



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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1 Introduction

SEB Group's environmental responsibility relates to the potential impact our business has on natural systems. In order to increase awareness of such impact and to set a direction and a reasonable scope for our ongoing work in taking, to the extent possible, such impact into consideration, SEB Group has developed this Environmental policy which primarily focuses on Climate change, Freshwater and Biodiversity.

SEB Group's overall sustainability ambitions are articulated in the Corporate Sustainability Policy and the Sustainability Strategy. This is mirrored in our business plans and supported by our sustainability related business targets and our sustainability policies. Our sustainability policies, together with our advisory services and our sustainability product and service offering, supports our customers in their sustainability development.

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 Group's position
- 2) Approach: Identification of impact sectors, and when applicable, identification of impact drivers
- 3) Assessment and engagement supporting transition: Considerations on engagement with Companies in relationship to the thematic areas in this policy

2 Definitions

Biodiversity: "Biodiversity is the total variety of all Earth's species, their genetic information, and the ecosystems they form."¹

Biodiversity baseline: Collection and interpretation of Biodiversity values occurring through operation or new projects, their current condition and future development.²

Business Relationship: A commercial relationship with a legal entity based on a legal agreement including, but not limited to, holding of securities.

Company: Legal corporate entity conducting business.

Deforestation: The permanent destruction of forests and woodlands and conversion to non-forest uses.³ 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.⁴

Dependency perspective: Are "aspects of nature's contributions to people that a person or organization relies on to function, including water flow and quality

¹ Definition as defined by the Science-Based Targets Network (SBTN)

² 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

³ EU Commission, DG Environment

⁴ Food and Agriculture Organization 2001

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regulation; regulation of hazards like fires and floods; pollination; carbon sequestration.”⁵

Ecosystem services: “The benefits people derive from ecosystems”⁶, such as pollination, water purification, climate regulation, and carbon storage.

GHG (Greenhouse Gas) emissions: Emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrochlorofluorocarbons (HCFCs), ozone (O₃), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆) and water vapour.

Impact perspective⁷: Are positive or negative contributions of a company or other actor toward the state of nature.

Mitigation Hierarchy: A method which provides guidance on how to limit the negative impact on Biodiversity as far as possible, and includes the following sequential steps: “Avoid”, “Minimize”, “Restore”, and lastly “Offset”.⁸

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 there⁹.

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.¹⁰

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: Skandinaviska Enskilda Banken AB (publ)

SEB Group: Skandinaviska Enskilda Banken AB (publ) and its subsidiaries, branches, and representative offices. Foundations related to SEB are not part of the SEB group.

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.¹¹

3 Purpose

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

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

⁶ Definition as defined by the Millennium Ecosystem Assessment

⁷ Definition as defined by the Science-Based Targets Network (SBTN)

⁸ The Biodiversity Consultancy

⁹ European Environment Agency

¹⁰ WWF: Zero Net Deforestation by 2020 – A WWF Briefing Paper

¹¹ UN Global Compact – CEO Water Mandate

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4 Scope

This policy is a Group policy. As such it shall be implemented in all parts of the SEB Group, taking local or sector specific rules into account when relevant. It is noted that the fund company of the SEB Group, SEB Investment Management AB, for regulatory reasons is not party to this policy and instead establishes its own sustainability-related policies.

Any deviations from this policy shall be escalated in accordance with the Customer Acceptance Mandate Instruction or applicable committee instruction.

4.1 Exempt activities

The following activities are not covered by the policy

When SEB Group lends

- 1) Securities financing transactions, provided the borrower itself is not covered by this policy.

When SEB Group invests and distributes investment products

- 1) Investments in securities that are a consequence of seized assets in the ordinary course of business;
- 2) Investments in securities where SEB Group does not make the investment decision¹²;
- 3) Externally managed funds, i.e. funds managed outside SEB. Sustainability considerations in portfolio management and advisory and other distribution and placement activities using externally managed funds are defined in divisional sustainability instructions;
- 4) Investments in securities where external sustainability data is not available at a reasonable effort and quality.

Other activities

- 1) Any activity that the SEB Group is obliged to provide due to law or regulation;
- 2) Customer liquidity facilitating activities in securities markets and related research activities;
- 3) Financial products where the employees in companies in scope are the beneficiaries, e.g. occupational pension.

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 Group 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.

¹² The investment might be registered in the name of SEB Group (e.g. certain pension products).

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5.1 Position

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

- SEB Group has a net zero Paris aligned target for the climate impact of its credit business and asset management;
- SEB Group strives to base climate related business decisions on science-based climate data, models and scenarios;
- SEB Group integrates climate considerations in its credit business and asset management;
- SEB Group 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 Group will support financing of a Just Transition¹³, ensuring a socially inclusive approach to the transition to a low carbon economy;
- SEB Group's climate strategy is aligned with internal incentives and KPIs;
- SEB Group shall be transparent on its climate risks and opportunities.

5.2 Approach

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

SEB Group expects Companies in sectors with 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 5.3.

5.3 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 and/or external models and data as well as any SEB Group sector policy should be included.

Based on Companies' climate performance and ambitions, SEB Group 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.

¹³ "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" OECD Just Transition Centre and International Labour Organization. 2017. *Just Transition*.

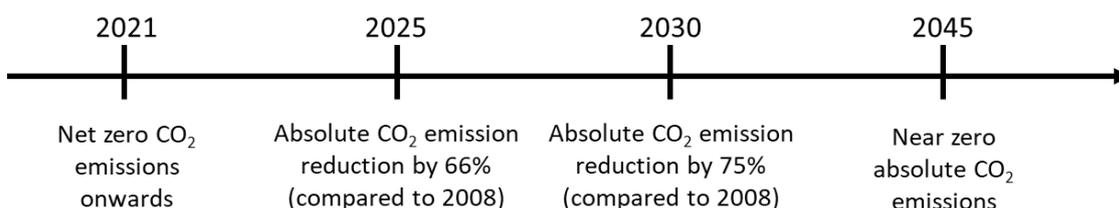
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Carbon removal technologies are supported in case of residual emissions or as a mitigant action if a robust methodology is applied¹⁴, but not replacing feasible carbon reduction plans.

Companies that contribute to significant negative climate impact without a credible transition plan, presents a challenge. Exiting a Business Relationship due to environmental challenges should only be considered after significant engagement and if the Company has not developed an ambitious and material transition plan.

5.4 SEB Group's operational CO₂ footprint

SEB Group has a responsibility and ambition to reduce its operational climate footprint. SEB Group has set the following direct CO₂ targets¹⁵:



To achieve this SEB Group will work to:

- Improve energy efficiency of operations and buildings;
- Use renewable energy in buildings owned or rented;
- Reduce business travel by using alternative techniques for meetings and reduce travel related emissions by choosing biofuel where possible;
- Move to an electrified fleet of company cars;
- Work together with suppliers to minimise SEB Group's broader carbon footprint from operations;
- Provide transparent public reporting on SEB Group's emissions profile and the actions SEB Group undertakes to manage and mitigate emissions. SEB Group is a signatory to the CDP¹⁶.

6 Freshwater

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 acknowledge that through our business decisions we may have an indirect impact in regions where freshwater or clean water is a scarce commodity. SEB Group has an important role to play in supporting awareness concerning preservation of and access to freshwater. In our own operations, we are not a material user of freshwater and operations are not located in water stressed areas.

¹⁴ Building on requirements in the EU Carbon Removal Certificates Proposal

¹⁵ Scope 1 and 2 as well as Scope 3 (paper, company cars, travel, facility energy)

¹⁶ 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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6.1 Position

SEB Group takes the following position:

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

6.2 Approach

SEB Group has through engagement with external experts defined the following sectors¹⁷ to have potential negative water impact¹⁸ :

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

¹⁷ 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; 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.

¹⁸ 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 Group credit exposure

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6.3 Assessment and engagement supporting transition

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

- Identify potential impact on water stressed areas and measure water intensity¹⁹;
- Measure the amount of discharged wastewater and set targets for its reuse and recycling.

SEB Group expects 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, freshwater, clean air, shelter and medicine. It also mitigates natural disasters, pests and diseases, and contributes to regulating the climate. Biodiversity is part of our natural capital, delivering Ecosystem services that underpin our economy. Its deterioration and loss is generally deemed to jeopardise the provision of these services. Biodiversity loss is commonly regarded as one of the most critical global environmental threats alongside climate change. It is important to acknowledge available scientific studies stating that the two are interlinked. Therefore, SEB Group will support Companies in the transition towards reversing Biodiversity loss.

7.1 Position

SEB Group expects Companies to manage natural resources responsibly. The following principles guide SEB Group'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 tools and guides²⁰;
Encourage and support Companies with potentially high impact on Biodiversity and ecosystems, to set relevant targets for the areas of Biodiversity loss,

¹⁹ 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

²⁰ Such as ENCORE, Global Forest Watch, WWF: Assessing Portfolio Impacts, Finance for Biodiversity: Guide on biodiversity measurement approach (2nd Edition)

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Deforestation and conversion of Natural Habitat. These should be in line with national and/or international standards and conventions²¹.

7.2 Approach

SEB Group has used the findings of external studies²² to identify sectors with negative impact, directly through own operations or indirectly through supply chain impact on Biodiversity. The selection is based on relevance in relation to SEB Group's credit exposure combined with sector specific land based negative Biodiversity impact. The selected industries are identified from a negative impact perspective, rather than an economic dependency perspective. The following sectors are regarded to have potentially negative Biodiversity impact²³:

Sectors with potential direct negative Biodiversity impact	Sectors with potential indirect negative Biodiversity impact (supply chain)
<ul style="list-style-type: none">• Agriculture• Forestry• Energy generation from wind and hydropower• Infrastructure• Mining• Power Transmission	<ul style="list-style-type: none">• Construction• Pulp and paper• Retail (food, beverage, textile, furniture)

Depending on the kind of impact, SEB Group expects Companies to take necessary steps to reduce such negative impact on Biodiversity loss, Deforestation and/or conversion of Natural habitats respectively.

SEB Group has used the work of Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) to identify potential direct drivers of Biodiversity loss²⁴. It is important to acknowledge the contribution of negative impact from each direct driver from each sector. The suggested direct drivers of Biodiversity loss are:

- Land-/ Sea use change²⁵

²¹ E.g. Convention on Biodiversity, EU Green Deal, EU's Biodiversity Strategy

²² 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

²³ 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; 3512 - Transmission of electricity; 3513 - Distribution of electricity.

²⁴ As defined by IPBES, which lay as a foundation for both TNFD (Taskforce on Nature-related Financial Disclosures) and Kunming-Montreal Global Biodiversity Framework.

²⁵ " Land-use change is the major human influence on habitats and can include the conversion of land cover (e.g. deforestation or mining), changes in the management of the ecosystem or agro-ecosystem (e.g. through the

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- Overexploitation of natural resources
- Climate change
- Pollution
- Invasive alien species

7.3 Assessment and engagement supporting transition

The below table sets out SEB Group's expectations on Companies in sectors with potentially high direct and indirect (supply chain) negative Biodiversity impact on land-based nature²⁶. Depending on the sector, the relevant expectations are further defined in the applicable Sector Policy.

Companies in sectors with potential direct negative Biodiversity impact	Companies in sectors with potential indirect negative 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 Deforestation / No net deforestation in supply chain • Have processes to ensure no material negative impact in sensitive environmental areas of the supply chain (see below)
<p>New Projects and capacity expansion²⁷</p> <ul style="list-style-type: none"> • Conduct an Environmental Impact Assessment²⁸ • Apply the Mitigation hierarchy 	

Restrictions on sensitive environmental areas

SEB Group will avoid providing financial services to Companies or projects with material negative impact²⁹, such as land conversion, on sensitive environmental areas such as:

intensification of agricultural management or forest harvesting) or changes in the spatial configuration of the landscape (e.g. fragmentation of habitats)." As defined by IPBES.

²⁶ Based on impact sectors reported in WEF-PwC 2002 and PRB – Beyond 'Business as Usual': Biodiversity Targets and Finance

²⁷ When SEB is directly financing new projects and capacity expansions

²⁸ 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

²⁹ 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.

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- UNESCO World Heritage sites³⁰;
- Wetlands covered by the Ramsar Convention³¹;
- Land-based Natura 2000 areas;
- National parks and nature reserves;
- For project finance; International Union for the Conservation of Nature Red List Species³².

SEB Group will also not trade in, and will avoid contribution to trade in, endangered plant and animal species that are on the CITES³³ unless it is authorized through CITES licensing system.

³⁰ 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

³¹ 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

³² 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.

³³ 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.