: Athi River Steel Plant Ltd
Sector: Manufacturing and Service

O Investment: Deacons (East Africa) Plc
Sector: Manufacturing and Service

O Investment: Timsales Holdings Ltd
Sector: Manufacturing and Service

N Investment: Victoria Commercial Bank
Sector: Financial Institutions

N Investment: Platcorp Holdings Ltd
Sector: Financial Institutions

ETHIOPIA (3)

O Investment: Addis Cardiac Hospital Plc
Sector: Health

O Investment: DBL Industries Plc.
Sector: Manufacturing and Service

O Investment: The Emerald Addis Hotels Plc (Radisson Blu-Addis Ababa)
Sector: Manufacturing and Service

E Investment: Addis Quarry Development Plc
Sector: Manufacturing and Service

SRI LANKA (0)

E Investment: Jacobi Lanka Private Ltd
Sector: Manufacturing and Service

UGANDA (3)

P Investment: Bayport Management Ltd
Sector: Financial institutions

P Investment: AAR Health Care Holdings Ltd
Sector: Health

N Investment: Platcorp Holdings Ltd
Sector: Financial Institutions

TANZANIA (5)

O Investment: National Microfinance Bank Plc
Sector: Financial Institutions

O Investment: Husk Power Systems, Inc.
Sector: Energy & Climate

O Investment: AAR Health Care Holdings Ltd
Sector: Health

O Investment: Bayport Management Ltd
Sector: Financial Institution

N Investment: Platcorp Holdings Ltd
Sector: Financial Institutions

A Investment: CRDB Bank Plc
Sector: Financial Institutions

Invests in selected sectors only

Swedfund invests in three specific sectors where we believe we have the best opportunities to make a difference: Energy & Climate, Financial institutions and Funds, and Health. The sector approach is fundamental to Swedfund's activities and boosts effectiveness. In contrast to the situation with a broad range of investments, resources and specialist expertise in the three sectors can be focused on selected areas.

1

Energy & Climate

The lack of an electricity supply is often a major obstacle to eradicating poverty and creating jobs in developing countries. As part of its aim to achieve Agenda 2030, Swedfund has been investing solely in renewable energy sources since 2014. The Energy & Climate sector also includes broader climate investments, such as energy efficiency improvements and water and sanitation projects. We believe that there is a strong need within this area, as well as opportunities for us to make a difference, not least in terms of our goals relating to gender equality and the empowerment of women.

In 2017, Swedfund invested in Husk Power Systems (Husk). Husk generates and distributes renewable electricity to households and small businesses through its own mini-grids in India and Tanzania. At the time of the investment, Swedfund established an ESG Action plan and has worked closely with the company to support the implementation of the action plan. In 2018, Husk received funding for technical assistance (TA funds) from Swedfund, which has been used to hire a local consultant to develop the company's social and environmental management system. This system will identify and mitigate potential risks relating to working environment, employment conditions and environmental impact. Swedfund has also helped Husk to develop and implement an anti-corruption policy.

2

Financial institutions and Funds

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 companies to grow. Swedfund's investments in financial institutions and funds in these markets help them to boost funding and lending to businesses and entrepreneurs.

We are contributing to achieving the goals of Agenda 2030 by investing in financial institutions and funds which focus on job creation and boosting tax revenues, gender equality and financial inclusion. Swedfund also invests in microfinance institutions (MFIs), which provide micro-loans to entrepreneurs and small businesses, as well as to people on low incomes who use loans for education and housing purposes, amongst other things.

Swedfund reaches an agreement with the fund managers we work with in order to maintain a high standard of sustainable development amongst the companies in which the funds invest. One example from 2018 in the sector is the Snapper Hill Clinic. This is the largest private hospital in Liberia and was the only hospital to remain open during the Ebola crisis. During the year, Swedfund worked closely with the fund manager here, contributing high-quality work and beginning the process of digitalising patient processes. This work was partly carried out with the aid of TA funding from Swedfund.

3

Health

Around 400 million people in developing countries 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. Only three percent of the world's doctors work in Africa, the majority in urban areas.

During 2018, Swedfund adopted a new focus sector, Health. Investments in the health sector have been taking place for many years and have shown good development results.

Several of the investments within health are made in the form of equity investments. In many cases, Swedfund is a shareholder who also plays an active role on the board of directors. This gives us an opportunity to support the enterprise's development by contributing our experience and special focus on sustainable development. One example from 2018 is where we assisted AAR Healthcare, East Africa's largest healthcare company with 35 clinics, to develop its whistleblowing system. Swedfund has also contributed expertise and resources for the establishment of a waste management system.



Tools for sustainable procurement and financial support to Swedish SMEs

Swedfund Project Accelerator

Swedfund Project Accelerator is a vital tool in our efforts to implement Agenda 2030 by contributing to the development and implementation of more sustainable projects in developing countries. The need is linked to the fact that too few projects are currently being developed, and the fact that the procurer sometimes lacks appropriate expertise or motivation and therefore fails to take into account sustainability considerations in procurement. Using the funding that Swedfund contributes, external expertise can be hired to support the local project owner. In this way, Swedfund Project Accelerator helps countries not to develop and build in expensive solutions and dependencies that are unsustainable in the long term. It also facilitates better business opportunities for companies that offer sustainable solutions that are profitable in the long term.

Twelve projects have been initiated and are at various phases of commitment and levels of activity. Projects are generally preceded by extensive anchoring and preparation, and the actual initiative that Swedfund funds usually lasts between six and twelve months. During 2018, a project concerning the public transport system in Abidjan, the largest city in Côte d'Ivoire, was concluded. Efficient public transport is good for the environment and promotes economic development.

Read more about the results of Project Accelerator on page 81.

Swedpartnership

Swedpartnership offers financial support to small and medium Swedish companies that establish an operation in developing countries. Swedpartnership is completely separate from the investment business. The aim of the establishment aid is to contribute to the creation of sustainable and profitable local businesses. The aid can be used for two activities: skills transfer and investments in equipment and machinery. All activities that are funded must be aimed at the staff and operations of the local collaborating business. The aid helps to reduce the level of risk in the project and gives the Swedish company an opportunity to set aside the resources that are necessary to ensure a successful partnership. The funding takes the form of a loan that can be converted into a grant when the project has been completed and approved. Swedpartnership evaluates and monitors the development results of the projects.

Read more about Swedpartnership's development results on page 82.

Swedfund's investment instruments

Swedfund is the only player in the Swedish aid sector that is able to use equity, loans and funds for investments. This gives Swedfund a broad range of excellent opportunities to create sustainable businesses in developing countries.

The choice of investment form depends on the financing requirements of each portfolio company, but we also strive to establish a good balance of instruments in our combined portfolio.

Equity

When Swedfund invests in equity, we are always a minority shareholder. We often have scope to exert an influence, as well as a place on the company's board of directors.

Our goal as a shareholder is to be a long-term investor, but to leave the company when we are no longer needed. Swedfund will remain a shareholder for as long as there is scope to make a positive difference and contribute knowledge and financial resources that would otherwise not have been available. Thorough exit analyses are carried out for this form of investment, partly to ensure that new owners continue to run the company in a sustainable manner.

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.

Swedfund sometimes issues loans to microfinance institutions in order to reach out to more borrowers and entrepreneurs.

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The funds in which Swedfund invests are long-term and the managers we work with have a high level of expertise in our focused markets and sectors.

Funds

In developing countries with limited capital supply opportunities, funds constitute an important source of longer-term funding. This is complementary to other, more short-term forms of financing (such as bank loans, project financing and short-term working capital facilities). Funds enable small and medium enterprises to obtain the necessary funding and help to ensure that Swedfund's capital reaches out to more businesses. These companies contribute to sustainable and profitable growth and thus help to reduce poverty by offering jobs, strengthening the tax base and participating in knowledge-building.

Swedfund also uses investments in funds to help improve the availability of renewable energy in developing markets. Swedfund usually enters as one of a limited number of investors and then participates as a member of LPAC (see the Fact box on the next page). The funds in which Swedfund invests are long-term and the managers we work with have a high level of expertise in our focused markets and sectors. Over the years, we have built up a network of fund managers that can be likened to a partnership, which increases our scope to exert an influence and bring about co-financing.

Swedfund imposes the same requirements on indirect investments in funds as it does on 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. In order for Swedfund to invest in a fund, a number of conditions must be met. These conditions include but are not limited to:

- (i) the fund's investment guidelines, sustainability guidelines and reporting requirements are equivalent to Swedfund's requirements;
- (ii) the structure of the fund is transparent;
- (iii) the fund manager is competent, reliable and has a good track record;
- (iv) the fund's investments are expected to produce good development results; and
- (v) the fund investment complements Swedfund's direct investments in a positive way.

Swedfund can reach agreement with the fund concerning what is known as an “opt-out” right, which affords the right to refrain from investing in an investment that Swedfund does not wish to invest in. This could for example concern specific countries or investments in certain sectors.

Swedfund has three main investment instruments: equity, loans and funds. Regardless of the form of investment, the same focus is placed on the imposition of requirements, control and active value creation.

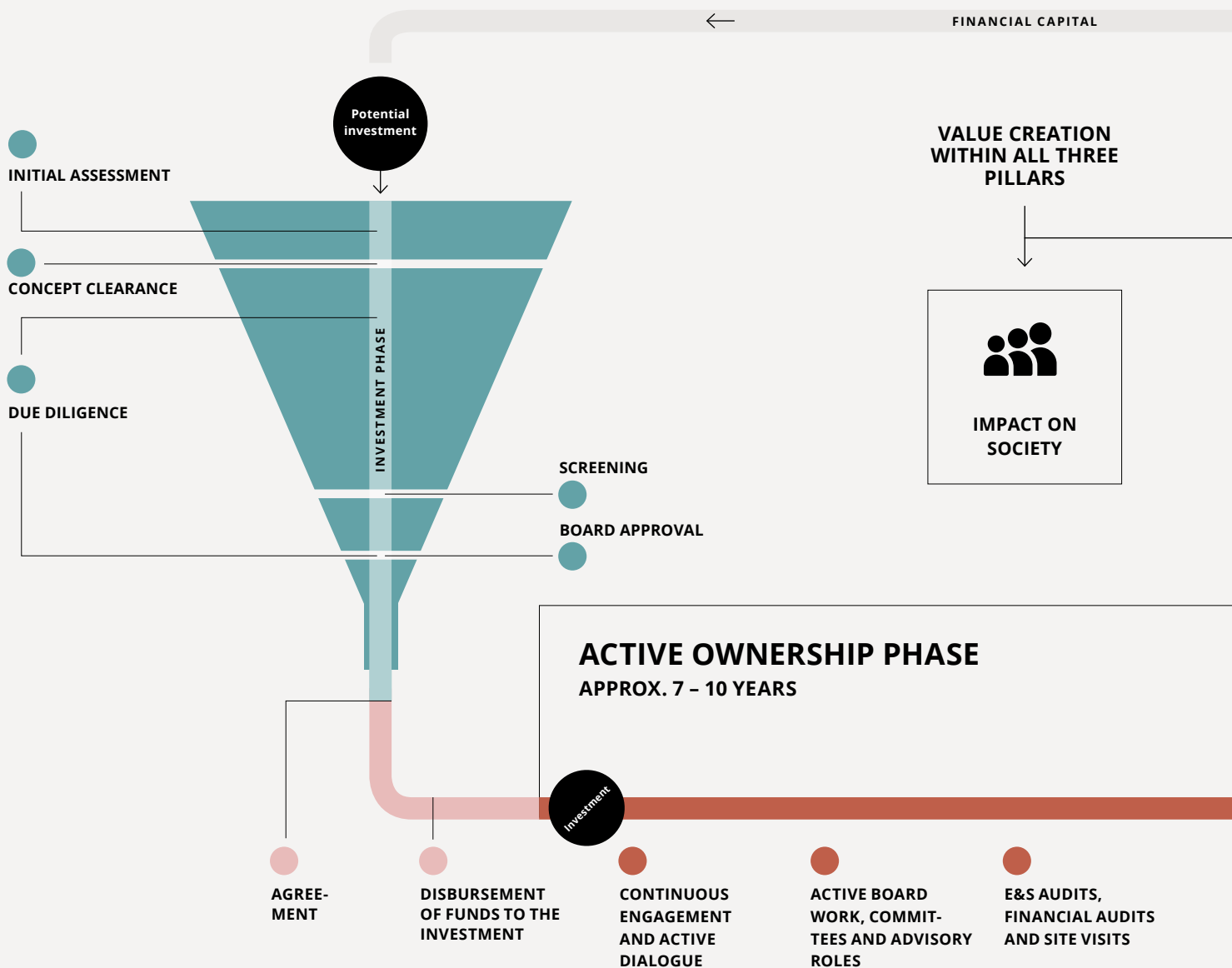
LPAC

Amongst fund managers, some advice is given through LPAC, which is an association of eight to ten representatives from the largest investors. Swedfund takes part to ensure that the investment develops in the desired direction and that the investors' interests in the Fund are safeguarded.

FACTS

A thorough investment process

We invest in private companies with loans and equity in order to create economic growth and jobs in a sustainable way. We have developed an investment process that enables us to succeed in our challenging mission.



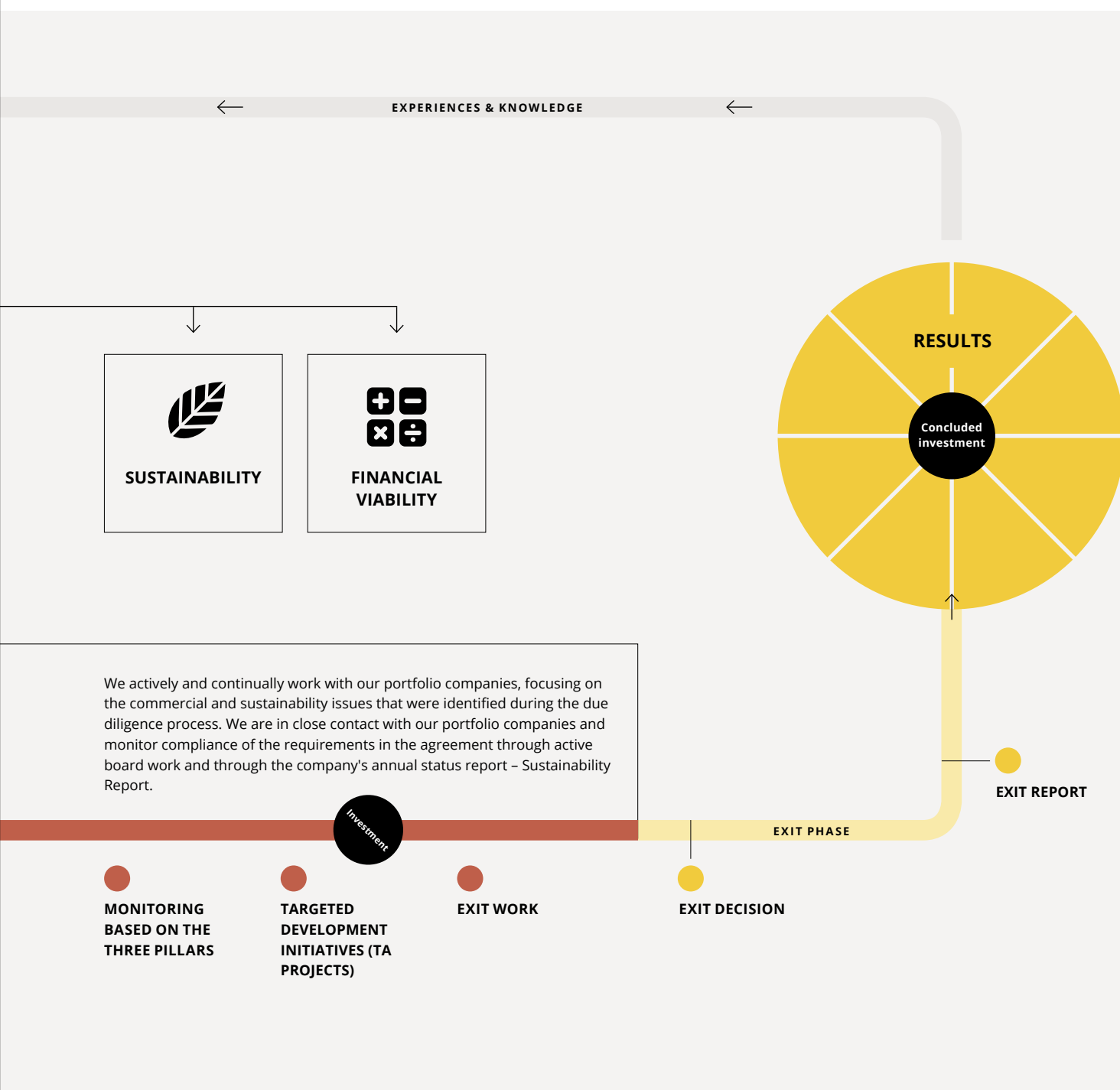


Investments in countries with less developed economies and enterprises entail substantial risks, particularly financial risks. We endeavour to manage these risks through a comprehensive investment process. The investment proposals that we receive are first reviewed, and those which match our investment strategy and criteria are then analysed in more detail.

Investment managers and analysts, working alongside specialists in ESG, law and impact, conduct a thorough analysis. Business plans,

investment partners, sustainable development (environment, employment conditions and anti-corruption) and development impact 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 more in detail on the next spread.





The investment process in practice

Swedfund invests in businesses in order to reduce poverty. We do this by contributing to job creation and inclusive growth, with the goal of creating more sustainable companies. As Swedfund's mission involves taking risks, it is important to have a proven and stable investment process. 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.

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 our investment can contribute to attainment of the global goals. We carry out an overall evaluation of the country, the company and its business plan, as well as 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 company that would otherwise not have been available.

Concept clearance

After this initial step, the investment team summarizes an investment proposal, a concept clearance, which is then presented to Swedfund's Investment Committee. Swedfund's Investment Committee, which has both an advisory and a decision-making role, then decides whether to proceed with the investment proposal and carry out an in-depth analysis. The Investment Committee is chaired by

Swedfund's CEO and includes Investment Director, CFO, Head of Strategy & Communication, Head of Special Operations, Chief Legal Counsel and a Senior Sustainability specialist. The Investment Committee and the investment team discuss the key risks in the investment which must be analysed during the due diligence process.

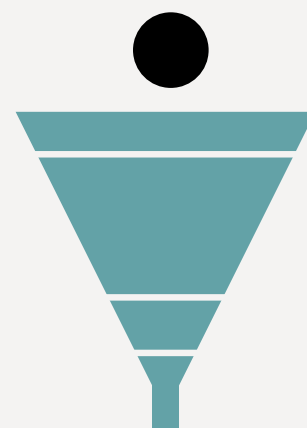
Due diligence

If the committee decides to proceed, the investment proposal will continue on to the due diligence phase. A thorough analysis is carried out in which many different factors are evaluated, including the business concept, business plan, market, financial history and forecast, investment calculation, partners, legal aspects, expected impact results and sustainability risks and impacts, including environmental aspects, employment conditions, human rights and corruption risks. 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 comprehensive questionnaires on environmental, social and corporate governance matters. 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

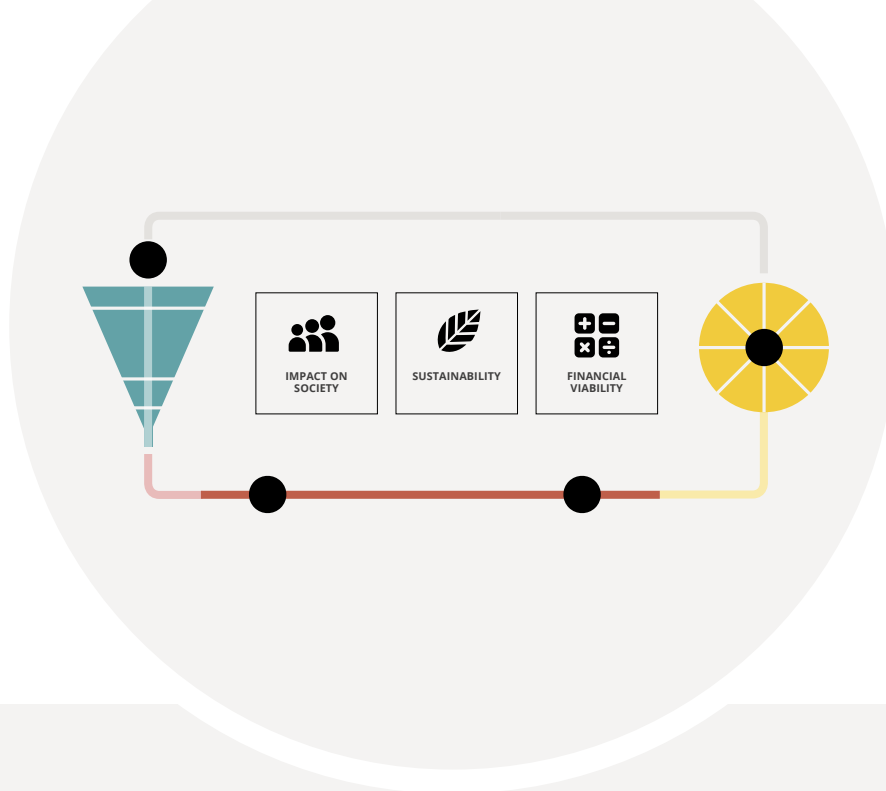
When the due diligence process is completed, a screening meeting will take place during which the Investment Committee will decide whether the investment meets our requirements and is ready to be presented to Swedfund's board of directors. If the investment is not approved at this stage, it may be because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



process. It is not uncommon for new questions to be raised, which the team then evaluate in the final stage of the due diligence process. From 2018 onwards, we have also established a strategy for exiting.

Decision by the board of directors

The initial phase is concluded with the investment team presenting the investment proposal to Swedfund's Board of Directors, whom make the final investment decision. If the investment is given the go-ahead, an agreement will be negotiated. The investment agreement includes not only legal conditions, but also sustainable development and reporting requirements.



ACTIVE OWNERSHIP PHASE

Once the agreement has been signed and the funds 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 and sustainable development matters identified in 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 and close engagement is maintained with our portfolio companies in order to monitor their performance, goal attainment and contractual conditions, both through visits, active

board work and dialogue and through their annual status report (Sustainability Report). Both internal audits and third party audits are conducted. The Senior Investment Manager is 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 (TA), which can for example be used for training or consultancy.

FACTS

FUNDS FOR TECHNICAL ASSISTANCE (TA)

Funding for Technical Assistance are used to boost the development results of our portfolio companies through initiatives within all three pillars. TA funding should primarily be used to strengthen Swedfund's work

relating to gender equality, environment and climate and may be used in any country in which Swedfund may invest from time to time in accordance with the Owner's instruction.

EXIT PHASE

Swedfund is a long-term investor, but not a permanent owner. We finalise the investment and the partnership either through selling our shareholding, through repayment of the loan or through expiry of a fund's term.

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'. Selling a portfolio company in the markets in which Swedfund operates is not like selling a company in Europe. Much more effort is required, as established processes are often lacking. In most cases, custom solutions are necessary in order to find a buyer and Swedfund often plays an active role in finding a solution in this context.

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, where we analyse what we have learned and what relevant knowledge and experiences we can bring into future investments. The exit report also describes the outcome and delivered results of the investment in our three pillars. We do this in order to ensure a responsible exit.

Our pillars

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 sustainable development in developing countries. Under the pillar of 'Impact on society', we evaluate and monitor to determine the number of decent jobs we help create through our investments. This monitoring also involves measuring the proportion of female employees, and the proportion of women in senior management in particular. Reported corporate tax is another key parameter in achieving greater transparency and contributing to sustainable development. It is also important to measure carbon dioxide emissions in order to limit emissions in the long term at holding level. We also assess an investment's additionality and the effects/benefits that the investment has created.

SUSTAINABILITY



Swedfund aims to help create sustainable businesses in developing countries. This means that our portfolio companies must offer decent jobs, implement a management system for environmental and social risks and impacts, 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, and the implementation and performance of management systems. The pillar also includes indicators for corporate governance and anti-corruption.

FINANCIAL VIABILITY



Swedfund aims to create profitable and financially viable companies in developing countries. The long-term approach forms part of all investments that Swedfund makes and is a key factor in the scope to contribute to growth and profitability.



Prasac in Cambodia

Prasac offers funding for female entrepreneurs by providing micro-loans

Small and medium enterprises (SMEs) are key to inclusive growth, jobs and innovation. SMEs account for about two thirds of all new jobs in the formal sector in developing countries, and women own around a third of these enterprises. The lack of capital is the largest barrier to development for businesses, and women find it even more difficult to gain access to finance.

By contributing capital to female-owned SMEs, Swedfund is helping to promote gender equality across an entire country, boosting the likelihood of growth. At the same time, women are increasingly using their salaries to lift their families out of poverty. When many women in a country find employment, poverty decreases, the country becomes more socially just, and we are a step closer to sustainable development.

Prasac is Cambodia's largest microfinance company, with 177 branches nationwide. The company focuses on rural areas in order to increase financial inclusion and contribute to sustainable economic development. Swedfund has invested in Prasac through loans which are distributed to the country's micro- and small enterprises, which account for a majority of the country's jobs.

One of the borrowers is Kak Dina. She lives with her family in the small village of Chroy Ampil. The family live on the upper floor of the house. Downstairs around ten weaving machines are being operated. Kak Dina has received loans from Prasac on two occasions.

"I will use the loan to expand my business. I will buy looms, thread and cotton," says Kak Dina.

Kak Dina shows the looms, which are spinning beautiful colourful scarves, which later will be sold. Several women are working at the looms.

"I've been able to employ two more people thanks to the loans from Prasac," says Kak Dina.

Today, Neang Simorn from Prasac is visiting; he is the Credit Officer for Kak Dina's loan. Neang Simorn has a good understanding of each borrower. Kak Dina shows us round her workshop, and Neang Simorn asks questions and reviews the business.



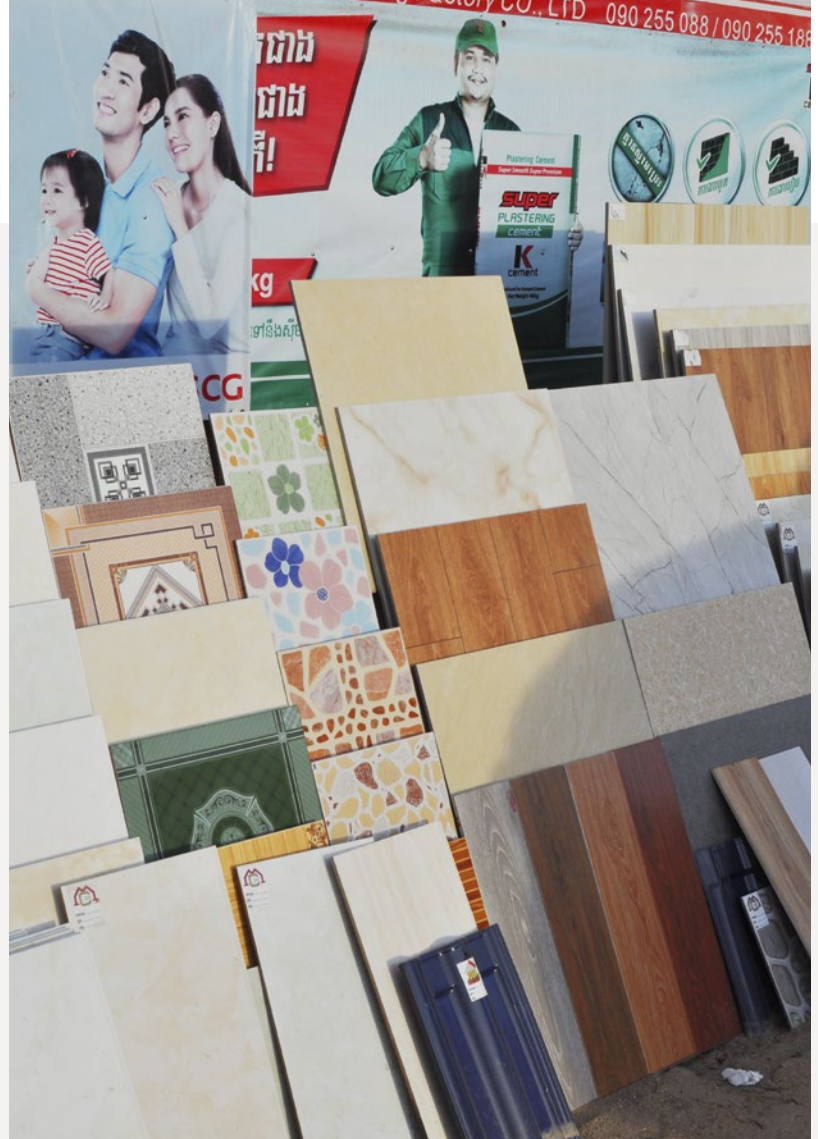
"We review the loan, her ability to repay it and what collateral is in place," says Neang Simorn, Senior Credit Officer at Prasac.

Before a loan can be approved, Prasac's Credit Officer assesses the candidate's capacity to repay the loan. If the Branch Manager decides that additional requirements regarding waste, pollution, natural resources, health and safety must be imposed, an additional assessment is carried out and an action plan prepared to be included in the loan agreement. The Credit Officer will then follow up on these measures. Prasac's Credit Officers are in close and regular contact with their borrowers, and many of them are repeat clients.

The microfinance sector in Cambodia has its roots in the early 1990s, when international aid helped to rebuild the country's financial system, and microfinance constituted a key component. In recent years, Cambodia has experienced stable economic growth, yet 20% of the country's population of 16 million live on less than USD 1.5 per day. Most jobs are created by the country's many micro, small and medium enterprises.

These enterprises are mainly capitalised by the owners or their families. In order to give entrepreneurs an opportunity to obtain funding from official institutions instead, more players need to enter the regulated market.

Another female entrepreneur who has received a loan from Prasac is Chhay Yet, who runs a builders' merchant. Her store is just a stone's throw from the mighty Mekong River, which cuts through the city of Phnom Penh. The afternoon sun shines on the store and outside a billboard hangs with a picture of an apparently happy Cambodian family. The image advertises building materials and is intended to portray a family that has bought a house. After years of turmoil, the country is getting back on its feet. Prasac's Senior Credit Officer Ouch Sophanny wanders round the store with Chhay Yet. "I think the customer's business concept is good. "Our country is undergoing a development phase with a lot of construction going on," says Ouch Sophanny, Senior Credit Officer at Prasac. There are not that many customers in the store at the moment.



"But it is very busy here in the morning, with a lot of customers buying materials," says Chhay Yet.

Prasac is about to grant a new loan to Chhay Yet. She used her last loan to develop the business.

"I use the loan from Prasac to buy more materials and increase sales," says Chhay Yet.

Swedfund's loan to Prasac is part of a syndicate with the German Development Finance Institution, DEG.

"Together with DEG, we are able to improve financing opportunities for entrepreneurs and SMEs. Prasac strives to have systems in place which protect customers through responsible and transparent pricing, prevent over-indebtedness and ensure respectful treatment," says Jenny Järnfeldt Nordh, ESG Manager at Swedfund.

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The administrator's assessment before a loan is granted includes ensuring that no child labour is being used.

Risk – part of our daily work

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. Accepting risk is part of our mission – to improve the conditions for people living in poverty by creating sustainable businesses and decent jobs in developing countries.

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. Consequently, our greatest risks are linked to our investments. Risk management is therefore an equally natural part of our business as it is in our portfolio companies. The more sustainable and advanced companies Swedfund can join forces with and build, the better for the community in which they operate.

In its operations, Swedfund is exposed to many different factors that are difficult to influence. We manage risks at different levels: strategic, investment, operational and financial. Sound risk management is both a prerequisite for the business and a potential way of improving development results.

A description is given below of Swedfund's key strategic risks, investment risks and operational risks. Read more about our financial risks on pages 112-114.

Strategic risks

The strategic risks focus on structural factors relating to our mission. These include macro risks, such as climate risks, corruption risks, risks of human rights violations or political risks linked to investing and operating in what are known as LDCs (Least Developed Countries).

Country risks and concentration risks are other strategic risks. When we assess possible investments, we factor in whether the investment could result in an imbalance in the portfolio's distribution between countries/regions, sectors and instruments.

As part of our approach to risk, we work continuously with business intelligence and follow-up in a close dialogue with the portfolio companies' management, co-investors and stakeholders.

The ability of our portfolio companies to contribute to development is influenced by their strategy and the way in which they implement it. If the strategy fails, or if the portfolio companies are unable to respond to and manage changes in regulatory systems and the outside world, their ability to deliver positive development effects may be impaired. In turn, this can adversely affect confidence in the business and bring suffering to individuals who are supposed to benefit from the investment.

Investment risks

Investment risks are risks which are associated with Swedfund's investments in equity, loans and funds, as well as the management of short-term funds. Our business model is based on three pillars: impact on society, sustainability and financial viability.

Impact on society

There is always a risk that an investment will fail to achieve the goals that we have established as regards impact on society. It may be that jobs are not created at the rate we expected or jobs may even be lost over a period of time because the company is facing challenges regarding financial viability and making people redundant instead of hiring or retaining employees. The same applies to tax revenues. If a company operates at a loss, no corporate tax will normally be generated which will benefit the country in which the company is operating. Other challenges may include Swedfund's efforts to find a better balance between the number of men and women amongst the employees, at management level and within the board. In the countries in which we operate, fewer women have an education compared with men and fewer women are in employment compared with men.



FACTS

RESPONSIBILITIES AND POLICIES

Swedfund's board of directors has overall responsibility for identifying and managing the company's risks. To ensure that risks associated with the company's operations are continually identified, analysed and managed appropriately, the company has developed and implemented a number of governing documents, procedures and processes, including

Swedfund's policies (see Swedfund's ethical compass on pages 50-51) and our investment process (pages 34-37). These set out a clear framework for the company's risk management, and follow-up is carried out regularly to ensure that risk exposure is kept to an acceptable level for the company and that risk management is both effective and efficient.

Sustainability

The sustainability risks that we have identified relate to our Sustainability Policy and Sustainability goals. There is a risk that investments will not meet the sustainability requirements that we have established or that they do not contribute to long-term value creation both in individual holdings and at portfolio level. Sustainable development risks are managed through active management, by imposing requirements on systems and processes in order to manage the risks and impacts in companies and through action plans and monitoring. These risks are managed and followed up through our Sustainability Policy and Strategic Sustainability goals.

Financial viability

Financial risks are risks that are linked to the financial viability of our investments, commercial and partner risks, credit, currency and interest rate risks, as well as fund management risks. Commercial and partner risks are risks that relate to, for example, business concepts, market and financial viability. These also include risks that are linked to the partner with which Swedfund chooses to invest. We manage risks on an ongoing basis during the investment process, which continues throughout the holding period of the investment. Swedfund's investment team is responsible for managing risks in the portfolio companies through board work, on-site visits and other follow-up.

Operational risks

Operational risks are risks that are associated with Swedfund's daily internal operations, such as inadequate internal processes, human error, faulty systems, legal risks, fraud and corruption. To safeguard Swedfund's ongoing operations, we continually strive to limit and, where appropriate, remediate risks, partly through Swedfund's Code of Conduct and clear guidelines concerning the handling of conflicts of interest.

There are also risks associated with internal controls where inadequate routines can have adverse consequences. In the corporate governance report on pages 130-137, we present an account of Swedfund's internal and general controls regarding financial reporting.

During 2016, a whistleblowing service was launched where employees in Swedfund and our portfolio companies can report irregularities with full anonymity. Two notifications were received during 2018. One was considered to be unrelated to Swedfund and therefore led to no action being taken. The other notification, which was linked to a portfolio company, resulted in an investigation, which had not been completed by the end of 2018.



Experienced and confident within the ESG

Fulfilling our mission and generating development results requires solid expertise and experience combined with continuous development and well-established internal processes and management systems.

40

We have 40 years of experience in investments

The investment team evaluates, implements, manages, develops and terminates investments. This requires expertise in finance, law, sustainability, investment, development effects and specific sectors and markets.

Every investment is analysed by the investment team, which is led by the Senior Investment Manager. The team consists of an Investment Manager and an Investment Analysis (experts in financial and market analysis), an ESG Manager (expert on the evaluation and monitoring of environmental and social issues and anti-corruption issues), and a Senior Legal Counsel (expert on business law in our markets). The investment team is also supported by an Impact Manager regarding issues relating to the development effects that the investment generates.

ESG expertise and employees

As part of the investment process, we identify new sustainability trends and ensure that our ESG policies, systems and processes are updated, relevant and in line with our stakeholders' expectations. It is important that we impose the relevant requirements on our portfolio com-

panies, that we can act as advisors as regards change management and that we follow up and communicate our results.

Swedfund's ESG-team comprises experienced staff who are involved in environmental and social issues and anti-corruption issues on a full-time basis. The ESG-team is responsible for all development within the field of ESG, as well as the implementation of ESG issues in the investment process.

The ESG Manager is part of each investment team and is responsible for:

- (i) evaluating working conditions, human rights, environment and climate, anti-corruption and corporate governance during the investment phase
- (ii) collecting ESG data, actively influencing and following up of ESGAP, ongoing dialogue and conducting audits and visits during the active ownership phase, and
- (iii) evaluating results under the sustainability pillar during the exit phase.

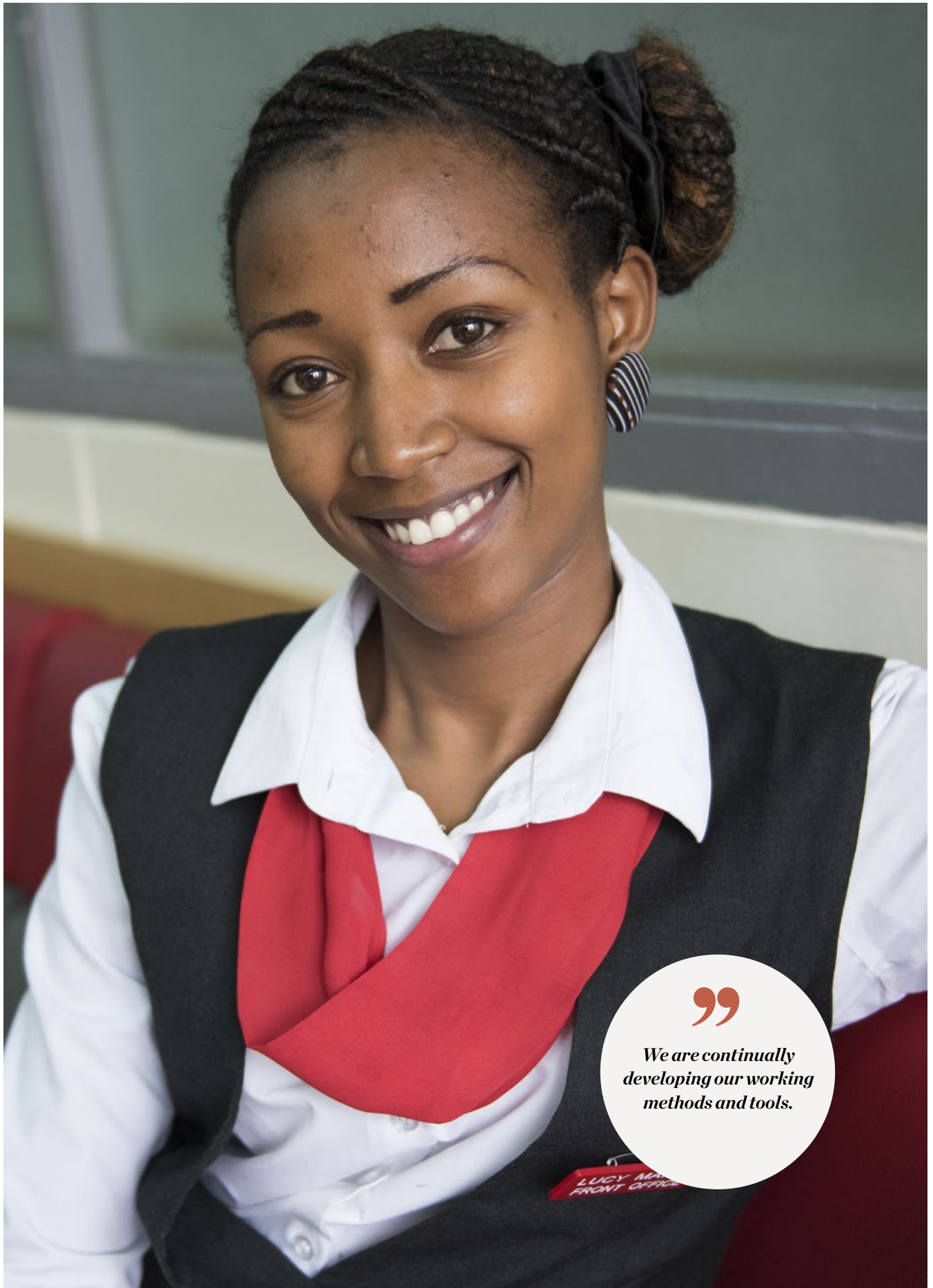
ESG managers also support the portfolio companies through TA initiatives.

Swedfund's ESG team receives support from external experts in high-risk situations which require special measures or specialist expertise. Virtually all investments classified as high risk from a sustainability perspective must be analysed by an external expert during the investment phase, and regularly undergo external analysis during the active ownership.

Competence and knowledge are demonstrated in processes and tools

We have almost 40 years of experience of investing in challenging markets. Over the years, the expertise and knowledge of our employees have been integrated into our business model, our policies, the investment process and related guidelines. We are continually developing our working methods and tools.





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*We are continually
developing our working
methods and tools.*

Partnership for success

As a relatively small development finance institution, cross-border partnerships are crucial if Swedfund is to succeed in its mission and contribute to Agenda 2030. Entering into partnerships is an opportunity to grow, share knowledge and be additional. However, just as in any relationship, constant effort is needed to build up confidence and realise the full potential of a partnership.

Partnership with

PORTFOLIO COMPANIES

When Swedfund invests in a company, a partnership is automatically created. However, as Swedfund is already planning for exit during the investment phase, we always aim to ensure that companies will be self-reliant after a certain number of years.

Prior to an investment, thorough analyses and reviews of the company are carried out. During the investment process, we continually engage in a dialogue with representatives of the company and conduct visits. We provide support in the form of knowledge and advice to ensure that the company develops in accordance with the goals that have been established. For example, an ESG Manager from Swedfund will help to draw up an Anti-corruption Policy. Swedfund and the company concerned will therefore be partners throughout the investment phase, from the initial analysis until the partnership is concluded through our exit.



Partnerships with

DEVELOPMENT FINANCE INSTITUTIONS

Swedfund is one of 15 European development finance institutions, known as DFIs. Together with our European partners, we carry out most of our investments. There is much to gain from cooperating between us. Dialogues are conducted on an ongoing basis with the aim of strengthening our common expertise. This may involve ensuring that we complement each other in terms of knowledge, harmonising principles that will guide us in connection with investment. It may also be a matter of joining forces to jointly pursue an important issue.

A partnership was initiated in 2018 between the European development finance institutions and the Canadian and US development finance institutions with the aim of promoting investments in women's empowerment and job creation for women, Gender Lens Investing. Swedfund hosted the first meeting in Stockholm, which discussed the importance of women's economic empowerment for development, as well as questions concerning how we can jointly boost investment in women and identify common indicators for measuring results.



A key point behind the global goals is the need to work together in innovative partnerships, rather than isolated from each other. This is easier said than done and much still remains to be done. Linguistic barriers, cultural differences, old conventions and organisational structures can all cause problems. However, all players need each other and we have made a fair amount of progress. The fact is that the majority of Swedfund's activities today involve some form of cooperation and partnership.

Partnership with

CIVIL SOCIETY

The cooperation with organisations in civil society is vital for Swedfund. They often have a good understanding of the market concerned and the environment in which we invest, and can thus help us to increase our knowledge. This could for example be tax issues or human rights, where expertise is added during the investment phase as part of the acquisition of knowledge. Contacts with civil society are linked, inter alia, through stakeholder dialogues.

In this way, organisations in civil society provide important feedback that Swedfund can use in its processes. This cooperation can be likened to a dialogue where Swedfund learns how to prepare, for example, draft policies and lists of requirements that form a key element in the investment process, which in turn forms the basis for the action plan and the goals that portfolio companies must follow. During the year, Swedfund conducted meetings with a dozen or so organisations and trade unions, as well as two dialogues in connection with the launch of our integrated report and during the process of updating our Sustainability Policy.



Partnership with

THE PRIVATE SECTOR + OTHER AID ORGANISATIONS

The private sector is crucial both to the development of poor countries and to the achievement of Agenda 2030. Development finance institutions therefore play a vital role in establishing partnerships that can lead to joint investments with private organisations, which are necessary in order to achieve the global sustainability goals. Swedfund's investments to create decent jobs, increase the proportion of small and medium enterprises or secure access to renewable energy are not isolated from other efforts designed to strengthen a society. Achieving long-term sustainable development requires a fundamental respect for human rights, a vibrant civil society, strong institutions and an effective tax system and legislation, which are also important areas to strengthen from an investment perspective. Amongst other things, there are excellent opportunities for increased cooperation and more partnerships, as well as initiatives to increase synergies, thereby accelerating the implementation of Agenda 2030.



Søren Peter Andreasen, CEO of EDFI

Investments with a focus on implementation of the development goals

Swedfund is a member of the Association of European Development Finance Institutions (EDFI), an association for European development finance institutions. We often invest jointly and share experiences, as well as collectively developing positions on central issues.

Association of European Development Finance Institutions

EDFI

We talk to Søren Peter Andreasen, General Manager of EDFI, about the history and role of EDFI and development finance.

Can you tell us more about EDFI's history? How has the EDFI developed over the years, what are the most significant changes and what is the main mission today?

The story of development finance institutions (DFIs) began after the end of the Second World War, when the first DFI was established. By 1970, the number of DFIs had grown to four in Europe, and more countries decided to set up their own institutions. In 1992, there were ten bilateral DFIs, of which Swedfund was one. Seven of these decided to set up the EDFI, a professional network for exchanging experience and knowledge, in order to promote cooperation and develop relations with the EU institutions. Several new DFIs were set up and joined the EDFI, which today consists of 15 members.

The partnership has evolved from that platform. The DFIs increasingly began to work together and made more and more co-investments. After some time, we decided to harmonise environmental and social standards for responsible and sustainable financing, as well as a common exclusion list. EDFI also forms the basis for a number of collaborations, such as the facility ICCF, for investments in renewable energy, and ElectriFi, a company which invests in innovative energy projects.

If you look at the DFIs today, their activities are still based around the original core values. Our members' experts meet regularly to promote learning and the development of common standards. We are actively working to promote, and to

give a voice to, the DFIs when the implementation of Agenda 2030 is discussed in the OECD, the EU and other multinational institutions. It is important to be part of the discussion on the future of development finance and the role of DFIs in the development agenda.

The success of our partnership lies in the fact that we focus on cooperation when we see there is added value, and that we strive to keep bureaucracy to a minimum. EDFI's board reaches decisions concerning strategic issues and the development of new and existing mechanisms, and ensures that information flows between the DFIs. The cooperation within EDFI gives members a strong voice, and our jointly developed processes contribute to a strong and effective partnership. As a collective, we also have a strong position as regards the setting of sustainability standards.

The development landscape is changing. Can you describe the most prominent trends in development funding and development in the private sector?

The first trend concerns activity and development. The DFIs were previously relatively small, rather obscure institutions, which did not attract any great interest from the countries' policy makers. The situation is rather different today. Many countries are keen to boost the private sector and stimulate investment, partly in order to create decent jobs and renewable energy in developing countries.

One important observation is that the goals expressed in Agenda 2030 and the Paris Agreement involve high expectations as regards external sources of funding in order to drive the agenda forward. At the same time, inflows of direct investment in developing countries have slowed down. There is a gap between what seems possible and what is desirable. We must show progress and action in order to bridge that gap.

How do development finance and EDFI contribute to advancing Agenda 2030?

Our key role is to build the financial infrastructure and improve access to Financial Services in order to enable companies to grow and create



Søren Peter Andreassen,
GM of EDFI

jobs, and to invest in critical infrastructure, such as renewable energy. Investments that contribute to poverty reduction and the implementation of development goals. Our role is to push the private sector in developing countries in the right direction. If you look closely, you will see that countries with low income levels have a strong pressure to bring about inclusive growth in order to improve living conditions by creating jobs, generating tax revenues and so on. Having a group of investment institutions that constantly prioritise in terms of sustainability is extremely beneficial for these countries. It helps to build sustainable and resilient communities.

What role do you think EDFI will play in ten years?

Today, the DFIs have a clearer role and an important mission. Working for a development bank or a fund is an important and well-defined profession. It is no longer seen as an experiment. However, I would still like to see some changes as regards our capacity, which should be increased. Bilateral DFIs can play a crucial role in mobilising capital as key bridge-builders and harnessing global opportunities in emerging and frontier markets.

DFIs have long been able to show good results in this area. We must continue to be very ambitious and listen to people as regards tax, responsible financing and so on. It is about developing holistic solutions in order to achieve success.

FACTS

5,000 INDIVIDUAL COMMITMENTS

EDFI has a portfolio of EUR 37 billion, split between 5,000 individual commitments. This represents a significant increase from 2005, when the portfolio amounted to EUR 10 billion. Today, the renewable energy sector is the second largest sector and accounts for almost 30% of EDFI's new investment. In regional terms, EDFI's portfolio is expanding in sub-Saharan Africa, and about 20% of the portfolio is invested in the least developed countries. Around half of the investments are joint investments between two or more DFIs.

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 142-143.

Swedfund's Code of Conduct and Sustainability Policy are key policies which

are adopted by the board of directors. 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 Sustainability Policy, Anti-corruption Policy and Tax Policy, is crucial to fulfilling our mission as a responsible investor. The ethical compass is a central 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 human rights, anti-corruption, corporate governance, our Sustainability Policy and international guidelines and commitments.

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

The ethical compass is published on our website.



Updated policies

Towards the end of 2018, we began the process of updating our Sustainability Policy, which was last revised in 2015. There was a need to update the policy, especially as regards human rights, an area that Swedfund has been focusing on in recent years. The Sustainability Policy is expected to be completed and approved by the board of directors at the beginning of 2019.

We have also started to update our Code of Conduct. This task involved an analysis to ensure that the Code is up to date in relation to the policies and guidelines that we have adopted and/or follow.

Both the Sustainability Policy and the Code of Conduct are adopted by the board of directors.

Our values

At the beginning of the year, a comprehensive process was begun to develop and redefine Swedfund's internal values. The intention was to implement a value-based working method that is clearly linked to our four attitudes and behaviours. The attitude work has been integrated into the work on the strategy and business plan. All employees have been involved in the work to develop the four attitudes that the management team has adopted and anchored within the organisation. The four attitudes are:



We aim higher

- We are proud, but I want to achieve more
- I always act upon the big picture
- Passion in all we do



We are open, honest and direct

- What I do matters
- I have the courage to act
- I keep our promises



We make it happen

- I take initiative and follow through
- We set goals, achieve and celebrate
- Accountability counts



Together we build our future

- We seek, learn and share across all borders
- We learn from successes and mistakes
- We care for and help each other

The portfolio companies' results

This section, which opens the Directors' Report, presents the trends in the results of Swedfund's investment portfolio and how Swedfund is striving to achieve its goals and thereby 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. Swedfund's contracted portfolio amounts to just over SEK 4 billion.

In turn, the Indicators are defined in the goals set out in the Owner's instruction (mission objectives) and in board decisions (strategic sustainability goals). A further key starting point is the Swedish state's ownership policy and guidelines, according to which state-owned companies must contribute to reductions

in climate and environmental impact. This must be achieved through sustainable and toxin-free resource use in order to achieve the generation goal adopted by the Swedish Parliament and the adopted environmental quality goals, and in order to contribute to fulfilment of the Paris Agreement.



	INDICATOR	TYPE OF GOAL	GOAL	DEFINITION	
IMPACT ON SOCIETY	Carbon footprint	Mission objective Mission objective	Investments shall be sustainable from an environmental and climate perspective, which entails both responsible behaviour and minimising the risk of negative impacts	The portfolio's estimated CO ₂ e emissions Swedfund has analysed how climate and environmental risks impact on Swedfund's investments and how, in turn, they can impact on Swedfund's financial position	 
	Tax	Mission objective	Investments must be socially sustainable	Tax (corporation tax, deferred tax and other similar items) translated to SEK	
	Empowering women	Mission objective Other goal Other goal	Investments must be socially sustainable. The proportion of men and women must show a positive trend/be convergent	Trend in proportion of women in senior management % Trend in proportion of women of total number of employees % Trend in proportion of women on company boards %	
	Additionality	Mission objective	All investments shall be made in ventures which are not considered to be realisable through commercial financing alone	Number of investments not considered to be realisable through commercial financing alone	 
	Job creation	Strategic sustainability goal	Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions	Growth in number of jobs in Swedfund's portfolio Estimate of indirect job creation	
	Decent work	Strategic sustainability goal	Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions	Compliance with the ILO's core conventions	
SUSTAINABILITY	Environment and social management system	Strategic sustainability goal	Swedfund shall contribute to the creation of businesses that are viable in the long term in the world's poorest countries	Existence of management system for sustainability issues	
	Management system for anti-corruption	Strategic sustainability goal	Swedfund shall strive to combat corruption	Existence of management system for anti-corruption issues	
	Growth	Mission objective	Sales shall increase over a five-year period with the investment year as the base year	Sales growth %	
FINANCIAL VIABILITY	Profitability	Mission objective	Profitability shall increase over a five-year period with the investment year as the base year	Profit margin % Return on average equity Trend in NAV and IRR	
	Return on equity (profitability)	Strategic sustainability goal	Investments shall be profitable in the long term and therefore financially viable	Return on average pre-tax equity compared with the interest rate on sovereign debt	

Definitions, sources and presentation

The general underlying assumptions and preconditions behind the description of the trends in the portfolio companies' results are presented below. More detailed descriptions of the methodology, sample and sources can be found in the presentation of the trends in results for each pillar and indicator.

Reporting cycle

Swedfund and Swedfund's portfolio companies prepare their annual reports over the same period, which means that the financial information used for the portfolio companies' performance reports cannot be presented for the current year. Swedfund has therefore chosen to present trends in the results of portfolio companies with a one-year lag, which means that subsequent developments in results use 2017 as a basis.

In the few cases where portfolio companies have a financial year that does not coincide with the calendar year, the break-point has been 31 March, i.e. the figures for 2017 correspond to financial information in the annual report for the financial year 1 April 2017 to 31 March 2018.

Sources

The indicators described in the following sections are based on reports published by the portfolio companies, as well as the underlying holdings of the funds and the co-financing facilities. The main reports that are prepared are as follows:

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

Information that is available from audited annual accounts has been used where possible.

Annual reports

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

- Model for CO₂e calculation
- Indicator for tax
- Indicators concerning women's empowerment
- Indicator for job creation
- Indicators for sales and profitability

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 ("Sustainability Report"). During 2017, this process was digitalised, which has increased the response rate. Information from Sustainability Reports distributed by Swedfund constitutes the source, in full or in part, of the following indicators:

- Indicator for tax
- Indicators concerning women's empowerment
- Indicator for job creation
- Indicator for decent work
- Indicator for environmental and social management system
- Indicator for management system for anti-corruption issues

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 banks

and funds are more process-oriented. This is because Swedfund's evaluation is more aimed 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 applicable conditions. Sustainability Reports for the underlying holdings of the funds are prepared by the fund.

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

In some cases, the sources used for Swedfund's financial reports consist of Annual E&S Monitoring Reports prepared by another 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 2017, 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 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	2015	2016	2017
Direct investments in equity and loans	45	45	43
Portfolio companies	58	60	60
Portfolio companies, including the underlying holdings of funds	110	112	124
Portfolio companies, including the underlying holdings of funds and co-financing facilities	–	147	156

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

Direct investments in equity and loans

The sample corresponds to all direct investments in equity and loans, except fund investments.

Portfolio companies

The sample of portfolio companies comprises all direct invest-

ments through equity and loans, as well as investments in funds. Co-financing facilities are not included.

Portfolio companies, including the underlying holdings of funds

The sample of portfolio companies comprises all direct investments through equity and loans, 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 holdings in the two co-financing facilities in which Swedfund is involved. This sample is only used for the CO₂e indicator, which Swedfund has reported since 2016. Swedfund has limited influence over these underlying holdings, but one of the co-financing facilities is active in the energy sector.

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 or instalment for the investment is paid.

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), i.e. investments which were exited during the year 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 the trend in the portfolio companies' results, as well as the underlying holdings of 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 financing of the company/fund. This is an established way of reporting within the EDFI collective. Only in connection with the calculation of CO₂e is Swedfund's holding/share in the investment taken into account.

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. However, the number of investments which submitted data during 2017 has risen compared with previous years for most indicators.

Presentation and comparisons

In connection with the preparation of the information in order to present the results for 2017, a review has also been carried out of information for the comparative years 2015 and 2016. During this process, information was identified which has not previously been available for a number of portfolio companies and underlying holdings in funds. In order to increase the relevance of aggregated reported information, presentations and calculations concerning the comparative years have been updated with additional information and more reporting entities.

The translation of financial information in foreign currency has also been harmonised, i.e. income statements have been translated at the average exchange rate for the year concerned, while information based on a balance sheet has been translated at the rate as of the balance sheet date at the end of the calendar year concerned.

In the integrated report for 2017, some changes have been made to the presentation format with the aim of illustrating the trend in the portfolio's results even more clearly as regards the link to the mission objectives and strategic sustainability goals which are indicative of Swedfund's business model. One example is that the indicators in the financial viability section are described as mean values for all or part of the portfolio, instead of median values. This has led to different calculation models being used.

Presentation of the portfolio structure

The following sections present the trends in the portfolio's results. In order to illustrate 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:

- "New" and "old" portfolios
- Phases of the investment process
- Comparable entities

"New" and "old" portfolios

During 2013–2014, Swedfund gradually introduced a new business model with a strong focus on the three pillars of impact on society, sustainability and financial viability.

In connection with this, Swedfund also began to establish contractual requirements regarding certain conditions, including requirements for the ongoing reporting of information regarding developments in the three pillars. In the case of investments agreed before 2013, there is often no contractual scope to request information, which can be reflected in the absence of underlying information for monitoring of the indicators.

Investments made before 2013 are classed as the "old portfolio", while investments made (disbursed) from 2013 onwards are included in the "new portfolio".

Phases of the investment process

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

1. Active ownership phase, part 1 – Investments held for three years or less (base year: date of first disbursement).
2. Active ownership phase, part 2 – Investments held for more than three years (base year: date of first disbursement).
3. Exit phase – Investments which, at the end of the accounting period concerned, have been identified as being subject to exit. Swedfund is a long-term finance institution, but not a permanent owner. Swedfund ends its investment and the partnership either through selling the organisation's shareholding, 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 page 36.

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. In order to increase comparability, comparable entities have been compiled, i.e. the population of investments in the portfolio in all years (two or three) that are reported.

Impact on society



INDICATOR: CARBON FOOTPRINT (CO₂E)

TYPE OF GOAL

Mission objective

GOAL

Investments shall be sustainable from an environmental and climate perspective, which entails responsible behaviour and minimising the risk of negative impacts

DESCRIPTION OF GOAL

The key ratio must be monitored over time for each investment and a relevant target level must be evaluated within three years (2019)

DEFINITION

The portfolio's estimated CO₂e emissions

SOURCES

Model based on the Green House Gas Protocol (the GHG Protocol) and annual reports published by the portfolio companies and underlying holdings of funds and co-financing facilities.

SDG

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



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

Climate change is one of the biggest challenges facing the world today. It affects the living conditions of everyone in any country and impacts on all sectors. The global economy is heavily dependent on fossil fuels, and it takes time to steer developments towards more sustainable energy sources. Developing countries need support in order to develop their societies with minimal environmental impact and to implement the necessary adaptations to a changing climate. People in poor countries are particularly affected by the consequences of climate change.

Swedfund strives to minimise negative climate impact in all its investments. Initiatives relating to the environment and climate form an integral part of the investment process based on Swedfund's sustainability policy and separate stance regarding the environment and climate. Climate is one of two thematic areas to be considered before decisions are taken concerning new investments regardless of the sector, geography or instrument. From 2015, Swedfund decided that in future it would focus solely on investments in renewable energy, thus excluding investments in fossil energy generation.

Method and sample

The model that Swedfund uses to estimate CO₂e was developed by an external supplier and is based on the Green House Gas Protocol (GHG Protocol), which is a global standard for measuring, managing and reporting greenhouse gas emissions. The standard was launched in 2001 and is now used by most companies and organisations worldwide.

The model is based on emission factors in different industries, and uses financial information from the annual accounts of portfolio companies and underlying holdings of funds and co-financing facilities.

The GHG Protocol divides climate emissions into three "scopes":

- "Scope 1" covers direct emissions from the activity, from sources owned or controlled by Swedfund
- "Scope 2" covers indirect emissions from energy use purchased upstream in the portfolio companies' operations
- "Scope 3" covers indirect emissions upstream or downstream of the portfolio companies' value chain. "Scope 3" concerns emissions from the portfolio companies' underlying holdings or loans to their respective customers.

In the model, the CO₂e exposure of investments is weighted based on Swedfund's stake in the portfolio company. In cases where Swedfund acted as lender, the determination of Swedfund's share is based on the outstanding loan's share of the portfolio company's balance sheet total and, in the case of lending to banks, the size of the loan relative to the bank's total borrowing.

The calculation presented below consists of Swedfund's portfolio companies, including the underlying holdings of the funds and the co-financing facilities, a total of 156 investments in 2017 (147 investments in 2016).

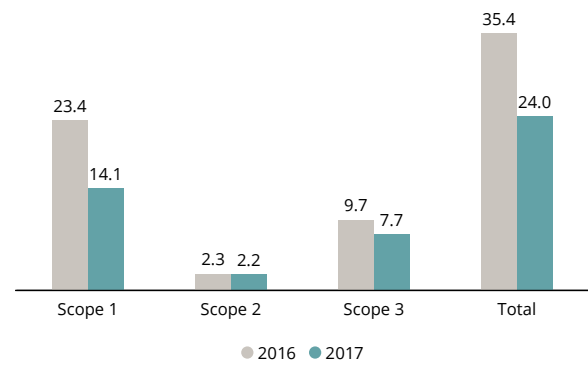
However, there are a number of challenges to be faced when measuring climate data. For example, the model's calculations are partly based on sector-standardised data, which in turn is based on the emissions of industrialised countries in each sector. Swedfund's investments take place in developing countries for which no emissions data is available. Moreover, the model uses what is known as 'the input-output method', which is based on a number of underlying assumptions which could contribute to potential deviations in the calculations. The calculation also does not set total emissions in relation to Swedfund's total invested value.

Results and analysis

The indicator must be monitored over time and a relevant target level must be evaluated within three years. As the graph illustrates, emissions from Swedfund's portfolio amounted to 24 thousand tonnes in 2017 (2016: 35 thousand tonnes). Amongst Swedfund's investments, those which produce energy, including a gas-fired power station, have the greatest impact on the climate. These holdings account for approximately 60% of all emissions in the calculation.

As Swedfund has opted to continue investing exclusively in renewable energy, CO₂e exposure from Swedfund's investments is expected to decrease over time.

Total CO₂e emissions per "Scope"
(thousands of tons)





INDICATOR: CARBON FOOTPRINT (CLIMATE AND ENVIRONMENTAL ANALYSIS)

TYPE OF GOAL

Mission objective

GOAL

Investments shall be sustainable from an environmental and climate perspective, which entails responsible behaviour and minimising the risk of negative impacts

DESCRIPTION OF GOAL

Swedfund has analysed how climate and environmental risks impact on Swedfund's investments and how, in turn, they can impact on Swedfund International AB's financial position.

The analysis must be carried out every three years (commencing in 2017) and include the key environmental risks in the portfolio companies and how Swedfund International AB manages these risks.

DEFINITION

Not applicable, see above

SOURCES

Swedfund's climate analysis (2018)

SDG

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



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

One of the biggest challenges facing the world today is climate change. The global mean temperature is rising, leading to climate changes and more extreme weather conditions such as droughts, floods, storms and higher sea levels. The effects hit hardest on the world's poor. Not only do they often live in vulnerable areas, they also have little or no resources to adapt to or recover from extreme weather and natural disasters. As the effects of climate change worsen, the opportunities to escape from poverty are decreasing. Swedfund's mission, eradicating poverty through sustainable business, is more relevant today than ever before, including from a climate perspective.

Swedfund has analysed how climate and environmental risks impact on Swedfund's investments and, in turn, how they can impact on Swedfund's financial position. The analysis summarises the key environmental risks in the investment portfolio and how Swedfund manages them.

Method and sample

There are many different possible approaches to analysing environmental and climate-related risks, and a key aspect of Swedfund's overall sustainability work is building a better understanding and knowledge of relevant approaches and assessing which are most applicable to Swedfund's operations and investment portfolio. Aspects which need to be factored into an assessment of climate risks and their financial impacts include how the outside world is expected to relate to a 4-degree goal versus a 2-degree goal, and what the different outcomes would be likely to entail.

To analyse how the climate risks that have been identified could impact on Swedfund's financial position, Swedfund has developed a method to take account of the climate risks and the requirements concerning mitigation that Swedfund imposes on portfolio holdings. The degree of impact on Swedfund's financial position is based on the reasoning that a low climate risk will entail low financial risk, and correspondingly for medium and high climate risks. Swedfund's risk profile is analysed from

a "top-down" and "bottom-up" perspective. "Top-down" analyses and categorises the external climate risks to which the portfolio is exposed. "Bottom-up" includes Swedfund's investment process, i.e. the identification and management of environmental and climate risks in the portfolio, as well as CO₂e emissions from the investments.

Results and analysis

Swedfund's environment and climate risk profile is largely influenced by three factors: The region in which the activity is taking place, the sector in which the activity is taking place and the magnitude of Swedfund's holdings or loans. The climate risks in Swedfund's focus regions, Africa and Asia, are relatively high at a general level. At the same time, the risks in the three sectors in which Swedfund has opted to invest are categorised as low, with the exception of investments in renewable energy. The choice of instruments balances the risk further given Swedfund's management of environmental and climate-related risks during the analysis phase prior to investment, as well as measures during the active ownership phase.

The analysis shows that Swedfund's business model addresses the environmental and climate-related risks, partly through the work relating to the environment and climate being carried out within the portfolio companies. The focus sectors which have been established in the business model are those which have relatively low environmental and climate risk exposure, and by following the business model, the exposure of Swedfund's operations and investments to environmental and climate risks is maintained at a limited level. The exception is the energy sector, where the risk are considered to be medium. At the same time, the Energy & Climate sector is the sector in which Swedfund has identified the greatest opportunity to have a positive impact through its decision to exclusively invest in renewable energy. The investments that Swedfund makes in the world's poorest countries also help to reduce the overall risk of climate change, partly through Swedfund's efforts to identify sustainable solutions through addressing and implementing measures aimed at the environmental and climate-related challenges that Swedfund is facing in the countries in which the company invests.

INDICATOR: TAX**TYPE OF GOAL**

Mission objective

GOAL

Investments must be socially sustainable

DESCRIPTION OF GOAL

Tax per investment must be monitored over time. A relevant target level is evaluated within three years (2019)

DEFINITION

Tax (corporation tax, deferred tax and other parafiscal items) translated to SEK

SOURCES

For direct investments: 100% annual reports. For funds, including underlying holdings: 68% Sustainability Reports (prepared and distributed by Swedfund and reported by the fund), 28% fund sustainability reports and 4% annual reports (2017)

SDG

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**

Financing is essential if we are to achieve the global goals of Agenda 2030. An important source of development finance is the tax base of the countries concerned. A broad tax base and an active state that invests in the welfare of its citizens, strengthens the bond between the state and the population and increases solidarity within society – and creates a virtuous spiral of willingness to pay tax. Tax revenues should be invested in infrastructure and the public sector, which helps to alleviate unfairness, reduce poverty and give every person a dignified life. A high level of domestic financing also decreases dependency on aid in developing countries and increases the degree of self-determination. Transparent tax accounting is important at both national and company level. Not least because it allows people to see how much is going into the public coffers and what it is used to finance.

Together with other development finance institutions, Swedfund has a crucial role to play in contributing to more sustainable companies in developing countries. Paying taxes is a matter of development and fairness, and contributing to tax revenues is thus an important issue for Swedfund. Read more about Swedfund's tax policy on our website.

Method and sample

Swedfund monitors the taxes reported by the investments and presents reported tax country by country: increased transparency as regards tax affairs was one of the key messages from the Addis Ababa Action Agenda (the framework for the financing of Agenda 2030).

The sample in the table below consists of the portfolio companies, including the underlying holdings of the funds, i.e. a total of 124 investments in 2017 (112 investments in 2016 and 110 Investments in 2015).

The figures for reported tax in the table are taken either from the income statement in the annual report of the direct investment concerned or, as regards the funds and their underlying holdings: 68% Sustainability Reports (prepared and distributed by Swedfund and reported by the fund), 28% fund sustainability reports and 4% annual reports (2017).

Reported tax primarily refers to corporation tax, including deferred tax, but may also include other parafiscal items such as sales tax, value added tax, dividend tax, concession charges and other charges payable to the state in accordance with the relevant accounting requirements. Reported tax is translated

from local currency to SEK based on mean rates for the year concerned. Reported tax is not weighted based on Swedfund's holding or the size of the loan provided relative to the balance sheet total of the beneficiary.

For various reasons, some holdings have not reported tax. This may be because they are not currently generating taxable profits or because they have a temporary tax exemption. Swedfund invests in the early stages of an enterprise, which may mean that the company pays relatively little tax for a certain period of time, e.g. before it commences production. Swedfund has also not received reports concerning tax from all investments, which means that the table includes reports from 94 out of a total of 124 investments for 2017 (2016: 71/112 investments and 2015: 77/110 investments).

Results and analysis

No target level has yet been established for the mission objective 'tax'. Such a level should be established within a three-year period. Swedfund monitors tax revenues per investment and country per year.

As the table below shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 5 billion in tax in 2017. The table presents taxes per country, but in the case of funds that have underlying holdings in a number of countries where they also pay taxes, the fund's holdings are reported under a collective designation, e.g. Africa or Global.

As the table shows, reported tax rose by just over 40% between 2016 and 2017, primarily because Africa and Global contributed more tax. As mentioned above, the majority of the tax reported under these collective terms is attributable to funds. The increase in Global is mainly attributable to a fund that invests in banks. During 2017, the fund increased its holding from four to eight banks, which has had a positive impact on results and thus on the tax position. When drawing comparisons between years, it should also be noted that differences may also be linked to fluctuations in exchange rates.

As regards 2015, reported tax amounted to SEK 3.5 billion. In the organisation's efforts to establish this integrated reporting, additional information concerning 2015 has also been obtained; hence these figures are higher than those which have previously been reported.

Some portfolio companies report a net tax revenue instead of a tax cost (presented as negative amounts in the table below).

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 carryforwards, i.e. items re-posted/deducted in the tax return 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 net tax revenues of SEK 422 million (2017), SEK 75 million (2016) and SEK 131 million (2015).

It should be noted that a number of 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 than are reported here.

TAX PER COUNTRY (SEK MILLION)

	2015	2016	2017
Africa	3,087.9	2,224.6	2,415.7
Region Africa ¹	2,659.8	526.5	1,024.7
Egypt	2.6	2.9	1.7
Ethiopia	1.1	1.3	-3.3
Ghana	132.3	9.8	89.7
Kenya	14.0	-12.2	-8.0
Mauritius	-	-175.1	-140.8
Nigeria	3.2	1,092.9	909.1
Tanzania	274.9	428.3	234.7
Zimbabwe	-	-	26.3
Asia	325.8	295.9	229.1
Region Asia ¹	87.6	13.6	18.9
India	6.1	0.6	-2.2
Cambodia	228.8	265.5	203.7
China	1.5	2.3	2.4
Mongolia	-	7.0	1.4
Pakistan	0.1	0.1	0.0
Sri Lanka	1.8	6.8	4.7
Europe	106.9	1.9	29.8
Europe ¹ (Other)	1.0	-38.0	2.9
Georgia	108.2	63.0	118.4
Lithuania	4.9	-0.7	-16.0
Serbia	-7.2	-22.5	-75.5
Global	4.9	934.1	2,232.6
Total	3,525.5	3,456.4	4,907.2

¹⁾ Investments, mainly in funds, where taxes are paid in several countries in Europe, Asia and Africa.



INDICATOR: EMPOWERING WOMEN**TYPE OF GOAL**

Mission objective

GOAL

The proportion of men and women in senior management in the investments must show a positive trend/converge over a five-year period with a base year corresponding to the investment year

DESCRIPTION OF GOAL

Positive trend in the proportion of men and women in senior management per investment

DEFINITION

Trend in proportion of women in senior management %

SOURCES

Portfolio companies' annual reports 5%, Sustainability Reports (prepared and distributed by Swedfund, submitted by portfolio companies) 92%, as well as Annual E&S Monitoring Reports (prepared and distributed by other DFIs, submitted by portfolio companies) 3% (2017).

SDG

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

**Introduction**

Gender equality is not just about fairness; it also drives progress towards the attainment of Agenda 2030. Gender-equal companies have higher growth rates and more far-reaching sustainability work. They also achieve more as regards sustainable development. An equitable society safeguards the resources and competence of every individual, and is achieved when men and women, boys and girls have equal rights, conditions and opportunities, as well as the power to shape their own lives and have their say in society. As most women work in the informal sector, often with low productivity and low incomes, poor working conditions and a low level of social protection, they become invisible, as does their development potential. The empowerment of women is therefore a vital part of Swedfund's work and is one of two thematic areas in Swedfund's business plan to be considered regardless of the sector or region in which the investment takes place or the instrument that is used.

Method and sample

Swedfund's remit from its owner requires Swedfund to measure how the proportion of women in senior management teams in Swedfund's investments changes over time. In addition, Swedfund has opted to monitor the proportion of women out of the total number of employees, as well as the proportion of women on the boards of investments; hence these indicators are also presented in separate graphs below.

However, in many of the countries in which Swedfund has invested, there is no requirement for companies' annual reports to state the proportion of women within the company, whether in total, on the board or in senior positions. Only a few of Swedfund's portfolio companies have reported employee numbers broken down between men and women in their annual report; hence Swedfund has instead obtained data on the proportion of men and women directly from the portfolio companies via their Sustainability Reports.

The sample that is presented below consists of Swedfund's portfolio companies, including the underlying holdings of the funds. The number of investments which reported underlying data in Sustainability Reports rose significantly in 2017 compared with 2015 and 2016. This was primarily because Swedfund actively works on issues relating to the empowerment of women amongst the portfolio companies, which is why awareness of the importance of reporting has increased and the questionnaires have been clarified and digitalised.

The sample and source presented in the tables below for 2017 comprise:

- Proportion of women in senior management
 - Sample: 71 reporting out of a total of 124 investments (57%)
 - Sample of comparable entities: 30 reporting out of a total of 71 comparable entities (34%)
 - Sources: 5% annual reports, 92% Sustainability Reports (prepared and distributed by Swedfund, submitted by portfolio companies) and 3% Annual E&S Monitoring Reports (prepared and distributed by other DFIs)
- Proportion of women out of total number of employees
 - Sample: 81 reporting out of a total of 124 investments (65%)
 - Sources: 5% annual reports, 77% Sustainability Reports (prepared and distributed by Swedfund, submitted by portfolio companies), 7% Annual E&S Monitoring Reports (prepared and distributed by other DFIs) and 11% fund sustainability reports
- Proportion of women on company boards
 - Sample: 64 reporting out of a total of 124 investments (52%)
 - Sources: 6% annual reports, 85% Sustainability Reports (prepared and distributed by Swedfund, submitted by portfolio companies) and 9% Annual E&S Monitoring Reports (prepared and distributed by other DFIs)

Results and analysis

The mission objective states that the proportion of men and women in senior management must show a positive trend/converge over a five-year period, with a base year corresponding to the investment year. The graphs below show the trend over the past three years.

Proportion of women in senior management

The proportion of women in senior management in Swedfund's investments amounted to 25% in 2017, an increase of three percentage points from 2016. Between 2015 and 2016, the proportion of women rose by one percentage point.

Another way to illustrate the trend in the proportion of women in senior management is to present the trend in comparable entities in the portfolio, i.e. investments that formed part of Swedfund's portfolio throughout the reporting period 2015-2017. This approach does not affect the calculation as regards whether any investments have been added or exited over the years. The analysis based on comparable entities shows a higher proportion of women than for the portfolio as a whole at the end of each year; see the graph. The proportion of women amounted to 34% in 2017 and is thus nine percentage points higher than for the total portfolio. It should be noted that there were 71 comparable entities, but only 30 of these reported this indicator for 2017. The proportion of women is generally low amongst energy-generating companies, which could mean that the proportion of women may fall as additional investments are made in the power sector.

Both graphs indicate that Swedfund's investments have exhibited a positive trend as regards the proportion of women in senior management.

Proportion of women out of total number of employees

The proportion of women out of the total number of employees amounted to 40% in 2017, indicating a decline of two percentage points from 2016, but an increase of seven percentage points from 2015. The main reason why the proportion dropped slightly from 2016 to 2017 was an investment in an energy fund during 2017 whose underlying eight holdings collectively accounted for a proportion of just under 4% women.

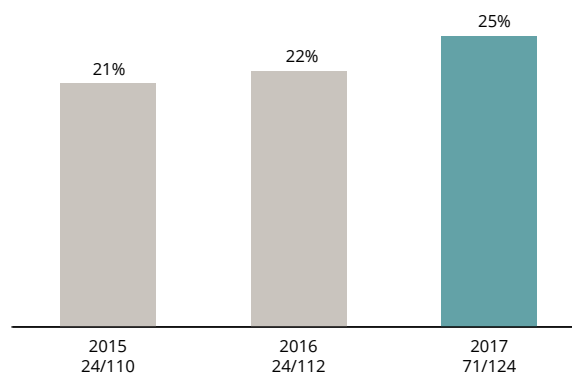
A supplementary analysis of the outcome for comparable entities indicates a somewhat higher level, but the number of reporting entities in the sample is also limited here, making it difficult to draw conclusions.

The analysis of reported information also confirms that investments within the finance and administration sector have a significantly higher proportion of female employees than companies in the industrial and energy production sectors.

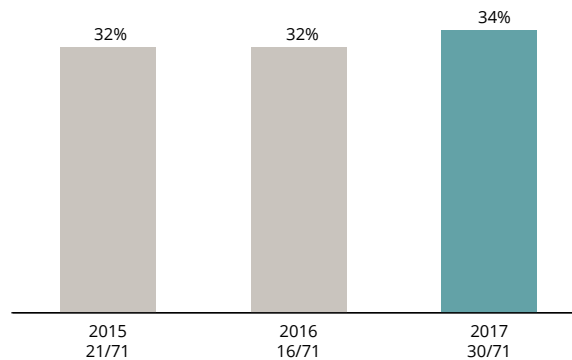
Proportion of women on company boards

The proportion of women on company boards has fallen slightly over the past two years and amounted to 16% in 2017; see the graph. However, it should be noted that the number of investments which reported this data has increased significantly, i.e. the response frequency has risen from 14% in 2015 to 52% in 2017. The comparison between the years must therefore be made with caution.

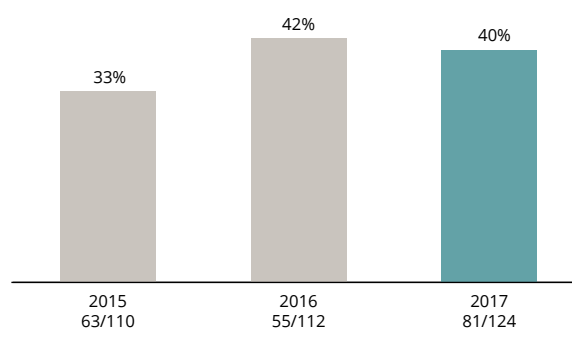
Proportion of women in senior management



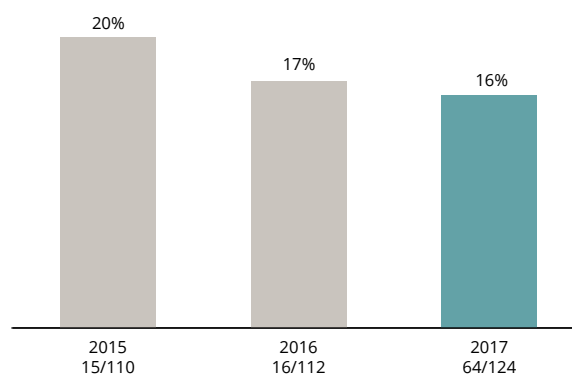
Proportion of women in senior management (comparable entities)



Proportion of women out of total number of employees



Proportion of women on company boards



INDICATOR: ADDITIONALITY



TYPE OF GOAL

Mission objective

GOAL

All investments shall be made in ventures which are not considered to be realisable through commercial financing alone

DESCRIPTION OF GOAL

See above

DEFINITION

Number of investments not considered to be realisable through commercial financing alone

SOURCES

An assessment is made when the investment is evaluated and approved.

SDG

17.3 – Mobilise additional financial resources for developing countries from various sources.



Introduction

Development finance institutions currently have no common definition of additionality, but efforts are being made within EDFI to define a common position. In some cases, the definitions that are used are limited to financial additionality, i.e. whether the capital that is added through an investment is necessary in order for an enterprise to be set up, continued or expanded in the country of operation. Swedfund therefore aims to provide additional capital where commercial financing alone is not considered sufficient to bring about realisation.

Other stakeholders use a broader definition which also includes aspects relating to sustainability and societal development, in addition to financial additionality. This means that the ability of development finance institutions to contribute expertise to ensure that an investment and companies is carried out in a sustainable manner and generates the desired effects as regards societal development is therefore evaluated ahead of an investment, during the value creation period and in connection with the exit of the investment. The World Bank's development finance institution, IFC, has begun work to structure additionality in a model which takes account of country, sector, instrument and financial aspects, social impact and sustainability.

Method and sample

Development finance institutions currently have no accepted model for measuring additionality. The model that Swedfund applies to new investments in connection with an investment is to analyse whether Swedfund's capital is necessary in order to establish, grow or broaden an enterprise. This is a prerequisite for proceeding with an investment. In the context of investment decisions, Swedfund also assesses additionality on the basis of the overarching mission and the three pillars: impact on society, sustainability and financial viability. Swedfund is working to develop a model to harmonise assessed additionality by sector, instrument and region, but is keen to ensure that this model is developed in tune with those of the other European development finance institutions and IFC.

Results and analysis

Swedfund has not previously described financial additionality in its integrated reports. For the more recent holdings in the portfolio, additionality was already analysed during the evaluation phase and was therefore a prerequisite for the decision to carry out the investment.

**INDICATOR: JOB CREATION****TYPE OF GOAL**

Strategic sustainability goal

GOAL

Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions

DESCRIPTION OF GOAL

The average number of jobs in Swedfund's portfolio companies shall increase from year to year

DEFINITION

Growth in number of jobs in Swedfund's portfolio and an estimate of indirect job creation

SOURCES

The portfolio companies' annual reports, 8%, Sustainability Reports (prepared and distributed by Swedfund, submitted by portfolio companies) 69%, Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 4%, and fund reports 19%.

SDG

8.5 – By 2030, achieve full and productive employment with decent working conditions for all men and women, including young persons and persons with disabilities, and equal pay for work of equal value.

**Introduction**

Along with other Development Finance Institutions (DFIs), Swedfund plays a crucial role in helping to increase the number of sustainable businesses in developing countries. Businesses which lay the foundations for increased employment, tax revenues and access to renewable energy. Poor countries are in need of investment to create jobs through entrepreneurship. They are also in considerable need of new jobs. The age structure of the economically weakest regions means that millions of young people will seek to enter the labour market over the next decade. Creating jobs requires long-term and sustainable investments that contribute to responsible businesses. Swedfund is therefore monitoring the trend in the number of jobs amongst the portfolio companies and aims to increase the rate of job creation over time.

Method and sample**Direct jobs**

The sample that is presented below consists of Swedfund's portfolio companies, including the underlying holdings of the funds. Swedfund has received data concerning the number of jobs from 94 out of a total of 124 investments for 2017.

The number of direct jobs has been collated by obtaining data directly from the portfolio companies and the funds' underlying holdings. Only in exceptional cases is the number of jobs stated in the portfolio companies' annual reports; hence the compilation is primarily based on information reported by portfolio companies in Sustainability Reports.

The reported number of jobs is not weighted based on Swedfund's holding or the size of the loan provided relative to the balance sheet total of the beneficiary.

Indirect jobs

Direct jobs are assumed to also generate a large number of indirect jobs. One example is investments in renewable energy. Such investments do not normally employ very many people, but access to energy enables more people to start up businesses and develop their enterprises. In turn, this leads to the creation of more jobs and reduces poverty. People with an income normally start to consume more goods and services, which in turn generates more jobs and increased income for people in addition to those directly employed by a business.

Swedfund has not been able to calculate the number of indirect jobs for 2017 or earlier, and has therefore opted to apply an estimated multiplier as done by consultancy firm Steward Redqueen. According to this calculation model, it is estimated that one direct job will generate an average of 7.5 indirect jobs.

Since 2018, Swedfund has had access to a model developed by Steward Redqueen for estimating the number of indirect jobs generated. This model is the same as that used by a number of other DFIs in Europe. The model uses financial data from investments and a number of other factors, such as the sector or country in which the investment is made. In the integrated report for 2019, this model will be used as a basis for reporting the indicator 'indirect job creation'.

Results and analysis

The strategic mission objective is to increase the average number of jobs in Swedfund's portfolio year-on-year. Swedfund's investments in portfolio companies and the underlying holdings of funds contributed to around 167,000 jobs during 2017, equivalent to an increase of around 46,000 jobs, or 38%, from 2016. Of the total number of employees, 28% (46,000) are employees of banks and 67% (112,000) are employees of funds and their underlying holdings. The increase between 2015 and 2016 corresponds to 14%, or 15,000 jobs.

The graph illustrates the investments included in the portfolio at each year-end, which means that the comparison between years is influenced by the extent to which investments have been added or exited.

Another approach to reporting the number of jobs that Swedfund's investments have created from year to year is to analyse comparable entities in the portfolio. The graphs below show the number of investments in existence in both 2015 and 2016, which amounts to 81 entities, of which 44 have submitted data for both years. The corresponding graph for 2016 and 2017 shows a total of 94 comparable entities, of which 58 investments have submitted responses for both years.

Job creation from 2015 to 2016

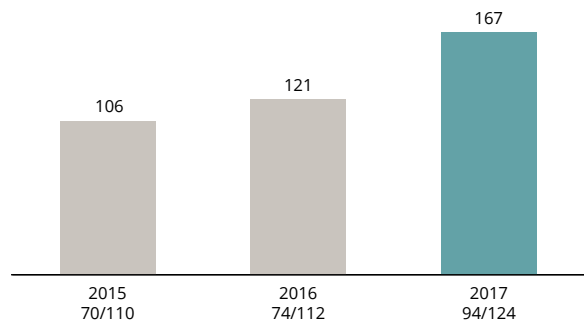
The net number of jobs for comparable entities between 2015 and 2016 rose by around 4,000. Twenty three investments reported an increase in the number of jobs, a total of around 6,200 new jobs, while 17 investments reported that the number of jobs had decreased by a total of 2,200 jobs. Four investments reported that they employed the same number of people.

Job creation from 2016 to 2017

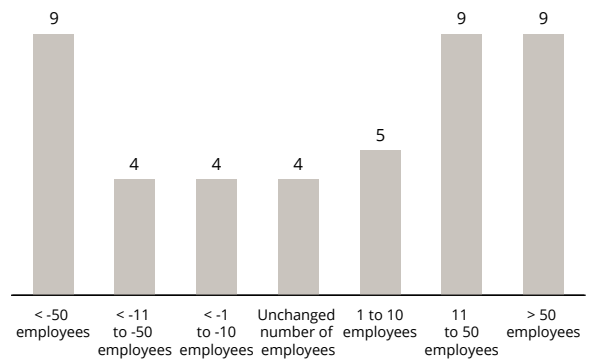
The net number of jobs for comparable entities between 2016 and 2017 rose by around 8,600, or 8%. Thirty investments reported an increase in the number of employees, while 21 investments reported a decrease. Amongst the companies that took on more employees, 12,200 jobs were added, while 3,600 jobs were lost amongst companies that reported a reduction in the number of employees. The increase is mainly attributable to the underlying holdings of the funds. The decrease is mainly linked to a direct investment in the health sector and the underlying holdings of the funds. Seven investments, mainly smaller companies, reported no change in the number of employees between the years.



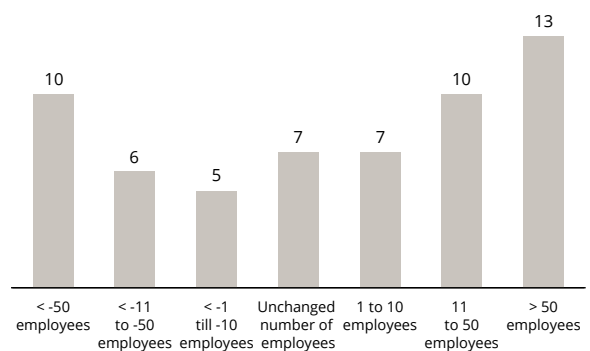
Total number of employees
(thousands)



Number of companies reporting the change in the number of employees that occurred between 2015 and 2016
(comparable entities, sample 44/81 investments)



Number of companies reporting the change in the number of employees that occurred between 2016 and 2017
(comparable entities, sample 58/94 investments)



Sustainability



INDICATOR: DECENT WORK

TYPE OF GOAL

Strategic sustainability goal

GOAL

Swedfund shall contribute to the creation of jobs with a good working environment and good employment conditions

DESCRIPTION OF GOAL

ILO's core conventions and the ILO's basic employment conditions must be complied with in each investment within no more than three years from the date of financing

DEFINITION

Compliance with the ILO's core conventions (Yes/No)

SOURCES

Sustainability Reports (prepared and distributed by Swedfund) 83%, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 17%.

SDG

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 lift themselves out of poverty. The jobs that Swedfund is helping to create must be decent jobs with good working conditions. Swedfund operates in markets where the issue of decent jobs is far from clear, which makes the task particularly important.

For Swedfund, issues regarding decent working conditions are given a high priority. In conjunction with the initial analysis of a prospective investment, an assessment is carried out of the present situation and the scope to bring about improvements. If Swedfund opts to proceed with an investment, the requirements for improvements are linked to the financial conditions for the disbursement of funds for the investment.

Method and sample

The strategic sustainability goal states that ILO's core conventions and the ILO's basic employment conditions must be complied with in each investment within no more than three years from the date of financing.

To determine whether a portfolio company is complying with the ILO's core conventions, compliance with the following eight core conventions is evaluated:

- Freedom of Association and Protection of the Right to Organise, ILO 87, 98
- Abolition of Forced Labour, ILO 29, 105
- Equal Remuneration, ILO 100
- On 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 ILO's basic working conditions:

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

The indicator that Swedfund has chosen to present in this integrated report concerns compliance with the ILO's core conventions. Sources of the data reported for 2017 comprised Sustainability Reports from the portfolio companies (prepared and distributed by Swedfund) 83%, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 17%.

When assessing whether or not a direct investment in equity or loans (excluding financial institutions) is considered to have complied with the ILO's core conventions, an overall assessment is made of compliance with all the core conventions referred to above. As regards Swedfund's assessment of whether or not funds fulfil the requirements, the assessment is oriented towards the procedures, expertise and guidelines that have been established by the fund's manager to ensure that the funds' holdings comply with the necessary conventions in turn. When Swedfund invests in a financial institution, the due diligence process includes an assessment of whether or not the financial institution is complying with the ILO's core conventions. In the context of annual reporting, Swedfund follows up any changes made by the bank in its human resources manuals in order to assess whether the conventions are still being fulfilled.

In order to indicate how Swedfund operates with portfolio companies over their lifetime in order to achieve adopted goals, investments have been divided into the following three categories in the graph below:

- Active ownership phase, part 1 – Investments held for three years or less (18 investments in 2017)
- Active ownership phase, part 2 – Investments held for more than three years (22 investments in 2017)
- Exit phase – Investments which, at the end of the respective accounting period, have been identified as being subject to exit (20 investments in 2017)

Results and analysis

The strategic sustainability goal states that ILO's core conventions must be complied with in each investment within no more than three years from the date of financing.

Active ownership phase, part 1

– Investments held for three years or less

The graph below shows that 88% of portfolio companies that have been held for less than three years stated that they complied with the ILO's core conventions during 2017. One portfolio company, equivalent to 6%, did not report any data.

Only one portfolio company (equivalent to 6%) stated that it did not meet the requirements. This was an investment made in 2017. As described above, Swedfund prepares an evaluation of the status of numerous aspects, including work relating to the ILO's conventions in connection with the investment. If the requirements are not met at the time of the investment, Swedfund will stipulate in its agreement that the requirements must be met within no more than three years after the investment date. Swedfund then supports the portfolio companies to achieve the goal as part of its active ownership.

As evidenced by the trend over the three-year period, Swedfund's active work has gradually improved the performance of the portfolio companies. Compliance with the ILO's core conventions has improved from 69% in 2015 to 88% in 2017 for investments that have been held for less than three years.

Active ownership phase, part 2

– Investments held for more than three years

Of the portfolio companies in the category of investments held for more than three years in 2017, 77% responded that they met the requirements, while 18% did not submit a response regarding that indicator.

One portfolio company, representing 5% of the sample, stated that it did not comply with the ILO's core conventions. In its active advocacy work and during site visits, Swedfund has stressed the importance of complying with the agreed terms and conditions concerning the ILO's core conventions. The investment was exited in 2018.

The trend over the reported three-year period shows that portfolio companies in this phase of active ownership have also progressively improved their compliance with the ILO's core conventions, from 67% in 2015 to 77% in 2017.

Exit phase

Twenty investments were identified as being in the process of being exited at the end of 2017. Of these, 50% said that they complied with the ILO's core conventions and 5% (equivalent to one portfolio company) did not. However, 45% (nine companies) of the portfolio companies in this category did not submit reports, despite reminders to do so. Most of these investments were made before 2013 and Swedfund has no contractual right to require reporting. The absence of any opportunity to pursue active ownership may be one reason why an investment is included in the exit list.

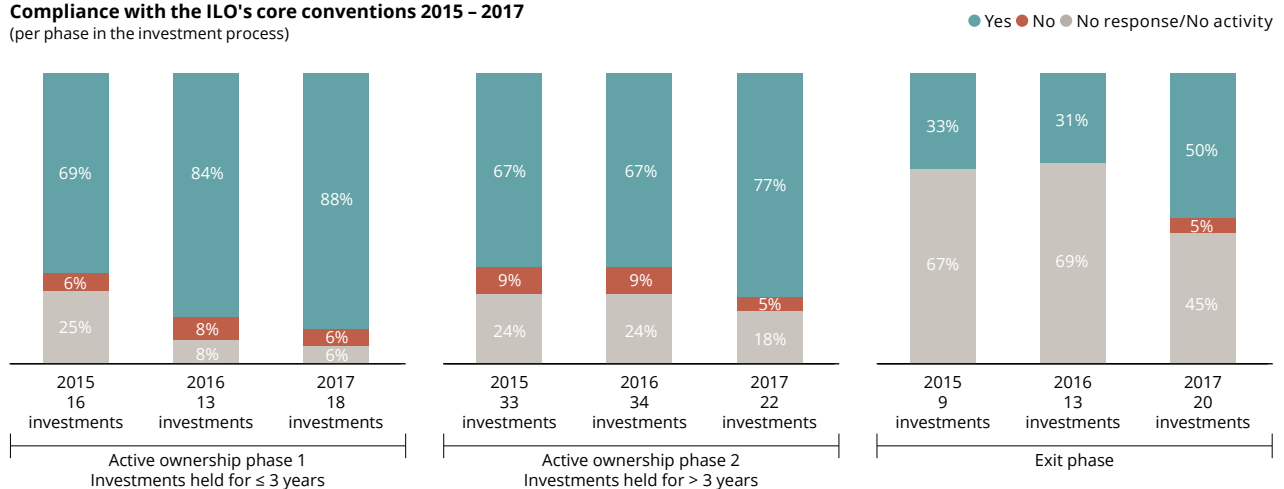
Of the portfolio companies that were in the exit phase at the end of the respective years, a number were exited at a later date (2015: seven out of nine, 2016: nine out of thirteen, 2017: seven out of twenty).

Even though Swedfund has limited scope to impose requirements on many of the investments in the exit phase, the proportion that complies with the ILO's core conventions rose from 33% in 2015 to 50% in 2017.

The number of portfolio companies was 58 at the end of 2015, 60 at the end of 2016 and 60 at the end of 2017.

Compliance with the ILO's core conventions 2015 – 2017

(per phase in the investment process)



ESG audits

According to the wording of the strategic sustainability goal, the indicator concerning compliance with the ILO's core conventions is partly to be verified through Swedfund's employees annually visiting one third of the total number of portfolio companies in order to verify target fulfilment reported in the Sustainability Reports with specific questions and observations. External consultants may also be involved in special cases.

These visits are also made in order to support the portfolio companies in their work relating to sustainability, in the implementation of action plans (ESGAP) and in other development work to achieve the strategic sustainability goals. At the start of the year, a plan is established which stipulates the portfolio companies that are to be visited during the year. The sample of

companies and types of visits are based on the risks associated with the portfolio companies' operations and a knowledge of the companies' challenges, as well as previous audits or visits. A total of 14 visits were conducted during 2018 to review compliance with the strategic sustainability goals and Swedfund's other sustainability requirements. The investment team also made a number of other visits to the portfolio companies during the year.

Swedfund carries out three types of visits to portfolio companies: external audits conducted by an external consultant, internal audits conducted by Swedfund's ESG team, and site visits which are less comprehensive than internal audits, but still form an important part of Swedfund's active advocacy work.

Type of visit	Sector	Region	2016	2017	2018
External audits	Energy	Africa	-	1	-
	Financial institutions	Africa	-	1	-
	Healthcare	Africa	-	-	2
	Manufacturing and Service	Africa	-	1	2
	Manufacturing and Service	Asia	1	-	2
Internal audits	Financial institutions	Africa	2	1	1
	Financial institutions	Asia	1	-	-
	Healthcare	Africa	1	-	-
	Manufacturing and Service	Africa	2	1	-
	Manufacturing and Service	Asia	-	1	1
Internal visits	Financial institutions	Africa	1	-	3
	Financial institutions	Asia	-	-	2
	Fund	Africa	1	-	1
	Manufacturing and Service	Africa	2	2	-
Number of visits			11	8	14



INDICATOR: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (SUSTAINABILITY ISSUES)**TYPE OF GOAL**

Strategic sustainability goal

GOAL

Swedfund shall contribute to the creation of businesses that are viable in the long term in developing countries

DESCRIPTION OF GOAL

Environmental and social issues (sustainability issues) shall be implemented within each company within three years from the date of financing

DEFINITION

Existence of management system for sustainability issues (Yes/No)

SOURCES

Sustainability Reports (prepared and distributed by Swedfund) 83%, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 17%

SDG

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



12.4 – By 2020, achieve environmentally friendly management of chemicals and all types of waste throughout their life-cycle, in accordance with the agreed international framework, and significantly reduce their emissions in air, water and soil in order to minimise their adverse consequences for human health and the environment.



12.5 – By 2030, substantially reduce waste volumes through measures to prevent, reduce, reuse and recycle waste.

**Introduction**

Swedfund aims to contribute to the creation of businesses that are viable in the long term, and therefore requires portfolio companies to establish an environmental and social management system. In conjunction with the initial analysis of a prospective investment, an assessment is made to determine whether a management system is in place. If this is not the case, the scope to bring about improvements is evaluated. If Swedfund opts to proceed with an investment, the requirements for improvements are tied to the financial conditions for the disbursement of funds.

A sustainable development policy must be established and adopted by the management of the portfolio companies. The sustainable development policy lays the foundations for the way in which a business must approach sustainable development, and it is vital that it does not simply become a desk exercise, but is also implemented in the portfolio companies' operations. The implementation of a management system for sustainability issues is an important step in ensuring that the policy is implemented and established.

Method and sample

To determine whether a portfolio company meets the strategic sustainability goal, Swedfund uses monitoring to determine whether the portfolio company has implemented a management system and, if so, whether it includes the relevant components:

- **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 measure and improve results over time.
- **RESPONSIBILITY AND COMPETENCE** – A member of the company's management team must have overall responsibility for sustainability 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 follow-up of compliance with the above components has been gradually tightened up by Swedfund. For 2017, a direct investment in equity or loans (excluding financial institutions) was considered to fulfil the requirements if six out of seven of the above components were fulfilled. For 2015 and 2016, the corresponding criterion was five out of six, as the "reporting" component was not included in the assessment. However, the requirement for the existence of a sustainability policy must always be met in order for a management system to be considered to be implemented. 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 have an effective management system for sustainability issues.

Sources of reported data for 2017 comprised Sustainability Reports (prepared and distributed by Swedfund) 83%, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 17%.

In order to illustrate how Swedfund operates with investments over their lifetime in order to achieve adopted goals, investments have been divided into the following three categories in the graph below:

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

Results and analysis

The strategic sustainability goal states that the implementation of a management system for sustainability issues must be completed within each investment within no more than three years from the date of financing.

Active ownership phase, part 1

– Investments held for three years or less

The graph below shows that 94% of portfolio companies that have been held for less than three years stated that they had a management system for sustainability issues during 2017. Only 6% (corresponding to one portfolio company) stated that they did not.

Swedfund's active work relating to sustainability issues has gradually produced results and the portfolio companies have reported an improvement in the existence of management systems from 74% in 2015 to 94% in 2017.

Active ownership phase, part 2

– Investments held for more than three years

Amongst the portfolio companies in the category of investments held for more than three years in 2017, 68% replied that they met the requirements. Three investments did not comply with the requirements, but Swedfund has no contractual scope to impose requirements regarding this, as the investments were made before the requirements concerning management systems for sustainability issues were regularly incorporated into contracts. Two out of three of these portfolio companies were exited in 2018.

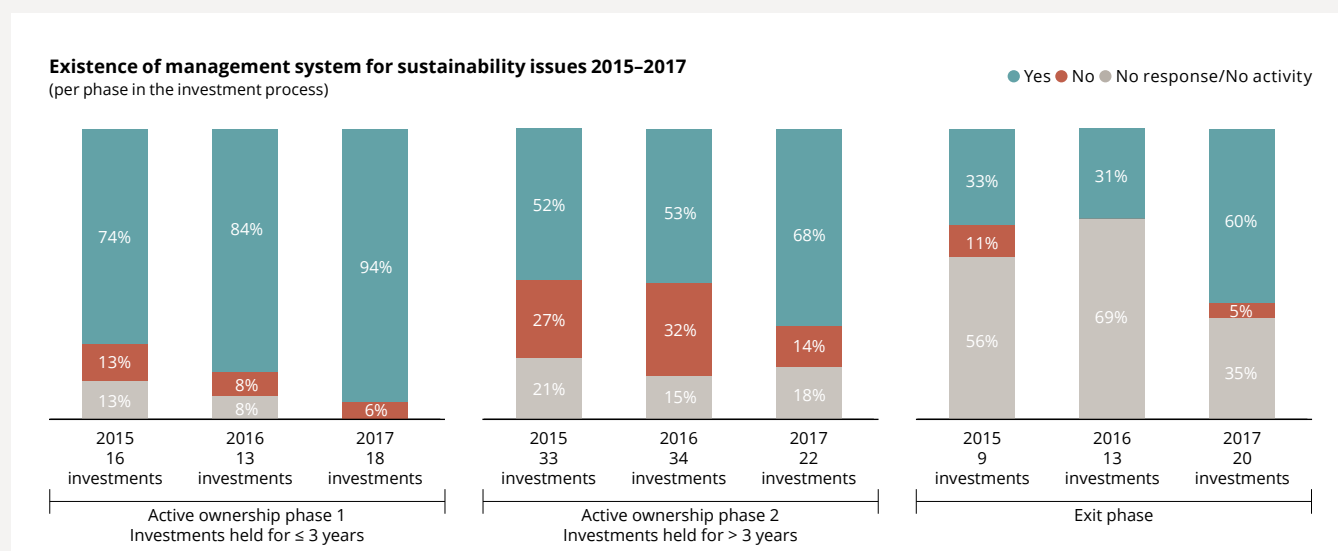
Swedfund's ongoing work relating to sustainability issues has also produced results amongst the portfolio companies in this phase, and the proportion that fulfilled the goal rose from 52% in 2015 to 68% in 2017.

Exit phase

Twenty portfolio companies were in the process of being exited as of the end of 2017. Twelve of these portfolio companies indicated that they had a management system for sustainability issues, and only one company stated that they did not. Seven companies have not submitted a report, despite reminders to do so. Most of these investments were made before 2013 and Swedfund has no contractual right to require reporting. The absence of any opportunity to pursue active ownership may be one reason why an investment is included in the exit list.

Of the portfolio companies that were in the exit phase at the end of the respective years, a number were exited at a later date (2015: seven out of nine, 2016: nine out of thirteen, 2017: seven out of twenty).

The number of portfolio companies was 58 at the end of 2015, 60 at the end of 2016 and 60 at the end of 2018.





**INDICATOR: MANAGEMENT SYSTEM FOR ANTI-CORRUPTION****TYPE OF GOAL**

Strategic sustainability goal

GOAL

Swedfund shall strive to combat corruption, both internally and within portfolio companies

DESCRIPTION OF GOAL

The adoption and implementation of a management system for anti-corruption issues must be completed within Swedfund during 2014, and within three years from the date of financing for portfolio companies

DEFINITION

Existence of management system for anti-corruption issues (Yes/No).

SOURCES

Sustainability Reports (prepared and distributed by Swedfund) 83%, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 17%.

SDG

16.5 – Significantly reduce all forms of corruption and bribery.

**Introduction**

Corruption is an obstacle to social development and social inclusion. It inhibits healthy competition, complicates the financing of businesses, concentrates wealth on a few individuals and takes resources away from public services, such as education and health care.

Swedfund strives for zero tolerance of all forms of corruption, even though corruption is commonplace in the markets in which Swedfund operates. Swedfund has adopted an anti-corruption policy that applies to employees and board members within Swedfund and to portfolio companies and their board members appointed by Swedfund. Swedfund "screens" all potential investments as regards corruption risks during the investment phase and, if necessary, establishes an action plan for new portfolio companies. For a number of years, Swedfund has been incorporating anti-corruption provisions into its agreements, and in the event of serious breaches Swedfund has the right to withdraw from an investment.

Method and sample

To determine whether a portfolio company meets the strategic sustainability goal, 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).
- **REPORTING** – Regular reports must be submitted at least annually.

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

Sources of reported data comprise Sustainability Reports (prepared and distributed by Swedfund) 83%, and Annual E&S Monitoring Reports (prepared and distributed by other DFIs) 17%.

In order to illustrate how Swedfund operates with investments over their lifetime in order to achieve adopted goals, investments have been divided into the following three categories in the graph below:

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

Results and analysis

The strategic sustainability goal states that the implementation of a management system for anti-corruption issues must be completed within portfolio companies within no more than three years from the date of financing.

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

In connection with the annual reporting for 2017, 78% of the portfolio companies held for less than three years stated that they had a management system in place for anti-corruption. Only 11% (corresponding to two portfolio companies) stated that they did not.

The proportion of portfolio companies that reported compliance with the requirements has risen steadily from 31% in 2015 to 78% in 2017. One of the three portfolio companies that did not meet the requirements in 2016 rectified the situation in 2017.

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

Amongst the portfolio companies in the category of investments held for more than three years in 2017, 64% replied that they met the requirements. Four portfolio companies did not comply with the requirements, but Swedfund has no contractual scope to impose requirements regarding this, as the investments were made before the requirements concerning anti-corruption were regularly incorporated into contracts. Three of these four portfolio companies were exited in 2018.

Swedfund's ongoing work relating to anti-corruption has also

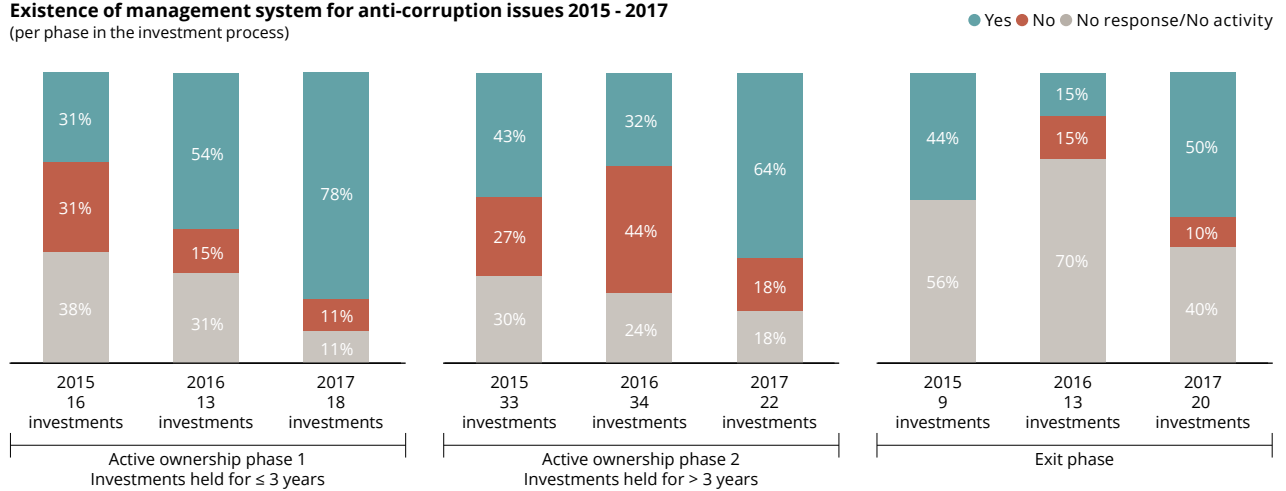
produced results amongst the portfolio companies in this phase, and the proportion that achieved the goal rose from 43% in 2015 to 64% in 2017.

Exit phase

Twenty portfolio companies were in the process of being exited at the end of 2017. Ten of these portfolio companies indicated that they had a management system in place for anti-corruption, and only two portfolio companies stated that they did not. Eight companies did not submit a report for 2017, despite reminders to do so. Most of these investments were made before 2013, and Swedfund has no contractual right to require reporting. The absence of any opportunity to pursue active ownership may be one reason why an investment is included in the exit list.

Of the portfolio companies that were in the exit phase at the end of the respective years, a number were exited at a later date (2015: seven out of nine, 2016: nine out of thirteen, 2017: seven out of twenty).

Existence of management system for anti-corruption issues 2015 - 2017
(per phase in the investment process)



Financial viability

INDICATOR: SALES GROWTH



TYPE OF GOAL

Mission objective

GOAL

Investments must be financially viable

DESCRIPTION OF GOAL

Sales per investment must increase over a five-year period, with a base year corresponding to the investment year

DEFINITION

Sales growth %

SOURCES

Direct Investments' annual reports 100%.

SDG

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



Introduction

Sustainable and profitable businesses provide more job opportunities, greater job security and more predictable incomes in the long term, which is of enormous significance for populations in the world's poorest countries. Enterprises with the energy to develop and expand their business not only enable more people to purchase the products and services that are produced, but also enable more jobs to be created. One way of determining whether an enterprise is developing in the right direction is to measure sales growth.

Method and sample

The graphs below present the growth in sales amongst the portfolio's direct investments. Funds do not report sales and are therefore not included in this report.

Since the introduction of a new business model in 2013-2014, Swedfund has gradually had more opportunity to impose requirements regarding expected development by incorporating conditions relating to all three pillars into its agreements. In one of the graphs below, investments made before 2013 are classed as the "old portfolio", while investments made (disbursed) from 2013 onwards are included in the "new portfolio". The financial information is based on the annual reports of the direct investments for each year.

There were 41 direct investments as of 31 December 2017, 36 of which have submitted annual reports for 2017. Of the 36 direct investments which submitted a report for 2017, 21 correspond to the "old portfolio" and 15 to the "new portfolio".

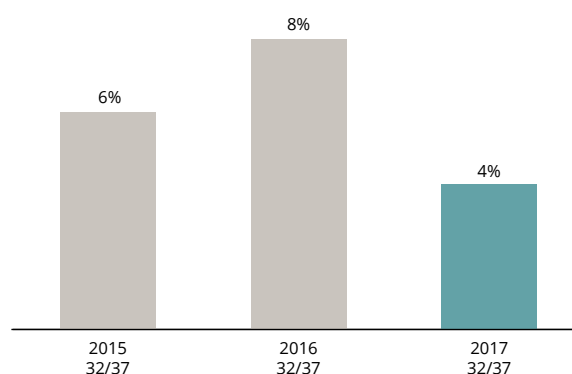
Results and analysis

The mission objective states that sales must increase over a five-year period, with a base year corresponding to the investment year. Growth must be monitored per investment, but the integrated report only presents the aggregated trend. A number of changes occurred in the portfolio during the period 2015-2017; hence a comparison between years is difficult to present in a clear and fair manner.

One way of elucidating reports of sales growth is to analyse comparable entities in the portfolio. The graph below presents the number of direct investments that were in existence throughout the period 2015 - 2017, i.e. 37 entities, of which 32 have submitted reports. The graph shows that sales increased year-on-year during the period, with the highest growth rate in 2016, when sales grew by 8%. Growth in 2016 was mainly attributable to a strong trend in Swedfund's investments in the health sector. The rate of growth was slightly lower in 2017, primarily as a result of developments in the banking sector.

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

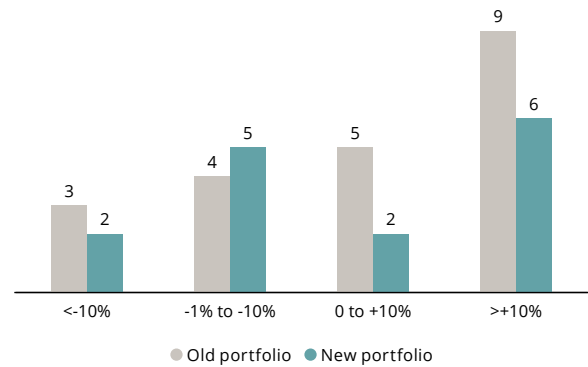
Sales growth % year-on-year (comparable entities)



The distribution as regards the change in sales between 2016 and 2017 within Swedfund's portfolio of direct investments is illustrated in the graph below. The graph is divided into the "old portfolio" and the "new portfolio", as explained above. Twenty two direct investments, 14 in the old portfolio and eight in the new portfolio showed a growth in sales in 2017. Fifteen of the direct investments, mainly in the financial institution and manufacturing sectors, reported growth in excess of 10%.

Fourteen direct Investments reported a decrease in sales, five of which reported a reduction in sales of more than 10%. Two of the direct investments that reported the biggest drop in sales were exited in 2018.

Change in sales for direct investments between 2016 and 2017
(comparable entities, sample 36/41 investments)





INDICATOR: PROFITABILITY

TYPE OF GOAL

Mission objective

GOAL

Investments must be financially viable

DESCRIPTION OF GOAL

Profitability per investment must increase over a five-year period, with a base year corresponding to the investment year

DEFINITION

- Profit margin % (direct investments in companies)
- Return on average equity (direct investments in financial institutions)
- Trend in NAV and IRR (funds)

SOURCES

Portfolio companies' annual reports.

SDG

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



Introduction

A prerequisite for achieving development results through entrepreneurship is that enterprises are financially viable, i.e. profitable. Swedfund's investment organisation continuously monitors how the portfolio companies are developing financially.

Method and sample

As regards the calculation of profitability, Swedfund has chosen the following profitability indicator based on the definitions deemed most relevant to each form of investment:

- Direct investments (excluding investments in financial institutions): Profitability is presented as a profit margin (profit before tax expressed as a % of sales)
- Financial institutions: Profitability is presented as a rate of return on average equity
- Funds: The trend in profitability is presented according to two different analyses: the trend in the funds' net assets (Net Asset Value, NAV), and the mean annual rate of return (Internal Rate of Return, IRR)

Results and analysis

The mission objective states that profitability must increase over a five-year period, with a base year corresponding to the investment year.

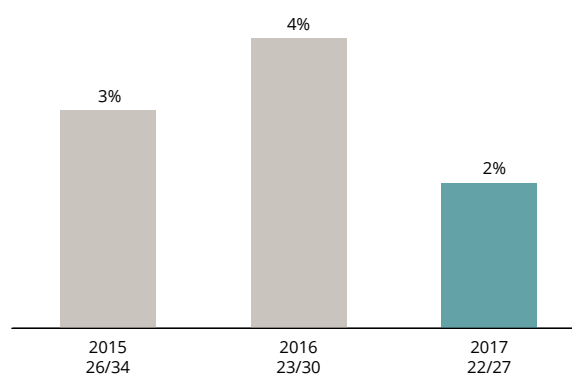
Profitability must be monitored per investment, but the integrated report only presents the aggregated trend. A number of changes occurred in the portfolio during the period 2015-2017; hence a comparison between years is difficult to present in a clear and fair manner. One way of elucidating the reports concerning the trend in profitability is to carry out analyses based on comparable entities in the portfolio.

Direct investments (excluding financial institutions)

The graph below shows the profit margin (pre-tax profit relative to sales) for the direct investments in Swedfund's portfolio at the end of each year. The profit margin remained in the range 2-4% during the reported period. However, it should be noted that profitability differs in relative terms between direct investments, partly depending on the development phase, local market conditions and the sector. Volatility in the markets in which

Swedfund operates is generally greater than in more developed economies. In some cases, Swedfund carries out direct investments in activities that are at an early stage of their development, which often means that profitability is initially relatively low.

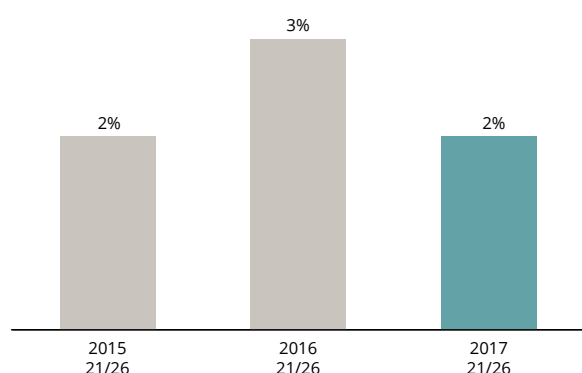
Profit margin for direct investments 2015 - 2017
(excluding financial institutions)



In order to neutralise the effects of investments that have been added or exited during the period, the profit margins of direct investments are presented on the basis of comparable entities. The number of direct investments in existence throughout the period 2015 - 2017 amounted to 26 entities, 21 of which have submitted reports. The graph indicates that profitability was in the range 2-3% over the three-year period.

One direct investment was excluded from the analysis because the enterprise is in the process of being built up and therefore only reports its costs. In the context of determining the marginal indicator, this investment would unduly distort the reporting of the rest of the holding and has therefore been excluded.

Profit margin for direct investments, excluding financial institutions (comparable entities)

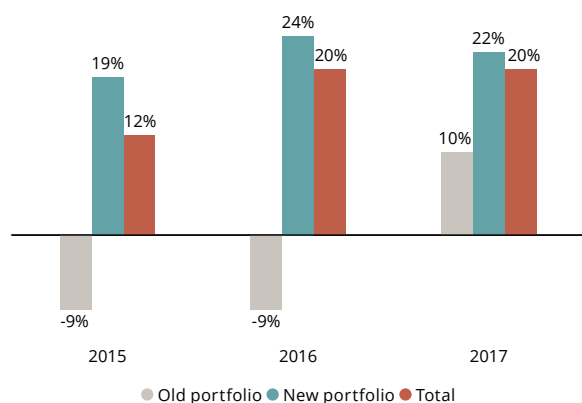


Direct investments in financial institutions 2015 - 2017

The profitability of Swedfund's direct investments in banks is presented below based on a calculation of return on average equity. The graph shows the trend both for the entire portfolio of direct investments, and broken down according to the "old portfolio" and the "new portfolio". The graph includes all investments during the period 2015-2017 (2017: 15, 2016: 14 and 2015: 10).

Swedfund's investments in banks have generally exhibited a strong trend in profitability over the period. During 2015 and 2016, the return on the "old portfolio" was negative, but the situation improved in 2017 and the return on average equity was positive. The "new portfolio" shows a more positive trend as regards profitability and reached 22% in 2017.

Return on average equity for financial institutions 2015 - 2017



Funds

Assessing the trend in the value of an investment is more difficult in developing countries than in more mature economies. It is therefore not uncommon for the value of a fund to fluctuate rapidly as a result of changes in local conditions in markets in which the underlying investments in the funds operate. Swedfund continuously monitors fluctuations in the value of underlying holdings in the funds and can also actively adopt a stance

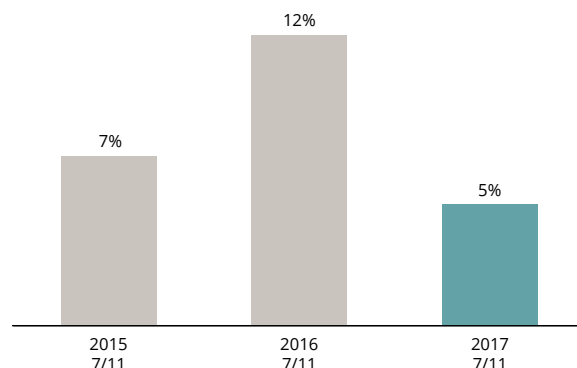
on new investments in many of the funds in which Swedfund invests. This means that if a fund opts to invest in an enterprise which does not fulfil Swedfund's requirements under the three pillars, Swedfund may opt not to participate in it.

Swedfund's holdings in funds are diversified across a number of industries and regions. The graph indicates that the trend in the Net Asset Value (NAV) was positive during all three years based on an analysis of the profitability of comparable entities. The trend was strongest in 2016. The number of fund investments in existence during all three years amounted to 11 funds, with information available for seven.

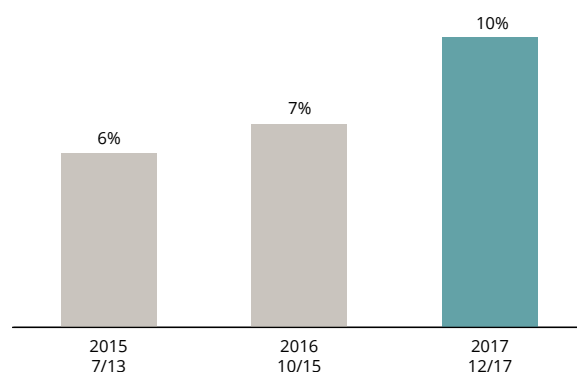
Another way of presenting the trend in Swedfund's fund investments is to present the funds' rate of return according to the Internal Rate of Return (IRR) method. The graph shows that Swedfund's fund portfolio's average IRR (gross) was positive during the period and varied between 6-10%. The calculation is based on the fund investments that were in existence at the end of each year, i.e. holdings may have been added or exited during the period.

The increase between 2016 and 2017 amounted to around three percentage points and is mainly attributable to underlying holdings active in industry and financial services targeted at low- and middle-income earners in Africa.

Trend in NAV for funds 2015 - 2017 (comparable entities)



IRR (gross) for funds 2015 - 2017





INDICATOR: RETURN ON EQUITY (PROFITABILITY)

TYPE OF GOAL

Strategic sustainability goal

GOAL

Swedfund shall contribute to the creation of businesses/investments that are profitable in the long term and therefore financially viable

DESCRIPTION OF GOAL

The average return on equity before tax shall exceed the average interest rate on sovereign debt with a one-year term. The return shall be measured over rolling seven-year periods.

DEFINITION

Return on average equity before tax compared with the interest rate on sovereign debt for Swedfund's direct investments.

SOURCES

Portfolio companies' annual reports.

SDG

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



Introduction

In connection with the formulation of Swedfund's strategic sustainability goals for 2012-2013, a goal was defined concerning the financial viability of the portfolio companies. The definition of the long-term profitability and thereby financial viability of businesses was expressed as the average return on equity before tax. Since 2016, there has also been a mission objective concerning profitability defined in the Owner's instruction, which is commented on separately above.

Method and sample

The key ratio was calculated by dividing the profit before tax by the average equity for Swedfund's direct investments. This was in turn compared with the trend in the interest rate on sovereign debt. This type of key ratio is rarely used for funds; hence they are excluded from the presentation below.

As of 31 December 2017, the number of direct investments presented below amounted to 43, 38 of which have submitted reports. The five portfolio companies that have not submitted reports all belong to the "old portfolio".

Results and analysis

The strategic goal is for the return on average equity to exceed the average interest rate on sovereign debt with a one-year term.

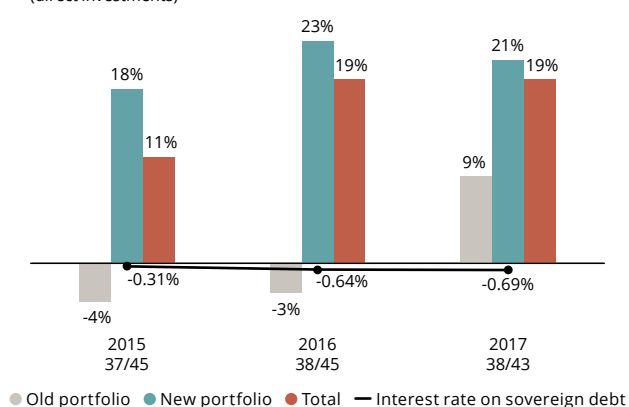
As the graph below shows, Swedfund's portfolio companies generated a positive return (11-19%) during the comparison period. Although the goal must be measured over a seven-year period, the analysis shows that the average return in Swedfund's portfolio of direct investments exceeded the interest rate on sovereign debt during the period 2015 - 2017.

However, there are substantial variations within the portfolio, as the subdivision into the "new portfolio" and the "old portfolio" shows. Companies in the "new portfolio" generally performed better financially than those in the "old portfolio".

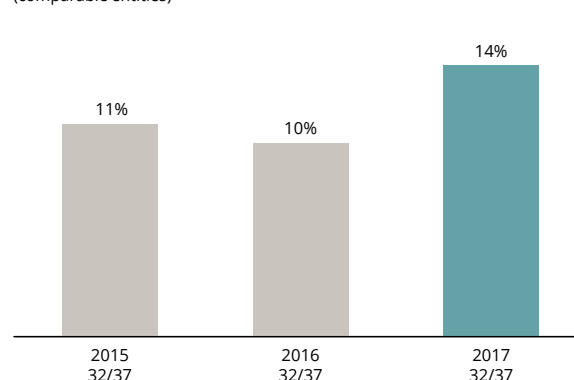
The "new portfolio" consists of significantly more banks, a sector that saw a good profitability trend during the period. In the "old" portfolio, most of the portfolio companies operate in the industrial and service sectors. However, several of these companies developed more strongly during 2017, which is reflected in the positive return for 2017. The improvement is most apparent within the industrial sector.

A calculation was also performed for comparable entities, i.e. the direct investments that were in existence throughout the comparison period. The return was then generally lower (10-14%), mainly because some of the investments which performed best financially were exited during 2016 or 2017, and are therefore not included in comparable entities.

Return on average equity
(direct investments)



Return on average equity for direct investments
(comparable entities)





Grant-funded facilities

Reducing poverty in developing countries requires an integrated approach and a variety of tools. Swedfund receives funding for Technical Assistance, initiatives intended to support the portfolio companies in the work to deliver development results. Swedfund also receives grants to promote sustainable procurement in developing countries through the Project Accelerator. Another tool, Swedpartnership, provides support through the exercising of public authority to help Swedish SMEs seeking to establish in developing countries.



Project Accelerator

Swedfund Project Accelerator is a vital tool in the efforts being made to implement Agenda 2030. The organisation aims to support project development in DAC countries and thereby enable more sustainable projects to be developed and realised.

The need is linked to the fact that too few projects are currently being developed, and the fact that the procurer sometimes lacks appropriate expertise or motivation and therefore fails to take into account sustainability considerations in procurement. Using the funding that Swedfund contributes, external expertise can be hired to support the local project owner. In this way, Project Accelerator helps to prevent countries from developing and integrating expensive solutions and dependencies that are unsustainable in the long term, and helps to boost business opportunities for enterprises that offer sustainable and long-term profitable solutions.

Project Accelerator has been in use since autumn 2016, and is funded through separate annual grants. The grants are sourced from two areas of expenditure: expense area 24 (Business, Export promotion) and expense area 7 (International aid).

During 2018, the Government reached two decisions regarding the allocation of funds. One grant comes from expense area 24 and gives a total of SEK 10 million during the period 2018-2019. SEK 2 million of this funding may be used for the organisation's administrative expenses. The second grant comes from expense area 7 and provides SEK 20 million for 2018.

Twelve projects have been initiated and are at various phases of commitment and levels of activity. Projects are generally preceded by extensive anchoring and preparation, and the actual initiative that Swedfund funds usually lasts between six and 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. The timing as regards when the procurement is subsequently realised and leads to a contract is up to the person who is responsible for the procurement and who received the feasibility study, i.e. a public organisation in the country.

Swedfund Project Accelerator, general status

Aggregate	Number
Total proposals received	151
Total initiatives initiated	12
Completed initiatives	2
Ongoing	10

Project Accelerator has initiatives in the following countries: Côte d'Ivoire, Egypt, Zambia, Burkina Faso, Philippines, Laos, Myanmar, Indonesia, Ukraine, Bolivia and Colombia.

Sectors: Transport, energy, water and sewage, forests and healthcare.

Swedpartnership

Swedpartnership provides financial support in the form of depreciable loans to Swedish SMEs regarding initiatives 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.

The aim of the establishment aid is to contribute to the creation of sustainable and profitable local businesses. The activities and resources funded by the support are targeted at the staff or activity of the local companies. Swedpartnership evaluates and monitors the development results of projects with regard to their impact on society, sustainability and financial viability. Specific indicators adapted to the form and time horizon of the start-up aid have been developed. Swedpartnership was allocated SEK 20 million for lending and SEK 4 million for administrative expenses during 2018.

Development results 2018

Indicator	2016	2017	2018
Number of projects approved	21	23	14
Number of projects concluded during the year	17	21	24
Number of new jobs (employees)	189	262	533
Investments in machinery and equipment (SEK million)	11.5	14.7	13.2
Knowledge transfer to which Swedpartnership contributed, measured in number of hours during the year	42,400	48,800	47,200

Region (SEK thousand)	Depreciable loans agreed during the year	Proportion	Depreciable loans disbursed during the year	Proportion
Africa	-	-	1,752	11%
Asia	10,182	51%	8,778	56%
Latin America	616	3%	308	2%
Eastern Europe	9,198	46%	4,923	31%
Total	19,996	100%	15,761	100%



Funds for Technical Assistance (TA)

Funds for Technical Assistance are used to strengthen the development results of the portfolio companies through initiatives within all three pillars - impact on society, sustainability and financial viability.

TA funds should primarily be used to boost Swedfund's efforts relating to gender equality, environment and climate, and may be used in any country in which Swedfund is active, in accordance with the annual letter of allocation. For 2018, Swedfund was allocated SEK 19 million for Technical Assistance. In connection with each decision that is taken, 10% of the amount that is awarded may be allocated to cover Swedfund's expenses for administration of the initiative.

TA initiative	Description
Impact model	Refers to the implementation of tools for monitoring and analysing the development results of completed investments.
SMART certifications	Refers to quality-enhancing initiatives through funding for the implementation of SMART certification of a number of portfolio companies.
Environmental and social management system	Refers to quality-enhancing initiatives through funding for the implementation of environmental and social management systems in portfolio companies.
Quality-enhancing initiatives	Quality-enhancing initiatives consisting of, for example, support to improve the quality of medical care in Liberia, the purchase of essential equipment for a factory, support for the creation and implementation of an accurate financial reporting structure and routine which is necessary to enable the board of directors to receive financial reports in one of Swedfund's portfolio companies.
Environmental and social evaluation	Initiative to assess the environmental and social status of one of Swedfund's portfolio companies.
Industry standards and consumer protection	Initiative supporting the development and implementation of an industry standard and principles for consumer protection for the 'mini-grid' sector in renewable energy generation.
Women4Growth	Refers to the follow-up of previously implemented programmes and the implementation of a new programme to boost women's empowerment, Women4Growth, at a hotel in which Swedfund has invested.



Swedfund results

Swedfund is Sweden's development finance institution for sustainable investments in developing countries. Swedfund is a governmental owned company and is managed by the Swedish Ministry of Enterprise and Innovation. Its operations are financed by capital injections, for which the Swedish Ministry for Foreign Affairs is responsible, and through reflows from the portfolio. Swedfund invests directly in companies and indirectly through financial institutions and funds. This section presents Swedfund results and financial position, together with a follow-up of the financial targets defined by the owner.

Investment activities

Portfolio

During 2018, Swedfund has worked actively to change the composition of the portfolio. In total, 19 investments have been exited, seven equity investments and twelve loans. Capital gains in 2018 were relatively limited, MSEK 18.5 (131.2), since most of the divested equity investments had been held in the portfolio for more than ten years and were exhibiting low value development during the holding period. A large number of the divested holdings were active within the former focus sector, Manufacturing & Service.

Meanwhile during the year, Swedfund signed a total of 11 investments in the since 2018 prioritised sectors; Energy & Climate, Financial Institutions & funds as well as Health. Of these, ten were equity and fund investments and three loan investments.

The book value of the Swedfund portfolio of shares, mutual fund shares and loans amounted to MSEK 2,718 (2,363) as per 31 December 2018. In addition, unrealised surplus values of shares and mutual fund shares amounted to MSEK 525 (395), measured at fair value. Together with contracted, as yet unpaid investments, the portfolio amounted to MSEK 4,516 (3,771) as at 31 December 2018.

In addition, decisions have been taken, but contracts have not yet been concluded for a further MSEK 429. These decisions relate primarily to fund investments.

Investments

Sector: Energy & Climate

Swedfund has continued to invest in renewable energy during 2018. 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 lack of knowledge and funding. Examples of investments in Energy & Climate during 2018 are:

- Evolution II is a fund that invests in the expansion of renewable energy and contributes to various climate projects in sub-Saharan Africa. Swedfund agreed to invest MUSD 15 in Evolution II, whilst other investors in the fund include The African Development Bank and a number of private investors.
- JCM Solar Capital Ltd (JCM Power) develops, builds and operates solar and wind turbines in developing countries and has a strategy objective of being a sustainable and long-term investor with a focus on renewable energy projects. Swedfund agreed to acquire shares equivalent to MUSD 15 in JCM Power.
- The solar energy company d.light Inc. manufactures and distributes renewable solar energy solutions outside the National

Grid (so-called "off-Grid"). End recipients are people with limited or no access to reliable electricity, particularly in East Africa, West Africa, India and Southeast Asia. Swedfund participates in the financing of d.light through a equity investment.

- The fund Climate Investor One focuses on developing, building and running businesses that produce renewable energy, especially solar and from wind turbines as well as hydro-electric plants without dams, focusing on Africa and parts of Asia. Swedfund agreed to invest MUSD 15.

Sector: Financial Institutions & funds

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 companies to grow. Swedfund's investments in financial institutions and funds in these markets help them to boost funding and lending to businesses and entrepreneurs. Examples of investments in Financial Institutions & funds in 2018 are:

- The TLG Credit Opportunities Fund (TLG) is a fund that lends money to growing companies in sub-Saharan Africa.
- Victoria Commercial Bank is a Kenyan bank that focuses on lending to mid-sized companies in Kenya.
- Additional lending to Prasac Microfinance Institution Ltd in Cambodia. The aim of the additional investment is to increase the availability of capital for SME companies through microfinance. SME companies have a central role as employers in Asia and provide employment to a majority of the population. Swedfund will also support Prasac in the introduction of a management system for anti-corruption.
- In addition, a loan was agreed to Platcorp Holdings Ltd, which conducts microfinancing activities for SME and wage earners in Kenya, Tanzania and Uganda.

Sector: Health

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. During 2018, Swedfund has supplemented previous investments in Health with the following investment:

- Hospital Holding Investment B.V. (HHI) invests in hospitals and clinics in eastern Africa. The objective in gathering together these activities is to utilise economies of scale within the areas of acquisition and transfer of competence, but also to increase access to healthcare through new constructions of hospitals and clinics. The investment has been made in terms of shares.

Exits

As part of the restructuring of the Swedfund portfolio, seven shareholdings have been exited during the year, all in the Manufacturing & Service sector. The holdings are not encompassed by the current strategy:

- Troll Nurserys manufactures furniture in Estonia. Swedfund has for a number of years worked for improved working conditions, increased safety and better environmental responsibility in production. Share sales.
- Pieno Zvaigzdes (PZ) a dairy business in Lithuania. The Investment was made in 2001 during a period when investments in the Baltics and Eastern Europe were prioritised in owner's instruction for Swedfund. Swedfund has, in addition to capital, contributed to PZ with active sustainability work and PZ has attained the Swedfund sustainability goals. Share sales.
- HSF Electro Mechanic Ltd (Wuxi), whose business consists of contract manufacturing of metal components for the mechanical and electromechanical industry. Swedfund has been the owner of the company for more than 10 years, wherein the company has reached stability and maturity, which is why a exit was considered appropriate. Swedfund has been an active owner in terms of sustainability issues and during the holding period, processes related to management systems in respect of the environment, social issues and anti-corruption have been established. Share sales.
- Entel SA is one of Bolivia's state owned telecom companies. Swedfund acquired its holding during 2011, corresponding to 0.1% of the shares in the company, through a distribution of shares from the Carlson Dividend Facility. Swedfund has been given no opportunities for insight into the company, inter alia, due to its limited shareholding. Thus, there have been no circumstances allowing the pursuit of issues of societal development, sustainability and financial viability - these being of the greatest importance for Swedfund. Share sales.
- Addis Quarry Development Plc.s, Ethiopia produces crushed stone. Share sales.
- The liquidation of Geratech (manufacture of zirconium chemicals and oxides that can replace hazardous substances such as formaldehyde, lead and chromium in e.g. paint) and Raffia Holding Ltd, the manufacture of cement sacks, was finalised in 2018.

Exit of loans

Twelve loans have been exited during 2018:

- Four loans for the following holdings were finally amortised: The Small Enterprise Foundation, Jacobi Carbons Lanka, EFP PTA and FJ Holding AB.
- Six loans exited early during 2018: Guaranty Trust Bank Plc. (GTB) in Nigeria, CRDB Bank Plc. in Tanzania, Karlsson Spools Precision Machining Co. Ltd in China, EFP Maputo, ICCF Panama Wind and Vireo. Access to loans with lower interest rates on the commercial market is reported to be one of the underlying causes.
- Loans to EFP Careworks and Raffia Holding AB were withdrawn in connection with the company's going into liquidation.

In addition, loans to Afrinord Hotel Investment have been converted to preferred shares in Radisson Blu – Nairobi.

Earnings performance

Economic objectives

The Company's financial objectives adopted in 2016 are to ensure that investment activities were economically viable and that internal efficiency were high. These objectives are expected to be met within a three-year period:

- Operating profit (EBIT) should be positive
- The C/I rate should be no greater than 0.9. The C/I rate is calculated as expenses (excluding impairment losses) by revenue (excluding capital gains/losses and reversals).

Selection	2018	2017
EBIT, MSEK	-55.3	50.1
Adjusted EBIT, MSEK	-11.1	50.1
C/I	0.88	0.97
<i>Excluding Differences</i>	<i>0.89</i>	<i>0.89</i>

Definitions

EBIT (Operating profit): Profit before financial items and taxes

Adjusted EBIT (adjusted operating result): Profit before financial items and tax adjusted for effect of change of impairment method

C/I: Costs (excluding write-downs)¹ by Revenue (excluding capital gains/losses and reversals)²

The Operating profit (EBIT) for the financial year 2018 amounted to MSEK -55.3 (50.1) but includes a write-down of shares and mutual fund shares of MSEK -44.2 related to the change of method for the calculation of fair value in connection with the transition to IFRS in the first Quarter of 2018. Adjusted for this non-recurring write-down, EBIT amounted to MSEK -11.1 (50.1). As one element of the portfolio restructuring, several holdings were wound up in 2018, but capital gains have been limited and significantly lower than in 2017. Impairment losses, mainly related to older holdings, have also had a negative impact on EBIT. Given the limited size of the portfolio, individual transactions can have a major impact on EBIT, which as a result can vary considerably between quarters and between years.

The C/I ratio for 2018 amounted to 0.88 (0.97). This shows that Swedfund work in respect of the assignment is being carried out in an efficient and cost-effective manner. Ongoing ROI activities, as intended, finance the Company's current operating costs.

Comments on the results of investment activities

As described above, there have been a number of transactions in the Swedfund Investment portfolio during 2018. Swedfund income from investing activities amounted to MSEK 31.2 (123.8).

Equities and mutual Fund shares

Swedfund investment activities generated dividends of MSEK 23.6 (17.3) during 2018. Thus, dividend income increased by 36% compared with 2017.

Sales revenue from discontinued operations for 2018 amounted to MSEK 41.1 (193.8) with an aggregated capital gain of MSEK 18.5 (131.2). The Capital Gain of MSEK 18.5 is attributable to the sale of shares in HSF Wuxi and Pieno Zvaigzdes. During the previous year, shares were sold in Nairobi Women's Hospital as well as in Pieno Zvaigzdes, which together comprised the majority of both sales revenue and capital gain.

¹ Costs of interest and fees, other portfolio costs, other operating expenses, other external expenses, personnel costs, depreciation of tangible fixed assets.

² Share dividends, income from interest and fees, other portfolio income and other operating income.

Net Interest income

Loan Receivables in the Investment Portfolio have a book value of MSEK 1,266 (1,282), while borrowing from Svensk Exportkredit related to currency hedging amounted to MSEK 1,297 (1 211). NET Interest income for the full year 2018 amounted to MSEK 83.8 (71.0), an increase from 2017 of MSEK 12.8.

For The 2018 financial year, interest income amounted to a total of MSEK 125.5 (97.6). The Increase in comparison with the previous year, of MSEK 27.9 was mainly attributable to an increase in the Libor rate, that the USD strengthened against SEK and income attributable to early settlement of loans. Interest Expenses for the full year 2018 amounted to MSEK -41.7 (-26.6). The increase in comparison between the years was mainly attributable to an increased Libor and that the USD strengthened against SEK.

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".

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 large variations in net impairments between quarters and between years. If an overvalue compared with the acquisition value can be shown when measuring fair value, this surplus value is reported in the notes. As per 31 December 2018, the unrealized surplus value amounted to MSEK 525 (395), see also note 22.

For the 2018 financial year, impairment losses on shares and mutual fund shares amounted to MSEK -114.1 (-83.2). Of these, MSEK -44.2 were impairments attributable to a change in the method of fair value measurement in accordance with IFRS reported in the first quarter of 2018. Other impairments mainly related to older holdings.

Valuation of loans in accordance with IFRS 9 resulted in a positive earnings effect in respect of the provision for expected loan losses of MSEK 22.0 (0.9), and this was mainly attributable to the early settlement of two loans in the third quarter of 2018.

Comments on operating profit (EBIT) and financial expenses

Swedfund operating profit (EBIT) for 2018 amounted to MSEK -55.3 (50.1). This result included MSEK -44.2 for write-downs attributable to a change in the method of valuation of shares and mutual fund shares at fair value in accordance with IFRS. Adjusted for this non-recurring item, Swedfund attained an operating profit (EBIT) of MSEK -11.1 (50.1) for 2018. As one element of the portfolio restructuring, several holdings were wound up in 2018, but capital gains have been limited and significantly lower than in 2017. Impairment losses, mainly related to older holdings, have also had a negative impact on EBIT.

Other operating income and expenses

Other operating income and expenses refers to the activities of the Swedpartnership (SwP), Technical Assistance (TA) and the Swedfund Project Accelerator (SPA). Net, these revenues and expenses amounted to MSEK 1.1 (0.7) for 2018.

Other external costs and personnel costs

The Company's other external expenses amounted to MSEK -21.5 (-21.3) for 2018.

Personnel Costs in 2018 amounted to MSEK -65.0 (-51.9). The increase in personnel costs was mainly accounted for by there being more employees, organisational changes due to a review of strategic orientation and vacancies that led to recruitment costs and costs for agency staff.

Other financial expenses

Other financial expenses relate to Swedfund liquidity in the form of liquid funds and short-term investments. 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). Negative market rates resulted in a negative return on these funds.

Taxes

In 2016, together with external advisors, the Company carried out an investigation into the tax status of its holdings. On completion of the investigation, the Company assessed that the business should be classified as asset management and that its assets would thus be classified as capital assets. Voluntary rectification of the revenue declarations relating to the financial years 2010-2015 was submitted to the Swedish Tax Agency in December 2016. In correspondence with the Swedish Tax Agency during 2017, the Agency stated that the holdings held by the Company at the beginning of 2010 (i.e. before the review period) will continue to constitute stock assets. In light of this, the Company submitted a further corrigendum to the Swedish Tax Agency wherein assets acquired prior to 2010 are treated as inventory assets and assets acquired after that date are treated as capital assets. During 2018, Swedfund has submitted additional information at the Swedish Tax Agency's request. The Swedish Tax Agency has not yet made a decision on the matter.

Swedfund also has an ongoing tax case in Kenya concerning whether Swedfund local operations are to be considered as a permanent establishment and thus be subject to taxation in Kenya. The Kenya Tax authority (KRA) has not yet made any decision on the matter. Based on available information, the recognised tax liability is deemed to correspond to the exposure.

See also note 10.

Financial position

Swedfund is financed (except for the SwP, TA and SPA as appropriations funded) with equity, i.e. capital injections and accumulated earnings. The financial position is good and the equity/assets ratio was deemed as 77% (77) as of December 31, 2018.

In order to limit the Company's currency risks in connection with lending in foreign currency, such lending is hedged by corresponding borrowing from Svensk Exportkredit (SEK). Outstanding loan receivables amounted to MSEK 1,297 (1 211) as of 31 December 2018, of which MSEK 208 (154) pertained to short-term borrowings. As collateral for its borrowing, Swedfund has made short-term investments of MSEK 1,464 (1,246) in pledges.

Swedfund liquid funds including short-term investments amounted to MSEK 3,726 (3,438) as of December 31, 2018, of which MSEK 2,116 (2,085) related to funds that Swedfund can dispose of. These funds, also called "own resources", are disposed of as illustrated below. Reserved funds, so-called "earmarked funds", for the Company's decided and agreed investments amounted to MSEK 1,957 (1 528) as of 31 December 2018.

Liquid funds are reserved for both decided and agreed investments to enable the Company to fulfil its commitments in connection with payment. Contractual investments are often paid out in instalments over several years. The “earmarked funds” are distributed according to form of investment, sector and geographically as illustrated below.

Cash Flow

Cash flow from operating activities for the year is in line with the previous year and amounted to MSEK -19.5 (-19.8). Cash flow from investment activities amounted to MSEK -752.1 (-98.7), which indicates an increased investment rate in 2018. Cash flow from financing activities contributed MSEK 802.2 (432.1), the increase being mainly attributable to MSEK 200 increased shareholder contributions, and an increase in blocked funds. The total cash flow for the year amounted to MSEK 30.6 (313.6).

Personnel

The average number of employees in 2018 amounted to 41 (39). 38 employees work at the office in Stockholm and 3 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 the risks in Swedfund operations on pages 42-43 and in note 21 on pages 112-114.

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 130-137.

Board of Directors

At the Annual General Meeting on 27 April 2018, all board members were re-elected: Göran Barsby, Fredrik Arp, Kerstin Borglin, Björn Börjesson, Torgny Holmgren, Hanna Lagercrantz, Charlotte Salford and Mikael Sandström. Göran Barsby was re-elected Chairman of the Board.

Chief Executive Officer

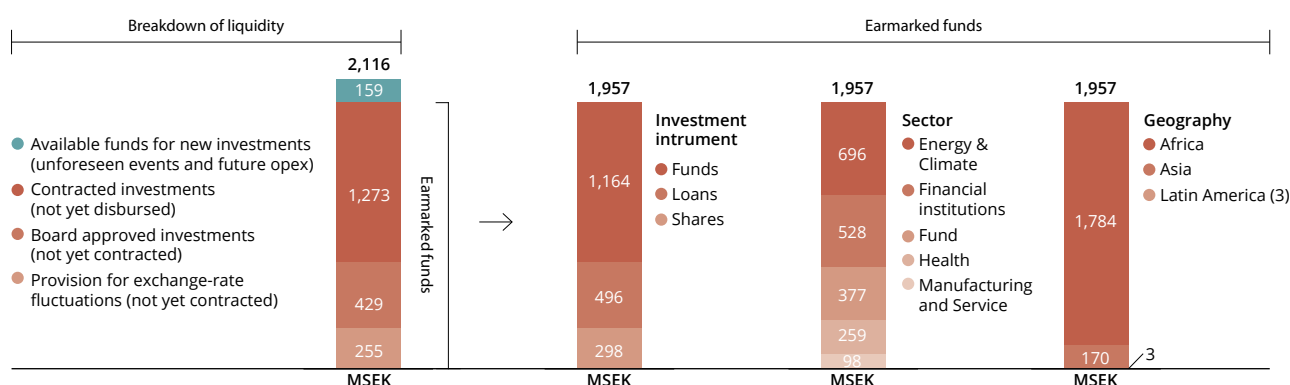
On 5 March 2018, Maria Håkansson was appointed CEO and succeeded Gerth Svensson, who has been acting CEO since August 2017.

Proposal for disposition of profit

The Board of Directors proposes that the profits be allocated as follows:

	2018
The following funds are at the disposal of the Annual General Meeting:	
Accumulated profit/loss	3,903,095,227
Recapitalisation	600,000,000
Profit/loss for the year	-64,961,943
	4,438,133,284
The Board of Directors proposes that the resources available to the AGM should be allocated so that:	
To be carried over	4,438,133,284
	4,438,133,284

Distribution of own resources 31/12/2018, MSEK



Income statement

Amounts in SEK (thousands)	Note	2018	2017
Equities and fund units			
Dividends received	3, 4	23,234	16,433
Sales proceeds	3, 4	7,955	193,386
Acquisition cost of shares/fund units sold	4	-2,838	-53,831
Income from shares and fund units		28,352	155,987
Group companies, associates and joint ventures			
Dividends received	3, 4	373	890
Sales proceeds	3, 4	33,152	413
Acquisition cost of shares sold	4	-19,774	-8,742
Income from group companies, associates and joint ventures		13,752	-7,440
Interest income and expenses			
Interest income	3	125,461	97,553
Interest expenses		-41,654	-26,589
Net interest income		83,807	70,964
Other portfolio income and portfolio expenses			
Other portfolio income	3	2,255	357
Other portfolio expenses		-7,870	-3,531
Currency effects		2,951	-10,208
Income from other portfolio income and portfolio expenses		-2,665	-13,382
Write-downs and credit losses			
Write-downs of shares and mutual fund units, net		-35,221	-43,753
Write-downs of group companies, associated companies and joint ventures, net		-78,871	-39,485
Write-downs for credit losses, net		22,040	871
Result from write-downs and credit losses		-92,052	-82,368
INCOME FROM INVESTMENT ACTIVITIES		31,195	123,763

Amounts in SEK (thousands)	Note	2018	2017
Other operating income			
Other operating income	3.5	26,788	13,230
Operating expenses			
Other external costs	7, 8	-21,507	-21,279
Personnel costs	6	-64,996	-51,939
Other operating expenses	5	-25,710	-12,578
Depreciation of tangible assets		-1,073	-1,077
Result from other operating income and expenses		-86,498	-73,642
OPERATING PROFIT/LOSS (EBIT)¹		-55,303¹	50,120
Result from other financial items			
Other financial expenses	9	-9,852	-14,694
Result from other financial items		-9,852	-14,694
PROFIT/LOSS AFTER FINANCIAL ITEMS		-65,155	35,426
PROFIT/LOSS BEFORE TAX		-65,155	35,426
Tax on Profit/Loss for the year	10	193	-9,572
PROFIT/LOSS FOR THE YEAR		-64,962	25,854
The Company's Statement of Comprehensive Result			
Profit/loss for the year		-64,962	25,854
Other Comprehensive Net Result		-	-
COMPREHENSIVE RESULT FOR THE YEAR		-64,962	25,854

¹⁾ The Operating Result (EBIT) 2018 included MSEK -44.2 for write-downs attributable to a change in the method of valuation of shares and mutual fund shares at fair value in accordance with IFRS. Adjusted for this non-recurring item, Swedfund attained an EBIT of MSEK-11.1 (50.1) for 2018.

Balance sheet

Assets

Amounts in SEK (thousands)	Note	31/12/2018	31/12/2017
FIXED ASSETS			
Non-current assets			
<i>Land and buildings</i>			
Improvement expenditure on leasehold	11	1,293	1,724
<i>Non-current assets</i>			
Equipment	11	734	1,332
Total		2,027	3,056
Financial fixed assets			
Shares and fund units	12, 22, 23	1,296,005	879,900
Shares in group companies, associates and joint ventures	12, 13, 22, 23	156,320	200,624
Loans receivable	14, 15, 22, 23, 27	1,266,160	1,282,549
Endowment	22, 23	1,063	1,217
Other long-term securities	17, 22, 23	298	298
Deferred tax assets	10	721	528
Total		2,720,567	2,365,115
Total fixed assets		2,722,594	2,368,171
CURRENT ASSETS			
Accounts receivables	22, 23	15,126	3,832
Other receivables	18, 22, 23	41,941	41,111
Prepaid expenses and accrued income	19, 22, 23	44,659	114,776
Total		101,725	159,718
Interest bearing securities	20, 22, 23, 27	3,577,746	3,310,023
Cash and bank balances	22, 23, 27	102,977	91,388
Retained funds on behalf of others	22, 23, 27	45,734	36,569
Total		3,726,457	3,437,980
Total current assets		3,828,182	3,597,698
TOTAL ASSETS		6,550,776	5,965,869

Equity and liabilities

Amounts in SEK (thousands)	Note	31/12/2018	31/12/2017
EQUITY			
Share capital		50,000	50,000
Statutory reserve		540,000	540,000
Total		590,000	590,000
Accumulated profit/loss		4,503,095	3,954,652
Profit/loss for the year		-64,962	25,854
Total		4,438,133	3,980,506
Total equity		5,028,133	4,570,506
LIABILITIES			
Provisions			
Provision for pension obligations	25	1,063	1,217
Other provisions	15, 26, 27	2,043	-
Long-term liabilities			
Liabilities to credit institutions	22, 23	1,089,182	1,057,355
Total		1,092,288	1,058,571
CURRENT LIABILITIES			
Liabilities to credit institutions, current part	22, 23	208,273	154,068
Accounts payable	22, 23, 28	3,390	2,979
Income tax liabilities	28	9,814	9,449
Other liabilities	22, 23, 28	80,042	83,324
Accrued expenses and deferred income	22, 23, 29	128,835	86,972
Total		430,355	336,792
Total provisions and other liabilities		1,522,643	1,395,363
TOTAL EQUITY AND LIABILITIES		6,550,776	5,965,869

Statement of changes in equity

Amounts in SEK (thousands)	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Accumulated profit/loss	Profit/loss for the year	
OPENING EQUITY 01/01/2017	50,000	540,000	3,597,288	-42,636	4,144,652
Adjustment for release to RFR 2			-	-	-
ADJUSTED EQUITY 01/01/2017	50,000	540,000	3,597,288	-42,636	4,144,652
Reversal result previous year			-42,636	42,636	-
Profit/loss for the period				25,854	25,854
Other comprehensive income for the year				-	-
Comprehensive net income for the year	50,000	540,000	3,554,652	25,854	4,170,506
Capital contribution			400,000	-	400,000
Total transactions with owner	-	-	400,000	-	400,000
CLOSING EQUITY 31/12/2017	50,000	540,000	3,954,652	25,854	4,570,506
OPENING EQUITY 01/01/2018	50,000	540,000	3,954,652	25,854	4,570,506
Reversal result previous year			25,854	-25,854	-
Adjustment for transition to IFRS 9/RFR 2			-77,411		-77,411
Profit/loss for the period				-64,962	-64,962
Other comprehensive income for the year				-	-
Comprehensive net income for the year	50,000	540,000	3,903,094	-64,962	4,428,134
Capital contribution			600,000	-	600,000
Total transactions with owner	-	-	600,000	-	600,000
CLOSING EQUITY 31/12/2018	50,000	540,000	4,503,095	-64,962	5,028,133

The Share Capital consists of 50 shares with a quotient value of SEK 1,000.

Cash flow statement

Amounts in SEK (thousands)	Note	2018	2017
Operating activities			
Profit/Loss after financial items		-65,155	35,436
Adjustment for non-cash items etc.	32	48,481	-60,717
Income tax paid		-1,353	-366
Cash flow from operating activities before changes in working capital		-18,027	-25,648
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-6,511	-5,666
Increase (+)/Decrease (-) in operating liabilities		5,011	11,536
Cash flow from operating activities		-19,527	-19,778
Investing activities			
Acquisition of non-current assets (-)		-45	-101
Acquisition of financial Fixed assets (-)		-854,205	-231,337
Sales of financial fixed assets (+)		102,173	132,732
Cash flow from investing activities		-752,077	-98,705
Financing operations			
Capital contribution		600,000	400,000
Increase (+) / decrease (-) in loans ¹		-15,687	43,088
Change in blocked funds		217,932	-10,962
Cash flow from financing activities		802,245	432,126
Cash flow for the year		30,642	313,643
Cash and cash equivalents at the beginning of the year²		2,085,445	1,771,802
Cash and cash equivalents at the end of the year²		2,116,086	2,085,445

¹⁾ Pertains to borrowings/amortisation of loans from SEK intended for hedging of currency risks in lending in investment activities. See also page 86.

²⁾ The item has been reduced by bank account under Pledged assets and with liquid funds relating to Swedpartnership, TA funds and Swedfund Project Accelerator.

Notes

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

On 22 March 2019, the Board of Directors approved this annual report which will be presented to the AGM on 25 April 2019.

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 Principles

General

As from the financial year 2018, Swedfund International AB produces its annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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. The transition to IFRS through the application of RFR 2 implies an impact on the Company's financial reporting, particularly in relation to supplementary disclosures.

It has also meant a reclassification of shareholdings, loan receivables and mutual fund units from current assets to financial fixed assets. With the transition to IFRS, subsidiaries, associate companies and joint ventures have been identified as financial assets.

The decision to change accounting principles also means that the 2017 annual accounts have been prepared in accordance with IFRS, see note 34.

IFRS Financial Instruments

As from 1 January 2018, the new accounting standard IFRS 9, Financial Instruments entered into force. Within the framework of RFR 2, accounting in a legal person, there is a choice of applying IFRS 9 to its full extent or of applying a recognition based on the cost of acquisition. Swedfund has chosen to report financial instruments according to the acquisition value method. See also below in the section, Financial Instruments.

IFRS 15, Revenue from Contracts with Customers

Swedfund applies IFRS 15 as of 1 January 2018. IFRS 15 deals

with the accounting of revenue from contracts with customers and the sale of certain non-financial assets. It replaces IAS 11 Construction contracts and IAS 18 Revenue together with related interpretations. The New Standard means a new revenue recognition model based on when the control of a product or service is transferred to the customer and that revenue is accounted for in an amount that reflects the compensation that the Company expects to be entitled to. See also below in the section, Income.

Information re: future standards

General

The application of a number of new standards and interpretations shall be obligatory only for the coming financial years and have not been applied in the drawing up of this financial report. The standards, amendments and interpretations that are expected to impact or may have an impact on the Company's financial statements are described below:

IFRS 16, Leases

Standard IFRS 16, Leases will enter into force on 1 January 2019, replacing IAS 17 Leasing agreements and related interpretations. It requires that the lessee recognises assets and liabilities relating to all leasing contracts except for contracts less than 12 months old and/or for smaller amounts. The Accounting for the lessor will in all material respects remain unchanged. The EU has not yet approved the standard.

During 2018, the Company has evaluated whether the new standard will affect the Company's earnings and financial position. Swedfund is not a lessor but only a lessee.

Due to the application of exemptions in RFR 2, the Company does not need to report its existing leasing as financial but continues to report it as operational. This therefore does not imply any differences from current accounting, which means that IFRS 16 will not affect the Company.

Classification

Fixed assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after more than 12 months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

Functional currency

The Company's functional currency is the Swedish kronor (SEK), which is also 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.

Note 1 (cont.)

State Aid

Swedfund has received government grants for aid activities (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. Liquid funds refer to short-term investments and bank balances, excluding loans pledged and liquid funds in respect of Swedpartnership, TA funds and Swedfund Project Accelerator.

Income

Swedfund applies IFRS 15 as of 1 January 2018. IFRS 15 deals with the accounting of revenue from contracts with customers and the sale of certain non-financial assets. It replaces IAS 11 Construction contracts and IAS 18 Revenue together with related interpretations. The new standard means a new revenue recognition model based on when the control of a product or service is transferred to the customer and that revenue is accounted for in an amount that reflects the remuneration that the Company is expected to be entitled to in exchange for the product or service.

The transition to IFRS 15 has been shown not to make any substantive changes to the identification of performance commitments or the allocation of the transaction price to performance commitments, nor to the timing of revenue recognition when performance commitments have been fulfilled. This means that revenue recognition in accordance with IFRS 15 has not been materially affected compared with the income statement, in accordance with the old standard.

Swedfund is an investment company whose operations consist mainly in 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 aid 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.

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 mutual fund units

Dividends received from shares and mutual 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 revenue is 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 reported in the item "Dividends Received" when the right to receive payment is determined. Proceeds from sales and dividends relate to the Company's shareholdings.

Sales revenue is 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 amounts of 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 result 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 for which 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 influence over the investment object, is exposed to or has the right to variable returns from its involvement and can use its control over the investment to influence yields. When assessing whether a controlling influence exists, potential voting shares are taken into account as well as whether "de facto control" exists.

Associated companies and joint ventures

An Associate is an enterprise over which the Company has significant influence but does not exert any definite control over its operational and financial management. This is normally brought about by the Company's shareholdings facilitating between 20 and 50% of the voting power. From the time when significant influence is attained, shares in associates are reported according to the cost 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 wherein the parties with joint control are entitled to the arrangement's net assets. The shares are reported according to the acquisition value method.

Financial instruments

As from 1 January 2018, the new accounting standard IFRS 9, Financial Instruments entered into force. Within the framework of RFR 2, accounting in a legal person, there is a choice of applying IFRS 9 to its full extent or of applying a recognition based on the cost of acquisition. 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 shall be initially recognised at their acquisition value corresponding to the fair value of the instrument plus transaction costs. A financial instrument is classified on initial recognition, inter alia, on the basis of 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 reported on their trade date. The business day constitutes the date on which the Company commits to acquire or divest itself of the asset.

Swedfund reports and values its financial assets and financial liabilities under RFR 2 in respect of IFRS 9; that is to say, on the basis of the acquisition value. The fair value is presented in note information and is the basis for the impairment of investments in shares and mutual fund units and shares in group companies, associates and "joint ventures".

Where these instruments constitute short-term investments, accounting is carried out according to 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 mutual fund units are valued at acquisition value less any impairment losses based on fair value.

The reporting of any surplus values for shares and mutual fund units that, when measuring fair value, showing a fair value exceeding acquisition value can be found 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.

Note 1 (cont.)

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.

Short-term investments

Short-term investments are reported at amortised acquisition value using the principles of impairment testing and loss risk reserve in IFRS 9, Expected Credit Losses.

Cash and bank balances

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

Other financial liabilities

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

Effective Interest Rate and Effective Interest Method

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

The Effective Interest Rate is the interest rate that accurately discounts the estimated future receipts and disbursements over the expected maturity period of the financial asset or financial liability to the initially reported gross value of a financial asset or to the accrued acquisition value of a financial liability. In calculating the effective interest rate, an enterprise shall estimate expected cash flows by taking into account all contractual terms of the financial instrument (such as options for early redemption, renewals, purchases and the like) but shall not take into account expected credit losses. The calculation includes all charges and items paid or received by the contracting parties, which are an integral part of the effective interest rate, transaction costs and any other premiums or discounts. It is assumed that the cash flows and expected maturity period of a group of similar financial instruments 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 company 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. Swedfund's methods for the determination of 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, from 1 January 2018, impairment testing and loss risk reserve in accordance with IFRS 9, Expected Credit Losses are applied. This means that the Swedfund made reserve for expected credit losses from initial recognition, rather than from the previous annual accounting principle with provision for the objectively established loss event. 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.

At initial recognition and on subsequent balance sheet dates, a loan loss reserve is reported for the next 12 months, or a shorter period depending on the remaining maturity period, for financial assets in the form of loan receivables, 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 reported gross (excluding loan 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 loan 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, which was implemented in 2018. The methods are based on the Company's risk classification model and take into account any collateral for Swedfund loan receivables, loan commitments and short-term investments.

Swedfund's methods for calculating expected credit losses are described in more detail in note 6.

Comparison Year

The Comparison Year 2017 has not been restated for expected credit losses in view of the fact that expected credit losses cannot be accurately estimated ex post (so-called "hindsight"). To the criteria used by the Company in the previous year to determine whether there were objective data for impairment, there were significant financial difficulties among the issuer or the debtor, a breach of contract, such as the failure or delay of payments of interest or principal amounts, or that there exists a probability that the borrower will enter bankruptcy proceedings or other financial reconstruction.

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

The use of depreciation methods, residual and useful lifetimes are reviewed at the end of each year.

Impairments 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 the existence of which 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 its 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 reported in the period in which the change is made, if said change only affects this period, or in the period the change is made and future periods if the change affects both the current period and future periods.

The following are the most important accounting principles, 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 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 mutual fund units, the fair value is an assessment in accordance with applied valuation methods. Applied methods are designed in accordance with IFRS 13, Fair Value and "International Private Equity and Venture Capital Valuation Guidelines" (IPEV Guidelines).

See Description of Accounting Principles 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.

Note 2 (cont.)

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 Description of Accounting Principles in note 22.

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, inter alia, 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.

2018	Africa	Asia	Latin America	Eastern Europe	Other	Total
Sale of shares/fund units	-	1,841	1,446	4,669	-	7,955
Dividends	17,325	499	5,410	-	-	23,234
Sale of shares group and/or associated companies	399	32,753	-	-	-	33,152
Dividends group and/or associated companies	373	-	-	-	-	373
Interest income	100,137	14,041	1,275	10,008	-	125,461
Other portfolio income	1,902	-	-	102	250	2,255
Total	120,136	49,134	8,131	14,779	250	192,431

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.

Other operating income	2018	2017
Technical assistance and Swedfund project accelerator	22,785	9,261
<i>Date of revenue recognition in accordance with IFRS 15</i>		
Services transferred over time, management fee Swedpartnership	4,003	3,969
Total	26,788	13,230

NOTE 4 EARNINGS FROM SHARES AND FUND UNITS

	Income from shares and fund units		Income from group companies, associates and joint ventures	
	2018	2017	2018	2017
Dividends	23,234	16,433	373	890
Sales proceeds	7,955	193,386	33,152	413
Acquisition cost of shares</fund units sold	-2,838	-86,845	-29,414	-8,742
Write-downs of shares sold	-	33,014	9,640	-
Total	28,352	155,987	13,752	-7,440

NOTE 5 SWEDPARTNERSHIP, TECHNICAL ASSISTANCE (TA-FUNDS) AND SWEDFUND PROJECT ACCELERATOR

Swedpartnership	2018	2017
Other operating income	4,003	3,969
Other operating expenses	-4,003	-3,969
Total	-	-

Technical assistance	2018	2017
Other operating income	6,652	3,098
Other operating expenses	-5,574	-2,445
Total	1,078	653

Swedfund Project Accelerator	2018	2017
Other operating income	16,133	6,164
Other operating expenses	-16,133	-6,164
Total	-	-

NOTE 6 BOARD OF DIRECTORS, EMPLOYEES AND PERSONNEL COSTS**Gender Distribution Board, CEO and other senior executives**

	2018		2017	
	Total	Of which, men	Total	Of which, men
Board of Directors	8	5	8	5
CEO	1	0	1	1
Other senior executives	4	2	5	3

The average number of employees

Country	2018		2017	
	Total	Of which, men	Total	Of which, men
Kenya	3	0%	4	18%
Sweden	38	55%	35	49%
Total	41	51%	39	47%

Salaries, other remuneration and social welfare costs

	2018		2017	
	Salaries and remuneration	Social costs	Salaries and remuneration	Social costs
	37,903	22,454	31,515	18,477
(of which pension costs)	(0)	(10,848) ^{1,2}	(0)	(9,217) ^{1,2}
Total	37,903	22,454	31,515	18,477

¹⁾ Of pension costs 480 (358) to CEO. The previous year refers to the pension costs period 01/01/2017 – 31/01/2017.

²⁾ for all employees, defined contribution and thus equivalent pension premiums are paid by 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

	2018		2017	
	Board of directors, CEO and other senior management	Other employees	Board of directors, CEO and other senior management	Other employees
Sweden	7,435	30,141	8,849	21,911
<i>of which remuneration to the Board</i>	(890)	-	(919)	-
<i>of which pension to former CEO</i>	(234)	-	(223)	-
<i>of which salary to the CEO</i>	(1,560)	-	(1,440)	-
<i>of which other management salaries</i>	(4,751)	-	(6,267)	-
Kenya, representative office	-	1,451	-	1,897
Total	7,435	31,592	8,849	23,808

Remuneration paid to current and former board members 2018

Member	Position	Remuneration	Board remuneration in portfolio companies
Göran Barsby	Chairman of the Board	210	-
Björn Börjesson	Member, Chairman Audit Committee	135	-
Charlotte Salford	Member	105	-
Fredrik Arp	Member	125	-
Hanna Lagercrantz	Member	-	-
Kerstin Borglin	Member	105	-
Mikael Sandström	Member	105	-
Torgny Holmgren	Member	105	-
Total		890	-

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	1/18	2/18	3/18	4/18	5/18	6/18	7/18	8/18	9/18	10/18	11/18
Göran Barsby	x	x	x	x	x	x	x	x	x	x	x
Björn Börjesson	x	x	x	x	x	x	x	x	x	x	x
Charlotte Salford		x	x	x	x	x			x	x	x
Hanna Lagercrantz		x	x	x	x	x	x	x	x	x	x
Fredrik Arp	x	x	x	x	x	x	x		x	x	x
Kerstin Borglin		x	x	x	x	x		x	x	x	x
Mikael Sandström	x	x	x	x	x	x		x	x	x	x
Torgny Holmgren	x	x		x	x	x	x	x	x	x	x

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 2018

Name	Position	Other benefits	Annual salary fixed remuneration paid	Pension premiums paid	Total
Maria Håkansson	CEO from 15/03/2018 ¹	-	1,560	480	2,040
Jacob Hagerman	Chief Legal Counsel	-	1,132	274	1,406
Karin Kronhoffer	Director of Strategy and Communication	-	1,118	315	1,433
Fredrik Linton	Director of Investment Operations and ESG	-	1,696	488	2,184
Helene Lundkvist	Director of Finance and Administration until 24/08/2018 ²	-	805	238	1,043
Total		-	6,311	1,795	8,106

¹ During the period 01/01/2018 – 22/03/2018, Swedfund hired a CEO, Gerth Svensson, on an interim basis via a staffing company. Total cost, including non-deductible VAT, amounted to SEK 987,000.

² During the period 20/08/2018 – 31/12/2018, Swedfund hired a CFO, Lotta Jarleryd, on an interim basis via a staffing company. Total cost, including non-deductible VAT, amounted to SEK 1,890,000.

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.

Absence due to illness

Total sick leave amounted to 0.68% (1.55%) of employees' total regular working hours.

For integrity reasons, sick leave has not been reported by age group or gender.

NOTE 7 AUDITORS' FEES AND EXPENSES

Ernst & Young AB	2018	2017
The auditing assignment	890	850
Other auditing services	434	52
Tax consultancy services	217	149
Other services	3,346	1,576
Total	4,887	2,627

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 4,593 (4,580). Future payment commitments as of 31 December are distributed as follows:

Future minimum lease payments	2018	2017
Within 1 year	4,630	4,617
Between 1-5 years	8,226	12,303
Greater than 5 years	-	-
Total	12,856	16,920

Expensed fees for operational leasing contracts amount to:	2018	2017
Minimum lease payments	4,593	4,580
Variable Fees	-	-
Total leasing costs	4,593	4,580

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 OTHER FINANCIAL EXPENSES

Other Financial expenses	2018	2017
Impairment of financial fixed asset	-459	-428
Other financial expenses	-9,393	-14,266
Total	-9,852	-14,694

NOTE 10 TAX EXPENSES

	2018	2017
Current tax expense (-)/tax income (+)		
The Year's tax expense/tax revenue	-	-
Deferred tax expense (-)/tax income (+)		
Deferred tax relating to temporary differences	193	-9,572
Reported tax	193	-9,572
Balance of effective tax rate	2018	2017
Profit/loss before tax	-65,155	35,426
Tax on reported earnings in accordance with the applicable tax rate (22%)	14,334	-7,794
Tax Effect of:		
Non-taxable dividend	2,829	1,912
Non-deductible impairments of financial assets	-28,004	-11,255
Non-taxable reversal of impairment of financial assets	14,646	2,053
Non-taxable realised capital gains	3,169	24,480
Non-deductible realised capital losses	-1,045	-300
Deductible realised loss loan	1,467	-
Non-deductible other costs	-1,039	-285
Deductible expenses from previous years	-	68
Deductible impairment of current assets	1,589	-
Unactivated deficit income for the Year	-7,882	-8,879
Deferred tax relating to temporary differences	128	-9,572
Reported tax	193	-9,572
Effective Tax Rate	0%	27%

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

Disclosures on deferred tax assets and tax liabilities

The following tables specify the tax effect of temporary differences:

Deferred tax assets	31/12/2018	31/12/2017
Tangible fixed assets	487	260
Pension agreement former CEO	234	268
Reported value	721	528

The Company's estimated tax loss carryforwards for which deferred tax assets have not been recognised in the balance sheet are estimated at TSEK 125,000 as per 31/12/2018. Deferred tax assets have not been recognised for these items, since it is unlikely that the Company will use them for offsetting against future taxable profits.

NOTE 11 NON-CURRENT ASSETS**Land and buildings**

Improvement expenditure on leasehold	31/12/2018	31/12/2017
Accumulated acquisition value		
At the beginning of the Year	3,017	3,017
New acquisitions	-	-
	3,017	3,017
Accumulated depreciation according to plan		
At the beginning of the Year	-1,293	-862
Depreciation for the Year according to plan on acquisition values	-431	-431
	-1,724	-1,293
Planned residual value at Year-end	1,293	1,724

Tangible Fixed Assets

Equipment	31/12/2018	31/12/2017
Accumulated acquisition value		
At the beginning of the Year	3,278	3,358
New acquisitions	45	163
Divestments and disposals	-	-243
	3,323	3,278
Accumulated depreciation according to plan		
At the beginning of the Year	-1,947	-1,482
Divestments and disposals	-	180
Depreciation for the Year according to plan on acquisition values	-643	-645
	-2,590	-1,947
Planned residual value at Year-end	734	1,332

NOTE 12 PORTFOLIO INVESTMENTS SHARES AND FUNDS**Portfolio investments shares and funds**

Accumulated acquisition value	31/12/2018	31/12/2017	01/01/2017
Reclassification (due to transition to IFRS/RFR 2)	-	-	-
At the beginning of the Year	1,112,388	988,364	988,364
Investments during the Year	454,454	241,685	-
Reclassification	-340	-	-
Sales during the Year	-30,773	-117,661	-
Total acquisition value	1,535,729	1,112,388	988,364
Accumulated impairments	31/12/2018	31/12/2017	01/01/2017
Reclassification (due to transition to IFRS/RFR 2)	-	-	-
At the beginning of the Year	-232,488	-221,748	-221,748
Reversed impairments for the Year attributable to sales	27,985	33,013	-
Reclassification	-	-	-
Reversals for the Year	14,647	7,752	-
Impairments for the Year	-49,868	-51,505	-
Total impairments at Year-end	-239,724	-232,488	-221,748
Book value at Year-end	1,296,005	879,900	766,616

Note 12 (cont.)

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

31/12/2018 Company	Sector	Business activities	Share class	Owner- ship per- centage	Acquisition value
Africa					
AAR Health Care Holdings Limited, Kenya	Health	Healthcare company	Stock	18.2	28,188
Adenia Capital (III) LLC Ltd.(I&P), Africa	Funds	Fund	Stock	10.4	72,107
Afrinord Hotel Investment A/S, Africa	Manufacturing & Service	Hotels	Stock	20.0	470
African Development Partners II (DPI), Africa	Funds	Fund	Fund units	2.1	103,488
Africap Microfinance Investment Company Ltd, Africa	Funds	Microfinance fund	Stock	7.1	13,474
AfricInvest Fund III LLC, Africa	Funds	Fund	Fund units	2.9	66,593
Apis Growth Fund I, Africa	Funds	Fund	Fund units	2.6	49,387
Athi River Steel Plant Ltd, Kenya	Manufacturing & Service	Steel mills	Stock	16.4	85,227
AFIG Fund II	Funds	Fund	Fund units	7.7	34,820
Catalyst Fund II	Funds	Fund	Fund units	6.6	28,012
Climate Investor One	Energy & Climate	Fund	Fund units	2.8	17,028
Deacons Kenya Limited, Kenya	Manufacturing & Service	Retail	Stock	14.0	7,866
ECP Africa fund II PCC, Africa	Funds	Fund	Fund units	2.2	36,055
ECP Africa fund III PCC, Africa	Funds	Fund	Fund units	2.5	88,203
Evolution II	Energy & Climate	Fund	Fund units	12.0	48,337
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	6.4	40,408
Investec Africa Private Equity Fund 2 L.P.	Funds	Fund	Fund units	4.1	52,104
JCM Solar Capital Ltd	Energy & Climate	Solar and wind turbines	Stock	1.9	16,720
Norsad Finance Limited, Afrika	Financial institutions	Credit institution	Stock	16.7	50,052
Timsales Holdings Limited, Kenya	Manufacturing & Service	Investment company	Stock	18.3	10,679
TLG Credit Opportunities Fund	Funds	Fund	Fund units	14.8	44,471
Women Entrepreneurs Dept Fund	Funds	Fund	Fund units	17.4	135,476
Total Africa					1,093,574
Asia					
Baring India Private Equity fund II Ltd, Mauritius	Funds	Fund	Fund units	7.1	59,024
China Environment Fund III L.P.	Energy & Climate	Fund	Fund units	4.4	55,792
Husk Power Systems Inc	Energy & Climate	Mini-power grid – hybrid type	Stock	10.4	45,527
Orilus Investment Holding Pte. Ltd. (Medica Synergie, India)	Health	Healthcare provider	Stock	16.0 (12.0)	41,479
Mongolianord GmbH, Mongoliet	Manufacturing & Service	Hotels	Stock	14.3	16,160
Renewable Energy Asia Fund II L.P.	Energy & Climate	Fund	Fund units	7.4	89,016
SEAF Sichuan SME Investment Fund LLC, Delaware	Funds	Fund	Fund units	13.3	1,742
Total Asia					308,739
Latin America					
Ontur International S.A, Uruguay	Manufacturing & Service	Port	Stock	14.0	14,077
Total Latin America					14,077
Eastern Europe					
Eskaro Ukraine AB, Ukraine	Manufacturing & Service	Paint factory	Stock	20.0	21,874
Komercijalna Banka AD Beograd, Serbia	Financial institutions	Bank	Stock	2.3	96,727
Total Eastern Europe					118,601
Capitalised costs for the year					738
TOTAL ACQUISITION VALUE					1,535,729

NOTE 13 PARTICIPATIONS IN GROUP COMPANIES, ASSOCIATES AND JOINT VENTURES**Portfolio investments in group companies, associated companies, joint ventures**

Accumulated acquisition value	31/12/2018	31/12/2017	01/01/2017
Reclassification (due to transition to IFRS/RFR 2)	-	-	607,248
At the beginning of the Year	623,630	607,248	-
Investments during the Year	51,251	16,382	-
Reclassification	-	-	-
Sales during the Year	-326,827	-	-
	348,054	623,630	607,248
of which: Listed Securities on the stock exchange	-	-	-
Unlisted Securities	348,054	623,630	607,248

Accumulated impairments	31/12/2018	31/12/2017	01/01/2017
Reclassification (due to transition to IFRS/RFR 2)	-	-	-383,521
At the beginning of the Year	-423,006	-383,521	-
Reversed impairments for the Year attributable to sales	310,143	-	-
Reclassification	-	-	-
Reversals for the Year	-	-	-
Impairments for the Year	-78,871	-39,485	-
Total impairments at Year-end	-191,733	-423,006	-383,521
Book value at Year-end	156,320	200,624	223,727

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

31/12/2018			Partic- ipating interest %	Number of shares	Share of votes and capital %	Acquisition value
Affiliated companies	Sector	Business activities				
<i>Company, Corporate ID and registered office</i>						
Africa						
Addis Cardiac Hospital Plc, Ethiopia	Health	Hospital	36.2	9,234	36.0	7,600
Gamma Knife Center S.A.F, Egypt	Health	Radiation knife clinic	24.3	27,000	24.3	6,756
Green Investment Asia Sustainable Fund I, Mauritius	Energy & Climate	Fund	28.5	443,170	28.5	38,585
Kinyeti Venture Capital Ltd, South Sudan	Financial Institutions	Investment company	49.0	1,470	49.0	4,951
Emerald Addis Hotels plc, Ethiopia	Manufacturing & Service	Hotel	27.0	46	27.0	23,399
Elgon Road Development Ltd, Kenya	Manufacturing & Service	Hotel	33 ¹	10,080,335	33 ¹	168,788
Total Africa						250,079
Latin America						
Global Medical Investments GMI AB, Latin America	Health	Health care/Man- agement company	48.0	15,408	48.0	97,975
Total Latin America						97,975
TOTAL ACQUISITION VALUE						348,054

¹⁾ 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.)

31/12/2017 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>						
Africa						
Addis Cardiac Hospital Plc, Ethiopia	Health	Hospital	36.2	9,234	36.2	7,600
Addis Quarry Development plc, Ethiopia	Manufacturing & Service	Quarry	27.2	9,236	-	15,150
Gamma Knife Center S.A.F, Egypt	Health	Radiation knife clinic	24.3	27,000	24.3	6,756
Green Investment Asia Sustainable Fund I, Mauritius	Energy & Climate	Fund	28.5	443,170	28.5	38,585
Kinyeti Venture Capital Ltd, South Sudan	Financial Institutions	Investment company	49.0	1,470	49.0	4,951
Emerald Addis Hotels plc, Ethiopia	Manufacturing & Service	Hotel	27.0	46	27.0	23,399
Elgon Road Development Ltd, Kenya	Manufacturing & Service	Hotel	27.2	3,382,908	27.2	117,537
Raffia Holding Ltd, Africa	Manufacturing & Service	Manufacture of cement sacks	100.0	241,465	100.0	285,353
Total Africa						499,331
Asia						
HSF Electro Mechanic Wuxi Ltd, China	Manufacturing & Service	Component factory	40.0	-	-	16,684
Total Asia						16,684
Latin America						
Global Medical Investments GMI AB, Latin America	Health	Health care/Management company	48.0	15,408	48.0	97,975
Total Latin America						97,975
Eastern Europe						
SIA Troll Nursery, Latvia	Manufacturing & Service	Furniture manufacture	24.4	59,789	24.4	9,640
Total Eastern Europe						9,640
TOTAL ACQUISITION VALUE						623,630

NOTE 14 LOANS

	31/12/2018	31/12/2017
Outstanding loan receivables – Gross		
Swedish currency	27,533	32,627
Foreign currency	1,381,834	1,587,792
Total	1,409,367	1,620,419
Accumulated impairments		
At the beginning of the Year	-337,871	-378,021
Transition to IFRS	-71,877	
Of which		
Individual impairment:	-12,678	-5,460
Reversed impairment:	256,353	7,331
Exchange rate/translation differences for the Year	22,866	38,279
Total accumulated impairment	-143,207	-337,871
Reported value	1,266,160	1,282,549

Breakdown of the loan portfolio by countries and currencies

Country	Currency	31/12/2018		31/12/2017	
		Loan amount	Of which, impaired	Loan amount	Of which, impaired
Africa ¹	USD	413,806	-113,302	616,306	-334,706
Africa ¹	EUR	22,508	-7,490	41,049	-
Ethiopia	USD	70,540	-550	-	-
Ethiopia	EUR	35,236	-	98,804	-
Georgia	USD	73,012	-380	82,076	-
Ghana	USD	124,932	-2,436	114,906	-
Global ²	SEK	27,533	-6,883	26,299	-
Cambodia	USD	191,860	-3,741	75,236	-
China	USD	-	-	6,468	-
Mongolia	USD	74,364	-1,450	82,076	-
Nigeria	USD	294,914	-4,388	285,192	-
Pakistan	USD	16,884	-132	28,812	-
Russia	SEK	-	-	6,328	-3,164
Sri Lanka	USD	-	-	424	-
South Africa	ZAR	-	-	1,657	-
Tanzania	USD	26,771	-522	135,425	-
Belarus	USD	-	-	5,680	-
Zimbabwe	USD	37,006	-1,932	13,679	-
Total		1,409,367	-143,207	1,620,419	-337,871

¹⁾ Categorisation Africa refers to co-financing facilities with activities in several African countries.

²⁾ Categorisation Global refers to investment with operations in Africa and Latin America.

Convertible loan receivables and participation loans

Borrowers	Currency	Outstanding loan amounts in currency	Interest and corresponding	Conversion rights
Addis Emerald Hotel	EUR	3,450	Interest and share of profits	Yes
Athi River Steel Plant	USD	11,626	Interest	Yes

NOTE 15 LOANS RECEIVABLE ECL

Loans receivable reported at amortised acquisition value	12-month expected credit losses (Stage 1) ¹	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) ²	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) ²	Purchased or issued credit-impaired loans ²	Total
As at 31 December 2018					
Loans receivable, in accordance with gross amount	1,187,374	38,524	183,469	-	1,409,367
Provision for expected credit losses	- 18,647	- 2,690	- 121,870	-	- 143,207
Amortised acquisition value recognised in the balance sheet	1,168,728	35,834	61,598	-	1,266,160
Provision for expected credit losses loan commitments	2,043	-	-	-	2,043

¹⁾ Expected credit losses evaluated on a collective basis, except for loans receivable to banks.

²⁾ Expected credit losses are evaluated on an individual basis.

Loss Reserve for loans receivable at amortised acquisition value (total) ¹	12-month expected credit losses (Stage 1) ²	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) ³	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) ³	Purchased or issued credit-impaired loans ³	Total
Loss Reserve as of 1 January 2018	19,233	30,141	365,918	-	415,292
Investments in loan receivables	6,186	1,246	13,696	-	21,128
New Loan Commitments	1,504	-	-	-	1,504
Outgoing loan commitments	-4,995	-	-	-	-4,995
Repayments including amortisation	-3,406	-23,259	-	-	-26,665
Written off amounts (recorded loan loss)	-	-	-252,080	-	-252,080
Transfers					
To 12 months of expected credit losses (Stage 1)	2,507	-6,154	-	-	-3,648
Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-11	784	-	-	773
Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
At the end of the Year	21,017	2,757	127,534	-	151,308
Total amount of non-discontinued expected credit loss for credit-impaired loan receivables accrued during the Year				-	
Written off amounts still outstanding, but continuing to be subject to compliance measures					-

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

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

³⁾ Expected credit losses are evaluated on an individual basis.

Gross value of loans receivable at amortised acquisition value (total) ¹	12-month expected credit losses (Stage 1) ²	Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2) ³	Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3) ³	Purchased or issued credit-impaired loans ³	Total
Gross value as at 1 January 2018	935,363	272,171	431,668	-	1,639,202
Investments in loan receivables	346,463	23,867	12,819	-	383,148
Repayments including amortisation	-202,500	-140,321	-	-	-342,822
Written off amounts (recorded loan loss)	-	-	-258,429	-	-258,429
Transfers					
To 12 months of expected credit losses (Stage 1)	128,543	-117,907	-	-	10,636
Expected credit losses for the remaining maturity period – non credit-impaired loans (Stage 2)	-1,465	1,568	-	-	102
Expected credit losses for the remaining maturity period – credit-impaired loans (Stage 3)	-	-	-	-	-
At the end of the Year	1,206,404	39,377	186,057	-	1,431,838

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

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

³ Expected credit losses are evaluated on an individual basis.

Loans receivable reported at amortised acquisition value	Gross value	Reserve for credit losses	Carrying Amount in balance sheet
As at 31 December 2017			
At the beginning of the Year	1,638,212	-376,150	1,262,063
Investments in loan receivables	221,902	-	221,902
Repayments including amortisation	-82,383	-	-82,383
Written off amounts (recorded loan loss)	-	-	0
Other	-	-	0
Translation Differences/Exchange rate differences	-119,033		-119,033
At the end of the Year	1,658,698	-376,150	1,282,549

Expected credit losses

The provision for expected credit losses for loan commitments is based on the extent to which loan commitments are expected to be utilized within 12 months of the balance sheet date. Loan commitments are expected to be utilized to TSEK 261,915.

Loss Reserve is also calculated for short-term investments, cash and bank balances and other anticipated receivables that constitute financial assets. For Intangible Amounts, Swedfund chooses not to post loss reserve. The Gross Value of short-term investments, cash and bank amounts to TSEK 3,726 and the estimated loss reserve amounts to TSEK 2,000 and is deemed to be intangible.

Description of methods for calculating expected credit losses

See also note 22 For more detailed description of the Swedfund loan loss model.

NOTE 16 COLLATERAL RECEIVED

It occurs that Swedfund AB in connection with loan receivables has collateral in the form of buildings, machinery, etc. Given the markets in which Swedfund borrowers operate, these collaterals are not considered to have any value.

NOTE 17 OTHER LONG-TERM SECURITIES

	31/12/2018	31/12/2017	01/01/2017
Shares, EDFI	118	118	118
Shares, EFP	127	127	127
Shares, ICCF	53	53	53
Endowment	-	-	1,368
Book value at year-end	298	298	1,666

Opening balance and closing balance analysis other long-term securities holdings

	31/12/2018		31/12/2017
At the beginning of the Year	298	At the beginning of the Year	1,666
Reclassifications (due to the transition to IFRS/RFR 2)	-	Reclassifications (due to the transition to IFRS/RFR 2)	-1,368
Procurement	-	Procurement	-
Sales/settlements	-	Sales/settlements	-
Reclassifications	-	Reclassifications	-
At the end of the Year	298	At the end of the Year	298

With the transition to IFRS/RFR 2, a reclassification from other long-term securities holdings was made to endowment insurance.

NOTE 18 OTHER RECEIVABLES

	31/12/2018	31/12/2017
Other Receivables	5,799	759
Receivables Depreciation loan (Swedpartnership)	36,142	40,352
Total	41,941	41,111

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2018	31/12/2017
Prepayments	2,231	1,822
Accrued interest income, interest bearing securities	21,681	22,649
Accrued interest income, loan receivables	20,622	27,037
Other accrued income	125	63,267
Total	44,659	114,776

NOTE 20 INTEREST BEARING SECURITIES

31/12/2018

Specification of Securities	Rating	Average maturity, year	Gross value	Reserve for expected credit losses (Stage 1)	Reported value
Bills	AAA	-	-	-	-
Government bond	AAA	2.50	503,003	-	503,003
Guaranteed bonds	AAA	0.02	1,762,223	-	1,762,223
Covered bonds	AAA	2.29	928,817	-	928,817
Municipal certificate	AA-A	1.12	383,703	-	383,703
Bonds and other interest-bearing securities			3,577,746	-	3,577,746

All Short-term investments are attributed to Stage 1, i.e. there has been no significant credit deterioration since initial recognition.

31/12/2017

Specification of Securities	Rating	Average maturity, year	Gross value	Reserve for expected credit losses (Stage 1)	Reported value
Bills	AAA	0.14	1,544,161	-	1,544,161
Government bond	AAA	2.81	505,023	-	505,023
Guaranteed bonds	AAA	-	-	-	-
Covered bonds	AAA	1.92	871,276	-	871,276
Municipal certificate	AA-A	0.21	389,564	-	389,564
Bonds and other interest-bearing securities			3,310,023	-	3,310,023

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 is therefore not recorded. Upon making the calculation per 31/12/2018, the reserve for expected credit losses amounted to about TSEK 2.

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. As a result of Swedfund's work in developing countries, the possibility of mitigation of risks is limited.

Through these activities, Swedfund is exposed to different types of financial risks. The Company's overall risk management focuses on the unpredictability of financial markets and aims to minimise potential adverse effects on the Company's financial performance. The Company's management of financial risks is regulated by a Finance policy approved by the Board. The Finance policy contains, inter alia, rules for which financial reporting, including risk exposure and sensitivity analysis, 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. In order to limit the financial risks arising in Swedfund operations in connection with their lending in for-

eign currency, corresponding borrowing is made from Swedish Export credit (SEK). Borrowing on the market can be made after a decision by the Board. Such borrowings have not taken place.

Risk management

The Company's overall objective is to minimise financial risks wherever economically and practically feasible.

Insofar as risk management is concerned, Swedfund operates according to a number of basic principles, e.g.:

- Swedfund shall have a low debt-to-equity ratio
- Swedfund shall maintain a satisfactory liquidity buffer/available funds
- Financial risks should be minimised wherever financially and practically feasible
- Mitigation of risk, where possible, should be applied to its risk exposure
- Only loan investments should be hedged

Swedfund Board of Directors has established risk limits applicable to the Company's financial policy for exposure to liquidity risk, currency risk and interest rate risk. In addition, restrictions on country and counterparty exposure have been established.

Note 21 (cont.)

The Company's financial transactions and risks are managed on an ongoing basis by the Swedfund investment organisation and finance department together. The Finance Department looks after current borrowing from SEK with respect to the hedging of currency and interest, liquidity management and reporting of financial risks to the Board.

Swedfund classifies financial risks as:

- Credit risk
- Interest Rate Risk
- Currency risk
- Liquidity risk
- Market price risk in listed capital instruments

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 in relation to the Company's loans receivable and loan liabilities to SEK.

Risk management

Swedfund shall, if possible, use short fixation periods on both loans and borrowings and on the placement of liquid funds. To the extent that the business requires longer fixation periods on loans, these should be matched against longer fixation periods on borrowing.

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 – Fixation period

The Duration of Swedfund total interest exposure may not exceed 18 months. Average fixation period is 4.4 months as per 31/12/2018. See also table below.

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, 31/12/2018, would have an impact on profit before tax of +/- TSEK 1,118.

A calculation of the effects on the short-term investments 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 -37,916. However, the short terms in the investment portfolio (see also note 20 and note 23) is why the probability of this scenario is limited.

Fixation period loans and borrowings

31/12/2018	Total	0-3 months	3-6 months	7-12 months	>1-2 years	>2-3 years	>3-5 years	5-10 years
Lending	1,266,160	281,691	1,002,535	-25,067	866	866	1,859	3,410
Borrowing	-1,297,455	-324,089	-973,366	-	-	-	-	-
Net	-31,296	-42,398	29,169	-25,067	866	866	1,859	3,410

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 mutual fund units. In contrast, currency risks are hedged if they are attributable to investments through loans receivable. The

Exposure from assets and liabilities in foreign currency is hedged by borrowing from SEK where the essential parameters are "mirrored" as far as possible (currency, maturity, fixation period and amortisation structure).

Swedfund's greatest exposure is to the USD, but it also has a significant exposure to EUR, see table below.

Sensitivity analysis – Exchange rate risk

A change of +/- 10% in the Swedish krona against other currencies as at 31 December 2018 would entail a change in equity before tax of TSEK +/- 4,097 and profit before tax of TSEK +/- 8,181. The Sensitivity analysis is based on all other factors (e.g. interest) remaining unchanged.

Currency risk exposure

31/12/2018	Reported values in TSEK				
	USD	EUR	ZAR	KES	BOB
Assets					
Shares and fund units	1,007,406	254,145	-	-	-
Shares in group companies, associates and joint ventures	60,536	58,030	-	-	-
Loans receivable	1,195,174	50,525			-
Other long-term securities	-	298	-	-	-
Prepaid expenses and accrued income	20,462	1,484			
Interest bearing securities	-	-	-	-	-
Cash and bank balances	578	109	875	18	54
Total assets	2,284,156	364,591	875	18	54
Liabilities					
Liabilities to credit institutions	1,268,348	27,561	1,548	-	-
Accrued expenses and deferred income	12,983	43	67	-	-
Total liabilities	1,281,331	27,604	1,615	-	-

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. Furthermore, the finance policy also provides for liquidity to be available to finance investments which have been decided on, but where contracts with the counterparty have not yet been signed. The remaining liquidity represents a surplus and is intended to cover new future investments, unforeseen events and the Company's operating costs.

Market Price risk**Definition**

Two of Swedfund shareholdings are with respect to operations whose shares are listed on a foreign marketplace. Their Fair Value per 31/12/2018 amounted to TSEK 73,315. In connection with the valuation of the shares at fair value, these holdings are exposed to market price risk.

Sensitivity Analysis – Market price risk

A possible change in exchange rates by +/- 10 percentage points for these holdings would affect the group's reported earnings by +/- TSEK 7,331. The book value of Swedfund assets would also be affected in the same way as both holdings are accounted for in amounts below the acquisition value by more than 10%.

NOTE 22 FINANCIAL INSTRUMENTS**Valuation of financial assets and liabilities as at 31/12/2018**

	Financial assets and liabilities valued on the basis of the acquisition value				Fair value
	Loans receivable	Other Financial assets	Other financial liabilities	Total Carrying Amount	
Financial assets					
Shares and fund units	-	1,296,005	-	1,296,005	1,735,323
Shares in group companies, associates and joint ventures	-	156,320	-	156,320	242,227
Loans receivable	1,266,160	-	-	1,266,160	1,266,160
Endowment	-	1,063	-	1,063	1,063
Other long-term securities	-	298	-	298	298
Accounts receivables	15,126	-	-	15,126	15,126
Other receivables	-	41,941	-	41,941	41,941
Prepaid expenses and accrued income	26,667	17,991	-	44,659	44,659
Interest bearing securities	3,577,746	-	-	3,577,746	3,604,797
Cash and bank balances	102,977	-	-	102,977	102,977
Retained funds on behalf of others	-	45,734	-	45,734	45,734
Total	4,988,676	1,559,352	-	6,548,028	7,100,304
Financial Liabilities					
Liabilities to credit institutions	-	-	1,297,455	1,297,455	1,297,455
Accounts payable	-	-	3,390	3,390	3,390
Other liabilities	-	-	80,042	80,042	80,042
Accrued expenses and deferred income	-	-	128,835	128,835	128,835
Total	-	-	1,509,722	1,509,722	1,509,722

Valuation of financial assets and liabilities as at 31/12/2017

	Financial assets and liabilities valued on the basis of the acquisition value				Fair value
	Loans receivable	Other Financial assets	Other financial liabilities	Total Carrying Amount	
Financial assets					
Shares and fund units	-	879,900	-	879,900	1,214,826
Shares in group companies, associates and joint ventures	-	200,624	-	200,624	261,075
Loans receivable	1,282,549	-	-	1,282,549	1,282,549
Endowment	-	1,217	-	1,217	1,217
Other long-term securities	-	298	-	298	298
Accounts receivables	3,832	-	-	3,832	3,832
Other receivables	-	41,111	-	41,111	41,111
Prepaid expenses and accrued income	28,193	86,582	-	114,776	114,776
Interest bearing securities	3,310,023	-	-	3,310,023	3,343,267
Cash and bank balances	91,388	-	-	91,388	91,388
Retained funds on behalf of others	-	36,569	-	36,569	36,569
Total	4,715,985	1,246,301	-	5,962,286	6,390,906
Financial Liabilities					
Liabilities to credit institutions	-	-	1,211,423	1,211,423	1,211,423
Accounts payable	-	-	2,979	2,979	2,979
Other liabilities	-	-	83,324	83,324	83,324
Accrued expenses and deferred income	-	-	86,972	86,972	86,972
Total	-	-	1,384,697	1,384,697	1,384,697

Valuation of financial assets and liabilities as at 01/01/2017

	Financial assets and liabilities valued on the basis of the acquisition value				Fair value
	Loans receivable	Other Financial assets	Other financial liabilities	Total Carrying Amount	
Financial assets					
Shares and fund units	-	766,616	-	766,616	1,058,422
Shares in group companies, associates and joint ventures	-	223,727	-	223,727	291,139
Loans receivable	1,260,191	-	-	1,260,191	1,260,191
Endowment	-	1,369	-	1,369	1,369
Other long-term securities	-	297	-	297	297
Accounts receivables	2,439	-	-	2,439	2,439
Other receivables	-	39,915	-	39,915	39,915
Prepaid expenses and accrued income	23,710	25,548	-	49,258	49,258
Interest bearing securities	3,008,035	-	-	3,008,035	3,044,830
Cash and bank balances	59,021	-	-	59,021	59,021
Retained funds on behalf of others	-	36,437	-	36,437	36,437
Total	4,353,396	1,093,909	-	5,447,305	5,843,317
Financial Liabilities					
Liabilities to credit institutions	-	-	1,177,121	1,177,121	1,177,121
Accounts payable	-	-	2,221	2,221	2,221
Other liabilities	-	-	74,096	74,096	74,096
Accrued expenses and defrred income	-	-	52,163	52,163	52,163
Total	-	-	1,305,601	1,305,601	1,305,601

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 used, input data are based on market data at 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 accounts receivable, other receivables, liquid funds, trade payables and other liabilities constitutes a reasonable approximation of fair value.

Note 22 (cont.)

The table below shows financial instruments valued at fair value, based on how the classification in the fair value hierarchy has been made. The different 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.

Valuation techniques and significant unobservable inputs

For recurring and non-recurring fair value measurements entered at Level 2 and Level 3 of fair value hierarchy, according to IFRS, a description of the valuation technique or valuation techniques and the inputs used in the valuation to 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

Loan receivables are segmented into financial and non-financial corporations. The methodology for credit loss provisioning in Stage 1 for non-financial corporations is based on historical credit loss percentage combined with forward-looking factors. Financial corporations 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.

Short-Term investments and cash and bank balances

Short-Term investments and liquid funds consist of bonds to the municipality and the state and liquid funds that are essentially bank deposits in investment grade rating banks. Short-Term investments and liquid funds 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.

Current Receivables and Liabilities

For current receivables and liabilities, such as accounts receivable and accounts payable, with a lifespan of less than six months, the carrying amount is considered to reflect fair value.

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.

Assets and liabilities valued at fair value**31/12/2018****Financial assets**

	Level 1	Level 2	Level 3	Total
Shares and fund units	73,315	-	1,662,008	1,735,323
Shares in group companies, associates and joint ventures	-	-	242,227	242,227
Loans receivable	-	-	1,266,160	1,266,160
Endowment	-	1,063	-	1,063
Other long-term securities	-	298	-	298
Accounts receivables	-	15,126	-	15,126
Other receivables	-	41,941	-	41,941
Prepaid expenses and accrued income	-	44,659	-	44,659
Interest bearing securities	3,604,797	-	-	3,604,797
Cash and bank balances	-	102,977	-	102,977
Retained funds on behalf of others	-	45,734	-	45,734
Total	3,678,112	251,797	3,170,395	7,100,304

Financial Liabilities

Liabilities to credit institutions	-	1,297,456	-	1,297,456
Accounts payable	-	3,390	-	3,390
Other liabilities	-	80,042	-	80,042
Accrued expenses and deferred income	-	128,835	-	128,835
Total	-	1,509,722	-	1,509,722

Assets and liabilities valued at fair value**31/12/2017****Financial assets**

	Level 1	Level 2	Level 3	Total
Shares and fund units	61,804	-	1,153,022	1,214,826
Shares in group companies, associates and joint ventures	-	-	261,075	261,075
Loans receivable	-	-	1,282,549	1,282,549
Endowment	-	1,217	-	1,217
Other long-term securities	-	298	-	298
Accounts receivables	-	3,832	-	3,832
Other receivables	-	41,111	-	41,111
Prepaid expenses and accrued income	-	114,776	-	114,776
Interest bearing securities	3,343,267	-	-	3,343,267
Cash and bank balances	-	91,388	-	91,388
Retained funds on behalf of others	-	36,569	-	36,569
Total	3,405,071	289,190	2,696,645	6,390,906

Financial Liabilities

Liabilities to credit institutions	-	1,211,423	-	1,211,423
Accounts payable	-	2,979	-	2,979
Other liabilities	-	83,324	-	83,324
Accrued expenses and deferred income	-	86,972	-	86,972
Total	-	1,384,697	-	1,384,697

NOTE 23 MATURITY PERIOD ANALYSIS

31/12/2018 Maturity Period Information	Non-discounted cash flows – contractual remaining maturity period										
Contractual remaining maturity period (non- discounted value) and the expected time of recovery	On de- mand	< 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	Without Maturity Period	Total Nominal Cash Flows	
Assets											
Shares and fund units	-	-	-	-	-	-	-	-	1,296,005	1,296,005	
Shares in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	156,320	156,320	
Loans receivable	-	26,881	83,633	101,681	291,921	255,451	337,381	169,213	-	1,266,160	
Endowment	-	-	-	-	-	-	-	-	1,063	1,063	
Other long-term securities	-	-	-	-	-	-	-	-	298	298	
Accounts receivables	-	15,126	-	-	-	-	-	-	-	15,126	
Other receivables	-	41,941	-	-	-	-	-	-	-	41,941	
Prepaid expenses and accrued income	-	44,659	-	-	-	-	-	-	-	44,659	
Interest bearing securities	-	2,023,830	426,852	140,503	348,595	542,097	95,867	-	-	3,577,746	
Cash and bank balances	102,977	-	-	-	-	-	-	-	-	102,977	
Retained funds on behalf of others	45,734	-	-	-	-	-	-	-	-	45,734	
Total	148,710	2,152,437	510,485	242,185	640,516	797,548	433,248	169,213	1,453,686	6,548,028	
Liabilities											
Liabilities to credit institutions	-	26,521	55,601	126,569	294,637	334,459	383,433	76,234	-	1,297,455	
Accounts payable	-	3,390	-	-	-	-	-	-	-	3,390	
Other liabilities	-	80,042	-	-	-	-	-	-	-	80,042	
Accrued expenses and de- ferred income	-	128,835	-	-	-	-	-	-	-	128,835	
Total	-	238,788	55,601	126,569	294,637	334,459	383,433	76,234	-	1,509,722	
Off-balance sheet commitments											
Unrecognised loan commit- ments	-	118,378	45,549	97,988	11,155	-	-	-	85,775	358,844	
Operating leases	-	1,157	1,157	2,315	2,742	2,742	2,742	-	-	12,856	
Total	-	119,535	46,706	100,303	13,897	2,742	2,742	-	85,775	371,700	

31/12/2017
Maturity Period
Information

Maturity Period Information	Non-discounted cash flows – contractual remaining maturity period									
Contractual remaining maturity period (non-discounted value) and the expected 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	Without Maturity Period	Total Nominal Cash Flows
Assets										
Shares and fund units	-	-	-	-	-	-	-	-	879,900	879,900
Shares in group companies, associates and joint ventures	-	-	-	-	-	-	-	-	200,624	200,624
Loans receivable	-	30,619	25,830	74,008	208,286	221,572	455,241	266,994	-	1,282,549
Endowment	-	-	-	-	-	-	-	-	1,217	1,217
Other long-term securities	-	-							298	298
Accounts receivables	-	3,832	-	-	-	-	-	-	-	3,832
Other receivables	-	41,111	-	-	-	-	-	-	-	41,111
Prepaid expenses and accrued income	-	114,776	-	-	-	-	-	-	-	114,776
Interest bearing securities	-	1,505,312	440,606	98,797	610,685	358,397	256,173	40,054	-	3,310,023
Cash and bank balances	91,388	-	-	-	-	-	-	-	-	91,388
Retained funds on behalf of others	36,569	-	-	-	-	-	-	-	-	36,569
Total	127,957	1,695,649	466,435	172,805	818,971	579,969	711,414	307,048	1,082,039	5,962,288
Liabilities										
Liabilities to credit institutions	-	15,834	38,980	100,735	183,707	215,593	427,627	228,947	-	1,211,423
Accounts payable	-	2,979	-	-	-	-	-	-	-	2,979
Other liabilities	-	83,324	-	-	-	-	-	-	-	83,324
Accrued expenses and deferred income	-	86,972	-	-	-	-	-	-	-	86,972
Total	-	189,109	38,980	100,735	183,707	215,593	427,627	228,947	-	1,384,697
Off-balance sheet commitments										
Unrecognised loan commitments	-	46,504	39,496	27,347	23,933	-	-	-	283,500	420,781
Operating leases	-	1,154	1,154	2,309	3,076	3,076	6,151	-	-	16,920
Total	-	47,658	40,650	29,656	27,009	3,076	6,151	-	283,500	437,701

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 committed direct pension secured through endowment insurance. The endowment insurance is pledged in favour of the pension obligation.

The Pension obligation is exclusively dependent on the value of the endowment insurance, recognised as a financial fixed asset. Provision for pension obligations does not constitute a provision for a pension under the guarantee law.

	31/12/2018 Endowment insurance	31/12/2017 Endowment insurance	01/01/2017 Endowment insurance
At the beginning of the Year	1,217	1,369	-
Reclassification from other long-term securities holdings to endowment insurance (due to transition to IFRS/RFR 2)	-	-	1,369
Pension	-	-	-
Premium Payout	-234	-223	-
Change in value	80	71	-
At the end of the Year	1,063	1,217	1,369
Fair Value of Endowment insurance	1,063	1,217	1,369

NOTE 26 OTHER PROVISIONS

Provision for expected credit losses on loan commitments	31/12/2018	31/12/2017
Carrying amount at beginning of period	-	-
Transition to IFRS	5,534	-
Provisions made during the period	1,492	-
Amounts paid out during the period	-4,986	-
Unutilised amounts reversed during the period	-9	-
Increase during the period of discounted amounts	12	-
Other	-	-
Carrying amount at end of period	2,043	-

In the Annual report for 2017, no provisions were made for expected credit losses on loan commitments.

NOTE 27 CREDIT RISK EXPOSURE

Credit risk exposure gross and net 31/12/2018	Credit risk exposure (before impairment)	Impairment / Provision	Reported value	Credit risk exposure with respect to collateral	Guaranteed collateral
Cash and balances with banks	148,711	-	148,711	148,711	-
Loans receivable	1,409,367	-143,207	1,266,160	1,266,160	-
Bonds and other interest-bearing securities					
Government securities and other public bodies					
AAA	2,648,929	-	2,648,929	2,648,929	-
Other issuers					
AAA	928,817	-	928,817	928,817	-
	3,577,746	-	3,577,746	3,577,746	-
Total	5,135,824	-143,207	4,992,617	4,992,617	-
Other assets					
Issued loan commitments	358,844	-2,043	356,801	356,801	-
Total	358,844	-2,043	356,801	356,801	-
Total credit risk exposure	5,494,668	-145,250	5,349,418	5,349,418	-

Credit risk exposure gross and net 31/12/2017	Credit risk exposure (before impairment)	Impairment / Provision	Reported value	Credit risk exposure with respect to collateral	Guaranteed collateral
Cash and balances with banks	127,957	-	127,957	127,957	-
Loans receivable	1,620,419	-337,871	1,282,549	1,282,549	-
Bonds and other interest-bearing securities					
Government Securities and other public bodies					
AAA	2,438,747	-	2,438,747	2,438,747	-
Other issuers					
AAA	871,276	-	871,276	871,276	-
	3,310,023	-	3,310,023	3,310,023	-
Total	5,058,399	-337,871	4,720,528	4,720,528	-
Other assets					
Issued loan commitments	420,781	-	420,781	420,781	-
Total	420,781	-	420,781	420,781	-
Total credit risk exposure	5,479,180	-337,871	5,141,309	5,141,309	-

Concentration of credit risk	31/12/2018			31/12/2017		
	Number Of Borrowers	% total number of borrowers	% share of carrying amount	Number Of Borrowers	% total number of borrowers	% share of carrying amount
Loans receivable						
Exposure < SEK 50 million	11	50	17	14	56	19
Exposure 50 – 100 Million	7	32	40	8	32	48
Exposure > SEK 100 million	4	18	43	3	12	33
Total	22	100	100	25	100	100

The three largest borrowers account for 34% (33%) of loans receivable.

NOTE 28 OTHER LIABILITIES

	31/12/2018	31/12/2017
Accounts payable	3,390	2,979
Income tax liabilities	9,814	9,449
Personnel withholding tax	1,210	1,042
Other liabilities	78,832	82,282
Total	93,246	95,752

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

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2018	31/12/2017
Accrued holiday pay	2,739	2,633
Accrued social security expenses	3,816	3,574
Accrued interest expenses, liabilities to credit institutions	13,038	7,462
Other accrued expenses	12,411	2,285
Deferred income (Technical Assistance, Swedpartnership, Swedfund Project Accelerator)	96,831	71,018
Total	128,835	86,972

NOTE 30 PLEDGED COLLATERAL

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

	31/12/2018	31/12/2017
Bonds and other securities	1,464,211	1,246,466
Bank bills	413	227
Total	1,464,624	1,246,693

Other pledged assets and equivalent collateral

	31/12/2018	31/12/2017
Pledged endowment insurance	1,063	1,217
Total	1,063	1,217

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	31/12/2018	31/12/2017
Contracted unpaid portfolio commitments	1,272,666	1,012,861
Total	1,272,666	1,012,861

NOTE 32 ADJUSTMENTS FOR NON-CASH ITEMS, ETC.

Adjustments for items not included in cash flow	31/12/2018	31/12/2017
Depreciation, amortisation and impairments	93,575	83,863
Unrealised exchange rate differences	-22,962	-13,204
Sale of fixed assets	-18,496	-131,225
Other non-cash items	-3,636	-152
Total	48,481	-60,717

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 president and other senior executives, see note 6.

In addition, no transactions have taken place between Swedfund and related parties that have substantially affected the Company's position and performance.

NOTE 34 TRANSITION TO IFRS (RFR2)

From 1 January 2018, Swedfund AB establishes its financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). Furthermore, the Financial Reporting Council and its recommendation RFR2 Supplementary accounting rules for legal persons have been applied. The date of the Company's transition to IFRS is 1 January 2017.

The effect of the change of accounting principle shall be recognised directly in equity. Previously published financial informa-

tion for the financial year 2017, prepared in accordance with the Annual Accounts Act and BFNAR 2012:1 (K3), has been restated to IFRS (RFR2). Financial information relating to financial years prior to 2017 has not been restated. The transition has not led to any effect upon the financial statements beyond certain reclassifications in both the Income statement and Balance sheet.

The Accounting Principles listed in note 1 have been applied with preparation of the 2018 Annual Report and for comparative information.

Starting Balance sheet 01/01/2017

Amounts in TSEK	Previous Principles	Total adjustments		IFRS/RFR 2
		Reclassifications	IFRS/RFR 2 - adjustments	
ASSETS				
Tangible Fixed Assets				
<i>Land and buildings</i>				
Improvement expenditure on leasehold	2,155	-	-	2,155
Equipment	1,877	-	-	1,877
	4,032	-	-	4,032
Financial fixed assets				
Shares and fund units	-	766,616	-	766,616
Shares in group companies, associates and joint ventures	-	223,727	-	223,727
Loans receivable	-	1,260,191	-	1,260,191
Endowment	-	1,369	-	1,369
Other long-term securities	1,666	-1,369	-	297
Deferred tax assets	10,100	-	-	10,100
Total fixed assets	15,798	2,250,534	-	2,266,332
Current assets				
Other shares and fund units	990,343	-990,343	-	-
Loans receivable	1,260,191	-1,260,191	-	-
Accounts receivables	2,439	-	-	2,439
Other receivables	39,915	-	-	39,915
Prepaid expenses and accrued income	49,258	-	-	49,258
	2,342,146	-2,250,534	-	91,612
Interest bearing securities	3,008,035	-	-	3,008,035
Cash and bank balances	95,458	-36,437	-	59,021
Retained funds on behalf of others	-	36,437	-	36,437
Total current assets	5,445,639	-2,250,534	-	3,195,105
TOTAL ASSETS	5,461,437	-	-	5,461,437

Note 34 (cont.)

Starting Balance Sheet 01/01/2017 (cont.)

Amounts in TSEK	Previous Principles	Total adjustments		IFRS/RFR 2
		Reclassifications	IFRS/RFR 2 - adjustments	IFRS/RFR 2
EQUITY AND LIABILITIES				
Equity				
Share capital	50,000	-	-	50,000
Statutory reserve	540,000	-	-	540,000
	590,000	-	-	590,000
Accumulated profit/loss	3,597,288	-	-	3,597,288
Profit/loss for the Year	-42,636	-	-	-42,636
Total equity	4,144,652	-	-	4,144,652
Liabilities				
Provisions				
Provisions for pension obligations	1,369	-	-	1,369
Long-term liabilities				
Liabilities to credit institutions	881,363	-	-	881,363
	882,732	-	-	882,732
Current liabilities				
Liabilities to credit institutions, current part	295,758	-	-	295,758
Accounts payable	2,221	-	-	2,221
Income tax liabilities	9,815	-	-	9,815
Other liabilities	74,096	-	-	74,096
Accrued expenses and deferred income	52,163	-	-	52,163
	434,053	-	-	434,053
Total liabilities	1,316,785	-	-	1,316,785
TOTAL EQUITY/LIABILITIES	5,461,437	-	-	5,461,437

Balance sheet 31/12/2017

Amounts in TSEK	Previous Principles	Total adjustments		IFRS/RFR 2
		Reclassifications	IFRS/RFR 2 - adjustments	
ASSETS				
Tangible Fixed Assets				
Land and buildings				
Improvement expenditure on leasehold	1,724	-	-	1,724
Equipment	1,332	-	-	1,332
	3,056	-	-	3,056
Financial fixed assets				
Shares and fund units	-	879,900	-	879,900
Shares in group companies, associates and joint ventures	-	200,624	-	200,624
Loans receivable	-	1,282,549	-	1,282,549
Endowment	-	1,217	-	1,217
Other long-term securities	1,514	-1,217	-	298
Deferred tax assets	528	-	-	528
Total fixed assets	5,098	2,363,073	-	2,368,171
Current assets				
Other shares and fund units	1,080,524	-1,080,524	-	-
Loans receivable	1,282,549	-1,282,549	-	-
Accounts receivables	3,832	-	-	3,832
Other receivables	41,111	-	-	41,111
Prepaid expenses and accrued income	114,776	-	-	114,776
	2,522,792	-2,363,073	-	159,718
Interest bearing securities	3,310,023	-	-	3,310,023
Cash and bank balances	127,957	-36,569	-	91,388
Retained funds on behalf of others	-	36,569	-	36,569
Total current assets	5,960,772	-2,363,073	-	3,597,698
TOTAL ASSETS	5,965,869	-	-	5,965,869

Note 34 (cont.)

Balance sheet 31/12/2017 (cont.)

Amounts in TSEK	Previous Principles	Total adjustments		IFRS/RFR 2
		Reclassifications	IFRS/RFR 2 - adjustments	IFRS/RFR 2
EQUITY AND LIABILITIES				
Equity				
Share capital	50,000	-	-	50,000
Statutory reserve	540,000	-	-	540,000
	590,000	-	-	590,000
Accumulated profit/loss	3,954,652	-	-	3,954,652
Profit/loss for the Year	25,854	-	-	25,854
Total equity	4,570,506	-	-	4,570,506
Liabilities				
Provisions				
Provisions for pension obligations	1,217	-	-	1,217
Long-term liabilities				
Liabilities to credit institutions	1,057,355	-	-	1,057,355
	1,058,572	-	-	1,058,572
Current liabilities				
Liabilities to credit institutions, current part	154,068	-	-	154,068
Accounts payable	2,979	-	-	2,979
Income tax liabilities	9,449	-	-	9,449
Other liabilities	83,324	-	-	83,324
Accrued expenses and deferred income	86,972	-	-	86,972
	336,792	-	-	336,792
Total liabilities	1,395,364	-	-	1,395,364
TOTAL EQUITY/LIABILITIES	5,965,869	-	-	5,965,869

Balance sheet 01/01/2018

Amounts in TSEK	IFRS/RFR 2	New Accounting Standards		IFRS/RFR 2
		Reclassifica- tions	IFRS 9, Expected Credit Losses ¹	
ASSETS				
Tangible Fixed Assets				
<i>Land and buildings</i>				
Improvement expenditure on leasehold	1,724	-	-	1,724
Equipment	1,332	-	-	1,332
	3,056	-	-	3,056
Financial fixed assets				
Shares and fund units	879,900	-	-	879,900
Shares in group companies, associates and joint ventures	200,624	-	-	200,624
Loans receivable	1,282,549	-	-71,877	1,210,672
Endowment	1,217	-	-	1,217
Other long-term securities	298	-	-	298
Deferred tax assets	528	-	-	528
Total fixed assets	2,368,171	-	-71,877	2,296,294
Current assets				
Accounts receivables	3,832	-	-	3,832
Other receivables	41,111	-	-	41,111
Prepaid expenses and accrued income	114,776	-	-	114,776
	159,718	-	-	159,718
Interest bearing securities	3,310,023	-	-	3,310,023
Cash and bank balances	91,388	-	-	91,388
Retained funds on behalf of others	36,569	-	-	36,569
Total current assets	3,597,698	-	-	3,597,698
TOTAL ASSETS	5,965,869	-	-71,877	5,893,992

¹⁾ For further information on the changes due to new accounting standards, see note 1

Note 34 (cont.)

Balance sheet 01/01/2018 (cont.)

Amounts in TSEK	New Accounting Standards			IFRS/RFR 2
	IFRS/RFR2	Reclassifica- tions	IFRS 9, Expected Credit Losses ¹	
EQUITY AND LIABILITIES				
Equity				
Share capital	50,000	-	-	50,000
Statutory reserve	540,000	-	-	540,000
	590,000	-	-	590,000
Accumulated profit/loss	3,954,652	-	-77,411	3,877,241
Profit/loss for the Year	25,854	-	-	25,854
Total equity	4,570,506	-	-77,411	4,493,095
Liabilities				
Provisions				
Provisions for pension obligations	1,217	-	-	1,217
Other provisions	-	-	5,534	5,534
Long-term liabilities				
Liabilities to credit institutions	1,057,355	-	-	1,057,355
	1,058,572	-	5,534	1,064,106
Current liabilities				
Liabilities to credit institutions, current part	154,068	-	-	154,068
Accounts payable	2,979	-	-	2,979
Income tax liabilities	9,449	-	-	9,449
Other liabilities	83,324	-	-	83,324
Accrued expenses and deferred income	86,972	-	-	86,972
	336,792	-	-	336,792
Total liabilities	1,395,364	-	5,534	1,400,898
TOTAL EQUITY/LIABILITIES	5,965,869	-	-71,877	5,893,992

¹⁾ For further information on the changes due to new accounting standards, see note 1**NOTE 35 EVENTS AFTER THE BALANCE SHEET DATE**

No significant events occurred after the balance sheet date.

NOTE 36 PROPOSAL FOR UTILISATION OF PROFIT

	31/12/2018	31/12/2017
The following funds are at the disposal of the Annual General Meeting:		
Accumulated profit/loss	3,903,095,227	3,554,651,729
Recapitalisation	600,000,000	400,000,000
Profit/loss for the Year	-64,961,943	25,854,371
	4,438,133,284	3,980,506,100
is distributed as follows		
To be carried over	4,438,133,284	3,980,506,100
	4,438,133,284	3,980,506,100

Corporate governance report

Corporate governance in Swedfund

Swedfund belongs to the group of companies which have a specifically adopted societal mission. 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 Code of Corporate Governance ("the Code") and presents non-conformities for the financial year 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 company 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 instruction 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. The company's policies form a key part of the company's values and are continually being incorporated into working methods and agreements. Read more about the further development of policies on pages 50-51. 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 impact on the working methods that are followed in different ways.

The Code of Conduct

The Code forms part of the state's corporate governance framework. Swedfund follows the Code of Conduct in accordance with the owner's guidelines.

Deviations from the Code

Swedfund deviated from the provisions of the Code during the 2018 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 the meeting and the appointment of auditors are based on the principles set out in the state's ownership policy.

(ii) The board of directors' independence in relation to the owner. In accordance with the state's ownership policy, Swedfund does not report whether or not board members are independent of the owner.

(iii) Remuneration committee. The board of directors has instead opted to carry out this task.

Corporate governance amongst the portfolio companies

As regards equity investments, Swedfund 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 monitoring take place through, amongst other things, board work, self-evaluations and ESG advocacy work. The management of Swedfund's investments involves incorporating Swedfund's requirements and policies in investment agreements as and where appropriate. Information on the development of the portfolio

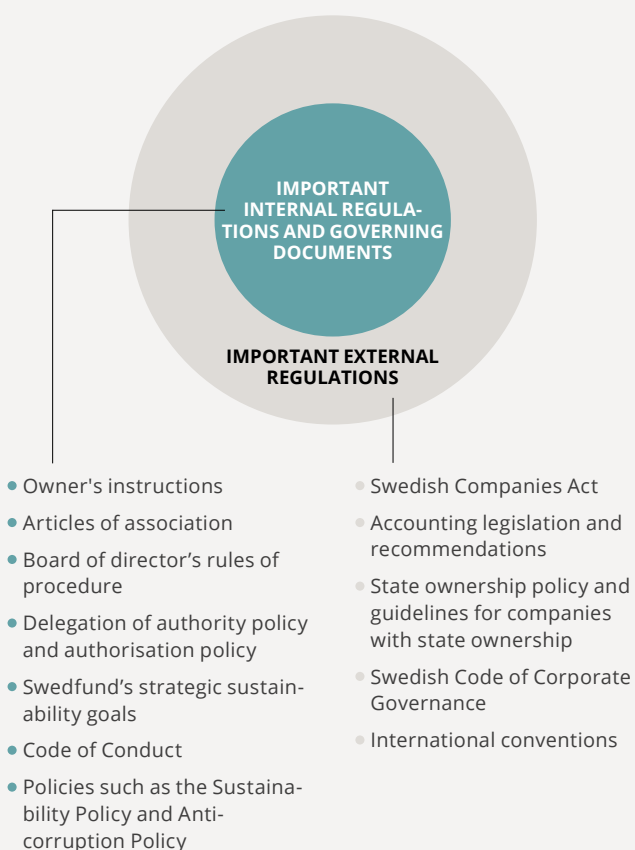
companies is obtained through regular owner dialogues, the follow-up of annual reports and other agreed information

Read about Swedfund's work relating to ESG issues in the portfolio companies and how Swedfund creates value on pages 44-45 and pages 14-15 respectively. Swedfund strives to maintain an active dialogue with various stakeholders such as owners, business partners, civil society organisations, trade unions and media representatives. Read Swedfund's stakeholder and materiality analysis on pages 142-143.

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 the Postal and Inrikestidningar gazette and on Swedfund's website. A Member of Parliament has the right to be present at the meeting and to ask the company questions during the meeting. The meetings are also normally open to the general public.

GOVERNING DOCUMENTS



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 of directors and auditors
- determination of fees to the board of directors and auditors
- amendments to the articles of association
- Owner's instruction for the organisation, including mission objectives and financial goals
- remuneration guidelines for the senior management

Annual General Meeting 2018

Swedfund's annual general meeting was held on 27 April 2018. Minutes from annual general meetings are available on Swedfund's website. Board members Björn Börjesson, Charlotte Salford, Hanna Lagercrantz Göran Barsby, Kerstin Borglin, Torgny Holmgren, Mikael Sandström and Fredrik Arp were re-elected as members of the board of directors. Göran Barsby was elected by the general meeting as chair of the board. The annual general meeting re-elected audit firm Ernst & Young AB as auditor, with Jennifer Rock-Baley as lead auditor. In addition, the annual general meeting adopted the income statement and balance sheet as at 31 December 2017 and discharged the members of the board of directors and the CEO from liability for the 2017 financial year. The annual general meeting also presented proposals for appropriation of the profit, as well as proposals concerning guidelines for the remuneration of the senior management.

Board of directors

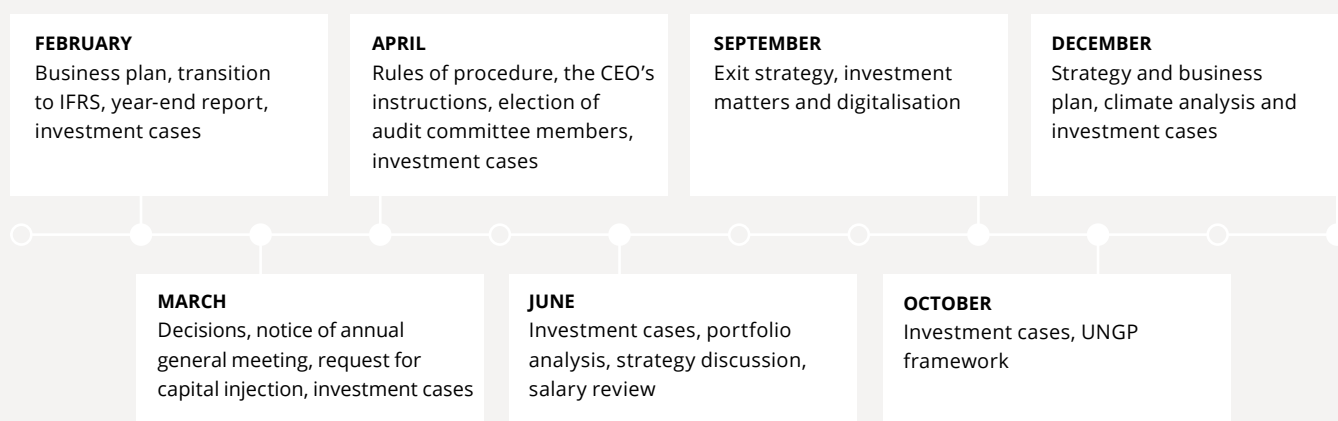
Composition of the board

According to the articles of association, the board of directors must consist of at least six and no more than nine members without deputies. The annual general meeting shall appoint the chair of the board. If the chair leaves his or her post during their term of office, the board of directors must elect a chair from amongst its members for the period through until the end of the general meeting when the new chair is elected by the meeting. As of 31 December 2018, the board of directors consisted of eight members, including three women and five men. 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 136-137.

The board of directors is required to continuously assess the company's financial situation, and ensure that the company achieves the established goals and manages its resources appropriately. The board of directors must ensure that the company's organisation is such that accounting, financial management and the company's financial circumstances generally are subject to satisfactory controls. The board of directors must ensure that the company has effective systems in place for monitoring and controlling the company's operations, and shall keep itself informed and evaluate how the company's internal control systems are functioning. The board of directors 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 business 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 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. The audit committee currently consists of Björn Börjesson (chair), Fredrik Arp and Hanna Lagercrantz.

KEY ISSUES FOR THE BOARD OF DIRECTORS DURING 2018



Attendance at board of directors and audit committee meetings during 2018

Member	Position	Board of directors meetings	Audit committee meetings
Göran Barsby	Chair of the board	11/11	
Fredrik Arp	Member	10/11	7/7
Kerstin Borglin	Member	9/11	
Björn Börjesson	Member, chair of the audit committee	11/11	7/7
Torgny Holmgren	Member	10/11	
Hanna Lagercrantz	Member	10/11	6/7
Charlotte Salford	Member	8/11	
Mikael Sandström	Member	10/11	

Responsibilities and duties of the board of directors

The board of directors is responsible for maximising the development of value in the company, 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

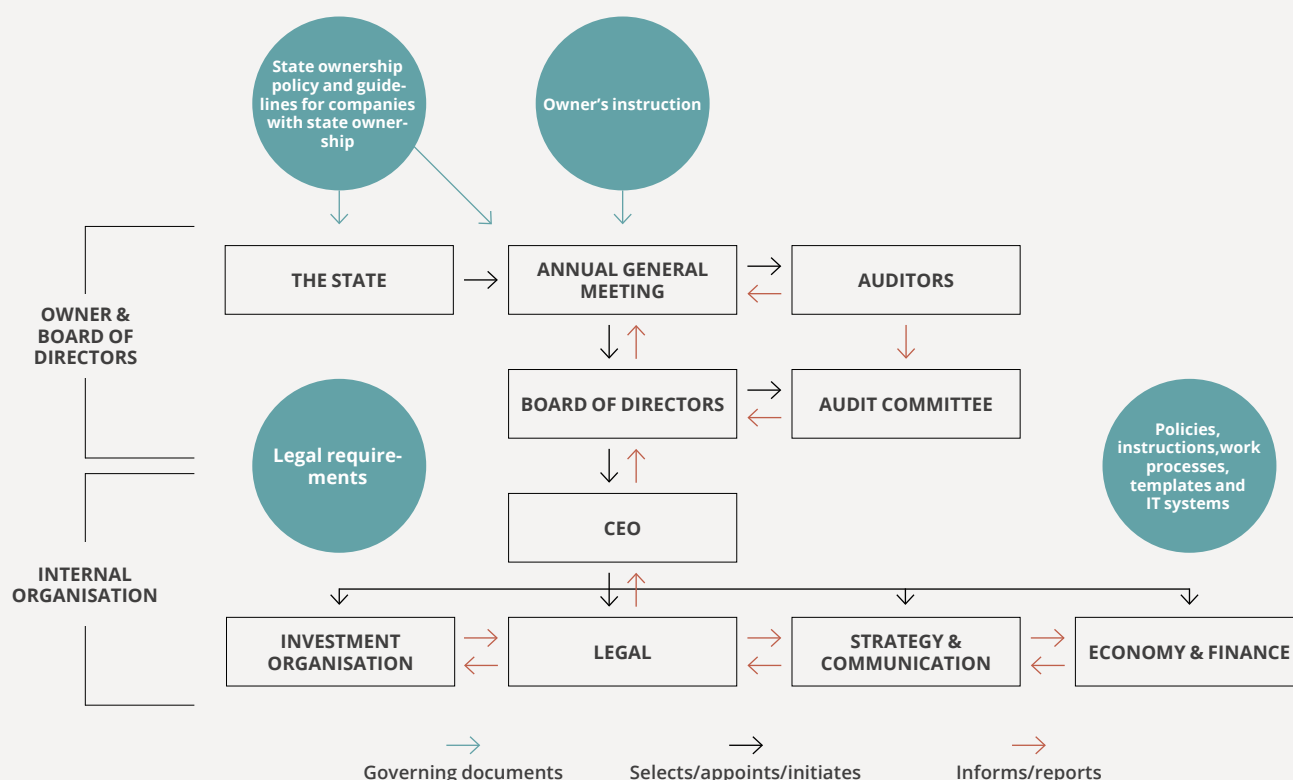
The chair is responsible for annually evaluating the work of the board of directors and for ensuring that the evaluation is report-

ed as and when relevant to the owner's nomination administrator. The 2018 board evaluation was carried out within the board and involved a collective evaluation of the work and expertise of the board of directors. Relevant results have been presented by the chair to the owner's nomination administrator. As and when necessary, the chair participates in connection with important contacts and represents the company in relation to ownership matters. The chair of the board is also responsible for maintaining contact with representatives of the company's owners with the aim of coordinating his or her views with these representatives when the company must make particularly important decisions.

Work of the board of directors and the audit committee during 2018

During 2018, the board of directors met on 11 occasions; see also Note 6 (pages 101-102) regarding the board members'

CORPORATE GOVERNANCE STRUCTURE



attendance at this year's meetings. Amongst other matters, the meetings considered the business operations based on the three pillars (impact on society, sustainability and financial viability), annual and interim financial statements and related reports, strategic issues, mission objectives, business plan, budgets, organisational and staffing issues, and evaluation of the work of the board of directors and the CEO.

The audit committee met on seven occasions during 2018. Amongst other things, the audit committee has prepared questions regarding interim reports and integrated reporting for 2017 (including the annual report, sustainability and corporate governance report), transition to IFRS, including valuation of the investment portfolio at fair value and cash management, including principles for the hedging of flows in foreign currency.

Chief executive officer

The chief executive officer (CEO) is responsible for 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 following board meeting. When a member of the management group signs on behalf of the company, this is also reported at the following board meeting. Orders for consultancy services with a value of up to SEK 200,000 may be placed by the heads of department without the CEO's approval. The CEO is not a member of the board of directors. Maria Håkansson was born in 1970 and took up the position of CEO in March 2018. Maria Håkansson has 20 years of experience within the telecom sector and has held a number of managerial positions within Ericsson. Before she became CEO of Swedfund, she served as Vice President Internet of Things (IoT) at Ericsson. Maria Håkansson has a degree in Business Administration, specialising in financial control and reporting from Stockholm University.

Auditors

The state's ownership policy states that responsibility for the election of elected auditors in state-owned companies always rests with the owner. 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 board of directors through the general audit of the interim report for January to September and in connection with the audit of the annual accounts.

Organisation

On 5 March 2018, Maria Håkansson was appointed CEO and succeeded Gerth Svensson, who has been acting CEO since August 2017. In August 2018, Lotta Jarleryd became interim CFO. Management tasks are coordinated by a management group which at the year-end consisted of the CEO, the Chief Legal Counsel, CFO, Director of strategy and Communication and Director of Investment Operations and ESG. The role of the management group is to prepare and implement strategies, manage corporate governance and organisational issues, and follow up Swedfund's financial development and efforts relating to sustainability.

Remuneration of senior executives

Swedfund applies the government's remuneration guidelines for employees in managerial positions. The remuneration conditions for the CEO and other senior executives are presented in Note 6 (pages 101-102).

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, the audit committee and the CEO.

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 attendance of the committee's meetings by the company's auditors. Swedfund's CEO and CFO 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; see pages 50-51. 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, 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 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 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 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 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, the terms of the investment contracts are also included as and where necessary in order to reduce risk exposure.

Read more about Swedfund's management of financial risks in Note 21 (pages 112-114) and about Swedfund's other risks on pages 42-43.

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 analytical 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, where developments relating to the portfolio companies are evaluated based on the three pillars of impact on society, sustainability and financial viability. These meetings are attended by the management group, the sustainability manager and the responsible Senior Investment Manager.

Swedfund has developed an investment manual to ensure that quality levels are high during the preparation of investment cases. In the context of evaluating new investments, a special process has been established where an investment committee, comprising the management group, the sustainability manager 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 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. Given the size and turnover of the company and the governance and control systems that are in place, the board of directors currently sees no need to establish a special audit function in the form of an internal audit unit.

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 on 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.

Swedfund has established a process for reporting suspected infringements (a whistleblower function), which can be followed if the suspected infringement was carried out by an senior executive of Swedfund or its portfolio companies and concerns corruption, doubts over reporting, deficiencies in internal accounting controls or auditing, or otherwise seriously impacts on the company's interests or the health and safety of individuals.

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. These procedures include the monitoring of results against budgets and forecasts, analyses and key ratios. 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 auditors' audit plan 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 auditors participated in one board meeting and in seven meetings of the audit committee. At least once a year, the board of directors meets the company's auditor without the CEO or any other member of the management group being present.

As of 31 December 2018, the assessment is that the control activities relating to internal control of the financial reporting are adequate.





Charlotte Salford

(born 1970)

Member

Board member since: 2014

Education: MSc Economics, London School of Economics (LSE), BA EU law, International relations, economics, Université Libre de Bruxelles Belgium (ULB).

Current position: Associate Vice President External Relations and Governance, IFAD International Fund for Agricultural Development United Nations, Rome.

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

Göran Barsby

(born 1951)

Chair

Board member since: 2016

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

Other directorships: Holms Intressenter AB (chair), Enklare Ekonomi AB (chair), INR AB (member), Willo AB (member).

Former board appointments: Audio-Dev AB (member), Time Care AB (member), Bindomatic AB (member), Lamiflex AB (member), Kungshagen Montessori School (member and founder), Toolex Int. N.V.

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), Consul for Uganda in Sweden.

Former board appointments: Ericsson Lithuania (Member), Ericsson Kenya (Member), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (Member).

Fredrik Arp

(born 1953)

Member

Board member since: 2016

Education: M.Sc. Economics and Hon.D.B, Lund University.

Current position: Own company.

Other directorships: Nolato AB (chair), Bravida Holding AB (chair), Vattenfall AB (member).

Former board appointments: 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).



Torgny Holmgren
(born 1954)
Member

Board member since: 2017

Education: Degree in Economics, Stockholm School of Economics.

Current position: Executive Director of Stockholm International Water Institute (SIWI).

Other directorships: Water Aid, Expert Group for Aid Analysis, World Water Council, Swedish Leadership for Sustainable Development.

Mikael Sandström
(born 1967)
Member

Board member since: 2017

Education: M.Sc. and Dr Econ, from Stockholm School of Economics.

Current position: Advisor in own company, Y & M Sandström AB.

Other directorships: Third Swedish National Pension Fund (member).

Hanna Lagercrantz
(born 1970)
Member

Board member since: 2015

Education: M.Sc. Economics from Stockholm School of Economics. MPhil Economics Cambridge University, UK.

Current position: Under-Secretary, Investment Director, Ministry of Enterprise and Innovation.

Other directorships: AB Svensk Exportkredit (member), RISE Research Institutes of Sweden AB (member) and ALMI Företagspartner AB (member).

Former board appointments: Sweden House, Fouriertransform, SOS Alarm, SBAB Bank, Svenska Skeppshypotekskassan, LKAB and Svenska rymdaktiebolaget.

Björn Börjesson
(born 1951)
Member

Board member since: 2012

Education: LIB.

Current position: Consultant.

Other directorships: Third Swedish National Pension Fund (vice chair), member of Åke Wiberg Foundation, Euroclear Sweden, Chief Credit Officer of Cordet, SVCA's Supervisory Board and the Ahlströmska Foundation.

Former board appointments: Kommuninvest i Sverige AB (chair), UC AB (chair) and subsidiaries in the Handelsbank Group. Previous position: Vice CEO of Handelsbanken.

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 2018.

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 2019

Göran Barsby
Chair

Fredrik Arp

Kerstin Borglin

Björn Börjesson

Charlotte Salford

Hanna Lagercrantz

Torgny Holmgren

Mikael Sandström

Maria Håkansson
Chief executive officer

Our audit report was submitted on 22 March 2019

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

Report on the annual accounts

Opinions

We have audited the annual accounts of Swedfund International AB for the year 2018 except for the corporate governance statement on pages 130-137. The annual accounts of the company are included on pages 52-129 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Swedfund International AB as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-51 and 141-149. 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedfund International AB for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Swedfund International AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, We exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 130-137 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance 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.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 22 March 2019

Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant



Additional sustainability information

ABOUT OUR GRI REPORTING

Swedfund's 2018 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 <IR> Framework.

The reports follow Swedish Government Offices' Guidelines for external reporting for companies with state ownership. According to these guidelines, sustainability reports must be prepared in accordance with the Global Reporting Initiative's (GRI) guidelines or other international framework for sustainability reporting. Rules concerning sustainability reporting applicable to larger companies in accordance with the Annual Accounts Act also apply. Information in the sustainability report will be reviewed and assured by the auditor who is appointed as the company's auditor.

Swedfund's sustainability report applies the Global Reporting Initiative's (GRI) Standards framework at Core level, as well as GRI G4 Sector Disclosures, Financial Services. The company's overarching ambition with 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 assured by Ernst & Young.

Swedfund published its first sustainability report in 2008. As in previous years, the aggregated results generated by Swedfund's portfolio companies are presented. The report is based on Swedfund's mission objectives and strategic sustainability goals. The aim is to illustrate how Swedfund, as a development finance institution, contributes to implementation of Agenda 2030 through investments in sustainable business. Results from Swedfund's own activities are reported when they have been considered material from a sustainability perspective.

UN Global Compact, Communication on Progress, COP

Swedfund became a signatory of UN Global Compact in 2012 and reports the implementation of Global Compact's 10 principles in this Integrated report entitled 'Communication on Progress' (COP). The company's first COP was submitted in April 2013.

In this year's report, Swedfund integrates a sixth COP. In the 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 committed to the UN Principles for Responsible Investment (UN PRI). As a part of its commitment, Swedfund has undertaken to report on the implementation of the principles electronically on an annual basis to UN PRI's secretariat. Swedfund's RI Transparency Report 2019 includes Swedfund's reporting for the financial year 2018 and is Swedfund's fifth UNPRI report. Swedfund's fifth report concerning the 2018 financial year is reported in Swedfund's RI Transparency Report 2019. All data reported by Swedfund in this report has also been assured by Ernst & Young.

Contacts

Karin Kronhoffer, Director of Strategy and Communication.

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STAKEHOLDER AND MATERIALITY ANALYSIS

The road to achieving the UN's sustainability goals is complex and requires a stronger partnership between many different stakeholders.

Key aspects of Swedfund's mission have been identified based on the company's mission objectives as defined in the owner's instruction, strategic sustainability goals adopted by the board of directors and the needs, and challenges that we face in our investments, collaborations 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.

In 2018, Swedfund distributed a survey regarding our sustainability work and our fully integrated reporting. The survey was sent out to our stakeholder groups: owner, politicians, business partners, civil society organisations, trade unions and other aid organisations, as well as Swedfund's board of directors and employees. The answers we received gave us an indication of what issues our stakeholders consider to be most urgent. Furthermore, in the work relating to the materiality analysis, we have taken into account the trends that have been identified in the field of sustainability, our business model and the value that portfolio companies have created.

Swedfund has identified the following key issues: decent jobs, women's empowerment, environment and climate, tax issues, business ethics and anti-corruption, and human rights.

The matrix below lists our stakeholders, the issues that have been in focus, and the steps that Swedfund has taken to answer the questions that have been highlighted in our work to identify key issues.

We mainly describe the key issues, how we manage them and how we measure results in the section entitled 'Portfolio companies' results' on pages 52-78. In the following sections, we present additional sustainability information, whether it be issues that have no nominal goal or issues relating to Swedfund's own operation.

STAKEHOLDER CATEGORY	INTEREST ISSUES AND FOCUS	TYPE OF DIALOGUE, SWEDFUND'S RESPONSE AND RESULTS
Owner and financier which determines Swedfund's mission and funds Swedfund through the aid budget. Government (Ministry of Enterprise and Innovation and Ministry of Foreign Affairs).	Corporate governance, management and monitoring with a focus on sustainable business: human rights, environment and climate, working conditions, anti-corruption, tax, business ethics, gender equality, additionality and diversity, as well as financial development and the portfolio companies' performance.	State ownership policy and guidelines for companies with state ownership, owner's instruction, annual general meeting, shareholder meetings, individual meetings and network meetings.
Politicians who establish the 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.	Through meetings with the parties' representatives and meetings with the Swedish Parliament's Foreign Affairs Committee.
Business partners who, together with Swedfund, fund and run the companies in Swedfund's portfolio. Business partners and development finance institutions (DFIs, IFIs and EDFI).	Funding, market issues, strategy and business models. Private sector development, co-financing and development effects. Policy issues for Europe's development finance institutions.	Interaction and advocacy work. Ongoing communication and meetings in collaboration groups. Reference group meetings at various levels: CEO, HR, ESG, Development Effects, Legal Affairs, Communication, etc.
Portfolio companies	Impact on society, sustainability and financial viability	Contractual commitments in all three areas: Impact on society, sustainability and financial viability. Ongoing dialogue and follow-up throughout the investment period.
Civil society organisations and trade unions which, like Swedfund, are involved in development cooperation in Swedfund's markets. Civil society aid organisations, trade unions and international NGOs	Policy issues, such as human rights, gender equality, climate, development effects, transparency and tax issues. The "Decent work" agenda.	Stakeholder dialogues. Participation in round table discussions and conferences. Ongoing discussions regarding the possibility of collaborative projects in portfolio companies or specific markets.
Media and opinion-formers whose reporting reaches and influences the general public and other stakeholders. Newspapers, trade magazines and social media.	Monitor Swedfund as a development finance institution and aid organisation.	Planned communication, discussions and knowledge transfer meetings.
Swedfund's employees who through their knowledge, experience and networks carry out Swedfund's mission.	Working environment, organisational, strategic and resource issues.	Information meetings, performance appraisals, salary reviews, competence development and training.

HUMAN RIGHTS

Most of Swedfund's portfolio companies operate in countries and markets where respect for and compliance with human rights poses a challenge. In the work relating to sustainable development and sustainable business, it is absolutely essential to safeguard and protect human rights. The ownership policy for state companies¹ encourages companies in the state company portfolio to comply with the ten principles of the UN Global Compact, the UN's Guiding Principles on Business and Human Rights, and the OECD's Guidelines for Multinational Enterprises. The Swedish National Action Plan for Business and Human Rights aims to translate the UN's Guiding Principles on Business and Human Rights into practical action at national level.

The rights perspective is also one of two high-priority perspectives in the Swedish development cooperation and means that "human rights and democracy must be seen as fundamental to development".²

In recent decades, democracy and human rights have been strengthened in many regions around the world. However, developments have taken on a negative turn in recent years. In many places, human rights have even been restricted and progress has stalled.³

Governance

To guide systematic human rights issues in investment activities, Swedfund has introduced a process to identify, mitigate and account for negative impacts on human rights. The ambition is to apply this approach when reaching decisions concerning new investments, during the value-adding phase and in connection with companies in the exit phase. Today, the process is mainly used in conjunction with direct investments and, to a lesser extent, when investing in financial institutions and funds. Human right risks and impacts are already taken into account in the first stage of 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.

Swedfund then pursues a dialogue with the portfolio companies concerning the situation in the country concerned and any human rights violations that are occurring.

During screening, i.e. stage two of the analysis phase of a possible investment, a risk analysis is carried out during which human rights risks and impacts are analysed in more detail. This risk analysis is also carried out on companies in the exit phase. 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 ESGAP (ESG Action Plan), which constitutes part of the investment agreement.

Whistleblower service and complaints mechanism

Swedfund requires all portfolio companies to implement a mechanism for complaints which is open to all stakeholders in accordance with the IFC Performance standards. Swedfund has also established a whistleblower service and will launch a complaints mechanism which can be used by employees, contractors, trainees and others at Swedfund and amongst the

companies and funds in which Swedfund invests (Swedfund's portfolio companies).

We monitor results

In the annual status report submitted by Swedfund's portfolio Company, the Annual Portfolio Company Sustainability Report, a number of questions are asked concerning human rights issues. These questions are then followed up by e-mail, phone and visits.

Results from Swedfund's operations

- During 2018, Swedfund concluded two detailed analyses of human rights in companies in the exit phase.
- Swedfund has created and implemented a tool to identify the need for a more detailed human rights analysis, known as the "trigger list".
- Swedfund has set up an internal human rights working group consisting of representatives from a number of departments.
- Swedfund has worked with external experts and other DFIs to clarify and develop our human rights work.
- Swedfund has planned to implement a complaints mechanism in accordance with the UN's Guiding Principles on Business and Human Rights.
- Analysis of human rights issues is an integral part of the investment process, and human rights issues are included in all investment agreements where applicable, at this stage mainly in direct investment.
- Network group together with EKN, SEK and Business Sweden to discuss common issues and challenges in the work to promote human rights.

SERIOUS INCIDENTS

'Serious incidents' including, but not limited to the death of a person, all forms of adverse impact on human rights, serious injury, serious damage to health, fire, leakage of substances dangerous to the environment, labor strike, harassment, fraud and theft.

The portfolio companies are contractually bound to report serious incidents to Swedfund. During 2018, we improved the reporting process for our funds and their underlying holdings. This has resulted in an increase in the number of serious incidents being reported. During 2018, a total of 24 (2017: 3) serious incidents were reported from Swedfund's portfolio companies, of which 21 (2017: 3) were reported from the underlying holdings of the funds. In total, 19 (2017: 3) fatalities were reported, all in the underlying holdings of the funds. Of the 19 fatalities, ten were road accidents, five were related to occupational health and four were related to security.

Our goal is zero serious incidents to occur amongst our portfolio companies or the underlying holdings of our funds, which is why we monitor the investigations of these events closely. After a serious incident has been reported, Swedfund follow this up to ensure that relevant measures have been implemented. Depending on the circumstances (employees or civilians, road traffic accidents or occupational accidents), an action plan is drawn up by the portfolio company concerned. This year's figures show a need to improve the safety procedures of the funds and their underlying holdings.

The reporting methodology covers serious incidents amongst

¹ State ownership policy and guidelines for companies with state ownership 2017, 3.4.2, page 4.

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

³ Freedom in the World. 2017, page 1.

portfolio companies and the underlying holdings of funds. Reporting does not include serious incidents that occur amongst borrowers from banks or amongst subcontractors to portfolio companies.

ENVIRONMENT AND CLIMATE

The portfolio companies account for most of Swedfund's environmental impact. See pages 52-78 for climate impact from our portfolio companies.

Swedfund strives to reduce the company's own climate impact. Electricity and heat as well as business trips account for Swedfund's biggest sources of greenhouse gas emissions.

Swedfund's head office in Stockholm has a green lease agreement based on 100 percent renewable electricity. Electricity is purchased as Bra* Miljöval (Good Environmental Choice) electricity, amounting to a total of 36,697 kWh in wind and hydro power for 2018. The corresponding figure for 2017 was 34,345 kWh. Electricity used for property purposes amounts to 46,532 kWh in hydro power, while the corresponding consumption in 2017 was 35,563 kWh. Heating of the head office by means of district heating amounts to 33,146 kWh (2017: 35,042 kWh). For our office in Nairobi, there are no environmental options for supply of electricity and heating. A diesel generator is used in the event of electrical outages in Nairobi in the office building in which Swedfund rents offices. Electricity consumption for the Nairobi office during the year amounted to 8,415 kWh (2017: 7,072 kWh), and the diesel generator generated 384 kWh (2017: 323 kWh).

The combined energy consumption of the organisation during the year gives rise to 4.6 tonnes of CO₂ (2017: 4.1 tonnes of CO₂), of which 2.7 tonnes (2017: 2.5 tonnes) is used for heating and 1.9 tonnes (2017: 1.6 tonnes) for electricity consumption.

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. We strive to minimise the amount of air travel and carbon-offset all emissions from such travel. As in previous years, our emission reports have included emissions at high altitude, and Swedfund's emissions from business travel amounted to 773 tonnes of CO₂ (2017: 660 tonnes CO₂). For 2018, we report in total 778 tons of CO₂ (2017: 665 tonnes of CO₂), which includes electricity, heat and all air travel.

This year, we have opted to carbon-offset Swedfund's environmental impact by supporting a certified Gold Standard project in the areas of Malawi, Uganda and Ethiopia aimed at making a long-term contribution to clean water using borehole technology. The project will help households to consume less firewood during the water purification process, which in turn will reduce carbon dioxide emissions.

GENDER EQUALITY AND DIVERSITY

Leadership, employeeship and gender equality

During the year, certain parts of the organisation underwent leadership training, and worked to improve the processes surrounding development appraisals and employee personal development plans to ensure that the entire organisation is working efficiently and in an appropriate manner on the company's assignments.

Gender equality is an essential part of a good working environment. We value diversity and want to guarantee the same opportunities and responsibility for everyone. During 2019,

Swedfund will update the equality plan "Plan for equal rights/active measures".

Amongst other things, the work has contributed to a developed salary survey and further work relating to job descriptions to identify any differences and the need to correct them.

Swedfund's employee organisation holds quarterly coordination meetings with the CEO and HR manager.

PERCENTAGE OF MANAGEMENT AND THE BOARD OF DIRECTORS REGARDING AGE DISTRIBUTION

	2017		2018	
	Number	Percent	Number	Percent
30-49 years	4	31%	5	36%
50 years or older	10	69%	8	64%
Total	14	100%	13	100%

PERCENTAGE OF EMPLOYEES REGARDING AGE DISTRIBUTION, INCLUDING MANAGEMENT

	2017		2018	
	Number	Percent	Number	Percent
29 years of age or younger	2	5%	4	10%
30-49 years	25	64%	28	68%
50 years or older	12	31%	9	22%
Total	39	100%	41	100%

All employees are employed on a permanent full-time basis.

Working environment policy and action plan

Working environment is a key area for Swedfund. Attracting and retaining employees with the right skills enables us to succeed with our challenging mission. We aim to create a good working environment which, amongst other things, prevents accidents and illness.

During the year, we developed our health and safety policy and updated our action plan. We have particularly worked on the organisational working environment by preparing an inventory of our values. As a result, we have developed four basic attitudes and associated descriptions. During the year, we began the process of implementing these attitudes, and this task will continue over the coming years. The attitudes can be found on pages 50-51, Ethical compass.

During the year, it became apparent that there was a need to develop the physical working environment, which has led to measures to improve the indoor environment, as well as procedures regarding safety in the office. Swedfund has also trained the organisation regarding the working environment. We have also begun the process of improving safety and security in connection with business travel.

ANTI-CORRUPTION

Swedfund has an anti-corruption policy that applies to all employees and board members, our portfolio companies, board members appointed by Swedfund in our portfolio companies and consultants. This policy is equally applicable to Swedpartnership's customers. The policy is reviewed regularly and made available to everyone on Swedfund's website.

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.



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 2018.

GRI Standards Core Option

Disclosure	Page	Comments	UNGC
102: GENERAL DISCLOSURES 2016			
Organisational profile			
102-1	Name of the organisation	147	Swedfund International AB
102-2	Activities, brands, products, and services	2-3, 22, 30-32	
102-3	Location of headquarters	147	Stockholm
102-4	Location of operations	4, 28-29	
102-5	Ownership and legal form	130	
102-6	Markets served	4, 22, 28-29	
102-7	Scale of the organisation	4, 88-91, 101	
102-8	Information on employees and other workers	101,145	6
102-9	Supply chain	147	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	84-85	
102-11	Precautionary Principle or approach	34-37, 50-51	7
102-12	External initiatives	50	
102-13	Membership of associations	147	EDFI, NMC Nätverket för Hållbart Näringsliv (Network for Sustainable Enterprise), Enact Swedish Network for Business and Human Rights, SWESIF, UN PRI, GIIN, Global Compact, Sida's Swedish Investors for Sustainable Development
Strategy			
102-14	Statement from senior decision-maker	6-7	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	50-51	
Governance			
102-18	Governance	130-137	
Stakeholder engagement			
102-40	List of stakeholder groups	143	
102-41	Collective bargaining agreements	147	All employees are covered by collective bargaining agreements 3
102-42	Identifying and selecting stakeholders	142	
102-43	Approach to stakeholder engagement	142-143	

Disclosure		Page	Comments	UNGC
102-44	Key topics and concerns raised	142-143		

Reporting practice

102-45	Entities included in the consolidated financial statements	148	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	142-143		
102-47	List of material topics	148-149		
102-48	Restatements of information	148	No significant changes during the year	
102-49	Changes in reporting	148	No significant changes during the year	
102-50	Reporting period	148	1 January - 31 December 2018: Financial data Swedfund International AB 1 January - 31 December 2017: Portfolio company data	
102-51	Date of most recent report	148	31.3.2017	
102-52	Reporting cycle	148	Annual presentation of accounts	
102-53	Contact point for questions regarding the report	142		
102-54	Claims of reporting in accordance with the GRI Standards	142, 147		
102-55	GRI content index	147-149		
102-56	External assurance	142, 150-151		

Disclosure		Page	Comments	UNGC
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TOPIC SPECIFIC DISCLOSURES**GRI 203: Indirect economic impacts 2016**

103-1, 103-2, 103-3	Declaration, governance, evaluation	12-15, 25, 30-31, 34-37, 44, 50-51, 53, 59-60, 64-65, 72-73, 148	Limitations: Portfolio companies	
203-2	Significant indirect economic impacts	4, 24-25, 30-31, 59-60, 64-65, 72-73	Refers to portfolio companies' performance for all three pillars	1-10

GRI 205: Anti-corruption 2016

103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 34-37, 44, 50-51, 53, 72-73, 146, 148	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	72-73, 148	Anti-corruption issues are an integrated part of the investment process	10
205-2	Communication and training about anti-corruption policies and procedures	145, 148	All Swedfund employees, except one who is on leave of absence, were given training concerning anti-corruption during the reporting year and the previous year We have not collected any systematic information about the board of director's anti-corruption training. We plan to update our anti-corruption policy during 2019 and in conjunction with this carry out an anti-corruption review with the board of directors	10

GRI 302: Energy 2016

103-1, 103-2, 103-3	Declaration, governance, evaluation	50-51, 53, 56-58, 145, 148	Limitations: Swedfund	
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Disclosure		Page	Comments	UNGC
302-1	Energy use within the organisation	145		8

GRI 305: Emissions 2016

103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 34-37, 44, 50-51, 53, 56-58, 145, 149	Limitations: Swedfund and portfolio companies	
305-2	Energy indirect (Scope 2) GHG emissions	145	IEA's latest emission factors have been applied	8
305-3	Other indirect (scope 3) GHG emissions	56-57, 145	IEA's latest emission factors have been applied	8-9

GRI 405: Diversity and equal opportunity 2016

103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 34-37, 44, 53, 61- 62, 66-70, 145, 149	Limitations: Swedfund and portfolio companies	
405-1	Composition of Board and management team, and diversity within the organisation	101, 145		6
Own	Proportion of women, proportion of women in management positions, number of women on the Boards of the portfolio companies	61-62		6

GRI 412: Human rights assessment 2016

103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 34-37, 44, 50-51, 53, 66-70, 144, 149	Limitations: Swedfund	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	69, 144, 149	Human rights issues are an integrated part of the investment process. All new investments (2018: 13, 2017: 9) have undergone human rights screening	1-2

Product portfolio

103-1, 103-2, 103-3	Declaration, governance, evaluation	4, 22, 149	Limitations: Swedfund	
FS 6	Investment portfolio allocated by region, size, sector	4, 22		

Active ownership

103-1, 103-2, 103-3	Declaration, governance, evaluation	12-13, 34-37, 44, 50-51, 53, 69-70, 149	Limitations: Portfolio companies	
FS 10	Percentage of portfolio companies with whom environmental and social issues have been addressed	4, 44, 149	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	34-37, 69-70, 149	All investments are screened for environmental and social issues	1-10
Own	Number of audits in respect of environmental and social policies and processes	68		1-10

Auditor's report on the statutory sustainability statement

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

Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report on page 142, and that it is prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability 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 examination has provided us with sufficient basis for our opinion.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 22 March 2019

Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant

Independent Auditor's Limited Assurance Report

To the readers of the Swedfund RI Transparency Report 2019

Introduction

We have been engaged by the management of Swedfund International AB ("Swedfund") to undertake a limited assurance engagement of Swedfund's Responsible Investment (RI) Transparency Report 2019. The Responsible Investment (RI) Transparency Report 2019 covers the period 1 January – 31 December 2018.

Responsibilities of the Board of Directors and Executive Management

The Board of Directors and the Executive Management are responsible for the preparation and presentation of the information requested by the UN Principles for Responsible Investment (PRI) and compiled in the public RI Transparency Report in accordance with applicable criteria, in this case the PRI Reporting Framework 2019. This responsibility includes the internal control relevant to the preparation of a RI Transparency Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a limited assurance conclusion on the information included in the RI Transparency Report based on the procedures we have performed.

We have conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Review of Historical Financial Information", issued by The International Federation of Accountants (IFAC).

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the RI Transparency 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 extent than, for a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. 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.

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 an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based are the parts of the PRI Reporting Framework 2019, which are applicable to the information reported by Swedfund. We consider these criteria suitable for the preparation of the information disclosed in the RI Transparency Report 2019.

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 specific information disclosed in the RI Transparency Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm March 25, 2019

Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant



Publishing Prize 2018

The Publishing Prize was awarded in Stockholm in November 2018. Swedfund was nominated in the 'Annual reports, publicly owned companies' category for Equation 2030, Swedfund's 2017 Integrated Report. The winner in the class was Göteborg Energi.

RI Reporting Awards 2018

In June, Swedfund won the 2018 RI Reporting Awards competition. Swedfund had been nominated in the 'Best Report by an Asset Owner: medium & small funds' category for Agenda 2029, Swedfund's 2016 Integrated Report. Some examples of the jury's comments:

- Very concrete goals and achievements
- Completely aligned with the SDGs
- Compliant with external reporting standards, and external assurance is included
- Great storytelling
- Clarity on qualitative aspects and comparable financial information
- Extra credit for the design which improves the reader's experience
- Strong explanation of context and strategy

UN PRI 2018

In 2012, Swedfund was certified by UN PRI. This certification means that every year we report data concerning how the principles are integrated into our business.

Swedfund received the highest rating, A +, in all four modules: Strategy & Governance, Private Equity, Private Equity (externally managed) and Fixed Income. Swedfund received a total of 131 stars out of a possible 135 on the responses reported.

Swedfund is one of the few authorisers to have been awarded A + for applicable modules with regard to region, size and number of years as an authoriser.

Swedfund International AB

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The printed version of the annual report is 100% climate-offset.



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*Swedfund fights
poverty by investing
in sustainable
business*