

This note outlines the activities SEK has completed in order to update its policies and internal processes to implement the Equator Principles (EPs) since its' adoption thereof and up until 30 June 2018.

- SEK adopted Equator Principles in 2017. During this period, well proven routines and internal guidelines have been updated and complemented within SEK.
- SEK has updated its governance, policies and guidelines on Environmental & Social and Human Rights (E&S) due diligence and monitoring to incorporate the requirements of both the OECD Common Approaches, and the EPs. The governance, policies and guidelines sets out how SEK implements the OECD Common Approaches and EPs, where the pre-transactional actions (scoping, screening, due diligence review), these aspects satisfy Equator Principles 1 – 8, and for post-issue monitoring, to satisfy Equator Principle 9. This reporting of our progress to date forms part of our obligations under Equator Principle 10 (Reporting and Transparency) and as articulated in Annex B of the EPs.
- SEK has updated its internal processes and management systems to ensure the internal responsibilities are conducted with reference to the OECD Common Approaches and the EPs.
- The Transaction Risk Analysis Team (“ARA”) staff and Sustainability Analyst(s)/Credit professionally qualified to directly undertake and/or manage the necessary E&S due diligence and liaise with Project sponsors and/or exporters and SEKs decision-makers. The ARA reports directly to the Head of Lending. The Sustainability Analyst(s)/Credit reports directly to Head of Credit.
- Since SEKs adoption of the Equator Principles, SEKs Head of Sustainability, 1 Sustainability Analyst/Credit, 1 Sustainability Analyst/ARA, 4 Lawyers and Head of Legal, 1 Compliance Officer/Compliance have gone through the EP-training program. Training and implementation of EP Loan Clauses have been undertaken with Legal Department.
- Since adopting the EP, ARA and Sustainability Analyst/Credit has provided, and continues to provide, internal training to SEKs Lending, Legal and Credit departments, and wider staff, to raise awareness of the requirements of OECD Common Approaches and the EPs and general E&S risk management.

Description of SEKs organizational and governance structure for integrating EP

Responsibilities:



Head of Sustainability

- Strategic relation with EPFI
- Overall business risk analysis of sustainability risks
- Member of SEK credit committee in decisions concerning A and B Projects



Transaction Risk Analysis Team (Lending department)

- Screening and initial categorization of (A, B, C Projects)
- Suggests classification of A and B Projects



Sustainability Analysts (Credit department)

- Coordinates practical cooperation with EPFI
- Approve categorization of A and B Projects
- Environmental and social assessments for A and B Projects, action plans and follow-up
- EP reporting



Sustainability representative (Legal department)

- Sustainability covenants (including EP covenants)



Compliance department

- Follows up on SEKs compliance with internal and external laws, rules and regulation, including EP

Risk governance structure:

- Sustainability risks are defined as a risk type in SEKs overall risk management framework and included in the monthly risk report to the Board of Directors.
- Project-related sustainability risks are identified as one material sustainability risk in SEKs overall business risk analysis.
- According to SEK risk appetite and risk strategy for Project related risks, Projects should be in line with EP.
- If a Project is deemed not to be in accordance with EP, it will be regarded as outside SEK risk appetite and reported to the Board of Directors.
- SEK total Project portfolio accordance with EP is followed up on a yearly basis and reported to the Board of Directors.

Description of SEKs internal process flow for identifying and managing transaction in line with the EPs

1. For all lending transactions, a Transaction Team ("TT") is formed, consisting of (inter alia) the respective Transaction Manager/Client Executive, a Transaction Risk Analyst, a Lawyer, and, when relevant, a Sustainability Analyst/Credit.
2. When a new potential transaction is identified, the ARA team identifies (inter alia) whether the transaction falls within the scope of the Equator Principles framework. ARA assesses the potential transaction in a structured and organized manner and obtains expertise Equator Principles-advice from a Sustainability Analyst/Credit throughout the whole process, if needed.
3. The screening and categorization (A, B or C) of transactions is carried out by the Transaction Risk Analyst, with expertise support and advice from Sustainability Analyst/Credit. If the Transaction Risk Analyst and Sustainability Analyst/Credit cannot agree on a category, the decision would be escalated to the CEO.
4. All transactions that qualify within the Equator Principles scope and that are classified as A or B, needs to be presented in SEKs credit committee before potential approval. Credit memos contain a specific section dedicated to sustainability issues, where it is required to specify whether a transaction falls within the Equator Principles the framework or not. Additional information, including covenants, is mandatory if transactions fall within the Equator Principles framework. The validation and approval process is performed within SEKs credit process. This follows SEKs normal process for all types of lending transactions. Head of Sustainability takes part in SEK credit committee in decisions concerning A and B Projects.
5. After credit approval, covenants are finalized by the TT with applicable expertise and advice from Legal Department as well as Sustainability Analyst(s)/Credit. In this way, processes and routines are in place to ensure that Equator Principles related covenants are correctly implemented and adhered to.
6. A lending transactions' continuing compliance with applicable standards and Equator Principles requirements is monitored by the TT and by the expertise advice from Sustainability Analyst and legal department, if necessary. The policies and processes implemented around Equator Principles are integrated in the general environmental and social risk policies within SEK. The monitoring and reporting requirements are recognized within SEK and implemented throughout the credit process and cycle.