



FINANCE FOR DEVELOPMENT

SWEDFUND
SUSTAINABILITY
REPORT 2009

FINANCE FOR DEVELOPMENT

Sustainability Report 2009

Swedfund International

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MESSAGE FROM THE MANAGING DIRECTOR

SWEDFUND – SWEDEN'S DFI

Swedfund is the Swedish Government's Development Finance Institution (DFI). Similar organisations are established in most other industrialised countries. Their purpose is to help create sustainable economic growth in impoverished countries through investments in locally active private companies. DFIs, accordingly, complement foreign aid and loans from multilateral development organisations to emerging countries.

Swedfund's activities focus on small and midsize companies (SME), mainly in the world's poorest nations. The investments are often made in cooperation with Swedish companies as partners. Swedish companies are strongly involved in environmental, social and governance issues, thus supporting sustainability through the economic growth that is created.

THE MISSING MIDDLE

Higher living standards and sustainable development is not possible without economic growth. Growth, in turn, requires successful and profitable companies and investments in the private sector. In emerging countries industry is impeded by a lack of funding. This applies particularly to companies referred to as "the missing middle," i.e. small and midsize companies that do not have access to either microfinancing or borrowing from international financial markets.

The role of DFIs is to complement the private sector's proprietary investments and, thereby, serve as catalysts for company start-ups or expansions that would otherwise not take place. The institutions enter these companies as minority shareholders for 5-10 years while the operations are developed, and then sell their shares at a later date. The investments often create consequential effects by mobilising more investors to an industrial sector or region. They also open doors for exchanges of know-how that contribute to development in more companies throughout the region.

CLIMATE INVESTMENTS

Environment and climate represent interesting areas for investments, areas in which Swedfund also has extensive experience. During 2009, one of Swedfund's climate investment objects included a co-investment with Jacobi Carbons. The investment is intended to establish a production plant in India for activated carbon based on coconut shells. Swedfund also invested in Polygenta in India, which manufactures pro-environmental yarn using recycled PET bottles as the raw material. The investment will generate significant development effects, in addition to promoting knowledge transfers involving new environmental technologies. In 2010 Swedfund will continue to focus on climate/clean technology investments.

CHALLENGES & CRITICISM

During 2009, Swedfund's exit from an investment unfortunately also affected numerous stakeholders as further described in the report. These experiences have further strengthened our conviction that the principal element for the success of our investments lies in working with strong strategic partners that also share our values and underlying principles.

A debate was further conducted in the media during 2009 concerning investments via funds, whereby it was questioned that certain funds are geographically domiciled in OFCs – Offshore Financial Centres. As a result of this debate the owner decided that Swedfund could not continue investing in funds pending a final decision.

The Swedish National Audit Office published an audit of Swedfund's activities in 2009, criticising Swedfund's previous documentation and reporting of development effects of Swedfund's investment activities. We have accepted this criticism and will in 2010 continue developing our tools for monitoring and reporting of development effects to meet the requirements.

LOOKING FORWARD

During the past year, Swedfund adopted an updated Policy for Sustainable Development, which replaces our former Environmental Guidelines and Code of Best Practice. The new policy, which will be implemented in 2010, presents an updated internal process describing how we operate with respect to the sustainability of our investments. It also entails clearer demands on our partners to this end.

In the year to come Swedfund's main challenge lies in increasing equity investments in the least developed countries and in post-conflict areas together with Swedish strategic partners. These regions and markets have unmet demands and great opportunities, however they also involve greater political, infrastructural and institutional challenges and risks that need to be properly addressed when investing. In a three years perspective Swedfund aims to have:

- 50% of the portfolio invested in the least developed & other low-income countries¹
- 50% of the portfolio in (direct) equity investments
- Increased investments with Swedish strategic partners

By aiming at increasing equity investments together with Swedish partners in the poorest countries we believe we are better equipped to generate economically, socially and environmentally sustainable development for all stakeholders.

This is the second formal sustainability report issued by Swedfund. As shown in this report, however, sustainable development is nothing new to Swedfund; on the contrary, it is the very essence of our mandate and operations. It is also self-evident for us to measure and openly report on the development effects and shortcomings we suffer. The first report was honoured the best sustainability report of 2008 by FAR-SRS, the Swedish Association of Authorised Public Accountants. It is a challenge is for us to keep up the high standard and to strive to surpass it.



Björn Blomberg, Managing Director

CHAPTER 1

SWEDFUND'S MANDATE – FINANCE FOR DEVELOPMENT

Swedfund's overall objective is to promote equitable and sustainable development in low and middle-income countries by means of investments in the private sector.

DEVELOPMENT EFFECTS - SWEDFUND'S CORE BUSINESS

Swedfund is a Development Finance Institution (DFI) owned by the Swedish State to invest in the private sector in developing countries and transition economies (non-EU members). Through responsible private sector investments we contribute to the overall goal of Sweden's Policy for Global Development and Swedish Development Co-operation with sustainable economic growth and development as main objectives.

“We believe economic growth is an essential precondition for a country to develop and rise from poverty”

A thriving private sector is the engine of sustainable economic growth. However, the scarcity of long-term risk capital, particularly equity capital, is one of the factors that constrain private sector growth in developing countries as well as in transition economies. Local banks face high costs and have problems acquiring information they can rely on. Complex regulatory environments increase the risks. Lack of technology and know-how, varying standards of governance and transparency are common challenges. These factors raise interest rates, reduce lending volumes and result in higher costs and barriers to private sector growth. As a result many companies operate outside the formal legal system contributing to widespread informality and low productivity.

SWEDEN'S POLICY FOR GLOBAL DEVELOPMENT

contribute to equitable and sustainable global development²

- Equitable global development means respect for human rights and democracy, and is achieved by means of economic growth that leads to reduced poverty. One fundamental and central aspect of poverty is lack of resources. Resources are created by economic growth.
- Sustainable global development means that resources are to be used in a manner that is effective in the long term and ensures that the needs of the present generation are met without compromising the ability of future generations to meet their needs.

SWEDISH DEVELOPMENT CO-OPERATION

creates conditions that will enable poor people to improve their lives³

- Focus on Africa: Sub-Saharan Africa has the largest percentage of poor people in the world, and the countries there are the farthest from reaching the Millennium Development Goals
- Reform cooperation in Eastern Europe: Sweden is increasing its commitment to bring about continued EU integration and important reforms in former Soviet states and in south-eastern Europe.
- Support to conflict areas: Sweden is also increasing its involvement in countries affected by conflict, where people are particularly at risk.
- Driven by demand: The partner countries' own poverty reduction strategies are to form the basis for action taken by Sweden in development cooperation.

Swedfund can act as catalysts so that other investors and banks can dare to provide financing. By demonstrating that it is possible to succeed as an investor in developing countries and emerging markets Swedfund and other DFIs attract new entrants and increase competition – something we believe provides an incentive for innovation and efficiency. By providing finance and expertise that our clients need and want, but have problems obtaining, Swedfund promote the creation of new companies or the expansion of existing ones.

We contribute to development directly by job creation, increasing people's incomes through higher average wages, providing markets with goods and services of higher quality at lower prices, know-how and technology transfer (as explain in figure 1 below)

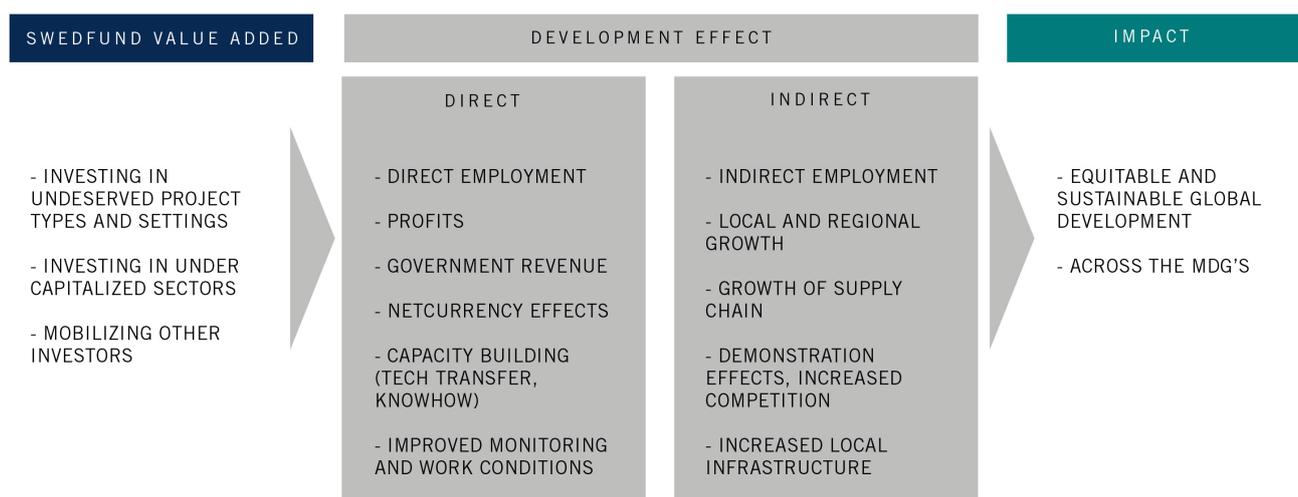
Our investments also contribute to sector development and greater competition, growth of supply and distribution chains and sound business cultures as well as training for the employees. Furthermore, our investments contribute to development in the wider society through an increased tax base for the state, which is used to finance social and economic infrastructure, in those countries in which we invest.

Over the past 30 years Swedfund has promoted business on tomorrow's markets and accumulated many good examples, demonstrating that it is possible to make investments that are both profitable and sustainable in developing countries.

SWEDFUND'S CURRENT INVESTMENT PORTFOLIO

- 2.6 bn SEK committed capital
- 81 portfolio companies
- more than 40 different countries
- 64% invested in SMEs (portfolio excluding funds)
- 33% of committed capital through direct equity investments
- 48% of committed capital in least developed & low income countries
- 82,700 people employed through Swedfund's portfolio

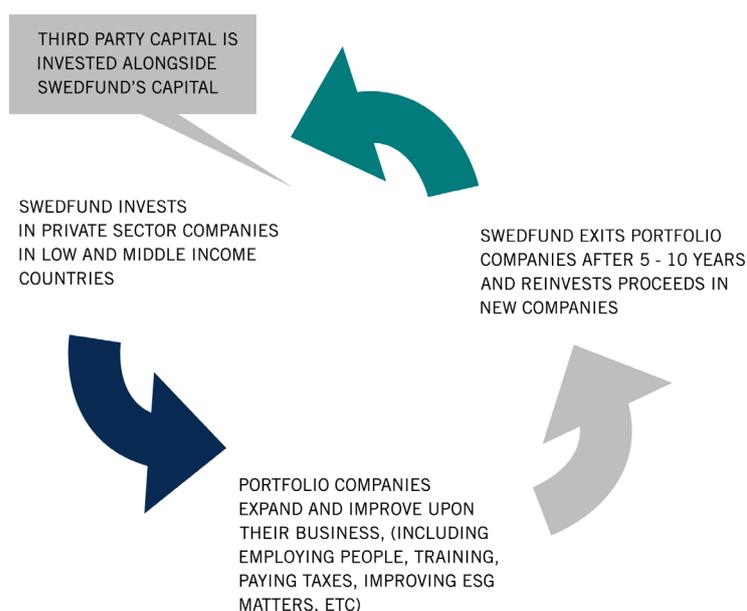
FIGURE 1: SWEDFUND'S CONTRIBUTION TO EQUITABLE AND SUSTAINABLE DEVELOPMENT:



A SUSTAINABLE BUSINESS MODEL

Swedfund invests in private sector companies in developing countries and in Eastern Europe (non EU members). The objective is to create economically, environmentally and socially sustainable companies that will contribute to growth and development in the countries in which we invest. The rationale behind the business model is to be “additional” and “catalytic”. Additional in the sense that we seek to invest in regions, sectors and segments that would not otherwise have had access to finance for the private sector. Catalytic because we partner with co-investors and enable other private sector investors to join us.

FIGURE 2: SWEDFUND'S BUSINESS MODEL:

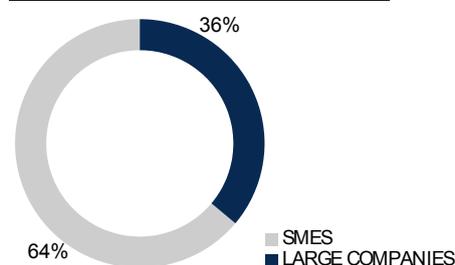


STRATEGY AND PRIORITY AREAS

Swedfund focuses on equity investments in small and medium sized enterprises (SMEs) in the least developed countries, where our capital is best needed. Access to finance in developing countries is typically easier for large and micro enterprises than for SMEs (see figure 3 below).

Despite the financial crisis, GDP growth⁴ is and will continue to be highest in developing and emerging economies. As equity investors we become more active owners and acquire a better position to exert influence. This is achieved through representation on the Boards of our portfolio companies. Investing through equity can also help to attract further capital in the form of equity and loan capital from other financial actors. Net profits from our investments are retained within Swedfund and re-invested in new businesses.

SME SHARE OF DIRECT INVESTMENTS



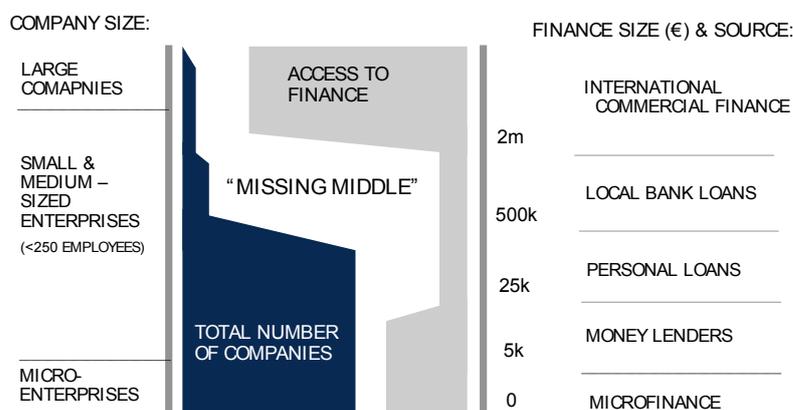
In our financing activities we strive to work together with responsible partners, thus minimising the operational risk of our investments. Hence, investments are often done with Swedish companies. In general, Swedish companies have a good reputation for social and environmental responsibility. Together we strive to be good role models. By doing the right business in the right way, we hope that the infusion of a responsible corporate culture and efficient technologies can have a positive influence on the way business is done in the markets where we operate.

At the same time we are part of Swedish industry's globalisation and expansion into new markets. In addition to financial, commercial and legal aspects we include environmental, social and governance (ESG) considerations for each investment.

By active engagement and monitoring we support our portfolio companies to meet or even out-perform environmental and social requirements. By doing this we believe the companies can become more successful, in addition to contributing to sustainable long-term development effects.

STRATEGIC SUSTAINABLE DEVELOPMENT TARGETS	
2010:	<ul style="list-style-type: none"> ▪ Increase investments in the least developed & low income countries ▪ Continue investing in post-conflict areas ▪ Increase direct equity investments ▪ Increase clean tech, energy, healthcare and ICT investments ▪ Increase investments with Swedish strategic partners ▪ Implement Swedfund's upgraded policy for Sustainable Development (development effects, environmental, social & government matters)
2012:	<ul style="list-style-type: none"> ▪ 50% of investment portfolio in least developed & low income countries ▪ Increased investments in post conflict areas ▪ 50% of total investment portfolio through direct equity ▪ Increased clean tech, energy, healthcare and ICT investments ▪ Increased investments with Swedish strategic partners

FIGURE 3: ACCESS TO FINANCE IN DEVELOPING COUNTRIES



DEVELOPMENT EFFECTS – STAKEHOLDER ASSESSMENT

Investments in private sector companies in developing countries and transition economies result in development effects for various stakeholders. For each investment, Swedfund assesses the development effects with the aid of a stakeholder analysis (summarized in figure 5 below). In this way we can evaluate how the investment will affect (ex-ante) or has affected (ex-post) the different stakeholders both directly and indirectly.

FINANCIERS - to assess costs and benefits to project financiers, we look at measures of investment profitability. Profitable investments are an essential signal to attract other investors: profits show that supporting developmentally sound projects can also be good business.

EMPLOYEES receive higher wages and benefits (medical insurance, travel and food allowance etc.) compared to alternative employment. If there is no alternative employment, which is the case in many of the sectors and regions where Swedfund invests, employment creation is an extremely important factor for well-being. Training is also a benefit resulting from employment. Training benefits the company through higher productivity, as well as the worker in the form of greater skills that can be put to use in future jobs.

CUSTOMERS in the markets where Swedfund invests often gain access to new or better quality goods and services. Alternatively lower prices can be offered thanks to local production, more efficient production methods or economies of scale. Swedfund invests in companies producing goods and services that are in demand on the market. Examples of sectors Swedfund invests in include manufacturing, infrastructure, financial services, retail and services.

FIGURE 4: THE STAKEHOLDER FRAMEWORK – ASSESSMENT OF DEVELOPMENT EFFECTS⁵



SUPPLIERS – the companies in which Swedfund invests often have many local suppliers. These often experience increased demand for their products or services and ultimately in higher revenue and profit. Employment can also increase as a result of increased demand as well as quality in the products/services. Many customers also assist their suppliers in producing at lower cost or better quality by providing assistance with managerial or organisational skills, technology or finance.

SOCIETY & GOVERNMENT – all Swedfund's investments contribute to the rest of society in the countries where the investee companies are located by way of the taxes and duties paid by the companies to their governments. Some of the companies in which Swedfund has invested are now numbered among the largest tax payers in the countries where they operate.

NEIGHBOURS – the companies in which Swedfund invests often impact neighbouring communities. The construction or improvement of infrastructure for the company (such as roads, electricity etc.) often enables neighbours to make use of the same infrastructure (often without needing to pay). Companies in our markets also often contribute funding to scholarships, education, schools, community centres or clinics etc.

ENVIRONMENT – Swedfund invests in companies that are minimising the impact on the environment. Swedfund also looks actively for investments contributing to a better climate such as energy efficiency or renewable energy investments.

COMPETITORS mainly benefit from demonstration effects. Examples of demonstration effects include demonstrating the feasibility of a new technology, viability of a certain market segment, new management or way of organising business etc. These demonstration effects may also encourage **NEW COMPANIES** to enter the market. Network effects include those that involve the supply chain. Improved quality at one supplier will normally benefit all its customers.

PRODUCERS OF COMPLEMENTARY PRODUCTS/SERVICES – a product whose value increases for the customers when the supply of another product increases. Hence, producers of complementary products in markets where the main products are scarce will benefit. Effects may also show in higher employment and/or wage levels. Swedfund's investments lead to these types of effects when entering market segments with a deficit of certain products.

CHAPTER 2

RESPONSIBLE INVESTMENTS FOR DEVELOPMENT

By investing in economically, socially and ecologically sustainable businesses that lack access to finance, Swedfund contributes to sustainable growth and development.

THE INVESTMENT PROCESS

As a state-owned development finance institution we emphasise transparency and governance as well as good environmental and social conditions in addition to traditional commercial, financial, company, partner and market analyses. By focusing on the development of sustainable and responsible business, we believe that our partners will improve their performance and enhance their own competitive edge.

Swedfund and its portfolio companies aim to maximise economic, environmental and social benefits and to minimise risks and costs. Therefore it is necessary for us to take financial and economic as well as developmental and ESG factors into account during the entire investment process.

All Swedfund's investments must comply with Swedfund's Policy for Sustainable Development⁶. This policy has been approved by our Board and defines Swedfund's core philosophy and values; it also outlines how we incorporate sustainability aspects into Swedfund's operations and investment activities. By active engagement and monitoring we support our portfolio companies to meet or even out-perform environmental and social requirements. By doing this we believe the companies can become more successful, in addition to contributing to sustainable long-term development effects.

Swedfund's Policy for Sustainable Development includes (see attachment):

- Guidelines for Swedfund's investment process regarding development effects, environmental, social and - governance matters (ESG)
- Requirements & guidelines for our investee companies
- Exclusion list - what Swedfund does not invest in
- Environmental and Social Risk categorization

FIGURE 5: SWEDFUND'S INVESTMENT PROCESS:



INVESTMENT SOLUTIONS AND INSTRUMENTS

Swedfund has a broad spectrum of financial instruments. Our focus is on equity capital. We also offer various kinds of loans and guarantees. Swedfund is a minority investor and when we invest we expect our strategic partners and clients to take operative responsibility. Swedfund's financial risk is thereby balanced against the risk exposure of the other parties. The size of our investments can vary from SEK 5 million up to SEK 130 million. As a shareholder, Swedfund will in most cases require a seat on the board of the investee company. Having a seat on the board means that we can influence decision making as well as having a better view of economic, environmental and social issues related to the company.

Swedfund's investments represent a long-term but time-limited involvement. Normally we exit when a portfolio company has achieved a stable position and sustainable level of profit as well as good environmental and social standards. For this reason it is important, right at the start of the involvement, to have a common goal for what is to be achieved during the partnership period. An exit often coincides with the point at which the jointly owned company enters a new development phase (investment horizon of 5-10 years, sometimes longer depending on the needs of the company).

PORTFOLIO BY INVESTMENT TYPE

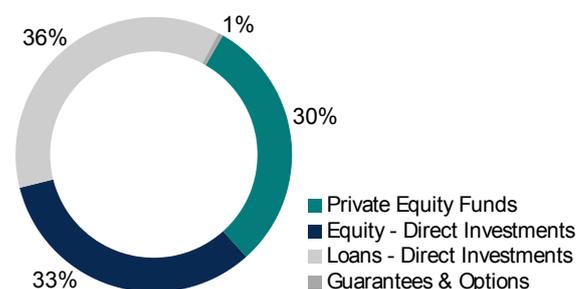
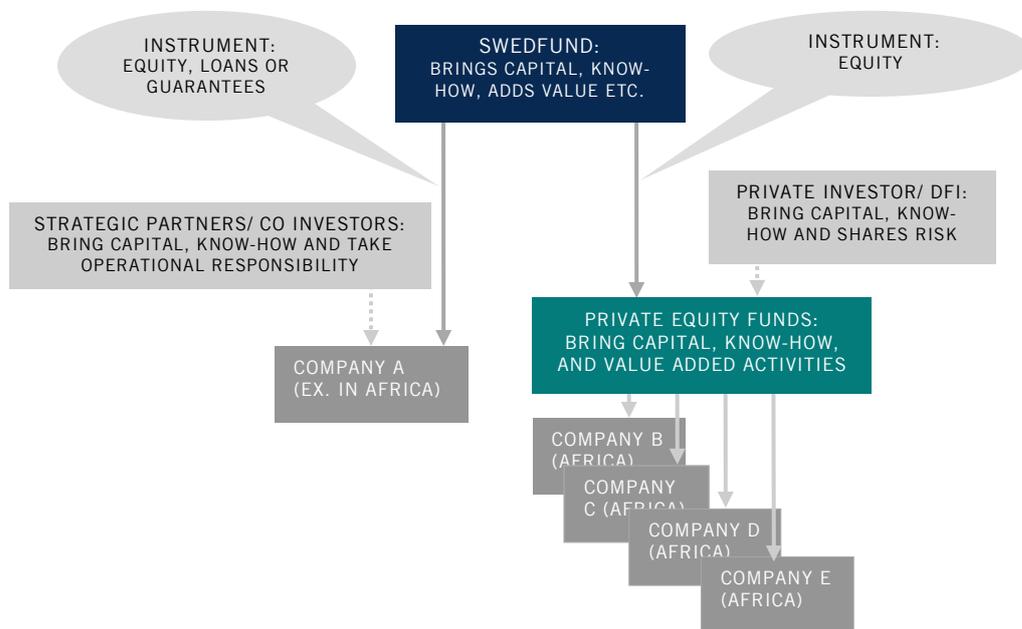


FIGURE 6: INVESTMENT SOLUTIONS AND INSTRUMENTS:



GRANT FINANCE TO SWEDISH SMES: Swedpartnership is a special program at Swedfund offering finance in the form of grants to Swedish small and medium sized companies for transfer of know-how and investments in equipment when establishing a business in Africa, Asia and Latin America or a country in Eastern Europe (non-EU members).

The financial support is provided as a loan that can be converted into a grant when the project has been completed according to plan. The maximum financial assistance to any one project is limited to SEK 750,000 and 40% of the total project cost.

TECHNICAL ASSISTANCE: By providing technical assistance Swedfund can support knowledge transfer as well as training to improve labour conditions, HIV/AIDS prevention or strengthen corporate governance in connection with investments involving particularly high risks in these areas.

FINDING THE RIGHT PARTNER

Our strategic partners are primarily Swedish companies wishing to establish themselves in a new market or to expand their operations. Our strategic partner must be prepared to share the financial risk with Swedfund and to take operative responsibility. Our strategic partner is often a company with:

- Extensive experience from relevant business sector
- Financial strength
- High-quality management skills
- Clear business ethics/principles
- Clear and transparent governance structures
- Well functioning Environmental Management System

CASE: SWEDMILK, DAIRY IN MACEDONIA

The importance of finding the right partner was demonstrated in 2009 when Swedfund had to exit as owner from the Macedonian based dairy Swedmilk. Swedfund made a greenfield investment in Swedmilk in 2007. Due to financial difficulties and governance problems Swedfund had to exit the company in February 2009. Swedfund sold its shares to a new owner who endeavoured to turn the business around. However, the new owner did not succeed and Swedmilk was eventually filed for bankruptcy. As a result, Macedonian milk farmers were regrettably left without payments for their deliveries.

INVESTEES COMPANY:	SWEDMILK
Business activity:	Dairy, milk production
Year of investment:	2007
Year of exit:	2009
Swedfund's investment:	Equity: EUR 500.000 Loan: EUR 150.000
Main development effects:	High quality milk production (not realised) More jobs for milk farmers (not realised)

One of the most important factors for a successful investment is to invest alongside a strong strategic partner who shares Swedfund's core principles concerning how to run and develop the business. Swedfund is constantly developing more sophisticated means of performing due diligence before investing and exiting and we are always clear with our intentions and requirements in the dialogue with our partners.

An independent investigation has been conducted regarding Swedfund's handling of the Swedmilk investment and this investigation shows that Swedfund acted correctly and in accordance with applicable laws and regulations.

CHAPTER 3

INVESTMENT PORTFOLIO 2009

COUNTRY	INVESTMENT	BUSINESS ACTIVITIES	STRATEGIC PARTNER /CO-INVESTORS	INV. YEAR	TYPE OF CAPITAL	COMMITTED KSEK
AFRICA:						
Kenya	Acacia Fund	Venture Capital Fund	DFIs etc.	1997	Equity + Loan	64 660
Ethiopia	Addis Cardo Thoracic Hospital	Cardiovascular hospital	Fikmar Medical AB	2006	Equity	7 600
Kenya	Addis Quarry Development plc	Stones	Fikmar Medical AB	2008	Equity	9 750
Africa	African Infrastructure Fund (AIG)	Venture Capital Fund	IFIs, DFIs etc.	1999	Equity	90 025
Africa	AfriCap Microfinance Investment Company	Microfinance	Abacus Management Solutions Ltd	2007	Equity	19 712
Africa	Afrinord Hotel Investments	Hotel	Rezidor SAS Hospitality	2005	Equity + Loan	76 200
Egypt	Al Quseir Hotel Company	Hotel	Radisson-SAS	2001	Loan	28 293
Africa	AMSCO	Manpower	DFIs etc.	1990	Equity	4 657
Kenya	Athi River Steel Plant	Steel Plant	Aureos	2009	Loan	44 980
Benin	Cimbenin	Cement	Scancem International	1991	Equity	6 429
Africa	ECP Africa Fund II	Venture Capital Fund	IFIs, DFIs etc.	2008	Equity	74 312
Africa	ECP Africa Fund III	Venture Capital Fund	IFIs, DFIs etc.	2005	Equity	113 651
South Africa	EFP – Careworks	Healthcare company	EFP	2007	Equity + Loan	147
Senegal	EFP - Cement du Sahel	Cement manufacture	EFP	2006	Loan	3 141
Kenya	EFP - Equity Bank	Bank	EFP	2008	Loan	2 359
Africa	EFP - European Financing Partners	Financing company	DFIs etc.	2006	Loan	61 392
Tanzania	EFP – Millicom	Telecom	EFP	2008	Loan	2 781
Kenya	EFP – Olkaria	Renewable Energy	EFP	2008	Loan	2 320
Tanzania	EFP - Precision Air	Airline	EFP	2007	Loan	1 073
Kenya	EFP - Rabai Power	Power Plant	EFP	2008	Loan	1 715
Zambia	EFP - Zambeef	Food production	EFP	2009	Loan	1 710
Mocambique	EFP Maputo Private Hospital	Hospital	EFP	2008	Loan	667
Kenya	Elgon Road Development Ltd	Hotel	SAS Rezidor	2008	Equity	18 058
Ethiopia	Emerald Addis Hotels	Hotel	The Strandwood Hotel Group	2008	Equity	23 399
Tanzania	Fedha Fund	Venture Capital Fund	DFIs etc.	1998	Equity	7 888
Egypt	Gamma Knife Center	Cancer treatment clinic	Elekta, Scandinavian Care	2000	Equity + Loan	6 755
South Africa	Geratech Zirconium Beneficiation	Zirconium chemicals and oxides	National Research Foundation	2005	Equity + Loan	27 985
Mocambique	Maputo Port Development Company	Port terminal	Grindrod, DPW	2002	Loan	27 901
Uganda	Micro Uganda	Microfinance	Microafrica	2009	Garantee	3 590
Africa	Raffia	Polypropylene sacks		2005	Equity + Loan	323 786
Rwanda	Rwanda Micro Finance	Microfinance	Microafrica	2009	Garantee	3 590
Zimbabwe	Seed Co	Plant breeding	Svalöf Weibull	1981	Equity	1 410
South Africa	Small Enterprice Foundation	Microfinance	Local partners	2006	Loan	8 286
Somalia	Somalia Telecom Group	Telecom	FMO	2007	Equity + Loan	41 649
Ghana	Sweden Ghana Medical Center	Cancer treatment clinic	Elekta	2008	Equity + Loan	14 857
Tanzania	Tol	Oxygen and acetylene production	Saami Holdings	2004	Equity	1 552
Tanzania	Zain (Celtel Tanzania)	Telecom		2007	Loan	62 638
LATIN AMERICA:						
Bolivia	Bolivia Investment Management	Fund management company	Björn Carlsson	1998	Equity	643
Central America	CAIF	Venture Capital Fund	DFIs etc.	1996	Equity	23 786
Bolivia	Carlsson Bolivia Facility	Investment Fund		1998	Equity	24 045
Central America	Corporacion Financiera Ambiental	Venture Capital Fund	IFIs, DFIs etc.	1996	Equity	8 246
Global	Global Medical Investments	Cancer Treatment Investments	Elekta	2009	Equity + Loan	70 000
Peru	Industrial Papelera Atlas	Pulp industry	Cellmark	2005	Loan	6 206
Uruguay	Ontur International	Port terminal	LauritzenCool	2005	Equity	14 981

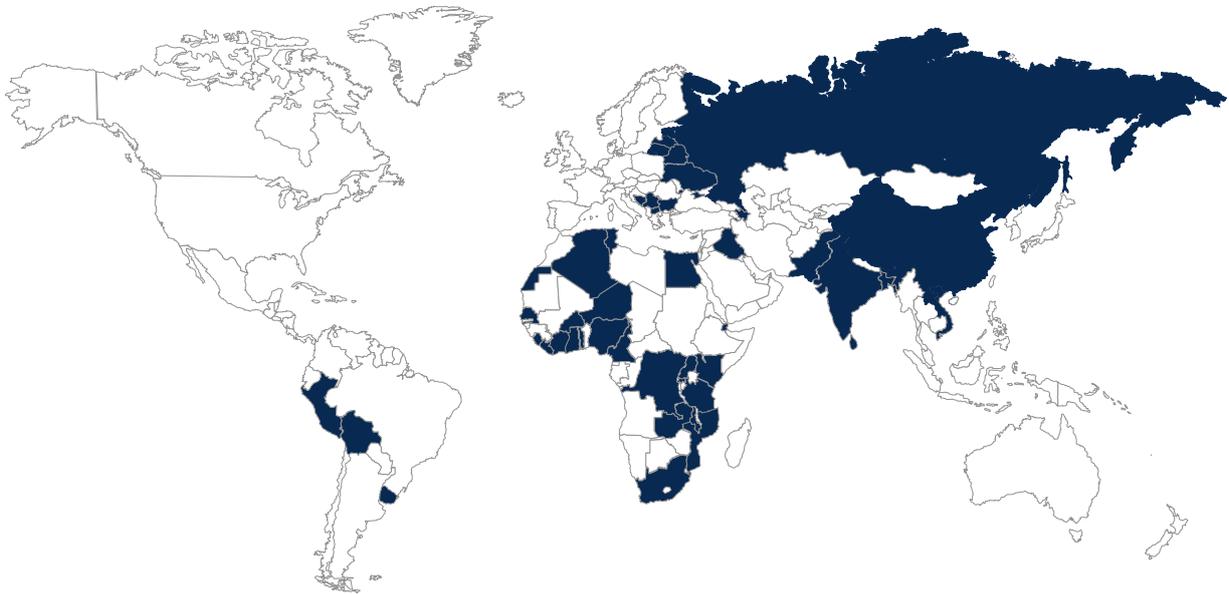
COUNTRY	INVESTMENT	BUSINESS ACTIVITIES	STRATEGIC PARTNER/ CO-INVESTORS	INV. YEAR	TYPE OF CAPITAL	COMMITTED KSEK
ASIA:						
India	Baring India Private Equity Fund II	Venture Capital Fund	Baring Private Equity Partners, DFIs	2005	Equity	89 255
Bhutan	Bhutan Dairy	Dairy	Tetra Pak India	2004	Loan	5 446
Laos	Burapha Agro-Forestry Company	Sawmill & furniture production	Silvinova	2000	Loan	3 063
China	CEF III	Venture Capital Fund	IFIs, DFIs etc.	2008	Equity	73 179
Pakistan	Engro Energy Limited	Power Plant	Engro Chemical Pakistan Ltd	2007	Loan	103 364
India & China	Green Investment Asia Sustainable Fund I	Venture Capital Fund	ALOE Environmental Fund II, DFIs etc.	2007	Equity	83 936
Bangladesh	Haripur Power	Power plant		2003	Loan	39 725
China	HSF Electro Mechanic Wuxi	Telecom & industry components	G. Bergström Förvaltning	2006	Equity	8 384
Sri Lanka	Industrial Finance Systems (IFS)	Software development & production	IFS	2004	Loan	47 000
India	Jacobi Carbons	Filters for water treatment etc.		2008	Loan	22 358
China	Karlsson Spools Precision Machining Co.	Spools for hydraulic valves	Karlsson Spools	2005	Equity + Loan	27 318
Iraq	KurdMed	Eye care hospital	Iraq doctors	2008	Equity + Loan	26 422
India	Polygenta Technologies	Polyester Textured Yarn	DFIs etc.	2009	Loan	77 325
China	Prestando (Wuxi)	Components for automotive industry	Prestando AB	2007	Equity + Loan	13 000
China	Recupero	Aluminum recycling	Feralco m fl	2007	Equity	20 589
India	Sanghi Industries	Power plant	Sanghi Industries Ltd	2007	Loan	102 863
China	Sichuan Investment Fund	Venture Capital Fund	IFIs, DFIs etc.	2001	Equity	22 690
Vietnam	Vietstar	Waste Recycling	Lemna International Inc	2008	Loan	63 513
EASTERN EUROPE:						
Azerbaijan	Access bank (Micro Finance bank of Azerbaijan)	Microfinance	EBRD, IFC, KfW etc.	2008	Loan	30 825
Russia	Advakom	Cables for IT and telecom industry	Private investors	2001	Loan	5 789
Ukraine	Ambiente Furniture	Furniture	Ikea	2005	Loan	2 002
Russia	Ansonbell Holdings/ Volgastrap	Steel band plant	Specta Group	2005	Equity + Loan	44 226
The Baltics	Askembla Growth Fund	Venture Capital Fund	Askembla Asset Management, IFIs, etc	2003	Equity	58 000
Russia	BBA Holding	Farming	BBA Holding AB	2007	Equity	9 445
Belarus	Belarusian Bank for Small Business	Bank	IFIs, DFIs etc.	2008	Equity	9 776
Estonia	Fors MW AS	Engineering industry	Blidbergs Inv. Group Hydagent, Slangbolaget	1995	Equity	6 496
Bosnia	Horizonte Bosnia-Herzegovina Enterprise Development Company	Venture Capital Fund	IFIs, DFIs etc.	1997	Equity	8 628
Russia	Izma Reindeer Meat	Processed meats	OY Finnmajor	2004	Loan	3 580
Serbia	Komercijalna Banka	Bank	IFIs, DFIs etc.	2008	Equity	103 110
Latvia	Leax Baltix	Components to automotive industry	Leax Group	2003	Loan	3 000
Russia	Melon Fashion Group	Fashion retail	Kellermann Scandinavia	2002	Equity	46 102
Russia	Mint II	Venture Capital Fund	Mint Capital Partners	2004	Equity	41 720
Russia	Nordrus Hotel Holdings	Hotel	Rezidor SAS Hospitality	2003	Equity	15 971
Lithuania	Pieno Zvaigzdes	Dairy	LRF	2001	Equity	25 018
Bulgaria	Precomp Solutions	Components for automotive industry	Precomp Solutions	2005	Equity	5 000
Macedonia	Swedmilk Makedonija	Dairy	M & A Beverages	2007	Equity + Loan	1 398
Latvia	Troll Nursery	Children's furniture	Mikael Orvelind	2004	Equity + Loan	10 217

PORTFOLIO BY REGION 2009

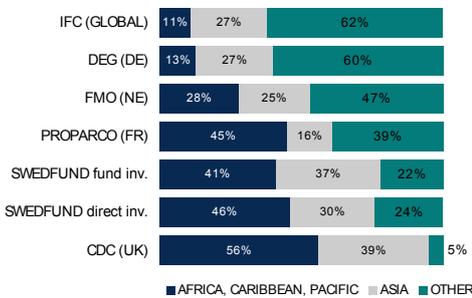
Since Swedfund's start in 1979 we have invested in more than 200 companies in over 60 countries around the world. At the end of 2008 our portfolio consisted of investments in 71 companies and the total committed capital was 2bn SEK. In the end of 2009 we had 81 companies in our portfolio with a committed capital of 2.6bn SEK in more than 40 countries.

The focus of Swedfund's investments has been and will continuously be on low-income countries, mainly in Sub Saharan Africa. These are the regions that have the highest growth potential but also the most difficulties in accessing finance. Swedfund is one of the DFIs investing the most in low-income countries.

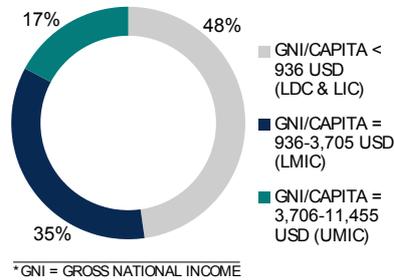
FIGURE 7: GEOGRAPHIC DISTRIBUTION OF SWEDFUND'S EXISTING INVESTMENTS



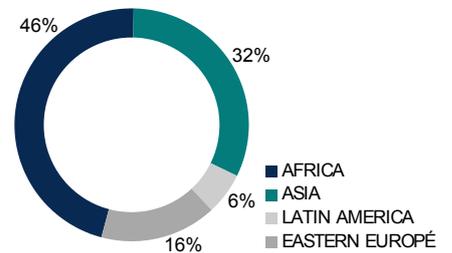
PORTFOLIO BY REGION COMPARISON 2008



PORTFOLIO BY INCOME/CAPITA*



TOTAL PORTFOLIO BY REGION 2009



PORTFOLIO BY INDUSTRY SECTOR 2009

Swedfund invests in several business sectors. We believe each sector has its impact on the development of the country. It is difficult to state that one sector is more important than another since it is only when a society possesses the entire spectrum of products, services and infrastructure that development can come about.

SECTORS IN FOCUS:

- Clean Tech
- Energy
- Healthcare
- ICT

CLEAN TECHNOLOGY AND ENERGY: Swedfund has for many years been involved in investments in environmental/clean technology and energy and we focus on continuing and expanding these investments. This is why we today have a special focus on clean technologies and energy, these are also referred to as green or climate investments. Swedfund is taking active steps to invest together with both Swedish and international companies in energy and the environment with a focus on poor countries where environmental problems are particularly severe. Examples of clean tech investments can be found in the chapter entitled “Cooler Business”.

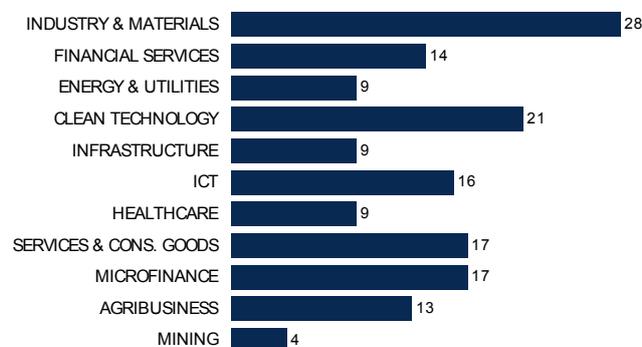
HEALTHCARE: Swedfund has also been focussing on healthcare investments during the past few years. Examples of private healthcare include a cardiovascular hospital in Ethiopia, cancer treatment clinics in different parts of the world and an eye care hospital in Iraq. These healthcare investments are of great importance for the local population as well as for keeping and developing local expertise within these medical fields.

ICT: Information communication technology (ICT) has proven to be essential for all societies today in order to communicate and gain information. Swedfund began investing at an early stage in telecom and mobile networks and is still focussing on ICT by investing in mobile networks, internet providers, software development etc.

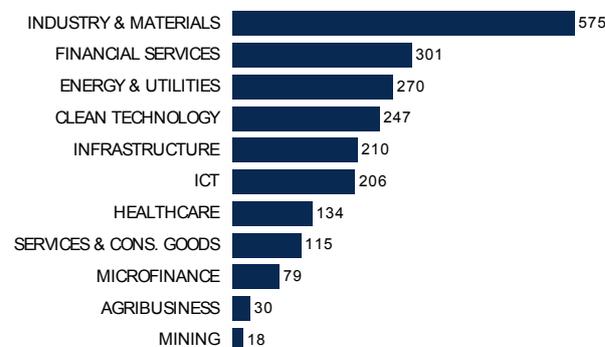
FINANCIAL SECTOR AND MICROFINANCE: Swedfund supports the development of financial services by investing in banks, leasing companies and microfinance. Investing in microfinance institutions is one way of contributing to self employment, higher living standards, empowerment for women and poverty reduction.

INDUSTRY/ MANUFACTURING: a large proportion of Swedfund’s portfolio consists of general manufacturing companies. Examples of products manufactured by our portfolio companies include cement and industrial components.

INVESTMENTS BY SECTOR 2009 (company #)



INVESTMENTS BY SECTOR 2009 (mSEK)



INFRASTRUCTURE: infrastructure, here meaning buildings and ports etc, is essential for an economy to develop. Examples of infrastructure investments (except for energy, water treatment and ICT as mentioned above) include ports and hotels.

SERVICES & CONSUMER GOODS: current investments in the service sector include manpower and airport handling. Consumer goods include retail & food and dairies. Wholesale & retail often create particularly large numbers of jobs. One example is Swedfund's investment in a retail chain in Russia that provides jobs for more than 1,000 people.

AGRICULTURE: a large part of the world's poor live in rural areas, and agriculture is one of the most important economic sectors and sources of employment in developing countries. A very limited part of Swedfund's investments is invested in agribusinesses. However, Swedfund does invest in manufacturing companies of which some have local suppliers in the agricultural sector.

CHAPTER 4

COOLER BUSINESS

Swedfund seeks actively to invest in companies that contribute to climate stability.

CLIMATE INVESTMENTS

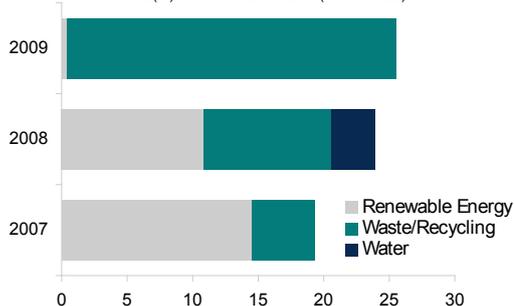
The global challenges of climate change, loss of biodiversity and crises related to the unsustainable use of natural resources are all posing a serious threat to our economies and to our planet. While these challenges will affect all countries, developing countries will be hit first and hardest. Many of the least developed countries are dependent on natural resource-related sectors such as agriculture, forestry and fisheries, and they are already struggling to cope with current weather extremes and depleting natural resources.⁷

The developed countries are responsible for the vast majority of the past GHG emissions. These countries must therefore take greater responsibility for reducing emissions. However, several emerging economies will soon reach the same levels of GHG emissions as many industrialised countries.⁸ Emerging markets are polluting more for several reasons. Manufacturing services from developed countries have increasingly been relocated to emerging markets where resource intensity (see next page) is considerable higher than in the developed countries, mostly due to lack of modern technology and management practices. A manufacture company in Africa uses almost three times more energy⁹ than a European company producing the same product and 17 times more material¹⁰. A low material intensity means higher costs and more waste and pollution. In addition, rapid population growth, urbanization and rising living standards in these regions put greater pressure on the environment.

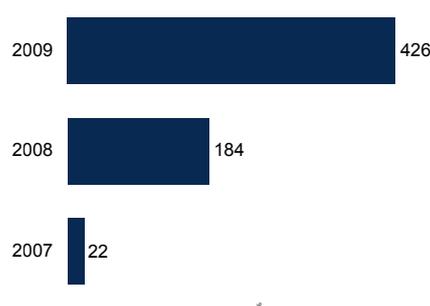
While fighting climate change and environmental degradation it is important to safeguard the right to development for developing countries. Both the fight against poverty and that against climate change must take place simultaneously and not at the expense of one another. The world needs to ensure that the least developed and most vulnerable countries receive the level of assistance they need to adapt to climate change, as well as to ensure that development in these countries proceeds with the least possible impact on climate and the environment. Economic and technical constraints require developed countries to support emerging nations with finance, technology and capacity building.

To support this effort, Swedfund has been involved for many years in developing new business models and financing instruments for renewable energy, water and waste treatment and new cleaner production technologies in developing countries and transition economies. Swedish clean technology companies are at the forefront of development and can, through co-financing from Swedfund, help to reduce emissions and other negative environmental impacts.

NEW CLEAN TECHNOLOGY INVESTMENTS
SHARE (%) OF PORTFOLIO VALUE (COMMITTED)



CLEAN TECH INVESTMENTS IN PORTFOLIO (MSEK)



Example of previous investments by Swedfund in the clean tech sector include the financing of the South West sewage works in St Petersburg in 2002, the manufacture of water-cleaning chemicals in Egypt and Poland in 1989 and 1993 and of insulation materials in Poland in 1994.

Over the past three years, Swedfund has invested more than MSEK 400 in clean technologies. In 2009, this sector accounted for more than 25% of our new investments and more than 20% of Swedfund's existing portfolio (2009). Investments include: geothermal plant, a biomass plant and a waste treatment plant. Clean technologies represent an increasingly important business area for Swedfund.

RESOURCE INTENSITY¹¹

The resource intensity of an economy can be defined as the total quantity of all raw materials consumed in relation to total production, e.g. tons of raw materials consumed per unit of GDP. Resource efficiency can be improved either by reducing resource inputs or by reducing the amount of resource inputs that ends up in the waste stream.

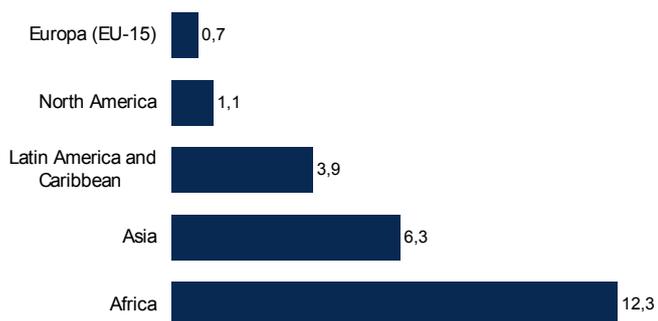
Resource efficiency has positive economic as well as environmental effects. Since resource inputs represent an important cost of production for industries, efficiency improvements reduce production costs and thus increase economic output and can be a significant lever for competitive advantage. Apart from its economic impacts, resource use is also the key driver for a number of global and regional environmental problems. These include global warming, deforestation, desertification, loss of biodiversity and pollution.

In the world economy, a relative de-coupling of resource use from economic growth can be observed in the past 25 years.¹² There is considerable regional variation in resource intensity. Industrialised economies are characterised by the lowest material intensities (or highest eco-efficiency), with Europe being world-leader with around 0.7 tons at the beginning of this decade. Africa is the continent with the highest material intensity. African countries on average needed more than 12 tons of domestic resources to produce 1,000 USD of GDP.¹³

This shows that there is high potential to improve resource efficiency in Africa, as African economies use around 17 times the amount of resources per GDP than economies in Europe. The major drivers for improved resource efficiency in developed regions are the use of new technologies with improved material and energy performance, new management practices and structural change of economies towards service sectors characterised by less material input per economic output.

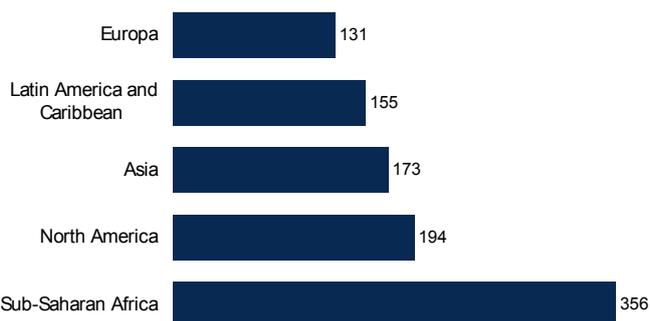
MATERIAL INTENSITY BY WORLD REGION

(Tonnes of domestic extraction per constant 1000 USD)



ENERGY INTENSITY BY WORLD REGION

(Tonnes of oil equivalent (toe) per million constant 2000 international \$ USD)



RENEWABLE ENERGY

Efficient, affordable and clean energy supplies are the key to poverty reduction and economic growth. In modern times, no country has experienced a reduction in poverty without a significant increase in energy consumption. Communities require energy for the delivery of basic services such as heating, light, cooking, refrigeration of medicine and food as well as telecommunications. At a national level, energy services help to facilitate stable economic development, industrial growth and, via transport and communications, providing access to international markets and trade.¹⁴

Across the globe an estimated 3 billion people are still without access to sustainable and affordable modern energy. Most remain dependent on traditional fuels, often adding to stresses on natural resources and undermining the sustainability of rural livelihoods. Energy poverty affects the poor in every region of the world, but it is a particular challenge in Sub-Saharan Africa, especially in rural areas. Only 6% of Africa's rural population has access to electrical power. Greater access to energy services is essential if Africa is to achieve the Millennium Development Goals (MDGs).¹⁵ Swedfund is involved in many different energy projects and is actively seeking new investment in renewable energy technologies (e.g., wind, hydropower, biomass and geothermal) and energy distribution.

CASE: OLKARIA - GEOTHERMAL PLANT, KENYA

Olkaria is a 48 MW geothermal power plant located in Kenya's Rift Valley. Swedfund has invested MSEK 2 in the plant through EFP - European Finance Partners – a financing vehicle of 13 European Development Finance

INVESTEES COMPANY:	OLKARIA
Business activity:	Cleaner technology- Renewable energy
Year of investment:	2008
Year of exit:	Not yet exited
Swedfund's investment:	MSEK 2

Institutions (EDFIs). Olkaria is the first privately funded and developed geothermal project in Africa. The company employs local Kenyan staff in key technical, business and operational roles, thereby contributing to advances in technological and business know-how in Kenya. This investment reduces the country's heavy dependence on imported oil and is expected to result in the prevention of Greenhouse Gas (GHG) emissions of up to 2.8 million tons of CO₂.

CASE: GREENKO – BIOMASS PLANT, INDIA

Greenko Group is one of India's fastest growing Independent Power Producers, focusing on developing clean energy assets in India to meet Indian's increasing demand for power. Swedfund has invested MSEK 9 in Greenko through the Green Investment Asia Sustainability Fund.

INVESTEES COMPANY:	GREENKO
Business activity:	Cleaner technology- Renewable energy
Year of investment:	2008
Year of exit:	Not yet exited
Swedfund's investment:	MSEK 9
Number of employees:	400

Currently the company has over 120 MW of contracted capacity including 6 hydro and 6 biomass plants and nearly 350 MW of licences under development. Greenko's income is generated from receipts for power sold to state electricity boards and from sales of Certified Emissions Reduction (CERs) which are generated from the Group's United Nations registered clean energy projects. One of Greenko's investments, an 18 MW biomass plant in Tamil Nadu, India, reduces the use of fossil fuel, which would otherwise constitute the bulk of power generation in India.

Thus, the investment reduces emissions by 50,000 tons of CO₂ per year and generates 50,000 CERs for Greenko each year that are sold to Tekniska verken in Linköping. The projects have been validated by Det Norske Veritas Certification Ltd and approved by the Swedish Energy Agency.

CLEAN DEVELOPMENT MECHANISM¹⁶

The Clean Development Mechanism (CDM) is an arrangement under the Kyoto Protocol allowing industrialised countries and authorized private entities to invest in projects that reduce GHG emissions in developing countries as an alternative to more expensive emission reductions in their own countries.

The project is validated by a third party agency to ensure the project results in real, measurable, and long-term emission reductions and the country or company making the investment is then credited with the certified emission reduction (CER) credits, or carbon credits, each equivalent to one ton of CO₂.

The CER-credits can then be traded and sold on the carbon market allowing the government or the private entities to increase its own emissions by the corresponding amount. As of 1 March 2009, 1,431 projects have been registered by the CDM Executive Board as CDM projects. These projects reduce greenhouse gas emissions by an estimated 220 million tons CO₂ equivalent per year.

WASTE AND RECYCLING

Waste generation is increasing rapidly in many developing countries, driven by population growth, urbanization, industrialization, and rising living standards. Most cities in the developing world do not have the financial resources to provide full-coverage municipal waste collection services, in particular in informal settlements and other low-income neighbourhoods, and the accumulating waste threatens health, damages the environment, and detracts from the quality of life. For developing countries, recycling of waste is the most economically viable option available both in terms of investments and employment generation for the urban poor. Recycling also conserves natural resources and prevents the spreading of pollution.¹⁷

Most developing countries need more financial and technical resources to provide adequate waste collection and recycling services. Swedfund seeks actively to invest in companies in the waste treatment sector and in the manufacturing industries that reduce resource use and waste by adopting recycling technologies and processes.

CASE: VIETSTAR – WASTE TREATMENT, VIETNAM

Vietnam has, as many other developing countries, a very big problem with growing waste piles among urban residential areas which generate toxic discharges causing illness. Swedfund is therefore investing MSEK 60 in an eco-friendly waste treatment plant in Cu Chi District, a suburb of Ho Chi Minh City.

INVESTEES COMPANY:	VIETSTAR
Business activity:	Cleaner technology - Waste treatment
Year of investment:	2008
Year of exit:	Not yet exited
Swedfund's investment:	MSEK 60
Number of employees:	600

Vietstar, which is Vietnam's first facility for waste management, will process 1,200 tons of waste daily and separate the waste into organic waste, plastics and metals. The organic waste will be converted into compost, which is much in demand within agriculture. The plastic contents of the waste will be recycled by Vietstar's new recycling technology and converted to Low Density Polyethylene granulate (LDPE) to be sold to plastic producers. This material can replace costly imported plastic resin made from petroleum. Other materials such as metals are also separated and recycled.

In addition to creating useful products from the waste, the facility will help the environment by keeping more than 80% of the waste out of landfills, thereby reducing greenhouse gases and the production of leachate.

The project has great positive impact on the environment in Ho Chi Minh City and its environment, as well as providing important health benefits for the people. Furthermore the investment brings comprehensive advanced technology for solid waste disposal, which is urgently needed by the city and will also create jobs for over 600 people, of whom 70% are unskilled workers and almost half are female.

CASE: POLYGENTA - RECYCLED PET BOTTLES BECOME YARN, INDIA

In 2009, Swedfund invested MSEK 75 in a new factory in India which has a patented clean technique to manufacture yarn out of recycled PET bottles. The factory will create some 180 job opportunities and indirectly occupy a great many people in collecting PET bottles.

INVESTEES COMPANY:	POLYGENTA
Business activity:	Cleaner technology – Manufacturing/ Recycling
Year of investment:	2009
Year of exit:	Not yet exited
Swedfund's investment:	MSEK 75
Number of employees:	180

As the factory will need a continuous supply of numerous collected PET bottles, the business will promote the systematic collection of PET bottles, which does not exist today. The investment will also contribute to transfer of know-how relating to a new environmental technique since in India modern polyester yarn is mostly produced from petrochemical raw materials.

The process will enable low cost post-consumer PET to be viewed as a viable substitute for petrochemical feedstock without compromising the quality of the finished goods. The company has already reached out to local schools and arranged plant site visits to raise awareness to the importance of the environment, recycling and how sustainable technologies can be a “win-win” for business and society.

CLEAN WATER

Today more than 1.1 billion people lack access to safe water. Unsafe drinking water and lack of appropriate sanitation have a profound effect on the health and well-being of billions of people, and seriously undermines development goals. Water stress is expected to worsen in many parts of the world as a result of factors including urbanization and population growth, increasing food production, changing consumption patterns, industrialization, water pollution, and climate change.¹⁸ Swedfund is committed to work towards increased global access to clean water supply and we are actively seeking to increase our investment in the water sector.

CASE: UZOS - WASTEWATER TREATMENT PLANT, RUSSIA

In 2002 Swedfund participated in financing the completion of the South-West Wastewater Treatment Plant (UZOS) in St Petersburg together with a variety of West European and Scandinavian co-financiers. The project began in the days of the former Soviet Union, but was postponed owing to lack of funds.

INVESTEES COMPANY:	UZOS
Business activity:	Cleaner technology – Waste water treatment
Year of investment:	2002
Year of exit:	2005
Swedfund's investment:	MSEK 37
Number of employees:	600

The wastewater treatment plant was constructed by SWTP Construction Oy, a consortium of contractors including Skanska and NCC and YIT Corporation. The plant has been operational since September 2005 and has an average daily capacity of 330,000m³ and treats the effluent from 720,000 of St Petersburg's 5 million inhabitants. The project has major positive environmental effects. It reduces the amount of untreated sewage entering the Gulf of Finland from St Petersburg, the largest single source of nutrient emissions entering the Baltic Sea, by about a third.

CASE: ASCE - WATER TREATMENT CHEMICALS, EGYPT

Aluminium Sulphate Company of Egypt (ASCE) was established in 1986 with Swedfund as a minority stakeholder to fill a market need and produce safe drinking water from contaminated water from the Nile River. Local production of aluminium sulphate, a substance used for water purification, all of which had

INVESTEES COMPANY:	ASCE
Business activity:	Cleaner technology – Water treatment chemicals
Year of investment:	1986
Year of exit:	2007
Swedfund's investment:	MSEK 6.3
Number of employees:	250

previously been imported, was started for the first time. Swedfund not only contributed by providing the extra finance needed, but also was instrumental in bringing in an outside partner specializing in water purification technology, Boliden (today Kemira). Swedfund remained as an ASCE stakeholder for over two decades and helped stabilize its operations and technological capacity.

ASCE has been very successful and is today the largest aluminium sulphate producer in Africa and the Middle East and has an installed production capacity of 450,000 tons of aluminium sulphate solution per year. Swedfund exited the investment in 2007 and a majority interest in the company was then sold to a private equity fund that was ready to invest heavily in coming years to ensure a bright future for ASCE. From the MSEK 6.3 that Swedfund invested in ASCE we have received almost MSEK 46.6, an internal rate of return of 20%.

CASE: JACOBI CARBONS – WATER TREATMENT FILTER, INDIA

In 2008, Swedfund invested MSEK 20 in a production facility for activated carbon in the South of India through a granted loan to Jacobi Carbons AB. This investment allows the development of the world's largest factory for coconut shell-based activated carbon.

INVESTEES COMPANY:	JACOBI CARBONS
Business activity:	Cleaner technology – Water treatment filter
Year of investment:	2008
Year of exit:	Not yet exited
Swedfund's investment:	MSEK 20
Number of employees:	140

Activated carbon is used in filters, for example filters for municipal water treatment and treatment of landfill leachate. This type of carbon is a “green” product, based on a renewable raw material as opposed to coal, the globally dominating raw material for the production of activated carbon.

Through this investment Swedfund partakes in the expansion of Jacobi Carbons, a world leading Swedish clean tech company. The investment has created 140 direct jobs. In addition it has generated extra income and contributes to the livelihoods of small farmers, as they can sell the coconut shells that would otherwise be regarded as waste.

ACTIVATED CARBON - RAW MATERIAL DIFFERENCE

The vast majority of activated carbon produced today is made from non-renewable fossil fuel sources such as bituminous coal, lignite coal and peat. The production of 1 metric ton (MT) of standard coal-based activated carbon releases about 6 MT . The production of coconut shell instead fixes the CO₂ that would otherwise have been released from the natural decay of the coconuts as a solid, preventing its release to atmosphere, sequestering the CO₂ (see graph to the right).

CHAPTER 5

DEVELOPMENT IMPACT OF DIRECT INVESTMENTS

This section describes the development impact and sustainability performance (ESG performance) of Swedfund’s direct investments. The results are based on annual/biannual monitoring reports.

ECONOMIC PERFORMANCE

EMPLOYMENT: The private sector is an essential factor driving economic growth and an essential condition for the creation of jobs and incomes. More than 90% of all formal jobs in developing countries can be found in the private sector. In 2000 the World Bank carried out a survey of 60,000 poor people in more than 60 countries that showed that more than 70% of those interviewed thought that the way to overcome poverty was to get a job.¹⁹ However, most people in poor countries work in the informal sector that is less productive, pays lower wages, is rarely able to invest, has lower growth potential, pays no taxes or social security charges, and often has low environmental and social standards. In many markets the informal sector is larger than the formal sector. In Sub-Saharan Africa, for instance, it is estimated that 80 % of the non-agricultural workforce is informal. Hence, one of the most important effects of Swedfund’s investment activities is their impact on job creation.

Through our portfolio companies we contribute to both direct and indirect employment. Direct employment is defined as the employees directly employed by a company in which Swedfund invests. Indirect employment is the employment created in the value chain associated with the company, such as suppliers, distributors and customers. It is very difficult estimate the indirect jobs created by our portfolio companies. However we have no doubt that a significant number of indirect jobs are created as an effect of their activities.

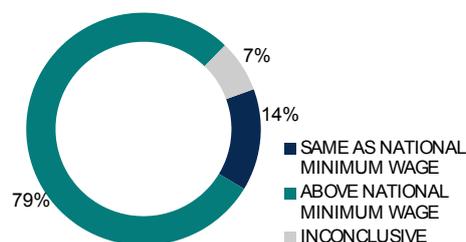
NUMBER OF DIRECT EMPLOYEES IN SWEDFUND'S PORTFOLIO²⁰

82,700 people employed by Swedfund's portfolio companies of which:

- 22,900 people employed by Swedfund's direct investments
- 59,800 people employed by Swedfund's fund investments

MINIMUM WAGES: We believe that offering wages above minimum standards is one way for a company to gain employee loyalty, build relations, and become more competitive in the sector. Furthermore employee turnover goes down, hence also the costs associated with changing staff. In 2009, all our portfolio companies (direct investments) had wages on a par with or above minimum national wage levels. 79% of the portfolio companies (direct investments) had wages above minimum national wage levels.

MINIMUM WAGE, DIRECT INVESTMENTS



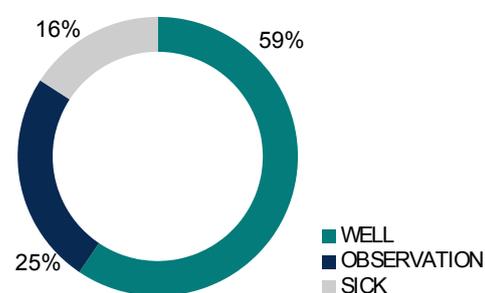
ECONOMIC VALUE: Financial viability is fundamental for a company's sustainability. We believe that the economic value generated by our portfolio companies is one of the major direct development effects of Swedfund's activities.

ECONOMIC VALUE GENERATED AND DISTRIBUTED:

- Products and services with quality and fair price to customers resulting in income for the company
- Greater economic activity among suppliers who can sell more products and services
- Tax revenues for the States which are then distributed to society
- Salaries received by the staff for the work put into generating the value of the company
- Cash flows to financial institutions – banks provide loans and receive interest and amortisations and shareholders increase the company's capital stock as well as receiving dividends when the company is successful

Since economic value is the main driver for Swedfund it is necessary to monitor the portfolio companies' financial health. We require portfolio companies to report on their financial situation quarterly. When a company is not doing well financially we observe the company and provide support in the form of active engagement and board work to strengthen it. A small number of companies do underperform financially and in some cases are unable to reverse the negative trend – and go into bankruptcy. However, this is all part and parcel of Swedfund's role as a risk capital company investing in challenging markets with high risks.

FINANCIAL HEALTH PORTFOLIO COMPANIES



TAXES PAID IN INVESTEE COUNTRIES: Formal companies pay taxes to their respective states. These taxes are then to be used to finance the economic and social infrastructure. Swedfund's portfolio companies pay many different taxes²¹:

REGION/ ECONOMY	PAYMENTS (NUMBER/ YEAR)	TIME (HOURS/ YEAR)	PROFIT TAX	LABOUR TAX & CONTRIBUTIONS	OTHER TAXES	TOTAL TAX RATE (% PROFIT)
OECD	12.8	194.1	16.8 %	24.4 %	3.3 %	44.5 %
MIDDLE EAST & NORTH AFRICA	22.9	204.2	12.7 %	15.2 %	5.0 %	32.9 %
EAST ASIA & PACIFIC	24.6	227.2	18.3 %	10.3 %	7.5 %	36.1 %
SOUTH ASIA	31.3	284.5	17.9 %	7.8 %	14.2 %	40.0 %
LATIN AMERICA & CARIBBEAN	33.2	385.2	20.4 %	14.7 %	13.2 %	48.3 %
SUB-SAHARAN AFRICA	37.7	306.0	23.9 %	13.1 %	30.5 %	67.5 %
EASTERN EUROPE & CENTRAL ASIA	46.3	336.3	10.9 %	23.1 %	9.4 %	43.4 %

TAXES GENERATED BY SWEDFUND'S PORTFOLIO²²

- SEK 1.2 bn in annual profit tax revenues to local governments from Swedfund's fund investments
- MSEK 147 in annual profit tax revenues to local governments from Swedfund's direct investments

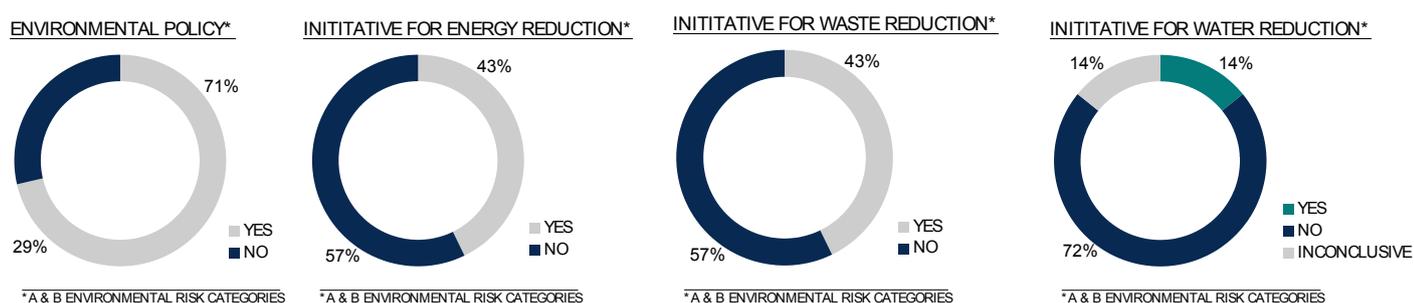
ENVIRONMENTAL PERFORMANCE

In addition to our growing investment in the clean tech industry, see chapter 4, Swedfund also helps to improve environmental conditions by engaging with all our companies with regard to their environmental performance. This is especially important for those investments in the two highest risk categories.

Swedfund contributes to improved environmental conditions by selecting strategic partners that are aware of their responsibility for all aspects of sustainable development and who take systematic steps to bring about continuous improvements in the management of these issues. By introduction of new technologies and management practices, companies can increase resource efficiency, thus reducing cost and negative environmental impacts. Pursuing sustainable approaches can also strengthen corporate and brand reputations, increase employee and customer loyalty and improve employee and community health. We believe that a company that takes a proactive approach to its environmental responsibility is also less likely in the future to be instrumental in causing serious environmental damage that can be expensive to resolve. Supporting our companies to take proactive approach to their environmental responsibility is a way for Swedfund to manage its risk as well as increasing the value of the company.

ENVIRONMENTAL POLICIES: In addition to compliance with Swedfund's environmental policy, 71% of our direct investments in the two highest environmental risk categories have their own environmental policies.

ENERGY, WASTE, WATER EFFICIENCY INITIATIVES: Swedfund supports initiatives to improve resource efficiency in our portfolio companies. In 2009, 43% of our direct investments in the two highest risk categories have specific energy saving plans, 14% have water saving plans and 43% have plans for waste reduction. When comparing company performance from 2007, there has been an increase in initiatives for energy and waste reduction. Swedfund intends to continue to engage more actively with our companies with regard to their environmental performance as well as increasing our investment in clean tech. In addition, we will provide training for Swedfund's personnel to further improve their competence and skills and upgrade our internal tools and processes.



COMPARISON OF ENVIRONMENTAL INDICATORS, CONSTANT PORTFOLIO	2007	2009
Environmental policy	75%	75%
Initiative for energy reduction	0%	50%
Initiative for water reduction	0%	25%
Initiative for waste reduction	25%	50%

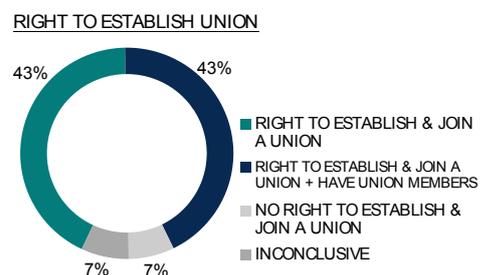
SOCIAL PERFORMANCE

Some of the countries where we invest have poor human rights records and/or the state has a limited capacity to address these issues.²³ In these cases the role of business in promoting and respecting human rights is particularly important. Companies can support and respect human rights in their day-to-day activities by providing safe and healthy working conditions, fair pay, limitations on working hours and periodic holidays with pay, guaranteeing freedom of association and the effective recognition of the right to collective bargaining, ensuring non-discrimination in personnel practices and ensuring that they do not make direct or indirect use of forced or compulsory labour or child labour.

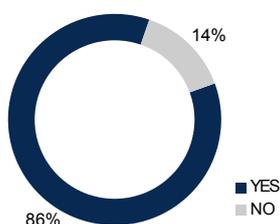
We believe that a proactive approach to human rights also makes sound business sense. Access to global information means that consumers are increasingly aware of where their goods come from and the conditions under which they are made. Companies can, by being proactive, safeguard their reputation and brand image and meet customer and investor expectations. Societies where human rights are respected are also more stable and provide a better environment for business.

HUMAN RIGHTS: In 2009 none of our direct portfolio companies stated that they had employees under the age of 15. Furthermore 93% assured us that they were in compliance with national laws regulating working hours. For 86% of our direct portfolio companies employees have the right to form and join unions and 86% have the right to engage in collective bargaining. Comparing portfolio performance from 2007, there has been an increase in the right to establish and join a union.

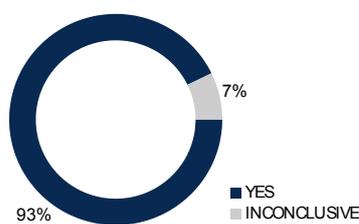
The main reason for non-compliance is either because the national laws of the countries we invest in do not allow collective bargaining or have no/very few labour unions in the country. Swedfund pursues active engagement and dialogue with companies that are not yet in compliance with our policies and international declarations. We believe that our ability to exert influence is much greater through active engagement than by walking way.



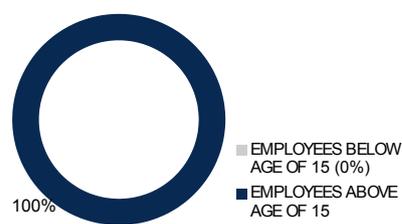
RIGHT TO COLLECTIVE BARGAINING



DECENT WORKING HOURS



CHILD LABOUR

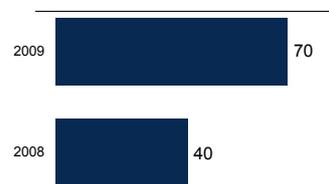


COMPARISON OF HUMAN RIGHT INDICATORS, CONSTANT PORTFOLIO	2007	2009
No Child Labour	100%	100%
Decent working hours	100%	100%
Right to establish and join a union	91%	100%
Right to engage in collective bargaining	82%	82%

HEALTH & SAFETY: Swedfund regularly monitors compliance by our portfolio companies with national occupational health and safety laws and regulations. In 2009, 100% our direct portfolio companies stated that they were in compliance with national occupational health and safety law and requirements. This was an increase from 2007. In addition, 29% were providing extra benefits, such as health insurance or medical care, for their employees and their families.

Furthermore, Swedfund is taking active steps to increase our investments in the health sector. In the last two year, Swedfund invested over MSEK 110 in the health sector, including cancer clinics in Africa and South America and an eye hospital in Iraq.

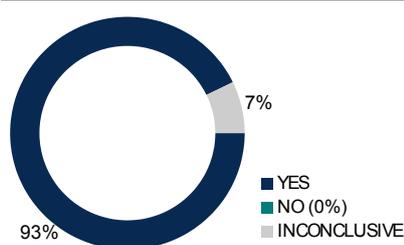
NEW HEALTH INVESTMENTS (MSEK)



HIV/AIDS PREVENTION: The HIV/AIDS epidemic intensifies poverty, impedes economic growth and in the countries most heavily affected, it has reduced life expectancy by more than 20 years.²⁴ This has a negative impact on the labour force, on enterprise efficiency, and on the transfer of skills and experience, in addition to depriving families, society and the economy of many years of productive life. Enterprises are now calculating the cost of the HIV/AIDS epidemic; many firms have concluded that the direct and indirect cost of failure to act is far greater than the cost of treatment. In Sub-Saharan Africa as much as 5.2% of the population is infected.²⁵

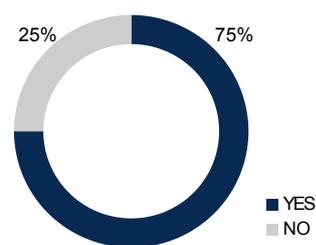
In 2009, 75% of Swedfund's direct portfolio companies in Sub-Saharan Africa took preventive measures against HIV/AIDS through education, training and HIV/AIDS programmes that include training and voluntary testing as well as treatment, care and support facilities. During the year Swedfund continued its engagement with our portfolio companies to establish HIV/AIDS programmes. A comparison with the continuing portfolio from 2007 show a increase of 17%. This means that 100% of the reporting companies from Sub-Saharan Africa in today's continuing portfolio are pursuing HIV/AIDS programmes. Swedfund will continue its engagement in these areas in 2010.

COMPLIANCE WITH NATIONAL OHAS* LAWS

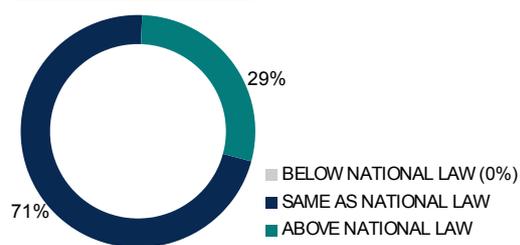


* OCCUPATIONAL HEALTH AND SAFETY

HIV PROGRAM (SUB-SAHARAN AFRICA)



BENEFITS TO EMPLOYEES



COMPARISON OF HEALTH & SAFETY INDICATORS, CONSTANT PORTFOLIO	2007	2009
Compliance with national occupational health and safety regulations	91%	100%
Benefits to employees exceeding benefits required by national law	27%	30%
Preventive measures against HIV/AIDS	83%	100%

CASE STUDY – HIV/AIDS PROGRAM AT RAFFIA BAGS GROUP

Raffia Bags is a manufacturer of woven cement and agro sacks and bags in Africa. Raffia Bags is located in Tanzania, Kenya, South Africa and Mozambique. Raffia has in total around 1800 employees in locations where HIV/AIDS is widely outspread. The factory in South Africa is located in Mandeni, Kwa Zulu Natal, which has the highest recorded density of HIV positive people in the world. For this reason Raffia, like many companies in Sub-Saharan Africa has HIV/AIDS

INVESTEES COMPANY:	RAFFIA BAGS
Business activity:	Produce woven polypropylene bags & sacks
Country:	South Africa, Kenya, Tanzania & Mozambique
Year of investment:	2005
Year of exit:	Not yet exited
Swedfund's investment:	Equity + Loan: 323.8m SEK
Main owner today:	Swedfund: 99.9%
Number of employees:	1800
Main development effects:	- Polypropylene bags for agriculture products and cement - Employment - HIV/AIDS awareness programme

programmes in place. Generally these kinds of programmes are beneficial not only for the employees, their families and communities but also for the companies' involved. An assessment commissioned for ten Swedish companies in South Africa showed that the aggregated additional costs of HIV and AIDS could exceed as much as 400m SEK between 2008-2012. However, by implementing a successful HIV/AIDS workplace programme these costs could be almost halved.²⁶

“I am happy that I no longer believe that HIV is a curse like my community believes. The program has enabled me to travel and see other workplaces, share ideas and get the knowledge to support and share with the infected and affected.”

»²⁷

Raffia Bags' current HIV/AIDS program is a collaboration with the Swedish Workplace HIV/AIDS Programme (SWHAP). The workplace programmes are implemented by Raffia with the support of SWHAP and includes policy formulation, information, training of peer educators, voluntary counselling and testing, support to HIV positive employees and community outreach. The programmes and policy were jointly developed by the management and employees through HIV/AIDS Steering committees. In total about 1.300 Raffia employees received training in 2009. The programme started in Raffia Bags Kenya & Tanzania in 2008 and in South Africa 2009.

Through surveys on the knowledge, attitude, behaviour and perception among the employees in Raffia Kenya and Tanzania, it was shown that due to the effect of the workplace program, the knowledge levels on HIV and AIDS are quite high (over 96%). However, some misconceptions still exists, for example, that HIV can be spread through mosquito bites, casual contacts, witchcraft and curses. There were also gaps on knowledge on mother to child transmission that needs to be addressed.

“I had multiple partners before the program and today I have one. Condoms use and VCT is part of my lifestyle.”

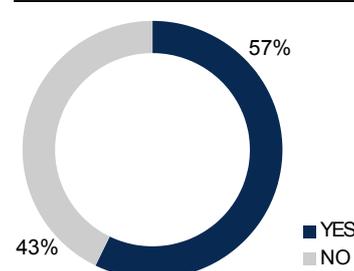
The peer educators trained have not only helped to raise the awareness among the employees but also conducted community awareness outreach programmes in the neighbourhood. For example, in Kenya the company peer educators have reached out to around 500 people in the community. In Tanzania, the outreach programme is also planned to be implemented, through the mentoring process of the Raffia office.

GENDER EQUALITY: Gender equality helps to reduce poverty and promote economic growth, directly by boosting women’s participation in the labour force and increasing both productivity and earnings, and indirectly through the beneficial effects of women's empowerment on children's human capital and well-being, as women are more likely than men to allocate more resources to food and to children’s health care and education.²⁸

Swedfund engages with its portfolio companies to ensure gender equality at the work place, so that employees are paid equal remuneration (i.e. wages) for work of equal value and that female employees are allowed to return to work upon the conclusion of pregnancy and completion of parental leave. In addition, we also invest in microcredit institutions since we believe such institutions provide an effective mechanism to alleviate poverty, especially for poor women who are more likely than men to come up against obstacles in their access to credit markets.

CIVIC CONTRIBUTION: Companies have an interest in social stability and in the economic development of local communities. A healthy society provides a sound foundation for growth and stable business activities. By addressing aspects of the societal context that are lacking or are inadequate, companies can make an impact on their ability to operate, compete and prosper. In 2009, 57% of Swedfund’s direct portfolio companies contributed

CHARITY/ COMMUNITY INVESTMENT



to civic programmes. This is an increase in relation to the last few years. Examples include contributions to local schools, children’s homes, fire departments and contributions to water supply systems, roadwork and free medical treatment for villagers in the neighbourhood.

COMPARISON OF CIVIC CONTRIBUTION, CONSTANT PORTFOLIO	2007	2009
Charity/community investment	36%	64%

CORPORATE GOVERNANCE, TRANSPARENCY AND ANTI-CORRUPTION:

Corruption – the abuse of entrusted power for private gain – has played a major part in undermining the world’s social, economic and environmental development. Corruption distorts competition and creates inefficiencies in both the public and the private sectors as it diverts resources from their proper use. The long-term sustainability of business depends on free and fair competition. Corrupt practices also accompany money laundering and illicit international money transfers. In Swedfund’s portfolio there are companies located in countries where corruption exists at all levels of society.²⁹ It is therefore essential for us to adopt a proactive stance on corporate governance in our investment activities. In accordance with Swedfund’s Policy for Sustainable Development, our investee companies must comply with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. This convention is aimed at reducing corruption in developing countries by encouraging sanctions against bribery in international business transactions carried out by companies based in the convention member countries. This is a continuous process in which Swedfund and other DFI:s are endeavouring to work together. In October 2007, Swedfund signed “A Corporate Governance Approach Statement by Development Finance Institutions” referring to the OECD Principles of Corporate Governance. The approach implies that Swedfund will continue to promote sound corporate governance throughout the investment process, provide training for our staff and collaborate with development finance institutions on an ongoing basis to promote the cause of sound corporate governance.

CHAPTER 6

SWEDFUND'S INVESTMENTS IN FUNDS

Capital for locally driven economic growth and development.³⁰

WHY INVEST IN EMERGING MARKETS THROUGH FUNDS?

Investments through funds are an effective complement to Swedfund's direct investments “and enables Swedfund to provide capital to more micro, small and medium sized companies that otherwise would have been possible”. Both direct investments and investments through funds provide much needed capital to companies in developing countries, enabling them to grow and improve their operations, thereby generating employment and tax revenues for their local economies and contributing to economic growth and development.

Swedfund's investments in funds are multiplied by capital from other investors. Fund managers raise capital from private investors to be invested alongside capital from Swedfund and other development finance institutions (DFIs), expanding the pool of capital available for companies in under-served developing country markets. For each dollar invested by Swedfund in a fund, there is typically ten dollars from other investors.

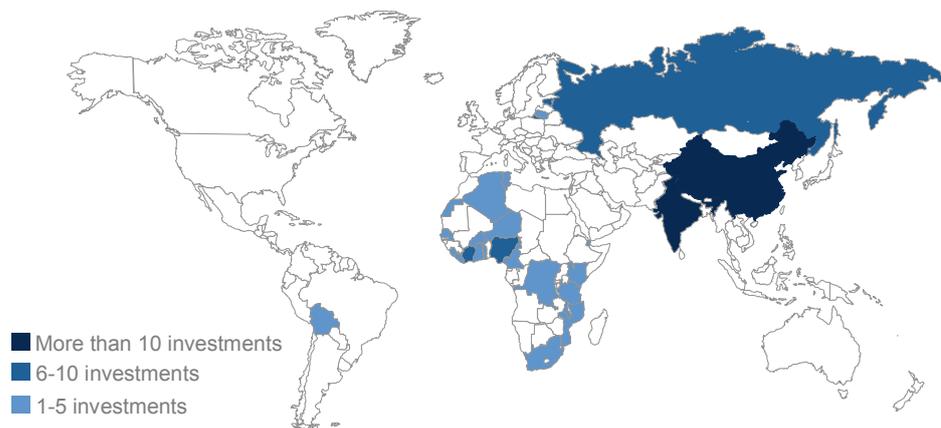
A fund manager typically invests in a company for a four to seven year holding period. The long investment period gives the fund manager plenty of time to provide guidance to enable each portfolio company to improve the quality of its operations. Local presence and know-how are crucial to identify the right companies to invest in and help these companies grow and develop throughout the investment period, not least in terms of improving their management of environmental, social and governance (ESG) matters.

KEY DATA FOR SWEDFUND'S INVESTMENTS IN FUNDS:

- 87 portfolio companies in 26 developing countries
- 15 funds
- 12 fund managers
- MSEK 739 committed capital
- MSEK 563 invested capital
- MSEK 306 share in portfolio companies at investment value

By investing in funds, Swedfund's capital can effectively reach a larger number of micro and small companies than through direct investments. By setting standards for responsible investment practices for fund managers, in collaboration with other DFIs that invest alongside Swedfund, and by monitoring the performance of fund managers and their portfolio companies during the investment period, Swedfund also can promote better business practices in emerging markets more widely and effectively than would be possible on its own.

FIGURE 8: GEOGRAPHIC REACH OF SWEDFUND'S FUND INVESTMENTS: 87 COMPANIES IN 26 COUNTRIES



A general advantage of fund investments from the investors' perspective is the reduction of investment risk through diversification. By taking a smaller share of a wider pool of companies, through investment funds, Swedfund can spread the risk associated with each company. Through engagement with fund managers, Swedfund also gathers intelligence about emerging markets, and thus becomes a more knowledgeable and competent partner for Swedish companies that are interested in expanding their presence there. Furthermore, it is sometimes possible for Swedfund to capitalize on promising investment opportunities identified by fund managers by making parallel direct investments.

OVERVIEW OF SWEDFUND'S FUND INVESTMENTS

At the end of 2009, Swedfund had committed capital of MSEK 739 to 15 funds investing in emerging markets. These funds are managed by 12 different fund managers. The amount committed by Swedfund to each of the 15 funds ranges from MSEK 8 to MSEK 114. Emerging Capital Partners (ECP) manages three of the Africa focused funds in which Swedfund has invested, representing MSEK 278, or 38%, of Swedfund's total capital committed to funds.

Swedfund's investment share in the 15 funds to which it has committed capital represents nearly 5% of the SEK 15 bn in total committed capital from all investors.³¹ Swedfund's investment share per fund ranges from 2% to 48%.

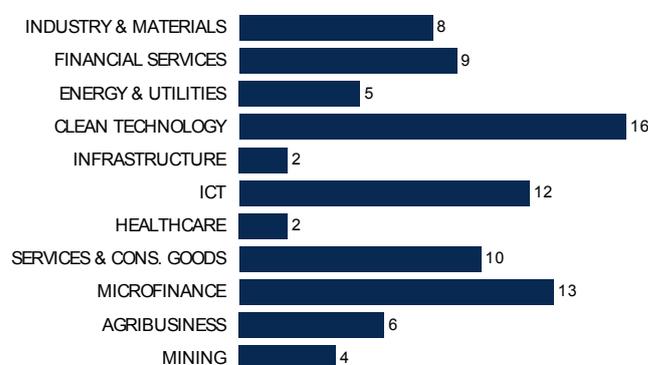
KEY ECONOMIC DATA FROM SWEDFUND'S FUND PORTFOLIO COMPANIES:

- 59,800 people employed
- SEK 1.2 bn in tax revenues to local governments

At the end of 2009, Swedfund had invested MSEK 563 in the 15 funds to which it had committed capital. These funds are at varying stages of maturity. Eight of the early funds have come to the end of their investment lives and sold all or some of their portfolio companies. At the end of 2009, MSEK 122 had been returned to Swedfund from exited or partially sold fund investments. 11 funds had investments in 87 portfolio companies located in 26 countries. Swedfund's share of the investments by the funds in these 87 companies was MSEK 306.

With a portfolio of 87 companies in 26 countries through its fund investments, Swedfund's capital reaches a larger number of micro and small companies in more diverse markets than would have been possible through the same amount in direct investments.

FUND INVESTMENTS BY SECTOR 2009 (#)



FUND PORTFOLIO COMPANIES ACROSS NUMEROUS INDUSTRIES

Swedfund's 87 portfolio companies held through funds are active across a wide range of industry sectors. The largest investments are in cleaner technologies, where MSEK 61 of Swedfund's capital is invested in 16 companies, followed by financial services, where MSEK 60 in capital from Swedfund supports 9 companies, and information and communication technologies (ICT), with MSEK 52 invested in 12 companies. Cleaner technologies are a specific focus area for two of Swedfund's fund managers: Green Investment Asia Sustainable Fund I and China Environment Fund III.

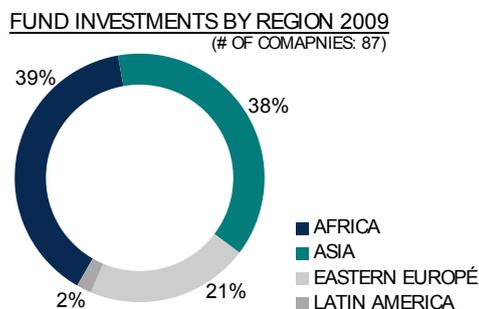
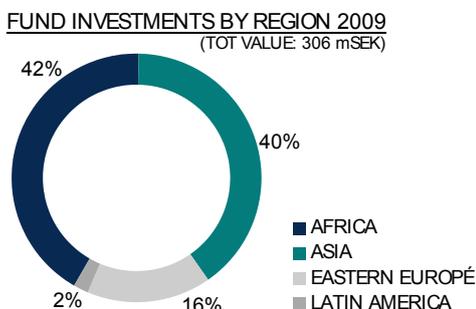
87 FUND PORTFOLIO COMPANIES IN 26 DEVELOPING COUNTRIES

Swedfund invests through funds in emerging markets in Africa, Asia, the Eastern Europe and Latin America. Africa is the single largest investment destination for Swedfund's investments in funds, representing 41%, or MSEK 305, of Swedfund's total committed capital to funds. MSEK 129 of Swedfund's capital is invested by five funds in 34 African portfolio companies, which are located in 20 different countries. Three of these funds are managed by the fund manager ECP.

In relative terms, Swedfund invests more in Africa, the poorest region in the world and that least well served by commercial capital, than any other development finance institutions (DFIs) apart from CDC of the UK and Proparco of France. Asia comes a close second as a destination for Swedfund's fund investments, with 37%, or MSEK 269, of Swedfund's capital committed to funds.

MSEK 123 of Swedfund's capital is invested by four funds in 33 portfolio companies in Asia. Eastern Europe is the third investment destination for Swedfund, with MSEK 108 in committed capital, representing 14% of the total. Latin America accounts for the remainder, with only two remaining portfolio companies. All of Swedfund's Asian portfolio companies are located in India or China, which represent the first and second largest country destinations for Swedfund's investments through funds. Collectively, Swedfund's invested capital in the 33 Indian and Chinese portfolio companies account for MSEK 122, or 40%, of Swedfund's investments through funds.

SWEDFUND'S TOP INVESTMENT DESTINATIONS THROUGH FUNDS:	
India	MSEK 64 12 companies
China	MSEK 58 21 companies
Côte d'Ivoire	MSEK 30 5 companies
Nigeria	MSEK 24 5 companies
Russia	MSEK 21 8 companies
Estonia	MSEK 21 8 companies
Togo	MSEK 18 1 company



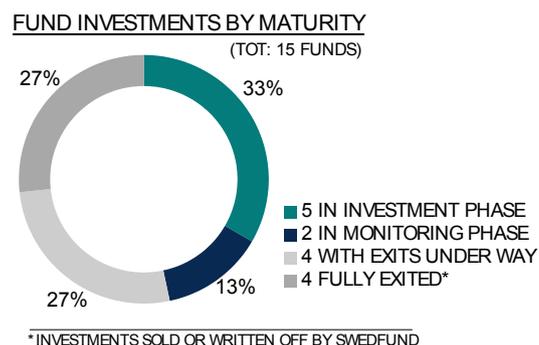
Other large investment destinations for Swedfund's fund investments include Côte d'Ivoire, Russia, Nigeria and Togo. Portfolio company investments in these top seven countries for Swedfund's investments through funds collectively account for 77% of the total investment value of Swedfund's investments through funds. Some of these markets, including Nigeria, India, Côte d'Ivoire and Togo, are among the poorest countries in the world and in dire need of investment capital to grow, develop and raise income levels for their populations.

Two of the three Latin America funds are exited or written off and the remaining one is in exit process. This is in line with Swedfund's long-term investment strategy to focus on fund investments in Africa, Asia and Eastern Europe.

DEVELOPMENT EFFECTS OF SWEDFUND'S INVESTMENTS IN FUNDS³²

FINANCIAL PERFORMANCE: The ability of fund managers to generate strong financial returns on their investments demonstrates to other potential investors that it is worth the higher perceived risk of investing in emerging markets. Attracting other investors to under-served poor country markets is one of the key development benefits of fund investments. Strong financial returns would also allow Swedfund to grow the public capital entrusted to it. Proceeds from successfully exited investments can be used to make new investments, thereby benefiting new companies in need of capital.

Swedfund's fund managers return cash to Swedfund and other investors when the fund sells its investment share in a portfolio company. The four oldest funds, for which investments have been sold or written off, have all lost capital. Two of these funds were pioneer investors in Latin America in the late 1990s. Two of the four funds which are in exit phase show positive returns on their investments. Among the newer fund investments, two have made positive returns on exits while there have been write-offs for one fund.



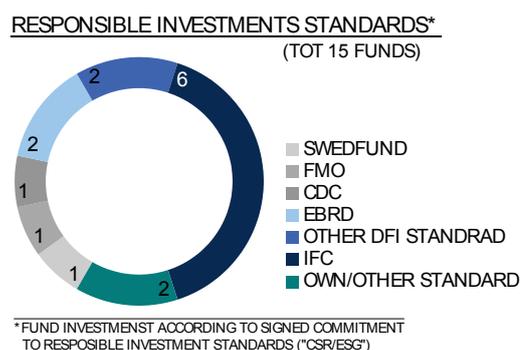
ECONOMIC PERFORMANCE: Commercially successful businesses provide employment opportunities, which are critically needed in developing countries for workers to gain a livelihood and support their families. Profitable and growing businesses also generate tax revenues that allow the governments of low-income countries to fund their own development programmes, including investments in education, health and infrastructure. Growing and new businesses are an important long-term vehicle for economic growth to lift developing country populations out of poverty.

The portfolio companies in which Swedfund's fund managers have invested and for which data is available, employ 59,800 people. 39,700 of these jobs are in Africa, 11,500 in Asia and 7,700 in Eastern Europe.³³ 900 people are employed in the two remaining portfolio companies in Latin America. Similarly, and again for companies for which data is available, portfolio companies supported by Swedfund's investments in funds generated SEK 1.2 bn in tax revenues for governments in the developing countries where the portfolio companies are located.³⁴ SEK 0.9 bn of these tax revenues were paid to governments in Africa, mostly by the portfolio companies in the ECP II fund.

ESG PERFORMANCE: Developing countries often have inadequate regulation and enforcement to protect employees, consumers and the environment. Accordingly, it is of crucial importance for Swedfund's fund managers to pay close attention to environmental, social and governance (ESG) issues for their portfolio companies. Swedfund collaborates with other development finance institutions (DFIs) that invest alongside Swedfund in funds to promote responsible investment and business practices. DFIs have similar standards for ESG matters, while often expressed somewhat differently. A common minimum benchmark is that all investments must comply with national legislation. In addition, Swedfund and other DFIs demand that fund managers over time assist the companies in which they invest to improve their management of ESG matters towards international standards, including those developed by the United Nations, the International Labour Organisation (ILO), the Organisation for Economic Cooperation and Development (OECD), the World Bank and the International Finance Corporation (IFC).

Swedfund takes ESG factors into account when deciding which fund managers to invest with and throughout its engagement with them during the fund's investment life. Often, Swedfund collaborates with and can rely on other DFI investors to promote stronger ESG management systems for fund managers and their portfolio companies. 13 of the 15 funds in which Swedfund invests have signed up to ESG standards from a DFI.

In 2009, Swedfund reviewed its investments in funds to assess the compatibility of the funds' respective portfolio investments with Swedfund's own responsible investment standards with the help of the auditing firm PricewaterhouseCoopers (PWC). PWC's work was based on a questionnaire to fund managers and did not include any verifying field visits. According to PWC's report, about half of the funds included investments that would be considered high or medium risk from an ESG perspective.

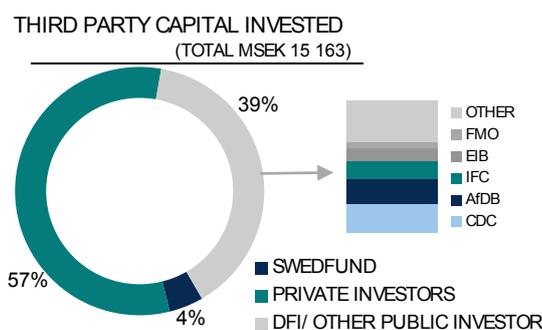


There were two fatalities or serious injuries reported from portfolio companies. The fund manager, the police, the Ministry of Labour and Human Resource Development as well as the workers' union representatives have all been notified about the accidents and investigations are conducted about the accident, who is responsible and how to prevent future fatalities. The fund has been recommended to use an independent health, environment and safety expert to audit and complement the different investigations. One fund manager reported legal actions against a portfolio company.

There were multiple examples reported by fund managers of best-practice ESG management by their portfolio companies as well as improvements over the investment duration. Some examples of fund managers investing specifically in cleaner technologies are provided below:

The 15 funds to which Swedfund has committed capital have combined commitments of SEK 14.4 bn in third party capital from other development finance institutions (DFI), other public sector investors and private commercial investors. The greater part of this capital, SEK 8.6 bn, was raised from private investors. The British DFI CDC is the largest public sector fund investor alongside Swedfund, with SEK 1.3 bn invested in five of the 15 funds benefiting from Swedfund's capital. Other major DFI investors alongside Swedfund include the African Development Bank (AfDB), the International Finance Corporation (IFC), the European Investment Bank (EIB) and FMO, the Dutch DFI.

Important benefits for private sector development from successful businesses also include benefits to consumers from improved access to goods, services and infrastructure. Availability of new technologies, such as mobile phones, as well as of basic goods can dramatically improve the quality of poor people's lives. Improved access to services, including healthcare and financial services, is another crucial element for poverty alleviation. Better and more reliable infrastructure, including physical infrastructure as well as energy distribution, is also critical for development.



The private sector is often best suited to expand access to goods, services and infrastructure for poor populations, and can be helped to do so through development finance and fund investments.

CASE: AFRICAP, SUCCESSFUL EXPANSION OF MICRO-FINANCE

AfriCap³⁵ is a fund that provides capital for microfinance institutions (MFIs). Swedfund has committed MSEK 20 to AfriCap's Fund II, which has invested in 13 MFIs providing financial services across Africa to low-income clients. The customers of MFIs most often previously did not have access to banking services. Through microfinance, these small, poor entrepreneurs gain access to capital to invest in small business ventures to help themselves and their families escape poverty. Women are prominent users of microfinance products, which often represent the only option for them to gain access to start-up capital for activities that generate an income for themselves and their families.

Between 2007 and 2008, the number of borrowers grew remarkably for many of the MFIs in AfriCap's portfolio. For MFI Afrique Emergence & Investment in Côte d'Ivoire, the number of borrowers grew by 470%, from 1,100 to 6,300. OIBM Malawi and Women's World Banking Ghana also demonstrated impressive growth in the number of borrowers: 250% from 13,361 to 34,000 and 80% from 3,500 to 6,400, respectively. The average amount of the loans in the MFI portfolio of AfriCap's Fund II ranges from USD 50 to USD 100 for the MFIs that focus on the smallest companies, to about USD 1,100 for those that focus on larger companies. An estimated two-thirds of the customer base of the MFIs in the AfriCap Fund II portfolio are female.

CHAPTER 6

SWEDFUND – BEHIND THE SCENE

Live as you learn. Find out about Swedfund's Board of Directors, internal performance such as work with personnel and the environment as well as our reporting processes and stakeholder inputs.

GOVERNANCE

Swedfund's seven independent Board members have a mix of competences suiting Swedfund's overall goal – to contribute to sustainable economic development.³⁷ The Board makes the final investment decision whenever an investment involves more than MSEK 10. Swedfund pays no incentive compensation or bonuses of any kind to the personnel, management or the board.

SWEDFUND IS GOVERNED BY AND COMPLIES WITH ³⁶ :
▪ Swedish Companies Act
▪ Article of Association
▪ Swedish Code of Corporate Governance
▪ Guidelines from the owner

STAKEHOLDER ENGAGEMENT

Swedfund has always emphasised the dialogue with stakeholders in order to understand the demand for products and services in the markets where we invest as well as understanding their investment climate, and political, economic, environmental and social conditions. As an investor with an overriding goal of contributing to development and poverty reduction we have recognised that the stakeholder dialogue is essential for our success. The dialogue with our stakeholders does not only keep us updated on trends, making us more efficient in our response to global challenges, but it is also important for building and satisfying public confidence. All through our stakeholder interactions, we aim to act in a transparent and ethical way – while at all times respecting the privacy of our partners. We have divided our stakeholders into two groups. Those we can influence and are influenced by directly (inner circle) and those we have an indirect relationship with (outer circle). These definitions will however vary depending on the characteristics of the different individuals involved.

FIGURE 10: SWEDFUND'S DIRECT AND INDIRECT STAKEHOLDERS:



KEY TOPICS AND CONCERNS: At the end of 2008 we carried out a stakeholder survey asking which sustainability aspects they considered most important. The results are shown below and have been valuable inputs for this year's sustainability report. In 2009 we had an in-depth stakeholder dialogue with a selection of Swedfund's most important stakeholders. The dialogue focussed on what Swedfund's most important aspects are concerning sustainability issues and what our stakeholders think of Swedfund's responsibility and influence. This in-depth interview study complements the survey in 2008.

STAKEHOLDER SURVEY 2008 – RESULTS:

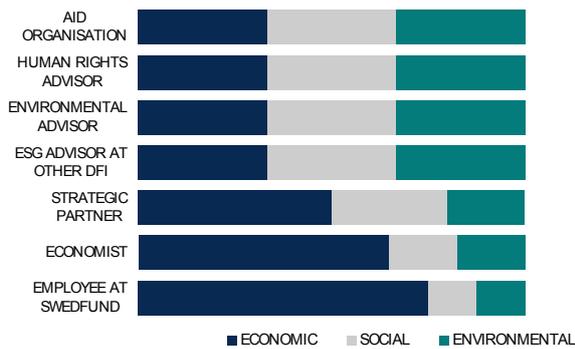
STAKEHOLDER RANKING	OWNER	STRATEGIC PARTNERS	PORTFOLIO COMPANY	BUSINESS NETWORK	BUSINESS MENTOR	LOCAL REP AFRICA	LOCAL REP EAST ASIA	LOCAL REP SOUTH ASIA	TRADE UNION	RANK	TOPICS IN REPORT
Economic Performance		5								1	√
Corruption		4								2	√
Occupational Health & Safety		5								3	√
Child Labour		4								3	√
Indirect Economic Impact		3								4	√
Emissions, Effluents & Waste		5								4	√
Market Presence		2								5	√
Energy		5								6	√
Diversity & Equal Opportunity		3								6	
Investment & Procurement Practices		3								6	√
Non-discrimination		3								6	√
Forced & Compulsory Labour		3								6	√
Compliance		4								6	√
Training & Education		3								6	
Transport		5								7	
Freedom of Assoc. & Col. Bargaining		4								7	√
Security Practices		4								7	
Indigenous Rights		3								7	
Community		3								7	√
Employment		1								8	√

* Five strategic partners answered the survey and are summarized in this column

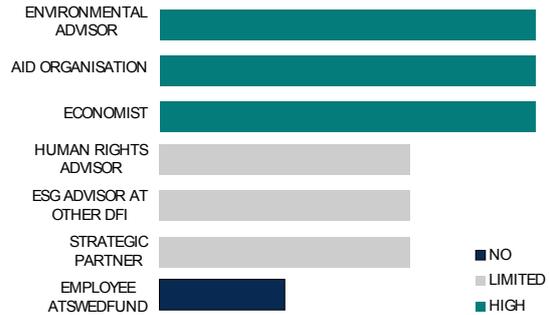
STAKEHOLDER INTERVIEWS 2009: The in-depth interviews during 2009 mainly served as input for Swedfund's process of developing its Policy for Sustainable Development (formerly Environmental Policy and Code of Best Practice). The interview also gave us additional input regarding what to report on, and how our stakeholders value our control and influence over our portfolio companies. The stakeholders were also asked if there are any issues Swedfund should report on with regard to Swedfund's "internal" performance – such as travel, paper and energy etc.

The results from the interviews show that many stakeholders regard the financial performance of the portfolio as being most important. However, the social and environmental performance of the portfolio companies is often ranked as being almost as important as economic aspects. Furthermore Swedfund's control of the portfolio companies is considered limited since Swedfund generally does not take a majority shareholding. However, our stakeholders do believe that Swedfund has significant influence and believe that Swedfund can exert this influence mainly through active board work. These focused dialogues have been useful in the development of our Policy for Sustainable Development as well when choosing the scope of the report.

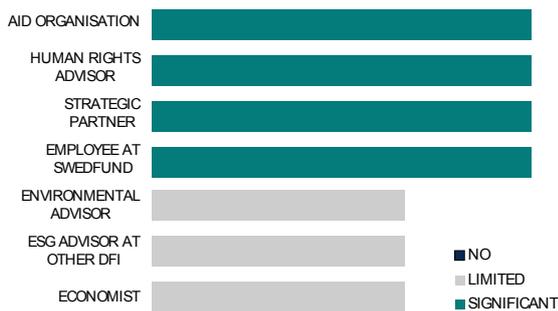
SUSTAINABILITY PRIORITIES BY STAKEHOLDER



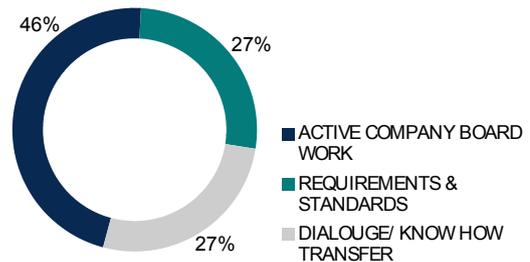
SWEDFUND'S CONTROL OF COMPANIES ESG WORK



SWEDFUND'S INFLUENCE - COMPANIES ESG WORK



WAY OF INFLUENCING, BY STAKEHOLDERS



SWEDFUND'S INTERNAL PERFORMANCE

BASIC FACTS: Swedfund is a Limited Liability Company owned by the Swedish State. It is based in Stockholm, Sweden. In 2009 we opened a local office in Nairobi, Kenya. In the end of 2008 Swedfund had 30 employees and at the end of 2009 we had 35. Swedfund's loss in 2009 amounted to MSEK 3.3 (profit of MSEK 75.5 in 2008). Swedfund's result varies widely over the years depending on the financial outcome of our exits. We are also experiencing a growth phase, which means that a period of some 6-10 years must elapse before capital gains can be realised on investments contracted in 2009.³⁸

Swedfund is a flat organisation and consisted of six departments in 2009. In 2010 some changes have been made to the organisation as shown in the figure below:

SWEDFUND DEPARTMENTS 2009:	SWEDFUND DEPARTMENTS 2010:
Investment Department Eastern Europe (non- Eu members) Developing Countries	Investment Department Origination Management
Business Development	Investment Operation
Analysis	
Legal	Legal
Administration & Finance	Administration & Finance
Communication	Communication

HUMAN RESOURCES: Acknowledging that the most important resource Swedfund has is its skilled and dedicated personnel, we strive to provide a sound work environment for our employees. Employee benefits include preventive care, health care, flexible working hours and good conditions for parental leave. In 2009 indicators related to human resources improved, as shown by the reduction in employee turnover and sick leave rate. As shown by the diversity index, Swedfund has a fairly balanced gender distribution among employees, managers and board members. We believe that gender equality improves the efficiency and quality of our activities as stated in our Equality Plan 2009 - 2011. In some of the countries that we work in, that traditionally have been characterised by low labour market participation of women, our female employees and managers can serve as role models and promote development of gender equality.

TRAINING: Swedfund offers training on an ad hoc basis to our personnel. Examples of training includes financial matters, environmental, social and governance matters, and laws and regulations, as well as more specific topics such as HIV/AIDS in portfolio companies, risks associated with travel, or training concerning conditions in a certain sector or region.

EXAMPLE OF TRAINING/ SEMINARS FOR SWEDFUND STAFF IN 2009

"Sustainability Matters", seminar, June 2009
 "Development Impact of Funds", Nov 2009
 "Development Impact of direct investments", Oct 2009
 "HIV/AIDS" training", 2009
 "Health Risks when travelling", 2009
 "Protecting yourself Abroad" 2009

ENVIRONMENTAL FOOTPRINT: Being a Financial services provider, Swedfund's direct physical impact on the environment is rather limited as compared to other industries. We do what we can to minimise the environmental impact of our head office in Stockholm, while also aiming to be an active investor in our portfolio companies. Swedfund's total energy consumption declined by 27%, while CO₂ emissions from air and train travel increased by 20%. In addition, paper consumption increased, both in total and measured per employee. Swedfund plans to take active measures to reverse this trend, by reducing paper consumption per employee over the coming years.

INTERNAL PERFORMANCE INDICATORS	2008	2009
HUMAN RESOURCES:		
- Total workforce	30	35
- Employee turnover, %	3,3	2,9
- Sick leave rate, share of ordinary working hours, %	1,6	1,0
- Diversity index, share of female employees, %	56	57
- Diversity index, share of female managers, %	50	50
- Diversity index, share of female board members,%	43	43
TRAVEL:		
- Air travel, km	2,284,540	2,379,320
- Train travel, km	11,927	5,748
- CO ₂ emission from travel, kg	223,468	230,744
- CO ₂ emission from travel, kg / employees	6,385	7,691
ENERGY CONSUMPTION, HEAD OFFICE:		
- Total energy consumption in buildings, kWh	66,039	56,558
- Energy consumption, kWh / employees	2,201	1,616
PAPER CONSUMPTION, HEAD OFFICE:		
- Total paper consumption, kg	1,248	1,997
- Paper consumption/employees	42	57

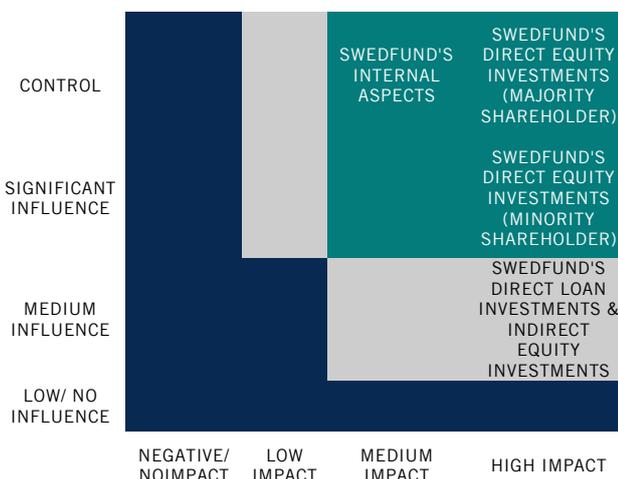
REPORT PARAMETERS

The report content was defined by Swedfund and Swedfund's stakeholders. Stakeholders were identified by Swedfund and interviewed about prioritised topics.

REPORT PARAMETERS:	
Reporting period:	2009/01/01 – 2009/12/31
Date of most recent previous report:	2009/03/31
Reporting cycle:	annual
Contact point regarding the report or its content:	Lovisa Curman
	lovisa.curman@swedfund.se , phone: + 46 8 725 98 81

SCOPE AND BOUNDARY: The general scope of the report is Swedfund's investment portfolio; however we focus particularly on direct equity investments where we have board representation (influence) by including indicators that we, together with our stakeholders, have prioritized. However, being a minority shareholder when investing through equity means that we do not have full control over these issues. The indicators of the direct investments are presented in total for 2009 as well as comparing with the "continuing portfolio" – the part of the portfolio that does not change from one year to another. The indicators are based on annual monitoring reports sent out to all our direct investments.

Our ability to influence our portfolio companies will vary depending on the size of Swedfund's stake and how active we are on their boards. We aim at increasing our engagement concerning sustainability issues with our portfolio companies and we believe that public disclosure of environmental, social and economic performance will help us to prioritise sustainability issues. We have therefore chosen to include performance data from our direct investments.



Changes from the previous reporting period include additional reporting indicators concerning Swedfund's internal sustainability work. Although Swedfund's main influence is related to our investment portfolio we have also chosen to include our most important internal sustainability aspects based on stakeholder interviews and suggestions from the GRI sector supplements for the financial sector.

We have also chosen to provide an in-depth report on Swedfund's fund investments as described in chapter five, an objective that we said last year we would try to achieve this year.

LIMITATIONS: The nature of our business implies investing in some projects each year and exiting others, hence the portfolio is constantly changing. We have overcome this by reporting separately on the part of the portfolio that did not change, i.e. the continuing portfolio.

A second limitation has to do with reporting dead lines. Our portfolio companies are required to report to Swedfund as of 31 March each year – the date when Swedfund is to report to the Swedish State. This gives us two choices: either we will lack much of the data for the previous year (as in this report) or that we report on data from two years back in time (as in last year's report). We have decided to choose the latter for the coming year, which means that next year's report will cover indicator data from 2009.

A third limitation has to do with the reliability of the environmental and social monitoring reports we receive from our portfolio companies. Our investee companies have their accounts and financial statements audited, but not always their environmental and social aspects. However, it is in our own and our clients' interest to improve the sustainability performance and Swedfund is improving internal processes and competence concerning these issues. To improve and develop we plan, for the first time, to carry out environmental and social audits in 2010.

Most of the information used as input for the indicators that we have chosen to report on was collected from the environmental and social monitoring reports that our portfolio companies are required to submit on an annual basis. These reports cover the requirements we put forward in 2009 Environmental and Social policies. By 10 February 2009 we had received monitoring reports from 12 portfolio companies (11 from direct equity investments and 1 from loan investments), representing a response rate of 50% of Swedfund's direct equity investments and 7% of Swedfund's loan investments. The reason for the low response rate is due to reporting deadlines as explained above.

ATTACHMENTS

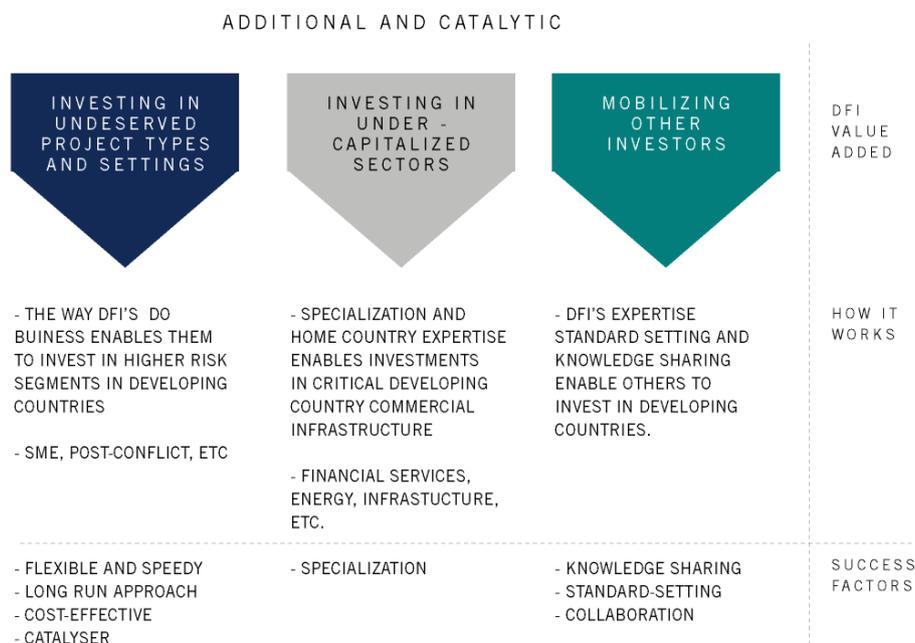
DEVELOPMENT FINANCE INSTITUTIONS

A bilateral development finance institution (DFI) operates almost exclusively in developing countries and countries with transition economies. It is tasked by its respective government to provide long-term financing to the private sector, with specific value-added development objectives, but on a sustainable commercial basis.

The rationale behind the DFI business model is to be “additional” and “catalytic”. DFIs are additional in the sense that they seek to invest in regions, sectors and segments that would not otherwise have had access to finance for the private sector. They seek to bring in expertise and provide the long-term support needed to ensure real commercial development of their investments rather than taking a short sighted buy-and-sell orientation. DFIs are catalytic by partnering with co-investors and enabling other private sector investors to follow in areas and places that they have proven to offer sustainable investment opportunities.

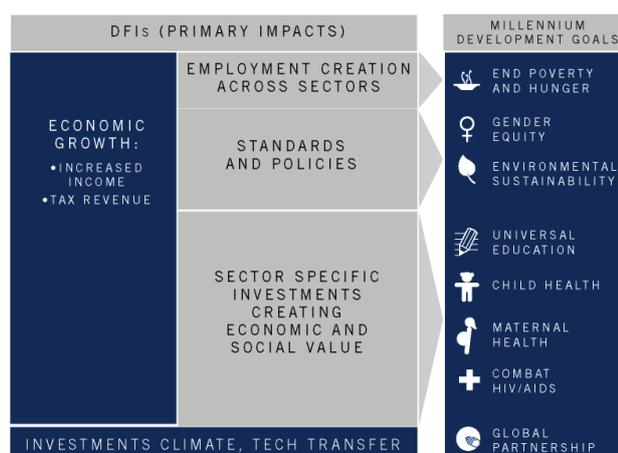
DFIS OFFER A PARTICULAR VALUE ADDED TO DEVELOPMENT POLICY IN THREE AREAS³⁹

- Investing in under-served project types and settings (SMEs, agribusiness, post-conflict settings, etc.)
- Investing in under-capitalized sectors (specialization in financial services, energy, infrastructure, etc.)
- Mobilizing other investors (by sharing knowledge, setting standards, etc.)



MILLENNIUM DEVELOPMENT GOALS

The Millennium Development Goals (MDGs) have been defined by the world's leading development institutions to meet the needs of the world's poorest. The MDGs range from halving extreme poverty to reducing the spread of HIV/AIDS and providing universal primary education – all by the target date of 2015. Poverty is the result of economic, political, and social processes that interact and reinforce each other in ways that worsen the situation in which poor people live.



Lack of assets, inaccessible markets, and scarce job opportunities lock people in material poverty. That is why promoting opportunity – by stimulating economic growth, making markets work better for poor people, and building up their assets – is the key to reducing poverty.

Swedfund and other DFI investors in private sector companies imply direct and indirect contributions to the Millennium Development Goals (MDGs). The most obvious examples include job creation, increased income for individuals that makes it possible for them to increase spending on education and health services for themselves and their families as well as increased tax revenues for the government that may lead to improved provision of social services. The companies also provide goods and services that meet the needs of the population in developing countries. With high ESG standards companies also improve matters concerning the environment, people's situation and transparency. DFIs aim to invest in responsible companies that often offer training to the employees, medical services (often also to the employees' families), HIV/Aids programmes, lunch, travel, and social infrastructure investments.

In the annual Gallup World Poll (2006), 26 countries in sub-Saharan Africa were included with random samples of at least 1000 adults in each country summing up to a total sample size of 26,506 interviews about the MDGs. The table presents the overall rankings of the MDGs.⁴¹ Poor people repeatedly stress the importance of material opportunities. This means jobs, credit, roads, electricity, markets for their produce, and the schools, water, sanitation, and health services that underpin the health and skills essential for work. Overall economic growth is crucial for generating these material opportunities.⁴²

RANK, MILLENNIUM DEVELOPMENT GOAL⁴⁰:

1. Reducing Poverty
2. Reducing Hunger
3. Reducing the spread of HIV/AIDS
4. Providing more jobs for youth
5. Reducing the death rate among children under five
6. Reducing the number of women dying during childbirth
7. Achieving primary education for all
8. Reducing the spread of malaria and TB
9. Improving access to safe water
10. Improving access to sanitation facilities
11. Achieving gender equality and empowering women
12. Providing access to new technology

“Strong growth and employment opportunities are required to achieve the Millennium Development Goals“ (The Africa Commission)⁴³

INVESTING IN POST-CONFLICT AREAS

Armed conflicts cause immense human suffering and they hinder and in some cases eradicate hard-won economic development and the growth of social welfare and prosperity. Countries that have suffered from conflicts often lapse back into armed violence. To break this trend, the international community must improve its ability to help the affected countries to build and secure peace.

While the main responsibility for peace and security rests with governments, companies can and do make meaningful contributions in conflict afflicted areas. For example, they can support stability by creating job opportunities, generating revenues that advance economic recovery, generating tax revenues for host governments that, if managed responsibly, can help them recover and resume social services to their citizens after war and take part in the rebuilding of the infrastructure.

The profitability of investments in post-conflict areas is potentially high. Many of the fastest growing economies are post-conflict countries, including Liberia, Afghanistan and Iraq. The IMF expects these countries to have a GDP growth of 5-15% in the three coming years (2010-2012). Early entry to these market gives investing parties what is known as a "first entry advantage," which is not to be underestimated in countries where business is traditionally to a large extent based on personal contacts, relationships and trust built over long periods of time. Other incentives for investments in these markets include the ample supply of labour and raw materials that previously could not be used owing to the prevailing war. There is often a very great need for expanded infrastructure in which all these resources can be put to good use.

However, these areas differ significantly from more stable operating environments and require companies and investors to take into consideration additional factors. The risk spectrum is different and the political situation must be evaluated both from a foreign policy perspective and from a safety and security perspective. In addition conflict-afflicted areas present special challenges for those wishing to conduct their business responsibly.

COMMUNICATING THE IMPORTANCE OF POST-CONFLICT INVESTMENTS

Swedfund Post Conflict publications - 2009:
 "The Economics of Burundi, Kenya, Rwanda, Tanzania and Uganda" (April 2009)
 "Swedish business opportunities in Iraq - to promote innovation and not re-building" (May 2009)
 "Post-conflict areas - financial report on the risks and investment opportunities" (July 2009)
 Swedfund & Post Conflict in media
 "Success of export financing for immigrant entrepreneurs"
 "One shovel for Iraq"

These vary depending on the country but frequently the challenges relate to human rights, security and environmental issues but may also involve bribery and corruption, standards of governance and application of international law.

Recognising the risks and challenges but also the opportunities for the private sector and importance of responsible business in conflict-afflicted countries as well as the lack of access to finance, Swedfund has worked actively to increase our finance to companies conducting responsible business in such areas.

In this work, Swedfund actively supports entrepreneurs with experience of post-conflict countries as we recognise the valuable role they can play in strengthening business relations between Sweden and these countries. This group has a sound knowledge of the business culture, politics, religion and language of their former home countries. Hence, they are in a particularly good position to do business in their former home countries and also support Swedish companies wishing to set up businesses in these new markets.

During the last three years Swedfund has invested over MSEK 70 in post-conflict countries, representing 3% of our current portfolio (2009). Examples include a telecom company in Somalia and an eye hospital in Iraq. Swedfund has also taken active measures to increase the knowledge of the opportunities in these new markets for Swedish companies by producing reports, arranging seminars and participatin in the dialogue in the media.

CASE: KURDMED, IRAQ, EYE HOSPITAL

In Sweden, there is a strong Iraqi diaspora with many well educated professionals who have good contacts in Iraq. In 2008 Swedfund invested MSEK 26 in KurdMed, an eye hospital in Erbil in northern Iraq, together with three Kurdish doctors currently residing and working in Sweden (an eye surgeon, a cardiologist and a specialist in occupational health and general medicine). KurdMed will provide modern diagnosis and treatment for all types of vision problems. The hospital will offer the latest processing technology, using modern equipment. In addition to eye examinations, various types of eye diseases will be treated. These include operations for cataract, glaucoma and eye problems related to diabetes.

INVESTEES COMPANY:	KURDMED
Business activity:	Health care
Country:	Iraq
Year of investment:	2008
Year of exit:	Not yet exited
Swedfund's investment:	Equity: MSEK 6 Loan: MSEK 20
Main development effects:	High quality eye treatment Eye treatment know how & training for local doctors and nurses

Today, there many people in the region who do not receive treatment for their eye problems. Since 80% of eye diseases are curable, this hospital will have an important social function as the cured patients not only will be able to return to productive activities but also maintain and improve their quality of life. This modern and effective medical facility is considered as an important factor in developing the health sector in northern Iraq. Knowledge transfer will take the form of training of local staff at the hospital. There are plans to expand the services of KurdMed to include a heart clinic in the future.

SWEDFUND'S POLICY FOR SUSTAINABLE DEVELOPMENT⁴⁴

MANDATE

Swedfund is a Development Finance Institution owned by the Swedish state. Swedfund's overall objective within the framework of Sweden's policy for global development⁴⁵ is to promote sustainable development through investing in sustainable businesses in developing countries in Africa, Asia and Latin America as well as in Eastern Europe (non EU members).

Our investments are intended to bring broad economic, social and environmental benefits for countries and communities. Our investments as well as our activities should minimize negative impacts on people and on the environment. Hence, we promote compliance with international best practice regarding human rights, environmental and social development, business integrity and corporate governance.

GUIDELINES

General activities:

- Our activities and our investee companies must comply with legal and regulatory requirements in the jurisdictions where they operate.
- We will observe a preventive and precautionary approach regarding the environmental and social impacts of our investment activities, by applying international standards.⁴⁶ We are committed to continuously improving the management of Environmental, Social and Governance matters.
- We will provide transparent and accountable information on our activities, while taking into account confidentiality requirements.
- An assessment (ex-ante) and evaluation (ex-post) of the development effects⁴⁷ will be carried out for each investment.

Our requirements regarding investee companies:

- Our investee companies must work over time to meet international standards and best practice norms for human rights, workers rights, environmental sustainability and occupational health and safety.⁴⁸
- We encourage our investee companies to promote the same standards throughout their supply chain.
- Our investee companies must comply with high standards for business integrity and corporate governance⁴⁹.
- We require our investee companies to provide information on development effects.
- We encourage our investee companies to establish an open dialogue with their stakeholders.

IMPLEMENTATION

- Our Policy for Sustainable Development will be implemented through our management system that provides a structure for continuous improvement and will be independently audited.
- We will publish an annual Sustainability Report that provides information on how we and our investee companies comply with our Policy for Sustainable Development.
- Our investee companies will commit to our Policy for Sustainable Development through contractual agreements and monitoring by Swedfund or, in the case of co-investments, by another lead investor that adheres to the same standards.

ENVIRONMENTAL & SOCIAL RISK CATEGORIZATION

The categorization of the project reflects the assessment of the environmental and social relevance, i.e. the expected environmental and social impacts and risks of the project. On the basis of the general environmental and social categorization, the actual project risk is a function of the potential environmental and social impacts (category) and the capacity of the project company to manage these impacts as well as the quality of the host country's environmental and social laws and regulations and their implementation.

Direct Investments will be classified according their environmental and social impacts separately, the higher impact category then being used to classify the whole project⁵⁰. The internationally accepted category levels A, B or C (respectively high, medium and low impact) result from the combination of specific criteria:

Environmental criteria:

- project sector and activities (which cause e. g. consumption of resources, use of hazardous materials, effluents, emissions, wastes, etc.)
- specific location (site and potential impacts of operations on sensitive areas incl. impacts on biodiversity etc.)
- purpose of financing (e.g site expansion, modernization, etc.)
- size of the project (large, medium or small scale)
- environmental impact of the supply chain (immediate and important suppliers)

Social criteria:

- number of employees (present, newly created jobs, dismissals)
- percentage of risk groups as a proportion of total work force (e.g. temporary workers, migrants, minors, women, disabled persons)
- sub-contractors and social supply-chain management (e.g. number of workers hired through sub-contractors, outsourcing of core business activities to sub-contractors)
- affected communities (e.g. physical or economic displacement, impacts on social and economic infrastructure, community health and safety, vulnerable groups)
- sector (e.g. low wage industries, agriculture, mining, infrastructure projects)
- occupational health & safety risks related to the sector
- project type (e.g. greenfield, expansion, projects incorporating privatisations)
- projects with extended construction activities (e.g. camp needed)

ENVIRONMENTAL AND SOCIAL IMPACTS:		EXAMPLES:
HIGH RISK (A)	Projects with significant potential adverse social or environmental impacts that are diverse, irreversible or unprecedented. These impacts cannot be mitigated or remedied or only at significant costs.	<ul style="list-style-type: none"> ▪ Construction of dams and reservoirs ▪ Oil and gas developments, including pipeline construction ▪ Large infrastructure projects, including development of ports and harbours, airports, road, rail and mass transit systems ▪ Forestry operations ▪ Metal smelting, refining and foundry operations ▪ Mining (opencast and pit)
MEDIUM RISK (B)	Projects with generally limited potential adverse social or environmental impacts that are site-specific and readily addressed through mitigation measures, but having some specific features which can have potential significantly more adverse social or environmental impacts.	<ul style="list-style-type: none"> ▪ Breweries ▪ Hotel/tourism developments ▪ Cement manufacture ▪ Mining (small scale) ▪ Dairy operations ▪ Metal plating ▪ Food Processing ▪ Modernization of existing plants ▪ General manufacturing plants ▪ Pulp and paper mills ▪ Hospitals ▪ Textile Plants
LOW RISK (C)	Projects with minimal or no adverse social or environmental Impacts.	<ul style="list-style-type: none"> ▪ Software development ▪ Factoring Companies ▪ Consulting firms ▪ Share registries ▪ Service industries ▪ Technical assistance ▪ Retail banking

EXCLUSION LIST

Swedfund does not invest in companies associated with the following activities:

- Production or activities involving forced labour⁵¹ or child labour⁵²
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Any business relating to pornography or prostitution.
- Trade in wildlife or wildlife products regulated under CITES⁵³
- Production or use of or trade in hazardous materials such as radioactive materials⁵⁴, unbounded asbestos fibres and products containing PCBs⁵⁵.
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances⁵⁶ and other hazardous substances subject to international phase-outs or bans.
- Destruction⁵⁷ of Critical Habitat⁵⁸
- Production and distribution of racist, anti-democratic and/or neo-nazi media.

In addition to the above, Swedfund does not invest in companies when the following activities form a substantial⁵⁹ part of the primary operations:

- Production or trade in⁶⁰
 - a. weapons and munitions
 - b. tobacco
 - c. hard liquor
- Gambling, casinos and equivalent enterprises

GRI INDEX

REPORTING ELEMENT	INTER-NAL INDIC.	PORT-FOLIO INDIC.	PAGE/S	COMMENTS/ ANSWERS/ REFERENCES TO WEB PAGES
Strategy and Analysis				
1,1 CEO Statement	x		2-3	
1,2 Description of key impacts, risks and opportunities	x		2-3, 6-7, 12	See titles: "CHALLENGES & CRITICISM", "STRATEGY AND PRIORITY AREAS", "FINDING THE RIGHT PARTNER"
Organizational Profile				
2,1 Name of the organization	x		Front page	Swedfund International AB: http://www.swedfund.se/en/this-is-swedfund/corporate-governance/articles-of-association
2,2 Products and services	x		11	Investments through equity, loans, mezzanine and guarantees
2,3 Operational structure	x		42	
2,4 Location of headquarters	x		42	Stockholm, Sweden
2,5 Countries of operation	x		15	Developing countries and Eastern Europe
2,6 Nature of ownership and legal form	x		42	Swedfund is a Limited Liability Company, 100% owned by the Swedish State
2,7 Markets served	x		15-17	Developing countries and Eastern Europe (non EU members)
2,8 Scale of organization	x		42	35 employees
2,9 Significant changes during the reporting period	x		42-45	New employees, enlarged portfolio, reporting parameters
2,10 Awards	x		3	Award for "Best Sustainability Report 2008" SME category by FAR SRS (institute for authorized public accountants)
Report Profile				
3,1 Reporting period	x		44-45	2009-01-01 - 2009-12-31
3,2 Previous report	x		44-45	2009-03-31
3,3 Reporting cycle	x		44-45	Annual
3,4 Contact person	x		44-45	Lovisa Curman: lovisa.curman@swedfund.se , http://www.swedfund.se/en/this-is-swedfund/organisation/staff
3,5 Process for defining report content	x		39-41, 44	
3,6 Boundary of the report	x		44-45	Investment portfolio
3,7 Scope & boundary limitations	x		44-45	
3,8 Basis for reporting on joint ventures	x		44-45	
3,9 Data measurement techniques	x		45	Surveys, reports, visits and interviews
3,10 Explanation of the effect of any re-statements	x		44-45	No previous report
3,11 Significant changes from previous reports	x		44-45	No previous report
3,12 Standard Disclosures in the report	x		53	
3,13 Policy for external assurance	x		57	
Governance, commitments and engagement				
4,1 Governance structure	x		39	Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,2 Chair of the Board/executive officer	x		39	Chair of the Board is not an executive officer, http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,3 Independent and/or non-executive board members	x		39	All seven members of the board are independent and non-executive members, http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,4 Recommendation mechanisms for shareholders and employees	x		39	Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,5 Linkage between compensation and the organization's performance	x		39	Swedfund does not work with bonuses

4,6	Processes for avoiding conflicts of interests	x		39	Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,7	Sustainability qualifications and expertise of the board members	x		39	About the members of the Board: http://www.swedfund.se/en/this-is-swedfund/organisation/members-of-the-board
4,8	Internally developed statements	x		39	Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,9	Board's procedures for overseeing economic, environmental, and social performance	x		39, 10	Board takes the final decision on investments where development effects of the investments are of priority
4,10	Processes for evaluating the highest governance body's own performance	x		39	Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,11	Precautionary approach or principles	x		39	Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,12	Subscription to externally developed economic, environmental, and social charters, initiatives	x		See comment	Swedish Policy for Global Development and Swedish Development Co-operation, the UN Declaration of Human Rights, the ILO Core Conventions, EDFI Principles for Responsible Finance, EDFI Statement of Corporate Governance & Swedfund's Governance Guidelines: http://www.swedfund.se/en/this-is-swedfund/corporate-governance
4,13	Memberships in associations	x		See comment	EDFI, Amnesty Business Group
4,14	List of stakeholder groups engaged	x		39-41, 44	
4,15	Basis for identification and selection of stakeholders with whom to engage	x		39-41, 44	
4,16	Approaches to stakeholder engagement	x		39-41, 44	
4,17	Key topics and concerns	x		40	

Financial Sector Supplement

FS1	Environmental and Social Policies for core business	x		10, 50-52	
FS2	Screening of environmental and social risks	x		10, 50-52	
FS3	Monitoring clients' compliance with environmental and social requirements	x		10, 50-52	
FS4	Improving staff competency to implement environmental and social policies and procedures	x		27-31	
FS5	Interactions with clients regarding environmental and social risks and opportunities.	x		42	
FS6	Business by region and sector	x		27-31	All investments have to comply with Swedfund's Environmental Policy and Code of Best Practice
FS7	Value of products and services designed to deliver a specific social benefit	x	x	15-17	15-17 Swedfund's goal in to contribute to poverty reduction why 100% of our investments have a social benefit (2009 total committed capital was 2,6 bn SEK)
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	x		18-22	
FS9	Environmental and social policies and risk assessment audits	x		50	Audits are not made by Swedfund but occasionally by third party
FS10	Companies held in the portfolio with which interaction on environmental or social issues has taken place.	x		10	All investments 2009 had to comply with Swedfund's Environmental Policy and Code of Best Practice
FS11	Percentage of assets subject to positive and negative environmental or social screening	x		10	All investments 2009 were screened in accordance with Swedfund's Environmental Policy and Code of Best Practice
FS13	Access points in low-populated or economically disadvantaged areas by type	x		15	All Swedfund's investments are to benefit economically disadvantaged areas (low- & middle income countries)
FS14	Initiatives to improve access to financial services for disadvantaged people	x		16	Swedfund's investments in Financial Services and Microfinance improve access to financial services for disadvantaged people

FS15	Policies for the fair design and sale of financial products and services	x			Core business for a DFI implies fair design and sale of financial products and services. www.edfi.be
FS16	Initiatives to enhance financial literacy	x			Our financial agreements are clear and standardized in order to enhance financial literacy
Economic Performance					
EC1	Direct economic value generated and distributed	x			Swedfund's profit is reinvested. For more financial information see Swedfund's Annual Report: http://www.swedfund.se/en/this-is-swedfund/financial-information .
EC2	Financial implications due to climate change		x	18-22	
EC4	Financial assistance received from government	x			In 2009 Swedfund received MSEK 15 to use for Technical Assistance
EC5	Entry level wage compared to local minimum wage		x	25	Portfolio indicator: does the portfolio company provide salaries above/below/on par with national levels
EC9	Indirect economic impacts		x	5	
Environmental Performance					
EN1	Materials used by weight or volume.	x		43	
EN3	Direct energy consumption	x		43	
EN4	Indirect energy consumption	x		43	
EN5	Energy conservation and efficiency improvements		x	27	Portfolio indicator: does the portfolio company have an energy savings plan
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	x	x	43, 27	Portfolio indicator: does the portfolio company have an energy savings plan
EN10	Water recycled and reused		x	27	Portfolio indicator: does the portfolio company have water savings plan
EN22	Total weight of waste by type and disposal method	x	x	43, 27	Portfolio indicator: does the portfolio company have waste savings plan
Social Performance					
Labour					
LA1	Total workforce by employment type, employment contract, and region	x	x	43, 25	Portfolio indicator: total number of employees in Swedfund's investment portfolio
LA2	Employee turnover by age group, gender, and region	x		42-43	
LA3	Benefits provided to full-time employees	x	x	42-43, 28-30	Portfolio indicator: Benefits above National Law Requirements
LA8	Programs to assist workforce members, their families, or community members regarding serious diseases		x	29-30	Portfolio indicator: Does portfolio company have a HIV/Aids program/initiative
Human Rights					
HR1	Agreements including human rights clauses or screening	x		50	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk		x	10, 28, 50-52	Portfolio indicator: Does portfolio company give right to join union & right to collective bargaining
HR6	Operations identified as having significant risk for incidents of child labour		x	10, 28, 50-52	Portfolio indicator: Does portfolio company have employees under the age of 15
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour		x	10, 28, 50-52	Portfolio indicator: Does portfolio company apply legal working hours and voluntary overtime
Society					
SO1	Programs and practices that assess and manage the impacts of operations on communities		x	10, 28, 31, 50-52	Portfolio indicator: Does company charity/donations or invest in the local community
SO2	Business units analyzed for risks related to corruption.		x	12,31	
SO3	Employees trained in organization's anti-corruption policies and procedures	x		42	
SO4	Actions taken in response to incidents of corruption.	x		12,31	

FOOTNOTES

- 1 According to DAC definitions of “Least Developed” and “other Low Income” countries at: <http://www.oecd.org/dataoecd/32/40/43540882.pdf>
- 2 Government Offices of Sweden, www.sweden.gov.se/sb/d/3102/a/18434
- 3 Government Offices of Sweden, <http://www.sweden.gov.se/sb/d/3102/a/86621>
- 4 Gross domestic product (GDP) is the most commonly used single measure of a country's overall economic activity. It represents the total value at constant prices of final goods and services produced within a country during a specified time period, such as one year.
- 5 Based on IFC/World Bank stakeholder framework: http://www.ifc.org/ifcext/devresultsinvestments.nsf/Content/Stakeholders_Impacts
- 6 The Policy was approved the 9th of Dec 2010 and is an update of and replaces Swedfund's Environmental Policy and Code of Best Practice. During 2009 Swedfund used the Environmental Policy and Code of Best Practice. Implementation of the new policy will be during all of 2010.
- 7 UNFCCC (2007); Climate Change: Impacts, Vulnerabilities and Adaptation in Developing Countries
- 8 Ministry of the Environment, Ministry of Enterprise, Energy and Communications (2009) An eco-efficient future - an overview of Swedish climate and energy policy, Information material M.2009.40
- 9 World Resources Institute, URL: earthtrends.wri.org/
- 10 Giljum, S et al (2009) Resource efficiency for sustainable growth: global trends and European policy, Sustainable Europe Research Institute (SERI)
- 11 United Nations Environment Programme, URL: www.unep.org/resourceefficiency/
- 12 Giljum, S at al (2006), Economic growth and material use in the European Union and the world economy. Sustainable Europe Research Institute (SERI)
- 13 Giljum, S et al (2009), Resource efficiency for sustainable growth: global trends and European policy, Sustainable Europe Research Institute (SERI)
- 14 Goldemberg, J. et al (2004). World Energy Assessment Overview. UN
- 15 World Economic Forum, URL: www.weforum.org/en/initiatives/EnergyPovertyAction/index.htm
- 16 United Nations Framework Convention on Climate Change, URL: cdm.unfccc.int/
- 17 United Nations Environment Programme, URL: www.unep.org/scp/waste
- 18 The World Water Council, URL: www.worldwatercouncil.org/index.php?id=25
- 19 Voices of the Poor, The World Bank (2000). www.worldbank.org
- 20 Total employees employed by companies in which Swedfund has invested directly (equity & loans) or via funds. The numbers correspond to 85% of Swedfund's direct investments and ca 60% of Swedfund's fund investments.
- 21 <http://www.doingbusiness.org/ExploreTopics/PayingTaxes/>
- 22 Profit tax = taxes specified in the profit & loss statements from the latest year available. Hence, social taxes, other fees etc are not included in these figures. See also footnote 35 for info on taxes paid via fund investments.
- 23 Human Rights Watch, www.hrg.org
- 24 www.unaids.org/en/KnowledgeCentre/Resources/FeatureStories/archive/2008/20080922_development_Africa.asp
- 25 www.unaids.org/en/CountryResponses/Regions/SubSaharanAfrica.asp
- 26 SWHAP, webpage: <http://www.swhap.org/>
- 27 All quotes are from employees at the different Raffia factories
- 28 Gender equality, poverty and economic growth, The World Bank (2007), www.worldbank.org
- 29 <http://www.transparency.org/>
- 30 This chapter was prepared for Swedfund by Rosencrantz & Co. A more extensive analysis of Swedfund's fund portfolio will be provided by Rosencrantz & Co and published as a free-standing report later in 2010.
- 31 For all SEK / USD and SEK / EUR conversions, we have used the spot exchange rates as of August 18th 2009, when Swedfund's Individual Fund Reports were prepared. Exchange rates: USD / SEK = 7.23, EUR / SEK = 10.21
- 32 This framework for measuring the development effects of fund investments is further described in the UK development finance institution CDC Group plc's 2008 report “Growth for Development “ (chap 4) www.cdcgroup.com. CDC's monitoring & evaluation (M&E) system was developed and implemented in 2008 with the assistance of Marie Rosencrantz, founder of Rosencrantz & Co and Senior Advisor, ESG and M&E, at CDC. CDC's M&E system is consistent with, while not identical, to the International Finance Corporation (IFC)'s Development Outcome Tracking System (DOTS).
- 33 Where available, the employment data is from the funds' annual and quarter Q4 reports 2009. From these sources, data are available for 7 of the 11 funds with current portfolio company investments, reporting employment data for 50 of their 52 portfolio companies. For the remaining 4 funds with 35 portfolio companies, aggregate fund level employment data was extracted from PriceWaterhouseCooper's Review on Swedfund's fund portfolio companies 2009 and from Swedfund's Individual Fund Reports mid-year 2009.
- 34 Where available, the tax payment data is from the funds' annual and quarter Q4 reports 2009. From these sources, data are available for 5 of the 11 funds with current portfolio company investments, reporting tax payment data for 28 of their 32 portfolio companies. For 4 funds with 40 portfolio companies, aggregate fund level tax payment data were extracted from PricewaterhouseCooper's Review on Swedfund's fund portfolio companies 2009 and from Swedfund's Internal Fund Reports mid-year 2009. Data are not available for 2 funds and 15 portfolio companies.
- 35 Mecene Investment (2009) Social and Environmental Report of the AfriCap Portfolio and updated as per Africap Microfinance Investment Portfolio Review 2009-12-31.
- 36 <http://www.swedfund.se/en/this-is-swedfund/corporate-governance> & http://www.haldex.com/Global/Global/Investors/CorpGov%20reports/Swedish_Code_of_Corporate_Governance.pdf
- 37 For more about the Board members' competence from a sustainability perspective see: <http://www.swedfund.se/en/this-is-swedfund/organisation/members-of-the-board>
- 38 Financial results can be found in Swedfund's Annual Report 2009: <http://www.swedfund.se/en/press-room/printed-publications/annual-reports>
- 39 http://www.swedfund.se/media/50687/the_growing_role_of_dfis_-_nordic_report__091022.pdf
- 40 <http://www.gallup.com/poll/116431/Research-Reports.aspx>
- 41 <http://www.gallup.com/poll/116431/Research-Reports.aspx>
- 42 <http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/overview.pdf>
- 43 http://www.africacommission.um.dk/NR/rdonlyres/5CC07D2B-D374-4929-9E4D-07DAD2FF951A/0/Cph_Statement.pdf
- 44 Swedfund promotes sustainable development through investments in companies that are economically, socially and environmentally sustainable. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland Commission/WCED).
- 45 Sweden's policy for global development
- 46 EDFI Principles for Responsible Finance and associated procedures
- 47 Development Effects explained in more detail (to be developed 2010)

- 48 Requirements include Universal Declaration of Human Rights and the ILO's Fundamental Conventions. Best Practice Standards include the EDFI principles for Responsible Financing, the IFC Performance Standards and IFC's Environmental, Health & Safety Guidelines.
- 49 Such as stated in the OECD Principles of Corporate Governance and the EDFI Approach Statement on Corporate Governance
- 50 For example with environmental category B and social category A will be a category A project.
- 51 Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO Fundamental Conventions.
- 52 Employees has to be at least 14 years old, as defined in the ILO Fundamental Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.
- 53 CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.
- 54 This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source can be regarded as trivial and/or adequately shielded.
- 55 PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.
- 56 Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates.
- 57 Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote 10) is lost.
- 58 Critical habitat is a subset of both natural and modified habitats that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.
- 59 A benchmark for substantial is 5 – 10 % of the balance sheet or the financed volume.
- 60 In Financial Institutions this is calculated on the basis of the portfolio volume financing such activities.

Stockholm the 30th of March 2010



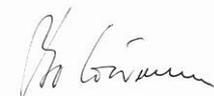
Lars Gårdö
Chairman



Claes Ekström



Stina Mossberg



Bo Göransson



Maria Norrfalk



Håkan Åkesson



Elisabeth Westberg



Björn Blomberg
Managing Director

APPLICATION LEVEL GRID & EXTERNAL ASSURANCE

We have chosen to report on C+ level. We find this an adequate level since we draw our reporting boundary at portfolio level. PricewaterhouseCoopers, also our financial auditors, will provide the external assurance for this report.



Auditors' report on limited review of sustainability report

To the readers of Swedfund International AB's Sustainability Report

At the request of the management of Swedfund International AB (Swedfund), we have performed a limited review of the Swedfund Sustainability Report 2009 (except for the case studies identified with the word CASE, on pages: 12, 20-24, 30, 37-38 and 49, which are not part of our assignment). The board of directors and executive management team are responsible for the company's activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

The scope of the limited review

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) standard RevR 6, *Assurance of sustainability reports*. A limited review consists of making inquiries, primarily of persons responsible for preparing the sustainability report, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing standards. The procedures performed in a limited review do not enable us to obtain assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria used in performing our review are relevant parts of the *Sustainability Reporting Guidelines G3*, issued by the Global Reporting Initiative (GRI), applicable to the sustainability report, and specific measurement and reporting principles developed by the company. We consider these criteria to be suitable for the preparation of the sustainability report.

Our limited review has included the following review procedures, based on an assessment of materiality and risk:

- a. An update of our knowledge and understanding of Swedfund's organization and activities
- b. Assessment of the results of the company's stakeholder dialogue
- c. Interviews with management, at group level, with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient
- d. Examination of internal and external documents to assess if the information stated in the sustainability report is complete, correct and sufficient
- e. Evaluation of the design of systems and processes used to obtain, manage and validate sustainability information
- f. Analytical review of reported information
- g. Reconciliation of financial information against Swedfund's Annual Report 2009
- h. Assessment of the company's stated application level according to the GRI guidelines
- i. Overall impression of the sustainability report, and its format, considering the information's conformity with applicable criteria



Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the sustainability report has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, April 27, 2010

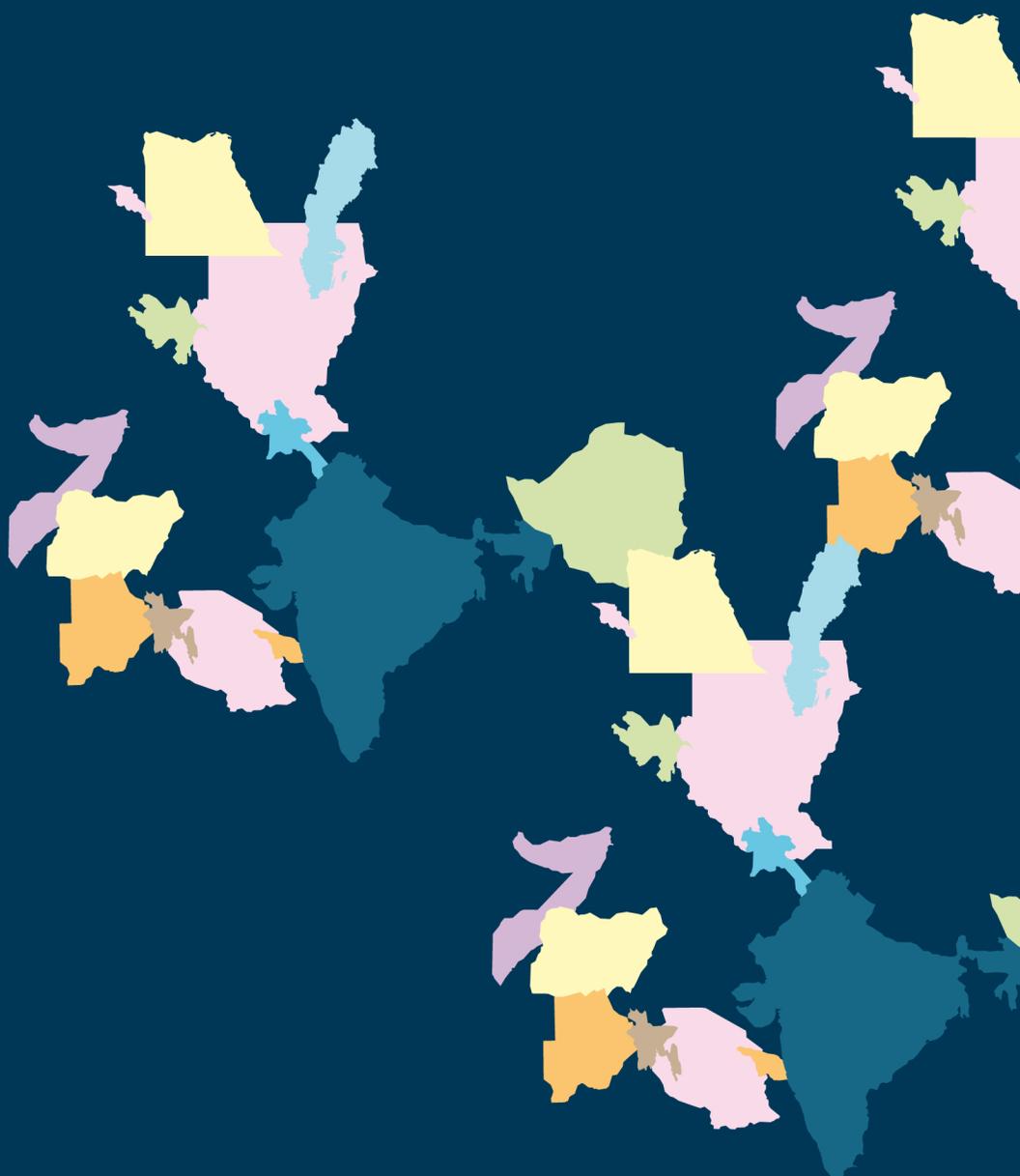
PricewaterhouseCoopers AB



Anders Welin
Authorised Public Accountant



Sussanne Sundvall
Authorised Public Accountant



Swedfund 
New Thinking New Markets

Swedfund International AB, P.O. Box 3286, SE-103 65 Stockholm, Sweden
Visiting address: Sveavägen 24–26
Phone: +46 8 725 94 00 Fax: +46 8 20 30 93 www.swedfund.se