

The logo for SEK, consisting of the letters 'SEK' in a bold, blue, serif font. The background of the entire page is a soft-focus photograph of a sky with wispy clouds and a faint rainbow arc, with the silhouettes of trees at the bottom.

# Sustainability Bond Framework

November 2021

An umbrella framework for green, social and sustainability bonds with reference to the Global Sustainable Developments Goals

Swedish Export Credit Corporation

## Introduction

Sweden is one of the world's leading export nations. The Swedish Export Credit Corporation (SEK) is a state-owned credit institution with a mission to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. Since 1962, SEK has offered loans that have enabled thousands of Swedish companies to grow by increasing their production, completing acquisitions, elevating their employees, and selling goods and services to customers across the globe. Swedish exporters, their subsidiaries and international buyers of Swedish products and services are eligible for export financing.

SEK has lending in around 65 countries and represents one part of the Swedish export finance system. SEK provides long term funding to promote exports and the internationalization of Swedish industry often combined with a guarantee from the Swedish Export Credit Guarantee Board (EKN). SEK is financed in the international capital market by issuing bonds. Our goal is to be able to offer investors customized solutions, in several currencies and in different structures.

The ambition of SEK is to have a climate neutral lending portfolio at the latest 2045 and a significant part of the lending portfolio to become green at the latest 2030. By issuing green and social bonds in international capital markets, SEK finances green and social loans using money from investors who want to make a difference for society and the environment.

This Sustainability Bond Framework ("the Framework") covers export credits and other types of financing solutions that contribute to sustainable development targeting environmental and social benefits. The Framework is an umbrella framework, including different types of bonds. Under this Framework SEK can issue Green bonds, Social Bonds or Sustainability Bonds (which is the combination of the Green and Social bonds).

## 1. Rationale of Issuance

Reaching the goals of the Paris Agreement and the Agenda 2030 requires a substantial increase in climate and social investment on a global scale. Estimates range between a three- and tenfold increase in current annual investments. A significant share of this capital needs to come from the private sector. The Swedish and international export finance systems can act as catalysts for the investments required, not least in the economic crisis left in the wake of the corona pandemic.

The export finance system, as part of Swedish economic and trade policies, should contribute to achieving the goals pursuant to the Swedish environmental policy framework and thereby contribute to reaching the goals under the Paris Agreement. "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" is one goal set by the Paris Agreement. For Sweden to meet the requirements of the Paris Agreement, the financial flows that the state controls, directly or indirectly, via EKN or SEK, needs therefore to align with the wording of the agreement.

During 2020, EKN and SEK (the Swedish export finance system) took major steps forward to align with the Paris Agreement and UN development Goals. In August 2020, EKN and SEK presented eight mutual proposals for how the Swedish export finance system can contribute to a clear transition and a significant decrease in greenhouse gas emissions<sup>1</sup>. One proposal is to accelerate export financing to green projects both internationally and to promote the transition of Sweden to become a climate neutral export nation. In 2021, EKN and SEK established a Scientific Climate Council, which will provide advisory support to EKN and SEK to assist aligning the Swedish export finance system with the Paris Agreement's 1.5°C goal.

There is a strong rationale to promote Nordic and Swedish environmental and social solutions in international projects. The Nordic countries have undertaken ambitious climate action for several decades. Having decarbonized parts of their energy systems for many years, the Nordic countries have decoupled CO<sub>2</sub> emissions from GDP growth and often serve as test-beds for new technologies and services. A study, commissioned by the Nordic Council of Ministers and published in connection with COP22 in Marrakech<sup>2</sup>, showed that scaling up 15 existing and proven-to-work Nordic low-carbon solutions could by 2030 cut global emissions, roughly the equivalent to the total CO<sub>2</sub> emissions of the European Union.

Sweden has the second lowest CO<sub>2</sub> emissions per GDP among IEA member countries<sup>3</sup> and ranked number five in the world social progress index.<sup>4</sup> Many solutions developed in Sweden, available to export markets, have significant positive impacts globally to help address environmental and social challenges. The Swedish export industry is globally present and offers high quality products and knowledge of environmentally and socially sustainable solutions and systems in a wide range of sectors.

## 2. Goals and Applicable Principles

The goal of this Framework is to finance and refinance projects corresponding to the trajectory of the Paris Agreement and projects contributing to a sustainable, inclusive economy and society in line with the UN Sustainable Development Goals.

Applicable Principles of the framework:

**Green Bonds** align with the ICMA Green Bond Principles 2021 ("GBP") and, on a best effort basis, the latest published version of the EU taxonomy.

---

<sup>1</sup> "An export finance system that contributes to the climate transition" (Ref. No. D20/03463)

<sup>2</sup> Nordic Green to Scale, Nordic climate solutions can help other countries cut emissions, (PDF: ISBN 978-92-893-4735-8) [www.greentoscale.net](http://www.greentoscale.net)

<sup>3</sup> <https://www.iea.org/countries/Sweden/>

<sup>4</sup> Social progress index (SPI), 2017. (source) The SPI measures the well-being of a society by observing social and environmental outcomes directly rather than the economic factors. The social and environmental factors include wellness (including health, shelter and sanitation), equality, inclusion, sustainability and personal freedom and safety.

**Social Bonds** align with Social Bond Principles 2020 (“SBP”) and the UN Sustainability Development Goals.

**Sustainability Bonds** align with ICMA Sustainability Bond Guidelines 2018 (“SBG”) and the applicable principles for Green and Social bonds above.

All bonds issued under this framework aim to comply with the EU taxonomy requirements surrounding: do-no-significant harm to environmental objectives and minimum social safeguards.

It is the intention of SEK to follow the development of the EU sustainable finance regulations and market developments as the standards evolve, updating this framework and its methodology documents accordingly.

As a state owned credit institution, SEK is subject to high standards of responsible business and sustainable financing. Sustainability risks in lending transactions is an integrated part of SEK risk framework and are systematically identified, assessed, mitigated and monitored in the credit process.

SEK’s sustainability work is governed by its remit, policies and procedures, which are based on the following international guidelines:

- Equator Principles and the OECD’s Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. Accordingly, project-related finance is evaluated against the IFC performance standards to mitigate potential negative environmental or social impacts<sup>5</sup>.
- UN Global Compact, the UN Guiding Principles on Business and Human Rights and the UN Convention on the Rights of the Child,
- OECD Guidelines for Multinational Enterprises, the OECD’s Conventions and Guidelines within Anti-corruption and the OECD’s Recommendation of the Council on Sustainable Lending Practices and Officially Supported Export Credits.

### **3. Use of Proceeds**

The net proceeds from green, social and sustainability bonds issued under this Framework are used to finance or refinance green and social loan portfolios according to the following principle:

- The net proceeds from SEK Green Bonds are used to finance Eligible green projects.

---

<sup>5</sup> The IFC Performance Standards are an international benchmark for identifying and managing environmental and social risk and has been adopted by many organizations as a key component of their environmental and social risk management. The IFC Performance Standards encompass eight topics: risk management, labor, resource efficiency, community, land resettlement, biodiversity, indigenous people, cultural heritage.

- The net proceeds from SEK Social Bonds are used to finance Eligible social projects.
- The net proceeds from SEK Sustainability Bonds are used to finance Eligible green projects and Eligible social projects.

The different loan portfolios are managed separately and reported to investors accordingly.

### 3.1 Eligible green projects







SEK eligible green projects are projects and economic activities considered as environmentally sustainable according to the EU Taxonomy Regulation applicable at the time of approval by SEK in accordance with the evaluation and selection process as laid out in this Framework and detailed in the latest version of SEK's methodology for classifying green loans document. The SEK's methodology for classifying green loans is in line with the Loan Market Association (LMA) Principles for Green Loans and sets out detailed requirements and criteria for determining whether an economic activity qualifies as environmentally sustainable and thereby qualifies to be financed by an *SEK green loan*.

Accordingly, SEK Green loan requirements and criteria aim to be in line with the EU Taxonomy Regulation and where the EU Taxonomy Regulation is lacking technical screening criteria, the Climate bond initiative Taxonomy is used as a complement together with various EU environmental action plans or, if appropriate, action plans of countries outside EU, interpreted by SEK, to the best of its knowledge, to be in line with the ambitions and spirit of the EU taxonomy.








The table below illustrates green project categories, UN sustainability goals, EU environmental objectives and examples of projects and indicators. For all categories, the EU taxonomy technical screening criteria and thresholds will apply. Only the most important thresholds are specified in the table.








The SDG mapping and EU environmental objectives for Green project categories are in line with the mapping proposed by the Nordic Position Paper on Green Bonds Impact Reporting 2020.

## Green Project Categories:

Project category	Environmental objectives	Example of projects and assets <sup>6</sup>	Example of indicators
<b>Renewable energy</b>  	Climate change mitigation	<ul style="list-style-type: none"> <li>▪ Wind</li> <li>▪ Solar</li> <li>▪ Hydro with power density &gt; 5W/m<sup>2</sup></li> <li>▪ Wave</li> <li>▪ Manufacturing of hydrogen with the life-cycle GHG emissions savings requirement of 73.4%.</li> <li>▪ Bioenergy with carbon intensity &lt; 100gCO<sub>2</sub>/kWh</li> <li>▪ Geothermal with carbon intensity &lt; 100gCO<sub>2</sub>/kWh</li> </ul>	<ul style="list-style-type: none"> <li>▪ Renewable energy capacity installed/produced</li> <li>▪ Avoided greenhouse gas emissions</li> </ul>
<b>Green buildings</b>    	Climate change mitigation  Climate change adaptation	<ul style="list-style-type: none"> <li>▪ Green buildings demonstrating Primary Energy Demand resulting from the construction, at least 10 % lower than the threshold set for the nearly zero-energy building requirements in national measures.</li> <li>▪ Considerations will be given to site selection and land use issues and to building standards such as BREEAM and LEED (at least BREEAM level Outstanding or LEED level Gold or similar).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Avoided greenhouse gas emissions</li> <li>▪ Floor space of green real estate</li> </ul>

<sup>6</sup> These are only examples of the type of projects and assets eligible for financing, hence financing is not limited to these examples.

		<ul style="list-style-type: none"> <li>Retrofitted buildings providing at least 30% of energy savings or an energy performance in line with the EPBD after refurbishment.</li> </ul>	
<p><b>Energy efficiency</b></p>    	<p>Climate change mitigation</p>	<ul style="list-style-type: none"> <li>Storage systems and electricity transmission where more than 67 % of newly connected generation capacity in the system or the average system grid emissions factor is below the generation threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis.</li> <li>District heating compliant with the EU Energy Efficiency Directive.</li> <li>Smart grids</li> <li>Heating and cooling</li> <li>Excess heat</li> <li>LED Lighting</li> </ul>	<ul style="list-style-type: none"> <li>Renewable energy capacity installed/produced</li> <li>Avoided greenhouse gas emissions</li> <li>Increased energy efficiency</li> </ul>
<p><b>Clean transportation</b></p>   	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>	<ul style="list-style-type: none"> <li>Electric and biofuel vehicles with carbon intensity &lt;50gCO<sub>2</sub>vkm, where production facilities typically are located in the Nordic region.</li> <li>Infrastructure for clean energy transportation. In the case of BRT systems, only infrastructure, built as separate lanes for BRT systems are eligible</li> </ul>	<ul style="list-style-type: none"> <li>Avoided greenhouse gas emissions</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Electric rail transportation and infrastructure</li> </ul>	
<p><b>Waste management</b></p>  	<p>Transition to a circular economy, waste prevention and recycling</p> <p>Pollution prevention and control</p> <p>Climate change mitigation</p>	<ul style="list-style-type: none"> <li>▪ Prevention of waste</li> <li>▪ Waste reuse and recycling</li> <li>▪ Waste to energy where incineration emissions are below the emission thresholds of IFC performance standards.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volume of waste that is prevented, minimized, reused or recycled before and after the project</li> </ul>
<p><b>Water and wastewater management</b></p>  	<p>Sustainable use and protection of water and marine resources</p> <p>Pollution prevention and control</p> <p>Climate change mitigation</p> <p>Climate change adaptation</p>	<ul style="list-style-type: none"> <li>▪ Wastewater treatment</li> <li>▪ Preservation of water quality</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volume of wastewater treated for reuse</li> <li>▪ Avoided or reduced marine and freshwater pollution</li> </ul>
<p><b>Sustainable land use/ environmental management</b></p>   	<p>Protection of healthy ecosystems</p> <p>Climate change mitigation</p> <p>Climate change adaptation</p>	<ul style="list-style-type: none"> <li>▪ Preservation of air or soil quality</li> <li>▪ Sustainable forest management</li> <li>▪ Sustainable biomass materials</li> <li>▪ Eco-efficient and/or circular economy adapted products and resource efficient packaging.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Certified afforested or reforested land</li> <li>▪ Area covered by sustainable land and water resources management practices</li> </ul>



<b>Climate change adaptation</b>	Climate change adaptation	<ul style="list-style-type: none"> <li>▪ Facilities and installations to manage weather and climate-related effects such as floods and rising sea levels.</li> <li>▪ Information support systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of people benefitting from measures to mitigate the consequences of climate change such as natural disasters</li> <li>▪ Flood-resilient floor space</li> </ul>
----------------------------------	---------------------------	---	--



### 3.2 Eligible social projects

The SEK social project loan portfolio addresses social challenges such as healthcare, education, access to basic infrastructure and food security primarily for target population(s). The definition of target population can vary depending on the local context.


Examples of targeted populations include people living below poverty line, excluded or marginalized populations (or communities), vulnerable groups, people with disabilities, people with health problems, migrants and/or displaced persons, undereducated persons, underserved persons, people with a lack of quality access to essential goods and services, and/or unemployed persons.

Where there is a clear need of the project, the general public could be included as important beneficiary of the project together with a targeted population. This would typically, but not exclusively, occur in developing countries such DAC recipient countries<sup>7</sup>.





Environmental considerations and thresholds for social categories will be based on the Do No Significant Harm principle considering best available technology (BAT) and environmental progress in local contexts of developing countries.

<sup>7</sup> Including the first three columns (least developed, other low income and lower middle income countries territories) of the DAC List of ODA Recipients Effective for reporting on 2020 flows. The DAC List of ODA Recipients shows all countries and territories eligible to receive official development assistance (ODA). These consist of all low and middle income countries based on gross national income (GNI) per capita as published by the World Bank.

Social Project Categories:

Social category	Examples of projects and assets <sup>8</sup>	Targeted population/environmental considerations	Example of indicators
<b>Affordable basic infrastructure</b>   	<ul style="list-style-type: none"> <li>▪ Clean drinking water</li> <li>▪ Sewage</li> <li>▪ Sanitation</li> <li>▪ Public transportation</li> <li>▪ Energy grids</li> <li>▪ Waste management</li> <li>▪ Information Technologies</li> </ul>	<p>Projects aim to address improved access to basic infrastructure for a target population. Typically a targeted population in these projects will be underserved population, undereducated persons, unemployed persons or people living below the poverty line.</p> <p>Electricity transmission and storage systems where more than 33 % of newly connected generation capacity in the system or the average system grid emissions factor is below the generation threshold value of 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis.</p> <p>Bus Rapid Transit (BRT) run by diesel is only acceptable if Euro standard represents significant environmental improvements in comparison to local standards and applied technique allow for easily</p>	<p>Number of people provided access to clean energy, or</p> <p>Number of people provided with safe and affordable drinking water, or</p> <p>Number of first-time internet connections, or</p> <p>Number of people with access to sustainable transport systems</p>

<sup>8</sup> These are only examples of the type of projects and assets eligible for financing, hence financing is not limited to these examples.

		transforming to renewables once supply of biogas or equivalent is available in the local market.	
<p><b>Access to essential services</b></p>   	<ul style="list-style-type: none"> <li>Construction and equipment to public hospitals, clinics and health care centers</li> <li>Construction, and equipment of public schools and universities</li> <li>ICT solutions enabling educational purposes or healthcare improvements</li> </ul>	<p>Projects aim to promote education or mitigate health issues for a target population.</p> <p>Typically, a targeted population in these projects will be people with health problems, underserved population, and undereducated persons.</p> <p>Energy efficiency in hospitals and school buildings belonging to the top 40% of local markets for buildings built before 2021.</p>	<p>Number of people receiving education services, or</p> <p>Number of people reached with improved health care</p>
<p><b>Food security</b></p> 	<ul style="list-style-type: none"> <li>Food nutrition value improvement</li> <li>Sustainable food production</li> </ul>	<p>Projects aim to address improved access to food for a target population.</p> <p>Products with certified improvements in nutritional value</p> <p>Typically a targeted population in these projects will be people living below the poverty line.</p> <p>Environmental thresholds for food production facilities according to BAT, typically EU standards.</p>	<p>Number of people provided with safe, nutritious and sufficient food</p>

## 4. Process for Project Evaluation and Selection

Eligible Projects are subject to Exclusion Criteria<sup>9</sup> and to SEK's Environmental, Social and Governance due diligence. SEK is an Equator Principle Bank and subject to OECD Common Approaches for environmental and social due diligence for export credits. SEK's Environmental and Social due diligence and guidelines reference international environmental and social standards.

Eligible Projects are evaluated and selected through the best of SEK's capabilities and knowledge and selected as follows:

- 1) The Client Relationship Management team identifies and proposes possible Eligible Projects.
- 2) Independent sustainability analysts assess if a project qualifies as an Eligible Project according to the criteria specified in this framework and using the latest version of SEK's Methodology for classifying SEK green loans (link). The sustainability analyst evaluates if:
  - a. Green projects and economic activities are in line with EU Taxonomy Regulation.
  - b. Social projects are in line with social criteria specified in this framework.
  - c. Green and Social projects are in line with EU taxonomy "do no significant harm" and "safeguard policy" principles.
  - d. Exclusion criteria do not apply
- 3) Final decision is taken by SEK's Sustainability department.
- 4) Eligible Projects are identified and flagged in either the SEK Green Portfolio or the SEK Social Portfolio.

Projects approved, based on the most updated criteria of the EU Taxonomy at time of approval, will remain eligible and in the portfolio notwithstanding the future updates to the criteria.

SEK will check the eligibility of Eligible Projects on an annual basis. If, for any reason, a Project ceases to meet the eligibility criteria, it will be excluded from the Eligible Portfolio.

## 5. Management of Proceeds

An amount equivalent to the net proceeds of any SEK Green, Social or Sustainability Bonds issued under this Framework will be managed by the Finance Department on a portfolio basis. As long as Bonds are outstanding and proceeds from issues are available SEK will, at the end of every fiscal quarter, deduct funds in an amount equal to disbursements for the financing of Eligible Projects made

---

<sup>9</sup> Exclusion criteria include but are not limited to projects or asset related to palm oil, weapons and defense or any potential environmentally negative resource extraction, fossil fuel extraction, coal power generation, gambling and betting, tobacco and alcohol.

during such quarter. Until disbursement to Eligible Projects, the balance will be placed in the liquidity reserve and managed accordingly.

Pending the allocation of an amount equivalent to the net proceeds of SEK Bonds to the Eligible Projects, the balance of the net proceeds will be held in cash, other Green, Social or Sustainability bonds, or municipality and/or government risk with a minimum credit rating of AA-.

## 6. Allocation and impact reporting

To enable investors and other stakeholders to follow the development of SEK's eligible green and social projects and, to give insight into prioritized areas, SEK will provide an annual Impact Report including:

- a) The total amount of Green, Social and Sustainability Bonds issued and outstanding.
- b) A list of Eligible Projects financed with proceeds from Bonds including allocated and disbursed amounts to each Eligible Project, as well as a brief description of the projects and their main environmental or social impact.
- c) Expected or actual environmental and social outputs and impacts from Eligible Projects when relevant and feasible.
- d) For green projects, information to investors will include if projects:
  - a. are near zero carbon or contribute to the transition
  - b. contribute directly or if they enable others
- e) The distribution of allocation between different Eligible Project Portfolios and categories.
- f) A description of the allocation between financing of new projects and re-financing.
- g) The amounts held as part of the liquidity reserve (if any).

SEK's reporting on Eligible Projects will aim to implement the guidelines of "Handbook - Harmonized Framework for Impact Reporting" of GBP and the SBP version once available.

SEK is a signatory of the Nordic Position Paper on Green Bonds Impact Reporting ([link](#)) and will aim to follow the reporting guidelines and recommendation of that paper.

SEK's reporting on Eligible Green Projects will also aim to implement the ICMA guidelines of "Handbook-Harmonized Framework for Impact Reporting" for the GBP. When reporting on Eligible Social projects, SEK will make use of the ICMA's "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (2020)" document.

Qualitative performance indicators and, where feasible, quantitative performance measures from Eligible Green Projects will be reported to investors, and other stakeholders, with indicators and metrics that capture positive impacts for the fulfillment of the SDGs as outlined in ICMA's SDG map. This reporting will be subject to data availability as well as competitiveness and/or confidentiality considerations.

The impact reporting on Eligible Projects will be disclosed at [www.sek.se](http://www.sek.se) and updated on an annual basis.

## **7. External review**

SEK has received a second party opinion from Cicero Shades of Green confirming the alignment of the SEK Sustainability Bond Framework with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The second party opinion is published on [www.sek.se](http://www.sek.se).

An independent auditor's assurance report will confirm asset allocation.

We finance your  
global business

**SEK**

Swedish Export Credit Corporation  
Fleminggatan 20 · P.O. Box 194 · SE-101 23 Stockholm, Sweden  
Tel: +46 8 613 83 00 · [information@sek.se](mailto:information@sek.se)  
[www.sek.se](http://www.sek.se)