





The Equator Principles are intended to serve as a common baseline and framework for financial institutions to identify, assess, and manage environmental and social risks when financing Projects. As an Equator Principles Financial Institution (EPFI), SEK has committed to implement the Equator Principles through internal environmental and social (E&S) policies, procedures and standards for financing Projects.

Reporting on Equator Principles Implementation 2023

Since 2017, SEK is a Signatory to the Equator Principles. Since then, well proven routines and internal guidelines have been implemented and updated within SEK to ensure relevant application of the Equator Principles-framework. During 2020, SEK updated its internal framework to align with Equator Principles IV.

- ✘ **Implementation:** SEK's general governance framework comprises policies, instructions, guidelines and supporting processes and tools on E&S and Human Rights due diligence and monitoring, which incorporates the requirements of both the OECD Common Approaches and the Equator Principles IV. The governance framework comprises pre-transactional actions (scoping, screening, due diligence review) which satisfies Equator Principles 1 – 8, and the post-transactional actions (monitoring and reporting) satisfies Equator Principle 9. This Implementation Report forms part of SEK's obligations under Equator Principle 10 (Reporting and Transparency) and as articulated in Annex B of the Equator Principles.
- ✘ **Roles and responsibilities:** The Sustainability Analysts within SEK's Sustainability Department are professionally qualified to directly undertake and/or manage the necessary E&S due diligence and liaise with Project sponsors and/or exporters and SEK's decision-makers. The Sustainability Analysts are separate and independent from the business teams and report directly to the Head of Sustainability, who reports to the Chief Executive Officer.
- ✘ **Training:** Since SEK's adoption of the Equator Principles, members within SEK's business teams and supporting units have conducted the Equator Principles training program. Training and implementation of Equator Principles Loan Clauses have been undertaken with internal Legal Counsels. SEK provides internal Equator Principles training to the Board of Directors, Management, Client Relationship team, Business teams, Legal, Risk, Compliance, Sustainability Analysts, supporting units, and other relevant staff, to ensure adherence to internal processes, raise awareness of the requirements of OECD Common Approaches, the Equator Principles and general E&S risk management.
- ✘ **Cooperation:** Since the adoption of the Equator principles in 2017, SEK has been involved in the work performed by the Equator Principles Association, for instance, through its participation in the EP Association Annual Meetings and the EP workshops held for the occasion.

Description of SEK's organizational and governance structure for integrating the Equator Principles:

Roles and responsibilities:		
	Head of Sustainability	<ul style="list-style-type: none"> ✘ Strategic relation with EP and EPFI ✘ Member of SEK's Credit Committee, including in all credit decisions concerning A and B+ Projects
	Risk Department	<ul style="list-style-type: none"> ✘ Overall risk analysis of SEK:s E&S-risks ✘ Control and follow-up of E&S risks. Ensuring that E&S risks are part of the risk management framework and internal control framework ✘ Control and follow-up of E&S-risks, and ensures that E&S-risks are part of SEK:s management framework and internal control framework.
	Compliance	<ul style="list-style-type: none"> ✘ Follow up of adherence to internal and external regulations
	Business-units	<ul style="list-style-type: none"> ✘ Screening transactions for identification of E&S-risks and whether they fall within the scope of the Equator Principles ✘ Suggests categorization of Projects ✘ Equator Principles-reporting
	Sustainability Analysts (Sustainability Department)	<ul style="list-style-type: none"> ✘ Advise on proposed categorization of Projects ✘ Coordinate practical E&S-cooperation with Projects, EPFI and IESC ✘ E&S-assessments for Projects, action plans and follow-up
	Legal Counsels (Legal Department)	<ul style="list-style-type: none"> ✘ E&S-covenants (including Equator Principles-covenants)

Risk governance structure

- ✘ E&S-risks are defined as specific risk categories in SEK's overall risk management framework and included in the quarterly risk report to the Board of Directors.
- ✘ Project-related E&S-risks are identified as material risks in SEK's overall business analysis.
- ✘ According to SEK's risk appetite and risk strategy for Project-related risks, Projects need to align with Equator Principles or OECD Common Approaches (as applicable).
- ✘ If a Project is deemed not to be in accordance with Equator Principles or OECD Common Approaches, it will be regarded as outside SEK's risk appetite and reported to the Board of Directors.
- ✘ SEK's total Project portfolio in accordance with Equator Principles or OECD Common Approaches is followed up on a yearly basis and reported to the Board of Directors.

Description of SEK's internal process flow for identifying, assessing and managing transactions in line with the Equator Principles

1. For all lending transactions, a Transaction Team ("TT") is formed, consisting of (inter alia) the respective Transaction Manager/Client Executive, a Financial Crime Analyst, a Credit Officer, a Legal Counsel, and, when relevant, a Sustainability Analyst.
2. When a new potential transaction is identified, the Transaction Manager/Client Executive screens the transaction for sustainability-related risks and identifies (inter alia) whether the transaction falls within the scope of the Equator Principles framework. The Transaction Manager/Client Executive assesses the potential transaction in a structured and organized manner with a supporting screening tool and obtains expertise Equator Principles-advise from the Sustainability Analyst throughout the entire process if needed.
3. The risk screening and preliminary risk categorization (A, B, or C) of transactions is carried out by the Transaction Manager/Client Executive, with additional expertise support and advise from the Sustainability Department, which reviews and validates all transactions screenings and Project categorizations. If the Transaction Manager/Client Executive and Sustainability Analyst cannot agree on a Project-category, the decision will be escalated to the Credit Committee.

4. In line with the requirements of Equator Principle 2, SEK requires clients to conduct an E&S assessment of proposed Projects of Category A and Category B. This includes demonstrating measures to minimize, mitigate, and compensate/offset/remedy adverse impacts and risks and for this to be monitored, information to be disclosed, and relevant stakeholder engagement to be conducted, as well as establishing grievance mechanisms (as appropriate). For certain transactions, enhanced assessments of climate change risk, and human rights risks may be required. SEK, may with support from independent third-party E&S experts, evaluate the clients' proposed fulfillment of the EP requirements.
5. All transactions that qualify within the scope of the Equator Principles and that are categorized as Category A or B Projects must be escalated to SEK's Credit Committee before potential credit approval. In addition, transactions categorized as A Projects also need to be further escalated to SEK's Board Credit Committee for final approval. Credit memos contain a specific section dedicated to E&S issues, where it is required to specify whether a transaction falls within the Equator Principles or OECD Common Approaches (as applicable) framework or not. A summary of the outcome from the E&S assessment and additional information, including proposed EP-covenants, is mandatory for transactions that fall within the Equator Principles or OECD Common Approaches (as applicable) framework. The assessment, validation, and approval process is performed within SEK's lending process. This follows SEK's normal process for all types of lending transactions. Head of Sustainability takes part in SEK's Credit Committee, including in all decisions concerning A and B+ Projects.
6. After credit approval, relevant E&S-covenants are documented in the loan documentation by the TT with applicable expertise and advice from the Legal Counsel as well as the Sustainability Analyst. This process and supporting routines, intends to ensure that relevant Equator Principles related to E&S-covenants are correctly implemented and adhered to.
7. A lending transaction's continuing compliance with applicable E&S standards and Equator Principles requirements is monitored by the TT and by expert advice from the Sustainability Analyst and Legal Counsel, if necessary. The policies and processes implemented around Equator Principles are integrated into SEK's general environmental and social risk policy framework. The monitoring and reporting requirements are implemented throughout the credit process and credit cycle.

Further information is available at: <https://www.sek.se/en/sustainability/>

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