

EQUATION 2030

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DIRECTORS' REPORT: 6–88, 105–111.

ABOUT THIS REPORT

Swedfund's Integrated Report for 2017 is a fully integrated annual report. In the financial statements, information relating to sustainability is integrated with financial information, and vice versa. The Integrated Report is published by the Board of Directors of Swedfund International AB, corporate ID number 556436–2084. The entire report is subject to verification with a reasonable level of reliability, i.e. auditing. A glossary can be found on page 119.

INTEGRATED REPORTING <IR>



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CAPITAL THAT ACHIEVES THE GOALS

In its simplest form, you can look at it as an equation: the result of aid, private and public investments must jointly correspond to the enormous needs which exist in the world today, if the targets set by the international community for 2030 are to be reached. Achieving these targets requires both capital and expertise, as well as a wide-ranging partnership involving governments, companies, organisations and institutions.

Swedfund's role is, together with our partners, to accelerate the resources at our disposal. Our role in the equation is to finance and develop sustainable businesses in the world's poorest countries. Our commitment encourages other private players to risk investing. Since nine out of ten jobs are created in the private sector, and each job takes at least five people out of poverty, Swedfund's investments contribute much more than the sum invested.¹

Equation 2030 is the vision that Swedfund's work in implementing sustainable investments is a decisive factor in achieving the global goals and an inclusive growth. A long-term commitment in companies in under-financed markets is an effective tool in the fight against poverty and climate change, as well as strengthening the empowerment of women. We intend to and can accelerate Agenda 2030.

¹ IFC Jobs Study Assessing Private Sector Contributions to Job Creation And Poverty Reduction. IFC. 2013, page 4.
World Development report 2013: 2013, page 7.

"WE INVEST IN A BETTER WORLD"

This has been a year of a troubled world. While it is true that the landscape is more difficult to navigate, we also see a willingness to contribute to fulfilling the global goals, and the climate agreement remains strong among both countries and companies. Sustainable investments are more important than ever.

DURING 2017, we agreed new investments amounting to SEK 850 million, out of which SEK 550 million in financial institutions and funds, SEK 290 million in energy and SEK 10 million in manufacturing and services. We have continued our efforts to increase the proportion of renewable energy in the portfolio, and to direct funds towards entrepreneurs, small and medium-sized businesses and women as a part of our contribution to Agenda 2030.

We are reporting an operating profit of SEK 50.1 million and a cost/income ratio of 0.97, which means that we have achieved our financial objectives. Investments has contributed to the creation of 133,353 jobs and generated SEK 3,020 million in tax revenues. 51 percent of the companies in our portfolio have an anti-corruption system, and 79 percent have a social and environmental management system in place. Altogether, 2017 was a successful year in many perspectives. Profits-wise, it was one of the best in many years.

We made a major exit, which has contributed to the positive financial performance. Swedfund invested in Nairobi Women's Hospital (NWH) in 2013, giving us ownership of 19 percent of the company. NWH is currently one of Kenya's largest private healthcare providers, operating five fully-equipped hospitals which employ more than 450 people, of whom over 60 percent are women. During 2017, we sold our holding in NWH.

Swedfund must constantly develop and change to become even better. It is from this standpoint that we have begun developing our strategy for 2018–2020. Our mission is more relevant than ever before. We constantly evaluate what we have achieved, how our model and our processes are working, and how we should develop our operation to become still better equipped to meet the needs of poor countries.

The Swedish Parliament has approved a capital injection of SEK 600 million for 2018. The Government has also proposed capital injections of SEK 600 million for 2019 and 2020. This puts us in an excellent position, not only to continue but also to accelerate our efforts in poverty reduction and sustainable development.

I took office as Acting CEO on 21 August, and have had an exciting autumn and an exceptionally important mission. I have had the advantage of being involved in developing the new strategy and business plan, as well as in managing and further developing Swedfund's work. With the positive result we achieved in 2017 in impact on society, sustainability and financial viability, we are all set for 2018, and I would like to thank all our colleagues for their focused efforts, as well as the Ministry of Foreign Affairs, the Ministry of Enterprise and Innovation and our partners for the confidence shown in us during 2017. I wish Maria Håkansson, who took office as CEO on 5 March, success in her important mission, and I look forward to follow Swedfund's progress in the future.

STOCKHOLM, MARCH 2018



GERTH SVENSSON ACTING CEO, SWEDFUND

I HAVE RECENTLY taken office as CEO of Swedfund with a vital and exciting mission. I am looking forward to being involved in implementing our business plan 2018–2020 as a way of increasing our contribution to the equation and accelerating the achievement of Agenda 2030.

We will maintain our focus on Sub-Saharan Africa, and our aim is that 60–80 percent of our new investment will take place in this region. The intention is to focus on three industry sectors which are decisive in achieving sustainable development and inclusive growth.

We will focus on sustainable investments in energy & climate and, in accordance with our Owner's instructions, all energy investments will be in renewables.

Around 400 million people lack access to basic healthcare, which is a direct obstacle to development. In the future, we shall increase our focus on the health sector, and we have already begun to invest in private providers of healthcare. This is part of our effort to improve public health in poor countries.

As part of our work to combat poverty effectively, we will continue to direct funds to small and medium-sized businesses, entrepreneurs and women through our loans to banks and funds. We intend to help increase the rate of job creation with good conditions, since we see this as the best way to lift people out of poverty. Swedfund also intends to continue to develop the Swedish partnership where it supports our mission to help reduce poverty. We will focus increasingly on exiting old holdings where we have few opportunities to have a positive impact or where we are no longer additional. Employing women is central to achieving our goal of eradicating poverty and generating inclusive growth. For this reason, we will continue to empower women and improve their financial situation. More gender-equal companies are also more profitable and more sustainable.

Our business plan is ambitious, and the goal is for Swedfund to significantly increase sustainable and profitable investments in the world's poorest countries where the need to create decent jobs is particularly great. During the period, we will focus on substantially increasing the rate of investment and working actively to mobilise more capital for these countries. Our best way of achieving this is to use our business model in which our three pillars of impact on society, sustainability and financial viability are all equally important!

STOCKHOLM, MARCH 2018



MARIA HÅKANSSON CEO, SWEDFUND



From left: Gerth Svensson, Maria Håkansson and Göran Barsby. Photo: Olof Holdar.

SWEDFUND'S WORK over the next few years will reflect three changes: An increased capital injection, a new strategy and a new CEO. It is clear that Swedfund's strategy and model is appreciated by Swedfund's principals. The Swedish Parliament has approved a capital injection of SEK 600 million for 2018, and the Swedish Government is also proposing an additional SEK 600 million in each of the following two years. This has increased our ability to carry out our mission effectively. The capital injection makes it possible for us to increase our investment budget over the next few years to build more knowledge bridges, create more decent jobs and so increase tax revenues in the poor countries of the world, as well as increasing the number of investments in renewable energy sources.

THE SWEDISH PARLIAMENT HAS
APPROVED A CAPITAL INJECTION
OF SEK 600 MILLION FOR 2018,
AND THE SWEDISH GOVERNMENT IS
ALSO PROPOSING AN ADDITIONAL
SEK 600 MILLION IN EACH OF THE
FOLLOWING TWO YEARS.

We are striving constantly to improve our processes to maximise our positive contribution to Agenda 2030. During 2017, we approved the business plans for the next three years. This involves an even clearer investment strategy with increased focus on geography, sector and instrument. The aim is to improve the effectiveness of our business model and further increase Swedfund's contribution to the fulfilment of Agenda 2030. The climate and the empowerment of women are the thematic focus areas.

In March 2018, Maria Håkansson became the new CEO of Swedfund. She succeeds Acting CEO, Gerth Svensson. Maria Håkansson joins Swedfund from her role as Vice President Internet of Things (IoT) at Ericsson, where she held a number of leading posts over the years.

She also has experience of working in the US and the Philippines. Her task will be, as leader and role model, to create a unified, forward-looking and results-oriented culture in which development and financial results go hand in hand, forward towards the same goal. Maria Håkansson will continue to professionalise the organisation by ensuring that the right expertise is in place, that the organisation is measured against relevant targets and that these are followed up and communicated.

Her duty as CEO is to ensure a balanced portfolio which makes a major contribution to Agenda 2030, while providing a good financial return. To achieve this, Maria Håkansson will need to continue to improve and strengthen the investment process within Swedfund to ensure business professionalism and return. This means managing the existing portfolio, implementing a new and clearer investment strategy and developing and driving forward the whole value-creating process, including the disposal of mature investments.

With Maria Håkansson as CEO, Swedfund will continue to increase its contribution to creating jobs, improving gender equality and fighting poverty and global climate change.

STOCKHOLM, MARCH 2018



GÖRAN BARSBY CHAIR, SWEDFUND

ABOUT SWEDFUND

DIRECTORS' REPORT:

Swedfund is Sweden's development finance institution for investments in the world's poorest countries. It plays a vital role in Sweden's contribution to the development cooperation. Our remit is to finance and develop sustainable businesses.

Sweden's Ministry of Enterprise and Innovation takes responsibility for the administration of the Company. The operation is financed by expenditure area seven, International Development Cooperation, for which the Swedish Ministry of Foreign Affairs has responsibility.

OUR MISSION:

The core of Swedfund's mission is to create job opportunities so people can lift themselves out of poverty.

POVERTY REDUCTION THROUGH SUSTAINABLE BUSINESS.

CAPITAL INJECTION:

For 2018, Swedfund has been given funding of SEK 600 million, of which at least SEK 100 million will be used for investments in renewable energy. The increase in the allocation is justified in particular through the positive results we have achieved within the three pillars of impact on society, sustainability and financial viability. The Swedish Government considers Swedfund to be in an excellent position to implement investments in the world's poorest countries based on our experience and our highly-developed business model.

SEK 600 MILLION

TO REDUCE POVERTY.

ABOUT US:

Swedfund was established in 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. At present, Swedfund fulfils its role best in Sub-Saharan Africa, but we also operate in the poorest countries in Asia. At the end of 2017, Swedfund had 65 investments in businesses, financial institutions and funds in 28 countries, with the majority of these in Africa.



GOALS

Our activities shall contribute towards achieving the goals of Sweden's Policy for Global Development (PGD). In collaboration with strategic partners, we shall participate in economically, socially and environmentally sustainable investments that create better conditions for people living in poverty and under repression. More information on our goals is available in our Owner's instructions.

OWNER'S INSTRUCTIONS

At an extraordinary general meeting held in December 2016 and again at the Annual General Meeting in April 2017, Swedfund's Owner's instructions were revised. Swedfund shall continue to prioritise investments in the world's least-developed countries, low-income countries and post-conflict countries, but may now, in exceptional cases, also invest in upper middle-income countries. The new Owner's instructions clarify that, within the energy sector, Swedfund will invest only in renewable energy. Swedfund also received measurable targets for its social mission, where previously only financial targets had been set by the owners.

OUR VALUES:

These will underlie our work and our prioritisation.

PROFESSIONALISM, PARTNERSHIP, OPENNESS AND PASSION.

SUSTAINABILITY GOALS:

Swedfund has four strategic sustainability goals which have been adopted by the Board of Directors.

▼ IMPACT ON SOCIETY

Compliance with the ILO's core conventions and labour standards must be observed in every company within three years of the date on which financing was agreed. On average, in all investments, the number of jobs shall increase year-on-year.

▼ 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.

▼ ESG

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.

▼ FINANCIAL VIABILITY

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

Public transport in India is in great need of expansion.

At the same time, India is among the countries which emit the most carbon dioxide. For that reason, the Indian Government has launched an initiative known as Smart Cities, which aims to improve the environment and accessibility in 100 cities.

Photo: Swedfund

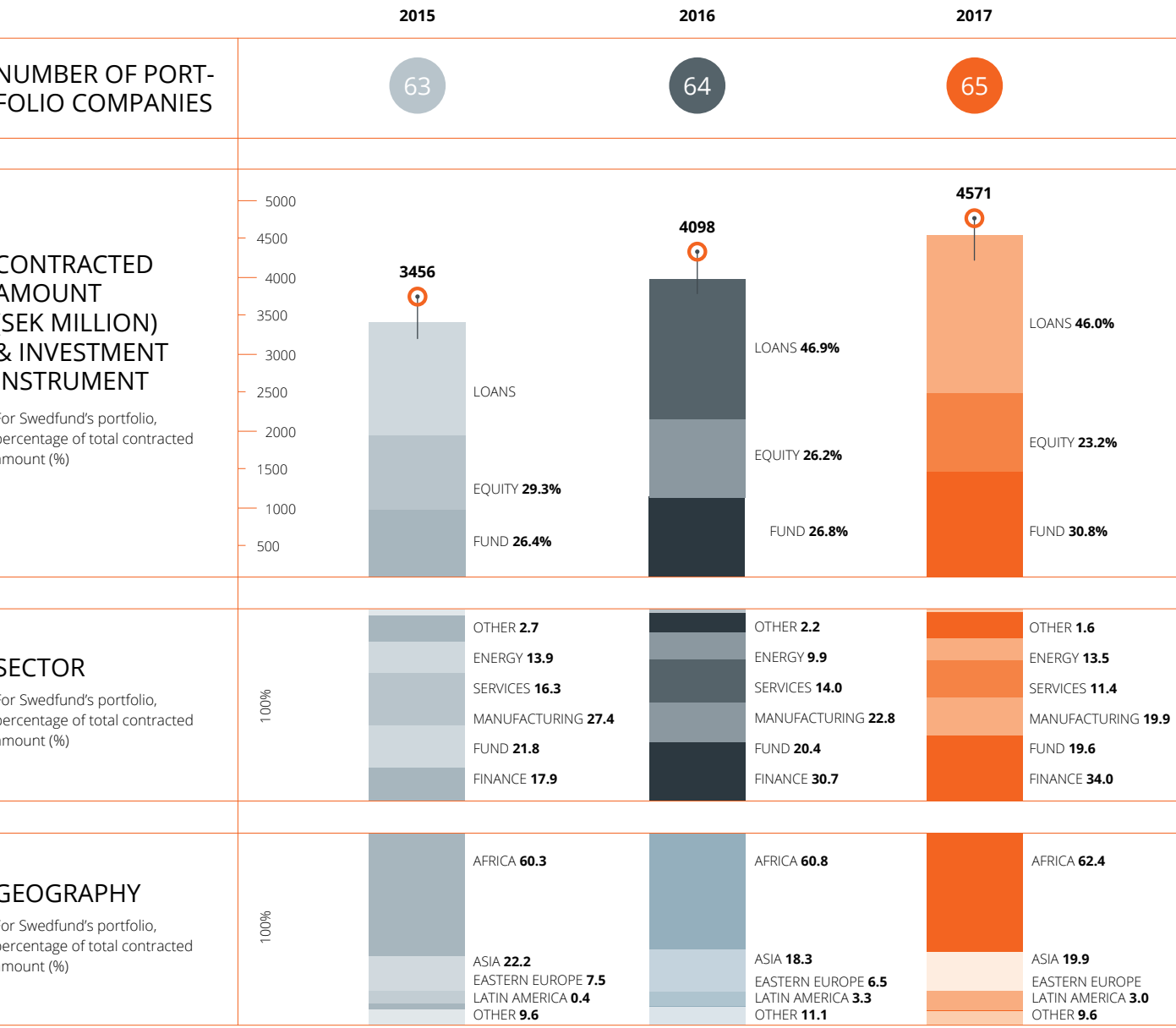


PORTFOLIO

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

We always aim to establish a good balance between risk-taking, geographical spread and variation in investment instruments, such as equity, funds and loans. The following information shows the distribution of Swedfund's portfolio as of 31 December 2017, 2016 and 2015. To enable us, in the long term, to generate development results in combination with a positive financial result, a new strategic approach has been

adopted to build a more balanced portfolio with respect to risk, geography and investment instrument. Swedfund will continue to maintain a high proportion of loans particularly in the Financial institutions sector. The proportion of mutual fund investments in the portfolio increased during 2017, partly to enable investments in renewable energy. We are continuing to focus on Sub-Saharan Africa.



SWEDFUND'S PORTFOLIO COMPANIES

Swedfund works actively to create results in the portfolio companies in all three pillars – impact on society, sustainability and financial viability. The reported results for 2016 for the portfolio companies in Swedfund's portfolio

as of 31 December 2016 are presented below. For more detailed information on results and contributions, see "Portfolio companies' results" on page 64.



ARENA

GLOBAL

- ◆ INVESTMENT: Global Medical Investments GMI AB
SECTOR: M & S
- ◆ INVESTMENT: APIS Growth Fund I LP
SECTOR: Fund
- ◆ INVESTMENT: IFC Women Entrepreneurs Debt Fund, LP
SECTOR: Fund
- ◆ INVESTMENT: EFP
SECTOR: Co-financing facility
- ◆ INVESTMENT: Interact Climate Change Facility
SECTOR: Co-financing facility

ASIA

- ◆ INVESTMENT: Renewable Energy Asia Fund II L.P.
SECTOR: Energy

AFRICA

- ◆ INVESTMENT: Frontier Energy II Alpha K/S
SECTOR: Fund
- ◆ INVESTMENT: Advanced Finance & Investment Group (AFIG) Fund II
SECTOR: Fund
- ◆ INVESTMENT: Catalyst Fund II LP
SECTOR: Fund
- ◆ INVESTMENT: ECP Africa Fund II
SECTOR: Fund
- ◆ INVESTMENT: ECP Africa Fund III
SECTOR: Fund
- ◆ INVESTMENT: Adenia Capital (III) LLC Ltd
SECTOR: Fund
- ◆ INVESTMENT: African Development Partners II LP
SECTOR: Fund
- ◆ INVESTMENT: Africap Microfinance Investment Company Ltd
SECTOR: Fund
- ◆ INVESTMENT: AfricInvest Fund III LLC
SECTOR: Fund
- ◆ INVESTMENT: Investec Africa Private Equity Fund 2 L.P.
SECTOR: Fund
- ◆ INVESTMENT: AfricInvest Fund III LLC
SECTOR: Co-financing facility
- ◆ INVESTMENT: Norsad Finance
SECTOR: Co-financing facility

PERIOD REPORT 1 JAN 2017–31 DEC 2017

- ▲ New investments
- ◆ Ongoing investments
- ▼ Exited investments

SECTORS

- Manufacturing & Services (M & S)
- Energy
- Financial institutions

Swedfund's geographical focus is Sub-Saharan Africa, where a large part of the world's least developed countries is located. We are also investing in low-income countries and post-conflict countries, and, in exceptional cases, in upper middle-income countries.

Swedfund's investments are widely distributed geographically. We invest in line with our Owner's instructions, with the aim of contributing to reducing poverty through sustainable business. We take a long-term view, and remain as owners for an average of 7–9 years. Accordingly, certain holdings in our portfolio were decided on several years ago, when the Owner's instructions were rather different than it is today.

SERBIA

- ◆ INVESTMENT: Komercijalna Banka a.d
SECTOR: Financial institutions

EGYPT

- ◆ INVESTMENT: Gamma Knife Center S.A.E.
SECTOR: M & S

SOUTH SUDAN

- ◆ INVESTMENT: Kinyeti Venture Capital Ltd
SECTOR: M & S

GHANA

- ◆ INVESTMENT: Fidelity Bank Ghana Ltd
SECTOR: Financial institutions

NIGERIA

- ◆ INVESTMENT: Access Bank Plc.
SECTOR: Financial institutions
- ◆ INVESTMENT: Guaranty Trust Bank Plc
SECTOR: Financial institutions
- ◆ INVESTMENT: Ecobank Nigeria Ltd
SECTOR: Financial institutions
- ◆ INVESTMENT: Azura Power West Africa Ltd
SECTOR: Energy

BOLIVIA

- ◆ INVESTMENT: Entel S.A.
SECTOR: M & S

URUGUAY

- ◆ INVESTMENT: Ontur International S.A.
SECTOR: M & S

UGANDA

- ◆ INVESTMENT: Bayport Management Ltd
SECTOR: Financial institutions

SOUTH AFRICA

- ◆ INVESTMENT: The Small Enterprise Foundation
SECTOR: Financial institutions
- ◆ INVESTMENT: Geratech Zirconium Beneficiation Ltd
SECTOR: M & S

LATVIA

- ◆ INVESTMENT: SIA Troll Nursery
SECTOR: M & S

LITHUANIA

- ◆ INVESTMENT: Pieno Zvaigzdes
SECTOR: M & S

BELARUS

- ◆ INVESTMENT: Vireo Energy FLLC
SECTOR: Energy

UKRAINE

- ◆ INVESTMENT: Eskaro Ukraine AB
SECTOR: M & S

GEORGIA

- ◆ INVESTMENT: TBC Bank Plc
SECTOR: Financial institutions

PAKISTAN

- ◆ INVESTMENT: Engro Powergen Qadirpur Limited
SECTOR: Energy

RUSSIA

- ◆ INVESTMENT: FJ Holding AB
SECTOR: M & S
- ◆ INVESTMENT: Mint Capital II
SECTOR: Fund

MONGOLIA

- ◆ INVESTMENT: Xac Bank LLC
SECTOR: Financial institutions
- ◆ INVESTMENT: MongoliaNord GmbH (Radisson Blu – Ulaanbator)
SECTOR: M & S

CHINA

- ◆ INVESTMENT: Karlsson Spools Precision Machining (Kunshan) Co. Sector: M & S
- ◆ INVESTMENT: HSF Electro Mechanic Wuxi Ltd
SECTOR: M & S
- ◆ INVESTMENT: China Environmental Fund III LP
SECTOR: Fund
- ◆ INVESTMENT: SEAF Sichuan SME Investment Fund LLC
SECTOR: Fund

IRAQ

- ◆ INVESTMENT: Qunadil
SECTOR: M & S

ETHIOPIA

- ◆ INVESTMENT: Addis Cardiac Hospital Plc
SECTOR: M & S
- ◆ INVESTMENT: The Emerald Addis Hotels Plc (Radisson Blu – Addis Ababa)
SECTOR: M & S
- ◆ INVESTMENT: Addis Quarry Development Plc
SECTOR: M & S
- ◆ INVESTMENT: DBL Industries Plc.
SECTOR: M & S

VIETNAM

- ◆ INVESTMENT: Mekong Building Materials Holding Ltd
SECTOR: M & S

CAMBODIA

- ◆ INVESTMENT: Prasac Microfinance Institution
SECTOR: Financial institutions
- ◆ INVESTMENT: ACLEDA Bank Plc
SECTOR: Financial institutions

INDIA

- ◆ INVESTMENT: Husk Power Systems, Inc.
SECTOR: Energy
- ◆ INVESTMENT: Medica Synergie
SECTOR: M & S
- ◆ INVESTMENT: Baring India Private Equity Fund II Limited
SECTOR: Fund
- ◆ INVESTMENT: Green Investment Asia Sustainability Fund I
SECTOR: Fund
- ◆ INVESTMENT: Jacobi Carbons India Pvt Ltd
SECTOR: M & S
- ◆ INVESTMENT: Sanghi Industries Ltd
SECTOR: Energy

SRI LANKA

- ◆ INVESTMENT: Jacobi Lanka Private Ltd
SECTOR: M & S

ZIMBABWE

- ◆ INVESTMENT: National Microfinance BANK

TANZANIA

- ◆ INVESTMENT: Husk Power Systems, Inc.
SECTOR: Energy
- ◆ INVESTMENT: NMB Tanzania (National Microfinance BANK Plc, Tanzania)
SECTOR: Financial institutions
- ◆ INVESTMENT: CRDB Bank Plc
SECTOR: Financial institutions
- ◆ INVESTMENT: Bayport Management Ltd
SECTOR: Financial institutions

MAURITIUS

- ◆ INVESTMENT: Raffia Holdings Ltd
SECTOR: M & S

KENYA

- ◆ INVESTMENT: Elgon Road Developments Ltd (Radisson Blu – Nairobi)
SECTOR: M & S
- ◆ INVESTMENT: Athi River Steel Plant Ltd
SECTOR: M & S
- ◆ INVESTMENT: Deacons Kenya
SECTOR: M & S
- ◆ INVESTMENT: AAR Health Care Holdings Ltd
SECTOR: M & S
- ◆ INVESTMENT: Raffia Holdings Ltd
SECTOR: M & S
- ◆ INVESTMENT: Nairobi Womens Hospital
SECTOR: M & S
- ◆ INVESTMENT: Acacia Fund Ltd
SECTOR: Fund

The effort to develop the company's own operation has effects on a whole sector.

Investments in healthcare are central to all developing societies, and leads to development effects in both the sector and the society. Initiatives which broaden the supply of health and medical care in countries with low levels of provision, increase not only the accessibility for patients, but also the opportunities for specialist doctors to work in their homelands. Private healthcare providers such as AAR Healthcare (AAR) play a vital role.

DURING THE PAST 30 years, AAR has become one of East Africa's largest private healthcare providers with 35 modern clinics in Kenya, Uganda and Tanzania, 12 ambulances and a hospital in Uganda. Approximately 1,000 employees take care of the over 700,000 patients that visit AAR's clinics each year. In 2013 Swedfund became a shareholder.

Together with her late husband, Bengt Beckmann, Maryjka Beckmann founded AAR Healthcare in 1984. Today she is no longer involved in the company's operations, but remains a shareholder of AAR Holdings Limited.

"AAR started as a rescue company as with the growth of the Kenyan middle class and of the growing tourist sector there seemed to be a big demand for road and air-ambulance service. It very soon transpired that there was a major need in the health delivery sector and AAR developed into an HMO – a Health Maintenance Organisation", Maryjka Beckmann tells.

A healthy working population stimulates economic growth, which was also one of the main drivers behind the inception of AAR. Seeing a doctor at one of the clinics may cost more than it would at a public facility, but the basic idea is to offer good quality medical care at a reasonable cost. Private sector investments in healthcare boost the quality and accessibility of healthcare services. As private players expand their size and scale of operations, efficiencies are realised which result in lower healthcare costs for end consumers. A well-regulated healthcare sector also ensures that quality care and drugs are available to all consumers.

A COMPANY AT THE LEADING EDGE

The challenges at the time AAR was established were many. Capital was hard to find, and lack of financial investment was a constant challenge. Who wanted to invest in Africa, a continent far from the priority of the

investors they approached? And, on top of that, invest in a private health care business venture no one had ever heard of?

"Competition in the HMO sector began to appear by the beginning of 1990s, and the Government was getting interested. Preventive health care, which was part of our vision, had earlier been an unknown concept and new regulations had to be introduced. AAR was in the forefront of being involved in the initial new rules and regulations", Maryjka Beckmann continues.

AAR has slowly but steadily expanded its healthcare clinics in the East African region and still upholds its original vision of providing a comprehensive health care value chain with a strong focus on clinical risk management and concentration on provision of preventive care.

"One of the major challenges for the continued development of the countries in Sub-Saharan Africa is working with the education sector, to improve basic health delivery at school level. The governments need help to implement their national school health policies, to improve participation and performance of the education sector and, thereby, ensure improved health of children, who are the future adults", says Maryjka Beckmann.

DEVELOPMENT FINANCE INSTITUTIONS PROMOTE EFFICIENCY AND DRIVE DEVELOPMENT

Dr. Frank Njenga is a professional psychiatrist, shareholder and the Chairman of AAR Group for the past ten years. He sees many advantages to the whole society when the private sector is actively involved and part of the solution in attaining sustainable development in Sub-Saharan countries.

"The private sector is more transparent and accountable than the public sector in the way it conducts its affairs. It has greater potential in dealing with endemic challenges such as corruption," says Dr Njenga. "Development Finance Institutions such as Swedfund invest in institutions in Sub-Saharan Africa after careful due diligence and then only, in institutions deemed to have a direct and measurable impact on a number of development parameters. In this regard, this type of development finance is required more now than at any other time in the past", says Dr Njenga.

Swedfund is a financial partner to AAR, as well as a partner in E&S-matters.

"Direct funding has been critical to the expansion of the business. The insistence of Swedfund that AAR remains focused on E&S matters has ensured that the business remains conscious of its responsibility in this region", says Dr Njenga.

Healthcare is central to development for all societies and requires large investments both in public and private healthcare to meet future challenges. Development financing working with private players can promote development by enhancing the quality of healthcare, offering qualified jobs and developing subcontractors.

Florence Kimanthi works at AAR Healthcare.
Photo: Michael Tsegaye for Swedfund

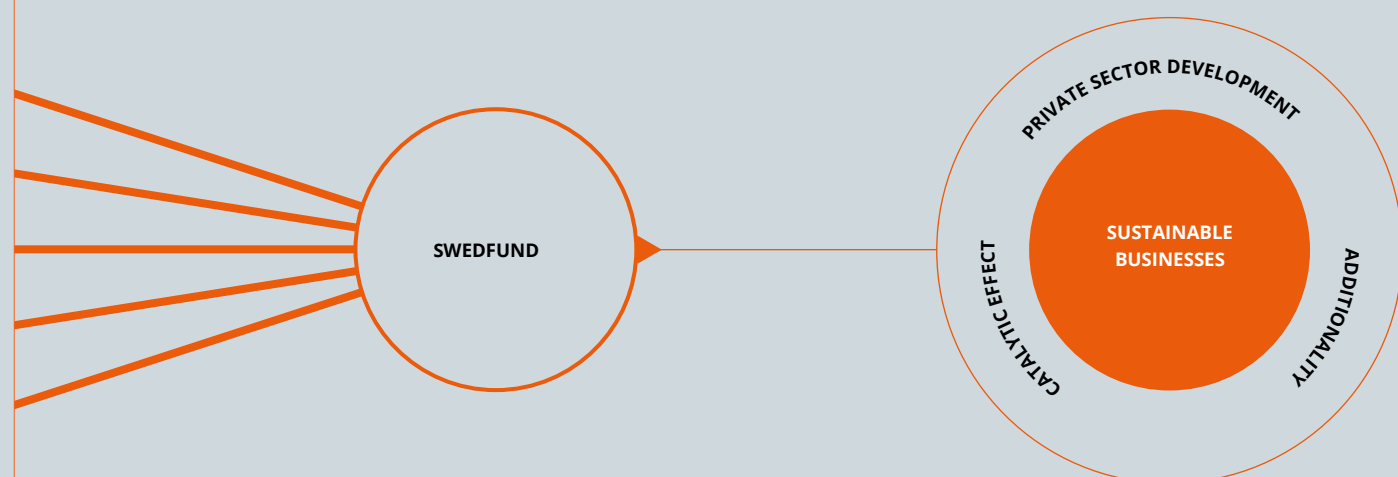
REPORT 2017 FACTS: AAR HEALTHCARE

- ▼ AAR was founded by Bengt and Maryjka Beckmann as the Africa Air Rescue Company in 1984.
- ▼ It started with both road and air ambulances.
- ▼ 700,000 patients
- ▼ 1,000 staff
- ▼ 35 clinics in Kenya, Uganda and Tanzania
- ▼ 12 ambulances
- ▼ In 1996, AAR launched the Trees for Health (T4H) initiative, a school project on the theme "a healthy environment provides for healthy children, the future adults", to train children, the youth and the wider community to combat environmental degradation and facilitate improved health status among school children and the community.

SDGs in focus through our work

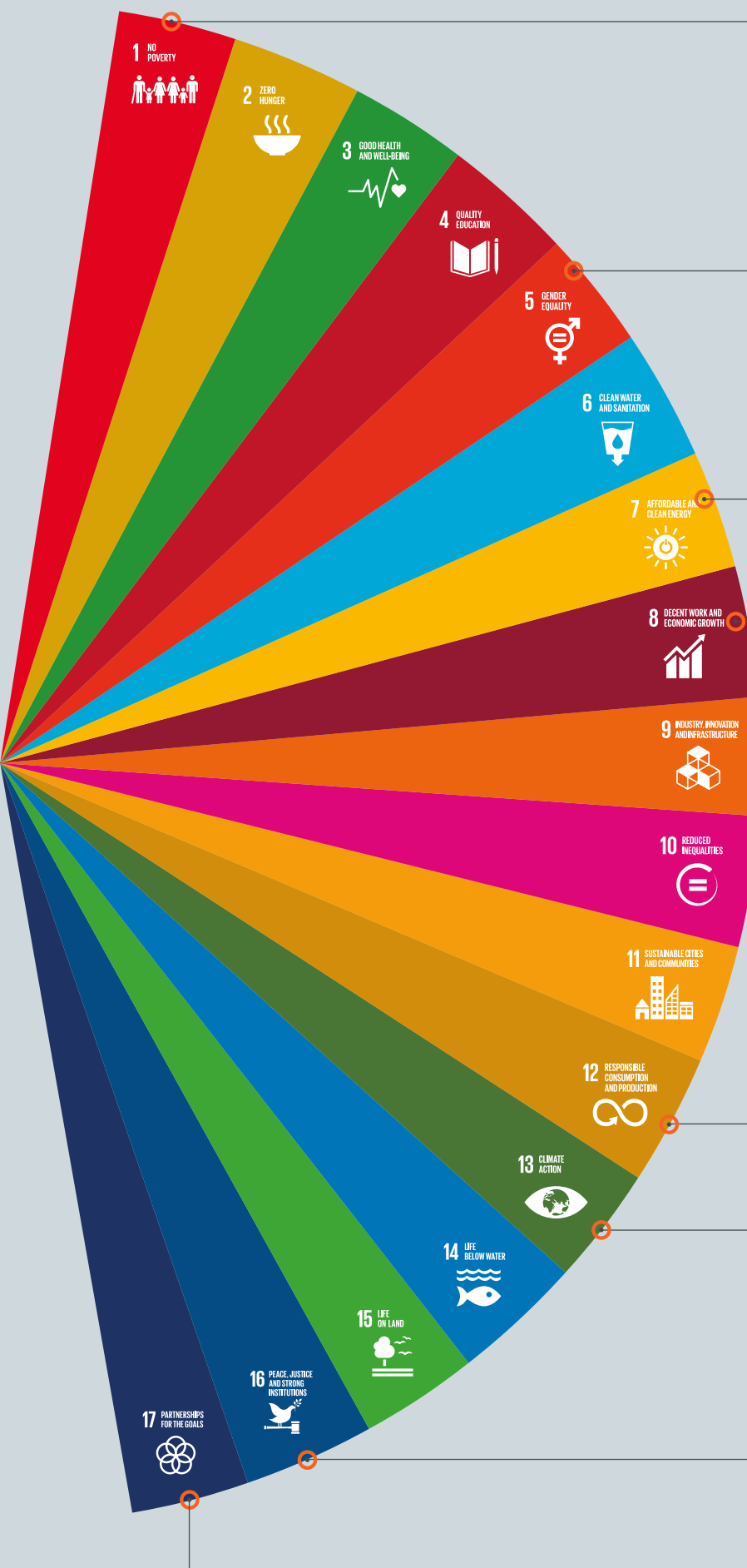
- ▼ **SDG 3:** Health and well-being.
- ▼ **SDG 5:** Gender equality. In particular, equal access to care.
- ▼ **SDG 8:** Decent working conditions and economic growth. Especially full and productive employment, as a result of good health.
- ▼ **SDG 9:** Sustainable industry, innovations and infrastructure. In particular, building resilient infrastructure, including hospitals and clinics.

TASK



Swedfund has a vital role to play in Sweden's contribution to the UN's sustainable development goals and Agenda 2030. All goals are relevant for us as a company and for the investments we make to create sustainable businesses. At the same time, some of the goals are more salient than others in our operation.

Success in one area also generates multiple positive effects for the other goals in Agenda 2030. But the opposite is also true, i.e. a negative effect in one area has a negative impact on other goals. We are in a hurry because we do not actually have much time. Together with our partners, we must solve the equation which helps us accelerate the implementation and delivery of Agenda 2030 – a world without poverty in which everyone can live well within the boundaries of our planet.



1: NO POVERTY

Abolish all forms of poverty everywhere. Poverty encompasses more dimensions than just the financial. Poverty also involves things such as lack of freedom, power, influence, health, education and physical safety. Eradicating poverty is a fundamental precondition for achieving people's full enjoyment of human rights.

5: GENDER EQUALITY

Achieving equality and empowering all women and girls. Gender equality is a goal in itself just as much as precondition for sustainable and peaceful development. Gender equality is achieved when women and men, girls and boys have equal rights, equal conditions, equal opportunities and equal power to shape their own lives and contribute to the development of society. It involves a fair distribution of power, influence and resources in society.

7: SUSTAINABLE ENERGY FOR ALL

Ensure that everyone has access to dependable, sustainable and modern energy at reasonable cost. Global access to modern and renewable energy, and to clean fuel, is a condition for meeting many of the challenges the world faces today. Stronger measures must be taken to accelerate the transition to a more sustainable energy system world-wide.

8: DECENT WORKING CONDITIONS AND ECONOMIC GROWTH

Promote inclusive and sustainable economic growth, full and productive employment and decent working conditions for all. More than half of the world's employees are in uncertain employment, often caught in a vicious circle of work with low productivity and low wages, as well as limited access to education and social insurance. The promotion of decent working conditions should be carried on in parallel with widening access to basic social benefits.

12: SUSTAINABLE CONSUMPTION AND PRODUCTION

Encourage sustainable consumption and production patterns. A switch to a sustainable consumption of goods and services is essential to reduce the negative impact on the climate and the environment, as well as on human health. Developing countries in particular are affected to a high degree by climate change and other environmental issues which involve increased poverty and reduced welfare.

13: COMBAT CLIMATE CHANGE

Take immediate action to combat climate change and its consequences. Climate change is one of the greatest challenges of our time. As a result of increased emissions, we risk moving towards an average rise in global temperatures exceeding 2° Celsius, which would have serious consequences for ecosystems, human safety, food production, access to water and which would bring an increased risk of weather-related natural disasters.

16: PEACEFUL AND INCLUSIVE SOCIETIES

Promote peaceful societies for sustainable development, ensure that everyone has access to justice and build effective, accountable and inclusive institutions at all levels. Peaceful societies and freedom of violence are both a goal and a means of achieving sustainable development.

17: IMPLEMENTATION AND GLOBAL PARTNERSHIP

Enhance the means of implementation and revitalise the global partnership for sustainable development. Mobilising the funds required to implement Agenda 2030 builds on a spirit of global solidarity and focuses in particular on the needs of the poorest and most vulnerable people, and requires the participation of all countries, all parties involved and all people.

SWEDFUND AND AGENDA 2030

Agenda 2030 is based on the premise that all aspects of sustainable development are interdependent and cannot be solved separately. This is what we want to describe using the equation: Everyone's effort is required. Swedfund's contribution is to build sustainable businesses where they are most needed.

AGENDA 2030 (which includes the global goals, climate goals and financing) aims to eradicate poverty and hunger, realise human rights for all, achieve gender equality and empower all women and girls, as well as ensure permanent protection for the planet and its natural resources. We must create the right conditions for sustainable development and inclusive growth. The greater the disparity created and the more people left outside the development which does take place, the greater the risk that success will be frustrated.

Agenda 2030 starts from the premise that social, economic and environmental issues are interlinked. Success in one area cannot be achieved without success in the others. Similarly, a commitment at all levels of society is required. Agenda 2030 is one of the most important tools people in the world have, particularly because it addresses, and so can be used by, every part of society. It is goals that are already used by companies, countries and non-profit organisations.

PROGRESS AND CHALLENGES

A look backwards historically shows that the global development has made major progress. At the beginning of the 19th Century, between 85 and 95 percent of the world's population lived in what we today would define as extreme poverty. Today it is around ten percent. At a global level, average life expectancy has risen by 20 years since 1960, infant mortality has fallen from 18 percent to under five percent and average income per person has almost trebled.¹

The goals set for 2015, the Millennial Goals, were also seen as ambitious when they were adopted, but the fact is that several were achieved. The goal to halve the proportion of people who live in extreme poverty

were achieved five years before target. The goal to halve the proportion of people without water was achieved, as was the goal of having an equal number of girls as boys begin school.²

The exception is the goal of ecological sustainability. That went backwards, and continues to go backwards. Carbon dioxide emissions have increased by 50 percent since 1990, loss of biodiversity is increasing at a worrying rate and many ecosystems are threatened.³

To achieve the global goals and meet all people's needs within the boundaries of the planet, resources must be shared so that everyone will benefit, in a way that does not harm the climate and the ecosystem. A substantial range of resources are required for this, from capital to expertise, protection of human rights and effective rules and institutions. Aid plays and will continue to play an important role in creating the conditions for weak countries and regions to drive development, at the same time as the need for investment in the poorest countries is growing in significance.

SWEDFUND'S ROLE IN AGENDA 2030

Swedfund is a Development Finance Institution (DFI), its mission is to fight poverty by investing in sustainable companies. Along with other Development Finance Institutions, Swedfund has a crucial role in helping increase the number of sustainable businesses in the world's poorest countries. Businesses which lay the foundations for increased employment, tax revenue and access to renewable energy. Poor countries are in need of investments to create job opportunities through companies. There are many entrepreneurs and microbusinesses on the African continent.⁴ At the same time, the need for more jobs is great. The age structure of the economically weakest regions means that many young people will enter the labour market over the next decade. Creating jobs requires long-term and sustainable investments which contribute to responsible businesses. Swedfund invests in large companies and in small and medium-sized businesses, and we encourage female business and companies which contribute to climate-smart solutions.

Swedfund and other development finance institutions are making a difference. Our investments and how we manage these investments lay the groundwork for viable and sustainable companies in countries and regions where the needs are the most urgent. This generates concrete results which contribute to equation 2030 and help accelerate the implementation of the UN's sustainable development goals.

Construction underway in Ghana.
Photo: Swedfund



¹ Blir Världen Bättre? [Will the world be better?] UNDP in collaboration with Staffan Landin, 2016, (<http://www.globalamalen.se/blirvarldenbattere/>), pp 4ff, downloaded 20 February 2018.
² Blir Världen Bättre? [Will the world be better?] UNDP in collaboration with Staffan Landin, 2016, (<http://www.globalamalen.se/blirvarldenbattere/>), pp 28ff, downloaded 20 February 2018.
³ Blir Världen Bättre? [Will the world be better?] UNDP in collaboration with Staffan Landin, 2016, (<http://www.globalamalen.se/blirvarldenbattere/>), pp 30, downloaded 20 February 2018.
⁴ Paul Collier: Rethinking development finance for Africa – Development Finance, April 2017.



GLOBAL CHALLENGES

Climate change, increasing income disparity and a reduced democratic space makes our work more difficult, but also more important. A decent job is the way out of poverty. The more people who can build themselves a sustainable future the more of us can contribute to the global goals. The creation of sustainable businesses are the great opportunity.

BUT THERE ARE several growing challenges. We have selected three, all of which make the operating landscape for Swedfund and our investments more difficult. One of these is climate change, which is already today having an impact and will affect all parts of all societies to an even greater extent in the future. Secondly, there is the increasing disparity between and within countries. Thirdly, there is the reduced scope for human rights.

CLIMATE CHANGE

Climate change is a reality today. Average global temperature is rising steadily as a consequence of the rising concentration of greenhouse gases in the atmosphere. We see the results of this as rising sea levels and melting glaciers, at the same time the number of natural disasters and extreme weather events is increasing and is likely to continue to increase over future decades.¹ It is the people in poverty who are most affected and the weakest who are hit hardest.

Population growths in poorer countries will continue to be high in the future. There will be more people needing food, energy and other natural resources. In parallel, natural resources are being depleted and the essential functions of the ecosystems are threatened. Climate change makes it more difficult to break the negative trend, which makes it even more important to work proactively to reduce climate impact and to encourage climate adaptation by societies and businesses.²

INCREASING INCOME DISPARITY

One issue which has been identified as increasingly serious over recent years is the increasing income disparity, both within and between countries. Increased income inequality and polarisation threaten the global

economy and the relatively open borders we have become used to. In the Global Risks Report 2017³, 750 global-level leaders emphasised the increasing income disparity as the most important influence factor on development over the next ten years. The trend is global, with income disparity growing within the OECD⁴, in growth countries such as China and India⁵ and in the poorest countries.⁶

The previous strong link between poor countries and people who live in poverty has been loosened. At present, 73 percent of the people living in poverty are in middle-income countries.⁷

DEMOCRACY AND HUMAN RIGHTS

At a global level, we are now seeing a reduced scope for democracy and human rights. Authoritarian countries are questioning internationally-binding conventions and legislating to restrict the scope for civil society. Attempts to hollow out public international law are occurring in several places. Within the UN system, it is becoming increasingly more difficult for civil society organisations to operate. Alternative truth, mudslinging and threats are used as methods of influencing politics throughout the world.^{8,9} Taken together, climate change, increased income disparity and the reduced scope for democracy and human rights are threatening many of the successes which have been achieved in low and middle-income countries.

SUSTAINABLE BUSINESS, A VITAL PART OF THE SOLUTION

This means a more difficult operating landscape for Swedfund. Investing in businesses and sectors which can promote an effective labour market with good relationships between employer, employee and the state is crucial. Decent jobs in growing and sustainable businesses are absolutely decisive in achieving the global goals. Inclusive growth must be created without damaging ecosystems, without having a negative impact on the climate, without increasing income disparity and without supporting anti-democratic forces. The great opportunity is that sustainable businesses have the ability to do this, and they can make a positive contribution to society in all these areas.

1 <https://public.wmo.int/en/resources/bulletin/unnatural-disasters-communicating-linkages-between-extreme-events-and-climate>, 2016, downloaded 20 February 2018.
 2 <http://www.wwf.se/wwf-se/arbete/klimat/konsekvenser/1124276-konsekvenser-klimat>, 2018, downloaded 20 February 2018.
 3 Poverty and Climate Change – Reducing the Vulnerability of the Poor through Adaptation, 2009, page IX.
 4 <http://reports.weforum.org/global-risks-2017/executive-summary/>, Global Risks Report 2017, page reference: executive summary. Downloaded 20 February 2018.
 5 <http://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm>, 2015, downloaded 20 February 2018.
 6 <http://www.imf.org/en/Publications/REO/APAC/Issues/2017/03/06/Building-on-Asia-s-Strengths-during-Turbulent-Times>, Downloaded 20 February 2018.
 7 <http://blogs.worldbank.org/african/is-inequality-in-africa-rising>, 2016, downloaded 20 February 2018.
 8 <http://www.worldbank.org/en/country/mic/overview>, The World Bank In Middle Income Countries. Downloaded 20 February 2018.
 9 Closing Space: Democracy and Human Rights Support under Fire, 2014, page 1.
 9 Freedom in the World, 2017, page 1.

Access to adequate electricity is vital for development – Husk Power Systems has the solution.

Access to electricity is a crucial factor in the fight against poverty. At present, it is estimated that around 1.2 billion people do not have a reliable electricity supply.¹ The private sector has a central role to play in the electrification of rural areas in poor countries.

MORE THAN 95 percent of the people who do not have electricity live in Sub-Saharan Africa and the least developed parts of Asia. 80 percent of these live in rural areas.² Reliable and effective light sources generate beneficial social, environmental and economic effects; children and young people are able to do their homework after it gets dark, shops can be open longer, and the outdoor environment is safer, not least for women.³ Reliable power also enables entrepreneurs to open new businesses. These entrepreneurs can then plan around reliable 24/7 power and can use electricity as a tool to significantly increase local economic activities.

EXPERIENCE FROM INDIA BENEFITS TANZANIA
Husk Power Systems is a company, which produces and distributes renewable electricity 24/7 via its own mini-grids. Its customers are households, shops and microbusinesses in rural areas. Husk began its operations in the Indian states of Bihar and Uttar Pradesh. After eight years, the company is taking its experience to remote rural areas of Tanzania, where over 80 percent of the population have no access to the national grid at all.⁴
“Husk wants to be a part of the solution to one of the great social challenges: increasing access to reliable electricity for the people. I myself studied by candlelight, and I am well aware of how vital reliable electricity and good light is in increasing people's opportunities to lift themselves out of poverty,” says Manoj Sinha, CEO, Husk Power Systems.

BIOMASS REDUCES CO₂ EMISSIONS
Solar energy and biomass are the primary energy sources used to produce electricity in Husk's plants. The biomass most often used is rice husk, a by-product of milling rice crop that Husk purchase from local rice mills. Husk uses a proprietary system that combines and synchronizes solar PV power plant and biomass gasification power plant to generate 100% renewable power and each 50kW system eliminates approximately 600 tons of CO₂ per year. Husk has already qualified its biomass gasification system for CDM mechanism with UNFCCC.

LOCAL ENGAGEMENT VITAL
When the options for setting up a new power station are being evaluated, the first step is to hold discussions with the local community. This relationship is vital, as they will be future customers, and Husk will want to employ a local workforce.
“Local engagement is central for us. We are dependent on the local population both to obtain material for the biomass and to avoid theft and sabotage. But above all we want to have an open and close relationship, since that is absolutely essential if we are to be successful in creating progress,” says Manoj Sinha.

MASSIVE EXPANSION GIVES SWEDFUND THE OPPORTUNITY TO MAKE A DIFFERENCE
At present, Husk has 80 electricity plants, and the aim is over 300 plants in the near future, with two-thirds of these in India.
Swedfund's long term capital fulfils several important functions in the expansion. Husk needs investors who can provide patient capital, with no expectation of a quick profit. Swedfund can also focus on strengthening Husk's approach to sustainability. As a shareholder, we have the opportunity to work closely with the company's management team, we can set up an action plan and assist with knowledge and training. This generates multiplier effects which benefit the whole community.

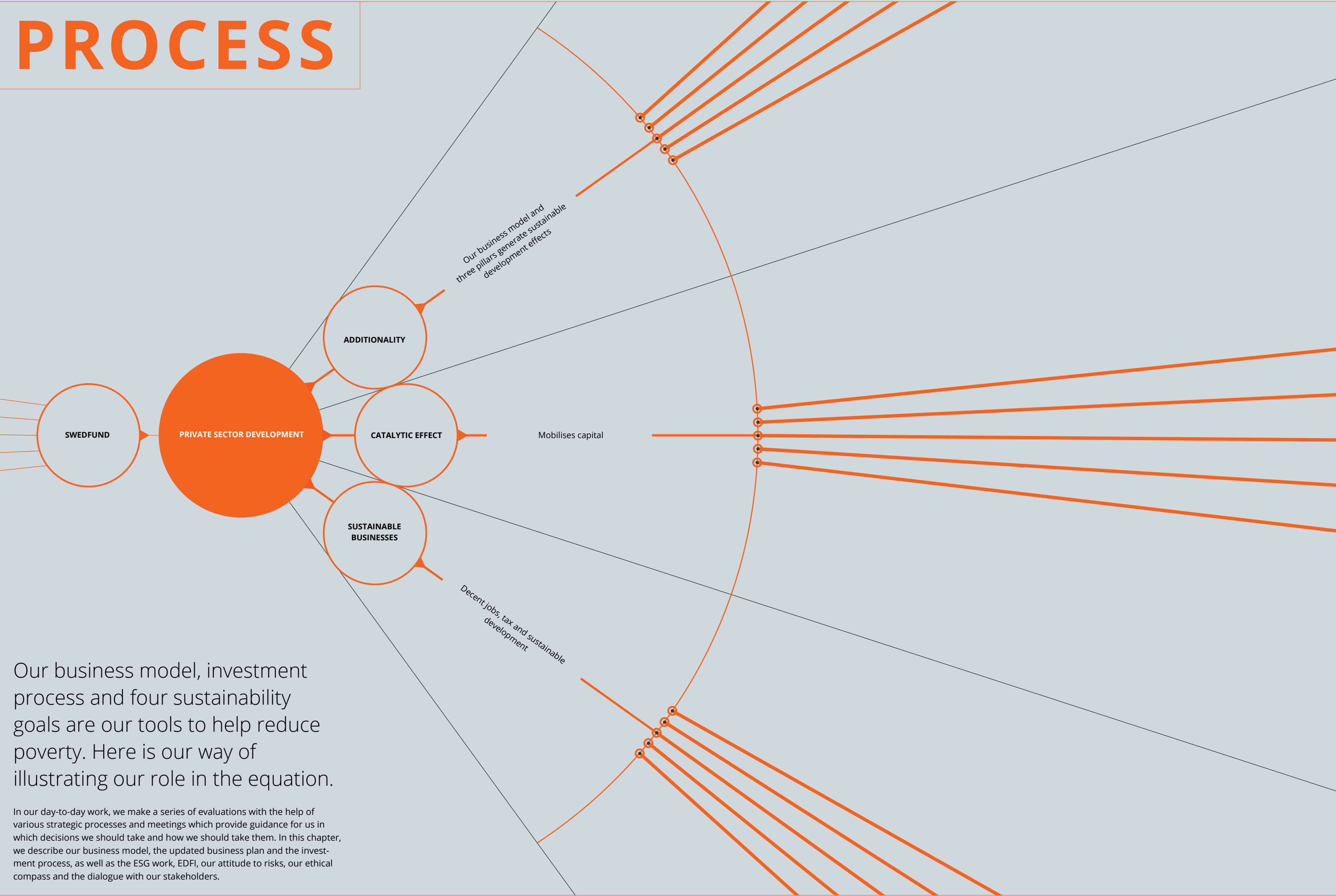
One of Husk Power System's facilities in northern India. Photo: Husk Power Systems

- ▼ Husk Power Systems, which was established in 2008, develops, constructs and operates mini-grids in India and Tanzania.
- ▼ These supply households and small businesses with renewable electricity 24/7. The electricity is generated using solar cells and biomass, with the surplus being stored in batteries.
- ▼ As from 1 March 2017, Husk owns and operates 10 HMG plants (hybrid mini-grid), 55 solar cells and 16 biomass plants in India.
- ▼ In addition, Husk owns and operates 2 HMG sites in Tanzania.
- ▼ Electrification is being given an increasingly higher priority in collaborative development projects. Mini-grids play an important role in complementing electricity distributed through the national grid, both through extra capacity and reliability.
- ▼ Swedfund's investment: Equity USD 5 million
- ▼ Tanzania and India are in columns 1 and 3 respectively on the DAC list SDGs in focus through our work
- SDGs in focus through our work**
- ▼ SDG 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.
- ▼ SDG 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
- ▼ SDG 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- ▼ SDG 13 Take immediate action to combat climate change and its consequences.



1 <https://www.iea.org/Textbase/npsum/WE02016SUM.pdf>. World Energy Outlook 2016, by the International Energy Agency, page 2.
2 <https://www.iea.org/topics/energy-poverty/>. International Energy Agency, Energy poverty. Downloaded 25 October 2017.
3 The Business Case For Off-Grid Energy In India by, www.theclimategroup.org in partnership with Goldman Sachs. 2018, page 31.
4 <http://www.worldenergyoutlook.org/resources/energy-development/energy-access-database/>. International Energy Agency's database. Downloaded 25 October 2017.

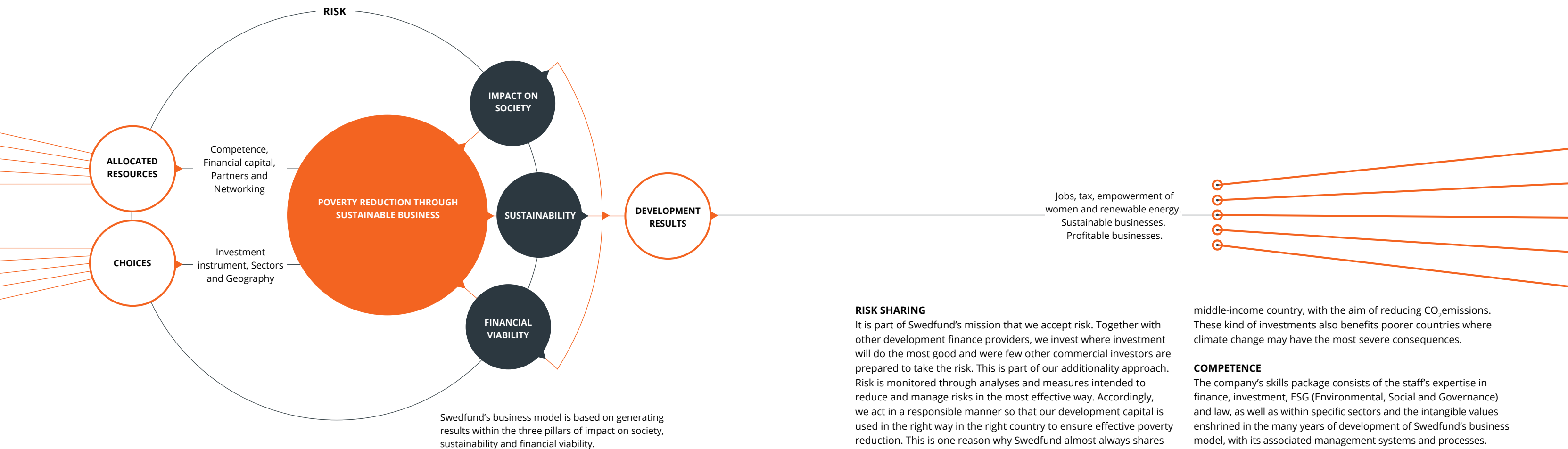
PROCESS



Our business model, investment process and four sustainability goals are our tools to help reduce poverty. Here is our way of illustrating our role in the equation.

In our day-to-day work, we make a series of evaluations with the help of various strategic processes and meetings which provide guidance for us in which decisions we should take and how we should take them. In this chapter, we describe our business model, the updated business plan and the investment process, as well as the ESG work, EDFI, our attitude to risks, our ethical compass and the dialogue with our stakeholders.

BUSINESS MODEL



Our mission is to combat poverty through sustainable business. We need to accelerate the resources at our disposal. To achieve results, we have a business model which delivers on our mission.

Over the course of 2013-2014, we introduced the model which rests on three pillars: impact on society, sustainability and financial viability. Our pillars influence every step of the investment process, the entire monitoring phase, the follow-up of all development effects and final exit. During 2017, we evaluated the model. We have analysed whether our model is still relevant in a situation of some new challenges, the global goals in Agenda 2030 and new Owner's instructions. After the analysis, we decided that the model is still relevant, but in 2018 we will add additional indicators and also develop our work and in particular the development impact generated by our work. Our business model integrates the global goals through our pillars, but we believe that we can strengthen this further.

OUR PILLARS

IMPACT ON SOCIETY

Swedfund shall contribute to the creation of jobs with good work environments and good working conditions.
▼ Job creation ▼ Tax ▼ Knowledge and capacity building

SUSTAINABILITY

Swedfund shall contribute to the creation of long-term sustainable business in the world's poorest countries, and shall make proactive efforts to tackle corruption internally and within portfolio companies.
▼ Environment/Climate ▼ Working conditions ▼ Business ethics & Anti-corruption

FINANCIAL VIABILITY

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

CRITICAL PARTS OF OUR BUSINESS MODEL

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

RISK SHARING

It is part of Swedfund's mission that we accept risk. Together with other development finance providers, we invest where investment will do the most good and where few other commercial investors are prepared to take the risk. This is part of our additionality approach. Risk is monitored through analyses and measures intended to reduce and manage risks in the most effective way. Accordingly, we act in a responsible manner so that our development capital is used in the right way in the right country to ensure effective poverty reduction. This is one reason why Swedfund almost always shares risk with one or more investment partners. Collaboration also enables us to accomplish more and to act as a catalyst by convincing private players of the opportunities to invest in businesses which contribute to sustainable development and reduced poverty. For more on how we manage risks, please see page 34.

TIME PERSPECTIVE

We always invest with a long-term perspective, usually between 7 and 10 years. A vital long-term objective for our investments is that they must always contribute to realising Agenda 2030. Our strategic sustainability goals relate to a three-year period, which is the medium term for us. Our long-term approach and sustainability are the source of an important part of our additionality and enable us to act as a catalyst. Our long investment cycle also means that we have a portfolio which combines investments from 2005 and onwards. Earlier investments were made in line with a partially different mission and our approach then also differed from our current approach.

GEOGRAPHY

Our mission is to invest in operations and countries which qualify for development financing in accordance with the OECD/DAC's definition. We prioritise investments in least developed countries and in low-income countries, and also invest in post-conflict countries. We shall invest where the need is greatest, but our new Owner's instructions also give us the opportunity to, in exceptional cases, invest in upper middle-income countries. One example of an exception may be investments in renewable energy in an upper

middle-income country, with the aim of reducing CO₂ emissions. These kind of investments also benefits poorer countries where climate change may have the most severe consequences.

COMPETENCE

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

NETWORKING

Resources and skills are brought together through Swedfund's networks, such as EDFI, IFIs, UNGC, UNPRI, civil society, Sida, embassies and portfolio companies.

PARTNERS

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

FINANCIAL CAPITAL

Refers to the financial capital Swedfund has available for investment.

INVESTMENT INSTRUMENT

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

SECTORS

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

A photo from northern Ethiopia.
Photo: Swedfund

BUSINESS PLAN 2018–2020

We are investing in a sustainable world

During the year, Swedfund has developed a new business plan for 2018–2020. The starting point was the mission goals set out in our Owner's instructions, as well as a review and analysis of Swedfund's operation, business model and results 2015–2017.

OUR BUSINESS PLAN IS ambitious, and expresses our intention of increasing investment volumes in the world's poorest countries substantially, having a deep focus on development effects and a highly-developed business model. With these objectives, our aim is to make a material contribution to the implementation of Agenda 2030.

Swedfund intends to focus its efforts in three industrial sectors and also to deepen the Swedish partnership in which sustainability and development effects are central for Swedfund.

Insufficient access to electricity is a major challenge in the countries in which we operate, along with access to clean water and sanitation. There is a massive need for investments in this area. That is why we have stated in our business plan that within the sector energy, in addition to investments in renewable energy, we will also invest in water and sanitation, as well as facilitate broader climate investment.

Access to sufficient healthcare is limited in our focus countries. In view of this, we have introduced a new sector, health, in which we will increase the proportion of sustainable investments over the next three years. Swedfund has previous experience of investing in the health sector and, building on this, we intend to further develop this portfolio. Within financial institutions and funds, we will continue to direct our investments towards small and medium-sized businesses, women and entrepreneurs, with the aim of developing the private sector and increasing employment through giving these

groups the opportunity to start their own businesses. During the period of the business plan, we also intend to continue developing our business relationship with Swedish partners. Our expanded investment budget during the period of the business plan gives us more new opportunities to contribute to creating decent jobs, increasing access to renewable energy and help establish an effective health sector. The themes that will characterise everything we do are the climate issue and the empowerment of women. This means that we will further sharpen our investment process to take greater account of these considerations. We further intend to use our funds for technical assistance (TA funds) to strengthen these dimensions by sustainable investment.

During the period 2018–2020, we will maintain our focus on Sub-Saharan Africa and on East Africa in particular. Our objective is to invest in the least-developed countries with a target that at least 50 percent of our new investments shall be in DAC 1–2. We will focus even more on identifying investments in post-conflict countries, an ambition expressed in our Owner's instructions. We will also strengthen our sector focus, partly through introducing the health sector as a new sector in its own right, as well as our geographical focus within each sector. During the period, we shall also increase our value-creating work through further monitoring and by exiting old holdings where we are unable to influence companies in the right direction. We will increase our focus on measuring and following the development effects generated by our investments; an area which will be analysed and further developed during the year and the period of the business plan.

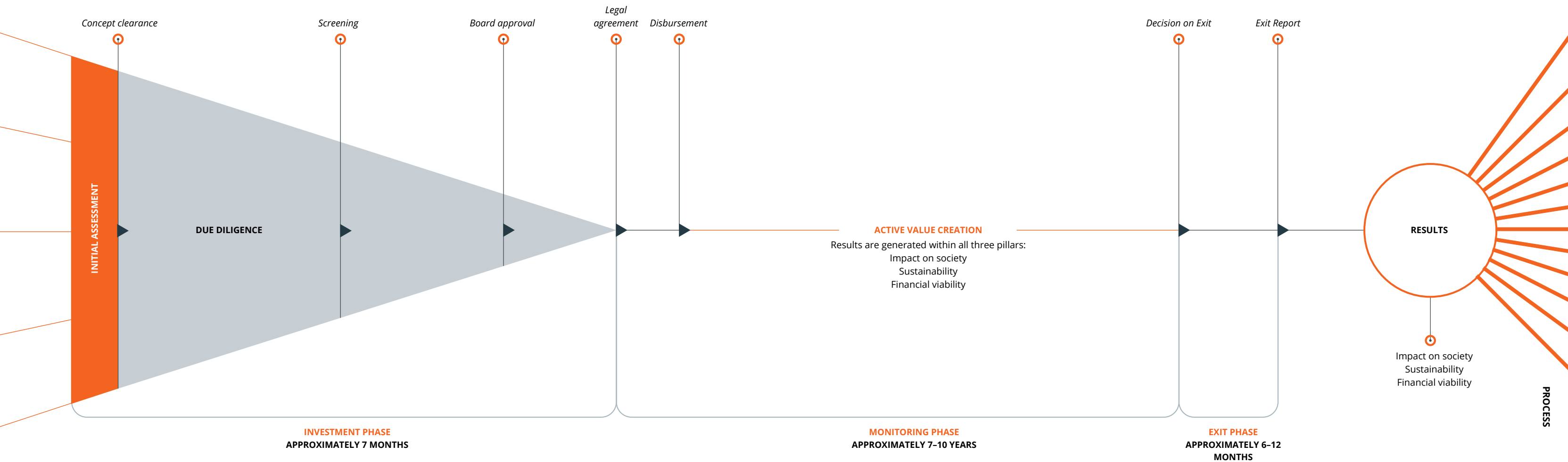
Finally, we also intend to mobilise more capital for developing countries in various ways over the period. We intend to promote sustainable investments and sustainable development in developing countries. More decent jobs must be created if we are to achieve the goals of Agenda 2030.

INVESTMENT PROCESS

We support private businesses with loans and equity with the aim of generating growth and job opportunities in a sustainable way. We have developed an investment process which makes it possible for us to succeed in our challenging mission.

INVESTING IN COUNTRIES with less-developed economies and businesses does involve substantial risks, not least financial. We attempt to manage this through a carefully implemented investment process. When projects come to us, the first step is to make a quick assessment, and for those which conform to our investment strategy and investment criteria, we carry out an in-depth analysis.

Our investment managers and analysts, in collaboration with specialists in ESG, law and impact on society, carry out a thorough analysis of market data, business plans, financial history and investment partners. The analysis is then reviewed by Swedfund's investment committee and by the Board of Directors. Every investment must meet the goals set within our three pillars: Impact on society, sustainability and financial viability.



INITIAL ASSESSMENT
In the first stage, we make an overall assessment of the country, the company, strategic partners and Swedfund's role. We review the company's business plan and see whether it conforms to our investment strategy and investment criteria.

CONCEPT CLEARANCE
We then make an initial decision, and determine whether we will carry out Due Diligence or turn the project down. At this stage, we assess whether the project can meet the goals set within our three pillars. If approval is given by the investment committee, the preparations for the investment project continue.

DUE DILIGENCE
We now scrutinise and analyse the business idea, business plan, market, financial history and forecasts, capital investment appraisal, partner collaboration, legal aspects, expected development results and ESG issues. This work continues until an agreement is signed.

SCREENING
When Due Diligence has been completed (or almost completed), the investment committee decides whether preparations for the investment are to continue and whether the case meets our requirements and is ready for presentation to the Board of Directors. Whether an investment is rejected at this stage may be due to a new fact which emerged during the Due Diligence process. It is normal for new issues to arise, and these are then dealt with in the final Due Diligence process.

BOARD DECISION
Swedfund's Board, on the basis of Swedfund's three pillars, makes the investment decision, after which an agreement is negotiated.

LEGAL AGREEMENT
After the Board has made its decision, the investment agreement can be signed. In addition to the customary legal aspects, the agreement also covers sustainability and reporting requirements.

DISBURSEMENT
Disbursement takes place after the legal agreement is signed, and when the conditions have been fulfilled.

ACTIVE VALUE CREATION
After the agreement is signed, the work which began earlier in the investment phase continues. We work actively with our portfolio companies, focusing on the issues, both commercial and sustainability-related, that were identified during Due Diligence. We keep close contact with our companies and monitor how the requirements in the agreement are being observed through active

Board of Directors work and through the company's annual self-declaration (Swedfund Portfolio Company Sustainability Report). Our ESG work is described in greater detail on the next page.

TERMINATING THE PARTNERSHIP
The partnership is terminated either through Swedfund selling its holding if it involves shares, or through the repayment of the loan. We bring together the result and the experience in an internal report which we present and analyse so that we can learn lessons from the investment. We exit our investments responsibly, and we take account of our three pillars as we exit the investment.

SUSTAINABILITY MANAGEMENT

Giving proper consideration to environmental and social issues, and adopting a sound corporate governance, are essential for a business venture to be sustainable and profitable in the long run, and to help accelerate development. This involves setting standards and giving advice on the process of change.

OUR SUSTAINABILITY POLICY IS UPDATED regularly, most recently in 2015. During 2017, we developed a position paper on the environment and climate. We have also further developed our anti-corruption efforts, as well as our work on issues affecting human rights. (For more information on the development of our policies and processes, see page 38 – the ethical compass.)

NEW INVESTMENTS ARE ANALYSED

The ESG assessment (Environmental, Social and Governance) is a part of our analysis of potential investments. ESG Managers are a part of Swedfund's investment team, which is responsible for evaluating new investments. ESG Managers are specifically responsible for evaluating environmental issues, social and governance issues in portfolio companies. Initial assessment of the environmental and social categories, the identification of significant risks and impact are carried out in the course of concept clearance. ESG Managers are responsible for an in-depth analysis of environmental and social risks and the impact of the investment, as well as preparing any possible external review.

AN ACTION PLAN IS DRAWN UP

For the portfolio companies which Swedfund finances, and where we consider it necessary, an ESGAP (ESG Action Plan) is drawn up, with measures targeted at sustainability. The action plan includes a timetable and detailed descriptions of what the company needs to do to obtain financing. It also describes the changes that the company needs to make to meet Swedfund's requirements. The sustainability requirements which we set in the ESGAP may condition how the financing is disbursed and also how we act during the holding period.

REQUIREMENTS SET OUT IN THE AGREEMENT

Swedfund sets sustainability requirements in agreements and requires portfolio companies to submit sustainability reports. An ESGAP, and the requirements which are formulated within it, forms part of the investment agreement. Swedfund's sustainability requirements have developed over time, which means that Swedfund cannot set the same requirements for older portfolio companies that it sets for new ones. In companies with older agreements, we highlight the importance of issues that may not be included in our agreement.

MONITORING THROUGH DIALOGUE

Active value creation within the ESG area consists of the requirements set in the agreement and the monitoring of the action plan, ongoing dialogue with the company, the work of the Board of Directors, the company's annual declaration and our feedback on this. These give us a good picture of the issues which should be prioritised in the future, and how well the company is complying with our requirements. During the period in which Swedfund is a shareholder in or lender to a portfolio company, the responsible Senior Investment Manager is tasked with monitoring and ensuring compliance with the sustainability policy, the anti-corruption policy, the strategic sustainability goals and ESGAP.

ESG AUDITS

In addition, we carry out regular site visits and/or internal and third-party audits as part of our commitment in the ESG area (for more information on audits and site visits during 2017, see page 75). Continuous monitoring also takes place during the ongoing dialogue with and visits to the portfolio companies.

A safe work environment cannot be emphasised too many times. This sign stands outside one of Frontier Energy Fund I's investments in Uganda.
Photo: Swedfund



EUROPEAN COLLABORATION IN EDFI

Swedfund is a member of EDFI – an association organisation for European development finance institutions. Cooperation through EDFI accelerates our contribution to Equation 2030. We often invest jointly and share experiences, as well as collectively developing positions on central issues.

THE PRIVATE SECTOR is a vital component of our effort to redirect society towards Agenda 2030. Achieving the global goals needs businesses with a clear focus on sustainability, which create decent work and inclusive growth which does not deplete natural resources but supports ecosystems.

The development finance institutions have a clear role to play in creating and developing sustainable businesses by mobilising private capital for under-financed markets – when the DFIs provide capital, this reduces the risk for other investors, enabling them to invest as well.

One of the global sustainable development goals, goal 8, refers to decent work. The UN has identified this particular area as one of the most important factors in creating economic growth and reducing poverty. More job opportunities with good conditions will give people the opportunity to lift themselves and their families out of poverty. The country's tax revenues rise, and more children are given the opportunity to go to school.¹ An increased number of decent jobs also contributes to stability both for the individual and for the security of society in general, which makes it an important stabilising factor in times of conflict.

Swedfund, along with our 14 equivalents in Europe, is a member of EDFI – European Development Finance Institutions. The DFIs are working together within EDFI to achieve Agenda 2030 and the obligations which the international community has made in relation to financing to achieve the goals set out in Agenda 2030 and the climate targets developed in Paris COP 21. The members of EDFI make joint investments and harmonise their requirements and follow-up procedures. This gives the development finance institutions a stronger voice and makes our work more effective.

DIFFERENT APPROACHES BUT THE SAME OBJECTIVE

The various players within EDFI differ in their choice of financial instruments and the sectors and regions of the world in which they are active. For example, EDFI has 35 percent of its total portfolio in Sub-Saharan Africa, while Swedfund has over 60 percent of its portfolio in that region. Through our joint efforts to contribute to Agenda 2030, we have laid the foundations for increasingly closer and more important collaboration.

The collective EDFI portfolio (agreed investments) totalled EUR 38 billion at the end of 2016. This amount has more than trebled since 2005. ² The portfolio is growing especially through returns and through capital contributions.

Since 2002, the development finance institutions in Europe and the USA, together with the IFC, have increased their investments from USD 10 billion (2002) to USD 70 billion (2014) – an increase of 600 percent. The increase is partly a result of capital contributions and partly of re-invested profits. The corresponding increase for the ODA (aid) was from USD 89 billion to USD 137 billion – an increase of 54 percent.³

When EDFI asked the owner representatives in Europe what was the principal reason for them providing the capital contribution to a development finance institution, the answer was “the development finance institution's ability to create jobs”, and the important contribution that the development finance institutions make through increased growth in the countries in which they help create sustainable businesses. Other motives were the development finance institutions' ability to contribute to sustainable development and their investments in renewable energy. In total, in 2015, the development finance institutions created four million jobs, 74,000 kWh of electricity and EUR 11 billion in tax revenues in the countries in which they operate.

COMMON STRATEGY

The common strategy to create economically, ecologically and socially sustainable development is to invest in profitable businesses in the private sector. EDFI works to create the conditions for an effective exchange between its members and with other bilateral, multilateral and regional development institutions within the EU.

Lake Turkana Wind Power Project in Kenya, one of the investments within the ICCF. ICCF is a collaboration between EDFI, the EIB and AFD (Agence Française de Développement) aimed at increasing cooperation in relation to climate financing.

REPORT 2017: EDFI

DEVELOPMENT FINANCE INSTITUTIONS (INVESTMENTS YEAR-END 2016, EUR MILLIONS):

▼ BIO ▼ Country: Belgium

- ▼ Established: 2001
- ▼ Total investments: 692
- ▼ Number of investments: 152
- ▼ New investments: 178

▼ CDC ▼ Country: UK

- ▼ Established: 1948
- ▼ Total investments: 6,756
- ▼ Number of investments: 237
- ▼ New investments: 1,335

▼ COFIDES ▼ Country: Spain

- ▼ Established 1988
- ▼ Total investments: 895
- ▼ Number of investments: 236
- ▼ New investments: 101

▼ DEG ▼ Country: Germany

- ▼ Established: 1962
- ▼ Total investments: 7,731
- ▼ Number of investments: 578
- ▼ New investments: 1,553

▼ FINNFUND ▼ Country: Finland

- ▼ Established: 1980
- ▼ Total investments: 652
- ▼ Number of investments: 167
- ▼ New investments: 52

▼ FMO ▼ Country: The Netherlands

- ▼ Established: 1970
- ▼ Total investments: 9,778
- ▼ Number of investments: 948
- ▼ New investments: 1,550

▼ IFU ▼ Country: Denmark

- ▼ Established: 1967
- ▼ Total investments: 590
- ▼ Number of investments: 212
- ▼ New investments: 112

▼ NORFUND ▼ Country: Norway

- ▼ Established: 1997
- ▼ Total investments: 1,845
- ▼ Number of investments: 123
- ▼ New investments: 306

▼ OeEB ▼ Country: Austria

- ▼ Established: 2007
- ▼ Total investments: 1,040
- ▼ Number of investments: 97
- ▼ New investments: 193

▼ PROPARCO ▼ Country: France

- ▼ Established: 1977
- ▼ Total investments: 5,889
- ▼ Number of investments: 513
- ▼ New investments: 979

▼ SBI-BMI ▼ Country: Belgium

- ▼ Established: 1971
- ▼ Total investments: 32
- ▼ Number of investments: 26
- ▼ New investments: 14

▼ SIFEM ▼ Country: Switzerland

- ▼ Established: 2005
- ▼ Total investments: 654
- ▼ Number of investments: 89
- ▼ New investments: 87

▼ SIMEST ▼ Country: Italy

- ▼ Established: 1991
- ▼ Total investments: 1,029
- ▼ Number of investments: 1,081
- ▼ New investments: 168

▼ SOFID ▼ Country: Portugal

- ▼ Established: 2007
- ▼ Total investments: 12
- ▼ Number of investments: 20
- ▼ New investments: 5

▼ SWEDFUND ▼ Country: Sweden

- ▼ Established: 1979
- ▼ Total investments: 429
- ▼ Number of investments: 97
- ▼ New investments: 79

1 Fact sheet on Goal 8: Decent Work and economic growth. Why it matters. Downloaded from the UN's website on 1 December 2017.
2 edfi.eu
3 edfi.eu: Development Institutions Come of Age.

RISKS

In Swedfund's mission as a development finance institution, risk plays a central role in its activities. Our greatest risks are linked to our investments, and cover our three pillars; impact on society, sustainability and financial viability.

FINANCIAL RISK IS a source of return, but can also lead to something going wrong, and this can lead to losses. We work constantly to limit risk, for example, by working with good partners, having developed a highly-effective investment process and through our active shareholding.

THE BOARD OF DIRECTORS' RESPONSIBILITY AND POLICIES.

Swedfund's Board of Directors is responsible for defining and managing risks. By working actively within our three pillars, we strive to generate results and long-term value. At the same time, we manage all the risks arising in our investment operations. To aid us in this, there are a number of control instruments, including Swedfund's policies (see Swedfund's ethical compass, page 38) and the delegation of responsibility to officeholders and management bodies in the organisation (see corporate governance report, page 105).

MAIN RISKS

Swedfund's main risks are the following:

▼ STRATEGIC RISKS

Large-scale risks related to our mission at an overall level.

▼ OPERATIONAL RISKS

Risks linked to day-to-day operation.

▼ INVESTMENT RISKS (FINANCIAL)

Risks associated with Swedfund's investments in equity, loans and mutual funds, as well as the management of short-term funds.

▼ INVESTMENT RISKS (SUSTAINABILITY)

Risks related to our undertakings in accordance with our ethical compass including those related specifically to our sustainability goals.

▼ INVESTMENT RISKS (IMPACT ON SOCIETY)

When we make investments, we set goals for impact on society, such as job creation. There is always a risk that we will not meet this goal.

STRATEGIC RISKS

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

RISKS IN THE BUSINESS ENVIRONMENT AND THE REGULATORY SYSTEM

The portfolio companies' ability to contribute to development in the investment countries is affected by their strategy and implementation. If these are inadequate, or if the portfolio companies do not have the ability to react to and handle changes in the regulatory system and the world around them, their ability to deliver positive development effects may be reduced. This can then lead to reduced confidence in the operation.

Swedfund manages strategic risks through business intelligence, value-creating collaboration with the portfolio companies and dialogue with stakeholders. For more on our stakeholder dialogue, see page 40.

COUNTRY AND CONCENTRATION RISKS

In our evaluation of possible investments, we also take into consideration country risk and concentration risk, i.e. imbalance in the allocation between countries/regions, sectors and instruments. Given the limitations of our portfolio size, we are more severely affected by macro-risks than are larger DFIs.

OPERATIONAL RISKS

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

SECURITY AND PERSONNEL RISKS

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

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

RISKS ASSOCIATED WITH INTERNAL CONTROLS

Inadequate procedures can cause problems. Over time, Swedfund has built up fundamental processes and approaches to ensure good internal controls and monitoring. The corporate governance report, page 105, gives a detailed account of Swedfund's internal governance and controls in respect of financial reporting.

During 2016, we launched a whistleblower system, which enables both Swedfund employees and employees of our portfolio companies to report any irregularities with full anonymity. No such reports were made during the year. In response, we have reminded the portfolio companies about this function and the ability to report anonymously. We realise that we need to distribute the information more widely and we will investigate how to do this in the most effective way.

Ethiopia.
Photo: Swedfund



Income disparities are great in the countries in which we operate. Our goal is to contribute to inclusive growth.
Photo: Swedfund



INVESTMENT RISKS FINANCIAL

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

COMMERCIAL RISK AND PARTNER RISK

Commercial risk and partner risk are risks related, for example, to business idea, market and financial viability. This also includes risks linked to the particular partner in which Swedfund has decided to invest.

We carry out ongoing risk management during the investment process, which lasts throughout the life of each holding. Swedfund's investment team is responsible for managing risks in portfolio companies through work on the Board, site visits and other forms of monitoring. For more on our stakeholder dialogue, see page 28.

LIQUIDITY RISK AND CREDIT RISK

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

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

CURRENCY RISK AND INTEREST RATE RISK

Fluctuations in exchange rates can affect the value of investments in equity, mutual funds and loans. Interest rate risk stems primarily from lending to portfolio companies, as well as to borrowing for the purpose of lending to portfolio companies. Currency risk in the portfolio companies is complex. Swedfund's financing takes place in hard currency, while the majority of companies operate in their local currency. In the majority of cases, the currency risk lies with the country's local currency.

Swedfund does not take protective measures against currency risk on investments in equity and mutual funds, but does strive to minimise the currency risk on loans to portfolio companies. We match investments in loans in our investment operation with borrowing for the corresponding period in order to limit currency and interest rate risk.

RISKS IN FUNDS MANAGEMENT

Swedfund's investments are financed through funds from our investments in the form of dividends, interest payments, fees and sales proceeds, as well as through injections from expenditure area 7, International aid. Inflows and outflows are only partly within Swedfund's control. For that reason, Swedfund always manages a certain amount for disbursements of approved and agreed investments. This management of funds is exposed to certain financial risks.

The liquid funds are solely for the purpose of supporting the business operation, and may only be invested in secure and low-risk undertakings; in bank deposits or interest-bearing securities, and with limitations as to counterparties.

INVESTMENT RISKS SUSTAINABILITY

The sustainability risks we have identified are related to our sustainability policy and our sustainability goals.

STRATEGIC SUSTAINABILITY RISKS

There is a risk that the investments will not fulfil the sustainability requirement which we set or that they will not contribute to value creation in the long-term in both individual holdings and at portfolio level.

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

COMPLIANCE RISKS

Compliance risks are of the risk that holdings will not live up to their obligations in accordance with our sustainability policy and our strategic sustainability goals, or in accordance with other expected ESG aspects.

We manage these risks by setting requirements that all new investments comply with our sustainability policy and the strategic sustainability goals through ESGAP – an action plan which is developed jointly with the companies and identifies obligations within the environmental, social and corporate governance areas. In addition, these companies' compliance is monitored through annual reports to Swedfund. We cannot set the same requirements for older investments, since the older investment agreements do not contain these requirements. In these cases, we still emphasise the importance of sustainability-related issues during our discussions and the follow-up process.

INVESTMENT RISKS IMPACT ON SOCIETY

There is always a risk that we will not meet the goals we have set for impact on society. It may be that the number of jobs is not created at the rate we expected or even falls over a period as a result of, for example, the company has challenges in financial viability and is forced to terminate jobs instead of recruiting or retaining employees. The same applies to tax revenues. If a company is making a loss, in general no corporation tax is generated for the benefit of the country of operation.

RISKS IN BALANCE AND STRUCTURE

Other challenges may be Swedfund's efforts to find a better balance between the number of women and men in the number of employees, at management level and on the Boards. In the countries in which we operate, women lack education to a greater extent than men do, and do not work to the same extent as men. Through active value creation in all three pillars, we work to minimise the risks we see. We also use technical assistance funds to work on the impact on society pillar. One example is the Women4Growth initiative, which aims to strengthen women's empowerment.

ETHICAL COMPASS

Our ethical compass consists of our policies, international obligations, directives and transparency undertakings. This is a result of a close dialogue with our owners, partners and other stakeholders. The compass ensures that we accelerate development in a sustainable way.

OUR VALUES ARE professionalism, collaboration, openness and passion, and these will underlie our work and our prioritisation.

Swedfund's ethical compass is rooted in our mission and on the needs we ourselves identify. It has been developed through close dialogue with our owners, partners and other stakeholders, such as civil society organisations. The dialogue with stakeholders is important for us to be challenged and develop so that we can fulfil our mission as a responsible investor. Read more on our materiality and stakeholder analyses on page 40.

Swedfund's Code of Conduct and sustainability policy are central policies in our ethical work, and are taken by the Board of Directors. The obligations in our policies go further than just complying with the law. In our ethical compass, we also undertake to comply with voluntary international ethical guidelines, listed on the right.

Swedfund's ethical compass is central when we introduce new colleagues and members of the Board into our organisation. To strengthen our internal competence in the field of sustainability, educational courses for employees are arranged regularly, in respect of human rights, anti-corruption, corporate governance, IFC Performance Standards, Swedfund's ESG Toolkit and sustainability policy. The ESG team is responsible for updating the sustainability policy and the ESG Toolkit.

Our policies and obligations in the ethical compass deal with aspects both within Swedfund and in Swedfund's portfolio companies. The content of several of the policies and obligations overlap. During 2017, we further developed the following policies and areas:

ANTI-CORRUPTION POLICY

During 2016, the Board of Directors adopted a revised anti-corruption policy to clarify Swedfund's more stringent standards for anti-corruption work both internally and in our portfolio companies. In 2017, we took this one stage further by developing an anti-corruption management system covering Swedfund and Swedfund's portfolio companies. The system clearly sets out the requirements which we place on ourselves and in our portfolio companies, supplemented by a toolbox to provide our portfolio companies with support in their anti-corruption efforts. For more information on the continuing work on the anti-corruption datasheet, see page 51.

POSITION ON THE ENVIRONMENT AND CLIMATE

During 2017, Swedfund developed a position on the environment and climate, which was adopted by the Board in October 2017. Swedfund's focus on the environment and climate has been developed over recent years, and, in the position paper, we explain our focus and our ongoing climate-related work.

At the general meeting in April 2017, a new Owner's instructions was adopted, in which it was made clear that from now on, Swedfund would make new investments in renewable energy only. This is the basis for our position, which also covers how we will approach environmental and climate issues within our two other primary sectors; financial institutions and funds, as well as manufacturing and services. During the year, we also developed a method for measuring CO₂ on the whole portfolio, and we will report this for the first time in 2017.

NEW OWNER'S INSTRUCTIONS

At the general meeting in April 2017, Swedfund's Owner's instructions were revised. Over and above the clarification that energy investments would only involve renewable energy, the Owner's instructions also revised the countries in which Swedfund would operate. Swedfund will continue to invest in accordance with the OECD/DAC's list of countries which are entitled to development aid. Investments in low-income countries would be prioritised, as would investments in post-conflict countries. Investments could be made in exceptional cases in higher middle-income countries, particularly where renewable energy was involved.

GUIDELINES

SUSTAINABILITY-RELATED POLICIES

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

INTERNATIONAL OBLIGATIONS

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

TRANSPARENCY OBLIGATIONS

- ▼ GLOBAL REPORTING INITIATIVE (GRI) STANDARDS
- ▼ UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)
- ▼ UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) REPORTING FRAMEWORK
- ▼ THE INTERNATIONAL <IR> FRAMEWORK FOR INTEGRATED REPORTING
- ▼ OPEN AID
- ▼ IFI's HARMONIZED DEVELOPMENT RESULTS INDICATORS for Private Sector Investment Operations

GUIDELINES WHICH SWEDFUND FOLLOWS

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

MEMBERSHIPS OF ORGANISATIONS

- ▼ NMC NÄTVERKET FÖR HÅLLBART NÄRINGS LIV [THE NETWORK FOR SUSTAINABLE ENTERPRISE]
- ▼ ENACT SWEDISH NETWORK FOR BUSINESS AND HUMAN RIGHTS
- ▼ SWESIF
- ▼ EDFI
- ▼ UN PRI
- ▼ SIDA'S NETWORK FOR SUSTAINABLE BUSINESS, SLSD SWEDISH LEADERSHIP FOR SUSTAINABLE DEVELOPMENT

MATERIALITY AND STAKEHOLDERS' ANALYSES

Swedfund’s material aspects have been identified on the basis of our mission as a development finance institution under Owner's instructions, as well as the needs and challenges in our investments, collaboration and operational countries. In dialogue with our stakeholders, we have identified the issues where we can best affect Equation 2030.

Our influence is exercised both within Swedfund as a company and externally, i.e. in Swedfund’s portfolio companies. It's in the portfolio companies that we see the greatest influence, and it is in the portfolio companies that we want to generate development results. Our stakeholders help us to prioritise and guide us in our efforts to develop our investment strategy. Our materiality analysis is refined continuously in close dialogue with our stakeholders, brought together in the table below.

STAKEHOLDER CATEGORY	STAKEHOLDER ISSUES AND FOCUS	SWEDFUND'S RESPONSE AND RESULTS
OWNERS who determines Swedfund’s mission and finances Swedfund through the aid budget. The Swedish Government (The Ministry of Enterprise and Innovation, and the Ministry of Foreign Affairs).	CORPORATE GOVERNANCE, ADMINISTRATION AND MONITORING. Sustainable business: human rights, the environment, working conditions, anti-corruption, business ethics, gender equality and diversity, as well as financial development and the portfolio companies’ results.	Annual general meeting, Owner's instructions, individual meetings and network meetings.
POLITICIANS who determine the policy for global development (PGD) and approve the government budget. Members of the Swedish Parliament.	▼ Swedfund’s role in the development agenda, in Swedish aid, the aid budget and decisions on capital injections. ▼ Notification of capital injection 2018 and proposal for capital injection 2018–2020.	Through meetings with representatives of the parties, and with Parliament committees.
BUSINESS PARTNERS who, along with Swedfund, finance and run the companies in Swedfund’s portfolio. Business partners and development finance institutions (DFIs, IFIs and EDFI).	▼ Financing, marketing matters, strategy and business models. ▼ Private sector development, co-financing and development impact. ▼ Policy issues for Europe’s DFIs.	▼ Interaction and lobbying. ▼ Ongoing contacts and meetings in collaboration groups. ▼ Reference group meetings at multiple levels: CEO, HR, ESG, Development Effects, Legal, Communication etc.
CIVIL SOCIETY ORGANISATIONS AND TRADE UNIONS who, like Swedfund, carry on development work in Swedfund’s markets. Civil society organisations, labour union, international NGOs and children’s rights organisations.	▼ Policy issues e.g. human rights, tax, development impact, transparency and tax issues. ▼ The “decent work” agenda. ▼ The children’s rights perspective (Global Compact’s Children’s Rights Principles).	▼ Stakeholder dialogues, see notes at swedfundfrankly.se. ▼ Roundtable and conference. ▼ Previous experience approach.
MEDIA AND MULTIPLIERS whose reporting reaches and influences the general public and other stakeholders. Daily newspapers, specialist newspapers and social media.	▼ Monitoring Swedfund as an aid player.	Planned communication, discussions and meetings for knowledge transfer.
SWEDFUND'S EMPLOYEES who use their knowledge, experience and networks to carry out Swedfund's mission. Employee and personnel organisation.	▼ Personnel issues, organisational, strategic and re-source issues.	Staff meetings, performance appraisals, salary discussions and Swedfund University.

REPORT 2017 CASE ACLEDA BANK

“We aim to be a role model for economic and social development.”

An important aspect of Swedfund’s approach to bank investments is to strengthen our commitment to sustainability and ensure that it remains at a sufficiently high level. ACLEDA Bank, with a past as an NGO, has high ambitions, and recognises the importance of strengthening its commitment to environmental and social issues.

CAMBODIA’S RECENT HISTORY bears the scars of the Khmer Rouge’s rule, 1974-79. Under that brutal regime, government institutions and private property were abolished, money was banned and educated people were persecuted and systematically executed.¹ The country was predominantly agricultural, but it is now estimated that there are a million SMEs, generating almost 75 percent of employment opportunities.²

FROM NGO TO THE COUNTRY’S LARGEST BANK ACLEDA was founded in January 1993 as an NGO, with a remit to offer financing to microbusinesses and small companies. After seven successful years, ACLEDA was converted into a private company, and was granted a bank licence in 2003.

It is now the largest employer in the banking sector, and has a strong social commitment. ACLEDA is SMART certified, which means that it has systems which benefit customers but which are also capable of dealing with the most crucial risks in the sector. This involves, for example, responsible and transparent pricing, the prevention of overindebtedness and treating customers with respect.

Dr So Phonnary began working as a Small Enterprise Promotion Officer in 1993. Today, she is Executive Vice President & Group Chief Operations Officer. “ACLEDA aims to be a role model in the banking sector,” says Dr Phonnary. “That’s why we see minimising environmental and social risks as an essential part of our mission. We are not blind to challenges, but we encourage and train our Credit Officers to maintain continuous dialogue with our clients on social and environmental risks.”

SHORT-TERM ENVIRONMENTAL AND SOCIAL RISKS HAVE A NEGATIVE IMPACT ON OPERATIONS IN THE LONG TERM.

There are five full-time employees working at ACLEDA’s Department for Environmental and Social Issues (E&S). They play a crucial role in the evaluation of E&S issues in the loan application process. One of the challenges facing the bank is to explain to borrowers the importance of running their operations in a sustainable way, to show that they can be impacted in a negative way in the long run if they do not take account of E&S issues. Swedfund sees an opportunity to make a difference here. One of our requirements is that the bank has an environmental and social management system for handling environmental and social risks and impacts in its lending.

CONTINUING IMPROVEMENT OF THE BANKING SECTOR IS A PRECONDITION FOR THE COUNTRY’S CONTINUING ECONOMIC DEVELOPMENT.

For the country’s banks, access to long-term capital is central. At present, this corresponds to just two percent of assets. DFIs such as Swedfund are a vital partner, since we can offer credit with a long duration. Our capital makes it possible for the bank to offer loans to more small and medium-sized businesses, which in turn generates increased income, increased employment and the expansion of domestic production. You can read more about our approach to investments in banks in the Financial Institutions and Funds section on page 58.

INVESTMENT IN FINTECH SOLUTIONS AND INTERNET BANKING

In Cambodia, it is estimated that only 13 percent of the population have access to financial services within the formal system.³ ACLEDA began early to develop products and services aimed at micro, small and medium-sized businesses, and, at present, the bulk of lending goes to these. “In April 2016, we launched ACLEDA ToanChet, an app for mobile banking and digital payments. On 31 December 2017, more than 258,000 accounts were connected to the system, of which more than 5,000 are stores connected to ACLEDA Toanchet. We are also preparing to launch a small loan app. This is a highly significant development in our effort to be an active participant in the transition to a cashless society,” says Dr Phonnary.

1 <https://www.svd.se/kambodjas-bodel-pol-pot-lat-morda-17-miljoner-manniskor>. Extract from “Living History”, downloaded 9 March 2018.
2 <http://www.thedailystar.net/education-employment/smes-and-our-development-goals-136659>. SMEs and our development goals. 2017 Downloaded 9 March 2018.
3 <https://www.imf.org/en/News/Articles/2017/06/06/sp060717-the-cambodian-economy-outlook-risks-and-reforms>. The Cambodian Economy: Outlook, Risks and Reforms. 2017 Downloaded 9 March 2018.



Dr So Phonnary, Executive Vice President & Group Chief Operations Officer at ACLEDA Bank.

REPORT 2017 FACTS: ACLEDA BANK

▼ ACLEDA, Association Cambodia Local Economic Development Agency, was established in 1993 by the ILO and UNDP as an NGO and microfinance institution, with a remit to offer financing to microbusinesses and small companies. The project proved to be successful and financially viable. The organisation was converted into a private company in 2000. In connection with the privatisation, IFC, DEG and FMO, among others, became shareholders.

▼ Shortly afterwards, ACLEDA began the process of converting to a commercial licenced bank, and a bank licence was granted in 2003.

▼ Today, the bank is the largest in the country, with a market share of around 20 percent, 260 local branches throughout the country and over 12,500 employees, of whom around 40 percent are women. Over half of the bank’s borrowers are women.

▼ Swedfund invested in ACLEDA Bank in 2015 through a loan of USD 5 million.

CAMBODIA

▼ From 1974–1979, the Khmer Rouge ruled Cambodia. Their politics were extreme, and included abolishing the country’s institutions in favour of an authoritarian state.

▼ A quarter of the population are estimated to have died through mass executions, famine and disease. Cambodia

was invaded and occupied by Vietnam in 1979, and this was followed by 12 years of armed conflict.

▼ Vietnam occupied Cambodia for ten years from 1979. When the occupation ceased, UNTAC began to lay the groundwork for an open, democratic and liberal economic policy.⁷

▼ Cambodia’s first democratic election was held in 1993, and the country is now formally a democracy.

▼ GDP has doubled, and life expectancy has risen from 61 to 71 years.

▼ Cambodia is in column 1 on the DAC list.

SDGS IN FOCUS THROUGH OUR WORK

▼ **SDG 5** Achieving gender equality and empowering all women and girls.

▼ **SDG 8** Promote inclusive and sustainable economic growth, and full and productive employment with decent work for all.

▼ **SDG 12** Encourage sustainable consumption and production patterns.

▼ **SDG 17** Enhance the means of implementation and revitalise the global partnership for sustainable development.

DEEPENING

The issues which are most material for our operation are decent jobs, gender equality, the environment and climate, tax, human rights and anti-corruption. By focusing on these issues, we will achieve the goals more rapidly.

DECENT JOBS

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

GENDER EQUALITY

Businesses with gender equality have higher growth and are more sustainable, and countries with gender equality have gone further in achieving sustainable development and Agenda 2030.^{1,2,3} That is why gender equality is an important part of Swedfund's work.

THE ENVIRONMENT AND CLIMATE

Climate change is one of the greatest challenges of our time. It affects the living conditions for people in every country and hits every sector. Poor people are affected particularly hard by the consequences of climate change. That is why the environment and climate are among Swedfund's most important issues.

TAX

Ample financing is essential if we are to achieve the global goals of Agenda 2030. An important source of development finance is countries' tax bases. Tax revenues should be used for investment in infrastructure and the public sector, which helps alleviate

unfairness, reduce property and give every person a dignified life. Paying tax is a matter of development and fairness.

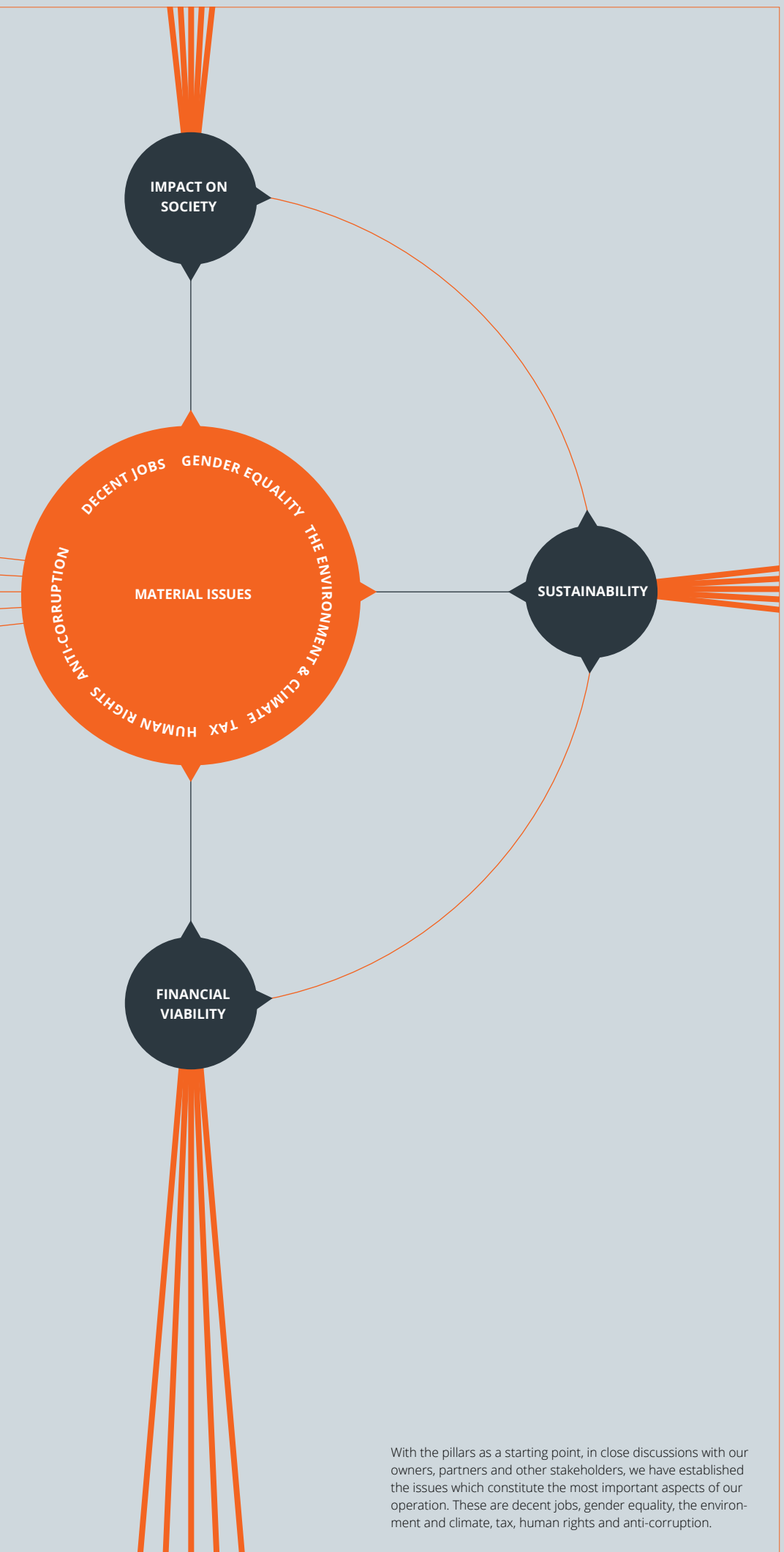
HUMAN RIGHTS

Protecting and strengthening human rights is a fundamental condition for sustainable development and sustainable business. That is why it is a fundamental issue for Swedfund. The starting point is the individual person's inviolable freedom and rights from both a social and an environmental perspective.

ANTI-CORRUPTION

Corruption is an obstacle to social development and social inclusion. It inhibits sound competition, makes financing business more difficult, centralises wealth to a few people and depletes resources. That is why anti-corruption is an important issue for Swedfund.

1 unwomen.org Economic Empowerment - fact and figures 2017. Downloaded 20 February 2018.
2 Organization for Economic Cooperation and Development (OECD), Gender Equality in Education, Employment and Entrepreneurship: Final Report to the MCM 2012, page 17.
2 The impact of gender inequality in education and employment on economic growth: New evidence for a panel of countries, Feminist Economics, 15: 3 2009, pages 91–132.
3 Boston University. Are Women the Key to Sustainable Development? Sustainable Development Insights. 2010, page 7.



With the pillars as a starting point, in close discussions with our owners, partners and other stakeholders, we have established the issues which constitute the most important aspects of our operation. These are decent jobs, gender equality, the environment and climate, tax, human rights and anti-corruption.

DECENT WORK



INTRODUCTION

SDGS IN FOCUS THROUGH OUR WORK: ▼ SDG 8.2 ▼ SDG 8.5 ▼ SDG 8.7 ▼ SDG 8.8

The core of Swedfund’s mission is to create job opportunities so that people can take themselves out of poverty. The jobs we are creating must be decent with good working conditions.

For Swedfund, a decent job must meet the ILO’s eight core conventions (see page 68) and the ILO’s basic terms and conditions of employment. These relate to freedom of association and the right to collective bargaining, regulated working hours, minimum wages and health and safety, elimination of forced or compulsory labour, abolition of child labour and elimination of all forms of discrimination.

To create decent job opportunities, we must convert jobs in the informal economy to work in the formal economy. The lack of regulation in the informal sector increases the risk of poverty and vulnerability. This is often risky work, with long working days and low wages without the opportunity to negotiate and affect terms and conditions. In many cases, there is a lack of a social security net and social rights such as healthcare, childcare and care for the elderly. In some countries, the proportion of people in the informal economy is 80 percent of all workers. A large informal sector militates against building inclusive growth in a society.¹ Women and young people are particularly vulnerable, since they work in the informal sector to a greater extent. Swedfund’s investments,

such as in the textile industry or in the hotel and services sector, provide tools to advance the transition from the informal sector to the formal.

For us at Swedfund, working conditions are not a soft issue. They are definitely a hard issue: When we analyse the possible investment, we carry out an analysis of the current situation and the opportunity to make improvements. If we proceed with the investment, we link our requirements for improvements to our financial conditions for disbursement. We work in challenging markets, where ILO’s terms and conditions are not always adhered to. This makes our work particularly important.

4 OUT OF 5

WORKERS IN DEVELOPING COUNTRIES ARE IN VULNERABLE FORMS OF EMPLOYMENT.²



ILO’S SOCIAL UNREST INDEX (DISSATISFACTION WITH THE SOCIO-ECONOMIC SITUATION IN SOCIETY) IS INCREASING IN EIGHT OUT OF ELEVEN REGIONS IN THE WORLD.³

2 OUT OF 3

OF THE WORKERS IN SUB-SAHARAN AFRICA LIVE IN POVERTY EVEN THOUGH THEY ARE EMPLOYED.⁵

“IF WE DON’T CREATE JOBS FOR AN EXTRA 1 BILLION PEOPLE IN AFRICA BY 2050, WE’RE SITTING ON A TICKING TIME BOMB.”

FRED SWANIKER
FOUNDER AND CEO AFRICAN LEADERSHIP GROUP, 2016⁴

IN SOUTH ASIA, 82% OF ALL WOMEN HAD VULNERABLE WORK IN 2016, COMPARED WITH 72% OF ALL MEN.⁶

1.4

BILLION PEOPLE IN THE WORLD WORK IN VULNERABLE JOBS.⁷

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ We contribute to increasing the number of job opportunities through investment in the private sector. This takes place directly or through financing banks and funds who finance SMEs, where the majority of all jobs in our markets are generated.
- ▼ During our Due Diligence, we look at whether the company complies with the ILO’s core conventions and the ILO’s Basic Terms and Conditions of Employment. If we identify deficiencies, we address them through an ESGAP (Environmental Social Governance Action Plan), with a set target date for rectifying the situation. ESGAP forms a part of the investment agreement with the portfolio companies.
- ▼ By developing financially sustainable businesses, we create the conditions for continued and additional employment in companies that survive and progress.

▼ During the latter part of 2017, Swedfund gradually introduced a model to enable us to measure the indirect jobs generated by our investments.

WE MEASURE RESULTS:

- ▼ We measure the number of jobs in our portfolio companies, and one of our objectives is that they must increase over time.
- ▼ We measure and set standards for the portfolio companies’ compliance with the ILO’s Core conventions and the ILO’s Basic Terms and Conditions of Employment.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Swedfund’s Sustainability Policy
- ▼ The investment managers

FOOTNOTES DECENT WORK

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2 ILO World Employment and Social Outlook – Trends 2017, page 2.
3 ILO World Employment and Social Outlook – Trends 2017, page 10.
4 Fred Swaniker, TED Global 2016.
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6 ILO World Employment and Social Outlook – Trends 2017, page 24.
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2 CEO Gender, Corporate Risk-Taking, and the Efficiency of Capital Allocation. 2016, page 2.
3 hglobalcitizen.org 10 reasons why investing in women and girls is so (2014). Downloaded 20 February 2018.
4 The power of parity: How advancing women’s equality can add 12 trillion USD to global growth McKinsey Global Institute. 2015, page 1.
5 The power of parity: How advancing women’s equality can add 12 trillion USD to global growth McKinsey Global Institute. 2015, page 2.
6 <http://www.unwomen.org> commission on the status of women fact and figures 2012. Downloaded 20 February 2018.
7 ILO World Employment and Social Outlook – Trends 2017, page 8.
8 <http://www.jamombud.se/omjaminstalldhet/internationalit/>. Downloaded 20 february 2018.

GENDER EQUALITY



INTRODUCTION

SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK: ▼ SDG 5.1 ▼ SDG 5.5

Equality is not just about fairness. Companies which have gender equality have higher growth and a more comprehensive approach to sustainability, and countries with gender equality have achieved more in relation to sustainable development.¹

That is why gender equality is an important aspect of Swedfund’s work. Increased equality leads to increased fairness and drives progress towards Agenda 2030.

The lack of progress towards gender equality is a contributing factor in why we

have not had more success in sustainable development. If women had access to more productive and decision-taking roles, the effort to achieve sustainable development would probably make faster progress. Poverty is reduced when women participate in the economy and have access to greater resources. Women are also more risk-averse.² They use up to 90 percent of their wages to lift their families out of poverty (the corresponding figure for men is 40 percent) and invest to a greater degree in education for themselves and for their children.³

Women’s significance for sustainability, employment and economic activity is, however, often underestimated. Since the majority of women work within the informal

sector, often with low productivity and low incomes, sub-standard working conditions and weak social protection, they become invisible, as does their development potential.

A gender equal society makes the most of every individual’s resources and expertise. Gender equality is achieved when women and men, girls and boys have equal rights, equal conditions, equal opportunities and equal power to shape their own lives and influence society. Swedfund’s objective is that the proportion of men and women in our portfolio companies will have a positive trend by closing the gap. That is why we measure the level of gender equality in each investment and set concrete targets for a five-year period.

USD 12,000



BILLION COULD BE ADDED TO GLOBAL GROWTH THROUGH INCREASED EQUALITY.⁴

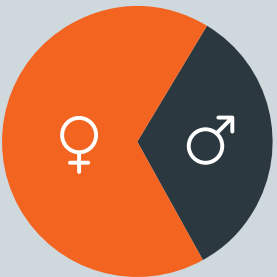


70%

OF THE WORLD’S REFUGEES ARE WOMEN AND CHILDREN.⁸

60%

OF THE CHRONICALLY HUNGRY ARE WOMEN AND CHILDREN.⁶



TWO-THIRDS OF UNPAID WORK IS CARRIED OUT BY WOMEN.⁷

50%

OF THE WORLD’S LABOUR FORCE CONSISTS OF WOMEN, BUT THEY GENERATE ONLY 37% OF GLOBAL GDP.⁵

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ We invest in banks which focus on lending to women-owned or women-managed SMEs.
- ▼ In our Due Diligence in preparation for an investment, we analyse the company’s approach to equality such as the availability of parental leave, equal pay for equal work and non-discrimination. We start from the ILO’s core conventions in our analysis.
- ▼ Through Women4Growth, a talent development programme for women employed in our portfolio companies, we make targeted interventions to strengthen them in a professional role and to further develop them to achieve leading positions. During 2017, we worked with this programme at the Park Inn Newlands Hotel in Cape Town, South Africa, where one third of the employees have impaired hearing or are deaf. The aim is to lay the groundwork to have more women in leading positions in the sector. In Mozambique, we have an investment in the financial institutions sector. As a first stage, we have implemented the programme at the micro-finance institution

Bayport. In this instance, we have brought in the work beyond the women to include the company’s management team.

WE MEASURE RESULTS:

- ▼ We set requirements and constantly measure key ratios linked to compliance with the ILO’s core conventions and the ILO’s fundamental working conditions.

WE MEASURE:

- ▼ 1) Compliance with the ILO’s core conventions and the ILO’s basic terms and conditions of employment.
- ▼ 2) Equality in the form of proportion of women a) among employees b) in leading positions and c) on the Board of Directors.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Sustainability policy
- ▼ The investment managers

THE ENVIRONMENT & CLIMATE



INTRODUCTION SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK: ▼ SDG 7.2 ▼ SDG 8.4 ▼ SDG 12.2 ▼ SDG 13.1 ▼ SDG 13.3

Climate change is one of the greatest challenges the world faces. The global average temperature increases, leading to a changing climate and more extreme weather such as droughts, floods, storms and a higher sea level.

The impact of these hit the world's poor the hardest. Not only do they often live in vulnerable areas, but they also have limited or no resources to use to adapt or recover from extreme weather and natural disasters. As the effects of climate change are exacerbated, the opportunities for them to take themselves out of poverty are reduced

The global economy is highly dependent

on fossil fuels, and it will take time to change course in a more sustainable direction. Developing countries need support to develop their societies with minimal environmental impact and also to carry out the necessary adaptations to the changing climate.

The need for energy investment in developing countries is enormous. Access to energy can generate significant development effects. Businesses report that the shortage of reliable energy is a fundamental impediment to development¹. At present, many companies in Sub-Saharan Africa have a diesel generator in reserve. Repeated interruptions in the energy supply make it essential to use these.

Swedfund strives to minimise negative climate impact in all our investments. Our environmental and climate work is integrated into our investment process but

with a slightly different focus in our selected sectors; financial institutions and funds, energy and manufacturing and services.

In 2014, renewable energy sources supplied 18 percent of global energy needs.² Swedfund makes new investments only in renewable energy with the aim of increasing this proportion. In the manufacturing and services sector, Swedfund makes every effort to find solutions which improve the use of resources.

During 2017, Swedfund developed a methodology to estimate the climate impact of all our portfolio companies. By measuring the present situation and then monitoring the trend over time, we can reach an understanding of the environmental and climate situation in our investments – and make the necessary improvements.

 **40%**

OF THE GROWTH IN ENERGY IN THE WORLD COMES FROM RENEWABLE SOURCES.³

GLOBAL EMISSIONS OF GREENHOUSE GASES FROM THE USE OF FOSSIL FUELS **ARE EXPECTED TO HAVE INCREASED BY TWO PERCENT IN 2017**⁴.

“THE EXPECTED TRANSITION TO A LOWER-CARBON ECONOMY IS ESTIMATED TO REQUIRE AROUND \$1 TRILLION OF INVESTMENTS A YEAR FOR THE FORESEEABLE FUTURE, GENERATING NEW INVESTMENT OPPORTUNITIES.”

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES – TCFD JUNE, 2017⁶

“CLIMATE ACTION IS A RACE AGAINST TIME.”

ANTONIO GUTERRES UN SECRETARY GENERAL, 2017⁵

120 MILLION

PEOPLE RISK BEING DRIVEN INTO POVERTY AS A DIRECT RESULT OF CLIMATE CHANGE IF CURRENT TRENDS CONTINUE UNTIL 2030.⁷

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ In our Due Diligence in preparation for an investment, we analyse the company's resource utilisation and impact on the environment.
- ▼ We work actively to minimise resource use and negative environmental impact. We place requirements on the implementation of environmental and social management systems within three years from the date of the investment.
- ▼ Swedfund only invests in the production of renewable energy.
- ▼ Development finance institutions fulfil an important role as sources of finance in the early stages of high-risk energy projects. In this, we act as catalysts and accelerate private investment within the renewable energy sector in Africa.

WE MEASURE RESULTS:

- ▼ We place requirements on portfolio companies to implement an environmental and social management system. We also monitor their implementation.
- ▼ We measure GWh of renewable electricity generated.
- ▼ We calculate the climate impact of all our portfolio companies. By measuring the present situation and then monitoring the trend over time, we can reach an understanding of the total environmental impact of our investments. On the basis of this knowledge, we can then make necessary improvements.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Swedfund's Sustainability Policy
- ▼ Swedfund's Position Paper on Climate Impact
- ▼ The investment managers

TAX



INTRODUCTION SUSTAINABLE DEVELOPMENT GOALS IN FOCUS THROUGH OUR WORK: ▼ SDG 17.1

Tax revenue is a self-reliant nation's most important way to finance the country's sustainable development. It is, for that reason, of the greatest importance to us that our portfolio companies pay tax in the countries in which they operate.

Financing is essential if we are to achieve the Sustainable Development goals of Agenda 2030. An important source of development finance is countries' tax bases. Tax revenues should be used for investments in infrastructure and the public sector, which helps alleviate unfairness, reduce property and give every person a dignified life. Paying tax is a matter of development and fairness.

A broad tax base and an active state which invests in its citizens' welfare, strengthens the bond between the state and the population, and increases solidarity within society – and creates a virtuous spiral of willingness to pay tax. A high level of domestic financing also decreases dependence on aid in developing countries and increases the degree of self-determination.

Transparent tax accounting is vital both at national level and at company level. Not least in that it allows people to see how much is going into the public coffers and what this is used to finance. Swedfund reports taxation on a country by country basis; which was the most important message from the Addis Abeba Action Agenda (the framework for financing Agenda 2030).

Illegal financial flows out of developing countries are a serious matter given the major impact they have on development issues. This could involve amounts which are twice as high, as what Africa for example receives in aid. Up to USD 100 billion is lost to developing countries through corporate tax evasion. The lost development effects of this are estimated at USD 250–300 billion.¹

In developing and transition countries, with limited capital supply, funds are an important source of longer-term financing. Funds enable local businesses, which Swedfund would not otherwise have been able to invest in, to receive the necessary financing for sustainable and profitable growth.



MULTINATIONAL COMPANIES' CONTRIBUTION TO THE TAX BASE IS:

5% IN INDUSTRIALISED COUNTRIES.³

10% IN DEVELOPING COUNTRIES.⁴

14% IN AFRICA.⁵



WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ Tax is part of Swedfund's Due Diligence. This means that, in preparation for an investment, we review the project and its structure from a tax perspective. Swedfund will not, for example, invest in corporate structures which lead to unjustified profit transfers from the operating country to another country, leading to an unbalanced tax situation.
- ▼ We also require that our portfolio companies submit information on their tax situation. In the course of its normal activities, Swedfund will encourage its portfolio companies to act responsibly on taxation matters.
- ▼ Swedfund publishes the portfolio companies' domicile on the website.
- ▼ Swedfund invests in funds to reach more countries and companies. It is important to set up the fund in a country with, for example, tax transparency and an effective judiciary. Swedfund has separate information about tax and funds on its website.

WE MEASURE RESULTS:

- ▼ Swedfund reports the taxes reported by its portfolio companies in their annual report. Swedfund gather information on the amount of tax paid by the companies, using a harmonised definition.
- ▼ We also report the amount of tax which our portfolio companies declare in their annual reports on aggregated country-by-country.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Swedfund's Owner's instruction
- ▼ Swedfund's Tax policy
- ▼ The Chief legal Counsel and Investment Manager are responsible for tax issues in portfolio companies.

FOOTNOTES THE ENVIRONMENT AND CLIMATE

1 http://unctad.org/en/PublicationsLibrary/ldcr2017overview_en.pdf, 2017, page 49.
2 <https://data.worldbank.org/indicator/EG.FEC.RNEW.ZS>, 2014 Downloaded 20 February 2018.
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3 UNCTAD: World Investment Report 2015, page 184.4 UNCTAD: World Investment Report 2015, page 184.5 UNCTAD: World Investment Report 2015, page 184.

HUMAN RIGHTS



INTRODUCTION

In the effort to achieve sustainable development and sustainable business, it is absolutely fundamental to defend and protect human rights.

In the owner policy for the state companies¹, it is expressed that the companies shall work actively to follow the ten principles the ten principles of the UN's Global Compact, the UN's guiding principles for business and human rights, as well as the OECD's guidelines for multinational companies. The human rights perspective is also one of two identified perspectives in the area of Swedish development aid cooperation and states that "human rights and democracy are to be seen as fundamental for devel-

opment".² Agenda 2030 is largely based on the principles of human rights³ In recent decades, democracy and human rights have been strengthened over substantial parts of the world, but in recent years this trend has stalled and even begun to roll back.⁴

The Swedish National action plan for business and human rights is intended to convert the UN's Guiding Principles on Business and Human Rights into practical action at national level. The UNGP contains guiding principles in the forum of three pillars: 1 – The state has a duty to protect human rights, 2 – The corporate responsibility, which means that their operations must not contribute to violations of human rights and businesses must act to prevent such violations, 3 – Access to remedy.

Swedfund operates in markets which

to various degrees and in various ways have challenges relating to human rights. Along with EKN, SEK and the Swedish Space Corporation (SSC), we have set up a working group which discusses the UNGP and has carried out a joint stakeholder dialogue on human rights in which discussion focused on four company-specific case studies. During 2016–2017 we carried out a gap analysis on how we are working with human rights in the light of the UNGP on Business and Human Rights. Several of the recommendations from the analysis were incorporated into our processes during 2017. We have developed a tool and a process for assessing risks relating to human rights in our investments so that we can identify salient risks, the most serious risks relating to human rights.

1.5 BILLION



PEOPLE WORK 50% OF THE SOIL IN THE WORLD USING TRADITIONAL METHODS AND BY CUSTOM. THEY HAVE LEGAL RIGHTS TO 10% OF THE LAND.⁴

THE PROPORTION OF COUNTRIES WITH NATIONAL INSTITUTIONS FOR HUMAN RIGHTS HAS DOUBLED IN THE LAST 15 YEARS, TO 35 PERCENT (2015).⁶

THE DECLARATION ON HUMAN RIGHTS IS THE WORLD'S MOST TRANSLATED DOCUMENT (370 LANGUAGES).⁷

121 MILLION



CHILDREN AND YOUNG PEOPLE HAVE NO OPPORTUNITY TO ATTEND SCHOOL AT PRESENT.⁷

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ Swedfund has introduced a process for human rights. Our ambition is to use this process in our existing portfolio companies as well as businesses in which we are in the exit phase. Consideration of human rights risks and their impact are already included in the first stage of the investment process. During the year, we decided to carry out three in-depth human rights analyses in connection with planned exits.
- ▼ Human rights categorisation of the project is carried out based on country, location, operational situation, type of operation and business partners.
- ▼ We carry out discussions with our portfolio companies on the situation in their particular country and the infringements of human rights which occur.
- ▼ During the screening process, we carry out a risk analysis in which human rights risks and impact are identified. Depending on the result of the risk analysis, a decision is taken as to whether to carry out an in-depth human rights analysis.

- ▼ Mitigation of identified risks and impact is implemented in the ESGAP.
- WE MEASURE RESULTS:**
- ▼ In the annual self-declaration for Swedfund's portfolio companies, the Annual Portfolio Company Sustainability Report, a number of questions are put relating to human rights. These questions are then followed up by email, telephone and site visits.
- ▼ We report on Swedfund's work on human rights in our IR, and otherwise. In the future, our ambition is to report in accordance with the UN Guiding Principles Reporting Framework.

GOVERNING POLICY & RESPONSIBILITY:

- ▼ Sweden's national action plan for business and human rights (Aug. 2015);
- ▼ The state's ownership policy and guidelines for companies in state ownership 2017
- ▼ Swedfund's Sustainability policy
- ▼ The investment manager

ANTI-CORRUPTION



INTRODUCTION

SDGS IN FOCUS THROUGH OUR WORK: ▼ SDG 16.5

Corruption is an obstacle to societal development and social inclusion. It inhibits sound competition, makes financing business more difficult, centralises wealth to a few people and reduces resources for public services such as education and health. The effects of corruption are at odds with our mission – reducing poverty through sustainable business.

To achieve good results in all of our three pillars – impact on society, sustainability and financial viability – there is no option but to focus on anti-corruption. We believe that it is possible to do business in an honest way and expect that all our portfolio companies work actively with anti-corruption. Corruption exists in every country, but affects people who already live in disadvantage and poverty hardest. In Africa, 58 percent of the population think that corruption has increased – and only 53 percent believe that it is possible to deal with it.¹

Certain sectors and countries are exposed to corruption to a greater degree. Agenda 2030 establishes that no one is to be left outside the goals. In an inclusive society, the prevalence of corruption is significantly lower than in societies with a higher degree of unfairness.²

We define corruption as the following actions: bribery, extortion, facilitation payments, nepotism and cronyism, fraud, money laundering, financing of terrorism, and political contributions.

THE POOREST IN AFRICA ARE WORST AFFECTED BY CORRUPTION: **THE RISK THAT THEY WILL NEED TO PAY BRIBES IS TWICE AS HIGH AS THE RICHEST IN THE REGION.**³



28%

OF THE POOREST PEOPLE IN AFRICA HAVE PAID A BRIBE.⁴

IN 2015, 25 PERCENT OF THE COMPANIES IN LOW-INCOME AND MIDDLE-INCOME COUNTRIES REPORTED THAT THEY HAD RECEIVED AT LEAST ONE ENQUIRY ON BRIBE PAYMENT. THE CORRESPONDING FIGURE IN HIGH-INCOME COUNTRIES WAS FOUR PERCENT.⁵

WHAT SWEDFUND DOES

THROUGH INVESTMENT:

- ▼ Swedfund strives for zero tolerance of all forms of corruption, even though the prevalence of corruption is high in Swedfund's markets. We screen all our investments for corruption risks, and impose an action plan on all new portfolio companies. In the event of a serious case of corruption, Swedfund ultimately has the right to withdraw from the investment.
- ▼ In every Due Diligence carried out on all new investments, corruption risks are analysed, as is the company's approach to combating corruption. For each direct investment, an ESG Action Plan is drawn up, with measures to ensure that the companies comply with Swedfund's Sustainability policy, Anti-corruption policy, and strategic sustainability target on anti-corruption.
- ▼ All of Swedfund's employees went through trainings about corruption during 2017, and we have launched anti-corruption management systems for our portfolio companies.
- ▼ To make things easier for the portfolio companies, Swedfund

has produced a template for an anti-corruption policy, which portfolio companies are welcome to use.

- ▼ Skills development on anti-corruption issues, internally and in portfolio companies, is another important component of Swedfund's anti-corruption work.

WE MEASURE RESULTS:

- ▼ Swedfund requires that portfolio companies implement a management system in respect of anti-corruption issues. This is one of Swedfund's strategic sustainability goals.
- Read more in the results section on page 84.

GOVERNING POLICY & RESPONSIBILITY:

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

“IN TOO MANY COUNTRIES, PEOPLE ARE DEPRIVED OF THEIR MOST BASIC NEEDS AND GO TO BED HUNGRY EVERY NIGHT BECAUSE OF CORRUPTION.”

JOSÉ UGAZ CHAIR OF TRANSPARENCY INTERNATIONAL

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2 Swedish government document 2016/17:60 Policy framework for Swedish development partnership and humanitarian aid. Page 14.
3 Bitte Feiring, Danish Institute for Human Rights, lecture at Development Forum 2017.
4 Freedom in the World. 2017, page 1.5 <http://thetenurefacility.org/about-us>. Downloaded 20 February 2018.
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RESULTS

PART 2: RESULTS 2017

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DIRECTORS' REPORT: 6-88, 105-111.

ABOUT THIS REPORT

Swedfund's Integrated Report for 2017 is a fully-integrated annual report. In the financial statements, information relating to sustainability is integrated with financial information, and vice versa. The Integrated Report is published by the Board of Directors of Swedfund International AB, corporate ID number 556436-2084. The entire report is subject to verification with a reasonable level of reliability, i.e. auditing. A glossary can be found on page 118.

INTEGRATED REPORTING <IR>



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ACCORDING TO SWEDFUND'S OWNER'S INSTRUCTIONS, SWEDFUND SHALL CONTRIBUTE TOWARDS ACHIEVING THE GOALS OF SWEDEN'S POLICY FOR GLOBAL DEVELOPMENT (PGD).

In collaboration with strategic partners, we shall participate in economically, socially and environmentally sustainable investments that create better conditions for people living in poverty and under repression. The company's operation shall promote gender equality, and Swedfund will invest only in renewable energy. Creating jobs with good work environments and good working conditions is our overarching goal.

In addition, Swedfund will measure sales and profitability per investment, with the goal that sales will increase over a five-year period. We shall measure CO₂ per investment, as well as corporation tax and the relevant target level for both these areas shall be evaluated in three years. Swedfund shall also measure the proportion of men and women in leading positions, and the goal is that the proportion of men and women shall have a positive trend/approach equality over a five-year period. In addition, the company has a goal that 100 percent of investments will take place where it is assessed that it would not be realisable with solely commercial financing. The company shall carry on its operation in a business-like and effective way. Effectiveness means that the greatest possible proportion of Swedfund International AB's resources are used for investment activities, and that Swedfund International AB's operation will create the greatest possible benefit when the assignment goals are achieved. Effectiveness is measured as total effect/benefit per investment – that the expected effects (the economic, environmental and climate and social effects) which constituted the conditions for the investment decision for each individual investment, will have a positive trend over time (where the base year corresponds to the investment year for each individual investment). Total cost per investment shall also be measured, and how the total cost per investment is changing over time will be monitored (base year 2016). The company also has two financial targets. C/I shall amount to a maximum of 0.9 and operating profit (EBIT) shall be positive irrespective of accounting standard.

ON THE WAY TO AGENDA 2030

This is part 2 of Swedfund's Integrated Report.

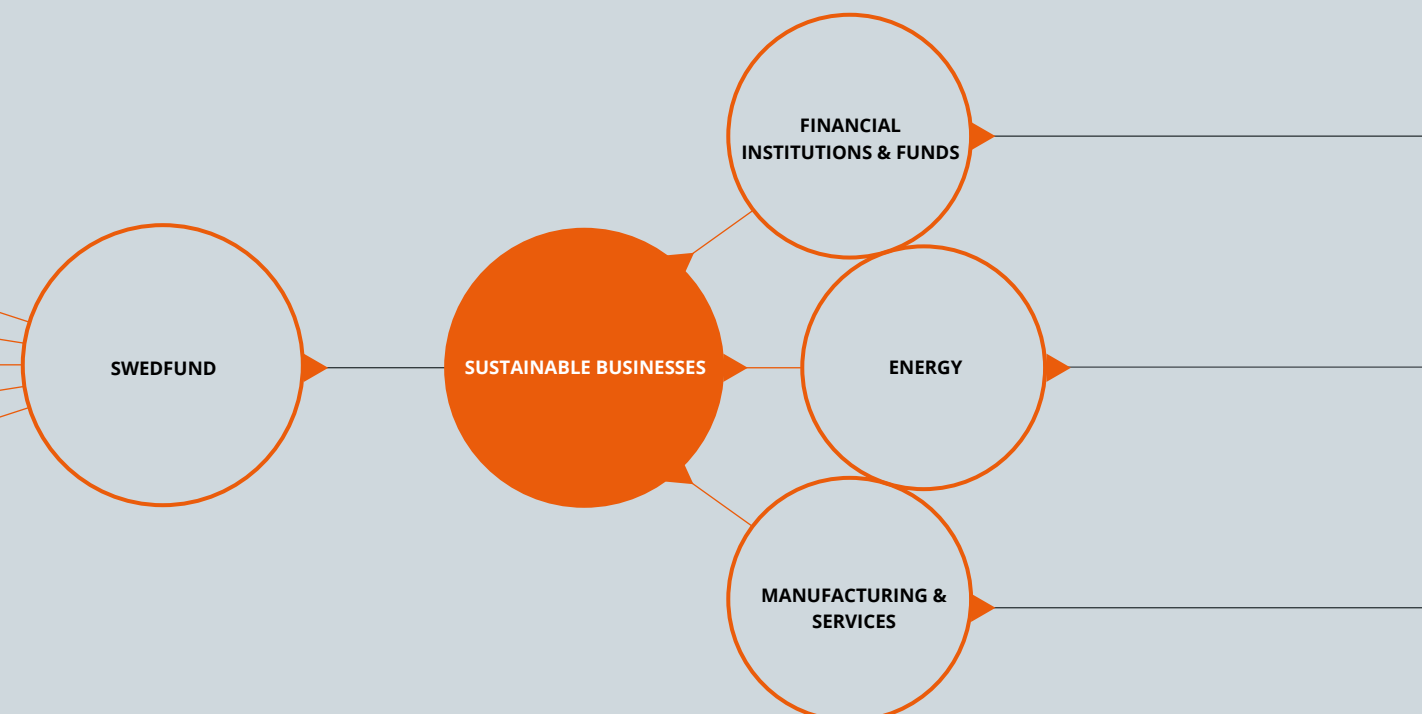
By way of introduction, we describe three sectors in which Swedfund operates: Financial institutions and funds, energy and manufacturing and services. We then describe our results divided over the three pillars of impact on society, sustainability and financial viability.

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

We also inform about the project accelerator, which is used in developing countries to encourage sustainable procurement, and about Swedpartnership, our support vehicle for establishing small and medium-sized Swedish businesses in developing and growth markets.

We conclude with a report of several of Swedfund's mission goals which were decided by our owners, and the financial goals adopted at the annual general meeting. In addition, we report on Swedfund's strategic sustainability goals and the financial results and notes to these.

SECTORS



THE FINANCE SECTOR IS VITAL for a country's economic and social development. Lack of access to finance is one of the greatest limiting factors in businesses' ability to grow in developing countries. Swedfund finances banks and funds in under-financed markets, and this enables them to increase their financing and lending to businesses and entrepreneurs. Our ambition is to help build a finance sector which is inclusive with particular focus on women entrepreneurs and owners of small businesses.

ENTREPRENEURS IN DEVELOPING COUNTRIES cite deficiencies in electricity supply as another major obstacle in running and developing their operations. Swedfund invests in renewable energy since the development of climate-friendly energy is one way of accelerating progress towards Agenda 2030.

THERE IS A great need to develop manufacturing industry and the service sector in Africa, particularly south of the Sahara, and in other developing countries. This involves sectors such as healthcare, hotels and various types of manufacturing industry, such as textiles. By investing in these sectors, jobs are created at the same time as the companies contribute to increased value-added in the countries in which they operate. Furthermore, these are sectors which employ a large number of people, in particular women, and often with unregulated employment conditions. That is why Swedfund's focus on job growth and on decent working conditions makes a big difference in these sectors.

We invest in three strategically selected main sectors; energy, financial institutions and funds, as well as in manufacturing and services.

We have focused our efforts on the sectors in which we judge that we are best able to achieve development which is in line with our mission. Where we have the greatest opportunity to generate benefits depends on a number of factors, with our contribution to Agenda 2030 being the most central.

FINANCIAL INSTITUTIONS AND FUNDS

Access to capital and the quality of the institutions which manage it are vital for a country's economic and social development.

SWEDFUND WORKS TO help build a finance sector that is financially inclusive, and covers both small and medium-sized businesses, as well as low-income workers, women and people living in poverty.

Swedfund invests in two different ways. Firstly, through investments in financial institutions, especially banks, and secondly through investment in various types of funds which help us reach out to more people, businesses and countries. In many poor countries, Swedfund, together with other development finance institutions, provides a significant part of the capital available for financing small and medium-sized businesses.

It is easier for us to reach the businesses and people in our target group by working through existing financial institutions and funds. Through a loan to a local bank, we give that bank an important lever for further lending, often directed towards segments or groups which the bank would otherwise be unable to lend to. The investment helps spread Swedfund's risk which is then significantly lower compared with an investment in a single business. They provide local knowledge, and are well placed to assess the economic risks in a country and in a market. It is also a way for Swedfund to reach out to more businesses. Through a loan to a single bank, Swedfund enables financing to many small and medium-sized businesses.

MICROFINANCING TO REACH PRIORITISED GROUPS

Microfinance institutions contribute loan financing to small businesses, often targeting women business owners. They promote financial inclusion and enable more people to access bank accounts and the opportunity to take out loans.

During 2017, for example, we supported Prasac, which provides loans to small and often women-run businesses in Cambodia. Prasac had 6,162 employees and around 375,000 borrowers in 2017. Just over 80 percent of the loans are provided to businesses run by women. Many of the loans are made to businesses within the agricultural and retail sectors, and make it possible for a large number of families to start small businesses and make a living.

Another example from the past year is Bayport, which lends money to private individuals who would not otherwise have access to loans. Bayport operates in nine countries, and has 7,900 employees. The money which Swedfund invested in Bayport in 2017 was earmarked to expand the operation in Mozambique. In previous years, our investments in Bayport were earmarked for Tanzania and Uganda.

INVESTMENT IN FUNDS

By investing in private businesses and being active owners, we can contribute to job creation and economic development,

and to other sustainability goals through the requirements we set in our ESG work. During 2017, Swedfund invested in AFIG Fund II and Catalyst Fund II both of which provide equity capital and active partnership to small and medium-sized businesses in West Africa and East Africa respectively.

Swedfund and the fund managers have agreed on a high level of commitment to sustainability in the companies in which the funds invest. In line with this, we look to them to act as professional owners focusing on sustainability, strategic development and improving financial results.

DIFFERENT FINANCING FOR DIFFERENT PURPOSES

Even if the objectives of these different types of investment are of a slightly different nature, they are often mutually supportive. Swedfund aims to promote the creation of growing and profitable businesses, so that jobs are created and these companies are able to contribute to increasing the country's tax revenues. We also help ensure that these businesses are sustainable or are working actively towards sustainability. A large proportion of Swedfund's efforts are aimed, in partnership with the financial institutions and funds in which we invest, at strengthening their commitment to sustainability.

Many of the investments which Swedfund makes involve financing from both development finance institutions and private investors. We aim to increase the proportion of private investors. The participation of development finance institutions often provide support for private investors, not least in matters affecting sustainability.

The empowerment of women is a central issue for Swedfund. Our goal is to increase the percentage of women in leading positions in the financial institutions and funds which we invest, and also to increase access to finance and bank services for women-owned businesses. Women-owned small businesses receive, on average, only around 10 percent of the loans that financial institutions make to small and medium-sized businesses. More than 70 percent of women-owned SMEs report difficulties in gaining access to financing.¹

It is often difficult for private citizens in developing countries to access loans and bank services. Only 34 percent of the population of Sub-Saharan Africa have a bank account.² That is why we make investments which increase access to loans and bank services for private individuals.

Swedfund's investments must be financially profitable. If financial viability is lacking, this means that the development impact Swedfund has achieved is at risk of disappearing when investment ceases. Swedfund is a long-term shareholder, and we operate in difficult markets with higher risks, and it does happen that an investment does not achieve the result we hoped. It is part of our mission to go where we are most needed, and to accept greater risks than other investors do.

By investing in financial institutions and funds which focus on job creation, increase tax revenues, greater equality and financial inclusion we help achieve the objectives of Agenda 2030.

Dhaka, Bangladesh
Photo: Swedfund



¹ <http://www.worldbank.org/en/programs/women-entrepreneurs>. 2014 Downloaded 14 march 2018.
² <http://datatopics.worldbank.org/financialinclusion/region/sub-saharan-africa>. 2014 Downloaded 14 march 2018.

One of Husk Power System's facilities in northern India.
Photo: Swedfund

ENERGY

One of Swedfund's prioritised areas is investment in the energy sector, and, since 2014, we have invested only in renewable energy sources.

STABLE ELECTRICITY SUPPLY drives development and is essential for job-creation and combating poverty. It also links to Agenda 2030 and the goal of sustainable energy for all. We and other development finance institutions are currently responsible for one-third of all investment in renewable energy in Africa, which make our role vital.¹ By investing in systems which make it possible for solar, wind or hydro power to be used to generate electricity, we are helping to create conditions for countries to build their own prosperity in a sustainable way.

The lack of access to electricity is an obstacle to development in many poor countries. In Sub-Saharan Africa, over 600 million people live without electricity.² The lack of electricity is an obstacle for business and business development, and essential social functions such as schools and hospitals cannot fulfil their missions properly due to the lack of electricity. Over and above the scarcity of production resources, existing electricity networks are outdated and unstable. Alternative electricity is often produced using diesel generators, which is both expensive and environmentally harmful. But these obstacles also represent an opportunity, since they open the way for new, innovative, modern and cost-effective solutions. Countries and companies can, quite simply, make a development leap straight to renewable energy solutions, without going through an intermediate stage of fossil-fuel based energy.

SEK 290 MILLION

Swedfund continues to work to maximise the development potential of its investments. During 2017, Swedfund invested SEK 290 million in a range of energy projects based on wind, solar, hydro, biomass and geothermal energy. One example is an investment in Renewable Energy Asia Fund II, which focuses on the construction and operation of small and medium-sized renewable energy projects in South and Southeast Asia. In addition to new investment, Swedfund also completed an exit within the energy sector when our loan to Sanghi Industries Ltd (India) to finance a fossil fuel powered per station was repaid. This loan was made in 2007, before Swedfund had a clear mission to prioritise renewable energy.

SECTOR REFORMS

It is vital to attract private capital for investments. The key to succeed is often to implement radical sector reforms. Without this, even commercially viable projects are at risk of not being implemented. Those in power in many developing countries have recognised the problem and have begun to implement necessary sector reforms with the support of the World Bank, the IFC and a number of development finance institutions, and this paves the way for private investors.

Swedfund supports this development by investing in commercially sustainable projects which have the potential to increase the proportion of the production and distribution of electricity provided by renewable sources.

We also promote development by offering loan finance on longer terms than private investors do. In this way, we make it possible for projects that are profitable in the long-term to be realised.

CRUCIAL TO THE CLIMATE

A precondition for achieving the global goals and the Paris Agreement is international collaboration with other development finance institutions. Over and above the partnership with ICCF, we work closely with players such as Electrifi (electrifi.org) – a company which is owned by EDFI and financed by the EU. This is an initiative which focuses on renewable electrification in developing countries – and falls within the framework for individual investments.

Renewable energy is a sector undergoing massive development, both in technology and in the expansion of installed capacity. At the turn of the year, Swedfund had seven investments including fund and platform investments, which have a significant number of underlying projects in the energy sector. In Swedfund's new strategy, the energy sector has been expanded so that, over and above investment in renewable energy we are also embracing broader climate investment such as in energy efficiency and projects involving water and sanitation.

¹ Investing to Create Jobs, Boost Growth and Fight Poverty. EDFI Flagship Report 2016. Page 22.
² <https://www.iea.org/access2017/#section-1-2>. Energy Access Outlook 2017, IEA. Downloaded 12 march 2018.

MANUFACTURING AND SERVICES

One of the greatest challenges facing poor countries with a large number of young people and high population growth is to create a sufficient amount of new jobs. In this perspective, the private sector is crucial, not least because tax revenues are required to build public services and infrastructure, which are also necessary.

WE ASSESS THE POTENTIAL for job creation as particularly large in the services sector and within manufacturing industry. Swedfund's investments in the manufacturing and service sector are accelerating sustainable business, job growth and production. We contribute knowledge and action plans for building sustainable business with decent and equal terms and a good work environment.

INVESTING JOINTLY WITH SWEDISH COMPANIES

We aim to make sustainable, long-term investments with strong partners, and so we are developing our partnership with Swedish multinational companies such as H&M and Scania. In 2016, the DBL Group, Swedfund and the Development Bank of Ethiopia jointly invested in the textile factory in Mekele, Ethiopia. Through a collaboration agreement with contracted conditions for decent wage levels, H&M are undertaking to direct production to the factory in Mekele. Swedfund's ambition is to generate 4,000 new jobs to create better conditions for women in one of the world's poorest countries. The factory is expected to begin production during 2018.

SUSTAINABLE TRANSPORTS

If they are to continue with positive economic and social development, all countries must rapidly change their transport system towards greener alternatives. The climate issue is acute, but the waste systems are currently unsustainable in many of the world's largest cities. Solutions and investment are required to cope

with both of these challenges. In 2015, Swedfund and Scania initiated a partnership with the aim of jointly contributing to sustainable green passenger transport, specifically in the city of Nagpur in India. This initiative is based on the use of biofuels such as ethanol and biogas through the "local waste for local transport" concept. The project will help reduce air pollution and provide a more sustainable waste handling process, at the same time as it creates new income streams for the local population.

During 2017, we decided to invest jointly with Scania and a local partner in a bus operating company which, as a start, will drive buses fuelled by ethanol and then also buses running on biogas.

This project is the first of its type in India, and the aim is that it will pave the way for a number of similar projects with the aim of helping handle the growing problem of waste.

HEALTH

Investment in healthcare is central to all developing societies. At the end of 2017, we had a number of investments in the healthcare sector within a range of medical disciplines. In the countries in which Swedfund invest, the need for public healthcare and specialist healthcare is increasing. During the year, Swedfund exited a healthcare investment in Nairobi Women's Hospital (NWH). Swedfund invested in NWH in 2013, giving us ownership of 19 percent of the company. NWH is currently one of Kenya's largest private healthcare providers, operating five fully-equipped hospitals which employ more than 450 people, of whom over 60 percent are women.

NWH offers outpatient care and hospital care for women and their families, focusing on low and middle-income earners. The hospital specialises in women's care needs, and each unit is linked to a Gender Violence Recovery Center. These centres offer medical care free of charge and psychological support for victims of gender-related assault. To date, the centres have helped over 27,000 people.

Investment in the health sector is one of Swedfund's focus areas for the next three-year period. The deciding reason for this is that there is a massive need in these countries for a more developed medical and health sector.

Green buses for a more climate-friendly future.
Photo: Scania



THE PORTFOLIO COMPANIES' RESULTS

In this section, we report the results for our portfolio companies, and describe our proactive efforts to accelerate the achievement of the global goals. “Portfolio companies” means direct investments through equity and loans, as well as equity in funds. This means that the Performance Report in IR17 includes the company's inner portfolio as of 31 December 2016, and the reported results for the portfolio companies relate to 2016.

ADJUSTED REPORTING CYCLE FROM IR2016

Swedfund and Swedfund's portfolio companies produce their annual report simultaneously, which means that it is not possible to report information on the portfolio companies' financial data for the current year. To ensure matching between the financial and the non-financial reports, the company decided to change the reporting cycle in 2016.

The consequence of this is that non-financial data, i.e. for the pillars of impact on society and sustainability, in the following results section is to some extent a repeat of the information for 2015. The adjusted reporting cycle provides the following advantages:

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

	FINANCIAL DATA PORTFOLIO COMPANIES	NON-FINANCIAL DATA PORTFOLIO COMPANIES
SOURCE	The portfolio companies' audited financial statements, the funds' fund reports.	Swedfund Portfolio Company Sustainability Report or other finance institutions reporting format.
IR15	31/12/2014	31/12/2015
IR16	31/12/2015	31/12/2015
IR17	31/12/2016	31/12/2016

Q1– Q3 Quality assurance, analysis and feedback takes place as the responses are received. Active advocacy work takes place throughout the year. Planning of site visits and ESG audits.

Q1	Q2	Q3	Q4
DISPATCH and RESPONSE of Swedfund Portfolio Company Report to direct investments.	The portfolio companies' audited financial statements, the funds' fund reports. PLAN for internal and external audits and site visits.	Quality assurance, analysis and feedback on DATA ▼ Swedfund Portfolio Companies Sustainability Reports ▼ audited annual report ▼ the funds' fund reports ▼ climate data	RESULTS compiled for external reporting. AUDIT of portfolio companies' results.

	PERFORMANCE INDICATOR	DEFINITION	SDG TARGET	
IMPACT ON SOCIETY	JOB GROWTH	Average annual change in the number of jobs in all Swedfund's investments.	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	8 DECENT WORK AND ECONOMIC GROWTH
	DECENT JOBS	Compliance with the ILO's core conventions and basic terms and conditions of employment.	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	
	GENDER EQUALITY	Proportion of women: Employed, in senior executive positions and on Boards of Directors	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	5 GENDER EQUALITY
	TAX	The Portfolio Companies' declared or reported tax.	17.1 Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.	17 PARTNERSHIP FOR THE GOAL
	ENERGY PRODUCED AND SHARE OF RENEWABLE ENERGY	Energy production measured in GWh.	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services. 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.	7 AFFORDABLE AND CLEAN ENERGY
	CO₂	The portfolio's estimated emissions of CO ₂ e.	13.2 Integrate climate action into policy, strategies and planning at national level. 13.3 Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	13 CLIMATE ACTION

SUSTAINABILITY	ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM	Implementation of a management system (consisting of policy, identification of risks and impact, responsibility and competence/ESG manager and emergency preparedness).	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	MANAGEMENT SYSTEM FOR ANTI-CORRUPTION ISSUES	The adoption and implementation of a management system for handling anti-corruption issues (consisting of policy, responsible person, competence, systems and processes, as well as reporting).	16.5 Substantially reduce corruption and bribery in all their forms.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	ESG AUDITS	Audits and site visits to support the companies in their ESG work, the implementation of ESGAP and improvements to achieve the strategic sustainability goals.	9 Build resilient infrastructure, work to achieve an inclusive and sustainable industrialisation and promote innovation. 12 Encourage sustainable consumption and production patterns.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

FINANCIAL VIABILITY	GROWTH	Percentage annual change in sales.	8 Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.	8 DECENT WORK AND ECONOMIC GROWTH
	PROFITABILITY	Profit before tax/sales (financial institutions). Profit before financial items/sales (other holdings).	8 Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.	
	RETURN ON EQUITY	Profit before tax/average equity.	8 Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.	

SELECTION PRINCIPLES & DEFINITIONS

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

Swedfund reports results aggregated for the whole portfolio against the background of the investment agreements we enter into, and the information we receive under the agreements (such as financial reports and ESG reports) is confidential.

Non-financial Performance Reports based on the portfolio companies' self-declarations, the Swedfund Portfolio Company Sustainability Report, the Climate Report or reporting in another DFI's report format. For parts of the holdings in the portfolio, data is lacking, which means that the report covers only those holdings

where data could be obtained. Financial data comes from the portfolio companies' most recent audited financial statements.

SELECTION FOR SWEDFUND PORTFOLIO COMPANY SUSTAINABILITY REPORT

Portfolio companies which fall under the following categories are not included in the Performance Report: companies in liquidation, portfolio companies and co-financing facilities which report through another DFI, companies not yet operational and projects in which investment has not yet begun. An E&S audit was carried out for one of the reporting companies, and the conclusions replaced the Swedfund Portfolio Company Sustainability Report.

Three of the funds have been exited during the year, and have not been included report. One of the companies from which Swedfund exited in 2017 carried on their operation during the year and has, therefore, been included in the report. 18 of the reporting companies were in the portfolio in both 2015 and 2016. New investments approved during 2017 and not included in the reporting where the investment has not begun (i.e. has not been disbursed) or if the company has not started operating.

DEFINITIONS

PORTFOLIO COMPANIES

A contracted and partly or fully disbursed investment.

JOBS/JOB OPPORTUNITIES*

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

SENIOR EXECUTIVES

Includes both company management and senior executives.

TAX*

Reported tax refers to tax reported in the income statement of the portfolio company's audited annual accounts. For funds, the fund owner's tax disclosures on tax. Tax is not included for portfolio companies which reported a loss. Taxation is translated from local currency to SEK at the exchange rate as of 31 December 2017. Possible deferred tax is not included in the reported information.

GWH*

Energy supplied to "offtakers" during the report period.

CARBON FOOTPRINT

The calculation model is based on the Greenhouse Gas Protocol, which is a global standard for measuring, dealing with and reporting greenhouse gas emissions. In calculating CO₂ data, Swedfund has used the latest available financial data as of 31 December 2016. CO₂ data from portfolio companies-data with split financial year 30 June 2016 have been included in the report. CO₂ data from portfolio companies-data with split financial year 31 March 2017 have been included. If no financial data is available for 2016, the latest available data has been used.

PROPORTION OF WOMEN

The proportion of women at all levels – employees, senior executives, and members of the board – has been calculated as the total number of women divided by the total number of employees and only those companies for which these figures have been reported have been included in the calculation.

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

FOOTNOTES

1 Information on the number of job opportunities is derived from the companies' financial statements. Where information on gender among senior executives in financial statements is missing, we have used information from the Swedfund Portfolio Companies Sustainability Reports for 2016.

2 The portfolio contains a total of 44 share and loan investments (in addition to 15 funds and 3 co-financing mechanisms). Access to data may vary – profit margins are based on a single year, while sales growth and return on equity use data from multiple years. The date of each investment may, therefore, limit the size of the selection for the respective key ratio.

3 Reporting is based on the companies' most recent audited financial statements. At the end of 2017, the most recent audited financial statements were the full-year statements for the reporting period to 31/12/2016. Companies in India report as at 31 March, and a few investments have reporting periods to 30 June.

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

Photo: Michael Tsegaye for Swedfund

IMPACT ON SOCIETY

Swedfund shall contribute to the creation of jobs with good work environments and good working conditions. The results for our strategic sustainability are reported below for impact on society, along with other results indicators for equality and energy.

STRATEGIC SUSTAINABILITY GOALS: IMPACT ON SOCIETY

GOAL	INDICATOR	TO DETERMINE WHETHER
▼ Compliance with the ILO's core conventions and basic terms and conditions of employment must be observed in every company within three years of the date on which financing was agreed. ▼ On average, in all Swedfund's investments, the number of jobs shall increase year-on-year.	▼ Compliance with the ILO's core conventions and the ILO's basic terms and conditions of employment, along with an increasing number of jobs in Swedfund's portfolio companies.	a portfolio company complies with the ILO's core conventions and ILO's basic terms and conditions of employment, 16 specific questions are asked. This allows any improvement opportunities to be identified and enables Swedfund actively to advocate the achievement of the goal. The questions asked relate to the following areas: ▼ Labour union rights, ILO 87, 98 ▼ Equal pay for equal work, ILO 100 ▼ Minimum wage, ILO 26, 131 ▼ Non-discrimination, ILO 111 ▼ Forced labour, ILO 29, 105 ▼ Minimum age, ILO 138 ▼ Child labour, ILO 182 ▼ Working time and overtime, ILO 1 ▼ Occupational safety and health, ILO 155

COMPLIANCE WITH THE ILO'S CORE CONVENTIONS

Of the 19 portfolio companies included in Swedfund's self-declaration, all responded that they complied with the ILO's core conventions either in full (14) or in part (5). Of the five companies which partially comply with the ILO's core conventions, two responded that they did not permit collective bargaining, since they operate in a country which itself does not permit trade union collective bargaining. In the remaining three portfolio companies, there are problems with profitability, and this has led to action plans for sustainability being neglected. This involves, for example, including discrimination and similar salary aspects in the work of

the personnel departments. During the year, we held a very active dialogue with these three companies covering both financial viability and sustainability, and we implemented internal and external initiatives to increase the level of knowledge and experience. 17 of the 19 portfolio companies fulfil the requirements set to ensure compliance with the ILOs basic terms and conditions of employment. The remaining two fulfil them in part. Both these companies face financial challenges. During our monitoring of a company which does not have an upper limit for overtime, it emerged that the company complies with its national legislation

	2014			2015			2016		
	YES	NO	NO ANSWER	YES	NO	NO ANSWER	YES	NO	NO ANSWER
ILO 87	93%	7%	0%	96%	4%	0%	100%	0%	0%
ILO 98	85%	15%	0%	92%	8%	0%	82%	18%	0%
ILO 29.105	100%	0%	0%	100%	0%	0%	100%	0%	0%
ILO 138.182	100%	0%	0%	100%	0%	0%	100%	0%	0%
ILO 100	85%	15%	0%	88%	8%	4%	88%	12%	0%
ILO 111	89%	11%	0%	88%	8%	4%	94%	6%	0%

in respect of overtime. In the other company, there are shortcomings in respect of the work environment and personal safety equipment. We are in ongoing discussions with them on improvement measures.

It is expected that not all companies will be in full compliance immediately. This is part of Swedfund's additionality – since less than full compliance is an opportunity for Swedfund to contribute its knowledge and experience to improve companies' protection of fundamental rights, employment and the work environment.

Of the 12 (2015:9, 2014:10) funds which responded to the questions relating to the ILO's core conventions and basic terms and conditions of employment, 11 replied that they comply with the conventions (2015: 9, 2014: 10 One fund chose not to answer the questions relating to the ILO's core conventions. The strategic

sustainability goal of compliance with the ILO's core conventions applies to the fund manager and not to its portfolio companies. With effect from 1 January 2015, the fund managers are encouraged to set the same standards on the portfolio companies through their environmental and social management system/ESG standards. Swedfund follows up this and other issues with the fund managers.

When Swedfund invests in a financial institution, it commences the Due Diligence process to ensure that the financial institution complies with the ILO's core conventions and basic terms and conditions of employment.

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

JOB CREATION

Through its investments, Swedfund helps support a total of 133,353 job opportunities (2015: 111,791, 2014: 108,221 For 2016, information on the number of employees from a total of 97 holdings is included – 44 companies and funds, as well as 53 underlying holdings in funds and co-financing vehicles (2015; 39, 2014: 53). It is positive that we received information from significantly more of our holdings this year compared to what we reported in previous years.

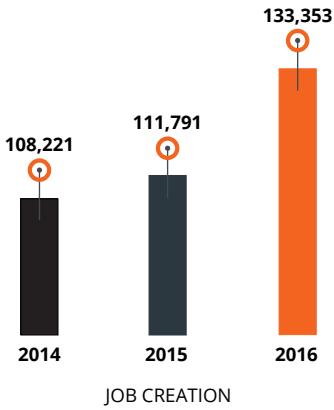
A significant part of the increased number of job opportunities in 2016 comes from new investments carried out during 2016. Of the 2016 job opportunities, just over 55 percent are in Swedfund's fund investment holdings, and the six largest banks in the portfolio are responsible for around 24.5 percent of the number of employees, or almost 33,000 job opportunities.

The average job growth in the 25 companies

in the portfolio in both 2015 and 2016, and where information on the number of employees is available, amounted to 3.6 percent (2015: 2.7 percent (2014: 1.5 percent). The increase of 3.6 percent as equivalent to around 2,182 new job opportunities.

The direct job opportunities also generate a large number of indirect job opportunities Swedfund did not previously calculate indirect job opportunities, but drew up a calculation model for this during 2017.

One direct job generates 7.5 indirect jobs according to the model developed by Steward Redqueen, which is used by several development finance institutions. Several other aspects influence the number of jobs created such as the choice of sector or country for investment. Swedfund intends to adapt and use the model to calculate the number of indirect jobs in future.



GENDER EQUALITY

For the third year, we measure and report the percentage of women employed in the portfolio companies – including fund investments and their holdings – as well as the proportion of women in senior executive positions and the number of women in corporate boardrooms. The report is an important step in our ongoing efforts for gender equality.

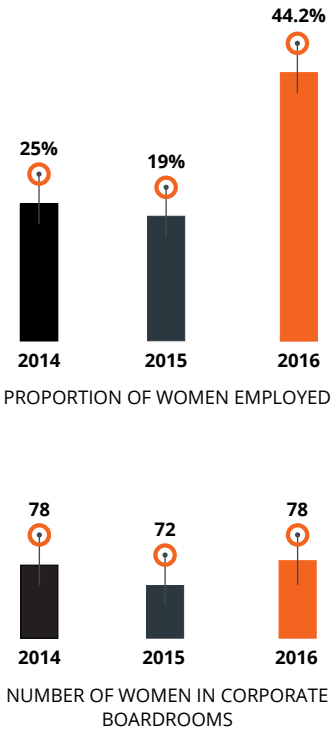
Just over half of the portfolio companies report the total number of employees and specify the proportion of women. For this part of the portfolio, the number of women employed is 29,222 or 44.2 percent (2015: 19 percent, 2014: 25 percent). The substantial increase from 2015 can be related to two factors in particular; new investments during 2016 consisted of large employers with more equal gender distribution as well as more detailed reporting from the portfolio companies. We continuously work to strengthen the reporting from our portfolio companies with regards to gender-disaggregated data.

The total number of reported women in

management positions is 1,184. Of the companies which reported both men and women in management positions, the proportion of women was 23.3 percent.

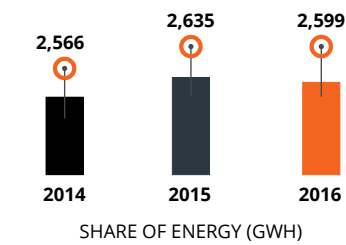
Finally, the total number of women in corporate boardrooms was 78 (2015: 72 women, 2014: 78 women). The proportion of women on the boards of the companies which reported both male and female members of the board amounted to 20.2 percent.

We work constantly to obtain more comprehensive data in general, specifically in relation to the proportion of women. This is essential to enable us to refine the analysis of the data and develop concrete action plans over and above the work which is already being carried out today. See the data sheet on equality on page 47. Our equality indicators now constitute one of the company's goal indicators in accordance with the new Owner's instruction. The goal is that the proportion of men and women shall have a positive trend/ratio equality over a five-year period, with the investment year as the base year.



ENERGY

As of 31 December 2016, Swedfund had five investments in the energy sector. Three of these report an aggregate total energy production of 2,599 GWh (2015: 2,635, 2014: 2,566). Of the remaining two investments, one company has not submitted a report and the other has still not commenced energy production.



CARBON FOOTPRINT

Swedfund's greatest carbon footprint comes from the operations of our portfolio companies. In 2016, we received new Owner's instructions requesting us to measure CO₂ emissions for all portfolio companies. In accordance, we have carried out an extensive analysis of the climate impact of our portfolio companies and built a model based on the Greenhouse Gas Protocol (the GHG Protocol). The new methodology is intended to further improve the work we are already carrying out in respect of the environment and climate, under which our portfolio companies have been reporting their water, electricity and energy consumption for some time. To ensure that the data we receive in our model is as relevant as possible, we have surveyed our direct investors through separate climate questionnaires and supplemented this information with the purchase of sector data for our indirect investments. Measuring climate data poses several challenges. Challenges include for example that purchased climate impact sector data is based on industrialized countries and not developing countries and that there are many estimates included in the measuring method.

For the first time, we are reporting climate impact from 54 portfolio companies at aggregate level. Portfolio companies which have not yet commenced operating are not included in the calculation. Swedfund's share of the emissions is equivalent to the share of ownership in the portfolio company. When Swedfund has acted as lender, Swedfund's share is equivalent to the outstanding loan's share of the portfolio company's total assets as of 31 December 2016.

The GHG protocol is a global standard to measure and report green house gas emissions. The standard was introduced in 2001, and is the most widely used greenhouse gas accounting standard. The GHG protocol separates climate emissions into three scopes: Scope 1 emissions are direct emissions from the operation, from sources owned or controlled by the organisation; Scope 2 emissions are indirect emissions from the consumption of purchased energy generated upstream from the operation and scope 3 emissions are indirect emissions upstream or downstream of the operation's

EMISSIONS BY SCOPE	EMISSIONS (TONNES CO ₂ E)	PERCENT
SCOPE 1	45,961	66.6
SCOPE 2	2,918	4.2
SCOPE 3	20,151	29.2
TOTAL PORTFOLIO	69,030	100
REPORTED DATA	37,444	54.2
PURCHASED DATA	31,586	45.8

value chain. Scope 3 emissions are emissions from sources which are not directly owned or controlled by the organisation, and may have many different origins, including staff commuting, business travel, distribution, purchased goods and emissions from the use of products sold.

Swedfund's portfolio companies operate in many different sectors. Portfolio companies which produce energy are the ones which have the greatest impact on climate, and we note that two energy producing portfolio companies are responsible for over half of the total emissions in the calculation. Manufacturing companies' direct emissions in scope 1 and also in scope 2 through energy consumption in factories are greater than those of financial institutions. For funds and financial institutions, scopes 1 and 2 are small in comparison with scope 3, emissions originating in the funds' underlying companies and the banks' lending. Our climate analysis showed that our portfolio is diversified. Since Swedfund will invest only in renewable energy in the future, energy companies' emissions will be lower from now on, but even renewable energy production does impact on climate. This is the first year in which we have analysed the portfolio companies' impact on climate with the aim of measuring results over time and implementing climate initiatives during the year through our technical assistance funds.

TAX

The portfolio companies' tax amounted to the equivalent of SEK 3,023 million (2015: SEK 1,207 million, 2014: SEK 502 million). The report for 2016 includes reporting from 27/44 direct investments, 14/15 funds and 40 out of a total of 70 underlying fund holdings.

The reported tax in the table below refers to reported tax from the portfolio companies' annual financial statements. For various reasons, certain holdings have not reported tax, for reasons such as that they do not at present make a profit or have temporary tax exemption. For the funds, the figures refer to the tax paid by

the underlying investments in accordance with the information reported in the funds' tax returns.

The substantial increase from 2015 relates primarily to the following factors; a number of the new investments during 2016, particularly banks, reported high tax amounts for 2016. In addition, Swedfund has received more detailed reports in general from the portfolio companies during 2016. Finally, the tax on certain individual holdings increased between 2015 and 2016. The starting point for the performance indicator tax is

the audited annual financial statement for the respective holdings and the reported tax in the income statement. This is, however, an underestimate, since a large number of taxes are not explicitly reported in financial statements. Examples of such taxes are those relating to wage costs, VAT, any property taxes, customs duties and other types of charges paid to the state.

For the past four years, Swedfund has made a country-by-country tax report. This accounting is a consequence of the dialogue on tax issues with civil society organisations which began in 2013. Swedfund's commitment on the issue has continued since then. Corporation tax is also one of the key figures which are linked to Swedfund's mission goals in accordance with the Owner's instructions. The key figure shall be monitored over time per investment. A relevant target level is evaluated within three years. Read more on page 49 on our further work on tax issues during the year, including the publication of domicile on our website. Where no information is provided on tax in specific countries, this is due to there being no investment in that particular country, that particular year or to a lack of information on tax.

TAX IN SEK MILLION, AGGREGATE FOR THE PORTFOLIO			
	2014	2015	2016
AFRICA	377.8	851.1	2,487.7
AFRICA ¹	372.0	367.0	906.0
EGYPT	3.5	2.6	1.7
ETHIOPIA	0.9	–	1.0
GHANA	0.1	0.1	15.8
KENYA	1.3	9.0	72.9
MAURITIUS	–	–	209.9
NIGERIA	–	3.2	813.3
TANZANIA	–	469.2	467.0
ASIA	11	247.1	470.4
ASIA ²	9.5	–	175.8
INDIA	1.5	14.6	0.8
CAMBODIA	–	229.3	281.8
CHINA	–	–	2.3
MONGOLIA	–	–	6.4
PAKISTAN	0.0	0.1	0.1
SRI LANKA	–	1.7	3.3
EASTERN EUROPE	112.6	107.7	63.0
EUROPE (OTHER)	–	–	1.3
GEORGIA	100.8	102.5	60.0
LITHUANIA	6.2	1.4	–
RUSSIA	3.8	3.8	–
SERBIA	1.8	–	1.7
GLOBALLY	0.4	1.0	1.6
TOTAL	501.8	1,206.9	3,022.7

¹ In the Africa category, tax is reported for companies operating in several African countries which can include African countries other than those reported here.
² In the Asia category, tax is reported for companies operating in several Asian countries which can include Asian countries other than those reported here.

SUSTAINABILITY

Swedfund shall contribute to the creation of long-term sustainable business in the world’s poorest countries. We shall also make proactive efforts to tackle corruption internally and within portfolio companies. Our strategic sustainability goals for ESG and anti-corruption are given below.

STRATEGIC SUSTAINABILITY TARGETS: ESG	
GOAL	INDICATOR
▼ The implementation of management systems shall take place in every company within three years of the date on which financing was agreed.	▼ The implementation of the management system for sustainability issues in all portfolio companies as well as internally within Swedfund. Environmental and social issues are also regarded as relevant here, as well as corporate governance in all companies.
To determine whether a portfolio company fulfils the sustainability goal, Swedfund will monitor whether the company has implemented a management system and that it contains the relevant components. This will enable any improvement opportunities to be identified. Ten questions are asked on the following components in a management system:	
POLICY: A sustainability policy shall be established and adopted by the managements of the portfolio companies. IDENTIFICATION OF RISKS AND IMPACTS: A system or routine shall be in place to enable environmentally related and social risks to be identified at regular intervals, as well as effect areas. PERFORMANCE MANAGEMENT: The company's performance in identified risk and impact areas shall be measured and evaluated regularly so that performance over time can be measured and improved. RESPONSIBILITY AND COMPETENCE: A member of the company management team shall have overall responsibility for sustainability issues.	EMERGENCY PREPAREDNESS: For permanent installations, action plans shall be in place for dealing with accidents and emergency situations. REPORTING: Reporting shall be carried out regularly and not less than annually to the management and Board of the portfolio company, as well as to Swedfund. STAKEHOLDERS: Internal and external stakeholders shall be identified and consulted in situations which affect them, and shall also be provided with relevant information at appropriate points and intervals.

OF SWEDFUND’S 19 (2015: 24) direct investments that reported in the annual Sustainability Report declaration, 15 have a sustainability policy which constitutes an important part of an environmental and social management system. To enable us to evaluate whether the portfolio companies fulfil the requirements for an approved management system, the companies must respond to ten questions on policy, identifying risks and impact, environmental and social responsibility at various levels and whether the portfolio companies have implemented emergency preparedness. The answers to the questions forms the basis for the active sustainability dialogue we then hold with the portfolio companies during the year.

SUSTAINABILITY POLICY OR ENVIRONMENTAL POLICY
Swedfund's portfolio companies have widely differing operations, in various sectors including financial institutions and funds, energy and manufacturing. Some of the companies in the portfolio are small sole proprietorships, while others are part of large group structures. A sustainability policy lays the basis for how an operation

shall run its sustainability work. It is vital that a sustainability policy is not just a piece of paper, but is actually implemented in the portfolio companies’ operations. 84 percent of the reported direct investments state that they have a sustainability policy, compared with 96 percent in the preceding year. The percentage reduction was due to three portfolio companies. Two direct investments do not have environmental or sustainability policies, and one portfolio company did not respond to the question. The two portfolio companies which do not have policies faced major challenges during the year in relation to financial viability, and this affected the companies’ efforts in the ESG area. In the light of this, Swedfund held serious discussions with the two companies during the year with the aim of understanding them better and supporting them in further developing their efforts to achieve sustainability despite the financial challenges they face. Accordingly, only three of the reporting companies do not have a policy. To improve the response frequency and simplify the process for our portfolio companies, during the year we revised the process for sending out and collecting responses in

our annual Sustainability Report. In one portfolio company we also provided an external consultant to help the company implement an environmental and social management system during the year. This initiative included environmental and social risk analysis, developing policies, systems and processes to handle these, as well as training employees.
Swedfund's advocacy efforts have helped ensure that the majority of portfolio companies now have a sustainability or environmental policy, and that the process of implementing the adopted policies is proceeding continuously. All twelve of the fund companies in Swedfund's portfolio have a sustainability policy.

IDENTIFICATION OF RISKS AND IMPACTS
58 percent (2015: 67 percent) of Swedfund's direct investments state that they carry out a risk and impact analysis of their operation. The risk and impact analysis forms the basis for the actions the companies need to take to reduce their risks. It is essential that a risk and impact analysis remains an ongoing process at all times. During the year, unforeseen events happen in our portfolio companies, which we deal with immediately and follow up. The challenges are often within the implementation of environmental and social management systems, as this often involves a shortage of resources in consequence of a company not achieving its financial targets. During the year, we held detailed discussions with these companies with our active advocacy focusing on financial viability.

ESG MANAGER
The portfolio companies responded on whether there is a person responsible for ESG at Board level, management level and operational level. The responsibility for these issues often constitutes part of a wider management responsibility in the companies, and this is also reflected in the result. The proportion of direct investments which have an ESG Manager is 68 percent (2015: 75 percent). 21 percent have no person responsible and 11 percent did not answer the questions. In some other portfolio companies, the deteriorating situation in respect of financial viability led to the abolition of the ESG Manager's post. In these companies, we held an active and detailed dialogue on all aspects of our three per during the year. The portfolio companies which have a specifically appointed ESG Manager or ESG team worked much more proactively on improvement measures throughout the year. That is why Swedfund continues to advocate that an ESG Manager be appointed in companies which do not have one.

EMERGENCY PREPAREDNESS
Fire precautions and fire drill are important aspects of emergency preparation. 79 percent of the portfolio companies report that they have systems and processes in place for fires and emergency evacuation. Swedfund also monitored continuously whether the portfolio companies have emergency preparedness in place, not just to ensure that checks are carried out on firefighting equipment and evacuation plans, but also to ensure the tactical implementation

of the systems and processes which should be in place, such as evacuation drills. A problematic and particular challenge we have encountered is with fire drills in hospitals, where there are patients who are difficult to move.

ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEMS IN FINANCIAL INSTITUTIONS AND FUNDS
79 percent of the 14 financial institutions in Swedfund's portfolio have a full environmental and social management system. This means that two financial institutions do not have a management system, and one of the holdings has parts of a management system. One of these three faced serious financial challenges during the year. Consequently, Swedfund worked closely with that financial institution during the year, including discussions of all three pillars, i.e. impact on society, sustainability and financial viability. The other financial institution which does not have management systems is a company with operations in a number of countries. During the year, we held discussions with the company on further developing the management system and on implementing it. Corresponding discussions were held with the company which only had parts of a management system, and there is an ongoing action plan in place to complete the outstanding parts of the system. We monitored our financial institutions during the year through our finance partners, European development finance institutions, who lead the process when we make joint loans. We have had detailed discussions with them on the banks’ expertise, resources and systems, and prepared joint action plans on environmental and social issues for the banks. There are risks and effects linked more closely to the banks’ lending portfolio. We wish to ensure that the banks have appropriate environmental and social systems and processes to handle these, and also to ensure that the personnel working on this have the relevant expertise and that the systems and processes are implemented. Here also, the challenges are usually related to implementation.
93 percent of the 14 financial institutions have a sustainability policy, which is the foundation and platform for a company's environmental and social management system. The portfolio company without a policy is the same one mentioned above which faces major challenges relating to financial viability. All financial institutions report that they have an ESG Manager. However, this role may be an assignment in addition to the member of staff's normal responsibilities. Of the twelve (2015: 10) funds which answered the questions relating to environmental and social management systems, all twelve reported that they do have systems. An efficient environmental and social management system is of the utmost importance in ensuring that the fund manager shall be able to evaluate, set standards for and monitor its portfolio companies.
The reason that so many funds have an environmental and social management system is that Swedfund makes it a requirement for new funds that the fund manager must have a system in place before any investment takes place. Of the reporting fund companies, all have at least an ESG Manager, as well as an ESG policy.

	2014			2015			2016		
	YES	NO	NO ANSWER	YES	NO	NO ANSWER	YES	NO	NO ANSWER
POLICY	78%	22%	0%	96%	4%	0%	84%	11%	5%
IDENTIFICATION OF RISKS AND IMPACT	78%	22%	0%	67%	33%	0%	58%	37%	5%
RESPONSIBILITY AND COMPETENCE/ESG MANAGER	74%	26%	0%	75%	12.5%	12.5%	68%	21%	11%
EMERGENCY PREPAREDNESS	93%	7%	0%	100%	0%	0%	79%	16%	5%

STRATEGIC SUSTAINABILITY GOALS: ANTI-CORRUPTION

GOAL ▼ The adoption and implementation of a management system to handle anti-corruption issues shall be in place at Swedfund during 2014, and no later than three years from the date on which the financing was agreed for Swedfund's portfolio companies.	INDICATOR ▼ The adoption and implementation internally and in the portfolio companies of a management system to handle anti-corruption issues.
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To determine whether a portfolio company fulfils the sustainability goal, Swedfund will monitor whether the company has implemented a management system and that it contains the relevant components. This will enable any improvement opportunities to be identified. In the annual Swedfund Portfolio Companies Sustainability Reports, nine questions are asked on the following components in a management system for anti-corruption:

ANTI-CORRUPTION POLICY A policy shall be established as a starting point for the management system for anti-corruption issues. RESPONSIBILITY: Responsible person at management level. SYSTEM: Processes, procedures or controls to detect the existence of corruption.	COMPETENCE: Identifying and training key persons (those with the greatest exposure to the risk of corruption). REPORTING: Reporting shall take place regularly, at least once a year.
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ANTI-CORRUPTION IS A priority area for Swedfund. It is both an important part of our active advocacy work and one of our strategic sustainability goals. During 2017, we further refined our internal and external anti-corruption efforts. This includes implementing a new anti-corruption policy, updated tools, training to strengthen the portfolio companies' anti-corruption efforts, as well as more stringent reporting for our financial institutions. Read more about our work on page 51 (data sheet anti-corruption).

Swedfund's portfolio companies undertake in agreements to adopt and implement a management system to handle anti-corruption issues. An important and often initial step in operating an active anti-corruption effort is to establish and

implement an anti-corruption policy. 84 percent of the reporting direct investments have an anti-corruption policy, and 79 percent have appointed a manager to implement it. To support the portfolio companies' work in this area, Swedfund offers a Swedfund Anti Corruption Management System, which includes a template for an anti-corruption policy as well as a role description for an Anti-corruption Manager. This year, fewer companies reported that they had developed systems and processes for reporting and following up. This can be explained by the fact that our monitoring has changed, the declaration was completed by new employees, and training is required. Collecting information is a challenge in our markets, and our new system enables several employees to answer on a single

digital system. Many companies have not, however, answered the questions, which indicates a lack of management systems for anti-corruption work. Nine of the twelve reporting fund companies said that they have an anti-corruption policy. Two fund companies did not answer the question and one fund company has no anti-corruption policy.

	2014			2015			2016		
	YES	NO	NO ANSWER	YES	NO	NO ANSWER	YES	NO	NO ANSWER
POLICY	74%	11%	15%	83%	13%	4%	84%	11%	5%
RESPONSIBLE PERSON	48%	33%	19%	83%	13%	4%	79%	16%	5%
COMPETENCE	37%	48%	15%	58%	38%	4%	47%	47%	5%
SYSTEMS AND PROCESSES	46%	37%	17%	66%	28%	6%	51%	37%	12%
REPORTING	46%	35%	19%	58%	35%	6%	21%	63%	16%

ESG AUDITS

For the purpose of supporting the portfolio companies in their ESG work, in the implementation of ESGAP and in other development efforts to achieve the strategic sustainability goals, Swedfund makes site visits to portfolio companies. Site visits are also an important tool for checking compliance with our sustainability requirements and we carry out site visits to check on all three pillars. We choose, however, only to report this once.

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

Swedfund applies and distinguishes between three different types of visit: external audit which is carried out by an external consultant, internal audit which is carried out by Swedfund's own ESG team, as well as site visits which are less comprehensive than an internal audit, and which are carried out by the ESG team as a component of our active advocacy. Over and above the ESG team's visits, Swedfund's CEO, Investment Managers and Investment Analysts also visit our portfolio companies as part of our active advocacy within all three pillars.

The visit plans for the ESG team in 2017 included a total of nine portfolio companies (2016: 11, 2015: 6 The visit plan changed during the year due to reprioritisation of the selection of portfolio companies, in two

cases due to safety risks but also as a result of the large number of Due Diligence trips carried out during the year. During the year, we carried out five internal visits (three internal audits and two internal site visits). Two portfolio companies underwent an ESG audit by other finance partners. At one portfolio company in the exit phase, a third-party analysis was also carried out, focusing on human rights. The visits usually result in an action list with specific actions and target dates which are monitored by Swedfund's ESG Managers and the Senior Investment Manager with responsibility for the investment.

In March 2017, we visited two hospitals in Kolkata, India. The largest of these, with facilities for 355 patients, is highly effective from an ESG perspective. The smaller one, designed for 30 patients, had not yet opened its doors. During the visit, we discussed a wide-range of environmental and social issues, such as working hours, evacuation plans, resource efficiency for water and energy with the management and senior employees. Anti-corruption issues were also covered. We then also discussed

which systems and processes were in place to handle corruption risks such as in the purchase of medicines and the handling of cash payments. The hospital will act as a good example in the ongoing work of strengthening ESG in all hospitals – where the full chain has facilities for 1,225 patients.

During autumn 2017, a company in the construction phase was visited several times, both by Swedfund's personnel and by external consultants. The site visits and the external audits resulted in comprehensive action lists focusing primarily on the environment and on health and safety at the construction site.

ESG internal visits during the year also included a financial institution in May 2017, as well as a hotel and a retail chain in November 2017. The visit to the financial institution resulted in an action list containing activities related to social aspects as well as anti-corruption. For the hotel and the retail chain, we are continuing close discussions and exchanging information relating to ESG issues.

TYPE OF VISIT	SECTOR	COUNTRY
EXTERNAL AUDITS	Financial institution	Africa
	Energy	Africa
	Manufacturing & services	Africa
INTERNAL AUDITS	Manufacturing & services	Asia
	Manufacturing & services	Africa
	Financial institution	Africa
INTERNAL SITE VISITS	Manufacturing & services	Africa
	Manufacturing & services	Africa

SERIOUS INCIDENTS

The portfolio companies are contractually bound to report serious incidents to Swedfund. During 2017, three (2016: four) serious incidents were reported, of which three (2016: three) took place in portfolio companies of funds in which Swedfund invested. In total, three (2016: two) deaths were reported in connection with the incidents. Of the three incidents, two were related to workplace accidents, all three incidents were investigated by both the local police and the fund's portfolio companies. The first incident happened when a telecoms tower collapsed during ongoing maintenance work. The subsequent investigation showed that the work was carried out without sufficient prior knowledge and with inadequate management. An action plan to remedy

these deficiencies is now in place. The second incident was a tractor accident, and an investigation is in progress. The investigation involves questions as to whether technical defects or human error were involved, whether health and safety regulations need to be revised and whether additional training is required.

The third death occurred during a hijacking when the company was carrying out deliveries. The police are investigating the crime, and the portfolio company reports that no additional measures are being taken in response to this event, but they are continuing to strengthen their processes and training on safety and security issues.

Our goal is that no serious incidents shall take place in our companies or in

our funds' portfolio companies, which is why we follow the investigation of these incidents so carefully. When serious incidents are reported, Swedfund follows up that appropriate actions have been taken. Depending on the circumstances (employee or "civilian", road traffic accident or workplace accident) an action plan is drawn up by the portfolio company. The figures for the year show that there is a continuing need for improved safety procedures at the portfolio companies.

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

FINANCIAL VIABILITY

Sustainable and profitable businesses provide more job opportunities, greater job security and more predictable incomes in the long term – and this is of enormous significance for populations in the world’s poorest countries. In this section, we report the financial results of Swedfund’s investments.

DIRECT INVESTMENTS IN EQUITY AND LOANS

A precondition for the development results to be achieved through business is that the businesses are financially viable, i.e. profitable. It is therefore of paramount importance for Swedfund to monitor and report the financial performance of our investments. Each investment is monitored internally on either a quarterly or more frequent basis and is one of the investment managers’ most important duties. With reference to each company’s operation, and commercial secrecy in the investment agreements we have entered into, it is not possible for us to report key ratios at individual company level. We report key ratios at aggregate level instead.

Here, we report the median for direct investments in shares and loans relating to sales growth (percentage change in sales 2015–2016). Return on equity it is calculated for banks as profit before tax/average equity, and for other holdings it is calculated as profit before financial items and tax/average equity. Profit margin is calculated as profit before tax/sales.

Beyond the above medians for the whole portfolio, we note that 23 out of 37 companies, equivalent to 62 percent, showed positive sales growth during 2016, and over 70 percent of the portfolio companies showed a positive return on equity and profit margin. Accordingly, 3–4 out of 10 companies are facing certain challenges in relation to profitability, while the majority are doing well and some of these are doing very well.

The performance differs significantly from one company to the next, which is partly due to the fact that the companies are in different phases of development. For example, some companies are start-ups and can go from 0 sales in one year to high sales figures in the following year. Even more mature companies can show fluctuations and results which may have internal or external causes – generally, the markets where Swedfund operates demonstrate greater volatility than more developed countries and economies.

The figures are based on the latest available audited financial statements starting with the 44 direct investments via shares and/or loans in Swedfund’s portfolio at the end of 2015:47. In addition, since holdings are divested and acquired continually, the key ratios are reported only for the latest financial year. This makes it impossible to compare the exact same holdings over time, without drastically limiting the selection. Finally, median values have been used, since the limited number of investments in combination with the substantial variation in growth and profit margins mean that the performance of an individual holding can have a major impact on the average value, and this would give a skewed picture of the performance of the portfolio as a whole. Median values are not affected to the same extent by the figures for an individual holding, so it gives a more consistent picture over time, and also a fairer one. The variation in performance between holdings underscores the importance of Swedfund continuously monitoring the portfolio companies and, in close collaboration with them, affecting the companies’ strategic commercial development. In doing so, it enables the companies to achieve financial viability and continue to deliver development results over time, even after Swedfund has exited from the investment.

2015	2016
7.3% ▼ Sales growth (median)	6.6% ▼ Sales growth (median)
4.1% ▼ Return on average equity (median)	8.5% ▼ Return on average equity (median)
5.7% ▼ Profit margin – profit before tax as a % of sales (median)	6.5% ▼ Profit margin – profit before tax as a % of sales (median)

Photo from Swedfund's previous portfolio companies UAP. Photo: Michael Tsegaye for Swedfund



FUNDS

In addition to the 44 direct investments, Swedfund also has 15 funds in its portfolio. Fund investments constitute an excellent complement to the direct investments – they enable us to build not just businesses, but also more effective capital markets. This is an excellent alternative for reaching markets and sectors in which fund managers have deep and valuable expertise. Our fund investments also help attract other investors to the funds and this increases access to financing in our markets. Furthermore, they also give us the opportunity to influence a significantly greater number of businesses, employees at the companies and co-investors than is possible through direct investments. As of 2016-12-31, Swedfund had 15 investments funds (see table alongside), with a total contracted amount of SEK 1,100 million.

FUND	COUNTRY/ REGION	AGREEMENT YEAR	NUMBER OF INVESTMENTS
Acacia Fund Ltd	Africa	1997	0
Adenia Capital (III) LLC Ltd	Africa	2013	8
African Development Partners II LP	Africa	2013	6
Africap Microfinance Investment Company Ltd	Africa	2007	0
AfricInvest Fund III LLC	Africa	2015	6
APIS Growth Fund I LP	Africa	2015	4
Baring India Private Equity Fund II Limited	Asia	2005	5
CEF III	East Asia	2008	10
ECP Africa Fund II PCC	Africa	2006	11
ECP Africa Fund III PCC	Africa	2008	7
Green Investment Asia Sustainability Fund I	Asia	2007	4
Investec Africa Private Equity Fund 2 L.P.	Africa	2014	2
MINT Capital II LP	Eastern Europe	2005	7
SEAF Sichuan SME Investment Fund LLC	East Asia	2001	0
Women Entrepreneurs Debt Fund, LP	Globally	2016	3*
TOTAL			73

* These fund portfolio companies are also held as direct investments by Swedfund.

FINANCIAL INSTITUTIONS

Of the 44 companies, 14 are various types of financial institutions, of which the majority are banks. Financial institutions have a substantial need for capital in Swedfund's markets. One explanation for this is what is sometimes referred to as “the missing middle: Small and medium-sized businesses which neither have access to microloans, nor have access to the same finance opportunities as larger companies because of their small size and higher risk.

In addition, the financial systems and markets are functionally less developed than in more developed markets, which further reduces access to loans.

The strong market growth in the majority of countries also leads to a very high level of competition for loan financing, and this is reflected both in limited lending and in interest rate levels.

Through increased lending to, and investment in, financial institutions, Swedfund contributes to the further development of the financial system and increases access to credit in the market. By requiring directed lending, for example, towards SMEs, Swedfund's lending significantly improves the situation for these businesses and also generates job opportunities. As of 31 December 2016, Swedfund had 14 investments in financial institutions, see the table below.

INVESTMENT	COUNTRY	INVESTMENT INSTRUMENT	AGREEMENT YEAR
Acleda BANK Plc	Cambodia	Loans	2015
Bayport Management Ltd	UGANDA/ Tanzania	Loans	2016
CRDB Bank Plc	Tanzania	Loans	2016
Ecobank Nigeria Ltd	Nigeria	Loans	2015
Fidelity Bank Ghana Limited	Ghana	Loans	2014
Global Medical Investments GMI AB	Global	Shares and Loans	2009
Guaranty Trust Bank Plc	Nigeria	Loans	2016
Kinyeti	South Sudan	Shares	2012
Komercijalna banka a.d	Serbia	Shares	2009
NMB Tanzania (National Microfinance Bank Plc, Tanzania)	Tanzania	Loans	2015
Norsad Finance	Africa	Shares	2012
TBC Bank (JSC TBC Bank)	Georgia	Loans	2013
The Small Enterprise Foundation	South Africa	Loans	2012
Xac Bank LLC	Mongolia	Loans	2016

ACLEDA Bank's head office in Phnom Penh, Cambodia.
Photo: Swedfund



THE PROJECT ACCELERATOR

Contributes to sustainable procurement in developing countries

During 2016, Swedfund was given the opportunity to finance initiatives aimed at preparing and supporting sustainable projects in countries on the DAC list. Simply put, this means that Swedfund can finance pilot studies. This activity has been in progress since the autumn of 2016, and it is run under the name, "Swedfund Project Accelerator".

THE PURPOSE OF THE SWEDFUND Project Accelerator is to help ensure that a greater number of sustainable projects are developed and implemented. At present, there is a shortage of sustainable and financially viable projects. In many projects, a sustainability perspective is lacking, often due to there being a shortage involving both capacity and resources among many project owners in the public sector in recipient countries. It is often these factors, which determine the conditions for major projects in areas such as the transport sector, infrastructure, sewerage and water purification and healthcare.

The accelerator finances consultancy assistance, which supports the local project owner at the development and/or procurement phase of a project. By strengthening local capacity in these phases, we can help ensure the development of additional projects with clear sustainability and life-cycle perspectives.

Since the start in autumn 2016, eight projects have been initiated within the Accelerator. In total, SEK 44 million has been used in or allocated to these projects. The sustainability perspective is central to all projects. No project has, however, been completed during 2016 or 2017. SEK 1.6 million were used for administrative costs during 2017.

Swedfund works closely with other Swedish players within Team Sweden to manage the Accelerator, primarily the Ministry of Foreign Affairs, Business Sweden and the Swedish embassy in the country. Many projects also involve coordination with development banks, who share Swedfund's interest and capacity to finance the implementation of (sustainable) projects.

One effect of the development of additional sustainable projects is that companies which offer solutions have more opportunities in procurements. This has led to great interest in the Accelerator from a number of Swedish companies who have experienced a shortage of capacity among customers.

The first project supported by the Swedfund Project Accelerator was completed in January 2017. The project involved the development of the public transport system in Abidjan, the largest city in the Ivory Coast.

Transport in general is an area of major relevance to the Swedfund Project Accelerator. A well-developed public transport system improves the conditions for economic development and reduces emissions. In addition, more population groups can safely and affordably get to and from their work, schools and other services (such as health and medical care). A coordinated and integrated public transport system is particularly important for newly-arrived immigrants, who are often located in peripheral areas, with a risk of isolation.

Abidjan has approximately five million residents. The city has undergone, and continues to undergo, a substantial urbanisation. The public transport system was not designed to handle such a large population.

The Accelerator has financed the project which aims to reshape the public transport system with BRT (Bus Rapid Transit) as a central component. A key component in the study is to have an overall perspective on the development of the public transport system that is sustainable in the long-run. The aspects involved are governance, integration of different transport types and the initiatives required in the short and long-term for the development of an investment in infrastructure and transport solutions. An often overlooked challenge is the actual transition from a largely unregulated market with minibuses to a regulated, integrated and coordinated system.

A developed bus system also creates conditions to introduce alternative fuels, and this has the potential to further reduce environmental and climate impact and encourage the development of the local economy.

The recipient of the investment is the Ministry of Transportation. During the course of the work, a number of stakeholders and relevant players were invited to create awareness of, and commitment to, the project and the development. Continued development in accordance with the project will be required, and this will give private players the opportunity to contribute to the development. Development banks also have an important role to play in investment in infrastructure. Swedfund will follow progress in Abidjan over the coming years.

▼ **SDG 11, 11.2:** By 2030, provide access to safe, financially reasonable, accessible and sustainable transport systems for all. Improve traffic safety, particularly through expanding public transport, with particular emphasis on the needs of people in vulnerable situations, women, children, people with physical disabilities and older people.

Photo: Michael Tsegaye for Swedfund





Solarwave, Uganda
Photo: Solarwave

SWEDPARTNERSHIP

Sustainable business collaboration for Swedish companies

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

SWEDPARTNERSHIP CONTRIBUTES TO the creation of sustainable and profitable local businesses in the countries in which Swedfund is active. We share the risk with small and medium-sized Swedish businesses which, thanks to our support, are able to dedicate the resources required to establish long-term cooperation with local partners. The support is primarily intended for the transfer of knowledge and investments in machinery and equipment. All activities and resources financed through the support are targeted at the personnel or operations of local businesses. Every year, Swedpartnership has contact with with approximately one hundred Swedish businesses which are interested in establishment support. During 2017, these contacts led to 21 applications for support. Since the operation started in 2009, Swedpartnership has approved 220

different projects. The inflow of new applications for support has been stable during the year. The offer of establishment support depends partly on the Swedish small and medium-sized businesses' choice of market. Last year, just like previous years, Asia was the region of most interest to Swedish companies. To date, 18% of the approved projects have involved Sub-Saharan Africa. The long-term ambition is to increase the proportion of projects in Sub-Saharan Africa, in line with Swedfund's overall strategy.

Swedpartnership evaluates and monitors projects' development results based on the three pillars – impact on society, sustainability and financial viability. We have developed specific indicators that are adapted to the content of the form and time horizon of the establishment support. The indicators for the “impact on society” pillar are the new job opportunities and the transfer of knowledge that the financed projects contribute. Sustainability is the pillar for which Swedpartnership often has direct influence and the opportunity to further develop the applicant companies' own policies. The aim of the requirements set for the projects is that Swedpartnership shall assist in establishing a long-term and systematic approach to sustainability issues within and among the collaborating companies.

The implementation of the management system for ESG that was developed in the previous year continued during 2017. The intention is that we will gradually adapt and transfer the knowledge and structural cap-

ital available within Swedfund's investment operation to the projects financed by the establishment support. Johan Wennerberg, CEO of the Swedish company Solarwave, which has decided to operate in Uganda, explains how they came to that decision:

“At an early stage, we identified Sub-Saharan Africa as a market with enormous potential for our water purification products. We are now established in the region through two wholly-owned subsidiaries and number of distributors. It has been a long and instructive journey which required substantial investment, but it is now beginning to pay off. There is no manual for this, so it all comes down to learning by doing. In my view, the key to an establishment which is sustainable in the long-term is to build the operation from the bottom up, by identifying, employing and delegating responsibility to local personnel at an early stage. It is also essential to have a realistic view of the capital requirement and a thoroughly prepared finance plan. The support from Swedpartnership has been crucial to our success”, says Johan Wennerberg.

DEVELOPMENT RESULTS 2017

SWEDPARTNERSHIP evaluates and monitors projects' development results based on the three pillars – impact on society, sustainability and financial viability. Specific indicators have been developed that are adapted to the content of the financing and investment

horizon. The indicators for the “impact on society” pillar are the new job opportunities and the transfer of knowledge that the financed projects contribute.

MEASURE	2015	2016	2017
NUMBER OF PROJECTS APPROVED DURING THE YEAR	17	21	23
NUMBER OF PROJECTS COMPLETED DURING THE YEAR	26	17	21
• NUMBER OF NEW JOB OPPORTUNITIES (EMPLOYEES)	289	189	262
• INVESTMENTS IN MACHINERY AND EQUIPMENT, SEK MILLION	18.0	11.5	14.7
• THE TRANSFER OF KNOW-HOW TO WHICH SWEDPARTNERSHIP HAS CONTRIBUTED, MEASURED IN NUMBER OF HOURS DURING THE YEAR	58,700	42,400	48,800

SWEDFUND'S PERFORMANCE

Swedfund makes a determined effort to have a balanced portfolio in respect of risk, geography and instrument, and it is the result of sales of shares, share dividends, interest and fees, as well as the net of reversals and impairments which constitutes the key parameters for Swedfund's financial performance.

Since the autumn of 2016, the company has had two financial goals. The company's operating result (EBIT) must be positive, and the company's costs (excluding impairments) through income (excluding capital gains/ losses and reversals) shall, on a three-year horizon (starting in 2016), not exceed 0.9. The targets are set to strengthen the

company in its ambition to carry out its operations in a businesslike and profitable manner, in line with the AGM resolution on financial goals.

Swedfund's operating profit for 2017 (EBIT) amounted to SEK 50.1 million (SEK 1.5 million). Accordingly, the company has achieved its financial goal of an EBIT > 0.

The internal efficiency work is positive, and the C/I ratio (Costs/Income) for the full year ended at 0.97, compared with a C/I ratio for 2016 of 0.89. The negative difference is mainly related to exchange differences. Adjusted for exchange differences, the company's C/I ratio for 2017 is on a par with the C/I ratio for 2016.

EBIT	2017	2016
SEK MILLION	50.1	1.5
C/I	2017	2016
	0.97	0.89
EXCL. CURRENCY DIFFERENCES	2017	2016
	0.89	0.89

DEFINITION OF EBIT:

Operating profit/loss, Profit before financial items and tax.

DEFINITION OF C/I:

Costs (excluding impairments)* divided by income (excluding capital gains/losses and reversals)**

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

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

SALES OF SHARES

During the year, the company sold its holding in the Nairobi Women's Hospital. The sale, together with several parts sales of the holding in Pieno Zvaigzdes is responsible for the majority of the year's capital gains.

DIVIDENDS

The dividends for the year amounted to SEK 17.3 SEK million (SEK 13.4 million).

INTEREST AND FEES

The portion of the loans in the portfolio continues to increase, which is a major contributory factor in the company's positive performance in both operating profit and C/I ratio. Over a five-year period, the company has steadily increased its net interest income from just over SEK 25 million to SEK 71 million. See the table below.

REVERSALS AND IMPAIRMENTS

Reversals and impairments of shares, loans and interest rates are carried out in accordance with the company's accounting policy,

which is presented in full on pages 94–95.

During the year, the net of reversals and impairments amounted to SEK -82.4 million (SEK -7.4 million) Given Swedfund's mission and operation, reversals and impairments are a natural part of its activities. Given the limited size of the portfolio, individual transactions tend, both positively and negatively, to have a major impact on financial performance, why financial results can vary sharply between years.

Reversals for the year refer to SEK 6.3 million in loans and SEK 5.4 million in shares. Impairments for the year refer to SEK -5.4 million in loans and SEK -88.7 million in equity and funds.

OTHER INCOME AND EXPENSE

Other portfolio income and expense refers to direct expenses attributable to active projects and investments. The difference between the years is primarily explained by the fact that the project operation for the Swedfund Project Accelerator (SPA), which was initiated and started up in autumn 2016, is now underway.

Other operating income and expense

NET INTEREST INCOME/EXPENSE	2017	2016	2015	2014	2013
SEK MILLION	71.0	63.7	60.0	44.9	25.4

why Swedfund does not aim to maximise the return on its liquidity, but to manage it in a secure way with low risk. The situation in the finance market of negative market interest rates means that the return is negative.

TAXES

In 2016, the company carried out a review of the tax status of the company's holdings in foreign companies. After the review was

completed, the company judged that its operation, from a tax point of view, should be classified as capital management, and its assets classified as capital assets. A voluntary adjustment to the tax returns in respect of the years 2010–2015 was submitted to the Swedish Tax Agency on 21 December 2016. The company has been in correspondence with the Swedish Tax Agency in relation to the adjustment during 2017. The Swedish Tax

Agency considers that the holdings which the company held at the start of the tax year 2010 (i.e. before the review period) continue to constitute inventory items. In the light of this, the company sent further adjustments to the Swedish Tax Agency in accordance with which assets acquired before 2010 are treated as inventory items and assets acquired after that date are treated as capital assets (see also notes and accounting policies, pages 94–104).

INVESTMENTS ENDED DURING THE YEAR (SEK MILLION)

INVESTMENT	COUNTRY	INDUSTRY	INVESTMENT INSTRUMENT	PERIOD/ YEARS	INVESTED AMOUNT	EXIT AMOUNT	PROFIT/ LOSS	IR
MINT CAPITAL II LTD	Russia	Fund	Fund	12.0	37.1	10.4	-26.8	- 16.8%
SANGHI INDUSTRIES LTD	India	Energy	Loans	10.0	102.9	111.8	8.9	1.2%
JACOBI CARBONS INDIA PVT LTD	India	Manufacturing	Loans	8.0	22.4	25.3	3.0	2.5%
QUANADIL AL RAFIDAIN AUTO-MOTIVE TRADING COMPANY LTD	Iraq	Manufacturing	Shares	7.0	35.3	18.7	- 16.6	- 11.3%
ACACIA FUND LTD	Kenya	Fund	Fund	20.0	22.6	11.0	- 11.7	- 3.3%
NAIROBI WOMEN'S HOSPITAL LTD	Kenya	Hospital	Shares	4.0	26.5	.*	.*	.*

* Contract confidentiality

The table above shows the investments which were completed in their entirety during 2017. In the majority of the companies, the exit process has been implemented step-by-step over several years. Some investments, such as Mint, Quanadil and Acacia, where impaired in previous years, and the loss is therefore not charged to the profit for the year. The most significant investments by amount invested, results and other development effects are reported below.

NAIROBI WOMEN'S HOSPITAL (NWH):

Swedfund invested in NWH in 2013, giving us ownership of 19 percent of the company. NWH is currently one of Kenya's largest private healthcare providers, operating five fully-equipped hospitals which employ more than 450 people, of whom over 60 percent are women. NWH offers outpatient care and hospital care for women and their families, focusing on low and middle-income earners. The hospital specialises in women's care needs, and each unit is linked to a Gender Violence Recovery Center. These centres offer medical care free of charge and psychological support for victims of gender-related assault. To date, the centres have helped over 27,000 people.

MINT CAPITAL II: In 2005, Swedfund granted an investment in Mint Capital II, a venture capital fund with a mandate to invest in small and medium-sized businesses in Russia. The aim was to contribute to the development of the growing private equity market in Russia, to provide small and medium-sized businesses with access to financing – something which the then underdeveloped banking sector was unable to do.

During the investment period, the manager and the underlying portfolio companies complied with the ILO's core conventions and the ILO's labour standards, and Swedfund encouraged the fund manager to adopt an anti-corruption policy.

The investment in Mint Capital II has, unfortunately, not performed well financially largely as a result of the deterioration in the macro situation in Russia but also as a result of unpredictable risks in the individual portfolio companies.

SANGHI INDUSTRIES: In March 2007, Swedfund and the Dutch development finance institution, FMO granted a loan of USD 38 million (of which Swedfund's share amounted to USD 15 million) to Sanghi Industries, a company operating in the cement sector in the state of Gujarat, India. The investment was used to build a new power station generating 60 MW for the production of cement in the factory, which lead to a reduction in production costs for the energy-intensive production process. The justification for the loan is that financial growth for Sanghi would increase its competitiveness, create local job opportunities in the regional value chain, enable harbour work to be carried out which would benefit the region and reduce environmental pressure replacing an HFO-fired electricity generating plant with a coal-fired one. During the holding period, ESG processes have been strengthened through establishing action points and follow-up checks in 2014. The investment has not been beneficial. The loan was repaid in March 2017, after several years of negotiations and restructuring of the loan, as a consequence of factors such as the

weakening local exchange rate against the USD, as well as significant difficulties when the construction sector was badly affected after the financial crisis of 2008.

QUANADIL AL RAFIDAIN AUTOMOTIVE TRADING COMPANY LTD:

After the end of the Iraq War, and the stabilised security situation in Iraq during 2009, Scania saw the opportunity to resume the sales and service of buses and trucks in the country, via the Iraqi company Quanadil. Peace created an immediate need for the expansion of infrastructure. Swedfund invested USD 5.2 million in Quanadil, equivalent to 49 percent of the shares. The remainder was owned by our Iraqi partner, the Al Bunnia Group. In 2012, Scania bought into the company, and this reduced Swedfund's ownership to 24.5 percent.

During the holding period, we made a major contribution to professionalising the governance of the company, strengthening the company's processes in ESG and reporting, and placed great weight on strengthening the anti-corruption initiative.

From 2013, the macro picture in Iraq changed rapidly for the worse. Internal opposition, a sharply falling oil price, IS and an acute shortage of cash in the country were some of the factors which resulted in a rapid deterioration in the company's sales of buses and trucks. The company's spare parts sales and service operation are still going, but at considerably lower volumes than before.

Both Swedfund and Scania sold their shares in the company in 2017 to the Al Bunnia Group, which is pushing ahead with spare parts sales and service.

FINANCING OPERATIONS

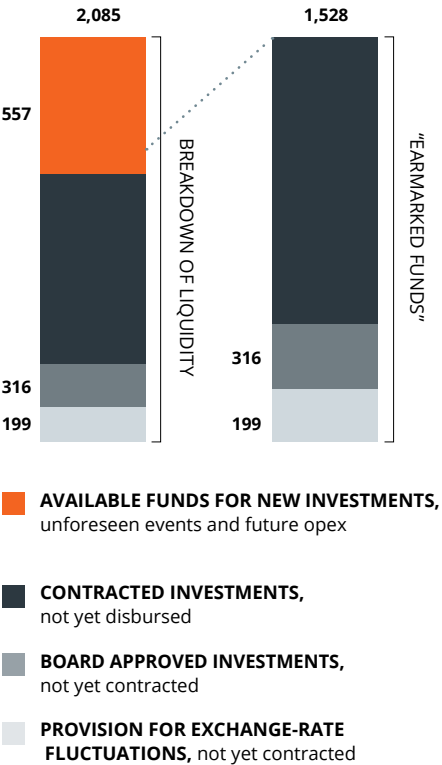
With the exception of Swedpartnership, funds for Technical Assistance (TA) and the Swedfund Project Accelerators facility, Swedfund is entirely financed through equity.

The company's financial position is satisfactory. The equity/assets ratio is 76.6 percent (75.9 percent). During the year, the company received a capital injection of SEK 400 million (SEK 400 million). Current liabilities amounted to 5.6 percent (7.9 percent) of the balance sheet total. The portfolio investments' share of the balance sheet total amounted to 39.4 percent (41.4 percent). If "earmarked" but not yet paid investment is taken into account, the portfolio investments' share of the balance sheet total amounted to 65.2 percent (62.6 percent).

In order to limit the company's currency risk and interest-rate risk in connection with lending in foreign currency, lending was hedged through corresponding borrowing with the Swedish Export Credit Corporation. On 31 December, borrowing amounted to SEK 1,211 million (SEK 1,177 million), and is pledged in its entirety to the Swedish Export Credit Corporation.

Swedfund's own funds amounted to SEK 2,085 million (SEK 1,772 million), consisting of cash and bank balances and non-pledged securities. Own funds were appropriated in accordance with the illustration below.

FIGURE 1. SWEDFUND'S ALLOCATION OF OWN FUNDS 31 DECEMBER 2017

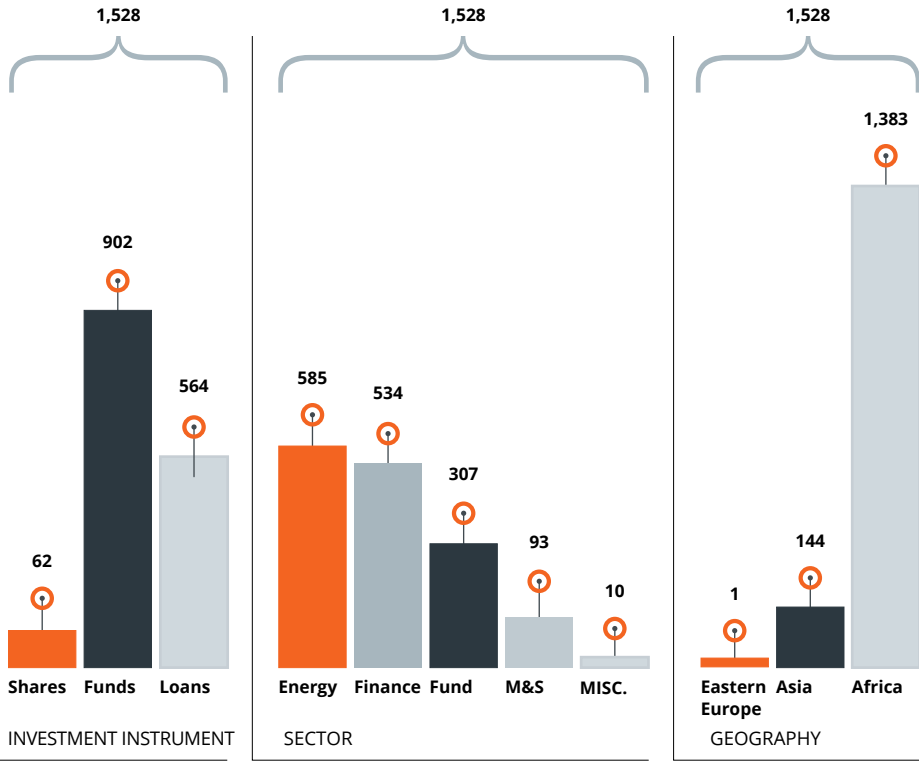


ities amounted to 5.6 percent (7.9 percent) of the balance sheet total. The portfolio investments' share of the balance sheet total amounted to 39.4 percent (41.4 percent). If "earmarked" but not yet paid investment is taken into account, the portfolio investments' share of the balance sheet total amounted to 65.2 percent (62.6 percent).

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



The company had almost SEK 850 million in approved investment decisions during 2017. A substantial part of these approvals had not yet been dispersed but are in the company's earmarked funds. Provisions, otherwise known as "earmarked funds", for the company's approved and contracted investments, amounted to SEK 1,528 million (SEK 1,772 million), and are divided by investment instrument, sector and geography in accordance with figure 2 above.

Approved and contracted investments, particularly our fund investments, are often disbursed in part disbursements over several years. Cash and cash equivalents must, therefore, be earmarked for approved and contracted investments to ensure that the company is able to fulfil its disbursement obligations.

STRATEGIC SUSTAINABILITY GOAL ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

social issues in all investments, instruments and countries. ESG Toolkit is a manual for implementation of the policy documents, procedures and related documents that guide work on ESG issues. ESG Toolkit is updated continuously to correspond to the processes and requirements placed on Swedfund, as well as the guidelines we follow within the European collaboration for development finance institutions. We have also carried out a third-party review of all internal processes related to human rights. Read more on the HR datasheet, page 50.

SWEDFUND'S CARBON FOOTPRINT

Swedfund strives to reduce the company's carbon footprint. Electricity, heating and business travel generate Swedfund's largest emissions of greenhouse gases. Swedfund's headquarters in Stockholm has a green rental agreement based on 100 percent renewable electricity. Electricity is purchased through Bra Miljövalsmärkt el, and totalled 34,345 kWh of wind and water power for 2017. The corresponding figure for 2016 was 33,366 kWh.

Energy in the operation during the year amounted to a total of 4.1 tonnes of CO₂, of which 2.5 was for heating and 1.6 tonnes for electricity consumption. There is no environment-friendly alternative available for supplies of electricity and heating for our office in Nairobi. A diesel generator is available to cover power cuts in the office building in Nairobi where Swedfund rents office space.

Travel by Swedfund staff creates an environmental load but is essential if Swedfund is to meet its responsibility as a proactive, value-generating owner and carry out thorough Due diligence for new investments. We strive to minimise the number of flights when possible, and we offset all emissions from our air travel. As before, our reporting of emissions has included emissions at high altitudes, and Swedfund's emissions for business travel amounted to 660 tonnes of CO₂. For 2017, we are reporting 665 tonnes of CO₂, which includes electricity, heating and all flights. This year, we decided to adopt climate compensation for Swedfund's environmentally loaded business travel by supporting the development of the market for bio aviation fuel through the Fly Green Fund.

development of the market for bio aviation fuel through the Fly Green Fund.

Swedfund's primary environmental impact is through the activities of portfolio companies. During 2017, we carried out a calculation of the portfolio companies' climate impact, and this is reported in the impact on society section.

WORK ENVIRONMENT POLICY

The work environment is an important area for Swedfund, both internally and as a vital issue in our portfolio companies. Our ambition is to provide a first-class workplace. Our approach is intended to achieve a sound working environment and to prevent ill-health and accidents. During the year, we incorporated the work environment policy which was updated during the previous year.

The systematic approach to the work environment continued during the year, in the course of which an action plan was drawn up containing a number of improvement measures for the physical and social work environment. Among other things, these measures have led to an improved systematic fire protection procedure and an improved indoor climate. A survey of our safety procedures will be developed over the next year. The work environment policy and the work environment processes will be evaluated and refined continuously to ensure that we achieve a work environment that all members of staff can be proud of.

ORGANISATION AND GENDER EQUALITY

Swedfund has followed the gender equality plan drawn up for 2015–2017, and a new, more comprehensive plan, "the plan for equal rights/plan for active measures 2018-2020" is now under development.

The gender equality plan for 2015–2017 resulted in a number of improvements within the area of HR and organisation, with the focus on developing the operation, in which

gender equality has been a central component. Some examples of improvements are:

Organisation and staffing

- Clarified roles, responsibility and interfaces in the organisation
- Unified job descriptions drawn up
- A clearer and more transparent recruitment process
- Structured exit process

Leadership

- Developed management team work and introduced procedures which streamline decision-making and implementation with clear allocation of responsibility
- Clarified the procedures in areas such as performance appraisal discussions, staff surveys and salary reviews

Employeeship

- Developed processes and procedures for performance appraisal discussions with clear linkage to strategy, operational plan and the company's values

Skills development

- Every employee has an individual development plan

Culture

- Formulated and implemented new corporate values: openness, partnership, excellence and passion
- Incorporated the values into the performance appraisal discussion, and followed up on observance of the values
- Develop the company's processes for example for performance appraisal, salary reviews and employee surveys

Work environment

- Introduced an annual process for staff surveys with associated annual action plan

- Work environment policy in accordance with new regulations with associated documents and training in these, as well as appointed Work Environment Representative
- A process for handling perceived offensive treatment and discrimination is in place and has been communicated throughout the organisation
- Anti-discrimination – a working group has developed proposals for activities which are gradually being implemented in the company

Wages and benefits

- The wages policy has been developed in dialogue with the personnel organisation and communicated throughout the organisation
- The wages process has been clarified and structured
- The wages benchmark has been implemented and communicated
- Approved and introduced salary reduction plan in favour of pension

Labour union/personnel organisation

- The Personnel Organisation (PO) is formalised and procedures for meetings and negotiations are established
- Quarterly review with PO, CEO and HR on a fixed agenda

The table below shows the age distribution of the Board of Directors, the management team and staff. Read more on gender equality in note 1, page 95 ff. In 2017, the number of days taken for parental leave amounted to 764 (148) days, and other leave of absence to 0 (101) days. We have two female employees in Stockholm on temporary substitute employment. The remaining employees are full-time permanent employees.

TABLE. DIVERSITY

PERCENTAGE MANAGEMENT AND BOARD IN RESPECT OF:	2017		2016	
AGE DISTRIBUTION, MANAGEMENT AND BOARD	TOTAL	PERCENTAGE DISTRIBUTION	TOTAL	PERCENTAGE DISTRIBUTION
30-49 YEARS	4	31%	6	43%
50 YEARS OR OLDER	9	69%	8	57%
TOTAL	13	100%	14	100%

PERCENTAGE OF EMPLOYEES IN RELATION TO:				
AGE DISTRIBUTION (INCL. MANAGEMENT)	TOTAL	PERCENTAGE DISTRIBUTION	TOTAL	PERCENTAGE DISTRIBUTION
29 YEARS OR YOUNGER	2	5%	1	3%
30-49 YEARS	25	64%	23	66%
50 YEARS OR OLDER	12	31%	11	31%
TOTAL	39	100%	35	100%

STRATEGIC SUSTAINABILITY GOALS: ANTI-CORRUPTION

As part of the process of strengthening our anti-corruption effort in the portfolio companies, Swedfund's employees have undergone anti-corruption training organised by Hibis, who are leaders in this area. The police anti-corruption division has visited Swedfund and explained how they see the issue and how they work.

FUNDS FOR TECHNICAL ASSISTANCE (TA)

Technical Assistance funds are used to strengthen development results in the portfolio companies through initiatives within all three pillars. TA funds are primarily to be used to strengthen Swedfund's work on gender equality, the environment and climate, and may be used in all countries in which Swedfund may from time to time invest in accordance with the current Owner's instructions. For 2017, Swedfund allocated SEK 10 million for Technical Assistance.

TA CONTRIBUTIONS	DESCRIPTION
The portfolio companies' climate impact.	Refers to the development of a method and model, as well as the implementation of the calculation of the portfolio companies' climate impact.
Quality-raising initiative Addis Cardiac Hospital	Refers to a quality-raising initiative consisting, among other things, of skills development of personnel and implementation of an IT system.
Anti-corruption	Refers to the implementation of an anti-corruption workshop.
Female Future Programme	Initiatives which enable women in Swedfund's portfolio companies to participate in the Female Future Programme, a training programme for future female members of the Board and managers.
Women4Growth	Refers to the implementation of the talent programme, Women4Growth, at a financial institution in which Swedfund has invested.
Development Impact Assessment	Refers to the implementation of the Development Impact Assessment at portfolio companies.
Quality-raising initiative	A quality-raising initiative consisting of a financial review in portfolio companies to present sustainable measures in a stringent financial situation.

SWEDPARTNERSHIP

Swedpartnership provides setting-up support through depreciation/impairment loans to small and medium-sized Swedish businesses for investments in Swedfund's developing countries. The operation, which includes the exercise of public authority, is financed in its entirety by the Swedish government, through a specific allocation of funds. *Read more on Swedpartnership at www.swedfund.se*

During 2017, 19 loans totalling SEK 18,305,000 were settled/written down in accordance with the project plan.

AGREED WRITE-DOWN LOANS DURING THE YEAR		WRITE-DOWN LOANS DISBURSED DURING THE YEAR		
REGION	PROPORTION		PROPORTION	
AFRICA	6,603	23%	4,006	19%
ASIA	15,097	53%	10,921	52%
EASTERN EU-ROPE	6,750	24%	6,022	29%
TOTAL	28,450	100%	20,950	100%

SWEDFUND PROJECT ACCELERATOR

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

Supporting players in DAC countries in

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

During the last quarter of 2017, an additional project was initiated within the Swedfund Project Accelerator framework, which means that there is now a total of eight projects in progress. The inflow of new project suggestions remains good. About one in ten incoming proposals lead to a commitment where Swedfund contributes financing for project development.

The first project initiated through the Swedfund Project Accelerator will be com-

pleted in January 2018. The final report was compiled during December 2017 for presentation at a seminar in January. The project deals with sustainable urban transport in Abidjan, Ivory Coast.

At the beginning of December, the operation was provided with SEK 5 million from the Export Strategy, and this can be used during 2018. Two government decisions were also taken in December, leading to further funds for 2018 being provided. Swedfund is awaiting the documentation confirming the decisions and the size of the contribution. The organisation has already indented for a total of SEK 52 million during 2016 and 2017.

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes that the profits be appropriated so that SEK 3,980,506,100 is carried forward. The company's results and position are reported in the income statement, balance sheet, equity report and statement of cash flows, with the associated notes with accounting policies and notes to the accounts. Read more on pages 89–108. The table below describes the profits in SEK at the disposal of the Annual General Meeting.

ACCUMULATED PROFIT/LOSS	CAPITAL CONTRIBUTION
3,554,651,729	400,000,000
NET PROFIT/LOSS FOR THE YEAR	TOTAL AVAILABLE FUNDS
25,854,371	3,980,506,100

INCOME STATEMENT

AMOUNTS IN SEK THOUSAND	NOTE	1 JAN 2017–31 DEC 2017	1 JAN 2016–31 DEC 2016
SALE OF SHARES	2.4		
Sales proceeds		193,798	43,810
Purchase cost of shares sold		– 62,574	46,695
		131,225	– 2,885
SHARE DIVIDEND	2	17,323	13,399
INTEREST AND FEES	2		
Income		97,553	78,926
Expense		– 26,589	– 15,239
		70,964	63,687
NET REVALUATION OR IMPAIRMENT OF PORTFOLIO INVESTMENTS	10, 11		
Reversals		11,735	73,983
Impairments		– 94,103	– 81,363
		– 82,368	– 7,380
OTHER PORTFOLIO INCOME	2	357	6,804
OTHER PORTFOLIO EXPENSES	3	– 7,898	– 4,259
OTHER OPERATING INCOME/EXPENSE	3	710	5,301
GROSS PROFIT		130,313	74,667

OTHER EXTERNAL COSTS	3, 5	– 22,606	– 20,101
PERSONNEL COSTS	1, 3	– 56,510	– 51,928
DEPRECIATION OF TANGIBLE ASSETS	8	– 1,077	– 1,103
OPERATING PROFIT/LOSS		50,121	1,534

RESULTS FROM FINANCIAL ITEMS

INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS	6	– 14,694	– 8,787
PROFIT/LOSS AFTER FINANCIAL ITEMS		35,426	– 7,253

PROFIT/LOSS BEFORE TAX		35,426	– 7,253
TAX ON PROFIT/LOSS FOR THE YEAR	7	– 9,572	– 35,383

PROFIT/LOSS FOR THE YEAR		25,854	– 42,636
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* Cost estimates for consultancy inputs for the implementation of feasibility studies or other inputs.

BALANCE SHEET

ASSETS

AMOUNTS IN SEK THOUSAND	NOTE	31/12/2017	31/12/2016
NON-CURRENT ASSETS			
LAND AND BUILDINGS			
Expenses for improvement of other owner's property	8	1,724	2,155
TANGIBLE ASSETS			
Equipment	8	1,332	1,877
FINANCIAL ASSETS			
Other securities held as non-current assets	9	1,514	1,666
Deferred tax asset	14	528	10,100
		2,042	11,766
TOTAL NON-CURRENT ASSETS		5,098	15,798
CURRENT ASSETS			
INVESTMENTS IN PORTFOLIO COMPANIES			
Shares	11	1,080,524	990,343
Loans	10	1,282,549	1,260,191
		2,363,073	2,250,534
CURRENT RECEIVABLES			
Accounts receivable		3,832	2,439
Other receivables		41,111	39,915
Prepaid expenses and accrued income	12	114,776	49,258
		159,718	91,612
INVESTMENTS IN SECURITIES ETC.	13, 17	3,310,023	3,008,035
CASH AND BANK BALANCES	17	127,957	95,458
TOTAL CURRENT ASSETS		5,960,771	5,445,639
TOTAL ASSETS		5,965,869	5,461,437

EQUITY AND LIABILITIES

AMOUNTS IN SEK THOUSAND	NOTE	31/12/2017	31/12/2016
EQUITY			
Share capital		50,000	50,000
Statutory reserve		540,000	540,000
		590,000	590,000
Accumulated profit/loss		3,954,652	3,597,288
Profit/loss for the year		25,854	- 42,636
		3,980,506	3,554,652
TOTAL EQUITY		4,570,506	4,144,652
PROVISIONS			
Provision for pension obligations	17	1,217	1,369
LONG-TERM LIABILITIES			
Liabilities to credit institutions	15	1,057,355	881,363
		1,057,355	881,363
CURRENT LIABILITIES			
Liabilities to credit institutions, current part		154,068	295,758
Accounts payable		2,979	2,221
income tax liabilities		9,449	-
Other liabilities		83,324	74,096
Accrued expenses and deferred income	12	86,972	52,163
		336,792	434,053
TOTAL PROVISIONS AND OTHER LIABILITIES		1,395,363	1,316,785
TOTAL EQUITY AND LIABILITIES		5,965,869	5,461,437

EQUITY

AMOUNTS IN SEK THOUSAND	SHARE CAPITAL	STATUTORY RESERVE	ACCUMULATED PROFIT/LOSS	PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
EQUITY 31-12-2015	50,000	540,000	3,195,267	2,020	3,787,288
Appropriation of profit/loss in accordance with the resolution of the annual general meeting for the year:			2,020	- 2,020	-
Capital injection			400,000		400,000
Profit/loss for the year				- 42,636	- 42,636
EQUITY 2016-12-31	50,000	540,000	3,597,288	- 42,636	4,144,652
Appropriation of profit/loss in accordance with the resolution of the annual general meeting for the year:			- 42,636	42,636	-
Capital injection			400,000		400,000
Profit/loss for the year				25,854	25,854
EQUITY 31/12/2017	50,000	540,000	3,954,652	25,854	4,570,506

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

CASH FLOW STATEMENT

AMOUNTS IN SEK THOUSAND	NOTE	2017	2016
OPERATING ACTIVITIES			
Profit/loss after financial items		35,436	- 7,244
Adjustments for non-cash items etc.	16	85,899	78,616
		121,334	71,373
Tax paid		- 366	- 79
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		120,968	71,294
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase(-)/Decrease(+) in investments in portfolio companies		- 205,803	- 510,163
Increase(-)/Decrease(+) in operating receivables		- 66,732	- 179
Increase(+)/Decrease(-) in operating liabilities		11,536	- 32,973
CASH FLOW FROM OPERATING ACTIVITIES		- 140,031	- 472,021
INVESTING ACTIVITIES			
Acquisition of tangible assets		- 101	- 1
Investments in (-)/disposals of (+) financial assets		-	- 381,379
Disposal/reduction of financial assets		10,686	-
CASH FLOW FROM INVESTING ACTIVITIES		10,585	- 381,380
FINANCING OPERATIONS			
Capital contribution		400,000	400,000
Decrease(-)/Increase(+) in loans		43,088	329,158
CASH FLOW FROM FINANCING ACTIVITIES		443,088	729,158
CASH FLOW FOR THE YEAR		313,645	- 124,243
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,771,801	1,896,044
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		2,085,445	1,771,801

SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS

AMOUNTS IN SEK THOUSAND	2017	2016
INTEREST PAID AND DIVIDENDS RECEIVED		
Dividend received	17,323	13,399
Interest received	89,204	89,986
Interest paid	- 29,899	- 17,438
Cash and cash equivalents consist of:		
Cash and bank balances*	21,887	21,285
Investments in securities etc. not pledged	2,063,557	1,750,517
TOTAL	2,085,445	1,771,801

* This item has been reduced by a bank account under pledged securities, as well as cash and cash equivalents relating to Swedpartnership, TA funds and the Swedfund Project Accelerator (amounting to SEK 105,843,000).

NOTES

With accounting policies and notes to the accounts

(Amounts in SEK thousand unless otherwise indicated)

GENERAL ACCOUNTING POLICIES

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

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

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

The company has received funds for the technical assistance ("TA") start programmes (Swedpartnership) and the Swedfund project Accelerator from the Swedish Government. How the funds affected the income statement is described in note 3.

The Board has resolved to convert its financial reporting from K3 to IFRS and RFR2 with effect from 1 January 2018, including comparison figures for 2017. During the conversion to IFRS, accounting in the legal entity will follow the Swedish Financial Reporting Council's recommendation RFR 2 Accounting for legal entities. In doing this, Swedfund will apply a number of exceptions from IFRS in the capacity of its status as a legal entity. Aside from these exceptions, Swedfund shall prepare its financial reports in accordance with the rules prescribed by the IFRS as adopted by the EU. This also applies to the new standards which will be introduced in 2018 and 2019, which consist of IFRS 15, IFRS 16 and IFRS 9 Financial instrument.

ACCOUNTING AND VALUATION POLICIES Income

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

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

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

Assets and liabilities

Assets and liabilities are valued at cost unless otherwise indicated below. Bank balances, receivables and accounts payable, current and non-current liabilities, as well as loans in foreign currencies have been translated at the closing day rate. Exchange differences are attributable to operating profit/loss. Exchange differences are included in Other operating income. Transactions in foreign currencies are translated at the transaction date rate.

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

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

Tax

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

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

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

Depreciation principles for non-current assets

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

Financial instruments

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

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

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

Other securities held as non-current assets

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

Shares

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

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

Impairment is applied at 25 percent intervals as follows:
There is no impairment on holdings that have a duration of less than 2 years, unless there are special circumstances. In the event of impairment of shares where Sida is responsible for all or part of the investment,

that part of the impairment which will be charged to Sida is not recognised as an expense for Swedfund. Instead, the actual amount which is an impairment of Swedfund's loan from Sida will be recognised, by agreement with them.

Impairments in the value of unlisted portfolio companies are not reversed before the company has reported one profitable audited financial year. The maximum amount that may be reversed is the historical cost.

The cost of administration of a fund is part of Swedfund's portfolio commitments and the historical cost of the fund. For shares and funds, the expenses directly attributable to the acquisition are capitalised, other costs are expensed when they arise.

In 2016, the company carried out a review of the tax status of the company's holdings in foreign companies. After the review was completed, the company judged that its operation, from a tax point of view, should be classified as capital management, and its

assets classified as capital assets. A voluntary adjustment to the tax returns in respect of the years 2010–2015 was submitted to the Swedish Tax Agency on 21 December 2016. The company has been in correspondence with the Swedish Tax Agency in relation to the adjustment during 2017. The Swedish Tax Agency considers that the holdings which the company held at the start of the tax year 2010 (i.e. before the review period) continue to constitute inventory items. In the light of this, the company sent further adjustments to the Swedish Tax Agency in accordance with which assets acquired before 2010 are treated as inventory items and assets acquired after that date are treated as capital assets.

Loan receivables

Loans to portfolio companies are initially recognised at historical cost and subsequently measured at amortised cost using the effective interest method. Their values are impaired successively in intervals of 25%

after 12, 18, 24 and 30 months of non-payment, or alternatively at another rate if the borrower is deemed to lack capacity to pay.

Current receivables

Following an individual valuation, current receivables are valued at the amounts that are expected to be received after deductions for individually-assessed doubtful receivables.

Investments in securities etc.

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

Statement of cash flows

The cash flow statement is established using the indirect method. Cash and cash equivalent means securities and bank balances excluding collateral provided for borrowings. The statement of cash flows excludes TA, Swedpartnership and Swedfund Project Accelerator.

NOTE 1 BOARD OF DIRECTORS, EMPLOYEES AND PERSONNEL COSTS

GENDER BREAKDOWN BOARD OF DIRECTORS, CEO AND OTHER SENIOR MANAGEMENT

	2017	OF WHOM WOMEN	OF WHOM MEN	2016	OF WHOM WOMEN	OF WHOM MEN
Board of Directors	8	3	5	7	3	4
CEO	1	0	1	1	1	0
Other senior management	5	2	3	6	3	3

AVERAGE NUMBER OF EMPLOYEES

COUNTRY	2017	OF WHOM MEN	2016	OF WHOM MEN
Kenya	3.7	18%	4.0	25%
SWEDEN	35.0	49%	33.6	45%
TOTAL	38.7	47%	37.6	42%

SALARIES, OTHER REMUNERATION AND SOCIAL WELFARE COSTS

	2017		2016	
	SALARIES AND REMUNERATION	SOCIAL WELFARE COSTS	SALARIES AND REMUNERATION	SOCIAL WELFARE COSTS
	31,515	18,477	30,524	17,101
(of which pension costs)	(0)	1.2) (9,217)	(0)	1.2) (8,308)
TOTAL	31,515	18,477	30,524	17,101

1) 358 (516) of pension costs refer to the CEO up to and including 31 August 2017.
2) Defined contribution and the comparable pensions premiums in accordance with statutory provisions and collective agreements are paid for all employees and were expensed during the year.

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

	2017		2016	
	BOARD OF DIRECTORS, CEO AND OTHER SENIOR MANAGEMENT	OTHER EMPLOYEES	BOARD OF DIRECTORS, CEO AND OTHER SENIOR MANAGEMENT	OTHER EMPLOYEES
SWEDEN	9,645	21,911	8,748	20,538
(of which remuneration to the Board)	(919)	–	(639)	–
(Of which fee to the Consultant/CEO* from and including 20170821)	(1,019)	–	(0)	–
(of which salary to the CEO up to and including 20170831)	(1,440)	–	(1,791)	–
(of which other management salaries)	(6,267)	–	(6,042)	–
KENYA, REPRESENTATIVE OFFICE		1,897		2,153
TOTAL	9,645	23,808	8,748	22,691

* The fee includes the cost of salary, pension and social security contributions.

REMUNERATION PAID TO PRESENT AND FORMER MEMBERS OF THE BOARD

NAME:		REMUNERATION	BOARD FEES IN PORTFOLIO COMPANIES
GÖRAN BARSBY	Chair of the Board	200	0
BJÖRN BÖRJESSON	Vice-Chair	130	0
CHARLOTTE SALFORD	Director	100	0
FREDRIK ARP	Director	120	0
HANNA LAGERCRANTZ	Director	0	0
KERSTIN BORGLIN	Director	100	0
MIKAEL SANDSTRÖM	Director	100	0
TORGNY HOLMGREN	Director	100	0

Fees are payable to the Chair of the Board and members of the Board in accordance with resolutions of the Annual General Meeting.

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

MEMBER	1/17	2/17	3/17	4/17	5/17	6/17	7/17	8/17	10/17	11/17
BJÖRN BÖRJESSON	X	X	X	X	X	X	X	X	X	X
CHARLOTTE SALFORD	X	X	X	X	X	X	X	X	X	X
FREDRIK ARP	X	X	X	X	X	X	X	X	X	X
GÖRAN BARSBY	X	X	X	X	X	X	X	X	X	X
HANNA LAGERCRANTZ	X	X	X	X	X	X	X	X	X	X
KERSTIN BORGLIN	X	X	X	X	X	X	X	X	–	X
MIKAEL SANDSTRÖM – appointed April 2017	–	–	–	–	–	X	X	X	X	X
STEFAN ISAKSSON – resigned April 2017	X	X	X	X						
TORGNY HOLMGREN – appointed April 2017	–	–	–	–	–	–	X	X	X	X

SALARIES OF SENIOR MANAGEMENT

NAME	POSITION	OTHER BENEFITS	ANNUAL SALARY FIXED REMUNERATION PAID	PENSION PREMIUMS PAID	TOTAL
ANNA RYOTT	CEO until and including 31 August 2017	0	1,440	358	1,798
GERTH SVENSSON	Interim CEO from and including 1 September 2017*	–	1,019	–	1,019
FREDRIK LINTON	Director of Investment Operations and ESG	0	1,663	482	2,145
FREDRIK WIJKANDER	Director of Investment Operations	0	(1,206)	373	1,579
HELENE LUNDKVIST	Director of Finance and Administration	0	1,185	346	1,531
JACOB HAGERMAN	Chief Legal Counsel	0	1,115	268	1,383
KARIN KRONHÖFFER	Director of Strategy and Communication	0	1,098	306	1,404
TOTAL		0	8,726	2,133	10,859

* The fee includes the cost of salary, pension and social security contributions.

ABSENCE DUE TO ILLNESS

Total absence due to illness amounted to 1.55 percent (previous year 1 percent) of employees’ total normal working hours. For reasons of privacy, absence due to illness is not allocated by age group and gender.

SALARY OF CEO AND OTHER SENIOR MANAGEMENT, SEVERANCE PAY ETC

The CEO and other senior executives receive a fixed remuneration per month. No variable remuneration is payable. The CEO, in the event of notice of termination

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

the company, the rules in the collective agreement apply to other senior executives.

PENSION COMMITMENTS

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

NOTE 2

INCOME BREAKDOWN BY GEOGRAPHICAL AREA AND INCOME TYPE

INCOME BREAKDOWN BY GEOGRAPHICAL MARKET	2017	2016
Africa	231,757	67,184
Asia	25,760	52,686
Latin America	7,431	9,823
Eastern Europe	44,082	13,247
	309,031	142,939

INCOME BREAKDOWN BY GEOGRAPHICAL MARKET	2017	2016
Sales of shares	193,798	43,810
Share dividend	17,323	13,399
Interest income	97,553	78,926
Other portfolio income	357	6,804
	309,031	142,939

NOTE 3

SWEDPARTNERSHIP, TECHNICAL ASSISTANCE AND SWEDFUND PROJECT ACCELERATOR

SWEDPARTNERSHIP	2017	2016
SEE ITEM IN THE INCOME STATEMENT		
Other operating income	3,969	3,410
	3,969	3,410
Other external costs	– 812	– 771
Personnel costs	– 3,157	– 2,639
	– 3,969	– 3,410

TECHNICAL ASSISTANCE	2017	2016
SEE ITEM IN THE INCOME STATEMENT		
Other operating income	3,098	2,293
	3,098	2,293
Other external costs	– 2,445	– 2,044
	– 2,445	– 2,044

SWEDFUND PROJECT ACCELERATOR	2017	2016
SEE ITEM IN THE INCOME STATEMENT		
Other operating income	6,164	536
	6,164	536
Other portfolio expenses	– 4,367	– 87
Other external costs	– 382	– 42
Personnel costs	– 1,415	– 407
	– 6,164	– 536

*Operation started during autumn 2016.

NOTE 4

SHARE INVESTMENTS SOLD/LIQUIDATED DURING THE YEAR

	2017	2016
Total acquisiton value of shares sold	- 95,587	- 69,218
Impaired value of sold shares	33,013	22,523
ACQUISITION VALUE OF SHARES SOLD FOR THE YEAR	- 62,574	- 46,695
Payment received	193,798	43,810
CAPITAL GAIN/LOSS FOR THE YEAR	131,225	- 2,885

NOTE 5

FEEES AND EXPENSES FOR AUDITORS

	2017	2016
EY		
The auditing assignment	850	750
Tax consultancy services	219	159
Other services	1,314	-
TOTAL EY	2,383	909

NOTE 6

INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	2017	2016
Impairment of financial assets	428	431
Other financial expenses	14,266	8,357
	14,694	8,787

NOTE 7

TAX EXPENSES

TAX IN THE INCOME STATEMENT	2017	2016
Current tax	-	11,532
Change in deferred tax	9,572	23,851
Total reported tax	9,572	35,383
BALANCE OF EFFECTIVE TAX RATE		
Reported profit/loss before tax	35,426	- 7,253
Tax on reported earnings in accordance with the applicable tax rate (22%):	7,794	- 1,596
TAX EFFECT OF:		
Non-taxable dividends	- 1,912	- 2,508
Non-deductible impairment of financial assets	11,255	17,900
Non-taxable reversal of impairment of financial assets	- 2,053	- 16,276
Non-taxable realised capital gains	- 24,480	-
Non-deductible realised capital losses	300	5,590
Deductible realised loss on loan receivable	-	- 14,138
Non-deductible other costs	285	208
Deductible costs from previous year	- 68	- 75
Adjustment of previous year's taxation as a result of change in taxable status	-	11,532
Adjustment of deferred tax as a result of change in taxable status	-	23,851
Non-capitalised loss in profit/loss for the year	8,879	10,896
Impairment of deferred tax	9,572	-
REPORTED TAX	9,572	35,383
Effective tax rate	27%	-

NOTE 8

NON-CURRENT ASSETS

LAND AND BUILDINGS	2017	2016
ACCUMULATED ACQUISITION VALUE		
Expenses for improvement of other owner's property		
At the beginning of the year	3,017	3,017
New acquisitions	-	-
	3017	3017
ACCUMULATED DEPRECIATION ACCORDING TO PLAN		
At the beginning of the year	- 862	- 431
Depreciation according to plan for the year	- 431	- 431
	- 1,293	- 862
PLANNED RESIDUAL VALUE AT THE END OF THE YEAR	1,724	2,155
EQUIPMENT	2017	2016
ACCUMULATED ACQUISITION VALUE		
At the beginning of the year	3,358	3,389
New acquisitions	163	-
Disposals and scrappings	- 243	- 31
	3,278	3,358
ACCUMULATED DEPRECIATION ACCORDING TO PLAN		
At the beginning of the year	- 1,482	- 840
Disposals and scrappings	180	31
Depreciation according to plan for the year	- 645	- 672
	- 1,947	- 1,482
PLANNED RESIDUAL VALUE AT THE END OF THE YEAR	1,332	1,877

NOTE 9

OTHER SECURITIES HELD AS NON-CURRENT ASSETS

	2017	2016
Shares in, EDFI	118	118
Shares in, EFP	127	127
Shares in, ICCF	53	53
Endowment insurance	1,217	1,369
CARRYING AMOUNT AT THE END OF THE YEAR	1,514	1,666

NOTE 10

LOANS

ACCUMULATED COST AND IMPAIRMENTS	2017	2016
At the beginning of the year	1,638,212	1,250,755
Lending for the year	221,902	538,620
Amortisation for the year*	- 82,383	- 151,614
Reclassifications	-	- 85,944
Exchange rates/translation differences for the year	- 157,312	86,395
	1,620,419	1,638,212
ACCUMULATED IMPAIRMENTS	2017	2016
At the beginning of the year	- 378,021	- 432,156
Impairments for the year	- 5,460	- 35,012
Reclassifications	-	28,097
Reversed impairments during the year	7,331	90,695
Exchange rates/translation differences for the year	38,279	- 29,645
	- 337,871	- 378,021
CARRYING AMOUNT AT THE END OF THE YEAR	1,282,549	1,260,191

* SEK 150.0 million is expected to be amortised during 2018. The closing period has been used in the translation of amortisations in foreign currency.

BREAKDOWN OF THE LOAN PORTFOLIO INTO COUNTRIES AND CURRENCIES

COUNTRY	CURRENCY	2017		2016	
		LOAN AMOUNT	OF WHICH IMPAIRED	LOAN AMOUNT	OF WHICH IMPAIRED
Africa	USD	616,306	- 334,706	597,767	- 365,372
Africa	EUR	41,049	-	40,421	-
Ethiopia	EUR	98,804	-	32,917	-
Georgia	USD	82,076	-	90,697	-
Ghana	USD	114,906	-	126,976	-
India	USD	-	-	27,313	- 9,696
Cambodia	USD	75,236	-	90,697	-
China	USD	6,468	-	10,720	-
Latin America	SEK	26,299	-	23,954	-
Mongolia	USD	82,076	-	90,697	-
Nigeria	USD	285,192	-	280,234	-
Pakistan	USD	28,812	-	45,358	-
Russia	SEK	6,328	- 3,164	5,904	- 2,952
Sri Lanka	USD	424	-	2,343	-
South Africa	ZAR	1,657	-	4,937	-
Tanzania	USD	135,425	-	158,719	-
Belarus	USD	5,680	-	8,560	-
Zimbabwe	USD	13,679	-	-	-
TOTAL		1,620,419	- 337,871	1,638,212	- 378,021

CONVERTIBLE LOANS AND PARTICIPATING LOANS

BORROWER	CURRENCY	OUTSTANDING LOAN AMOUNT IN CURRENCY	INTEREST AND EQUIVALENT	CONVERSION RIGHT
Addis Emerald Hotel	EUR	2,415	Interest and profit share	Yes
Athi River Steel Plant	USD	11,626	Interest	Yes
Raffia Holdings Ltd	USD	5,623	Interest	Yes

NOTE 11

PORTFOLIO INVESTMENTS SHARES AND FUNDS

ACCUMULATED ACQUISITION VALUE	2017	2016
At the beginning of the year	1,595,612	1,504,608
Investments for the year	234,719	131,351
Reclassification	-	28,872
Sales for the year	- 95,146	- 69,218
CARRYING AMOUNT AT THE END OF THE YEAR	1,735,184	1,595,612
Capitalised costs for the year	834	-
TOTAL COST	1,736,018	1,595,612
ACCUMULATED IMPAIRMENTS	2017	2016
At the beginning of the year	- 605,269	- 621,001
Reversed impairments during the year attributable to sales	33,013	22,425
Reclassification	-	976
Reversals for the year	7,752	16,656
Impairments for the year	- 90,990	- 24,326
	- 655,494	- 605,269
CARRYING AMOUNT AT THE END OF THE YEAR	1,080,524	990,343

DEVELOPING COUNTRIES	SHARE CLASS	PARTICIPATING INTEREST %	ACQUISITION VALUE
AFRICA			
AAR Health Care Holdings Limited, Kenya	Ordinary shares	18.2	28,188
Addis Cardiac Hospital Plc, Ethiopia	Ordinary shares	36.2	7,600
Addis Quarry Development plc, Ethiopia	Ordinary shares	27.2	15,150
Adenia Capital (III) LLC Ltd.(I&P), Africa	Ordinary shares	10.4	70,695
Afrinord Hotel Investment A/S, Africa	Ordinary shares	20.0	470
African Development Partners II (DPI), Africa	Fund investments	2.1	65,074
Africap Microfinance Investment Company Ltd, Africa	Ordinary shares	7.4	13,474
AfricInvest Fund III LLC, Africa	Fund investments	2.9	39,493
Apis Growth Fund I, Africa	Fund investments	2.6	39,954
Athi River Steel Plant Ltd, Kenya	Ordinary shares	16.4	85,227
Catalyst Fund II	Fund investments	7.8	7,981
Deacons Kenya Limited, Kenya	Ordinary shares	14.0	7,866
ECP Africa fund II PCC, Africa	Fund investments	2.2	36,055
ECP Africa fund III PCC, Africa	Fund investments	2.8	85,758
Elgon Road Development Ltd, Kenya	Ordinary shares	27.2	117,537
Emerald Addis Hotels plc, Ethiopia	Ordinary shares	27.0	23,399
Frontier Energy Fund II	Fund investments	11.3	13,609
Gamma Knife Center S.A.F, Egypt	Ordinary shares	24.3	6,756
Geratech Zirconium Beneficiation Ltd, South Africa	Ordinary shares	9.2	27,985
Investec Africa Private Equity Fund 2 L.P.	Fund investments	4.1	35,570
Kinyeti Venture Capital Ltd, South Sudan	Ordinary shares	49.0	4,951
Norsad Finance Limited, Africa	Ordinary shares	16.7	50,052
Raffia Holding Ltd, Africa	Ordinary shares	100.0	285,353
Timsales Holdings Limited, Kenya	Ordinary shares	18.3	10,679
Women Entrepreneurs Dept Fund	Fund investments	17.4	119,634
TOTAL AFRICA			1,198,509
ASIA			
Baring India Private Equity fund II Ltd, Mauritius	Fund investments	7.1	59,233
China Environment Fund III L.P.	Fund investments	4.4	55,792
Green Investment Asia Sustainable Fund I, Mauritius	Fund investments	28.5	38,585
HSF Electro Mechanic Wuxi Ltd, China	Ordinary shares	40.0	16,684
Orilus Investment Holding Pte. Ltd. (Medica Synergie, India)	Ordinary shares	16.0 (12.5)	41,479
Mongolianord GmbH, Mongolia	Ordinary shares	14.3	16,160
REAF II	Fund investments	7.4	64,129
SEAF Sichuan SME Investment Fund LLC, Delaware	Fund investments	13.3	1,742
TOTAL ASIA			293,803
LATIN AMERICA			
Entel S.A., Bolivia	Ordinary shares	0.1	737
Global Medical Investments AB, Latin America	Ordinary shares	48.0	97,975
Ontur International S.A, Uruguay	Ordinary shares	14.0	14,077
TOTAL LATIN AMERICA			112,789
EASTERN EUROPE			
Eskaro Ukraine AB, Ukraine	Ordinary shares	20.0	21,874
Komercijalna Banka AD Beograd, Serbia	Ordinary shares	2.3	96,727
Pieno Zvaigzdes, Lithuania	Ordinary shares	0.9	1,842
SIA Troll Nursery, Latvia	Ordinary shares	24.4	9,640
TOTAL EASTERN EUROPE			130,083
Capitalised costs for the year			834
TOTAL ACQUISITION VALUE			1,736,018

NOTE 12

INTERIM ITEMS

PREPAID EXPENSES AND ACCRUED INCOME	2017	2016
Prepaid expenses	1,823	1,784
Accrued interest securities	22,651	23,508
Accrued interest loan receivables	28,193	23,722
Accrued interest loan receivables, impaired	- 1,156	- 12
Other accrued income	63,265	256
	114,776	49,258
ACCRUED EXPENSES AND DEFERRED INCOME	2017	2016
Deferred income (T/A funds, SWP and Swedfund Project Accelerator)	71,018	38,849
Accrued salaries	3,460	2,485
Accrued social security contributions	2,746	2,606
Accrued interest liabilities to credit institutions	7,462	4,151
Accrued costs	2,286	4,072
	86,972	52,163

NOTE 13

SECURITIES

SPECIFICATION OF SECURITIES	AVERAGE MATURITY (YEARS)	FAIR VALUE 2017	CARRYING AMOUNT 2017	FAIR VALUE 2016	CARRYING AMOUNT 2016
Treasury bills	0.14	1,544,209	1,544,161	1,295,697	1,295,847
Government bonds	2.86	513,671	505,023	392,117	381,101
State guaranteed bonds	-	-	-	399,627	398,888
Secured bonds	1.96	872,590	871,276	640,671	640,014
Municipality Certificates	0.21	389,488	389,564	292,167	292,185
		3,319,958	3,310,023	3,020,280	3,008,035

Weighted effective annual interest for the portfolio amounted to -0.38%. Exchange rate risk in the event of 1% change in interest rate +/- 33,775

NOTE 14

DEFERRED TAX ASSETS AND LIABILITIES

REPORTED DEFERRED TAX ASSETS CAN BE ATTRIBUTED TO THE FOLLOWING ASSETS:	2017	2016
Machinery and equipment	260	61
Pension agreement, CEO	268	232
Deferred tax loss 2011	-	9,806
	528	10,100

NOTE 15

OTHER LIABILITIES TO CREDIT INSTITUTIONS, LONG-TERM

	2017	2016
Maturity date, 1–5 years from the balance sheet date	469,719	371,746
Maturity date, after five years from the balance sheet date	587,636	509,618
	1,057,355	881,363

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

NOTE 16

OTHER ITEMS NOT INCLUDED IN CASH FLOW

	2017	2016
Revaluations- and impairments, assets	99,254	83,454
Unrealised exchange rate differences	– 13,204	– 4,671
Provisions, pensions	– 152	– 167
	85,899	78,616

NOTE 17

PLEDGED ASSETS AND CONTINGENT LIABILITIES

ASSETS PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS	2017	2016
Bonds and other securities	1,246,466	1,257,518
Bank accounts	227	137
	1,246,693	1,257,655

OTHER PLEDGED ASSETS AND SECURITIES	2017	2016
Pledged endowment insurance	1,217	1,369

CONTINGENT LIABILITIES	2017	2016
Contract portfolio obligations not disbursed	1,012,861	832,414
	1,012,861	832,414

NOTE 18

APPROPRIATION OF PROFITS

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

ACCUMULATED PROFIT/LOSS	CAPITAL INJECTION
3,554,651,729	400,000,000
PROFIT/LOSS FOR THE YEAR	TOTAL AVAILABLE FUNDS
25,854,371	3,980,506,100

The Board of Directors proposes that the profits be appropriated so that SEK 3,980,506,100 is carried forward.

NOTE 19

EVENTS AFTER THE BALANCE SHEET DATE

The approved capital injection of SEK 600 million is expected to be disbursed during spring 2018. The capital injection is an important condition for the company's ambition to develop and expand its operation in the long term.

CORPORATE GOVERNANCE REPORT

1.1 CORPORATE GOVERNANCE WITHIN SWEDFUND

Swedfund belongs to the group of companies with a special social mission. Swedfund's governance is subject to both external and internal regulations. The Board of Directors has established directives for the company's operation for the purpose of guiding the organisation and its staff. Swedfund applies the Swedish Code of Corporate Governance (“the Code”) and reports deviations for the financial year below. The principal reason for deviations of this kind is Swedfund's ownership, as Swedfund is one of the state's wholly-owned companies and is not, therefore, a listed company with diverse ownership. The company's auditors have carried out the statutory review of the Corporate Governance Report.

The Swedish state's ownership policy, the company's Owner's instructions and policy documents, as well as the Annual General Meeting and the objectives set by the Board, govern the operation. During 2017, the Board adopted a position on the environment and climate. All Swedfund's policies are available on the company's website. Read more on the further development of policies during the year on page 38. The company's policies are an important part of the company's values, and are continuously incorporated into approach and agreements. Regular training is provided for Swedfund's personnel and external members of the Boards of portfolio companies. The company is also governed by a number of international conventions and rules which, in various ways, influence the way it works. See the overview of Swedfund's policies, international obligations, directives and transparency undertakings on pages 38–39.

1.2 CORPORATE GOVERNANCE IN THE PORTFOLIO COMPANIES

The governance of Swedfund's portfolio companies is carried out through Swedfund's policies being incorporated into the investment agreements as appropriate. Read more on Swedfund's requirements on pages 46–51. Monitoring takes place through Board work, self-evaluation and ESG advocacy. Read about Swedfund's work on ESG issues in the portfolio companies and on how Swedfund creates value, on pages 27–29.

The company holds only non-controlling interests in the portfolio companies. Swedfund endeavours to have an active dialogue with a range of stakeholders, including owner, business partners, organisations in civil society, trade unions and media representatives. Read about Swedfund's Stakeholder and materiality analyses on pages 40–41.

1.3 GENERAL MEETINGS AND OWNER

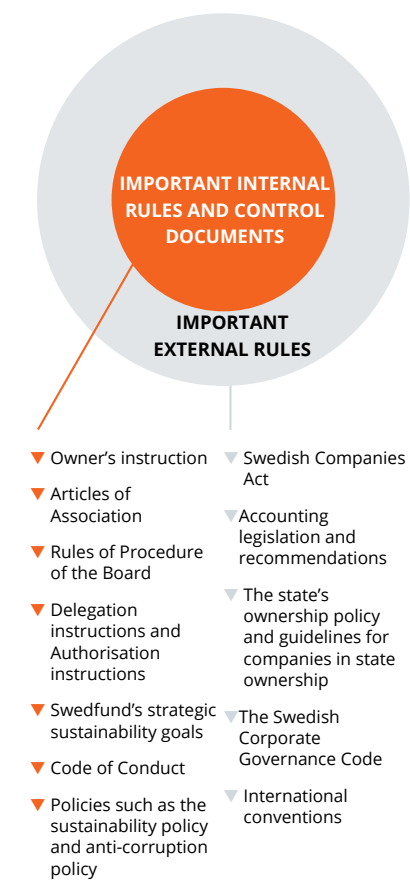
Swedfund is a limited liability company which is 100 percent owned by the Swedish state. The Annual General Meeting is Swedfund's highest decision-making forum, and it is through the Annual General Meeting that the owner exercises influence over the company. Sweden's Ministry of Enterprise and Innovation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

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

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

DEVIATIONS FROM THE CODE

In respect of financial year 2017 Swedfund deviated on the following points from the provisions of the Code: (i) Nomination Committee Due to its owner structure, Swedfund does not have a Nomination Committee. The nomination process for Board members, selection of chairman for the Annual General Meeting and the appointment of auditors is performed in accordance with the principles stated in the Swedish state's ownership policy; (ii) the Board's independence of the owners. Swedfund does not report, in accordance with the State's Ownership Policy, whether Board members are independent of the owner; (iii) Audit and Remuneration Committees. These assignments are instead performed by the Board.



1.4 ANNUAL GENERAL MEETING 2017

Swedfund's annual general meeting was held on 28 April 2017. Minutes of the Meeting are available on Swedfund's website. At the Annual General Meeting, Torgny Holmgren and Mikael Sandström were elected as new members of the Board. Björn Börjesson, Charlotte Salford, Hanna Lagercrantz, Göran Barsby, Kerstin Borglin and Fredrik Arp were re-elected as members of the Board. Stefan Isaksson declined re-election and left the Board. Göran Barsby was appointed Chair of the Board by the Annual General Meeting. The Annual General Meeting reappointed the firm of Ernst & Young AB as auditors, with Jennifer Rock-Baley as the lead auditor. In addition, the Meeting adopted the income statement and balance sheet dated 31 December 2016 and approved discharge from liability for the Board and CEO for 2016. The Meeting approved the proposed appropriation of profit and the proposed directives for the remuneration of senior executives.

1.5 AUDITORS

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

1.5 BOARD OF DIRECTORS

Composition of the Board of Directors

In accordance with the articles of association, the Board shall comprise of at least six, and at most nine, members, with no deputies. The General Meeting shall appoint the Chair of the Board. If the Chair leaves the post during the term of office, the Board shall elect a Chair for the period until the end of the General Meeting when the new Chair is appointed by the General Meeting. As of 31 December 2017, the Board of Directors comprised of eight members, of whom three were women and five men. None of Swedfund's management team are members of the Board. Information about Board members is presented on pages 112–113.

The Board of Directors' responsibility and duties.

The Board shall endeavour to ensure the best possible long-term development in the value of the company and that business is conducted in such a way that it favours sustainable development, financially, socially, environmentally and with respect to climate. The Board is responsible for the company's organisation and administers the company's

affairs in the interest of the owner. The Board has responsibility for ensuring that the company sets a good example in the field of sustainable business and otherwise acts in ways that earn public trust. The Board appoints the Chief Executive Officer (CEO) and sets the CEO's salary and other benefits. The Board shall regularly assess the company's financial position and ensure that the company is organised in such a manner that the book-keeping, management of resources and other economic circumstances are controlled satisfactorily. The Board shall ensure that the company has an effective system for following up and controlling the business and shall keep itself informed of how the company's system for internal control functions, and evaluate this system. The Board is responsible for determining strategic targets for the company's sustainability work and ensuring that these strategic targets are integrated into the company's business strategy. The Board shall ensure that sustainability work is reported in accordance with the Global Reporting Initiative (GRI) and otherwise in accordance with the Government's ownership policy. When it comes to monitoring the reliability of non-financial reporting from the portfolio companies, the Board relies on the portfolio companies self-declarations, the organisation's specialist expertise and the auditors' process monitoring. The Board is responsible for the company's risk management and judicial compliance. This means the Board shall ensure that the risks associated with the company's business are continually identified, analysed and managed appropriately and that there is satisfactory internal control of compliance with those laws and regulations that cover the company's operations, including internal rules such as policies and instructions. The Board is further responsible for determining, implementing and monitoring policy documents necessary for the business and of other forms of control documents such as rules of procedure for the Board and audit committee and instructions for the CEO. These policy documents describe how responsibility and authority are divided between the Board, Chair and the CEO.

During 2017, the Board established an audit committee for the purpose of quality-assuring Swedfund's external reporting and ensuring that the company's risk management is fit for purpose, that the established policies for external reporting and internal controls are being observed and that Swedfund has a competent, effective and independent audit. The audit committee normally meets five times per year, and consists of three members of the Board, who are appointed annually by the Board.

Chair of the Board

The Chair is responsible for the annual evaluation of the Board's work and that relevant parts of this evaluation are reported to the individual responsible for nominations within the ownership unit at the Ministry of Enterprise and

PRINCIPAL MATTERS FOR THE BOARD DURING 2017



Innovation. The 2017 Board evaluation was carried out internally and included individual and collective assessments of the Board's work and competence. The Chair reported relevant parts of the evaluation results to the individual responsible for nominations within the ownership unit at the Ministry of Enterprise and Innovation. When necessary the Chair meets important contacts and represents the company in ownership matters. In addition, the Chair of the Board has maintained contact with representatives of the company's owner with the aim of coordinating his view with the owner's on a few issues, when the company has been facing particularly important decisions.

The Board's work during 2017

During 2017, the Board met on 11 occasions, see note 1 page 96 for the attendance of members of the Board at meetings during the year. The meetings considered business activities in terms of the three pillars – Impact on society, Sustainability and Financial viability, and addressed the financial statement and interim reports, other reports, strategic issues, business targets, business plan, budget, organisation and staffing issues and the evaluation of the Board's performance.

1.7 CHIEF EXECUTIVE OFFICER

The CEO shall oversee the operational management of the company and coordinate activities with due care to the extent required for performing these assignments in accordance with current legislation, the articles of association, CEO instruction and the ownership policy of the Swedish state. The CEO acts as the authorised signatory concerning day-to-day administration within the framework of the established budget. Actions taken within the remit of the CEO are reported to the Board at the following meeting. When members of the management team have signed for the company, this is also reported to the Board at the following meeting. Department heads may order consultancy services costing a maximum of SEK 200,000 without the CEO's prior approval. The CEO is not a member of the Board of Directors. Gerth Svensson, who was born in 1966, took up the post of Acting CEO in August 2017. Gerth has an MBA from the Stockholm School of Economics/Stanford Business School and a BSc in Business Administration & Economics from Jönköping International Business School. Since 2011, Gerth has owned and operated AlbaBlue Consulting. He has previously held several senior positions within the SEB

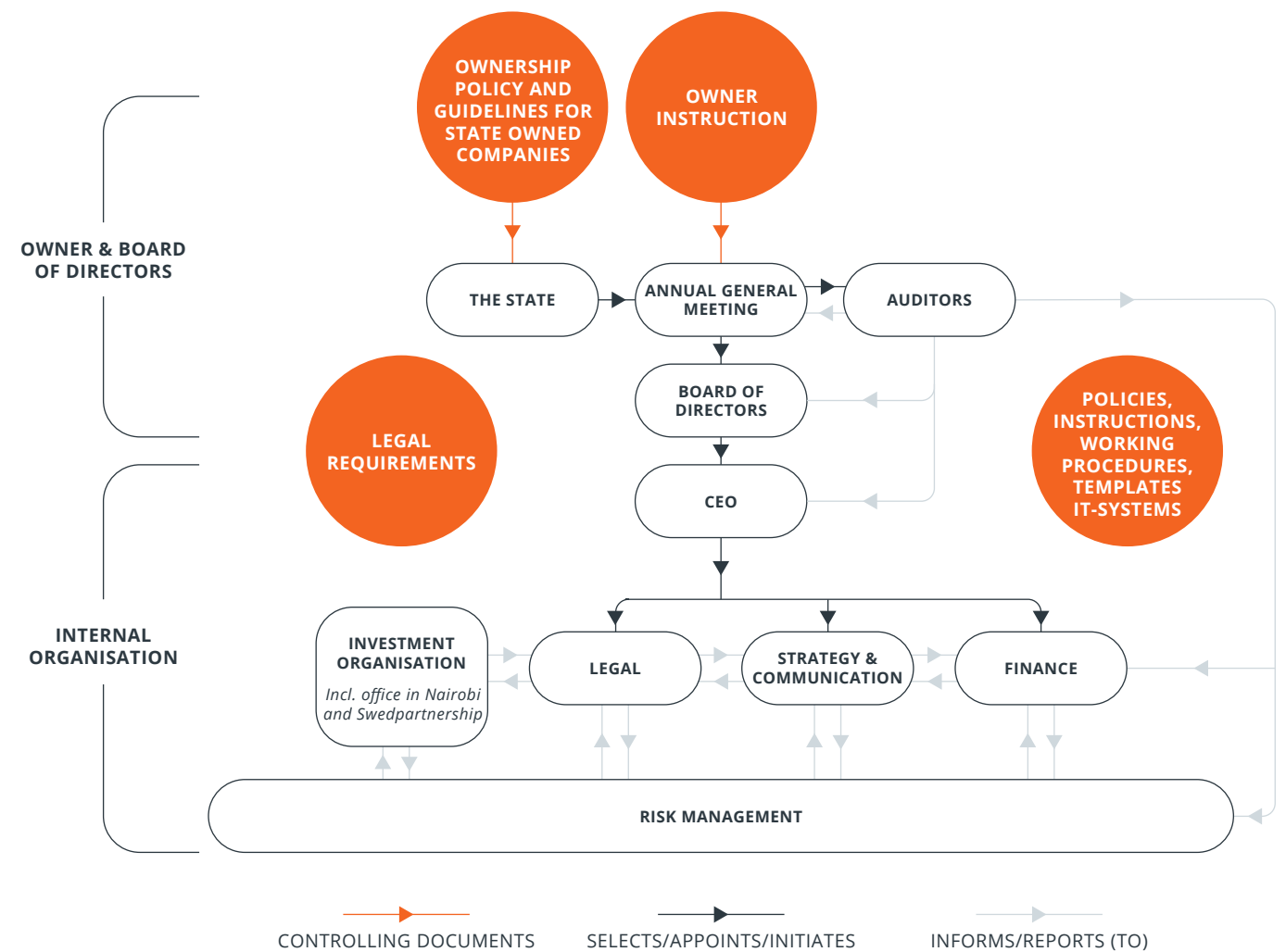
Group and Andersen. Gerth Svensson is also on the Boards of Directors of Confidence International AB and GES International AB.

1.8 ORGANISATION

During the third quarter of 2017, Gerth Svensson took up the post of Acting CEO. No other significant organisational changes were implemented. The management of the company is coordinated in a management team. At the end of the year, in addition to the CEO, this consisted of the Chief Legal Counsel, the Director of Finance and Administration, the Director of Strategy and Communication and two Directors of Investment Operations. The role of the management team is to prepare and implement strategies, handle corporate governance and organisational issues and monitor Swedfund's financial performance and sustainability work.

1.8 REMUNERATION OF SENIOR EXECUTIVES

The company applies the Government's Guidelines for remuneration and other terms of employment for senior executives for Senior Executives. The CEO's and senior executives' remuneration and benefits are reported in Note 1.



THE BOARD'S REPORT ON INTERNAL CONTROL IN FINANCIAL REPORTING

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

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

CONTROL ENVIRONMENT

The base for internal controls regarding financial reporting is the control environment.

Swedfund's control environment is defined by its organisational structure, the clearly documented delegation of decision-making responsibilities from the Board to the CEO and other senior executives, various steering documents such as policies, directives, manuals and reporting instructions that give clear guidance within important areas to managers, as well as the business plan and budget.

Employee competence and the values that the Board and the management team work from and communicate are also a part of the control environment, and the task of the CEO is to establish directives to enable all employees to understand the requirement to uphold ethical values, and the role of each individual in achieving this. This is also regulated by the Code of Conduct that all employees must observe.

RISK ASSESSMENT

Swedfund works proactively in a structured way to identify, quantify, prevent and handle strategic, operational and financial risks. Significant strategic and operational risks once identified are reported at each Board meeting. The company's financial risks are managed according to the Financial Policy and reports concerning financial risks are submitted to the Board each quarter. Read more about Swedfund's risk management on pages 34-37. Risk assessments concerning financial reporting include the identification and assessment of significant risks in the aforementioned areas that could mean the company not meeting requirements for accurate financial reporting in terms of completeness, correctness, evaluation and disclosure, and the risk of irregularities.

CONTROL ACTIVITIES

To ensure that the basis for financial reporting maintains the desired quality,

various control activities are included in Swedfund's processes. These include a review of the budget, liquidity, forecasts and outcomes. A review is performed on a quarterly basis of portfolio companies where the companies are evaluated based on the three pillars of impact on society, sustainability and financial viability. Authorizations, verifications, reconciliations and IT systems, with backup procedures and permissions are also control activities. Swedfund has developed a comprehensive investment manual to ensure that the quality is high during the appraisal of investments.

In the portfolio companies, control is ensured through evaluation and follow-up of the regular financial reports received. In companies in which Swedfund is a shareholder, control is exerted through active participation in the work of the company's Board of Directors. Internal control and management by senior managers of the company are evaluated annually by the company's external auditors. In the light of the company's size and turnover as well as the management and control system already in place, the Board finds in the current situation no need to set up any special audit function in the form of an internal audit.

INFORMATION AND COMMUNICATION

For internal controls to work correctly it is essential that all employees have access to up-to-date and relevant information about what needs to be controlled and how control shall be exercised. All Swedfund's employees have access to the company's policies, directives and manuals. At regular information meetings with company employees, the importance of complying with rules and processes is stressed and changes to rules and procedures are presented in detail. Within the various departments of the company and through internal training sessions there are continuous updates on the application of these documents. Formal and informal communication between staff and managers is helped by the low number of staff who are in principle all based in the same office.

The Board and the audit committee regularly review the management's reports on financial performance with analysis and comment on outcome, budget and forecasts.

The Board and the audit committee meet the auditors on a regular basis and review the audit reports. The work of the management team includes evaluating essential accounting policies and other issues surrounding financial reporting, as well as discussing interim reports, year-end reports and financial statements before

the audit committee is given the opportunity to submit its views and the documents are submitted to the Board for approval.

FOLLOW-UP

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

Assessments of policy documents and other control documents are performed annually. Following-up to ensure that financial reporting meets the desired quality and that reported deficiencies are rectified is carried out by the Board, the CEO, the senior management team, the department for portfolio analysis and within the investment organisation. This work focuses on the follow-up of financial outcomes and significant deviation from budget plans, investments, divestments and other key business events. As of 31 December 2017, it is considered that control activities relating to internal controls for financial reporting are adequate.

GRI STANDARDS CORE OPTION

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

Communication on Progress (COP), which presents the work on implementing the GC's principles. In this GRI-/COP-index we describe where GRI and COP information can be found in this Swedfund Integrated Report 2017.

DISCLOSURE			COMMENTS	UNGC
102 GENERAL DISCLOSURES 2016				
ORGANISATIONAL PROFILE				
102-1	Name of the organisation	2		
102-2	Activities, brands, products, and services	16, 24–25		
102-3	Location of headquarters	86		
102-4	Location of operations	10–11, 25, 101–102		
102-5	Ownership and legal form	105		
102-6	Markets served	10–11, 25, 56–57, 101–102		
102-7	Scale of the organisation	89-91, 95		
102-8	Information on employees and other workers	87, 95		6
102-9	Supply chain	109	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	85		
102-11	Precautionary Principle or approach	28, 38–39		7
102-12	External initiatives	2, 39		
102-13	Memberships of associations	39		
Strategy				
102-14	Statement from senior decision-maker	4-5		
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	6, 38–39		
Governance				
102-18	Governance structure	105–108		
Stakeholder engagement				
102-40	List of stakeholder groups	40–41		
102-41	Collective bargaining agreements	109	All employees are covered by collective bargaining agreements.	3
102-42	Identifying and selecting stakeholders	40–41		
102-43	Approach to stakeholder engagement	40–41		
102-44	Key topics and concerns raised	40–41		
Reporting practice				
102-45	Entities included in the consolidated financial statements	109	Swedfund has non-controlling interests in portfolio companies, and these are not consolidated in the accounts (covered only indirectly by reporting)	
102-46	Defining report content and topic Boundaries	40–41		
102-47	List of material topics	110–111		
102-48	Restatements of information	109	No significant changes during the year	
102-49	Changes in reporting	109	No significant changes during the year	
102-50	Reporting period	109	1 January – 31 December 2017: Financial data Swedfund International AB 1 January – 31 December 2016: Portfolio company data	
102-51	Date of most recent report	109	31 March 2017	
102-52	Reporting cycle	109	Annual presentation of accounts	
102-53	Contact point for questions regarding the report	117		
102-54	Claims of reporting in accordance with the GRI Standards	117		
102-55	GRI content index	109–111		
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SIGNIFICANT ISSUES, GOVERNANCE AND ISSUE-SPECIFIC DISCLOSURES

DISCLOSURE			COMMENTS	UNGC
203: INDIRECT ECONOMIC IMPACTS 2016				
203-2	Significant indirect economic impacts	9, 46–51, 58, 61–62, 68–74, 80, 83	Refers to portfolio companies' performance for all three pillars	1-10
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	24–25, 28–30, 34, 37–39, 44–51, 65, 68, 72–75, 80, 83, 110	Limitations: Portfolio companies	
205: ANTI-CORRUPTION 2016				
205-1	Total number and percentage of operations assessed for risks related to corruption, and report on largest identified risks.	51, 110	Anti-corruption issues are an integrated part of the investment process	10
205-2	Communication and training about anti-corruption policies and procedures	51		10
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	30, 44, 51, 110	Limitations: Swedfund and the portfolio companies	
302: ENERGY 2016				
302-1	Energy consumption within the organisation	86		8
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	30, 44, 48, 86, 110	Limitations: Swedfund	
305: EMISSIONS 2016				
305-2	Energy indirect (Scope 2) GHG emissions	86		8
305-3	Other indirect (Scope 3) GHG emissions	70, 86		8-9
103: Governance				
103-1, 25, 103-3	Declaration, governance, evaluation	30, 44, 48, 70, 86, 110	Limitations: Swedfund and the portfolio companies	
405: DIVERSITY AND EQUAL OPPORTUNITY 2016				
405-1	Composition of Board and management team, and diversity within the organisation	87, 95		6
OWN	Proportion of women, proportion of women in management positions, number of women on the Boards of the portfolio companies	69		6
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	30, 44, 47, 110	Limitations Swedfund and the portfolio companies	

DISCLOSURE			COMMENTS	UNGC
412: HUMAN RIGHTS ASSESSMENT 2016				
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	50, 68, 111	Human rights issues are an integrated part of the investment process	1-2
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	30, 44, 50, 111	Limitations: Swedfund	
PRODUCT PORTFOLIO				
FS 6	Investment portfolio allocated by region, size, sector	8		
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	8, 24-25, 111	Limitations Swedfund	
ACTIVE OWNERSHIP				
FS 10	Percentage of portfolio companies with whom environmental or social issues have been addressed	111	Environmental and social interests 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	111	All investments are screened for environmental and social issues	1-10
OWN	Number of audits in respect of environmental and social policies and processes	75		1-10
103: Governance				
103-1, 103-2, 103-3	Declaration, governance, evaluation	24-25, 30, 44, 111	Limitations: The portfolio companies	



Photo: Olof Holdar

CHARLOTTE SALFORD (DOB 1970)
MEMBER

Member of the Board of Directors since: 2014
Education: MSc economics, London School of Economics (LSE), BA EU Law, International Relations, Economics, Université Libre de Bruxelles Belgium (ULB).
Current position: CEO, GrowthCap Ltd.
Other directorships: Give a Future, Neuroinvent, Reach for Change, Hugo Stenbecks Foundation.

GÖRAN BARSBY (DOB 1951)**CHAIR**
Member of the Board of Directors since 2016
Education: B.A./MBA Marketing, Lund University.
Current position: Senior Advisor, CapMan Nordic Buyout.
Other directorships: Holms Industri AB (Chair), Mobile Loyalty AB (Chair), MPT Sweden (member), INR AB (member), Willo AB (member).
Former board appointments: Audio-Dev AB (member), Time Care AB (member), Bindomatic AB (member), Lamiflex AB (member), Kungshagens Montessoriskola (member and founder), Toolex Int. N.V.

HANNA LAGERCRANTZ (DOB 1970)
MEMBER
Member of the Board of Directors since 2015
Education: MSc Economics, Stockholm School of Economics. MPhil Economics Cambridge University, UK.
Current position: Under-Secretary, Investment Director, Ministry of Enterprise and Innovation.
Other directorships: LKAB and the Swedish Space Corporation.
Former board appointments: Sweden House, Fouriertransform, SOS Alarm, SBAB Bank and Svenska Skeppshypotekskassan.

BJÖRN BÖRJESSON (DOB 1951)
MEMBER
Member of the Board of Directors since: 2012
Education: LIB
Current position: Consultant.
Other directorships: AP3 Third National Swedish Pension Fund (vice Chair), member of the Åke Wibergs Foundation, Euroclear Sweden, Euroclear Finland, SVCA Supervisory Council and the Ahlströmska Foundation.
Former board appointments: Kommuninvest i Sverige AB (chairman), UC AB (chairman) and subsidiary of the Handelsbanken Group.
Former positions: Deputy CEO of Handelsbanken.

FREDRIK ARP (DOB 1953)
MEMBER
Member of the Board of Directors since 2016
Education: MBA and Dr Econ (Hon) Lund University.
Current position: Own company.
Other directorships: Nolato AB (Chair), Vattenfall AB (member), Nuevolution AB.
Former board appointments: Medioplast 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- and kemiindustrierna (Chair), Svenskt Näringsliv (member), Technogym SpA (member), Parques Reunidos (member).

TORGNY HOLMGREN (DOB 1954)
MEMBER
Member of the Board of Directors since: 2017
Education: MSc Economics, Stockholm School of Economics.
Current position: CEO of Stockholm International Water Institute (SIWI).
Other directorships: Water Aid, Expertgruppen för Biståndsanalys, World Water Council, Swedish Leadership for Sustainable Development.

KERSTIN BORGLIN (DOB 1960)
MEMBER
Member of the Board of Directors since: 2016
Education: MSc, Mechanical Engineering, Faculty of Engineering (LTH), Lund University, History of Science, Lund University, African History, Stockholm University.
Current position: Director, Spider (ICT Swedish Program in Development Regions, part of the Data and Systems Sciences Institute, Stockholm University).
Other directorships: SWEACC, Swedish East African Chamber of Commerce (vice Chair), Honorary Consul for the Republic of Uganda in Sweden.
Former board appointments: Ericsson Lithuania (director), Ericsson Kenya (director), Advisory Board GSFF (Global Solidarity Forest Foundation), Mozambique (director).

MIKAEL SANDSTRÖM (DOB 1967)
MEMBER
Member of the Board of Directors since: 2017
Education: MSc Economics and Dr Econ from Stockholm School of Economics.
Current position: Chief Economist, TCO.

STYRELSENS UNDERSKRIFTER

SWEDFUNDS STYRELSE lämnar härmed Swedfunds integrerade redovisning inkluderande såväl årsredovisning som hållbarhetsredovisning och Communication on Progress (COP) för 2017.

Årsredovisningen är upprättad i enlighet med god redovisnings-sed för statliga bolag (Riktlinjer för extern rapportering för företag med statligt ägande). Lämnade uppgifter stämmer med de faktiska förhållandena och ingenting av väsentlig betydelse

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

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

STOCKHOLM DEN 23 MARS 2018


GÖRAN BARSBY
ORDFÖRANDE


FREDRIK ARP


KERSTIN BORCLIN


BJÖRN BÖRJESSON


CHARLOTTE SALFORD

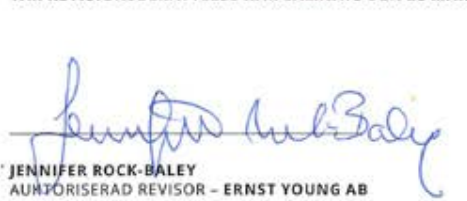

HANNA LAGERCRANTZ


TORGNÝ HOLMGREN


MIKAEL SANDSTRÖM


MARIA HÅKANSSON
VERKSTÄLLANDE DIREKTÖR

VÅR REVISIONSBERÄTTELSE HAR LÄMNATS DEN 23 MARS 2018


JENNIFER ROCK-BALEY
AUKTORISERAD REVISOR – ERNST YOUNG AB



Revisionsberättelse

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

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Swedfund International AB för år räkenskapsåret 2017 med undantag för bolagsstyrningsrapporten på sidorna 105-108. Bolagets årsredovisning ingår på sidorna 6-111 i detta dokument.

Enligt vår upplåtning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Swedfund International ABs finansiella ställning per den 31 december 2017 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Våra uttalanden omfattar inte bolagsstyrningsrapporten på sidorna 105-108. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

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

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

Annan information än årsredovisningen

Detta dokument innehåller även annan information än årsredovisningen och återfinns på sidorna 1-5 samt 112-119. Det är styrelsen och verkställande direktören som har ansvaret för den andra informationen.

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

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

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

Styrelsens och verkställande direktörens ansvar

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

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

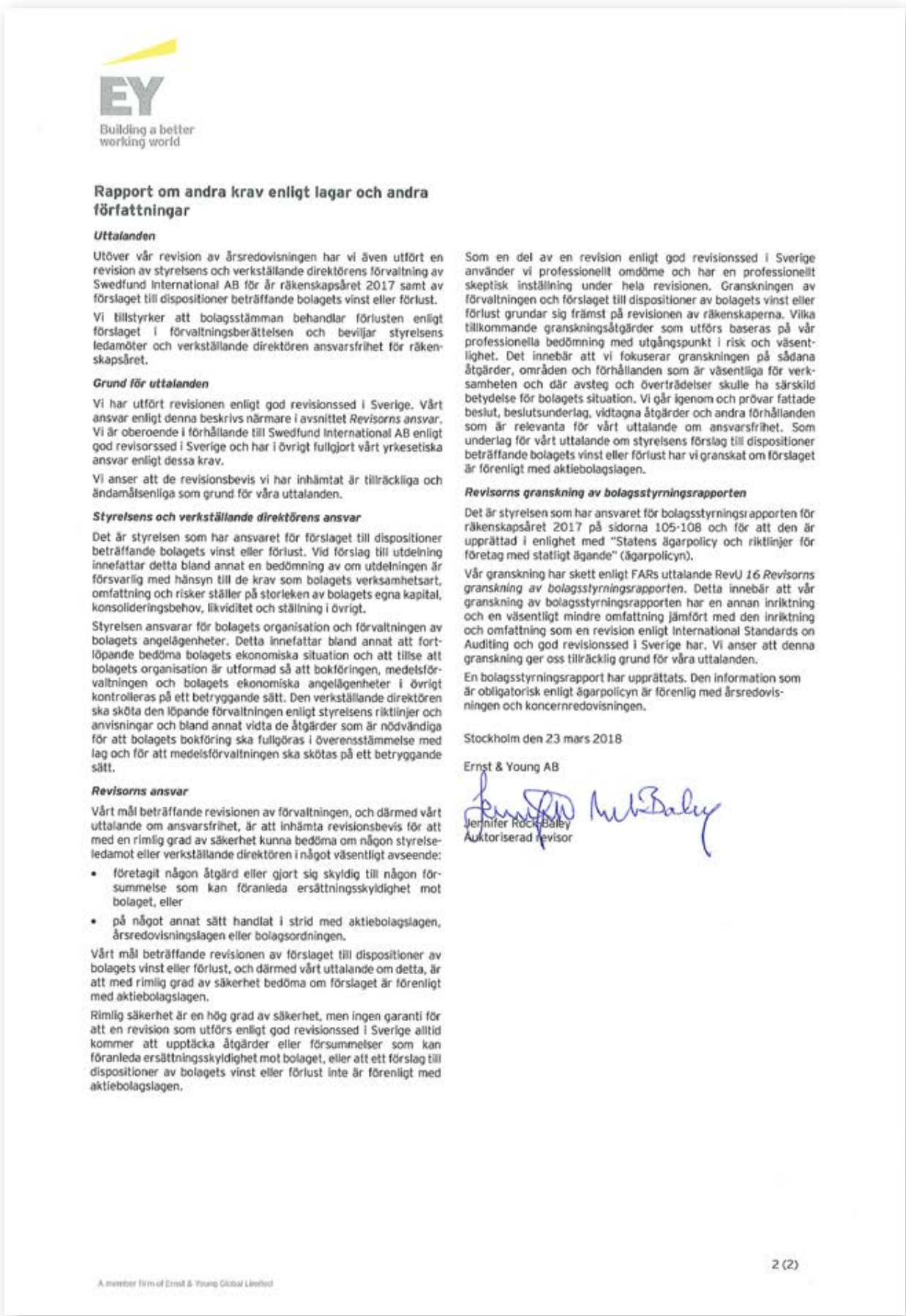
Revisorns ansvar

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

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

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

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



INFORMATION ON THE ACCOUNTS

REPORT PROFILE
Swedfund’s Integrated Report 2017 is a fully-integrated report in which information relating to sustainability is integrated with financial information, and vice versa. This approach means that the report is compiled in line with the International Integrated Reporting Council’s (IIRC) International <IR> Framework.

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

Swedfund departs from the Government’s requirement for a separate auditors’ report, in respect of review engagement, of Sustainability reporting, applying the audit to the full integrated report instead.

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

BOARD-DEFINED REPORTING
The Board of Directors has endorsed and published the integrated report in its entirety.

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

The Sustainability Report is the tenth since the first was published in 2008, and forms an integral part of the report.

THE FINANCIAL REPORTING FRAMEWORK
In its financial reporting, Swedfund complies with the Swedish Annual Accounts Act’s rules, the general advice 2012:1 of the Swedish Accounting Standards Board (BFN) and the Swedish Code of Corporate Governance.

SUSTAINABILITY REPORTING FRAMEWORK
Swedfund applies the Global Reporting Initiative’s (GRI) reporting framework for sustainability reports, version Standards, and GRI G4 Sector Disclosures, Financial Services.

UN GLOBAL COMPACT, COMMUNICATION ON PROGRESS, COP
By committing to the UN Global Compact (GC), which Swedfund accepted in 2012, Swedfund is obliged to submit a Communication on Progress (COP), which presents the work on implementing the Global Compact’s 10 principles. The company’s first COP was submitted in April 2013.

Swedfund’s fifth COP is incorporated in this report. We have decided to refer, in the separate GRI/COP index, to the information stipulated in the BASIC GUIDE Communication on Progress, GC Active Level, produced by the UN Global Compact.

UN PRI
By committing to the UN Principles for Responsible Investment (UN PRI), which Swedfund accepted in 2012, we have undertaken to report annually on the result of this work directly to PRI’s Secretariat, in electronic format. Swedfund’s third report in respect of financial year 2016 is presented in Swedfund’s RI TRANSPARENCY REPORT 2016/17. Insofar as all of Swedfund’s incorporated data is concerned, this report was subject to a review engagement by Ernst & Young (EY). The report to PRI’s Secretariat in respect of 2017 was submitted online before the end of March 2017, and is referred to in Swedfund’s Integrated Report 2017.

AUDIT
EY submits audit reports in respect of Swedfund’s annual report. Links in the report have not been subject to audit.

SCOPE AND LIMITATION OF THE REPORT
The report largely covers Swedfund and our portfolio companies, with special focus on the company’s share ownership portfolio in companies in which we have Board representation. The report also covers portfolio companies in which Swedfund is a lender, as well as funds in which we have invested. Significant undertakings, the demarcations for the selection of portfolio companies for Performance Reports and measurement methods in respect of Impact on Society, Sustainability and Financial Viability are presented throughout the report.

The data reported at aggregate level, in respect of development results and other portfolio indicators, constitutes the

summarise results of information provided by the portfolio companies in separate self-declarations, as well as in the companies’ financial and other reports. Read more on limitations in respect of reporting of development results on page 64.

We are convinced that transparent reporting of development results benefits both value development and development results, as well as stakeholder relations, but, for reasons of confidentiality, we are unable to report on the performance of individual portfolio companies.

In this year’s report, as in the previous year’s, we provide country-by-country reporting of tax and a summary of the portfolio companies’ reported tax, taken from the companies’ annual reports or other separate reports. Swedfund pays tax only in Sweden.

LIMITATIONS
Our operation is such that we invest in a number of new projects each year, and sell off others. Consequently, the portfolio is constantly changing, which makes comparability between years difficult.

During 2016, we changed the reporting procedures in respect of non-financial results. We have adjusted the reporting cycle so that the portfolio companies now have the same reporting year for both financial and non-financial data. Accordingly, in this report, the results of the portfolio companies are reported from the preceding year, i.e. 31 December 2016.

Financial data is taken from our portfolio companies’ financial reports, which are subject to audit in the countries in which they operate. Non-financial data is taken from the portfolio companies’ self-declaration, and has been compiled from the Swedfund Portfolio Company Sustainability Report questionnaire or from other agreed reporting formats.

CONTACT PERSONS
Helene Lundkvist, Director of Finance and Administration, for financial information. Karin Kronhöffer, Director of Strategy and Communication, for reporting development results and the integrated report in its entirety.

GLOSSARY

AAAA	Addis Ababa Action Agenda	MW	Megawatt
ADB	The Asiatic Development Bank	Norfund	Norway's DFI
AfDB	The African Development Bank	ODA	Official Development Assistance
GDP	Gross Domestic Product	OECD	Organisation for Economic Co-operation and Development
COFIDES	Spain's DFI	OeEB	Austria's DFI
COP 21	Conference of Parties (COP) 21 or Climate Conference in Paris 2015	OFC	Offshore Financial Center
DAC	Development Assistance Committee	OPIC	Overseas Private Investment Corporation, USA's DFI
DD	Due Diligence	Proparco	France's DFI
DEG DFI	Deutsche Entwicklungs Gemeinschaft, Germany's DFI	PGU	Swedish global development policies
DFI	Development Finance Institution	SBI	Belgium's DFI (as well as BIO)
EDFI	European Development Finance Institutions	SDG	Sustainable Development Goals
EFF	European Financing Partners (a collaboration between the EIB and eDFI)	SEK	Swedish Kronor
EIB	European Investment Bank	Sida	Swedish International Development Cooperation Agency
EBRD	European Bank of Reconstruction and Development	SIFEM	Switzerland's DFI
ElectriFI	The Electrification Financing Initiative E&S Environmental & Social	SIMEST	Italy's DFI
ESG	Environmental Social & Governance	SIWI	Stockholm International Water Institute
ESGAP	Environmental Social Governance Action Plan	SOFID	Portugal's DFI
ESHIA	Environmental Social Health Impact Assessment	SSA	Sub-Saharan Africa
Ethical Corporation	Monthly journal providing global news about social, environmental and financial issues	TA.	Technical assistance
Eurodad	A network of 49 international non-governmental organisations	UD	Swedish Ministry of Foreign Affairs
FAR	Swedish institute for authorized public accountants	UNEP	United Nation's Environment Programme
FfD	Financing for Development	UN GC	United Nation's Global Compact
Financial inclusion	Increased access to affordable financial services for larger numbers of people	UN GP	UN Guiding Principles on Business and Human Rights
Finnfund	Finland's DFI	UN PRI	United Nation's Principles for Responsible Investments
FMO	The Netherland's DFI	UNWTD	United Nation's World Tourism Organisation
UN	The United Nations	CEO	Chief Executive Officer
GRI G4	Global Reporting Initiative, G4 Framework for sustainability reporting	WB	World Bank
HIPSO	Harmonised Indicators for Private Sector Operations	WDI	World Development Indicators
IBIS	An international non-governmental organisation	WWF	World Wide Fund for Nature
IDB	Interamerican Development Bank		
IFC	International Finance Corporation		
IFI	International Finance Institution		
IFU	Denmark's DFI		
ICCF	Interact Climate Change Facility		
IIRC	International Integrated Reporting Council		
ILO	International Labour Organization		
IMF	International Monetary Fund		
MSEK	SEK million		
MUSD	USD million		

AWARDS

SWEDEN'S BEST SUSTAINABILITY REPORT 2015
Our integrated report for 2015 was published in March 2016. On 2 June, Swedfund was awarded the prize for the best sustainability report in the public sector and government-owned company category. The prize was awarded by Aktuell Hållbarhet, who selected the finalists from 150 entries. Other finalists in the category were Göteborgs Energy and Jernhusen. The large company prize went to IKEA.

THE JURY SAID:
"Original sustainability reporting can deal with both form and content or on an innovative combination of both. And the winner in the public sector and government-owned company category has taken a new approach to the reporting of the whole of the organisation's operation. As the Board of Directors signed the sustainability report, it projected a picture of an organisation which is prepared to integrate sustainability issues into its core operation in a concrete manner."

ETHICAL CORPORATIONS RESPONSIBLE BUSINESS AWARDS
On 30 September, Swedfund was awarded a prize in Ethical Corporations Responsible Business Awards. The awards are intended to highlight genuine, innovative and meaningful approach to implementing responsible business. The Best Integrated Report category aims to shine a spotlight on integrated reporting that clearly shows and explains a company's value generation in all areas. Swedfund's integrated report took the Highly Commended spot in the Best Integrated Report category.

THE JURY SAID:
"A VERY close runner-up with equally clear, comprehensive, value and data driven report."

SWEDFUND IN THE TOP FLIGHT AGAIN
In 2012, Swedfund accepted the UN's Principles for Responsible Investments (UNPRI, www.unpri.org), which bind Swedfund to report annually on how the principles are integrated into the operation. Swedfund was also in the top flight in the reports for 2016, with the highest A+ rating in three modules, and an A rating in one further module. Swedfund is one of few investors to receive the highest rating. This award confirms the progress that Swedfund has made in integrating ESG factors into its investment analysis.

