

# Annual report for state-owned enterprises 2020

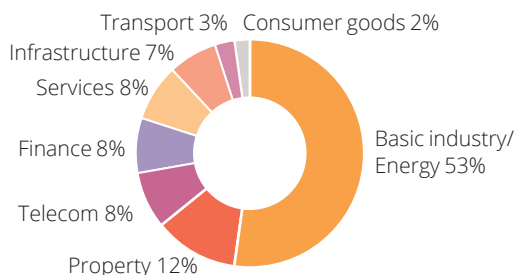


# Portfolio overview

The state enterprise portfolio contains 46 enterprises and is weighted towards basic industry/energy. Most enterprises are for-profit enterprises. 22 enterprises have specifically adopted public policy assignments.

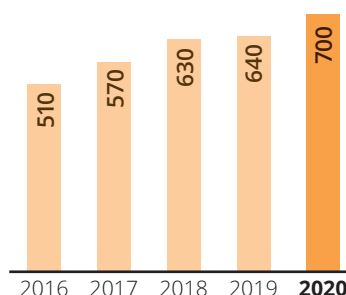
## Portfolio value

By sector



## State enterprise portfolio <sup>a)</sup>

Estimated value, SEK bn



## Dividend

SEK 21.3bn

## Dividend yield

3.1%

## Number of employees <sup>b)</sup>

135 000

## Gender balance <sup>c)</sup>

Board chairs and directors, share women/men

47%/53%

Board chairs, share women/men

51%/49%

## Total number of board chairs and directors

301

## Net sales for the portfolio

Excluding associates

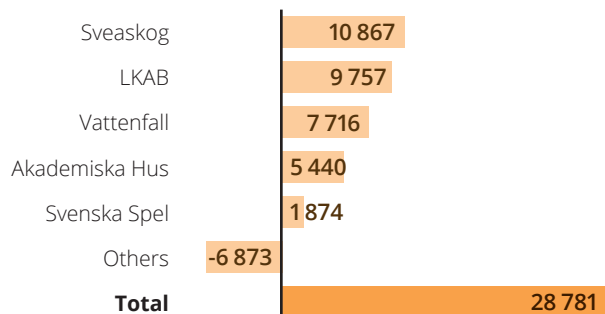
SEK 363bn

Including associates

SEK 402bn

## Profit after tax

Jan.–Dec. 2020. Enterprises with greatest effect on net profit, SEK m



a) Portfolio value adjusted for transactions.

b) Around 135 000 people are employed by state-owned enterprises, including associates.

c) Gender balance refers to fully and partly owned limited companies whose registered office is in Sweden.

Seven enterprises account for just over 80% of net sales, including associates,

Enterprise (holding, %)	Share of sales <sup>a)</sup> , %	Number of employees	Net sales, SEK m Jan.-Dec. 2020	Operating profit, SEK m Jan.-Dec. 2020
Vattenfall (100%)	39.5	19 859	158 847	15 276
PostNord (60%)	9.6	28 006	38 729	2 421
Systembolaget (100%)	9.1	3 884	36 737	525
Telia Company (39.5%)	8.8	20 505	89 191	-17 747
LKAB (100%)	8.4	4 535	33 914	11 654
Apoteket (100%)	4.9	2 835	19 536	397
Samhall (100%)	2.3	20 699	9 406	282

a) Share of net sales including associates (SEK 402bn).

...the remaining enterprises<sup>b)</sup> account for about 20% of net sales, including associates.

Enterprise (holding, %)	Net sales SEK m Jan.-Dec. 2020	Operating profit, SEK m Jan.-Dec. 2020	Enterprise (holding, %)	Net sales SEK m Jan.-Dec. 2020	Operating profit, SEK m Jan.-Dec. 2020
Akademiska Hus (100%)	6 418	7 334	SBAB (100%)	3 685	2 361
Almi (100%)	1 107	29	SEK, Svensk Exportkredit (100%)	1 987	1 238
APL, Apotek Produktion & Laboratorier (100%)	1 448	-41	SJ (100%)	5 529	-1 867
Arlandabanan Infrastructure (100%)	58	12	SOS Alarm (50%)	1 324	65
Bilprovningen (100%)	653	84	Specialfastigheter (100%)	2 393	1 276
Dramaten (100%)	278	5	SSC, Svenska rymdaktiebolaget (100%)	1 001	-5
Green Cargo (100%)	4 040	-222	Statens Bostadsomvandling (100%)	21	-17
Göta kanalbolag (100%)	43	0	Sveaskog (100%)	6 597	13 821
Infranord (100%)	4 014	14	Svedab (100%)	10	475
Jernhusen (100%)	1 446	302	Svenska Skeppshypotek (100%)	131	109
Lernia (100%)	2 029	-5	Svenska Spel (100%)	5 563	2 395
Metria (100%)	417	-8	Svevia (100%)	8 135	338
Miljömärkning Sverige (100%)	70	-1	Swedavia (100%)	2 494	-1 539
Operan (100%)	573	22	Swedfund International (100%)	248	-373
Orio (100%)	392	6	Teracom Group (100%)	1 338	156
RISE, Research Institutes of Sweden (100%)	3 396	-84	Vasallen (100%)	3	-11
Saminvest (100%)	2	-521	Visit Sweden (100%)	146	8
SAS (22%)	20 513	-9 549	Voksenåsen (100%)	18	2

b) EUROFIMA, INSTEX, Stiftelsen Industrifonden, Stiftelsen Norrlandsfonden and Sweden House are not consolidated.

# Contents

---

## Government's investment management

Foreword.....	2
Significant events in 2020.....	4
Performance in 2020.....	6
Value performance.....	8
Case studies.....	10
Multidimensional value creation.....	10
Digitalisation.....	12

---

## Strategy and targets

Active ownership.....	15
Financial targets.....	20
Public policy assignment.....	22
Public policy targets.....	23
Tracking targets.....	25
Strategic targets for sustainable value creation.....	28
The 2030 Agenda.....	31
Gender distribution.....	32
Pay levels and terms of employment.....	33

---

## Financial statements

Profit in 2020.....	35
Dividends and appropriations.....	36
Divestments and dividends.....	37
Risk management.....	38

---

## Enterprise overviews

State-owned enterprises A-Ö.....	42
Other enterprises and operations.....	88
Enterprises wound up or being wound up.....	89

---

## Additional information

State ownership in modern times..	92
Accounting principles.....	96
List of government bills.....	97
State Ownership Policy.....	100
Principles for corporate governance of state-owned enterprises.....	105
Principles for remuneration and other terms of employment for senior officers of state-owned enterprises.....	110
Principles for external reporting in state-owned enterprises.....	113
Enterprise reporting dates.....	116
Definitions and acronyms.....	117
Addresses.....	118

# Government's investment management



# An enterprise portfolio driving positive change

2020 came to be characterised by the pandemic that affected all of us, but did so in different ways. The rapid changes in society due to the pandemic have also affected the state enterprise portfolio in both the short and the long term.

State-owned enterprises had to adjust quickly to take care of staff and customers. Several state-owned enterprises also made adjustments in parts of their operations to support society as a whole in various ways. For example, in the space of only a few weeks, RISE adjusted its operations to provide a fast track for testing personal protective equipment on behalf of the Swedish Work Environment Authority.

I am proud that we have, in our portfolio, many examples of enterprises that have contributed medical supplies, made

storage space available for medical supplies and lent staff to health care, to mention some steps taken during the pandemic.

To secure certain fundamental services and functions in society, as a responsible and professional owner, the Government decided to provide capital contributions for a number of state-owned enterprises in 2020. In addition, the Government also decided on a number of other measures to mitigate the effects of the virus outbreak on Swedish jobs and businesses. For instance, Almi was given extra funding to be able to increase its lending to small and medium-sized enterprises and to continue to make new investments in small, innovative businesses.

## Lower earnings but higher dividend

The sales of the state enterprise portfolio decreased slightly in 2020, totalling SEK 402bn, including associates. Earnings decreased by 38%, amounting to SEK 29bn, compared with SEK 47bn for the full year 2019. The poorer earnings are mainly explained by the impact of write-downs on Telia Company's and Vattenfall's earnings.

While the situation remains strained for certain enterprises, others noted record growth in demand in 2020 with, for example, PostNord reporting its best annual earnings since its formation in 2009. It is also positive that, despite the pandemic, the State's dividends from the enterprises amount to SEK 21.3bn, an increase from SEK 18.7bn in the preceding year.

"The rapid changes in society due to the pandemic have also affected the state enterprise portfolio in both the short and the long term."



“Since the portfolio of state-owned enterprises is a large and important part of the business sector in Sweden, the actions of these enterprises can serve as examples for other companies.”

#### Value growth despite the pandemic

State-owned enterprises represent huge worth, SEK 700bn, and are ultimately owned by the Swedish people. This year's valuation is affected to some extent by the upvaluation of the forest assets in Sveaskog, but also reflects expectations of positive financial developments looking ahead in most of the enterprises.

One of the Government's overall objectives is to ensure long-term value creation in the portfolio, and this year's value increase of 11% must be considered good. State-owned enterprises are also to take a long-term approach, be efficient and profitable, and be given the capacity to develop.

#### Climate risks and the opportunities

We know that climate change is happening here and now. This is why it is important that state-owned enterprises take the lead and work to reduce climate and environmental impacts. Since the portfolio of state-owned enterprises is large and an important part of the business sector in Sweden, the actions of these enterprises can serve as examples for other companies. At the same time, the green transition offers opportunities for innovation.

During the year LKAB announced a new strategy that lays out the path to zero emissions of carbon dioxide from its own processes and products by 2045 and secures the enterprise's business with expanded mining operations beyond 2060. This venture can be the biggest industrial investment ever in Sweden and may result in the creation of a new Swedish export industry that can also lead to positive change beyond Sweden's borders.

The portfolio's absolute emissions of carbon dioxide decreased strongly during the year, mainly because Vattenfall is working to phase out coal power and is gradually reducing its climate impact. One natural outcome of the energy transition is a decrease in the financial value of coal power. This had a strongly negative impact on Vattenfall's financial performance in 2020. However, like the energy sector in general, Vattenfall has had relatively strong underlying growth during the year.

In this year's annual report you can also read about SEK's work on and reporting of climate risks and the opportunities.

#### Gender equality and diversity

State-owned enterprises have to be exemplary in gender equality work and work actively on gender equality issues in their operations. The enterprises also have to take account of diversity aspects and foster an inclusive culture.

For the third successive year women are in the majority among board chairs, and the Government is aiming for gender balance both on individual boards of directors and at portfolio level. It was also gratifying to see that a survey of gender equality at the top of Sweden's 1 000 largest companies gave first place to the state-owned enterprise Akademiska Hus.



Ibrahim Baylan  
*Minister for Business, Industry and Innovation, minister responsible for state-owned enterprises*

# Important events in 2020



## Testbeds for biorefinery

In the Budget Bill for 2021 the Government announced additional funding of SEK 350m over two years to RISE to intensify work on sustainable solutions in bioeconomy. By modernising and supplementing RISE's testbeds for biorefinery, Sweden can improve the conditions for commercialisation of new solutions. This funding can contribute to business start-ups and international investments, as well as the establishment of a world-class centre for resource-efficient, non-toxic and circular bioeconomy.

## Impact of the pandemic

2020 was an exceptional year, and state-owned enterprises have needed to address the challenges brought by the corona pandemic. The underlying result in the state enterprise portfolio recovered in the second half of the year, after a large downturn in the first half of the year. The spread of COVID-19 has had a particularly great impact on a number of state-owned enterprises. The Riksdag has therefore authorised the Government to decide on a number of capital contributions to secure certain fundamental services and functions in society. A selection of these capital reinforcements are described on the next page.

■ [Read more on pages 5–7.](#)

## State Ownership Policy has been revised

To ensure that State Ownership Policy provides a relevant and up-to-date framework for corporate governance of state-owned enterprises, the Policy was revised in 2019 and in early 2020. The State Ownership Policy and principles for state-owned enterprises are reproduced in full on page 100.

■ [Read more on pages 100–115.](#)

## New bridging loan

In March 2020 Almi launched a bridging loan aimed at companies in which financing needs have arisen as a result of the pandemic. Its purpose is to bridge a period of difficulties and the loan provides possibilities of conditions specially geared to the prevailing situation. In 2020 the number of bridging loans advanced was 1 955 and they totalled to SEK 1 144m.



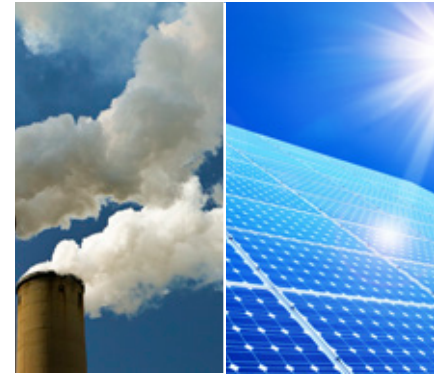
## Housing for seniors

There is a great need for housing adapted to the needs of older people in many places around the country. In the Spring Amending Budget for 2020 the Government proposed a reinforcement of SEK 300m for Statens Bostadsomvandling, Sbo, to meet the need of housing for older people. This enables Sbo to participate in providing several hundred additional modern and accessible homes for seniors throughout the country.

## LKAB's new strategy

LKAB presented its new strategy in November 2020. The new strategy for LKAB lays out the path to zero emissions of carbon dioxide from its own processes and products by 2045 and secures the enterprise's business with expanded mining operations beyond 2060.

■ [Read more on page 11.](#)



## Focus on climate risks

Under the State Ownership Policy it is particularly important that state-owned enterprises work for the identification, assessment, management and transparent reporting of the climate-related financial risks and opportunities in their operations. Read more about SEK's management and reporting of its climate-related financial risks and opportunities on page 39.

■ [Read more on page 39.](#)



## Restart of the visitor industry

The visitor industry has faced major challenges on account of the pandemic. In the Budget Bill for 2021 the Government proposed funding of SEK 120m in 2021 for measures that will contribute to a reorientation and development towards a sustainable visitor industry in the whole of Sweden, with SEK 40m going to Visit Sweden. SEK 20m related to the reorientation of Visit Sweden's operations. In addition, the enterprise's assignment was changed to include marketing the whole of the country to domestic target groups.

■ [Read more on page 29.](#)



# Capital reinforcements on account of the pandemic

On 23 June 2021 the Riksdag authorised the Government to make decisions providing capital contributions of not more than SEK 3.15bn to Swedavia and of not more than SEK 150m to Lernia and to acquire shares or take other similar measures to recapitalise SAS (Govt Bill 2019/20:187, Cmte Rep. 2019/20:FiU62, Riksdag Comm. 2019/20: 364).



## Swedavia

Air traffic from Swedavia's airports decreased dramatically in spring 2020 due to the extensive travel restrictions introduced at that time. Swedavia took a number of measures to reduce its costs. In principle, all activities that were not critical to its business were ended. Only activities that maintain essential operations and activities that were intended to ensure that airport operations would be free from emissions of fossil carbon dioxide at the end of 2020 were carried out. The Government decided on 14 October 2020 to pay a capital contribution of SEK 2.5bn to the enterprise.

The capital contribution meant that Swedavia's debt/equity ratio remained low within the owner target, ensuring that the enterprise had access to financing via the capital market, which was judged to make continued effective financing possible. In the prevailing circumstances the capital contribution was crucial for Swedavia's long-term value creation and ability to maintain aviation infrastructure and therefore secure Swedish air traffic access.

■ *Read more on page 11.*



## Lernia

After losses in 2018–19, Lernia had a challenging financial situation that was made even worse by the ongoing pandemic. However, the Government made the assessment that Lernia had a sound and profitable business plan and that the enterprise, like the whole of the training and staffing industry, will have an important role in the coming years in meeting needs in skills provision, transition, recruitment and matching. The Government decided on 25 June 2020 to pay a capital contribution of SEK 150m to the enterprise.

The capital contribution gave Lernia's business a stronger balance sheet, enabling the enterprise to continue to strengthen its equity/assets ratio over time. It gives Lernia good possibilities of continuing its work to strengthen Lernia's offer of services in staffing, training and matching.

## SAS

On account of the extensive travel restrictions and the reduced demand for air travel, SAS's air traffic ended in principle in spring 2020. This had major consequences for the enterprise's supply of liquidity and financial position.

On 10 September 2020 the Government decided to participate in SAS's recapitalisation plan, and, in October 2020, the Swedish State then subscribed for the following financial instruments issued as part of the recapitalisation plan:

- 1 527 596 144 newly issued common shares in SAS at a subscription price of SEK 1.16 per share, corresponding to

a contribution totalling around SEK 1.8bn. By doing so, the Swedish State increased its total holding of shares in SAS from its previous 56 700 000 to 1 584 296 144 common shares, increasing its holding from 14.82% to 21.80% of the shares and votes in the enterprise.

- 2 000 newly issued hybrid notes at a subscription price of SEK 1 250 000 per note, corresponding to a contribution totalling around SEK 2.5bn.

The total contribution made by the Swedish State in SAS's recapitalisation plan, paid in October 2020, was therefore around SEK 4.3bn.



The recapitalisation was essential to enable the enterprise to get through the difficult situation resulting from the corona pandemic and travel restrictions. Overall, the recapitalisation increased the enterprise's liquidity by SEK 12bn, decreased its debt by SEK 2.25bn and strengthened its equity by SEK 14.25bn.

The Government set tough climate and environmental requirements for SAS in conjunction with the recapitalisation. As a result, the enterprise has toughened its climate targets so as to contribute to the achievement of the aims of the Paris Agreement. The Government's expectations as an owner are that SAS will implement its climate work in line with the plan communicated. The Government has a close dialogue with the enterprise concerning its climate work.

# Performance in 2020

## Sales

Consolidated net sales for the portfolio of state-owned enterprises decreased by 2.3% in 2020 year-on-year, to SEK 362.9bn (371.4bn). Net sales for the full year 2020 including associates,<sup>a)</sup> also decreased by 2.3% and were SEK 402.0bn (411.4bn).

Lower sales in Vattenfall, Swedavia and SJ are the main reasons for the decreases in total net sales. Vattenfall's net sales decreased by 5% (-4% excl. currency effects), or SEK 7.5bn. The decrease is mainly due to lower electricity prices and a lower sales volume in the Nordic Region, the Netherlands and Germany, as well as lower revenue from heating services. Swedavia's sales decreased by 60%, mainly due to a strong decrease in

air traffic from mid-March 2020 on account of the corona pandemic, leading to significantly lower passenger volumes.

Vattenfall accounts for 43.8% (44.8%) of net sales in the portfolio of state-owned enterprises, and for 39.5% (40.4%) if sales in associates are included.

A number of enterprises increased their sales, including Systembolaget and Telia Company. Systembolaget increased its sales by 14%, which is partly explained by an increase in Systembolaget's share of consumption during the pandemic. The main reason for this is lower travel imports, but fewer restaurant visits have also been a factor.

## Profit and dividends

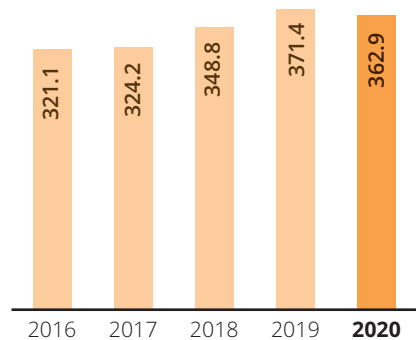
Operating profit for the full year 2020 decreased and was SEK 44.6bn (60.1bn). This is mainly explained by lower operating profits for Telia Company and Vattenfall. Telia Company's operating profit decreased by SEK 30.0bn. The enterprise's operating profit was adversely affected by the sale of Turkcell Holding and an impairment attributable to goodwill in Finland.

The after-tax profit for the full year 2020 decreased and was SEK 28.8bn (46.6bn). The largest positive contributions to the consolidated profit after tax came from Sveaskog, LKAB, Vattenfall, Akademiska Hus and Svenska Spel. Sveaskog's profit increased by SEK 9.3bn, mainly due to a revaluation of

a) Includes net sales for associates based on the state share of equity. Enterprises in which the state ownership share is less than 20% are not included.

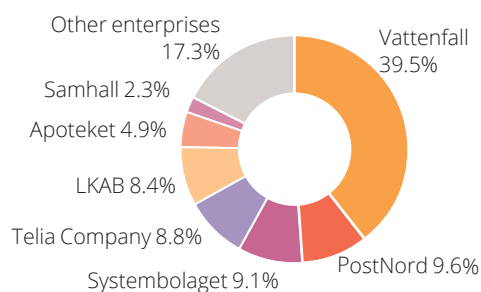
### Net sales

Excluding associates SEK bn



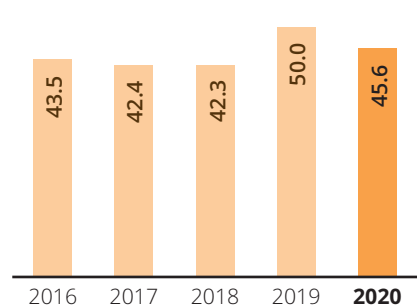
### Distribution of sales

Including associates, Jan.-Dec. 2020



### Gross investments

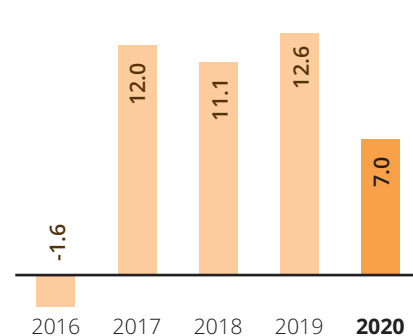
SEK bn



Gross investments decreased by 8.7% to SEK 45.6bn (50.0bn). Vattenfall's gross investments, which accounted for almost half of total gross investments, decreased by 20.4% to SEK 21.3bn (26.8bn).

### Return on equity

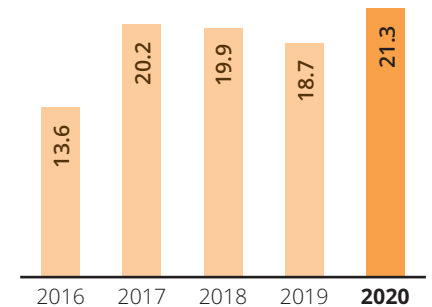
%



The return on equity was 7.0% (12.6%).

### Dividends

SEK bn



State-owned enterprises make important contributions to central government finances. Dividends paid to the State in financial year 2020 totalled SEK 21.3bn.

forest assets. The enterprise has changed its reporting method for valuation of its forest assets so that it is now based on market value calculated using transactions in areas where Sveaskog owns forest assets. In doing so, Sveaskog is following the other large companies in the industry.

Dividends from state-owned enterprises for financial year 2020 amounted to around SEK 21.3bn (18.7bn). The largest dividends come from LKAB, at SEK 5.9bn, and Vattenfall, at SEK 4.0bn.

### Sustainable business

In this section all partly owned enterprises have been weighted to make it possible to, for instance, attribute the portfolio's emissions to the state holding, in line with international practice.

- b) Based on information reported to the Government Offices and excludes 8 enterprises where these statistics were not available.  
c) A number of enterprises have been excluded since they did not have this information available.

The total climate impact of the portfolio of state-owned enterprises, measured as tonnes of CO<sub>2</sub> equivalents (direct and indirect emissions, Scope 1-2) was around 13.6m (20.1m) and corresponded to a year-on-year decrease of 32.3%.<sup>b)</sup> Vattenfall accounts for around 91% of emissions, and accounts in a group of five enterprises, along with LKAB, SAS, PostNord and Green Cargo, for more than 99% of the portfolio's total climate impact.

The accident rate at portfolio level, measured as the number of work-related accidents resulting in sickness absence

divided by the number of million hours worked, including both employees and contractors, decreased to 4.3 (5.1).<sup>c)</sup>

During the year there were 2 (2) work-related fatal accidents in the portfolio of state-owned enterprises, among employees and contractors.

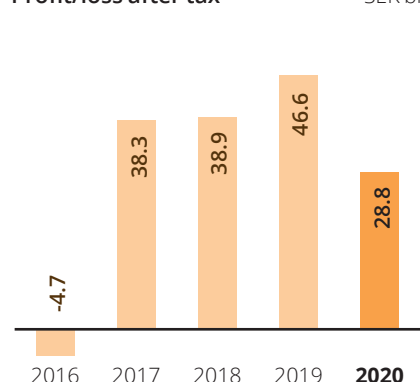
Total pay and other remuneration to employees (excluding payroll overheads) amounted to SEK 56.0bn (56.1bn). Vattenfall and enterprises operating in labour-intensive industries, such as PostNord and Samhall, accounted for the largest wage payments.

### Reported effective tax, total <sup>d)</sup>

SEK bn	2020	2019
Tax on reported profit/loss before tax (according to applicable rate of income tax)	-4.7	-13.7
Reported effective tax	-13.5	-11.9

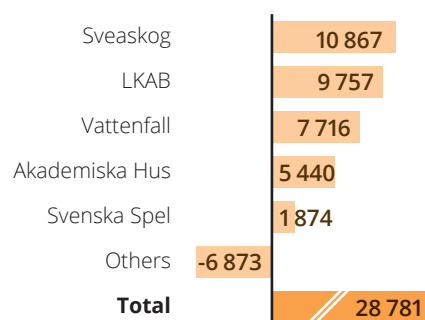
- d) The table presents both tax on "profit before tax" according to the applicable Swedish rate of income tax on 31 December of the relevant year, and the sum of effective tax reported among the enterprises. A tax expense is stated with a negative sign and tax revenue is stated with a positive sign. The presentation covers the enterprises' total tax expenses, irrespective of the state holding.

### Profit/loss after tax SEK bn



### Profit/loss after tax SEK m

Enterprises with greatest effect on net profit, SEK m, Jan.–Dec. 2020



### State-owned enterprises, total <sup>e), f)</sup>

SEK bn	2020	2019	2018	2017	2016
Net sales (incl. any appropriation)	362.9	371.4	348.8	324.2	321.1
Net sales incl. associates (incl. any appropriation)	402.0	411.4	380.7	354.6	353.1
Profit before changes in value	30.9	54.5	43.7	47.8	20.8
Changes in value	13.8	5.6	5.0	5.9	5.6
Operating profit (EBIT)	44.6	60.1	49.1	53.7	26.4
Profit before tax	41.8	56.6	44.9	47.6	20.1
Profit/loss after tax	28.8	46.6	38.9	38.3	-4.7
Gross investments	45.6	50.0	42.3	42.4	43.5
Cash flow from operating activities (excl. SEK and SBAB)	68.9	45.2	65.7	51.3	46.5
Total equity	430.1	383.0	361.3	342.3	312.9
Total assets	1 825.0	1 703.3	1 637.0	1 497.1	1 469.0
Number of employees excl. associates (thousands)	106	108	109	109	111
Number of employees incl. associates (thousands)	135	140	134	130	137
Dividend	21.3	18.7	19.9	20.2	13.6
Estimated value <sup>g)</sup>	700	640	630	570	510
Return on equity (%)	7.0	12.6	11.1	12.0	-1.6
Equity/assets ratio (%)	23.6	22.5	22.1	22.9	21.3
Dividend yield (%)	3.1	2.9	3.2	3.6	2.8

- e) Vattenfall's lignite operations and Teracom Group's former subsidiary Boxer are reported as profit/loss from discontinued operations/operations being divested for 2016.

- f) SAS is included in consolidated profit/loss in 2020 (for the first time since 2014) since the State's share of equity is now above 20%. The comparative figures for 2019 have been adjusted in accordance with this, but comparative figures for previous periods have not.

- g) Estimated value of the enterprise portfolio adjusted for transactions.

# Positive value performance

The portfolio of state-owned enterprises consists of enterprises in the sectors of basic industry/energy, telecom, services, property, finance, consumer goods, infrastructure and transport. Basic industry/energy is the dominant sector, with about 53% of the value of the portfolio, followed by the three sectors of property, telecom and services.

A valuation of the enterprises and the portfolio as a whole is conducted annually, and value performance is presented here from a one-year and a five-year perspective. This valuation is made at the end of each year and is intended to establish a market value for the enterprises and the portfolio as a whole.

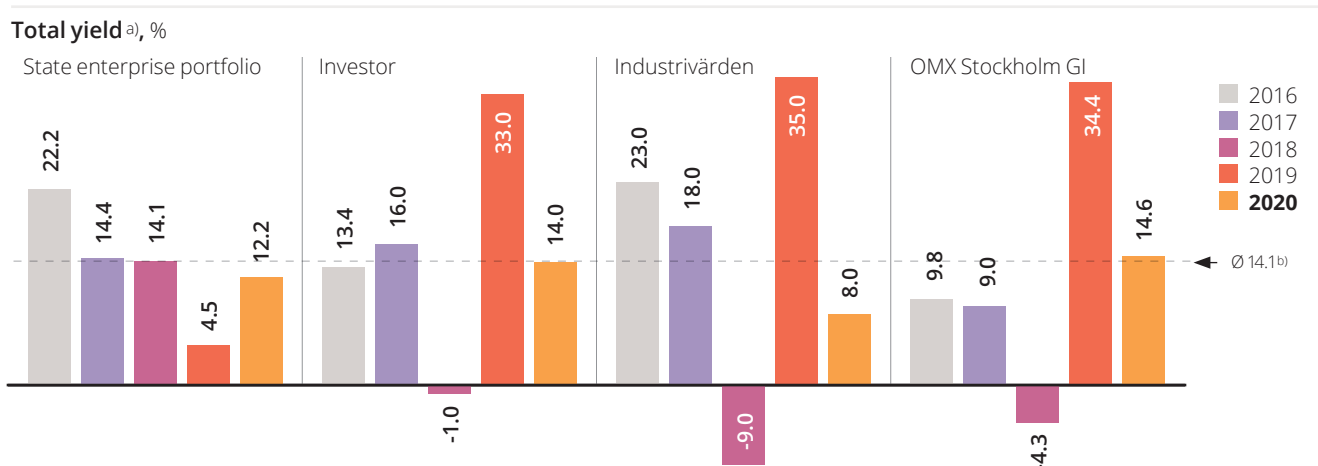
Around half of the enterprises are valued on the basis of both the income approach (present value calculation of future risk-adjusted cash flows) and the market approach (relative valuation based on value multiples for comparable listed companies, adjusted for differences in value drivers and risk), with each method calibrated against the other. Property enterprises are valued at net asset value and listed companies at market value. Other enterprises are valued at the book value of equity.

Like the Stock Exchange as a whole, the state enterprise portfolio displayed a positive value performance in 2020, despite a considerable impact of the pandemic on most of the enterprises. One explanation of this is that company valuation is, by definition, forward-looking and that ongoing vaccination programmes and other developments result in expectations of positive economic developments looking ahead. The biggest negative impact of the pandemic is noted for holdings in passenger transport and related infrastructure. For instance, SJ, SAS and Swedavia have been hit hard by revenue losses, which have, through their impact on net financial debt, also had a direct impact on the enterprises' share values.

**Value performance 2016 to 2020**  
At year-end 2020, the value of the state enterprise portfolio was estimated at SEK 700bn. Adjusted for transactions

executed, this is an increase of around SEK 190bn, or 37%, since 2016, when the portfolio was valued at around SEK 510bn. By comparison, the value of Nasdaq Stockholm rose during the same period by around 44%. Since the sector composition of the state portfolio differs from the total composition of Nasdaq Stockholm, their performance is, however, not fully comparable with regard to aspects including risk exposure. Several state-owned enterprises with relatively substantial values have specifically adopted public policy assignments, partly aimed at objectives other than financial returns, and this is another reason why a direct comparison with Nasdaq Stockholm is also misleading to some extent.

The increase in value of the portfolio, adjusted for transactions executed in the period, of SEK 190bn is primarily attributable to value performance in the



Source: FactSet and website of each enterprise.

a) Total yield reflects annual value performance including dividends executed. The outcome for the state enterprise portfolio has been adjusted for capital contributions made. The total yield given for Investor and Industrivärden and for the state enterprise portfolio refers to the performance of each portfolio.  
b) The average refers to the mean of all observations during the period.

basic industry/energy sector, which includes Vattenfall, LKAB and Sveaskog. This is the dominant sector in the portfolio although its weight has fluctuated over the last five years. Since 2016 holdings in the basic industry/energy sector have increased in value from around SEK 205bn to around SEK 370bn. On account of this sector's value performance, its share of the total state portfolio has increased gradually from around 40% in 2016 to just under 53% of the value at year-end 2020.

The telecom sector has had negative performance since 2016, given the weak share price performance for Telia Company, not least in 2020.

The main sectors in the state enterprise portfolio that have performed well, in addition to basic industry/energy, since 2016 are property, infrastructure and transport. In the property sector the increase reported is mainly attributable to new construction in Akademiska Hus and the generally favourable development of the property market. In the infrastructure sector, Svedab has performed well, and in the transport sector good performance by SJ and PostNord in particular contribute to the value growth since 2016.

#### Value performance in 2020

In 2020 the value of the state enterprise portfolio rose by just under SEK 70bn, or just under 11%, year-on-year. By comparison, Nasdaq Stockholm rose by around 12.9% over the same period. Dividends to the State in 2020 (for

financial year 2019) amounted to SEK 18.7bn. At the same time, six state-owned enterprises received capital contributions totalling SEK 8.9bn during the year, of which SEK 3.4bn was for contributions to Almi to alleviate the effects of the pandemic on Swedish jobs and businesses. Overall, the state enterprise portfolio generated a total yield of 12.2% in 2020 compared with 4.5% in 2019. Historical total yields for the state portfolio and for Investor, Industrivärden and OMX Stockholm GI (Growth Index) are shown in the figure on page 8.

The basic industry/energy sector accounted for the greatest value change in the state enterprise portfolio in the past year. Along with the services, property and transport sectors, which also performed well in 2020, the aggregate increase in the value of these sectors adds up to around SEK 80bn.

Holdings in the basic industry/energy sector were valued at year-end 2020 at around SEK 370bn, an increase of around SEK 60bn, or 14%, year-on-year. The increase in estimated value is chiefly due to the upvaluation of forest assets in Sveaskog, but also reflects a higher valuation of Vattenfall, which showed relatively strong underlying performance during the year, like the energy sector in general.

The value of the property sector was assessed at around SEK 86bn at year-end 2020, an increase of around SEK 7bn, or 8%. The value growth is mainly

attributable to Akademiska Hus, even though small increases in value were noted for Specialfastigheter and Jernhusen.

At the end of 2020 the value of the transport sector was SEK 22bn, which is an increase of around SEK 5bn, or 27%, year-on-year. In addition to the strong value performance of PostNord, the Swedish State's participation in the recapitalisation of SAS results in an increase in the value of the holding.

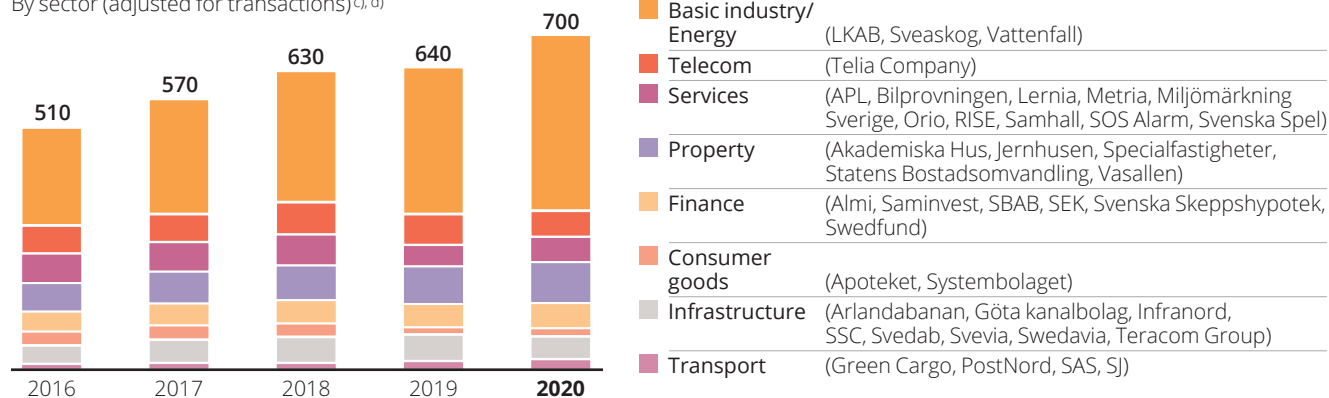
The value of the rest of the state enterprise portfolio was estimated at around SEK 225bn at year-end 2020, a decrease of around SEK 4bn. This negative value performance is mainly related to the telecom and infrastructure sectors, with negative value performance of the holding in Telia Company and a lower valuation of Svedab driven mainly by an assessed higher required return for this type of asset.

#### Share price performance of listed holdings

In 2020 the value of the holding in Telia Company decreased by 15.6%. As a result of the recapitalisation of SAS, the value of the state holding in the enterprise increased. Overall, the value of listed holdings decreased by 12.3% or SEK 8.1bn.

#### Value performance 2016–2020, SEK bn

By sector (adjusted for transactions)<sup>c, d)</sup>



Source: Ministry of Enterprise and Innovation.

c) In addition to the reported sectors, the "Other" sector (Dramaten, Operan and Visit Sweden) is included at an aggregate value of under SEK 1bn.

d) Since the start of 2017 Saminvest is the parent company of the previously wholly state-owned enterprises Inlandsinnovation and Fouriertransform.

# Multidimensional value creation

State-owned enterprises work to be at the forefront of sustainable business and are continuously implementing a range of initiatives aimed at securing their future position in a sustainable world.

With value creation as the overall objective of investment management, sustainable business is a central element of the corporate governance exercised by the Government. State-owned enter-

prises have to act in an exemplary way in the area of sustainable business; this includes strategic and transparent work focusing on cooperation. When the enterprises put sustainable strategies in

place, they sharpen their competitiveness, which is essential for their continued success.

## RISE meets new needs during the corona pandemic

**RISE** The corona pandemic led to an acute need for protective equipment in health care spring 2020. The state research institute RISE, Research Institutes of Sweden, then changed its operations so as to be able to put a fast track in place for testing of personal protective equipment on behalf of the Swedish Work Environment Authority. RISE was soon able to start testing visors, respiratory protective equipment, gloves, aprons and other protective clothing that could then be distributed to health services following approval.

To be involved in supporting the rapid transition to remote digital schooling during the pandemic, RISE also developed a digital plat-



form called skolahemma.se in record time along with the National Agency for Education, the Swedish Association of Local Authorities and Regions, Sveriges Utbildningsradio [Swedish Educational Broadcasting Company] and Swedish Edtech Industry.

RISE also maintains a digital care website digitalvardochomsorg.se

in collaboration with several government agencies, health care actors and other participants. The website is an integrated information and support portal that provides clear support during the corona pandemic for fast tracks in the digital transformation of municipal health and social care and social services.

## Sweden's most gender-equal company

**AKADEMISKA HUS** The 50/50 list run by Dagens Industri (Di), a business daily, is a survey of gender equality at the top of Sweden's 1 000 largest companies. Akademiska Hus took first place on it. The factors that result in Akademiska Hus topping the list are that it has a gender-balanced board and management and that the enter-

prise has a female CEO, board chair, CFO and at least one female line manager. The reasons Di gives for the award are that "Akademiska Hus is a textbook example of a company that has broken through the glass ceiling."

According to State ownership policy, state-owned enterprises have to be exemplary in gender equality work and work actively on gender equality issues in their operations, especially in connection with

appointments to senior management. The enterprises also have to take account of diversity aspects and foster an inclusive culture.

For the third successive year women are in the majority among board chairs in the state enterprise portfolio. All boards but one have gender balance according to the principle that the share of women and of men has to be at least 40%.

## Increased need for venture capital to complement the market

**ALMI** Following decisions by the Riksdag, Almi's financial base was reinforced in June 2020 through capital contributions of some SEK 3bn for its lending operations and of SEK 400m for venture capital operations in its subsidiary Almi Invest.

The need for venture capital to complement the market increased during the pandemic, resulting in a high level of activity in Almi Invest, which is the group's venture capital company. Almi Invest invests in companies with scalable ideas, potential for long-term value growth and the ability to compete both nationally and internationally.

In 2020 there has been a strong

focus on follow-on investments in existing holdings, but as the market situation gradually normalises, more focus is again being placed on new investments. One of Almi Invest's follow-on investments was Tebrito, which produces a protein powder from mealworms as an ingredient of food products or as animal feed. Through a round of funding Tebrito brought in just over SEK 8m in new capital in 2020. Almi Invest, which already took part in the company's first round, put up an additional SEK 2m. This round of funding coincided with notification from the Swedish Food Agency that certain insects can now be sold as food products in Sweden.

## Swedavia reaches milestone in its climate transition work



**SWEDAVIA** In 2020, and as one of the first airport operators in the world, the in-house operations run by Swedavia at the enterprise's ten airports became fossil free. Swedavia is now going on to support other airport actors to adjust, focusing especially on the climate transition for air travel.

At present Swedavia runs extensive airport operations around Sweden that would, just ten years ago, have generated emissions of around 8 000 tonnes of fossil carbon dioxide per year – a figure that has now been reduced to zero. As part of this transition, all airports are now being run with renewable electricity and heating/

cooling, their reserve power runs on renewable fuel and Swedavia's vehicles run on electricity or renewable fuels.

Swedavia's strategic target is to have fuelling with at least 5% aviation biofuel at Swedish airports in 2025 and Swedavia is actively fostering increased use of biofuels, which reduce emissions of fossil carbon dioxide by up to 85%. For instance, Swedavia buys aviation biofuel corresponding to its own business travel and issues an invitation each year to a coordinated procurement to enable other companies and organisations to buy biofuel.



## Unique opportunity to reduce the world's carbon dioxide emissions

**LKAB** In November 2020 the mining and minerals group LKAB presented the enterprise's new strategy for the future. It lays out the path to zero emissions of carbon dioxide from its own processes and products by 2045 and secures the enterprise's business with expanded mining operations beyond 2060. The strategy identifies three main tracks for this transition:

- New world standard for mining operations.
- Over time Direct Reduced Iron (DRI) produced using green hydrogen replaces iron ore pellets and open the way for a fossil free iron and steel industry.
- Extract critical minerals from mining waste – fossil free technology is used to extract strategically important rare earth metals and phosphorous for fertiliser from present-day waste from the mine.

The transition will require extensive investments of the order of SEK 10–20bn per year over a period of 15 to 20 years in LKAB's operations alone.

"This is the biggest transition in the enterprise's 130-year long history and may turn out to be the biggest industrial investment ever in Sweden. It creates unique opportunities of reducing global carbon dioxide emissions, as well as for Swedish industry to take the lead in an essential global transition," says Jan Moström, President and CEO of LKAB.

# Digitalisation and innovation in the state enterprise portfolio

State-owned enterprises have to make active use of the possibilities of digitalisation in their value creation and to keep a close check on the new risks that arise.

As an owner, the State has clearly expressed its expectation that state-owned enterprises will make active use of the possibilities of digitalisation in their value creation, and keep a close check on the new risks that arise. The enterprises have been encouraged to raise the issue of digitalisation on their board agendas, to set aside time to discuss what digitali-

sation means and to take the measures required to secure their long-term competitiveness.

The investment management organisation has created scope for discussing digitalisation during owner dialogues and has also held various network meetings between the enterprises on the

theme of digitalisation in order to inspire and encourage exchanges of knowledge between state-owned enterprises.

In 2019 a CIO network was formed for state-owned enterprises. Telia Company and Vattenfall have each hosted a network meeting in 2020.



## Algorithms reduce the risk of technical faults

**VATTENFALL** A pilot project that enables Vattenfall's technicians to discover faults in local district heating stations was completed in 2020. Previously, on-site inspections had to be made of the stations once or twice a year even if the system was fault free. The majority of the stations were fault free, so the inspections performed were unnecessary. Moreover, on the occasions when there were faults in the stations, they were often only discovered when homes got cold or the hot water stopped working.

To solve this problem Vattenfall worked together with their engineers to develop a solution based on the Internet of Things (IoT), combined with machine-learning algorithms so as to be able to handle preventive maintenance. This greatly reduced the number of on-site inspections, as well as the risk of technical faults that could lead to costly outages and inconvenience for residents. The algorithm is now part of a new project in Berlin; and a dialogue about using the same solution has been started in the Netherlands.

## Operan and PostNord – winners of the Swedish Design Prize in two digital categories

**OPERAN** On account of the pandemic, Operan had no public and physical activities for large parts of 2020. However, people who have wanted to do so have been able to view performances digitally. Operan Play is Operan's digital stage offering hand-picked performances and other material from the national stage. This platform won the Swedish Design Prize in 2020 in the category of Information – digital.

**POSTNORD** In 2020 PostNord's app Real Postcards won the Swedish Design Prize in the category of Digital – Smartphone. The app makes it possible, from a mobile phone or computer, to choose an image, write a greeting and get the delivery of a physical postcard. The app has been very popular in pandemic times, and, in the Christmas period in 2020, 110% more postcards were sent using this app than in the same period of the previous year.<sup>a)</sup>

a) 1.3 million Real Postcards were sent in the period 1–21 December 2020.





### The country's most digitalised higher education institution with a strong focus on sustainability

**AKADEMISKA HUS** Örebro Campus Lab is a joint initiative by Örebro University and Akademiska Hus with the objective of working together so that the University will succeed in becoming the country's most digitalised higher education institution with a strong focus on sustainability. The initiative is

intended to contribute to an education and research environment at the digital and sustainable forefront. An environment that is highly attractive to students, researchers and teachers at Örebro University, as well as to external partners.

At Örebro Campus Lab, projects, innovation and development are started to find smart, effective and sustainable solutions for the future. With the campus as a test-bed, new ideas are developed and tested. The Cooperation Agreement was signed in 2018 and runs up until 2022. As part of this cooperation, the university area has, for instance, become Sweden's first campus to have a digital twin, a digital copy of reality, and has also been equipped with solar cells that give the University 400 000 kWh of renewable energy each year.

In 2020 the university area was equipped with more than 4 000 sensors measuring light, temperature, humidity, movement and other variables. The purpose of the sensors is to use the premises in a more sustainable and efficient way while improving the indoor environment and energy use.



### Digital automatic coupling for more efficient and safer railway goods traffic

**GREEN CARGO** In 2020–21 Green Cargo is participating in a European railway project with tests of different types digital automatic coupling. The tests are being

held in Germany, Austria, Switzerland and Sweden, with Green Cargo's tests in Sweden focusing on winter conditions.

Automatic coupling has many advantages for the industry regarding both safer working conditions and increased production

enabling larger volumes of railway goods traffic. The increase in efficiency is an important part of work to shift more goods from road to rail and to realise both European and Swedish climate objectives. Green Cargo wants to be involved in and contribute to the implementation of standardised automatic coupling in Europe, and, as the largest goods operator in Sweden, the enterprise sees it as important to take part in development work before decisions are taken on a common European standard.

Digital automatic coupling makes it possible to automate several time-consuming and risky work tasks while obtaining secure data communication and effective energy supply. It opens the path to modern logistics concepts and a large number of digital applications.

# Strategy and targets



# Active ownership

The Government has a mandate from the Riksdag to actively manage state-owned enterprises so as to ensure the best possible long-term value performance and to ensure that specifically adopted public policy assignments are performed well. Good corporate governance is essential to enable the Government to perform this mandate.

The portfolio of state-owned enterprises consists of 39 wholly owned and 7 partly owned enterprises with a total value of SEK 700bn. Together, state-owned enterprises and their subsidiaries employ around 106 000 people, and around 135 000 when associates are also included. Of the state-owned enterprises, 22 have been given specifically adopted public policy assignments by the Riksdag, meaning that they generate public benefit that cannot always be measured in financial terms.

State-owned enterprises represent strong brands and play an important role in Swedish society. Several started out as public enterprises, commercial operations within government agencies or state monopolies. Today, most of them operate in fully competitive markets, so it is important that, like privately owned companies, they take a long-term approach, are efficient and profitable and are given the capacity to develop. This also means that state-owned enterprises must apply the provisions of the

Swedish Competition Act (2008:579) in the same way as privately owned companies.

The Government is required to actively manage the State's assets in the form of shares in state-owned enterprises so as to maximise their value performance and return while maintaining balanced risk-taking and ensuring that specifically adopted public policy assignments are performed well. It is important that the State is an active, professional owner with a focus on long-term and sustainable value creation.

As an active and professional owner, the State has to examine the reasons for continued state ownership and also to review the various assignments and directions of the enterprises. The direction of operations and public policy assignments of many of the enterprises justify the State continuing to be a significant owner.

**Government's corporate governance**  
Corporate governance by the Government builds on the Swedish model of corporate governance. This means that, in terms of company law, state-owned enterprises are governed in the same way as privately owned companies with the annual general meeting as their highest decision-making body. This also means that the board of directors is responsible for the enterprise's organisation and the management of its affairs and that the board is responsible for adopting business targets and strategy, while the enterprise's executive management handles the management of its operations. In principle, state-owned enterprises are subject to the same laws and regulations as privately owned companies. See the table below.

## State Ownership Policy

The State Ownership Policy sets out the Government's mandates and objectives, applicable frameworks and important issues of principle relating to the corpo-

## Framework for state-owned enterprises

Like privately owned companies, state-owned enterprises are primarily governed by the Swedish Companies Act. Corporate governance differs significantly from the governance of government agencies.

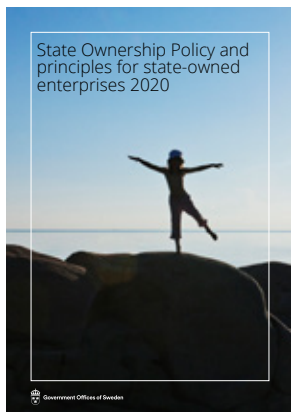
	Legal framework	Operations and assignments	Highest decision-making body
<b>State-owned enterprises</b>	<ul style="list-style-type: none"> <li>• Swedish Companies Act</li> <li>• State Ownership Policy</li> <li>• Rules for issuers<sup>a)</sup></li> <li>• Swedish Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>• Operations paragraph of articles of association</li> <li>• Owner instruction<sup>b)</sup></li> </ul>	Annual General Meeting (AGM)
<b>Listed companies</b>	<ul style="list-style-type: none"> <li>• Swedish Companies Act</li> <li>• Rules for issuers</li> <li>• Swedish Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>• Operations paragraph of articles of association</li> </ul>	Annual General Meeting (AGM)
<b>Government agencies</b>	<ul style="list-style-type: none"> <li>• Government Agencies Ordinance</li> <li>• Ordinances containing instructions for specific agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriation directions</li> <li>• Separate government decisions on assignments</li> </ul>	Agency head/board or governing board

a) Applies to external reporting.

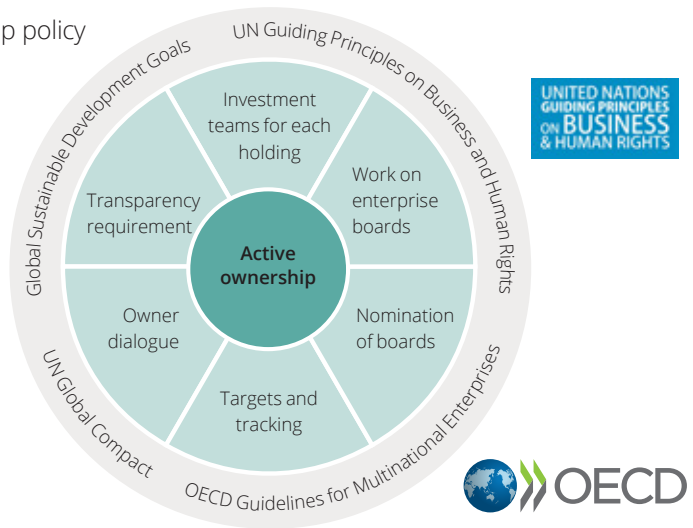
b) Mainly used for enterprises that have specifically adopted public policy assignments.

## Active ownership

Active ownership within the framework of state ownership policy



State Ownership Policy



rate governance of state-owned enterprises. The State Ownership Policy for 2020 includes the Government’s principles for corporate governance, principles for remuneration and other terms of employment for senior officers and principles for external reporting. The State Ownership Policy is applied in all enterprises with majority state ownership. In the other enterprises, i.e. those with minority state ownership, the State engages in a dialogue with the other owners to ensure that the ownership policy is applied.

**OECD Guidelines on Corporate Governance of SOEs**  
The Swedish Government’s management principles mainly follow the OECD Guidelines on Corporate Governance of and Anti-Corruption and Integrity in State-Owned Enterprises. The OECD Guidelines on Corporate Governance of State-Owned Enterprises give the State as the owner and the state-owned enterprises a predictable framework to consider, and mean that the ownership role of the State is clearly segregated from its other roles. Sweden participated in the drafting of both the original and revised guidelines from 2005 and 2015 respectively. The Guidelines are recommendations made to governments to ensure that state-owned enterprises operate efficiently, transparently and in an accountable manner. They are an international standard intended to avoid the State making the mistakes of being a passive owner or of intervening excessively as an owner.

**Investment management organisation**  
The Minister for Business, Industry and Innovation is responsible for a unified ownership policy for state-owned enterprises and is the minister responsible for most of the enterprises (see the administrative responsibility of various ministries/ministers in the table on page 17). The Ministry of Enterprise and Innovation has a specific organisation specialised in corporate governance and investment management to ensure long-term value creation in the portfolio of state-owned enterprises. This investment management organisation consists of investment directors and of experts in company analysis, sustainable business, commercial law and board recruitment; the investment directors each serve on a number of enterprise boards and lead the ongoing work of the organisation related to the holdings, which is organised in investment teams. The work of the investment management organisation is conducted within the framework of the state model of corporate governance, and a number of tools and processes have been developed to achieve active and professional management. These processes are described in greater detail below.

### Active ownership

*Investment team for each holding*  
Work on developing and managing enterprise holdings is mainly carried out on the basis of investment teams. Each



investment team is led by the investment director and also contains specialists in analysis, commercial law, board recruitment and sustainable business, each of whom may lead individual projects as part of the investment team. The size and composition of these teams varies, based on the size, complexity or agenda for change of the various enterprises. This composition helps to ensure that each team has good insight into the market and their enterprise’s business environment, as well as an understanding of the challenges and risks facing the enterprise, enabling these teams to contribute to positive value performance by the enterprise. The investment teams analyse their enterprises’ operations, markets, competitors and sustainable business work, which helps to ensure value creation in state holdings through active investment management. The investment teams handle all ongoing ownership issues concerning the enterprises under their investment management, such as analyses of markets and strategy; board changes; the adoption of financial targets, public policy targets and dividend policies; and target achievement.

*Work on enterprise boards*  
Investment directors have the same responsibility and tasks as other board directors and must, under the Swedish Companies Act, look to the best interests of their enterprise. Board service gives investment directors in-depth knowledge about their enterprise, the markets in which it oper-



ates and the important issues and challenges it is facing. The expertise of investment directors contributes to the knowledge that the investment teams have of their enterprises, which facilitates the preparation and planning of analyses and owner dialogues at the Government Offices, for example. Investment directors have the same mandate as other directors, and the formal dialogue between owner and enterprise takes place through owner dialogues between the political leadership and the chair of the board. In the role of board director, investment directors can contribute knowledge of corporate governance issues and the State Ownership Policy, as well as of what various processes in the Government Offices are like, in addition to the general skills for board service. However, each and every director is responsible for being aware of the content of the State Ownership Policy.

#### *Nomination of boards*

The board of directors is responsible for the organisation of their enterprise and the management of its affairs; this means that the board is responsible for setting the enterprise's overall strategy, including strategic targets for sustainable value creation, and takes other important strategic decisions. The boards of state-owned enterprises have to possess a high level of expertise well geared to the operations, situation and future challenges of their particular enterprise. Uniform and common principles for a structured board nomination process are applied to ensure effective provision of expertise to the enterprises' boards of directors. Read more about the board nomination process on page 19. The chair holds a special status on the board. The chair is responsible for ensuring that the work of the board is well organised and efficient, but also has other tasks such as coordinating the views of the board with those of the owner when the enterprise is facing particularly important decisions. The chair is responsible for maintaining ongoing dialogue with the enterprise's owner.

#### *Targets and tracking*

Targets and tracking are important instruments for the State as an enterprise owner, see the figure on page 18. The development of the enter-

prises can be measured since their performance is tracked regularly against the targets set. If an enterprise does not meet its targets, the owner can request an action plan from the enterprise. Financial targets and public policy targets are adopted by the annual general meeting. Financial targets make it possible to measure and track the enterprise's profitability, efficiency and level of risk. Public policy targets are set for enterprises that have specifically adopted public policy assignments, chiefly to be able to assess how well their assignments are being performed.

In order to clearly integrate sustainable business into the enterprise's business strategy and business development, the owner has instructed enterprise boards to establish strategic targets for sustainable value creation. All targets are tracked within the framework of the owner dialogue.

#### *Owner dialogue*

The Ministry of Enterprise and Innovation has administrative responsibility for the majority of the state-owned enterprises. Other ministries with administrative responsibility are the Ministry of Finance, the Ministry of Culture, the Ministry of Health and Social Affairs and the Ministry for Foreign Affairs, see the table on the right. The political leadership of the ministries responsible meet regularly with the board chairs and management of their state-owned enterprises at what are called 'owner dialogues'. Public policy targets and financial targets are tracked at the owner dialogue. Outcomes in relation to the targets are discussed, as is any action planned to meet the targets. The strategic targets for sustainable value creation set by the board are also tracked as part of the owner dialogue. Current issues of significance for the operations of the enterprise are also discussed at the owner dialogue.

#### *Transparency requirement*

State-owned enterprises are subject to the same external financial reporting standards as companies whose shares are admitted to trading on a regulated market in Sweden. When preparing sustainability reports, state-owned enterprises have to follow the rules on sustainability reports in the

## Responsible ministries

Minister responsible for the enterprise in brackets unless otherwise stated

### Ministry of Enterprise and Innovation

*(Baylan)*

Akademiska Hus <sup>a)</sup>  
 Almi  
 Apoteket  
 Arlandabanan Infrastructure <sup>b)</sup>  
 Bilprovingen  
 EUROFIMA <sup>b)</sup>  
 Green Cargo  
 Göta kanalbolag  
 Infranord  
 Jernhusen <sup>c)</sup>  
 Lernia  
 LKAB  
 Metria  
 Orio  
 PostNord  
 RISE, Research Institutes of Sweden  
 Samhall  
 Saminvest  
 SAS  
 SBAB  
 SEK, Svensk Exportkredit  
 SJ  
 SOS Alarm  
 Specialfastigheter <sup>c)</sup>  
 SSC, Svenska rymdaktiebolaget  
 Statens Bostadsomvandling <sup>c)</sup>  
 Stiftelsen Industrifonden  
 Stiftelsen Norrlandsfonden  
 Sveaskog  
 Svedab <sup>b)</sup>  
 Svenska Skeppshypotek  
 Svenska Spel  
 Svevia  
 Swedavia  
 Swedfund International  
 Telia Company  
 Teracom Group  
 Vasallen <sup>c)</sup>  
 Vattenfall  
 Visit Sweden

The Minister responsible is: a) Ernrans, Ministry of Education and Research. b) Eneroth, Ministry of Infrastructure. c) Lindhagen, Ministry of Finance.

### Ministry of Finance

*(Micko)*

Miljömärkning Sverige

### Ministry of Culture

*(Lind)*

Dramaten  
 Operan  
 Voksenåsen

### Ministry of Health and Social Affairs

*(Hallengren)*

APL, Apotek Produktion & Laboratorier  
 Systembolaget

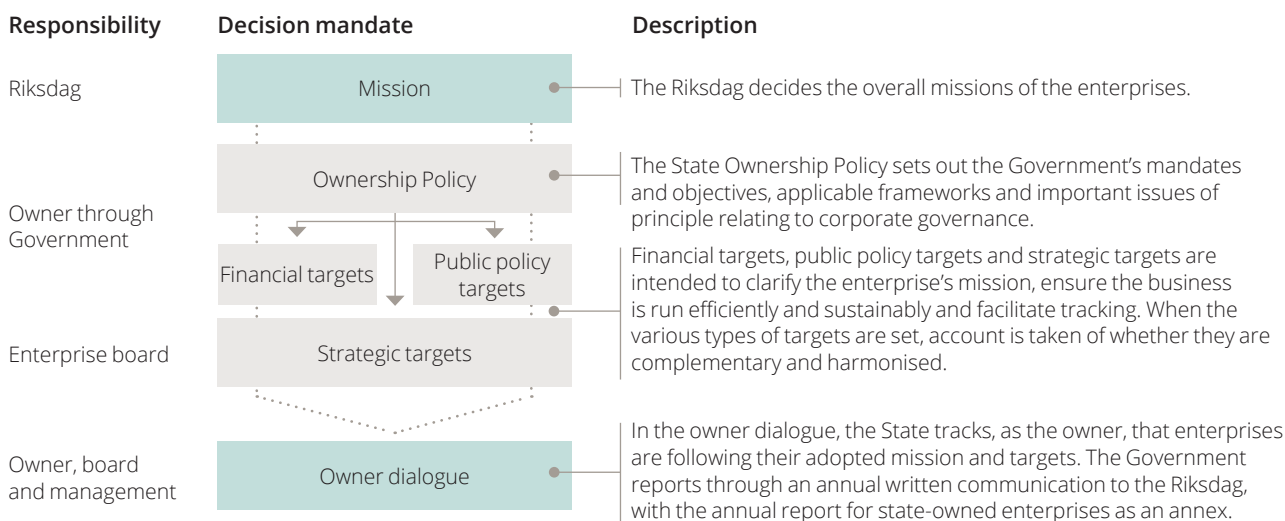
### Ministry for Foreign Affairs

*(Linde)*

INSTEX  
 Sweden House

### Corporate governance – targets and tracking

On the basis of the Riksdag's decision, the owner determines, through the Government, the business objectives of the enterprises in the articles of association adopted by their annual general meeting.



Swedish Annual Accounts Act for large companies. The requirement for transparent and professional communication of information by state-owned enterprises is intended to maintain confidence in these companies among the public and the business community. The purpose of active management of the various enterprise holdings is to maintain good insight over the long term into the enterprises' operations and to handle various ownership issues on an ongoing basis.

lines for Multinational Enterprises. In addition, state-owned enterprises have to analyse, within the scope of their operations, the global goals of the 2030 Agenda so as to identify the goals that the particular enterprise affects and contributes to through its operations.

**Costs**  
In 2020 the cost of the investment management organisation at the Ministry of Enterprise and Innovation was SEK 40.1m (40.5m), corresponding to 0.01% of assets under management. Fees for services purchased externally, such as financial, economic and legal advice and preparation of the annual report and the Government Offices' interim reports for state-owned enterprises, totalled SEK 25.9m (8.2m). The costs of the investment management organisation mainly consist of salaries, but also include other current expenses such as office supplies. Costs for investment management in other ministries are not included, since these mainly consist of salaries that are also attributable to the other tasks within these ministries.

**Authorisations to change state ownership**  
In Government Bill 2016/17:181, "State-owned enterprises in transition" [*Statligt ägda bolag i omvandling*] the Government proposed winding up and dissolving Swedesurvey Aktiebolag so as to transfer part of its operations to Lantmäteriet, the Swedish cadastral authority. The Riksdag adopted the Government's proposal on 20 June 2017 (Cmte Rep. 2016/17:NU24, Riksdag Comm. 2016/17:333). An EGM in 2019 decided to wind the enterprise up by placing it in voluntary dissolution. Its dissolution was completed on 17 December 2020. There are five other current authorisations to change state ownership, see the table below.

In 2020 the Riksdag has authorised the Government (Govt Bill 2020/21:1, Cmte Rep. 2020/21:NU1, Riksdag Comm. 2020/21:145) to transfer the State's shares in Vasallen to Statens Bostadsomvandling, Sbo.

### International guidelines

The State Ownership Policy requires state-owned enterprises to act responsibly and work actively to follow international guidelines regarding environmental consideration, human rights, working conditions, anti-corruption and business ethics. The Government has identified a number of international principles and guidelines of importance for state-owned enterprises: the Ten Principles of the UN Global Compact, the UN's Guiding Principles on Business and Human Rights and the OECD's Guide-



### Authorisations to change state ownership

Enterprise	Current holding, %	Authorisation to change holding to, %	Decision
Bilprovningen	100	0	Govt Bill 2009/10:54, Cmte Rep. 2009/10:NU10, Riksdag Comm. 2009/10:162
Lernia	100	0	Govt Bill 2012/13:1, Cmte Rep. 2012/13:NU1, Riksdag Comm. 2012/13:103
Metria	100	0	Govt Bill 2016/17:181, Cmte Rep. 2016/17:NU24, Riksdag Comm. 2016/17:333
Orio	100	0	Govt Bill 2012/13:99, Cmte Rep. 2012/13:FIU21, Riksdag Comm. 2012/13:287
SAS	21.8	0	Govt Bill 2009/10:121, Cmte Rep. 2009/10:FIU35, Riksdag Comm. 2009/10:220

## Board nomination process

The investment management organisation at the Ministry of Enterprise and Innovation has its own board search advisers whose task includes evaluating the boards of state-owned enterprises and producing proposals for chairs and other directors.<sup>a)</sup>

The board nomination process is carried out annually and begins after the summer, when existing boards have been in office since the AGMs in April and have often had their first strategy meetings. Along with a working group that includes representatives of the investment team for each enterprise, the board search advisers analyse the competence profile requirement based on the composition of the present board and board changes made. The analysis is based on the board evaluations, i.e. the owner's evaluation and the board's evaluation, discussions with the chair of each enterprise and the investment teams' analyses, such as the sustainability analysis.

Understanding the strategic and operational challenges the enterprise is facing is an important aspect of the process, and to get a better picture of this a discussion is often held with the CEO as well. The board must have the right blend of competence, experience and background to be capable of managing the enterprise's affairs effectively and with integrity. This means that every director must have the time and engagement required for the assignment, as well as strong integrity and the ability to look to the best interests of the enterprise.

Based on the skills required for each board, specifications of qualifications for the directors and chair to be recruited are decided and the board search advisers begin the search. The selection of directors is made from a broad recruitment base so as to make use of the competence of women and men, as well as of individuals with different backgrounds and experience.

Bringing in directors from a range of backgrounds gives the board a wider range of competence and better dynamics, so that diversity will reduce group-thinking.

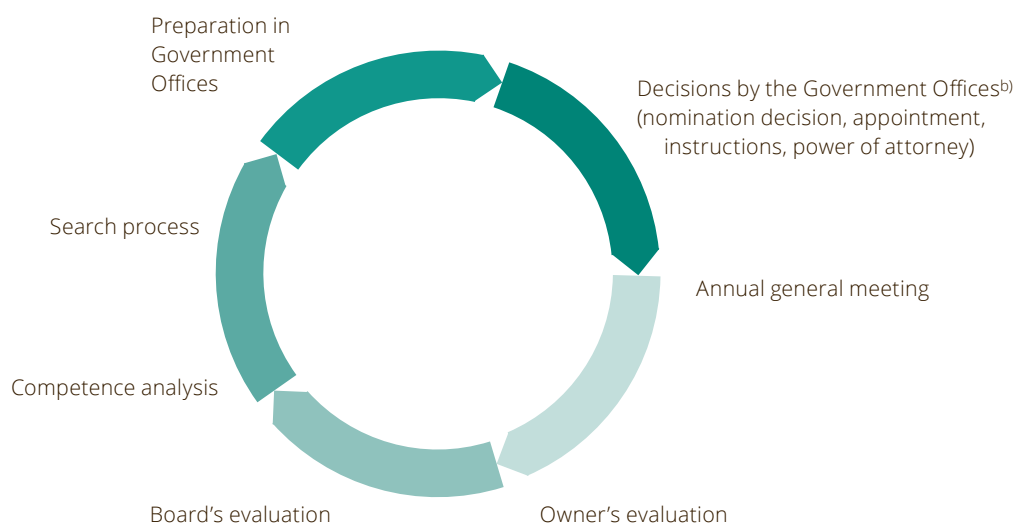
The gathering of political support, i.e. the preparation of the decisions, is an ongoing process during the autumn and winter. Consideration is given to which chairs and directors should be re-elected and which replaced, and proposals are prepared for new chairs and other new directors. The minister responsible for the enterprise then approves nominations for presentation to the annual general meeting, which elects the board.

About 40–60 new directors are elected each year. Over time, the State thus replaces one individual per board and year. The average board consists of seven directors, meaning that directors serve six to seven years on average.

a) The board nomination process also covers the boards of the foundations Stiftelsen Industrifonden and Stiftelsen Norrlandsfonden and of the organisation Svenska Skeppshypotekskassan. Board recruitment in the listed companies Telia Company and SAS is handled by their nominating committees.

### Board nomination process

Annual cycle



b) Decision by minister responsible for the enterprise.

# Financial targets for effective corporate governance

Financial targets are set for state-owned enterprises in order to ensure value creation, reasonable financial risk and efficiency and to guarantee the owner dividend yield. The financial targets have to be long term, ambitious and realistic.

In most cases, state-owned enterprises operate under market conditions in competitive markets. This means that they operate on the same conditions as other market participants and that, as is the case with them, they are run with the overall objective of creating value. This strengthens the competitiveness, long-term value performance and efficiency of state holdings, while reducing the risk of distorting competition.

The setting of financial targets provides important support for enterprises aiming to achieve the most efficient possible utilisation of resources. The owner draws up the targets jointly with the enterprises, which makes for more nuanced and effective governance while improving the quality and realism of the targets. The financial targets have to be realistic, measurable and ambitious.

Public policy targets are set for enterprises with specifically adopted public policy assignments to enable tracking of the enterprise's performance of its assignments. Financial targets are normally set in conjunction with public policy targets since this allows specifically adopted public policy assignments to be set in relation to the creation of financial value. A sustainability analysis is part of

the fundamental analysis of the enterprise's opportunities and risks on which the financial targets are based.

The financial targets are proposed by the board and adopted by the owner at the annual general meeting.

### Financial targets – purpose

Financial targets are usually produced for capital structure, profitability and dividends. The owner's purpose in setting financial targets is to:

- ensure value creation by the board and enterprise management working towards long-term, ambitious and realistic targets;
- achieve capital efficiency by clarifying the cost of equity;
- keep the enterprises' financial risk at a reasonable level;
- ensure dividend yield for the owner through sustainable and predictable dividends taking account of the enterprise's future capital requirements and financial position;
- measure, track and evaluate the enterprises' profitability, efficiency and level of risk in a structured way.

### Method of setting financial targets

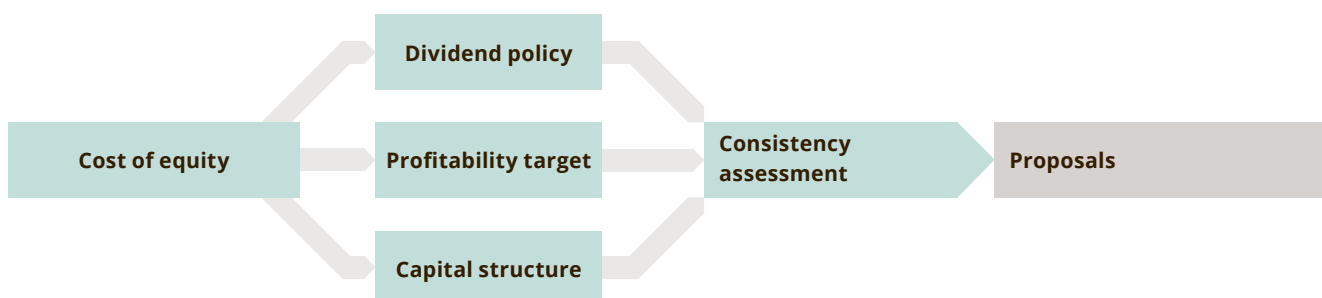
#### *The important cost of capital*

The method used to set financial targets is based on a multistage analysis. It begins with a calculation of the enterprise's cost of capital, which is the expected return an investor can obtain for an alternative investment with the same risk and duration. The level of the cost of capital determines whether the return to the investor is reasonable given the investor's appetite for risk. Over time, the return on equity should at least match the cost of capital.

#### *Efficient capital structure*

Then a capital structure target is set so as to achieve a balance between risk-taking and efficient capitalisation in the enterprises. An appropriate capital structure is achieved by calculating what balance between equity and borrowed capital is theoretically optimal to keep the enterprise's cost of capital down. Industry comparisons and the enterprise's operating risk are taken into account in the calculation in order to find an efficient and resilient capital structure. The capital structure target has to be long-term, ambitious and realistic, and is generally expressed as a range.

## Method of setting financial targets







In 2020 new financial targets were adopted for Jernhusen. The owner adopted new targets for the enterprise's total yield, loan-to-value ratio and interest coverage ratio, as well as an adjusted dividend policy.

### *Ambitious profitability target*

A profitability target is set for the enterprises for the sake of financial and operational efficiency. To ensure that investments in the enterprises will give the owner reasonable compensation, the cost of capital is used as the floor for the profitability target. Analyses of the enterprises' business plans and industry comparisons bolster the setting of the target. The majority of the enterprises are well served by a return target (on operating capital or equity), while for some, which tie up a relatively small amount of capital, a margin target, such as an operating margin, is better.

### *Adapted dividend policy*

A dividend policy is adopted for enterprises as guidance about how much of an enterprise's profit to pay in dividends. They should be based on predictable and long-term sustainable financial returns. However, dividends are not the only form for value distribution to the owner. In cases where there are particularly attractive or potentially profitable investment opportunities for one or more enterprises, surplus capital may be retained and used for such investments. The owner then benefits from the increase in the value of the enterprise. Investment plans and growth opportunities therefore form the basis for the dividend policy.

Moreover, investments that do not directly achieve the owner's profitability target, but that nevertheless meet a return target equal to or exceeding the cost of capital, may be regarded as attractive and therefore be undertaken.

For these reasons, the dividend target for an enterprise does not have to be met every year, but should instead be regarded as a realistic and ambitious long-term target. The dividend policy is usually expressed as a percentage of net profit for the year, most often as an acceptable range.

### *Consistency assessment*

When proposals for the capital structure target, the profitability target and the dividend policy have been prepared, an analysis needs to be carried out to see that there are no inbuilt conflicts between the wording of these targets and the growth that the business plan for the enterprise is based on. One way of doing this is to check that the targets for capital structure, profitability, dividend and growth create financial scope to make the investments implied by the targets and the business plan.

### *Proposals*

The board then considers proposals for new financial targets and makes the decision to propose these targets to a general meeting. The owner makes the formal decision to adopt the targets at a general meeting.

### *Tracking and evaluation*

The financial targets have to be forward-looking and long-term. This means that the targets may be exceeded in some years and not met in others, in part due to economic fluctuations. The owner tracks the enterprise's development and target attainment at regular progress meetings with the enterprise. Both the enterprise's internal work to

achieve the targets and the business environment factors affecting the enterprise's situation are discussed at these meetings. Target attainment is assessed in relation to, for instance, current market conditions and the budget and business plan.

### *Revision of financial targets*

Since an enterprise's internal and external circumstances are in constant change, its financial targets also need to be reviewed at regular intervals. Reasons for revising the targets can include material changes in the enterprise's strategy or market conditions, as well as major acquisitions or divestments. Major and lasting macroeconomic changes can also be a reason to review the targets. A target revision is a structured process involving both the owner and the enterprise. Since the financial targets are decided jointly by the owner and the enterprise, targets and outcomes are communicated externally by both parties.

In 2020 new financial targets were adopted for Almi, Jernhusen, RISE, Samhall and Saminvest. Target projects were also started during the year for Apoteket, Lernia and SEK that then led to the adoption of new targets at their annual general meetings in 2021.

# Public policy assignments

There is a specifically adopted public policy assignment when an enterprise has an assignment decided by the Riksdag to conduct operations intended wholly or partly to generate effects other than a financial return for the owner.

An enterprise is considered to have a specifically adopted public policy assignment when the Riksdag has decided that the enterprise is to conduct operations intended wholly or partly to generate effects other than a financial return for the owner. In some cases, operations that are part of a specifically adopted public policy assignment may be part-financed from appropriations in the central government budget. Enterprises with public policy assignments include enterprises whose entire operations are based on their public policy assignment and enterprises where only parts of their operations are based on their public policy assignment. In the latter category, the remainder of the enterprise's operations are commercial. Enterprises with specifically adopted public policy assignments contribute, for example, to cultural values, more sustainable consumption, research and development, the supply of medicines, capital supply and the maintenance of infrastructure provision.

For instance, the object of Samhall's operations is to produce goods and services that are in demand and, by doing so, to create meaningful and enriching

work for people whose disabilities result in reduced work capacity. By creating jobs in customer assignments, under market conditions in competition with others, Samhall draws on an unused resource among people with disabilities. As payment for the additional costs resulting from its public policy assignment Samhall receives appropriations in the central government budget.

Through their operations these enterprises often generate economic benefit outside their own sector. Systembolaget's purpose is, for example, to contribute to better public health by limiting the harmful effects of alcohol. This then contributes to lower costs for health and social care. Other examples are Almi and SEK, whose operations support companies and entrepreneurs in various sectors in their expansion in Sweden and abroad. In so doing, they are contributing to greater competitiveness and higher employment to the benefit of society as a whole.

The portfolio of state-owned enterprises contains 22 enterprises that have specifically adopted public policy assignments, see the table on the right.

## 22 enterprises have specifically adopted public policy assignments

Almi  
 APL, Apotek Produktion & Laboratorier  
 Dramaten  
 Göta kanalbolag  
 Miljömärkning Sverige  
 Operan  
 RISE, Research Institutes of Sweden  
 Samhall  
 Saminvest  
 Statens Bostadsomvandling  
 SEK, Svensk Exportkredit  
 SOS Alarm  
 SSC, Svenska rymdaktiebolaget  
 Sveaskog  
 Svedab  
 Svenska Spel  
 Swedavia  
 Swedfund International  
 Systembolaget  
 Teracom Group  
 Visit Sweden  
 Voksenåsen



Göta kanalbolag has to operate and manage Göta Canal in a way that preserves its value as a structure of cultural historical importance and as a tourist attraction.

# Public policy targets clarify non-financial values

Several state-owned enterprises have public policy assignments specifically adopted by the Riksdag. For these enterprises, the owner sets public policy targets so as to be able to measure and track how well these public policy assignments are being performed. The public policy targets are set by the owner in dialogue with the enterprise concerned.

Public policy targets are set for state-owned enterprises that have specifically adopted public policy assignments. The public policy targets are set by the owner in dialogue with the enterprise concerned. This is done in an integrated process to avoid conflicts with financial targets, for example, and to avoid cross-subsidisation that distorts the market. Public policy targets are presented and adopted by the owner at a general meeting.

Following the Swedish National Audit Office's audit of the Government's governance of enterprises with public policy assignments in 2017, a review has been conducted of the process of setting public policy targets. The outcome of this review has resulted in a clarification regarding the basic conditions for starting and carrying out public policy target projects with good outcomes. The tracking and reporting of public policy assignments and their costs has been clarified. The process and method for setting public policy targets will be reviewed continuously.

## Public policy targets – purpose

The purpose of setting public policy targets for the enterprises is to:

- ensure that the specifically adopted public policy assignments are performed well;
- make clear the cost of performing the specifically adopted public policy assignments;
- enable tracking and reporting to the Riksdag and other stakeholders;
- make clear the conditions for the financial targets.

## Public policy targets in relation to financial targets

There is no opposition between specifically adopted public policy assignments and economic efficiency. The State's ambition as an owner is that the assignment is performed well and in the most efficient manner possible. However, public policy targets and financial targets can affect each other, so it is important that they are set in an integrated process.

For instance, a cost may be associated with the performance of the public policy assignment, and this affects the

enterprise's financial performance.

When the financial targets are set, the cost of the public policy assignment is taken into account. The specifically adopted public policy assignment may also be linked to the enterprise's risk and the assessment of what is an appropriate capital structure. The interpretation of the specifically adopted public policy assignment and the adoption of the public policy targets have a bearing on the enterprise's financial conditions and what financial targets can be set.

Some enterprises with specifically adopted public policy assignments receive appropriations from the central government budget. A cost estimate for the specifically adopted public policy assignments makes it easier for the Government and the Riksdag to set priorities for the use of taxpayers' money.

## Method of setting public policy targets

The investment management organisation has a structured process for setting public policy targets for state-owned

### WHAT

Define the assignment and what the enterprise has to do (according to Riksdag's decision on the object of the enterprise's business, articles of association and/or owner instruction)

### WHY

Define why the assignment has to be performed (according to government bills and Riksdag committee reports, for example).

### HOW

Set public policy targets that reflect the purpose and describe how the assignment is to be performed (such as targets for capacity utilisation rate, volumes, efficiency measures or other measures within the enterprise's control).

Specify the cost of the assignment and its impact on financial targets.

**Taken into account in the process for setting financial targets**



In 2020 public policy targets were adopted for Saminvest. The targets reflect the enterprise's assignment, which includes acting to complement the market from a capital requirement perspective and contributing to the the development of the market for venture capital, and its ecosystem, throughout the country.

### Enterprises already given specifically adopted public policy targets

Almi

Göta kanalbolag

RISE, Research Institutes of Sweden

Samhall

Saminvest

SEK, Svensk Exportkredit

SOS Alarm

SSC, Svenska rymdaktiebolaget

Svedab

Svenska Spel

Swedavia

Swedfund International

Systembolaget

enterprises. It can be summarised in three steps:

1. Define what the enterprise has to do, i.e., the assignment.
2. Define why the assignment has to be performed, i.e., the aim or public benefit.
3. Set public policy targets that reflect the purpose and how the assignment is to be performed.

The description of an enterprise's operations in its articles of association often sets out its specifically adopted public policy assignment, but not always its public benefit. The assignment and its public benefit must therefore be made clear before the public policy targets are formulated. The public benefit or purpose of the specifically adopted public policy assignment is usually described in the government bill that is the basis for the Riksdag's decision. Sometimes, several government bills and Riksdag committee reports have to be reviewed to determine the public benefit.

Uniform public policy targets are set by defining categories of various purposes or public benefits. Examples of targets are developed for these categories. In infrastructure, for example, the measures used are capacity utilisation rate and quality index. The higher the capacity utilisation rate, the greater the public

benefit of the infrastructure; while the quality index is used to measure perceived user benefit. Quality and customer surveys are particularly important in enterprises whose operations are not subject to competition. This is because there is no natural transformation pressure on the enterprise to improve its efficiency.

New public policy targets for Almi, Samhall and Saminvest were adopted at the enterprises' annual general meetings in 2020. At the end of 2020 there were a total of 13 enterprises with adopted public policy targets in the state enterprise portfolio, see the table on the left.

### Tracking and evaluation

Public policy targets and outcomes have to be reported in the enterprise's annual report. Public policy targets are tracked both in the investment teams' ongoing work and in owner dialogues between representatives of the owner and the enterprise, where outcomes in relation to the targets are discussed, as are any actions planned to meet the targets. Material changes in the enterprise's circumstances can lead to a review of the targets. The owner dialogue also follows up the development of the costs of carrying out the public policy assignment and for attaining the public policy targets.

# Tracking targets

The tracking of targets is an important tool in the State's active investment management. As an owner, the State can evaluate and foster the development of these enterprises by regularly comparing performance with the targets set.

## Financial targets and outcomes 2020

Enterprise	Profitability (return on equity, unless otherwise stated)		Capital structure (equity/assets ratio, unless otherwise stated)		Dividend approved (based on earnings for 2020, unless otherwise stated)	
	Target	Outcome 2020	Target	Outcome 2020	Target	Outcome 2020
Akademiska Hus	≥6.0 <sup>a)</sup>	9.0 <sup>a)</sup>	35–45	44.5	40–70	70
Almi	>0 <sup>b)</sup>	81.7 <sup>b)</sup>	>70	88.7	-	-
APL	>8	-19.0	40–50	35.8	≥50	-
Apoteket	≥3 <sup>c)</sup>	2.0 <sup>c)</sup>	40–80 <sup>d)</sup>	0.0 <sup>d)</sup>	40–60 <sup>e)</sup>	-
Bilprovingen	≥8 <sup>c)</sup>	12.9 <sup>c)</sup>	30–40	55.3	≥80	100
Green Cargo	≥10 <sup>f)</sup>	-10.7 <sup>f)</sup>	0.6–0.9 <sup>f)</sup>	7.3 <sup>d)</sup>	50	-
Göta kanalbolag	≥0 <sup>g)</sup>	0.1 <sup>g)</sup>	-10–50 <sup>d)</sup>	-148.9 <sup>d)</sup>	-	-
Infranord	≥16	0.3	>33	30.3	50–75	-
Jernhusen	≥6 <sup>h)</sup>	1.7 <sup>h)</sup>	45–55 <sup>i)</sup>	45.9 <sup>i)</sup>	40–70	-
Lernia	≥20	-4.9	30–50	31.0	≥50	-
LKAB	>12	20.8	0–30 <sup>d)</sup>	-3.0 <sup>d)</sup>	40–60	60
Metria	≥10 <sup>j)</sup>	4.1 <sup>j)</sup>	≥30	45.3	≥30	-
PostNord	10.5 <sup>f)</sup>	18.6 <sup>f)</sup>	10–50 <sup>d)</sup>	38.0 <sup>d)</sup>	40–60	-
RISE	≥3 <sup>c)</sup>	-2.5 <sup>c)</sup>	20–60 <sup>d)</sup>	-7.7 <sup>d)</sup>	-	-
Samhall	5	15.6	≥30	39.0	-	-
Saminvest	≥ <sup>k)</sup>	5.9 <sup>k)</sup>	<10 <sup>l)</sup>	0.0 <sup>l)</sup>	-	-
SAS	>5 <sup>m)</sup>	-27.0 <sup>m)</sup>	<3.5 <sup>n)</sup>	-9.2 <sup>n)</sup>	-	-
Sj	≥7 <sup>f)</sup>	-41.5 <sup>f)</sup>	0.5–1.0 <sup>d)</sup>	0.2 <sup>d)</sup>	30–50	-
SOS Alarm	≥2 <sup>c)</sup>	4.9 <sup>c)</sup>	25–35	51.6	≥50	50
Specialfastigheter	8 <sup>o)</sup>	9.9 <sup>o)</sup>	25–35	39.5	50	50
SSC	≥6 <sup>f)</sup>	-1.0 <sup>f)</sup>	0.3–0.5 <sup>d)</sup>	0.5 <sup>d)</sup>	≥30	-
Sveaskog	≥4.5 <sup>p)</sup>	2.4 <sup>p)</sup>	0.3–0.6 <sup>d)</sup>	0.1 <sup>d)</sup>	65–90	89
Svedab	-	-	500 <sup>q)</sup>	906 <sup>q)</sup>	50	100
Svenska Spel	≥30 <sup>c)</sup>	31.2 <sup>c)</sup>	20–40	54.4	≥80	171
Svevia	≥20	18.9	20–30	33.4	≥50	93
Swedavia	≥6 <sup>f)</sup>	-7.5 <sup>f)</sup>	0.7–1.5 <sup>d)</sup>	1.0 <sup>d)</sup>	10–50	-
Swedfund	positive <sup>r)</sup>	-372.6 <sup>r)</sup>	-	-	-	-
Systembolaget	(risk free) rf+7	27.9	20–30	26.3	80–100	100
Telia Company	-	-	A- to BBB+ <sup>s)</sup>	A- to BBB+ <sup>s)</sup>	≥2.00 <sup>s)</sup>	2.00 <sup>s)</sup>
Teracom Group	17	4.0	30	77.0	40–60	60
Vasallen	(risk free) rf+4	-5.6	≥50	95.0	30–50	(Negative result)
Vattenfall	≥8 <sup>t)</sup>	5.8 <sup>t)</sup>	22–27 <sup>u)</sup>	28.8 <sup>u)</sup>	40–70	62

- a) Return on operating capital excluding changes in value. b) Profit after financial items, outcome in SEK m. c) Operating margin.  
d) Debt/equity ratio, % or multiple. e) Share of profit for year adjusted for earnings and tax related to pension assets and pension commitments.  
f) Return on operating capital. g) EBT margin. h) Total yield. i) Loan-to-value ratio. j) EBITDA margin. k) Equity to grow in pace with inflation, outcome in SEK m.  
l) Interest-bearing liabilities and credit facilities entered into as share of total assets. m) ROIC. n) Net debt/EBITDAR.  
o) Return on equity based on profit after tax and after reversal of changes in value and deferred tax. p) Direct yield. q) Equity to be at least SEK 500m.  
r) EBIT – irrespective of accounting standard – to be positive over five-year period, outcome in SEK m.  
s) Solid long-term credit rating and progressive dividend policy, with floor of SEK 2.00 per share. t) Return on capital employed.  
u) Funds from operations (FFO)/adjusted net debt.

## Financial targets and outcomes 2020 contd

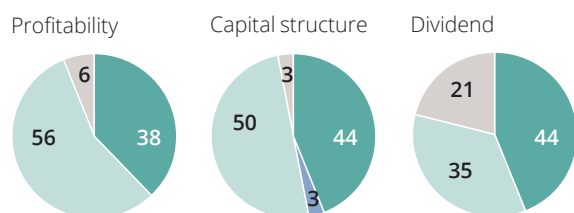
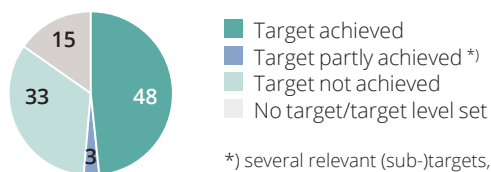
%	Profitability (return on equity, unless otherwise stated)		Capital structure				Dividend approved (based on profit for 2020, unless otherwise stated)	
			Total capital ratio		Common equity Tier 1 capital ratio			
Enterprise	Target	Outcome 2020	Target	Outcome 2020	Target	Outcome 2020	Target	Outcome 2020
SBAB	≥10	10.8	≥0.6 <sup>a)</sup>	17.6 <sup>a)</sup>	≥0.6 <sup>a)</sup>	13.3 <sup>a)</sup>	≥40	-
SEK	≥6	4.9	2–4 <sup>b)</sup>	21.8 <sup>b)</sup>	≥4 <sup>b)</sup>	21.8 <sup>b)</sup>	30	30

- a) Total capital ratio and Common Equity Tier 1 capital ratio under normal circumstances to be at least 0.6 percentage points above the capital requirement communicated by Finansinspektionen, which corresponds to a target of 12.8% for the total capital ratio and 8.6% for the Common Equity Tier 1 capital ratio.
- b) Total capital ratio under normal circumstances to be between 2 and 4 percentage points above the capital requirement communicated by Finansinspektionen: 17.0–19.0%. SEK's Common Equity Tier 1 capital ratio shall also be at least 4 percentage points above the capital requirement communicated by Finansinspektionen 13.5%.

## Public policy targets and outcomes in 2020

The public policy assignments, public policy targets and outcomes of each enterprise are presented in the enterprise overviews on pages 42-87.

Enterprise	Public policy targets adopted	Target level	Outcome 2020
Almi	Increase in sales higher for Almi customers than comparison group	Target level not set yet	57%
	Reporting of Almi's role to complement the market	No target level	Included in annual report
	Share of early-stage companies	>80%	79%
	Share of women higher than comparison group	Target level not set yet	28%
	Share of persons with foreign backgrounds higher than comparison group	Target level not set yet	28%
Göta kanalbolag	Number of boats in whole season	≥1 700	1 622
	Number of boats in booking season	≥400	399
	Regular passenger boat traffic to be operated throughout peak season	100%	50%
	Navigability in peak season	98%	95%
	Share of lock-keeper and bridge master's homes of year-round standard	100%	98%
	Retain avenue trees along canal and replant to original number	No target level	130 trees planted
	Number of accidents on account of condition of facility	0	0
	Customer satisfaction (index)	≥4 (of 5) for four customer categories	4.7 / 4.5 / 4.0 / 3.7
RISE	Share of turnover from competitively acquired research funding	≥30%	37%
	Share of business income from SMEs	≥35%	26%
	Share of turnover from projects with interdisciplinary involvement	Target level to be set in 2021	-
	Utilisation rate of testbeds and demonstration facilities	60%–80%	61%
	Innovation Partner Capacity (positive responses)	≥78%	73%
	Customer Satisfaction Index (CSI) (positive responses)	≥75%	72%
Samhall	Commitment index	Target level to be set in 2021	-
	Employment rate	Target level to be set in 2021	-
Saminvest	Reporting of Saminvest's role to complement the market	No target level	Included in annual report
	Investments in new teams as share of total number of investments	≥67%	100%
	Enterprise's share of fund investments in a single fund	≥50%	30%
	Share women/men in investment organisations (positive trend)	40%–60%	24%/76%
	Share of capital committed (positive development until target is achieved)	≥80% 2026	32%
	Holdings in Fouriertransform and Inlandsinnovation to be wound up	100% 2026	79%
SEK	Customer survey, added value of export credits (positive responses)	>60%	80%
	Stakeholder dialogue to promote competitiveness	No target level	Conducted in 2020

**Achievement of targets at portfolio level in 2020, %****Financial targets, share of enterprises****Public policy targets, share of public policy targets**

\*) several relevant (sub-)targets, some of which have been achieved.

Enterprise	Public policy targets adopted	Target level	Outcome 2020
SOS Alarm	Response time for the 112 emergency number (seconds)	≤8	9.2
	Service level, response within 15 seconds 112	92%	83%
	Service level, response within 30 seconds for 112	100%	95%
	Time to identify need of assistance (seconds)	≤40	24
	Customer Satisfaction, Emergency Calls and Response (index)	≥71	75
	Confidence Index	≥70	85
SSC	Capacity utilisation rate, Estrate	≥70%	17%
	Quality index, Estrate	≥80%	100%
	Stakeholder dialogue for promotion of Swedish interests	No target level	–
Svedab	Accessibility, road	100%	100%
	Accessibility, rail	≥99.6%	100%
Svenska Spel	Marketing costs as share of net gambling income, Casino Cosmopol and Vegas	≥5%	3.7%
	Gambling awareness index, Casino Cosmopol and Vegas	>80 and >85	No measurement <sup>c)</sup> and 84
	Outreach counselling calls and effect measurements, Casino Cosmopol	90%	94%
	Outreach counselling calls and effect measurements, Vegas	100%	100%
Swedavia	Reporting of share of satisfied customers	No target level	74%
	Reporting of number of passengers, domestic flights (millions)	No target level	3.6
	Reporting of number of passengers, international flights (millions)	No target level	6.6
	Reporting of number of international destinations	No target level	173
	Reporting of number of accidents or serious incidents	No target level	2
	Reporting of carbon dioxide footprint (ktonnes)	No target level	166
Swedfund	Share of investments with increased sales while held	≥60%	59%
	Share of investments with increased profitability while held	≥60%	59%
	Climate footprint, portfolio's estimated emissions of CO <sub>2</sub> e (ktonnes)	0 in 2045 (decrease over time)	<sup>d)</sup>
	Share of investments meeting 2X Challenge criteria	≥60% after 3 years	52%
	Share of investments complying with ILO core conventions	100% after 3 years	96%
	Mobilisation of investment portfolio in commercial capital	≥30%	42%
Systembolaget	Customer Satisfaction Index (CSI)	≥80%	81.9%
	Alcohol index	Positive development (index 2019: 62.8)	63.4
	Reporting of alcohol consumption (litres per capita/enterprise's share)	No target level	8.5 / 76%

c) Casino operations have been closed since 29 March 2020 and the base is therefore too small to be relevant.

d) The portfolio's aggregate emissions of greenhouse gases per krona invested to decrease over time with 2020 as the baseline year.

# Strategic targets for sustainable value creation

Sustainable business is integrated in corporate governance in order to promote long-term sustainable value growth. State-owned enterprises have to act in an exemplary manner and integrate sustainability perspectives in operations by having their board of directors set strategic targets for sustainable value creation.

As an owner, the State has high ambitions for sustainable business. The starting point is that state-owned enterprises should contribute, through their business models, to value creation in a way that promotes long-term sustainable development. This means that, in the light of their industry and the markets in which they operate, the enterprises have to identify and minimise the risk of negative impacts of their operations, while also taking advantage of new business opportunities and innovative thinking for sustainable value creation. This includes both material sustainability issues and also digitalisation and systematic security work.

In the area of sustainable business, state-owned enterprises should act in an exemplary way, which includes working strategically and transparently with a focus on cooperation. This work is guided by international guidelines and by the 2030 Agenda and the Global Goals for Sustainable Development. All actors in society are important in the implementation of the 2030 Agenda, and business plays a key role. This also includes state-owned enterprises, which

have to analyse the Goals to identify which targets they have an impact on and can contribute to through their operations (read more on page 31).

In the Government’s view, proactive and integrated work on sustainability makes a positive contribution to the development of these enterprises. The board of directors is responsible for integrating sustainable business into their enterprise’s business strategy. This means that the enterprise has to start from its business and, where applicable, its specifically adopted public policy assignment when setting targets and strategies to attain these targets. The tracking of strategic targets for sustainable value creation set by boards of directors is one aspect of the work of the investment management organisation.

### Formulation of targets and strategies

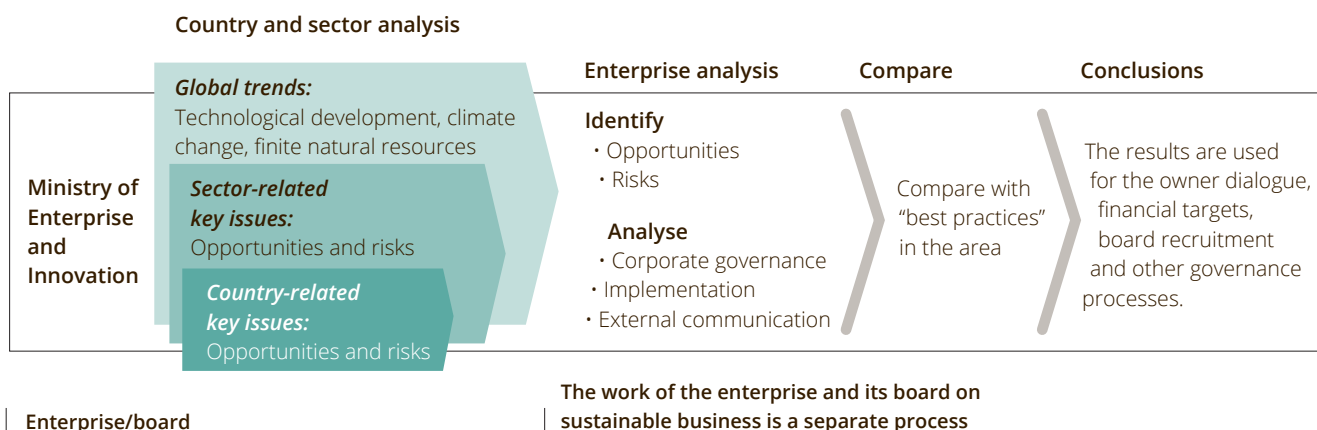
The strategic targets for sustainable value creation have to focus on value creation and be relevant to the enterprise’s business operations and significant sustainability aspects. The targets also have to be long term, challenging

and trackable, while being clear and comparable. Where applicable, the targets also have to be relevant to the enterprise’s specifically adopted public policy assignment.

### Tracking using sustainability analysis

The investment management organisation carries out enterprise-specific sustainability analyses to evaluate the enterprises’ work on sustainable business. Their sustainability analysis is based on broad business intelligence that takes into account global trends, risks and opportunities linked to the value chain in which the enterprise operates. In addition to supplying knowledge to the owner, the results of the analysis have further areas of application. They are used as the basis both for active ownership in the form of the board nomination process and in the dialogue between the owner and the enterprise; creating conditions for long-term and consistent governance of the enterprises. The sustainability analysis is also an integral part of the process of developing financial and public policy targets because it reduces the risk of

## Sustainability analysis process





conflicting targets. In 2020 the investment management organisation carried out sustainability analyses for Almi, Apoteket, Lernia and SEK.

### Cooperation for greater value creation

On many occasions collaboration between different actors contributes to more knowledge and better and more innovative solutions. State-owned enterprises are therefore expected to conduct active work both in their own operations and in cooperation with business partners, customers, suppliers and other stakeholders in order to promote knowledge transfer and innovative cooperation in the area of sustainable business.

### International guidelines

State-owned enterprises have to act responsibly and work actively to follow international guidelines regarding environmental consideration, human rights, working conditions, anti-corruption and business ethics. The 2030 Agenda guides the work of the enterprises. The enterprises also have to work actively to follow guidelines such as the Global

Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Human rights are an integrated part of Sweden's State Ownership Policy and of its corporate governance. The focus on human rights in the governance of state-owned enterprises has been strengthened through, for instance, a guide for boards of state-owned enterprises about the expectations on the work of these enterprises in the area of human rights and the role and responsibility of their boards.

### Digital transformation

In the area of digital transformation, state-owned enterprises have to work actively to make use of the opportunities of digitalisation, and manage its risks, in their value creation

### Security

To ensure long-term sustainable value creation in a changing world it is important that these enterprises conduct active, systematic, ambitious and responsible security work.

## An extensive digital transformation



**VISIT SWEDEN** In 2020 Visit Sweden entered an extensive digital transformation linked to the enterprise's offers, customer relations and internal ways of working. The digital transformation is one of four main strategies in the enterprise's five-year business plan adopted by its board in December 2020. The aim is to ensure a well-anchored digital approach and way of working.

The preliminary study for the digital transformation, which was carried out in 2020, shows a need for extensive shifts in the enterprise's digital capabilities and will include all parts of its operations.

The digital transformation is divided up into four large work streams: Insights and analysis, Digital customer relations, Data-driven communication and the coordinating work stream of System support to ensure effective infrastructure, high security and secure storage and documentation. The four work streams reflect Visit Sweden's public policy assignment and commercial mission with a clear stress on sustainable business.

## Cooperation for greater biodiversity

### SPECIALFASTIGHETER

Many of Specialfastigheter's properties include extensive areas of land and forest. The enterprise therefore has great possibilities of contributing to preserving and strengthening biodiversity. In 2020 Specialfastigheter joined the Changing Land use Impact on Biodiversity (CLImB) initiative. This initiative brings together business actors from various industries with the objective of developing well-grounded appraisal and measurement methods, in the area of biodiversity, so as to set relevant targets, implement measures that have real effects and follow up measures effectively. At present the initiative includes Vattenfall, LKAB, Boliden, Cementsa, Skellefteå Kraft and the public enterprise Svenska Kraftnät in addition to Specialfastigheter.

At operational level Specialfastigheter conducts inventories of nature conservation values on properties that are larger than 10 ha, with the objective of setting baseline values for biodiversity. These inventories give the enterprise knowledge about red-listed species, for instance, and will provide important input for future management plans and silviculture plans. These insights also govern how Specialfastigheter implements the mitigation hierarchy<sup>a)</sup> in its projects and in its running operations.

In day-to-day work its Property Management Department works on finding measures, both large and small, to benefit biodiversity; they include putting up bat boxes and bee hotels or leaving felled trees on the ground for various insects and bugs.

a) A hierarchical perspective in which damage is to be avoided in the first place, to be minimised and remedied in the second place and only to be compensated for as a last resort.



## The EU's new taxonomy – a tool that classifies which investments are environmentally sustainable.

The common EU taxonomy for environmentally sustainable investments is one of the measures in the EU's Action Plan for Financing Sustainable Growth adopted by the Commission in 2018. The main objectives of the Action Plan are to reorient capital flows to achieve sustainable and inclusive growth; to integrate sustainability in risk management; and to foster transparency and long-termism in financial markets and the economy as a whole.

The Taxonomy Regulation is part of this regulatory system, and the idea is that it will form the basis for future standards and labelling of financial products. The Taxonomy Regulation has to be applied

by financial market participants providing financial products, e.g. fund managers and insurance undertakings. It also has to be applied by certain large companies covered by the requirements to publish a non-financial report, i.e. a sustainability report, under the EU's Non-Financial Reporting Directive (NFRD). There are also certain provisions aimed at Member States and the EU. There have been different views about which large companies have to submit information in their sustainability report under the Regulation. It has, however, been made clear that this is governed by criteria in the EU regime and not by the Swedish

Annual Accounts Act, which covers a broader group. This means that the requirements in the Regulation only cover large public interest entities that have more than 500 employees.

At the end of 2020 the Swedish Government responded to the European Commission's consultation on its draft delegated act on technical screening criteria for climate change mitigation and climate change adaptation. The Government considers that it is very important that the taxonomy contributes to the climate transition and does not lead to ambitious actors planning for a transition to zero emissions by 2050 having greater difficulty in implementing their investments. The Delegated Act was adopted formally by the Commission on 4 June 2021.

During the year the investment management organisation in the Government Offices has worked on skills enhancement internally. In spring 2021 the investment management organisation also held two Taxonomy-themed network meetings for state-owned enterprises to share experience and discuss the more specific implications of the regime for these enterprises.

*There is more information about the Taxonomy on the Government's website.*

“ Sveaskog considers that the Taxonomy will play a very important role in the shift of financial investments towards sustainable activities, thereby facilitating the transition to being fossil free and to a climate-neutral economy. Sveaskog participated actively in the development of the technical criteria for parts of the Taxonomy dealing with forestry until the final technical report was presented in March 2020. When the Commission presented its draft delegated acts in December 2020, we could identify major changes that could, in our assessment, mean that a large part of Swedish forestry risked being excluded. We do not know the final outcome after the extensive comments received, but we are optimistic that the final design of the taxonomy will not hinder and will, instead, help to facilitate the essential climate transition.

At present we are preparing for the extensive reporting that will be required. In this work we will begin by charting activities and defining metrics so as to then see what is required to adapt our processes and systems support so as to be able to maintain this reporting.”

Olof Johansson, Head of Forest Policy, Sveaskog

## The 2030 Agenda

The countries of the world have agreed a common agenda for sustainable development, including 17 new Global Goals that apply up to 2030. The level of ambition for the work of the enterprises in the area of sustainable business has been raised further by the inclusion of the

UN's 2030 Agenda, with 17 global Sustainable Development Goals, in State Ownership Policy. State-owned enterprises have to analyse the Global Goals and identify the Goals that each enterprise affects and contributes to through its operations.

There are a number of examples of how state-owned enterprises have undertaken work on the Global Goals; work that they also present in their annual report or on their website.

## The Global Goals – part of value creation



The 2030 Agenda and the global Sustainable Development Goals are a clear example of how challenges and opportunities are interrelated. Business has a central role in the implementation of the Agenda and enterprises are called on to use their creativity and capacity for innovation to make contributions. Business has a key role in finding solutions to the challenges that exist in the area of environment and climate, in creating a more gender-equal working life and in ensuring acceptable working conditions and respect for human rights.

### Guidance for the enterprises

One important starting point for the state-owned enterprises is the international guidelines for sustainable business already in place. The Government wants state-owned enterprises to be involved in showing the way forward and has therefore included requirements for and expectations on the enterprises in the State Ownership Policy, which lays down that the work of state-owned enterprises on sustainable business has to be guided by international guidelines, the 2030 Agenda and the global Sustainable

Development Goals. The enterprises have to analyse the Global Goals and identify the Goals that each enterprise affects and contributes to through its operations.

The Government views sustainable business as an important issue of business strategy. Short-term and long-term strategies are interrelated and the decisions taken today must also be guided by care for the future position of the enterprise in a sustainable world. The Policy therefore also expects the enterprises to identify business opportunities that contribute to achieving the Global Goals.

### Knowledge and inspiration

The investment management organisation at the Government Offices is working in various ways to inspire the enterprises and increase their knowledge of the 2030 Agenda and the 17 Global Goals. For instance, it has held a series of workshops on the theme of the 2030 Agenda attended by enterprise representatives so as to increase the joint exchange of knowledge. The themes have included materiality analysis and the impact of operations and the Global Goals as a part of their strategy; in 2020 this series was concluded with a workshop about how the enterprises best report their work with the Global Goals.

Further work done by the enterprises will be tracked as part of the ongoing owner dialogues between owner representatives and the enterprises.

### More counselling calls during the pandemic

**SVENSKA SPEL** Svenska Spel does not call its customers to get them to gamble more. But it does call its customers to get them to gamble less – or to, at least, reflect more about their gambling habits.

Goal 3 of the 2030 Agenda is about Good Health and Well-Being. Gambling misuse is something that affects the health both of those who lose control and of their close relatives. To pick up risk gamblers before things have gone too far the enterprise makes what it terms 'counselling calls'. Specially trained counselling communicators contact customers with risky gambling behaviour and talk to them about their gambling.

Svenska Spel does not present general solutions in these calls; instead great consideration is given to the individual's integrity. But many of those contacted choose, after the calls, to take a break from gambling or reduce their bet limits. They take a step towards sounder gambling habits and greater well-being.

During the pandemic Svenska Spel has further expanded the unit that makes counselling calls. In 2020 Svenska Spel completed around 6 800 counselling calls.

# Gender balance

The Government aims for gender balance both on individual boards of directors and at portfolio level. In the state enterprise portfolio, board representation has to be at least 40% for both women and men.

## Gender equality targets

A general target for all state-owned enterprises is gender balance on the boards of directors. The share of women and men has to be at least 40% in the state enterprise portfolio (fully and partly owned enterprises). Women accounted for 47% and men for 53% of directors of state-owned enterprises elected by the annual general meeting as on 1 May 2021. This can be compared with the boards of listed companies, where the figures were 34% women and 66% men.<sup>a)</sup>

The gender balance on the board of each enterprise has to follow the “staircase”, which indicates how many directors of each gender a board with a particular number of directors has to have. (Read more about board composition on page 102.) Gender balance was

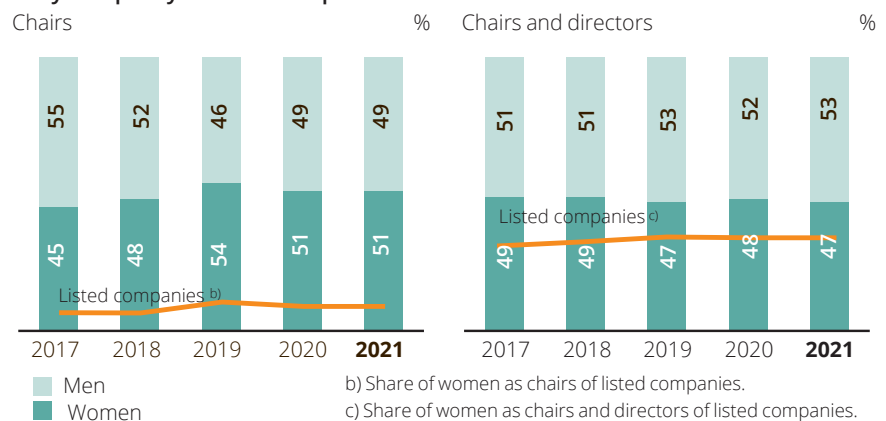
a) Second Swedish National Pension Fund's Women's Index 2020.

achieved in 40 of the 41 state-owned enterprises included in the statistics this year, which is a deterioration compared with 2020 when all 41 enterprises reached the target. In the enterprise that deviates from the target men are over-represented on the board of directors.

The proportion of women chairs of enterprises wholly and partly owned by the State has increased from 45% in 2017 to 51% in 2021, which can be compared with 9% among listed companies.<sup>a)</sup>

## Gender distribution

### Fully and partly owned enterprises



## Gender distribution – CEO and executive management team<sup>d)</sup>

Women (W), Men (M)	2020					2019		2018		2017	
	W, no	M, no	Total	W, %	M, %	W, %	M, %	W, %	M, %	W, %	M, %
CEO	21	22	43	49	51	42	58	39	61	36	64
Executive management team <sup>e)</sup>	128	161	289	44	56	44	56	42	58	46	54

d) At year-end there were 46 enterprises. The evaluation for 2020 does not include EUROFIMA, INSTEX and Sweden House.

e) Executive management team excl. CEO.

## Gender distribution – directors appointed by AGM<sup>f)</sup>

Women (W), Men (M)	2021					2020		2019		2018		2017	
	W, no	M, no	Total	W, %	M, %	W, %	M, %	W, %	M, %	W, %	M, %	W, %	M, %
<b>Fully and partly owned enterprises</b>													
Chairs	21	20	41	51	49	51	49	54	46	48	52	45	55
Directors	120	140	260	46	54	47	53	45	55	49	51	49	51
<b>Total chairs and directors appointed by AGM</b>	<b>141</b>	<b>160</b>	<b>301</b>	<b>47</b>	<b>53</b>	<b>48</b>	<b>52</b>	<b>47</b>	<b>53</b>	<b>49</b>	<b>51</b>	<b>49</b>	<b>51</b>
<b>Fully owned enterprises</b>													
Chairs	20	17	37	54	46	54	46	53	47	46	54	45	55
Directors	106	125	231	46	54	47	53	47	53	49	51	50	50
<b>Total chairs and directors appointed by AGM</b>	<b>126</b>	<b>142</b>	<b>268</b>	<b>47</b>	<b>53</b>	<b>48</b>	<b>52</b>	<b>48</b>	<b>52</b>	<b>49</b>	<b>51</b>	<b>49</b>	<b>51</b>

f) The calculation covers limited companies whose registered office is in Sweden. The report does not include EUROFIMA, INSTEX, Svenska Skeppshypotek, Sweden House and Voksenåsen.

# Sustainable pay levels and terms of employment

Remuneration to senior officers of companies in the business sector is an important issue of confidence. State-owned enterprises should therefore pay their managers carefully considered salaries and pensions.

The demand for sound remuneration systems is an important corporate governance issue, both in Sweden and internationally. One important part of the corporate governance of the state-owned enterprises is therefore reasonable and well-considered remunerations for senior officers.

## Principles for remuneration

On 27 February 2020 the Government adopted new principles for remuneration and other terms of employment for senior officers of state-owned enterprises.

The guidelines have been applied as of the annual general meeting in 2020 and replace the previous guidelines adopted in 2016. The boards of state-owned enterprises are responsible for applying these principles. In enterprises where the State is one of several owners, the Government should enter a dialogue with the other owners to work for the application of its guidelines as far as possible.

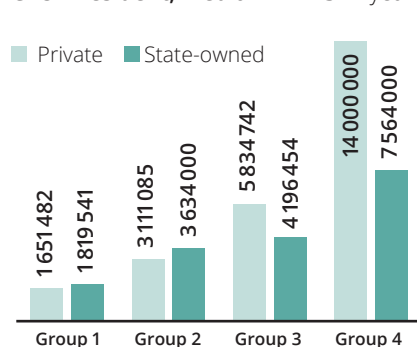
According to the Government's remuneration principles, total remuneration to senior officers should be reasonable and carefully considered. It should also be competitive, have a set ceiling and be appropriate, while fostering sound ethics and a good corporate culture. The remuneration should not be a salary leader in relation to other comparable companies, but be characterised by moderation. This also has to guide total remuneration to other employees.

## Tracking and compliance

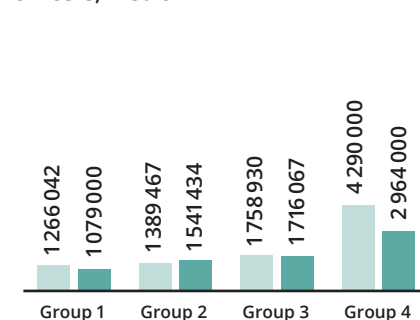
The Government Offices has commissioned a consulting company to examine compliance with the remuneration principles in state-owned enterprises in 2020, and a comparison has also been made of remuneration levels in these enterprises with market data from privately owned companies. A total of 131 representative comparison companies were identified and included in the sur-

## Total cash remuneration 2020

CEO/President, median SEK/year



Other senior officers, median SEK/year



**Group 1:** companies with sales below or equal to SEK 850m, **Group 2:** companies with sales of SEK 851–3 300m, **Group 3:** companies with sales of SEK 3 301–14 000m, **Group 4:** companies with sales equal to or greater than SEK 14 001m.

vey. The starting point for the survey was whether or not total cash remuneration to the CEO and other senior officers has been “competitive but not a salary leader”. Total cash remuneration means all fixed and short-term variable remuneration paid to the employee.

At the end of 2020 seven senior officers were entitled to variable remuneration in a company in which the State has a minority holding (the CEO is not entitled). The possibility of giving variable salary to senior officers was removed from the guidelines in 2009.

The share of individuals with defined benefit pensions increased. In 2020, 18% of all CEOs and 38% (37%) of other senior officers had defined benefit pension plans. These are based on applicable collective agreements and are therefore not in conflict with the guidelines. Under the guidelines from 2009, the retirement age in the enterprises must not be lower than 62 and ought to be at least 65. Under the guidelines from 2017, the retirement age in employment contracts entered into after the guidelines entered into force must not be below 65. In 2020 one senior officer had a retirement age below 65.

According to the guidelines from 2009, the period of notice in the case of termination by the enterprise must not exceed six months and severance pay must not be paid for longer than 18 months. Under the 2017 guidelines, employment contracts made after the guidelines came into effect must limit severance pay to a maximum of 12 months' salary. In 2020, 29 senior officers had severance pay of 18 months' salary. These referred to old contracts and are therefore not in conflict with the guidelines. No senior officer has severance pay in excess of 18 months' salary.

State-owned enterprises and the market's comparison companies were divided into four groups based on sales levels. Total cash remuneration to CEOs shows that the median remuneration in state-owned enterprises in groups 3 and 4 is below the median remuneration in the private market, while in groups 1 and 2, it is slightly above the private market median. Overall, median remuneration to other senior officers of state-owned enterprises is in line with the market median, but the spread of observations is slightly larger than in the private market.

# Financial statements



# Financial results in 2020

## General information about the accounts

SAS is included in consolidated profit for 2020 since the State's share of equity is now above 20%. The comparative figures for 2019 have been adjusted.

In conjunction with an EGM in March 2019 it was decided to place Swedesurvey in voluntary dissolution, and since 2019 the full-portfolio presentation has not included Swedesurvey.

## Income statement

SEK m	2020	2019
Net sales (including appropriation, if any)	362 869	371 427
Other income	4 111	1 731
Expenses	-325 767	-323 054
Profit from investments in associates	-10 352	4 418
Changes in value	13 757	5 575
<b>Operating profit (EBIT)</b>	<b>44 618</b>	<b>60 097</b>
Financial income	7 752	5 189
Financial expenses	-10 579	-8 719
<b>Profit before tax</b>	<b>41 791</b>	<b>56 567</b>
Tax	-12 928	-9 988
Profit/loss from operations wound up	19	16
<b>Net profit for the year</b>	<b>28 781</b>	<b>46 582</b>
Attributable to parent shareholders	27 518	44 874
Attributable to minority interests	1 263	1 707
<b>Total</b>	<b>28 781</b>	<b>46 582</b>

## Sales

Consolidated sales for state-owned enterprises decreased by 2.3% in 2020, year-on-year, and were SEK 362.9bn (371.4bn). Total sales including the state holding in associates also decreased by 2.3% in 2020.

## Operating profit

The consolidated operating profit for 2020 was SEK 44.6bn (60.1bn).

## Balance sheet

SEK m	2020	2019
<b>Assets</b>		
Property, plant and equipment	561 607	517 383
Right-of-use assets	14 251	12 173
Intangible assets	23 087	25 449
Financial assets	1 004 334	954 393
Current assets	221 711	193 927
<b>Total assets</b>	<b>1 824 990</b>	<b>1 703 325</b>
<b>Equity, provisions and liabilities</b>		
Equity attributable to parent shareholders	414 312	366 369
Equity attributable to minority interest shareholders	15 770	16 656
<b>Total equity</b>	<b>430 082</b>	<b>383 026</b>
<b>Total liabilities and equity</b>	<b>1 824 990</b>	<b>1 703 325</b>

## Equity

In 2020 equity increased by SEK 47.1bn, mainly due to a positive result after tax for 2020 of SEK 28.8bn.

## Cash flow

SEK m	2020	2019
Cash flow from operating activities	68 853	45 242
Cash flow from investing activities	-31 356	-40 122
Cash flow from financing activities	-8 477	-14 723

*Cash flow from operating activities*  
Cash flow from operating activities increased by 52.2% in 2020 compared with 2019, from SEK 45.2bn to 68.9bn.

*Cash flow from investing activities*  
Cash flow from investing activities decreased by 21.8% in 2020 compared with 2019, from SEK -40.1bn to -31.4bn.

*Cash flow from financing activities*  
Cash flow from financing activities was SEK -8.5bn (-14.7bn) for financial year 2020.

## Total payments by state-owned enterprises to auditors in 2020

SEK m	Audit fees	Other consultancy services	Total	Audit fee share, %	Share of total audit fees, %
BDO	0.8	0.4	1.2	68.9	0.6
Deloitte	55.2	11.7	66.9	82.6	31.9
EY	47.7	15.9	63.6	75.1	30.4
KPMG	37.1	9.1	46.2	80.3	22.0
PwC	22.2	8.3	30.5	72.7	14.6
Others	0.7	0.3	1.1	68.9	0.5
<b>Total</b>	<b>163.8</b>	<b>45.6</b>	<b>209.4</b>	<b>78.2</b>	<b>100.0</b>

## Dividends and appropriations

Most state-owned enterprises have laid down in their dividend policies that a share of profits has to be distributed to the owner. Enterprises with specifically adopted public policy assignments can receive budget appropriations.

The dividend policies of state-owned enterprises are intended to ensure that the owner receives predictable and long-term sustainable dividends and are an important component in setting financial targets.

Of the 46 enterprises in the state enterprise portfolio, 17 decided to pay dividends for financial year 2020. In total, these enterprises paid SEK 21.3bn to the State. The largest dividends for 2020 come from LKAB (SEK 5.85bn), Vattenfall (SEK 4.0bn), Telia Company

(SEK 3.2bn), Svenska Spel (SEK 3.2bn) and Akademiska Hus (SEK 2.1bn). Their combined dividends correspond to around 85% of total dividends resolved for 2020.

Some enterprises receive budget appropriations from the State to perform their specifically adopted public policy assignments. Samhall, for example, receives an appropriation to perform its core labour market policy assignment, which is to create enriching jobs for people with disabilities. The appropria-

tion Samhall received in 2020 for sheltered jobs in its core assignment was SEK 6 293m, corresponding to 66% of total appropriations. Other examples of enterprises that receive annual appropriations are Dramaten (Royal Dramatic Theatre) and Operan (Royal Swedish Opera), which receive funding as national stages for dramatic theatre and for opera and ballet. In total, state-owned enterprises received SEK 9 541m in appropriations in 2020.

### Dividends, state share

SEK m	Holding, %	2020	2019
Akademiska Hus	100	2 142	1 905
Bilprovingen	100	58	19
EUROFIMA	2	1	2
Jernhusen	100	0	219
LKAB	100	5 850	6 104
SEK	100	290	0
SOS Alarm	50	14	0
Specialfastigheter	100	604	570
Sveaskog	100	850	1 100
Svedab	100	253	653
Sweden House	36	2	0
Svenska Spel	100	3 200	0
Svevia	100	251	88
Systembolaget	100	471	240
Telia Company	39	3 229	3 956
Teracom Group	100	66	51
Vasallen	100	50	125
Vattenfall	100	4 000	3 623
<b>Total</b>		<b>21 331</b>	<b>18 655</b>

### Appropriation/total income for 2020

SEK m	Appropriation 2020	Total income 2020	Share of financing via appropriation, %
Almi	319	1 107	29
Dramaten	264	278	95
Göta kanalbolag	13 <sup>a)</sup>	52	25
Miljömärkning Sverige	4	74	6
Operan	525	573	92
PostNord	19	38 729	0
RISE	1 577	3 396	46
Samhall	6 293	9 406	67
SOS Alarm	317	1 324	24
Swedfund International	48	248	19
Teracom Group	10	1 338	1
Visit Sweden	125	155	81
Voksenåsen	24	18	138
<b>Total</b>	<b>9 541<sup>b)</sup></b>	<b>56 699</b>	<b>17</b>

a) Excluding appropriations recognised in the balance sheet.

b) In addition, Swedfund received a capital injection during the year of SEK 800m (600m) financed within expenditure area 7 International development cooperation of the central government budget. This corresponds to just over 80% of the enterprise's investments in 2020, which totalled almost SEK 950m.



# Divestments and dividends

## – how they affect central government finances

The Government did not decide on any new divestments of enterprises or shares in 2020. For financial year 2020 dividends to the State from state-owned enterprises are expected to be SEK 21.3bn.

Any proceeds from the sale of state shares in state-owned enterprises are generally paid into central government finances and used to amortise the central government debt. This amortisation helps to reduce central government interest expenditure. Sales of enterprises and shares also reduce potential future dividends, and this is normally factored into the sales value. Since 2008, a year with a large number of divestments, central government has received a total of SEK 147.4bn in connection with sales of enterprises and shares.

The annual dividends from state-owned enterprises mean that the central government borrowing requirement decreases and that interest expenditure therefore falls. Since 2011 a total of SEK 207.6bn has been paid to the State in the form of dividends.

Central government net lending – i.e. the net investment of funds in the form of financial assets less financial liabilities – increases when the enterprises pay dividends, as long as their dividends correspond to profits generated during

the year. When the enterprises' dividends exceed their profits for the year, and thus reduce their equity, net lending is not affected since the dividend is matched by an equal reduction in equity, i.e. a financial liability. So, it is not possible to strengthen central government net lending through additional dividends that exceed profits for the year generated by state-owned enterprises. Nor do sales or revaluations of financial assets have any effect on net lending.

### Divestments in the state enterprise portfolio since 2008

SEK bn	Year	Income, SEK bn	Holding in enterprise, %
OMX	2008	2.1	6.6
Vin & Sprit	2008	57.7	100
Vasakronan	2008	24.6	100
Nordea Bank	2011	19.0	6.3
Arbetslivsresurs	2011	0.1	100
Nordea Bank	2011	19.5	6.4
Nordea Bank	2013	21.6	7
Vectura Consulting	2013	0.9	100
SAS	2016	0.2	4.2
Apoteksgruppen	2017	1.7	100
<b>Total</b>		<b>147.4</b>	

### Aggregate dividends from state-owned enterprises

Year	SEK bn
2011	27.8
2012	26.7
2013	17.7
2014	26.3
2015	15.4
2016	13.6
2017	20.2
2018	19.9
2019	18.7
2020	21.3
<b>Total</b>	<b>207.6</b>

### How central government finances are affected by divestment income and dividends

	Income from divestments of enterprises	Dividends equal to net profit for the year in the enterprises	Dividends exceeding net profit for the year in the enterprises
Central government debt	Decreases	Decreases	Decreases
Central government borrowing requirement and interest expenditure	Decreases	Decreases	Decreases
Net lending	Not affected	Increases	Not affected

# Risk management

The business activities of state-owned enterprises generate exposure to various forms of risk, which can affect the value of the portfolio and the ability of the enterprises to pay dividends. A brief description of the most significant risks from a portfolio perspective is given below.

## Context

The state enterprise portfolio is illiquid, which means that individual enterprises are typically not acquired or divested in order to modify total portfolio risk. The portfolio is also concentrated, so risks associated with the largest enterprises can have significant impact on the value of the entire portfolio, as well as on potential dividends. The three most valuable enterprises account for more than 50% of total portfolio value.

## Tracking and governance

The board of directors has the ultimate responsibility for the organisation and administration of its enterprise and the enterprise's affairs; here risk management forms an integrated part of the overall responsibility for the enterprise's business operations. Each board of directors therefore decides financial risk levels and limits in state-owned enterprises and manages the risks in their own business operations.

Risk management is one of the tools used by the investment management organisation to track and govern state-owned enterprises. The owner's view of risk is reflected in the financial targets, which are continuously tracked in owner dialogues and operational activities. In addition, the largest risks are identified and mapped at portfolio level in connection with the annual valuation of the enterprises.

## Business risks

The sale or buyout of a large business is a business risk that can affect the value of the state portfolio and the possibility of distributing dividends. Telia Company has previously communicated that it intends to terminate its presence in the Eurasia region. All of the enterprise's mobile operations in Eurasia have now been divested, including Moldcell,

which was divested in 2020. These sales processes have been highly complex and there have been great uncertainties regarding expected outcomes. The enterprise's withdrawal from the region is considered to have reduced the risks in the portfolio.

Another example of a commercial risk in the state enterprise portfolio is the ongoing urban transformation in Kiruna and Malmberget. This can affect LKAB's value and ability to pay dividends since it is a very major commitment that will affect LKAB's earnings and liquidity for many years to come.

Digitalisation opens up many new opportunities, but can also entail risks for existing market actors when new business models with a rapid impact are established. One example is the pharmacy market, where the state-owned Apoteket operates and where new e-based actors are increasing competition and squeezing prices, as well as offering new digital services. Enterprises also need to be alert to the cybersecurity risks that can arise in their operations as a result of digitalisation.

## Financial risks

The state enterprise portfolio is also exposed to financial risks, primarily market price risks in relation to electricity and iron ore prices, for example. A low electricity price benefits several state-owned enterprises, such as Akademiska Hus, Sveaskog and LKAB, but, overall, a low electricity price has an adverse impact on portfolio value because it is of great importance to Vattenfall's revenue. Similarly, LKAB's exposure to the future development of the iron ore price is a market price risk.

SBAB is exposed to the capacity of housing mortgage customers to repay their loans. A rapid and sharp downturn in house prices combined with an economic downturn would probably lead to greater credit losses.

Currency risk and interest rate risk are other financial risks. Currency risk refers to adverse impacts of movements in exchange rates on the enterprises' income statements and balance sheets. Interest rate risk refers to the risk of adverse impacts of changes in interest levels on their income statement and cash flow.

## Legal and regulatory risks

Many state-owned enterprises operate in markets that are subject to some degree of regulation. Examples include Vattenfall, Telia Company, Swedavia, SBAB, SEK and Svenska Spel. Changes in the regulatory frameworks around these businesses can have a considerable impact on the value and ability to pay dividends of these enterprises, and therefore, of the portfolio.

## International factors

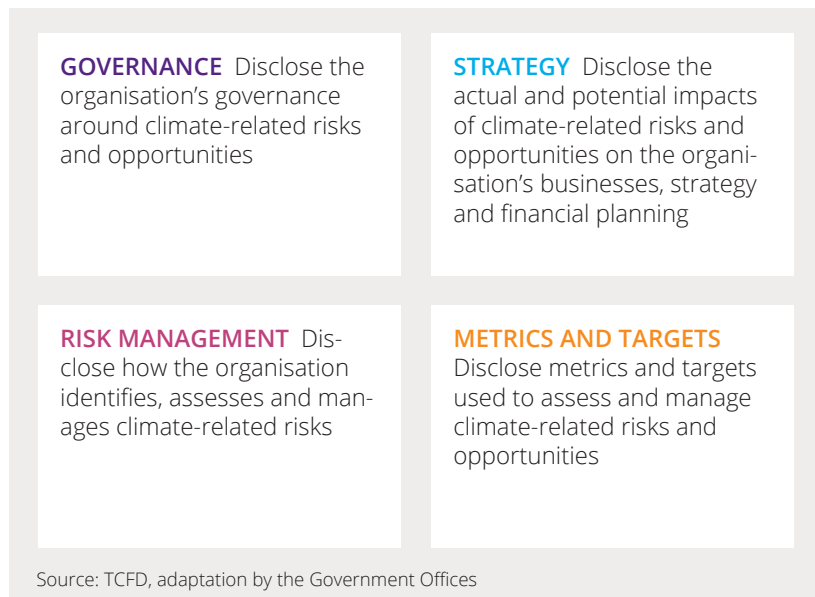
Like many other Swedish companies, state-owned enterprises can be adversely affected by political and economic tensions outside Sweden. This can result in changes in the conditions for foreign trade through the introduction of tariffs or sanctions, for example, or through increases in the costs of certain input goods.

In 2020 both people and businesses all over the world have been very adversely affected by the spread of the COVID-19 virus. The rapid changes in society as a result of COVID-19 have also affected the portfolio of state-owned enterprises in both the short- and the long-term.

## TCFD (Task Force on Climate-related Financial Disclosures) – a reporting framework for climate-related financial risks and opportunities

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative launched in 2017. The Financial Stability Board, or FSB, is behind the initiative; the FSB is an international G20 body that monitors the global financial system. Its aim is to develop recommendations for voluntary and consistent reporting of climate-related financial risks and opportunities. The TCFD guidelines are based on the four areas of governance; strategy; risk management; and metrics and targets. One important aspect of the TCFD is the ‘double materiality principle’, which means that companies should report both how the company impacts on the climate and also how the climate impacts on the company.

In the TCFD framework, the board plays an important role, and companies are expected to disclose how their board has analysed the situation. Both in terms of what is happening to the climate physi-



cally and taking account of the transition risks and opportunities that arise given how other actors react to changes to the climate.

In 2020 the State Ownership Policy was revised in line with the TCFD expectations and require-

ments were introduced stating that state-owned enterprises have to work for the “identification, assessment, management and transparent reporting of the climate-related financial risks and opportunities in their operations”.

### SVENSK EXPORTKREDIT (SEK)

SEK finances Swedish export companies, their subsuppliers and foreign customers. For the second successive year the enterprise is reporting in line with the TCFD recommendations.

SEK’s TCFD reporting is part of its annual and sustainability reporting and follows four main headings: Governance, Strategy, Risk management and Indicators and targets. Perhaps the most important part deals with what strategy the enterprise has chosen to manage climate risks and contribute to the climate transition. In SEK’s case, their climate strategy is about limiting climate-related risks in its lending while working to increase the share of green loans. By doing so, the enterprise contributes to the global transition.

The needs to reduce climate emissions are great in Sweden and even greater globally, which creates new export opportunities for Swedish sustainable solutions while putting pressure on Swedish export industry and Sweden to transition so as to be competitive. In 2020 SEK increased its level of ambition to engage in financing the transition in Sweden with a particular focus on four areas: energy, transport, shipping and smart cities. At the same time, the Swedish Export Credit Agency (EKN) and SEK produced a joint plan setting out how the Swedish export credit system will contribute to a clear transition and lower greenhouse gas emissions. SEK’s most recent TCFD report is the first to feature a graph clearly illustrating how far that work has progressed.

Another important part of its TCFD reporting is to carry out analyses and stress tests of various climate scenarios. In this work the SEK uses the various climate scenarios of the International Energy Agency (IEA). An analysis, based on the IEA’s 1.8 degree scenario, shows that SEK’s financial situation and capital ratio are only affected marginally, around 2 percentage points, in a 10-year perspective.

### Fossil-fuel and fossil fuel-related lending and green lending in relation to total lending

