

# Annual report for state-owned enterprises 2019



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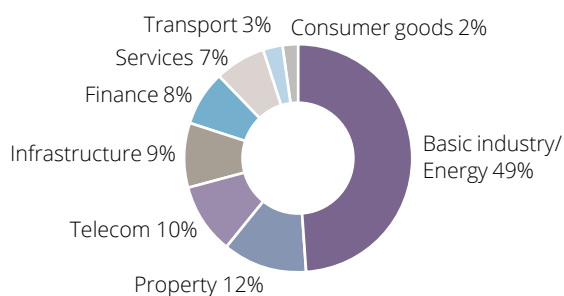
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# Portfolio overview

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.

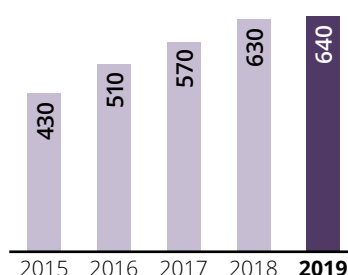
## Portfolio value

By sector



## State enterprise portfolio<sup>1</sup>

Estimated value, SEK bn



## Dividend

SEK 17.6bn

## Dividend yield

2.8%

## Number of employees<sup>2</sup>

129 000

## Gender balance<sup>3</sup>

Board chairs and directors, share women/men

48%/52%

Board chairs, share women/men

51%/49%

## Total number of board chairs and directors

298

## Net sales for the portfolio

Excluding associates

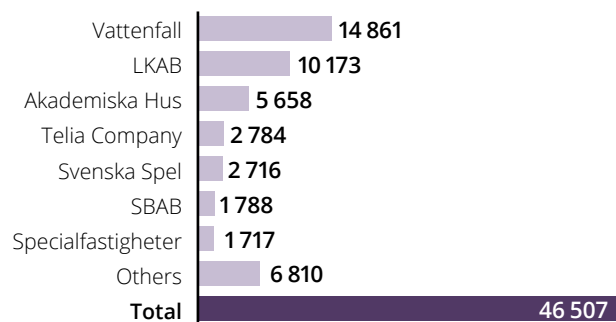
SEK 371bn

Including associates

SEK 405bn

## Profit after tax

Enterprises with greatest effect on net profit, SEK m, Jan.–Dec. 2019



1) Portfolio value adjusted for transactions.

2) Around 129 000 people are employed by state-owned enterprises, including associates.

3) Gender distribution 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>1</sup> , %	Number of employees	Net sales, SEK m Jan.–Dec. 2019	Operating profit, SEK m Jan.–Dec. 2019
Vattenfall (100%)	41.1	19 815	166 360	22 141
PostNord (60%)	9.5	28 627	38 278	184
Telia Company (39.4%)	8.1	20 215	85 965	12 293
Systembolaget (100%)	8.0	3 613	32 211	262
LKAB (100%)	7.7	4 348	31 260	11 788
Apoteket (100%)	5.0	3 047	20 321	365
Samhall (100%)	2.3	20 654	9 130	16

1) Share of net sales including associates (SEK 405bn).

...the remaining enterprises<sup>2</sup> account for 20% of net sales, including associates.

Enterprise (holding, %)	Net sales SEK m Jan.–Dec. 2019	Operating profit, SEK m Jan.–Dec. 2019	Enterprise (holding, %)	Net sales SEK m Jan.–Dec. 2019	Operating profit, SEK m Jan.–Dec. 2019
Akademiska Hus (100%)	6 217	7 420	SEK, Svensk Exportkredit (100%)	1 910	1 304
Almi Företagspartner (100%)	1 016	25	SJ (100%)	8 602	772
APL, Apotek Produktion & Laboratorier (100%)	1 298	-82	SOS Alarm (50%)	1 257	33
Arlandabanan Infrastructure (100%)	64	5	Specialfastigheter (100%)	2 261	2 302
Bilprovningen (100%)	647	24	SSC, Svenska rymdaktiebolaget (100%)	1 013	30
Dramaten (100%)	288	-11	Statens Bostadsomvandling (100%)	21	24
Green Cargo (100%)	4 096	-111	Sveaskog (100%)	7 209	2 093
Göta kanalbolag (100%)	39	0	Svedab (100%)	12	866
Infranord (100%)	3 816	-75	Svenska Skeppshypotek (100%)	151	113
Jernhusen (100%)	1 622	1 479	Svenska Spel (100%)	6 011	2 466
Lernia (100%)	2 627	-100	Svevia (100%)	8 181	202
Metria (100%)	401	-24	Swedavia (100%)	6 235	856
Miljömärkning Sverige (100%)	69	-3	Swedfund International (100%)	245	41
Operan (100%)	621	6	Teracom Group (100%)	1 366	124
Orio (100%)	504	-10	Vasallen (100%)	7	-11
RISE, Research Institutes of Sweden (100%)	3 568	63	Visit Sweden (100%)	215	-3
Saminvest (100%)	2	386	Voksenåsen (100%)	38	-1
SBAB (100%)	3 485	2 308			

2) EUROFIMA, SAS, Stiftelsen Industrifonden, Stiftelsen Norrlandsfonden and Sweden House are not consolidated.

# A future-proofed enterprise portfolio

In spring 2020 the COVID-19 virus spread across the world, affecting both people and businesses.

Many Swedish businesses have seen sharp decreases in the demand for their goods and services. Several state-owned enterprises have also been affected, for instance because people have been forced to change their travel habits to limit the spread of the infection. The Government has taken a number of measures to alleviate the effects of the COVID-19 virus on jobs and businesses. We are doing this to enable us to come back as quickly and strongly as possible, as a society, once the crisis is over.

This is a trying time for many people, but I also feel great pride about all the heroic efforts being made in Sweden. Several state-owned enterprises have had to take a further step forward and are now acting as important tools to try to alleviate the effects; Almi, for exam-

ple, has been given increased resources to support small- and medium-sized enterprises. But we have seen many different kinds of initiatives from these enterprises, in which they are trying to contribute in the ways they can. Vattenfall's donation of masks to health care is just one of many examples.

## State Ownership Policy

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, where relevant, to ensure that specifically adopted public policy assignments are performed well. Here active and professional investment management of state-owned enterprises is of the utmost importance.

Work started, in 2019, on revising the State Ownership Policy and the associated guidelines. This resulted in the Government adopting an updated version of the State Ownership Policy

and the Government's principles for state-owned enterprises in February 2020. The new policy sets stricter standards for these enterprises in a number of important areas. For instance, it requires them to conduct responsible security work. Moreover, the state enterprise portfolio has to work for a transition to a society without emissions of greenhouse gases. The policy obliges enterprises to manage climate-related financial risks and opportunities transparently and to set clear strategic targets to move towards long-term sustainable value creation.

By setting requirements concerning labour law conditions at suppliers and subsuppliers, state-owned enterprises will also ensure good order in the supplier stage. As the manager of one of Sweden's largest investment portfolios, we have to act as a good example and make clear that decent working conditions are what is required.



"We think that our enterprises are ready for the next step – full integration of sustainable value creation in their strategies."



# “State-owned enterprises have to conduct active, systematic, ambitious and responsible security work.”

## ➤ Sustainable value creation

Sustainable value creation has long been a central part of state corporate governance, and with this new ownership policy we are now taking the next step.

Long-term and sustainable value creation requires enterprises to take account of and handle aspects material to their operations and to adopt a strategic approach to these aspects. As an owner, the State has identified certain areas in which it is important that state-owned enterprises work actively to attain sustainable value creation. These include sustainable business and managing the opportunities and risks of digitalisation. Then it is up to each board to develop its enterprise's overall strategy and set strategic targets for sustainable value creation.

In other words, we are moving from a situation where boards used to adopt separate strategic targets for sustainable business to the adoption of a more comprehensive approach. Boards are being asked to take account of the aspects that are material to their enterprise's operations and to set targets for them as part of the enterprise's strategy. We think that our enterprises are ready for the next step – full integration of sustainable value creation in their strategies.

## Responsible security work

For the State as an owner, it is important to know what material risks state-owned enterprises are exposed to and how these risks are managed. In 2019 the investment management organisation at the Ministry of Enterprise and Innovation therefore reviewed the implementation by these enterprises of the new Protective Security Act (2018:585).

Since the Government also wanted to highlight how important it is that the

high-value assets of these enterprises have sufficient protection, the State Ownership Policy now has a section on security. It specifies that state-owned enterprises have to conduct active, systematic, ambitious and responsible security work.

## Reduced climate impact

For the Government, it has long been important that state-owned enterprises work to reduce their climate and environmental impact. In the new policy we set an even higher level of ambition. For example, the enterprises have to work for the identification, assessment, management and transparent reporting of the climate-related financial risks and opportunities in their operations. This will ensure that our enterprises will remain at the forefront in this area.

State-owned enterprises have to be good examples in the environment and climate area in their industry. In this annual report you can read about several innovative initiatives under way in the portfolio that contribute to the transition to a green economy.

It is also positive to see that the climate analysis performed during the year for the state portfolio showed higher awareness of the climate issue across the portfolio, and that the issue is high on the agenda of many state-owned enterprises. We have also been able to see a reduction in the portfolio's climate impact over time.

## Positive earnings growth

In terms of earnings, 2019 was a strong year for the portfolio, and most key indicators moved in the right direction. Net sales increased by 6.4% to almost SEK 405bn. Earnings for the period increased to around SEK 47bn. Each year, state-owned enterprises make

important contributions to central government finances, and state dividends for financial year 2019 totalled SEK 17.6bn. The largest dividends come from LKAB and Vattenfall.

The value performance of the portfolio was also positive, albeit lower than for the stock exchange. The appraised portfolio value at the end of 2019 of SEK 640bn meant an increase in value of SEK 10bn during the year.

That said, performance this year, both for the state portfolio and also for many privately owned companies, will probably be completely different on account of the ongoing pandemic.

Finally, I want to express my great thanks to all the engaged boards, managements and employees of state-owned enterprises. For the work you have done both in 2019 and so far in this difficult period. Together, we are all ensuring that the state portfolio of enterprises will create value for the Swedish people, both now and in the future.



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

## Important events in 2019

### The 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 has recently been revised. Stricter demands are now made on the enterprises in a number of important areas to ensure that the portfolio of state-owned enterprises points the way to long-term sustainable value creation. The main changes are described on page 14.

■ *Read more on pages 14 and 98–113.*

### SEEL electromobility lab

The European Commission decided to approve Sweden's application for funding for the development of the SEEL electromobility lab (Swedish Electric Transport Laboratory AB), owned jointly by RISE, a government research institute, and Chalmers University of Technology. This approval was given as an "Important Project of Common European Interest" (IPCEI). The project, which is expected to run until 2031, has 17 participants from 7 EU Member States and state funding totalling EUR 3.2bn.

■ *Read more on page 9.*

### Security in focus

State-owned enterprises own assets that need to be protected from ill-intentioned acts. In 2019 the implementation by these enterprises of the new Protective Security Act (2018:585) was reviewed. The new Act introduces stricter requirements regarding protective security analysis and protective measures for security-sensitive activities and information.

■ *Read more on page 37.*

### State sole owner of Visit Sweden

The Riksdag authorised the Government to acquire the shares owned by Svensk Turism Aktiebolag in V.S. VisitSweden AB (Visit Sweden) and to pay zero kronor as a cash settlement for the acquisition. New conditions and market changes mean that the enterprise is now faced with different challenges from in the past. Svensk Turism therefore decided to transfer its holding in Visit Sweden to the Swedish State.

Reorganisation and targets project  
New gambling regulations entered into force on 1 January 2019. The sole right to certain games ceased and a new licence system and new tax rules were introduced. Ahead of this re-regulation, the Svenska Spel group was reorganised and divided into three business areas with separate gambling accounts and customer databases. During the year new financial targets and public policy targets were decided for Svenska Spel. The setting and tracking of financial targets and public policy targets is an important governance tool for the State as an owner.

■ *Read more on pages 19–25 and 73.*

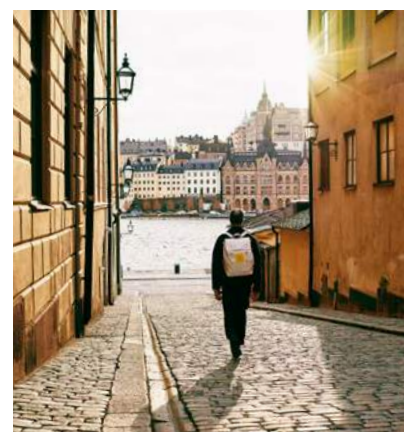
### Audit by the Swedish National Audit Office

*RiR 2019:7* The Swedish National Audit Office has audited whether the work of the Government and Almi Företagspartner AB (Almi) on Almi's commission on women's enterprise contributes to attaining the gender equality policy objective of economic equality. The audit states that Almi and its subsidiaries are striving to carry out its public policy assignment concerning women's enterprise coherently and consistently. However, the audit points out that there is a lack of clarity in the Government's governance of the assignment and in Almi's reporting to the Government. Among the SNAO recommendations are that the Government should consider reformulating Almi's public policy targets and request more detailed reporting of how its activities reach women.

In 2019 the Government presented its assessment of the SNAO's observations and recommendations in a communication to the Riksdag (Govt Comm. 2018/19:123). In the light of the report Almi's owner instruction was also clarified at its AGM in 2020.

*RiR 2019:36* The SNAO has conducted an audit of whether the corporate form of Svenska skeppshypotekskassan is fit for purpose and appropriate. In a communication to the Riksdag (Govt Comm. 2019/20:108) the Government reported what measures were intended to be taken on account of the audit report.

### State Ownership Policy and principles for state-owned enterprises 2020



# Performance in 2019

## Sales

Consolidated net sales for the portfolio of state-owned enterprises rose by 6.4% in 2019, year-on-year, to SEK 371.2bn (348.8bn) from 2018. Net sales for the full year 2019 including associates<sup>1</sup> rose by 6.4% to SEK 404.9bn (380.7bn).

Higher sales in Vattenfall, LKAB and Telia Company are the main reasons for the increase in total net sales. Vattenfall's net sales increased by 9% (7% excl. currency effects), or SEK 14.3bn. The increase is chiefly explained by higher prices received due to price hedges, increased sales in the Nordic region, Germany, France and the Netherlands (positive price effects), and higher production in the Wind business segment. LKAB's sales increase, SEK 5.4bn, is mainly explained by higher iron ore prices and a stronger dollar exchange

rate. Telia Company's sales increased as a result of positive exchange rate fluctuations and positive effects from acquisitions and divestments.

Vattenfall accounts for 44.8% (43.6%) of net sales in the portfolio of state-owned enterprises, and for 41.1% (39.9%) of sales if associates are included.

A number of enterprises posted lower sales, including Lernia and Infranord. Factors that contributed to Lernia's lower sales included lower income in staffing and lower volumes of participants in training services.

## Profit and dividends

Operating profit for the full year 2019 rose to SEK 60.0bn (49.1bn). This is mainly explained by higher operating

profit for LKAB and Vattenfall.

LKAB's operating profit increased by SEK 4.9bn. However, its cost level, excluding appropriations for urban transition and volume effects, was higher than in the previous year, mainly due to more spending on development programmes, prospecting, increased maintenance and rock reinforcement.

Earnings after tax for the full year 2019 rose to SEK 46.5bn (38.9bn). The largest positive contributions to consolidated earnings after tax came from Vattenfall, LKAB, Akademiska Hus and Telia Company. PostNord's earnings after tax for the full year 2019 improved as a result of efficiencies in operations and growth in e-commerce, but with earnings of SEK -0.2bn (-1.1bn) this enterprise had the largest negative impact on consolidated earnings.

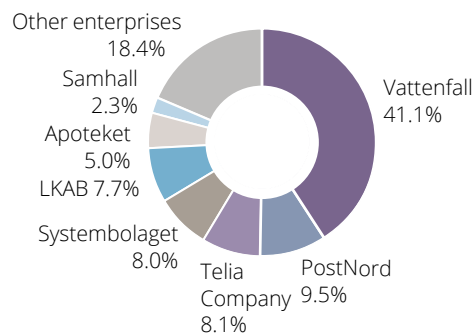
<sup>1</sup> Includes net sales for associates based on the state share of equity. Enterprises in which the state ownership share is less than 20% are not included.

## Net sales

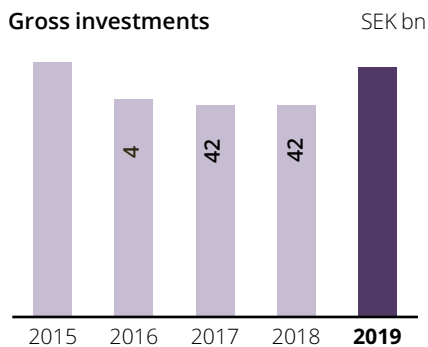


## Distribution of sales

Including associates, Jan.-Dec. 2019

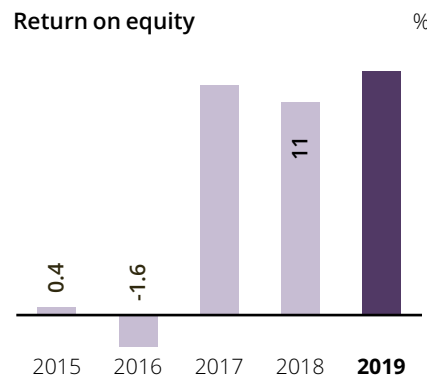


## Gross investments



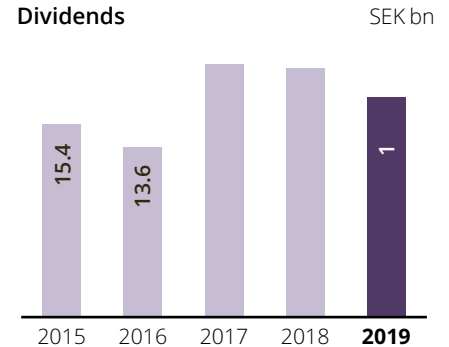
Gross investments increased by 18.0% to SEK 49.9bn (42.3bn). Vattenfall's gross investments, which accounted for more than half of total gross investments, increased by 22.4% to SEK 26.8bn (21.9bn).

## Return on equity



Return on equity was 12.7% (11.1%).

## Dividends



State-owned enterprises make important contributions to central government finances. Dividends paid to the State in financial year 2019 totalled SEK 17.6bn.

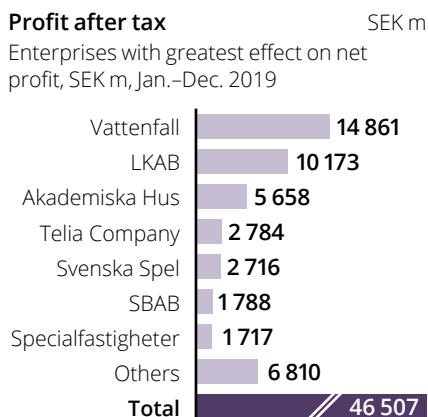
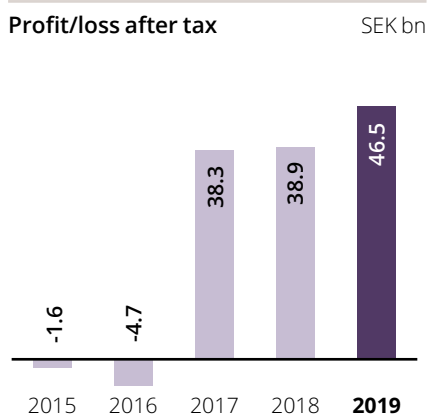


Dividends from state-owned enterprises for financial year 2019 amounted to around SEK 17.6bn (19.9bn). The largest dividends come from LKAB, at SEK 6.1bn, and Vattenfall, at SEK 3.6bn.

### 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.

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 20.1m (24.3m) and corresponded to a year-on-year decrease of 17.4%.<sup>1</sup> Vattenfall accounts for around 92% of emissions, and accounts in a group of five enterprises, along with LKAB, SAS, PostNord and Akademiska Hus, 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, rose to 7.8 (7.6).<sup>2</sup>

During the year there were 2 (7) 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

56.3bn (49.3bn). Vattenfall and enterprises operating in labour-intensive industries, such as PostNord and Samhall, accounted for the largest wage payments.

- 1) Based on information reported to the Government Offices and excludes 9 enterprises where these statistics were not available.  
2) A number of enterprises have been excluded since they did not have this information available.

### Reported effective tax, total<sup>1</sup>

SEK bn	2019	2018
Tax on reported profit/loss before tax (according to applicable rate of income tax)	-13.6	-12.4
Reported effective tax	-11.9	-8.2

- 1) 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 income is stated with a positive sign. The presentation covers the enterprises' total tax expenses, irrespective of the state holding.

### State-owned enterprises, total<sup>1, 2</sup>

SEK bn	2019	2018	2017	2016	2015
Net sales (incl. any appropriation)	371.2	348.8	324.2	321.1	323.2
Net sales incl. associates (incl. any appropriation)	404.9	380.7	354.6	353.1	356.0
Profit before changes in value	54.5	43.7	47.8	20.8	11.3
Changes in value	5.6	5.0	5.9	5.6	5.2
Operating profit (EBIT)	60.0	49.1	53.7	26.4	16.5
Profit before tax	56.5	44.9	47.6	20.1	10.7
Profit/loss after tax	46.5	38.9	38.3	-4.7	-1.6
Gross investments	49.9	42.3	42.4	43.5	50.9
Cash flow from operating activities (excl. SEK and SBAB)	45.3	65.7	51.3	46.5	61.7
Total equity	381.2	361.3	342.3	312.9	339.2
Total assets	1 701.4	1 637.0	1 497.1	1 469.0	1 488.9
Number of employees excl. associates (thousands)	108	109	109	111	120
Number of employees incl. associates (thousands)	129	134	130	137	146
Dividend	17.6	19.9	20.2	13.6	15.4
Estimated value <sup>3</sup>	640	630	570	510	430
Return on equity (%)	12.7	11.1	12.0	-1.6	0.4
Equity/assets ratio (%)	22.4	22.1	22.9	21.3	22.8
Dividend yield (%)	2.8	3.2	3.6	2.8	3.6

- 1) Vattenfall's lignite operations and Teracom Group's former subsidiary Boxer are reported as profit/loss from discontinued operations/operations being divested for 2016 and 2015 respectively.  
2) SAS is not included in consolidated profit/loss as of 2015 because the State's share of equity is now below 20%.  
3) 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 49% of the value of the portfolio, followed by the three sectors of property, telecom and infrastructure.

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. In line with valuation practice, the valuation takes account of all the public information available at the time of the valuation. This means that the effects of the COVID-19 virus are not reflected in the financial forecasts that fed into the valuation and therefore do not affect the portfolio value on 31 December 2019.

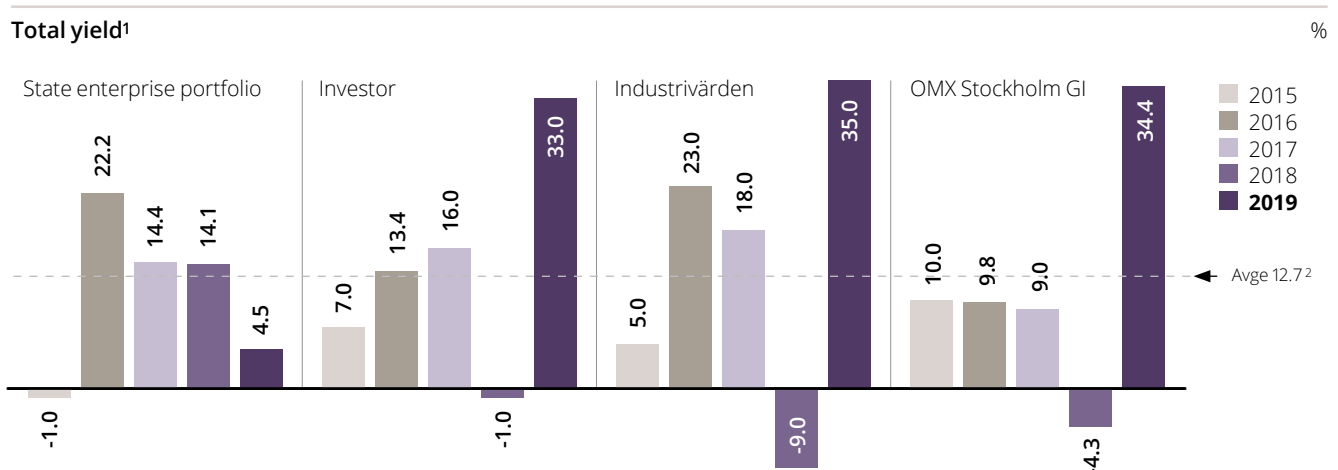
Around half of the enterprises are valued on the basis of both the income approach (present value calculation of future risk-adjusted cash flows) and the market approach (relative valuation based on value multiples for comparable listed companies, adjusted for differences in value drivers and risk),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

other. At the time of the valuation, the observable value multiples of listed comparison companies, which form the basis of the relative valuation, did not reflect the effects of the COVID-19 virus either. Property enterprises are valued at net asset value and listed companies at market value. Other enterprises are valued at the book value of equity.

**Value performance 2015 to 2019**  
At year-end 2019, the value of the state enterprise portfolio was estimated at SEK 640bn. Adjusted for transactions executed, this is an increase of about SEK 210bn, or 49%, since 2015, when the portfolio was valued at around SEK 430bn. By comparison, the value of Nasdaq Stockholm rose during the same period by about 35%. 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 expo-

sure. 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 sales of businesses, of SEK 210bn is primarily attributable to value performance in the basic industry/energy sector, which includes Vattenfall and LKAB. This is the dominant sector in the portfolio although its weight has fluctuated over the last five years. Since 2015 holdings in the basic industry/energy sector have increased in value from around SEK 140bn to around SEK 310bn. On account of this sector's value performance, adjusted for transactions, its share of the total state portfolio increased from around 33% in 2015, which was the lowest figure noted in the



Source: FactSet and website of each enterprise.

- Total yield reflects annual value performance including dividends executed. The stated total yield for Investor and Industrivärden (and for the state enterprise portfolio) refers to the performance of each portfolio.
- The average refers to the mean of all observations during the period.

period, to just under 49% of the value at year-end 2019.

The telecom and services sectors have shown a negative performance since 2015. The reasons for decline in value totalling just under SEK 20bn for these sectors include the stock exchange performance of Telia Company, which was negative in 2019, and a lower valuation of Svenska Spel due to a weak gambling market in 2019, which also resulted in falling stock exchange prices for listed gambling companies with operations in the Swedish gambling market.

The main sectors in the state enterprise portfolio that have performed well since 2015 are property and infrastructure. 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, Swedavia is among the enterprises that have performed well. In connection with the 2016 valuation, the valuation method used for Svedab was changed from the book value of equity to a market valuation of the enterprise's assets using the income approach. This change contributed greatly to the value growth in the infrastructure sector between 2015 and 2016.

### Value performance in 2019

In 2019 the value of the state enterprise portfolio rose by around SEK 10bn, or

just under 1.5%, year-on-year. By comparison, Nasdaq Stockholm rose by around 29.5% over the same period. Dividends paid to the State in 2019 amounted to SEK 19.9bn, corresponding to a total yield of around 4.5% in 2019, compared with 14.1% in 2018. Historical total yields for the state portfolio and for Investor, Industrivärden and OMX Stockholm GI (Growth Index) are shown in the figure on page 6.

The basic industry/energy sector accounted for the greatest value change in the state enterprise portfolio in the past year. The property and transport sectors also performed well in 2019, and the aggregate increase in value of these sectors is around SEK 43bn.

Holdings in the basic industry/energy sector were valued at year-end 2019 at around SEK 310bn, an increase of about SEK 33bn, or just over 12%, year-on-year. The increase in estimated value is chiefly due to a higher valuation of Vattenfall, which performed strongly during the year, like the energy sector in general, and a higher valuation of LKAB, driven by a continuation of favourable market conditions and good production volumes.

The value of the property sector was assessed at around SEK 80bn at year-end 2019, an increase of around SEK 6bn, or 9%. The value growth is mainly

attributable to Akademiska Hus and the favourable development of the property market as a whole.

At the end of 2019 the value of the transport sector was just under SEK 20bn, which is an increase of SEK 4bn, or 25%, year-on-year. In addition to the weakly positive value performance of PostNord, the performance of SJ, with high passenger growth throughout 2019, contributed to the sector's value growth.

The value of the rest of the state enterprise portfolio was estimated at around SEK 230bn at the end of 2019, a decrease of around SEK 30bn. This negative value performance is mainly related to the telecom, services and consumer goods sectors with negative value performance for the holding in Telia Company and for Svenska Spel and Systembolaget.

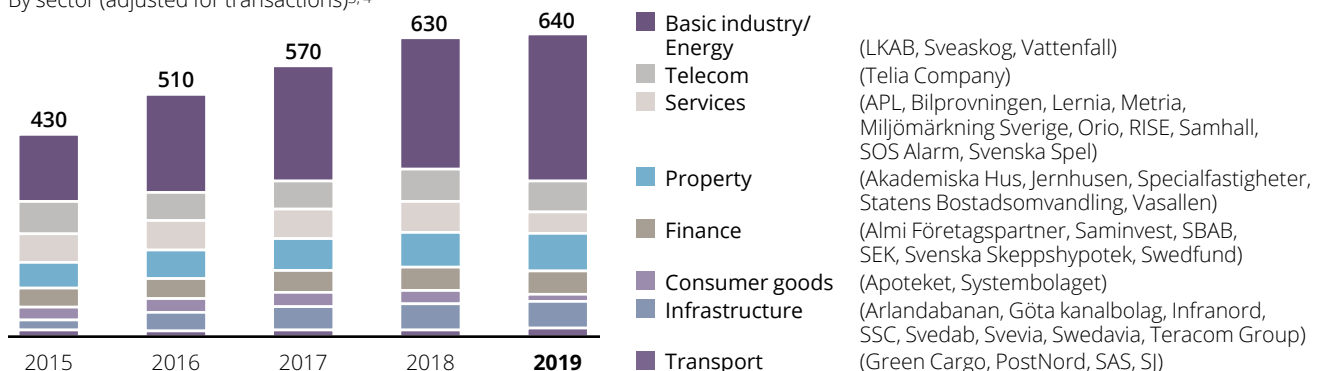
### Share price performance of listed holdings

In 2019 the value of the holding in Telia Company decreased by 4.1%. The value of the holding in SAS decreased by 26.5%. In all, the value of listed holdings decreased by 4.5% or SEK 3.1bn.

### Value performance 2015–2019

By sector (adjusted for transactions)<sup>3, 4</sup>

SEK bn



Source: Ministry of Enterprise and Innovation.

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

4) Since the start of 2017 Saminvest is the parent 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 enterprises

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

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

## HYBRIT advancing – construction of a unique pilot plant

**LKAB** In 2016, LKAB, SSAB and Vattenfall joined forces to create HYBRIT – an initiative striving to revolutionise iron and steel production. The target is to have the world's first fossil-free steel production that almost completely eliminates carbon dioxide emissions by 2035.

Fossil-free steel production starts in the mine, so LKAB is working intensively on how to design the next generation of pellet plants. During the year construction started on a unique pilot plant that replaces fossil fuels with



biofuels to achieve fossil-free production of iron ore pellets. The investment in the pilot plant for bio-oil at Malmberget is an important milestone in HYBRIT's initiative and journey to develop fossil-free pellet production; it is expected to be ready in 2020. The first tests will be conducted up until 2021.

During the year the Swedish Environmental Protection Agency awarded HYBRIT its Environmental Goals Prize for "boldness and momentum". The Prize was founded by the Agency to recognize and reward ambitious and successful environmental work that contributes to Sweden achieving its environmental goals.

## Exporting Swedish gambling responsibility

**SVENSKA SPEL** Playscan, Svenska Spel's tool for identifying and communicating with risk gamblers, is spreading internationally. Following agreements with the Norwegian gambling company Norsk Tipping, La Française des Jeux in France and Miljonlotteriet in Sweden, now Société de la Loterie de la Suisse Romande in Switzerland has also opted to use Playscan. Since several large gambling companies now have Playscan, almost six million gamblers are being ana-

lysed each year; this then provides deep insights into risk gambling.

For Svenska Spel the focus is on offering a combination of gambling pleasure and gambling responsibility, where both parts are important for long-term value creation. In order to create safe and secure gambling environments, Svenska Spel is being proactive regarding gambling responsibility. In addition to developing its gambling responsibility tool, the enterprise is also

supporting Swedish research on gambling addiction through its Research Council. In 2019, SEK 5m was granted to five new research projects.

During the year Svenska Spel won the Swedish Gambling Award in the sustainability category for its outreaching care calls, where the enterprise calls gamblers who may be in the risk zone and informs them about pause functions, limits and where they can get more help.

## Green bonds attract investors

**SBAB** Sustainable financing has become an important part of the activities of many state-owned enterprises. During the year SBAB issued Sweden's first covered green bond; with home mortgages as security and an issue volume of SEK 6bn, it is also the largest green bond issued in the Swedish market. Akademiska Hus, LKAB, Svedavia and Vattenfall have all issued their first green bonds. SEK issued a green bond worth SEK 1bn. The money from its issuance will be used to finance exports of Swedish green technology and environmental exper-

tise. Jernhusen issued four green bonds worth a total of SEK 1.8bn during the period to finance investments in sustainable properties.

In 2019 the investment management organisation in the Government Offices held a network meeting on the theme of *Green Bonds* for state-owned enterprises. SBAB, Specialfastigheter and Sveaskog all provided information about their work with this form of funding and the initiatives they are running.

## Development work in safety issues and work environment

**AKADEMISKA HUS** was one of the actors that saw the need and took the initiative for an industry-wide organisation for safer construction sites. In 2017 the *Håll Nollan* organisation was formed; it now has over 70 members. In a relatively short time *Håll Nollan* has become established in the industry and is an important actor and a forum for focusing on safety issues. In 2019 Akademiska Hus participated in an array of activities in the *Håll Nollan* initiative, including leadership training in safety culture and the formulation and implementation of training in safer work environments for property developers.

During the year the investment management organisation in the Government Offices also held a network meeting on the theme of *Health and safety in the workplace* for state-owned enterprises at which Akademiska Hus provided information about its safety work.

*Håll Nollan's* work environment award was presented for the second successive year in spring



2020 to inspire, recognise and drive the development of work environment management that promotes safety in the construction and property industry. This time the award went to the team in Nya Ångström stage 4, a construction project being built for Uppsala University. Akademiska Hus and NCC are the developer and contractor behind the building. The enterprise has also been awarded the prestigious Building of the Year prize for 2020. For the second successive year the prize went to a building constructed by Akademiska Hus, this year for the Student Building [*Studenthuset*] at Linköping University.



## An electrified transport sector

**RISE** The European Commission decided in December 2019 to approve Sweden's application for funding for the SEEL electromobility lab (Swedish Electric Transport Laboratory AB), which is owned jointly by RISE and Chalmers University of Technology. This approval was given as an "Important Project of Common European Interest" (IPCEI), an EU initiative to foster battery production in the European Union.

SEEL is a national testbed for developing the next generation of sustainable innovative solutions for electric cars, trucks, buses and other electric vehicles such as electric vessels, including battery development. SEEL will be one of the few test centres in Europe able to provide testing for all the parts required by electrified transport.

The investment in SEEL also aims to strengthen the competitiveness of the Swedish automotive industry and to help Sweden remain at the forefront of transport sector innovation. The lab is expected to be ready in 2022.

# 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 digitalisation 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. Systembolaget and PostNord hosted its first two meetings.

## Training in IT security an important digitalisation issue

**SPECIALFASTIGHETER** In the property industry, property automation is one of the biggest digitalisation issues, and for Specialfastigheter security on this point is a prioritised and constantly ongoing part of digitalisation work. Staff skills, awareness, interest and engagement are key factors in security work. Along with the Swedish Defence Research Agency (FOI), which has experts in assessing information security risks and holds exercises and courses in IT security, Specialfastigheter has therefore developed security training in property auto-

mation for staff in operations and management, projects and development, and IT, as well as for its senior management and board. The aim is to foster understanding of cyber threats and how to counter them. Cyber security is a process, not a project, and must be constantly evaluated, improved and reported. Continuity planning is the most important measure, but robust IT systems and architecture, surveillance of own networks, procurement and installation specifications, controls and audits, and training are also key activities.



## Digital maintenance systems



**GÖTA KANALBOLAG** fully implemented a digital maintenance system in 2019; it helps the enterprise to conduct proactive maintenance work and keep a check on a 190 km-long outdoor facility. The programme is used by staff in the field and, for example, supports round checks as part of the enterprise's dam safety work. This initiative operates as part of the enterprise's long-term strategic work on a safe and secure facility for both staff and visitors. This internal cooperation meshes effectively since all functions use the system and measures can easily be allocated among staff.

## The 112 app – mobile security



**SOS ALARM** has long worked on methods and projects to enable it to improve emergency call positioning. It is sometimes vital to be able to quickly send the right help to the right place at the right time. In 2019 the 112 app was launched,

bringing SOS Alarm a step closer to its vision of a more secure Sweden for everyone.

The 112 app now assigns the 112 operator the help-seeker's exact position, which was previ-

ously impossible. GPS positioning now improves accuracy from a hectare to a metre and makes the enterprise better placed to quickly find the help-seeker and ultimately to save lives.

The app is also preventive. Via the app the user gets quick, relevant and reliable information such as Important Notices to the Public, fires or road accidents in their vicinity, enabling the user to take more responsibility and make conscious choices to stay safe. Today the app has around 1.8 million downloads, which is far above the expected result. This is an indication that safety and security have high priority for Swedes.

## Digital development for sustainable winter road maintenance

**SVEVIA** There can be great variations in the road climate in a geographical area. "Forecast-steered dynamic road operation" is an innovation project with the objective of using real-time information from various fixed and mobile sensors to tailor production measures so as to optimise winter road maintenance.

Svevia – which is leading a collaborative project with external partners including VTI, Volvo and specialists in road weather services – is developing a decision support system that suggest optimal routes based on current and coming road conditions.

The weather services are integrated with GPS, management and monitoring systems to optimise where, when and how winter

road maintenance measures are carried out. Based on forecasts for combating slippery conditions, optimised routes are sent to the driver and the salt spreader gets steering files.

Svevia sees considerable effects on its resource consumption, CO<sub>2</sub> footprint and salt use, all of which

are reduced by around 20%. Dispatchers at contractors are more secure when making crucial decisions and traffic safety increases when the stress on machine operators decreases. The initiative is at the forefront and follows Svevia's long-term sustainability strategy.



# 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 its mandate from the Riksdag.

The portfolio of state-owned enterprises consists of 40 fully owned and 6 partly owned enterprises with a total value of around SEK 640bn. Together, state-owned enterprises and their subsidiaries employ around 108 000 people, and around 129 000 when associates are also included.

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.

Of the state-owned enterprises, 22 have been given a specifically adopted public policy assignment by the Riksdag, meaning that they generate public benefit that cannot always be measured in financial terms.

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 the 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. It also means that the board of directors is responsible for the enterprise's organisa-

tion and the management of its affairs; that the board is responsible for adopting business targets and strategy; and that the enterprise's executive management handles the day-to-day management of the enterprise's 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 corporate 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 companies 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.

## Framework for state-owned enterprises

Like privately owned companies, state-owned enterprises are primarily governed by the Swedish Companies Act.

	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>1</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>2</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

1) Applies to external reporting. 2) Mainly used in enterprises that have specifically adopted public policy assignments.

## State Ownership Policy 2020 – a climate-proofed enterprise portfolio offering decent conditions

To ensure that State Ownership Policy is a relevant and up-to-date framework for corporate governance of state-owned enterprises, it has recently been revised. The major changes are described below.

### Sustainable value creation and strategic targets

The Government is continuing to raise its ambitions in sustainable business and wants to use corporate governance to increase the pace at which enterprises are moved from separate sustainability strategies to sustainable strategies centred on long-term sustainable value creation. One important step here is requiring their boards to set clear strategic targets pointing towards long-term sustainable value creation. The state enterprise portfolio is important in the transition to a society without emissions of greenhouse gases. So additional requirements are also being introduced in the climate area to the effect that these enterprises have to manage, and give a transparent account of, climate-related financial risks and opportunities in their activities.

Swedavia is an example of an enterprise that has long had an integrated, strategic approach to sustainable development. Swedavia's customer-centred model is the foundation for activities to achieve the enterprise's long-term strategic aims.

“ Sustainable growth is going to be the only possible way of staying in business and creating value over time.”

Jonas Abrahamsson,  
CEO and President, Swedavia

Requirements of labour law conditions in purchasing  
In 2018 the Government Offices commissioned Director-General Rikard Jermsten to investigate the possibilities of requiring contractual conditions similar to collective bargaining agreements in connection with purchases for state-owned enterprises. The assessment made by his inquiry was that regulation was needed regarding labour law requirements for suppliers so as to counter unreasonable working conditions and contribute to greater uniformity between state-owned enterprises that are contracting authorities or units and those that are not covered by public procurement legislation. Under the new Policy, state-owned enterprises therefore must, when needed, specify certain requirements for their suppliers' working conditions regarding pay, working hours and holidays for purchases exceeding a threshold that is currently SEK 1.4m. This requirement provides clarification of the Government's long-standing ambition of having state-owned enterprises work for aims including a sound and safe work environment,

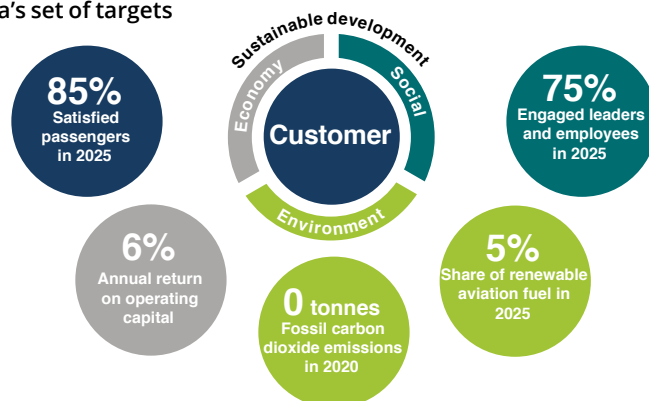
respect for human rights, and good and decent working conditions.

### Systematic and ambitious security work

As part of work to future-proof the state-owned enterprise portfolio, the Government now requires these enterprises to conduct active, systematic, ambitious and responsible security work. This contributes to creating long-term sustainable enterprises that secure important functions for society. It is particularly important that state-owned enterprises carefully follow the Protective Security Act (2018:585), which applies to activities – or parts of activities – of importance for Sweden's security.

In addition to the changes described above, the Government's principles for remuneration and other terms of employment for senior officers have been updated in the light of new rules in the Companies Act (2005:551) and the Swedish Corporate Governance Code regarding remuneration to senior officers that follow from the implementation of EU directives.

### Swedavia's set of targets



### State Ownership Policy – Background facts

- The State Ownership Policy was adopted by the Government on 27 February 2020.
- The Policy includes the Government's three principles for state-owned enterprises: (i) principles for corporate governance; (ii) principles for remuneration and other terms of

employment for senior officers; and (iii) principles for external reporting.

- The Policy is applied in 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 have the principles applied. The State Ownership Policy means the Swedish Corporate Gov-

ernance Code has to be applied.

- As of 2017 the Policy is adopted at the annual general meeting of fully state-owned enterprises, which means that, under company law, the policy is a binding instruction (owner direction) to the board of the enterprise. As of 2020 the decision of the general meeting includes the three sets of principles.

OECD Guidelines on Corporate Governance of State-Owned Enterprises  
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 guidelines from 2005 and the revised guidelines from 2015. 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 and the ministers responsible for enterprises in the table on the right). 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. The 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 the investment organisation 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 in 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 fulfilment.

### *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 operates 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 the 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



## Responsible ministries

Minister responsible for the enterprise in brackets unless otherwise stated

### Ministry of Enterprise and Innovation (Baylan)

Akademiska Hus<sup>1</sup>  
Almi Företagspartner  
Apoteket  
Arlandabanan Infrastructure<sup>2</sup>  
Bilprovingen  
EUROFIMA<sup>2</sup>  
Green Cargo  
Göta kanalbolag  
Infranord  
Jernhusen<sup>3</sup>  
Lernia  
LKAB  
Metria  
Orio  
PostNord  
RISE, Research Institutes of Sweden  
Samhall  
Saminvest  
SAS  
SBAB  
SEK, Svensk Exportkredit  
SJ  
SOS Alarm  
Specialfastigheter<sup>3</sup>  
SSC, Svenska rymdaktiebolaget  
Statens Bostadsomvandling<sup>3</sup>  
Stiftelsen Industrifonden  
Stiftelsen Norrlandsfonden  
Sveaskog  
Svedab<sup>2</sup>  
Svenska Skeppshypotek  
Svenska Spel  
Svevia  
Swedavia  
Swedesurvey<sup>3</sup>  
Swedfund International  
Telia Company  
Teracom Group  
Vasallen<sup>3</sup>  
Vattenfall  
Visit Sweden

The Minister responsible is: 1) Ernrkans, Ministry of Education and Research.  
2) Eneroth, Ministry of Infrastructure.  
3) Bolund, Ministry of Finance.

### Ministry of Finance (Micko)

Miljömärkning Sverige

### Ministry of Culture (Lind)

Kungliga Dramatiska teatern  
Kungliga Operan  
Voksenåsen

### Ministry of Health and Social Affairs (Hallengren)

APL, Apotek Produktion & Laboratorier  
Systembolaget

### Ministry for Foreign Affairs (Linde)

Sweden House

## Active ownership

Active ownership within the framework of state ownership policy



State Ownership Policy



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 the enterprise and 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 should 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 18. 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 a company owner, see the figure on page 17. The development of the enterprises 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 page 15. The political leadership of the various ministries 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.

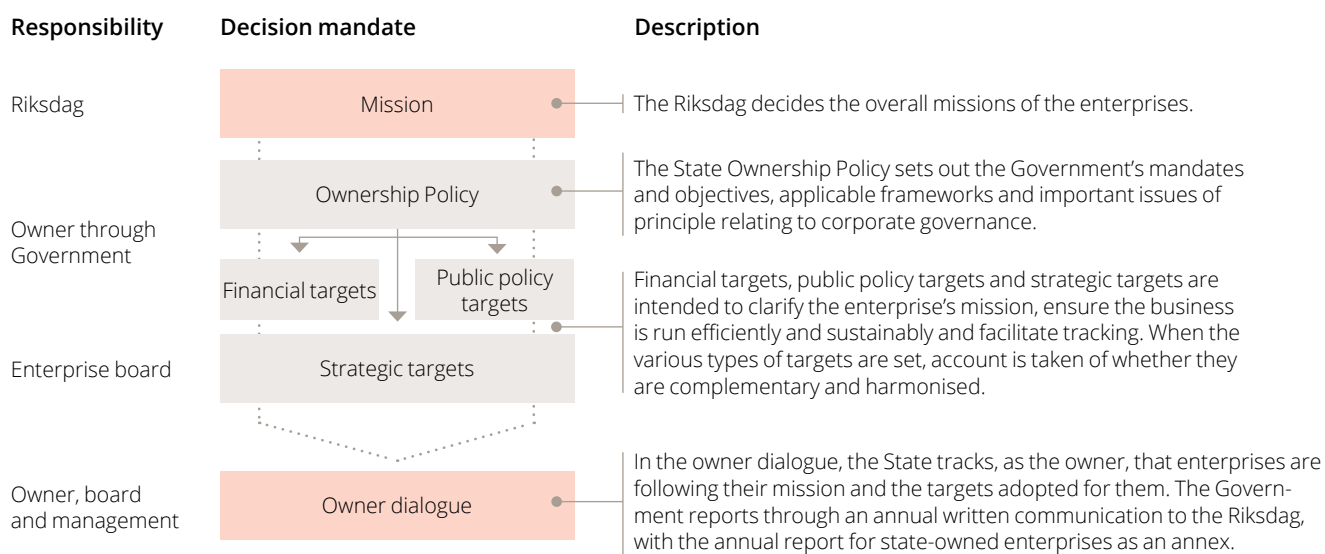
### Transparency requirement

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 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.



## 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.



### 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 Guidelines 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.



### Cost

In 2019 the cost of the investment management organisation at the Ministry of Enterprise and Innovation was SEK 40.5m (41.1m), 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 8.2m (15.0m). The costs of the investment management organisation mainly consist of salaries, but also include other current expenses such as travel and 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). As Swedesurvey is no longer conducting any active operations, an extraordinary general meeting in 2019 decided to wind the enterprise up by placing it in voluntary dissolution. There are five other current authorisations to change state ownership, see the table below.

### Changes in the portfolio

In February 2018 it was decided to place Bostadsgaranti in voluntary dissolution. The voluntary dissolution of the enterprise was completed on 19 March 2019.

### 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	14.8	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>1</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 is intended to give the board a wider range of com-

petence and better dynamics, so that diversity will reduce group-thinking.

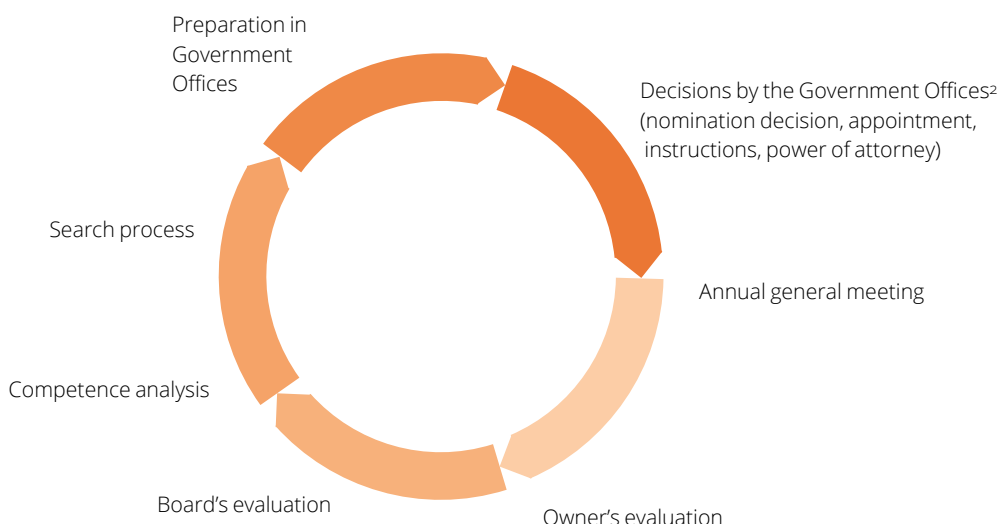
The gathering of political support, i.e. the preparation of the decisions, is an ongoing process during the autumn and winter. Consideration is given to which chairs and directors should be re-elected and which replaced, and proposals are prepared for new chairs and other new directors. The minister 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.

1) The board nomination process also covers the boards of the foundations, Stiftelsen Industrifonden and Stiftelsen Norrlandsfonden, and of Svenska Skeppshypotekskassan (Swedish Ships Mortgage Bank). Board recruitment in the listed companies Telia Company and SAS is handled by their nominating committees.

### Board nomination process

Annual cycle



2) 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 so as 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 usually address 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; and
- measure, track and evaluate profitability, efficiency and level of risk in a structured manner.

## 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.

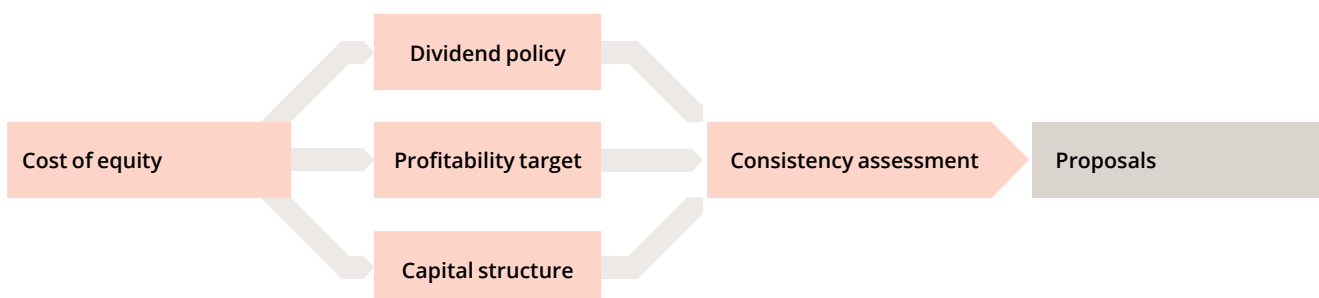
### *Efficient capital structure*

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.

### *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

## Method of setting financial targets





Swedfund's targets require its operations to be financially sustainable and to be conducted in a way that is cost-effective for taxpayers.

some, which tie up a relatively small amount of capital, a margin target, such as operating margins, 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, mostly as an acceptable range.

#### *Consistency assessment*

When proposals for the capital structure target, profitability target and dividend policy have been prepared, an analysis is needed to be sure 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 must 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 2019 new financial targets were adopted for Akademiska Hus, Svenska Spel, Swedavia and Swedfund. Target projects were also started during the year for Almi, Jernhusen, Samhall and Saminvest that then led to the adoption of new targets at their annual general meetings in 2020.



# 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 Företagspartner 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 Företagspartner  
 APL, Apotek Produktion & Laboratorier  
 Göta kanalbolag  
 Kungliga Dramatiska teatern  
 Kungliga Operan  
 Miljömärkning Sverige  
 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



Systembolaget has the task of helping to limit the harmful effects of alcohol, thereby improving public health.

# 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; and
- 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.

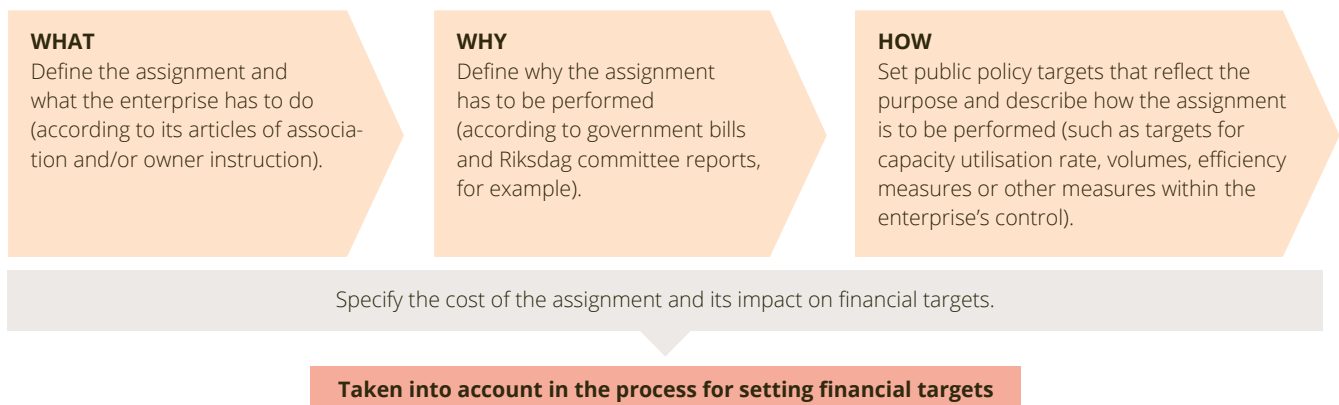
When the financial targets are set, the cost of the public policy assignment is taken into account. The specifically adopted public policy assignment may also be linked to the enterprise's risk and the assessment of what is an appropriate capital structure. The interpretation of the specifically adopted 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 enterprises. It can be summarised in three steps:

- (1) Define what the enterprise is to do, i.e., the assignment.





In 2019 public policy targets were adopted for Svenska Spel. They apply to the forms of gambling that are reserved for the State, i.e. physical casinos (Casino Cosmopol) and slot machines elsewhere than casinos (Vegas).

- (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 must be reviewed to determine the public benefit.

Uniform public policy targets are set by categorising various types of 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 transforma-

tion pressure on the enterprise to improve its efficiency.

New public policy targets were adopted for Svenska Spel at an extraordinary general meeting in June 2019. Swedfund's public policy targets were updated in conjunction with an extraordinary general meeting in December. At the end of 2019 there were a total of 11 enterprises with adopted public policy targets in the state enterprise portfolio, see the table on the right. Target projects were also started during the year for Almi, Samhall and Saminvest and these then led to the adoption of new targets at the enterprises' annual general meetings in 2020.

#### 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 conditions 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.

#### Enterprises already given specifically adopted public policy targets

Almi Företagspartner  
 Göta kanalbolag  
 RISE, Research Institutes of Sweden  
 SEK, Svensk Exportkredit  
 SOS Alarm  
 SSC, Svenska rymdaktiebolaget  
 Svedab  
 Svenska Spel  
 Swedavia  
 Swedfund International  
 Systembolaget

# 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 comparing performance with the targets set.

## Financial targets and outcomes 2019

Enterprise	Profitability Return on equity, unless otherwise stated		Capital structure Equity/assets ratio, unless otherwise stated		Approved dividend based on earnings for 2019, unless otherwise stated	
	Target	Outcome 2019	Target	Outcome 2019	Target	Outcome 2019
Akademiska Hus	≥6.0 <sup>1</sup>	10.3 <sup>1</sup>	35–45	45.7	40–70	70
APL	>8	-56.7	40–50	24.4	≥50	-
Apoteket	≥3 <sup>2</sup>	1.8 <sup>2</sup>	40–80 <sup>3</sup>	53.0 <sup>3</sup>	40–60 <sup>4</sup>	-4
Bilprovingen	≥8 <sup>2</sup>	3.7 <sup>2</sup>	30–40	40.0	≥80	143
Green Cargo	≥10 <sup>6</sup>	-4.6 <sup>6</sup>	0.6–0.9 <sup>3</sup>	3.5 <sup>3</sup>	50	-
Göta kanalbolag	≥0 <sup>7</sup>	0.17	-10–50 <sup>3</sup>	-16.6 <sup>3</sup>	-	-
Infranord	≥16	-7.2	>33	32.4	50–75	-
Jernhusen	≥12	14.3	35–45	42.7	33	33
Lernia	≥20	-40.0	30–50	18.0	≥50	-
LKAB	>12	24.2	0–30 <sup>3</sup>	-2.5 <sup>3</sup>	40–60	60
Metria	≥10 <sup>5</sup>	-1.1 <sup>5</sup>	≥30	51.3	≥30	-
PostNord	10.5 <sup>6</sup>	3.6 <sup>6</sup>	10–50 <sup>3</sup>	259.0 <sup>3</sup>	40–60	-
RISE	≥3 <sup>2</sup>	1.8 <sup>2</sup>	0–30 <sup>3</sup>	19.0 <sup>3</sup>	-	-
Samhall	7	5.7	≥30	35.0	-	-
SAS	>12 <sup>16</sup>	8.0 <sup>16</sup>	<3 <sup>8</sup>	3.7 <sup>8</sup>	-	-
SJ	≥7 <sup>6</sup>	16.2 <sup>6</sup>	0.5–1.0 <sup>3</sup>	-0.1 <sup>3</sup>	30–50	-
SOS Alarm	≥2 <sup>2</sup>	2.7 <sup>2</sup>	25–35	47.2	≥50	-
Specialfastigheter	8 <sup>9</sup>	9.99	25–35	39.2	50	50
SSC	≥6 <sup>6</sup>	5.0 <sup>6</sup>	0.3–0.5 <sup>3</sup>	0.4 <sup>3</sup>	≥30	-
Sveaskog	≥4.5 <sup>10</sup>	4.9 <sup>10</sup>	0.3–0.6 <sup>3</sup>	0.3 <sup>3</sup>	65–90	88
Svedab	-	-	500 <sup>11</sup>	1341 <sup>11</sup>	50	100
Svenska Spel	≥30 <sup>2</sup>	28.7 <sup>2</sup>	20–40	39.3	≥80	-
Svevia	≥20	12.0	20–30	29.8	≥50	51
Swedavia	≥6 <sup>6</sup>	4.6 <sup>6</sup>	0.7–1.5 <sup>3</sup>	1.1 <sup>3</sup>	10–50	-
Swedfund	positive <sup>12</sup>	41.4 <sup>12</sup>	-	-	-	-
Systembolaget	risk free (rf)+7	15.5	20–30	25.9	80–100	100
Telia Company	-	-	A- to BBB+ <sup>13</sup>	A- to BBB+ <sup>13</sup>	≥80 <sup>13</sup>	60 <sup>13</sup>
Teracom Group	17	2.0	30	75.0	40–60	60
Vasallen	risk free (rf)+4	-3.2	≥50	95.0	30–50	(negative result)
Vattenfall	≥8 <sup>14</sup>	8.5 <sup>14</sup>	22–27 <sup>15</sup>	26.5 <sup>15</sup>	40–70	28

1) Return on operating capital excluding changes in value. 2) Operating margin. 3) Debt/equity ratio, % or multiple. 4) Share of net profit for the year adjusted for earnings and tax related to pension assets and pension commitments. 5) EBITDA margin. 6) Return on operating capital. 7) EBT margin. 8) Net debt/EBITDAR. 9) Return on equity based on profit after tax and after reversal of changes in value and deferred tax. 10) Dividend yield. 11) Equity to be at least SEK 500m. 12) EBIT to be positive, irrespective of accounting standard, outcome in SEK m. 13) Solid long-term credit rating and dividend of at least 80% of free cash flow from operations including dividends from associates. 14) Return on capital employed. 15) Funds from operations (FFO)/adjusted net debt. 16) ROIC.

Enterprise	Profitability Return on equity, unless otherwise stated		Capital structure				Approved dividend based on profit for 2019, unless otherwise stated	
	Target	Outcome 2019	Total capital ratio		Common equity Tier 1 capital ratio		Target	Outcome 2019
SBAB	≥10	11.7	≥0.6 <sup>17</sup>	20.1 <sup>17</sup>	≥0.6 <sup>17</sup>	13.1 <sup>17</sup>	≥40	-
SEK	≥6	5.5	2–4 <sup>18</sup>	20.6 <sup>18</sup>	≥4 <sup>18</sup>	20.6 <sup>18</sup>	30	-

17) 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 15.5% for the total capital ratio and 11.3% for the Common Equity Tier 1 capital ratio. 18) Total capital ratio under normal circumstances to be between 2 and 4 percentage points above the capital requirement communicated by Finansinspektionen: 18.8–20.8%. SEK's Common Equity Tier 1 capital ratio to be at least 4 percentage points above the capital requirement communicated by Finansinspektionen: 15.9%.

**Public policy targets and outcomes in 2019**

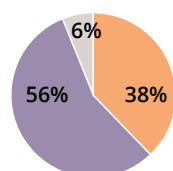
The public policy assignments, public policy targets and outcomes of each enterprise are presented in the enterprise overviews on pages 40–85.

Enterprise	Public policy targets adopted	Target level	Outcome 2019
Almi	Share of companies still operating higher than control group	Control group 77%	75%
Företags-partner	Increase in sales higher for Almi customers than control group	Control group 44%	67%
	Increase in value added higher than control group	Control group 38%	63%
	Share seeing Almi solely as a complement to the market	100%	Index not complete
	Share of women higher than control group	Control group 30%	28%
	Share of persons with foreign backgrounds higher than control group	Control group 24%	31%
	Share of early-stage companies	>50%	85%
Göta kanalbolag	Number of boats in whole season	≥1 700	1 784
	Number of boats in booking season	≥400	430
	Regular passenger boat traffic to be operated throughout the peak season	100%	100%
	Navigability in peak season	98%	91%
	Share of lock-keeper and bridge master's homes of year-round standard (by 2020)	100%	96%
	Maintain avenue trees along canal and replant to original number	No target level	260 trees planted
	Number of accidents on account of condition of facility	0	0
	Customer satisfaction (index)	≥4 (of 5) for four customer categories	4.5 / 4.6 / 4.3 / 3.4
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%	64%
	Innovation Partner Capacity (positive responses)	≥78%	74%
	Customer Satisfaction Index (CSI) (positive responses)	≥75%	72%
SEK	Customer survey, added value of export credits (positive responses)	>60%	73%
	Stakeholder dialogue to promote competitiveness	No target level	Conducted in 2019
SOS Alarm	Response time for the 112 emergency number (seconds)	≤8	8.6
	Service level, response within 15 seconds for 112	92%	86%
	Service level, response within 30 seconds for 112	100%	97%
	Time to identify need of assistance (seconds)	≤40	24
	Customer Satisfaction, Emergency Calls and Response (index)	≥71	68
	Confidence Index	≥70	86
SSC	Capacity utilisation rate, Estrange	≥70%	82%
	Quality index, Estrange	≥80%	96%
	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%	2%
	Gambling awareness index, Casino Cosmopol and Vegas	Target level to be set in 2020	81 and 84
	Outreach care calls and effect measurements, Casino Cosmopol	90%	96%
	Outreach care calls and effect measurements, Vegas	100%	100%
Swedavia	Reporting of share of satisfied customers	No target level	76%
	Reporting of number of passengers, domestic flights (millions)	No target level	12.4
	Reporting of number of passengers, international flights (millions)	No target level	27.8
	Reporting of number of international destinations	No target level	314
	Reporting of number of accidents or serious incidents	No target level	3
	Reporting of carbon dioxide footprint (ktonnes)	No target level	506
Swedfund	Share of investments with increased sales while held	≥60%	*
	Share of investments with increased profitability while held	≥60%	*
	Climate footprint, portfolio's estimated emissions of CO <sub>2</sub> e (ktonnes)	0 in 2045 (decrease over time)	*
	Share of investments meeting 2x Challenge criteria	≥60% after 3 years	*
	Share of investments complying with ILO core conventions	100% after 3 years	*
	Mobilisation of investment portfolio in commercial capital	≥30%	*
Systembolaget	Customer Satisfaction Index (CSI)	≥80%	85.1%
	Alcohol index	Positive development (index 2018: 61.4)	61.6
	Reporting of alcohol consumption (litres per capita/enterprise's share)	No target level	8.8 / 65.6%

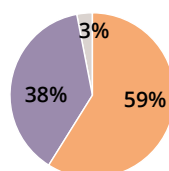
\* Target was adopted at EGM in December 2019 and will be reported for the first time in the annual report for 2020.

**Achievement of targets at portfolio level in 2019****Financial targets**

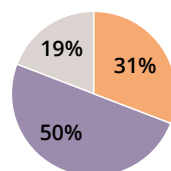
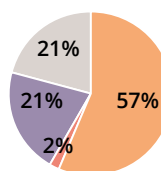
Profitability



Capital structure



Dividend

**Public policy targets**

■ Target achieved  
■ Target partly achieved <sup>1</sup>  
■ Target not achieved  
■ No target/target level set

<sup>1</sup>) The enterprise has several relevant targets, some of which have been achieved.

# 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 have to 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. 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.

In the area of sustainable business, state-owned enterprises have to act in an exemplary way, which includes working strategically and transparently with a focus on cooperation. This work is guided by international guidelines and, since 2017, also by the 2030 Agenda and the global Sustainable Development Goals (Global Goals).

The 2030 Agenda is a common agenda for the countries of the world that contains 17 global Sustainable Development Goals for the period up to 2030. All actors in society are important in the implementation of the 2030 Agenda, and business plays a key role. This also means that state-owned enterprises have to analyse the Goals to identify which targets the enterprises have an impact on and can contribute to through their operations.

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.

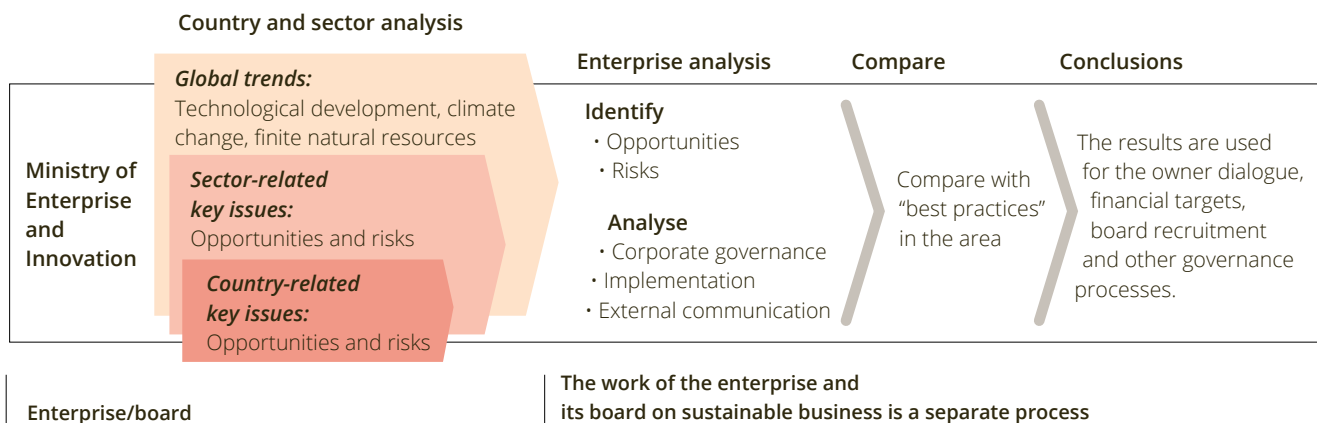
Formulation of targets and strategies  
The strategic targets for sustainable value creation have to focus on value

creation and be relevant to the enterprise’s business operations and material 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 by means of sustainability analysis  
The investment management organisation carries out enterprise-specific sustainability analyses to evaluate the enterprises’ work on sustainable business. This analysis is based on broad business intelligence that takes account of 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 devel-

## Sustainability analysis process



## High awareness around the climate issue

Using the enterprises' public reporting for the period 2014–2018, KPMG has carried out a climate analysis of the state enterprise portfolio, as a commission from the Government Offices. A previous analysis was carried out in 2015. The analysis included the enterprises' total direct emissions of greenhouse gases (Scope 1), the enterprises' energy efficiency and the share of renewable energy used by the enterprises.

A new feature of the latest analysis is an assessment of whether the enterprises' strategies are in line with the Paris Agreement. The results show that out of the 15 enterprises judged to have material direct emissions from a portfolio perspective, 14 enterprises have strategies that are fully or partly consistent with the Paris Agreement. Enterprises with targets approved by the Science Based Targets initiative (SBTi) account for more than 80% of the portfolio's direct emissions. An undertaking of this kind means that the targets for greenhouse

““ Telia Company has worked with its own environmental impact for many years. Last year this work moved up another gear when we launched a bold environmental agenda for 2030. We are working to be climate-neutral in our own business before 2022 and to only use renewable electricity irrespective of where we operate. We use our influence to make sure that our suppliers set targets that are consistent with the Paris Agreement. By doing so, we can greatly reduce our emissions. Our biggest potential is probably on the customer side. Our digital solutions enable our customers to reduce their emissions and other resource use. Studies show that our sector can enable customers to achieve effects ten times as large as the sector's own footprint. So the climate challenge speaks directly to Telia Company's core business.”

Sara Nordbrand, *Head of Group Sustainability, Telia Company*

gas emissions are grounded in science and contribute to limiting global warming to under 2 degrees Celsius.

The total direct greenhouse gas emissions in the enterprise portfolio, not taking account of the state holding, decreased from 88 till 28 Mtonnes per year in the period 2014–2018. The change is mainly due to Vattenfall's sale of German coal-fired power. Indirect emissions in the portfolio have also decreased in the period, and this is partly explained by procure-

ments of new electricity contracts from renewable sources.

Several state-owned enterprises are good examples in the climate area and have innovative, climate-smart solutions that contribute to the transition to a green economy; some of these initiatives are described on pages 8–9. When a revised ownership policy was adopted in spring 2020, the Government also raised the level of ambition in the climate area, for instance, enterprises have to manage and report climate-related financial risks and opportunities linked to their activities. For more information about the State Ownership Policy 2020, see page 14.

The results of the climate analysis will be followed up in a number of different forums, including owner dialogues and a web seminar for portfolio enterprises focusing on the climate analysis.

““ In a screening of the state enterprise portfolio in 2019, KPMG evaluated whether the enterprises' climate strategies were consistent with the Paris Agreement. The analysis showed that, in general, there is high awareness of the climate issue in state-owned enterprises and that many of them have it high on their agenda. The enterprises with the largest direct emissions have designed climate strategies and greenhouse gas emissions targets that enable them to contribute to absolute emissions reductions for Sweden as a whole, which is positive.”

Stefan Lundström, *partner, KPMG*

oping financial and public policy targets because it reduces the risk of conflicting targets.

### 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, 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.



## The responsibility of the State as an owner

In June 2011 the UN Human Rights Council endorsed the UN Guiding Principles on Business and Human Rights. The mainstays of the Guiding Principles are:

1. The State Duty to Protect Human Rights.
2. The Corporate Responsibility to Respect Human Rights, which means that business enterprises should avoid causing or contributing to adverse human rights impacts and seek to prevent or mitigate human rights impacts.
3. Access to remedy when human rights abuses occur.

The fourth principle under the first pillar is directed at States as owners and declares that States should take additional steps to protect against human rights abuses by business

enterprises owned or controlled by the State.

The basis for this is that where States own or control business enterprises, they have the greatest means within their power to ensure that relevant policies, legislation and regulations regarding respect for human rights are implemented.

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.



## 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 ambitions 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 they affect and contribute to through their operations.

## Challenges and opportunities for sustainable 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 well-established international

guidelines for sustainable business. 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. State-owned enterprises have to analyse the





Global Goals and identify the Goals that enterprises each 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 iden-

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

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 reports or on their websites.

### Samhalls agenda for inclusive transition

The 2030 Agenda emphasises that no one should be excluded, but people with disabilities that decrease their work capacity are a group that meets particular challenges in the Swedish labour market. In Samhall, sustainability is about contributing to a transition that takes care of both people and the environment. Quite simply, an inclusive transition.

Samhall fulfils an important function by creating enriching jobs for people with disabilities and show-

ing society their hidden strengths and abilities. This contributes to Global Goals 4, 8 and 10, which all have targets to do with improving the possibilities for people with disabilities to access education, work and social inclusion.

Goal 12 "Sustainable consumption and production" and Goal 13 "Climate Action" guide the development of Samhall's services. In 2019 Samhall decided to halve emissions of carbon dioxide by 2025. The transition to a fossil-free and



circular economy will lead to the creation of new services and work tasks. Samhall is therefore acting to develop new customer offers aimed at actors who want to contribute to the circular economy.

### SSC Global Watch – a transparent world for the 2030 Agenda



Current rapid developments in space offer new opportunities of addressing the global challenges the world is facing. Strong growth in the number of satellites with advanced sensors is delivering ever more data about the state of the planet. Today, however, only a limited part of this data comes to use.

With modern technology, great quantities of data from satellites could be gathered, merged and analysed. Global situation snapshots can then be created and shared all over the world to achieve the 2030 Agenda goals. Examples can be addressing climate change and its impacts, as well as contributing to greater global cooperation and stronger

international institutions such as the UN.

SSC's *Global Watch Center* initiative is intended to realise a development like that. Positive responses have been obtained in dialogue with the Government Offices and the UN. A study was delivered in 2019, in cooperation with regional actors in Norrbotten, Luleå University of Technology and AFRY, a consultancy. The study shows that the initiative is feasible. An initial application is now on the way to being realised and can be a new important international business area for SSC, with good potential to grow and contribute to the 2030 Agenda goals.

# Gender balance

The Government aims for gender balance both on individual boards and at portfolio level. Board representation in the state enterprise portfolio has to be at least 40% for both women and men.<sup>1</sup>

## 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 48% and men for 52% of directors of state-owned enterprises elected by the annual general meeting as on 1 May 2020. This can be compared with the boards of listed companies, where the figures were 34% women and 66% men.<sup>1</sup>

The gender balance on the board of each enterprise has to follow the “ladder”, 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 100.) Gender balance was achieved in all 41 state-owned enter-

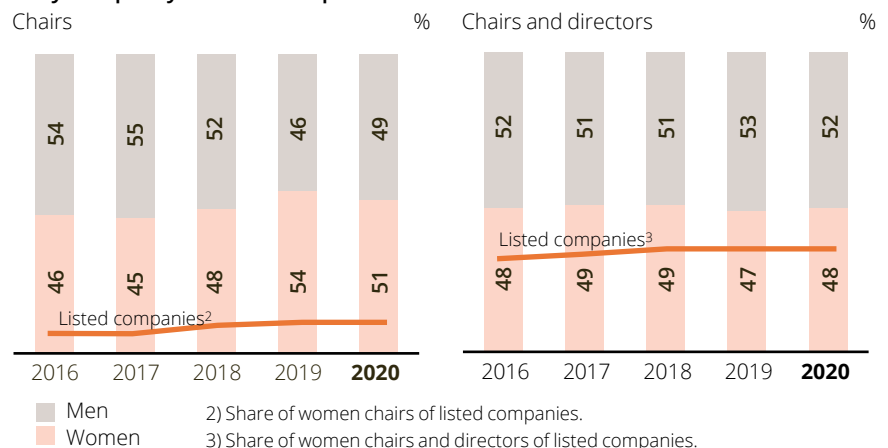
prises included in the statistics, which is an improvement compared with 2019 when 39 of 41 enterprises reached the target. In both enterprises that deviated from the target men were overrepresented.

The share of women chairs of enterprises fully and partly owned by the State has increased from 46% in 2016 to 51% in 2020, which can be compared with 10% in listed companies.<sup>1</sup>

1) Second Swedish National Pension Fund's Women's Index 2019.

## Gender distribution

### Fully and partly owned enterprises



## Gender distribution – CEO and executive management<sup>4</sup>

	2019					2018		2017		2016	
	W, no	M, no	Total	W, %	M, %	W, %	M, %	W, %	M, %	W, %	M, %
CEO	18	25	43	42	58	39	61	36	64	36	64
Executive management <sup>5</sup>	127	163	290	44	56	42	58	46	54	43	57

4) There were 46 enterprises at year-end. The evaluation for 2019 does not include EUROFIMA, Sweden House and Swedesurvey.

5) Executive management excluding the CEO.

## Gender distribution – directors appointed by AGM

	2020					2019		2018		2017		2016	
	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	54	46	48	52	45	55	46	54
Directors	121	136	257	47	53	45	55	49	51	49	51	49	51
<b>Total chairs and directors appointed by AGM</b>	<b>142</b>	<b>156</b>	<b>298</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>48</b>	<b>52</b>
<b>Fully owned enterprises</b>													
Chairs	20	17	37	54	46	53	47	46	54	45	55	44	56
Directors	107	120	227	47	53	47	53	49	51	50	50	51	49
<b>Total chairs and directors appointed by AGM</b>	<b>127</b>	<b>137</b>	<b>264</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>	<b>50</b>	<b>50</b>

The calculation covers limited companies whose registered office is in Sweden. The report does not include EUROFIMA, Svenska skeppshypotekskassan, Sweden House or Voksenåsen. Swedesurvey is not included in the statistics for 2020 since an EGM in 2019 decided to wind up the enterprise by placing it in voluntary dissolution.

# 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

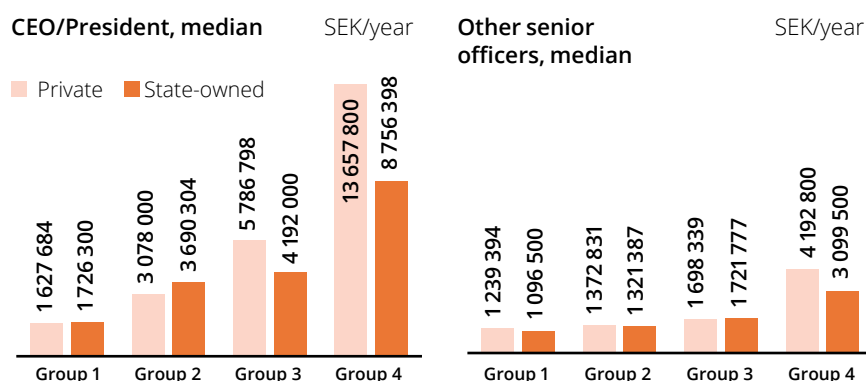
On 27 February 2020 the Government adopted new principles for remuneration and other terms of employment for senior officers of state-owned enterprises. The guidelines are applied as of the annual general meeting in 2020 and replace the previous guidelines adopted in 2016. The boards of state-owned enterprises 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 previous guidelines in state-owned enterprises in 2019, and a comparison has also been made of remuneration levels in these enterprises with market data from privately owned companies. A total of 143 representative peer companies were identified and included in the survey. The starting

## Total cash remuneration



**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 greater than or equal to SEK 14 001m.

point was whether or not total cash remuneration to 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 2019 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 CEOs with defined-benefit pension plans has increased. In 2019, 18% of all CEOs and 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 came into force must not be below 65. In 2019 no 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 2019, 39 senior officers had severance pay of 18 months' salary. These referred to old contracts and are therefore not in conflict with the guidelines. One senior officer has severance pay in excess of 18 months' salary.

State-owned enterprises and their market peers 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. However, 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 performance in 2019

## General information about the accounts

The full-portfolio presentation for 2019 does not include Swedesurvey since it was decided at an extraordinary general meeting in March 2019 to dissolve the enterprise. The comparative figures for 2018 have been adjusted.

In conjunction with the AGM of Bostadsgaranti in 2018 it was decided to place the enterprise in voluntary dissolution, so the full-portfolio presentation has not included Bostadsgaranti since 2018.

SAS is not included in consolidated earnings for 2019 or 2018 since the State's share of equity is below 20%.

## Income statement

SEK m	2019	2018
Net sales (including appropriation, if any)	371 214	348 854
Other income	1 727	4 398
Expenses	-322 872	-311 823
Profit from investments in associates	4 372	2 740
Changes in value	5 575	4 961
<b>Operating profit (EBIT)</b>	<b>60 015</b>	<b>49 131</b>
Financial income	5 189	4 716
Financial expenses	-8 719	-8 971
<b>Profit before tax</b>	<b>56 485</b>	<b>44 876</b>
Tax	-9 981	-6 240
Profit/loss from operations wound up	16	172
<b>Net profit for the year</b>	<b>46 507</b>	<b>38 874</b>
Attributable to parent shareholders	44 794	36 995
Attributable to minority interests	1 713	1 879
<b>Total</b>	<b>46 507</b>	<b>38 874</b>

## Sales

Consolidated sales for state-owned enterprises rose by 6.4% in 2019, year-on-year, to SEK 371.2bn (348.9bn). Total sales including the state holding in associates rose by 6.4% in 2019.

## Operating profit

The consolidated operating profit for 2019 was SEK 60.0bn (49.1bn).

## Balance sheet

SEK m	2019	2018
<b>Assets</b>		
Property, plant and equipment	517 383	485 960
Right-of-use assets	12 173	51
Intangible assets	25 447	24 751
Financial assets	95 563	908 253
Current assets	193 872	218 032
<b>Total assets</b>	<b>1 701 439</b>	<b>1 637 048</b>
<b>Equity, provisions and liabilities</b>		
Equity attributable to parent shareholders	364 526	343 426
Equity attributable to minority interest shareholders	16 656	17 854
<b>Total equity</b>	<b>381 183</b>	<b>361 280</b>
<b>Total liabilities and equity</b>	<b>1 701 439</b>	<b>1 637 048</b>

## Equity

In 2019 equity increased by SEK 19.9bn, mainly due to a positive result after tax for 2019 of SEK 46.5bn.

## Cash flow

SEK m	2019	2018
Cash flow from operating activities	45 267	65 662
Cash flow from investing activities	-40 109	-34 927
Cash flow from financing activities	-14 769	-21 558

*Cash flow from operating activities*  
Cash flow from operating activities decreased by 31.1% in 2019 compared with 2018, from SEK 65.7bn to 45.3bn.

*Cash flow from investing activities*  
Cash flow from investing activities increased by 14.8% in 2019 compared with 2018, from SEK -34.9bn to -40.1bn.

*Cash flow from financing activities*  
Cash flow from financing activities was SEK -14.8bn (-21.6bn) for financial year 2019.

## Total payments by state-owned enterprises to auditors in 2019

SEK m	Audit fees	Other consultancy services	Total	Audit fee share, %	Share of total audit fees, %
BDO	0.9	0.5	1.5	63.3	0.5
Deloitte	52.0	9.4	61.4	84.7	20.5
EY	45.2	52.6	97.8	46.2	32.6
KPMG	37.1	24.8	61.9	59.9	20.7
PwC	32.1	42.9	75.0	42.8	25.0
Others	0.8	1.3	2.0	38.8	0.7
<b>Total</b>	<b>168.1</b>	<b>131.5</b>	<b>299.6</b>	<b>56.1</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, 14 decided to pay dividends for financial year 2019. In total, these enterprises paid SEK 17.6bn to the State. The largest dividends for 2019 come from LKAB (SEK 6 104m), Vattenfall (SEK 3 623m), Telia Com-

pany (SEK 2 906m), Akademiska Hus (SEK 1 905m) and Sveaskog (SEK 1 100m). Their combined dividends correspond to almost 90% of total dividends resolved for 2019.

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 2019 for sheltered jobs in its core assignment, SEK 6 080m, corresponded to 66% of the total appropriation. Other examples of enterprises that receive annual appropriations are Dramaten (Royal Dramatic Theatre) and Kungliga Operan (Royal Swedish Opera), which receive funding to provide national stages for dramatic theatre and for opera and ballet. In total, state-owned enterprises received SEK 9 207m in appropriations in 2019.

### Dividends, state share

SEK m	Holding, %	2019	2018
Akademiska Hus	100	1 905	1 663
Apoteket	100	0	230
Bilprovningen	100	19	29
EUROFIMA	2	2	2
Infranord	100	0	41
Jernhusen	100	219	700
LKAB	100	6 104	3 164
Orio	100	0	25
SBAB	100	0	690
SEK	100	0	194
SJ	100	0	194
SOS Alarm	50	0	17
Specialfastigheter	100	570	555
Sveaskog	100	1 100	1 100
Svedab	100	653	325
Sweden House	36	0	2
Svenska Spel	100	0	4 478
Svevia	100	88	335
Systembolaget	100	240	180
Telia Company	39	2 906	3 810
Teracom Group	100	51	206
Vasallen	100	125	0
Vattenfall	100	3 623	2 000
<b>Total</b>		<b>17 605</b>	<b>19 940</b>

### Appropriation/total income for 2019

SEK m	Appropriation 2019	Total income 2019	Share of financing via appropriation, %
Almi Företagspartner	279	1 016	28
Dramaten	244	288	85
Göta kanalbolag	13 <sup>1</sup>	54	25
Lernia	1	2,627	0
Miljömärkning Sverige	4	73	5
Operan	508	621	82
PostNord	19	38 278	0
RISE	1 571	3 568	44
Samhall	6 080	9 130	67
SOS Alarm	305	1 257	24
Swedfund International	37	245	15
Teracom Group	9	1 366	1
Visit Sweden	126	215	59
Voksenåsen	11	38	29
<b>Total</b>	<b>9 207<sup>2</sup></b>	<b>58 777</b>	<b>16</b>

- 1) Excluding appropriations recognised in the balance sheet.  
 2) In addition, Swedfund received a capital injection during the year of SEK 600m (600m) financed within expenditure area 7 International development cooperation of the central government budget. This corresponds to just under half of the enterprise's investments in 2019, which totalled almost SEK 1 400m.

# Divestments and dividends

## – how they affect central government finances

The Government did not decide on any new divestments of enterprises or shares in 2019. For financial year 2019 dividends to the State from state-owned enterprises are expected to be SEK 17.6bn.

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.

As a result of the annual dividends from state-owned enterprises, the central government borrowing requirement decreases and interest expenditure therefore falls. Since 2010 a total of SEK 222.8bn 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 divestments 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
2010	37.6
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	17.6
<b>Total</b>	<b>222.8</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 its affairs; here risk management forms an integrated part of the overall responsibility for the enterprise's business operations. Each board 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, for example, 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 acquisition 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. The company has left all these markets apart from Moldova, where a divestment agreement was signed in February 2020. These sales processes have been highly complex and there have been great uncertainties

regarding expected outcomes. The company's withdrawal from the region is considered to have reduced the risks in the portfolio.

Another 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 as 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-commerce firms are squeezing prices, partly through efficient logistics solutions, and offering new digital services. Enterprises also need to be alert to the cyber security 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 a recession would probably lead to higher credit losses.

Currency risk and interest rate risk are other financial risks. Currency risk refers to adverse impacts from movements in exchange rates on the enterprises' income statements and balance sheets. Interest rate risk refers to the risk of adverse impacts from 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. It is, at present, difficult to assess all the effects that may result from this pandemic, but state-owned enterprises are working actively to limit the adverse effect on customers, staff and society as a whole.



## Responsible security work to reduce risks

All state-owned enterprises own assets that need some protection from ill-intentioned acts, what are called ‘antagonistic attacks’. These include intrusion, theft, extortion, espionage and sabotage. In addition, state-owned enterprises work in a number of essential sectors such as energy, transport infrastructure and telecom, where an attack can have far-reaching consequences on society and ultimately on Sweden’s security.

In 2019 the investment management organisation at the Ministry of Enterprise and Innovation screened the implementation by these enterprises of the new Protective Security Act (2018:585). The new Act introduces stricter requirements regarding protective security analysis and protective measures for security-sensi-

tive activities and information. For enterprises whose activities are covered by the new Act and where it is appropriate to do so, the Government Offices will make decisions on the placement of directors in a security class, as provided by the Protective Security Ordinance (2018:658).

In all state-owned enterprises, and not only those falling specifically under the Protective Security Act, successful security work is likely to be founded on a systematic approach in which requirements are specified and are tracked regularly by their board of directors. The new State Ownership Policy therefore specifies that state-owned enterprises have to conduct active, systematic, ambitious and responsible security work.

### Teracom – focusing on security

For some state-owned enterprises, security is part of their business concept as such. Teracom offers secure and robust communication services to essential actors. Vulnerability rises in an ever more connected society in which ever more systems of importance are dependent on digital communication networks. Since its start in 1992, Teracom has had the public policy assignment of guaranteeing TV and radio transmissions via the terrestrial network. This is an assignment that requires robust and complex infrastructure covering 99.8% of Swedish households. Teracom has also, since its start, had a central role in media preparedness. Together, its public policy and preparedness assignments have led to Teracom developing networks that are not dependent on external electricity and internet.



In 2019 Teracom acquired a mobile communication network operating in the low-frequency 450 MHz-band, which enables broader area coverage, and this now supplements Teracom’s provision. Teracom’s staff undergo security clearance and a proportion have wartime postings in the enterprise. All in all, since its start Teracom has developed capabilities that are now an important part of society’s resilience.

<b>2011</b>	Government appoints an inquiry to review protective security legislation. The main purpose is to better adapt the legislation to what is required to protect activities of importance for national security and to the requirements made by international cooperation.
<b>2016</b>	New Data Protection Regulation (GDPR) regulating the processing of personal data in the EU enters into force.
<b>2017</b>	Government presents new national security strategy providing a cohesive presentation of how the Government views security in the broad sense.
<b>2018</b>	European Directive on Security of Network and Information Systems is incorporated into Swedish legislation through the Act on Information Security for Essential and Digital Services (2018:1174). The purpose of the Act is to achieve a high level of security in networks and information systems for essential services in the sectors of energy, transport, banking, financial market infrastructure, health care, drinking water supply and distribution and digital infrastructure and for digital services.  Government presents a national strategy for society’s information and cyber security.
<b>2019</b>	New Protective Security Act (2018:585) enters into force on 1 April. The Act applies to any party that to any extent conducts activities that are of importance for Sweden’s security or that are covered by an international commitment on protective security that is binding on Sweden (security-sensitive activities). Protective security means protection of security-sensitive activities from espionage, sabotage, terrorist offences and other offences that can threaten these activities and protection in other cases of information classified as security-sensitive.
<b>2020</b>	State Ownership Policy for state-owned enterprises supplemented with a separate section on security.