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RESULTS AND GOVERNANCE

The portfolio companies' results

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



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

The results of the portfolio companies indicate further growth in direct jobs, especially in the funds' underlying companies. The results also show an increase in tax payments. The number of indirect jobs created through supply chains, consumption and access to finance and energy is also growing. With regards to gender equality and women's economic empowerment, the portfolio is close to the adopted targets (54 percent of our investments are estimated

to meet at least one of the 2X Challenge criteria; the target is 60 percent), although the results have decreased slightly compared to the previous year due to a stricter interpretation of the criteria. The proportion of female employees has remained stable over the past three years, but the proportion of women in senior management positions has declined. Reported total greenhouse gas emissions from Swedfund's portfolio have increased due to expansion of the portfolio. At the same time, emissions per krona invested have continued to fall compared to the previous year. A new indicator for reporting emissions avoided has been introduced. The sustainability indicators regarding decent work, management systems for environmental and social issues, and anti-corruption, show that an increasing proportion of the companies that have been part of Swedfund's portfolio for more than three years are considered to meet the requirements that we have set. Sixty seven percent of direct investments increase both turnover and profitability (EBIT) with the investment year as the base year.

Impact on society



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

Sustainability



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

Financial viability



Definitions, sources and presentation

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

Reporting cycle

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

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

Sources

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

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

ANNUAL REPORTS

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

- Indicator carbon footprint (CO₂e calculation)
- Indicator for tax
- Indicators concerning women's empowerment
- Indicators concerning job creation
- Indicators concerning financial viability for direct investment and funds

SUSTAINABILITY REPORTS (PREPARED AND DISTRIBUTED BY SWEDFUND)

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

- Indicator carbon footprint (CO₂e calculation)
- Total emissions avoided
- Indicators concerning women's empowerment
- Indicators concerning job creation
- Indicator for tax
- Indicator for decent work
- Indicator for environmental and social management system
- Indicator for anti-corruption management system

The Sustainability Reports are tailored to the type of investment concerned: direct investments (equity

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

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

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

FUND REPORTS

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

Scope of performance reports

AGGREGATED PORTFOLIO INFORMATION

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

SAMPLE

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

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

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

DIRECT INVESTMENTS

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

PORTFOLIO COMPANIES

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

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

The sample includes all direct investments in the form of equity and loans, indirect investments via funds, co-financing facilities and the underlying holdings of funds. This sample is only used for the indicators Climate footprint (CO₂e estimation) and Indirect job creation. *With effect from 2021, data from the holdings of co-financing facilities have been aggregated, and different holdings will no longer be handled separately. As a result, the table does not include the number of underlying holdings of the co-facilities with the samples for 2021 and 2022.

WHEN AN INVESTMENT IS INCLUDED IN THE SAMPLE

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

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

WEIGHTING BASED ON OWNERSHIP INTEREST OR SHARE OF FINANCING

When reporting trends in the results of portfolio companies, funds and co-financing facilities, the overall outcome is considered, i.e. no weighting is carried out in relation to Swedfund's holding or share of the company's financing. This follows from an established principle for reporting within EDFI. The exceptions to this principle are the indicators 'carbon footprint' (CO₂e) and 'emissions avoided', for which weighting is based on Swedfund's stake/share in the investment.

NON-AVAILABILITY OF INFORMATION

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

Presentation and comparisons

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

PHASES OF THE INVESTMENT PROCESS

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

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

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

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

COMPARISON YEAR

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

Impact on society



Environmentally and climate-related sustainable investments

TYPE OF GOAL

Mission goal

GOALS AND DESCRIPTION

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

INDICATOR

Total CO₂e emissions per scope (thousand tonnes), emissions per Swedish krona invested (tCO₂e /MSEK), portfolio adaptation to the Paris Agreement and emissions avoided.

SDG



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



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



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

Introduction

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

Results and analysis

PORTFOLIO ADAPTATION TO THE PARIS AGREEMENT

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

At portfolio level, we regularly evaluate how closely aligned our portfolio is with the Paris Agreement. The most recent evaluation was conducted in 2020 with the assistance of an external expert. At the time, Swedfund's investment portfolio showed a relatively strong alignment with the Paris Agreement: Ninety percent of our direct investments were considered to be in line with the Paris Agreement in both 2030 and 2045. Approximately 90 percent of indirect investments were considered to be aligned with the Paris Agreement in 2030, with the corresponding figure for

2045 being approximately 80 percent. The relatively high degree of alignment is the result of Swedfund's investment strategy. In line with the new strategy, Swedfund will start investing more in food and local production, which could result in an increase in emissions, although investments in agriculture could also have significant climate benefits. Thus, the calculation of portfolio alignment with the Paris Agreement will be repeated in the coming years when the portfolio contains more investments of this type. We are closely monitoring the development of a common method for portfolio alignment with the Paris Agreement, which is being discussed amongst the European Development Finance Institutions (EDFI).

TOTAL CO₂e EMISSIONS PER SCOPE (THOUSAND TONNES)

Swedfund has estimated GHG emissions from the portfolio in accordance with the GHG Protocol since 2016. During 2021, EDFI agreed to adopt the Standard for the Financial Industry¹, which is a common method for measuring the portfolios' GHG emissions. As part of the efforts being made to bring about harmonisation between the European Development Finance Institutions, the Joint Impact Model (JIM)² was also updated to support the estimation of GHG in the portfolio according to the PCAF method.

During 2021, Swedfund implemented JIM as a new tool for modelling Swedfund's financed GHG emissions in the portfolio. According to the PCAF method which JIM follows³, the portfolio companies' own reported emissions (primary data) have been used where they are considered to be reliable and to have been calculated in accordance with the GHG Protocol. In other cases, modelling has been carried out using financial and other data reported by the portfolio companies, which have then been converted

into emissions using emission factors based on sector and geography. In addition to carbon dioxide (CO₂), the model also includes other GHG emissions, nitrous oxide (N₂O), methane (CH₄) and fluorinated GHG (f-gases), and the results are reported as tonnes of CO₂ equivalents (tCO₂e). First, the total emissions of the portfolio companies were calculated. Next, Swedfund's share of these emissions was determined based on the share of financing, which is included in the reporting. Like certain other EDFI members, Swedfund continues to include the Scope 3 emissions of financial institutions in its Scope 3 reporting, which JIM enables. As a result of the switch to the JIM calculation model in 2021, comparative data can only be reported for two years.

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

1 <https://carbonaccountingfinancials.com/>

2 <https://www.jointimpactmodel.org/>

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

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

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

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

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

EMISSIONS PER INVESTED SWEDISH KRONA (tCO₂e/MSEK)

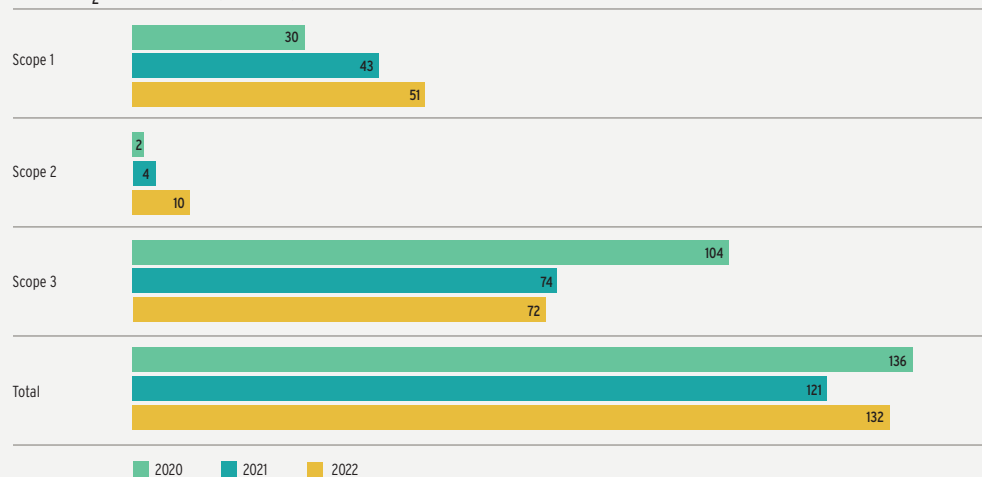
The indicator 'emissions per invested krona' (tCO₂e/MSEK) is based on the portfolio's total emissions and Swedfund's commitment report. This is an important key figure in the monitoring of the efforts being made to achieve the target for emission reductions. During 2022, GHG emissions per invested krona from Swedfund's portfolio fell from 307* tCO₂e per invested MSEK in 2021 to 28.38 tCO₂e per invested MSEK in 2022. The decrease is explained by the fact that although total emissions have increased compared to 2021, the size of the portfolio (measured in MSEK) has grown proportionately larger.

EMISSIONS AVOIDED

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

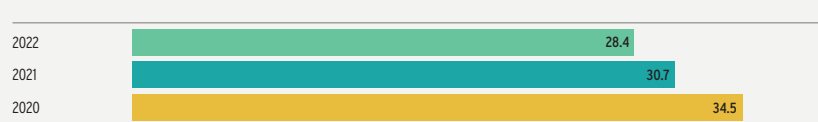
Swedfund follows the methodology of the International Financial Institutions Technical Working

Total CO₂e emissions per scope (thousand tonnes)



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

Emissions per invested Swedish krona



Group (IFI TWG) for calculating emissions avoided, a methodology that EDFI has agreed to use. Emissions avoided include both large-scale grid-connected energy production and off-grid production, and the calculations are weighted against Swedfund's stake/share in the investment. Emissions avoided from grid-connected energy production are estimated based on annual energy produced from various sources, primarily solar, wind and hydropower, and using IFI TWG's electricity grid emission factors. Emissions

avoided from off-grid projects are calculated according to standardised factors ("impact metrics") from the Global Off-Grid Lighting Association (GOGLA).

During the year in question, the portfolio contributed to greenhouse gas emissions avoided equivalent to 71 thousand tonnes of tCO₂e. A significant part of this (almost 70 percent) was derived from Swedfund's investments in grid-connected energy.

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



Gender equality and the economic empowerment of women

TYPE OF GOAL

Mission goal

GOALS AND DESCRIPTION

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

INDICATOR

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

SDG



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



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



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

Introduction

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

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

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

Results and analysis

PROPORTION OF INVESTMENTS FULFILLING THE 2X CHALLENGE CRITERIA

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

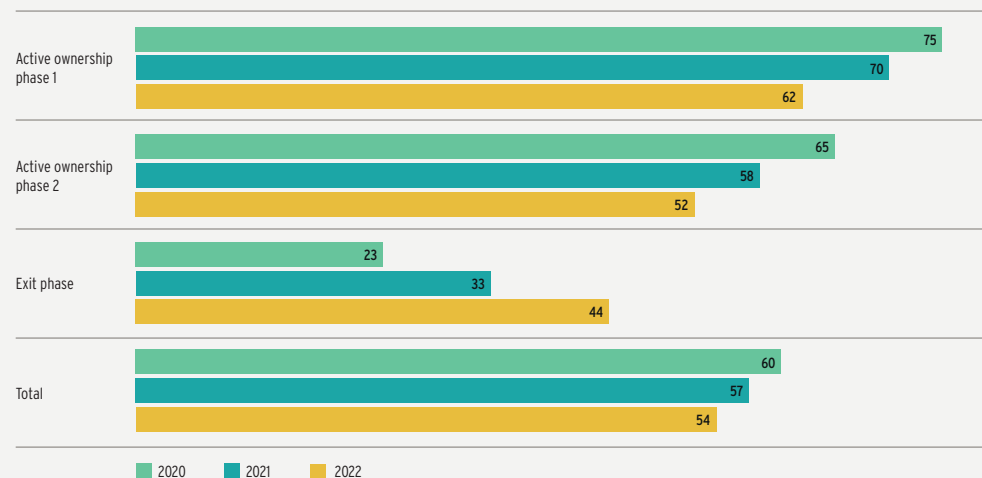
According to 2022 data, 54 percent of the investments in Swedfund's portfolio met at least one of the 2X criteria. This represents a decrease from previous years (57 percent) due to a stricter interpretation of the 2X criteria for financial institutions. The proportion of investments that fulfil at least one of the 2X criteria is highest (61 percent) in the Sustainable Enterprises sector (which includes investments in health). The Financial Inclusion sector continues to perform well in terms of meeting the 2X criteria. The banks in particular have a relatively high number of female employees and specific policies and programmes which support women's employment. Many of the banks also have a relatively high proportion of women on their boards and in senior positions,

or promote products and services aimed at women, resulting in a high proportion of female customers. For Energy & Climate investments, the proportion of investments that meet at least one of the 2X criteria has decreased slightly, due to the fact that this sector has a number of new investments that do not yet meet the 2X criteria. The work to strengthen gender equality is particularly challenging in this sector, as it is traditionally relatively male-dominated.

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

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

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



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

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

institutions contribute a higher proportion of women in senior positions, while the proportion of women in senior positions is generally lower in the funds' underlying companies and especially in the Energy & Climate sector.

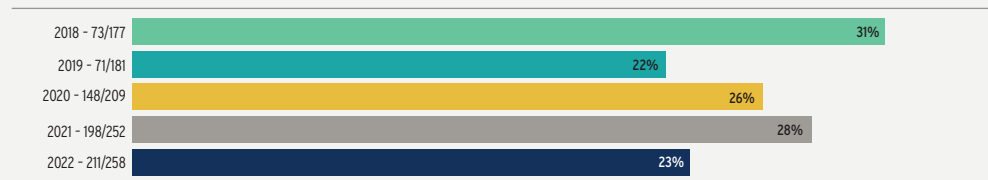
The total number of jobs in Swedfund's portfolio has risen over the past five years, and the number of female employees has also increased and stabilised during the past three years to between 33 and 35 percent. In general, the proportion of female employees is higher among Sustainable Enterprises, while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

the proportion of female employees is lower in the Energy & Climate sector, which is a growing sector in Swedfund's portfolio.

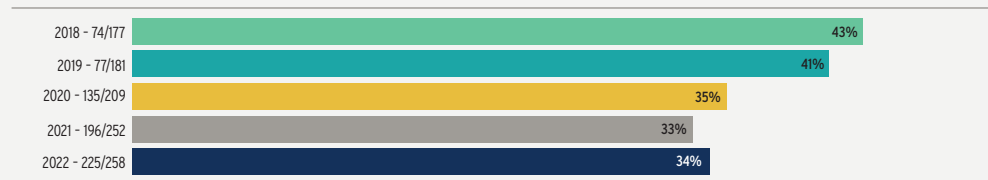
In order to achieve our goal, we will continue to evaluate how our portfolio and all new investment proposals contribute to gender equality and the economic empowerment of women. For the new investment proposals, improvement measures, or opportunities, are identified with the aim of promoting gender equality, which is included in the specific Impact and ESG action plans (Impact/ESGAPs) which are integrated into the agreements for the new investments. In addition to this, during 2023, we

continued to offer the Women4Growth programme to our portfolio companies and supported women with leadership potential to take part in The Female Future leadership programme in some African countries during the year. Phase 2 of the collaboration with The Kvinna till Kvinna Foundation has continued to raise awareness on gender-based violence, and a handbook explaining how gender-based violence, sexual exploitation, abuse and harassment can be prevented was launched, together with a training course for fund managers in Swedfund's portfolio.

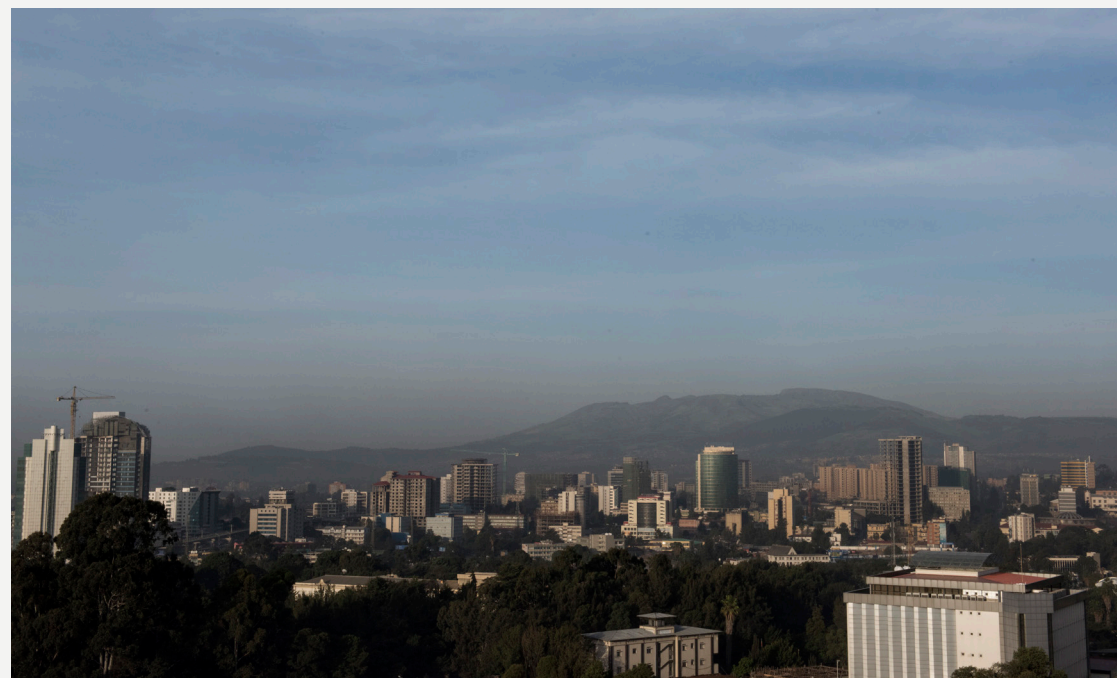
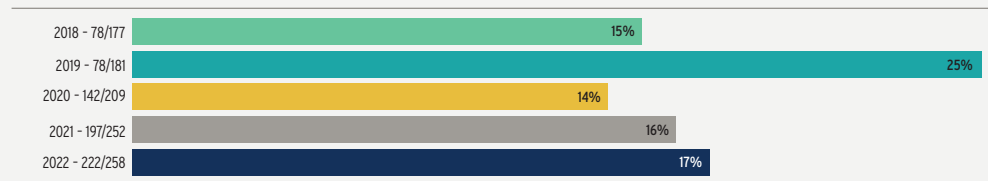
Proportion of women in senior management



Proportion of women out of total number of employees



Proportion of women on boards



View of Addis Ababa, Ethiopia.



Jobs

TYPE OF GOAL

Other

GOALS AND DESCRIPTION

The majority of portfolio companies are increasing the number of employees.

INDICATOR

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

SDG



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

Introduction

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

Results and analysis

DIRECT JOBS

Swedfund's investments in portfolio companies and funds, including their underlying holdings, contributed to approximately 338,000 jobs in 2022. This again represents an increase over the previous year (2021: 333,000), partly as a result of the fact that more

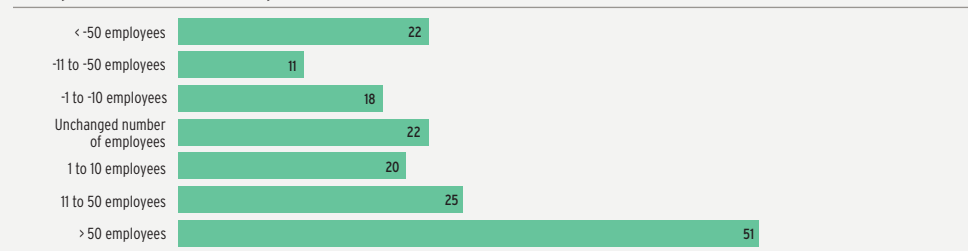
companies have reported data and that Swedfund's funds are growing by investing in new companies, which in turn contributes to job creation. Of the total number of employees in 2022, approximately 62 percent (approximately 209,000) were employees of funds and their underlying holdings, 32 percent (approximately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

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

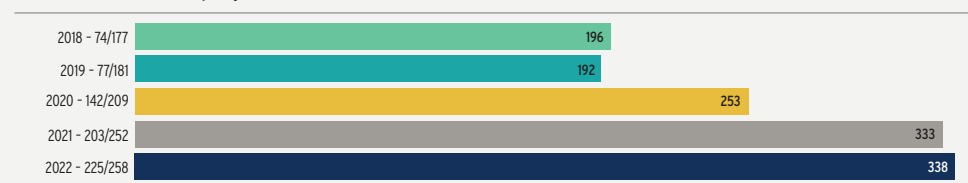
INDIRECT JOBS

Swedfund's investments also contribute to indirect jobs in Swedfund's markets. To begin with, an investment in a portfolio company can lead to an increase in demand for subcontracted products and services, which in turn contributes to the creation of more jobs. At the same time, people with higher incomes generally consume more goods and services, which in turn can help to generate more jobs and higher incomes for people other

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



Total number of employees (thousands)



than those directly employed by a business. An investment which helps to improve access to finance and energy can also facilitate the establishment and expansion of businesses, which in turn leads to the creation of more jobs and the reduction of poverty.

In order to calculate and report indirect effects on job creation, EDFI has developed the Joint Impact Model (JIM) as part of its harmonisation agenda.¹ The pilot version of JIM was launched in 2020. Swedfund took part in the development phase and tested the pilot model using limited data from 2019 and, for the first time, reported estimates of indirect jobs to which Swedfund's investments contributed in 2020. According to JIM, Swedfund's portfolio contributed to a total of approximately 1,9 million indirect jobs in 2022², which is in line with previous estimates based on various studies and models which indicate that one direct job typically creates between five and seven indirect jobs. As Swedfund's portfolio in 2022 contributed to approximately 338,000 (2021: 333,000) direct jobs, it can be concluded that, on average, direct employment contributed to over five indirect jobs. The model shows that the largest contributing factor to indirect jobs was increased consumption due to wages spent,

around 683,000, followed by indirect jobs through supply chains, around 468,000. The number of indirect jobs through improved access to finance fell to around 428,000, while the number through increased access to energy rose to around 352,000. These figures reflect the development of Swedfund's portfolio.

Total number of indirect jobs

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

¹ <https://www.jointimpactmodel.org/>

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



Tax

TYPE OF GOAL

Other

GOALS AND DESCRIPTION

Increased tax revenues.

INDICATOR

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

SDG



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



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

Introduction

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

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

Results and analysis

Swedfund has been collecting data on portfolio companies' taxes and reported taxes by country for many years. For 2021, the data collection method was altered and data on taxes is now obtained from annual Sustainability Reports that the portfolio companies submit to Swedfund annually, rather than annual reports. This has helped to considerably increase the amount of data available concerning taxes. In connection with the change in data collection method, the definition of the indicator has also been revised,

so that it is now harmonised with other development finance institutions and includes taxes and other similar items paid to authorities locally in the country. The geographical distribution of taxes is based on the most recent updated country list, which means that geographical distribution is estimated, especially for funds with investments in several countries. As a result of these changes, only one comparative year is reported for the tax indicator.

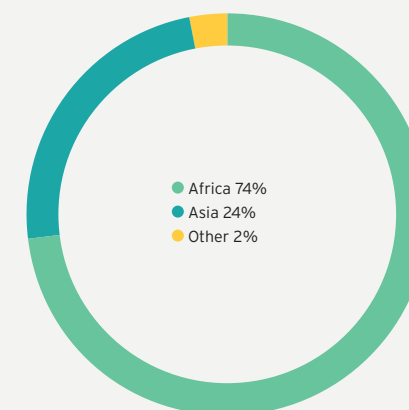
As the table shows, Swedfund's portfolio companies and the underlying holdings of the funds contributed approximately SEK 18.2 billion in tax revenues during 2022. This corresponds to an increase of approximately 47 percent compared with 2021 (when the amount was approximately SEK 12.4 billion). The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

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

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

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

Share of total tax by region 2022



Sustainability



Decent working conditions

TYPE OF GOAL

Mission goal

GOALS AND DESCRIPTION

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

INDICATOR

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

SDG



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



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

Introduction

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

Results and analysis

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

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

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

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

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

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

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

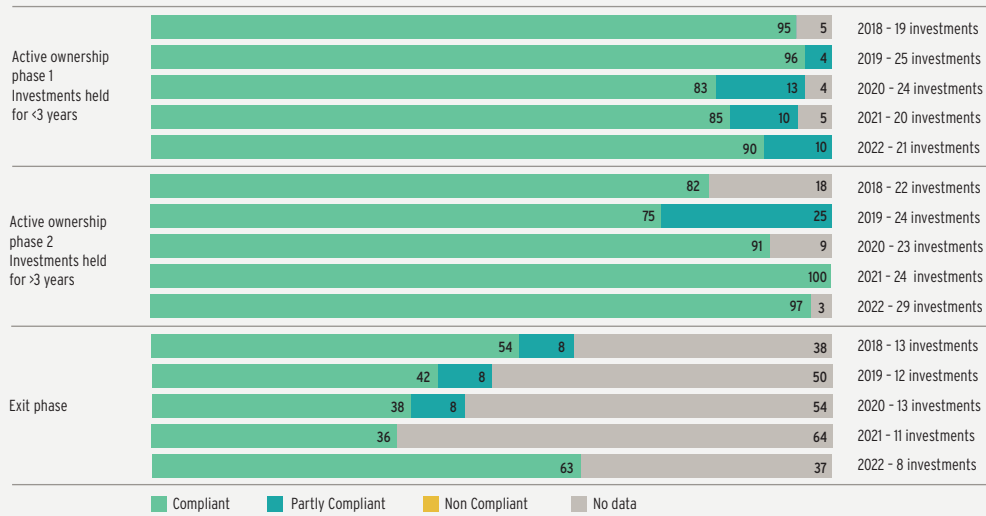
ACTIVE OWNERSHIP PHASE, PART 2 - INVESTMENTS HELD FOR MORE THAN THREE YEARS

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

EXIT PHASE

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

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



A health clinic under construction in Accra, Ghana.



Environment and social management system

TYPE OF GOAL

Other

GOALS AND DESCRIPTION

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

INDICATOR

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

SDG



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



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



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

Introduction

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

implementation of social and environmental issues in our portfolio in 2023 on page 80.

Results and analysis

PROPORTION OF INVESTMENTS THAT HAVE IMPLEMENTED ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

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

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

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

The graph below shows that 76 percent of portfolio companies held for less than three years are judged to meet the requirements for a management system concerning sustainability issues. Twenty four percent of the portfolio companies, corresponding to five companies, meet the requirements in part.

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

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

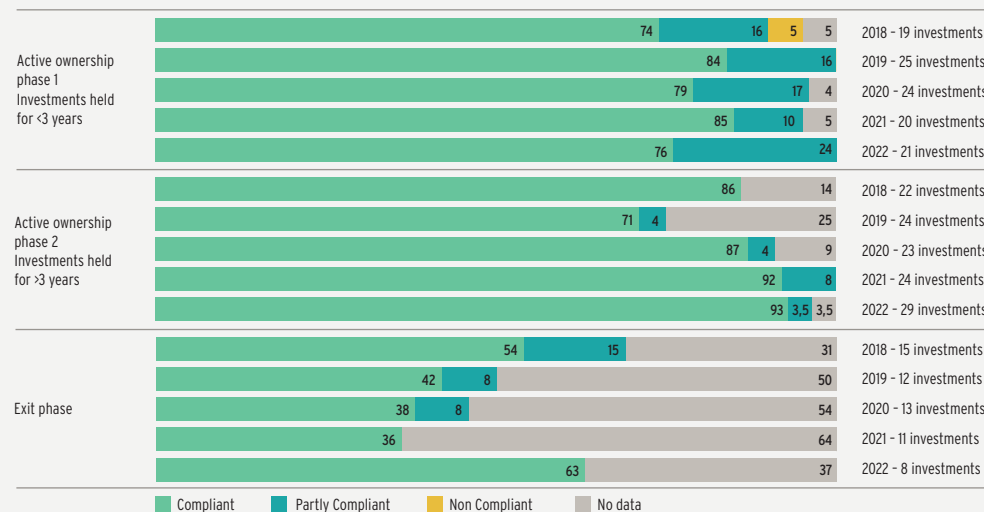
For the portfolio companies which were in the category of investments held for more than three years in 2022, 93 percent were judged to meet the requirements in their entirety. Only one company reported that they meet the requirements in part. Swedfund has made an additional investment in this company

and the company is working on improvement measures. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies, although there is still a need to support the implementation of management systems for social and environmental issues during this ownership phase. One of the companies has not reported.

EXIT PHASE

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

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





Management system for anti-corruption

TYPE OF GOAL

Other

GOALS AND DESCRIPTION

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

INDICATOR

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

SDG



16.5 - Significantly reduce all forms of corruption and bribery.

Introduction

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

Results and analysis

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

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

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

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

Sixty two percent of the portfolio companies held for less than three years reported and were judged to meet the requirements for an anti-corruption management system. Thirty eight percent, corresponding to eight companies, are deemed to meet the requirements in part. Contracted action plans have been agreed for the companies that partially meet our requirements. No company reported that they have no management system for anti-corruption. This represents a slightly lower level compared with last year's outcome, when 70 percent of the companies

were judged to meet the requirements in full and 25 percent in part. This outcome was expected because Swedfund can invest in companies which do not meet all our requirements from the outset, and a key aspect of our advocacy work is to improve the work of the companies relating to sustainability, ideally within three years from the date of investment.

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

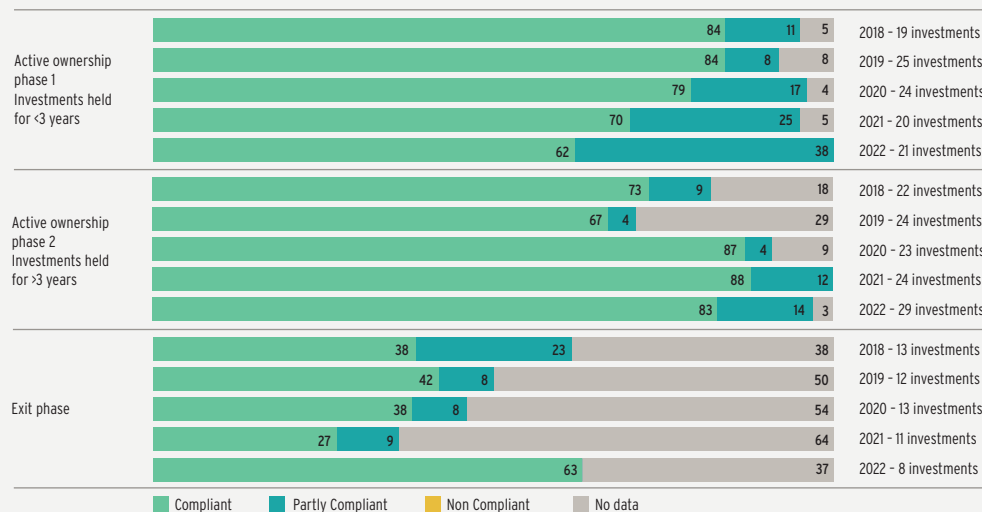
Among the portfolio companies which were in the category of investments held for more than three years in 2022, 83 percent reported and were deemed to meet Swedfund's requirements in their entirety. Fourteen percent, corresponding to four companies, reported that they meet the requirements in part. Three of these companies are older holdings, which met the previous requirements set by Swedfund, but not the more stringent requirements that are imposed today. One of the companies is working on improvement measures. One of the companies has

not reported. Swedfund's requirements in connection with new investments and advocacy have led to a gradual improvement in the financial performance of the portfolio companies, although there is also a need to impose requirements and support the implementation of management systems for anti-corruption during this ownership phase.

EXIT PHASE

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

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



Financial viability



Economically sustainable investments

TYPE OF GOAL

Mission goal

GOALS AND DESCRIPTION

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

INDICATOR

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

Proportion of funds in the portfolio with a positive IRR.

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

SDG



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

Introduction

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

Results and analysis

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

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

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

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

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

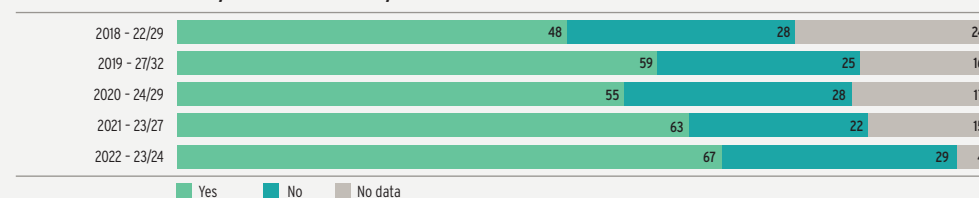
Within the group that meets the objective of Financial viability are companies which are active in different sectors and regions, as well as companies of different sizes, with a common denominator being that the majority of holdings have been operating for a long time. Within the group that does not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

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

PROPORTION OF FUNDS WITH A POSITIVE IRR

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

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



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

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

CAPITAL MOBILISATION

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

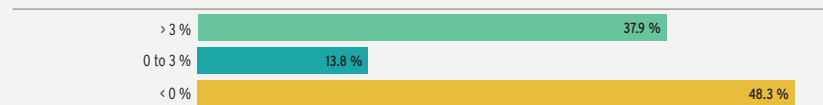
For many years, Swedfund has acted catalytically and helped to mobilise private capital through co-investments with private operators. The multilateral development banks have developed a method for calculating mobilised capital, and Swedfund annually reports to EDFI in accordance with this method.

VOLUME OF MOBILISED CAPITAL

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

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

Proportion of investments with a positive IRR (net)



Philip Ochieng Osewe owns three pharmacies outside Nairobi, Kenya.