

WE ARE REDUCING POVERTY THROUGH SUSTAINABLE INVESTMENT

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

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

Swedfund was established in 1979 and ever since then has invested in businesses, financial institutions and funds in countries in Africa, Asia, Latin America, the Middle East, Eastern Europe and the Baltic States. There

are similar development finance institutions in fourteen other European countries.

They are all part of the European Development Finance Institutions (EDFI) collaborative organisation. At the end of 2021, Swedfund had 61 investments in companies, financial institutions and funds, with over 60 percent of the portfolio being targeted at sub-Saharan Africa.

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

We are a leading actor within development finance and cooperation



OUR METHOD CONTRIBUTES TO SUSTAINABLE DEVELOPMENT

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



How we operate

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

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

>60%

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

IMPACT ON SOCIETY

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

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



SUSTAINABILITY

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

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



FINANCIAL VIABILITY

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

- Turnover and profitability
- Capital mobilisation





Our focus

According to our Owner's instructions, Swedfund's remit is to operate in the least developed countries, where there is the greatest opportunity to make a difference. We have therefore opted to have a geographical focus on sub-Saharan Africa and the most vulnerable countries in Asia. More than 60 percent of Swedfund's investments take place in sub-Saharan Africa.

55%

Proportion of investments that reports growth in revenue and profit

20%

Volume of mobilised private capital in relation to contracted value

SEK 1 billion

Capital injection in 2021

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

We are additional

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

Our risks

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

FIGURES SHOWING POSITIVE DEVELOPMENT

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



Total number of jobs in the portfolio companies:

253,000

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

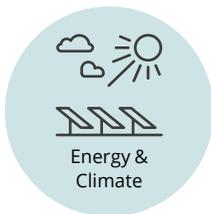
59%

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

91%

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

32%



Energy production:

10.7 TWh



Number of microfinance loans:

approx. 880,000



Number of doctors and nurses at hospitals and clinics:

approx. 4,900

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

almost 217,000

Number of loans to SMEs:

approx. 550,000

Number of patient consultations:

> 1 million



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

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

60%

Portfolio emissions per invested Swedish krona:

34.5 tCO₂e/MSEK

Reported tax in total, SEK billion:

approx. 5.7

Proportion of mobilised capital:

20%

Portfolio return (see page 96):

IRR 5,4%

Proportion of investments that increase both sales and profitability:

55%

Estimated number of indirect jobs to which the portfolio contributes:

1,445,000

Number of new investments during the year:

10

Number of divestments during the year:

10

2019
Number of portfolio companies:

64

2020
Number of portfolio companies:

65

2021
Number of portfolio companies:

61

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

5,558

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

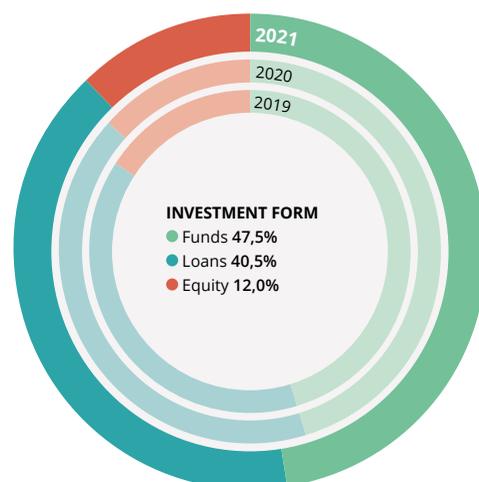
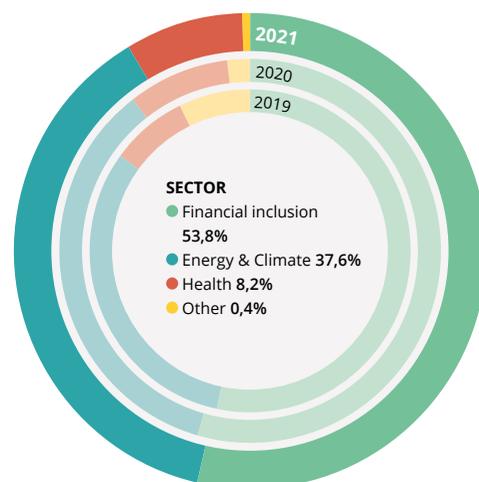
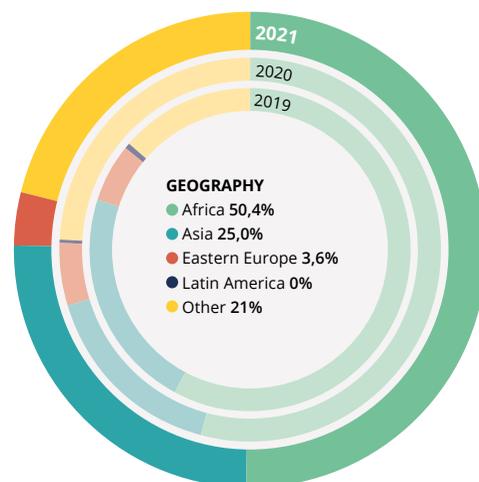
4,915

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

5,864

Portfolio distribution

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





OUR GOAL STRUCTURE

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

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

Mission

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

Mission objectives

ECONOMICALLY SUSTAINABLE INVESTMENTS

>60%

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

ENVIRONMENTALLY AND CLIMATE-RELATED SUSTAINABLE INVESTMENTS

2045

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

SOCIALLY SUSTAINABLE INVESTMENTS

100%

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

>60%

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

THE COMPANY'S ADDITIONAL ROLE

>30%

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



Financial goal

OPERATING PROFIT

>0

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

p.70

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

***2X Challenge**

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

Mission goals in line with Agenda 2030

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

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

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

