



Environmental Policy on Climate Change, Freshwater and Biodiversity for the SEB Group

derived from the Rules of Procedure of the Board of Directors

adopted by the Board of Directors of
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Sustainable Banking

Policy on Climate Change, Freshwater and Biodiversity

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Policy on Climate Change, Freshwater and Biodiversity

1 Introduction

SEB's environmental responsibility concerns the impact that we or our business partners have on living and non-living natural systems, including ecosystems, land, air and water. In order to address such impacts, SEB has developed this Environmental Policy to describe SEB's management of Climate Change, Freshwater and Biodiversity. The interconnection between climate change, freshwater and biodiversity is inseparable and is further described in annex 1.

SEB's overall sustainability ambitions are articulated in the business strategy through sustainability related business targets and through sustainability policies. The purpose with sustainability policies are to ensure a certain level of sustainability performance among Clients and Portfolio Companies. In addition to policies, sustainability related products and advisory facilitate sustainability improvements among Clients and Portfolio Companies.

This Environmental Policy is developed on the basis of an impact perspective. Each of the thematic areas in this document, i.e. climate change, freshwater and biodiversity, are described according to the following structure:

- 1) Position: Description of SEB's position
- 2) Approach: Identification of impact sectors
- 3) Assessment and engagement supporting transition: Expectations regarding the Company's transition process

2 Definitions

Biodiversity baseline: Collection and interpretation of biodiversity values occurring through operation or new projects, their current condition and future development.¹

Client: A Company with which SEB has a business relationship.

Companies: Legal corporate entities conducting business.

Deforestation: The permanent destruction of forests and woodlands and conversion to non-forest uses.² The term specifically excludes areas where the trees have been removed as a result of harvesting or logging, and where the forest is expected to regenerate naturally or with the aid of silvicultural measures.³

Dependency perspective: Are "aspects of nature's contributions to people [ecosystem services] that a person or organization relies on to function, including water flow and quality regulation; regulation of hazards like fires and floods; pollination; carbon sequestration."⁴

GHG (Greenhouse Gas) emissions: Emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrochlorofluorocarbons (HCFCs), ozone (O₃),

¹ Gullison, R.E., J. Hardner, S. Anstee, M. Meyer. 2015. Good Practices for the Collection of Biodiversity Baseline Data. Prepared for the Multilateral Financing Institutions Biodiversity Working Group & Cross-Sector Biodiversity Initiative

² EU Commission, DG Environment

³ Food and Agriculture Organization 2001

⁴ Definition as defined by the Science-Based Target Network (SBTN)

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hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆) and water vapour.

Impact perspective⁵: Are positive or negative contributions of a company or other actor toward the state of nature.

Investment: Where SEB, directly or indirectly through investment products, managed by SEB or its subsidiaries, invests in equities and fixed income securities.

Portfolio Company: Company where SEB Group has an equity ownership excluding insurance wrapper solutions/products where the Client makes the investment decision.

Scope 1, 2 and 3: Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling. Scope 3 includes all other indirect emissions that occur in a Company's value chain.

SEB or SEB Group: Skandinaviska Enskilda Banken AB (publ) and its affiliates, such as subsidiaries, branches and representative offices.

Water Stress: The ability or lack of meeting human and ecological demand for fresh water. It includes the water availability, water quality and the accessibility of water whereby water scarcity can be used as an assessment element.⁶

Natural habitats: A place where plants or animals normally live, characterized primarily by its physical features (topography, plant or animal physiognomy, soil characteristics, climate, water quality etc.) and secondarily by the species of plants and animals that live there⁷.

No Net Deforestation: Converting forests into non forests while planting or regenerating trees effectively elsewhere, provided the net quantity, quality and carbon density of forests is maintained.⁸

3 Purpose

The purpose of this Thematic Policy is to define SEB's position and approach towards climate, freshwater and biodiversity. Specific expectations, requirements and restrictions are further defined in corresponding sector policies.

4 Scope

This Thematic Policy shall be implemented in all parts of the SEB Group, taking local or sector specific rules into account, when relevant. Branches and subsidiaries shall take necessary steps to implement this Thematic Policy.

Exempt Activities

- 1) Intermediation services such as provision of investment opportunities and thereto related research activities;
- 2) Securities financing activities;

⁵ Definition as defined by the Science-Based Target Network (SBTN)

⁶ UN Global Compact – CEO Water Mandate

⁷ European Environment Agency

⁸ WWF: Zero Net Deforestation by 2020 – A WWF Briefing Paper

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- 3) Externally managed funds and holdings in externally managed funds⁹;
- 4) Financial products where the employees in Companies in scope are the beneficiaries, e.g. Occupational Pension;
- 5) Any activity that the SEB Group is obliged under law or regulation to provide.

5 Climate Change

Global climate change is one of today's most serious challenges. Scientific evidence points to substantial risks to the planet from climate change if we do not manage to limit global warming to 1,5 degrees compared to preindustrial levels. SEB has an important role to play in supporting its customers in the transition towards a low carbon economy, being net zero by 2050, in line with the Paris Agreement.

Position

To manage the transition in a consistent and predictable manner SEB will take the following positions:

- SEB has a net zero Paris aligned target for the climate impact of its credit business and asset management;
- SEB strives to base climate related business decisions on science-based climate data, models and scenarios;
- SEB integrates climate considerations in its credit business and asset management;
- SEB engages with peers, Companies and policy makers to support the development of a conducive framework of market standards, regulations and policy incentives that support an orderly transition to a low carbon economy;
- SEB will support financing of a Just Transition¹⁰ ensuring a socially inclusive approach to the transition to a low carbon economy;
- SEB's climate strategy is aligned with internal incentives and KPIs;
- SEB shall be transparent on its climate risks and opportunities.

Approach

Understanding the climate impact of Companies

A sector specific approach is used to assess the Company's climate impact. Companies in sectors with slight or material climate impact shall be assessed regarding the Company's climate performance and targets. Where available, sector specific climate intensity metric shall be used. Otherwise the Company's material Scope 1,2 and 3 is used.

⁹ For SEB managed investment products investing in external funds there is a preference for funds that fulfil SEB's sustainability policies, PRI or equivalent

¹⁰ "A just transition for all towards an environmentally sustainable economy ... needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty." Guidelines for a just transition towards environmentally sustainable economies and societies for all" International Labor Organization (2015) and OECD Just Transition Centre

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SEB expects Companies in sectors with slight or material climate impact to have a credible transition strategy in line with the Paris Agreement (1,5 degrees).

Companies lacking such a plan are considered to have potential material climate impact and should be further assessed as described in 4.3.

Assessment and engagement supporting transition

Companies which have a risk for potential material climate impact should be further assessed as to any potential mitigating action. In this assessment internal or external models and data as well as any sector policy position should be included.

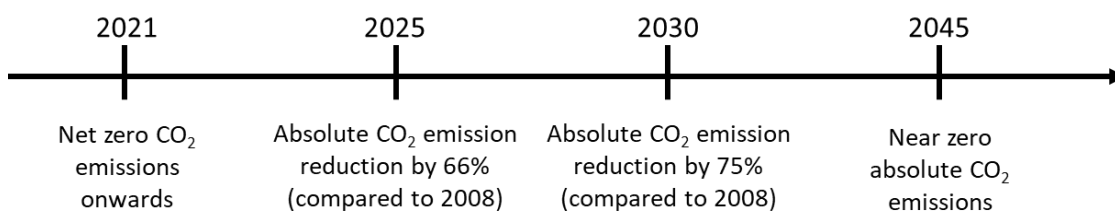
Based on Companies' climate performance and ambitions, SEB will aim to engage regarding transition related risks and opportunities related to the Companies' climate strategies. Engagement should over time result in commitments from Companies to achieve Scope 1, 2 and 3 emissions reductions, based on a credible strategy with explicit short-, medium- and long-term targets, aligned to the Paris Agreement.

Carbon removal technologies are supported in case of residual emissions or as a mitigant action if a robust methodology is applied¹¹, but not replacing actual carbon reduction requirements.

Over time SEB will gradually restrict financing to Companies that contribute to significant negative climate impact without a credible transition plan. Leaving a Client relationship should only be considered after significant engagement and if the Company has not fulfilled/accepted a pre-agreed timeline to develop transition ambitions consistent with the Paris Agreement.

SEB's operational CO₂ footprint

SEB has a responsibility and ambition to reduce its operational climate footprint. SEB has set the following direct CO₂ targets¹²:



To achieve this SEB will work to

- Improve energy efficiency of operations and buildings;
- Use renewable energy in buildings owned or rented;

¹¹ Building on requirements in the EU Carbon Removal Certificates Proposal

¹² Scope 1 and 2 as well as Scope 3 (paper, company cars, travel, facility energy)

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- Reduce business travel by using alternative techniques for meetings and reduce travel related emissions by choosing bio fuel where possible;
- Move to an electrified fleet of company cars;
- Work together with suppliers to minimise SEB's broader carbon footprint from operations;
- Provide transparent public reporting on SEB's emissions profile and the actions SEB undertakes to manage and mitigate emissions. SEB is a signatory to the CDP¹³.

6 Fresh water

Freshwater is a scarce commodity and essential for sustaining life. In a global perspective, billions of people live in regions vulnerable to freshwater stress and/or flooding. We appreciate that through our business decisions we may have an impact in regions where our customers are active and where freshwater or clean water is a scarce commodity. In our own operations, we are not a material user of freshwater and operations are not located in water stressed areas. However, it is important for SEB to contribute to the reduction of water stress and contamination of surface and groundwater through our Investment and lending activities.

Position

SEB takes the following position:

- SEB acknowledges the role as financial intermediary and its potential impact on water stress, water scarcity, water contamination, and affected societies;
- SEB will contribute to an understanding that water stress as well as extreme weather such as heavy precipitation can translate into growing financial risk;
- SEB will aim to identify, understand and mitigate impact and exposure to water stress through appropriate water management among our Clients and Portfolio Companies;
- SEB expects freshwater exposed Clients and Portfolio Companies to conduct water stress impact assessments in own operations and supply chains and have mitigation methods in water stressed regions in place;
- SEB will aim for zero pollution and efficient water management systems among Clients and Portfolio Companies.

¹³ CDP is an international, not-for-profit organisation providing the only global system for clients and cities to measure, disclose, manage and share vital environmental information.

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Approach

SEB has identified the following sectors¹⁴ with potential significant water impact¹⁵ :

- Agriculture
- Chemicals
- Food & beverages
- Fossil Fuel and Nuclear Power Generation
- Mining
- Pulp & paper
- Pharmaceuticals
- Textile

Assessment and engagement supporting transition

For Clients and Portfolio Companies in sectors with potential significant water impact, SEB will aim to understand the individual Company's impact on water stress in terms of own operations and supply chain, where relevant. Therefore, SEB expects these Clients and Portfolio Companies to

- Identify potential impact on water stressed areas and measure water intensity¹⁶;
- Measure the amount of discharged waste water and set targets for its reuse and recycling.

SEB expects Clients and Portfolio Companies with significant water impact on water stressed areas to develop transition plans to a more sustainable water usage.

7 Biodiversity

Nature provides us with food, fresh water and clean air, shelter and medicine, mitigating natural disasters, pests and diseases and contributes to regulating the climate. Biodiversity is our natural capital, delivering ecosystem services that underpin our economy. Its deterioration and loss jeopardises the provision of these

¹⁴ Subsectors under the following NACE sector codes: : 01 - Crop and animal production, hunting and related service activities; 03 – Fishing and aquaculture; 2351 – Manufacture of cement; 2365 – Manufacture of fibre cement; 2369 – Manufacture of other articles of concrete, plaster and cement; 20 – Manufacture of chemicals and chemical products; 22 – Manufacture of rubber and plastic products; 10 – Manufacture of food products; 11 – Manufacture of beverages; 02 – Forestry and logging; 16 – Manufacture of wood and of products of wood and cork; 17 – Manufacture of paper and paper products; 07 – Mining of Metal Ores; 08 – Other mining and quarrying; 099 – Support activities for other mining and quarrying; 24 – Manufacture of basic metals; 06 – Extraction of crude petroleum and natural gas; 0892 – Extraction of peat; 091 – Support activities for petroleum and natural gas extraction; 191 – Manufacture of coke oven products; 192 - Manufacture of refined petroleum products; 3521 - Manufacture of gas (if applicable); 3522 - Distribution of gaseous fuels through mains; 0510 – Mining of hard coal; 21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations; 13 – Manufacture of textiles; 14 – Manufacture of wearing apparel; 15 – Manufacture of leather and related products.

¹⁵ Based on a discussion with experts and drawing on SASB and South Pole 2020: "Methodology for Water Risk Assessments of Equity Portfolios" combined with SEB credit exposure

¹⁶ For example total water intensity (in m³/revenue/year) or other relevant industry and or context based metrics such as m³(or L)/unit(kg or t) of product

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services. We lose species and habitats and the wealth and employment we derive from nature, endangering our own wellbeing. This makes biodiversity loss one of the most critical global environmental threats alongside climate change - and the two are linked. Therefore, SEB will support its Clients and Portfolio Companies in the transition towards reversing biodiversity loss.

Position

SEB expects Clients and Portfolio Companies to manage natural resources responsibly. The following principles guide SEB's approach to biodiversity:

- Acknowledge the role as financial intermediary and its potential impact on biodiversity, ecosystem services and affected societies;
- Contribute to an understanding that biodiversity loss can translate into growing financial risk as well as the business opportunities linked to ecosystem services and a resilient nature;
- Strive to identify and understand exposure to biodiversity risk through use of acknowledged industry tools¹⁷;
- Influence our Clients and Portfolio Companies with potentially high impact on biodiversity and ecosystems, to have appropriate biodiversity management policies and monitoring systems of sufficient quality;
- Set relevant targets for the areas of biodiversity loss, deforestation and conversion of natural habitats in line with national and/or international standards and conventions¹⁸.

Approach

SEB has identified sectors with high impact, directly through own operations or indirectly through supply chain impact on biodiversity. The selection is based on SEB's credit exposure combined with sector specific land based biodiversity impact¹⁹. The selected industries are identified from an impact perspective, rather than a dependency perspective. The following sectors have significant potential biodiversity impact²⁰:

Sectors with direct biodiversity impact	Sectors with indirect biodiversity impact (supply chain)
<ul style="list-style-type: none">• Agriculture• Forestry	<ul style="list-style-type: none">• Construction• Pulp and paper

¹⁷ Such as ENCORE, IBAT, Global Forest Watch, WWF: Assessing Portfolio Impacts, Finance for Biodiversity: Guide on biodiversity measurement approach

¹⁸ E.g. Convention on Biodiversity, EU Green Deal, EU's Biodiversity Strategy

¹⁹ Building on e.g. UN Environment Programme, UNEP Finance Initiative and Global Canopy 2020. Beyond 'Business as Usual': Biodiversity targets and finance. UNEP-WCMC; Ramboll report: Service request on sustainable finance taxonomy – Data collection and environmental objectives; and other land-based impact studies such as WEF-PWC 2020

²⁰ Subsectors under the following NACE sector codes: 45-47 – Retail; 02 – Forestry and logging; 16 – Manufacture of wood and of products of wood and cork; 17 – Manufacture of paper and paper products; 42 – Civil engineering (infrastructure); 07 – Mining of Metal Ores; 08 – Other mining and quarrying; 099 – Support activities for other mining and quarrying; 24 – Manufacture of basic metals; 3511 – Production of Electricity.

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- Energy generation from wind and hydropower
- Infrastructure
- Mining
- Power Transmission²¹
- Retail (food, beverage, textile, furniture)

Depending on the kind of impact, SEB expects its Clients and Portfolio Companies to take necessary steps to reduce negative impact on biodiversity loss, deforestation and/or conversion of natural habitats respectively.

Assessment and engagement supporting transition

The below table sets out SEB's expectations on Clients and Portfolio Companies in sectors with potential high direct and indirect (supply chain) negative biodiversity impact on land-based nature²². Depending on the sector, the relevant expectations are further defined in the applicable Sector Policy.

Companies in sectors with direct impact	Companies in sectors with indirect biodiversity impact (supply chain)
<ul style="list-style-type: none"> • Develop a biodiversity baseline and target by 2025 • Commit to no deforestation / no net deforestation • Have no material negative impact in sensitive environmental areas (see below) 	<ul style="list-style-type: none"> • Develop a biodiversity baseline by 2027 • Commit to no deforestation²³ / no net deforestation in supply chain • Have processes to ensure no material negative impact in sensitive environmental areas of the supply chain (see below)

New Projects and capacity expansion²⁴

- Conduct an Environmental Impact Assessment²⁵
- Apply the mitigation hierarchy²⁶

²¹ 3512 - Transmission of electricity; 3513 - Distribution of electricity

²² Based on impact sectors reported in WEF-PwC 2002 and PRB – Beyond 'Business as Usual': Biodiversity Targets and Finance

²³ See chapter 2 for definitions

²⁴ When SEB is directly financing new projects and capacity expansions

²⁵ If outside the EU/EEA/UK base the EIA on standards used in international financing such as IFC – Performance Standards or other Multilateral Development Bank Standard or equivalent

²⁶ 1. Avoid all potential impacts as much as possible before the start of the project

2. Minimize remaining impacts

3. Restore all damages that occurred during the project

4. offset or compensate residual damage in order to create "positive impact" (usually elsewhere)

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Restrictions on sensitive environmental areas

SEB will avoid providing financial services to Clients, or make Investments in Portfolio Companies or projects with material negative impact²⁷, such as land conversion, on sensitive environmental areas such as:

- UNESCO World Heritage sites²⁸;
- Wetlands covered by the Ramsar Convention²⁹;
- Land-based Natura 2000 areas;
- National parks and nature reserves;
- High conservation value forests (HCVF)³⁰;
- International Union for the Conservation of Nature Red List Species³¹.

SEB will also not trade in, or contribute to trade in, endangered plant and animal species that are on the CITES³² unless it is authorized through CITES licensing system.

²⁷ If an activity is approved by an official legal/licensing body within the EU, the activity is not considered having material negative impact. If outside the EU, the independent Environmental Impact Assessment of the activity must show that the mitigating actions taken will result in minimal or no negative impact.

²⁸ The United Nations Educational, Scientific and Cultural Organization (UNESCO) seeks to encourage the identification, protection and preservation of cultural and natural heritage. The UNESCO World Heritage List includes over 900 properties forming part of the cultural and natural heritage which the World Heritage Committee considers as having outstanding universal value, such as a forest, mountain, lake, desert, monument, building, complex, or city that is considered to be of outstanding importance to the common heritage of humanity

²⁹ The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources <http://www.ramsar.org/sitelist.doc>

³⁰ Forests that inherited biological, ecological, social or cultural values of outstanding significance as defined in FSC's "Common Guidance for the Identification of High Conservation Values – 10/2013": HCV 1 -Species diversity; HCV 2 -Landscape-level ecosystems and mosaics; HCV 3 -Ecosystems and habitats; HCV 4 -Critical ecosystem services; HCV 5 -Community needs; HCV 6 -Cultural values.

³¹ The International Union for Conservation of Nature (IUCN) Red List of Threatened Species™ is widely recognized as the most comprehensive, objective global approach for evaluating the conservation status of plant and animal species. <http://www.iucnredlist.org/>

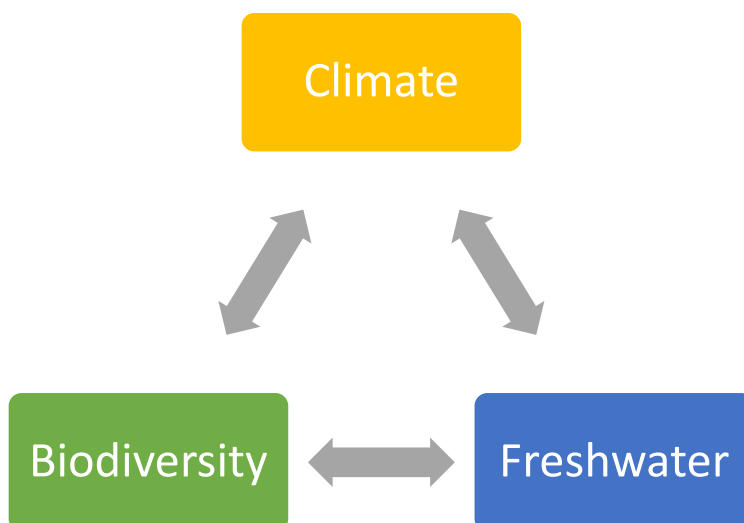
³² CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. <https://www.cites.org/>

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Annex 1: The link between climate change, freshwater and biodiversity

The interconnection between climate change, freshwater and biodiversity is inseparable and can cause significant negative impacts on society. An example is the effect of extreme weather events and changing habitat structures caused by climate change, forcing species to either adapt to the new conditions or move to suitable alternative habitats. Similarly, biodiversity is a main contributor to ecosystem services that are important prerequisites for climate change adaptation and mitigation. The same interconnection applies to water which can have a significant impact on climate and biodiversity through e.g. evaporation and absorption effects and its vital role as drinking source for flora and fauna.

Figure 1: Principle linkages between climate, water and biodiversity³³



Any changes within one of the spheres results in direct or indirect effects on other spheres. In order to minimize potential significant negative effects, SEB's Environmental Policy on climate, freshwater and biodiversity together with the bank's sustainability policy framework provide a foundation for how the bank will support the transition to climate neutrality and move towards net positive impacts on biodiversity and water.

³³ International Institute for Applied Systems Analysis (IIASA) – Meeting biodiversity, climate, and water objectives through integrated strategies (August 24th, 2021)