

An aerial photograph of a dense forest, showing a variety of green trees and a dirt road that runs horizontally across the middle of the image. The text is overlaid on the lower half of the image.

Sustainable finance policy

SEK

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1. Introduction

AB Svensk Exportkredit's (SEK) mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. Sustainability is a central part of our operations and SEK, as a state-owned company, shall serve as a role model for corporate sustainability. This means that our operations should be conducted in a sustainable manner from an economic, environmental and social perspective that promotes sustainable development.

2. Purpose

The aim of this policy is to set out basic principles and positions for credit granting and liquidity investments, in order for SEK to:

- » serve as a role model in the area of sustainable finance, and
- » monitor international initiatives and guidelines that are aimed at achieving sustainable development and corporate sustainability.

This policy is part of SEK's sustainable finance framework. The positions and principles specified here are operationalized in other policy documents, guidance and methods for compliance with the principles in day-to-day activities.

3. Definitions

Sustainable terms means that projects and activities financed by SEK comply with local laws as well as international guidelines in the areas of environment, anti-corruption, human rights, labor and business ethics. The international guidelines that SEK incorporates are:

- » The Ten Principles of the UN Global Compact,
- » The OECD Guidelines for Multinational Enterprises,
- » The OECD Anti-Bribery Convention and related documents,
- » The UN Guiding Principles on Business and Human Rights,
- » The Equator Principles, or the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, and
- » The OECD Recommendation on Sustainable Lending Practices and Officially Supported Exports Credits.

Sustainability risk is the risk that SEK's lending operations or liquidity investments have a negative direct or indirect effect on their environment in the areas of ethics, anti-corruption,

environment and climate, human rights or labor. Human rights include the rights of the child, labor includes gender equality and diversity, and ethics include tax transparency.

ESG factors are environmental, social and governance-related factors that could potentially have a positive or negative effect on the financial position or solvency of SEK's counterparties and, ultimately, SEK's financial risks.

Green, social and sustainability-linked loans refer to the granting of credit to environmentally sustainable economic activities as defined in the EU Taxonomy and the Loan Market Association's guidance on green and social loans, as well as working capital linked to the borrower's sustainability performance according to the Loan Market Association's Sustainability Linked Loan Principles.

4. Principles and positions for sustainable finance

SEK has adopted ten principles and positions for sustainable finance.

Principle 1: SEK shall participate in transactions that are handled in a responsible and sustainable manner.

The lending activities conducted by SEK may entail indirect sustainability risks. To manage and reduce the risks, lending must, as a general principle, be based on sustainable loan terms. SEK finances projects and activities in countries with high ESG risks provided the project is deemed to make a positive contribution to sustainable development.

SEK shall refrain from participating in transactions where SEK considers the conditions unacceptable and where SEK is unable to influence the situation positively or if information that is necessary for SEK is not, or is not expected to be, available. In some transactions, conflicts may arise between economic, environmental and social objectives. Such conflicts should be handled to the best of our ability, but with no significant harm to any of the objectives.

Principle 2: SEK's transactions and relationships shall be characterized by good business ethics.

Trust relationships are built on openness, integrity and ethical behavior. SEK does not accept commercial transactions with a tax avoidance purpose. Where applicable, SEK may request higher tax transparency to ensure the transaction meets the requirements.

Principle 3: SEK does not accept corruption or other financial crime in transactions financed by SEK.

SEK takes a stand against all forms of corruption and complies with Swedish anti-bribery legislation and international initiatives for combating corruption and other financial crime, as well as anti-corruption laws in the countries and jurisdictions in which SEK operates. Every SEK employee has a personal responsibility to not, either directly or indirectly, offer, promise, give, request or accept a bribe.

SEK shall have close control of the payment flows included in the financial transaction in which SEK participates, and transactions shall be carried out transparently vis-a-vis SEK and other stakeholders. Project companies or exporters that are exposed to corruption risk shall have effective risk-management procedures based on the local context, complexity and risk level of the transaction and also, where applicable, be able to demonstrate this through anti-corruption programs or in other relevant ways. SEK expects exporters to follow the Swedish Anti-corruption Institute's Code to Prevent Corruption in Business.

Principle 4: Human rights shall be respected in transactions financed by SEK.

Human rights, including the fundamental conventions of the International Labour Organization (ILO), shall be respected in activities financed by SEK. SEK supports freedom of association and the right to collective bargaining. SEK does not accept any form of forced labor, child labor, or discrimination in employment and occupation.

Transactions ska be managed in accordance with the UN Guiding Principles on Business and Human Rights. SEK pays particular attention to transactions in conflict-affected areas, and in countries and industries with severe risk of human rights violations. In such cases, SEK may require companies to conduct a human rights impact assessment. Special consideration is required when there is a risk of violation of the rights of the child.

Principle 5: SEK shall have a restrictive approach to transactions with a negative impact on the climate.

SEK shall gradually phase out fossil fuel financing. SEK does not finance coal mining, coal-fired power, coal transportation or new oil-fired power plants. As of December 31, 2022, oil and gas exploration or production will no longer be financed. New gas-fired power plants are only financed in exceptional cases during a transitional period. SEK's approach to fossil fuels is set out in Appendix 1.

SEK may finance projects and activities with high GHG emissions where fossil-free alternatives have not yet been developed, such as mines and fossil fuels for industrial use, provided the project is expected to make a positive contribution to the transition. When financing projects or activities with high GHG emissions, the activity's total life-cycle GHG emissions, lock-in effects and transition plans in line with the 1.5°C goal of the Paris Agreement should be taken into account.

Principle 6: SEK shall apply a risk-based approach to sustainability risk management.

SEK shall apply a risk-based approach to sustainability risk assessment. This means that analysis, measures and final assessment shall be adapted and be more detailed for transactions with high sustainability risk – regardless of buyer, country, transaction amount, credit period or type of financial product. The main focus of sustainability risk assessments is the activity where the product or service is to be used. For project-related financing, where applicable, the capacity of the agency bank, as well as the project or construction company, to manage sustainability risks is evaluated.

For transactions with low sustainability risk, SEK expects the company to meet sustainable loan terms in accordance with local law and international guidelines. In such cases, SEK mainly verifies that the company shows no signs of non-compliance.

Every year, SEK shall complete comprehensive risk assessments as a basis for sustainability risk management.

Principle 7: SEK shall integrate ESG factors into credit assessments of counterparties.

SEK's financial position or capital situation could potentially be adversely impacted by a rapid transition to a net-zero economy, or due to the physical effects of climate change. This could happen if ESG factors affect the credit ratings of SEK's counterparties in the short, medium or long term. ESG factors shall therefore be integrated in the company's assessment of a counterparty's credit rating.

Principle 8: SEK shall work pro-actively to enable transactions that contribute to the UN Sustainable Development Goals and implementation of the Paris Agreement.

By offering green, social and sustainability-linked loans, SEK shall help to accelerate the development of long-term sustainable business models for Swedish exporters and their customers.

Principle 9: SEK shall promote collaboration and dialog on sustainable finance.

Sustainable development requires collaboration. SEK shall engage actively with exporters, banks, authorities and other players at national and international levels in order to create institutional and business conditions for Swedish export solutions to contribute to the UN Sustainable Development Goals and implementation of the Paris Agreement.

Principle 10: SEK shall promote openness and transparency.

Openness and transparency are conditions for sustainable finance. SEK shall work to ensure that projects and activities financed by SEK are conducted in a transparent manner. SEK shall be transparent in relation to the legal obligation of professional secrecy, which means that information about SEK's relationships with other parties shall not be disclosed to unauthorized third parties.

Every year, SEK shall compile a sustainability report that is quality-assured and certified by SEK's auditors, and report climate-related financial risks and opportunities based on the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and the applicable requirements of the European Banking Authority (EBA).

APPENDIX 1: SEK's approach to fossil fuels

The appendix clarifies SEK's position on credit granting in transactions related to fossil fuels in various ways based on Sweden's export and investment strategy, and the OECD Arrangement on Officially Supported Export Credits related to coal-fired power plants.

Credit is not granted according to the following time frames for transactions where the product or service is intended for use in the following sectors or activities:

Fossil fuel	Activity end customer	Phase of the activity (new project or existing activity)	Time frame
Coal (also for industrial use)	Coal-fired power plants and industrial activities involving coal-fired power plants for the main purpose of self-consumption	All	No new transactions*
	Exploration, mining and transportation of coal	All	No new transactions
Oil and gas	Unconventional extraction methods	All	No new transactions
	Oil and gas exploration and production	New projects or major expansion of existing activity	New transactions in the following cases only*
	Oil and gas exploration and production	All	No new transactions after December 31, 2022
	Oil refineries, oil and gas	New projects or major expansion of existing activity	New transactions in the following cases only*
	Power plant, oil	New projects or major expansion of existing activity	No new transactions
	Power plant, gas	New projects or major expansion of existing activity	New transactions in the following cases only*, with gradual phase-out**

***Credit may be granted if one or more of the following criteria are met:**

- » The activity has documented and realistic transition plans in line with the 1.5 °C goal of the Paris Agreement, such as Carbon Capture and Storage (CCS) technology or other technology that reduces emissions to the equivalent levels.
- » The transaction supports significant environmental or safety improvement measures without the expansion of oil or gas-based activities (does not apply to coal-fired power).

** Up until December 31, 2023, credit may be granted if any of the following criteria are met and projects include the best-possible technological solutions:

- » Transactions for new gas-power plant projects in countries in urgent need of development³ or in countries where exporters or buyers can demonstrate that the project is part of a post-war or post-conflict reconstruction
- » Transactions for new gas-power plant projects without documented and realistic plans for transition by 2030, but where exporters or buyers can demonstrate that the project is part of a national climate transition plan in line with the 1.5 °C goal of the Paris Agreement.

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