Swedfund

SWEDFUND INTEGRATED REPORT 2023

VOICES FOR DEVELOPMENT FINANCE

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About this annual report

Swedfund's 2023 Integrated Report is an integrated annual report in which sustainability information is integrated with financial information, and vice versa. The integrated report is submitted by the Board of Directors of Swedfund International AB, organisation number 556436-2084. The report is inspired by the International Integrated Reporting Council's (IIRC) framework.

INTEGRATED REPORTING ⟨IR⟩

Voices for development finance

This year's concept is based on stories. Stories about our investments and feasibility studies and the value they create. About the people who gain access to employment and a livelihood, but also about other types of impact. Taxes that enable education and healthcare, access to renewable energy that help societies make the transition. Together with our portfolio companies, their employees and our partners, we want to tell the story about how development finance contributes to a sustainable future.

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Reducing poverty through sustainable investments

Swedfund is Sweden's development finance institution with the mission of fighting poverty through sustainable investments in the world's poorest countries. We play a vital role in Sweden's development cooperation and the implementation of the 2030 Agenda for Sustainable Development.

WE FINANCE AND DEVELOP companies that contribute to sustainable growth, job creation and improved access to socially important products and services in developing countries. Through sustainable investments, we create the right conditions for people to support themselves and lift themselves out of poverty.

Our operations contribute to sustainable development by fostering improved access to electricity and digitalisation, enabling more enterprises to meet international standards, promoting increased local value creation, and facilitating the diversification of economies, amongst others.

Swedfund was established in 1979 and is a state-owned company managed by the Swedish Ministry of Finance. Our operations are financed by reflows from the portfolio and through capital injections from the development cooperation budget, for which the Swedish Ministry for Foreign Affairs is responsible.

Since our inception, we have invested in companies, financial institutions and funds in countries across Africa, Asia, Latin America and Eastern Europe. At the end of 2023, Swedfund had 73 investments, with 62 percent of the portfolio invested in Africa, mainly in sub-Saharan Africa. The value of our portfolio amounted to more than SEK 10 billion at the end of 2023.

Similar development finance institutions exist in fourteen other European countries, all of which are members of European Development Finance Institutions (EDFI).

An entrepreneur weaves a basket in Addis Ababa, Ethiopia.

73
Investments that contribute to poverty reduction

62%
of our portfolio is invested in Africa

Portfolio distribution

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

GEOGRAPHY

Africa 62%
Asia 33%
Eastern Europe 5%
Other 0%

SECTOR

Energy & Climate 38%
Financial Inclusion 33%
Sustainable Enterprises 28%
Other 1%

INSTRUMENTS

Equity 8%
Equity (Indirect) 52%
Loans 30%
Loans (Indirect) 9%

Our vision:
A world without poverty

While Swedfund shares the same goal as Swedish development cooperation, we use other tools to achieve it. Our investments help to create more jobs with decent working conditions and improve access to essential products and services in the world's poorest 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. We contractually bind the changes we want to achieve and consider possible, and provide expertise and technical assistance as and when necessary to support sustainable development. Our business model is based on three pillars: impact on society, sustainability and financial viability. We follow up and report a number of indicators.

Pillars

IMPACT ON SOCIETY
Our investments aim to have an impact on society in developing countries. We measure performance using the following indicators:
- Jobs
- Gender equality and women's economic empowerment
- Climate impact
- Tax revenues

SUSTAINABILITY
Our investments are aimed at helping to create sustainable businesses in developing countries. We measure performance using the following indicators:
- Decent working conditions
- Management system for environmental and social issues, including human rights
- Management system for anti-corruption

FINANCIAL VIABILITY
We aim to help create profitable and financially viable companies in developing countries. We measure performance using the following indicators:
- Turnover and profitability
- Return on funds
- Capital mobilisation

→ Read more about our pillars on page 41.

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Our focus

According to our Owner 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 some of the most vulnerable countries in Asia and Eastern Europe. Approximately 60% of Swedfund's investments are made in sub-Saharan Africa.

67%
Proportion of investments that increases both turnover and profitability

39%
Volume of mobilised capital of total contracted value

MSEK 1,460
Capital injection for 2023

Our additionality

According to Swedfund's Owner instructions, our investments must be additional in accordance with the OECD's definition. This means that we enable investments that would otherwise not take place. Swedfund assesses additionality from three perspectives: financially, in terms of sustainability and based on the investment's impact on society. A prerequisite within each new investment is that we contribute something in one of the dimensions. In addition to capital, it may be a question of providing skills to help companies develop in a sustainable direction. We often provide 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. We are catalytic by taking risks and showcasing opportunities. Our ambition is to act as a bridge to private capital and boost private investment in developing countries. Our risk management method aims to achieve risk optimisation based on our mission goals and business model, rather than risk minimisation in every respect.

→ Read more about our risks on pages 46–47.

Sectors

We invest in four sectors which we consider to be particularly important for achieving our goal: Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems. Climate, gender equality and women's empowerment, and digitalisation are three thematic areas that are integrated into all aspects of our work, irrespective of the chosen instrument, geography or sector.

Project Accelerator

The Project Accelerator carries out feasibility studies and capacity-building initiatives to develop sustainable and investable projects within critical infrastructure in developing countries. The projects are developed with a local project owner who thereafter implements it with financing from a development bank or a Swedish export credit solution. Swedish companies can be a part of the solution within sectors such as energy, water, digitalisation and sustainable transport. The Project Accelerator is an example of how synergies between trade and development cooperation can be utilised.

A solar farm outside Pokhara, Nepal in which Dolma Impact Fund has invested.

The year in review

2023 was an eventful year for Swedfund. Here, we highlight some key events, including those related to our operations, strategy and partnerships.

JANUARY

MSEK 1,460

Swedfund received a capital injection of MSEK 1,460, with MSEK 460 earmarked for climate investments.

APRIL

West Africa

As part of our increased focus on West Africa, we opened a new regional office in Abidjan, Côte d'Ivoire.

MAY

Stakeholder dialogue

During the development of our new strategy, we conducted a stakeholder dialogue with civil society to gather important views and perspectives.

JUNE

Ukraine

Together with the European Bank for Reconstruction and Development and 16 other development finance institutions, we signed a cooperation agreement for private sector investment as part of the country's reconstruction.

→ Read more on pages 26-27.

JUNE

Sweden's EU presidency

At the Financing for Digitalisation and Green Growth event, we shared key lessons from our investments and our work on digitalisation.

SEPTEMBER

Ukraine

Swedfund's Project Accelerator received MSEK 50 in earmarked funding for projects in Ukraine.

OCTOBER

Global Gateway

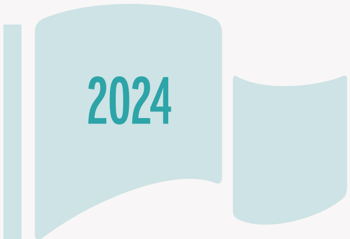
At the Global Gateway Forum, we discussed how to accelerate the implementation of the EU Global Gateway initiative with business representatives.

DECEMBER

New strategy

We adopted a new strategy for 2024-2030 with the aim of tripling our contribution to the Sustainable Development Goals.

→ Read more on pages 38-39.



JANUARY 2024

Apollo Agriculture

Our first investment in the Food Systems sector, which is also the first to use the EU guarantee under the Global Gateway framework.

Global Gateway

The EU's strategy to scale up investment in infrastructure globally. In 2021-2027, EU countries will invest up to EUR 300 billion. Part of the role of development finance institutions is mobilisation of private capital and project preparation.

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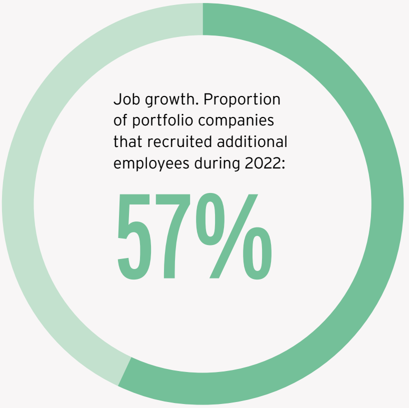
Impact and results at a glance

In our mission to contribute to poverty reduction through 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. The figures from 2023 show that our portfolio is performing as well as or better than last year in most of the indicators we use to measure the impact of an investment.

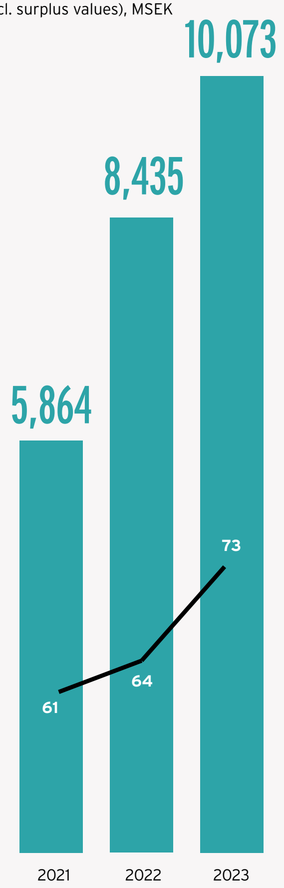


Return on the portfolio, IRR (see pages 76-77):

4.6%

Number of portfolio companies and total contracted amount

(incl. surplus values), MSEK



Sector-specific results in line with each sector's Theory of Change

Energy & Climate

Energy production:

11 TWh

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

approx. **570,000**

Financial Inclusion

Number of microfinance loans:

approx. **8,100,000**

Number of loans to SMEs:

approx. **690,000**

Sustainable Enterprises

Number of jobs:

186,000

Tax revenues:

MSEK 6,886

Food Systems

Established:

2023

In 2023, we added a new sector to expand our work within the agriculture sector. By investing in production and processing, we aim to contribute to more efficient food supply.

Number of new investments during the year:

14

Number of investments concluded during the year:

3

Reported tax in total, SEK billion:

approx. 18.2

Number of jobs in the portfolio:

338,000

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Case

Investments in 2023

Husk Power Systems
Type: **Equity (direct)**
Country/region: **India, Nigeria**
Sector: **Energy & Climate**
Amount: **MUSD 5**

In Nigeria, almost half of the population lacks access to electricity, while India is approaching 100 percent electrification but with electricity of varying quality and reliability.

Swedfund has invested an additional USD five million through equity in the existing portfolio company Husk Power Systems (Husk). Husk designs, builds, owns and operates solar-based microgrids in India and Nigeria. This additional investment will be used for the continued deployment of microgrids that enable increased access to clean, affordable and reliable energy in rural and semi-urban areas. We have been shareholders in Husk since 2017.

Vietnam Prosperity Joint Stock Commercial Bank
Type: **Loan (direct)**
Country/region: **Vietnam**
Sector: **Financial Inclusion**
Amount: **MUSD 25**

Vietnam has successfully reduced poverty for several years. According to the United Nations Development Programme (UNDP), the main reason is that Vietnam has prioritised investments for increased productivity and job creation in a range of sectors and industries. Vietnam is one of Southeast Asia's fastest-growing economies with a clear ambition to develop its private sector sustainably. It is therefore important that the country's financial sector is strengthened and that companies are given the opportunity to grow.

Small and medium-sized enterprises in Vietnam account for 98 percent of all enterprises and 40 percent of the country's GDP. Swedfund's loan to Vietnam Prosperity Joint Stock Commercial Bank provides the bank with complementary long-term financing, which is expected to support private sector growth, especially for small and medium-sized enterprises. The loan is part of a syndicate with other development finance institutions led by the International Finance Corporation (IFC) and is our first direct investment in Vietnam's financial sector.

Horizon Capital Growth Fund IV
Type: **Equity (indirect)**
Country/region: **Ukraine, Moldova**
Sector: **Sustainable Enterprises**
Amount: **MUSD 15**

Russia's full-scale invasion of Ukraine has had a major impact on the Ukrainian economy and has limited access to capital for businesses and others. However, companies in Ukraine's IT sector have quickly adapted to the new circumstances. The sector expanded by six percent in 2022 to over USD 7.3 billion in service exports and it paid over USD 1.5 billion in taxes and duties. These companies continue to create jobs, especially for the young population in Ukraine and Moldova.

Swedfund has agreed on an indirect equity investment of up to USD 15 million in Horizon Capital Growth Fund IV. Horizon Capital is a leading firm in Ukraine and the manager's fund IV is targeting investments in the IT sector in Ukraine and Moldova. The fund is expected to contribute to the creation of more jobs and export revenues for both countries as well as the continued development of the private sector in Ukraine and Moldova.

→ Read more about our work in Ukraine on pages 24-27.

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E3 Low Carbon Economy Fund I

Type: **Equity (indirect)**
Country/region: **Sub-Saharan Africa**
Sector: **Energy & Climate**
Amount: **MUSD 10**

Enabling early-stage companies to grow and develop their business in areas such as renewable energy and digitalisation contributes to economic growth and job creation. Given this context, we made an indirect equity investment of USD ten million through E3 Low Carbon Economy Fund I (E3). E3 is focused on investments in renewable energy, climate and digitalisation in developing countries in sub-Saharan Africa. Kenya, South Africa, Ghana and Nigeria are examples of countries in which investments will be made.

The fund's strategy is to primarily invest small amounts in relatively new companies in three areas: off-grid renewable energy solutions; digital products and services; and low-carbon products and services that may include electric vehicles.

Transform Health Fund

Type: **Equity (indirect)**
Country/region: **Sub-Saharan Africa**
Sector: **Sustainable Enterprises**
Amount: **MUSD 5**

The healthcare systems in many African countries are not sufficiently robust or developed to meet the extensive needs that exist. According to the WHO, a combination of measures from public and private actors is necessary to establish a functioning health sector in these countries.

Swedfund has agreed on an indirect loan investment in the health sector through Transform Health Fund, which geographically prioritises investments in sub-Saharan Africa. The fund will provide debt financing to small and medium-sized enterprises to develop innovative healthcare models and digital solutions that contribute to a more resilient healthcare ecosystem in Africa.

Amethis Fund III

Type: **Equity (indirect)**
Country/region: **Africa**
Sector: **Sustainable Enterprises**
Amount: **MUSD 20**

A majority of Africa's young population lacks stable economic conditions. About a third of Africa's 420 million young people aged 15–35 are unemployed. Nine out of ten jobs are created in the private sector and investments are required for companies to grow and employ more people.

Swedfund made an indirect equity investment in Amethis Fund III, a generalist fund focused on several industries, mainly in consumer products and services. The fund's geographic focus is all of Africa, with East Africa and West Africa expected to account for the largest share of investments. In addition to job creation, Swedfund's investment in Amethis will contribute to the mobilisation of private and institutional capital.

South Asia Growth Fund III

Type: **Equity (indirect)**
Country/region: **India, Southeast Asia**
Sector: **Energy & Climate**
Amount: **MUSD 25**

In India and countries in Southeast Asia, many sectors show good growth potential, and in many cases, this is combined with a growing population. To facilitate green growth and reduce dependence on fossil fuels, investments in green solutions that lead to reduced carbon dioxide emissions and climate impact are required.

Swedfund has agreed on an indirect equity investment in South Asia Growth Fund III. The fund has a broad mandate to invest in various sectors where the focus is on climate benefits and resource efficiency in the agricultural sector and other sectors that include energy efficiency, mobile and digital solutions, recycling, water and sanitation.

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Mirova Gigaton Fund

Type: **Loan (indirect)**
Country/region: **Sub-Saharan Africa, Southeast Asia, Latin America**
Sector: **Energy & Climate**
Amount: **MUSD 30**

Increased access to affordable, reliable and sustainable energy is crucial to achieving the Sustainable Development Goals. Today, about 760 million people lack access to electricity, which negatively affects countries' development and economic growth. According to the International Energy Agency, investments in renewable energy equivalent to USD 660–730 billion are needed to achieve the Sustainable Development Goals. This involves replacing fossil energy with renewable energy sources and increasing capacity to meet increased energy needs globally.

Our investment in Mirova Gigaton Fund aims to increase access to off-grid solar energy solutions. The investment enables debt financing of companies developing such solutions. The fund has a broad geographical mandate, but primarily targets countries in sub-Saharan Africa, Southeast Asia and to a lesser extent Latin America. We are helping to strengthen the fund's sustainability efforts in areas such as environmental and social issues and women's economic empowerment.

Apis Growth Markets Fund III

Type: **Equity (indirect)**
Country/region: **Africa, South Asia, Southeast Asia**
Sector: **Sustainable Enterprises**
Amount: **MUSD 32**

An obstacle to development and sustainable growth is the lack of well-functioning financial services such as savings, payment solutions or similar in developing countries. Swedfund has made an indirect equity investment in Apis Growth Market Fund III (Apis III), a fund that targets companies at the intersection of finance and technology in Asia and Africa. Apis III focuses primarily on companies in Egypt, India, Indonesia, Kenya and Nigeria.

Our investment is expected to contribute to increased digitalisation and innovation, improved access to and quality of financial services and the creation of jobs with decent working conditions. We have invested in two previous funds with the same fund manager and the investment in Apis III alongside other development finance institutions has enabled significant mobilisation of private capital. Our investment also contributes to the development of Apis's work with women's economic empowerment.

African Rivers Fund IV

Type: **Loan (indirect)**
Country/region: **Sub-Saharan Africa**
Sector: **Financial Inclusion**
Amount: **MUSD 15**

Increased access to long-term financing and value creation for small and medium-sized enterprises, as well as increased employment, income and women's economic empowerment, contribute to sustainable private sector development in Africa.

We agreed on an indirect loan investment through a commitment of up to USD 15 million in African Rivers Fund IV (ARF IV). Swedfund has invested as a shareholder in the manager's previous fund, African Rivers Fund III, and the investment in ARF IV expands its involvement in countries such as the Democratic Republic of Congo, Uganda, Angola and Zambia. ARF IV is a credit fund with a broad and general focus on several industries. The fund helps to increase access to finance for small and medium-sized enterprises in challenging markets where there is a high demand for growth capital.

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Joliba Capital Fund I
Type: **Equity (indirect)**
Country/region: **Africa**
Sector: **Sustainable Enterprises**
Amount: **MEUR 15**

Enabling small and medium-sized enterprises in the least developed regions of francophone Africa to grow is essential to contribute to private sector growth, tax revenues, job creation and women's economic empowerment.

Swedfund has agreed to make an indirect equity investment in Joliba Capital Fund I. The fund is primarily focused on consumer sectors including financial services, consumer goods, insurance and education. The geographic focus of the fund is mainly countries in West Africa and Central Africa.

South East Asia Clean Energy Fund
Type: **Equity (indirect)**
Country/region: **Southeast Asia**
Sector: **Energy & Climate**
Amount: **MUSD 12**

Sustainable economic development and reduced inequality in Southeast Asia can be made possible by making growth capital available to young companies whose business ideas actively contribute to accelerating the green transition in some of the region's most fossil fuel intensive and rapidly growing economies.

Swedfund agreed on an indirect equity investment through a commitment of up to USD twelve million in Southeast Asia Clean Energy Fund II (SEACEF II). SEACEF II is an early-stage fund that invests in projects and companies in renewable energy, energy efficiency and e-mobility.

The fund focuses on countries in Southeast Asia, primarily Indonesia, Vietnam and the Philippines, and the investments are expected to contribute to climate change mitigation in a region characterised by high emissions from its largely fossil fuel-based energy production.

Evolution III
Type: **Equity (indirect)**
Country/region: **Sub-Saharan Africa**
Sector: **Energy & Climate**
Amount: **MUSD 25**

In sub-Saharan Africa, access to reliable and clean electricity still lags behind most other parts of the world. With an electrification rate of 46 percent, 590 million people still have no access to electricity, reinforcing socio-economic inequalities and hindering economic development.

We agreed on an indirect equity investment through a commitment of up to USD 25 million in the first closing of the fund Evolution III. Evolution III is a fund with a broad focus on investments in renewable energy and energy efficiency with a focus on several countries in sub-Saharan Africa. Swedfund has also invested in the fund manager's previous fund Evolution II.

d.light
Type: **Loan (direct)**
Country/region: **Sub-Saharan Africa, India**
Sector: **Energy & Climate**
Amount: **MUSD 1**

Access to affordable and reliable electricity is an important factor for poverty reduction and job creation, and a prerequisite for achieving the Sustainable Development Goals.

An additional investment of up to USD one million was agreed in the existing portfolio company d.light. d.light operates in Africa and India and offers, amongst others, solar panels for off-grid energy supply in rural areas where there is often no connection to the larger electricity grids.

Swedfund has been a shareholder in d.light since 2018 and the current additional investment is in the form of a convertible loan.

Swedfund's investments accelerate progress on sustainable development

THE LAST FEW YEARS have been marked by global challenges and crises, such as Russia's full-scale invasion of Ukraine, the Covid-19 pandemic, conflicts flaring up in the Middle East and the increasing frequency of climate-related natural disasters. Combined with macroeconomic challenges, this has led to reduced flows of foreign direct investment into developing countries and an increased risk profile of Swedfund's investment countries. Despite this uncertainty, Swedfund's pace of investment during the 2020–2023 business plan was higher than ever. This has been made possible thanks to dedicated and competent employees who have worked hard to overcome unexpected challenges, a business model that has proved to work well in crises, and the government's and parliament's confidence in Swedfund as demonstrated by the increased capital injection.

The climate crisis is one of the greatest challenges of our time, and it is gratifying to note that historic decisions were taken during COP28 by including decarbonisation in the global climate agreement for the first time. The earmarked capital injection of MSEK 460 approved by parliament allows us to accelerate investments in climate mitigation, adaptation and resilience. The Energy & Climate sector saw the greatest expansion in terms of investment volume during the business plan period. In this sector, Swedfund contributes to the green transition by investing in increased capacity for renewable energy production, climate mitigation and increased societal resilience. During 2023, we invested SEK 2.5 billion in poverty reduction, climate and development. SEK 1.46 billion was financed through the capital injection approved by parliament and the remaining through reflows from exited investments. Collaboration between the EU and the European development finance institutions deepened and increased in scope, particularly regarding the implementation of the Global Gateway and Team Europe initiatives. Development finance institutions are considered to be important actors in their implementation. We have raised our ambition regarding an increased number of investments in the food sector. In early 2024, we invested in Apollo Agriculture, which provides smallholder farmers in Kenya with agricultural products along with distribution, advice, insurance and financing. The investment is also the first to deploy a Global Gateway guarantee.

In 2023, we agreed on 14 new investments in the Energy & Climate, Financial Inclusion and Sustainable Enterprises sectors. This contributed to a portfolio value amounting to just over SEK ten billion at the end of 2023 and a portfolio value increase of SEK 1.6 billion. Operating profit, excluding currency effects, amounts to MSEK -16 for the full year, with the

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A significant milestone in 2023 was the doubling of our portfolio size. An increased portfolio size enables us to generate greater impact by creating more jobs with decent working conditions, increasing women's economic empowerment and improving access to electricity.

negative result being primarily attributable to write-downs in the equity and fund portfolio. Dividends and net interest income continued to develop positively during the fourth quarter, contributing to a positive operating profit where recurring income exceeded operating expenses by a good margin. The return on the investment portfolio expressed through IRR remained stable at the end of the year, corresponding to 4.6 percent of the total portfolio.

We continue to demonstrate good results that align with our business model's three pillars and mission objectives.

- Approximately 338,000 people work in our portfolio companies. 57 percent of our investments have increased their number of employees and we have contributed to 1.9 million indirect jobs.
- Our investments contribute to 11 TWh in energy production and around 570,000 households and companies have gained access to energy through off and minigrids.
- We have provided capital to small and medium-sized enterprises through 690,000 loans.

During the year, Swedfund had a particular focus on Ukraine. As a development finance institution, Swedfund can create the right conditions for further development of Ukraine's private sector. Our experience in operating in high-risk conflict areas with both investments and feasibility studies can support Ukraine's recovery and economic resilience. At the start of the year, I visited Ukraine to sign Swedfund's investment in Horizon Capital Growth Fund IV in the presence of President Volodymyr Zelenskyy. The fund invests in small and medium-sized enterprises in Ukraine and Moldova's IT sector, a sector which has continued to grow during the war and contributes to jobs as well as tax and export revenues in Ukraine. Together with 16 other development finance institutions, we signed an agreement with the European Bank for Reconstruction and Development to coordinate and share risk in investments in Ukraine. Through feasibility studies and capacity-building efforts in Ukraine, we are laying the foundations for more sustainable infrastructure projects in sectors such as digitalisation, water, waste and energy. Through the Project Accelerator, we contribute to more sustainable and investable projects in which Swedish companies can be part of the solution to meeting local infrastructure needs in Ukraine.

We are very proud of our achievements during the outgoing strategy period 2020–2023. A significant milestone in 2023 was the doubling of our portfolio size. An increased portfolio size enables us to generate greater impact by creating more jobs with decent working conditions, increasing women's economic empowerment and improving access to electricity. During 2023 we opened a regional office in Abidjan, Côte D'Ivoire, to scale up investments in West Africa where there are great investment needs and good opportunities for further investments. At the same time, the region is characterised by political instability, meaning investments are made in a challenging context.

We enter the new year with a new strategy for 2024–2030. Our strategy is based on the expertise and areas that we have developed over the past years. Based on our experience and know-how, we aim to triple our contribution to the Sustainable Development Goals during the upcoming strategy period. This will be achieved by using our two instruments, investments and feasibility studies, which enable us to work holistically with sustainable development and inclusive growth during a time in which demand for our instruments is very high. During the coming strategy period, we will strive to enhance progress towards achieving the Sustainable Development Goals in partnership with other development finance institutions, private actors, institutional investors and civil society.

MARIA HÅKANSSON,
Chief Executive Officer

Results in line with our mission objectives

Proportion of portfolio companies in the active ownership phase that comply with the ILO's core conventions

Goal	Result
100%	97%

Proportion of investments fulfilling the 2X Challenge critera

Goal	Result
60%	54%

Proportion of mobilised capital

Goal	Result
30%	39%

Proportion of investments increasng turnover and profitability

Goal	Result
60%	67%

The portfolio's total emission of greenhouse gases per invested Swedish krona

Goal	Result
reduce over time with 2020 as base year	28.4 TCO_2e/MSEK (2022: 30.7)

→ Read more about our mission objectives on page 36.

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2

VOICES IN OUR WORLD

2023 Halfway to the 2030 Agenda

The 2030 Agenda for Sustainable Development and the Paris Agreement collectively form an action plan with the aim of leading to peace, prosperity, lower emissions and sustainable growth. Halfway to the year 2030, we can see that developments are not heading in the right direction. Progress on some goals has stalled, while progress in other areas is regressing – a trend exacerbated by the global crises of recent years. Part of the solution to reverse the trend is sustainable investments in companies that can contribute to inclusive economic growth, job creation, digitalisation and the green transition.

THE SUSTAINALBE DEVELOPMENT GOALS (SDGs) were adopted in 2015 by all UN member states. The years following its adoption saw a number of positive trends. Extreme poverty and child mortality continued to decline. Progress was made in the fight against diseases such as HIV and hepatitis. Access to electricity in the poorest countries improved, as did the proportion of renewable energy sources in the energy mix. Globally, unemployment was back at levels not seen since before the 2008 financial crisis.

Today, it is clear that much of this progress was built on fragile foundations, and that too little progress was made in many areas. Several interconnected and global crises, including the coronavirus pandemic, Russia's invasion of Ukraine and the ongoing climate crisis, have presented significant additional challenges to implementation. 2023 marks seven years left until 2030, the year the goals must be achieved. Despite the negative trend, it is still possible to reverse the development and positively influence individuals, societies and the climate and, in the long run, contribute to more voices being heard and more opportunities for action for developing countries that are particularly vulnerable.

How are the SDGs progressing?

The UN's assessment of the approximately 140 targets for which data is available shows that around half of the targets are heading in the wrong direction. If current trends persist, an estimated 575 million people will continue to live in extreme poverty by 2030, with only around a third of countries achieving the target of halving national poverty levels. Global hunger is back at levels not seen since 2005, and food prices are still higher than in 2015–2019. In addition, the window for limiting global warming to 1.5°C is shrinking, which is what will be necessary to prevent the worst effects of the climate crisis.

At the current rate, it will take an estimated 140 years for women to be equally represented in leadership positions in the workplace, and 47 years to achieve equal representation

A project for sustainable potato cultivation in Kenya via our portfolio company Platcorp.

To succeed, we must leverage the efforts of various stakeholders who, with their respective mandates, methods and tools, can collaborate effectively to achieve shared objectives.

in national parliaments. Approximately 660 million people will continue to lack access to electricity, while nearly two billion individuals will be reliant on fossil fuels in 2030. Given this context, there remains a significant demand for sustainable investments.

Developing countries worst affected

Developing countries and the poor are to a greater extent affected by these developments. Since the pandemic, many countries are grappling with unprecedented increases in debt and an economic situation further exacerbated by high inflation, rising interest rates and geopolitical tensions. The limited fiscal scope restricts governments' capacity to implement reforms and launch support packages to strengthen the economy, enterprises and societal resilience. The capital available in the global financial system is sufficient, but not enough is being channelled to sustainable development to the extent and speed that is necessary to achieve the SDGs and the Paris Agreement. The funding gap for developing countries to achieve the goals is estimated at USD 2.5–3 trillion per year.

However, there is a silver lining. There are positive developments taking place within digitalisation, with millions of people now having access to mobile networks and an internet connection. The increase is particularly rapid among low and middle income countries. Digitalisation is fundamental for sustainable and inclusive development and plays an important role in innovation, growth and job creation.

Investments promote growth

Trade and investments are mutually reinforcing and promote economic growth in developing countries. Between 1990 and 2017, the share of global exports among developing countries rose from 16 to 30 percent, while over the same period, global poverty levels fell from 36 to nine percent. Though not all countries have benefited equally, trade has overall generated strong economic growth and helped lift around one billion people out of poverty. At the same time, conducting trade between African countries is both expensive and time-consuming due to structural and actual obstacles such as a lack of infrastructure, weak institutions, corruption and the fact that many countries export similar and competing products. According to the United Nations Conference on Trade and Development (UNCTAD), only around two percent of global trade in 2015–2017 occurred between

Small enterprises in Ilani market outside Nairobi, Kenya.

African countries. The corresponding figure for Europe was 67 percent. The African Continental Free Trade Area (AFCFTA) agreement signed in 2021 has the potential to expand intra-African trade, deepen regional integration, and promote investment on the continent.

The situation in developing countries in Asia is different. A rapidly growing middle class and consumption patterns that have shifted due to the coronavirus pandemic has led to a strong recovery and a growing digital economy. Trade is more integrated within the region than in sub-Saharan Africa, but certain trade barriers continue to present challenges.

Sustainable investments can help to improve value chains locally, link a country's economy with global value chains, and foster economic growth and innovation. At the same time, foreign direct investments in Africa account for only 3.5% of total global flows in 2022. Development finance institutions operate in high-risk environments and can help mobilise additional private capital to developing countries through extensive experience and knowledge of sustainable investments in challenging contexts.

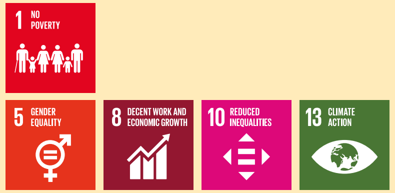
The importance of partnership and collaboration

The 2030 Agenda is underfunded and development finance institutions have a key role in accelerating its implementation. To succeed, we must leverage the efforts of various stakeholders who, with their respective mandates, methods and tools, can collaborate effectively to achieve common objectives.

Investing with other like-minded organisations is important to bring about change. Swedfund is one of 15 members of the European Development Finance Institutions (EDFI). At a strategic level, EDFI's agenda is harmonised with the Sustainable Development Goals. We often work together, and more than half of all investments are made with one or more development finance institutions. Swedfund also works in partnership with other organisations, including civil society organisations, development banks, other business partners and traditional aid organisations. Together, we can accelerate the pace of investment in developing countries and contribute to the realisation of the SDGs.

Our contribution to the SDGs

Swedfund contributes to all of the sustainable development goals. Poverty reduction (Goal 1) is directly linked to our mission. Our focus on gender equality (Goal 5), decent work (Goal 8), equality (Goal 10) and climate (Goal 13) permeates all of Swedfund's operations and investment processes.



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Shifting the African narrative

Moky Makura is Executive Director at Africa No Filter, an organisation working to shift the narrative on Africa. She tells Swedfund about how contemporary and nuanced accounts can be a tool to influence the continent's development.

Africa No Filter's mission is to change the narrative on Africa. Why does this matter?

Narratives matter because they inform our worldview – our beliefs and ultimately our actions. The narrative about Africa as a broken continent, dependent and lacking the agency to make the change it needs is a persistent one – especially in the development sector. This narrative informs how the world sees Africa and increasingly how Africa sees itself. It's a narrative that has implications on aid and trade policies as well as investment and business, but also increasingly on African migration.

Africa No Filter has previously addressed the relevance of culture and creativity in the continent's development. Could you describe this connection and your view on it?

The creative industry aligns with Africa's demographic and urbanisation shifts. It's a low barrier entry sector that can help tackle unemployment. It also harnesses the inherent talents and strengths of the continent – our youth and our cultural assets in music, film, fashion, art and food. These are already areas where we are excelling, and they are helping to redefine the continent for an entire generation. These assets present a huge opportunity for us, and if properly unleashed, could have a transformational impact on Africa's development trajectory.

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Kevin Underson, teacher at The Red Hill Education Centre i Kangemi, Kenya och a Premier Credit client.

Stories do something powerful that data alone can't do – they inspire and provide hope. Hope is what we really need to drive Africa's development agenda, because without inspiration or hope nothing will happen.

In your opinion, what are the concerns and hopes of the upcoming generation in Africa?

I don't think the concerns and hopes of African youth are any different to the concerns and hopes of youth all over the world. They want the same things and they have largely the same aspirations. A recent Afrobarometer survey showed that employment is at the top of their agenda. The difference between African youth and youth in other parts of the world is that in some cases they are lacking the most important ingredient for success: hope. We need people to believe that African youth are not a 'ticking time bomb' but a resource to be nurtured and a huge opportunity for the continent.

Do you think digitalisation can bring about new opportunities for the continent's private sector, and if so, what are they? Do you see any challenges?

I think it would be foolish to think that the rapid change we are seeing across the world from the effects of digitalisation won't affect Africa positively – we are already seeing its effects in so many areas.

It presents us with an opportunity to leapfrog without following traditional development paths; we can chart a new course. Take the mobile telecommunications sector as an example. In just 36 years, the sector has connected over half a billion people in Africa, created thousands of jobs as well as successful indigenous companies. Africa leapfrogged over its challenge of poor and non-existent fixed-line infrastructure and blasted into a bright new future.

The leap was possible because of new technology, cheaper infrastructure, more affordable products, competitive markets, an enabling regulatory environment and business models designed for the mass market. As a result, Africa today has the fastest-growing mobile market globally. One of the biggest challenges is the cost of data in Africa, prohibiting young people from accessing what is available to their western counterparts for a fraction of the cost. That's when you start understanding the inequity in the system. The digital divide is real.

Given the current status of the world, many people are struggling to feel hope and find stories of positive development. Do you have a story of hope to share with us?

I don't have just one story of hope, I have many. Africa No Filter funds a news agency called bird which puts out success, progress and human-interest stories that make you rethink what you know about the continent. Since it started two years ago, bird has published over 1,400 of these narrative-changing stories that offer hope for Africa.

For example, a story about how electricity access in Africa is higher than previously thought thanks to off-grid solutions. Another story about how across the continent, ten nations are scripting a new narrative of empowerment and transparency and topping the Press Freedom Index, signalling greater press freedom in parts of Africa. Also, a home-grown African company that is breaking into the Chinese market with a product enabling users to monetise their WiFi connections.

How do you think development finance institutions can contribute to Africa No Filter's mission to change the narrative on Africa?

In his book Factfulness, Hans Rosling wrote, "The world cannot be understood without numbers. But the world cannot be understood with numbers alone". We need stories because they provide the nuance and context that is often missing with data. We need stories to help us understand what is really going on here in Africa, and stories do something powerful that data alone can't do – they inspire and provide hope. Hope is what we really need to drive Africa's development agenda because there is nothing that happens in this world without inspiration or hope.

All this to say that storytelling is an intrinsic part of the global development mix, and for something so important is woefully overlooked as a development tool.

We need investment into the creative economy, for example in African story platforms, local media, local distribution networks and for the storytellers themselves. It's the only thing that really matters.

JOBS with decent working conditions contribute to inclusive and sustainable economic growth

8 DECENT WORK AND ECONOMIC GROWTH

Recent global crises have exacerbated existing challenges in developing countries, leading to lower economic growth, higher unemployment and increased poverty. Sustainable investments create new jobs and can help meet the needs of a growing and increasingly urbanised population, and seize the opportunities that it brings about.

THE GLOBAL LABOUR MARKET is undergoing a period of change. According to a report by the World Economic Forum, 23 percent of all jobs globally will change over the next five years due to increased use of technology, the green transition and macroeconomic events. At the same time, the health, geopolitical and economic crises of recent years have already affected employment worldwide, and demographic shifts are likely to lead to even more changes over the coming years.

More people are living in cities

Sub-Saharan Africa accounts for more than half of the global population growth expected by 2050. The world's 46 least developed countries are expected to have the highest population growth by 2050. Some of these countries will double their population between 2022 and 2050, putting enormous pressure on resources and posing major challenges to the fulfilment of the SDGs. The UN has warned that it will become increasingly difficult to fight poverty, hunger and malnutrition and at the same time increase capacity in areas such as healthcare and education systems at the necessary pace.

In parallel with population growth, more and more people are moving to cities. Africa is forecast to have the fastest rate of urbanisation in the world, with an additional 950 million inhabitants living in cities by 2050. Much of this increase is taking place in small and medium sized cities. While urbanisation brings opportunities for growth, digitalisation and innovation, it also presents challenges.

One challenge is that 600 million new jobs will need to be created by 2030. In addition, the majority of jobs will need to be created in developing countries, where the economic situation is difficult due to high inflation, subdued growth and high levels of debt. More than 72 million young people in Africa today are unemployed, the majority of whom are young women. Almost half of the continent's young population has considered emigrating in search for work. In a survey by the research institute Afrobarometer, respondents were asked what their country's biggest problem is. 40 percent answered unemployment. A majority of these people also said they would sacrifice their democratic rights in order to get a job.

Private sector development and trade part of the solution

Although the situation is challenging, there is considerable potential in the private sector, in which nine out of ten jobs are created. Every new job creates ripple effects and leads to positive development effects. Employment is the single most important way out of poverty, and every job supports on average between five and seven people. Parallel efforts are necessary to create more jobs. Policy reforms are needed to create favourable conditions, combined with investments in the public sector to build human capital and in the private sector to enable businesses to grow and employ more people. A positive trend can be seen in the increasing levels of education. The proportion of young people in Africa with upper secondary or post-secondary education could reach 34 percent by 2040, compared to 23 percent in 2020.

Trade is another important aspect of job creation and economic growth. Trade spreads ideas and innovations that contribute to sustainable development. However, it is currently both expensive and time-consuming to conduct trade on the African continent.

Knight Kegode, food entrepreneur.

In a survey by Afrobarometer, respondents were asked what their country's biggest problem is. 40 percent answered unemployment. A majority of these people also said they would sacrifice their democratic rights in order to get a job.

Investment in infrastructure is therefore urgently needed to link countries and regions together.

In addition to improved infrastructure, companies need to be able to grow to contribute to sustainable growth. Micro, small and medium enterprises account for 70 percent of all formal jobs in developing countries. Sub-Saharan Africa has a strong entrepreneurial spirit and its population has the highest percentage of people running start-ups. Promoting entrepreneurs' access to information, capital and markets creates good opportunities for job creation and growth.

Formalising informal jobs

To create positive development effects, the jobs that are created also need to be productive, offer decent working conditions and be covered by social safety nets. Initiatives that create this type of job can have a major impact on poverty reduction and economic development.

The informal sector presently dominates the labour market in developing countries. Around 85 percent of sub-Saharan Africa's population is employed in the informal sector, a high proportion of whom are young people and women. The positive aspect of the informal sector is that it offers many jobs, which is particularly important in countries with a population growth rate that exceeds the number of new jobs in the formal sector. On the negative side, these tend to be low-productivity jobs that often lack decent working conditions.

Female entrepreneurs

Another aspect of creating jobs and growing economies is the importance of investing in female entrepreneurs. In developing countries, the proportion of female entrepreneurs is increasing, and there are between eight and ten million formal small and medium-sized enterprises (SMEs) with at least one female owner. Women face many barriers when expanding their businesses, despite a greater contribution to society as a whole by, for example, spending a higher proportion of their income on their children's education. Likewise, companies with a gender-equal leadership tend to be more productive. A barrier to growth in women-owned enterprises is access to capital. Women generally have poorer access to basic banking services such as personal and savings accounts, and often have to rely on loans from family and friends or microloans to finance their businesses.

Development finance institutions contribute to job creation

Development finance institutions contribute to job creation by investing in SMEs to help them grow and employ people, as well as through other investments. Investments in renewable energy create indirect jobs by providing the private sector with cost-effective and reliable electricity. By prioritising sustainability aspects of investments, decent working conditions are ensured. This means, for example, that jobs are fairly remunerated, the workplace is safe, employees have access to social safety nets, and that employees enjoy the freedom to express their opinions, establish or join a union, and take part in decisions that affect their work situation. Development finance institutions also help female entrepreneurs access capital by investing in banks, financial institutions and microfinance institutions that provide loans specifically targeted at women. In addition, feasibility studies can contribute to job creation by making more projects investable and feasible.

→ Read more about women's economic empowerment on pages 68-69 and about the Project Accelerator on pages 54-55.

CLIMATE investments help reverse the trend

13 CLIMATE ACTION

Climate change is the greatest challenge of our time, and the changes are happening even faster than previously feared. At the same time, we are far from powerless when it comes to slowing down the effects. To reverse the trend, more investments in emission reduction, adaptation and increased resilience are required.

NO PLACE IN THE world is immune to the devastating consequences of climate change. Rising temperatures are fuelling environmental degradation, natural disasters and extreme weather, and leading to rising sea levels, melting ice caps, the death of coral reefs, acidification of lakes and forest fires. These effects are, in turn, leading to increased food and water insecurity, poverty, macroeconomic disruption, conflicts, terrorism and refugee flows. It is clear we cannot carry on in the same way. The cost of dealing with the effects of climate change is now greater than the amount being invested in emission reduction. The time to take action and slow down the trend is now.

The IPCC's summary of climate research

The UN Intergovernmental Panel on Climate Change (IPCC) regularly publishes reports on climate change and its impacts. The latest report was presented in March 2023 and summarises five years of research. It shows that current greenhouse gas emissions will lead to increased global warming that is likely to mean that we will exceed 1.5°C between 2030 and 2035. To stay below the 1.5°C target, emissions must be cut by at least 43 percent by 2030 compared with 2019 levels, and by at least 60 percent by 2035.

Developing countries are worse affected

A study by Stanford University shows that climate change has increased economic inequality between developing and more developed countries by 25 percent since 1960. This is because climate change is a risk multiplier that exacerbates pre-existing challenges and hits developing countries and the poor the hardest. The World Bank estimates that the effects of climate change could push an additional 100 million people below the poverty line by 2030. In addition, climate change is leading to increased competition for resources such as land, food and water, fuelling socio-economic tensions and, increasingly, leading to mass displacement. According to the World Bank, more than 140 million people in sub-Saharan Africa, Latin America and South Asia will be forced to migrate by 2050 if no action is taken.

The developments can still be halted

However, research also shows that it is not too late to halt these developments. It will require major changes in society, such as how we produce food, use land, transport goods and electrify our economies. There are already technical solutions for more than 70 percent of today's emissions, and the use of electric vehicles is increasing. In many places, renewable energy has become cheaper than fossil fuels, and investments in renewable energy sources are increasing at a much faster rate.

At the COP28 UN Climate Change Conference, negotiations finally led to an agreement which could mean "the beginning of the end" of fossil fuels. For the first time in 28 years, all countries in the world have agreed to make the transition. The capacity of renewable energy will triple by 2030 and the pace at which technical solutions for carbon capture and storage are developed will accelerate. An agreement was also reached on a framework to strengthen the efforts to achieve the global adaptation goals of the Paris Agreement.

A positive development for biodiversity is that in March, after more than 15 years of negotiations, the UN finally agreed on a new global agreement for the protection of marine biodiversity. Among other things, the agreement contains rules to limit environmental impact and create protected areas in the open seas, which make up around 95 percent of the volume of the world's oceans. The agreement suggests that the UN's goal of protecting 30 percent of the Earth's surface by 2030 will be achievable.

Economies can grow and transition simultaneously

It is vital that developing countries' economies can continue to grow in order to create jobs and reduce poverty while also transitioning to a green economy. Improving access to cost-effective and renewable energy will be key. Switching from fossil fuels to low-carbon energy sources can help maintain the same or even higher production rates while at the same time reducing emissions, which in turn will facilitate sustainable growth. Technological advances can also help by reducing the energy or other resources needed for production in the first place.

Investments in renewable energy also lead to more jobs. The positive impact on job creation is the result of longer and more diverse value chains, higher productivity levels and increased profits. Jobs in the renewable energy sector can be created either directly or indirectly along the entire value chain, for example in the manufacturing and distribution of equipment, the production of components, or in services such as installation and maintenance of equipment. Improving energy supply through renewable energy sources can also help to expand existing businesses in other sectors.

Climate adaptation is essential

For the green transition to succeed, investments in emission reduction will be needed in both high and middle-income countries, which are major emitters, and in developing countries which need to build up sustainable energy infrastructure. At the same time, substantial resources must also be invested in increasing resilience and adapting to the changes that are already taking place. Recent climate-related disasters, such as the floods in Pakistan, Nigeria and Chad, and the prolonged drought and famine in the Horn of Africa, demonstrate the urgent need for investment in adaptation measures.

South Asia is one of the regions most affected. Climate change could lead to a sharp deterioration in living conditions of around 800 million people in a region that already has some of the world's poorest and most vulnerable populations. Yet the region is also at the forefront of a number of climate-smart solutions, including innovative methods aimed at improving coastal resilience, increased renewable energy production and sustainable forestry. Accelerating and scaling up these efforts will be key to increasing resilience to the region's rapid warming and reducing emissions. Overall, developing countries need an estimated USD 160–340 billion per year until 2030 to adapt to climate change, including major investment needs. However, less than ten percent of all climate finance is currently targeted at adaptation.

Development finance institutions help fill the funding gap

Development finance institutions such as Swedfund can contribute to both emission reduction and adaptation. Investments in renewable energy, energy efficiency, adaptation measures and carbon capture and storage can enable developing countries to make a direct transition to climate-smart solutions. Over the past five years, European Development Finance Institutions (EDFI) has jointly agreed to allocate EUR eight billion to climate investments in low and middle income countries. For the past two years, Swedfund has received capital injections earmarked for climate investments from the government, enabling further acceleration of investments in emission reduction, adaptation and resilience.

With our long track record of investing in developing countries and business models focused on sustainability and societal impact, development finance institutions also play a crucial role in mobilising private and institutional capital. Feasibility studies can also contribute to a holistic approach to the climate issue by ensuring that more projects consider sustainability aspects and become investable. The energy transition and sustainable economic development can be achieved with the combined experience in climate investments of both European development finance institutions and other partners and investors.

→ Read more about Swedfund's climate work on pages 66–67.

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DIGITAL development – for inclusive and sustainable growth

Digitalisation is increasing around the world and represents an important cornerstone of sustainable and inclusive development. At the same time, digital inequalities persist between and within countries, between urban and rural areas, and between women and men. Recent advances in AI have the potential to contribute to increased efficiency, innovation and job creation if used correctly.

A COUNTRY'S LEVEL OF digitalisation plays an important role in innovation, economic growth and job creation. Research shows that a ten-percent increase in mobile services increases a country's GDP by half a percent. Today, 95 percent of the world's population lives in areas covered by mobile broadband. Despite this, only 57 percent uses mobile internet. However, usage is increasing, and three-quarters of the increase seen in 2022 occurred in low- and middle-income countries, in which the majority of people without internet access live. One in four people in the least developed countries is now connected. At the same time, the rate of increase has slowed, which may be caused by an increase in the cost of mobile phones and in the cost of living, combined with difficulties in reaching the poorest part of the population.

Digital infrastructure strengthens resilience

Digitalisation can strengthen resilience and improve our ability to manage crises. Digital technologies introduce tools and innovative solutions to help address environmental challenges. They can also be used to increase resilience to climate change and protect those most vulnerable to natural disasters. Countries that had invested in digital infrastructure proved to be more resilient to the coronavirus pandemic. This was due to the fact that both private and public sector operations could continue working, despite lockdowns in society.

Digitalisation has also been important for Ukraine's economic resilience against Russia. Ukraine ranks as one of the top global destinations for the IT outsourcing industry and has seen strong growth in technology exports and investments in recent years. The IT sector

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has adapted rapidly to face the new circumstances following Russia's full-scale invasion. Innovation has accelerated and digital solutions have been developed as a result of many businesses being forced to relocate and adapt their operations. In some occupied regions, operators have been unable to maintain equipment, and telecom companies have constantly had to repair base stations and replace cables damaged by the war in order to restore services. Despite this, Ukraine has managed to maintain a level of mobile coverage that is amongst the best in the world thanks to operators working together. In addition, the IT sector grew by six percent in 2022, fetching over USD 7.3 billion in service exports.

The digital divide persists

Despite the positive effects of digitalisation, digital inequalities persist within and between countries, between different socioeconomic groups, and between women and men, hampering digital development. SMEs in particular face challenges in accessing and using digital technologies, primarily due to a lack of access to finance. In developing countries, mobile internet is used to a lesser extent in rural areas compared to urban areas.

Owning a mobile phone has proven to be an important tool for empowering women, as it facilitates the dissemination of information and services, amongst other benefits. At the same time, 19 percent fewer women use mobile internet, and of the 900 million women who are not connected, almost two-thirds live in South Asia and sub-Saharan Africa.

AI brings new opportunities and risks

Artificial intelligence (AI) is constantly improving and can now perform tasks that previously only humans could do. The new technology will lead to one of the biggest transformations in human history and a transformation of the economy with new goods and services. Most sectors, if not all, will be affected.

How AI should be used is a complex issue, and there are differing opinions regarding how it can contribute to the realisation of the SDGs. For example, there have been reports about substantial quantities of water and energy being used to maintain the data centres that are used to train generative AI systems. Other challenges include built-in bias, unequal access, and potentially devastating consequences if the technology is used for the wrong purposes.

AI technologies have increased the scale, speed and effectiveness of digital repression. Automated systems have enabled governments to implement more precise and subtle forms of online censorship. A survey by Freedom House (2023) found that at least 47 governments used AI to manipulate online discussions to their advantage, twice as many as a decade ago. At the same time, AI-based tools that can generate text, sound and images have become more sophisticated, accessible and easy to use, leading to an escalation of disinformation flows.

AI can also positively contribute to development, for example by improving lending models and financial inclusion, by making "smart" electricity grids even smarter, supporting the integration of renewables into energy infrastructure, contributing to increased energy efficiency, and much more. AI can enable new types of remote preventive healthcare, improve diagnoses and accelerate the development of new medicines. The technology can also deliver personalised education online.

AI and digitalisation in general can boost productivity in certain occupations. However, increasing levels of automation may lead to higher unemployment and increase the need for new skills. The majority of developing countries will also need to expand and improve their digital infrastructure to utilise the potential of digitalisation and AI technologies. Another challenge is data security and privacy issues. It is therefore crucial that legislation evolves in line with technology and that digital education is made accessible.

Development finance institutions contribute to inclusive and sustainable digitalisation

Inclusive and sustainable digitalisation requires continued and extensive investments in infrastructure and business models based on digital solutions and

Philip Ochieng Osewe is a customer of Premier Credit and owns three pharmacies in Nairobi.

local needs. Development finance institutions have an important role to play by investing in cost-effective digital solutions that contribute to job creation, improved access to goods and services, and the emergence of new and innovative solutions, for instance in education, healthcare, financial services and logistics. By investing in SMEs with innovative business models, development finance institutions can promote innovation and new digital solutions. We can also invest in essential digital infrastructure, such as broadband networks, data storage and cloud services, which are essential for a fast and stable internet connection and other digital services. By promoting digital solutions and innovation in the private sector in developing countries, development finance institutions can help to create the necessary conditions to accelerate sustainable and inclusive digital development.

Feasibility studies can also be used to accelerate digitalisation in developing countries. Feasibility studies in the public sector can, for example, contribute to improved digital and secure storage, strengthening of digital resilience and evaluation of new digital solutions.

→ Read more about how digitalisation contributes to sustainable development in our interview with Mats Granryd on pages 22–23.

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The role of digitalisation in poverty reduction

Mats Granryd is Director General of the GSM Association (GSMA), representing the interests of mobile network operators worldwide. Hear him describe how digitalisation has developed around the world and why it's important for sustainable development.

Please tell us about the GSMA and how you work for sustainable development.

In 2016, the GSMA led the mobile industry to commit to the SDGs, the first industry to collectively do so. In 2022, our industry achieved 53 percent of its potential contribution to the SDGs.

With over 57 percent of the world's population using mobile internet, individuals can engage in a range of online activities, with access to vital information and life-enhancing tools that contribute to several SDGs.

Through our GSMA Mobile for Development Foundation, we work to drive innovation in digital technology to reduce inequalities. Positioned at the intersection of the mobile ecosystem and the development sector, we stimulate digital innovation to deliver sustainable business and large-scale socio-economic impact for the underserved.

How would you describe the role of digitalisation in achieving the sustainable development goals?

Digitalisation is crucial to achieving the Sustainable Development Goals. Countries with higher levels of mobile connectivity have achieved greater progress towards meeting the SDGs. Mobile serves as the linchpin of the digital economy, propelling innovation and acting as a catalyst for transformation across different sectors.

Mobile also stands as a crucial component in combating climate change, with mobile operators making rapid advances in their own decarbonisation efforts while offering valuable solutions to other industries. These include innovation for more efficient electricity usage, measuring emissions in their supply chains and greater circularity by boosting rates of reuse, remanufacturing, refurbishment and recycling.

Swedfund's main markets are Sub-Saharan Africa and South and Southeast Asia. What differences in the conditions for digitalization do you see between these regions?

In all regions except Middle East and North Africa and Sub-Saharan Africa, internet adoption has slowed down. In Sub-Saharan Africa, 15 percent of the population does not have coverage and 59 percent does not use mobile internet. Coverage remains a particular challenge in Central Africa, while in Southeast Asia the predominant problem is the usage gap. Gender gaps are highest in South Asia and Sub-Saharan Africa, while East Asia has a much smaller gender gap.

Collaboration and partnerships can help address the usage gap in Sub-Saharan Africa and Asia-Pacific regions. The recently established Affordability Coalition brings together operators, device manufacturers and organisations such as the World Bank to drive progress on the affordability of devices, one of the key barriers to addressing the usage gap. Along with manufacturing costs, our research shows that duty fees and taxation costs can add between 10–30 percent to the cost of a smartphone depending on the country, so taxation policy reforms are also necessary to help bridge the digital divide.

What connection do you see between digitalisation and poverty alleviation?

Between 2000 to 2019, global income per capita increased by USD 3,000, with mobile accounting for USD 300, or ten percent, of this gain. The resulting economic stimulus expanded the global economy by over USD 2.4 trillion.

The GSMA recently partnered with the World Bank to study the impact of mobile broadband coverage on poverty levels in Tanzania and Nigeria. In Tanzania, we found that households in areas covered by mobile broadband saw consumption rise between seven to

For working adults, access to mobile broadband coverage can mean access to new or different employment opportunities, positively impacting household consumption, and reducing poverty levels.

eleven percent, while in Nigeria we found that mobile broadband coverage reduced the proportion of households in extreme poverty by four to seven percent. For working adults, access to mobile broadband coverage can mean access to new or different employment opportunities, positively impacting household consumption, and reducing poverty levels.

Mobile is also enabling financial inclusion for 1.6 billion people through mobile money services, allowing them to pay their bills, send money abroad, manage their savings and access social support. This is particularly powerful when it comes to women. Our research shows that women with access to mobile money become more financially included, economically independent and play a stronger role as financial decision makers, which in turn has a positive impact on their communities and the broader economy.

However, women in low- and middle-income countries are currently 28 percent less likely than men to own a mobile money account. This gender gap in mobile money account ownership and usage is a missed opportunity for stakeholders and must be acted upon.

Development finance institutions like Swedfund have an important role in poverty alleviation by contributing to a financial sector inclusive of both small and medium-sized businesses, women and people living in poverty.

How can development finance institutions promote inclusive digitization?

Investing in infrastructure alone is insufficient to bridge the digital divide; we also need to address the barriers to usage, which include affordability of devices, digital literacy and skills, relevant local content, and safety and security concerns. Development finance institutions like Swedfund should invest in business models based on local needs and ensure local presence to gain deeper understanding of their markets.

It is vital that governments and the private sector work closely together, for an enabling policy and regulatory environment that is both investment-friendly and predictable.

Investing in the digitalisation of government agencies and services may also help expand the digital ecosystem. Digitalising public services can improve access, convenience, transparency and quality of life. Through digital identities more people will gain rights and access to essential services such as health care.


Erastus Ndaka works at d.light. Here pictured with his customer Redempta Nduva.

Swedfund contributes to Ukraine's recovery and reconstruction

Russia's full-scale invasion of Ukraine continues to have serious humanitarian, economic and political consequences. Considering the extent of the destruction, enormous investment will be needed to reconstruct the country. At the same time, Ukraine's private sector has proven to be resilient. The country has succeeded in doing something both difficult and unusual – to restore and rebuild the country while the war is ongoing.

Case

Swedfund's CEO attended the signing ceremony for Horizon Capital Growth Fund IV in the presence of President Zelensky.

THOUGH RUSSIA'S FULL-SCALE INVASION has significantly impacted the Ukrainian economy and led to increased poverty, Ukraine's GDP increased by 4.8 percent in 2023 – a positive development compared to 2022, when the country's GDP decreased by 29 percent. Ukraine is being reconstructed while the war is ongoing. Schools, hospitals and other types of infrastructure in the country's calmer regions are being continuously repaired and rebuilt.

An extensive amount of investment is needed to reconstruct Ukraine. According to the World Bank, the EU, the UN and the Ukrainian government, the cost of reconstruction and recovery is estimated to be EUR 393 billion. The private sector will play a crucial role in the Ukrainian economy's perseverance. Small and medium-sized enterprises need access to capital to maintain and grow businesses, create jobs, secure access to products and services as well as to generate important export revenue.

Swedfund's experience of operating in high-risk conflict areas with both investment activities and feasibility studies can support Ukraine's recovery and economic resilience. In 2023, we made investments in the country's private sector and facilitated infrastructure projects in the public sector through the Project Accelerator.

> This is an important investment for Ukraine. You are leading the way and showing through this investment that it is possible to make investments in Ukraine.
>
> **Volodymyr Zelensky**

President Zelensky at the signing ceremony for Horizon Capital Growth Fund IV.

Ukraine has a well-educated labour force, a strong industrial base to build upon and a resilient private sector. According to a report by the European Bank for Reconstruction and Development (EBRD), more than half of the country's small and medium-sized enterprises have maintained or increased their level of activity compared to pre-war levels. Merely six percent have been forced to close. A good example is the IT-sector that quickly adapted and grew by six percent during 2022.

Horizon: Investing during an ongoing war

In 2023, Swedfund invested in small and medium-sized IT companies in Ukraine through the fund Horizon Capital Growth Fund IV together with several other development finance institutions. The investment provides growth capital to a sector with high competence and potential to create conditions for increased export revenue, hard currency inflows and job creation, especially for young people. President Zelenzky attended the signing ceremony and highlighted the importance of investors like Swedfund who demonstrate that investing in Ukraine is possible.

By setting out clear requirements as an investor, the fund's sustainability work is being strengthened in areas such as anti-corruption and human rights.

Coordinated efforts through an investment platform

In June, Swedfund, EBRD and a large number of other development finance institutions signed an agreement to establish a co-investment platform for Ukraine aiming to scale up investments through coordination and risk sharing. The agreement also creates more efficient ways of working by having one development finance institution represent the others, providing a simplified process for Ukrainian counterparts. It will be increasingly important to quickly and effectively scale up investments. The investment in Horizon and establishment of a Ukrainian investment platform are both good examples of how development finance institutions can provide capital that is long-term and willing to accept risks.

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> The investment in Horizon is an excellent way for us to support Ukraine's development in the midst of a raging war. By investing, we can contribute to lasting resilience through job creation and export revenue.

Maria Håkansson

A joint action plan for infrastructure projects in Ukraine

During the year, Swedfund's Project Accelerator has been active with feasibility studies and project preparation in Ukraine to assist the country in the construction of infrastructure such as energy, water, heating and waste management. Feasibility studies are particularly useful in the Ukrainian context since they can be used to both build critical infrastructure during the war as well as lay the foundation for sustainable reconstruction for when the war is over.

In 2023, a joint action plan was signed with the Ministry of Infrastructure Development, which builds the foundation for collaboration with Ukrainian municipalities and cities. The needs are enormous, partly as a consequence of the destruction of critical infrastructure in the war.

The action plan enables a more structured and well-coordinated collaboration with Ukrainian municipalities and cities, where the Project Accelerator intends to provide support by funding feasibility studies and project preparation efforts in areas such as energy, heat, water and waste management.

2023 saw the launch of several projects within the framework of this collaboration. One example relates to water supply in three cities, including access to clean drinking water, the development of new water sources and the upgrading of a water treatment works.

Feasibility studies have also been funded to analyse the modernisation and green transition of the energy supply network in the city of Mykolaiv and how sewage systems in a number of other cities could be implemented. The projects are an important prerequisite for strengthening Ukraine's compliance with relevant EU rules, thereby contributing to the country's future application for EU membership.

In 2023, the Project Accelerator received earmarked funding totalling MSEK 50 for projects in Ukraine. Eleven projects have been initiated and several other environmentally sustainable and financially feasible projects are under preparation. Taking these aspects into account in feasibility studies can benefit Swedish companies that tend to compete on quality, sustainability, cost, life expectancy and knowledge transfer.

MSEK 50
for projects in Ukraine

11
projects have been started

Swedfund is laying the foundation for Kremenchuk's water supply

Interview
Vitalii Maletskyi

Vitalii Malteskyi, Mayor of Kremenchuk, tell us about the city's challenges with infrastructure and water supply and why international collaboration is essential for Ukraine's reconstruction.


Vitalii Maletskyi, Mayor of Kremenchuk.

What are the main challenges in Kremenchuk's infrastructure reconstruction and water management?

Kremenchuk is facing significant challenges related to critical infrastructure needs. Following a missile attack in 2022, the combined heat and power station was damaged. As a result, over 180,000 residents and numerous institutions in the city are experiencing heating issues. The city currently relies on inefficient methods for heat generation, making it vulnerable to emergencies, especially during winter. To address this issue, we need to develop new heat sources, improve the central heating network, and moderately decentralise vital infrastructure.

Additionally, the city heavily depends on the Kremenchuk reservoir for its water supply, which is facing deteriorating water quality challenges. Approximately 32 percent of water supply networks require urgent repair, and the system has high energy consumption. To tackle these issues, we need to diversify water sources and invest in both immediate fixes and sustainable solutions to provide reliable services for its residents.

How will Swedfund's support for the water supply feasibility study contribute to addressing these challenges?

The funded feasibility study aims to strategically assess the options for Kremenchuk's future water system. Over ten months, this study will investigate various solutions such as new water intake systems, treatment plants, distribution network upgrades, and quality control measures. This initiative directly addresses the city's need to diversify water sources, improve infrastructure, and ensure water quality, benefiting the community's long-term water supply.

Why is international collaboration crucial for Ukraine's rebuilding efforts, and how does the ongoing feasibility study contribute?

International cooperation and support are vital to Ukraine's reconstruction efforts, particularly in areas such as housing and municipal services. Collaboration with international organisations has resulted in tangible outcomes such as the provision of key equipment and materials, and the construction of essential infrastructure such as modular boiler houses in case of emergencies in the district heating system. The ongoing feasibility study in Kremenchuk is crucial in this regard, as it will evaluate options for the water supply system and pave the way for effective and innovative projects. Ultimately, such initiatives can be replicated in other Ukrainian cities.

How can more bankable projects attract domestic and international investors to support critical infrastructure, especially considering the ongoing conflict?

Developing projects with the help of international organisations such as Swedfund can make them more attractive to both local and global investors. These feasibility studies can help attract the attention of international financial institutions and private investors, including EU funds, because of the potential impact. In addition, these studies are in line with international standards and norms, creating a common space for business development, trade and cooperation. For example, our Kremenchuk Water Supply and Distribution Project, supported by the Swedfund Project Accelerator, will help to attract investors to implement measures to sustainably provide the city with water supply and sewerage services.

About the project

The Project Accelerator is financing a comprehensive feasibility study regarding water supply infrastructure in the city of Kremenchuk. The project will address critical challenges in the existing system related to water quality, reliability and energy efficiency. The study will help facilitate next steps, including financing of the project.

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Value-creating initiatives

In addition to the impact we create through our investments and feasibility studies, we also carried out a number of value-creating initiatives linked to our thematic areas and the UN's Sustainable Development Goals during the year. These initiatives include the provision of technical assistance to our portfolio companies, development of our methods and strategies, and collaborations with our partners.

A female entrepreneur selling textiles in Abidjan, Côte D'Ivoire.

WOMEN'S ECONOMIC EMPOWERMENT
Capacity-building
Together with the organisation Value for Women, we developed action plans for two microfinance institutions in India to develop and strengthen their efforts to address gender equality in their operations. The focus was on both prevention and risk management.

CLIMATE
Collaboration
Participated in UNEP's Adaptation and Resilience Investors Collaborative to identify potential investment areas and develop strategies to scale up investments in climate adaptation and resilience. The network has identified three focus areas: assessment of physical climate risks, measurement of adaptation and resilience and capital mobilisation. The network aims to increase climate investments through enhanced cooperation between development finance institutions.

DECENT WORK
Guiding Note
Launched a Guiding Note for Decent Work that describes how Swedfund contributes to creating more jobs with decent working conditions and how it is implemented in our investment process. It describes how we identify and manage relevant risks and support portfolio companies in ensuring decent work as part of our goal of 100 percent socially sustainable investments.

WOMEN'S ECONOMIC EMPOWERMENT
Handbook
Launched a handbook and a training for fund managers, financial institutions and portfolio companies on the prevention of sexual exploitation, abuse and harassment together with the women's rights organisation Kvinna till Kvinna. The handbook helps our portfolio companies identify and address gender-based violence in the workplace and is part of our overall efforts to increase gender equality and women's economic empowerment.

DIGITALISATION
Study
Investigated risks and impacts related to digital business models and digital infrastructure in our portfolio companies. The aim was to increase Swedfund's and the portfolio companies' understanding of opportunities, effects, risks and regulation of digitalisation in relevant markets and sectors. Strengthening the capacity of our portfolio companies also increases the potential for Swedfund to benefit from digitalisation.

HUMAN RIGHTS
Collaboration
Collaboration in the European Development Finance Institutions' Human Rights Working Group whose mandate is to harmonise processes and practices between development finance institutions. In 2023, the approach to remediation of adverse human rights impacts at the institution and portfolio company level was developed. Swedfund also participated in a discussion with the UN High Commissioner for Human Rights on how the human rights perspective can be best addressed in investments.

CLIMATE
Study
Launched a study on climate impacts and risks for our fund managers, financial institutions and portfolio companies operating in sub-Saharan Africa to identify the most urgent and effective measures to harmonise finance with the Paris Agreement and low-emission pathways. The study focuses on resilience, climate adaptation and emissions reduction and highlighted investors' opportunities and obligations.

BUSINESS INTEGRITY
Collaboration
Together with the UK's development finance institution, we have developed common industry principles on business integrity to help investors identify, assess and manage business integrity risks, with a focus on anti-corruption. The guide is aimed at impact investors operating in high-risk markets. The work is led by Transparency International in the UK.

ESG & IMPACT
Policy
Updated Policy for Sustainable Development, an update performed annually to ensure that the policy is relevant and useful in our work. Amongst other things, it describes our commitments to international standards, principles for responsible investment and sustainable business, and how we work with our thematic areas of human rights and decent working conditions, gender equality and women's economic empowerment, climate and environment, anti-corruption and business integrity, and tax.

RedHealth supplies more than 5,000 ambulances across India. The picture shows some of their employees in Hyderabad.

Our mission engages and delivers results

Catrin Fransson, Chair of the Board, reflects on the year and the 2020–2023 strategy period. Looking back, she sees that we have achieved good results, which she would like to thank all employees for. Continued confidence from the parliament and the government enables us to do more. Going forward, Swedfund aims to triple its contribution to the Sustainable Development Goals with the new strategy for 2024–2030.

2023 WAS A YEAR marked by a number of parallel crises, including an increase in the number of armed conflicts, the occurrence of major natural disasters and the impingement of democratic space. Rising energy and commodity prices, inflation, high interest rates and increasing sovereign debt burdens, as well as disruption in production and supply chains, have further exacerbated the negative trend. In short, we are living in difficult times, where global challenges and parallel crises have led to increased human suffering and had negative and far-reaching macroeconomic consequences.

Stress tested strategy produced results

Given the current situation in the world, Swedfund's mission to contribute to reduced poverty through sustainable investments in developing countries is extremely relevant. 2023 was the last year of Swedfund's four-year business plan, and a backward glance shows that we have achieved excellent results, despite the fact that the strategy period was greatly affected by Covid-19 and Russia's full-scale invasion of Ukraine. Swedfund's business model, based on the three pillars of impact on society, sustainability and financial viability, has been tried and tested and proven to work well. During the strategy period, the number of sectors has increased from three to four by adding investments in the food sector. We have also strengthened our regional presence in West Africa by opening a regional office in Abidjan, Côte D'Ivoire. We have achieved good results during the 2020–2023 strategy period, primarily thanks to our dedicated and capable employees who have worked hard to deliver on our mission. The confidence that the Swedish parliament and government have shown Swedfund through the increase in Swedfund's capital injection has given us the opportunity to do more. For 2023, we received a capital injection of MSEK 1,460, of which MSEK 460 was earmarked for climate investments.

Tripled contribution to the SDGs in the new strategy

In December 2023, the Board adopted a new strategy for 2024–2030, with the clear goal of tripling our contribution to the implementation of the 2030 Agenda using our two instruments: sustainable investments and technical feasibility studies. Sustainable investments in the private sector that help to create new jobs and improve access to energy, digital solutions, healthcare and food.

Swedfund's Project Accelerator also conducts technical feasibility studies and capacity-building initiatives to lay the foundations for more sustainable projects in socially critical infrastructure. These studies are aimed at public sector project owners and are funded either by a development bank or through a Swedish export credit solution. In this context, Swedish companies can be part of the solution to meet the needs of developing countries in areas such as energy, water and waste, as well as sustainable transport solutions. The Project Accelerator thus acts as a bridge between trade, investment and development cooperation.

In addition to sustainable investments and feasibility studies, Swedfund intends to step up its efforts to mobilise institutional capital for investments in developing countries during the strategy period. This will be crucial if we are to reverse the trend and achieve the Sustainable Development Goals.

Finally, I would like to take this opportunity to thank the owner's representatives, the Board and the CEO and all the staff for their fantastic efforts during the year. Swedfund's mission is to make a difference for people who are struggling, which creates a strong sense of commitment both within the organisation and among many stakeholders. A strong focus on following up and measuring the results of every investment creates transparency and trust that provide the right conditions for the further development of the business.

CATRIN FRANSSON
Chair of the Board

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3

VALUE CREATION IN PRACTICE

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Value creation through impact and inclusive growth

Swedfund's value creation model describes how we create value in the delivery of our mission reducing poverty through sustainable investments in the world's poorest countries. We accomplish our mission by investing in and developing sustainable businesses and creating impact and inclusive growth, particularly in sub-Saharan Africa, certain regions of Asia and Eastern Europe. Impact on society, sustainability and financial viability form the foundation of our business model and also underpin our value creation and performance measurement.

Visiting a maize production facility in Lusaka, Zambia.

Value creation model

1 Mission

Our mission is to contribute to reduced poverty through sustainable investments in developing countries. Our approach is based on the Sustainable Development Goals, our mission objectives and Theory of Change and defines our strategy for fulfilling our mission.

→ Read more about the goals considered particularly relevant to our business on pages 62-63.

2 Strategy

Our business plan describes the activities and choices we make to deliver on our mission.

- Geography
- Sector
- Instrument

Energy & Climate

Financial Inclusion

Sustainable Enterprises

Food Systems

3 Sectors for the greatest impact

We have identified four sectors within which we believe we have the best chance to create impact. These are Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems.

→ Read more about our sectors on pages 40-41.

4 Business model

Impact on society

Sustainability

Financial viability

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

→ Read more about how we manage risk on pages 46-47 and about our investment process on pages 50-53.

5 Our capital

Our capital is tied to requirements and support in the form of financial capital, expertise and technical assistance, EU guarantees, partners and networks.

→ Read more about our tools for sustainable development on pages 48-49.

6 Results and performance monitoring

We measure impact through our indicators, which are based on our public policy assignment and our mission objectives.

→ Read more about our portfolio companies' results on pages 62-77.

THE GLOBAL GOALS

GOALS

Our goals for sustainable value creation

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

SWEDFUND HAS A PUBLIC policy assignment with specific mission objectives focused on sustainable value creation and the 2030 Agenda. We report on our attainment of our mission objectives and strategic goals for sustainable value creation, and describe our work on issues such as anti-corruption, environmental management systems and tax, which are essential aspects of our value creation. Our financial goals are adapted to our public policy assignment of being additional and catalytic and to invest in high-risk environments to create impact.

We deliver on our overall mission by creating more jobs with decent working conditions and by improving access to socially important products and services, such as renewable energy, food and healthcare.

Our mission

According to Swedfund's Owner instructions, the organisation shall contribute to the goal of Sweden's Policy for Global Development (PGD). Swedfund's overarching mission is to help reduce poverty by making sustainable investments in the world's poorest countries. Together with our strategic partners, we shall contribute to financially, environmentally and socially sustainable investments that create better living conditions for people living in poverty and oppression.

Our mission objectives

SOCIALLY SUSTAINABLE INVESTMENTS

100%

Compliance by 100 percent of the Company's investments with decent working conditions in accordance with ILO's Fundamental Conventions no 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 no 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 no less than 30 percent of commercial capital.

ENVIRONMENTALLY AND CLIMATE-RELATED SUSTAINABLE INVESTMENTS

2045

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

FINANCIALLY VIABLE INVESTMENTS

60%

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

Our financial goal

OPERATING PROFIT

>0

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

Read more about our portfolio companies' results on pages 62-77.

Mission objectives aligned with the Sustainable Development Goals

1 NO POVERTY

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

Beatrice Ng'ang'a, an employee at Jacaranda Maternity in Kahawa West outside Nairobi, Kenya, during a patient visit.

*2X Challenge – For women's development

The 2X Challenge is a G7 initiative aiming to boost investment in women's development. Swedfund joined the initiative in 2019. This means that we invest in companies that are owned or managed by, or employ, many women, that produce goods or services or offer capital to women.

A well-functioning business model paves the way for tripled impact

Swedfund's business plan, based on impact on society, sustainability and financial viability, contributes to all of the Sustainable Development Goals. During the new strategy period 2024–2030, we aim to triple our contribution to sustainable development and inclusive growth through our two instruments, investments and feasibility studies.

2023 WAS THE FINAL year of Swedfund's four-year business plan for 2020–2023, which is based on the State Ownership Policy and principles for state-owned enterprises and Swedfund's mission and financial goals. The results have been regularly evaluated and the strategy has also been continuously updated to account for developments in the world and in the countries in which Swedfund's portfolio companies operate. Although the 2020–2023 business plan period was greatly affected by a number of parallel crises caused by Covid-19, climate change and Russia's invasion of Ukraine, Swedfund has achieved good results in all three pillars. Swedfund's business model, based on the pillars of impact on society, sustainability and financial viability, has been stress tested and proven to work well.

New sector and regional office

Swedfund increased the number of sectors from three to four during the business plan period and now invests in Energy & Climate, Financial Inclusion, Food Systems and Sustainable Enterprises (which also includes thematic investments in healthcare and digitalisation). Swedfund worked with a number of thematic areas during the strategy period: climate, digitalisation, decent working conditions and women's economic empowerment. Swedfund developed a climate lens, measured the extent to which the portfolio is aligned to the Paris Agreement and broadened the Energy & Climate sector to include investments in adaptation and increasing countries' resilience to climate change. The strong focus on sub-Saharan Africa has been maintained. The regional office in Nairobi has been expanded to include expertise in sustainability and impact. During 2023, a new regional office was established in Abidjan, Côte D'Ivoire to increase the number of investments in West Africa.

In-depth expertise and collaboration

To improve our understanding of contextual and external risks, Swedfund has strengthened its capacity for analysing global and regional trends and continued to deepen its collaboration with civil society organisations, embassies and other actors. Swedfund has also continued to develop its work within sustainability. To contribute to creating sustainable companies in the long-term, our portfolio companies must offer jobs with decent working conditions, implement a management system for environmental and social risks, human rights, and actively work with

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anti-corurption. One example is the ongoing collaboration with the civil society organisation Kvinna till Kvinna. In 2023, a handbook was launched for Swedfund's portfolio companies which describes how gender-based violence, sexual exploitation, abuse and harassment can be prevented. Another example is our collaboration with the Danish Institute for Human Rights in the development of documents, tools and trainings, as well as in-depth analysis of risks and negative impacts on human rights in fragile and conflict-affected contexts.

New strategy 2024–2030

Our new strategy for 2024–2030 is based on our expertise and the areas that we have developed over the past five years. The aim is to triple our impact within the 2030 Agenda framework by utilising our two instruments, investments and feasibility studies, which enable us to work holistically with issues relating to sustainable development and inclusive growth.

Hannah Nyambura Muna, employee at Premier Credit's office in Kasarani, Kenya.

SECTORS in focus

Swedfund has chosen to invest in four sectors: Energy & Climate, Financial Inclusion, Sustainable Enterprises and Food Systems. By focussing resources and expertise on selected areas, we can increase the effectiveness of our business and our impact.

We have a Theory of Change for each sector that forms our starting point when we analyse an investment and identify direct and indirect impacts. We have also developed sector-specific indicators for impact measurement.

Energy & Climate

Energy & Climate

Access to renewable energy is a crucial factor for economic growth and poverty reduction. Today, around 750 million people lack access to electricity, three quarters of whom live in sub-Saharan Africa and the least developed regions of Asia.

The Energy & Climate sector only invests in renewable energy sources. The expansion of sustainable energy supplies requires a broad approach and innovative solutions. Through our investments, we finance both grid-connected power sources as well as stand-alone, so-called off-grid solutions that enable households, villages and communities to utilise locally produced energy.

We also finance broader climate investments such as energy and resource efficiencies that are key to the green transition. The sector also includes green infrastructure, such as water and waste management, digital infrastructure, forests and other carbon sinks, as well as biodiversity projects.

Sustainable Enterprises

Sustainable Enterprises

With a growing population and an increasing number of young people entering the labour market, an additional 600 million jobs need to be created by 2030. These should be productive jobs in the formal sector with decent working conditions. Nine out of ten jobs are created in the private sector and investments are required to allow businesses to grow, employ more people and contribute to increased tax revenues. Small and medium-sized enterprises often face difficulties in accessing capital to grow, increase their productivity or otherwise develop their business. Depending on where a company is on its growth journey, different types of capital are required in the form of investments in equity or loans.

The Sustainable Enterprises sector increases the availability of equity directly or indirectly, contributing to the sustainable development and growth of the private sector in developing countries. Imposing requirements and encouraging portfolio companies to attain international standards in areas such as sustainability, for example, promotes sustainable development of the private sector. Mobilisation of capital from institutional and private investors is also facilitated. Digital business models, gender equality and health are prioritised thematic areas for investment.

Financial Inclusion

Financial Inclusion

In developing countries, small and medium-sized enterprises account for the majority of all jobs and drive economic and social development. Lack of financing is one of the most limiting factors for these companies' opportunity to grow. Financial Inclusion invests in, amongst others, regulated banks and microfinance institutions to reach out more broadly and effectively. In addition to enabling increased lending to the banks' customers, we also help develop institutions' work on sustainability and corporate governance, which are important aspects for inclusive growth.

Swedfund also invests in microfinance institutions that provide microloans to entrepreneurs, small businesses and and low-income earners. We require microfinance institutions to comply with the Customer Protection Protection Principles (CPP) which certify that they actively work with responsible lending and management. For example, pricing should be transparent, excessive indebtedness should be avoided, debts are collected responsibly and personal integrity is respected.

Food Systems

Food Systems

Globally, three billion people cannot afford a nutritious diet and more than 800 million people are undernourished. Despite favourable conditions for agriculture and food production, Africa imports up to 65 percent of the continent's food. A key area to address in this context is the low level of processing, which is an important factor in reducing food insecurity and nutritional deficiencies. In many countries, large quantities of food never reach the market and become waste. At the same time, food insecurity is exacerbated by factors such as climate change, geopolitics, war and population growth.

In the Food Systems sector, we contribute to increased food production, less waste during production and increased sustainability throughout the value chain. Investing in the food sector creates formal jobs, economic empowerment and increased food security through increased production and improved resource and energy efficiency. If investments are made correctly, they can be climate-adapted to better respond to climate change and reduce the negative impact on biodiversity.

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Swedfund's business model is designed to create impact within its three pillars: impact on society, sustainability and financial viability.

THREE Pillars which permeate every step

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

Impact on society

Swedfund assesses how an investment can contribute to impact on society based on our theory of change. The investments intend to create development effects such as development of the private sector, strengthening of local communities, inclusive development and economic growth, as well as climate adaptation.

We monitor measurable results in key areas where we have a direct impact, such as the number of jobs, women's economic empowerment and gender equality in the workplace according to 2X Challenge criteria, climate impact and tax revenues. The indirect impacts of our investments are more difficult to demonstrate through data, and we have therefore initiated studies with the aim of clarifying different effects and relationships.

Sustainability

To contribute to the creation of long-term sustainable businesses, our portfolio companies must offer jobs with decent working conditions, implement a management system for managing environmental and social risks, ensure that human rights are respected, and work actively with anti-corruption.

The monitoring of this pillar involves monitoring the status of employment conditions in accordance with the ILO Declaration on Fundamental Principles and Rights at Work, and the implementation and results of management systems. Indicators concerning corporate governance, anti-corruption and human rights are also measured and followed up.

Financial viability

A business that is financially viable has the prerequisites to grow, contribute to the creation of more jobs with decent working conditions, increase the tax base of the countries in which it is based, strengthen women's economic empowerment and have a positive impact in other areas.

Swedfund is a long-term owner, and the profitability of an individual portfolio company may vary during the investment cycle. This pillar includes indicators regarding turnover, profitability and the mobilisation of private capital.

Investing in the world with a focus on Sub-Saharan Africa

Swedfund's investments have a wide geographical spread. In accordance with our Owner instructions, our focus is on the world's least developed countries, which above all means sub-Saharan Africa. During the year, Swedfund has invested in new companies and made a number of additional investments in ongoing investments.

PERIOD REPORT 23.01.01-23.12.31

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

GLOBAL

- O **Investment:** EFP
  Sector: Other
- O **Investment:** Interact Climate Change Facility
  Sector: Energy & Climate

AFRICA AND ASIA

- O **Investment:** Accion Digital Transformation Fund
  Sector: Financial Inclusion
- O **Investment:** Apis Growth Fund II LP
  Sector: Sustainable Enterprises
- O **Investment:** Climate Investor Two
  Sector: Energy & Climate
- + **Investment:** d.light
  Sector: Energy & Climate
- + **Investment:** Husk Power Systems INC
  Sector: Energy & Climate
- N **Investment:** Apis Growth Markets Fund III
  Sector: Sustainable Enterprises
- N **Investment:** Mirova Gigaton Fund
  Sector: Energy & Climate
- E **Investment:** IFC Women Entrepreneurs Debt Fund LP
  Sector: Financial Inclusion

ASIA

- O **Investment:** Apis Growth Fund I LP
  Sector: Sustainable Enterprises
- O **Investment:** ASEAN Frontier Market Fund (AFMF)
  Sector: Sustainable Enterprises
- O **Investment:** Climate Investor One
  Sector: Energy & Climate
- O **Investment:** Quadria Capital Fund II
  Sector: Sustainable Enterprises
- O **Investment:** Renewable Energy Fund Asia II LP
  Sector: Energy & Climate
- O **Investment:** SUSI Asia Energy Transition Fund
  Sector: Energy & Climate
- N **Investment:** Southeast Asia Clean Energy Fund II
  Sector: Energy & Climate

AFRICA

- O **Investment:** Adenia Capital III LLC LTD
  Sector: Sustainable Enterprises
- O **Investment:** AFIG Fund II LP
  Sector: Sustainable Enterprises
- O **Investment:** African Development Partners II LP
  Sector: Sustainable Enterprises
- O **Investment:** African Development Partners III LP
  Sector: Sustainable Enterprises
- O **Investment:** African Infrastructure Investment Fund 4
  Sector: Energy & Climate
- O **Investment:** AfricInvest Fund III LLC
  Sector: Sustainable Enterprises
- O **Investment:** Africa Renewable Energy Fund II
  Sector: Energy & Climate
- O **Investment:** African Rivers Fund III
  Sector: Financial Inclusion
- O **Investment:** Bayport Management LTD
  Sector: Financial Inclusion
- O **Investment:** BluePeak Private Capital Fund
  Sector: Financial Inclusion
- O **Investment:** ECP Africa Fund III PCC
  Sector: Sustainable Enterprises
- O **Investment:** Evolution II
  Sector: Energy & Climate
- O **Investment:** Frontier Energy Fund II
  Sector: Energy & Climate
- O **Investment:** Ninety One Private Equity Fund 2 L.P.
  Sector: Sustainable Enterprises
- O **Investment:** Medical Credit Fund II
  Sector: Sustainable Enterprises
- O **Investment:** Metier Sustainable Capital Fund II
  Sector: Energy & Climate
- O **Investment:** Norsad Finance
  Sector: Financial Inclusion
- O **Investment:** Platcorp Holdings Ltd
  Sector: Financial Inclusion
- O **Investment:** Serengeti Energy
  Sector: Energy & Climate
- O **Investment:** SunFunder
  Sector: Energy & Climate
- O **Investment:** Tide Africa Fund II
  Sector: Sustainable Enterprises
- O **Investment:** TLG Credit Opportunities Fund
  Sector: Financial Inclusion
- O **Investment:** Vantage Mezzanine Fund IV
  Sector: Financial Inclusion
- N **Investment:** Amethis Fund III
  Sector: Sustainable Enterprises
- N **Investment:** African Rivers Fund IV
  Sector: Financial Inclusion
- N **Investment:** Evolution III
  Sector: Energy & Climate
- N **Investment:** E3 Low Carbon Economy Fund I
  Sector: Energy & Climate
- N **Investment:** Joliba Capital Fund I
  Sector: Sustainable Enterprises
- N **Investment:** Transform Health Fund
  Sector: Sustainable Enterprises

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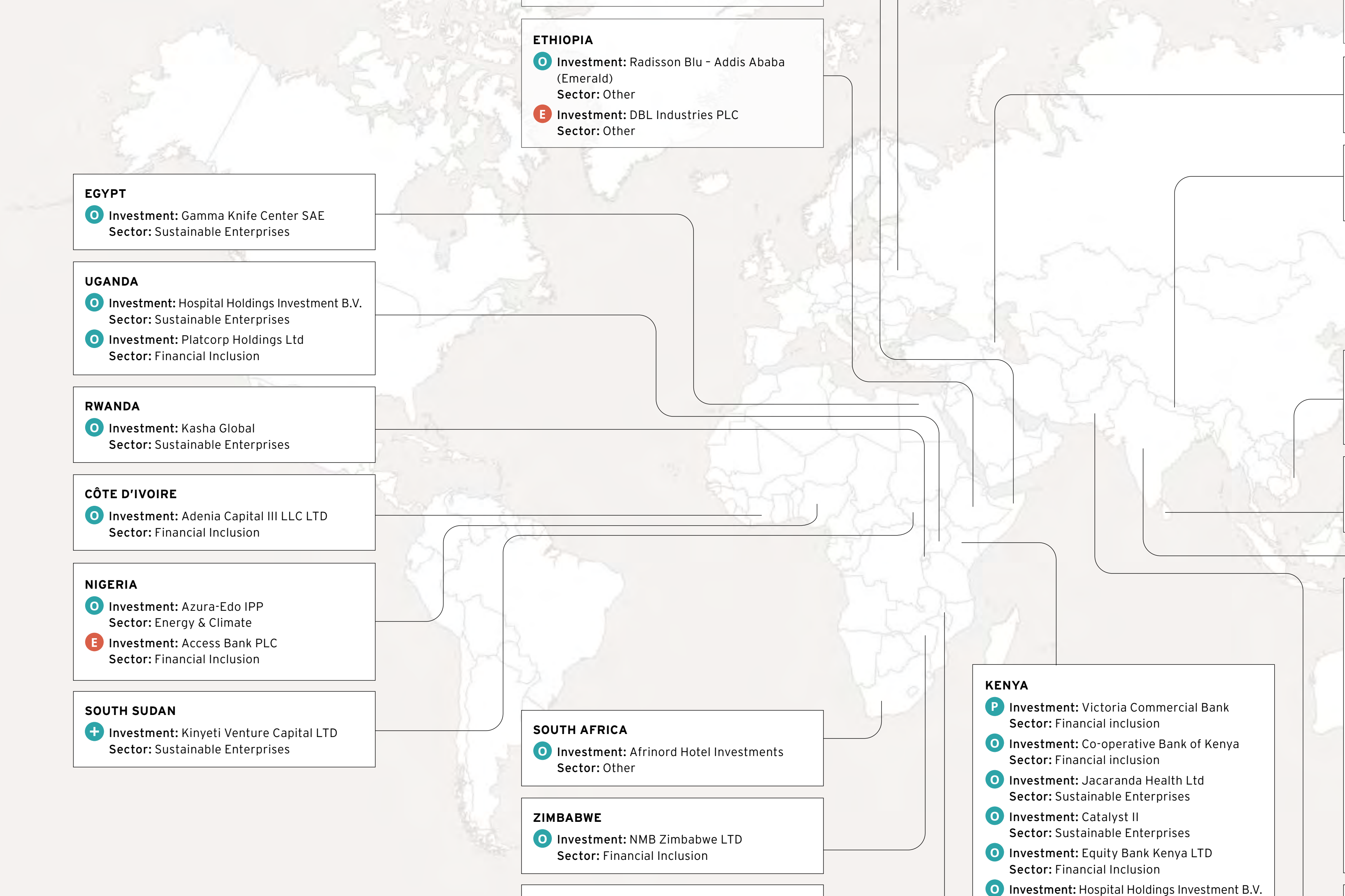

SOMALIA
O **Investment:** Nordic Horn of Africa Opportunities (NHAO) Fund
Sector: Sustainable Enterprises

ETHIOPIA
O **Investment:** Radisson Blu - Addis Ababa (Emerald)
Sector: Other
E **Investment:** DBL Industries PLC
Sector: Other

EGYPT
O **Investment:** Gamma Knife Center SAE
Sector: Sustainable Enterprises

UGANDA
O **Investment:** Hospital Holdings Investment B.V.
Sector: Sustainable Enterprises
O **Investment:** Platcorp Holdings Ltd
Sector: Financial Inclusion

RWANDA
O **Investment:** Kasha Global
Sector: Sustainable Enterprises

CÔTE D'IVOIRE
O **Investment:** Adenia Capital III LLC LTD
Sector: Financial Inclusion

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

SOUTH SUDAN
+ **Investment:** Kinyeti Venture Capital LTD
Sector: Sustainable Enterprises

SOUTH AFRICA
O **Investment:** Afrinord Hotel Investments
Sector: Other

ZIMBABWE
O **Investment:** NMB Zimbabwe LTD
Sector: Financial Inclusion

MALAWI
O **Investment:** JCM Power Corporation
Sector: Energy & Climate

KENYA
P **Investment:** Victoria Commercial Bank
Sector: Financial inclusion
O **Investment:** Co-operative Bank of Kenya
Sector: Financial inclusion
O **Investment:** Jacaranda Health Ltd
Sector: Sustainable Enterprises
O **Investment:** Catalyst II
Sector: Sustainable Enterprises
O **Investment:** Equity Bank Kenya LTD
Sector: Financial Inclusion
O **Investment:** Hospital Holdings Investment B.V.
Sector: Sustainable Enterprises
O **Investment:** Kasha Global
Sector: Sustainable Enterprises

UKRAINE
O **Investment:** Greenteco SES (Chigirin Solar Project)
Sector: Energy & Climate
N **Investment:** Horizon Capital Growth Fund IV
Sector: Sustainable Enterprises

GEORGIA
O **Investment:** Bank of Georgia
Sector: Financial Inclusion

NEPAL
O **Investment:** Dolma Impact Fund II
Sector: Sustainable Enterprises

VIETNAM
N **Investment:** Vietnam Prosperity Joint Stock Commercial Bank
Sector: Financial Inclusion

SRI LANKA
O **Investment:** LOLC Finance PLC
Sector: Financial Inclusion

INDIA
O **Investment:** Baring India Fund II LTD
Sector: Sustainable Enterprises
O **Investment:** HealthQuad Fund II
Sector: Sustainable Enterprises
O **Investment:** Satin Creditcare Network Lgt
Sector: Financial Inclusion
O **Investment:** CreditAccess Grameen
Sector: Financial Inclusion
O **Investment:** Five-Star Business Finance
Sector: Financial Inclusion
O **Investment:** GEF South Asia Growth Fund II
Sector: Energy & Climate
N **Investment:** South Asia Growth Fund III
Sector: Energy & Climate

PAKISTAN
O **Investment:** JCM Power Corporation
Sector: Energy & Climate

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RISK

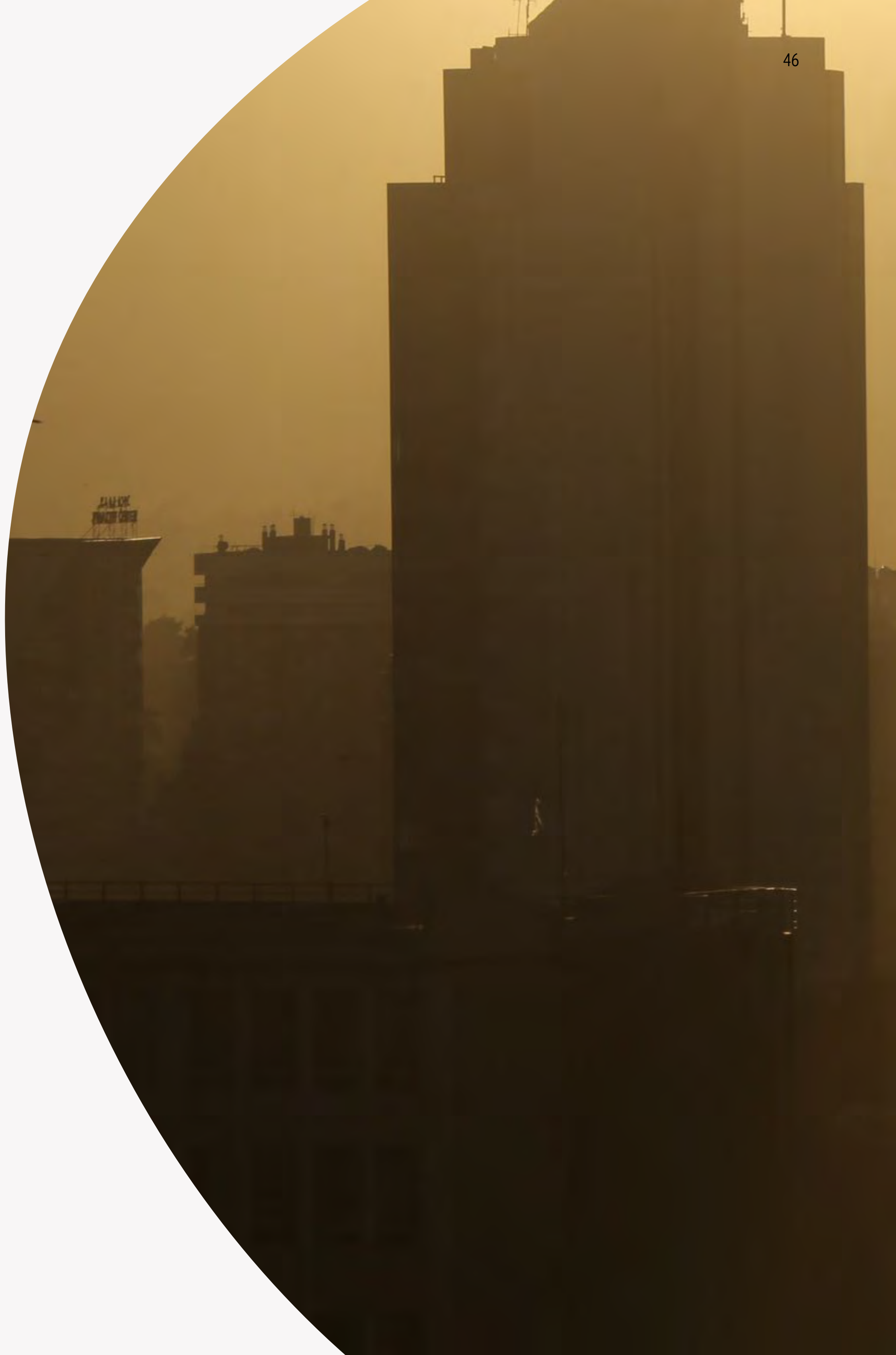
Managing risk in a challenging mission

As a development finance institution, risk is pivotal to our mission and business. Swedfund invests in countries and sectors characterised by considerable risks on a number of levels. We have processes and policies in place and work continuously with risk management.

SWEDFUND'S MISSION AS A development finance institution is to act additionally and catalytically. This means that, where there is a shortage of commercial capital, we take greater risk than other investors are normally willing to accept. The mission also entails an expectation to take risks. The work relating to risk management aims to achieve risk optimisation based on mission objectives and the business model, rather than to minimise risks in every respect. In its operations, Swedfund is exposed to a variety of risk factors, some of which are difficult to affect. We manage risks at different levels, and good risk management is both a prerequisite for our business and enables increased impact. Swedfund's risk management framework is based on the risk policy adopted by the Board of Directors.

Risks relating to the company's own organisation and operations are identified and followed up on a regular basis. The outcome of the analysis is documented in a risk register. Risks relating to the investment portfolio are analysed and followed up in portfolio reports and regular risk reports.

All risk categories are addressed prior to each investment decision through a thorough risk analysis and, where applicable, associated action plans. Many strategic risks are managed through regular stakeholder dialogues. Other risks are managed through our policies and frameworks, which are updated as and when necessary. Swedfund's portfolio companies are monitored on an ongoing basis to ensure compliance with our agreed requirements. Every investment and project is actively managed, and we also actively evaluate our partners. We have a code of conduct that all employees are expected to comply with, along with a number of internal guidelines.



1

Strategic risks

Strategic risks include structural factors relating to our mission, the challenging geography of the portfolio companies and the company's ownership and financing.

- Risk related to financing
- Geopolitical risks
- Risks related to contextual circumstances
- Risks related to reputation and trust

2

Investment risks

Many of Swedfund's risks lie in our investments, where risk management forms a natural part of the investment process. We categorise the investment risks within each of the three pillars that permeate Swedfund's investment process.

- Risks related to failure to deliver desired impact
- Risks related to investments' sustainability work
- Risks related to investments' financial viability

3

Financial risks

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

- Credit and share price risk
- Liquidity risk
- Currency risk

4

Operational risks

Operational risks are those associated with Swedfund's internal operations. These could be poor internal processes, defective systems, legal risks, fraud, corruption and the human factor, as well as IT risks, security risks and money laundering risks.

- Risks related to Swedfund's operations and organisation

5

Climate risks

Swedfund has systematised the analysis of risks that could arise as a result of, and are linked to, climate change. These can potentially have a financial impact on Swedfund. Swedfund supports the Task Force on Climate-related Financial Disclosures (TCFD) and works continuously to implement its recommendations.

- Investment risks
- Physical climate risks
- Transition risks

→ For a comprehensive table of risks, including how we manage our risks, see pages 58–59.

Tools for sustainable development

Swedfund's operations are centred on our investments and the development of sustainable and investable infrastructure projects through the Project Accelerator. The investment activities and the Project Accelerator are mutually reinforcing and are two tools that we employ to deliver on our mission. Both have well-developed sustainability processes and a process for following up and measuring performance.

SWEDFUND HAS SEVERAL FINANCIAL instruments for our investments: equity, loans and guarantees. We make both direct investments through equity and loans and indirect investments through our fund investments. The choice of investment form depends on the financing requirements of each company, but we also strive to establish a good balance of instruments in our combined portfolio. Since 2023, Swedfund also has access to EU guarantees.

Direct investments

EQUITY

When Swedfund invests in equity, we are a minority shareholder. We have ample opportunity to exert influence and usually have a seat on the company's Board of Directors. As a shareholder, we aim to be a long-term investor, but to sell our shares as soon as we are no longer needed. Swedfund remains a shareholder as long as there is possibility to make a positive difference and contribute financial resources and knowledge, for example within sustainability and impact on society. When deciding to sell equity, we consider a range of factors, including the new owner's ambitions and the possibility of continuing to run the company in a sustainable way.

LOANS

A loan is based on a company's need for financing and entails less risk compared to an equity investment, although the general level of risk in Swedfund's markets is always high. As instruments, loans are more predictable, partly because there is an agreed amortisation plan, ongoing interest payments and a planned closing date. Requirements regarding sustainability, reporting and further development of sustainability work are established in the same way as for other forms of financing, but after the loan has been disbursed, our possibility to exert influence decreases somewhat. It is therefore vital for Swedfund to agree on these requirements in a loan agreement before the first payment is made. Many jobs are created in small companies that need small loans or microloans. Using the loan instrument is an effective way of reaching many smaller companies and entrepreneurs.

GUARANTEE INSTRUMENT

In recent years, the relationship with the EU has deepened, primarily thanks to development finance institutions' experience with sustainable private sector investments in difficult contexts. As part of this, several development finance institutions, including Swedfund, have been pillar-accredited, meaning we can use the EU's instruments for private sector development. As a pillar-accredited development finance institution, Swedfund is a partner in EDFI MC, a management company set up to strengthen financial cooperation between pillar-accredited development finance institutions and the EU. Through EDFI MC, we have access to EU guarantees worth EUR 1.28 billion. The guarantee schemes will be implemented in areas such as renewable energy, digitalisation, climate and health.

TECHNICAL ASSISTANCE

Funds for technical assistance (TA) is a strategic tool that is used for quality-enhancing initiatives relating to portfolio companies through initiatives within impact on society and sustainability. The aim is to strengthen Swedfund's capacity as active owners in order to improve the quality of our portfolio in accordance with our mission and goals. The funds are primarily used to strengthen investments in terms of impact, gender equality and sustainability, including environment and climate, decent working conditions and business integrity, as well as anti-corruption.

Our potential, current and concluded investments can benefit from TA funds, and we can engage partners in the implementation of projects. The maximum budget for each TA project is SEK two million. TA funds cannot be used for activities that are deemed to be part of the portfolio companies' day-to-day operations, such as replacing obsolete equipment or employing specific expertise.

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

Read more about technical assistance on page 80.

Indirect investments

FUNDS

Funds enable small and medium-sized enterprises to access essential financing in the form of loans or equity. Through funds, Swedfund's capital can reach more people. These companies contribute to sustainable and profitable growth and help reduce poverty by creating jobs, strengthening the tax base and participating in knowledge-building. Swedfund also invests in thematic funds to improve access to healthcare, digitalisation and renewable energy, amongst others.

The funds in which Swedfund invests are long-term and the managers we work with have a high level of expertise in the countries and sectors we focus on. This provides a good opportunity for us to exert influence and for cofinancing with other development finance institutions. The fund instrument enables us to share risks and contributes to better risk diversification in the portfolio. The fund instrument also facilitates the mobilisation of private capital and ensures that Swedfund acts catalytically.

We require fund managers to set similar requirements on their direct investments as Swedfunds sets as investor. By setting out the requirements that the fund must meet and supporting the sustainability work in particular, we help the fund's portfolio companies to strengthen their work sustainability work. For Swedfund to invest in a fund, an important condition is that the fund's structure is transparent and that the fund investment fits with Swedfund's direct investments. Swedfund is often involved in LPAC, a group of representatives from the largest investors.

Swedfund may agree with the fund on what is known as an 'opt-out right', which entitles us to refrain from an investment that does not meet our requirements, for example regarding the geography of investment or certain sectors.

Project Accelerator

SWEDFUND'S PROJECT ACCELERATOR

The Project Accelerator carries out technical feasibility studies and capacity-building initiatives to lay the foundation for more sustainable and investable infrastructure projects in developing countries. The projects are developed with a public project owner who thereafter carries them out with financing from a development bank or a Swedish export credit solution. In the countries in which we work, the public sector often has limited financial resources and capacity, and the Project Accelerator can support with external expertise.

The Project Accelerator works closely with the embassies and actors within Team Sweden (including Sida, SEK, EKN and Business Sweden) and development banks to identify needs in our partner countries and assist during project implementation. Swedish companies can be part of the solution for the needs in developing countries in areas such as energy, water, digitalisation and sustainable transport. As such, the Project Accelerator serves as a bridge between trade, investments and development cooperation.

Read more about the Project Accelerator on pages 54–55.

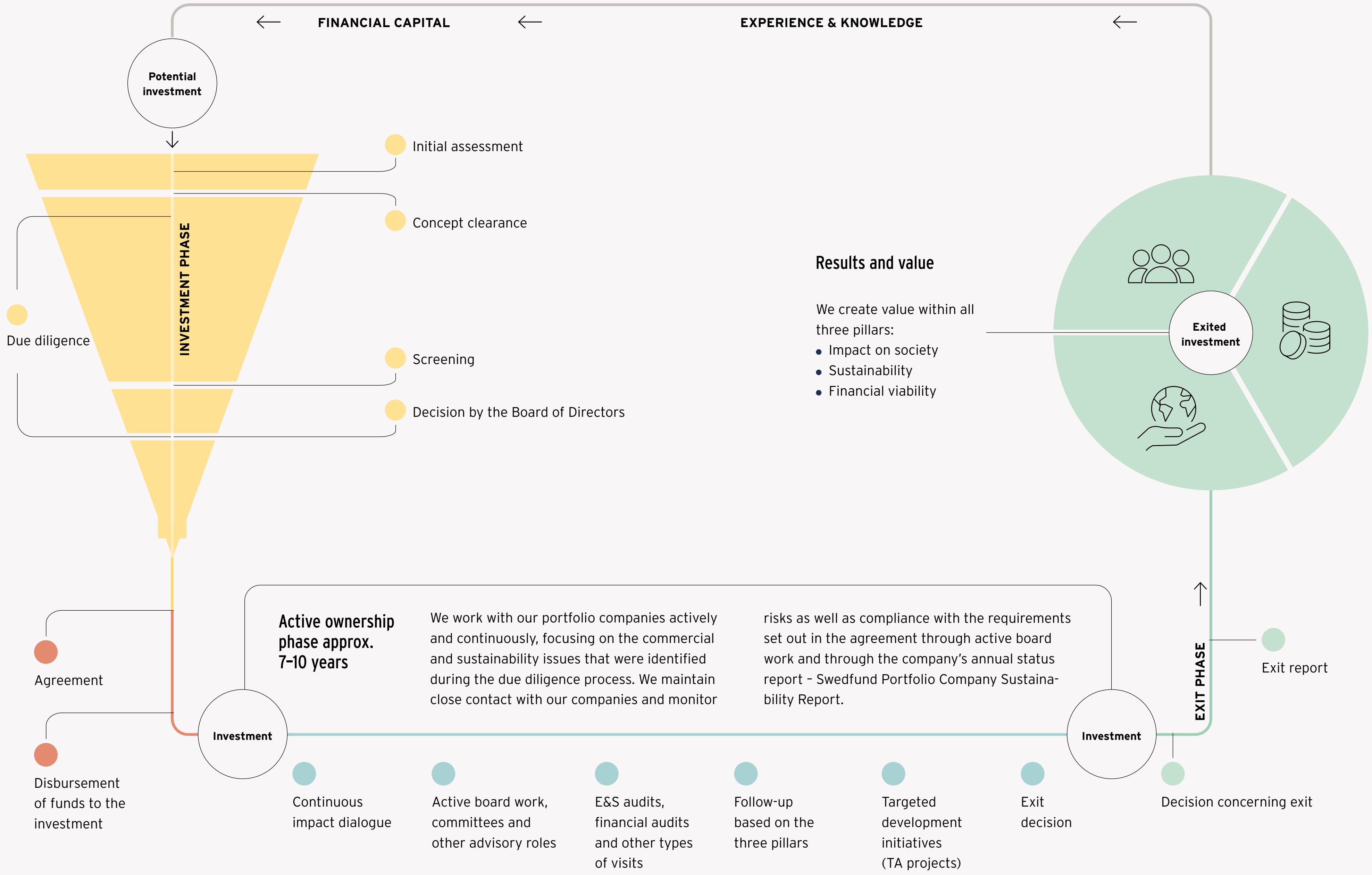
PROCESS

A thorough investment process

Wind farm in Marsabit County, Kenya.

We invest in private businesses, financial institutions and funds by providing direct and indirect loans and equity to create jobs with decent working conditions and improve access to socially important products and services such as renewable energy, food and healthcare. We have developed an investment process that enables us to succeed in our challenging mission.

INVESTING IN DEVELOPING COUNTRIES is associated with major risks, particularly financial risks. We endeavour to manage these risks through a comprehensive investment process. We work strategically to build a pipeline and select the investments that we believe have the most potential. Regional offices play an important role in identifying potential investments. In the case of investments that are in line with our investment strategy and criteria, a more in-depth analysis is conducted. The investment organisation, working alongside experts in ESG, law, business integrity and impact, conduct a thorough analysis. Business plans, investment partners, sustainability (environment, working conditions, anti-corruption and human rights) and societal impacts are all analysed. The analysis is then reviewed by Swedfund's Investment Committee and approved or rejected in a final step by the Board of Directors, or directly by the Investment Committee if it falls within the investment mandate granted by the Board. Each investment is considered to have the prerequisites to achieve the goals set in our three pillars: impact on society, sustainability and financial viability. The model on the right is described in more detail on the next pages.


FINANCIAL CAPITAL
EXPERIENCE & KNOWLEDGE
Potential investment
INVESTMENT PHASE
Initial assessment
Concept clearance
Due diligence
Screening
Decision by the Board of Directors
Results and value
We create value within all three pillars:
• Impact on society
• Sustainability
• Financial viability
Exited investment
Agreement
Disbursement of funds to the investment
Active ownership phase approx. 7–10 years
We work with our portfolio companies actively and continuously, focusing on the commercial and sustainability issues that were identified during the due diligence process. We maintain close contact with our companies and monitor risks as well as compliance with the requirements set out in the agreement through active board work and through the company's annual status report - Swedfund Portfolio Company Sustainability Report.
Investment
Investment
EXIT PHASE
Exit report
Continuous impact dialogue
Active board work, committees and other advisory roles
E&S audits, financial audits and other types of visits
Follow-up based on the three pillars
Targeted development initiatives (TA projects)
Exit decision
Decision concerning exit

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The investment process in practice

Our thorough investment process follows the same phases regardless of sector, instrument or whether the investment is made directly or indirectly. Below is a description of the process and each phase.

Investment phase

Prior to investment decision

INITIAL ASSESSMENT

Swedfund works actively with various investment needs, not least with our regional offices. A wide variety of investment proposals are evaluated every year. The initial assessment examines whether the proposal is consistent with our investment strategy and criteria, and how the investment can contribute to Swedfund's mission objectives and the Sustainable Development Goals. We carry out an overall evaluation of the country, the company and its business plan and strategic partners, and our potential role. In every investment, our role must be additional, which means that we provide resources which are crucial to the development of the investment that would otherwise not have been available.

CONCEPT CLEARANCE

After initial assessment, the investment team draws up a proposed decision, "concept clearance", which is then presented to Swedfund's Investment Committee. The Investment Committee consists of the management team and has both an advisory and decision-making role. Together with the investment team, key opportunities and the greatest risks associated with the investment which must be analysed during the due diligence process are identified and discussed.

DUE DILIGENCE

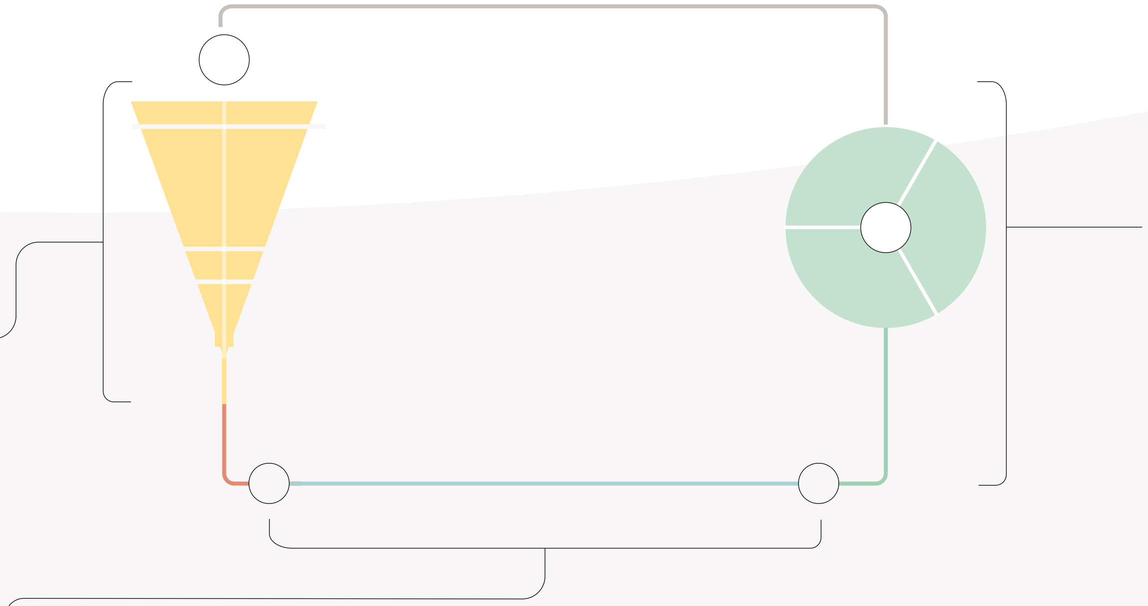
If a decision is made to proceed, the investment proposal will continue on to the due diligence phase. A thorough analysis of the company is initiated. Examples of areas analysed include business idea, business model, market, financial history and forecast, investment calculation, partners, legal aspects, expected impact on society, as well as sustainability risks and impacts, including the environment, working conditions, human rights, tax, risk of corruption, gender equality and climate issues. During the due diligence phase, the investment team meets representatives of different areas of the company to gain a deeper understanding of the company, its processes and routines, and the documents that have been shared with us. We enlist the help of our regional offices that possess local expertise and knowledge. If necessary, external expertise is used to examine specific issues. Before the meeting, the company will be asked to complete a comprehensive questionnaire on environmental, social and corporate governance. The due diligence process forms the basis for decision-making, including the required and contractual ESG Action Plan (ESGAP), which describes the changes that the company needs to make in order to live up to Swedfund's sustainability requirements.

SCREENING

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

DECISION BY THE BOARD OF DIRECTORS

After passing the screening process, the proposal is presented to the Board, which will then make a decision. In some cases, the Investment Committee may reach a decision if it falls within the investment mandate granted by the Board of Directors.
If the investment is approved, an agreement will be negotiated. The investment agreement also includes requirements regarding sustainability and reporting.



Exit phase

Results, learning and experience

Swedfund is a long-term development finance institution, not a permanent owner. We exit an investment either by selling our shares, the loan being repaid or conclusion of the fund.

The exit phase generally starts when Swedfund considers the goals established for the investment to be achieved or when we cease to be 'additional'. Selling equity in the markets in which we operate can be a difficult and protracted process. Ahead of the exit process, the portfolio company is analysed on the basis of Swedfund's three pillars, and an assessment is made as to whether further initiatives are necessary.

An exit report is prepared for each exit, where we analyse the achieved results, what we have learned and what relevant knowledge and experiences we can bring with us into future investments. The report must also clearly describe how the investment has lived up to Swedfund's requirements and contributed to the objectives adopted at the time of the investment.

*Funds for Technical Assistance (TA)

Read more on page 80.

Active ownership phase

Ongoing work and follow-up

Once the agreement has been signed and the money disbursed, the work initiated earlier during the investment phase continues. We work actively and continuously with our portfolio companies, focusing on commercial, risk and sustainability issues identified during the due diligence phase. The regional offices play an important role in the continuous follow-up.

During the period in which we are shareholders of or lenders to a company or fund, usually seven to ten years, we maintain ongoing dialogue and close contact with the portfolio companies to follow up on risks and results, goal attainment and contractual conditions. This is done through visits, active board work and dialogue, as well as through the company's annual status reports (Swedfund Portfolio Company Sustainability Report). Both internal audits and third party audits are conducted. In connection with fund investments, we can have direct contact with the underlying holdings of the funds, for example through visits, analyses, initiatives within ESG and impact supported by TA funds*, and through their reports.

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

Special Operations

Some of Swedfund's investments may sometimes require extra time or measures. There can be several underlying causes as to why a portfolio company does not perform as planned, such as poor market development, war and conflict, difficult divestment or liquidation situations or other aspects related to a company's governance. To support the portfolio companies in such situations, we have the Special Operations function. In Special Operations, we spend extra time on the investment or use other methods than usual for a limited period of time to help reverse the development. A decision to move an investment from the investment organisation to Special Operations is made by the Investment Committee.

For companies in Special Operations, it can be an advantage to receive extra support in areas where the challenges exist, such as financing, strategy or ESG issues. For Swedfund, the move to Special Operations can be advantageous as a different team can shed new light on the investment and the assessment of risks and opportunities, as well as providing the investment dedicated time to deal with the situation that has arisen.

The Project Accelerator – a bridge between development cooperation, trade and investment

The Project Accelerator is a facility within Swedfund whose work aims to support public project owners in developing countries to develop and implement more sustainable and financially viable infrastructure projects. The Project Accelerator has a catalytic effect and Swedish companies can be part of the solution. The Project Accelerator offers support for project development, capacity-building measures and financing of feasibility studies in sustainable and green infrastructure, which are important areas for achieving the Sustainable Development Goals.

23

Number of interventions initiated in 2023

Large need for project preparation initiatives

Large-scale investments in infrastructure are a prerequisite for sustainable development, economic growth and poverty reduction in developing countries. Investments in energy, water and sanitation systems, healthcare and sustainable transport systems are examples of infrastructure that play a crucial role in meeting immediate needs of populations and the Global Goals.

At the same time, developing countries often lack the financial resources and the capacity required to develop and implement necessary investments. In procurement processes, sustainability aspects are often deprioritised, leading countries to build themselves into unsustainable systems. Therefore, there is a great need for project preparation initiatives that can help to identify and develop prioritised and financially viable projects that also meet investors' social and environmental requirements and in which Swedish companies can be part of the solution.

Support through capacity-building initiatives and feasibility studies

The Project Accelerator aims to analyse the risks and opportunities associated with a specific project, demonstrate financial, social and environmental viability, and to help stakeholders make well-informed decisions. The Project Accelerator also provides technical support through external advisors to strengthen the project owner's ability to procure and implement studies in a structured manner in accordance with international standards. Overall, this helps unlock opportunities for external funding for the project's implementation through a development bank or a Swedish export credit, for example. It also allows Swedish companies that offer sustainable solutions to participate in a competitive procurement process.

Since its inception in 2016, the Project Accelerator has initiated more than 70 projects. Global crises are likely to increase needs. Increased funding during the year has enabled the initiation of more projects, including projects in Ukraine.

Team Sweden and key partnerships

The Project Accelerator works with different actors within Team Sweden, with the Embassies being particularly important. They are represented in our partner countries and help identify relevant needs and support during implementation, as discussions often take place with local ministries and authorities.

Other actors within Team Sweden (Business Sweden, SEK, EKN and Sida, amongst others) are also important partners, as well as Swedish companies that can offer sustainable solutions. These collaborations allow for collective project expertise and discussions with financiers at an early stage.

A tool for trade and investment

By contributing to the development of more sustainable projects, the Project Accelerator strengthens conditions for increased production capacity locally, trade and, ultimately, favourable economic development where the private sector can contribute to sustainable growth.

The Project Accelerator is also an important tool for Swedfund's investments by laying the foundation for more sustainable projects that can be financed and implemented in our countries. For example, the Project Accelerator can support investments in the Energy & Climate sector by strengthening the capacity of the electricity grid. This creates the conditions for renewable energy generated by Swedfund's investments to be used more efficiently, and for local actors' capacity development to contribute positively to Swedfund's investments.

The Project Accelerator thereby serves as an important bridge between development cooperation, trade and investment, and, by extension, more inclusive growth.

Case

Sustainable transport solutions in Manila

PUBLIC TRANSPORT PLAYS A crucial role in economic growth and sustainable and inclusive development. However, access to public transport in developing countries is often limited, with negative effects on people and the environment.

In Southeast Asia, 60 percent of the population lacks access to public transport. The effects can be seen in Manila, capital of the Philippines, where the traffic situation has long been difficult, with poor air quality and widespread traffic congestion.

In 2017, the Project Accelerator initiated a collaboration with the Philippines' Ministry of Transport to investigate the potential for a bus network with dedicated lanes and other functions that help buses move more efficiently. The first bus route was implemented during the Covid-19 pandemic and facilitates travel between districts, with up to 400,000 passengers daily.

Since then, we have continued our collaboration to further develop the public transport network. In 2023, new studies were initiated to develop an operator model for the organisation and management of the system.

An efficient public transport solution is very much in line with the Project Accelerator's continued focus on sustainable transport. The impact is considerable, with emission reductions, improved safety and better opportunities for people to transport themselves within the city.

Case

Wastewater treatment in South Sudan to reduce environmental impacts and improve health

AFTER MANY YEARS OF conflict, global crises and drought in the south and flooding in the north, South Sudan faces a difficult humanitarian situation, with over 80 percent of the population below the poverty line. Basic infrastructure for wastewater is lacking, which affects the environment and human health.

Since 2023, the Project Accelerator has supported a project together with South Sudan's state-owned water company. We have funded a feasibility study for the development of a wastewater treatment plant in the capital Juba that is both sustainable and resilient to climate change. By implementing a wastewater treatment system, the city can reduce the negative effects of flooding on crops, infrastructure, and the dispersal of pollutants and contaminants. Sustainable treatment systems can also contribute to resource efficiency, especially if circular technologies are used.

The project is expected to be completed in 2024 and the implementation of the wastewater facility is planned to be financed by the African Development Bank.

Case

Digitalisation project for a government cloud solution in Ukraine

RUSSIA'S INVASION HAS POSED major challenges for the digital sector in Ukraine in terms of the destruction of digital infrastructure, cyber attacks and the spread of disinformation. Despite this, the Ukrainian government has continued its efforts to provide, expand and digitalise public services for its population.

As part of these efforts, Ukraine's Ministry of Digital Transformation intends to develop a strategy for the development of a state-owned cloud solution. The Project Accelerator is supporting the strategy through a feasibility study analysing potential alternatives for cloud services and, in the long term, the implementation of a government cloud service.

The overall aim of the project is to contribute to the country's long-term goals regarding data security, digital resilience and access to reliable public services. Furthermore, the project represents an important step in strengthening Ukraine's compliance with EU rules in the digital domain, thereby strengthening the country's position for future EU membership.

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Swedfund's ethical compass

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

Our ethical compass

The ethical compass has been developed based on Swedfund's mission and the needs that we have identified in close dialogue with our owner, partners and other stakeholders. Dialogue with our stakeholders is particularly important for us to develop and be challenged, and fulfil our mission as a development finance institution. Read more about our stakeholder and materiality analysis on pages 138–139.

Swedfund's Code of Conduct, Sustainability Policy, Anti-Corruption Policy and Tax Policy are key policies adopted by the Board of Directors and communicated to our stakeholders via our website. The commitments in our policies extend beyond compliance with existing legislation, as we are also committed to complying with voluntary international guidelines. Our employees' adherence to our Code of Conduct and implementation of our Sustainability Policy, Anti-corruption Policy and Tax Policy, amongst others, is crucial to fulfilling our mission as a responsible investor. The ethical compass is an important part of the introduction programme for new employees. To boost internal sustainability competence, Swedfund provides continuous training on international guidelines and commitments, our policies and issues such as climate, gender equality, human rights, anti-corruption and corporate governance. Policies and commitments in the ethical compass encompass both Swedfund as a company and our portfolio companies.

Updated policies

In 2023, the sustainability policy underwent a review and minor revision. The sustainability requirements for our portfolio companies were restructured and certain requirements were clarified, for example requirements related to climate calculations for financial institutions, forest certification and customer protection certification. The requirements for sustainable agriculture were also supplemented. Some requirements were removed from the policy, although they are still included in the investment process, such as requirements linked to the boards' sustainability committees.

Swedfund has a whistleblowing function that can be used in case of suspected irregularities conducted by executives within Swedfund or the portfolio companies. The whistleblowing function handles suspected corruption, accounting inaccuracies, deficiencies in internal control or other doubts that could seriously affect the company's interests or the health and safety of individuals. In 2023, Swedfund established a new internal reporting channel and carried out a review and update of the whistleblowing service due to new legislation.

Ethical compass

Policies

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

International commitments

- UN Global Compact
- UN Principles for Responsible Investment (UNPRI)
- EDFI Principles on Responsible Financing
- World Bank framework for Corporate Governance Development
- EDFI Exclusion Lists
- 2X Challenge – Financing for Women
- EDFI Statement on climate and energy finance
- Paris Development Banks Statement on Gender Equality and Women's Empowerment

Guidelines

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

Transparency commitments

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

Read more about guidelines and policies here:

Risk management

In the table below, we break down and describe our risks and how we manage them. We manage risks at different levels according to the listed categories. Good risk management is both a prerequisite for the business and enabler of increased impact.

1. Strategic risks

Description of risk	Management of risk
Risk linked to financing As Swedfund is primarily financed through capital injections from the owner currently, there is a risk that political decisions could affect the conditions for the organisation's operations.	– Swedfund works methodically to ensure that the owner understands and sees the benefits of our business through an owner dialogue and request for capital injection, amongst others. – Regular stakeholder dialogues.
Geopolitical risks Include trade disruption, the impact of the global economy, monetary policy effects and climate-related threats and risks. External events such as conflicts, natural disasters and pandemics are also included within the framework of geopolitical risks.	– To manage risks relating to geopolitical situations, developments in the countries in which Swedfund invests are monitored closely. – Swedfund strives to achieve a balance in the distribution of the portfolio across countries and regions, sectors and instruments. – The Board of Directors establishes concentration limits for geographic exposure and counterparties.
Risks linked to contextual circumstances Risks associated with the frequent lack of strong institutions, robust legislation and implementation and follow-up of laws and regulations in the countries in which Swedfund's portfolio companies operate.	– Swedfund's activities aim to reduce inequality and gaps and improve working and living conditions to strengthen communities and, by extension, their institutions.
Risks linked to reputation and trust Examples of particularly serious events which could impact on risks relating to reputation and trust include allegations of corruption, violations of human rights, poor working conditions or other situations in which Swedfund is not seen as utilising tax revenues and development cooperation funding in a responsible manner.	– Swedfund primarily manages these risks through a responsible and sound investment process. – Incident reporting from portfolio companies and transparent reporting on investments to owners and stakeholders. – Dialogue with owners and stakeholders in accordance with Swedfund's Crisis Management Policy.

2. Investment risks

Description of risk	Management of risk
Impact on society There is a risk that Swedfund's investment portfolio will not deliver the impact we aim to achieve in line with the company's mission goals and theories of change, or that an individual investment will not have the impact on society that was expected at the time the investment was approved.	– The risks associated with impact on society are managed through a thorough evaluation process ahead of the investment decision, as well as active management. – Quality improvement initiatives through Technical Assistance (TA)
Risks linked to the sustainability work of investments In individual holdings and at portfolio level, there is a risk that our investments do not meet the sustainability requirements that we set and thus do not contribute to long-term value creation. The sustainability risks, within the framework of the investment risks, that we have identified are linked to our Policy for Sustainable Development and our sustainability goals (see Swedfund's ethical compass on pages 56–57).	– Frameworks and policies are updated continuously as and when necessary. – Acceptable deviations and limits regarding sustainability risks are defined in Swedfund's Policy for Sustainable Development. – Continuous follow-up to ensure that the portfolio companies meet set requirements according to agreements. – Quality improvement initiatives through Technical Assistance.
Risks linked to the financial viability of investments: Economic risks are linked to the financial viability of our investments. This includes, for example, business and partner risks, credit risks and currency and interest rate risks.	– Risks relating to the financial sustainability of the portfolio companies are monitored and managed throughout the investment process, from decisions on new investments to the exit of holdings. – Swedfund's investment team is responsible for preventing and, where appropriate, managing risks in the portfolio through active management, which encompasses board and committee processes and visits to businesses, quality-enhancing initiatives through technical assistance and other regular follow-up. – The evaluation and selection of partners are vital steps in the management of investment risks in the portfolio, where Swedfund strives to invest in, and together with, strong and competent partners who have experience, integrity and a history of strong performance.

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3. Financial risks

Description of risk	Management of risk
Credit and share price risk Investments in equity and funds primarily take place in unlisted businesses where there is a risk of negative value development relative to the amount invested and the process for divesting holdings can be protracted and time-consuming. Credit risk is the risk that a borrower will be unable to fulfil its obligations due to a reduction in its ability to repay, which could potentially lead to credit losses in Swedfund's loan portfolio.	– Primarily managed on an ongoing basis through the investment process from investment decision through active management to exiting. – Swedfund strives to have a diverse portfolio where the board sets limits for geographical exposure and concentration on individual counterparties.
Liquidity risk Liquidity risk refers to the risk that Swedfund will not have access to cash and cash equivalents in order to fulfil its contractual obligations or that the cost of raising cash and cash equivalents increases.	– Swedfund's own liquidity management must be invested in low-risk instruments, in currencies which match contractual commitments. – Liquidity risks are managed and governed by the Financial Policy established by the board of directors, which sets out the principles and risk limits that are to be applied to the company's liquidity management.
Currency risk Swedfund is exposed to currency risk in that financing from the owner takes place in Swedish kronor (SEK) while contractual commitments usually take place in other currencies (USD and EUR). The currency risk in Swedfund's business is complex, with transactions normally being executed in an internationally viable currency, while real currency risk often lies in local currencies where the portfolio companies actually operate. Fluctuations in exchange rates can lead to substantial exchange rate effects with an associated impact on Swedfund's financial results which are reported in Swedish kronor.	– The general principle is not to protect the investments in the portfolio against currency risk. – The risk is managed and regulated through Swedfund's Finance Policy.

4. Operational risks

Description of risk	Management of risk
Risks linked to Swedfund's operations and organisation These could be poor internal processes, defective systems, legal risks, fraud, corruption and the human factor. Specific risk areas are IT/cyber risks, other security risks and money laundering risks.	– In order to safeguard Swedfund's day-to-day operations, efforts are continuously made to identify and limit operational risks. – Swedfund's Code of Conduct is a governing policy which all employees are given continuous information and training on. – Establishment of process descriptions for key areas of the operation and numerous internal guidelines. – Work relating to the development of leadership and values. – Internal audit function with responsibility for reviewing and evaluating Swedfund's organisation, governance, procedures for risk management and internal control – Established whistleblower service and complaints mechanism.

5. Climate risks

Description of risk	Management of risk
Risks linked to investments	– As part of our review at the time of an investment, we analyse the company's potential climate risks, both physical and transition risks, based on the country's vulnerability to climate change and sector- and project-specific risks. We then work with our companies to help them assess and manage the effects of climate risks.
Physical climate risks During the late summer of 2021, the sixth IPCC report, published by the United Nations Climate Panel, confirmed that extreme weather events are affecting every part of the world, but Swedfund's markets are being hit harder than the global average. With regard to physical climate risks, Swedfund is exposed to such risks through our portfolio companies which operate in countries that are already, and will continue to be, exposed to physical climate impacts, such as drought, higher temperatures, floods, erratic rainfall and other natural disasters. The sectors that are generally expected to be most affected by physical climate risks are transport, infrastructure and agriculture.	– Swedfund has limited exposure to these high-risk sectors, as they are not focus sectors in our investment strategy. – Physical assets in Swedfund's Energy & Climate sector may be affected by physical climate risks, and it is therefore becoming more common to incorporate climate risks into technical due diligence and construction. – Sectors such as microfinance can be impacted indirectly by physical climate risks, as the income of many microfinance customers depends on agriculture, which is a sector with exposure to physical climate risks, such as droughts, rising sea levels, extreme weather events and floods.
Transition risks Examples of transition risks include rising prices for emissions or fossil-linked assets that fall sharply in value.	The transition risks, i.e. from the transition to a low-emission economy, in our portfolio are limited, as Swedfund has only invested in renewable energy production since 2014.

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* Directors' Report pages 62–86

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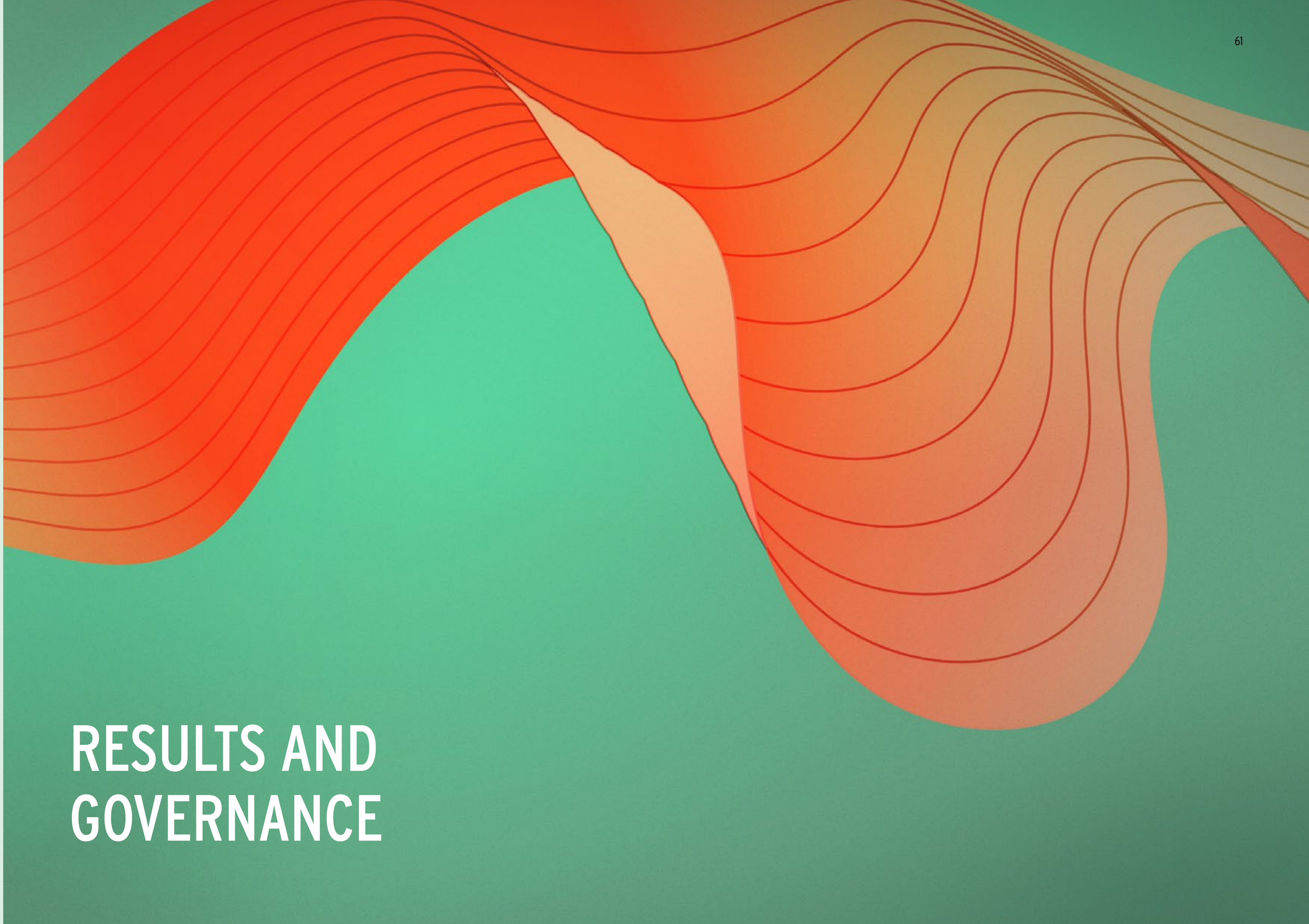


RESULTS AND GOVERNANCE

The portfolio companies' results

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

54%
of our investments are estimated to meet at least one of the 2X Challenge criteria

THE STRUCTURE OF THE analysis and the indicators chosen are based on the mission goals adopted for the company by the annual general meeting. The performance indicators are defined in the goals set out in the Ownership instructions which have also constituted the adopted goals for sustainable value creation approved by the board of directors since 2020. In order to further clarify the trends in performance under each pillar, Swedfund reports on the additional performance indicators within the pillars of impact on society and sustainability, which are based on the business strategy approved by the board of directors. The work has also taken into account the State's ownership policy and principles for state ownership. As in previous years, Swedfund is reporting the results of portfolio companies with a one-year lag, which means that this year's report is based on the results of the portfolio companies in 2022.

The results of the portfolio companies indicate further growth in direct jobs, especially in the funds' underlying companies. The results also show an increase in tax payments. The number of indirect jobs created through supply chains, consumption and access to finance and energy is also growing. With regards to gender equality and women's economic empowerment, the portfolio is close to the adopted targets (54 percent of our investments are estimated to meet at least one of the 2X Challenge criteria; the target is 60 percent), although the results have decreased slightly compared to the previous year due to a stricter interpretation of the criteria. The proportion of female employees has remained stable over the past three years, but the proportion of women in senior management positions has declined. Reported total greenhouse gas emissions from Swedfund's portfolio have increased due to expansion of the portfolio. At the same time, emissions per krona invested have continued to fall compared to the previous year. A new indicator for reporting emissions avoided has been introduced. The sustainability indicators regarding decent work, management systems for environmental and social issues, and anti-corruption, show that an increasing proportion of the companies that have been part of Swedfund's portfolio for more than three years are considered to meet the requirements that we have set. Sixty seven percent of direct investments increase both turnover and profitability (EBIT) with the investment year as the base year.

	Indicator	Type of goal	Goal	Definition
Impact on society	Climate impact	Mission goal	By 2045, the company's investment portfolio will be climate-neutral	Total CO_2e emissions per scope (thousand tonnes) Reduced emissions per invested Swedish krona (tCO_2e/MSEK) Total emissions avoided (tCO_2e)
	Gender equality and women's economic empowerment	Mission goal	Improved gender equality in the company's investment portfolio. Target level >60% of investments must fulfil the 2X Challenge criteria no later than three years from the investment date	Proportion of investments fulfilling the 2X Challenge criteria
		Other goal	Increase in the proportion of women on company boards and in senior positions and the overall workforce	Development in the proportion of women on boards, in senior management and in total %
	Jobs	Other goal	Increase in the number of employees in a majority of companies in the portfolio	Number of jobs in the portfolio Number and proportion of companies showing growth in jobs Number of indirect jobs in the portfolio
	Tax revenues	Other goal	Increased tax revenues overall in the portfolio	Taxes and other similar items (as a minimum corporation tax) translated to Swedish kronor (SEK)

	Indicator	Type of goal	Goal	Definition
Sustainability	Decent working conditions	Mission goal	Decent working conditions in accordance with the ILO's Declaration on Fundamental Principles and Rights at Work shall be provided by all the company's investments within no more than three years from the date of investment	Proportion of investments complying with the ILO's fundamental conventions
	Environment and social management system	Other goal	Environmental and social management systems shall be implemented by all of the company's investments by no later than three years from the investment date	Proportion of investments that have implemented environmental and social management systems
	Anti-corruption management system	Other goal	A management system for combating corruption shall be implemented by all of the company's investments by no later than three years from the investment date	Proportion of investments that have implemented an anti-corruption management system
Financial viability	Economically sustainable investments	Mission goal	Turnover and profitability shall increase over a five-year period, with the investment year as the base year. Target level > 60%	Proportion of investments reporting increased turnover and profitability with the investment year as the base year
		Other goal	Increased proportion of holdings in the fund portfolio with a positive return	Proportion of funds in the fund portfolio reporting a positive IRR
		Mission goal	Increased mobilisation of private capital. Target >30% mobilised capital in investments made by Swedfund	Total private capital mobilised relative to Swedfund's contracted investment volume

Definitions, sources and presentation

Below, a general overview is provided of the methodology employed for data collection, as well as the definitions and assumptions used in reporting and presenting the trends in the performance of the portfolio companies across the three pillars.

Reporting cycle

Swedfund and Swedfund's portfolio companies prepare their annual reports over the same period, which means that the information used for the portfolio companies' performance reports cannot be presented for the current year. Swedfund has therefore opted to present trends in the results of portfolio companies with a one-year lag, which means that the following report on results is based on 2022.

In the few cases where portfolio companies have a financial year that does not coincide with the calendar year, the breakpoint has been 31 March, i.e. the figures for 2022 correspond to financial information in the annual report for the financial year 1 April 2022 to 31 March 2023.

Sources

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

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

ANNUAL REPORTS

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

- Indicator carbon footprint (CO_2e calculation)
- Indicator for tax
- Indicators concerning women's empowerment
- Indicators concerning job creation
- Indicators concerning financial viability for direct investment and funds

SUSTAINABILITY REPORTS (PREPARED AND DISTRIBUTED BY SWEDFUND)

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

- Indicator carbon footprint (CO_2e calculation)
- Total emissions avoided
- Indicators concerning women's empowerment
- Indicators concerning job creation
- Indicator for tax
- Indicator for decent work
- Indicator for environmental and social management system
- Indicator for anti-corruption management system

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

ANNUAL E&S MONITORING REPORTS (PREPARED AND DISTRIBUTED BY OTHER DFIS)

In some cases, the sources used for Swedfund's financial reports consist of Annual E&S Monitoring Reports prepared by another development finance institution, but with the results being submitted to Swedfund in its capacity as co-financier. These annual E&S Monitoring Reports are evaluated by Swedfund's sustainability experts and included in the aggregated financial reports. For 2022, this applies to fewer than ten investments.

FUND REPORTS

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

Scope of performance reports

AGGREGATED PORTFOLIO INFORMATION

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

SAMPLE

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

Sample	2020	2021	2022
Portfolio companies	60	55	58
Portfolio companies and co-financing facilities, including the underlying holdings of funds	237	252	258
Direct investments in equity and loans	35	27	28

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

DIRECT INVESTMENTS

The sample includes all direct investments in the form of equity and loans.

PORTFOLIO COMPANIES

The sample comprises all direct investments in the form of equity and loans, as well as indirect investments in funds.

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

The sample includes all direct investments in the form of equity and loans, indirect investments via funds, co-financing facilities and the underlying holdings of funds. This sample is only used for the indicators Climate footprint (CO_2e estimation) and Indirect job creation. *With effect from 2021, data from the holdings of co-financing facilities have been aggregated, and different holdings will no longer be handled separately. As a result, the table does not include the number of underlying holdings of the co-facilities with the samples for 2021 and 2022.

WHEN AN INVESTMENT IS INCLUDED IN THE SAMPLE

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

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

WEIGHTING BASED ON OWNERSHIP INTEREST OR SHARE OF FINANCING

When reporting trends in the results of portfolio companies, funds and co-financing facilities, the overall outcome is considered, i.e. no weighting is carried out in relation to Swedfund's holding or share of the company's financing. This follows from an established principle for reporting within EDFI. The exceptions to this principle are the indicators 'carbon footprint' (CO_2e) and 'emissions avoided', for which weighting is based on Swedfund's stake/share in the investment.

NON-AVAILABILITY OF INFORMATION

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

Presentation and comparisons

The following sections present the trends in the portfolio's results. In order to clarify the investment phases and age structure of the portfolio, some indicators are presented in the phases of the investment process as a supplement to reporting the respective indicators for the entire portfolio.

PHASES OF THE INVESTMENT PROCESS

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

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

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

See also the description of the investment process on pages 50–53.

COMPARISON YEAR

In the case of indicators where relevant historical data is available, indicators for the reporting year and four comparative years are presented.

Impact on society

Environmentally and climate-related sustainable investments

TYPE OF GOAL
Mission goal

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

INDICATOR
Total CO_2e emissions per scope (thousand tonnes), emissions per Swedish krona invested (tCO_2e /MSEK), portfolio adaptation to the Paris Agreement and emissions avoided.

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

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

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

Introduction

Combating climate change and its consequences is a key element in Swedfund's mission. Vulnerable people living in poverty are also among those affected most by climate change. Swedfund has two mission goals regarding the environment and climate which we measure and report the results of. Climate is also one of the strategic themes which permeate all our investments, and we have an active approach to the issue of climate in our relationship with our portfolio companies. The efforts being made in relation to the environment and climate form an integral part of the investment process, based on Swedfund's Sustainability Policy and Guiding Note on Climate. Since 2014, we have exclusively invested in renewable energy.

Results and analysis

PORTFOLIO ADAPTATION TO THE PARIS AGREEMENT

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

At portfolio level, we regularly evaluate how closely aligned our portfolio is with the Paris Agreement. The most recent evaluation was conducted in 2020 with the assistance of an external expert. At the time, Swedfund's investment portfolio showed a relatively strong alignment with the Paris Agreement: Ninety percent of our direct investments were considered to be in line with the Paris Agreement in both 2030 and 2045. Approximately 90 percent of indirect investments were considered to be aligned with the Paris Agreement in 2030, with the corresponding figure for 2045 being approximately 80 percent. The relatively high degree of alignment is the result of Swedfund's investment strategy. In line with the new strategy, Swedfund will start investing more in food and local production, which could result in an increase in emissions, although investments in agriculture could also have significant climate benefits. Thus, the calculation of portfolio alignment with the Paris Agreement will be repeated in the coming years when the portfolio contains more investments of this type. We are closely monitoring the development of a common method for portfolio alignment with the Paris Agreement, which is being discussed amongst the European Development Finance Institutions (EDFI).

TOTAL CO_2e EMISSIONS PER SCOPE (THOUSAND TONNES)

Swedfund has estimated GHG emissions from the portfolio in accordance with the GHG Protocol since 2016. During 2021, EDFI agreed to adopt the Standard for the Financial Industry[1], which is a common method for measuring the portfolios' GHG emissions. As part of the efforts being made to bring about harmonisation between the European Development Finance Institutions, the Joint Impact Model (JIM)[2] was also updated to support the estimation of GHG in the portfolio according to the PCAF method.

During 2021, Swedfund implemented JIM as a new tool for modelling Swedfund's financed GHG emissions in the portfolio. According to the PCAF method which JIM follows[3], the portfolio companies' own reported emissions (primary data) have been used where they are considered to be reliable and to have been calculated in accordance with the GHG Protocol. In other cases, modelling has been carried out using financial and other data reported by the portfolio companies, which have then been converted into emissions using emission factors based on sector and geography. In addition to carbon dioxide (CO_2), the model also includes other GHG emissions, nitrous oxide (N_2O), methane (CH4) and fluorinated GHG (f-gases), and the results are reported as tonnes of CO_2 equivalents (tCO_2e). First, the total emissions of the portfolio companies were calculated. Next, Swedfund's share of these emissions was determined based on the share of financing, which is included in the reporting. Like certain other EDFI members, Swedfund continues to include the Scope 3 emissions of financial institutions in its Scope 3 reporting, which JIM enables. As a result of the switch to the JIM calculation model in 2021, comparative data can only be reported for two years.

In 2022, total emissions from the portfolio amounted to about 132 thousand tonnes, which represents an increase of eight percent from 121* thousand tonnes in 2021. The increase in emissions is due to a number of factors, including a growing portfolio and an increase in economic activity among the portfolio companies (compared with 2021, when economic activity and thus also emissions were still affected by the pandemic). The majority of the total emissions originate from one of Swedfund's older investments, a gas-fired power station in Nigeria (2013). Emissions from this gas-fired power station account for around a quarter of the portfolio's total emissions. Approximately 20 percent of the total emissions originates from lending to larger commercial banks, which in turn provide loans to SMEs with exposure to many different sectors. Just over half of the total emissions are generated by the remaining portfolio companies,

1 https://carbonaccountingfinancials.com/
2 https://www.jointimpactmodel.org/
3 https://c990f083-1dd0-46c6-bd86-9c35d8ba1b51.filesusr.com/ugd/7aa894_af1116d9866d4aeb8588760b527733d6.pdf

and thus the share of emissions from individual companies is generally small.

Scope 3 emissions, which include emissions from investments made by the funds and financial institutions, in addition to other indirect sources, account for the majority, 54 percent, of Swedfund's total emissions (2021: 61* percent). Direct GHG emissions (Scope 1) account for 38 percent of Swedfund's total emissions (2021: 36*) and Scope 2 just eight percent (2021: three* percent). The emissions per Scope in Swedfund's portfolio vary annually depending on portfolio composition and data availability, but Scope 3 emissions from indirect sources are generally the most significant. During 2022 and 2023, we supported a number of fund managers in developing and implementing climate strategies, as well as supporting them in creating models to estimate and report greenhouse gas emissions from their portfolios. We have conducted a study on the climate impact of different sectors in collaboration with PwC in order to support the climate strategies of the fund managers. In addition, we have introduced a handbook for fund managers which provides guidance on how they can work, measure and report climate impact and risks in their investment processes and portfolios.

In order to achieve our goal of a greenhouse gas-neutral portfolio by 2045, we will continue to invest in projects that make a positive contribution to the Paris Agreement and, together with other Development Finance Institutions, further develop our climate evaluation of new investment opportunities. We will reduce emissions from the portfolio by imposing requirements on and supporting our portfolio companies with regards to the estimation, monitoring and reduction of their emissions and contributing to a greener transition. However, the total emissions from our portfolio could increase as a consequence of Swedfund's new strategy. This is due not only to the growing portfolio, but also to the introduction of a new sector, Food Systems, as well as planned increases in investments in enterprises that produce goods locally. At the same time, we will also start to evaluate opportunities to invest in carbon capture or storage, initially through investments in sustainable forestry.

Nevertheless, it remains crucial that every investment opportunity, including those focused on climate initiatives, actively contributes to poverty reduction and aligns with our overarching goals across the three pillars: impact on society, sustainability, and financial viability. In terms of calculations, we are continuing our efforts relating to harmonisation with our EDFI colleagues and further developing our data acquisition process in order to increase primary data and accuracy in our emission calculations. We are closely monitoring the development of calculation methodologies and models, and adjust our measurement methodology as and when necessary in order to present the portfolio's emission sources as accurately as possible and enhance comparability with other investors.

EMISSIONS PER INVESTED SWEDISH KRONA (TCO_2e/MSEK)

The indicator 'emissions per invested krona' (tCO_2e/MSEK) is based on the portfolio's total emissions and Swedfund's commitment report. This is an important key figure in the monitoring of the efforts being made to achieve the target for emission reductions. During 2022, GHG emissions per invested krona from Swedfund's portfolio fell from 307* tCO_2e per invested MSEK in 2021 to 28.38 tCO_2e per invested MSEK in 2022. The decrease is explained by the fact that although total emissions have increased compared to 2021, the size of the portfolio (measured in MSEK) has grown proportionately larger.

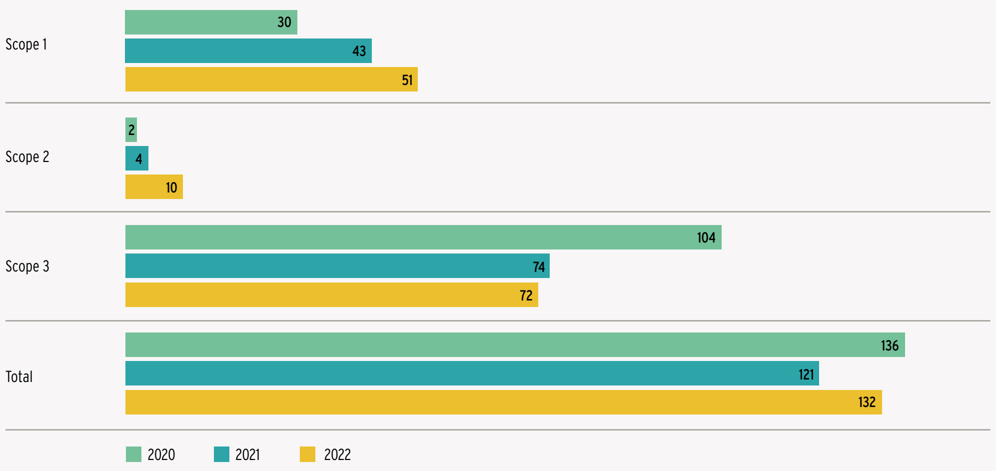
EMISSIONS AVOIDED

'Emissions avoided' is a new indicator which is being reported for the first time in 2022. Swedfund invests a high proportion of its portfolio in the production of renewable energy in Africa and Asia. This indicator clarifies the impact of investments that replace emissions from the production of energy from fossil sources. This is particularly important in economies where energy production is largely based on fossil fuels, e.g. in countries such as India, South Africa and Indonesia.

Swedfund follows the methodology of the International Financial Institutions Technical Working Group (IFI TWG) for calculating emissions avoided, a methodology that EDFI has agreed to use. Emissions avoided include both large-scale grid-connected energy production and off-grid production, and the calculations are weighted against Swedfund's stake/share in the investment. Emissions avoided from grid-connected energy production are estimated based on annual energy produced from various sources, primarily solar, wind and hydropower, and using IFI TWG's electricity grid emission factors. Emissions avoided from off-grid projects are calculated according to standardised factors ("impact metrics") from the Global Off-Grid Lighting Association (GOGLA).

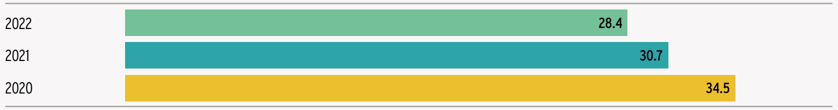
During the year in question, the portfolio contributed to greenhouse gas emissions avoided equivalent to 71 thousand tonnes of tCO_2e. A significant part of this (almost 70 percent) was derived from Swedfund's investments in grid-connected energy.

Total CO_2e emissions per scope (thousand tonnes)



Emissions from Swedfund's portfolio, i.e. the emission categories of the portfolio companies: Scope 1: Direct GHG emissions, over which the organisation has direct control, e.g. from the company's own vehicles and the combustion of fuels in production. Scope 2: Indirect emissions from the consumption of purchased electricity distributed via a network (not generated by the company), i.e. the consumption of electricity, district heating and district cooling. Scope 3: Other indirect emissions, which take place outside the boundaries of the business either upstream or downstream, such as purchased goods and services, purchased transport, waste, business travel, hired equipment, distribution, use of products and investments. The results were calculated using the Joint Impact Model, a web-based tool for impact investors in developing markets developed by Steward Redqueen and coordinated with BII, FMO, BIO, Proparco, AfDB and FinDev Canada. The results were calculated with the aid of User guide JIM 2.0. They are based on economic modelling and do not represent actual figures, but are estimates and should be interpreted as such.

Emissions per invested Swedish krona



* Restated figures from previous years, includes an additional emission category.

Gender equality and the economic empowerment of women

TYPE OF GOAL
Mission goal

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

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

SDG

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

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

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

Introduction

Gender equality and the economic empowerment of women have long been key issues for Swedfund, which in accordance with the Ownership instructions and the company's strategy must be systematically taken into account in the investment process, irrespective of sector, region and investment instrument. We have identified that, as a development finance institution, Swedfund can promote gender equality and women's economic empowerment, especially in the following three areas:

- Women as owners, entrepreneurs and leaders: Swedfund works to promote meaningful and equal participation for women as owners and entrepreneurs, as well as in senior management and on boards.
- Women as employees: Swedfund works to create secure, meaningful and equal opportunities and conditions for women to develop both at their workplace in particular and in working life generally.
- Women as consumers: Swedfund encourages the development and financing of products, services and business models which help to improve the situation and participation of women and girls in society.

In addition to this, Swedfund works to help ensure that workplaces in its portfolio companies are free from discrimination and violence.

Results and analysis

PROPORTION OF INVESTMENTS FULFILLING THE 2X CHALLENGE CRITERIA

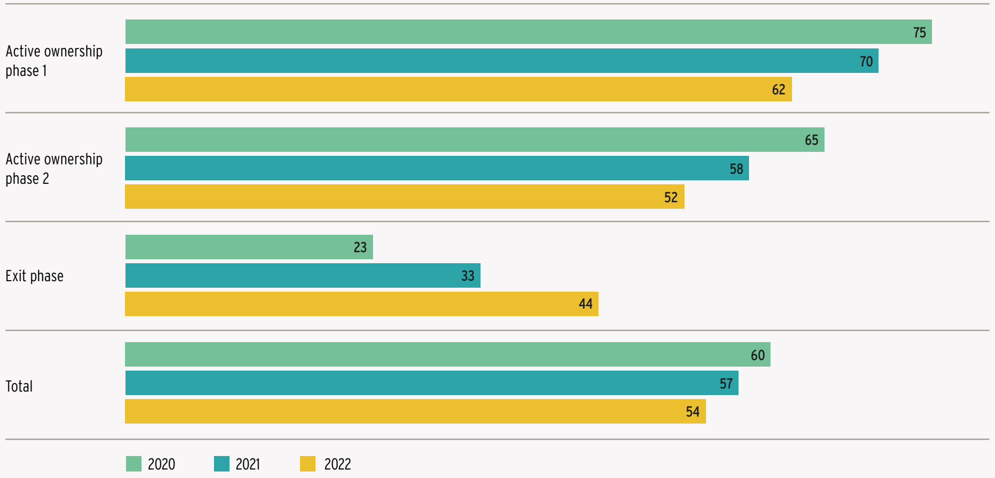
Swedfund's overall goal in the area of gender equality and women's economic empowerment is to ensure that, by no later than three years from the date of investment, at least 60 percent of the investments in our portfolio meet at least one of the 2X criteria established by the G7-founded initiative 2X Global in 2018. The aim is to identify and promote investments that can either strengthen women's development, women-led companies and companies that employ many women or offer products and services that specifically improve the situation facing women or girls in society.

According to 2022 data, 54 percent of the investments in Swedfund's portfolio met at least one of the 2X criteria. This represents a decrease from previous years (57 percent) due to a stricter interpretation of the 2X criteria for financial institutions. The proportion of investments that fulfil at least one of the 2X criteria is highest (61 percent) in the Sustainable Enterprises sector (which includes investments in health). The Financial Inclusion sector continues to perform well in terms of meeting the 2X criteria. The banks in particular have a relatively high number of female employees and specific policies and programmes which support women's employment. Many of the banks also have a relatively high proportion of women on their boards and in senior positions, or promote products and services aimed at women, resulting in a high proportion of female customers. For Energy & Climate investments, the proportion of investments that meet at least one of the 2X criteria has decreased slightly, due to the fact that this sector has a number of new investments that do not yet meet the 2X criteria. The work to strengthen gender equality is particularly challenging in this sector, as it is traditionally relatively male-dominated.

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

Data from 2022 shows that 17 percent of all board members in Swedfund's reporting holdings were

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



1) Holding period ≤ 3 years
2) Holding period ≥ 3 years

women. Over the past three years, the proportion of female board members has remained around 14–17 percent. As in previous years, a significant proportion of portfolio companies reported that they either have no female board members or only one female board member. This particularly applies to the underlying companies of the funds, confirming the need to continue our efforts in the area of gender equality amongst fund managers. The proportion of women in senior positions in Swedfund's portfolio has shifted over the past three years, from 26 percent in 2020, 28 percent in 2021 and to 23 percent in 2022. Financial institutions such as banks and microfinance institutions contribute a higher proportion of women in senior positions, while the proportion of women in senior positions is generally lower in the funds' underlying companies and especially in the Energy & Climate sector.

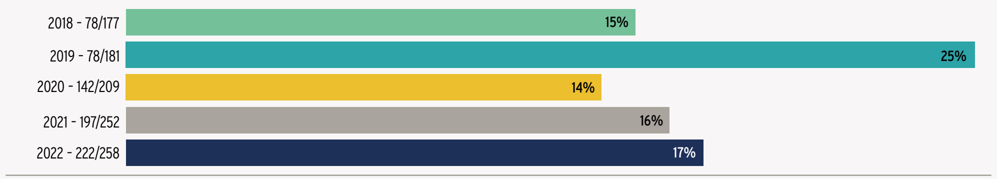
The total number of jobs in Swedfund's portfolio has risen over the past five years, and the number of female employees has also increased and stabilised during the past three years to between 33 and 35 percent. In general, the proportion of female employees is higher among Sustainable Enterprises, while large financial institutions also offer many jobs for women. As with the proportion of women in senior positions, the proportion of female employees is lower in the Energy & Climate sector, which is a growing sector in Swedfund's portfolio.

In order to achieve our goal, we will continue to evaluate how our portfolio and all new investment proposals contribute to gender equality and the economic empowerment of women. For the new investment proposals, improvement measures, or opportunities, are identified with the aim of promoting gender equality, which is included in the specific Impact and ESG action plans (Impact/ESGAPs) which are integrated into the agreements for the new investments. In addition to this, during 2023, we continued to offer the Women4Growth programme to our portfolio companies and supported women with leadership potential to take part in The Female Future leadership programme in some African countries during the year. Phase 2 of the collaboration with The Kvinna till Kvinna Foundation has continued to raise awareness on gender-based violence, and a handbook explaining how gender-based violence, sexual exploitation, abuse and harassment can be prevented was launched, together with a training course for fund managers in Swedfund's portfolio.

Proportion of women in senior management

Proportion of women out of total number of employees

Proportion of women on boards



View of Addis Ababa, Ethiopia.

Jobs

TYPE OF GOAL
Other

GOALS AND DESCRIPTION
The majority of portfolio companies are increasing the number of employees.

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

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

Introduction

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

Results and analysis

DIRECT JOBS

Swedfund's investments in portfolio companies and funds, including their underlying holdings, contributed to approximately 338,000 jobs in 2022. This again represents an increase over the previous year (2021: 333,000), partly as a result of the fact that more companies have reported data and that Swedfund's funds are growing by investing in new companies, which in turn contributes to job creation. Of the total number of employees in 2022, approximately 62 percent (approximately 209,000) were employees of funds and their underlying holdings, 32 percent (approximately 109,000) were employees of Swedfund's direct loan investments, primarily banks and financial institutions, and six percent (20,000) were employees of Swedfund's direct equity investments. The adjacent graph illustrates the investments that were part of the portfolio at the end of each year, which means that the difference in the number of employees between the two years is partly affected by the fact that certain investments have either been added or exited.

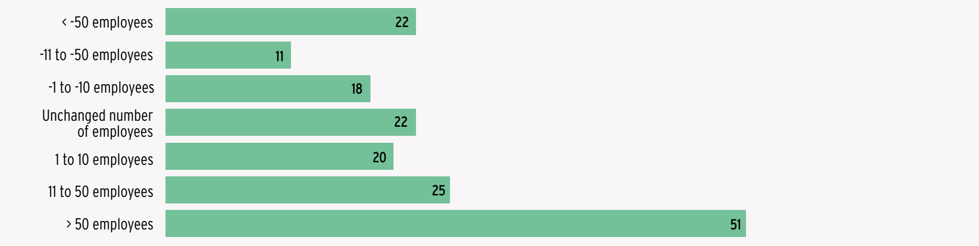
An alternative way of analysing job creation within Swedfund's portfolio is to analyse comparable entities. The graph to the right shows that there were 211 investments in Swedfund's portfolio in both 2021 and 2022, of which 169 have submitted reports for the respective years. The majority (57 percent) of these comparable entities in the portfolio recorded job growth in 2022 (30 percent of these also reported significant growth with >50 more employees), while 30 percent recorded a decrease. This meant that around 37,300 jobs were added to Swedfund's portfolio through the companies which took on more employees, while around 15,800 jobs were lost through the companies which laid off more staff than they recruited. The net increase in the number of jobs for comparable entities between 2021 and 2022 amounted to approximately 21,500 jobs. This net increase can primarily be attributed to developments in the underlying holdings of the funds, as well as to positive growth in a number of financial institutions.

INDIRECT JOBS

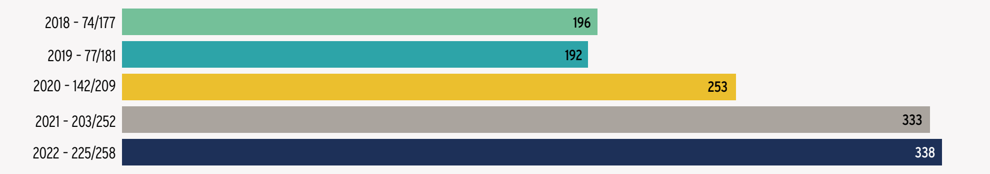
Swedfund's investments also contribute to indirect jobs in Swedfund's markets. To begin with, an investment in a portfolio company can lead to an increase in demand for subcontracted products and services, which in turn contributes to the creation of more jobs. At the same time, people with higher incomes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

In order to calculate and report indirect effects on job creation, EDFI has developed the Joint Impact Model (JIM) as part of its harmonisation agenda.[1] The pilot version of JIM was launched in 2020. Swedfund took part in the development phase and tested the pilot model using limited data from 2019 and, for the first time, reported estimates of indirect jobs to which Swedfund's investments contributed in 2020. According to JIM, Swedfund's portfolio contributed to a total of approximately 1,9 million indirect jobs in 2022[2], which is in line with previous estimates based on various studies and models which indicate that one direct job typically creates between five and seven indirect jobs. As Swedfund's portfolio in 2022 contributed to approximately 338,000 (2021: 333,000) direct jobs, it can be concluded that, on average, direct employment contributed to over five indirect jobs. The model shows that the largest contributing factor to indirect jobs was increased consumption due to wages spent, around 683,000, followed by indirect jobs through supply chains, around 468,000. The number of indirect jobs through improved access to finance fell to around 428,000, while the number through increased access to energy rose to around 352,000. These figures reflect the development of Swedfund's portfolio.

Change in number of employees (-/+) between 2021 and 2022 (comparable entities, sample 169/211 investments)



Total number of employees (thousands)



Total number of indirect jobs

Indirect jobs	2020	2021	2022
Through increased consumption of wages spent	345,000	417,000	683,000
Through supply chains	300,000	283,000	468,000
Through better access to finance	640,000	650,000	428,000
Through better access to energy	160,000	179,000	352,000
Total	1,445,000	1,529,000	1,931,000

1 https://www.jointimpactmodel.org/

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

Tax

TYPE OF GOAL
Other

GOALS AND DESCRIPTION
Increased tax revenues.

INDICATOR
Taxes and other similar items (corporation tax as a minimum) translated into Swedish kronor (SEK).

SDG

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

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

Introduction

Tax is a key issue and an important indicator for Swedfund. Profitable and growing companies generate tax revenues and jobs, giving the state more scope to finance welfare measures and economic growth, and contribute to reducing poverty. Prior to an investment, we also review the project and its structure from a tax perspective.

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

Results and analysis

Swedfund has been collecting data on portfolio companies' taxes and reported taxes by country for many years. For 2021, the data collection method was altered and data on taxes is now obtained from annual Sustainability Reports that the portfolio companies submit to Swedfund annually, rather than annual reports. This has helped to considerably increase the amount of data available concerning taxes. In connection with the change in data collection method, the definition of the indicator has also been revised, so that it is now harmonised with other development finance institutions and includes taxes and other similar items paid to authorities locally in the country. The geographical distribution of taxes is based on the most recent updated country list, which means that geographical distribution is estimated, especially for funds with investments in several countries. As a result of these changes, only one comparative year is reported for the tax indicator.

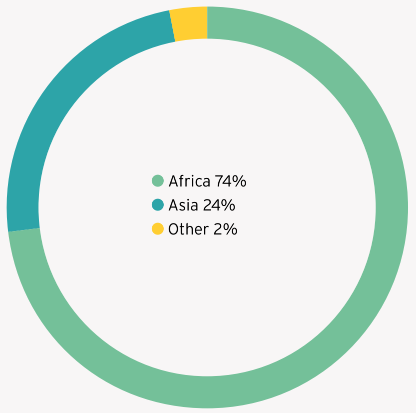
As the table shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 18.2 billion in tax revenues during 2022. This corresponds to an increase of approximately 47 percent compared with 2021 (when the amount was approximately SEK 12.4 billion). The increase can be explained by a growing portfolio with more investments, an increase in the number of investments reporting taxes, and an actual increase in reported taxes, particularly from the companies that pay the most taxes. When making comparisons between years, it should also be noted that differences may be linked to exchange rate fluctuations. The general weakening of the Swedish krona had a positive impact on reported tax for 2022, given that accounting currencies (local or USD) are translated into SEK in order to produce a consolidated outcome. The table also shows tax amounts by country for the ten countries with the highest tax revenues from portfolio companies. The total taxes are also presented by region. In four countries – Kenya, Nigeria, India and Tanzania – tax revenues accounted for more than 50 percent of total reported taxes. The investment in the portfolio that paid the most tax contributed almost 20 percent of the total reported tax, while the ten largest tax-paying investments accounted for approximately 65 percent. Viewed from a portfolio perspective, financial institutions and co-investment facilities account for the largest share of taxes paid, along with some major underlying holdings in the fund portfolio.

Tax – countries with the largest tax revenues in 2022 (ten largest (MSEK))

Country	2021	2022	Proportion of portfolio 2022 (%)
Kenya	2,813	3,343	18
Nigeria	1,363	2,804	15
India	1,282	2,218	12
Tanzania	434	1,494	8
South Africa	2,272	1,110	6
Georgia[1]	175	1,077	6
Ivory Coast	289	752	4
Togo	320	665	4
Egypt	500	592	3
Algeria[1]	63	473	3
Other[1]	2,861	3,675	21
Total	**12,372**	**18,203**	**100**

1 Georgia and Algeria were not included in the top ten for 2021, but comparative figures are reported separately. Ghana and Cambodia, which were in the top ten in 2021, have now been included under the 'Other' category.

Share of total tax by region 2022



Sustainability

Decent working conditions

TYPE OF GOAL
Mission goal

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

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

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

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

Introduction

The core of Swedfund's mission, which is also part of our public policy assignment, is to create jobs to enable people to escape poverty. It is equally important that these jobs are linked to decent working conditions. In conjunction with the initial analysis of a prospective investment, an assessment is carried out of the present situation and the scope to bring about improvements. If Swedfund opts to proceed with an investment, the requirements for improvements are linked to the financial conditions for the disbursement of funds for the portfolio company. We follow up the improvement plans and work actively with our investments. We operate in markets where working conditions in accordance with our requirements are far from clear. This makes our work particularly important. To support our portfolio companies, during 2023, we also launched a handbook on the implementation of decent working conditions, as well as a handbook that explains how gender-based violence, sexual exploitation, abuse and harassment can be prevented. Both handbooks were launched along with a training course.

Results and analysis

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

- Freedom of Association and Protection of the Right to Organise, ILO 87, 98.
- Abolition of Forced Labour, ILO 29, 105.
- Equal Remuneration, ILO 100.
- Discrimination in Employment, ILO 111.
- Minimum Age for Admission to Employment and Work, ILO 138, 182.
- Occupational Safety and Health and the Working Environment, ILO 155.

Swedfund's ongoing efforts also encompass monitoring of the trend in ILO's basic working conditions:

- Hours of Work and Overtime, ILO 1.
- Minimum Wage, ILO 26, 131.

Read more about how we work in practical terms during the investment process on pages 50–53.

ACTIVE OWNERSHIP PHASE 1 – INVESTMENTS HELD FOR THREE YEARS OR LESS
The graph below shows that 90 percent of portfolio companies held for less than three years were considered to act in a manner consistent with the ILO's fundamental Conventions in 2022. Two portfolio companies, equivalent to ten percent, are considered to largely act consistently with the ILO's Declaration on Fundamental Principles and Rights at Work, but some deficiencies have been identified and action plans to correct these deficiencies has been established. These results are in line with last year. Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, including working conditions, ideally within three years from the date of investment.

ACTIVE OWNERSHIP PHASE, PART 2 – INVESTMENTS HELD FOR MORE THAN THREE YEARS
Of the portfolio companies which were in the category of investments held for longer than three years in 2022, Swedfund estimates, on the basis of the reported data, that 97 percent of the holdings fulfil the requirement regarding acting in a manner consistent with the ILO's Declaration on Fundamental Principles and Rights at Work. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies. One of the companies did not submit a report, as it concerned a loan that was repaid in early 2023.

EXIT PHASE
The number of investments identified as being in the process of being exited amounted to eleven at the end of 2022. Based on reported data, Swedfund estimates that 63 percent of holdings in the exit phase act consistently with the ILO Core Conventions. Three portfolio companies, corresponding to 37 percent of the portfolio companies in this category, have not submitted Sustainability Reports. These three companies either have no operations or constitute investments approved before 2013. In these cases, Swedfund has little or no scope under contract law to demand reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list. Within this ownership phase, Swedfund's view is that all holdings for which responses from status reports are available fulfil the requirements in full.

* Directors' Report pages 62-86

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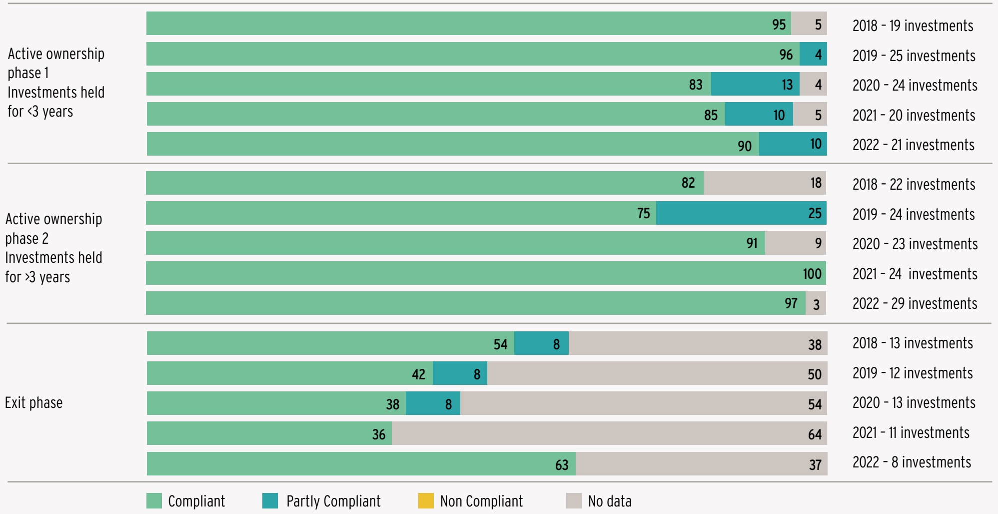
Compliance with the ILO's fundamental Conventions 2018–2022 (per phase in the investment process)



A health clinic under construction in Accra, Ghana.

Environment and social management system

TYPE OF GOAL
Other

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

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

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

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

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

Introduction

In order for Swedfund to contribute to the creation of businesses that are sustainable in the long term, we have been imposing a requirement on our portfolio companies for a number of years now which requires them to have management systems in place for environmental and social issues. It is of great importance to us that these systems are implemented and that the companies have an active approach to these issues. Read about what we did to support the implementation of social and environmental issues in our portfolio in 2023 on page 80.

Results and analysis

PROPORTION OF INVESTMENTS THAT HAVE IMPLEMENTED ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

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

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

ACTIVE OWNERSHIP PHASE, PART 1 – INVESTMENTS HELD FOR THREE YEARS OR LESS

The graph below shows that 76 percent of portfolio companies held for less than three years are judged to meet the requirements for a management system concerning sustainability issues. Twenty four percent of the portfolio companies, corresponding to five companies, meet the requirements in part. Some deficiencies in their management systems for environmental and social issues have been identified during due diligence, and the companies are working on improvement measures in accordance with ESGAP. No company reported that they have no management system for environmental and social issues. This represents a lower level compared with last year's outcome, when 85 percent of the companies were deemed to meet the requirements in full and ten percent in part. Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

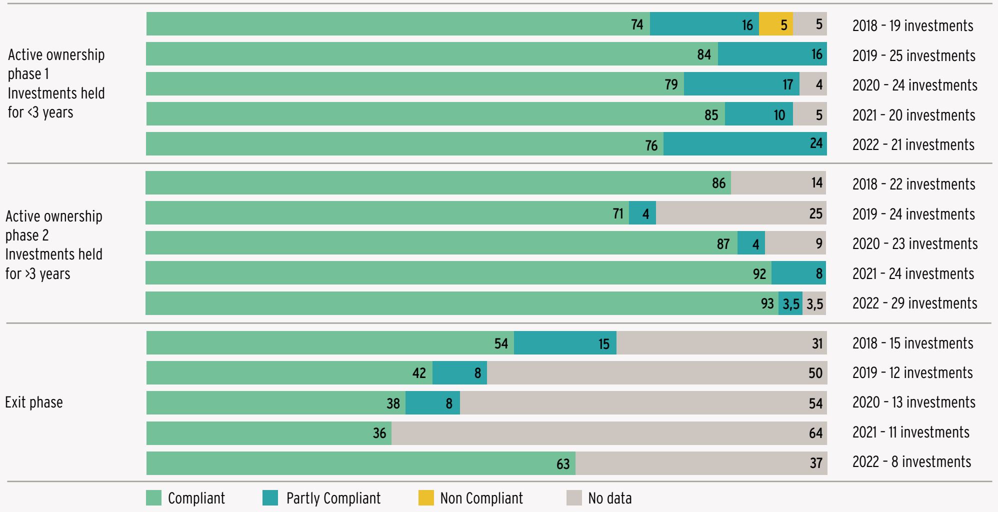
ACTIVE OWNERSHIP PHASE, PART 2 – INVESTMENTS HELD FOR MORE THAN THREE YEARS

For the portfolio companies which were in the category of investments held for more than three years in 2022, 93 percent were judged to meet the requirements in their entirety. Only one company reported that they meet the requirements in part. Swedfund has made an additional investment in this company and the company is working on improvement measures. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies, although there is still a need to support the implementation of management systems for social and environmental issues during this ownership phase. One of the companies has not reported.

EXIT PHASE

Eight portfolio companies were in the process of being exited at the end of 2022. Of these holdings, five portfolio companies have submitted information. All five are judged to have a functioning management system as regards sustainability issues. However, no information is available for three portfolio companies which failed to submit Sustainability Reports. These three companies either have no operations or the investment was made before 2013. In these cases, Swedfund has little or no scope under contract law to demand reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

Existence of management system for sustainability issues 2018–2022 (%, per phase in the investment process)



Management system for anti-corruption

TYPE OF GOAL
Other

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

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

SDG
16.5 - Significantly reduce all forms of corruption and bribery.

Introduction

In order for Swedfund to contribute to long-term sustainable enterprises, we have been imposing a requirement on our portfolio companies for a number of years now that they must have management systems in place for anti-corruption issues. It is of great importance to us that the system is implemented and that the companies have an active approach to these issues. Read more about how we developed our work relating to anti-corruption and business integrity during 2023 to improve our ability to set requirements and better support the portfolio companies on page 142.

Results and analysis

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

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

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

ACTIVE OWNERSHIP PHASE 1 - INVESTMENTS HELD FOR THREE YEARS OR LESS

Sixty two percent of the portfolio companies held for less than three years reported and were judged to meet the requirements for an anti-corruption management system. Thirty eight percent, corresponding to eight companies, are deemed to meet the requirements in part. Contracted action plans have been agreed for the companies that partially meet our requirements. No company reported that they have no management system for anti-corruption. This represents a slightly lower level compared with last year's outcome, when 70 percent of the companies were judged to meet the requirements in full and 25 percent in part. This outcome was expected because Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

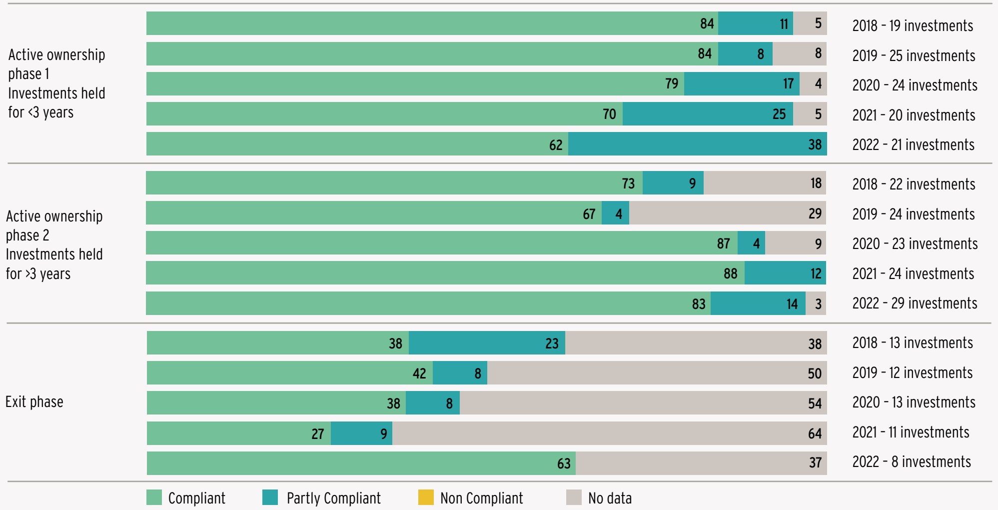
ACTIVE OWNERSHIP PHASE 2 - INVESTMENTS HELD FOR MORE THAN THREE YEARS

Among the portfolio companies which were in the category of investments held for more than three years in 2022, 83 percent reported and were deemed to meet Swedfund's requirements in their entirety. Fourteen percent, corresponding to four companies, reported that they meet the requirements in part. Three of these companies are older holdings, which met the previous requirements set by Swedfund, but not the more stringent requirements that are imposed today. One of the companies is working on improvement measures. One of the companies has not reported. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies, although there is also a need to impose requirements and support the implementation of management systems for anti-corruption during this ownership phase.

EXIT PHASE

Eight portfolio companies were in the process of being exited at the end of 2022. Five of these portfolio companies have submitted reports and were considered to have an adequate management system for anti-corruption. Three companies failed to submit reports for 2022. These three companies either have no operations or the investment was made before 2013. In these cases, Swedfund has little or no scope under contract law to demand reporting. The absence of any scope to pursue active ownership may be one reason why an investment is included in the exit list.

Existence of management system for anti-corruption issues 2018–2022 (%, per phase in the investment process)



Financial viability

Economically sustainable investments

TYPE OF GOAL
Mission goal

GOALS AND DESCRIPTION
Investments must be financially viable. Mobilise at least 30 percent in private capital in investments that are made.

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

Proportion of funds in the portfolio with a positive IRR.

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

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

Introduction

Our portfolio companies must grow and achieve profitability if the development effects we help to create are to remain in place in the longer term. Capital mobilisation means that Development Finance Institutions act catalytically through our invested capital enabling co-investment with private capital. Swedfund and other development finance institutions can act as a bridge to private capital and, thanks to their many years of experience of investing in developing countries and proven business models with an emphasis on sustainability and societal development effects, are well placed to act catalytically.

Results and analysis

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

The graph below shows the percentage of holdings that met the above mission goal for all direct investments that Swedfund had at the end of each of the years 2018–2022. Indirect investments via funds are excluded, but these are reported in the separate follow-up below.

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

During 2022, the total sample fell to 24 holdings (down from 27 holdings in 2021). This is explained by the continuation in the trend for there to be more older direct investments being exited than there are new additions to the portfolio holding in this category. The component of the portfolio which grew was instead indirect investments through funds.

In 2022, 67 percent of Swedfund's direct holdings reported an increase in both turnover and profit in relation to the investment year, while 29 percent reported a decrease in one or both parameters. The proportion of investments that have met the target is thus slightly above the established target level, and the portfolio as a whole shows relatively strong financial viability, even though many holdings have been both directly and indirectly affected by higher inflation and global uncertainty. The longer-term trend witnessed over the past five-year period also shows a positive development, with a rising proportion of the active portfolio showing growth in both turnover and profit. Furthermore, it is apparent that the data coverage has been improved in the sample, as only one company in the portfolio has no provision for KPI monitoring, as a result of its non-operational status.

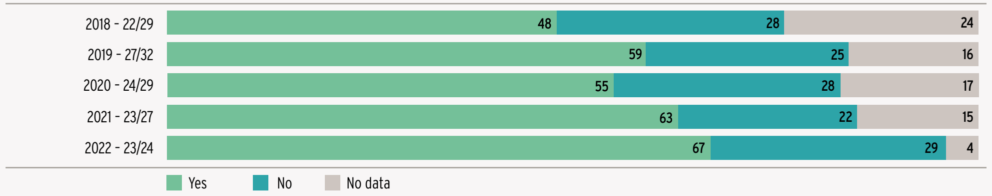
Within the group that meets the objective of Financial viability are companies which are active in different sectors and regions, as well as companies of different sizes, with a common denominator being that the majority of holdings have been operating for a long time. Within the group that does not yet meet the target, there are more enterprises that are at an early stage in their life-cycle and where a growing business normally generates growth in turnover but still records a deficit.

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

PROPORTION OF FUNDS WITH A POSITIVE IRR

The graph on the following page presents a summary of the proportion of Swedfund's active fund portfolio that has a current return in excess of three percent and a return between zero and three percent, and the proportion of the fund portfolio that has a negative return. The return is calculated as net IRR, i.e. accumulated average annual return per investment where realised and unrealised changes in value are compared with the amount actually invested. The fact that a majority of fund holdings can report a positive return over time is an important indicator that the investments are economically viable and that the funds' underlying holdings are showing financial viability. IRR figures are based on the latest valuation of the funds as of 31 December 2023, which means that they are not reported with the same lag as the majority of the other performance indicators. The sample includes 29 funds, which includes all active funds where the first payment was made no later than in 2022.

Proportion of investments reporting increased turnover and profit with the investment year as the base year



The proportion of funds with a positive return amounts to just over half of the portfolio, of which 38 percent of the holdings show a return > three percent IRR, and 14 percent of the holdings have a return between zero and one percent IRR. The corresponding 48 percent of the holdings show a negative return expressed in terms of IRR.

Swedfund's fund portfolio is relatively young, with eight out of 29 funds in the sample contracted during the past three years. Of these younger funds, only one in eight funds showed a positive return at the end of 2023. For funds older than three years, 14 out of a total of 21 funds in the sample show a positive return. The fact that the active fund portfolio contains a relatively high number of younger funds is one explanation why the proportion of holdings with a negative IRR is equal to the proportion with a positive IRR. A typical PE fund will normally need a certain number of years of investment and work on its underlying holdings before any growth in value can be demonstrated. The indicator should therefore be monitored over an extended period of time in order to evaluate how a more mature portfolio will develop over time.

CAPITAL MOBILISATION

Swedfund's special public policy assignment includes mobilising at least 30 percent in private capital within the investments we make.

For many years, Swedfund has acted catalytically and helped to mobilise private capital through co-investments with private operators. The multilateral development banks have developed a method for calculating mobilised capital, and Swedfund annually reports to EDFI in accordance with this method.

VOLUME OF MOBILISED CAPITAL

The mission goal is monitored using 2020 as the base year, and estimated mobilised capital is based on contracted investments during the year, which means that the goal is reported without a lag, unlike most other indicators for the portfolio companies. During 2023, Swedfund is estimated to have contributed private capital mobilisation corresponding to 39 percent of the total contracted value during the year, which is at a significantly higher level compared with the past two years. By comparison, the corresponding figure for both 2021 and 2022 was 20 percent. Private mobilised capital in 2023 is primarily attributable to a number of fund investments, with Amethis III, Apis Growth Markets Fund III and South Asia Growth Fund III contributing the most.

Calculated mobilised private capital for 2023 exceeds the target level of 30 percent of the contracted amount. In connection with the follow-up of the entire 2020–2023 period, the proportion of mobilised capital amounts to 30 percent, which is in line with the mission goal's target level. Greater uncertainty and risks in the global economy have generally had a negative impact on direct foreign investment, especially in sub-Saharan Africa, which is making it more challenging to mobilise private capital. Through the investments which were contracted in recent years, Swedfund has helped to attract more private investors and capital in the longer term.

Proportion of investments with a positive IRR (net)

Philip Ochieng Osewe owns three pharmacies outside Nairobi, Kenya.

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