

SUSTAINABLE BUSINESS

SWEDFUND'S INTEGRATED REPORT 2014



Swedfund



LOOKING TO THE FUTURE

Wolansa Wolle is a nurse at Tazma Alternat Medical Surgical Specialized Centre in Addis Ababa, Ethiopia. Swedfund has made several investments in this country and by creating jobs with good working conditions has helped to lift people out of poverty. Swedfund works to strengthen women in their professional roles and began in 2014 to address equality issues at portfolio companies (read more on page 19).

This integrated annual report was submitted by the Board of Swedfund International AB, organization no. 556436-2084.

INTEGRATED REPORTING <IR>



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PROJECT MANAGER:

LARS-OLLE LARSSON, SWEDFUND

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EDITORS: KARIN ASKELÖF,

SWEDFUND, PER MANNS, SPOON

ART DIRECTOR: DAVID LINDER, SPOON

LAYOUT: ULRIKA JÖNSSON,

ANNA TRIBBLER, VIDAR HEKKELSTRAND

COVER: MICHAEL TSEGAYE

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WE ARE IN THE RIGHT PLACE

Swedfund is involved in countries where there is a shortage of financing and where other investors consider the risks to be too high, but where there are significant opportunities to improve the life situation of the poor. We support companies in Ebola-afflicted West Africa, we have initiated collaboration that aims to develop a viable textile industry in Ethiopia and we are participating in climate-improving investments in the world's poorest nations

Eliminating extreme poverty remains at the top of the agenda now that new global development targets are being set to replace the millennium goals. Creating new jobs is decisive for lifting people out of poverty. Jobs are also what people experiencing extreme poverty say is the most important thing for them*. Nine out of ten jobs are created in the private sector and this is where we are active.

WE INVEST in the most difficult environments in the poorest countries and have strong requirements with respect to sustainability and development effects. Unfortunately we are reporting negative figures in terms of the economic viability of some companies, which has forced us to make write-downs. The biggest write-down is for Addax in Sierra Leone, one of the world's poorest countries, which has also been hard hit by Ebola. Despite this, Addax has continued to contribute to private sector development and has also assumed a great deal of responsibility in the fight against Ebola.

WE HOPE THAT our partnership with H&M, which aims to create a sustainable textile industry with good working conditions in accordance with the ILO's conventions, will inspire more Swedish companies to work with us. In partnership with H&M, Swedish trade unions, including LO and IF Metal, are playing an important role. Partnerships with others would enable us to do even more. The dialogue we have with key players in civil society is therefore extremely important.

I am very proud to report that the UN PRI review gave Swedfund its highest rating, AAA. I am also pleased that we are continuing to implement Global Compact's principles in our portfolio and that we have adopted Global Compact's declaration on children's rights.

2015 WILL BE an important year for development politics, with several key international meetings: the meeting "Financing for development" in Addis Ababa, the adoption of new sustainable development goals (SDG) and the climate meeting in Paris. This integrated annual report demonstrates that Swedfund's business resonates with the rest of the global development agenda and that we have an organization that is ready to gear up and strengthen our contribution to the fight against poverty through continued investments in sustainable businesses and for the creation of more and better jobs. *

STOCKHOLM, MARCH 2015



ANNA RYOTT
CEO

*) Source: IFC Jobs Study 2013



2014
IN FIGURES

INVESTMENTS THAT MAKE A DIFFERENCE

SWEDFUND'S INVESTMENTS BOOST PROSPERITY AND
CONTRIBUTE TO REDUCED POVERTY. **THE STATISTICS FOR
2014 PAINT A CLEAR PICTURE.**

87%

OF PORTFOLIO
COMPANIES
REPORT THAT
THEY HAVE AN
ANTI-CORRUPTION
POLICY.



347

THE AGGREGATE TAX
OF THE PORTFOLIO
COMPANIES AMOUNTED
TO SEK 347 MILLION.

500

EVERY YEAR SWEDFUND
PERFORMS AROUND
400-500 ASSESSMENTS
OF INCOMING INVEST-
MENT PROPOSALS.



25%

OF EMPLOYEES AT
PORTFOLIO COMPANIES
ARE WOMEN.

15

COUNTRY-BY-COUNTRY
REPORTING OF TAX IN
15 COUNTRIES/REGIONS.



108,221

THE TOTAL NUMBER OF EMPLOYEES IN THE PORTFOLIO COMPANIES WAS 108,221.

5

SWEDFUND SIGNED CONTRACTS FOR 5 NEW INVESTMENTS DURING THE YEAR.

262

FOR THE FIRST TIME SWEDFUND PAID COMPENSATION FOR CLIMATE IMPACT. THE AMOUNT CORRESPONDED TO 262 TONNES OF CARBON DIOXIDE EMISSIONS.

3,503

THE TOTAL CONTRACTED SUM IN SWEDFUND'S INVESTMENT PORTFOLIO AMOUNTED TO SEK 3,503 MILLION.



25

SWEDPARTNER-SHIP APPROVED 25 PROJECTS.

840,000

PORTFOLIO COMPANIES WITH ACTIVITIES IN THE HEALTHCARE SECTOR TREATED 840,000 PATIENTS.

1,5%

AVERAGE GROWTH IN JOBS AT PORTFOLIO COMPANIES WAS 1.5%.

25

SWEDFUND HAS INVESTMENTS IN 25 COUNTRIES.



Future aid in focus

What will aid be like in the future?

Sustainable businesses contribute to private sector development and a reduction in poverty. This is a logical conclusion, you just have to look back at our own history to see how the entrepreneurial spirit and business laid foundations for development and prosperity in the western world.

How can Swedfund contribute to reducing extreme poverty?

Our investments create jobs that give people incomes while the state receives tax income that can be used for investments in healthcare, education and infrastructure. Swedfund has 30 years of experience in tackling poverty through being a responsible, long-term and proactive investor in some of the world's poorest countries. Our experience and know how in business in the toughest markets make us a sought-after partner.

What type of collaboration will become more important?

Our partnership with H&M is an example of how we can achieve positive development together with others. We are now holding discussions with several global Swedish companies about similar arrangements.

Which issues and activities will Swedfund focus on in future?

In the future we will continue to focus on sub-Saharan Africa where extreme poverty is very extensive. African investments during the year went from 45% to 60% of Swedfund's portfolio value and this development will continue. We are strengthening Swedfund's expansion in Nairobi in order to further develop our investments and regional partnerships.



“OUR EXPERIENCE AND KNOW HOW IN BUSINESS IN THE TOUGHEST MARKETS MAKE US A SOUGHT-AFTER PARTNER”

Which opportunities can you see?

The need for Swedfund's contribution to development is unlimited in principle, as are our opportunities. I believe that Swedfund's work on sustainable business and transparency in recent years has boosted understanding for our activities and enhanced our legitimacy among politicians, representatives of civil society and other partners. It is however important to remember that from an international perspective and in relative terms Swedfund is a small player. Our ambition is to develop and expand our activities and we feel the wind in our sails and strong support for our position. *

CLAES EKSTRÖM
CHAIRMAN OF THE BOARD, SWEDFUND

PHOTO: ALTOR

THIS IS SWEDFUND

DEVELOPMENT FINANCE INSTITUTION ASSIGNED TO REDUCE POVERTY

Sweden's government has assigned Swedfund (organization no. 556436-2084) to be Sweden's development finance institution for investments in poor countries. The company was formed in 1979 and is state owned.

In 2014 Sweden's Ministry of Finance took over owner responsibility. From January 2015 Swedfund is managed by Sweden's Ministry of Enterprise and Innovation.

GOALS

Our activities shall contribute towards achieving the goals for Sweden's Policy for Global Development (PGD). In collaboration with strategic partners we shall participate in economically, socially and environmentally sustainable investments that create better conditions for people living in poverty and under repression. The company shall strive to ensure that its average pre-tax return on equity exceeds the average interest rate on Swedish central government debt of one-year maturity. Return shall be measured over rolling seven-year periods.

4

STRATEGIC SUSTAINABILITY GOALS

1. IMPACT ON SOCIETY

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

2. SUSTAINABILITY

Swedfund shall contribute to the creation of long-term sustainable companies in the world's poorest countries.

3. FINANCIAL VIABILITY

Swedfund shall contribute to the creation of sustainable and financially viable companies located in the world's poorest countries.

4. ANTI-CORRUPTION

Swedfund shall make proactive efforts to tackle corruption internally and within portfolio companies.

Read more about development results for Swedfund's sustainability goals on page 55.

BRIEF HISTORY

Since it was formed in 1979, Swedfund has invested SEK 5.2 billion in 252 companies and funds in markets in Africa, Asia, Latin America, the Middle East and the Baltic countries. Swedfund previously invested significantly in Eastern Europe. Today Swedfund's role is better suited to the poorest countries in Africa and to some extent in Asia. At the end of 2014 Swedfund had 65 investments in companies and funds in 25 countries, of which half were in Africa.



READ MORE AT
SWEDFUND.SE/EN



HOW SWEDFUND WORKS

We are a proactive owner in our portfolio companies and funds. The following are key to our strategic perspective:

GEOGRAPHY

We will increasingly focus our investment activities in Africa and especially sub-Saharan Africa.

SECTORS

Prioritised sectors include manufacturing industry and the service sector, financial institutions such as banks and insurance companies, as well as the energy sector including renewable energy.

INVESTMENT PARTNERS

Swedfund aims to invest together with partners that have the right strength and skill sets in terms of financial and structural resources.

FINANCING FORM

Swedfund will continue to focus on its role as shareholder since it provides us with the opportunity to play an active role in the development of our portfolio companies through contracts and proactive work on the board of directors.

INVESTMENT SIZE

Swedfund will aim in future to increase the average investment size to around SEK 60 million per investment.

More details about Swedfund's strategic activity can be found in [Swedfund's Integrated Report for 2013](#).

Mission: Reducing poverty through sustainable business

SWEDFUND'S ETHICAL COMPASS

REDUCING POVERTY THROUGH SUSTAINABLE BUSINESS

MISSION

REDUCING POVERTY
THROUGH SUSTAINABLE
BUSINESS

PILLARS

IMPACT ON SOCIETY,
SUSTAINABILITY (ESG) AND
FINANCIAL VIABILITY

BUSINESS

SWEDFUND'S STRATEGIES,
BUSINESS AND
STRATEGIC PLANS

POLICIES

SWEDFUND'S
CODE OF
CONDUCT

*

SWEDFUND'S POLICY
FOR SUSTAINABLE
DEVELOPMENT

*

SWEDFUND'S
ANTI-CORRUPTION
POLICY

*

SWEDFUND'S
POSITION ON
CHILDREN'S RIGHTS

*

SWEDISH STATE'S OWNER-
SHIP POLICY AND
GUIDELINES FOR
STATE-OWNED COMPANIES

INTERNATIONAL COMMITMENTS

UN PRINCIPLES
FOR RESPONSIBLE
INVESTMENT

*

UN GLOBAL COMPACT

*

THE EDFI PRINCIPLES ON
RESPONSIBLE FINANCING

*

THE WORLD BANK
GROUP'S CORPORATE
GOVERNANCE
DEVELOPMENT
FRAMEWORK

*

EDFI EXCLUSION LIST

GUIDELINES OBSERVED BY SWEDFUND

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

*

UN FRAMEWORK
for Corporate Responsibility and
Human Rights

*

OECD GUIDELINES
for Multinational Enterprises

*

OECD CONVENTION
on Combating Bribery of Foreign
Public Officials in International
Business Transactions

*

OECD GUIDELINES
on Corporate Governance of
State-owned Enterprises

*

JOINT INTERNATIONAL
FINANCE INSTITUTIONS
COMMUNIQUE:
Contributing to Creating More
and Better Jobs

TRANSPARENCY MEASURES

THE INTERNATIONAL
<IR> FRAMEWORK FOR
INTEGRATED REPORTING

*

SWEDISH ANNUAL
ACCOUNTS ACT

*

GLOBAL REPORTING
INITIATIVE (GRI)
SUSTAINABILITY
REPORTING
GUIDELINES (G4)

*

GLOBAL COMPACT
COMMUNICATION ON
PROGRESS (COP)

*

PRINCIPLES FOR
RESPONSIBLE
INVESTMENT(PRI)
REPORTING FRAMEWORK

*

OPEN AID

*

IFI'S HARMONIZED
DEVELOPMENT
RESULTS INDICATORS
FOR PRIVATE SECTOR
INVESTMENT OPERATIONS

*

GUIDELINES FOR EXTERNAL
REPORTING FOR STATE-OWNED
COMPANIES



PHOTO: MICHAEL TSEGAYE

CHILDREN IN FOCUS

In 2014 Swedfund adopted [Global Compact's position on children's rights](#).

INTERVIEW
LARS-OLLE
LARSSON

“Policy work in close dialogue with civil society”

Policy development for Swedfund is a continuous process carried out in close dialogue with civil society and trade unions. An important commitment in 2014 was the Board's decision to update [Swedfund's sustainability policy](#) by adding the framework for human rights developed for the United Nations (read more on page 20).

“Consequently we are now implementing the Human Rights Due Diligence as required by the UN framework. Developing this for practical implementation is now the job we have ahead of us. The Board has also decided to follow [Global Compact's](#) call to adopt the principles of children's rights



Lars-Olle Larsson has responsibility for development policies, relations with representatives from civil society and work with the integrated report.

adopted by Unicef and Save the Children,” explains Lars-Olle Larsson.

Within the framework for its [anti-corruption activities](#), Swedfund

established in 2014 a process that shall be applied wherever there is suspicion of corruption at a portfolio company. The new procedure has been tested a couple of times during the year.

Swedfund has also assessed the possibility of establishing a whistle-blower service that would cover all employees of portfolio companies. This policy will be introduced in 2015 (read more on page 16).

“The path from word to action goes via education, which is why we implemented Global Compact's training in anti-corruption during the year (read more about Global Compact's training on page 65),” says Lars-Olle Larsson. *

CONDITIONS ON SWEDFUND'S MARKETS

World Development Indicators (WDI) are the World Bank's primary list of development indicators collected from official sources. WDI show the most relevant and precise global development data available and include national, regional and global estimates. These national indicators of the conditions in various sectors help to explain the val-

ue of private sector development and therefore how Swedfund's investments make a contribution in developing countries. Examples below show the need for financing in Swedfund's prioritised sectors.

► **Manufacturing industry and the services sector:** This sector creates jobs that lead to inclusive economic growth.

► **Financial institutions:** Great need for financing for customers in the private sector where multiplier effects are created through sustainable business.

► **Energy:** Demand for electricity is much greater than supply, thereby restricting growth.

JOBS

The number of jobs that must be created up to 2020 to maintain current employment levels:

600
MILLION

SOURCE: IFC JOBS STUDY 2013

FINANCIAL INSTITUTIONS

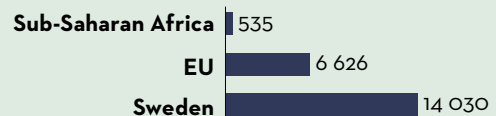
Domestic credit provided by financial sector, percentage of GDP:



SOURCE: WORLD BANK, WORLD DEVELOPMENT INDICATORS 2013

ENERGY

Electricity consumption per capita, kWh/capita:

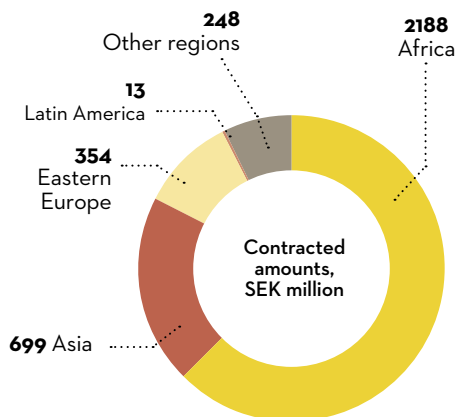


SOURCE: WORLD BANK, WORLD DEVELOPMENT INDICATORS 2011

DISTRIBUTION OF SWEDFUND'S INVESTMENTS

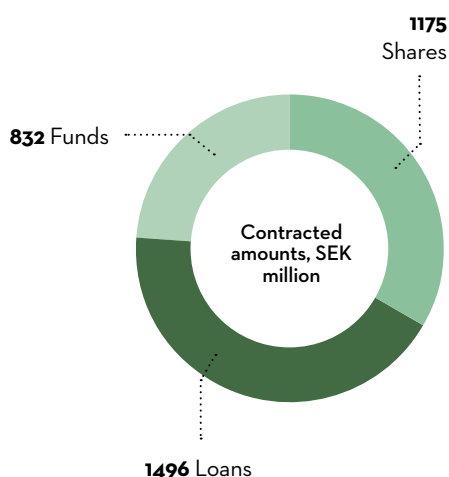
REGIONAL DISTRIBUTION

Swedfund's investments are distributed across regions as follows: Africa 62.5%, Asia 20%, Eastern Europe 10.1%, Latin America 0.4% and other regions 7.0%



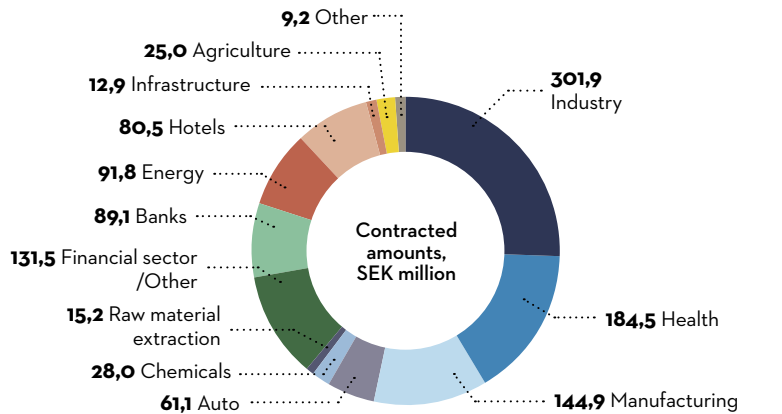
DISTRIBUTION PER INSTRUMENT

Swedfund's investments are distributed across instruments as follows: shares 33.5%, loans 42.7% and funds 23.8%.



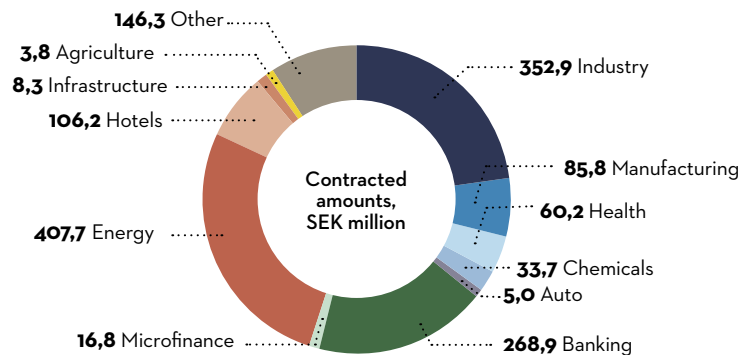
SHAREHOLDINGS BY SECTOR

The distribution between sectors is: manufacturing and service 62.6%, financial sector 18.8%, energy and infrastructure 15.8% and other sectors 2.9%.



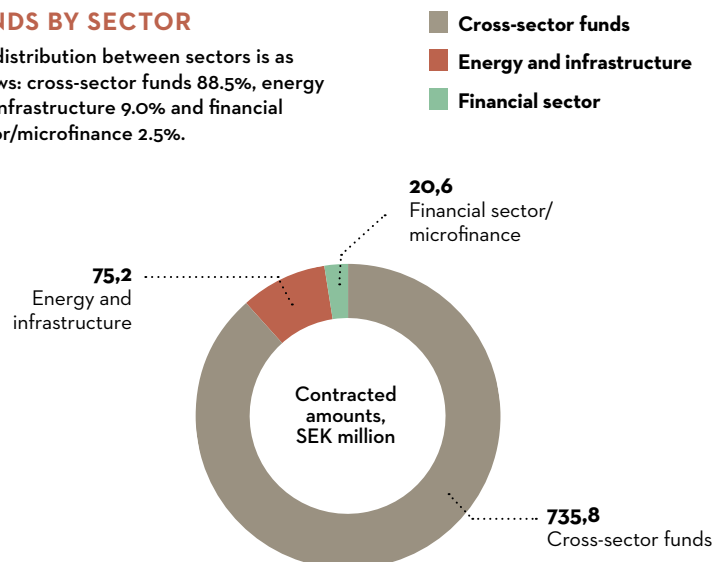
LOANS BY SECTOR

The division between sectors in percent is: manufacturing and service 35.9%, financial sector 19.1%, energy and infrastructure 34.9% and other sectors 10.0%.



FUNDS BY SECTOR

The distribution between sectors is as follows: cross-sector funds 88.5%, energy and infrastructure 9.0% and financial sector/microfinance 2.5%.



ANALYSIS
HENNING
DRÄGER

“Value creation is integrated in Swedfund’s processes”

Swedfund explains in its business model how value creation is integrated in the company’s business processes. The capital that is built is not just financial in nature.

By allowing different types of capital to permeate its business model, Swedfund integrates a comprehensive view of value creation in its investment activities. Integrated reporting clearly defines these financial and other values, that should be considered in the areas in which Swedfund operates.

Unlike many other companies, Swedfund explains to stakeholders



Henning Dräger heads IIRC’s Global Industry Engagement Programme that aims to increase the number of companies adopting Integrated Reporting, <IR>.

how an investment will function in terms of methods, the results to be expected and how different forms of capital growth will be monitored. Swedfund explains the overall value of an investment and does it very well. They are one of the more progressive investors I have seen that is trying to produce even further integrated re-

porting. The challenge both for Swedfund and other DFIs is to think broader. Another form of capital, for example, is cultural capital. By investing in tourism for

example, cultural value can be maintained. Thanks to its current business model Swedfund is on the right track in its mission to reduce poverty.*

READ MORE

About Swedfund’s business model and value-creating capital on page 19 of <IR> 2013.



SWEDFUND’S 6 FORMS OF VALUE-CREATING CAPITAL

► **Natural capital**, climate and the environment are indirectly affected by Swedfund via its portfolio companies, so these areas must therefore be monitored by the companies and by Swedfund through tailored and relevant data and reporting.

► **Relationship capital**. Value can be created when staff share a common approach and work in a healthy climate of collaboration both internally and externally. Codes of conduct, policies and adoption of international principles concerning responsibility

and ethics form the basis for the shareholder agreements that Swedfund signs in connection with each investment. They form value-creating governance documents for the short and long term in Swedfund’s portfolio companies and implicitly also in Swedfund as owner.

► **Knowledge capital** is the value-creating experience, know how, competence and motivation of the employees, directors and managers. Knowledge capital also

affects value in the work done by the boards of the portfolio companies and the influence that Swedfund exerts in companies during the management phase.

► **Welfare capital** is the **financial capital** that Swedfund invests and which creates value in the portfolio companies. The financial capital is invested by portfolio companies in factories, offices, equipment and machinery. This **material capital** constitutes one of several conditions that enable

portfolio companies to grow their operations.

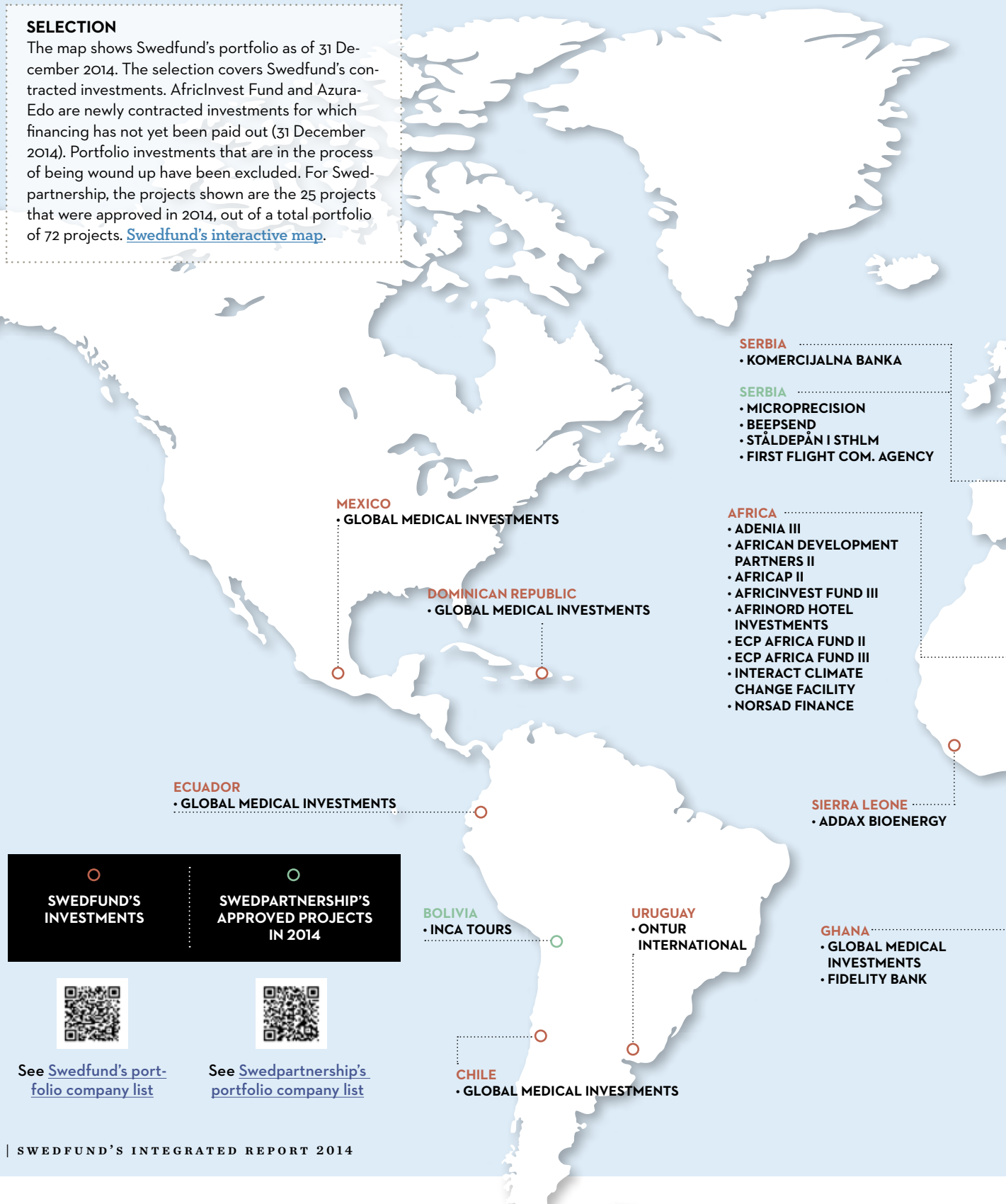
► Swedfund’s **intellectual capital** comprises the intangible assets that have been developed over time in Swedfund such as internal processes, management systems, databases, investment manuals, ESG Toolkit, and analysis and monitoring systems.

Scan the QR code above for more information.

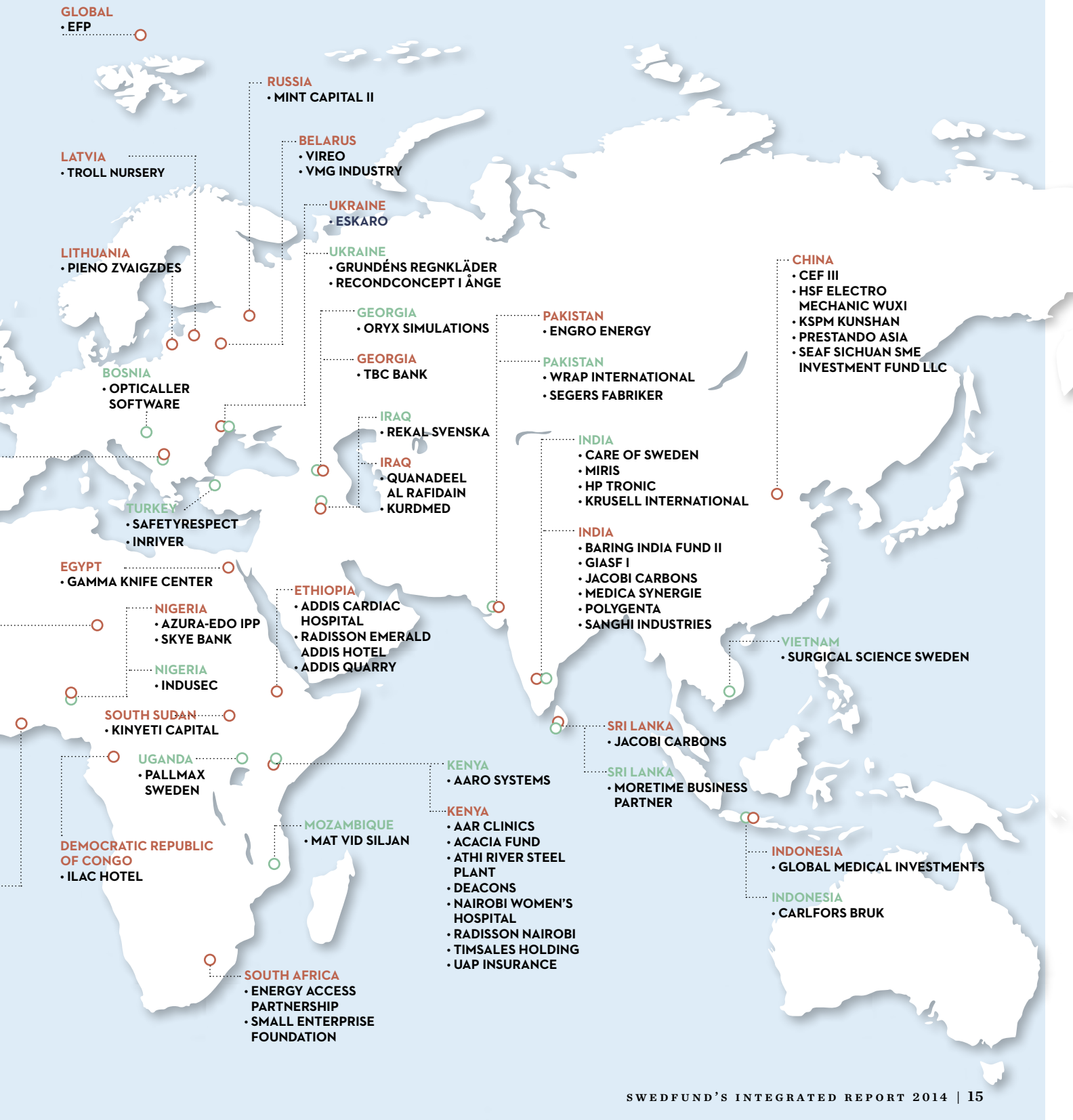
SWEDFUND ON THE

SELECTION

The map shows Swedfund's portfolio as of 31 December 2014. The selection covers Swedfund's contracted investments. AfricInvest Fund and Azura-Edo are newly contracted investments for which financing has not yet been paid out (31 December 2014). Portfolio investments that are in the process of being wound up have been excluded. For Swedpartnership, the projects shown are the 25 projects that were approved in 2014, out of a total portfolio of 72 projects. [Swedfund's interactive map](#).



WORLD MAP IN 2014



IN THE SPOTLIGHT 2014

EDITOR: MARKUS HÅKANSSON



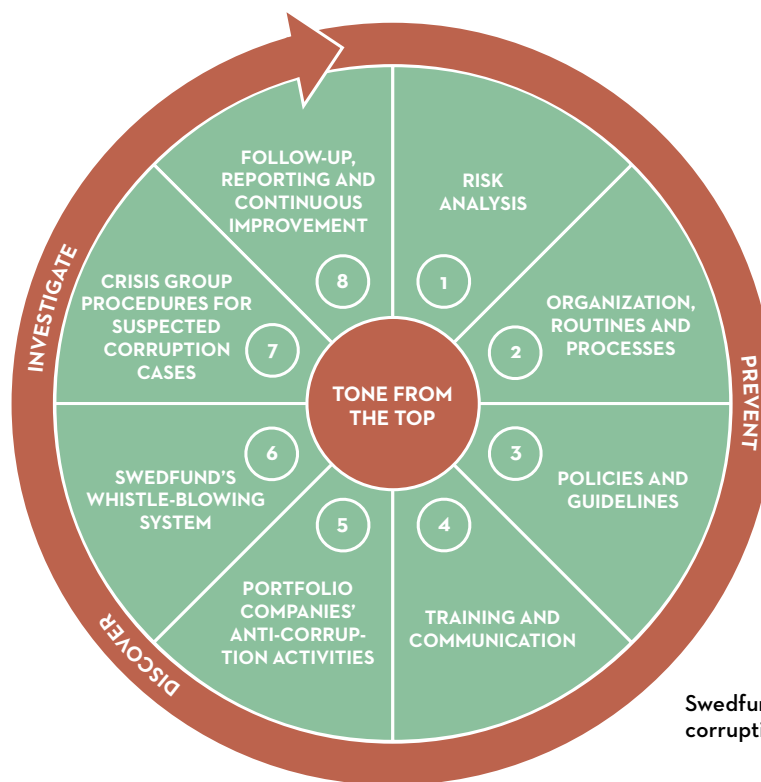
PRIZE FOR SWEDFUND'S REPORT

Swedfund received an honourable mention in a competition to find Sweden's best sustainability report for 2013. The competition was organised by FAR, the Swedish association for public accountants.

The citation read: "Swedfund is challenging and driving sustainability reporting by implementing in an admirable way the IIRC's framework for integrated reporting."

Lars-Olle Larsson, Senior Investment Manager ESG Affairs at Swedfund and IIRC Ambassador in Sweden, commented: "We want to be pioneers and show how you can integrate sustainability and private sector development in an integrated annual report. We hope that other companies in Sweden and internationally follow Swedfund and see the value of implementing IIRC's reporting guidelines."

The report was written in collaboration with content agency Spoon and was nominated for the Swedish publishing prize in the category for annual reports, web, and International Content Marketing Awards in the Best Public Sector/Government category.



Swedfund's anti-corruption activities.

“We have zero tolerance for corruption”

Swedfund adopted its [Anti-Corruption Policy](#) in 2012 and one of the strategic goals of sustainability focuses on an active anti-corruption work, both internally and in the portfolio companies.



Jacob Hagerman

Jacob Hagerman, Chief Legal Counsel at Swedfund says: "We will soon launch a whistle-blowing system for employees at Swedfund and the portfolio companies.

This is a way for Swedfund to keep its ear to the ground and create an opportunity for employees in portfolio companies to report their suspicions of irregularities at an early stage. The sooner

we become aware of any violations, the better we will be able to influence the situation in the right direction."

When might people want to act as a whistle blower?

"It may involve a serious breach of any of our policies. When there is a suspicion of corruption, it is by definition a serious irregularity, and there is zero tolerance."

How will the system work?

"At swedfund.se/en you can use a simple form with the option to remain anonymous. An external law firm goes through the notifications. Then an investigation team at Swedfund will decide on the measures to be taken. This will be in place during the spring of 2015."



Anders Craft, Director Investment of Operations at Swedfund, Gustav Sundell, then Country Manager Iraq at Scania, former trade minister Ewa Björling and then Ambassador to Iraq, Carl Magnus Nesser, at the opening of the service plant in Basra.

Sharing risks

Swedfund shares risks with partners in developing countries. A good example of this was Scania's initiative in Iraq.

Swedfund can provide access to its networks and its experience in developing sustainable businesses. Swedfund can also provide resources to address sustainability issues, corporate governance, working conditions and environmental conditions for newly established businesses, which are specially important in these environments.

"The deteriorating security situation in Iraq has been a great challenge for us over the past year. We see a market for Scania's products; this is a country being redeveloped so it needs transport. But the political situation means that expansion plans must be delayed. It is therefore important to have a long-term perspective in countries like Iraq," explains

Anders Craft, Director of Investment Operations at Swedfund.

During 2014 Swedfund made an additional investment together with health care company Elekta. This involved building clinics with advanced care for cancer patients in areas where it is most needed.

Swedfund also began a partnership with H&M in 2014 to investigate the Ethiopian textile and clothing manufacturing industries with the aim of finding partners and suppliers for production of H&M's range. This partnership is one way to help the development of these industries in Ethiopia and thus create jobs with good working conditions that can lift people out of poverty, especially women. Swedfund is currently assessing together with H&M which potential investment could be implemented in the future in the supply chain. *

SWEDFUND'S NEW SHOP FRONT

In 2014 Swedfund launched a new website, swedfund.se/en. The aim: to tell different groups of people about Swedfund. The new site also helps to increase transparency and present the results that are being achieved.

"By creating a more attractive, easy-to-use and

open website where we can be proactive in our communication we can make ourselves more attractive to the general public and over the long term be more effective in influencing public opinion," says Kai Sundström, Director of Communications at Swedfund.



INVESTMENTS IN FARMING AND CHANGES TO THE LANDSCAPE IN SIERRA LEONE

Foreign investment in large-scale agriculture and bioenergy is increasing in sub-Saharan Africa. The Stockholm Environment Institution, SEI, has performed a research study in Sierra Leone in 2013 and 2014, with a focus on Addax Bioenergy's Makeni project, which is one of Swedfund's portfolio companies.

Addax Bioenergy Makeni project: a sugar cane estate, an ethanol refinery and a biomass power plant – with the ambition to be a model for sustainable development in Africa. The goal of SEI's research was to identify the links, synergies and conflicts that occur when a large investment in commercial agriculture takes place in an area populated by subsistence farmers. The results were presented in a report dated January 2015 and suggested that there is a combination of opportunities and challenges to achieve the planned benefits for people and the environment via the activities that were carried out. The report also outlines the complicated nature of this type of project and how important it is to be inclusive and have a clear framework to steer the investment in the right direction.



Wages in the textile industry are under constant review.

Wages in the textile industry

Wages in the textile and clothing industry are continually being investigated. In 2014 Swedfund initiated a scheme to look at wages in the Ethiopian textile industry.

In other sectors and countries Swedfund has previously observed minimum wage requirements set by the country in

question, where such demands are made.

“In future, irrespective of sector and national requirements, Swedfund will make its own judgment on what wages should be and set targets for wage increases,” says Kristin Sjöblom, Senior Manager ESG Affairs at Swedfund.



Kristin Sjöblom

In addition to employees of portfolio companies having reasonable wages, continuous improvement will be sought in other areas too.

“Health and safety in the work place will be a focus, as will working hours and remuneration for overtime,” adds Kristin Sjöblom. *

FORGET WHAT YOU ONCE THOUGHT ABOUT AFRICA

Many people have an outdated view of Africa, based on prejudices and stereotypes. Swedfund wants to help change this picture, using a new reference book called “Det Nya Afrika”.

Written by Swedish TV correspondent Erika Bjerström, [The New Africa](#) (Det Nya Afrika) is a book for teachers with ten chapters and is based on the Swedish TV series of the same name. It includes maps, graphics and key questions. It

is written for Swedish students aged 16 and above.

The material is free to use and can be downloaded at swedfund.se/en as a powerpoint or pdf.



DET NYA AFRIKA
av ERIKA BJERSTRÖM

Aiming for equality

Working proactively for increased equality in developing countries is difficult, but very important. In 2014 a pilot project, Women 4 Growth, was initiated in two of Swedfund's portfolio companies in Kenya.

During 2014 Swedfund began addressing gender equality issues at its portfolio companies.

"There are strong links between greater equality and reduced poverty. But in many countries there are cultural and structural barriers keeping women out of working life and preventing them from reaching positions of power," says Karin Thorsson, ESG Manager at Swedfund.



Karin Thorsson

Swedfund considers specific aspects of a company's efforts for gender equality as part of its due diligence prior to an investment. For the first time in 2014 the companies in Swedfund's portfolio are reporting the numbers of women members of the board of directors and management team, as well as the proportion of their workforce who are women. Swedfund's assessment is based on the core conventions of the International Labour Organization (ILO) concerning equal pay for equal work and non-discrimination in the workplace.

"Since 2014 we have set as a demand for all new investments that they fulfil these core conventions within three years."



PHOTO: MICHAEL TSEGAVE

It is important to monitor how women are affected by Swedfund's investments.

Last year Swedfund started a pilot project in Kenya, a talent scheme called Women 4 Growth. The aim is to inspire and strengthen participants in their professional roles so that they can eventually take up management positions. The participants are female employees in two portfolio companies that Swedfund owns directly and indirectly via a fund.

"We need to develop our analysis of how women are affected directly or indirectly by our investments. Swedfund also

wants to start a dialogue around gender equality in developing countries with Swedish voluntary organizations that have know-how in these issues and have contacts with local partners."

Swedfund intends to expand this dialogue in coming years.

"This is complex work in complex environments. It's therefore important that we listen to the organizations that have expertise and practical experience in equality initiatives."*

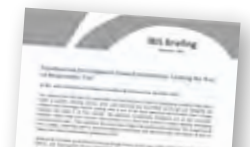
“For people living in poverty it is crucial that their governments are able to gather tax revenue in order to provide basic health care, infrastructure and education. In this regard, the focus of Swedfund's integrated report on taxes paid, is a positive step forward. It shows a commitment to transparency and to the importance of tax for development. The next step is for Swedfund to ask more from their partners to safeguard the poorest countries against abusive tax practices.”



SARA JESPERSEN, PROJECT MANAGER FOR TAX AND DEVELOPMENT, IBIS, DENMARK



Report from IBIS; Scandinavian Development Finance Institutions: Leading the Way on Responsible Tax.





OFFICIAL AUDITOR'S RECOMMENDATION

In a report entitled [“Swedfund International AB - is the financing of the company efficient for the state?”](#) (RIR 2014:16) Sweden's National Audit Office recommends that the Swedish government consider alternative forms of funding to obtain more effective use of state funds.

EXCERPTS FROM THE REPORT:

“Swedfund and its owners have made improvements in the areas where the 2009 national audit made recommendations. Changes have been made at the company primarily in 2012 and 2013.”

“There is still work to be done even if the system for monitoring development effects has become much better. One example of what still needs to be done is to extend information collected for monitoring of sustainability.”

“Swedfund's investment process is very precise and careful to ensure that investments meet the many demands for owner responsibility.”

“The government should produce data to test alternative forms of funding in connection with capital requirement analyses for Swedfund. This would provide knowledge about which capital structure is most effective for the state in general and for Swedfund in particular.”

Swedfund at UN world conference

In December 2014 the UN arranged the third annual UN Forum on Business and Human Rights in Geneva. Swedfund participated as the sole Development Finance Institution on a panel debate.

The focus for the conference, which attracted around 1,200 delegates from the political, business and public sectors, was the UN Protect, Respect and Remedy Guiding Principles.

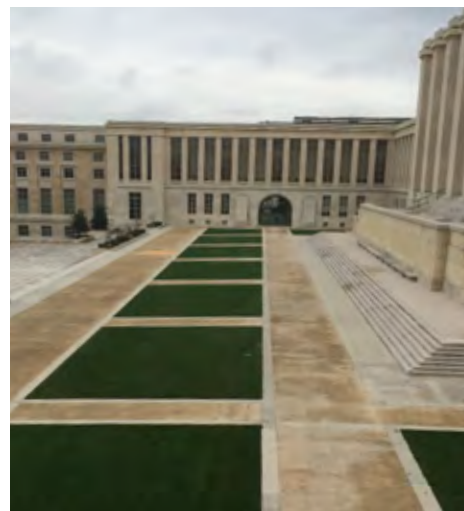
The European Bank for Reconstruction and Development arranged a seminar to discuss the inclusion of Development Finance Institutions' [Guiding Principles](#). Swedfund was the sole representative of Europe's DFIs together with the European Investment Bank and the Overseas Private Investment



Lars-Olle Larsson

Corporation (OPIC), to present and discuss how human rights are now included in policies and the investment process.

“Naturally it is very important in a forum like this to present and discuss how words can be turned into practical action when handling all the issues concerning corporate responsibility for respecting human rights. Swedfund has an obvious responsibility as a DFI in these



The conference in Geneva gathered delegates from all over the world.

matters, and the complexity of the matter requires progressive alliances with a range of knowledgeable civil society organizations. We have worked hard to establish such alliances in recent years,” says Lars-Olle Larsson, Senior Manager ESG Affairs, who represented Swedfund at the conference. *



JOHN RUGGIE'S GUIDING PRINCIPLES AND CHILDREN'S RIGHTS PRINCIPLES IN SWEDFUND'S SUSTAINABILITY POLICY

In December 2014 the Swedfund Board adopted an updated version of [Swedfund's Policy for Sustainable development](#) and [Swedfund's Position on Children's Rights](#).

Previously, Swedfund's responsibility for respecting human rights had been included in guidelines and commitments, such as the State's ownership policy, the UN Global Compact and OECD's guidelines. Now the UN Protect, Respect and Remedy Framework and the UN Guiding Principles have been more clearly included

in the updated version of Swedfund's Sustainable Policy, which is a key component of Swedfund's legal agreements with its portfolio companies.

“We are pleased that following our consensus dialogue during the autumn of 2014 Swedfund has now clarified its responsibility for human rights issues in its sustainable policy and we greatly look forward to practical collaboration when we demand action on human rights in the workplace,” says Loa Brynjulfsdottir, head of the international unit at the Swedish labour organization, LO.

“The reason we chose to integrate human rights in our sustainable policy, and not have a separate human rights policy, is that Swedfund's sustainability policy is included in the legal agreements we sign with portfolio companies. One comprehensive document is better than having several separate policies,” says Lars-Olle Larsson, Senior Manager ESG Affairs and policy manager at Swedfund.



Scan the QR code for more information.



LARS-OLLE LARSSON,
SENIOR MANAGER ESG
AFFAIRS, SWEDFUND

Maintaining good relations involves focusing on the key questions

Development financing is complicated and Swedfund does not work in a vacuum. Continual dialogue with our principal stakeholders is essential to performing our mission in the best way and focusing on key questions.

Dialogue is held with owners and politicians, as well as with spokesmen for aid issues in the Swedish parliament's foreign affairs committee.

You can read Emma Ihre's (in 2014 she had responsibility for sustainable business at Sweden's Ministry of Finance) comments on Swedfund's strategic sustainability targets at swedfund.se/en.

RELATIONS WITH business partners are based on continuous dialogue and trust that develop throughout the investment process. Swedfund is active in several groups within EDFI and IFC, which are the European and international organizations for development finance.

Swedfund has been talking to civil society organization and trade unions for many years, as well as building relations with selected children's rights groups. Diakonia, ActionAid, Church of Sweden, Eurodad, IBIS, LO TCO Aid

Committee, LO, IF Metall, Save the Children and Plan Sweden are just some of the organizations that have provided valuable input over the years.

Read the interview with Penny Davies about the dialogue with Swedfund on the key issue of national reporting of tax on page 24 and also Loa Brynjulfsdottir's thoughts on collaborating with Swedfund on page 26. More notes from our discussions with stakeholders

can be found [here](#).

"INTEREST IN SWEDFUND IS GROWING AND SWEDFUND IS KEEN TO RESPOND"

INTEREST IN Swedfund is growing and Swedfund is keen to respond. Opinion makers help to shape the image of Swedfund. A recent opinion survey showed that eight out of ten people think it is important to build the private sector in develop-

ing countries. You can read the survey results [here](#), or at www.swedfund.se/en.

Journalists, opinion-makers and all stakeholders can follow us and read press releases in our [Pressroom](#) on Mynewsdesk via Swedfund.se, and on our blog, Swedfund Frankly, swedfundfrankly.se.

Swedfund's staff is its knowledge capital. Swedfund's Code of Conduct is the guiding light for value creation using this capital. *

Stakeholder analysis

Stakeholder category	Stakeholder	Key issue	Type of dialogue and frequency
OWNER Defines Swedfund's mission and finances Swedfund through aid budget	Government Offices of Sweden (Foreign Affairs, Finance and Industry departments)	Corporate governance, administration and monitoring	AGM, owner instructions, individual meetings and network meetings
POLITICIANS Decide on policies for global development	Parliamentary parties	Swedfund's role in development agenda, aid platforms, aid budget and decisions on funding	Meetings with party representatives and foreign affairs committee
BUSINESS PARTNERS Co-finance and manage the companies in Swedfund's portfolio	Company partners	Financing, market and ESG issues, strategy and business models	Business dialogue, interaction, advocacy, work on boards, and reporting
	Development Finance Institutions (DFI)	Private sector development and development effects	Regular contacts and group meetings
	EDFI (European branch organization for DFIs)	Policy issues for European DFIs	Reference group meetings at various levels: CEO, HR, ESG, Development effects, Legal, etc.
CIVIL SOCIETY ORGANIZATIONS AND TRADE UNIONS Carry out development aid assignments in Swedfund's markets	CIVIL SOCIETY AID ORGANIZATIONS • Action Aid • Diakonia • Forum Syd • Church of Sweden • Swedwatch • WE Effect	Policy issues (e.g. human rights), development effects, transparency and taxes	Stakeholder dialogue, see meeting notes on swedfund.se
	TRADE UNIONS • IF Metall • LO • LO TCO Aid committee	Decent work agenda	Stakeholder dialogue, see meeting notes on swedfund.se
	INTERNATIONAL NGOS • Eurodad • IBIS	Development effects, transparency and taxes	Round-table discussions and UN conference
	CHILDREN'S RIGHTS ORGANIZATIONS • Plan Sweden • Save the Children • Unicef	Global Compact's children's rights	Exchange of experience
MEDIA AND OPINION MAKERS Influence public opinion and other stakeholders	• Dagens Industri • SvD • Veckans Affärer • Miljöaktuell • Miljörapporten • Social media	Follow Swedfund as state-owned development finance institution and aid organization	Planned communication, discussions and meetings for exchange of experiences
SWEDFUND EMPLOYEES Implement Swedfund's mission	Staff	Employee, organization, strategy and resource issues	Staff meetings, career appraisals, Swedfund University, workplace co-determination
	Staff organizations		

Swedfund's response	
	Fulfillment of assignment and compliance with owner's instructions
	Intensified communication, increased transparency and increased participation in external contexts
	Contracts, advocacy and transfer of expertise
	Sweden's development agenda
	Advocacy of harmonization
	Decision on updated sustainability policy including Ruggie's guiding principles, see page 20, national reporting of tax, see pages 24 and 57
	Collaboration projects in portfolio companies, see page 26
	Country-by-country reporting of tax, see pages 19 and 57
	Decision on Swedfund's Position on Children's Rights, see pages 11 and 25, internal competence development
	Openness for dialogue, new Swedfund.se, launch of teacher material "The new Africa", see page 18, <IR> 2014
	Values, policies and HR activities

EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS



Fifteen countries in Europe have established bilateral institutions which, like Swedfund, have a mandate to promote private sector development in developing countries and emerging markets. These Development Finance Institutions (DFIs) promote economic, environmental and socially sustainable

development by financing and investing in sustainable enterprises within the private sector. Swedfund co-invests with several DFIs in a large number of companies. Together we constitute a strong voice in the promotion of sustainable and responsible business practices in emerging markets.

NUMBER OF INVESTMENTS AND INVESTED AMOUNTS

Development Finance Institution	Country	Year of formation	Total investments at end of 2013, EUR million	Number of investments at end of 2013	New investment in 2013, EUR million
BIO	Belgium	2001	556	147	139
CDC	UK	1948	4 555	178	732
COFIDES	Spain	1988	807	192	202
DEG	Germany	1962	6 226	735	1 450
FINNFUND	Finland	1980	465	149	86
FMO	Holland	1970	6 633	885	1 524
IFU	Denmark	1967	508	252	67
NORFUND	Norway	1997	1 149	121	221
OeEB	Austria	2007	658	58	205
PROPARCO	France	1977	4 210	442	847
SBI	Belgium	1971	27	27	9
SIFEM	Switzerland	2005	365	70	35
SIMEST	Italy	1991	1 627	428	276
SOFID	Portugal	2007	10	11	2
SWEDFUND	Sweden	1979	342	96*	46

SOURCE: EDI/ABE

* Includes 22 underlying investments in the EDFI facilities European Financing Partners (EFP) and Interact Climate Change Facility (ICCF).

PENNY DAVIES

“I welcome country-by-country reporting of tax”

According to Diakonia, tax is one of the most valuable contributions that private investors can make to developing countries. Every year the world's poorest countries lose out on around USD 1,000 billion due to the illegal flight of capital, of which tax avoidance accounts for the largest share. Swedfund's focus on tax in its projects is therefore very welcome.

Like Swedfund, aid organization Diakonia has a mission to reduce poverty. By supporting local organizations Diakonia tries to help people lift themselves out of poverty, but in the struggle for human rights and sustainable development there is a need for a proactive dialogue with organizations and policy makers in the developed countries,” says Penny Davies, policy advisor at Diakonia.

“We are therefore very happy to see the dialogue that Swedfund has initiated with the private sector and with us about what we view as the priority issue of tax,” she says.

ACCORDING TO Global Financial Integrity, a US think tank that analyses and researches illegal financial transactions, the capital flight out of developing nations in 2012 meant that around USD 990 billion disappeared.

“Since a large amount of this capital flight occurs in the commercial sector, a responsible tax policy is required. Fighting corruption and criminal flows is very important, but most of the money that disappears is due to illegal tax evasion,” says Penny.

Greater transparency is the key to preventing this. Preferably, Penny would like to see the Swedish state re-



Penny Davies, policy advisor at Diakonia.

quiring in its owner instructions that Swedfund only invested in companies and funds that are willing to publicly report information on their owners and stakeholders, and in companies that report their tax country-by-country. Penny is therefore pleased to see that Swedfund has initiated country-by-country reporting of tax in its integrated report for 2013.

“WE DO UNDERSTAND that a requirement set for Swedfund and not for

other DFIs would not benefit Swedfund. So we are working on two fronts, including efforts to get joint EU legislation for greater transparency.

“We encourage Swedfund to continue with its ambition to stay at the forefront on this matter, taking the initiative and promoting increased transparency and responsible ownership regarding tax among DFIs active in private sector growth in developing countries, and thus advancing market practice.” *

PHOTO: PETER JONSSON

How do you view Swedfund?

CIVIL SOCIETY ORGANIZATIONS GIVE THEIR VIEW



“AID SHOULD BE VIEWED AS AN INVESTMENT, NOT AS A HAND-OUT”

Johan Kuylenstierna, head of Stockholm Environment Institute, who was voted Sweden’s most influential person for the environment in 2014 by Miljöaktuellt:

“For me, investing in business is a key part of developing a sustainable society. There is potential for investing much more in the type of projects that Swedfund works with, but an investment in company in a country will not be sustainable if there is no assurance that the investment will also help to develop the country as a whole.”

“There are two perspectives for

what makes an investment sustainable, and they are mutually dependent. Firstly, there is the level of responsibility in the investment, how Swedfund or any other investor uses its financial muscle to secure a long-term view, efficient use of resources and good working conditions.”

“Secondly – and this is much more difficult – there is the focus on making the society around the project more sustainable. Swedfund cannot do that alone, but together with other development financiers Swedfund can lead the discussion, contribute to change and build societal systems that are sustainable over the long term.”



“LARGE SWEDISH COMPANIES HAVE A LOT TO LEARN FROM SWEDFUND”

Parul Sharma, head of The Academy for Human Rights in Business:

“Country-by-country reporting of tax sets a great example because it is a crucial sustainability issue. Swedfund is at the forefront in this and large Swedish corporations have a lot to learn from the way Swedfund does its reporting. Over the past three years Swedfund has built up a detailed apparatus for documenting its processes in advanced issues that now include human rights and children’s rights.”

“However, as I see it, Swedfund now needs to work harder at pushing its processes down to grass root level, at the portfolio companies in their local context. This means replacing Swedish and European viewpoints with a local perspective, which is crucial in the Due diligence process.”

“I consider it is important that Swedfund’s portfolio companies, irrespective of country or business activity, have specific training in the issues that are important for the country where the portfolio company does business. This means improving capacity building and improved know-how, specifically in human rights in the local context.”



“SHOWING THE WAY ON CHILDREN’S RIGHTS”

Elisabeth Dahlin, general secretary of Save the Children in Sweden, and Anna Hägg Sjöquist, general secretary of Plan Sweden:

“The fact that Swedfund has adopted the children’s rights principles and

implemented them in its investment process sets a great example. It is important that these principles now get implemented in Swedfund’s portfolio companies. We are therefore pleased to continue the cooperation with Swedfund and hope that other investors follow Swedfund’s example.”

LOA BRYNJULFSDOTTIR

“Swedfund genuinely wants to achieve change”

Fair working conditions in developing countries is a key issue in the international activities of LO, the Swedish Trade Union Confederation. LO welcomes the dialogue initiated by Swedfund about how trade union rights and social dialogue, along the lines of the Decent Work agenda, can be improved further in the company's investments.

Loa Brynjulfsdottir, head of international affairs at LO, sees several areas for dialogue and collaboration aimed at strengthening the situation for workers in Africa.

“It is clear that Swedfund really does want to achieve change and has high ambitions for trade union rights and fair terms and conditions at the companies Swedfund invests in,” she says.

The Decent Work agenda comes from the International Labour Organization (ILO), which is tri-party group representing employees, employers and governments within the UN. The four cornerstones of the agenda are: full employment, trade union rights, social dialogue and a social safety net.

“Job creation is important and Swedfund can really make a difference by encouraging social dialogue and ensuring that when jobs are created, employees have rights. We are an international trade union, so in addition to supplying local contacts we understand the international instruments that can be used,” says Loa Brynjulfsdottir.

TWO CONCRETE PROPOSALS for collaboration are already on the table. LO is happy to provide its expertise in employment rights to give further



Loa Brynjulfsdottir, head of international activities at LO, The Swedish Trade Union Confederation.

PHOTO: PETER JONSSON

support to the questions related to negotiations, trade union organization and living wage versus minimum wage in the questionnaires used by Swedfund to analyse and monitor its portfolio companies.

“We are also looking at the possibility of involving Swedfund in PANAF, our education programme, which we and the TCO have worked on for around 20 years and which includes workplace education in human rights in working life, negotiation techniques and conflict management together with worldwide trade unionists in several of the countries

in which Swedfund is an investor.”

Loa Brynjulfsdottir is convinced that greater transparency has helped create a different view of Swedfund.

“When you open up you do become vulnerable but it gives new opportunities for dialogue and collaboration, which makes the change positive. I hope that Swedfund follows up the positive dialogue we have started and goes from words to action. We have already seen the embryo of Swedfund's willingness to increase the integration of its work with human rights in the workplace throughout the entire investment chain.” *

RISK MANAGEMENT ON DIFFERENT LEVELS

Risk is an inescapable part of Swedfund's mission – to invest in complex environments where few others are willing to invest. Good risk management is therefore essential for Swedfund's development results while also offering a potential source for improvement.

Swedfund operates in countries and environments where risk is both more widespread and potentially more serious than in developed markets. Swedfund's company risks are managed by its finance department. Other risks affecting investments are managed by the investment department, Development and Portfolio Management (DPM) and the legal department. Extensive reporting is submitted to the Board and Managing Director concerning, for example, the development of the investment

portfolio, liquidity, financial position, development results, financial, environmental and social risks. In 2013 Swedfund established its DPM department which has since developed internal processes in order to systematically predict, identify and strengthen the handling of risks in the company's portfolio holding and report to the Managing Director and the Board.

GOOD RISK MANAGEMENT is also a potential source for improving development results in Swedfund's investments through the following:

- Swedfund's risk management enables assignments in environments where needs are greatest but also where risks are high. Without risk management mechanisms, such investments would be very difficult.
- Swedfund's risk management creates opportunities to make better individual investment decisions through improved identification of risks and opportunities.
- Risk management helps Swedfund to add value to investments by helping the individual company to continually manage the risks that arise.

OVERVIEW OF RISK TYPE AND LEVEL

LEVEL OF RISK ▼	TYPE OF RISK		
	Strategic risks	Operational risks	Financial risks
SWEDFUND (CORPORATE LEVEL)	Political risk	Security and personnel risks	Interest risk, currency risk, liquidity and credit risk, borrowing risk and counterparty risk
INVESTMENT PORTFOLIO	Country risk and fulfillment of the strategic sustainability targets, concentration risk	Legal risks: Anti Money Laundering, Know Your Client, Anti Bribery and Corruption	
HOLDINGS (PORTFOLIO COMPANIES)	Company risk and fulfillment of ESG Action Plans and strategic priorities	Sustainability or ESG risks, financial viability	

STRATEGIC RISKS

DEFINITION: Internal or external risks that affect Swedfund's capacity to realise strategic goals. This could mean not reacting at all, or reacting too late, to changes in society, regulatory systems or other factors that are key to the investment.

POLICY: Swedfund is exposed to a number of factors that are hard to control. To manage risk, Swedfund works at a higher level with scenario analyses and assessments of the political and macro-economic environment.

“Swedfund is exposed to a number of factors that are hard to control”

PRACTICAL APPLICATION

► **Swedfund (corporate level): Political risk** at Swedish and to some extents European level could lead to changes in ownership and mission. Changes in the political environment, public opinion and regulatory frameworks are analysed continually. Swedfund monitors political development through continual dialogue with stakeholders, among other methods.

► **Investment portfolio: the strategic sustainability targets**, like all other targets, include a risk that they will not be met. Swedfund collects data from its holdings continuously, identifies potential problems and addresses them proactively. Development indicators that are to be tracked are tailored to each new investment and in older investments where such requirements were not in place at the time of investment, Swedfund engages in close dialogue to drive results. **Concentration risk** – the need for limits and distribution

among sectors, countries/regions and instruments is a cornerstone of the investment strategy and in managing the so-called country risk faced in each location. In future this work will be developed further with better defined limits and improved follow-up.

► **Holdings (portfolio companies): ESG Action Plans and strategic priorities** in each investment are among the most important objectives for Swedfund's business. For direct investments (as opposed to investments in funds or issuing of loans) strategic priorities and due dates are agreed with the company in question from the outset of the investment. These so-called 100-day plans and ESG Action Plans may contain specific measures, definition of goal fulfillment, and target dates and will be monitored regularly. In the event of shortcomings, discussions will be held to address and remedy the underlying issues.

OPERATIONAL RISKS

DEFINITION: Risks in the daily activities of each investment such as failure in internal processes, human error, bad systems, legal risks, fraud and corruption.

POLICY: Swedfund's management and lawyers ensure that Swedfund's interests are looked after and that good ethics and standards are observed in management and the business in general. The company's managers, Swedfund's investment team and the DPM department have responsibility for identifying and managing risks that arise in the portfolio companies through work on the board of directors, company visits and through other interactions.

“Swedfund's management and lawyers ensure that Swedfund's interests are looked after”

PRACTICAL APPLICATION

► **Swedfund (corporate level): Security and personnel risks** include risks related to personnel, information, IT and other systems and the company's other assets. Swedfund works continually to reduce these risks in order to protect the company's assets, IT system, information and personnel and ensure the conduct of business through the company's authorisation procedures and clear guidelines for consultants and conflict of interest.

► **Investment portfolio: Legal risks** are present at every level of the investment. Swedfund's activities do not require a legal permit and are (with the exception of Swedpartnership) not covered by any specific law. In connection with an investment, an in-depth analysis or due diligence is performed that covers potential partners (integrity checks) and the project company, and analyses the status and room for improvement in the company's sustainability and anti-corruption efforts. Identified risks are assessed and mitigated through detailed contractual agreements to ensure that Swedfund's investment requirements are met.

► **Holdings (portfolio companies): Sustainability or ESG risks** and action plans are produced to address operational sustainability-related challenges that may be critical for the company, such as its ability to attract and retain talented staff and to gain and retain its license or regulatory permit to operate. This is also a good indicator of the company's ambition level and attitude towards investors. ESG Action Plans or 100-day plans list specific measures and define goal achievement, time lines and responsibility for each measure. Plans are monitored at regular intervals. **Financial viability** is together with Sustainability a critical area that will make the company's business and employment sustainable. The investment department works closely with the company and with co-investors to drive strategic priorities set in 100-day plans and in board meetings, and to handle operational challenges. The DPM department provides analysis of key data such as cash flow trends, liquidity indicators, rate of return, etc. Portfolio Reviews analyse holdings in the portfolio at regular intervals in a consistent and systematic way to identify potential risks at an early stage. They provide a forum for discussing Action plans.

FINANCIAL RISKS

DEFINITION: Financial risks refer to risks concerning interest rates, currency, liquidity, credit, borrowing and counterparties. These risks mostly exist on a level above the portfolio holding, i.e. for Swedfund as a company, which is why the following presentation excludes the investment and portfolio levels. These risks represent a part of what is sometimes referred to as "country risk".

POLICY: The intention is to minimise the financial risks and regulate them through the financial policy.

“The intention is to minimise the financial risks”

PRACTICAL APPLICATION

Interest rate risk is the risk that earnings are affected by a rising or falling interest rate. This primarily relates to loans to portfolio companies, cost of funding for onlending to portfolio companies, and liquidity management. To minimise interest rate risks, Swedfund uses short fixed interest periods (maximum 18 months on average) and various investment types for liquid funds. If longer fixed interest periods are necessary for lending then these loans are hedged. At the end of 2014 the average maturity was 8.7 months.

Currency risk means that earnings are affected by exchange rates relating to equity investments, lending and contracted but not disbursed commitments. Liquidity can also create temporary currency risks, for example payment in foreign currency upon the sale of an investment or if borrowing is initiated in foreign currency. Swedfund does not protect currency risk when investing in equity but aim at minimising currency risks when extending loans to portfolio companies. Normally, Swedfund will not hedge currency risk on contracted but not yet disbursed commitments. Liquidity is kept in SEK. Policy and net exposure are presented in the following table.

MAXIMUM PERMITTED CURRENCY RISK CONCERNING LOANS TO PORTFOLIO COMPANIES

SEK million	Of which (corresponding value in SEK million)		
	USD	EUR	Other currency
Lending (net after write-down) Borrowing for hedging	Unlimited Unlimited	Unlimited Unlimited	Unlimited Unlimited
Maximum volume	-200 < x < 200	-100 < x < 100	-20 < x < 20 per currency < 100 total (1)
Net exposure as of 31-12-2014	81	35	-1

(1) Total exposure measured as sum of absolute amount in total exposure per currency.

Liquidity and credit risks in financial management are the risks that a financial instrument cannot be sold at a reasonable price within a reasonable time (liquidity risk) and also the risk that the counterparty fails to meet its commitments (credit risk). Liquidity and credit risks within financial management arise when investing surplus liquid funds. Liquidity and credit risks are

minimised by permitting liquid funds to be placed solely in the Swedish National Debt Office bonds, in bank accounts or in interest-bearing securities with limits as stated in the table below. Investments shall be liquid and in normal circumstances convertible within a reasonable period at a negligible transaction cost. Investment of liquidity is further explained in note 16 on page 94.

RESTRICTIONS ON INVESTMENT OF LIQUID ASSETS

Category Counterparty	Instrument	Lowest permissible rating	Limited criteria	
			Per category counterparty	Per individual counterparty
Swedish state or securities guaranteed by the Swedish state	Deposits, interest-bearing securities	-	Max: Unrestricted Min: 60% of total liquidity	Max: 100% of the maximum for the counterparty category
Kommuninvest in Sweden	Interest-bearing securities	Long rating: A+: Moody's A1: Standard & Poor	Max: 40% of total liquidity	Max: 100% of the maximum for the counterparty category
Swedish municipalities and county councils	Interest-bearing securities	A: Swedish Municipal rating	Max: 40% of total liquidity	Max: 15% of the maximum for the counterparty category
Swedish banks and Swedish housing institutions	Deposits Unsubordinated interest-bearing securities	Long rating: A+: Moody's A1: Standard & Poor	Max: 40% of total liquidity	Max: 100% of the maximum for the counterparty category
Swedish banks	Deposits via notary account	Long rating: A+: Moody's A1: Standard & Poor	-	Ideal: Not to exceed MSEK 3 per counterparty
Foreign banks	Deposits	-	-	Max: SEK 200,000
Swedish companies	Unsubordinated interest-bearing securities	Short rating: P-2: Moody's A-2: Standard & Poor K1: Nordic Rating	Max: 40% of total liquidity	Max: 15% of the maximum for the counterparty category

Swedfund shall take great care with investments and upon suspicion of possible repayment difficulty by the counterparty shall refrain from the investment even if suspicions at the time are not reflected in the rating.

Borrowing risk is the risk that Swedfund cannot perform the borrowing that is required at reasonable cost. As Swedfund finances its business with equity there is a borrowing risk only for future borrowing in foreign currency. (Upon borrowing the corresponding amount is pledged in SEK.) Borrowing risk is minimised wherever economically and practically justified. At the end of 2014 the net

borrowing risk, measured as future payments received in foreign currency minus future outward payments in foreign currency, was SEK 68 million (36).

Counterparty risk is the risk that the counterparty in a financial transaction fails to meet its commitments. Counterparty risk arises solely upon pledging in financial management. Counterparty risk is primarily only with the Swedish state and its companies. In principle, Swedfund has no counterparty risk other than exposure to AB Svensk Exportkredit, which at the end of 2014 amounted to SEK 621 million (451).

SWEDFUND'S INVESTMENT PROCESS



FOLLOW THE INVESTMENT
PROCESS, FROM THE FIRST
SELECTION UP TO WHEN
SWEDFUND CONCLUDES
ITS INVOLVEMENT IN THE
PORTFOLIO COMPANY.

EXIT

Swedfund sells its holding in the portfolio company and ends its involvement.

PAGE 52

VALUE
CREATION

PAGE 48

Swedfund works with and has an impact on the company through its board representation, exchange of experience and monitoring.

BOARD DECISION

Swedfund's Board makes a decision to invest and legal agreements are negotiated.

PAGE 46

INITIAL ASSESSMENT

PAGE 34

In the initial selection an assessment is made of the country, company, strategic partners and Swedfund's role in the investment.



WATCH THE FILM!

Scan the QR code to see a film about Swedfund's investment process. You can also watch it at swedfund.se/en or on Swedfund International's [YouTube channel](#).

CONCEPT CLEARANCE

An assessment of the investment is made based on Swedfund's three pillars.

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DUE DILIGENCE

PAGE 38

Business concept, market, financial history and forecast, other partners, legal aspects, development effects and ESG issues are analysed. Assessment of the different areas can run in parallel with more in-dept analysis as necessary.

SCREENING

In a more detailed analysis of the potential investment, Swedfund's three pillars are considered. Other issues may be raised. The proposal is prepared prior to a decision by the Board.

PAGE 44

INITIAL ASSESSMENT

In the initial selection an assessment is made of the country, company, strategic partners and Swedfund's role in the investment.
Period: about one day

AROUND 500 ASSESSMENTS PER YEAR

During the initial assessment Swedfund makes sure that a potential investment is in line with Swedfund's ambitions and goals, and meets the investment criteria. Around 50 companies get through the first stage of the selection process during a year.

Does an investment proposal have the right conditions to lead to investment? Each year Swedfund makes around 400-500 assessments and the majority of incoming inquiries are usually companies that want to establish operations in developing countries and need to share risk with an experienced partner.

"Each new investment proposal is looked at using our checklist that cover four key questions – owner instructions, internal guidelines, the background of the strategic partner and the commercial soundness of

the business plan," explains Anders Craft, Director Investment Operations at Swedfund.

“
EACH NEW INVESTMENT PROPOSAL IS INVESTIGATED USING OUR CHECKLIST

used by Swedfund. The investment should lead to an impact on society, be sustainable and financially viable.

IN A FIRST selection a lot of companies are ruled out since they do not fall within Swedfund's mandate or are not in line with the investment criteria

INITIAL ASSESSMENT OF SWEDFUND'S THREE PILLARS

► Impact on society:

Check against the exclusion list – possible countries and sectors. Initial judgments of the most important development results.

► **Sustainability:** Initial assessment of potential ESG risks to categorise the risk in the investment.

► **Financial viability:** Evaluate the financial viability of the investment and potential for achieving the owner's return target for Swedfund.



Anders Craft

To decide whether a proposal can be taken onto Concept clearance, Swedfund usually works in project groups, with a Senior Investment Manager leading the project and taking advice on


legal and ESG issues. Swedfund also brings in external consultants if, for example, there are complex environmental or social issues.

EVERY YEAR around 50 proposals survive the initial assessment. Fewer than half go to screening and due diligence. During a risk assessment several variables will be evaluated, such as an integrity check of the strategic partner if they are not known to Swedfund previously. The potential portfolio company's environmental and social impacts will be assessed and categorised along with its corporate governance.

"Swedfund has an important task to explain our expectations on sustainability that the partner must live up to. In practice this can mean that there must be an individual at the portfolio company that takes responsibility for ESG issues at operational and management levels, reporting to the board and owners on ESG issues," says Anders Craft.

He considers the greatest challenge in the initial assessment of a project to be how well the strategic partner understands the local conditions.

"Is there functional infrastructure that gives access to a trained workforce? Are the necessary transport routes in place? Is there enough electricity? These are the questions that can be difficult to address for a new business but they are very important." *



Every year around 50 proposals survive the initial assessment. Fewer than half go forward for screening and Due diligence.

IN ACCORDANCE WITH SWEDFUND'S POLICY FOR SUSTAINABLE DEVELOPMENT, PORTFOLIO COMPANIES SHALL:

- ▶ Conduct business in a sustainable and responsible manner with a long-term perspective and strive to adhere to international standards and internationally recognized human rights.
- ▶ Comply with legal and regulatory requirements in the jurisdictions where they operate.
- ▶ Adhere to applicable IFC Performance Standards.
- ▶ Strive to adhere to internationally acknowledged standards for business

integrity, anti-corruption and corporate governance and have sound and clear corporate structures that do not contribute to tax evasion, money laundering or terrorist financing.

- ▶ Conduct a risk analysis of their supply chain and customers, and where significant risks or impacts are identified, commit to apply the above-mentioned standards.
- ▶ Adhere to Swedfund's Anti-Corruption Policy.
- ▶ Conduct on-going human

rights Due diligences in limited high risk circumstances, maintain an open dialogue and engage and consult with potentially affected stakeholders.

- ▶ Not support political parties, political organizations or their representatives.
- ▶ Strive for the total remuneration to their senior executives to be reasonable and well-considered.
- ▶ Provide information upon request from Swedfund on environmental, social and

corporate governance issues including human rights and provide information on development results.

- ▶ Comply with Swedfund's requirements with respect to the monitoring of our investments.
- ▶ Our fund investments and financial institutions shall, in addition to all of the above, work over time to ensure that investments are made in accordance with UN Principles for Responsible Investment.

CONCEPT CLEARANCE

An assessment of the investment is made based on Swedfund's three pillars: Impact on society, Sustainability and Financial viability. The project is also categorised based on environmental and social impacts. Corporate governance and risks are analysed. The project is presented to the investment committee.
Period: Around four weeks.

CATEGORISATION BASED ON IMPACT

Concept clearance begins when there is high probability that a potential investment can be taken forward. Often the main difficulty is finding a sufficiently strong strategic partner.

If the Senior Investment Manager considers that a potential investment can be taken to the Swedfund Board, Concept clearance is initiated. The project is assessed against Swedfund's three pillars and investment criteria. Swedfund's ESG team also categorises the project based on environmental and social impacts and corporate governance.

"I write a brief summary that gives the background to the investment, how Swedfund received it and what we believe will be the results in terms of our three pillars," says Gunilla Nilsson, Senior Investment Manager at Swedfund.



Gunilla
Nilsson

The proposed investment, its potential ESG risks and opportunities, is then presented to the Swedfund investment committee who make an assessment and then reach a decision whether the project shall go to the next stage, Due diligence.

OFTEN THE MAIN challenge in many project proposals is whether there is a strategic partner acceptable to Swedfund.

"Among other things a strategic partner should have practical experience of having implemented similar investments previously; they should be a company with institutional depth rather than just being a group

ESG HANDBOOK

As part of the efforts to increase transparency and knowledge about itself, Swedfund will publish an ESG Handbook in 2015. This will present in a pedagogic and general way how the ESG Toolkit works, something that several stakeholders have asked for. Swedfund's ESG Toolkit describes in detail how Swedfund works with issues that affect the environment, social issues and corporate governance and shows how ESG matters are dealt with throughout the investment process.

of individuals; and they should have the possibility to supply a significant share of the financing. And with consideration for Swedfund's focus on environmental and social issues and sound corporate governance, the partner should also be in agreement with Swedfund in these areas, and make any changes that are necessary."

IN 2014 H&M and Swedfund entered into a partnership.

"It means that together we will look at the Ethiopian textile and clothing market in order to find interesting partners and suppliers for H&M's clothing production. This

work has resulted in us taking a potential investment through to our Screening phase," says Fredrik Wijkander, Senior Investment Manager at Swedfund, who is responsible for this investment.



Fredrik
Wijkander

Partnership with H&M is a way to develop the textile and clothing industry in Ethiopia and thus create jobs with good working conditions that can lift people, especially women, out of poverty.

"Swedfund is now, together with H&M, looking for potential opportunities that could lead to future investments in suppliers," says Fredrik Wijkander. *

“
IMPORTANT
THAT THE
STRATEGIC
PARTNER
HAS THE
SAME
VIEWS AS
SWEDFUND

Swedfund is looking at the Ethiopian textile and clothing market together with H&M in order to find interesting partners and suppliers for H&M's clothing production.



DUE DILIGENCE

Business concept, market, financial history and forecast, other partners, legal aspects, development effects and ESG issues are analysed. Preliminary contract terms are discussed. Assessment of the different areas can run in parallel with more in-depth analysis as necessary. Period: Around six months.

FULL ASSESSMENT OF THE PROJECT

What are the company's market prospects and what will the investment cost? What are the financial forecasts? A full assessment, including in-depth evaluations, continues up until disbursements are made.

Several areas are investigated in parallel as part of Due diligence. "As an investor we want to have an understanding of market demand for the company's products or services, and analyse the project's prospects in terms of financial viability. We look at all the legal aspects, the expected development effects as well as the current and future ESG and corporate governance issues," explains Gunilla Nilsson, Senior Investment Manager at Swedfund.



Gunilla Nilsson

Swedfund is seldom the sole external investor in a new investment. To assess the project and gain deeper knowledge a site visit will be made together with other potential investors, such as DFIs in other countries. "We can benefit from each others' experience and get a feeling for the people who will implement the project, finding out if they understand the industry in question, the challenges and whether they have the necessary competence and human resources," says Gunilla Nilsson.

FIDELITY BANK, one of Swedfund's investments in Ghana's banking sector, was subject to Due Diligence in 2014. The project was assessed

DUE DILIGENCE IN SWEDFUND'S CORE PRINCIPLES

Impact on society:

An extensive questionnaire is filled in and site visits made by Swedfund, co-investors and/or external experts.

Sustainability: An extensive questionnaire is filled in and site visits made by Swedfund, co-investors and/or external experts. Due diligence also covers human rights, children's rights and anti-corruption.

Financial viability:

A detailed analysis is made of historic and forecasted financial data.

using the three pillars with a special focus on the financial viability of the project.

"We looked at the macroeconomic conditions and the market structure to understand the opportunities and risks in the country and the sector. For banks an important quality aspect is related to corporate governance, so a special study was made of the bank's management team and board, as well as management systems and policies concerning, for example, board procedures and anti-corruption," says Olga Perez, Senior Investment Manager.

AN IN-DEPTH assessment is made of ESG risks.

"Banks provide financial solutions, so it is necessary to understand which customer segments are involved and their ESG risks."

Via the investment Swedfund will indirectly reach a large number of businesses.



Olga Perez

"By providing financing to banks, they will in turn be able to lend to customers investing in the private sector. There will thus be positive effects for domestic production, capacity and technology development, job creation and tax revenues."

PART OF Due diligence involves completing Swedfund's Environmental and Social Assessment Questionnaire for the company. Once Due diligence is concluded, Swedfund will produce a list of requirements that must be met.

"An ESG Action Plan, with assessed risks and an action plan for minimising risk will be produced and included in the legal contract," adds Gunilla Nilsson. *

“WE WANT TO GET A FEELING FOR THE PEOPLE IN THE PROJECT”

FIDELITY BANK

Where: Ghana. **What:** Fidelity Bank offers long-term loan-financing totalling USD 60 million, with Swedfund supplying USD 15 million. Domicile: Ghana.

Started: 2006. **Investment year:** 2014. Assets 2013: GHS 1.7 billion.

Employees 2014: Around 1,800. **Website:** fidelitybank.com.gh



“SWEDFUND’S ESG ACTION PLAN IS A KEY TOOL”

Swedfund’s investments should make a difference. Environmental and social responsibility along with good corporate governance are the prerequisites for sustainable and profitable company investments over the long term. Swedfund’s ESG Action Plan is a key tool – both for the investment decision and monitoring.

TEXT: SUSANNA LINDGREN PHOTO: SWEDFUND

Kristin Sjöblom is Senior Manager ESG Affairs at Swedfund. Together with colleagues she has responsibility for evaluating environmental and social issues and corporate governance. In each investment and for each individual company that Swedfund finances with loans or share capital the ESG team establishes an ESG Action Plan of measures that will ensure that the company follows Swedfund’s Sustainability Policy. Whilst Swedfund is a shareholder or lender to a portfolio company the responsible Senior Investment Manager will follow up the action plan and check compliance with the Sustainability Policy.

The first information Swedfund will look at is the extensive questionnaire that all prospective portfolio companies must answer.

“Based on their answers we can see how the

company works today and how well they meet our requirements. Do we need to visit the company? What changes do they need to make to meet our requirements? They might not have an ES manager or HR manager, or for example, is their purification plant good enough to meet emission demands?”

THE ACTION PLAN will contain a detailed description of what the portfolio company needs to do to receive financing. To ensure that demands are met Swedfund will establish a timetable and conditions for disbursements. A risk assessment will be made based on the UN Guiding Principles on Business and Human Rights.

“Human rights have been integrated for a long time now in our working methods regarding environmental and social issues, but we are now extending our work so that we can identify human rights risks separately based on the UN guidelines,” says Kristin Sjöblom.

One question that must be raised early on



Kristin Sjöblom, Senior Manager ESG Affairs at Swedfund.

with management is the employees' right to join a union and collective bargaining, which is a challenge in countries where joining a trade union could mean dismissal or even jail, says Kristin. Another priority issue is land investment, where it is important that people who own, use and live on land are compensated fairly, which can be complicated.

"Most of our investments are made south of the Sahara. In countries emerging from conflict or from dictatorship, land rights can be very difficult to handle."

SINCE 2010 Swedfund has continually tightened its sustainability requirements and its sustainability policy has been updated a couple of times. This means that Swedfund cannot set the same strict requirements for older portfolio companies as for new ones.

"We can only set the requirements that are stated in the agreement we sign. For companies with older agreements we do try to raise

SERIOUS INCIDENTS AND FATALITIES

Portfolio companies must report serious incidents and fatalities to Swedfund as part of their contractual obligations.

Two deaths were reported by portfolio companies in 2014, compared with three in 2013. One of these deaths was an employee in a portfolio company while the other was a civilian killed in a traffic accident. Furthermore, a serious incident in the form of a robbery was reported by a portfolio company.

the importance of human rights and children's rights and perhaps other issues that were not included in the contract."

The ESG team follow up the situation on site every year or every other year depending on the nature of the business. Monitoring can also be done by an investment manager at Swedfund who visits the company for a board meeting or financial follow-up. External consultants may be commissioned to ensure compliance with the ESG Action Plan. Action plans may include producing a risk analysis of the supplier chain, as clarified in Swedfund's new sustainability policy that was adopted in December 2014.

"We now do a risk assessment of the company's supply chain. We require the portfolio company to take responsibility for primary level suppliers, which means suppliers of goods, contracted cleaning firms or drivers, that they meet national legal requirements as a minimum."*

GUNILLA NILSSON'S DAY

A DAY WITH GUNILLA

GUNILLA NILSSON is one of eleven Senior Investment Managers at Swedfund. Her speciality is energy investments. Her work includes identifying and evaluating potential investments, negotiating agreements and then monitoring the investment. All work is carried out in close cooperation with other Swedfund departments, including the ESG team and lawyers.

TEXT: SUSANNA LINDGREN PHOTO: PETER JÖNSSON

08.30

We receive a lot of investment proposals every week. Some of them get rejected straight away. The proposal might be in the wrong country for us or be too small – to suit us an investment should be between USD 5-15 million – or maybe there aren't any strong co-financiers. My day usually starts by going through emails, checking if there is something about a current project that I must act on. If an investment proposal arrives I check to see if it meets our criteria and if any extra information is required.

09.30

A meeting of the energy group with Clarissa Dackberg, Investment Manager, and Markus Wilkens, Senior Investment Manager. We prepare for our first conference call about a possible investment in an electricity supply project in Kenya.



Gunilla Nilsson, Senior Investment Manager at Swedfund, describes a typical day at her office in Stockholm.



Tomas Bie and Gunilla Nilsson, both Senior Investment Managers at Swedfund.

10.30

We make the call to the other party in the investment on site in Kenya. We see that some of our questions will need complementary answers so after the call we send follow-up questions by email to Kenya.

11.30

Before lunch Clarissa Dackberg and I go through a draft version of a Screening document for a current project in Nigeria, a country where only half of the inhabitants have access to electricity. Access to electricity is key to development and reducing poverty, which is why Swedfund has chosen to invest specifically in the energy sector. Clarissa has also made a model for the financial forecast for the project. We invest on commercial terms so it is important to check that the company can pay back the loan. The Screening meeting with the investment committee is planned for later in the week.

13.00

The ESG team's Kristin Sjöblom and her colleagues are planning to visit one of our portfolio



WE HAVE TO WORK PROACTIVELY TO FIND NEW PROJECTS TO INVEST IN

companies in Eastern Europe to follow up the company's work on environmental and social matters. We work in the most demanding environments and have high requirements, but the aim is to help the portfolio company to meet our ESG requirements.

14.30

Together with Kristin Sjöblom we go through the environment report from the energy project in Nigeria. Does the report meet our requirements? What more do they need to do?

15.30

The rest of the day is spent making preparations for the energy group's business development trip to South Africa next week. Even though many investment proposals reach us we have to work proactively to find new projects to invest in. I need to arrange a meeting in Johannesburg with other development finance institutions and industrial investors in the energy sector so the rest of the day is spent doing that. *

SCREENING

In a more detailed analysis of the potential investment, Swedfund's three pillars – impact on society, sustainability and financial viability – are considered. Other issues may be raised. The proposal is prepared prior to a decision by the Board.
Period: Less than one month.

IN-DEPTH ANALYSIS AND EVALUATION

Does any part of the project need improving? What are the weaknesses? What results are expected? During Screening, the project is analysed and evaluated in depth. After that, preparations are made for a Board decision.

The Senior Investment Manager responsible for the project presents it together with project group members to Swedfund's investment committee.

"A PM is sent out before the meeting. We have an open discussion about the facts and the conclusions to see if the project has the right potential to match our expectations in terms of our three pillars. We

also discuss whether the project has been sufficiently analysed to be presented to the Board. Screening is a transparent internal

dialogue during which we utilise each others' competence and experience," says Gunilla Nilsson, Senior Investment Manager at Swedfund.

“
WE HAVE AN OPEN DISCUSSION

A project will only go before the Board if it fulfils all of Swedfund's criteria.

"Business plan, risks, impact and action plan will all be discussed. Screening results in recommendation for continued handling of the project. *



Gunilla Nilsson

SWEDPARTNERSHIP IN BRIEF

► **Swedfund's** financing programme, Swedpartnership helps small and medium-sized Swedish businesses to establish collaboration with companies in Africa, Asia, Latin America and Eastern Europe.

► **Financial support** is in line with Swedfund's three pillars. Project evaluation uses a more standardised model, unlike Swedfund. It is adapted to the financial instrument which stretches over a maximum of 18 months.

Read more on pages 60 and 75, and at swedfund.se/en

SWEDPARTNERSHIP

Swedpartnership's evaluation process follows a template like the one used for Swedfund's investment activities.

DURING 2013 and 2014 Swedpartnership gave financial support to Suitopia Scandinavia AB, a Swedish company. Due diligence of this online tailor business, which produces its suits in Vietnam, was done prior to Screening.

During Screening it was found that the company's business and choice of country to establish in met Swedfund's criteria. It did however emerge that the company's equity was too low, so further terms were set for financing.



Nils Marcks von Würtemberg

"The company's owners were asked to contribute SEK one million to the company as a shareholder loan. This was needed to bolster finances, match Swedpartnership's financial support of an equivalent amount and prove that the owners believed in the business themselves," explains Nils Marcks von Würtemberg, Senior Loan Manager for Swedpartnership at Swedfund.

THE FIRST STITCH at the Vietnamese sewing factory was sewn in May 2013 and by the end of 2014 Suitopia Scandinavia AB had 85 employees. The suits are sold on the internet and there are customers in over 100 countries.

"Jobs have been created where they are most needed. Meanwhile tax revenues are going to the Vietnamese government," says Nils Marcks von Würtemberg.

Swedpartnership's financial support to Suitopia Scandinavia AB amounted to SEK one million and was used for competence development as well as acquisition of production equipment. *

SUITOPIA SCANDINAVIA AB

Where: Vietnam. **What:** Online tailor. Through Swedpartnership, Swedfund part-financed Suitopia's start-up of tailoring production. **Domicile:** Stockholm, Sweden. **Started:** 2013. **Investment year:** 2013-2014. **Turnover 2014:** SEK 14.1 million. **Employees 2014:** 85. **Website:** suitopia.se/en



BOARD DECISION

Swedfund's Board makes an investment decision after which a agreements are negotiated.
Period: around seven months (from start).

MEASURABLE CONTRACT REQUIREMENTS THAT WILL BE MONITORED

All investment decisions are made by Swedfund's Board. Before disbursements are made, a series of conditions stated in the agreements must be met.

Before and during the Board meeting, Board members receive written and spoken information so that they can reach a decision about whether to move forward with the investment. In the final contracts Swedfund will set out its ESG requirements and outline the financial challenges and assessed risks.

The reporting requirements are specified for continuous monitoring during the investment period. Through annual monitoring of specific indicators, Swedfund will show what the investment generates in development results in terms of Impact on society, Sustainability and Financial viability – Swedfund's three pillars.



Petra
Brantmark

"In the contract we will outline how the company must report back on specific matters for our annual follow-up. This might include stating how many employees are women, the trade union links, how much tax the company pays and how it approaches anti-corruption," says Petra Brantmark, a legal counsel at Swedfund.

Non-compliance with the undertakings constitutes a breach of contract.

"As lenders we have the right to demand repayment of the loan if the borrower is in breach of the contract, but if we are shareholders we cannot as a rule walk away from

SWEDFUND'S CONTRACTED NEW INVESTMENTS IN 2014

Project/sector

Fidelity Bank, Ghana/
Financial sector

Skye Bank, Nigeria/
Financial sector

Interact Climate
Change Facility, Africa/
Infrastructure

AfricInvest Fund III,
Africa/multi sector

Azura-Edo IPP, Nige-
ria/Infrastructure

the agreement," adds Anders Craft, Director Investment Operations at Swedfund.

ANDERS CRAFT considers that the key question prior to the final Board decision is forming an understanding about the potential partner and the management team.



Anders
Craft

"Does our partner understand the complexity of doing business in a developing country in Africa? Do they have the necessary financial resources and genuine commitment to meeting Swedfund's ESG demands?"

The time needed to reach a Board decision varies greatly, depending on the character of the Due diligence process in individual cases. After the Board decision a contract must be signed within one year.

"Normally it mustn't take more than 12 months. If it goes beyond that we will present the project again to the Board so they can make a new decision whether to invest or not," explains Petra Brantmark.

Disbursements are made by Swedfund in one or more instalments when the partners have agreed on the investment terms and these have been documented in an agreement, and when the conditions for disbursement have been fulfilled. *

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THE COM-
PANY MUST
REPORT
BACK ON
SPECIFIC
MATTERS



Kikma Menjeta
and Wintan
Shimeles in Addis
Ababa, Ethiopia.

VALUE CREATION

HOW SWEDFUND CREATES VALUE

During the management phase Swedfund will influence the portfolio company through capacity building, leadership and performance monitoring. Swedfund nominates directors to the board with relevant backgrounds, sets financial reporting requirements as well as yearly ESG reporting while all the time ensuring that improvements are implemented.

When Swedfund's Board has taken an investment decision, the contract has been negotiated and the first disbursements have been made, value creation starts for the portfolio company. During the management phase, which may last for up to ten years, Swedfund introduces expertise to the company's board by adding skills and experience.



Ulf
Tossman

"A professional and active board will create the right conditions for sustainable business. By guiding and working together with management we can establish what is required for the company to be profitable and sustainable. Through our investment we will be able to have an influence via our board representation and can introduce a clear approach on how to handle ESG issues and in doing so we contribute to capacity building in the company," says Ulf Tossman, Senior Investment Manager.

He describes the variety of Swedfund's

Swedfund influences the portfolio company through board participation, exchange of experience and monitoring. Swedfund's overall commitment creates value during the management phase. Period: around 7-10 years.

“
PROFES-
SIONAL,
PROACTIVE
DIRECTORS
CREATE THE
CONDITIONS
FOR SUSTAI-
NABLE
BUSINESS

activities in portfolio companies and various industries. In Iraq, for example, Swedfund, in partnership with Scania, has helped train teachers in advanced engine technology, driver skills and English.

"It's important to teach drivers how to drive with minimum environmental impact. That will save more fuel than any of the technological development of future engines. It might sound trivial but it is very important and it's a simple way to make a difference," says Ulf Tossman.

KRSITIN SJÖBLOM, Senior Manager ESG Affairs at Swedfund, together with the ESG team, supports the responsible Senior Investment Manager in monitoring the sustainability policy and the ESG Action Plan (ESG AP) that has been agreed.

"The ESG team is involved in everything from the first view of the project through Due diligence and then we are on the investment committee deciding whether the project should be prepared for a final Board decision," explains Kristin Sjöblom.

The ESG team drafts the ESG AP, including measures that will ensure the company complies with the sustainability policy. The ESG AP is implemented in the daily routines of the portfolio company and compliance is monitored. Value creation thus starts before a decision to invest is made. During the initial assessment Swedfund will address all the requirements that the partner is being asked to comply with, such as annual reporting on ESG issues.

"It's important to do a thorough analysis

early on. During Due diligence we will continue the ESG dialogue and form an opinion about what level of maturity the company has reached.”

Swedfund’s ESG activities run from one to three years during the management phase during which the ESG action plan will be implemented. After this is completed, the aim will be to make continuous improvements. Policies will be monitored by Swedfund’s ESG team who will visit every year or every second year or perform an audit, using local consultants as necessary. During the management phase the



Kristin Sjöblom

ESG team will be following up development continually, which enables new ESG issues to be addressed.

“Has the company changed its suppliers or introduced new processes? As the

business changes we will produce new plans to ensure continual improvement. Each visit or audit will be documented in a report with recommendations and a monitoring plan.

Monitoring of the ESG AP may also be done by the investment manager at Swedfund when visiting the company for a board meeting or a financial assessment.

“The ESG team has produced a special template for these visits, a site visit report, that our investment manager will complete after the visit. It will include asking questions about handling of waste and the risk of unprotected or underage workers,” explains Kristin Sjöblom.

Site visit reports were developed in 2014 after a dozen or so such visits. They will be launched in 2015 in the form of an app on a computer tablet.

IN ADDITION TO monitoring ESG issues at the portfolio company, Kristin Sjöblom and her team implement improvement measures in parallel. In 2013 Swedfund arranged a couple of training courses for ESG managers at portfolio companies. In the spring 2015 there will be a workshop for around 25 participants from Kenya, Ethiopia and South Sudan, among other countries. In another project being conducted at two portfolio companies Swedfund is aiming to strengthen and promote career opportunities for women. This project is being performed in cooperation with a Swedish consulting firm,

DECISION POINTS FOR SWEDFUND'S THREE PILLARS

► **Impact on society:** Annual or more frequent reporting to measure and evaluate the impact on society for the investment and Swedfund’s portfolio in general. Monitoring to check how the company meets sustainability targets within agreed time frame.

► **Sustainability:** Follow-up of ESG Action Plans, regular company visits, ESG audits, proactive work to continuously raise the level of sustainability at the company. Checking compliance with sustainability targets (for ESG and anti-corruption) within agreed time frame.

► **Financial viability:** Regular quarterly reports, company visits, follow-up of strategic and operational goals and 100-day plans.

Wiminwest. A third project involves training for portfolio companies in children’s rights.

“We have selected a number of portfolio companies in which we have seen through a risk analysis that there is a possibility that children are being involved in the supply chain. We therefore want to increase understanding about how children’s rights can be safeguarded,” says Kristin Sjöblom.

Exerting influence through, for example, annual reports, site visits and monitoring is an essential part of Swedfund’s role, as it is for all DFIs.

“But being able to offer the portfolio companies, based on identified risks, special training in ESG and women’s rights, for example, is something we must put more resources into.”

LARGE DFIS may have up to 900 portfolio companies they invest in. Swedfund is a small DFI, which means alternative ways for value creation activities.

“A bigger DFI, for better or worse, will monitor its clients in

a more standardised way. With our ESG team of just four people we get much closer to our investments and we get a better understanding of our portfolio companies,” says Kristin Sjöblom.

Ulf Tossman agrees that Swedfund has a good understanding of the business of its portfolio companies.

“We don’t have the bottlenecks that larger organizations might

have and we try to move faster in our processes. That gives us greater flexibility and quicker decision-making. Of course, we are just as dependent on high quality in our decisions as the big DFIs and we need complete information before making a decision.”

Closer personal contacts with the ESG managers in the portfolio companies mean that Swedfund can identify important issues that might not emerge just through annual reporting, and make special interventions.

“We encourage the portfolio companies to



WE HAVE GREAT FLEXIBILITY AND QUICK DECISION-MAKING. OF COURSE, WE ARE VERY DEPENDENT ON HIGH QUALITY IN OUR DECISIONS

bring up special areas themselves where they want to see improvements and thus contribute to development,” says Kristin Sjöblom.

THERE ARE MANY challenges involved in Value creation. Corruption is common on several markets.

“Of course it’s hard to run a business that competes with a local company that is influenced by a business culture where there is corruption,” says Ulf Tossman.

He describes how Swedfund holds a dialogue with the portfolio company throughout the investment process. A consensus at board level and among managers about anti-corruption is critical for value creation.

“We explain our business ethics right at the start and how we expect business to be conducted in accordance with our policies. With the help of our internal and external systems for monitoring we ensure that there is continuous follow-up work so that the companies develop in the expected way.

From the ESG perspective Kristin Sjöblom considers that the main difficulty lies in portfolio companies who have not yet realized the importance of achieving genuine sustainability.

“The difficulty comes when they are not committed to these questions and have not allocated adequate resources,” says Kristin Sjöblom.

FOR SWEDFUND it’s important that the portfolio company appoints an ESG manager who will report on ESG issues.

“This person will be my partner at the portfolio company

and will participate in our special courses or workshops. This is a platform where you can meet others in similar situations. Our work gets easier if we can help people to build networks.”

Kristin Sjöblom and Ulf Tossman say that all the phases of the investment process are important, but it is during the management



IT IS DURING THE MANAGEMENT PHASE THAT SWEDFUND CAN REALLY MAKE A DIFFERENCE AND CREATE VALUE

phase that Swedfund can really make a difference and create value.

“If value is not created by working with ESG issues then we will not achieve the difference we want to make. It won’t matter how careful we were in Due diligence or how many reports we write,” says Kristin Sjöblom.

ULF TOSSMAN describes value creation as an essential foundation when creating a sustainable and financially viable business that benefits the community.

“If we succeed with value creation then we will have good prospects for making our exit from the business,” he concludes. *

IN FOCUS

AAR HEALTHCARE, KENYA

AAR Healthcare in Kenya has been offering healthcare to Kenyans for 30 years. Today they have 14 clinics throughout the country. Kristin Sjöblom, Senior Manager ESG Affairs, was involved in Due diligence of this business back in 2012.

“We did an initial thorough investigation when I visited two clinics in Nairobi. At one of them I met members of the management team and other key staff.”

During the visit Kristin collected information using a list of questions. An ESG Action Plan was produced, which among other points set requirements for appointing staff to special positions of responsibility at the company.

“We considered that AAR Healthcare needed to systemize its activities in environmental, working environment and safety issues and to establish clear lines of responsibility for ESG issues. We requested that people working with specific areas such as the environment, social impact and HR, received formal titles. Furthermore there was a need for general training of staff in ESG issues.

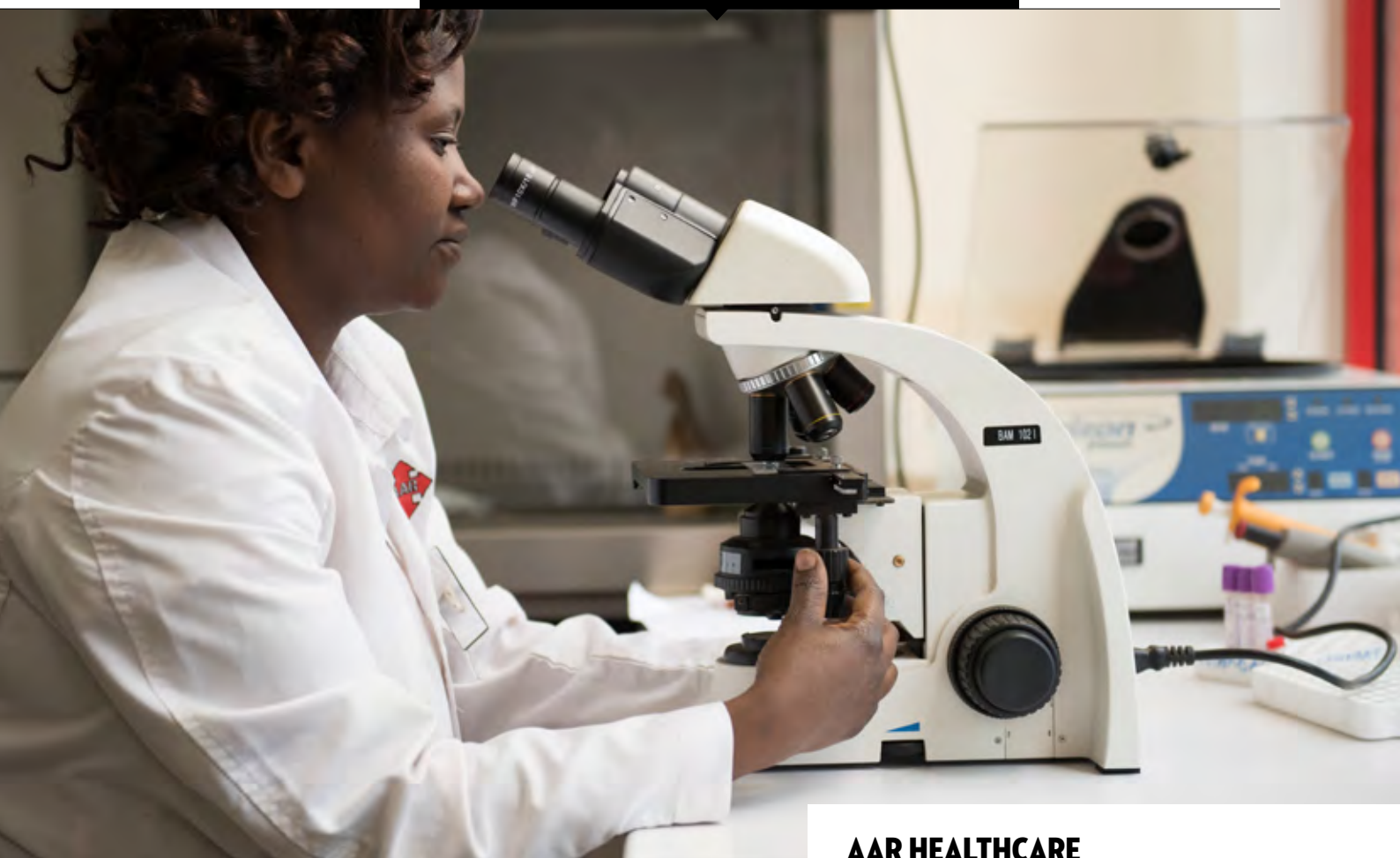
In the autumn of 2013 Swedfund held an ESG course in Nairobi for the managers and consultants charged with implementing AAR Healthcare’s ESG Action Plan. In February 2014 there was a visit to the main clinic in connection with a board visit. Performance of the action plan was checked and the plan was updated.

AAR Healthcare has received environment and social category B and has therefore been assessed as Medium low impact/risk, which means that the company generally has limited potential negative social or environmental impact, or risks that are site-specific and can therefore be handled relatively easily through tested methods and measures according to Harmonized EDFI Environmental and Social Standards. Swedfund has identified risks in emergency situations, building evacuation, and handling of medical and hazardous waste.

“A Medium low impact/risk means that we monitor the situation on site every second year. There will be an ESG audit in 2015 or 2016,” says Kristin Sjöblom.



OUR WORK GETS EASIER IF WE CAN HELP ESG MANAGERS AT PORTFOLIO COMPANIES TO BUILD NETWORKS



AAR HEALTHCARE

Where: Nairobi, Kenya. **What:** Healthcare at 14 clinics throughout Kenya. **Domicile:** Kenya. **Started:** 1982. **Investment year:** 2012. **Turnover 2014:** around SEK 150 million. **Employees 2014:** 756. **Website:** aar-healthcare.com



EXIT

Swedfund sells its holding in the portfolio company and ends its involvement. Period: 3-6 months for a pre-planned exit with handover to existing owner. 6-12 months for sale to third party.

A VIABLE BUSINESS FOR SALE

An exit occurs when a portfolio company can continue to develop and grow without Swedfund. Financial viability is the key to concluding an investment. The new owner must also meet Swedfund's ambitions, targets and other conditions in a signed contract.

Swedfund decides to exit from a portfolio company when it can continue to develop and grow without Swedfund's support. "When the contracted terms and Swedfund's goals for the investment have been met, we sell our holding," explains Fredrik Wijkander, Senior Investment Manager at Swedfund.

Once the decision to sell the company has been taken an independent consultant will make a valuation of the business and a buyer will be identified. Normally a decision on how to exit the business will already have been taken when Swedfund makes the initial investment. The best alternative is to sell the holding to the company's main owner.



Fredrik Wijkander

"This is usually the best solution for ensuring continued sustainability and financial viability."

When selling to an external buyer the conditions are the same as when Swedfund invested initially. The buyer must meet Swedfund's ambitions, goals and investment criteria. Swedfund also endeavours to make sure that the company can carry on doing business in accordance with Swedfund's requirements.

"When a third party buys our holding we assess the buyer to make sure their business activities are in agreement with Swedfund's

DECISION POINTS FOR SWEDFUND'S THREE PILLARS

Impact on society:

An analysis of achieved impact on society based on indicators selected at the time of the investment. Achievement of sustainability targets is measured.

Sustainability: An analysis of achieved results in ESG areas is made. Achievement of sustainability targets is measured.

Financial viability: IRR (Internal Rate of Return) for Swedfund's investment is calculated and reported. Achievement of sustainability targets is measured.

values, which in turn increases the likelihood that the company will live on in accordance with our requirements. Once we have sold our shares we can no longer control the development of the company."

IN 2014 Swedfund made an exit from Cimbenin, a cement company with a plant near Cotonou in Benin. This investment started in 1991 with share capital from Swedfund and Denmark's Investment Fund for Developing Countries (IFU). The main owner was Heidelberg Cement in Germany. Prior to the sale a valuation was made by an external consultant in West Africa.

"During the autumn we began discussing a sale of our shares with the main owner as we considered that the company was stable and at a high level in terms of sustainability and financial viability. Following constructive discussions and final negotiations in the autumn we reached a final agreement," recalls Fredrik Wijkander who was in charge of the exit.

Negotiations took a month and the process was concluded in December 2014.

At the end of an investment the Senior Investment Manager writes an exit report, detailing the history of the investment. There will also be a final assessment of the results achieved in Swedfund's three pillars.

"Cimbenin is an example of an investment in a difficult environment where we were part of a Scandinavian investment group. A former state-owned cement company has developed into what is now an ISO certified plant employing over 100 people." Read more on page 68. *

HIGH LEVEL OF BOTH SUSTAINABILITY AND FINANCIAL VIABILITY

CIMBENIN, BENIN

Where: Cotonou, Benin

What: Cement industry

Domicile: Cotonou, Benin

Year of formation: 1991

Investment start: 1991

Turnover, 2013: SEK 390 million

Employees, 2013: 110

Website: hcafrica.com

Work at the cement plant gave Gilbert Gahou and his family a secure income. Read more about Cimbenin in Swedfund's [2013 Integrated Report](#).



HELENE LUNDKVIST
CFO, SWEDFUND

No “traditional” income statement and balance sheet

IN MANY OF the world’s poorest countries, development is dependent on growth in the private sector. So the role for business and the private sector in the development agenda is to mobilise greater expertise, innovation and resources. In this process Swedfund has an important part to play as a development finance institution.

SWEDFUND’S portfolio companies contribute to sustainable development directly by creating jobs, improving working conditions, developing markets and contributing to the transfer of technology and know how. Indirectly these companies contribute by developing industries, supplier and distribution networks, and by building a sound business climate. The general impact on society improves as the tax base expands. Our involvement shows that it is possible to make investments that generate financial viability and sustainable businesses that contribute to creating the right conditions for poor people to improve their living conditions.

Financial viability and sustainable business contribute to creating conditions for poor people to improve their living conditions.

WE KNOW THAT we have shouldered a large strategic challenge in terms of the geography we have selected south of the Sahara, the type of investments, proportion of equity investments and our selection of sectors. Our opinion is that the strategy chosen for Swedfund will make the greatest contri-

bution in the long term. The benefits of our mission – financial viability, sustainability and impact on society – cannot always be easily combined with our goal of generating positive economic returns. In recent years the company has made losses, and unfortunately

the write-downs we have to make mean that we cannot achieve our return targets this year either. It is important, however, to remember that Swedfund’s income statement and balance sheet cannot be compared with “traditional” venture capital. Our development results, which are reported on the following pages, clearly demonstrate that Swedfund’s welfare capital has other objectives than the important one of positive economic returns.*



REPORTING OF DEVELOPMENT RESULTS

IMPACT ON SOCIETY PAGE 56

SUSTAINABILITY PAGE 61

FINANCIAL VIABILITY PAGE 66

COMMENTS PAGE 69

FOOTNOTES PAGE 70

Swedfund's mission is to contribute to reduced poverty through sustainable business. Swedfund monitors and evaluates the results in terms of its three pillars; Impact on society, Sustainability and Financial viability. Reporting of development results includes Swedfund's strategic sustainability targets and several other key indicators. The results are then described further through individual case studies.

STRATEGIC SUSTAINABILITY TARGETS

Swedfund's three pillars were supplemented last year with the adoption of strategic sustainability targets. Monitoring began during the year. For new investments there is a requirement for the portfolio company to meet the strategic sustainability targets within a three-year period and report annually. To make the assessment, a series of questions are asked concerning each target.

"For investment contracts made prior to 2014 Swedfund aims to collect information even if it cannot always be guaranteed, given that each investment

contract was written before the targets were set," says Karin Askelöf, Investment Manager who has responsibility for follow-up and reporting of development results at Swedfund.



Karin Askelöf

INTERNATIONAL COOPERATION

Swedfund works together with a large number of international institutions with similar missions and ways of measuring results.

Since 2011 Swedfund has been involved in an international initiative with more than 25 other institutions aimed

at developing [IFI Harmonized Development Result Indicators for Private Sector Investment Operations](#). In 2014 Swedfund introduced the 27 indicators from the harmonization that were not already included in the company reporting.

Further indicators will be introduced in 2015 relating to knowledge transfer and private sector development.

ANNUAL QUESTIONNAIRE

Result reporting for Impact on society and Sustainability (ESG) is based to a large extent on the annual declaration the portfolio company must submit to meet its contractual commitments. [The Swedfund Portfolio Company Sustainability Report 2014](#) contains around 150 questions divided into three areas: Environmental and Social, Corporate Governance and Anti-Corruption and Development Effects.

"The biggest changes in 2014 were that we merged two reports into one, included a large section for Corporate Governance and Anti-Corruption, and included the aforementioned harmonised indicators.

Result reporting of financial viability is based on Swedfund's financial reporting and the portfolio companies' annual reports.

DATA RESTRICTIONS

When investing jointly with another DFI (often in the finance or energy sectors) then, subject to agreement, a financier other than Swedfund can take responsibility for follow-up and reporting of an investment. The investors will harmonise their reporting requirements so that the company doesn't have to report in different formats. Consequently, the timing of reporting does not fall in line

with Swedfund's normal requirements, and so some investments may not appear in Swedfund's reporting of results or they will appear in another reporting period.

"Furthermore, Swedfund's strategic sustainability targets sometimes go further than the reporting requirements of other DFIs. The self-assessment responses for some portfolio companies can include 'no answer', which is why data relating to sustainability targets is missing for some investments."

CHALLENGES

It is not always possible to realise Swedfund's ambition of reporting the results of all portfolio companies (read more on page 70). During 2015 Swedfund will continue to develop its methods so that more portfolio companies are included in reporting. Meanwhile processes for data collection are being further developed to safeguard the data quality and documentation in the internal database in order to facilitate efficient follow-up. This is specially important since development results will be audited for the first time this year. Swedfund's reporting in 2014 is a fully integrated report in which sustainability-related information is integrated with financial information and vice versa.

"Swedfund's auditors not only verify our financial statements, they also look at our other pillars, although not the accounts of the portfolio companies. This way we can improve the quality of result reporting. As interest in sustainable business grows and accounting standards develop it remains important that the reporting load is kept at a reasonable level for portfolio companies and is focused on the most relevant indicators considering the company's business and Swedfund's role in reducing poverty."

IMPACT ON SOCIETY

Swedfund shall contribute to the creation of jobs with a good working environment and good employment terms. Presented below are the strategic sustainability targets for impact on society, indicators that in different ways describe the effect of investments on society in general and the results.

The case stories describe the effects of knowledge transfer and private sector development.

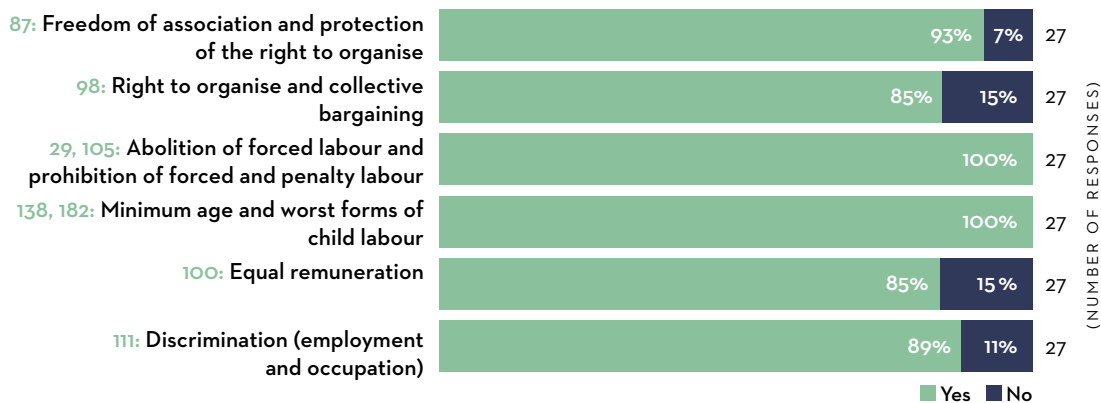
STRATEGIC SUSTAINABILITY TARGETS FOR IMPACT ON SOCIETY

<p>TARGET</p> <ul style="list-style-type: none"> ► Fulfilment of ILO's core conventions and ILO's basic terms and conditions of employment in all companies within three years of the start of financing. ► On average for all of Swedfund's investments the number of jobs shall increase every year. 	<p>18 specific questions are asked to determine if a portfolio company fulfils the ILO's core conventions and ILO's basic terms and conditions of employment. This means Swedfund covers the key areas of the ILO core conventions and ILO basic terms and conditions of employment and hence possible areas for improvement can be identified and Swedfund can proactively advocate to achieve its targets. Questions are asked about the following areas:</p>
<p>INDICATOR</p> <ul style="list-style-type: none"> ► Fulfilment of the ILO's core conventions and ILO Basic Terms and Conditions of Employment plus a growing number of jobs within Swedfund's portfolio companies. 	<ul style="list-style-type: none"> ► Trade union rights, ILO 87, 98 ► Minimum wage, ILO 26, 131 ► Enforced labour, ILO 29, 105 ► Child labour, ILO 182 ► Occupational safety and health, ILO 155 ► Equal remuneration, ILO 100 ► Discrimination, ILO 111 ► Minimum age, ILO 138 ► Working hours and overtime, ILO 1

Do you want to read the questions that Swedfund asks portfolio companies?

Read the [Swedfund Portfolio Company Sustainability Report 2014](#)

SUSTAINABILITY TARGETS: ILO'S CORE CONVENTIONS



COMMENTS

Swedfund's definition of compliance with the ILO core conventions is that the portfolio companies must answer yes to all (18) questions included in the self-assessment. 20 (74%) of the 27 companies that responded follow the core conventions, see table on page 70. Three out of seven of the responding companies not following core conventions lack policies for equal pay and non-discrimination. Four companies do not allow union participation and collective bargaining. Several of these invest-

ments are located in countries where trade union rights and collective bargaining are not permitted or are controlled by the State. All seven funds say that they follow the ILO core conventions. 100% of the direct investments and fund investments that responded indicate compliance with ILO fundamental conditions of employment; Minimum wage, Work and Health, and Work and overtime. In future years Swedfund's advocacy in these issues will focus on the companies that did not complete a self-declaration.

SUSTAINABILITY TARGET JOB CREATION 2013-2014

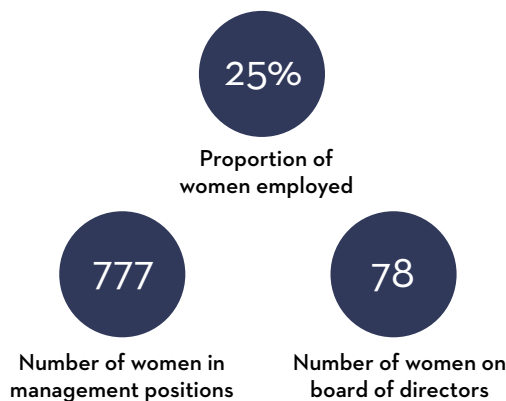


COMMENTS

Average job growth in the 41 companies that were in Swedfund's portfolio in both 2013 and 2014, and where information on the number of staff is available, was 1.5 percent. Direct employment in the portfolio totalled 108,221 (104,390)¹. Direct jobs also generate a large number of indirect jobs through the supply chain and distribution. Swedfund has no estimates of, and does not account for the indirect jobs that are created. The World Bank's investment organization IFC estimates that the number of indirect jobs created in the IFC's portfolio companies is seven to 25 per direct job created. Many of these indirect jobs will benefit uneducated and poor people. Swedfund estimates that the impact on employment locally and overall is substantially larger than the jobs reported above.

For footnotes, see page 70.

EQUALITY

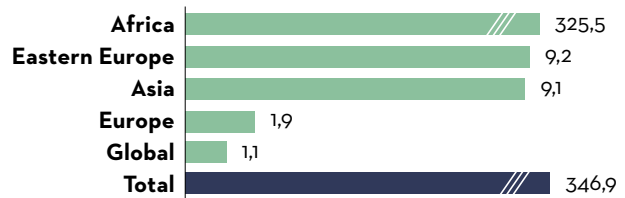


COMMENTS

2014 is the first year that Swedfund both measures and reports the proportion and number of women employed in portfolio companies including investment funds and their holdings, and the women in management positions and on company boards². This is part of efforts initiated to improve gender equality. There is therefore no comparative information from previous years. In coming years Swedfund will include comparative figures and percentages for the above indicators.

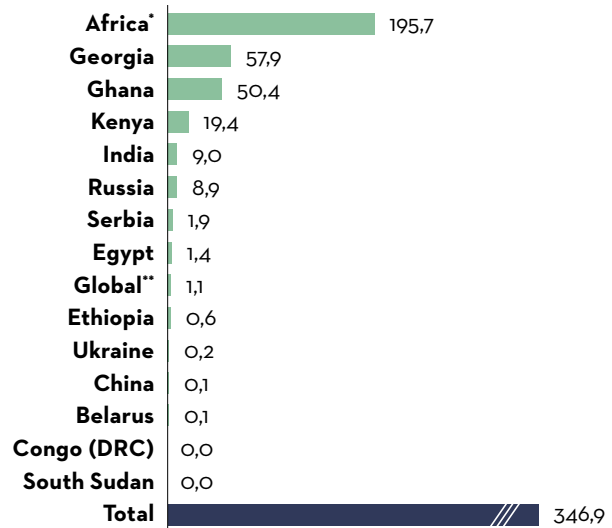
ESTIMATED TAX, PER REGION

MSEK, aggregate for the portfolio



ESTIMATED TAX, PER COUNTRY

SEK M, aggregate for the portfolio



*Other African countries than reported above

**Global refers to companies with activities in several countries and/or regions.

COMMENTS

Portfolio companies' aggregate estimated tax amounted to SEK 347 million³. This tax can be used in investor countries to finance social and economic infrastructure such as the building of schools, hospitals and utilities. Corporate tax payments represent an important addition to the often under-funded state budgets. Developing countries are unfortunately currently missing out on a significant source of tax revenues. This is a consequence of tax breaks for businesses and as a result of corporate tax planning. 2014 is the second year that Swedfund presents country-by-country reporting of tax. This reporting is a consequence of the dialogue on tax matters that began in 2013 with the civil society aid organizations with which Swedfund also discusses how final beneficiaries can be addressed in future.

“Eurodad welcomes Swedfund's initiative to report tax on a per-country basis at an aggregated level for its directly owned portfolio companies. However, a pivotal next step for Development Finance Institutions would be to publicly disclose country-by-country data, including taxes paid, profits, losses and number of employees for all of the companies they invest in and partner with.”



María José Romero, Policy and Advocacy Manager on Private Finance and DFIs at Eurodad

Scan the QR code to read Eurodad's report [Going Offshore](#).



PRIVATE SECTOR DEVELOPMENT AND KNOWLEDGE TRANSFER

For competitive and sustainable businesses to develop and grow, it's not enough just to have capital and a good partner. An equally important component is the knowledge transfer that takes place at the portfolio company through Swedfund's proactive advocacy. Through an active participation on the company's board, Swedfund can use its ownership in the company to contribute experience and know how in areas such as environmental issues, anti-corruption efforts and ESG improvements. Business expertise, strategic competence and organizational development are also important elements of knowledge transfer for the portfolio company. Knowledge transfer takes place at the strategic level, through work on the board and at operational level through site visits and the production of Action Plans. Furthermore, knowledge transfer can also develop at the technical level through the implementation of management systems for example.

Companies that have a sustainable business model and an ethical compass experience a better value creation. Swedfund's commitment contributes to the development of the company, which also has effects on the local and regional private sector. This can include the introduction of new production technology, supply of new services or goods, while general fulfilment of Swedfund's requirements also serves as a model for other businesses and organizations. Swedfund's portfolio companies help to raise the bar for other actors in the private sector.

The effects cannot always be quantified but are still significant.

Healthcare is central to all social development. Swedfund currently has six investments in the healthcare sector within a variety of medical disciplines.

Life expectancy is increasing in most countries where Swedfund is active. Thus there is also an increase in the



Ulf
Tossman

need for health care in general and specialist care in particular.

Significant investments both in public health and private care will be needed to solve future challenges. Swedfund currently has six investments in the healthcare sector within a variety of medical disciplines. In 2014 these projects cumulatively treated nearly 840,000 patients.

Investments in the health sector

help to develop different skills for the sector and country.

One of Swedfund's investments in healthcare is an investment company, Global Medical Investment (GMI), which invests in and operates clinics for cancer care. In many countries this type of care is barely available and, consequently, often there are deficiencies in official regulations, leading to the company establishing rules and management manuals. Similarly, sometimes there are no regulations about licensing.

The result is that the establishment of a regulatory framework creates the conditions for other players who enter the market. For radiation clinics specifically the safety aspect becomes extra important as radiation should be handled in accordance with the International Atomic Energy Agency requirements, which in some cases are not integrated within the local regulations.

SWEDFUND IN THE HEALTHCARE SECTOR

Investment	Start of investment	Start of investment	Focus	No. of patients treated in 2014*
AAR Healthcare	2011	Kenya	Primary care clinics	556,000
Addis Cardiac Hospital	2006	Ethiopia	Cardiac and Vascular Surgery	13,000
Cairo Gamma Knife	1999	Egypt	Cancer treatment	600
Global Medical Investments GMI AB	2007	Chile, Ecuador, Dominicans republic, Ghana, Indonesia and Mexico.	Cancer treatment	2,300
Medica	2013	India	Four multi-specialist hospitals	169,000
Nairobi Women's Hospital	2012	Kenya	Four hospitals focused on care for women	99,000

*Information collected from portfolio companies' self-declarations

CASE STUDY

SWEDFUND INCREASES ITS CLIMATE COMMITMENT

Furthermore specialized care requires that there are competent personnel for service and maintenance of equipment,” says Ulf Tossman, Senior Investment Manager at Swedfund.

In general, whatever the medical discipline, opportunities for specialist training are often limited, which means that locally trained doctors often have to go abroad to get the right education and experience in their specialist field.

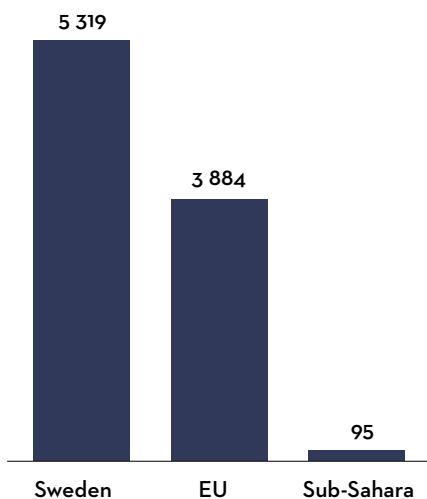
“One big challenge is that many people can’t get jobs that match their education and expertise in their home country so they often remain in North America or Europe,” says Ulf Tossman.

As initiatives are implemented that extend the range of healthcare in countries with less developed healthcare sector, opportunities arise that will encourage specialist doctors to return home.

TEXT: MARKUS HÅKANSSON

DEVELOPMENT OF HEALTHCARE SECTOR

Healthcare spending per capita (USD)



SOURCE: WORLD DEVELOPMENT INDICATORS 2012

Almost half of all projects financed by the ICCF are based on wind power.



PHOTO: COLOURBOX

In 2014 Swedfund increased its financial commitment to Interact Climate Change Facility (ICCF) by investing a further EUR 5 million in climate change projects in growth markets.

In many growth economies demand for electricity is significantly larger than supply. As a result, both businesses and individuals are often forced to find their own energy solutions, for example in the form of small diesel generators for production or wood stoves for cooking. This hampers growth for the companies, which in turn limits their ability to create new jobs.

“Emerging markets risk being hit hard by climate change, but if measures can be implemented at an early stage they can have significant results. By providing long-term financing for sustainable investment in the world’s

poorest countries Swedfund can actively support development towards a more energy-efficient and climate-friendly global economy,” says Gunilla Nilsson, Senior Investment Manager at Swedfund.

ICCF is financed by Swedfund and several other development finance institutions. The aim is to promote the use of environmental techniques as an important part of sustainable development. ICCF finances projects in renewable energy and energy efficiency in existing power generation plants. By demonstrating the economic viability of projects, ICCF also aims to act as a catalyst and attract additional financing for the development of sustainable energy in emerging markets.



Gunilla Nilsson

TEXT: MARKUS HÅKANSSON

MORE ABOUT ICCF

ICCF has signed agreements on investment worth around USD 275 million (31 December 2014), spread over 14 projects. Examples of projects include solar energy in India, energy efficiency in existing power generation in Ivory Coast and wind power in India and Kenya. Up to half of all projects are based on wind power.

CASE STUDY

SWEDPARTNERSHIP

Evaluation and results monitoring of Swedpartnership's financial support is based on Swedfund's activity's three pillars. The case studies presented below have been concluded and the loans were fully written off during 2014 after Swedfund had visited the local partner and verified on site the project's implementation, sustainability, long-term financial viability and impact on society.

TEXT: MARKUS HÅKANSSON

Three projects financed by Swedpartnership are presented here as part of Swedfund's result reporting. In 2014 Swedpartnership started following up results for its three pillars. In 2015 the presentation of Swedpartnership will also include results for the Sustainability and Financial viability pillars.

KEETMANSHOOP, NAMIBIA

Processing in Namibia

Together with a local company and thanks to financial support from Swedpartnership, Swedish company Kristallen has created new jobs in Keetmanshoop, an area that has high unemployment levels.

The key to improving Africa's prosperity is to switch from exporting raw materials to increased refining. Kristallen AB, located at Guldvaskevägen in Laanavaara, north of Kiruna, is a family and knowledge-based Swedish company that has been assigned by Luleå university of technology to perform training in gemology and precious stone grinding.

"When the company wanted to establish in Namibia they came in contact with Swedfund. Kristallen AB had experience of operating in several African countries. They chose Namibia for its rich mineral resources and the contacts the company had made in the country," says Anna Långström, Senior Loan Manager at Swedfund.

Together with a local company



The official contract signing ceremony.

and financial support from Swedfund through Swedpartnership, Kristallen built a new business at Keetmanshoop, where about 60% of local people are unemployed. Today, the company employs 12 people, mostly young newly graduated university students

who now receive further training in the jewellery industry. Support for Kristallen AB amounted to approximately SEK 750,000 for technology and skills transfer, which was 40% of the total cost. The company itself stood for the remaining 60%. *

PHOTO: KRISTALLEN



PHOTO: ALPHA TRADING ENTERPRISE

Alpha Trading Enterprise is the local partner.

BANJUL, GAMBIA

High quality Swedish paint boosting development in Gambia's paint industry

Several buildings in Gambia's capital, Banjul, are painted with Swedish paint. Thanks to Swedpartnership, Liwa Färg AB, together with local partner Alpha Trading Enterprise, is creating new jobs in the region.

Liwa Färg AB was founded in 1931 and is a Malmö-based paint manufacturer with 25 employees. Alpha Trading Enterprise in Serrekunda, close to Banjul, is Liwa's local partner in Gambia. Through Swedpartnership, Swedfund has part-financed a training initiative for local staff, something that was needed to establish a functioning paint factory and market in the country.

"This high quality paint complies with Swedish regulations. The business is based on shipping the raw material for the paint in containers from Malmö to Banjul. Using modern technology, paint can be manufactured that will withstand frequent rains that affects this part of Africa. This project has transformed the entire Gambian paint industry," explains Staffan Ahl, Director of Swedpartnership.

Formerly only around 10-12 paint colours were available. Now thanks to modern paint mixing machinery at least 1,500 different tones are possible.

"Thanks to Liwa's paint recipes, modern machinery in two efficient stores, high quality Swedish paint is now being produced locally in Gambia. Supported by Swedpartnership, Liwa and its local partner are boosting development in this sector, creating new jobs, and above all creating new opportunities for a previously underdeveloped paint industry." *

HO CHI MINH CITY, VIETNAM

Suitopia creates new job opportunities in Vietnam

The first stitch was sewn in May 2013. The business started rolling in 2014 and by the end of the year Suitopia had 85 employees in Ho Chi Minh City, Vietnam. Suits and coats have been sold all over the world.

Today Suitopia Scandinavia AB's Swedish company have sales totalling SEK 14 million. As much of the profit as possible is invested back in the subsidiary in Vietnam. It's unusual to employ 85 people so quickly with a product that is being continually developed and sales that are increasing fast.

"Building the business in Vietnam has happened very quickly. This is a good example of how Swedpartnership works. Jobs are being created where they are most needed and tax revenues are being generated for the Vietnamese state," says Nils Marcks von Würtemberg, Senior Loan Manager at Swedfund.

Suitopia is an online tailor. Their range includes men's suits and coats that can be ordered on the Internet. There is a store in Stockholm, while manufacturing takes place in Vietnam.

Initially, Swedfund did not think that Suitopia had the financial strength that warranted a contribution of Swedish tax money, but after an agreement that saw the owners invest SEK 1 million, the project could be started.

"This project means that traditional tailoring methods can reach a global market thanks to Suitopia's business model that is based on modern technology," says Nils Marcks von Würtemberg. *

Read more about Suitopia Scandinavia AB on page 44.



PHOTO: SUITOPIA SCANDINAVIA AB

Production takes place in Vietnam.

ERBIL, IRAQ

Cooperation for young women and men in Iraq

In Iraq the Swedish Training Academy is helping unemployed women and men. This training boost economic development and create opportunities for young, unemployed Iraqis to earn an income. Scania is behind the initiative.

Swedfund became a shareholder in Scania's distributor in Iraq when Scania in 2010 decided to re-establish on the market.

"Scania realized there was a big need for initiatives to improve skills to help them recruit the right people," explains Ulf Tossman, Senior Investment Manager at Swedfund.

IN 2012 Scania started a Public Private Development Partnership that aimed to give the main target group – unemployed women and men aged under 30 – training in technology, English and IT, among other subjects. Scania teamed up with Unido (the United Nations Industrial Development Organization), Swedish education company EF and Kurdistan's Ministry of Labour. Swedfund invested SEK 1 million in 2013 in Swedish Training Academy.

"The training boost economic development and create opportunities for young, jobless Iraqis to earn an income. Another important result is that women become involved in traditionally male-dominated professions," says Ulf Tossman.

In 2014 463 students, of whom 47% were women, participated in the training. This compares with the previous year when 575 students, 45% of them women, participated.

THE PROJECT has proven to be replica-



PHOTO: SWEDFUND

Young women are becoming involved in traditionally male dominated professions.

"In 2014 463 students, of whom 47% were women, participated in the training"

ble, meaning that models with a similar partnership arrangement have already been set up in other countries.

"Even though this project is described as a success, with the new skills of the students matching the requirements on the job market, there are still several challenges to meet.

Many students still find it hard to get work after completing their studies, although that's mainly due to negative market development in recent years. It's also worth noting that the figures are getting brighter year by year – a higher share of students than before are finding employment after receiving this training. Whether this is a break in the trend or just an annual blip is something we will come back to," says Ulf Tossman. *

TEXT: MARKUS HÅKANSSON

SUSTAINABILITY

Swedfund shall contribute to creating sustainable businesses in the world's poorest countries and be proactive with anti-corruption initiatives internally and within the portfolio companies. Strategic sustainability targets for ESG and anti-corruption are presented below along with the indicators that are considered significant for helping the companies reach targets and achieve good results over time.

STRATEGIC SUSTAINABILITY TARGETS FOR ESG

TARGET Implementation of management systems at each company within three years of the start of financing.	INDICATOR Implementation in all portfolio companies and at Swedfund itself of ESG management systems which, where relevant, cover environmental and social issues, and corporate governance at all companies.
<p>To determine if a portfolio company meets the sustainability target, Swedfund checks if the company has implemented a management system and whether it contains the components that are relevant. This helps identify opportunities for improvement. Eleven questions are asked about the following components of a management system:</p> <div> <div> <p>► Policy: A Sustainability Policy shall be established and adopted by management in portfolio companies.</p> <p>► Identification of risks and impact: A system or a procedure should be in place to identify at regular intervals environmental and social risks and impacts.</p> </div> <div> <p>► Result assessment: The company's results within identified risk and impact areas shall be measured and continuously evaluated to measure and improve results over time.</p> <p>► Responsibilities and skills: A person in senior management shall have the overall responsibility</p> </div> <div> <p>for sustainability issues.</p> <p>► Emergencies: For permanent facilities there should be action plans for accidents and emergency situations.</p> <p>► Reporting: Reporting shall be regular and at least annually to the management and board of the portfolio company and to</p> </div> <div> <p>Swedfund.</p> <p>► Stakeholders: Internal and external stakeholders shall be identified, consulted in situations concerning them and information reported to them as appropriate.</p> </div> </div>	

If you want to read the questions that Swedfund asks its portfolio companies, go to the [Swedfund Portfolio Company Sustainability Report 2014](#).

SUSTAINABILITY TARGET: ESG MANAGEMENT SYSTEM, SWEDFUND

COMMENTS

Swedfund has operated a management system for work on environmental, social and corporate governance issues for several years. The management system is described in the internal ESG Toolkit used by all employees involved in the investment process and applied in all investments, instruments and countries. The ESG Toolkit is a manual for implementation of the policy, procedures and related documents that guide work on ESG issues. The ESG Toolkit was updated in 2014. Swedfund's Sustainability Policy was also updated to include human rights and children's rights. Read more at pages 20 and 40-41.

SWEDFUND'S CARBON FOOTPRINT

COMMENTS

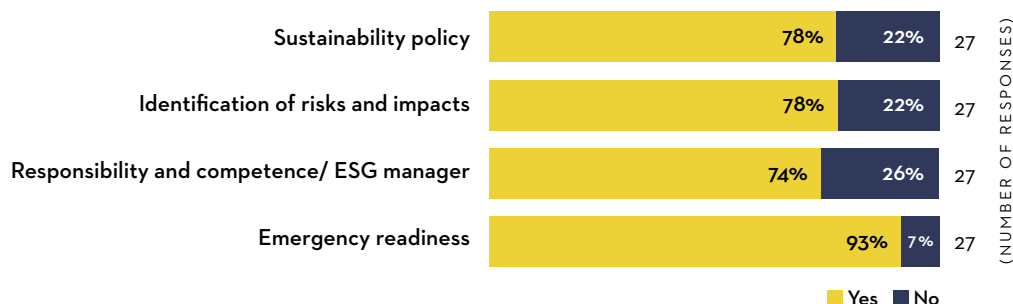
Swedfund's main environmental impact occurs at its portfolio companies. Travel by Swedfund staff creates an environmental burden but is essential for Swedfund to meet its responsibility as a pro-active owner and to do thorough Due diligence for new investments. Swedfund strives to minimize the number of flights by communicating via telephone conferences when possible. In 2014, Swedfund decided to offset an amount equivalent to 262 tons (224 tonnes in 2013) in a REDD + project in south eastern Kenya. This was for employee air travel in 2014. REDD + (Reducing Emissions from Deforestation and Degradation) is a strategy applied by the UN to limit climate change and help to stop the destruction of the world's forests. Wildlife Works REDD + projects aim to protect endangered forests, animals, and to support rural communities.

COMMENTS

Out of Swedfund's 27 direct investments, 11 report that they have management systems for environmental and social issues, 5 have the key parts of such systems, while 11 have no system. To meet requirements for an approved management system, companies must respond yes to seven questions. Of those who have the management system, 6 have independently verified systems. Of the direct investments,

41% of portfolio companies report having the management system, compared with 32% last year. Of the 7 fund companies, 6 state in their self-assessment that they use management systems for environmental and social affairs. Swedfund has chosen to highlight 4 of 7 important components of management systems for environmental and social issues and illustrated them below.

SUSTAINABILITY: ESG MANAGEMENT SYSTEM



COMMENTS

SUSTAINABILITY OR ENVIRONMENTAL POLICY

78% of the direct investments have a sustainability policy compared with 76% last year. 6 out of 7 fund companies have a sustainability policy. Swedfund's portfolio companies do a wide range of different business, from manufacturing and services to banking and hotels. A lot of work remains for the portfolio companies to fully implement adopted policies. Smaller companies have chosen not to prioritise policy work. 6 companies and one fund still do not have any policies for the environment and sustainable business.

IDENTIFICATION OF RISKS AND IMPACTS

78% of Swedfund's direct investments perform a risk and impact assessment which forms the basis for decisions about measures the company must implement to reduce risks. The result indicates that Swedfund need to know more about why six companies have not performed a risk analysis and how Swedfund can provide support in this work.

RESPONSIBILITY AND COMPETENCE/
ESG MANAGER

The portfolio companies report that ESG responsibility rests at board level, management level or at the operational level. Responsibility for these issues is often part of general management responsibility in the company, as reflected in the results. The share of direct investments that have an ESG manager is 74%, compared with 88% in 2013. 6 out of 7 funds have an ESG manager. The negative development since 2013 is explained by the increased number of investments that submit self-assessments and that a number of investments have ended. Not having an ESG manager is often due to lack of funds or resources. Swedfund sees a great possibility to make a difference through its advocacy.

EMERGENCY READINESS

Fire precautions and fire drills are an important part of emergency readiness, and 2 portfolio companies report that they do not do this. One of them is establishing a system for it. A continued priority is that all portfolio companies have emergency readiness systems.

"I can strongly recommend others to tackle the climate change in the same way as Swedfund."



Mattias Goldmann, CEO of Fores, the green and liberal thinktank, and also the initiator of ABBBA, African Biofuel & Bioenergy Business Assessment.



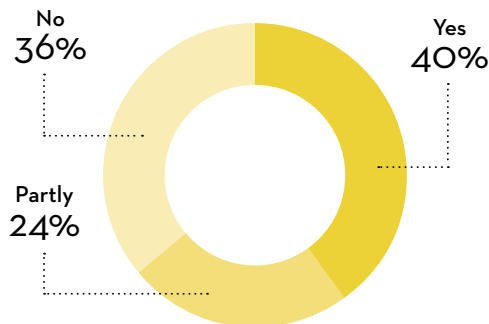
Scan the QR code to ride the full [article](#) about Mattias Goldmann.

STRATEGIC SUSTAINABILITY TARGETS FOR ANTI-CORRUPTION

<p>TARGET</p> <p>► Adoption and implementation of management system for handling anti-corruption issues shall be completed at Swedfund in 2014 and among portfolio companies within three years of start of financing.</p>	<p>To determine if a portfolio company meets the sustainability target, Swedfund checks if the company has implemented a management system that contains relevant components. This enables areas of improvement to be identified. 10 questions are asked in the following areas of an anti-corruption management system.</p> <div> <p>► Anti-corruption policy: Shall be established as starting point for anti-corruption management system.</p> <p>► Responsibility: Manager in senior management team.</p> <p>► System: Processes, procedures or checks to detect corruption.</p> <p>► Competence: Identification and training of key individuals (those most exposed to corruption).</p> <p>► Reporting: Regular, annual report as minimum.</p> </div>
<p>INDICATOR</p> <p>► Adoption and implementation internally and at portfolio companies of management system for handling anti-corruption issues.</p>	

If you want to read the questions that Swedfund asks its portfolio companies, go to the [Swedfund Portfolio Company Sustainability Report 2014](#).

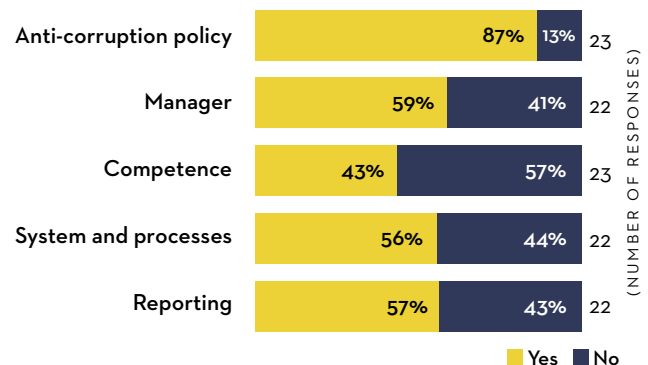
SUSTAINABILITY TARGET: ANTI-CORRUPTION MANAGEMENT SYSTEM (LEVEL OF IMPLEMENTATION)



COMMENTS

The fight against corruption is an important issue for Swedfund and has been so for many years. Anti-corruption clauses are included in Swedfund's loan and shareholder agreements, in which the portfolio companies certify that they have not acted in a manner that can be described as corruption, and will not do so in future. 64%⁴ of the surveyed companies are judged to have adopted and implemented a management system. The reports obtained from the investment portfolio in 2014 will enable Swedfund to prioritize which investments will require more work during 2015 to ensure substantial improvements in anti-corruption efforts.

ANTI-CORRUPTION MANAGEMENT SYSTEM⁵ (IMPLEMENTATION PER MEASURED AREA)



COMMENTS

Adopting and implementing an anti-corruption policy is an important, and often the first, step towards taking effective action. Swedfund's portfolio companies shall agree under contract to adopt and implement an anti-corruption policy. To support the portfolio companies Swedfund has since 2012 supplied a [Portfolio Company Anti-Corruption Policy Model](#). 87% of the reporting companies have a policy for anti-corruption. Adopting the policy is just the start or proactive efforts however. 2014 was the first year when Swedfund measured and reported the level of implementation of anti-corruption management systems. The focus of Swedfund's advocacy going forward will be to support the companies in the development of competence and the implementation of systems and processes.

SUSTAINABILITY TARGET: ANTI-CORRUPTION MANAGEMENT SYSTEM, SWEDFUND

COMMENTS

Swedfund's Anti-Corruption Policy was adopted in 2012.

The policy has since been implemented in the internal processes and in the investment manual. The Country Corruption Assessment Tool was also developed. In 2014, a routine was established for how suspected corruption cases should be handled (The Procedures for Swedfund's Crisis Group in Cases of Corruption). A preventive conflict-of-interest process has been established for Swedfund employees.

In 2014, 10 employees completed a training course entitled 'The fight against corruption'. This E-learning course was designed in cooperation between the UN Global Compact and the UN Office on Drugs and Crime to meet on the 10th principle of the Global Compact. The course is accessed through thefightagainstcorruption.org and all employees will complete it during 2015.

In 2015, responsibility for anti-corruption issues and related processes will be clarified and a whistle-blowing service will be set up. Read more on page 16.



PHOTO: COLOURBOX

In 2014 Swedfund ensured that anti-corruption issues will be part of the post-2015 discussion.

CASE STUDY

ANTI-CORRUPTION IN PRACTICE

Few phenomena hinder development of societies as corruption does. Corruption occurs in every country of the world and it hits especially hard in countries where people are vulnerable and poor – the very environments Swedfund works in.

All of the contracts that Swedfund signs clearly state zero tolerance for corruption and that Swedfund retains the right to withdraw from the company if there is evidence of corruption. In 2014 Swedfund dealt with a case that



Fredrik Wijkander

involved suspicions of corruption in a portfolio company on which Swedfund has a member of the board. During the year Swedfund established a process that acts like a schedule

when suspicions of corruption emerge. In this particular case the tool was put to the test.

“An investigation was started immediately by the crisis group that Swedfund established. It soon emerged that an external party would investigate the accusations. This

resulted in a report that, even though it could not prove corruption had taken place, found that there were operational processes that could enable corruption in the company,” says Fredrik Wijkander, Senior Investment Manager at Swedfund.

The next step was to produce an Action Plan that in general aims to create the right conditions to ensure that similar events cannot happen again.

Swedfund works proactively to fight corruption (read more in the left column). Together with a network of Swedish companies within Swedish Leadership of Sustainable Development, Swedfund helped to make anti-corruption part of the agenda for post-2015, which is formulating a new global development agenda, Sustainable Development Goals. ✨

TEXT: MARKUS HÅKANSSON

Read Swedfund's anti-corruption policy at swedfund.se/en or scan the QR code



FINANCIAL VIABILITY

Swedfund shall contribute to the creation in the world's poorest countries of profitable companies over the long-term that are thereby financially viable. The following is a presentation of the strategic sustainability target and a report of key indicators at an aggregated level for the investment portfolio.

STRATEGIC SUSTAINABILITY TARGET FOR FINANCIAL VIABILITY

TARGET	INDICATOR	
<p>► Average return on equity before tax shall exceed the average interest rate for Swedish government debt over one year. Return shall be measured over rolling seven-year periods.</p>	<p>► Return on equity.</p>	<p>This indicator is measured using Swedfund's financial results and position. A key component of the result is a valuation of the portfolio company. This valuation is based on the portfolio companies' annual and quarterly reports.</p>

SUSTAINABILITY TARGET: RETURN ON EQUITY, SWEDFUND 2014

Return on equity, opening balance	Average one-year interest on national debt	Average return on equity, opening balance, over 7 years	Average one-year interest on national debt over 7 years
-1,81%	0,44%	-2,36%	1,29%

Swedfund's return on opening equity in 2014 and the average return over the period compared with interest on national debt in 2014 and over the period.

COMMENTS

In 2014 several of Swedfund's portfolio companies were negatively affected by external events such as the security situation in several countries caused by war and conflict, currency collapse and the outbreak of Ebola in West Africa. Overall this meant that business could not proceed in line with the business plan, and this directly or indirectly affected the companies' financial viability. Swedfund's results were directly affected and Swedfund did not achieve its targets for financial return as write-downs were required in a number of the portfolio companies.

Sales of shares, dividends and the net amount of write-ups and write-down constitute the key parameters for Swedfund's earnings trend. Economic returns for development finance companies vary considerably over the years depending on sales results and the investment phase that portfolio companies are in. Given the assignment, Swedfund's returns should be viewed over a longer time perspective.

Swedfund has accepted major strategic challenges, both in choice of geography (sub-Saharan), investment type (a large proportion of shares) and the choice of sector (large proportion of manufacturing and service industries). Swedfund and Swedfund's business partners are aware that investments in these countries in many cases constitutes a high risk and there is a high awareness of the need for perseverance. Potential adverse external factors represent a large risk and Swedfund will also in the future meet and manage challenges that can hit hard against financial viability. Swedfund's organization and processes are constantly developing, with the aim of formalizing risk management and detecting warning signs early. In order to generate long-term development results, in combination with a positive financial result, Swedfund has started to build a more balanced portfolio with respect for risk, geography and instruments. Learn more about Swedfund's results on pages 71-74.

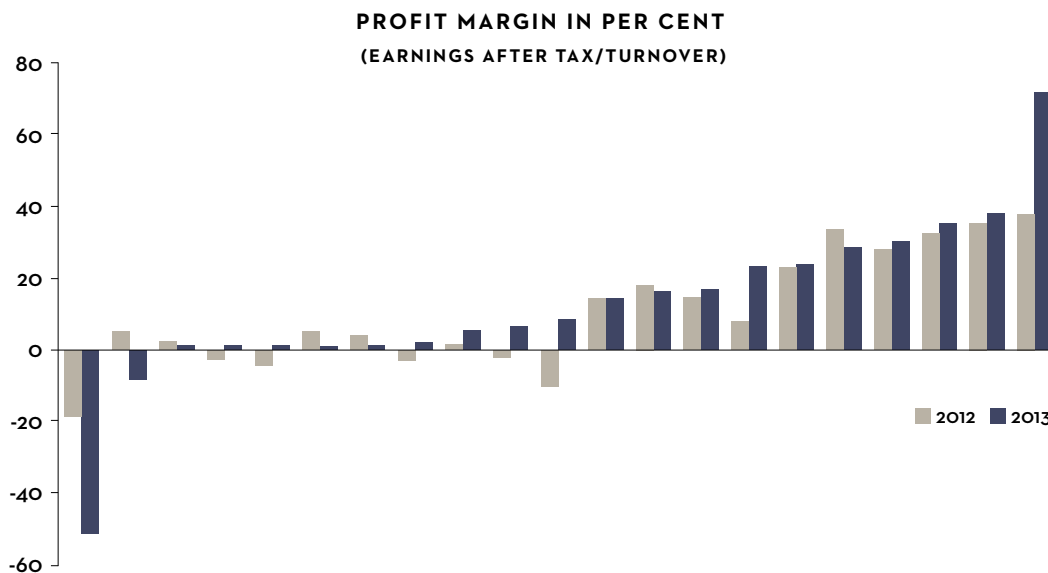
PROFITABILITY OF PORTFOLIO COMPANIES

One of the prerequisites for achieving development results through business is that investments are financially viable, or profitable, over the long-term.

Profitability implies that the company survives, that there are opportunities for financing expansion and further development of the business, and that the company can continue to pay its

employees and its taxes. It is therefore central for Swedfund to follow up and report on how the companies perform financially. It is preferable to do so separately for each business based on that company's specific circumstances on the market.

Monitoring is done internally and is an important part of the work of the investment manager.



COMMENTS

The above graph shows the profitability of 21 equity and loan investments of the 65 investments Swedfund had at the end of 2014 in its portfolio. Investments in 15 funds and similar indirect investment structures have been excluded because it is primarily relevant to report on the underlying holdings. Since funds, as contracted with Swedfund, do not need to report profitability for individual underlying holdings, no such data is presented. 14 portfolio companies have been excluded because financial reporting for 2013 was deemed to be incomplete. Another six companies that have been dissolved in 2014 have been excluded. A further six portfolio companies were excluded since funding had not yet started or the companies are start-ups that have not yet generated income. Three outliers, for example, profit margins in thousands of per cent have also been excluded.

The companies' profitability is reported in terms of profit margin (profit after tax / turnover). The measurement is based on the latest available financial statements. The level of profit margin varies greatly between companies and is difficult to analyze given that the companies are very different. Some of the differences relate to the countries they operate in, maturity (new start-ups, older companies, etc.), level of risk for the business, industry, currency, markets and regulatory environment. The variation underscores the importance of Swedfund continuously monitoring the portfolio companies and in close cooperation with the portfolio companies following up and influencing their strategic business development. This will ensure that the companies achieve financial viability and continue to deliver development results over time, even after Swedfund exits as a financier.

CASE STUDY: CIMBENIN

A VIABLE EXIT ENABLES NEW INVESTMENT

Cimbenin, a cement producer in Benin, was privatised in 1991, which was when Swedfund, the IFU and Scandinavian cement company Scancem, became owners of the company. Scancem was then bought by Heidelberg Cement. In 2014 Swedfund sold its holding for a sum amounting to 6.5 times its investment. You can read more about this story on page 72.

From 2005 to 2007 the company made losses due to low prices for cement as regulated by the authorities in Benin. In 2008 IFU and Swedfund gave active support to the company to achieve a change in the regulated cement price. This dialogue resulted in a price change in 2008, which meant that the

company could continue in business and start generating profits again. The company has developed from a state-owned cement factory in the early 1990s to today being an ISO 14001-certified cement business. Over the years the owners helped the company increase skill levels that led to a series of improvements, including working environment conditions. In 2000 there were 63 employees, up from 109 in December 2014. Since 2008 Cimbenin is a profit-making company generating annual taxes of around SEK 15-20 million. The profit from the sale of the company will be used for new investments in Swedfund's business. Read more on page 52.



NICLAS DÜRING
PORTFOLIO DIRECTOR,
SWEDFUND

Our investments contribute to development

IMPACT ON SOCIETY, SUSTAINABILITY AND FINANCIAL VIABILITY ARE TOGETHER THE DECISIVE VALUE-CREATING PILLARS FOR DEVELOPING COMPANIES THAT ARE SUSTAINABLE OVER THE LONG-TERM

At Swedfund we have established a structured way of working and our focus is on development results that lead to reduced poverty. Our results methodology has been sharpened and follow-up of our strategic sustainability targets begins with this report.

IMPACT ON SOCIETY

The number of jobs is increasing widely. On average the number of employees has increased by 1.5% at Swedfund's portfolio companies. The World Bank investment body, IFC, estimates that the number of indirect job opportunities that have been created is between 7 and 25 per direct job. Swedfund's portfolio companies whose profitability has increased the most have also employed more people per profit amount than other companies. This also proves that the companies that are most profitable increase their employee total more than companies with lower profitability, i.e. job creation and profits go hand in hand in several different ways. Country by country reporting of tax presents the tax income that the investments generate.

SUSTAINABILITY/ESG

The results are strong but there is also a large distribution in the requirements set for sustainability efforts and reporting. Swedfund's holding shows significant improvements but also great variations.

This is mostly because different companies have different starting points for their sustainability work. A higher focus on good working conditions and the Decent Work agenda has resulted in important cooperation with trade unions, children's rights organizations and other stakeholders.

FINANCIAL VIABILITY

The vast majority of the companies in Swedfund's portfolio meet our demands for economic viability. Some companies have not done so, and Swedfund was forced to make write-downs. Write-downs have been made due to both country-specific and business-related reasons. Investments in greenfields (start-ups) as well as manufacturing and service-related sectors show major differences in job creation as well as financial performance. Investments in these sectors often take longer and require large resources to achieve positive results.

CONCLUSION

Impact on society, sustainability and financial viability are together the decisive value-creating pillars for developing companies that are sustainable over the long-term. There are many positive results in the above analysis but there is a lot we can learn to make us even more effective. Clear goals, systematic follow-up and effective risk management in all pillars are therefore essential.

DELIMITATIONS

2014 is the first year Swedfund reports results for the strategic sustainability targets. Portfolio companies complete a self-assessment form produced by Swedfund, [Swedfund Portfolio Company Sustainability Report 2014](#), which forms the basis for this reporting. Future Integrated Reports (<IR>) will present how results develop over time due to Swedfund's advocacy. This year's results thus form a baseline and there are no comparative results from earlier years.

The table below shows the number of companies covered by the self-assessment and the share of reporting companies.

As of 31 December 2014 there were 65 active and contracted investments in Swedfund's portfolio. One of the companies that received a self-assessment form was later divested at the end of December 2014. Since Swedfund was involved in this company for a large part of 2014 it is included in the performance report, which explains why there are 66 companies in the following list.

Distribution of Swedfund Portfolio Company Sustainability Report	Distribution			Not distributed	Portfolio total
	Answered	Not answered	Total		
Total	36	9	45	21	66
Shares and loans	27	3	30	15	45
Funds	7	3	10	3	13
Financial institutions	2	3	5	3	8
Financial institutions	21				
Divestment in progress	9				
Reports to other DFI/IFI	7				
Investment not started	5				

FOOTNOTES

¹ Sustainability target: Job creation 2013-2014

Swedfund's Integrated Report for 2013 presented a total of 104,390 employees at 77 companies. In 2014 the corresponding figure is 108,221 employees at 66 companies, including employees in funds and their associated holdings. Job growth of 1.5% is based on the difference between the total number of employees in 2013 and 2014 in 41 companies where there is data for both years.

² Gender equality

Details for the number of women employees, number of women in senior positions and on company boards are based on all 36 reporting (self-assessment in 2014) companies including fund investments and their associated companies.

³ Estimated tax per region and per country

Aggregated data for estimated tax is based on data from 21 companies in 2013. Swedfund is aiming to report tax paid by companies according to the harmonised definition. Where data for taxes paid is unavailable in the company's annual report, estimates are based on tax accounted for company's profit and loss accounts. In the third instance, other self-assessment information is used. Underlying data sources used by Swedfund for calculating the total have not been verified by an external party.

⁴ Sustainability target: anti-corruption management system

Fulfilment of the target is based on the following principles: full-fulfilment = 70%

of components implemented; part-fulfilment = more than 50% of components implemented; not-fulfilled = 50% or less of components implemented.

⁵ Anti-corruption management system

Based on data from reporting (2014 self-assessment) companies. Of 27 respondents, answers were not received from 4-5 on various questions about corruption. This is why the reported answers are fewer than the received number of forms.

⁶ Sustainability target: Management system for anti-corruption, Swedfund

Training is obligatory but due to technical problems not all employees were able to complete the training in 2014.

SWEDFUND'S RESULTS

The results of Swedfund International AB's activities as a development finance institution are presented on pages 55-70.

The following pages present Swedfund's financial results and are the same as those presented in the company's [financial statement](#), published in February 2015. As determined by a previous Annual General Meeting, the company shall aim to ensure that average return on equity before tax shall exceed the average interest rate for Swedish government debt over one year. Return shall be measured over rolling seven-year periods. The company

has made losses in recent years due to write-downs in several portfolio companies. In 2014 the company made a loss of MSEK -62.6 (-92.8). The operating loss was MSEK -86.6 (-117.1). Excluding returns of previous write-downs and new write-downs however, the company made a profit of MSEK 29.0 (-30.1).

The table below shows the return on opening shareholders' equity for each year and the average return for the period, compared with the interest on Swedish central government debt for the corresponding year and on average over the period.

TABLE 1

Year	Return on opening equity per year, Swedfund	Average return on opening equity, rolling seven year period	Average interest on Swedish central government debt of one-year maturity	Average interest on Swedish central government debt of one-year maturity, rolling seven year period
2008	6,29 %	3,74 %	8,83 %	3,07 %
2009	-4,45 %	0,51 %	6,94 %	2,70 %
2010	-4,05 %	0,74 %	5,72 %	2,34 %
2011	-2,24 %	1,68 %	2,56 %	2,19 %
2012	-7,34 %	0,96 %	0,25 %	2,02 %
2013	-2,95 %	0,94 %	-1,93 %	1,76 %
2014	-1,81 %	0,44 %	-2,36 %	1,29 %

Earnings for financial development institutions vary considerably over the years depend-

ing on exits and the development phase that the portfolio companies are currently in.



To be able to generate development results in combination with profits over the long term, Swedfund has started to build a better balanced portfolio.

Sales of shares, dividends and the net result of reversals and write-downs form the determining parameters for the company's earnings trend. As mentioned previously, Swedfund has taken on a great strategic challenge in its choice of geography, sub-Saharan Africa, type of investments, proportion of shareholding

PROPOSED APPROPRIATION OF PROFITS

The following funds are at the disposal of the Annual General Meeting (amounts in SEK):

RETAINED EARNINGS	CAPITAL CONTRIBUTION
2 857,896,396	400 000 000
LOSS FOR THE YEAR	TOTAL UNAPPROPRIATED EARNINGS
-62,628,896	3,195,267,500

The Board proposes that the unappropriated earnings of SEK 3,195,267,500 be carried forward.

For further information regarding the results of the company's operations and financial position, refer to the following income statements and balance sheets, statement of shareholders' equity and cash flow statement, with associated notes and supplementary information, see page 77.

and its choice of sector with the mix of manufacturing and services. Swedfund invests in the most difficult environments in the poorest countries where few others are prepared to accept risks. This is the scale of the assignment and in this context it is easy to see that Swedfund's investment return targets are difficult to achieve.

SALES

During the year 18 sales were completed, of which 7 were participations in funds. The sold shareholdings and fund participations produced net capital gains of MSEK 37.5

(-6.3). The single largest sale of shares was in Cimbenin. Swedfund invested in Cimbenin in 1991, buying a 15.4% share of the company for MSEK 6.4.

Cimbenin has been making profits and paying dividend since 2008. Swedfund has received a total of MSEK 23.5 in dividends during the period, of which MSEK 5.6 was received in 2014. Negotiations to sell the shareholding began in October and were completed in December when the purchase amount was received. This investment generated capital gains of MSEK 35.6, while Cimbenin continues to contribute to societal development and sustainability.

Equity deals are Swedfund's most challenging investments and the investment period is usually seven to ten years. To be able to generate development results in combination with profits over the long term, Swedfund has started to build a better balanced portfolio in terms of the spread of risk, geography and instruments. Such a portfolio will include more loans, which is now starting to show in Swedfund's balance sheet and income statement as the number of loan investments increases.

WRITE DOWNS AND REVERSALS

Reversals of previous write-downs were performed totalling MSEK 41.1 (1.8). Write-downs were carried out on shares, loans and interest, in accordance with the valuation principles described in the accounting principles, for a total of MSEK -156.7 (-88.8). The single largest write-down was for MSEK -52.3 in Addax Bioenergy.

TAX ASSETS

Swedfund is reporting a deferred tax asset of MSEK 34.7. Our assessment, based on analyses of future sales (exits) from portfolio companies, is to attain sufficient capital gains within one investment cycle (7–10 years) to be able to utilise the tax assets.

THE FOLLOWING INVESTMENTS WERE EXITED IN 2014 (MSEK)

Project	Country	Industry	Investment form	Time/ years	Invested amount, MSEK	Exit	Profit	Internal rate of return
Al Quesir	Egypt	Hotels	Loan	10,0	28,3	37,0	8,7	5,0 %
Artheon Battery	India	Battery production	Shares and loan	4,0	25,7	8,9	-16,8	-24,2 %
Askembla	Baltic states	Fund	Shares	11,0	54,1	30,2	-23,9	-16,0 %
BBSB	Belarus	Financial sector	Loan	4,5	21,1	25,5	4,4	5,8 %
Belstar	India	Microfinance	Shares	4,0	3,3	0,9	-2,4	-26,9 %
Bhutan Dairy	Bhutan	Food industry	Loan	9,5	5,4	1,4	-4,0	-19,6 %
Cimbenin	Benin	Cement production	Shares	22,5	6,4	42,0	35,6	11,4 %
Fors MW	Estonia	Forest machinery	Shares	15,5	6,5	11,8	5,3	6,7 %
Nordrus	Russia	Hotels	Shares	10,0	15,9	32,7	16,8	22,4 %
Prestando	China	Manufacturing industry	Shares	6,0	12,0	0,0	-12,0	0,0 %
Recupero	China	Chemicals industry	Shares	6,0	2,2	0,0	-2,2	0,0 %
Sacombank	Vietnam	Financial sector	Loan	3,0	67,2	80,9	13,7	7,1 %
Swedmilk	Macedonia	Dairy	Shares and Loan	7,0	6,2	0,0	-6,2	0,0 %

The above table shows the investments that were concluded in their entirety in 2014. For most of the companies the exits were made gradually over a number of years. Most of these investments were written down in previous years and do not therefore affect results for 2014. The key information about these exits is presented below in terms of invested amount and results, with the exception of Cimbenin, which has been reported elsewhere in this integrated report.

AL QUESIR: A new hotel in the village of Al Quesir on the Red Sea in Egypt. Swedfund lent MUSD 4 in 2001 to build the hotel. This loan was repaid in full in 2014. The hotel experienced a difficult period during the Arab Spring but a switch in focus to new target groups in 2012 proved successful. Egypt is still facing troubles but the hotel is today a significant employer directly and indirectly for the village of Al Quesir.

ARTHEON: This investment aimed to establish a battery production business, Artheon Battery Company (ABC) in Nashik, 300 km north-east of Mumbai, India. ABC would produce batteries primarily for the telecom and UPS markets in India and eventually for other Asian markets. The primary driving force for this investment was Northstar's ambition to establish in Asia, and they considered India to be the key market. The risks identified at the start of the investment did not materialise. Instead the biggest problem was the cooperation difficulties that emerged between Northstar/Sitel and the Indian owners. An agreement with Northstar/Sitel was negotiated in 2013 and a purchase price was agreed in mid 2014.

ASSEMBLA GROWTH FUND: Swedfund invested MSEK 54.1 for 6.6% of the fund during 2003-2009. The principal investor was SEB and EBRD who committed 25% of the capital. The fund had assets of MSEK 732 and focused

on unlisted companies primarily in the three Baltic states. Local offices were opened in Tallinn and Vilnius. Investment sizes were typically MEUR 2-6 and the portfolio eventually included 16 companies. With a strong focus on consumer goods in the Baltic states, Askembla's investments have been vulnerable to the weak economy of the past 6-7 years, which resulted in Swedfund being unable to recoup its investment capital.

BBSB: This bank in Belarus focuses on financing small to medium -sized private businesses and was formed in 2007 by a group of development finance institutions with the aim of supporting the development of the private sector in the country. Swedfund sold its shares in the bank in 2013 and the final payment on the loan was made this year.

NORDRUS: Swedfund invested MUS\$ 2 in the share capital of Nordrus in 2004. The company invests in hotels in Russia. This investment was done in partnership with Radisson SAS (now Rezidor), Finnfund and IFU. The idea was to form a holding structure for Park Inn hotels in Russia. In the first hotel investment in Yekaterinburg Nordrus came into conflict with the Finnish builder who wished to take over ownership of the hotel. This conflict ended in Nordrus' favour. New market conditions in Russia led to the winding-up of the company. Swedfund doubled its invested capital and made a profit of MSEK 17. This investment was finally wound up in 2014.

SACOMBANK: This is a universal bank and one of the largest privately-owned banks in Vietnam, focused on small to medium -sized private companies. To aid the bank's expansion and support development of Vietnam's private sector, a group of DFIs in 2011 provided a loan of MUS\$ 105, of which Swedfund contributed MUS\$ 10, to make up the bank's capital adequacy ratio. Ownership changes in 2014 led to the bank prepaying the loan. During the period the bank reported good growth and it has helped to develop the private sector in

the country, creating a large number of jobs in invested businesses and the bank itself.

INVESTMENT DECISIONS MADE IN 2014, BUT CONTRACTS NOT YET SIGNED (SEK 000)

Country	Amount	Branch
Ethiopia	2,000	Hospital
Mozambique	62,022	Hotel
Nigeria	77,527	Finance
Tanzania	77,527	Finance
Total	219,076	

CONTRACTED INVESTMENTS IN 2014, (SEK 000)

Country	Amount	Branch
Sub-Sahara Africa	2,021	Industry
Global	17,141	Healthcare
Kenya	6,615	Healthcare
Ghana	96,460	Financial institution
Russia	2,830	Auto components
Nigeria	107,047	Banking
ACP countries	45,713	Climate/energy
Kenya	9,300	Hotel
Nigeria	110,800	Energy
Sub-Sahara Africa	73,858	Fund
Total	471,785	

During the period a total of SEK 326,008,000 (302,203,000) has been disbursed. Five of the contracted investments are new ones. Press releases concerning them can be found swedfund.se/en. Other contracted investments during the period are additional investments in existing portfolio companies.

During the fiscal year the reported value of the portfolio, including guarantee commitments, increased from MSEK 1,571.2 to MSEK 1,674.1.

SWEDPARTNERSHIP

Swedfund's financing programme, Swedpartnership, offers loans that can be converted into grants to small and medium-sized Swedish companies for business partnerships in the countries in which Swedfund is active. These operations are financed entirely by the Swedish state through the allocation of separately-budgeted funds. Read more about Swedpartnership on page 44 and at swedfund.se/en.

CONTRACTED LOANS IN 2014, (SEK 000)

Country	Amount	Share
Africa	3,750	14%
Asia	11,981	46%
Latin America	545	2%
Eastern Europe	9,982	38%
Total	26,258	

LOAN PAYMENTS IN 2014, (SEK 000)

Country	Amount	Share
Africa	2,345	11%
Asia	14,747	66%
Latin America	273	1%
Eastern Europe	4,931	22%
Total	22,296	

During the period 18 loans totaling SEK 11,946,000 were written off. The project has completed in line with the project plan. One loan of SEK 80,100 has been paid back.

FUNDS FOR TECHNICAL ASSISTANCE (T/A)

Funds can be used for support in the following two areas:

- Quality-enhancing ESG measures in existing and exited portfolio companies
- Follow-up and analysis of development results for completed investments

This support should not be used to finance measures considered to be part of the ongoing investment activity.

In 2014 funds were awarded to:

ADDAX BIOENERGY, SIERRA LEONE

Financing support to cover costs for local and overseas nurses to help in the battle against the Ebola virus.

ATHI STEEL, KENYA

Critical investigation of corporate governance in the portfolio company. Internal processes and reporting structures along with board composition and selection were analysed in order to improve governance.

DEACON AND JAVA HOUSE, KENYA

Support for gender equality in the company by providing funds for a pilot project focused on promotion of women to senior management positions. The goal is that women shall make up a minimum of 30% of senior managers at the participating companies within three years.

HSF ELECTRO MECHANIC WUXI LTD (HSF WUXI), CHINA

ESG audit with the aim of establishing whether the company meets requirements in terms of Swedfund's sustainability and anti-corruption policies.

EXTERNAL ESG TRAINING IN EXISTING PORTFOLIO COMPANIES, AFRICA

Financing for two-day ESG training carried out in Nairobi, Kenya. This training shall cover basic handling of ESG risks and introduction of environmental and social management systems, IFC Performance Standards and IFC Environmental, Health and Safety guidelines as well as anti-corruption and business ethics measures.

At the end of the year MSEK 2.3 remained available for further measures.

EQUAL OPPORTUNITIES

Swedfund has mostly fulfilled its equal opportunities targets established in the equal opportunities plans for 2012-2014.

The gender distribution for various types of roles and work assignments within the company is well-balanced. Measures have been implemented to enable both male and female employees to combine work and parenthood. During the period guidelines were produced for Swedfund's code of conduct. This code states Swedfund's values and includes guidelines for countering discrimination and promoting gender equality and diversity. During the period a staff manual was produced that also sets guidelines for diversity and equality. A new plan has been established for the period 2015-2017.

FINANCING OPERATIONS

With the exception of Swedpartnership and funds for technical assistance, Swedfund is financed entirely with shareholders' equity. Long-term and short-term loans are utilised to limit the company's currency risks and interest rate risks when lending in foreign currency.

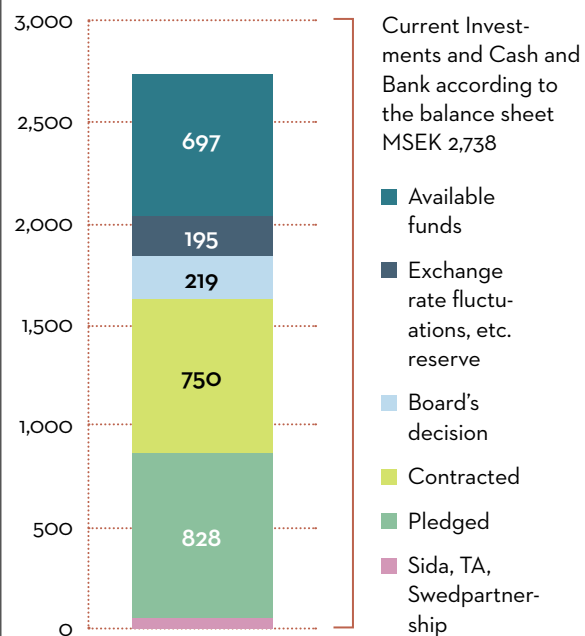
More information is available in the section on financial risks on page 27.

The company's current investments have yielded a return of 0.54% (0.86%). The company has a sound financial position. The equity/assets ratio is 83.4% (85.9%). During the year, the company received a shareholders' contribution of MSEK 400. Current liabilities amount to 4.9% (7.7%) of total assets. The portfolio investments correspond to 36.3% (38.6%) of total assets.

Swedfund's liquid assets (the items Current investments and Cash and bank balances) amounted to MSEK 2,738. Liquidity is distributed according to the illustration in the following column. As of 31 December 2014, the company had surplus liquidity of MSEK 697 for use in new investments. Contracted investments are sometimes paid out over a number of years, and not all investments decided on and approved by the Board lead to commitments and disbursements. Liquidity must be reserved both for investments approved by the Board and contracted commitments, to ensure that the company has sufficient funds to fulfil its

commitments. The company makes long-term liquidity forecasts taking into account all types of return flows.

FIGURE 1, CURRENT INVESTMENTS AND CASH AND BANK, 31 DECEMBER 2014



Details of current investments are given in note 16 on page 94.

EVENTS AFTER THE CLOSING DATE

In January 2015 an agreement was signed concerning the sale of Swedfund's shareholding in the insurance company UAP to Old Mutual. This sale is expected to generate capital gains of MSEK 160.

The Swedish Ministry of Enterprise and Innovation, headed by Mikael Damberg, took over ownership responsibility and administration of Swedfund from The Swedish Finance Ministry on 1 January 2015. Swedfund's role in Swedish development initiatives has not changed. Technical issues and "all matters relating to aid policy" remain within the responsibility of the Swedish Ministry for Foreign Affairs, with Isabella Lövin, Minister for International Development Cooperation, as the responsible minister.

INCOME STATEMENT

Expressed in SEK 000	Note	1.1. 2014 - 31.12.2014		1.1. 2013 - 31.12.2013	
Sales of shares	4				
Sales income	2	76,627		27,564	
Acquisition costs		- 39,165	37,462	- 33,870	6,306
Share dividend	2		19,606		20,153
Interest and charges					
Income	2	51,594		30,486	
Expenses		- 6,722	44,872	- 5,043	25,444
Net reversals and write-downs of portfolio investments					
Reversals		41,054		1,821	
Write-downs		- 156,697	115,643	- 88,779	86,958
Services sold			1,133		1,944
Other portfolio income	2		128		124
Other operating income	3		12,217		7,291
Gross profit		-	226	-	38,308
Other external costs	3,6	-	30,752	-	28,689
Personnel costs	1,3	-	55,063	-	49,779
Depreciation of tangible fixed assets	5	-	146	-	296
Other operating costs		-	407	-	17
Operating profit		-	86,595	-	117,087
Financial items and results					
Other interest income and similar profit/loss items	7		25,266		25,389
Interest expenses and similar profit/loss items	8	-	1,221	-	1,074
Profit after financial items		-	62,549	-	92,772
Profit before tax		-	62,549	-	92,772
Tax on the profit for year	9	-	80	-	8
Profit for the year		-	62,629	-	92,780

BALANCE SHEET

Expressed in SEK thousand	Note	31.12. 2014	31.12. 2013
ASSETS			
Fixed assets			
Building and land			
Expenses for improvement of other owner's property	10	914	-
Tangible fixed assets			
Equipment	10	222	368
Financial fixed assets			
Other long-term holdings of securities	11, 14	1,817	1,887
Deferred tax claim	17	34,732	34,811
		36,549	36,698
Total fixed assets		37,685	37,066
Current assets			
Investments in portfolio companies			
Shares	13, 14	958,078	1,061,744
Loan claims	12, 14	690,561	486,237
		1,648,639	1,547,981
Current receivables			
Income taxes recoverable		8,657	8,931
Accounts receivable	14	21,479	16,175
Other receivables	14	53,585	37,548
Prepaid expenses and accrued income	15	20,721	29,671
		104,442	92,325
Current investments	14, 16	2,609,629	2,256,356
Cash and bank accounts	14	128,470	80,348
Total current assets		4,491,180	3,977,010
TOTAL ASSETS		4,528,866	4,014,076

BALANCE SHEET

Expressed in SEK thousand	Note	31.12. 2014	31.12. 2013
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		50,000	50,000
Legal reserve		540,000	540,000
		590,000	590,000
Retained earnings		3,257,896	2,950,676
Profit for the year	-	62,629	92,780
		3,195,267	2,857,896
		3,785,267	3,447,896
Provisions			
Provisions for endowment insurances		1,520	1,586
Long-term liabilities			
Liabilities to credit institutions	14, 18	526,625	247,329
Other liabilities	14	194	8,310
		526,819	255,639
Current liabilities			
Liabilities to credit institutions, current part of long-term liabilities	14	90,180	177,733
Accounts payable	14	7,177	30,220
Other liabilities	14	101,918	84,271
Accrued expenses and prepaid income	15	15,986	16,731
		215,261	308,955
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		4,528,866	4,014,076
Pledged assets and contingent liabilities			
Expressed in SEK thousand	Note	31.12. 2014	31.12. 2013
Pledged assets for liabilities to credit institutions			
Bonds and other securities		828,002	598,476
Bank accounts		546	1,283
Total pledged assets		828,548	599,758
Other pledged assets and securities			
Pledged endowment insurances		1,520	1,586
Contingent liabilities			
Guarantees issued for loan claims		25,464	23,181
Contracted, but not disbursed, portfolio commitments		727,120	551,515
		752,584	574,696

SHAREHOLDERS' EQUITY

Expressed in SEK thousand	Share capital	Restricted the year	Profit carried forward		Profit for the year	Total shareholders' equity
Shareholders' equity 31.12.2012	50,000					
Appropriation of profit according to Annual General Meeting:			-	224,025	224,025	-
Capital contribution				400,000		400,000
Profit for the year					-	-92,780
Shareholders' equity 31.12.2013	50,000	540,000	2,950,675	-	92,780	3,447,896
Appropriation of profit according to Annual General Meeting:			-	92,780	92,780	-
Capital contribution				400,000		400,000
Profit for the year					-	62,629
Shareholders' equity 31.12.2014	50,000	540,000	3,257,896	-	62,630	3,785,267

The share capital consists of 50 shares each having a ratio value of 1,000.

CASH FLOW STATEMENT

Expressed in SEK thousand	2014	2013
Ongoing operations		
Profit after financial items	-62,549	-92,772
Adjusted for non-cash items	160,956	106,350
	98,407	13,578
Tax paid	274	-3,418
Cash flow from current operations before changes in working capital	98,681	10,160
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in investment in portfolio companies	-175,585	-268,635
Increase (-)/Decrease (+) in investment in operating receivables	-10,341	33,281
Increase (-)/Decrease (+) in investment in operating liabilities	-9,109	6,704
Cash flow from current operations	-96,354	-218,490
Investment activities		
Acquisition of tangible fixed assets	-914	-269
Investments in (-)/disposal of (+) financial fixed assets	-228,986	42,365
Cash flow from investment activities	-229,900	42,096
Financing activities		
Capital contribution	400,000	400,000
Increase (-)/Decrease (+) in loan liabilities	98,859	-2,334
Cash flow from financing activities	498,859	397,666
Cash flow for the period	172,606	221,272
Liquid assets at the beginning of the year	1,736,946	1,515,674
Liquid assets at the end of the year	1,909,551	1,736,946

SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

Expressed in SEK thousand	2014	2013
Interest paid and dividends received		
Dividends received	19,606	20,153
Interest received	92,621	61,771
Interest paid	-8,738	-4,690
Liquid assets comprise:		
Cash and bank accounts	127,924	79,066
Non-pledged current investments	1,781,627	1,657,881
Total	1,909,551	1,736,946

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

(AMOUNTS IN SEK THOUSANDS EXCEPT WHERE OTHERWISE STATED)

GENERAL ACCOUNTING PRINCIPLES

The company has previously applied the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and statements. From fiscal year 2014 the annual report will be produced (prepared) in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012: 1 Annual Report and Consolidated financial statements (K3, Sw: Årsredovisning och koncernredovisning). The transition to K3 has not led to any changes in measurement or presentation.

To increase the readability of the income statement and give a true and fair view, the headings and items listed in the Swedish Annual Accounts Act or the recommendations for annual accounting issued by FAR (the institute for the accounting profession in Sweden) have not been used. Costs directly attributable to each item of revenue are stated net with specification of the items included in the net result.

Endowment insurance is stated gross as an asset and as a provision.

The company has received government grants for Technical Assistance (TA) and the Start Programme (Swedpartnership) from the Swedish government. The effect that this has had on the income statement is shown in Note 3.

ACCOUNTING AND VALUATION PRINCIPLES

Revenue

Divestments of shares are recognised in the accounts when the shares have been transferred in accordance with the terms of the sale and in an amount that is expected to be received.

Dividend income is recognised in the accounts when the right to dividend income has been established. Income from the sale of shares and dividends is related to the company's shareholding.

Interest income and expense is recognised in accordance with the effective interest method. Interest income is attributable to the company's lending. Related interest costs are attributable to borrowing to protect the company from exchange rate fluctuations.

Assets and liabilities

Assets and liabilities are valued at historical cost except where otherwise specified. Bank accounts, accounts receivable and accounts payable, current and long-term liabilities as well as loans in foreign currency are translated at closing date rates. Currency differences are stated in the operating result. These currency differences are included in Other operating income. Foreign currency transactions are translated at transaction date exchange rates.

Lending in foreign currency has mainly been hedged by the borrowing of corresponding amounts. The company does not apply hedge accounting.

In principle receivables and liabilities with durations of less than one year are presented as current. Securities with a longer duration can be included in the company's current investments. The entire portfolio is presented as current due to its high liquidity and short duration.

Taxes

Current tax is assessed using tax rates and rules applicable at the closing date. Deferred taxes are measured using tax rates and tax laws that have been enacted before the closing date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current taxes, as well as changes in deferred tax, are recognised in the income statement.

Depreciation principles for fixed assets

Depreciation according to plan is based on historical cost and estimated useful life. Assets are depreciated over five years except for computers, which are depreciated over three years.

Financial instruments

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

Financial instruments are recognised when the company is a part of the instrument's contractual terms. Financial assets are derecognised

when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when commitments have been settled or have otherwise ended.

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

Other investments held as fixed assets

Investments held as fixed assets are valued at historical cost. Their value is impaired when a decline in value is deemed to be permanent.

Shares

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

There is no impairment on hold-

Impairments are provided in intervals of 25% as follows.

NET WORTH AS A PERCENTAGE OF HISTORICAL COST	BOOK VALUE A PERCENTAGE OF HISTORICAL COST
Over 62.5%	100%
62.4-37.5%	75%
37.4-12.5%	50%
12.5-5.0%	25%
Under 5.0%	SEK 1

ings that have a duration of less than two years, unless there are special circumstances. In connection with impairment of shares where Sida is responsible for either all or part of the investment, the share of the impairment that will be charged to Sida is not stated as a cost in Swedfund's accounts. The actual amount is instead stated as an impairment in the value of Swedfund's loans from Sida, subject to Sida's agreement.

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

The cost of administration of a fund is part of Swedfund's portfolio commitments and the historical cost of the fund.

Loans

Loans to portfolio companies are initially recognised at historical cost and subsequently measured at amortised

cost. Their values are impaired successively in intervals of 25% after 12, 18, 24 and 30 months of non-payment, or alternatively at another rate if the borrower is deemed to lack capacity to pay.

Current receivables

Following an individual valuation, current receivables are valued at the amounts that are expected to be received less provision for impairment.

Current investments

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

Cash flow statement

The cash flow statement is established using the indirect method. Liquid funds refer to current investments and bank accounts, excluding collateral provided for loans.

NOTE 1 THE BOARD, EMPLOYEES AND PERSONNEL COSTS

GENDER DISTRIBUTION ON BOARD, MANAGING DIRECTOR AND OTHER SENIOR MANAGEMENT LEVELS.

	2014	of whom, women	of whom, men	2013	of whom, women	of whom, men
Board of Directors	9	4	5	7	2	5
Managing Director	1	1	-	1	1	-
Other senior management personnel	6	2	4	6	3	3

AVERAGE NUMBER OF EMPLOYEES

Country	2014	of whom, women	of whom, men	2013	of whom, women	of whom, men
Kenya	3,0	34 %	66 %	1,3	0 %	100 %
Sweden	36,3	53 %	47 %	32,9	49 %	51 %
Total	39,3	52 %	48 %	34,2	51 %	49 %

SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

	2014		2013	
	Salaries and remuneration ¹	Payroll overheads	Salaries and remuneration	Payroll overheads
	30,060	16,252	29,828	16,327
(of which pension expenses)	(171)	1,2) (6,997)	(111)	1,2) (6,619)
Total	30,060	16,252	29,828	16,327

1) SEK 508,000 (206,000 last year) of the pension expenses relate to pension insurance premium for the Managing Director.

2) For all employees, defined-premium and comparable pension premiums are paid and capitalised during the year in accordance with the law and collective agreements.

SALARIES AND OTHER REMUNERATION BROKEN DOWN BY COUNTRY AND BETWEEN MEMBERS OF THE BOARD AND OTHER PERSONNEL

	2014		2013	
	Board, Managing Director and other managers	Other employees	Board, Managing Director and other managers	Other employees
Sweden	8 783	21 106	7 951	20 245
(of which remuneration to the board)	(360)		(360)	
(of which pension to former Managing Director)	(0)		(444)	
(of which salary to former Managing Director and current Managing Director)	(1705)*		(1 755)	
(of which salary to other senior managers)	(6 718)		(5 391)	
Kenya, representative office		2 501		1 632
Total	8 783	23 607	7 951	21 877

* Refers entirety to salary to Managing Director.

REMUNERATION TO MEMBERS AND FORMER MEMBERS OF THE BOARD

Name		Directors' remuneration	Directors' remuneration in portfolio companies
Claes Ekström	Chairman of the board	-	-
Björn Börjesson	Vice Chairman of the board	90	-
Renée Andersson	Board member	90	-
Pernilla Bard	Board member	90	-
Stefan Isaksson	Board member	-	-
Bengt Kvarnback	Board member	90	-
Lotta Mellström	Board member	-	-
Charlotte Salford	Board member	-	-
Per Östensson	Board member	-	-

A fee is paid to the chairman and other members of the Board in accordance with the AGM's decision.

BOARD MEMBERS' ATTENDANCE RECORD DURING THE YEAR

Board member	1/14	2/14	3/14	4/14	5/14	6/14	7/14	8/14	9/14	10/14
Claes Ekström	X	X	X	X	X	X	X	X	X	X
Renée Andersson	X	X	X	X	X	X	X	X	X	
Pernilla Bard	X	X	X	X	X	X	X	X	X	X
Björn Börjesson	X	X	X	X	X	X	X	X	X	X
Stefan Isaksson	X	X	X	X	X	X	X	X	X	X
Bengt Kvarnback	X	X	X	X	X	X	X	X	X	X
Lotta Mellström - elected April 2014				X	X	X	X	X	X	X
Charlotte Salford - elected April 2014				X	X	X	X	X	X	X
Per Östensson	X	X	X	X	X	X	X	X	X	X

SALARIES OF SENIOR MANAGEMENT

Name	Position	Other benefits	Fixed annual salary	Pension premium paid	Total	
Anna Ryott	Managing Director	-	1,705,350	507,647	2,212,997	
Eva-Marie Andersson	Chief Legal Counsel	-	565,947	241,956	807,903	Retired in August 2014
Jacob Hagerman	Chief Legal Counsel	-	437,949	102,125	540,074	As of August 2014
Karin Isaksson	Director of Business Development	-	805,315	263,788	1,069,103	Employment ended in September 2014
Kai Sundström	Director of Communications	-	1,060,785	96,697	1,157,482	
Anders Craft	Director of Investment Operations	-	1,510,250	471,650	1,981,900	
Niclas Düring	Portfolio Director	-	1,050,628	285,088	1,335,716	
Elisabeth Mattisson	Director of Finance and Administration	-	876,362	266,320	1,142,682	Retired in August 2014
Helene Lundkvist	Director of Finance and Administration	-	410,812	126,480	537,292	Employment started August 2014
Total			8,423,398	2,361,751	10,785,149	

ABSENCE DUE TO SICKNESS

Total absenteeism due to sickness amounted to 2.0% (3.79% last year) of the employees' aggregate ordinary working hours. The company does not have any employees whose total absence due to sickness amounts to or exceeds 60 days. For integrity reasons sick leave statistics are not shown by age group and gender.

SALARY OF MANAGING DIRECTOR AND OTHER SENIOR MANAGEMENT PERSONNEL, SEVERANCE PAY ETC

The Managing Director has a fixed salary of SEK 139,979 per month. No variable component is paid. Defined-contribution and comparable pension premi-

ums in accordance with statutory and collective agreements were paid and booked during the year concerning the Managing Director amounting to SEK 507,647.

The Managing Director has no other benefits.

In the event of termination by the company, the Managing Director has a notice period of 6 months and the right to severance pay corresponding to 12 months' fixed salary (pension provisions and other benefits not included). In the event of new employment or if remuneration is received from business activity, severance pay shall be reduced

by an amount corresponding to new income. Severance compensation is not paid after the age of 65.

Defined-contribution and comparable pension premiums are paid for other senior management personnel in accordance with statutory and collective agreements. All pension premiums were booked during the year. The collective agreement rules apply when the company gives notice of termination.

PENSION COMMITMENTS

The former Managing Director is entitled to a direct pension secured by an endowment insurance owned by the company. Payment is made via an annual premium.

NOTE 2 NET TURNOVER PER GEOGRAPHIC MARKET AND PER LINE OF BUSINESS**NET TURNOVER PER GEOGRAPHIC MARKET**

	2014	2013
Africa	68,013	25,498
Asia	24,650	20,692
Latin America	6,190	3,237
Eastern Europe	50,234	31,129
	149,088	80,555

NET TURNOVER PER OPERATIONAL AREA

	2014	2013
Sales of shares	76,627	27,564
Share dividends	19,606	20,153
Interest income	51,594	30,486
Services sold	1,133	1,944
Other portfolio income	128	408
	149,088	80,555

NOTE 3 SUPPORT FOR START PROGRAMME (SWEDPARTNERSHIP) AND TECHNICAL ASSISTANCE

Start Programme (Swedpartnership)	2014	2013
SEE HEADING IN INCOME STATEMENTS OF	Of which Swedpartnership	
Other operating income	4,733	4,668
Other interest income and similar profit/loss items	-	-
	4,733	4,668
Other external costs	- 1,408	- 1,626
Personnel costs	- 3,325	- 3,042
	- 4,733	- 4,668

Technical Assistance	2014	2013
SEE HEADING IN INCOME STATEMENTS OF	which T/A	
Other operating income	1,325	2,335
	1,325	2,335
Other external costs	- 1,074	- 2,027
	- 1,074	- 2,027

NOTE 4 EQUITY INVESTMENTS SOLD/WOUND-UP DURING THE YEAR

	2014	2013
Total acquisition value of shares sold	- 76,009	- 64,280
Written-down value of sold shares	36,844	30,410
Acquisition value of shares sold for the year	- 39,165	- 33,870
Payments received	76,627	27,564
Capital gain/loss for the year	37,462	- 6,306

NOTE 5 DEPRECIATION OF TANGIBLE FIXED ASSETS

	2014	2013
Equipment	146	296

NOTE 6 AUDITORS' FEES AND REMUNERATION

	2014	2013
PRICEWATERHOUSECOOPERS		
Audit assignment	894	846
Audit activity in addition to audit assignment	421	-
Tax advice	82	-
Other services	29	241
SWEDISH NATIONAL AUDIT OFFICE	-	73

Audit activity in addition to audit assignment refers to other audit services that do not relate to the statutory requirement for auditing of the compa-

ny's annual report, such as a review of integrated reporting and other verifications. In 2013 no breakdown between the audit assignment and other audit

activity was made.

The investigation by the Swedish National Audit Office in 2013 was of non-recurring character.

NOTE 7 OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	2014	2013
Income from asset management	25,068	25,211
Income from bank balance	27	67
Endowment insurance	171	111
	25,266	25,389

NOTE 8 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	2014	2013
Write-down, financial fixed assets	266	252
Other financial expenses	954	822
	1,221	1,074

NOTE 9 TAX COSTS

Reconciliation of effective tax rate	Tax rate	2014	Tax rate	2013
Profit before tax		- 62,549		- 92,772
Tax as per current tax rate	22,0 %	13,761	22 %	20,410
Non-deductible costs and tax-free income	- 0,2 %	- 150	- 0,1 %	- 124
Latent tax on current year's loss not posted as a deferred tax claim	- 21,9 %	- 13,690	21,9 %	- 20,294
	0,1 %	- 79	0,0 %	- 8

NOTE 10 **FIXED ASSETS****BUILDING AND LAND**

Accumulated acquisition value	2014	2013
Expenses for improvement of other's property refers to new premises – depreciation starting 2015	914	-

INVENTORIES

Accumulated acquisition value	2014	2013
Opening value	6,152	5,329
New acquisitions		269
Sales and disposal	4,785	554
	10,937	6,152

Accumulated depreciation according to plan	2014	2013
Opening value	- 5,784	- 4,934
Sales and disposal	- 4,785	- 554
Depreciation for the year on acquisition value according to plan	- 146	- 296
	- 10,715	- 5,784
Closing book value according to plan	222	368

NOTE 11 **OTHER LONG-TERM HOLDINGS OF SECURITIES**

	2014	2013
Shares in EDFI	118	118
Shares in EFP	127	130
Shares in ICCF	53	53
Endowment insurance policies	1,520	1,586
Book value at year-end	1,817	1,887

NOTE 12 **LOANS**

Accumulated acquisition value	2014	2013
Opening book value	744,415	619,567
Lending for the year	250,750	181,732
Repayments for the year*	- 139,819	- 55,124
Reclassifications	-	- 3,069
Currency rate/translation differences for the year	136,400	1,309
	991,746	744,415

* MSEK 55 is expected to be amortised in 2015. The closing rate has been used for recalculation of amortisation in foreign currency.

Accumulated write-downs	2014	2013
Opening book value	- 258,177	- 231,061
Write-downs for the year	- 29,453	- 76,262
Reclassifications		
Reversed write-downs for the year	35,218	48,369
Currency rate/translation differences for the year	- 48,772	777
	- 301,185	- 258,177
Book value at year-end	690,561	486,237

NOTE 12 LOANS, CONTINUED

BREAKDOWN OF THE LOAN PORTFOLIO BY COUNTRY AND CURRENCY

Country	Currency	2014		2013	
		Loan amount	Of which written-down	Loan amount	Of which written-down
Africa	USD	295,526	- 210,473	212,559	- 162,688
Africa	EUR	41,837	-	21,734	-
Egypt	USD	-	-	2,141	- 1,070
Ethiopia	EUR	32,446	- 24,334	30,541	- 15,271
Georgia	USD -	77,527	-	64,223	-
Ghana	USD	108,538	-	-	-
India	USD -	57,686	- 24,482	77,093	- 44,939
India	EUR	56,427	-	63,074	-
Iraq	USD	31,786	- 31,786	20,926	- 20,926
Kenya	USD	85,654	-	-	-
China	USD	12,218	- 6,109	10,122	- 5,061
China	SEK	4,000	- 4,000	667	- 667
Congo	SEK	600	-	840	-
Latin American	SEK	34,008	-	16,867	-
Macedonia	EUR	-	-	1,195	- 1,195
Pakistan	USD	59,217	-	56,534	-
Russia	SEK	5,000	-	2,170	-
Sri Lanka	USD	5,207	-	5,641	-
South Africa	ZAR	11,720	-	12,250	-
Vietnam	USD	-	-	70,543	- 6,361
Belarus	EUR	61,130	-	57,541	-
Belarus	USD	11,219	-	17,753	-
Total		991,746	- 301,185	744,414	- 258,178

CONVERTIBLE LOANS AND PROFIT-SHARING LOANS

Borrower	Currency	Outstanding loan amount in currency	Interest and equivalent	Conversion right
Addis Emerald Hotel	EUR	3,450	Interest and profit share	Yes
Athi River Steel Plant	USD	11,048	Interest	No
Raffia Holdings Ltd	USD	5,206	Interest	Yes

NOTE 13 PORTFOLIO INVESTMENTS IN EQUITY

Accumulated acquisition value	2014	2013
Opening book value	1,651,349	1,608,667
Investments for the year	73,551	142,858
Reclassifications	-	7,165
Sales for the year	- 101,737	- 107,341
	1,623,163	1,651,349

Accumulated write-downs	2014	2013
Opening book value	- 589,605	- 614,690
Reversed write-downs for the year related to sales	61,504	72,630
Reclassifications	-	-
Write-ups for the year	5,905	-
Write-downs for the year	- 142,889	- 47,544
	- 665,085	- 589,604
Closing book value	958,078	1,061,744

Developing Countries	Share category	Share % value	Acquisition
Africa			
AAR Healthcare Kenya Ltd	Ordinary	20.0	19,670.0
ACACIA Fund, Kenya*	Ordinary	100.0	8,596.7
Addax Bioenergy S.A., Sierra Leone	Ordinary	8.0 89	89,162.8
Addis Cardiac Hospital Plc, Ethiopia	Ordinary	36.2	7,600.0
Addis Quarry Development plc, Ethiopia	Ordinary	27.2	15,149.5
Adenia Capital (III) LLC Ltd. (I&P)	Ordinary	10.6	36,670.3
Afrinord Hotel Investment A/S, Africa	Ordinary	20.0	470.1
African Development Partners II (DPI)	Fund units	5.8	30,617.0
Africap Microfinance Investment Company Ltd, Africa	Ordinary	7.4	14,094.8
AMSCO, Africa	Ordinary	5.0	4,656.9
Athi River Steel Plant Ltd, Kenya	Ordinary	12.5	85,227.1
Deacons Kenya Limited, Kenya	Ordinary	13.4	7,865.9
Energy Poverty Action, Africa	Ordinary	17.0	252.6
EFPP, Africa	NA**		1,221.9
ECP Africa Fund II PCC	Fund units	2.2	46,323.4
ECP Africa Fund III PCC	Fund units	3.3	95,417.2
Elgon Road Development Ltd, Kenya	Ordinary	21.3	32,124.8
Emerald Addis Hotels plc, Ethiopia	Ordinary	27.0	23,398.8
Gamma Knife Center S.A.F, Egyptia	Ordinary	24.3	6,755.5

* Company is being wound up and has been taken over to secure development results.

** Not applicable.

NOTE 13 PORTFOLIO INVESTMENTS IN EQUITY, CONTINUED

Developing Countries	Share category	Share % value	Acquisition
Africa, continued			
Geratech Zirconium Beneficiation Ltd, South Africa	Ordinary	9.2	27,984.9
Kinyeti Venture Capital Ltd, South Sudan	Ordinary	49.7	4,951.1
Nairobi Womens Hospital	Ordinary	19.1	26,459.2
Norsad	Ordinary	18.6	50,052.1
Raffia Holdings Ltd, Africa*	Ordinary	100.0	285,353.5
Timsales	Ordinary	19.5	10,678.5
UAP, Kenya	Ordinary	7.9	72,719.0
Total Africa			1,003,473.8
Asia			
Baring India Private Equity Fund II Ltd, India	Fund units	7.1	69,376.7
China Environment Fund III	Fund units	4.4	72,875.1
Green Investment Asia Sustainable Fund I	Fund units	30.8	51,374.2
HSF Electro Mechanic Wuxi Ltd, Kina	Units	40.0	16,684.1
Karlsson Spools Precision Machining Co Ltd. Kina	Units	30.0	15,456.5
Kurdistan Medical Services, Iraq	Ordinary	23.0	-
Medica Synergie, India	Ordinary	16.0	41,479.3
Mongolia Nord GmbH, Mongolia	Ordinary	14.3	16,159.6
Quanadil Al Rafidain Automotive Trading, Iraq	Ordinary	24.5	35,299.0
SEAF Sichuan SME Investment Fund	Fund units	13.3	5,425.8
Total Asia			324,130.2
Latin America			
Entel S.A., Bolivia	Ordinary	0.2	1,003.8
Global Medical Investments AB, Latin America	Ordinary	48.0	67,050.9
Ontur International S.A, Uruguay	Ordinary	14.0	14,076.5
Total Latin America			82,131.2
Eastern Europe			
Ambiente Furniture A/S, Ukraine	Preference	-	975.6
Eskaro Ukraine, Ukraine	Ordinary	20.0	21,873.8
FJ Holding AB, Russia	Ordinary	31.0	25,000.0
Komercijalna Banka AD Belgrade, Serbia	Ordinary	2.9	96,727.0
Mint GP Ltd, Russia	Fund units	4.7	34,192.0
Pieno Zvaigzdes, Lithuania	Ordinary	9.5	25,018.5
Troll Nursery, Latvia	Ordinary	24.4	9,640.5
Total Central and Eastern Europe			213,427.4
Total acquisition value			1,623,162.6

* Company is being wound up and has been taken over to secure development results.

NOTE 14 FAIR VALUES

Book and fair values of certain assets are as follows	Stated amount		Fair value	
	2014	2013	2014	2013
Other long-term holdings of securities	1,817	1,887	1,817	1,887
Shares	958,078	1,061,744	1,075,182	1,114,530
Loan claims	690,561	486,237	690,561	486,237
Accounts receivable	21,479	16,175	21,479	16,175
Other receivables	82,963	37,548	82,963	37,548
Current investments	2,609,629	2,256,356	2,627,249	2,256,816
Cash and bank accounts	128,470	80,348	128,470	80,348

For other long-term holdings of securities the fair value is deemed to Swedfund International AB's share of the company's equity in accordance with the latest annual accounts.

The fair value of shares is the shares' net worth in accordance with the latest received accounts. For listed companies, the fair value is the market

value on the closing day.

The fair value of current investments is their valuation at closing date market rates. As loan receivables, liabilities to credit institutions short- and long-term, and other long-term liabilities are mainly rolled over at new interest rates every third or sixth month the book value is considered to

represent a close approximation to the fair value.

In the case of accounts receivable, other receivables, cash and bank, liabilities to suppliers, and other current liabilities, the book value is considered to be a close approximation to the fair value.

NOTE 15 MEMORANDUM ITEMS

Prepaid costs and accrued income	2014	2013
Prepaid costs	2,013	2,674
Accrued interest current investments	8,964	21,150
Accrued interest loan claims	21,725	12,446
Write-downs accrued interest loan claims	- 12,318	- 6,677
Other accrued income	337	78
	20,721	29,671

Accrued costs and prepaid income	2014	2013
Prepaid income (Technical Assistance)	6,418	8,475
Accrued wages	3,867	3,508
Accrued payroll charges	2,819	4,261
Accrued interest liabilities to credit institutions	1,022	- 154
Other accrued costs	1,859	641
	15,985	16,731

NOTE 16 CURRENT INVESTMENTS

Specification of security	Average duration in years	Fair value 2014	Book value 2014	Fair value 2013	Book value 2013
Treasury bills	0,11	1,527,725	1,527,726	1,214,022	1,213,592
Government bonds	8,35	196,447	184,985	208,067	209,249
Bonds (government guarantee)	1,48	214,490	211,525	213,958	213,759
Secured bonds	0,82	298,659	295,518	386,004	385,060
Municipal Certificates	0,12	283,961	283,938	115,877	115,838
Bank, mortgage and corporate certificates	0,21	105,967	105,937	118,889	118,857
		2,627,249	2,609,629	2,256,816	2,256,356

Weighted effective annual interest rate for the portfolio is 0.54%. Interest rate risk in the event of 1% change in interest rates +/- 23 823.

NOTE 17 DEFERRED TAX RECEIVABLES AND LIABILITIES

Stated deferred tax receivable can be attributed to	2014	2013
Machinery and equipment	97	113
Pension agreement for former Managing Director	272	334
Deferred tax loss 2009	1,734	1,734
Deferred tax loss 2010	19,384	19,384
Deferred tax loss 2011	13,245	13,245
	34,732	34,811

The company has losses brought forward totalling SEK 464,958,000 , of which a deferred tax claim has been	reserved for SEK 156,198,000 . The company considers it highly likely that the recognized deferred tax assets	will be utilized to offset future taxable profit.
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NOTE 18 OTHER LIABILITIES TO CREDIT INSTITUTIONS

	2014	2013
Due date, 1-5 years from balance sheet date	386,403	233,978
Due date more than five years from balance sheet date	140,222	13,351
	526,625	247,329

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE IN SWEDFUND

The Swedish state owns 100% of the company, which belongs to the group of companies with special social responsibility. The company has its head office in Stockholm and a regional office in Nairobi.

Swedfund shall “contribute to the goal of Sweden’s Policy for Global Development (PGD) concerning equitable and sustainable global development. The objective for the company’s activities is the same as the objective for Swedfund’s international aid – to contribute to creating the conditions for improved living standards for people living in poverty and facing repression. The starting point for Swedish aid is the poor and repressed individual’s needs and circumstances. Swedish aid shall endeavour to achieve long-term and concrete results in the fight against poverty and contribute to economic, social and environmentally sustainable development.” Read more about Swedfund’s ownership instructions at swedfund.se/en.

THE TOOL for achieving the goal is tackling poverty through sustainable business. In cooperation with strategic partners, the company shall contribute to investments that are not expected to be achievable with commercial financing alone (additionality). Operations shall be conducted in a professional and business-like manner.

The company’s strategy is that each investment shall rest upon three pillars:

- ▮ Impact on society
- ▮ Sustainability
- ▮ Financial viability

SWEDFUND APPLIES the [State’s ownership policy and guidelines for state-owned companies \(2014\)](#) which includes the Swedish Code of Corporate Governance. Operations are governed by the aforementioned ownership policy, the company’s owner’s instructions and policy document and the financial targets set by the Annual General Meeting (see above link). In 2014 [Swedfund’s Policy for Sustainable Development](#) was updated and a new version adopted by the Board. The Board also adopted Global Compact’s principles on children’s rights. Read more about Swedfund’s policy work on pages 10-11 and page 20. The company’s policies, all of which are available on its website, are an important part of the company’s values and are continually being integrated into instructions and contracts. Continuous training takes place of Swedfund personnel and external members of portfolio company boards. Swedfund is a signatory of several international conventions and regulatory frameworks that in different ways influence working methods. For more details, see the overview of Swedfund’s policies, international obligations, guidelines and transparency commitments on page 10.

THE SWEDISH STATE’S ownership policy is not implemented in the portfolio companies. Instead, control is handled by implementing Swedfund’s policies in shareholder and loan agreements. You can read about the requirements that Swedfund sets for its portfolio companies on page 35. Follow-up is carried out through work on the boards, self-assessments and ESG advocacy. Read about Swedfund’s work on ESG issues in the portfolio companies on pages 40-41, and how Swedfund creates value on pages 48-50. In all other regards, the local laws of the portfolio company are applied.

With two exceptions the company only has minority stakes in portfolio companies. Any wholly-owned companies are in the process of liquidation and have been transferred to Swedfund in order to secure development results and protect the company’s assets.

Swedfund aims to have active dialogue with stakeholders such as owners, the general public, civil society organizations, etc. For more information, see pages 22-23 for details of Swedfund’s stakeholder analysis.

The Swedish state’s ownership policy and guidelines for state-owned companies (2014) make clear the cases in which these guidelines deviate from the norms of the Swedish Code of Corporate Governance. Swedfund observes the relevant sections of the code*. The Board has decided to undertake the duties that otherwise would be executed by an audit committee and remuneration committee. Because of Swedfund’s size the Board does not see a need for a special verification function in the form of an internal audit.

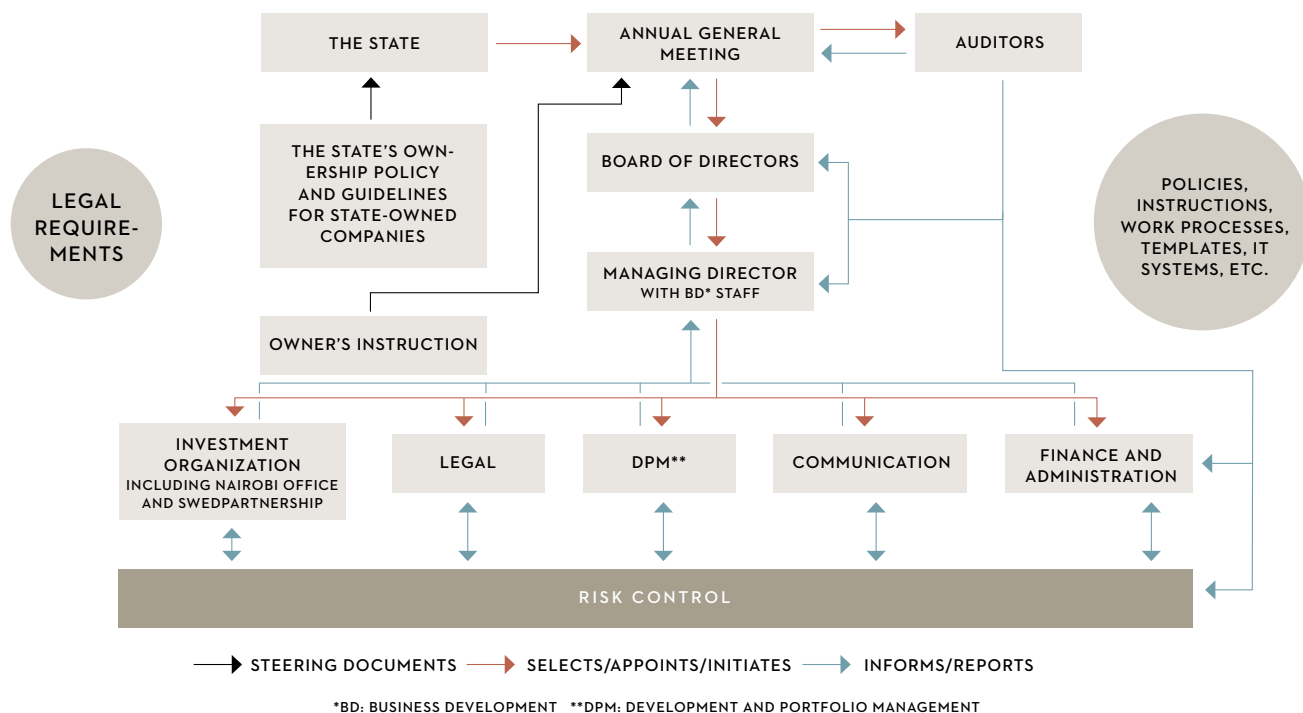
FOR STATE-OWNED companies the requirement to submit a corporate governance report according to the Swedish Annual Accounts Act for listed companies applies. The report is to be audited by the company’s auditors. Swedfund has chosen to include the corporate governance report in the mandatory annual report, and it is therefore covered by the auditor’s audit. Information and documentation regarding corporate governance can be found at swedfund.se/en.

*Deviations from Swedish Code of Corporate Governance

In 2014 Swedfund deviated from the Swedish Code of Corporate Governance in the following:

- (i) Nomination committee. Swedfund has no such committee due to its ownership structure. The nomination process for Board members, selection of chairman for the AGM and the appointment of auditors is performed in accordance with the principles stated in the Swedish state’s ownership policy.
- (ii) The Board’s independence to the owners. Swedfund does not report, in accordance with the Swedish state’s ownership policy, whether Board members are independent of the owners.
- (iii) Audit and remuneration committees. Swedfund does not have either an audit or a remuneration committee. These assignments are instead performed by the Board.

STRUCTURE FOR CORPORATE GOVERNANCE - OVERVIEW



ANNUAL GENERAL MEETING

The shareholders' right to resolve on matters regarding the company's operations is exercised at the Shareholders Meeting, which is the company's highest decision-making body. The Annual General Meeting makes resolutions regarding changes in the articles of association, financial targets set at the Shareholders Meeting and presents new Owner's Instructions for the company's business operations. Notification of the Annual General Meeting or Extra Shareholders Meeting where changes to the articles of association are to be addressed shall be submitted at the latest four weeks before the meeting. Other issues resolved at the Annual General Meeting are the adoption of the income statement and balance sheet, discharge from liability for the Board and Managing Director, the election of new Board members and auditors, remuneration to the Chairman of the Board, other members of the Board and auditors, and guidelines for salaries and other remuneration to senior executives.

According to the articles of association the Board shall comprise at least six and at most nine members with no deputies. If the chairman leaves the post during the mandated period the Board shall choose a new chairman from among its members for a period up to the end of the Shareholders Meeting at which a new chairman is elected.

Other prerequisites for appointment and dismissal of Board members are covered by the Swedish Companies Act. Members of the Swedish Parliament are entitled to attend the Annual General Meeting and, in conjunction with this, to address questions to the company. The meeting is open to the general public and is normally held in April.

THE STATE THROUGH THE MINISTRY OF FINANCE*

The Owner appoints the Chairman of the Board, members of the Board and auditors, proposes fees for the Chairman, other Board members and auditors and evaluates the activities of the Board. The principles for this work are described in the State's ownership policy and guidelines for state-owned companies (2014). The document contains the State's Ownership Policy, Guidelines for External Reporting, Guidelines for Terms of Employment for Senior Executives in state owned Companies and the [Swedish Code of Corporate Governance](#).

AUDITORS

In accordance with applicable legislation, the auditors are appointed by the Annual General Meeting under the guidance of the State's ownership policy, normally for a period of one year. The auditors are accountable to the owner at the Annual General Meeting and submit an audit re-

port on the 2014 Integrated Report and the Board's management of the company. The auditors submit a summarised report of the audit to the Board in connection with the Q3 interim report and again in connection with the financial statement.

BOARD OF DIRECTORS

The Board shall endeavour that the long-term development in the value of the company shall be the best possible and that business is conducted such that it favours sustainable development, in terms of the economy, society and the environment. The Board is responsible for the company's organisation and administers the company's affairs on behalf of the owner, appointing the Managing Director and determining the Managing Director's salary and other benefits. The Board shall regularly assess the company's financial position and ensure that the company is organised in such a manner that the book-keeping, management of resources and other economic circumstances are controlled satisfactorily. The Board is responsible for determining, implementing and following up relevant policies and guidelines, including the rules of procedure of the Board and instructions for the Managing Director. See [swedfund.se/en](#) for a presentation of the policies currently adopted by the Board. These documents outline the manner in which responsibilities and authorities are to be

* TRANSFERRED TO MINISTRY OF ENTERPRISE AND INNOVATION IN JANUARY 2015

shared between the Board, the Chairman of the Board and the Managing Director. The Chairman is responsible for the evaluation of the Board's activities and informs the Ministry of Finance of the results of this evaluation.

MANAGING DIRECTOR

The Managing Director shall oversee the operational management of the company and coordinate activities with due care to the extent required for performing these assignments in accordance with current legislation, articles of association, ownership policy of the Swedish state and associated guidelines for state-owned companies, owner's instructions, rules of procedure for the Board, Managing Director instructions and other policies and guidelines adopted by the Board. The Managing Director is appointed by the Board but is not a member of the Board. Management activities are coordinated by a management group consisting at the end of 2014 of the Managing Director, Chief Legal Counsel, Director of Communications, Director of Finance and Administration, Director of Investment Operations and Portfolio Director.

The current Managing Director, Anna Ryott, was born in 1972 and took over the position in August 2013 when she joined Swedfund from SOS Barnbyar, where she was general secretary. She has also been deputy general secretary of Unicef Sweden. In the private sector she has worked for Storåkers McCann as deputy Managing Director, and for McKinsey and for Hagströmer & Qviberg. Anna Ryott does not have any significant business connections / ownership in any of the portfolio companies owned by Swedfund.

SIGNATORIES

The authorised signatories of the company are the Board and two Board members jointly. Through the authorization by the Board, the Managing Director together with another member of the management team may sign for the company, and two of these members jointly may in turn own sign for the company in the Managing Director's absence in respect of any issue relating to investment operations. The Board's authorization is conditional on a valid board resolution for all commitments in excess of MSEK 10. In accordance with the Managing Director instructions, the Managing Director has sole signatory power (concerning day-to-day administration) for commitments up

to a maximum of SEK 10 million. Actions taken within the remit of the Managing Director are reported to the Board at the following meeting. When members of management have signed for the company, this is also reported to the Board at the following meeting. Department heads may order consultancy services costing a maximum of SEK 200,000 without the Managing Director's prior approval.

REMUNERATION TO SENIOR EXECUTIVES

The company applies the Government's

Guidelines for Terms of Employment for Senior Executives in state-owned Companies. Remuneration and benefits to the Managing Director and other senior executives are described in Note 1.

ORGANIZATION

In the autumn of 2014 the Chief Legal Counsel and the CFO retired and were replaced by new personnel. The business development manager transferred to another activity and recruitment was initiated. No other significant organizational changes were implemented.

WORK OF THE BOARD IN 2014

The Board held ten meetings. The work of the Board follows a structure constituting fixed and recurring activities, mainly as in the table below.

ACTIVITY	TIME
Inaugural meeting/election of deputy chairman	After AGM
Status report/ Project inflow/ Portfolio / Exits / Communication	Each meeting
Financial results and financial position	Each meeting
Board decisions	Each meeting
Interim reports	Quarterly
Liquidity forecast (dynamic)	Quarterly
Borrowing risks/ Currency and Interest risks	Quarterly
Undertaking report	Every six months
Liquidity report	Every six months
Signatories	Annually
Rules of procedure for the Board/Managing Director instructions/ Authorisation instructions	Annually
Financial management policy	Annually
Evaluation of board activities	Annually
Review of portfolio activities/fund reports/ exit reports/ development results/ESG	Annually
Risk analysis	Annually
Swedfund's Integrated Report/ Corporate governance/ Internal controls/ Audit issues	Annually
AGM issues/ Guidelines for salaries and other remuneration to senior executives	Annually
Strategy	Annually
Evaluation of policy documents and other guiding documents	Annually
Business plan/activity plan and budget	Annually
Employee issues/Salary review	Annually

The members of the Board are presented on the company's website www.swedfund.se and on pages 106-107.

THE BOARD'S REPORT ON INTERNAL CONTROL IN FINANCIAL REPORTING

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

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

CONTROL ENVIRONMENT

The base for internal controls regarding financial reporting is the control environment. Swedfund's control environment is defined by its organizational structure, clearly documented delegation of decision-making responsibilities from the Board to the Managing Director and other senior executives, various steering documents such as policies, guidelines, manuals, reporting instructions that give clear instructions within important areas to employees at various levels, business plan and budget. Employee competence and the values that the Board and the management team work from and communicate are also a part of the control environment.

RISK ANALYSIS

Swedfund works proactively in a structured way to identify, quantify, prevent and handle strategic, operational and financial risks. Significant strategic and operational risks once identified are reported at each Board meeting. The company's financial risks are managed according to the Financial Policy and reports concerning financial risks are submitted to the Board each quarter. Read

more about Swedfund's risk management on page 27. Risk assessments concerning financial reporting including the identification and assessment of significant risks in the aforementioned areas that could mean the company not meeting requirements for accurate financial reporting in terms of completeness, correctness, evaluation and disclosure, and the risk of irregularities.

CONTROL ACTIVITIES

To ensure that the basis for financial reporting maintains the desired quality, various control activities are included in Swedfund's processes. These include a review of the budget, liquidity, forecasts and outcomes. Once a year a major review is performed of portfolio companies where the companies are evaluated based on the three pillars of impact on society, sustainability and financial viability. Authorizations, verifications, reconciliations and IT systems, with backup procedures and permissions are also control activities.

Swedfund has developed a comprehensive Investment manual to ensure that the quality is high during the appraisal of investments. In the portfolio companies control is ensured through evaluation and follow-up of financial reporting. In companies where Swedfund is a shareholder control is exerted through active participation in the work of the company's board of directors.

Internal control and management by senior managers of the company are evaluated annually by the company's external auditors. With consideration for the company's size and turnover as well as the steering and control system already in place, the Board finds in the current situation no need to set up any special audit function in the form of an internal audit.

INFORMATION AND COMMUNICATION

For internal controls to work correctly it is essential that all employees have access to up-to-date and relevant information about what needs to be controlled and how control shall be exercised. All Swedfund's employees have access to the company's policies, guidelines and manuals.

At regular information meetings with company employees the importance of complying with rules and processes is stressed and changes to rules and procedures are presented in detail. Within the various departments of the company and through internal training sessions there are continuous updates on the application of these documents.

FOLLOW-UP

Control activities are followed up regularly to ensure that risks have been addressed and treated in a satisfactory way. The auditor reports to the Board observations from the general review of the interim report for Q3 and from the review of the financial statement. Assessments of policy documents and other control documents are performed annually.

Follow-up to ensure that financial reporting meets the desired quality is done by the Board, Managing Director, senior management team, the department for portfolio analysis and within the investment organization. This work focuses on the follow-up of financial outcomes and significant deviation from budget plans, investments, divestments and other key business events.



GRI-/COP-INDEX

Swedfund applies Global Reporting Initiative's (GRI) reporting framework for sustainability reports, version G4, and GRI G4 Sector Disclosures, Financial Services, Core level. By committing to the UN Global Compact (GC) Swedfund is obliged to submit a Communication on Progress (COP), which presents work on implementing the GC's principles. In this GRI-/COP-index we describe where GRI and COP information can be found in this Swedfund Integrated report 2014.

STANDARD INFORMATION



GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision-maker		4, 8	
ORGANIZATION PROFILE				
G4-3	Name of the organisation		2	
G4-4	Primary brands, products, and/or services		9, 12, 32-33, 44	
G4-5	Location of organisation's headquarters	Stockholm	-	

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
G4-6	Number of countries where the organization operates		14-15	
G4-7	Nature of ownership and legal form		9, 95	
G4-8	Markets served		12, 14-15	
G4-9	Scale of the organization		77-79, 84	
G4-10	Number of permanent employees by employment type, gender and region	On 31 December 2014 there were 39 full-time employees in permanent jobs	84	6
G4-11	Percentage of total employees covered by collective bargaining agreements	All employees are covered by collective agreements	-	3
G4-12	Organization's supply chain	Swedfund buys services and products for office operations in Stockholm and Nairobi, and employs consultants for screening and monitoring of portfolio companies	-	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership	No significant changes.	-	
G4-14	Application of precautionary approach	The precautionary approach applies for assessment and handling of ESG risks in connection with investments	32-52	7
G4-15	External principles, or other initiatives to which the organization subscribes		10, 20	
G4-16	Memberships of associations	Swedfund is a member of European Development Finance Institutions (EDFI).	23	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Group companies included in reporting	Swedfund is minority owner of portfolio companies and these are not consolidated in the accounts (covered only indirectly by reporting).	91-92	
G4-18	Process for defining the report content		21-23, 110-111	
G4-19	Identified material aspects	Swedfund's sustainable efforts are based on 3 pillars that correspond with GRI as follows: - Impact on society = indirect economic impacts - Sustainability = product portfolio, audits and active ownership (GRI Supplement for the financial sector) - Financial viability = refers to portfolio companies' financial development (no relevant GRI aspect)	55-70	
G4-20	Organization's boundaries for material aspects	Swedfund's direct impact on sustainability is considered insignificant in relation to the portfolio companies' influence, and the aspects are therefore not essential within the organization.	111	
G4-21	Boundaries for material aspects outside company	The specified aspects are essential only for portfolio companies.	111	
G4-22	Restatements of information provided in previous reports	No significant changes	-	

GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes.	-	
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization		21-23	
G4-25	Basis for identification and selection of stakeholders		21-22	
G4-26	Approach to stakeholder engagement		22-23	
G4-27	Key topics and concerns raised through stakeholder engagement		21-26	
REPORT PROFILE				
G4-28	Reporting period	1 January to 31 December 2014. Reporting of development results (p. 54-70) is based in some cases on the last available annual reports from portfolio companies that were published in 2014.	-	
G4-29	Date of most recent previous report	18 March 2014	-	
G4-30	Reporting cycle	Reports published annually	-	
G4-31	Contact point		111	
G4-32	Reporting in accordance with GRI guidelines and GRI index	Swedfund reports in accordance with GRI's G4 guidelines, Core level	99-102	
G4-33	Policy and current practice with regard to seeking external assurance for the report	Swedfund has chosen to allow PwC to certify the integrated Annual and Sustainability Report in its entirety. For this reason, no column in the GRI Index presents the authentication, as all the information in the report has been subject to at least a general verification with a reasonable level of reliability with regard to risk and materiality in the information provided.	109-111	
CORPORATE GOVERNANCE				
G-34	Report of the governance structure of the organization		95-97	
ETHICS AND INTEGRITY				
G4-56	Organization's values, principles, codes of conduct		10-11	10

SPECIFIC STANDARD INFORMATION



GRI	DESCRIPTION	COMMENTS	PAGE REFERENCE	UNGC PRINCIPLES
SIGNIFICANT ASPECTS; INDIRECT ECONOMIC IMPACT				
G4-DMA	Management approach - indirect impact	Contributing to positive indirect economic impacts is central to Swedfund's mission - poverty reduction through sustainable business.	9, 16-20, 27-52	
G4-EC8	Significant indirect economic effects	Several examples are given in the report and on the website (www.swedfund.se) of how Swedfund's investments create jobs and transfer knowledge.	17-19, 38-39, 44-45, 50-51, 57-62	
SIGNIFICANT ASPECTS; PRODUCT PORTFOLIO				
FS1	Policies with specific environmental and social components applied to business lines.		10-11	1-10
FS2	Procedures for assessing and screening environmental and social risks in business lines.		32-52	1-10
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.		40-41, 48-50, 55-70	1-10
FS4	Process(es) for improving staff competency to implement the environmental and social policies	ESG issues are handled within Swedfund's Development and Portfolio Management department by two Senior Managers and two Managers tasked with training the organization and monitoring sustainability efforts in portfolio companies	9, 31, 58	1-10
FS5	Interactions with portfolio companies regarding environmental and social issues		40-41, 48-50, 55, 63-66	1-10
FS6	Investment portfolio divided by region, size and sector		12, 14-15	
SIGNIFICANT ASPECTS; AUDITS				
FS9	Audits to assess environmental and social policies procedures.		48-50	1-10
SIGNIFICANT ASPECTS; ACTIVE OWNERSHIP				
FS10	Percentage of portfolio companies with whom environmental or social issues have been addressed	Environmental and social interests are addressed in all portfolio companies based on assessed risk and impact.	32-70	1-10
FS11	Percentage of investments screened for environmental and social issues	All investments are screened for environmental and social issues	32-70	1-10



ADDIS CARDIAC HOSPITAL

Waiting for a trial

Since May 2013, Dr. Fikru Maru has been imprisoned, awaiting trial.

DR. FIKRU MARU, the founder of Addis Cardiac Hospital in Addis Ababa in Ethiopia, was jailed in May 2013. He was arrested as part of a dawn raid on 12 May aimed at a number of private individuals, public officials and businessmen. The Ethiopian government wanted to show its strength by initiating prosecutions as part of an anti-corruption campaign.

DR. FIKRU MARU, 64, is a Swedish citizen who trained and practised as a heart surgeon in Sweden over several decades. In 2008, collaboration began between Fikru Maru and Swedfund that led to the establishment of Addis Cardiac Hospital, the first cardiac hospital in Ethiopia.

AT THE END of 2014, 18 months have passed without a trial. Dr. Maru has been treated contrary to Ethiopian law and international conventions on human rights.

MEDIA INTEREST in Dr. Maru's fate has grown over time. Many articles have been written about his difficult situation. Since the first day of his arrest, Swedfund has been deeply committed to providing support, including assigning qualified legal assistance in both Sweden and Ethiopia. *

Read more at [Swedfund Frankly](#).

Swedfund at the top

In the UN PRI's Pilot Assessment Report 2014, Swedfund has been given a ranking of AAA

The report is produced by UN Principles for Responsible Investment (UN PRI) and is based on the reporting that Swedfund and all other parties signed up to PRI's principles submitted for 2013/2014 (read Swedfund's RI Transparency Report [here](#)). PRI states that this is the first time it has compared submitted reports and therefore does not wish to make these Assessment Reports public. Ranking is done on a scale from A to D based on how well the principles of responsibility are integrated in the business. Ranking is also done in the following categories:

- ▀ General approach
- ▀ Direct investments (shares and loans)
- ▀ Investments via funds

Potential for improvement exists in establishing procedures for handling conflict of interest and in Swedfund taking a more active role in exchange of experience with other stakeholders and investors to promote the financial sector's responsibility for sustainable development and social responsibility.



Karin Thorsson

"The ranking in this report confirms Swedfund's ability to integrate and prioritise ESG issues throughout the investment process. By increasing the exchange of experience with other investors we can become even better and together we can advance the position of the financial sector when it comes to responsible investments," says Karin Thorsson, ESG Manager who has responsibility for Swedfund's reporting to UN PRI.

SAGARIKA
CHATTERJEE
PRI

"We are delighted that Swedfund, despite its relatively small size, seeks to have a positive impact and embed fully the principles for responsible investment within its activities. The six principles are voluntary and aspirational, but help set the gold standard for global good practice in responsible investment. Swedfund genuinely wants to implement responsible investment and evolve its practices further each year. This is demonstrated in Swedfund's completion of the PRI's Reporting and Assessment Framework and assurance by an independent auditor. Swedfund's Responsible Investment Transparency Report enables stakeholders to see how Swedfund is actually "doing responsible investment" and to hold Swedfund to account. Swedfund's commitment to the spirit and requirements of the six principles is something that its employees, management, board, investee companies and the Swedish government should feel proud of.

We look forward to Swedfund continuing to be an active PRI signatory in 2015."



Sagarika Chatterjee, General Manager, Principles for Responsible Investment

UN PRI RESPONSIBLE INVESTMENT TRANSPARENCY REPORT

With the adoption of the UN Principles for Responsible Investment (UN PRI), which Swedfund signed in 2012, we at Swedfund have undertaken to report annually the results of our work directly on-line within the UN PRI Reporting Framework.

Swedfund's first RI Transparency Report 2013/2014 was published both on the UN PRI website, www.unpri.org, and on Swedfund's website in 2014. Read the report [here](#). Swedfund's RI Transparency Report 2014/2015 will be published in the spring 2015.



BOARD OF DIRECTORS

CLAES EKSTRÖM, CHAIRMAN

Born: 1958

Board member since: 2008

Education: Graduate engineer, Chalmers; bachelor of economics and law studies at the University of Gothenburg.

Current position: Partner, Altor Equity Partners.

Other board assignments:

Northstar (Chairman), Papyrus (Chairman), Orchid Orthopedic Solutions (member), Norsk Gjenvinning (member) and many more non-profit commitments; Mentor (preventing drugs), Karolinska institutet, Stella and World's Children's Prize.

CHARLOTTE SALFORD MEMBER OF THE BOARD

Born: 1970

Board member since: 2014

Education: MSc, London School of Economics; BA, EU law, International Relations, Finance Université libre de Bruxelles, Belgium.

Current position: Managing Director, GrowthCap Ltd.

Other board assignments: Give a Future, Neuroinvent.

BENGT KVARNBÄCK, MEMBER OF THE BOARD

Born: 1945

Board member since: 2012

Education: Master degree in Materials engineering, Royal Institute Of Technology, Stockholm (1970).

Other board assignments: Q-Matic AB.

Former board appointments: Nimbus Boats Holding AB, Relacom AB, Dynapac AB, Volvo Penta AB, Kalmar Industries AB, Industriförvaltnings AB Kinnevik, Invik AB, Ålö AB, Korsnäs AB, Atlas Copco Airpower BV (Belgium), a large number of companies within the Atlas Copco Group, etc.

PER ÖSTENSSON, MEMBER OF THE BOARD

Born: 1959

Board member since: 2010

Education: Technical College, MBA (Stockholm School Of Economics).

Current position: Director, Ministry of Finance.

Former board appointments: Nefco, Swedish Export Credit (SEK).

MANAGEMENT TEAM

ANNA RYOTT

Managing Director

ANDERS CRAFT

Director Investment Operations,

HELENE LUNDKVIST

Director Finance and Administration

JACOB HAGERMAN

Chief Legal Counsel

KAI SUNDSTRÖM

Director of Communications,

NICLAS DÜRING

Portfolio Director



Claes Ekström

Per Östensson

Charlotte Salford

Bengt Kvarnäck

**RENÉE ANDERSSON,
MEMBER OF THE BOARD**

Born: 1947

Board member since: 2012

Education: Medical secretary and autodidact.

Current position: Manager of ethics and environment, Indiska Magasinet AB, Honorary doctor, Lund University.

Other board assignments: Swedbank Roburs sustainability committee (member) The Swedish Anti-Corruption Institute (member) and other non-profit commitments, Steering

Committee Of Sweden Textile Water Initiative (STWI), Blichta Association, leprosy village, Addis Ababa, Ethiopia/Sweden (member and treasurer), centre for trade research, Lund University (reference group).

Former board appointments: Member of the advisory board for industry and development, GLP-school, Dhaka, Bangladesh, Swedish-Yemeni Association, Swedish-Ethiopian Association, Adoption Centre, Swedish Association for Sustainable Business.

**PERNILLA BARD,
MEMBER OF THE BOARD**

Born: 1967

Board member since: 2012

Education: Master of Science from the Stockholm School of Economics.

Current position: Founder of Social Initiative.

Other board assignments: Social Initiative Norden AB, Riksteatern.

**STEFAN ISAKSSON,
MEMBER OF THE BOARD**

Born: 1963

Board member since: 2013

Education: Economics degree, Uppsala University, MSc London School of Economics.

Current position: Head of policy and analysis group, Ministry of Foreign Affairs, USTYR.

**BJÖRN BÖRJESSON,
MEMBER OF THE BOARD**

Born: 1951

Board member since: 2012

Education: Candidate of Law

Current position: Consultant

Other board assignments: Tredje AP-fonden (vice chairman), member of Åke Wiberg's foundation, Euroclear Sweden, Euroclear Finland and Ahlströmska foundation.

Former board appointments: Chairman of UC AB, subsidiary of Handelsbank group and board member of Kommuninvest.

Former positions: Deputy CEO, Handelsbanken.

**LOTTA MELLSTRÖM,
MEMBER OF THE BOARD**

Born: 1970

Board member since: 2014

Education: MBA, Lund University.

Current position: Deputy Director, Ministry of Enterprise and Innovation.

Other board assignments: AB Svensk Exportkredit (member), Specialfastigheter Sverige AB (member).

Former board appointments: Vectura Consulting AB, SOS Alarm Sverige AB.



Renée Andersson

Stefan Isaksson

Lotta Mellström

Pernilla Bard

Björn Börjesson

DIRECTORS' SIGNATURES

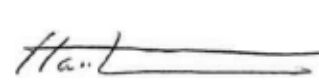
SWEDFUND'S BOARD herewith submits Swedfund's Integrated report including Annual Report and Sustainability / Communication on Progress (COP) Report for 2014.

The Annual Report (pages 9-102) is prepared in accordance with generally accepted accounting principles for state-owned companies (Guidelines for external reporting for state-owned companies). The submitted information

reflects the real circumstances and nothing of significance has been omitted that is likely to affect the image of the company as described in the Annual Report, Sustainability / COP Report.

Swedfund's Integrated report has drawn inspiration from The International <IR>. Framework issued by the International Integrated Reporting Council (IIRC).

STOCKHOLM, 19 MARCH 2015



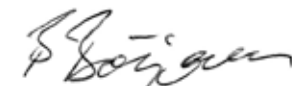
CLAES EKSTRÖM
CHAIRMAN



RENÉE ANDERSSON



PERNILLA BARD



BJÖRN BÖRJESSON



STEFAN ISAKSSON



BENGT KVARNBÄCK



LOTTA MELLSTRÖM



CHARLOTTE SALFORD



PER ÖSTENSSON



ANNA RYOTT
MANAGING DIRECTOR

OUR AUDIT REPORT WAS SUBMITTED ON 24 MARCH 2015
PRICEWATERHOUSECOOPERS AB



PETER NILSSON
AUTHORISED PUBLIC ACCOUNTANT

AUDITOR'S REPORT



Auditor's report (translation)

To the annual meeting of the shareholders of Swedfund International AB, corporate identity number 556436-2084

Report on the annual accounts

We have audited the annual accounts of Swedfund International AB for the year 2014. The annual accounts of the company are included in the printed version of this document on pages 9–102.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Swedfund International AB as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Swedfund International AB for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 24 March 2015

PricewaterhouseCoopers AB

Peter Nilsson

Authorized Public Accountant

OUR ADHERENCE TO

REPORT PROFILE

Swedfund's annual report for 2014 is a totally integrated report in which the sustainability-related information in the directors' report is fully integrated with financial data, and vice versa.

This structure means that this report is formulated in line with the [International Integrated Reporting Council's \(IIRC\) Framework](#).

Swedfund complies with the Government Offices of Sweden's [Guidelines for external reporting for state-owned companies](#).

The entire annual report is subject to verification with a reasonable level of reliability, i.e. auditing.

REPORT DEFINED BY THE BOARD

The Board has signed the integrated report and publishes it in its entirety.

This year's report has a special focus on Swedfund's investment process and on the reporting of development results, which is why significant space has been reserved for descriptions of a selection of investment case studies to show how they contribute to reducing poverty through their impact on society, sustainability and financial viability.

The Sustainability report is the seventh to be produced since the first in 2008 and is an integrated part of the report.

FRAMEWORK FOR FINANCIAL REPORTING

In its financial reporting, Swedfund follows the [Swedish annual accounts act](#), [Swedish Accounting Standards Board's general advice \(2012:1\)](#) and [the Swedish Code of Corporate Governance](#).

SUSTAINABILITY REPORTING FRAMEWORK

We apply [version G4](#) of the [Global Reporting Initiative's \(GRI\)](#) sustainability reporting framework, as well as [GRI G4 Sector Disclosures, Financial Services](#), core level.

UN GLOBAL COMPACT, COMMUNICATION ON PROGRESS, COP

Following Swedfund's adoption in 2012 of the UN Global Compact, Swedfund reports on its implementation of the Global Compact's 10 principles in an annual Communication on Progress (COP). The first COP was submitted in April 2013. In this report we are integrating our third COP. In the GRI/COP index we follow the [BASIC GUIDE Communication on Progress, GC Active Level](#), prepared by UN Global Compact.

UN PRI

By adopting the UN Principles for Responsible Investment (UN PRI) in 2012, Swedfund undertook to report the results of these activities directly online to the PRI secretariat. Swedfund's first report concerning 2013 is found in [Swedfund's RI TRANSPARENCY REPORT 2013/2014](#). Data reported by Swedfund was subject to a general review by PwC. Swedfund will report data for 2014 to the PRI secretariat using the PRI tool before the end of March 2015 and references will be made to this in the 2015 integrated report.

QR CODES

Swedfund's integrated report for 2014 includes QR codes for reference to source material and other articles. When the QR code is scanned the code is converted to a website address that opens in the mobile phone's web browser. To scan the QR code with a smart phone you need to download an app. Search for [QR reader](#).

AUDIT

PwC submits an audit report for Swedfund's annual report. The sections distributed digitally and linked via QR codes have not been subject to auditing.

REPORTING GUIDELINES

SCOPE OF THE REPORT AND DEMARCA-TIONS

This sustainability report mainly covers Swedfund and its portfolio companies, with a specific focus on companies in which we have Board representation, but we also report about portfolio companies in which Swedfund is a lender and on the funds we invest in. Significant assumptions, restrictions in the selection of portfolio companies for reporting and methods for measuring impact on society, sustainability and financial viability are presented throughout the report.

The data presented on an aggregated level regarding development results and other portfolio indicators comprises compiled results provided by portfolio companies in special self-assessments, as well as through financial and other reporting. Read more about the demarcations concerning the reporting of development results on page 70. We are convinced that transparent reporting of development results benefits value creation, development results and stakeholder relations. However for confidentiality reasons we do not have the possibility to report about individual portfolio companies' performance.

In this report, as in last year's, we are reporting taxes country by country based on the portfolio companies' tax payments, which can be found in the companies' annual reports. Swedfund itself pays tax in Sweden only.

The financial reporting does not cover reporting of the financial results of portfolio companies. This information is presented in the portfolio companies' own annual reports and is not covered by Swedfund's integrated reporting.

SUPPLEMENTS, <IR> 2014

The following supplements have been published and can be found by following the links to Swedfund.se: List of portfolio companies, [Swedpartnership \(loans agreed in 2014\)](#) and [Technical Assistance list, 2014 projects](#).

LIMITATIONS

Our activities mean that we invest in a number of new projects every year and divest others. The portfolio is therefore under constant transformation, which makes comparison between years rather difficult. In this year's report we observe the reporting routines for development results in the portfolio companies first introduced in last year's report. This enables some comparison. Development results are thus reported for the reporting year from 1 January to 31 December 2014 compared with results for 2013 and for some indicators, results for 2012. For some indicators there are no comparisons with previous years.

Our portfolio companies' financial reporting is subject to auditing in the countries where they operate. Reporting of development results are based on self-assessments by portfolio companies, collected via the questionnaire: [Swedfund Portfolio Company Sustainability Report 2014](#).

CONTACTS

The people responsible at Swedfund for the 2014 integrated report are as follows: for financial information, Helene Lunkvist, Director of Finance and Administration; for reporting of development results, Karin Askelöf, Investment Manager; and for general information, Lars-Olle Larsson, Senior Manager ESG Affairs and the Swedish ambassador for International Integrated Reporting Council (IIRC).

ABBREVIATIONS AND DEFINITIONS

Please scan the QR code to view our [glossary](#).



INTEGRATED REPORTING <IR>



AFRICA EXPERIENCING GROWTH

Swedfund has several investments in Kenya. This is a view over the central business district in the capital, Nairobi.

