




The image shows two overlapping forms from the PRI LEA (Leadership Engagement Assessment) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are designed for assessing engagement with investee companies. LEA 02 includes sections for 'Type of engagement' (Individual/Staff, Collaborative, Service provider) and 'Reason for interaction' (To support investment decision-making, To enhance corporate transparency, To enhance corporate practice, To enhance corporate ESG disclosure, To enhance corporate practice for identifying the need to influence corporate behavior, To enhance corporate practice for identifying the need to influence corporate behavior). LEA 03 includes sections for 'Type of engagement' (Individual/Staff, Collaborative, Service provider) and 'Reason for interaction' (To support investment decision-making, To enhance corporate transparency, To enhance corporate practice, To enhance corporate ESG disclosure, To enhance corporate practice for identifying the need to influence corporate behavior, To enhance corporate practice for identifying the need to influence corporate behavior).

RI TRANSPARENCY REPORT

2013/14

Swedfund International AB



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
⌛	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	🔒	n/a							✓
SAM 05	ESG incorporation strategies	🔒	n/a	✓	✓					
SAM 06	Selection processes (listed assets)	🔒	n/a	✓					✓	
SAM 07	Appointment considerations (listed assets)	🔒	n/a				✓			
SAM 08	Monitoring processes (listed assets)	🔒	n/a	✓						
SAM 09	Percentage of (proxy) votes cast	🔒	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	🔒	n/a	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct – Private Equity				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PE 01	Breakdown of investments by strategy	✓	Public							✓
PE 02	Typical level of ownership	✓	Public							✓
PE 03	Description of approach to RI	✓	Public	✓					✓	
PE 04	Investment guidelines and RI	✓	Public		✓					
PE 05	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PE 06	Formal commitments to RI	🔒	n/a				✓			
PE 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PE 08	ESG advice and research when selecting investments	✓	Public	✓						
PE 09	ESG issues in investment selection process	✓	Public	✓		✓				
PE 10	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PE 11	Encouraging improvements in investees	✓	Public	✓	✓					
PE 12	ESG issues impact in selection process	✓	Public	✓						
PE 13	Proportion of companies monitored on their ESG performance	✓	Public		✓					
PE 14	Proportion of portfolio companies with sustainability policy	✓	Public		✓					
PE 15	Actions taken by portfolio companies to incorporate ESG issues into operations	✓	Public		✓					
PE 16	Type and frequency of reports received from portfolio companies	✓	Public		✓	✓				
PE 17	Disclosure of ESG issues in pre-exit	✓	Public		✓					
PE 18	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PE 19	Examples of ESG issues that affected your PE investments	✓	Public	✓		✓				
PE 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
PE 21	Approach to disclosing ESG incidents	🔒	n/a						✓	

Swedfund International AB

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☐ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation or endowment
- ☐ Development bank
- ☐ Reserve - sovereign or government controlled fund
- ☒ Other, specify

Development Finance Institution, DFI

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Sweden

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☐ 1
- ☒ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

37

OO 02.4 Additional information. [Optional]

We also have a regional office in Nairobi.

OO 03	Mandatory	Descriptive	General
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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

☐ Yes☒ No**OO 04****Mandatory****Gateway/Peering****General****OO 04.1**

Indicate the year end date for your reporting year.

31/12/2013

OO 04.2

Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		3	000	290	000
Currency	SEK				
Assets in USD			453	230	386

OO 04.3

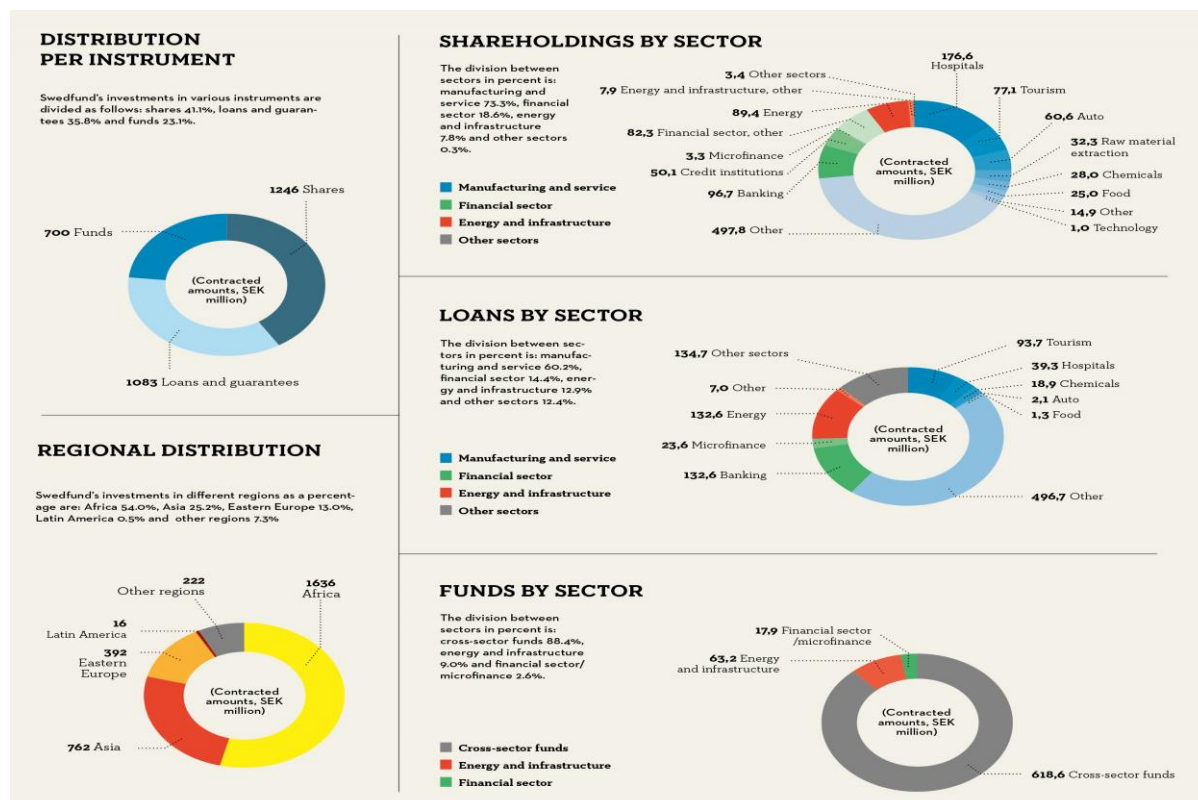
Indicate the level of detail you would like to provide about your asset class mix.

☐ Approximate percentage breakdown to the nearest 5% (e.g. 45%)☒ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)**OO 06****Mandatory****Descriptive****General**

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☐ Publish our asset class mix as broad ranges
- ☒ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)



To upload the image click the Save button below

OO 06.2

Additional information. [Optional]

The graphs above are based on figures as of 31 December 2013. Contracted amounts refer to amounts that Swedfund is committed to pay in each investment. Payments are recorded in the balance sheet. Amounts not paid are recorded as contingent liabilities.

OO 07

Mandatory to Report Voluntary to Disclose

Peering

General

OO 07.1

Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

	% of externally managed assets
Segregated mandate(s)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
<i>Total externally managed assets</i>	<i>100%</i>

OO 07.2 Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1 Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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EXPECTATIONS

Hillevi Engström, Sweden's Minister for International Development Cooperation, representing the owners view on Swedfund's role.

What is the most important issue s new Minister for International Development Cooperation?

"I want to continue in the direction this government has established. That means improving the transparency, efficiency and the results of Swedish development cooperation. Everything is aimed at making a difference for poor and oppressed people. "Sweden is one of the world's most generous providers of development finance. We are one of few countries that have succeeded in achieving the target of allocating 1% of GNI to international development. That means around SEK 38 billion. It's my job and the government's job to ensure that these funds are used correctly in an orderly manner. Fundamentally it's about maintaining and increasing trust by ensuring that funds are beneficial and reach their intended targets. "Increased equality, women's and children's rights and their role in development are all issues that appeal to me. These are also high priority areas for the government with regard to development finance. I will prioritise this area and refer to it in all contexts. When women are involved in all processes and at all levels it has a big effect, in addition to increased equality being a goal in itself. Other controversial issues are also important for me, such as SRHR and HBTQ issues."

What do you think about the prospects for the private sector in s development financing?

"Well-developed business is a prerequisite for prosperity, more jobs and thus battling poverty. This lies behind Sida's 'Business for Development' initiative to work with the private sector. The government wants to increase cooperation with private actors within the framework for Sweden's international development efforts. We can do more to use business resources and expertise to tackle poverty. Meanwhile it is important that activities do not conflict with the government's principles about collaborating with businesses, including the requirement that all activities financed within the framework for international development must contribute to meeting the targets for development finance. This finance must always be unrestricted and it should not distort the market. The key point is that the needs and priorities of poor people are the starting point for all the activities."

How do you view Swedfund's future?

Swedfund is one of the government's tools for distributing development finance. Swedfund's work in strengthening business in poor countries can create jobs and economic growth. It is positive that greater emphasis is now being given to transparency and sustainability and that results will be reported in relation to the government's political targets for development finance. I believe this will be favourable for Swedfund's future efforts."

FUTURE PERSPECTIVE

Claes Ekström, Swedfund's Chairman

What will Swedfund's role be in the future?

"Africa's voice has grown stronger and is now talking about the need for long-term and sustainable

investment in order to build prosperity and reduce poverty. People want jobs and states need tax revenues in order to build infrastructure and social services such as schools and hospitals. Many of the countries on the African continent

have come a long way, others have only managed a few short steps and need support in order to continue their development. We can help them with our 30 years of experience of investing in risk-filled markets. Swedfund's role, now and in the future, is to work to reduce poverty by investing where others are reluctant to take the risk. Because of this we can set tougher demands that the companies we invest in meet our ESG policies."

How has Swedfund's role changed since it started?

"We have gone from being the odd one out in the foreign aid community to now being right at the heart of events. Previously the focus was on traditional handouts. Today everyone is talking about private partnerships and impact investing. Swedfund has upgraded its strategy and appointed a new leadership team. We have built up know how about sustainability issues and we are now a leader in ESG. This has made us an attractive partner for many businesses to turn to when they want guidance or start a partnership for sustainability investment in developing countries."

What is the biggest challenge?

"There is a dilemma in Swedfund's mission, because we are asked to take risks by investing in difficult environments and build long-term sustainable and financially viable companies. But even our most severe critics see that we have a role to play now. Our relevance is based on good relationships with all our stakeholders, with whom we have improved our collaboration in recent years and now have increased dialogue with."

What is the next step?

"Because Swedfund has had a low profile for many years we now need to increase our participation in the debate.

We will continue to build alliances and we already have a vital dialogue with many large Swedish companies, including Scania. Collaboration with voluntary organizations in civil society must also increase. We see how there is significant curiosity about our activities, and with all our experience and knowledge we are well-equipped for the future."

CEO STATEMENT

Anna Ryott, Swedfund's CEO

There are no easy solutions to the problem of poverty in the world. Neither will the necessary change to sustainable development be simple. But there are a wealth of opportunities and one of them is the task given to Swedfund by the Swedish government to contribute to reducing poverty through sustainable business by being a responsible, long-term and proactive investor.

Over thirty years of experience investing in the most demanding and complex environments gives us at Swedfund a unique pool of knowledge. We accept more risk, so that others will follow our lead and dare to invest. We also invest where there is a shortage of finance. This makes us pioneers. Our investment creates jobs, tax

revenues, good working conditions, growth, financial returns and profits. We pass on knowledge and take the lead on issues such as the environment, anti-corruption and human rights. This work is a natural part of our activities

because, as proactive owners and lenders, we have a clear assignment and we often take a seat on the boards of our portfolio companies.

Between 1990 and 2010 the proportion of extremely poor people in developing countries fell from 43% to 21.5%. Since the millennium targets were established in 2000 the number of people who live on less than 1.25 dollars a

day has been cut by half a billion. Two thirds of this reduction is due to economic growth. Knowing

this, it is not strange that commerce, growth and job creation are of highest priority when development issues are discussed.

This focus matches what people want in the countries receiving financial aid. The message from 60,000 poor people interviewed in a unique study by the World Bank is that the most important way out of poverty is having a job. Nine out of ten jobs in developing countries are in the private sector. Creating more and better jobs in sustainable companies is decisive when meeting the challenges facing global development initiatives. Today there are 200 million people without jobs in developing countries, and even more outside the formal economy. Many of these people are young people and women who live in sub-Saharan Africa. To keep pace with population increases we need to create a further 600 million jobs up to 2020.

The key players here will be government-owned multilateral and bilateral investment institutions. Swedfund belongs to the group of Development Finance Institutions (DFI). The role for DFIs is to make investments that create local jobs, boost tax revenues for local government and improve services in key sectors such as health, finance, infrastructure, energy and manufacturing. Swedfund is well-equipped to meet expectations when it comes to fighting poverty in an effective, results-oriented and long-term manner. We have sharpened our focus on sub-Saharan Africa where poverty is most extensive. In recent years we have considerably reinforced our internal competence within ESG (Environment, Social & Governance) to ensure long-term sustainability and positive development effects in all of our investments. Our know how in sustainability issues makes us a respected and attractive partner. Over the years we have built up invaluable sector knowledge that helps us select and manage the most promising development opportunities. The Board and senior management team now have all the right conditions to meet the growing expectations from owners and the general public.

In recent years Swedfund has expanded its presence in the arenas where the development agenda is debated. We are in close dialogue with civil society, the business world and other stakeholders. I am very pleased that we have confirmed Swedfund's support for the UN principles for Responsible Investment (PRI) and for the UN Global Compact. Implementation of the PRI principles in our investment process has started and we are also establishing the impact of introducing Global Compact principles concerning responsible business practices in our portfolio companies. I participated at the UN Global Compact Leaders Summit 2013 in New York where much of the focus was on the role that the private sector and businesses can play in development. It is great to see growing understanding of the significance of this area and I am pleased that Swedfund is right at the heart of the new development agenda. We continue to build upon our strong experience, interpreting our assignment with a clear, new strategy and adding genuine commitment to dialogue and openness. We certainly do not have a simple task ahead. It's a huge and difficult challenge, but it's incredibly important. It's time to take the next step!

SWEDFUND - A DEVELOPMENT AID ACTOR AND FINANCIER

Mission

Swedfund's mission is to contribute to poverty reduction through sustainable business. The company's role as a development financier focuses on development of the private sector in low- and middle-income countries, particularly countries south of the Sahara. Low-income and post-conflict countries are a priority. The goal of the company mirrors the goal of the Swedish international development cooperation to help create opportunities for poor people to improve their lives, as well as the goal of reform cooperation with Eastern Europe to help strengthen democracy, fair and sustainable development, and bring the Eastern European countries closer to the European Union and its fundamental values.

As a responsible, long-term investor, we are helping to create and develop viable and sustainable businesses in low- and middle-income countries, something that has positive effects on the society at large and contributes to improved living conditions for poor people. We contribute to sustainable entrepreneurship by:

- Providing venture capital in countries where commercial actors regard risk (real or perceived) as too high and/or where the financial infrastructure is missing.
- Contributing with our comprehensive experience of running a business in difficult markets that we at the same time actively participate in, to develop our portfolio companies' best practices in areas such as financial management and reporting, environment, human rights, working conditions, anti-corruption, business ethics, gender equality and diversity.

The mission - poverty reduction through sustainable business - therefore rests on three pillars: Impact on society, Sustainability and Financial Viability. These three pillars represent the necessary conditions that need to be fulfilled if Swedfund is to take part in an investment. The fact that these conditions exist in order to achieve satisfactory results in these areas is an absolute and non-amendable requirement. Our model of and approach to sustainable business is detailed below:

Impact on society includes partly the effects that our investments have on the development of the country's private sector and partly the impact on the society at large. Private sector development entails areas such as provision of better and cheaper products and services, increased competition and knowledge- and technology-building effects. Impact in a broader, socioeconomic sense implies for example job opportunities and increase in tax revenues of the country. Those effects can be of direct or indirect nature: e.g. job creation can directly occur in the company that we invest in, it can alternatively occur indirectly through induced job creation in the supply- and distribution chains. We assess our company's contribution to social development by estimating the expected development result before the investment is made. We then measure the development results throughout the time of our engagement as owners or creditors of the company (management phase), and we make a final review when we exit our investment.

Our most important result indicators for social development are:

- Jobs
- Tax
- Knowledge transfer

Sustainability describes the investor's social and environment-related actions, but also includes issues relating to corporate management and ethics. We also use the term ESG (Environment, Social, Governance). Swedfund has an explicit focus on these issues in order to be able to help develop sustainable and responsible operations within a portfolio company. Sustainability is also assessed in the evaluation of the company. When it comes to environment, it can be about minimizing the impact on the climate, or introducing environmental management systems, while social issues could include matters such as workers' rights in the workplace or training activities. Corporate governance implies issues such as ethics or transparency. In our company, we pursue proactive sustainability efforts, including through contract formulation, ongoing activities with the Board, and through ESG-audits and advocacy dialogue. Swedfund also complies with international guidelines laid down by the UN and OECD, and develops policies that are in line with those guidelines.

Our most important sustainability parameters are:

- Environment
- Working conditions
- Business ethics and Anti-corruption

Financial Viability is a company's estimated and actual ability to be financially sustainable and successful. Profitability is essential for a business to survive and be able to contribute to the country's development in the long run by fulfilling its role as a credible producer in a market, by contributing to job creation, by paying taxes, etc. Swedfund evaluates potential investments through analysis of the company's financial and merchantable prerequisites. Furthermore, we require regular financial reporting from our portfolio companies and have a close dialogue with company management and other investors in order to accurately monitor the company's development, and at an early stage identify potential issues.

Our most important parameters within viability are:

- Growth

- Profitability
- Return

OUR ETHICAL COMPASS

In 2013 our policy work focused on implementing the code of conduct adopted in the previous year as well as the policies and international commitment in the Swedfund investment manual and ESG toolkit.

At the IMF/World Bank annual meeting in Washington DC in October 2013, Swedfund and around 30 other bilateral and multilateral development finance institutions signed the IFI's Harmonized Development Results Indicators for Private Sector Investment Operations. In 2014 these indicators will be indicated in Swedfund's database. Data will be taken from all new investments and existing holdings where we have a possibility to change and extend our reporting. The Board has agreed on new strategic sustainability targets (page 44) that will govern everything we do. The aim is to strengthen our commitment even if it was previously implicit in our policies and international undertakings. During the year Swedfund developed and implemented procedures to be applied when there is suspicion of corruption. The new procedures describe how Swedfund's crisis group will handle suspicions of corruption and give guidance to Senior Investment Managers and directors of Swedfund's portfolio companies about how to act if there is a suggestion of impropriety. The procedures also give guidance for how to produce plans for tackling corruption. Swedfund's Country Corruption Assessment Tool, which combines three international corruption indexes (World Bank Control of Corruption Index, Transparency International Corruption Perception Index (CPI), OECD Export Credit Premium Group), is now applied during due diligence. During the year Swedfund supplied specialist competence to the Anti-Corruption group started by Sida in its Swedish Leadership for Sustainability Development (SLSD) project. Possibly the most important result of the group's work is the proposal that SLSD supports concerning the formulation of anti-corruption targets among the targets currently being set at the UN to replace the millennium targets.

Swedfund's requirements concerning portfolio companies

- The company must comply with all legal and regulatory requirements in the areas of law in which it operates.
- The company must comply with the European Development Finance Institutions (EDFI) / Swedfund Exclusion List.
- Over time, the company must work to meet international standards and norms for best practice, including the following:
 - a. IFC Performance Standards
 - b. IFC Environmental, Health and Safety Guidelines
 - c. The Universal Declaration of Human Rights (UN 1948)
 - d. OECD Principles of Corporate Governance
 - e. The eight ILO core conventions
- The company must live up to high standards on anti-corruption and corporate governance.
- The company must appoint persons with appropriate training at management and operational level for the environment, occupational health and safety, social issues and corporate governance.
- The company must develop and implement environmental and social management systems.
- The company must submit an annual ESG report and development results report to Swedfund.
- The company must report in writing all serious environmental, health and related incidents, accidents or

deaths within 72 hours after they occurred.

- The company must have correct and complete environmental, health and safety, and social information and ensure that this information is available during normal working hours for inspection by Swedfund or authorized representatives.

Gateway asset class implementation indicators

OO 11	Mandatory	Gateway	General
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OO 11.1

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- ☒ Private debt
- ☒ Private equity
- ☒ Other (1)
- ☐ None of the above

'Other (1)' [as defined in OO 05]

Guarantees and Swedpartnership

OO 11.2

Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- ☒ Private equity
- ☐ None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Other asset classes with dedicated modules

- ☒ Private Equity

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

☒ Private Equity

Closing module

☒ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

Swedfund International AB

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Public version

Overarching Approach

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Responsible investment policy

OA 01

Mandatory

Gateway/Core Assessed

General

OA 01.1

Indicate if you have a responsible investment policy.

☒ Yes

☐ No

OA 01.2

Indicate if you have other guidance documents or more specific policies related to responsible investment.

☒ Yes

☐ No

OA 01.3

Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

The following Policies, international commitments and guidelines represent the key elements of Swedfund's responsible investment approach.

Internally adopted policies

- Swedfund's Code of Conduct
- Swedfund's Policy for Sustainable Development
- Swedfund's Anti-corruption Policy

The Code of Conduct and the policies explain Swedfund's fundamental values and describe the international guidelines that the work is based upon.

International Guidelines

Like all state-owned companies, Swedfund is required to support and follow the following international guidelines:

- UN Global Compact based on UN Universal Declaration of Human Rights, ILO's Declaration of Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and Agenda 21
- Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework
- OECD Guidelines for Multinational Enterprises
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines

Swedfund has chosen to formally sign:

- UN Global Compact based on UN Universal Declaration of Human Rights, ILO's Declaration of Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and Agenda 21
- UN Principles for Responsible Investment (PRI)
- The World Bank Group's Corporate Governance Development Framework
- European Development Finance Institutions (EDFI) Principles on Responsible Financing

Of these commitments, Swedfund consequently adheres to:

- Harmonised EDFI Exclusion List
- EDFI Harmonized Environmental and Social Standards for Direct Investments
- EDFI Harmonized Environmental and Social Standards for Financial Institutions
- EDFI Harmonized Environmental and Social Standards for Fund Investments

These three EDFI Harmonized Standards are each based on international standards and guidelines, such as UN Declaration of Human Rights, ILO Core Conventions, IFC Performance Standards on Environmental and Social Sustainability and IFC/World Bank Group Environmental, Health and Safety (EHS) Guidelines.

Swedfund also adheres to:

- OECD Convention on combating bribery of foreign public officials in international business transactions
- OECD Guidelines on Corporate Governance of State-owned Enterprises
- EDFI Guidelines for OFCs (Offshore Financial Centers)

OA 02**Mandatory****Core Assessed****PRI 6**

OA 02.1

Indicate if your responsible investment policy is publicly available.

☒ Yes**OA 02.2**

Provide a URL to your responsible investment policy.

URL

<http://www.swedfund.se/wp-content/uploads/2013/02/Swedfunds-Code-of-Conduct.pdf>☐ No**OA 02.3**

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes☒ Yes, all☐ Yes, some**OA 02.4**

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Swedfund's Sustainability Policy	http://www.swedfund.se/wp-content/uploads/2013/02/Swedfunds-Policy-for-Sustainable-Development.pdf
Swedfund's Anti-Corruption Policy	http://www.swedfund.se/wp-content/uploads/2013/02/Swedfunds-Anti-Corruption-Policy.pdf
WB Group's CG DF	http://www.worldbank.org/ifa/rosc_cg.html
UN PRI	http://www.unpri.org/
EDFI Principles for Responsible Financing	http://www.swedfund.se/wp-content/uploads/2010/06/09-05-07-edfi-principles-responsible-financing-signed-copy.pdf
EDFI Exclusion list	http://www.ifu.dk/dk/materiale/pdf/edfi-exclusion-list.pdf

☐ No

OA 02.5 Additional information. [Optional]

The "Swedfund house" in Swedfund's Integrated Report. 2013, page 23,

http://www.swedfund.se/Swedfund_integrerad_redovisning_2013.pdf

illustrates and explains which international principles, frameworks and guidelines that Swedfund has either joined/endorsed or adheres to. Swedfund's Code of Conduct summarises our core values and governing policies that are implemented through our internal manuals and routines. A list of these is also presented in this report under section OA 01.3.

OA 03 **Mandatory** **Core Assessed** **PRI 1,2**

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2 Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Swedfund's Responsible Investment Policy covers all Swedfund's investments and claims adherence to Swedfund's Policy for Sustainable Development which constitutes part of the contract Swedfund signs with the portfolio companies.

OA 04 **Mandatory** **Core Assessed** **General**

OA 04.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

- ☐ Yes
☒ No

OA 04.3	Additional information. [Optional]
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Swedfund Investment Committee address any potential conflicts of interest in the investment process.

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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OA 05.1	Indicate if your organisation sets objectives for its responsible investment activities.
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☒ Yes

OA 05.2	Indicate how frequently your organisation sets or revises objectives for responsible investment.
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- ☒ At least once per year
- ☐ Less than once per year

OA 05.3	Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.
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- ☐ Quarterly
- ☐ Biannually
- ☒ Annually
- ☐ Every two years or less
- ☐ It is not reviewed
- ☐ No

OA 05.4	Additional information. [Optional]
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Results from the Swedfund Portfolio Company Sustainability Key Performance Report 2013 and the newly adopted Swedfunds Strategic Sustainability Goals will be reported annually to our owner and transparently also reported in our yearly Integrated Report. For further details please see section OA 06.3 in this report.

OA 06	Voluntary	Descriptive	General
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OA 06.1	List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.
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☒ Add responsible investment objective 1

Objective 1	Impact on Society
Key performance indicators	Jobs, Tax (country by country reporting) and Knowledge transfer
Describe the progress achieved	Preliminary 100 000 direct employments 367,4 million SEK paid taxes and transfer of knowledge through active ownership of portfolio companies.

☒ Add responsible investment objective 2

Objective 2	Sustainability
Key performance indicators	Environmental or Sustainability policy, Anti-Corruption policy, responsible person for ESG issues on management or board level, E&S management system and reporting energy consumption.
Describe the progress achieved	76 % has an environmental or sustainability policy, 60 % an anti-corruption policy, 88 % a responsible ESG person, 32 % a management system, 88 % report energy consumption.

☒ Add responsible investment objective 3

Objective 3	Financial viability
Key performance indicators	Growth, Profitability and Return.
Describe the progress achieved	Average growth was 4,3 %. Profitability decreased with about 0,3 %. Return increased 0,2 % for equity investments and decreased 0,3 % for loan investments.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Impact on society
Key performance indicators	Creation of jobs that are in alignment with ILO Core Conventions

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Sustainability
Key performance indicators	Management System for sustainability and anti-corruption

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Financial viability
Key performance indicators	Return on Equity

Question OA 06.1

IMPACT ON SOCIETY*Jobs • Knowledge transfer • Tax*

- At the end of 2012 the number of direct jobs in portfolio companies was 13 571.
- At the end of 2012 the number of direct jobs in funds was 78 209.
- At the end of 2012 the number of direct jobs in loan-financed portfolio companies was 12 610.
- At the End of 2012, Swedfund's investments had a total of 104, 390 direct jobs.

To this number shall also be added a great number of indirect jobs generated through the companies' distribution and supply chains. We do not monitor or report on the number of indirect jobs generated in this way. The IFC, however, estimates that the number of indirect jobs created in the IFC's portfolio companies is 7-25 per direct employment. The IFC further concludes that many of those indirect jobs are beneficial for uneducated and poor people. We therefore conclude that the effects on job creation are significantly greater than the direct jobs reported by the portfolio companies in this report. Using the IFC's calculations, the number of indirect jobs at the end of 2012 is estimated at between 700,000 and 2.5 million. In total, therefore, Swedfund's portfolio companies contributed at the end of 2012 somewhere between 800,000 and 2.6 million jobs.

In order for competitive and sustainable companies to be able to develop and grow, it is not only capital and good partners in the cooperation country that are required. An equally important part of the work is an active knowledge transfer that is conducted in dialogue with a portfolio company's stakeholders and the portfolio company itself. Apart from Board expertise, through its part-ownership of the portfolio company, Swedfund can contribute with experience regarding environmental issues, human rights, ESG management and experience of collaboration with the civil society. This is also fully in line with Swedfund's ownership guidelines and the guidelines for Swedish development co-operation. Business knowledge, strategic competence and organizational development are also important elements of building knowledge in portfolio companies. This contribution to knowledge building takes place at a strategic level through board participation, at operational level through site visits and through Action Plans as well as at the technical level through the introduction of management systems, among other factors. In 2013 six site visits were carried out by the ESG team while producing Action Plans in collaboration with managers at the portfolio companies. One ESG training course was performed in October in Nairobi with six employees from three of Swedfund's portfolio companies in the region, one employee from Swedpartnership and two from Swedfund. Swedfund's portfolio companies many times act as a good example that can inspire other businesses.

- The portfolio companies' aggregated reported tax in 2012 amounted to 249,9 MSEK
- The loan-financed portfolio companies' aggregated reported tax in 2012 amounted to 117,4 MSEK

Tax reported per country

Due to government offers of tax holidays during company start-ups and also due to tax planning by companies,

many developing countries currently miss out on a large portion of the potential tax revenue available to them.

In 2013 Swedfund initiated a dialogue on tax issues with aid organizations. Consequently, in October 2013 we

decided to report on a per-country basis tax at an aggregated level for our directly-owned portfolio companies in

our integrated report for 2013⁸. Notes from dialogues with stakeholders and aid organizations are available [here](#).

In the investment countries this tax can be used to finance social and economic infrastructure such as schools,

hospitals, authorities and in other areas for the benefit of the country's citizens, as well as creating better conditions for doing business.

SUSTAINABILITY

Environment • Working Conditions • Business Ethics & Anti-corruption

In 2012 Swedfund introduced a new routine requiring portfolio companies to annually report key indicators for sustainability/ESG (Environment, Social, Governance) entitled Swedfund Portfolio Company Sustainability Key Performance Report⁹. This is therefore the second year that we have asked portfolio companies to submit a self-assessment, so we can now report changes between the two years. The self-assessment was expanded ahead of this year's report from five to ten questions. The new questions cover incident reporting, number of

employees and tax payments, questions that have not always been presented in their annual reports. We

have now established a routine for both internal and external reporting in these areas. The focus in reporting development results for sustainability rests on policies, responsibility and management systems. This focus was chosen because this information provides a general picture of how the company approaches sustainability. Energy and climate issues take priority as these have been the key environmental issues for some time.

Restrictions

The investments that form the basis for reporting of development results in this report are distributed among Swedfund's investments in shares and loans across a total of 28 portfolio companies. The selection is the same one made for the 2012 report but has been adjusted with an additional investment and two investments that have ended. Three companies had not submitted answers by 31 January 2014, so the response frequency was 89%.

Swedfund's investments in funds and financial institutions are not included in this reporting. It should be remembered that the data comes from a self-assessment and has not been independently verified.

Question: *Does your company have a Sustainability or an Environmental Policy (a document, preferably signed by the management, showing how the company addresses environmental, social and governance issues in the operation of the business)?*

Results

76% of the portfolio companies contacted had an Environmental Policy, compared with 49% in 2012. The majority

had their own policies, while one company observes its parent company's policy and another follows the general

principles set by their main customer.

Comments

Swedfund's portfolio companies operate in a variety of sectors, including hotels, healthcare and manufacturing.

Some of them are parts of larger groups while others operate alone. This explains why there is a difference in focus in policy descriptions across Environment, Health & safety, Quality, Working Environment and Sustainable Development. The format differs too, from simpler statements to comprehensive corporate policy documents. Comparisons with last year show that Swedfund's efforts have borne fruit, even though a lot of work still remains for the portfolio companies to continuously implement adopted policies in their operations. A quarter of the companies still have no policies for the environment or sustainable business, so significant potential for improvement remains as Swedfund increases its advocacy efforts in this area.

Question: *Does your company have an Anti-corruption Policy (a policy to minimize the risk of management and employees engaging in corrupt practices, i.e. bribery, kickbacks, fraud etc.)? If yes please submit the policy.*

Results

60% of the companies contacted confirmed that they had an anti-corruption policy, compared with 36% in 2012.

Five companies follow their parent company's policy while one company follows the performance code of their main customer.

Comments

The results suggest that the advocacy efforts made by Swedfund regarding policy for anti-corruption during the year were successful. The policy structure varies, with some companies choosing a separate policy while others including anti-corruption in other steering documents. Depending on the company's policy maturity, Swedfund has different possibilities for influencing the adoption and implementation of anti-corruption policies. Anti-corruption is a key area for Swedfund and has been for many years. Anti-corruption clauses are and have been included in Swedfund's loan and shareholder agreements, according to which the portfolio company certifies that it has not traded, and will not in future trade, in any way that could be described as corrupt. Following the adoption of Swedfund's anti-corruption policy in 2012, our portfolio companies must commit to adopt and implement their own anti-corruption policies. To help them help themselves, Swedfund set up a Portfolio Anti-Corruption Policy Model in 2012.

Question: *Does your company have a designated manager or board member specifically responsible for ESG issues?*

Results

88% of the companies contacted had an ESG manager, compared with 86% in 2012. All those answering yes named an individual in the senior management team. Seven of the companies have ESG managers at several organizational levels.

Comments

The companies report that responsibility rests either at board level, senior management level or at operational level. Responsibility for ESG issues often is part of a wider management responsibility, which may be reflected in results. The portion of companies with an ESG manager increased only marginally between the

years, which is difficult to interpret. An integrated approach might be one reason why ESG issues are part of a manager's responsibility. Resource and cost aspects could be another reason.

Question: *Does your company have a Management system in place to manage and monitor the significant aspects of sustainability, environment or health and safety in operations (i.e. ISO 14001, OHSAS 18001, SA 8000)?*

Results

32% of the companies contacted confirmed that they had management system, of whom 12% had independent certification compared with 42% and 7% respectively in 2012. Two companies that were not certified in 2012 had received certification during the year.

Comments

With only three companies having certified management systems, the noteworthy statistic here is that around two thirds of the companies have no system whatsoever. It may also be noted that the two companies where investment ended during the year (and which are therefore not included in statistics for 2013) had implemented a management system. Implementation and certification of a management system is a process that takes some time, which means that Swedfund's efforts to exert an influence do not achieve quick results. Experience also tells us that the smaller companies have bigger problems than the medium-sized or larger ones in building knowledge about the management system that is needed for implementing it. As far as Swedfund is concerned, systematic work on the environment, health and safety are essential. Observing legal requirements at a minimum, striving for continuous improvement, reducing the environmental impact and improving the working environment are central issues for a sustainable business.

Question: *Energy consumption. Please report energy used during the past 12 month period (indicate which months) in the table below. Include purchased electricity as well as fuels burned on site (e.g. for generators). Measurements can be taken from fuel bills/invoices and similar "paper-trail" records.*

Results

88% of the companies have reported their energy consumption compared with 80% in 2012. Reported energy consumption covers electricity, diesel and oil. Two of the companies reporting energy consumption this year did not do so in 2012.

Comments

That the companies de facto report their energy consumption indicates a maturity in their view of the climate impact of their business. Only when the reporting is well established can realistic goals be set for energy savings.

FINANCIAL VIABILITY

growth • profitability • return

One of the prerequisites for achieving development results through business activity is that the

company is financially viable, i.e. profitable. This is why it is of course highly relevant to analyse and report on how companies perform financially and this is preferably done for each company individually based on the companies' specific conditions in the markets in which they operate. The analysis is performed internally and is an important part of the investment manager's work. Collecting financial data for portfolio companies is also of interest as it shows their size and extent. We have chosen to present data below about the selected portfolio companies' growth, profitability and return on investment. Reporting of growth, profitability and return on investment is based on the most recently available annual accounts and differ depending on fiscal year. Currencies were translated using the exchange rate on 31 December 2013. Average measurements are hard to analyse considering how the companies differ so widely in terms of countries they operate in, level of maturity (start-up, established business, etc.) risk level of the business, sector, currency, market, regulatory climate, etc. Swedfund will continue to develop this part of our annual report.

- Average growth per company (shares and loans, not funds) was 4.3% compared with the previous year.
- Average profitability per company fell in the loan-based companies by 0.4% and fell in the sharebased companies by 0.2%. A number of companies reported losses due to being in their early start-up phase. This is not surprising given the risk level and the market challenges. Experience suggests that it takes time for new businesses to start making profits.
- The average return on investment per company fell in the loan-based companies by 0.3% and rose in the share-based companies by 0.2%.

CORPORATE GOVERNANCE IN PORTFOLIO COMPANIES

A central part of Swedfund's operations is the work we do with companies' corporate governance during the management phase that for an equity investment often lasts between five and ten years. Swedfund's involvement in portfolio companies' corporate governance is of utmost importance for the way in which these companies are governed, managed, achieve results and report. The starting point for an equity investment is that Swedfund be guaranteed a place on the board of the company. Usually this is the investment manager, but in some cases

Swedfund engages external people to sit on the portfolio company's Board on Swedfund's behalf. Professional development of our board members is a continuous process, and training within the board has high priority. During the fiscal year three Senior Investment Managers completed the certified training course for board directors offered to EDFI members under the administration of DEG.

Responsibility in a board is always personal. The basis for working in a board is Swedfund's mission, ethical compass and policies. There is a clear connection between our engagement in corporate governance of portfolio companies and sustainable business. This is why experience and knowledge about corporate governance are an extremely important part of Swedfund's development cooperation work. Since risk and business conditions are constantly changing, a board's competence must also evolve and adapt to new conditions. In order to boost the development of our corporate governance engagement in portfolio companies, Swedfund together with thirty other financial institutions adopted the Approach Statement on Corporate Governance. The aim is to harmonise assessments and procedures in order to establish and monitor corporate governance in portfolio companies through a jointly adopted methodology, the Corporate Governance Development Framework. A plan for this work was agreed upon in 2012 and managers have been appointed to start implementing this framework. In 2013 responsibility for Swedfund's implementation of this framework for corporate governance was assigned to Niclas Düring, Swedfund's Portfolio Director.

SWEDFUND'S STRATEGIC SUSTAINABILITY GOALS

From the big questions about sustainable development to Swedfund's contribution to sustainable business.

In recent years the struggle against global poverty has taken significant steps forward. Hundreds of millions of people have been lifted out of absolute poverty and the UN's millennium targets, that were to be met by 2015, are within reach in many countries. The creation of new jobs is central to helping poor countries to make progress. IFC's Joint International Finance Institutions communiqué. We are inundated with information and warnings about the results of new research. The issues can vary widely, from the risk of pandemics and global oil shortages, to concerns about rising sea levels or population increases. The UN's International Panel on Climate Change (IPCC), which employs 2,500 researchers, warned in its 2007 report that the climate is changing more rapidly and more dramatically than originally feared.

The theme for the UN's International Peace Day in 2013 was sustainable peace for a sustainable future. Peace, development, democracy and human rights are closely linked and are a precondition for successful global activities on sustainability and the environment. In this connection, corruption is also a scourge that must be beaten.

In the light of the above, Swedfund's board adopted four strategic sustainability targets in 2013 based on our mission - to reduce poverty - which remains one of the biggest challenges in the context of sustainable development that the world faces. Swedfund's contribution to reducing poverty comes from our involvement in the establishment of sustainable businesses, which is why sustainability targets are focused on Swedfund's investments.

1) Impact on society

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

Indicator: 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.

Target: Fulfilment of ILO's core conventions 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. This target will be continually verified as follows:

- Self- Assessment: An annual survey will be sent to the portfolio companies to check on compliance with the

ILO's core conventions.

- Site visits: Swedfund's staff will annually visit at least one third of the total number of portfolio companies to

verify target fulfilment by asking questions and making observations.

- Independent Checks: In a few special cases external consultants may be commissioned and their work

may include checks of compliance with the ILO's core conventions.

- Reporting: Each investment shall report annually or more frequently on the number of full-time employees

and contract-based employees in the business and Swedfund will in turn report aggregated results of

direct job creation as well as an estimate of indirect job creation to senior managers and the board.

2) Sustainability

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

Indicator: Implementation in all portfolio companies, and within Swedfund too, of a management system

for sustainability issues, which include environmental issues and societal issues where relevant, and within all

companies' Corporate Governance.

Targets: Management systems shall be implemented in each company within three years of the start

of financing. These systems should define the seven following main points:

- Policy: A sustainability policy shall be established and adopted by the managers of the portfolio company.

- Identification of risks and impacts: A system or routine shall be established so that environmental and social risks can be identified at regular intervals.

- Results assessment: The company's results in identified risk and impact areas shall be measured

and assessed continually in order to measure and improve results over time.

- Responsibility and competence: An individual within the management team shall have overall responsibility

for sustainability issues. Competence in handling environmental, social and anti-corruption issues shall be established and maintained through continual training of staff exposed to these areas.

- Emergency planning: Where the company's business is based at a fixed site, plans must be made

for handling accidents and emergencies.

- Reporting: Reports shall be sent regularly and annually as a minimum to managers and directors

within the portfolio company and to Swedfund.

- Stakeholders: Internal and external stakeholders shall be identified, be consulted in situations that

affect them, and be given relevant information as appropriate.

3) 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.

Indicator: Return on equity.

Targets: 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.

- Reporting: Reports shall be sent annually to Swedfund's management team and board.

4) Anti-Corruption

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

Indicator: Adoption and implementation internally and within portfolio companies of management

system for handling anti-corruption issues.

Targets: Adoption and implementation of management system for handling anti-corruption issues shall be completed at Swedfund in 2014 and, for portfolio companies, within three years of the start of financing. Implementation shall cover the following:

- Anti-Corruption Policy: Shall be established as origin for a management system devoted to anti-corruption issues.

- Responsibility: Appointment within management team.

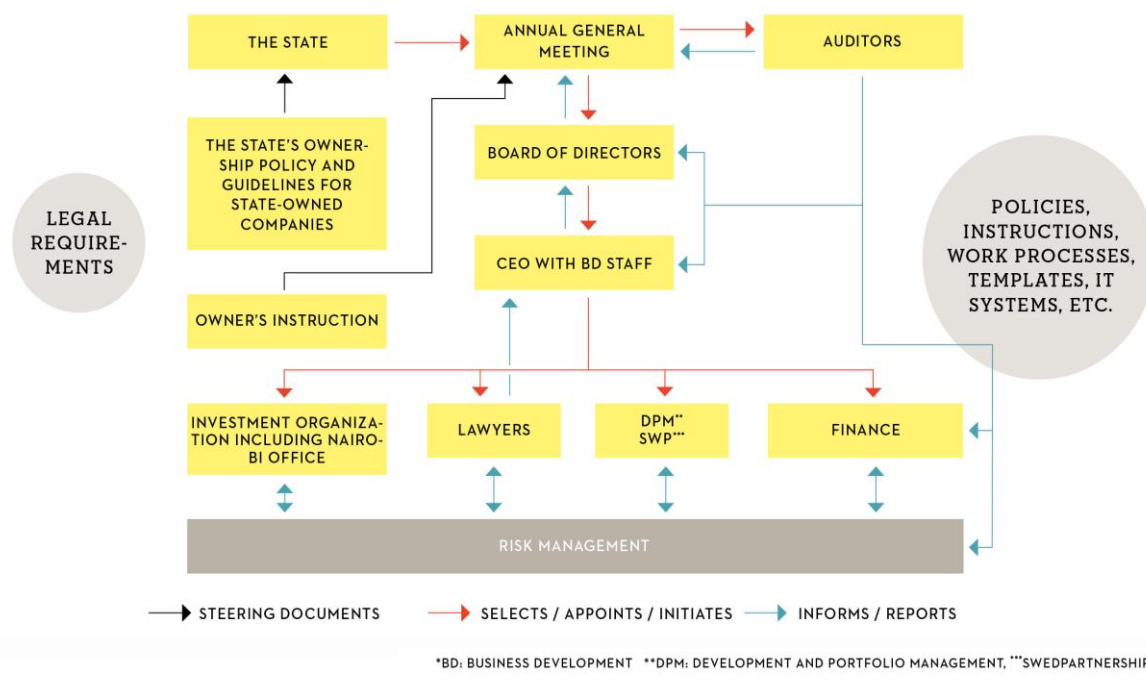
- System: Processes, procedures or controls for detecting corruption.
- Competence: Identification and training of key staff (i.e. those most exposed).
- Reporting: Regular, minimum of annual reporting.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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☒ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

STRUCTURE FOR CORPORATE GOVERNANCE - OVERVIEW



To upload the image click the Save button below

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
 - Portfolio Director**
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Portfolio managers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Investment analysts
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Dedicated responsible investment staff
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ External managers or service providers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Other role, specify
 - External ESG-consultants**
 - ☐ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☒ No oversight/accountability or implementation responsibility for responsible investment
 - ☐ Other role, specify

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number
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21

OA 08.3	Additional information. [Optional]
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21 out of 37 in total, this includes personal in the Investment Organisation (12) as well as in Development and Portfolio Management/ESG (5) and Legal (4).

OA 09	Voluntary	Additional Assessed	General
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OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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Board members/Board of trustees

- ☒ Responsible investment included in personal development and/or training plan

OA 09.2	Describe any activities undertaken during the reporting year to develop and maintain Board members' skills and knowledge in relation to responsible investment.
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Several Swedfund University activities and Board training and visits to portfolio companies.

- ☐ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other C-level staff or head of department

Portfolio Director, Director Business Development

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Swedfund do not pay any bonuses to any employee.

Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

- ☐ Asian Corporate Governance Association
- ☐ Association for Sustainable & Responsible Investment in Asia
- ☐ Australian Council of Superannuation Investors
- ☐ CDP Climate Change
- ☐ CDP Forests
- ☐ CDP Water
- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Recent Signatory

- ☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☒ United Nations Global Compact

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ Other collaborative organisation/initiative, specify

European Development Finance Institutions (EDFI)

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic
☒ Moderate
☐ Advanced

☐ Other collaborative organisation/initiative, specify

☒ Other collaborative organisation/initiative, specify

The Swedish Governments network for state owned companies; Sustainable Business Development

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☒ Basic
☐ Moderate
☐ Advanced

☒ Other collaborative organisation/initiative, specify

IFI's Harmonized Development Results Indicators for Private Sector Investment Operations

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☒ Basic
☐ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

This is a network for harmonization of development results in which Swedfund participates.

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☐ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☒ Other, specify

Swedfund participated in 2013 in the reference group to a project entitled Corporate Responsibility in Conflict-Affected and High-Risk Areas.

☐ No

OA 11.2 Other - Background information

Stakeholders who become dependent on conflict pose a dilemma in many countries where Swedfund's portfolio companies operate. These stakeholders can include businesses, investors, organizations (including civil society organizations) and the authorities. Dependency may lead to the intensification of the conflict, hinder development and create risks for society and commerce. Investors and businesses that identify and avoid these risks increase opportunities to improve impact on society. In order to learn more and exchange experiences around these issues, Swedfund participated in 2013 in the reference group to a project entitled Corporate Responsibility in Conflict-Affected and High-Risk Areas. This project was managed by Diakonia together with the School of Business, Economics and Law, the School of Global Studies (both Gothenburg University) and Church of Sweden. On top sharing knowledge and experience, companies and investors also learnt more about risk management tools for regions in conflict, as listed in the final report from the project.

STAKEHOLDER DIALOG

It's very important for us at Swedfund what stakeholders think of the work we do. It's equally important what the stakeholders in our portfolio companies think. We believe that there is agreement, acceptance and approval for how we go about our work. Every now and then there will be a difference in opinion about what Swedfund's focus should be. Politicians and owners believe the same as we do, that it is important to balance the three cornerstones of our mission. Our business partners are generally more interested in seeing that Swedfund applies resources for financial viability rather than sustainability or impact on society. That is diametrically opposite to what civil society groups want. Our results are thus focused on by all stakeholders, but in different ways.

In addition to reporting results in the fight against poverty, our owners, politicians and business partners probably have a bigger focus on how Swedfund performs in terms of its financial results over a business cycle. Civil society wants greater transparency than Swedfund can deliver as a company entering a business agreement with other partners due to confidentiality rules. When it comes to business ethics, politicians, owners and civil society have the same high levels of ambition as Swedfund. But our strict demands for policies and management systems can be seen by some business partners as a barrier, especially by smaller companies.

Swedfund's efforts to establish and implement policies and guidelines have intensified in recent years. One problem in this context is the delay in the implementation of new policies and guidelines which is due to the fact that Swedfund's portfolio covers both old and new investments. In all new projects we can set demands that a business follow our policies and guidelines in order to receive a loan or equity. But for our older investments we must stick to the original contract and try to influence behaviour through proactive efforts on the board of directors.

In summary, the key issue for Swedfund is to balance the three cornerstones - impact on society, sustainability and financial viability - in ways that are credible and acceptable for all stakeholders. One cornerstone is no more important than another. Business activities and

financial reporting should therefore be balanced and transparent. Development results and ongoing dialogue with stakeholders will provide the answers as to whether we are on the right track.

Does Swedfund communicate well with stakeholders? Civil society organizations responding.

Annika Sohlstrom, General Secretary, Forum Syd

Swedfund has an important mission to promote sustainable business in terms of the environment, human rights and tax issues. When aid is paid out, special demands are placed on companies. It is highly positive that Swedfund took the initiative to work on tax avoidance. Forum Syd welcomes the fact that Swedfund has opened up to dialogue with Swedish civil organizations. Constructive dialogue is important as we have different roles and perspectives on the issues. Organizations like ours can help Swedfund by gaining support with local partners and rights activists in many countries. We can bring a perspective to Swedfund's activities that might not otherwise be represented when an investment is analysed, with land investments being a good example.

Viveca Risberg, Office Manager, Swedwatch

Swedwatch has been invited to two stakeholder meetings with Swedfund, one in May 2013 and the other later in the autumn, when we could not attend. Swedwatch also had a dialogue with Swedfund during research into two reports, one on the Addax project in Sierra Leone and one about Buchanan Renewables/Vattenfall in Liberia. After these reports were published Swedfund was invited to two separate roundtable meetings to discuss the findings with Swedwatch's member organizations. In 2013 Swedfund and Swedwatch thus came a bit closer together. We appreciate the willingness to have a dialogue and Swedfund's openness concerning the criticism we have made. There has been a desire to do things better, improve processes and routines in order to live up to the demands that civil society (and the government) place on Swedfund.

Erik Lysén, International Manager, Church of Sweden

A lot of positive things have happened at Swedfund in recent years, with new managers and new guidelines. Swedfund has invited dialogue with stakeholders about questions in its own sustainability reporting and in other important development issues, such as tax reporting by companies in developing countries. Meanwhile Swedfund is investing in difficult environments, which places extra demands on responsibility and sustainability. In 2013 the Church of Sweden and Swedwatch released two reports on Swedfund's investments in Sierra Leone and Liberia. Both reports revealed that a lot remains to be done to ensure that Swedfund's investments produce good development effects. These cases illustrate the importance of having a broad development perspective and a genuine, inclusive dialogue with the people affected by investment.

Christine von Sydow, General Secretary, Actionaid

Sustainable business is central for global development that also includes those living in poverty. Swedfund has gained an increasingly important role as views have changed on foreign aid. With its mission Swedfund has the opportunity to be a leader among investors and show what sustainable business can achieve. It is therefore gratifying to see that Swedfund is open for a broader dialogue with Sweden's civil society groups in key development issues such as how companies report tax in various countries. ActionAid has followed Swedfund's investment in Sierra Leone. We can see that among the companies Swedfund invests in there needs to be improvements in communication with the parties affected. Swedfund can make a contribution.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

☒ Yes, individually

☒ Yes, in collaboration with others

OA 12.2	Select the methods you have used.
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☐ Endorsed written submissions to governments, regulators or standard-setters developed by others

☒ Drafted your own written submissions to governments, regulators or standard-setters

☒ Participated in face-to-face meetings with government members or officials to discuss policy

☒ Other, specify

Stakeholder dialogs regarding responsible investments and taxes and investments in so called tax heavens.

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☐ Yes, publicly available

☒ No

☐ No

OA 12.4	Additional information.
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For additional information please see section OA 11.2 in this report.

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☒ Yes

HOW AN INVESTMENT WORKS

The investment process from the first assessment to the exit is described below. During the past few years, Swedfund has done a lot to document best practices and to further develop areas that needed improvements. This is an ongoing work, and we continue to improve and develop our procedures based on requirements put upon us and on how we carry out our work.

Environment and sustainability expert Kristin Sjöblom is Senior Manager ESG Affairs at Swedfund. Together with colleagues in the ESG team she makes assessments of issues concerning the environment, social conditions and corporate governance, including a proposed action plan, in all of Swedfund's investment processes. "We perform an independent assessment, sometimes with the help of consultants, of the entire project and we develop preliminary terms and conditions for a contract. This may include appointing someone within the company who will take responsibility for the environmental and social issues," explains Kristin. Kristin Sjöblom is also a member of Swedfund's investment committee, which makes decisions about investments. "My role on the committee is saying yes or no to issues concerning ESG. All decisions must have a factual basis and refer to the ESG team's assessments. Most decisions are built on a consensus, but if we can't agree then Swedfund's CEO will make the decision to take the investment to the Board of directors."

Initial Assessment

Does the investment fit Swedfund's mission? In the initial assessment, consideration is given to the country, business, other partners and Swedfund's role in the investment. Will the investment lead to a noticeable impact on society? Will the project be sustainable and financially viable? After an initial assessment based on Swedfund's investment criteria, many could be written off for not meeting basic requirements, such as sector, country, etc.

Concept clearance

An assessment of the investment is made in relation to Swedfund's investment criteria. Swedfund's ESG team (Environment, Societal and Governance) is brought in and they categorise the project based on the environmental and social effects, as well as assessing risk in the project. A proposal is presented to the investment committee. The responsible Senior Investment Manager writes a memorandum - called concept clearance - that gives an overview of the investment and its potential ESG risks, and presents

Due Diligence

Swedfund makes an assessment of the entire project in the areas of market, financial information, other partners, legal aspects, development and work on ESG issues. Preliminary terms for legal agreement are discussed. Assessments in these different areas are sometimes done in parallel, going into greater depth as necessary. Due diligence runs throughout the entire investment process up to final disbursement.

Screening

Following the notification to the board of directors, the investment preparation process moves on to the screening phase. Apart from the IM, an analyst and a lawyer usually take part in this. During the screening, the investment is analysed and discussed in an internal

peer review group on the basis of the earlier documentation. The screening group gives their opinions and recommendations for further evaluation. These recommendations include guidelines for what the continued due diligence process should focus on.

If the outcome of the continued process is positive, a decision guidance document is drawn up for the board or the managing director.

The environmental and social due diligence process is carried out with the participation of the ESG manager. If the investment is rated as a risk with the risk grade A or B+ in terms of environmental and social performance, an external ESG expert is also called in. Regardless of the risk rating, the memorandum to the board of directors always includes a summary of environmental and social risks.

Board decision and disbursement

Swedfund's board makes the final decision leading to final negotiation of a legal agreement.

If the investment is approved, negotiations are concluded and, if necessary, remaining issues analysed and sent for a further in-depth due diligence analysis. At this point, a contract for transaction is drawn up. The contract includes sustainability requirements based on Swedfund's Policy for Sustainable Development adapted to that specific investment. When the conditions for disbursement (Conditions Precedent) have been met, the disbursement is made.

Follow up and influence

Swedfund's views on business ethics, as expressed in adopted international frameworks, performance codes and policies, create a platform for Swedfund's activities, ensuring that over the long term we

make investments that contribute to societal development and sustainability.

Sustainability is a cornerstone for Swedfund and decisive for achieving value development in a portfolio company.

In practice the IFC Performance Standards on Environmental and Social Sustainability are the standard tools that Swedfund uses to identify risks in the due diligence process prior to making an investment and for proactively via dialogue and influence contributing to continuous improvements by the portfolio companies. The standards are used to prevent, reduce and handle environmental and social risks and impacts. There are eight IFC Performance Standards on Environmental and Social Sustainability:

- 1 Assessment and Management of Environmental and Social Risks and Impacts.
- 2 Labor and Working Conditions.
- 3 Resource Efficiency and Pollution Prevention.
- 4 Community Health, Safety, and Security.
- 5 Land Acquisition and Involuntary Resettlement.
- 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources.
- 7 Indigenous Peoples.
- 8 Cultural Heritage.

Swedfund's monitoring of sustainability shows whether a portfolio company follows responsible business practices with regard to the environmental, social issues and corporate governance in line with what has been stipulated through the contract. In joint investments with other DFIs, another DFI other than Swedfund can be responsible for this monitoring. In order to follow up on portfolio companies' Sustainability and ESG status, and become an even better partner, Swedfund continually develops the tool that we use in this work, Swedfund Self-Assessment Sustainability Report. It contains 144 questions about portfolio companies' Sustainability and ESG efforts. The questions focus on environment, human rights, working conditions, anti-corruption, business ethics, gender equality, diversity and corporate governance, link to self-assessment. The self-assessment was sent to 28 manufacturing and service sector companies. Responses were received from all but three companies, one of which Swedfund was in the process of exiting from and one company reported in a corresponding manner to another DFI. The answers formed the basis for planning the

2013 ESG verifications and advocacy. After internal ESG analysis and dialogue with the relevant Senior Investment Manager at Swedfund, Monitoring visits and Audits 2013 were established and implemented.

Sustainability/ESG monitoring in the selected companies was conducted by Swedfund's ESG Managers singlehandedly, or together with Swedfund's Senior Investment Manager in each company respectively. External consultants (EBS and Sweco) were tendered for three monitoring assignments. Based on the agreement signed with the companies and the self-assessment that they sent to Swedfund, the companies' ESG status was checked, verified, discussed and documented. Together with company managers, agreements were reached about specific time schedules and Action Plans for prioritised sustainability and ESG activities. This work is ongoing throughout the management phase with the ambition to contribute to continuous improvements and development of values. In addition to the ESG team's visits during the year (reported here), the investment team also made regular visits in which sustainability issues were discussed explicitly and implicitly. While Swedfund's ethical principles and sustainability policy are being implemented in the new investments, we are working in parallel with advocacy in existing investments. This is formally a tougher task as no reference can be made to current agreements, but it is nevertheless important to work with the same high level of ambition with all portfolio companies.

Reporting

Swedfund is reporting in compliance with GRI G4 Sustainability Reporting Guidelines and GRI G4 Sector Disclosures, Financial Services. As a signatory to UN Global Compact we are also reporting a Communication on Progress (COP), using UN Global Compact's Basic Guide, Active Level.

Swedfund's Integrated Report 2013 is inspired by the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). In addition we also report to UN PRI and publish our Transparency Report on the web. Our auditors, PwC, provide assurance on all our reports.

Exit

After the exit, an exit report is made, which includes an analysis of development results, as well as a chapter with "lessons learned". We always do integrity check on the potential buyers in order to avoid contribution to money laundering when exiting a company. Preferably we want to find a buyer that will continue the work with ESG issues on the same level as Swedfund.

☐ No

OA 14	Voluntary	Descriptive	PRI 1
OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.		
<input checked="" type="radio"/> Yes			
OA 14.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.		

	% of total AUM
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4

OA 14.3	Please specify which thematic area(s) you invest in and provide a brief description.
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	Area
--	------

☒ Clean technology

	Asset class invested
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- ☐ Private debt
- ☒ Private equity
- ☐ Other (1)

	Brief description of investment
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China Environment Fund III, was established in September 2007. The primary investment objective of the fund is to make equity and equity related investments in principally in the clean tech industry, with a particular focus on renewable energy, energy efficiency, new material, emission control, water treatment, sustainable agriculture and carbon reduction sectors. Tsing Capital's, which is the managing company of the fund, vision is to pioneer the advent of clean investment, believing that the time was right to take a new lead in economically viable environmental awareness. The fund has about 40 portfolio companies.

- ☐ Green buildings
- ☐ Sustainable forestry
- ☐ Sustainable agriculture
- ☒ Microfinance

	Asset class invested
--	----------------------

- ☐ Private debt
- ☒ Private equity
- ☐ Other (1)

Brief description of investment

A Micro Finance Bank started by the NGO Hand in Hand in 2008. The bank will provide micro finance services to women entrepreneurs who have been organised in Self Help Groups and supported by Hand in Hand. Other investors are IFC and the Norwegian Microfinance Initiative.

☒ SME financing

Asset class invested

- ☒ Private debt
- ☐ Private equity
- ☐ Other (1)

Brief description of investment

Swedfund invests directly in companies that do business in a wide variety of countries. It's simpler to reach larger corporations and harder to reach the smaller ones. A small organization such as Swedfund cannot have a presence in every country. The solution is to work together with professional fund managers with a local presence who share Swedfund's values concerning sustainable business. "We do extensive checks before we select the funds we want to invest in. We look at how they work and how well they succeeded with previous investments," says Fredrik Törgren, Senior Investment Manager for the Financial Institutions sector team at Swedfund. One of the selected funds is Adenia, which originated in Mauritius, but is now active in Madagascar and West Africa. "The reason we work with them is that they are committed to issues concerning the environment, ethics and governance while they also work closely with the communities where their investments are made. They do business in a responsible manner."

Adenia is also active in countries where there is great need of capital but where others are reluctant or unable to invest. "The staff at Adenia have the right background for this type of assignment and they have the local knowledge as well as the experience needed to succeed. They have invested successfully in Madagascar, for example, a country where political turbulence causes some difficulties," says Fredrik Törgren. The idea is that both organizations will now start to work together in joint ventures. "There is a big lack of capital in those countries where Adenia operates. Thanks to them, Swedfund can now start reaching out to business there."

- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Other area, specify

☐ No

Asset class implementation not reported in other modules

OA 15	Voluntary	Descriptive	General
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OA 15.1	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Private debt	Not applicable as all our investments are done in alignment with PRI.
Other (1) [as defined in Organisational Overview module]	

Innovation

OA 18	Voluntary	Descriptive	General
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NAIROBI WOMEN'S HOSPITAL

Business: Private healthcare organization in Kenya that owns and operates four fully equipped hospitals with a total of 260 beds plus two other clinics.

No. of employees: 600

Investment year: 2013

Swedfund's investment: USD 4 million (20% of the share capital).

Other owners: Dr Sam Thenya and Africa Health Fund.

Key development results: Jobs, high quality healthcare at low prices for low and middle income earners.

Swedfund's investment in the Nairobi Women's Hospital contributes to improved living standards for women. The aim is to secure health care for women and make the hospital financially viable. Key

Kenya's capital lies 1,800 metres above sea level. It's a modern business metropolis featuring both skyscrapers and its own national park. Nairobi, which means 'cold water' in the Maasai language, has over three million inhabitants of whom around 60% live in shantytowns. Next to one of them is the Nairobi Women's Hospital affiliate where Njoki Njuguna, 29, works as a midwife. "We give the women here courage, hope and encouragement. It is always a pleasure to see a mother give birth to a healthy baby, despite all the pain they go through," she says.

The hospital provides healthcare and midwife training to Kenyan women, who are low-to-medium income earners, and their families. The particularly innovative in this investment is the Gender Violence Recovery Centre (GVRC), which is supported by Plan International, German International Corporation (GIZ), Safaricom Foundation and Nairobi Women's Hospital, patients who have suffered gender-related violence are offered free healthcare and psychosocial support. GVRC also educates staff from other institutions that wish to offer similar services. "We help to improve the living standards of women, and therefore their families, because in Kenya it's women who look after families. Because of everything this hospital offers, my job feels very important to me," says Njoki Njuguna.

Nairobi Women's Hospital has over 600 employees with a variety of specialist knowledge. Around 90% of the work force are women. "Of course, we create job opportunities for women. Those who work here are highly qualified and very competent and they are passionate about making a difference," says Dr. Sam Thenya, hospital manager.

Since the hospital opened in 2001 it has expanded to meet growing demand for healthcare. Today there are six affiliates in Nairobi and there are plans to open more. "We are the leading private hospital in our sector and we aim to establish in all the major centres of Kenya and Africa in general. That's our vision and our mission," says Dr. Sam Thenya.

Assurance of responses

OA 19

Voluntary

Additional Assessed

General

OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☒ Reviewed by Board, CEO, CIO or Investment Committee
- ☐ Validated by internal audit or compliance function
- ☒ Assured by an external independent provider, specify name

PwC Sweden

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

All information in this report can also be found in *Swedfund's Integrated Report 2013 and is provided assurance on by PwC*. We have assigned PwC to provide assurance on this report. Link to the statement by PwC. <http://www.swedfund.se/press-publikationer/publikationer/arsredovisningar/>

☐ No

Auditor's Limited Assurance Report**To the readers of the Swedfund RI Transparency Report 2013/14****Introduction**

We have been engaged by the management of Swedfund International AB ("Swedfund") to undertake a limited assurance engagement of Swedfund's Responsible Investment (RI) Transparency Report 2013/14.

Responsibilities of the Board of Directors and Executive Management

The Board of Directors and the Executive Management are responsible for the preparation and presentation of the information requested by the UN Principles for Responsible Investment (PRI) and compiled in the public RI Transparency Report in accordance with applicable criteria, in this case the PRI Reporting Framework 2013/14.

Responsibilities of the auditor

Our responsibility is to express a limited assurance conclusion on the information included in the RI Transparency Report based on the procedures we have performed.

We have conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Review of Historical Financial Information", issued by The International Federation of Accountants (IFAC).

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the RI Transparency Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than, for a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based are the parts of the PRI Reporting Framework 2013/14, which are applicable to the information reported by Swedfund. We consider these criteria suitable for the preparation of the information disclosed in the RI Transparency Report 2013/14.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the specific information disclosed in the RI Transparency Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 11 April 2014

PricewaterhouseCoopers AB

Peter Nilsson, Authorized Public Accountant

Fredrik Ljungdahl, Expert member of FAR

Swedfund International AB

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

When investing in funds, Swedfund follow the same investment process and criteria as for the other direct investments, which include compliance with Swedfund's Code of Conduct, Sustainability Policy and Exclusion list as well as Anti-Corruption Clauses in the contract. For further guidance please see Overarching Approach in this report.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1

Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.

☐ Yes

☒ No

SAM 03	Mandatory	Gateway	General
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SAM 03.1

Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
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SAM 10.1

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	PE		
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>		
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>		
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input checked="" type="checkbox"/>		
Other general aspects in your selection process, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>		
Other pre-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>		
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>		
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>		
Other post-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

Please see section OA 13.2 in this report.

Appointment

SAM 11	Voluntary	Additional Assessed	PRI 4
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SAM 11.1

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Other general RI considerations in your agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input checked="" type="checkbox"/>		
Other RI considerations relating to investment selection in your agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input checked="" type="checkbox"/>		
Other RI considerations relating to investment monitoring in your agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Reporting

	PE		
Reporting on the agreed ESG implementation activities	<input checked="" type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>		
Reporting on company incidents relating to ESG issues	<input checked="" type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>		
Other RI considerations relating to reporting in your agreements, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

Please see section OA 13.2 in this report.

Monitoring

SAM 12

Mandatory

Core Assessed

PRI 1-6

**SAM
12.1**

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE		
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>		
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>		
Other general aspects of your monitoring, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment selection (pre-investment) of underlying holding

	PE		
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>		
Other ways ESG issues are incorporated in the pre-investment process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Investment monitoring (post-investment) of underlying holding

	PE		
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>		
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>		
Request details of how ESG factors were considered when preparing to exit from investments	<input checked="" type="checkbox"/>		
Other ways ESG issues are monitored in the post-investment process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

If you select any 'Other' option(s), specify

Please see section OA 13.2 in this report.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.		
	%		

0

SAM 15	Voluntary	Descriptive	PRI 2
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SAM 15.1	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
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- ☐ Add Example 1
- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5

SAM 15.2	Additional information.
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For examples please see section OA 14.3 in this report.

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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- ☒ Yes, we disclose information publicly

	provide URL
--	-------------

<http://www.swedfund.se>

	provide URL
--	-------------

<http://swedfundfrankly.se/>

SAM 16.2	Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.
-----------------	--

- ☐ Yes
- ☒ No

SAM 16.3	Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.
-----------------	---

Information	Public	Clients/beneficiaries
How responsible investment considerations are included in manager selection, appointment and monitoring processes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Details of the responsible investment activities carried out by managers on your behalf	<input type="checkbox"/>	<input checked="" type="checkbox"/>
E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify below	<input type="checkbox"/>	<input type="checkbox"/>

- ☐ Yes, we disclose information to clients/beneficiaries only
☐ We do not proactively disclose information to the public and/or clients/beneficiaries

SAM 16.4	Additional information. [Optional]
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Swedfund publicly disclose information about the investment cases on Swedfund's website and news is published on Swedfund's blog.

Swedfund International AB

Reported Information

Public version

Direct – Private Equity

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

PE 01

Mandatory to Report Voluntary to Disclose

Peering

General

PE 01.1

Provide a breakdown of your organisation's internally managed private equity investments by investment strategy.

Investment strategy	Percentage of your internally managed private equity holdings (in terms of AUM)
Venture capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Growth capital	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
(Leveraged) buy-out	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Total	100%

PE 02

Mandatory to Report Voluntary to Disclose

Peering

General

PE 02.1

Indicate the level of ownership you typically hold in your private equity investments.

- ☐ a majority stake (>50%)
- ☐ 50% stake
- ☒ a significant minority stake (between 10-50%)
- ☐ a minority stake (<10%)
- ☐ a mix of ownership stakes

PE 02.2	Additional information. [Optional]
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We always aim to take a Board seat in our portfolio companies.

PE 03	Voluntary	Descriptive	PRI 1-6
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PE 03.1	Provide a brief overview of your organisation's approach to responsible investment in private equity.
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Please see section OA 13.3 in this report.

PE 04	Mandatory	Core Assessed	PRI 2
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PE 04.1	Indicate if your organisation's investment guidelines for private equity refer to responsible investment.
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☒ Our investment guidelines do refer to responsible investment

PE 04.2	Describe how your organisation's investment guidelines outline your expectations on staff and portfolio companies' approach towards ESG issues [Optional].
---------	--

When investing private equity, Swedfund follow the same investment process and criteria as for the other direct investments, which include compliance with Swedfund's Code of Conduct,

Swedfund's Policy for Sustainable Development, EDFI Exclusion list as well as Anti-Corruption Clauses in the Contract. For further guidance please see Overarching Approach in this report.

☐ Our investment guidelines do not refer to responsible investment

☐ We do not have investment guidelines

Pre-investment (selection)

PE 07	Mandatory	Gateway	PRI 1
-------	-----------	---------	-------

PE 07.1	Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.
---------	--

☒ Yes

PE 07.2	Describe your organisation's approach to incorporating ESG issues in private equity investment selection. [Optional]
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Please see section OA 13.2 in this report.

☐ No

PE 08	Voluntary	Descriptive	PRI 1
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PE 08.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the private equity investment selection process.
----------------	--

☒ Internal staff

	Specify role
--	--------------

ESG Senior Managers

	Specify role
--	--------------

ESG Managers

	Specify role
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Legal Counsel

☒ External resources

☒ Environmental advisors

☒ Social advisors

☐ Corporate governance advisors

☒ Regulatory and/or legal advisors

☐ Other, specify type of advisors/roles

☐ No use of internal or external advice on ESG issues

PE 09	Mandatory	Core Assessed	PRI 1,3
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PE 09.1	Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.
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ESG issues

☒ Environmental

	List up to three typical examples of environmental issues
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Environmental Permits

Emissions to air and water and Waste management

Use of natural resources

☒ Social

List up to three typical examples of social issues

Working conditions incl. working time, over time, wages, child labour and forced labour, health and safety

Land use, lease process and tenure

Community safety and Grievance mechanism

☒ Governance

List up to three typical examples of governance issues

Training

Environmental and Social Management Systems

Anti-corruption Policy and procedures

PE 10	Voluntary	Additional Assessed	PRI 1,3
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PE 10.1 Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.

- ☒ Raw data from target company
- ☐ Benchmarks against other companies
- ☐ Sector level data/benchmarks
- ☒ Country level data/benchmarks
- ☒ Reporting standards, industry codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Engagements with stakeholders (e.g. customers and suppliers)
- ☒ Advice from external resources
- ☒ Other, specify

Company Policies, Integrity Checks are examples on information we require and investigations that we do.

☐ We do not track this information

PE 10.2 Additional information.

We send out an ESG-Questionnaire that we send out to all our potential investments where Swedfund is lead investor. Among core information is to understand the companies attitude towards sustainable business.

PE 11	Voluntary	Additional Assessed	PRI 1,2
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PE 11.1 During deal structuring, indicate if your organisation typically encourages continuous improvements from potential investees with regard to their management of ESG issues.

☒ Yes

PE 11.2	Describe the nature of these improvements and their ESG coverage.
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Compliance with ILO Core Convention and Basic Terms and Conditions of Employment, implementation of Environmental Management and/or Social Management Systems as well as implementation of an Anti-Corruption Management System.

☐ No

PE 11.3	Additional information.
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A person in the portfolio company's management shall have the ultimate responsibility for Sustainable Business Development. Competence to manage environmental and social issues as well as an anti-corruption policy should be implemented and maintained through continuous education of relevant staff.

PE 12	Voluntary	Additional Assessed	PRI 1
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PE 12.1	Indicate if ESG issues impacted your private equity investment selection processes during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☐ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

Post-investment (monitoring and active ownership)

PE 13	Mandatory	Gateway/Core Assessed	PRI 2
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PE 13.1	Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.
----------------	---

☒ Yes

PE 13.2	Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.
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- ☒ >90% of portfolio companies
- ☐ 51-90% of portfolio companies
- ☐ 10-50% of portfolio companies
- ☐ <10% of portfolio companies

(in terms of total number of portfolio companies)

PE 13.3

Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.

ESG issues

☒ Environmental

List up to three example targets of environmental issues

Environmental and Social Management System

Environmental and Social Policy or Sustainability Policy

Environmental and Social Manager and Officer

☒ Social

List up to three example targets of social issues

ILO Core conventions

ILO Basic terms and conditions of employment

☒ Governance

List up to three example targets of governance issues

Anti-corruption Policy and procedures

☐ We do not set and/or monitor against targets

☐ No

PE 14

Mandatory

Core Assessed

PRI 2

PE 14.1

Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).

☒ Yes

PE 14.2

Indicate what percentage of your portfolio companies has an ESG/sustainability policy (or similar guidelines).

☐ >90% of portfolio companies

☒ 51-90% of portfolio companies

☐ 10-50% of portfolio companies

☐ <10% of portfolio companies

☐ 0% of portfolio companies

(in terms of total number of portfolio companies)

☐ No

PE 14.3

Additional information. [Optional]

Please see section 06.3 in the Overarching Approach.

PE 15

Voluntary

Additional Assessed

PRI 2

PE 15.1

Indicate the types of actions taken by your portfolio companies to incorporate ESG issues into operations and what proportion of your portfolio companies have implemented these actions.

Types of actions taken by portfolio companies

- ☒ Allocate responsibility for ESG issues to board/senior management

Implemented by percentage of portfolio companies

- ☐ >90% of portfolio companies
☒ 51-90% of portfolio companies
☐ 10-50% of portfolio companies
☐ <10% of portfolio companies
☐ We do not track this information

(in terms of total number of portfolio companies)

- ☐ Composition of board ensure ESG expertise
☐ Consider ESG issues in risk management processes
☒ Define performance targets for applicable ESG issues in operations

Implemented by percentage of portfolio companies

- ☐ >90% of portfolio companies
☐ 51-90% of portfolio companies
☒ 10-50% of portfolio companies
☐ <10% of portfolio companies
☐ We do not track this information

(in terms of total number of portfolio companies)

- ☐ Define when engagements with stakeholders should be carried out to discuss ESG issues
☐ Other actions, specify

PE 15.2	Describe how your organisation contributes to the portfolio's management of ESG issues.
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Please see section OA 13.2 in this report.

PE 15.3	Additional information.
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PE 16	Voluntary	Descriptive	PRI 2,3
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PE 16.1	Indicate the type and frequency of reports you request and/or receive from portfolio companies covering ESG issues.
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Type of reporting

- ☐ Overarching portfolio company reports (or similar) where management disclosure, financial and ESG data are integrated
- ☒ Standalone reports highlighting targets and/or KPIs covering ESG issues

Typical reporting frequency

- ☐ Quarterly or more frequent
- ☐ Semi annually
- ☒ Annually
- ☐ Every two years or less
- ☐ Ad-hoc, specify
- ☐ Other, specify
- ☐ No reporting on ESG issues requested and/or provided by portfolio companies

PE 16.2	Additional information.
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ESG data is collected through Swedfund ESG Monitoring Report and Swedfund Portfolio Company Sustainability Key Performance Report which is sent out to all equity portfolio companies annually.

PE 17	Voluntary	Additional Assessed	PRI 2
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PE 17.1	Indicate whether your organisation discloses information on ESG issues to potential buyers prior to exit for private equity investments.
----------------	--

- ☒ We always include ESG issues in pre-exit information
- ☐ We include ESG issues in pre-exit information in the majority of cases
- ☐ We include ESG issues in pre-exit information in the minority of cases
- ☐ We do not include ESG issues in pre-exit information

PE 17.2	Apart from disclosure, describe how your organisation considers ESG issues at exit.
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As described in section OA 13.2 in this report, we always do integrity check on the potential buyers in order to avoid contribution to money laundering when exiting a company. Preferably we want to find a buyer that will continue the work with ESG issues on the same or higher level as Swedfund.

Outputs and outcomes

PE 18	Voluntary	Additional Assessed	PRI 1,2
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PE 18.1	Indicate whether your organisation measures how your approach to ESG issues in private equity investments has affected financial and/or ESG performance.
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	Financial performance
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- ☐ We measure how ESG issues affect financial performance
- ☒ We do not measure how ESG issues affect financial performance

	ESG performance
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- ☒ We measure changes in ESG performance

PE 18.3	Describe the measures your organisation uses to assess the impact of your activities on your private equity investments' ESG performance.
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ESG data is collected through Swedfund ESG Monitoring Report and Swedfund Portfolio Company Sustainability Key Performance Report which is sent out to all equity portfolio companies annually.

- ☐ We do not measure changes in ESG performance

PE 19	Voluntary	Descriptive	PRI 1,3
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PE 19.1

Provide examples of ESG issues that affected your private equity investments during the reporting year.

☒ Add Example 1

ESG issues	Land rights, gender, bio-energy
Sector(s) of the investment affected	Agriculture
Impact (or potential impact) on the investment	<p>THE DILEMMA OF INVESTING IN A COMPLEX MARKET</p> <p>ADDAX BIOENERGY</p> <p>Business: Integrated farming and bioenergy project in Sierra Leone. No. of employees: around 2,000 Investment year: 2011 Swedfund's investment: EUR 10 million in share capital Other participants: Addax & Oryx Group and FMO. Key development results: Energy supplies from renewable energy sources, jobs, knowledge, improved infrastructure and a boost to the country's balance of trade.</p> <p>State-owned development finance institutions must perform a delicate balancing act when investing taxpayers' money in complex environments and trying to develop profitable companies. Swedfund and Addax Bioenergy learned the hard way in Sierra Leone.</p> <p>Swedfund's portfolio company, Addax Bioenergy, is the first bioenergy company to gain sustainability certification in Sierra Leone, West Africa. It is also classified as a Clean Development Mechanism project under the UN's Kyoto protocol (see box). The project is viewed by the UN's farming body, the FAO, as a great example, but that doesn't mean that all stakeholders are happy with it. In 2012 Swedwatch published a report entitled "No land, no power" claiming that women's rights were being compromised. According to Swedwatch, few women have had the opportunity to benefit from the project as they had limited influence in land negotiations and seldom shared in tenancy income.</p> <p>"This is a serious matter and it is our assessment that women's rights are being ignored," said Viveka Risberg, Swedwatch to Swedish radio. Women are a very vulnerable group in Sierra Leone and death during labour is amongst the highest in the world. Literacy is at 30% and the government estimates that 66% of its population are poor with an expected lifelength of just 48. In 2013 Sierra Leone was ranked 177th out of 187 nations in the Human Development Index. The country is thus one of the world's least developed and corruption is a significant problem. Unemployment for young people is around 60%, amongst the highest in West Africa. The informal economy is predominant and according to the FAO food supplies are in jeopardy. Extremely weak infrastructure combined with many farmers leaving their farms during the war are two reasons for the current state of the country. Most of the working population are still employed in small-scale farming. There is a considerable lack of modern farming methods, with inefficient slash-and-burn still predominant, seriously impacting on biological diversity. There is a massive need for investment in infrastructure, education, healthcare and agriculture.</p> <p>In this complex environment Swedfund invested SEK 90 million in Addax Bioenergy, an integrated farming and bioenergy project that involves growing sugar beet for ethanol production, establishing an ethanol refinery and a bioenergy-powered electricity generation plant that will be commissioned in</p>

	<p>2014. Electricity is essential for making progress in Sierra Leone and the bioenergy plant will be able to supply up to 20% of the country's needs. Addax Bioenergy also manages the country's largest private development scheme for small farmers. - Swedfund's various activities are surrounded by challenges. But we cannot step back and refrain from investing just to avoid all criticism. We must listen, put things right and then learn from our experience, says Lena</p> <p>Algerin, Senior Investment Manager, who has extensive experience of development financing at Swedfund. Lena says that it was a tough call, maybe even an impossible one, for Addax Bioenergy acting alone to change local culture and traditions in a short time.</p> <p>In a report entitled 'Broken promises' ActionAid, a non-profit organization based in London, writes that Addax Bioenergy made thousands of people destitute. ActionAid argued that, according to local residents, food production fell and people starved in areas where Addax Bioenergy started its bioenergy project. It was also claimed that people lost their land and received very little compensation from the company. ActionAid considered it wrong that this happened in the EU's name and was called green policy. The report created headlines in the British media. Jörgen Sandström, Head of External Business Affairs at Addax Bioenergy, faced quite a challenge answering the hard and sometimes sweeping criticism while seeking to explain the complex environment in which the company operates.</p> <p>- The toughest criticism to meet is ideological and political, he says, confirming that malnutrition has been and still is a well-documented problem for many in this poor country. Jörgen Sandström says that Addax Bioenergy has not seen any proof that hunger has increased in the region. On the contrary the company's and the agriculture ministry's estimates are that farming area has increased tenfold in the area through the company's development programme and the construction of new roads. Jörgen Sandström identified a clear political agenda behind the criticism from Action- Aid. The report was published just days before a key vote in the European parliament about the future mandate and directive for biofuels in the EU. Strong forces, including ActionAid, wanted to see limits on biofuels produced from farmland.</p> <p>According to Addax Bioenergy, ActionAid used harvest data that was three years old to support their arguments even though more recent data indicating a different picture was available. - It was clear that this was a political campaign. ActionAid did not want to meet us, they did not ask us what we were doing, how we were doing it or what the real challenges were. Our door is always open for anyone who wants to know how we work and the programmes we run, says Jörgen Sandström.</p> <p>Lena Algerin says there have been improvements since the project started. New roads have opened up the region for more farming and the number of new houses, new sheet metal roofs, mobile phones and motorbikes on the streets are small signs, but significant ones that household economies are improving.</p> <p>- Addax Bioenergy employs and trains a lot of people, but unfortunately cannot employ everyone in the region. For many it's the first real job they get in an area where the economy is largely informal, which is a big challenge that means the company must educate a majority of its employees."</p> <p>The project has great potential and Lena Algerin says that her visits to the site have made her very proud of how Swedfund has been able to contribute</p>
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	to the fact that so many previously unemployed people have now got real and sustainable jobs.
Activities undertaken to influence the investment and its response	

☒ Add Example 2

ESG issues	Government monopoly pricing of cement
Sector(s) of the investment affected	Construction sector.
Impact (or potential impact) on investment	<p>DIPLOMACY SAVED JOBS</p> <p>CIMBENIN Business: Grinding operation that produces cement. No. of employees: 109 Swedfund's investment: SEK 6.5 million in share capital and SEK 8 million in loans that have been repaid. Other participants: Swedfund and Denmark's IFU are minority owners, the principal owner is German Heidelberg Cement. Key development results: Contribution to creating jobs, higher tax payments, maintaining ESG standards at a high level and infrastructure development in Benin.</p> <p>A few years back, Cimbenin, a cement business, was fighting for survival with far too low cement prices fixed by the state. The intervention of diplomats led to the government changing course and raising prices, saving jobs and securing income for Gilbert Gahou and his family.</p> <p>I've been very lucky to work for Cimbenin for so long," says Gilbert Gahou, an electrician and chairman of the trade union club.</p> <p>Cimbenin, a cement business with a plant outside Cotonou in Benin, was formed in 1991 using share capital from Swedfund and its Danish equivalent in the Investment Fund for Developing Countries (IFU). The principal owner is Heidelberg Cement of Germany. Gilbert joined two years after the business started and he is now in his 20th year with the company. He is a very satisfied trade union leader who praises his employer and claims that his colleagues are at least as satisfied as he is because "everything is well organised, the care shown for the environment and employees is genuine and salaries are paid on time". He makes comparisons with former work places and the employers of his friends and says that not all companies show as much consideration for their employees as Cimbenin. "I like it here very much. I have fixed hours, work from 8 to 5 Mondays to Fridays. We get a full hour's lunch break as well," says Gilbert with a smile.</p> <p>A few years back his job was in danger. Fredrik Wijkander, Senior Investment Manager at Swedfund, recalls that the business was doing well up until 2005. Raw material costs were rising rapidly, but the government, which was responsible for cement pricing, had not adjusted prices, which were thus too low in relation to the costs of materials needed in production. "The share capital was being eroded and the company was close to bankruptcy," remembers Fredrik.</p> <p>A period of intensive diplomacy started. The owners, led by IFU and Swedfund, wrote to the Benin government to ask that cement prices be changed to reflect market levels. Cimbenin's CEO, the owners of Heidelberg Cement, Swedfund and IFU all confirmed that the plant had been modernised and made as efficient as possible, but that they were still struggling for survival due to the imbalance between the costs of materials and prices of sold</p>

	<p>goods. "Nothing happened for three years and we were starting to give up. But then suddenly in July 2008 the government announced a rise in cement prices and we could breathe out at last," says Fredrik Wijkander. Cimbenin has been profitable for a few years now and is once again paying dividends to shareholders as well as vital tax revenues to the state and salaries to staff. "Benin is a very, very poor country so</p> <p>my salary is vital for my family. In addition to supporting my elderly mother, my wife and four sons, I also look after other relatives so that they can go to university in Cotonou," explains Gilbert, with a resigned sigh. But then he laughs and says: "Of course, the children are my pension, they're my investment in the future!" Djibril Idrissou, Technical Manager at Cimbenin, sees a bright future and he proudly explains that the company has its ISO 14001</p> <p>environmental management certificate, which is regularly followed up via checks from external consultants. "We are a very well-developed company in a highly under-developed country. I'm pleased to work for such a responsible employer," says Djibril Idrissou.</p>
Activities undertaken to influence the investment and its response	<p>Swedfund played an instrumental role in the advocacy dialog with the government to make them adjust prices to market level.</p>

☒ Add Example 3

ESG issues	Food Safety, OHS, Fair Pricing.
Sector(s) of the investment affected	Dairy industry
Impact (or potential impact) on investment	<p>SWEDISH INNOVATION MEANS BETTER MILK I N BANGLADESH</p> <p>MIRIS AB</p> <p>Miris AB is doing very well in Asia. The company from Uppsala, Sweden, recently won a large order from the biggest dairy in Bangladesh. According to Miris' CEO it would not have been possible without support from Swedpartnership.</p> <p>At the end of 2013 Miris AB received its first ever order. The headline in the company's press release did not hold back: "Breakthrough in the dairy industry with a significant order in Bangladesh paves the way for global success". State-owned Bangladesh Milk Producers Cooperative Union Limited (Milk Vita), had placed an order worth around SEK 4.1 million. "The order was four times bigger than anything we had previously received," says a happy Tony Malmström, CEO of Miris AB.</p> <p>Since its start-up in 2001 the company has worked with milk analysis instruments, initially checking nutrient and protein levels in cow milk and then later focusing on the more profitable market for nutrition analysis of breast milk.</p> <p>"But now we are back to where we started and our business rests on two stable activities, which improves our chances of future success," says Tony Malmström.</p> <p>Miris started considering the dairy industry in Bangladesh two years ago. The country has problems with the water content of milk, which means that dairies are forced to buy expensive milk powder on global markets. Miris' measurement instruments are an investment that quickly pays off to ensure that supplied milk has the right quality. The instruments are based on Mid Infrared technology and they detect manipulated milk. The instrument weighs just 4 kg and costs a fraction of the cost of the gigantic, 100-kg machines used by dairies in western countries. "In developing countries they cannot afford these large-scale machines, but we can offer the same innovation in a smaller format and at a much more reasonable price," says Tony Malmström.</p> <p>Miris works together with Viola Vitalis in Bangladesh. Viola's founder studied in Sweden and got to know staff at Miris. Tony Malmström got in touch and the two businesses decided to collaborate. Viola Vitalis told Miris about the major procurement project that Milk Vita was engaged in. However, entering the bidding process required financing and who would lend money to a risk-filled project in a country where there can be a general strike every other day? "The loan from Swedpartnership was decisive in winning the deal," says Tony.</p> <p>A number of requirements were attached to the financing. The owners of Miris were forced to do a fundamental survey of the business, environmental and sustainability aspects of the company, and establish a Code of Conduct. Swedpartnership's representatives provided support at every stage.</p> <p>"Swedpartnership has a standard for acceptable behaviour for Swedish companies when they do business overseas. These requirements have</p>

	<p>helped develop both the company and ourselves as individuals," says Tony Malmström. Nils Marcks v Würtemberg, Senior Loan Manager at Swedfund, considers that Miris' venture in Bangladesh is a good example of how Swedfund can use financing to share the risk when a Swedish company wants to establish business on a new growth market.</p> <p>(With its Swedpartnership brand, Swedfund offers soft loans to small and medium-sized Swedish businesses for ventures in Swedfund's partner countries.)</p>
Activities undertaken to influence the investment and its response	<p>Entering into an emerging market to focusing on state owned clients inherits a very high risk of corruption. A prerequisite for Swedfund to provide finance to Miris was that the company developed and implemented a Code of Conduct covering anti-corruption issues. Part of the financing was dedicated to training of the staff in the local company on anti-corruption and how to comply with the Code of Conduct as a representative for Miris.</p>

☒ Add Example 4

ESG issues	Clean water,
Sector(s) of the investment affected	Water
Impact (or potential impact) on investment	<p>CLEAN WATER WITH SOLARWAVE</p> <p>SOLARWAVE</p> <p>Tanzania needs clean water. With support from Swedpartnership, Solarwave from Gävle, Sweden, can provide people in Tanzania with water purification technology powered by solar energy. The portable and eco-friendly water purifier is simple to use. It has purification capacity of 700 litres of water per hour during sunlight, a maximum of around 5,000 litres per day. The battery can also be used to charge a mobile phone or power lighting.</p> <p>"The company has strong owners and longterm plans for products that are in demand on developing markets," says Anna Långström, Senior Loan Manager at Swedfund.</p> <p>(With its Swedpartnership brand, Swedfund offers soft loans to small and medium-sized Swedish businesses for ventures in Swedfund's partner countries.)</p>
Activities undertaken to influence the investment and its response	

☒ Add Example 5

ESG issues	
Sector(s) of the investment affected	
Impact (or potential impact) on investment	
Activities undertaken to influence the investment and its response	

Communication

PE 20

Mandatory

Core Assessed

PRI 6

PE 20.1	Indicate whether your organisation proactively discloses ESG information on your private equity investments.
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☒ Disclose publicly

	provide URL
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<http://www.swedfund.se>

	provide URL
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<http://swedfundfrankly.se>

PE 20.2	Indicate whether the type of ESG information you proactively provide to the public is the same as that you provide to your clients (LPs)/beneficiaries.
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☒ Yes

PE 20.3	Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients (LPs)/beneficiaries.
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- ☐ ESG information in relation to our pre-investment activities
- ☒ ESG information in relation to our post-investment monitoring and ownership activities
- ☒ Information on our portfolio companies' ESG performance
- ☒ Other, specify

ESG information is reported annually as well as ad hoc.

PE 20.4	Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients(LP)s/beneficiaries.
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- ☐ Quarterly or more frequently
- ☐ Semi annually
- ☒ Annually
- ☐ Every two years or less frequently
- ☐ Ad-hoc, specify

PE 20.5	Describe the ESG information and how your organisation proactively discloses it to the public and/or clients (LPs)/beneficiaries. [Optional]
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☐ No

- ☐ Disclose to investor clients (LPs)/beneficiaries only
- ☐ No proactive disclosure to the public or to clients (LPs)/beneficiaries