



Stockholm International Peace Research Institute  
Organization no: 802006-2660

## **Annual Report for 2018**

Stockholm International Peace Research Institute  
Organization no. 802006-2660  
(Unofficial English version)

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Stockholm International Peace Research Institute  
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## **The mandate of the Foundation**

Stockholm International Peace Research Institute (SIPRI) was established on 1 July 1966.

According to paragraph 2 of the Foundation's statutes:

*'In accordance with the guidelines for the allocation of funds which the Swedish Parliament has approved in pursuance to Government Bills 1966:76 and 1979/80:106, the purpose of the Foundation is to conduct scientific research on questions of conflict and co-operation of importance for international peace and security, with the aim of contributing to an understanding of the conditions for peaceful solutions of international conflicts and for a stable peace.'*

Considering the report from this year, the purpose of the statutes has been fulfilled.

## **SIPRI Governing Board in 2018**

### *Chair*

Ambassador Jan Eliasson (Sweden)

### *Members*

Professor Dewi Fortuna Anwar (Indonesia)

Dr Vladimir Baranovsky (Russia)

Ambassador Lakhdar Brahimi (Algeria)

Mr Espen Barth Eide (Norway)

Mr Jean-Marie Guéhenno (France) (from July 12, 2018)

Ambassador Wolfgang Ischinger (Germany) (until May 20, 2018)

Dr Radha Kumar (India)

Dr Patricia Lewis (United Kingdom) (from July 12, 2018)

Dr Jessica Tuchman Mathews (United States)

The Director (until February 21, 2018)

### *Governing Board meetings 2018*

28 – 29 May 2018

26 – 27 November 2018

## **Director and Deputy Director 2018**

Mr Dan Smith, Director (United Kingdom)

Mr Jacob Hallgren, Deputy Director (Sweden) (until August 31, 2018)

Ms. Sigrún Rawet, Deputy Director (Sweden) (from September 10, 2018)



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### **Auditors**

Appointed by the Swedish Government for the period 2018 – 2022:  
Emilie Sleth, Chartered Accountant, BDO Mälardalen AB

Appointed by the Swedish Government for the period 2018 – 2022:  
Anna-Karin Dahlén, Senior Advisor, Sweden's Ministry for Foreign Affairs

## **The Director's Annual Report, 2018**

### ***Overview***

As I write this report, I have been the Institute Director for almost three and half years. In 2018, SIPRI welcomed two new members of the Governing Board, Mr Jean-Marie Guéhenno and Dr Patricia Lewis. We also thanked Mr Jakob Hallgren for his excellent work as Deputy Director during the past six years and welcomed his successor, Ms. Sigrún Rawet.

Highlights of the year included the fifth annual Stockholm Forum on Peace and Development in May, the Baltic Conference on societal security in June and the third annual Stockholm Security Conference in September. Another highlight was the inaugural SIPRI lecture, delivered by HE Dr Hans Blix on the topic 'Is the world on the road to peace or war?', in the presence of HM King Carl XVI Gustaf and HM Queen Silvia. SIPRI ended the year by co-organizing a strategic roundtable together with the Swedish Ministry for Foreign Affairs and the Karolinska Institute, offering the Nobel Laureate, Dr Denis Mukwege, the opportunity to address a high-level audience on what the international community can do to address sexual violence in conflict.

A key pillar of SIPRI's work is its strong commitment to providing transparent and reliable information on peace and security. The Institute's unique and globally recognized databases are the foundation of much of its unbiased analysis and expert commentary. They are also the infrastructure for research that others do all around the world on peace and security issues. SIPRI achieves effective dissemination and outreach through publications, social media and events. All of this is only possible because of the dedicated and outstanding work of my colleagues, the formidable SIPRI staff.

### ***Research***

2018 was the second year with our new organizational shape with three overarching research themes, covering Armament and Disarmament, Conflict and Peace, and Peace and Development, respectively. This structure has allowed SIPRI to work more efficiently and draw more synergies between the different areas of research.

SIPRI's work on climate and security was highly successful in 2018. Through the Expert Working Group that SIPRI hosts, four studies were produced on climate-related security risk in Lake Chad, Somalia, Iraq, and Central Asia, respectively. The findings of these studies were direct input to the United Nations Security Council discussions on these countries. During 2017 – 2018, SIPRI gave strategic advice to the UN and the Swedish Ministry for Foreign Affairs on how to address

climate-related security risks during the Swedish tenure in the UN Security Council 2017 – 2018. This included support for the establishment of a coordinating mechanism, within the UN, for assessing security risks related to climate change.

In 2018 SIPRI agreed to a multi-year partnership with the World Food Programme (WFP) to increase awareness and understanding of the security challenges associated with hunger. The WFP asked SIPRI to investigate the complex relationship between hunger and conflict and especially look at how its own work could contribute to improving the prospects for peace in the highly conflict-affected places where WFP works. This task has been initiated with four pilot studies in Afghanistan, Mali, Kyrgyzstan, and Somalia. The studies will analyse both the positive and potentially negative side effects of WFP interventions. Based on the results, SIPRI and the WFP will develop further work together.

Throughout 2018, SIPRI has provided a platform for analysis and commentary regarding recent developments of the 1987 Treaty on the Elimination of Intermediate-Range and Shorter-Range Missiles (INF Treaty) and the possible effects on world stability. SIPRI also engaged in discussions and debates on the current status of the Joint Comprehensive Plan of Action (JCPOA, or the 'Iran deal') with distinguished experts from Europe, Iran and the United States. The discussions provided insights on the current situation and assessed potential consequences.

SIPRI's research and capacity building project in Mali grew into a regional Sahel and West Africa Programme with further activities both in Chad and Niger. The programme focuses on understanding the perspectives of local populations on issues of security and governance in their country. The findings form the basis for important discussions with local and regional decision makers. Another important aspect of the programme is to inform international actors seeking to better understand security dynamics and potential solutions in the region.

In May 2018, SIPRI convened the fifth Stockholm Forum on Peace and Development. SIPRI and the Swedish Ministry for Foreign Affairs hosted the forum with the theme 'The Politics of Peace.' Inclusivity was stressed as the key for lasting peace, and participants focused on identifying tangible steps towards creating sustainable peace. SIPRI's Stockholm Forum is an important place for discussions between the security and peace and development communities. In 2018, the forum hosted 330 participants from 47 countries across and 120 different institutions.

The *SIPRI Yearbook 2018* was launched in June. Key findings included that all the nuclear weapon-possessing states are developing new nuclear weapon systems and modernizing their existing systems; that global military spending and arms transfers are both increasing; and that the number of personnel deployed with peace operations worldwide continues to fall while the demand is increasing.

Another thriving research area is SIPRI's work on technology governance, which continued successfully in 2018. Focus areas last year included cyber surveillance technologies, Additive Manufacturing or 3D-printing, and biotechnology. 2018 we took forward the ground-breaking project on the impact of machine learning and autonomy on nuclear stability, with an international workshop in Stockholm.

Finally, in September 2018 SIPRI hosted the third Stockholm Security Conference (SSC). The theme of this year's conference was 'Emerging technologies: Unseen connections, missing players, absent solutions'. The 2018 SSC was organized in partnership with the Swedish Parliament and the Munich Security Conference and hosted approximately 250 participants from around the world.

### **Publications**

In 2018 SIPRI published a total of 36 titles in a variety of formats on a wide range of themes. The *SIPRI Yearbook 2018* served, as it does every year, both as SIPRI's flagship publication and as a key source of data and analysis on a range of peace and security issues. It is an enduring symbol of the Institute's excellence and global reach. It is the single most-trusted and respected, authoritative and independent source on armaments, disarmament and international peace and security.

The *SIPRI Yearbook* is published through Oxford University Press. Since 2010 it has also been available in an online version. Since 30 October, all editions of the *SIPRI Yearbook* between 2001 – 2016 are freely available to download from the SIPRI website. Full translations of the *SIPRI Yearbook 2018* were published in Chinese, Russian, Ukrainian, and Arabic, while summaries were issued in Bulgarian, Catalan, Dutch, English, French, German, Italian, Korean, Spanish, and Swedish.

## **Media**

During 2018 SIPRI was covered in more than 22 000 global media outlets stories in over 140 countries worldwide. SIPRI's Twitter account '@SIPRIorg' has more than 41 900 active followers and the Institute's Facebook page has more than 20 700 likes. In 2018, SIPRI issued 51 major press releases and online announcements.

SIPRI organized four major data launches in 2018: the launch of SIPRI's data on international arms transfers was profiled in more than 2 050 media outlets in 112 countries in the launch week alone.

In May, SIPRI's military expenditure data launch received a record coverage of more than 3 070 media outlets during the launch week. The June launch of the *SIPRI Yearbook 2018* with updated data on world nuclear forces and new disaggregated data on multilateral peace operations was cited in over 1 300 media outlets during the launch week.

In December, SIPRI launched its data on the arms industry which generated a total coverage of over 2 300 articles in global media.

SIPRI's statement on the occasion of the 2018 Nobel Peace Prize on 5 October was covered in 1 050 media outlets.

In 2018, SIPRI continued to develop its film output. Through these productions, SIPRI strives to bring regional perceptions, voices and views into the global debate. There are ambitions to further grow SIPRI's body of film in the next year.

The *Voices from the region* collection of films highlighted local perceptions of security in Mali to inform international actors seeking to better understand security dynamics and potential solutions in Mali. Likewise, SIPRI's June conference, 'Managing complexity: Addressing societal security challenges in the Baltic Sea region', gave the Institute an opportunity to showcase different views from the region, as did SIPRI's films on the state of non-proliferation and disarmament.

SIPRI's Peace Points episodes continued to be produced throughout the year with my thumbnail sketches of pressing global issues in peace and security.

### ***Events***

In addition to its major conferences and workshops, SIPRI organized many other important events throughout the year, including:

- 2 February 2018: SIPRI hosted a seminar entitled 'Hunger, food security, stability and peace' at Stockholm's Medelhavsmuseet. SIPRI Director Dan Smith and World Food Programme Executive Director David Beasley discussed the security risks posed by hunger and how global cooperation could address these challenges.
- February 16 – 18 2018: SIPRI attended the Munich Security Conference and hosted a roundtable discussion to consider the risks to peace and security posed by emerging technologies and the potential solutions or avenues for international cooperation.
- 28 March 2018: SIPRI hosted a discussion entitled 'The art of keeping a deal: Can Europe save the JCPOA?', on the JCPOA/Iran deal with distinguished experts from Europe, Iran and the USA. The discussion provided insights on the current situation and assessed potential consequences for transatlantic relations and regional stability in the Middle East.
- 6 – 7 September 2018: SIPRI co-hosted a workshop with the China Institutes of Contemporary International Relations, in Beijing on the impact of emerging technologies on nuclear risk.
- 5 – 9 November 2018: SIPRI together with the UN Environment Programme, UN Women and the UN Development Programme, co-hosted a session at Geneva Peace Week. The session was entitled 'Women in the frontlines: Promoting inclusive approaches to the climate change and security nexus.'
- 11 – 12 December 2018: SIPRI co-hosted together with George Washington University two events in Washington, DC, to mark the release of the new SIPRI report 'Nuclear security in the Black Sea region: Contested spaces, national capacities and multinational potential'.
- 13 December 2018: SIPRI co-organized with the Swedish Ministry for Foreign Affairs and the Karolinska Institute, a strategic roundtable with Nobel Peace Prize Laureate Dr Denis Mukwege.

### ***Finance and administration***

With regards to SIPRI's finances, 2018 produced an outstanding result – a surplus of 5 440 923 SEK, a much welcome addition to the reserves. The overall turnover for 2018 increased significantly and totalled 85 422 778 SEK, an increase of 22% compared to 2017. The increase was due to several new projects, chief among them the strategic programme grant from the Swedish MFA that covered research and activities in the Armaments and Disarmament and Conflicts and Peace clusters as well as in the Climate and Security Programme.

The generous core grant from the Swedish Parliament, through the annual Swedish state budget, remains the bedrock of the Institute's finances. Without it, SIPRI would not be able to sustain its important mission. The share of external grants in the overall turnover of SIPRI increased to some 65%, showing a healthy diversity of sources underpinning the Institute's finances.

### ***Governance***

In 2018, SIPRI continued to benefit from strong leadership from its Governing Board. It was with great pleasure that SIPRI welcomed two new board members, Mr Jean-Marie Guéhenno and Dr Patricia Lewis. The Chair of SIPRI's governing board for the past one and a half years is Ambassador Jan Eliasson. His deep knowledge, long experience, outstanding networks, and strong international reputation are tremendous assets to SIPRI.

During 2018, a long-planned revision of SIPRI's statutes took effect, so that I am no longer a member of the Board but appointed by and responsible to it, and attending all Board meetings as an active participant. In addition, the staff have been empowered to elect an observer to the Board – Mr Mark Bromley – who is likewise an active participant in the meetings. These two changes have made the lines of accountability and divisions of labour clearer and easier to work with.

The interaction between staff and the distinguished Governing Board members has been much appreciated during the year, and their vision and support have enabled the institute to maintain its standing in the world. In 2018 SIPRI convened two Governing Board Meetings, a practice we intend to continue each year. In November, SIPRI arranged a public meeting with the Governing Board on the topic 'The state of the world'. The event was highly appreciated and well attended by members of the public, government representatives and Stockholm's diplomatic community.

In September, Ms. Sigrún Rawet was appointed as Deputy Director, replacing Mr Jakob Hallgren. The same month, Mr Luc van de Goor started as Director of Studies, Conflicts and Peace, replacing Dr Lora Salman. There has been



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recruitment of new staff for financial management for the growing Sahel and West Africa programme, as well as for SIPRI's finance team. New staff also have been or are being recruited into the Peace and Development research cluster. When current recruitments are completed, there will be a total of 70 staff members at SIPRI.

With regard to the everyday management of the institute, SIPRI's Senior Management Team (SMT) meets weekly to handle all issues of research, outreach, finance, human resources, and administration.

Valuable input also came from the meetings of the Research Staff Collegium and the meetings of the staff – management Cooperation Group. During 2018 SIPRI initiated training for line managers which was appreciated. Line manager training will continue in 2019.

\*\*\*\*\*

In summary, 2018 was a year of growth and intensified publicity for SIPRI. In the current global atmosphere of increasing rivalries and ever louder voices undermining the importance of facts and evidence in public life, SIPRI continued to serve global audiences with well-respected, unbiased and authoritative research and facts.

During the past year I began developing a new institute strategy for 2019 – 2021 that will be adopted by the Governing Board in May 2019. Both Governing Board Members and staff have had good initial discussions on the topic.

In a year of growth and increased recognition for SIPRI, but also great concern about the direction of global affairs, it is important to constantly remind ourselves of the wisdom of SIPRI's mission as it was coined in 1966. Our statutes stipulate that SIPRI shall conduct 'scientific research on questions of conflict and co-operation of importance for international peace and security, with the aim of contributing to an understanding of the conditions for peaceful solutions of international conflicts and for a stable peace'. There has never been more need for this mission than today and SIPRI works hard to fulfil this important function.

Dan Smith  
Director  
22 February 2019

## Income and assets comparison, 2014–2018

All figures in SEK

	2018	2017	2016	2015	2014
Net income	85 422 778	69 861 049	62 887 829	55 253 463	53 885 755
Operating profit	5 440 923	321 173	-610 703	1 402 506	-808 274
<i>Operation (%)</i> *	6.4	0.5	-1.0	2.5	-1.5
Total assets	50 167 412	35 209 644	21 992 167	22 027 502	21 422 708
<i>Cash ratio (%)</i> *	125.1	113.9	124.4	130.3	124.0

\*Definition of key performance indicators, see footnotes.

## Distribution of earnings

### Proposal distribution of earnings

To the Assembly's disposal	5 336 729
Earnings	5 440 923
	10 777 652

The Board proposes to be carried forward: 10 777 652

### Equity

Amount at beginning of year	
Earnings	5 336 729
Balance end of year	5 440 923
	10 777 652

Regarding the foundation's results and financial position, refer to the following financial statements and related disclosures.

### Income and expenditure account

	Note	2018	2017
<b>Operating income</b>			
Net income	1	85 422 778	69 861 049
<b>Total of Operating income</b>		85 422 778	69 861 049
<b>Operating expenses</b>			
Direct external costs	2	-29 200 653	-20 611 526
Other external costs	2	-8 241 891	-10 563 554
Staff costs	3	-42 835 495	-37 738 384
Depreciation and amortization of tangible and intangible fixed assets	4	-374 825	-357 589
Other operating costs		0	0
<b>Total of Operating expenses</b>		-80 652 864	-69 271 053
<b>Operating profit</b>		4 769 914	589 996
<b>Income from financial items</b>			
Financial income	5	680 112	22 411
Financial expenses	6	-9 103	-291 235
<b>Total of Income from financial items</b>		671 009	268 824
<b>Profit after financial items</b>		5 440 923	321 173
<b>Change in capital this year</b>		<b>5 440 923</b>	<b>321 173</b>

## Balance sheet

	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Assets</b>		
<b>Tangible fixed assets</b>		
Equipment	4	889 741
<b>Total of Tangible fixed assets</b>		889 741
		1 171 635
<b>Total fixed assets</b>		889 741
		1 171 635
<b>Current assets</b>		
<b>Current receivables</b>		
Accounts receivable	3 326 414	4 450 708
Current tax	0	0
Other short term claims	373 810	48 119
Prepaid expenses and accrued income	2 588 483	1 837 114
<b>Total of Current receivables</b>		6 288 707
		6 335 941
<b>Cash and bank balances</b>		
Cash at bank and in hand	42 988 964	27 702 068
<b>Total cash and cash equivalents</b>		42 988 964
		27 702 068
<b>Total current assets</b>		49 277 671
		34 038 009
<b>Total assets</b>	<b>50 167 412</b>	<b>35 209 644</b>

### **Equity and Liabilities**

<b>Equity</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Balance forward	5 336 729	5 015 556
Change in capital	5 440 923	321 173
<b>Total equity</b>	<b>10 777 652</b>	<b>5 336 729</b>
 <b>Long term liabilities</b>		
Other long term liability	0	0
<b>Total long term liabilities</b>	<b>0</b>	<b>0</b>
 <b>Current liabilities</b>		
Accounts payable	5 868 182	3 269 825
Unused Grants	26 957 692	21 421 332
Other short term liabilities	1 407 490	1 523 224
Current tax liability	282 642	53 652
Accrued expenses and prepaid income	4 873 754	3 604 882
<b>Total current liabilities</b>	<b>39 389 760</b>	<b>29 872 915</b>
 <b>TOTAL EQUITY AND LIABILITIES</b>	<b>50 167 412</b>	<b>35 209 644</b>



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## **Additional Information**

### *General Information*

#### *Accounting principles*

The annual report was first prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1.

#### *Valuation Principles*

#### *Receivables*

Receivables are recognized at the amounts expected to be received.

#### *Other assets, provisions and liabilities*

Other assets, provisions and liabilities are valued at cost unless otherwise stated below.

#### *Revenue Recognition*

The income is recognized at the fair value of the consideration received or receivable. A conditional contribution is a contribution made subject to conditions that involve a repayment obligation if the condition is not met. Conditional grants as liabilities until the costs allowance to cover arise.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. The useful life is reviewed at each reporting date. The following useful lives are applied: 5 years.

Assets are depreciated over their estimated useful lives except land, which is not depreciated.

#### *Leases*

Operating leases are calculated on a straight-line basis over the lease term.

#### *Employee Benefits*

##### *Pensions*

###### *Defined contribution pension plans*

Fees for defined contribution pension plans are expensed as incurred. All of SIPRI's pension plans are defined contribution plans.

*Receivables and liabilities in foreign currency*

Monetary assets and liabilities denominated in foreign currencies are converted at the closing rate.

Exchange differences arising on the settlement or translation of monetary items are recognized in the income statement of the financial year in which they arise, as either an operating or a financial item based on the underlying business event.

*Public funding*

Public contributions are valued at the fair value of the asset that the company has received or will receive.

Government subsidies are not linked to demands for future achievement, known as unconditional grants, recognized when the conditions for the grant met, that is usually associated with the grant is received. Government subsidies associated with the requirement of future performance, so-called conditional grants, a liability when the grant will be received and recognized as income then when the performance is.

**Notes to financial statement**

<b>Note 1 Net income</b>	<b>2018</b>	<b>2017</b>
Grant from Swedish Government	28 402 000	25 402 000
Grant from other funders	56 191 932	43 546 163
Royalties and sales	221 050	127 428
Other	25 362	31 426
Rental income	582 434	754 032
	<hr/> 85 422 778	<hr/> 69 861 049

  

<b>Used project grants</b>	<b>2018</b>	<b>2017</b>
Swedish Government agencies	38 125 386	23 141 956
Other Government	4 543 985	6 519 320
Private research foundations	6 342 516	2 755 300
EU	4 181 046	3 906 296
UN and other international organizations	1 165 768	3 519 157
Other	1 833 231	3 704 134
	<hr/> 56 191 932	<hr/> 43 546 163

<b>Note 2 Other external expenses</b>	<b>2018</b>	<b>2017</b>
Project costs for funded	29 200 653	20 611 526
Administrative costs	8 241 891	10 563 554
	<hr/> 37 442 544	<hr/> 31 175 080

**Note 3 Staff** **2018** **2017**

**Average number of employees**

The average number of employees is based on the association paid Attendance Hours relation to normal working hours.

Average number of employees has been:	53	50
of which women	29,5	28
of which men	23,5	22

Among them were 20 (19) different nationalities represented.

Research Staff were 37 (36) people.

For Foreign contracted research staff paid tax-free benefits under the Income Tax Act.

All employees are covered by the state collective agreement on pensions.

***Gender distribution of board and management***

	<b>2018</b>	<b>2017</b>
Number of board member	9	9
of which women	4	3
which men	5	6
Number of other executives	7	7
of which women	4	4
which men	3	3

**Note 4 Machinery and other technical facilities**

	<b>2018</b>	<b>2017</b>
Opening cost	2 297 716	2 087 157
Investments for the year	92 931	210 559
Sales/disposals	0	0
Accumulated acquisition values	<u>2 390 647</u>	<u>2 297 716</u>
Depreciation	-1 126 081	-768 492
Sales/disposals	0	0
Depreciation of the year	<u>-374 825</u>	<u>-357 589</u>
Accumulated depreciation	<u>-1 500 906</u>	<u>-1 126 081</u>
Total carrying value	889 741	1 171 635

**Note 5 Other interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
Interest	0	22 411
Exchange differences	680 112	0
	<u>680 112</u>	<u>22 411</u>



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**Note 6 Other interest payable and similar costs**

**2018**

**2017**

Interest	-9 103	-19 461
Exchange differences	0	-271 774
	-9 103	-291 235

**Other Notes**

**Note 7 Definition of key performance indicators**

Operation % = Operating profit as a percentage of Net income

Cash Ratio % = Total Current assets as a percentage of Current liabilities



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Solna February 22, 2018

Jan Eliasson

Dewi Fortuna Anwar

Vladimir Baranovsky

Lakhdar Brahimi

Espen Barth Eide

Jean-Marie Guéhenno

Radha Kumar

Patricia Lewis

Jessica Tuchman Mathews



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Our Audit Report was submitted on February .. , 2018

Emilie Sleth  
Chartered accountant

Anna-Karin Dahlén  
Senior advisor

## Auditor's report

To the Board of Directors of Stockholm International Peace Research Institute, corporate identity number 802006-2660.

### Report on the annual accounts

#### *Opinions*

We have audited the annual accounts of Stockholm International Peace Research Institute for the financial year 2018.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Stockholm International Peace Research Institute as of 31 December 2018 and its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

#### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* and *The responsibility of the elected auditor* section. We are independent of Stockholm International Peace Research Institute in accordance with professional ethics for accountants in Sweden. As an authorized public accountant, I have fulfilled my professional ethical responsibilities in accordance with these requirements.

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

#### *Other Information*

The audit of the annual report for 2017 has been performed by another auditor who submitted an audit report dated February 23, 2018 with unmodified statements in the Annual Report.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the foundation's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the foundation, to cease operations, or has no realistic alternative but to do so.

#### *Auditor's responsibility*

My objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the foundation's internal control relevant to our audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

#### *The responsibility of the elected auditor*

I must perform an audit in accordance with the Auditing Act and thus in accordance with generally accepted auditing standards in Sweden. My goal is to obtain a reasonable degree of certainty as to whether the annual report has been prepared in accordance with the Annual Accounts Act and whether the annual report gives a true and fair view of the foundation's results and position.

#### **Report on other legal and regulatory requirements**

##### *Opinions*

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Stockholm International Peace Research Institute for the year the financial year 2018.

In our opinion, the members of the Board of Directors and the Managing Director have not acted in contravention of the Foundations Act, the Foundation Ordinance or the Annual Accounts Act.

#### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Stockholm International Peace Research Institute in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the foundation's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the foundation's type of operations, size and risks place on the size of the foundation's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the foundation's organization and the administration of the foundation's affairs. This includes among other things continuous assessment of the foundation's financial situation and ensuring that the foundation's organization is designed so that the accounting, management of assets and the foundation's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the foundation's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the foundation, or
- in any other way has acted in contravention of the Foundations Act, the Foundation Ordinance or the Annual Accounts Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the foundation, or that the proposed appropriations of the foundation's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the foundation's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the foundation's situation. We

examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

Stockholm 25 February 2019

Emilie Sletth

Authorized Public Accountant

Anna-Karin Dahlén