

POLICY AND GUIDELINES

Sustainability policy

Decision-making body:	Board of Directors
Adopted:	2021-09-28
Responsible for document:	Peter Tuving
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This document has been translated from Swedish. In the case of any discrepancies between the Swedish and English versions, the Swedish version is the original.

1. INTRODUCTION

EKN is a government agency with the task of promoting Swedish exports of goods and services as well as the internationalization and competitiveness of Swedish companies. EKN does this by providing financial guarantees which covers companies' risks of not getting paid in export transactions. EKN also provides guarantees to banks' lending and credit to both exporting companies and their buyers. EKN is financed by the guarantee holders' premiums which reflect the risk in the transaction. EKN has no budgetary allocation from the Swedish government. EKN's operations shall be financially self-sustaining over time.

Through its business activities, EKN has an impact on the environment, human rights and sustainable development of society - the latter includes measures to counteract corruption, tax evasion and over-indebtedness of states. EKN's impact is primarily indirect through providing guarantees, and by engaging in dialogue and collaboration. The effects can be both positive and negative in the same transaction, which means that conflicting objectives may have to be balanced against each other.

EKN's sustainability policy is a tool for communicating and clarifying EKN's role, objectives and overall guidelines in promoting responsible, sustainable exports. The policy also clarifies EKN's expectations on its clients, both companies and banks, that apply for export credit guarantees from EKN.

The policy is also a decision-making and planning tool for underwriters and management at the government agency. The policy shall be used to (i) manage sustainability issues in transactions and (ii) develop time-bound goals, action plans, monitoring and implementation methods related to the environment, people and society.

The sustainability policy is approved by EKN's Board of Directors, together with principally important guidelines, which are described in the policy's appendix. EKN's day-to-day management of the aspects that the policy covers are developed and approved in accordance with EKN's decision-making procedure and are described in detailed guidelines for each subject area.

EKN's sustainability policy does not cover EKN's direct impact on the environment, people and society from business travel or the purchase and use of goods and services. These issues are covered in other policies and guidelines. EKN's expectations and requirements on employees are covered in EKN's Code of Conduct.

2. POLICY

EKN's SUSTAINABILITY POLICY

EKN's goal is – through the provision of guarantees as well as in dialogues and collaboration with exporters, banks, authorities and other parties – to also contribute to the realisation of the UN's Sustainable Development Goals and the Paris Climate Agreement.

EKN shall work proactively to enable and guarantee exports that contribute to the transition required to achieve the UN's global goals. In this way, EKN can also contribute to the development of long-term sustainable business models for Swedish exporters and their customers.

EKN shall analyse risks and impacts on the environment, people and society - including risks of corruption - in transactions and across the portfolio. Together with other actors, EKN shall maximize opportunities for positive impact.

With the support of international standards¹ and good practice, EKN shall continuously improve methods and risk management tools that ensure long-term sustainability in transactions and address both current and future sustainability and credit risks.

BOX 1: The role of business and financial actors in sustainable development

The UN's Sustainable Development Goals and the Paris Climate Agreement (under the UN Framework Convention on Climate Change) summarize the goals and interim targets of the global efforts towards ensuring a stable climate, sustainable use of natural resources, reduced poverty and increased respect for human rights. Both agreements describe the role of business and financial actors in implementing the global sustainability commitments in cooperation with states and civil society.

The transition to a sustainable development of society requires innovation and financing for the development of business operations that contribute to sustainable development. In addition, prevention and counteracting of corruption, tax evasion, unsustainable indebtedness of states, environmental degradation and human rights violations are of central importance.

¹ "International standards" refers to conventions, recognized standards, certification systems and good practice for their application.

3. GUIDELINES

Applicable regulatory framework

In its operations to promote exports, EKN shall follow the principles in:

- UN Guiding Principles on Business and Human Rights;
- OECD Guidelines for Multinational Enterprises; and
- UN Global Compact.

In its efforts to achieve sustainable business performance, EKN shall abide by:

- OECD Recommendation of the Council on Bribery and Officially Supported Export Credits;
- OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the so-called "Common Approaches");
- OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits; and

EKN shall endeavour to ensure that the “generation goals” for environmental protection and the environmental quality objectives laid down by the Swedish parliament are achieved.

BOX 2: UN and OECD principles and recommendations on responsible business practices

Principles aimed at companies

The UN Guiding Principles on Business and Human Rights; OECD Guidelines for Multinational Enterprises; and the UN Global Compact are based on internationally recognized norms. These frameworks set out expectations on companies to prevent and manage sustainability risks in their global value chains, i.e. including customer relations in the sales of goods and services. EKN’s instruction from the Swedish government clarifies that also EKN shall conduct its export promotion activities in accordance with these principles.

OECD Recommendations aimed at export credit agencies

The OECD Recommendation of the Council on Bribery and Officially Supported Export Credits; the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the so-called "Common Approaches"); and the OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits are all specifically targeting how sustainability issues shall be managed by export credit agencies. As these recommendations and principles are negotiated within the OECD, Sweden and EKN can influence their development together with other export credit agencies.

Overall guidelines for EKN's business activities

When the above principles and recommendations are applied in EKN's business activities, this means for instance that:

- EKN shall develop methods and collaboration to promote transactions with positive contributions to sustainable development.
- EKN shall contribute to the realisation of transactions with responsible management of the environment and human rights, without corruption and which facilitate social and economic development of low-income countries.
- EKN shall have a risk-based approach. This means that EKN's assessment should prioritize transactions with high sustainability risk and impact on the environment, people and society - regardless of buyer, country, size of transaction, credit period and type of guarantee product. The main focus of EKN's assessment is on the operation where the goods or services are to be used.
- EKN shall refrain from participating in transactions where the conditions are deemed unacceptable and where EKN cannot influence the situation positively, or where information necessary for EKN is not obtained or expected to be obtained at a later stage. EKN shall also not participate in transactions where there is corruption or where the primary purpose of the business set-up is tax evasion.
- EKN shall be restrictive in its support for transactions to operations with high negative climate impacts. In transactions to new projects with an expected high negative climate impact, EKN's risk assessment shall consider the operation's life cycle greenhouse gas emissions, possible lock-in effects and transition plans in line with the Paris Agreement's 1.5-degree target.

Requirements on EKN's customers

- Companies and banks are expected to apply proactive risk assessment². This means to assess, communicate and - as far as possible – prevent, manage and remedy potential risks and negative impacts on the environment, people and society in their transactions, with a focus on high-risk situations.

² So-called “due diligence”

BOX 3: Balancing risk in EKN's assessments

In the operations which EKN guarantees, negative and positive impacts are unevenly distributed across different actors and stakeholders: globally, in buyer countries and in Sweden. Climate impacts from projects and business operations affect the stability of the climate at a global level. Projects and operations in buyer countries can have both positive and negative impacts on people and the environment at the local level. For exporters and Swedish exports in general, there is often no negative impact. Instead the transactions contribute positively to job creation and economic growth in Sweden.

In sustainability assessments at transaction-level, EKN particularly considers sustainability risks at the global level and in the buyer country. When balancing transaction decisions, positive aspects for Swedish exports and sustainable development must be taken into account, but these cannot offset what EKN considers to be unacceptable impact on climate, the environment and people in buyer countries.

Collaboration and influence

- EKN shall maximize opportunities to exert positive leverage and influence, together with companies, banks, authorities and other actors through transactions, dialogue and partnerships.
- EKN shall work closely with companies and banks to promote international regulatory frameworks and support their application in customers' operations.
- EKN shall have ongoing dialogues with Swedish government authorities, other countries' export credit agencies and other stakeholders in order to share sustainable business practices, drive effective collaboration and promote a level playing field in sustainable global development.

Transparency

- EKN shall regularly communicate the results of monitoring and evaluation of its activities in the area of sustainable business practices.
- Within the legal requirements regarding business confidentiality, EKN shall regularly provide information about transactions with high sustainability risks, to which the government agency has issued guarantees or refrained from participating in.

APPENDIX 1: EKN's approach to fossil fuels

The appendix clarifies EKN's approach to guarantees for applications which in different ways relate to fossil fuels, based on Sweden's Trade and Investment Strategy and the OECD Arrangement's Sector Understanding on Export Credits for Coal Fired Electricity Generation Projects.

According to the timetable below, **EKN will not issue new guarantees** if the products or services will be used in the following sectors.

Fossil fuel	End-user's business activity	Business phase (new project or existing operation)	Timeframe
Coal (also for industrial use)	Coal-fired power plants and industrial operations which includes coal-fired power plants where the primary purpose is to provide the industrial operation with power	All	No new guarantees*
	Exploration, extraction and transportation of coal	All	No new guarantees
Oil and gas	Unconventional extraction methods ³	All	No new guarantees
	Exploration and extraction of oil and gas	New projects or large expansion of existing operations	New guarantees will only be issued in the below situations*
	Exploration and extraction of oil and gas	All	No new guarantees after 31 st December 2022
	Refineries, oil and gas	New projects or large expansion of existing operations	New guarantees will only be issued in the below situations*
	Power plants, oil	New projects or large expansion of existing operations	No new guarantees
	Power plants, gas	New projects or large expansion of existing operations	New guarantees will only be issued in the below situations*, with step-wise approach**

³ E.g. fracking and oil sand extraction

***Guarantees may be issued** if one or more of the below conditions are met:

- The end-user has documented and realistic transition plans in line with the Paris Agreement's 1.5-degree target, e.g. equipped with carbon capture and storage (CCS) or equivalent emissions reduction technologies
- The transaction refers to substantial environmental or safety improvement measures while no expansion of the oil or gas operation (does not apply to coal fired power plants)

**Until 31st December 2022, decisions on guarantees may be made if one of the following conditions are met and the project includes best available technology:

- Transactions to new gas-fired power plants in countries with large development needs⁴ or in countries where the exporter or buyer can show that the project is part of reconstruction after war or conflict
- Transactions to new gas-fired power plants which themselves lack documented and realistic plans for transition to 2030, but where the exporter or buyer can show that the project is part of a national transition plan in line with the Paris Agreement's 1.5-degree target

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⁴ Least Developed Countries as defined by the UN: <https://unctad.org/topic/least-developed-countries/list>