

SEK



SEK Pillar 3 disclosure for Q2 2024
ESG risks

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1. Environmental, social and governance risk

SEK is indirectly exposed to environmental (E), social (S) and governance (G) risks in connection to its lending activities. E, S and G factors and risks can be material from an impact perspective, from a financial perspective or from both.

1.1 Definitions

E, S and G factors

Environmental, social and governance (“E, S and G”) factors are pillars of sustainability. Examples of E, S and G factors are:

- *Environmental factors:* climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy,
- *Social factors:* labor conditions, equality, affected communities, consumers and end-users.
- *Governance factors:* Business conduct, anti-corruption and financial crime.

E, S and G risks (financial perspective)

E, S and G factors and risks may impact SEK’s financial performance by materializing through financial risk categories, such as credit, market and liquidity risks, which are primarily affected by SEK’s exposure to its counterparties. For example, E, S and G factors could potentially have a positive or negative effect on the financial position or solvency of SEK’s counterparties.

Transmission channels are causal links that enables adverse realizations of E, S and G factors to translate into E, S and G risks. Examples of transmission channels that could affect SEK’s counterparties are: Lower Profitability, Lower Real Estate Valuations, Lower Household Wealth, Lower Asset Performance, Increased Cost of Compliance and Increased Legal Costs.

E, S and G risks (impact perspective)

E, S and G risks, from an impact perspective are stand-alone risk types (top risks) in SEK’s Risk Taxonomy. The impact perspective includes the risk that SEK’s lending operations or liquidity investments have a negative direct or indirect effect on the environment and society 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

Double materiality

The concept for distinguishing the impact and financial perspective and how the former can affect the latter, is described as ‘double materiality’. The impact perspective could become financially material if it for example affects SEK’s counterparties, SEK’s activities, and/or reputation.

Further, E, S and G factors and risks can be interlinked to each other. For example, climate change is interlinked to other environmental factors and to social factors and risks. As an example, the increase of temperature is likely to have an impact on biodiversity and ecosystems. At the same time, healthy ecosystems contribute to resilience and adaptation to conditions caused by climate change, such as higher temperatures, rising sea levels, storms, more unpredictable rainfall and acidification of ocean water. Further climate change is expected to have an impact on well-being and interests of people and communities as well as on health and safety. This means that combined analyses of E, S and G factors and risks are necessary to ensure sufficient risk management procedures.

Double materiality assessment

In 2023, SEK performed its first double materiality assessment inspired by the upcoming CSRD requirements. In this assessment, SEK’s direct and indirect impact on the environment and people as well as the potential financial effects of E, S and G matters on SEK were considered. For details, please refer to *SEK’s Annual and Sustainability Report 2023 Sustainability Note 3*.

1.2 E, S and G risk and business strategy

SEK, as a state-owned company, shall serve as a role model for sustainable business. This means that operations must be conducted on sustainable terms. Sustainable terms means that projects and activities financed by SEK comply with international guidelines in areas such as environmental considerations, anti-corruption, human rights, labor conditions and business conduct.

SEK has integrated E, S and G factors and risks into the company’s overall business model, strategy, and financial planning. It is primarily in SEK’s lending transactions that E, S and G risks arise in SEK’s business model.

SEK’s main strategy for managing E, S and G risks and opportunities is to focus on increasing the proportion of new lending to:

- Companies with ambitious and credible plans to reduce their GHG emissions in line with scientifically based climate targets.
- Activities that are classified as green, social or sustainability linked in accordance with SEK’s internal frameworks. By issuing green and social bonds, SEK can earmark capital to projects that have a positive impact on the environmental aspects and/or contribute to social factors.

The following activities support SEK's strategy:

- **Work strategically** to ensure **adherence with SEK's** principles for credit granting and liquidity investments that are stated in **SEK's Sustainability finance policy**.
- **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, transport, or storage of coal. Further, SEK does not finance oil and gas exploration, production, transport, or storage thereof. SEK's approach to fossil fuels including exceptions is established in SEK's Sustainable Finance Policy.
- **Sustainable financing:** Sustainable finance is an integrated component of SEK's strategy. The transition to a society in line with the Paris Agreement creates new export opportunities and contributes to jobs and growth. SEK offers green, social and sustainability linked loans. The categorization as "green loans", "social loans" and "sustainability-linked loans" is reviewed and approved by the Sustainability Bond Committee". Lending activities comprises the foundation of SEK's operations and is the aspect where SEK exerts the greatest opportunity to be a driving force in the transition.
- **Green loans** promote the transition to a climate-smart economy. SEK's green loans, since SEK's Sustainability Finance Framework was launch in 2021, are assessed against requirements the EU Taxonomy. The categorization is reviewed and approved by the Sustainable Bond Committee. Green loans are financed via SEK's green bonds.
Social loans are offered to exporters and buyers of exported goods and services for projects, often in developing countries, whose aim is to improve social conditions. Social loans are categorized under SEK's Sustainability Bond Framework. The categorization is reviewed and approved by the Sustainable Bond Committee.
Sustainability-linked loans concern working capital connected to the borrower's sustainability targets, for example improved environmental and climate performance or reduced number of accidents. If the borrower reaches their targets, they are rewarded with a lower interest rate. SEK's sustainability-linked loans are built on ICMA's standards for sustainability-linked loans. The categorization is reviewed and approved by the Sustainable Bond Committee
- **Client and international engagement:** SEK's strategy and sustainability related policies, for detail please refer to SEK Sustainable Finance Policy, set the basis for the company's engagement with clients. SEK is active in several initiatives and working groups with the aim of both exerting influence and increasing the company's own knowledge in the environmental and climate field. Please also refer to section "engage in clients climate transition" and "Networks in sustainable business" below.
- **Internal Training:** In 2023, SEK implemented a broad initiative and launched a basic digital course in sustainability with certification from the external vendor "Finanskompetens". The aim of the training has been to create understanding and awareness of key concepts in sustainability, to increase understanding of the financial market's development

and of SEK's role. In total, 85 percent of employees completed the training in 2023.

Sustainability targets

To support SEK's strategy and contribute to climate transition and reduce greenhouse gas emissions, in line with the Paris Agreement, SEK has adopted long-term operating targets:

- The share of green loans in the company's lending portfolio shall increase to 50 percent by 2030.
- SEK shall achieve net zero emissions in its own operations by 2030.
- SEK's balance sheet shall reach net zero greenhouse gas ("GHG") emissions by 2045.

The work for establishing more detailed short-term targets is on-going. For year-end follow-up on targets please refer to *SEK's Annual and Sustainability Report 2023*.

SEK's climate impact

During 2023, SEK worked to ensure access to GHG-emission data for its counterparties and developed a method to calculate and report on SEK's financed greenhouse gas emissions referred to as scope 3.15. For detailed description on methodology used and SEK's calculated financed emissions please refer to *SEK's Annual and Sustainability Report 2023, Sustainability Note 5 and Reporting principles*. SEK's calculated financed emissions towards sectors that highly contribute to climate change are presented in Pillar III template 1. The work to improve data within the scope 3 categories will be developed further in the coming years.

More information regarding the scope and system limitations is described under Accounting Principles, and the company's overall climate impact is presented in detail in a separate Climate Report available at www.sek.se.

Engagement in clients' climate transition

SEK continuously works to improve its understanding and management of Environmental and climate risk in general. Further, SEK works strategically to increase its outreach to key industries for the climate transition and prioritizes clients with high potential to reduce their GHG emissions.

By offering financing solutions to companies that are realigning their operations based on science-based targets, SEK can through financing enable the transition. To this end, SEK offers, inter alia, sustainability-linked loans and green loans.

In 2023, SEK contacted several of Sweden's largest emitting companies to see if they were interested in financing for the purpose of reducing their GHG emissions.

In addition, SEK performs stakeholder dialogues with counterparties on their general sustainability related expectations on SEK. For information on general expectations please refer to *the Annual and Sustainability Report 2023 Sustainability Note 2*.

Networks in sustainable business

Through collaboration with different organizations, SEK can share experience and discuss challenges and solutions for various environmental, social and governance issues. SEK participates in the following networks:

- Enact, sustainability reporting network
- E3F (Export Finance for future)
- Fossil Free Sweden, which aims to collaborate with the aim of solving climate issues and reaching the goal of a fossil-free society
- ICC Sweden's CSR reference group
- Mistra BIOPATH, a research program with a focus on biodiversity
- Net Zero ECA Alliance (NZECA)
- OECD's Export Credit Group and its Practitioners
- Sustainable business network for state-owned companies
- The Equator Principles
- UN Global Compact's Swedish network.

The Swedish export credit system and cooperation with EKN

SEK is part of the Swedish export credit system, and a significant part of SEK's international lending operations are guaranteed by the Swedish Export Credit Agency (EKN). E, S and G-related issues in SEK's business model are therefore linked to the Swedish export credit system. For Sweden's export and investment strategy, the government expressed that Sweden must drive international and European regulation for, inter alia, export credits and other public trade finance to contribute to sustainability and the realization of the goals set by the Paris Agreement.

SEK and EKN have begun joint efforts to adapt the export credit system to the Paris Agreement. As part of these efforts, in 2023, SEK and EKN developed a method to assess whether projects and business operations are aligned with the Paris Agreement's 1,5°C target.

At the end of 2023, the NZECA Alliance was launched where SEK and EKN formed, together with a handful of other export credit agencies, the first coalition around how to manage public sector capital pursuant to the target of the Paris Agreement.

SEK's and EKN's joint scientific climate council

To raise the level of expertise of the export credit system on climate issues and to connect this to scientific findings, SEK and EKN established a joint scientific climate council in 2021 consisting of four climate researchers.

The climate council acts as a specialist advisory body with the aim of guiding the Swedish export credit system in climate-related matters. During 2024, the climate council held one meeting which among others addressed COP28, fossil fuels-and the role of hydrogen. Minutes of meetings are available at www.sek.se

1.3 Governance of E, S and G risks

SEK's management of E, S and G-risks from a financial and impact perspective is integrated into SEK's overall corporate governance procedures. For detailed information regarding SEK's corporate governance structure, please refer to *the Corporate Governance Report in SEK's Annual and Sustainability Report 2023*.

The Board of Directors

The Board of Directors has the ultimate responsibility for SEK's organizational structure and administration of SEK's affairs of which sustainability forms an integral part.

The Board of Directors is also responsible for the establishment of an effective E, S and G risk management framework at SEK. The Board resolves on the sustainability strategy, objectives, and targets in conjunction with the business plan, the risk strategy and the policy framework.

The Board is also ultimately responsible for SEK's risk exposures.

Board committees

The Board's Credit Committee is responsible for making credit decisions that exceed the mandates of the SEK's Credit Committee. E, S and G factors, transmission channels and E, S and G risks are considered in the credit decisions.

The Board's Audit Committee monitors, among other things, the company's sustainability and financial reporting and the efficiency of the company's internal controls, internal audit, and risk management in terms of the financial reporting. Relevant controls are designed and implemented in SEK's internal control framework.

The Remuneration Committee prepares matters relating to employment terms and conditions, salaries, pensions and other benefits for the CEO and the executive management. SEK's remuneration guidelines aim to create the preconditions to promote an attractive and healthy workplace. SEK has a remuneration system that is consistent with the company's business objectives and risk strategy (were sustainability matters are included), its corporate culture and values, and the actions taken to avoid conflicts of interest. See further description in section 8 in *SEK's Capital Adequacy and Risk Management (Pillar 3) Report 2023*.

The Board's Finance and Risk Committee prepares, among other things, matters pertaining to SEK's policies, strategies, and risk appetite where E, S and G risks are included. The Finance and Risk Committee also approves methods for internal risk classification. E, S and G factors are integrated in the risk classification methods for corporates.

Management committees

The Sustainable bond Committee consists of representatives from key functions within SEK's organization. The purpose of the committee is to ensure robust steering, according to international guidelines, and traceability in decisions concerning classification of SEK's green, social and sustainability linked assets.

The Credit committee is responsible for establishment, approval and annual review of limits, as well as changes in contractual terms of a credit risk-related nature with negative impact on SEK's credit risk for counterparties. ESG factors are

assessed in the credit process. For further information please refer to section 4.1 Credit Risk management in *SEK's Capital Adequacy and Risk Management (Pillar 3) Report 2023*.

The three lines model

SEK's Board of directors is ultimately responsible for the integration of short-, medium- and long-term effects and E, S and G factors and risks in the organizational structure both within business lines and internal control functions. Below is a description of the division of responsibilities with regards to E, S and G risks:

First line consists of the business and support operations. Responsibilities include:

- Ensuring that relevant risks are taken into consideration in the client dialogue.
- Day to day management of E, S and G risks in compliance with the risk appetite and strategy.
- Sustainability and Credit analysis (E, S and G factors are integrated in this work).
- Control and follow-up on E, S and G risks.

Second line consists of the independent risk control and compliance function. Responsibilities include:

- Independent identification, quantification, monitoring, control and reporting of E, S and G risks
- Ensuring that E, S and G risks are part of the risk management framework and internal control framework.
- Sustainability compliance monitoring and reporting to the Board.

Third line consists of the independent internal audit function. Responsibilities include:

- Review and evaluation of the efficiency and integrity of E, S and G risk management.
- Direct reporting of E, S and G issues to the Board.

Internal reporting procedures and frequencies

Risk and compliance reporting conducted by the heads of SEK's independent control functions includes follow-up on E, S and G risks as well as sustainability-related legislation and regulations. The reporting takes place regularly, and at least quarterly, to the Board, the Finance and Risk Committee and the CEO.

The Head of Sustainability with responsibility for sustainability matters reports directly to the CEO.

The CFO is responsible for assessing the current performance against sustainability goals and objectives and reports monthly to the CEO and on a quarterly basis to the Board. The CFO is also responsible for the annual and sustainability report.

Internal audit conducts independent assurance of SEK's risk management including E, S and G risks following a risk-based audit plan which is approved by the Board. Reports directly to the Board.

Policy framework

SEK's policy framework stipulates a long-term direction for SEK towards a more sustainable business and portfolio, and limits activities or businesses that are neither in accordance

nor deemed to be able to transition into being in accordance with SEK's policies and mission. SEK's policy documents lay the foundation for SEK to ensure sustainability and E, S and G matters are included and considered in the business operations.

As set out in *the State's ownership policy*, as a state-owned company, SEK shall set a positive example for sustainable business, which primarily means that the company is to:

- work strategically, integrate the topics in its business strategy and adopt strategic sustainability targets.
- work transparently in matters concerning material risks and opportunities and maintain an active dialog with the company's stakeholders in society.
- work together with other companies and relevant organizations; and comply with international guidelines in sustainability.

The Risk Policy sets out the main features of SEK's framework for risk management and stipulates requirements with regards to the identification, measurement, governance, reporting and control of the material risks that the company is exposed to or expects to be exposed to.

SEK's Sustainability finance policy sets out the following principles for SEK's credit granting and liquidity investments:

- SEK shall participate in transactions that are handled in a responsible and sustainable manner.
- SEK's transactions and relationships shall be characterized by good business ethics.
- SEK does not accept corruption or other financial crime in transactions financed by SEK.
- Human rights shall be respected in transactions financed by SEK.
- SEK shall have a restrictive approach to transactions with a negative impact on the climate.
- SEK shall apply a risk-based approach to sustainability risk management.
- SEK shall integrate E, S and G factors into credit assessments of counterparties.
- SEK shall work pro-actively to enable transactions that contribute to the UN Sustainable Development Goals and implementation of the Paris Agreement.
- SEK shall promote collaboration and dialog on sustainable finance.
 - SEK shall promote openness and transparency.

The Credit Policy sets the preconditions for SEK's lending transactions and credit risk management. The Credit Policy sets out that credit granting must also be aligned with SEK's mission based on its owner instruction. SEK exercises overall control of its credit risks pursuant to several fundamental principles, including SEK's risk appetite for sustainability and its Sustainable Finance Policy. The Credit Policy states specifically that credit granting must be on sustainable terms and based on in-depth knowledge of SEK's counterparties and business transactions. E, S and G factors and risks must be identified, analyzed, and managed prior to granting credit.

The *Anti-corruption Policy* further clarifies SEK's position in the area and provide guidelines in the work against corruption. SEK's anti-corruption policy complies with Swedish bribery legislation as well as national and international initiatives aimed to fight corruption and other financial crime. SEK operates its lending globally and complies with anti-corruption legislation in the countries and jurisdictions where the company operates. For further information, please refer to *SEK's Annual and sustainability report 2023*.

The *Code of Conduct* guides SEK in terms of ethical behavior in daily activities and in the organization's interactions with external parties. Any breach of the Code of Conduct could lead to proceedings.

The *Code of Conduct for suppliers* (the "Code") outlines SEK's expectations for all its suppliers, including any approved subcontractors used by its suppliers. Suppliers must comply with all applicable laws, regulations and standards in the countries in which they operate. SEK expects suppliers to maintain high ethical standards in their business practices in general and to comply with and adhere to the principles for ethical behavior, anti-corruption, human rights, labor standards, environment, compliance and monitoring as set out in this Code.

Operational governance and the managing of risks is also governed by the *Board's risk appetite* which includes E, S and G risks.

SEK's remuneration guidelines aim to create the preconditions to promote an attractive and healthy workplace. Remuneration should promote reaching SEK's established business and operating targets. SEK has a remuneration system that is consistent with the company's business objectives and risk strategy, its corporate culture and values, and the actions taken to avoid conflicts of interest. Total remuneration must meet the criteria of being reasonable and balanced, it should also be competitive, capped and appropriate as well as promote good ethics and corporate culture. Remuneration should not be higher than at comparable companies. SEK's sole scheme for variable remuneration comprises a discretionary Individual Variable Remuneration (IVR) scheme for employees in the sales organization (Client Relationship Management and International Finance). The scheme aims to motivate performance among employees with direct business responsibility for the purpose of achieving the business plan goals.

International guidelines and frameworks

The international sustainability guidelines that govern SEK's operations in the context of E, S and G risk are the following:

- The ten Principles in the UN Global Compact.
- The UN Guiding Principles on Business and Human Rights.
- The UN Convention on the Rights of the Child.
- The OECD Guidelines for Multinational Enterprises.
 - The OECD's Conventions and Guidelines within Anti-corruption.
 - The OECD's Recommendation on Sustainable Lending Practices and Officially Supported Export Credits.
 - The Equator Principles and the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due

Diligence, which are based on the sustainability standards of the International Finance Corporation (IFC) and which include thresholds for greenhouse gas emissions for project-related financing.

- SEK's new green loans (since 2021) must meet the eligibility criteria of the EU Taxonomy for environmentally sustainable economic activities.
- SEK's sustainability-linked loans must comply with ICMA's standards for sustainability-linked loans.
- SEK's method for classifying exposures in SEK's lending portfolio that are sensitive to climate-related risks is based on the sector term "carbon asset risk framework" developed by the World Resources Institute (WRI) and UNEP Finance Initiative (UNEP-FI).
- SEK reports in accordance with the Global Reporting Initiative standards ("GRI standards").
- SEK discloses information about climate-related risks and opportunities according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- Stress tests are based on scenarios developed by the International Energy Agency's (IEA's) future forecast, World Energy Outlook and by the Network for Greening the Financial System ("NGFS").
- SEK works continuously on developing its operations to support clients and society with financing for a sustainable transition in line with the Paris Agreement and the 2030 Agenda for Sustainable Development.
- The Sustainability Report is performed in accordance with the Swedish Annual Accounts Act.

1.4 E, S and G risk management

Effective E, S and G risk management and control are based on a sound risk culture and an effective control environment. SEK has integrated short-, medium and long-term effects of E, S and G risks in SEK's risk management framework. This includes:

- Embedding E, S and G risks into the Risk Policy, Risk Appetite Statement, Risk Strategy, Credit Policy, and Sustainable Finance Policy
- Embedding E, S and G matters in internal instructions, processes and limits
- Lending criteria (phase out and exclusion of fossil fuels assets)
- Data collection and risk assessment procedures (both qualitative and quantitative).
- Established client due diligence procedures that address E, S and G risks.
- Performing climate-related scenario analysis and stress tests.

SEK's risk management process comprises the following key elements: 1. *Risk identification*, 2. *Risk measurement*, 3. *Risk governance*, 4. *Risk reporting* and 5. *Risk control*.

1. Risk identification

At any given time, SEK must be aware of the risks to which it is or can be exposed. SEK performs regular risk assessments.

E, S and G factors and risks are identified in transactions, products, processes, systems and in external changes in SEK's operating environment. Risk identification is based on the work encompassed by daily operations as well as on established and recurring processes such as the incident management process, the risk workshop process, and the New Product Approval Process (NPAP).

General sustainability risk assessment and risk workshops

Each year, SEK performs comprehensive business-wide risk assessments within the following areas: environment, climate, human rights, bribery and corruption, money laundering and sanctions. These assessments include an assessment of the type of financial products and services offered, the customers and distribution channels used and the countries to which SEK lends. The general risk assessments form the basis for SEK's procedures, guidelines, and other measures to manage sustainability risks including money laundering and terrorist financing and are continuously updated.

Further, SEK performs yearly risk and control self-assessments with all functions which includes identification and assessment of sustainability risks in the day-to-day operations.

Incident management

SEK has an incident management process. All employees are responsible for reporting identified incidents and accidents via the company's incident reporting system. Employees can also anonymously report suspected rule violations or crimes via SEK's whistleblower system. SEK works continuously to ensure that employees and temporary staff have good risk awareness. SEK does not accept any form of reprisals against those who report a risk, incident or serious event.

Initial screening of sustainability risk

Sustainability risks are managed according to a risk-based approach. When a business enquiry is received, potential sustainability risks are identified using the compiled information about the transaction. Such information includes, inter alia, the purpose of the financial and commercial transaction, the parties to the transaction as well as their location, the payment flows linked to the transaction, the goods or services encompassed by the transaction, and the end use of the goods or services. For more information, please refer to *SEK's Annual and Sustainability Report 2023, Sustainability Note 5*.

In-depth analysis of sustainability risk and capacity

Potential sustainability risks are identified and assessed based on risk indicators for the country, counterparty or transaction. Countries are assessed according to the risk of corruption, negative impact on human rights, including working conditions, and the risk of money laundering, terrorist financing and tax jurisdiction. Checks are conducted as part of SEK's "know your customer" routines, including checks of ownership and against international sanction lists as well as whether the counterparty has been involved in sustainability-related incidents that could indicate an insufficient capacity to manage sustainability risks. For more information, please refer to *SEK's Annual and Sustainability Report 2023, Sustainability Note 9*. If the assessment identifies an elevated sustainability risk, an in-depth assessment is conducted by a sustainability analyst.

This entails, inter alia, assessment of the parties' capacity to manage identified sustainability risks and, if relevant, recommendations of actions in order to decrease identified sustainability risks to within SEK's risk appetite until maturity. Based on the above analysis, a decision is taken of whether or not SEK should participate in the transaction. The results of transactions analyzed in 2023 are presented in *SEK's Annual and Sustainability Report 2023*. For human rights, please refer to *Sustainability Note 7*, for corruption please refer to *Sustainability Note 8* and for A and B projects please refer to *Sustainability Note 12*.

2. Risk measurement

Examples of tools used to measure sustainability risk and E, S and G risks:

- *At organizational level:* The identified risks are measured in; business wide risk assessment and risk workshops. In addition, environmental risk elements in specific are included in scenario analysis and internal stress testing.
- *At sector level:* Exposures to sectors sensitive to climate risk are followed- up and presented in the quarterly risk report to the Board. Climate-related scenario analysis is also performed on sectoral level.
- *At client level:* Sustainability risk and E, S and G factors and risks are measured in engagements and transactions.

E, S and G factors in the loan origination process

SEK gathers relevant E, S and G information to assess the customer's repayment capacity and creditworthiness in the loan origination process. In the credit assessment E, S and G risk drivers, for example policy changes, technology development and changes in consumer preferences and transmission channels such as lower profitability and increased costs for development, compliance, and litigation are analyzed for each transaction as part of the internal risk classification process for corporate counterparties. SEK aims at establishing methods for the recognition of E, S and G risk drivers in the risk classification of sovereigns and institutions during 2024.

Climate related scenario analyses and stress tests

SEK performs climate-related scenario analyses and stress tests to identify transition risks and to assess how these risks could impact the operations that SEK finances as well as SEK's financial and capital positions. The scenario analyses and stress tests are conducted at least annually.

The 2023 scenario analysis and stress test for transition risks were based on three scenarios that have been developed by Network for Greening the Financial System (NGFS), and the International Energy Agency's (IEA) "World Energy Outlook": "Current Policies Scenario", the "Net Zero by 2050 Scenario" and the "Delayed transition scenario". In the stress test, positive and negative rating migrations were assumed based on the climate-related transition risks described in the climate scenarios above. In addition, a simplified assumption was made that the current lending portfolio will be extended and prevail over a short- (<3 years), mid (3-10 years)- and long-term basis (>10 years). The results of the stress tests shows that all analyzed scenarios have a limited impact on SEK's capital ratio and SEK's financial position. Some sectors such as "Coal, Oil and Gas," "Electric Utilities," "Independent Power Producers and Traders" and

“Metals and Mining” were assessed as particularly sensitive to long-term transition risks. For detailed information on the outcomes, please refer to *Annual and Sustainability Report 2023 Sustainability Note 13*.

E, S and G Materiality assessment per financial risk type

Credit risk

The assessment of the financial materiality of E, S and G factors, transmission channels and risks are an important part of SEK's credit risk management procedures including the credit risk assessment.

As explained in SEK's materiality assessment (please refer to *SEK's Annual and Sustainability Report 2023 Sustainability Note 3*) SEK is indirectly exposed to E, S and G risks through its borrowers' exposure to E, S and G factors, which could potentially materialize in the form of an adverse impact on the counterparties' repayment capacity. On a time horizon of up to 3 years (10 years for climate change where SEK reports pursuant to the TCFD), the potential financial impact is currently not assessed to be significant for SEK. However, the analysis could change quickly due to increased insight in terms of the financial impact of specific E, S and G issues on counterparties as well as due to increased insight into the impact over a longer time horizon.

Market risk

E, S and G-related factors can affect market risk indirectly through increased volatility in underlying risk factors. Considering SEK's business, the conclusion is that E, S and G-risks currently does not have a material impact on SEK's market risk.

Liquidity risk

E, S and G-related factors can impact liquidity risks directly, through transmission channels like limitation to raise funds or difficulties to divest liquid assets, or indirectly in form of increased draw downs on credit lines from customers. Considering SEK's assets, the conclusion is that E, S and G-risks currently does not have a material impact on SEK's liquidity risk.

Operational risk

Operational risk can be affected by E, S and G factors. This includes the failure to evaluate compliance of SEK's exposures with existing E, S and G standards, which might lead to future financial impacts via reputational or legal damage. SEK currently assesses the risk to be non-material. However, this could change as new policies and rules evolve or if, for example, physical risks start to materialize.

E, S and G data availability

Data availability, quality and accuracy, and efforts to improve these aspects are important for SEK's ability to measure and manage E, S and G risks.

Transaction and counterparty data is managed in business systems and as a complement in master data services and databases. All data is stored in SEK's data warehouse, from which reporting, and analysis tools are built. This ensures consistency between external and internal reporting and analyses conducted by SEK. Environmental risk data is

managed in the same way as other types of data.

SEK uses data from two external vendors for physical risks and GHG emissions.

3. Risk governance

See section 1.3.

4. Reporting

See *Internal reporting procedures and frequencies* in section 1.3.

5. Risk control

Follow-up on target fulfillment of sustainability goals takes place regularly, and at least quarterly, through the CFO communication and the CEO's report. Further, SEK has implemented sustainability related controls to ensure that risks are reduced to an acceptable level in accordance with the Boards Risk Appetite Statement.

The process owners together with SEK's independent control functions analyze the completeness of implemented internal controls at least annually and the process owners are responsible for making amendments if necessary.

Monitoring and testing activities are carried out on an ongoing basis throughout the year to ensure control effectiveness with regards to design, implementation, and operational effectiveness of the controls. This testing is performed by staff who are independent from the individuals who carry out the controls.

Monitoring of transactions

SEK monitors transaction on a risk-based approach. Category A and B projects within project related financing are reported, whereby sustainability analysts follow up management of the sustainability clauses in the credit agreement during the term of the loan agreement. Non-compliance with the agreed conditions results in the initiation of a dialogue with the borrower and requirements for the preparation of an action plan that addresses the deviations, and which is monitored on an ongoing basis. Other non-project-related transactions are continually monitored through Adverse media searching as well as in the event of an occurrence that entails invoking covenants in the loan agreement.

Monitoring of high-risk exposures

The exposure to fossil fuel assets is limited in the Sustainable Finance Policy and followed-up and reported on a quarterly basis. For details on SEK's exposures to fossil fuel assets and other sectors exposed to transition risk, please refer to the *Annual and Sustainability Report 2023, Sustainability note 13*.

For further details on SEK's handling of Environmental risk, please refer to SEK's Annual and Sustainability Report 2023, Sustainability note 2, 3, 4, 5, 11, 12 and 13.

For further details on SEK's handling of Social risks, please refer to SEK's Annual and Sustainability Report 2023, Sustainability note 2, 3, 4, 6, 7, 11, and 12.

For further details on SEK's handling of Governance risk, please refer to SEK's Annual and Sustainability Report 2023, Sustainability note 2, 3, 4, 8-12.