

Instruction – Position Statement on Climate Change and Nature

Adopted by	The CEO
Date of adoption	18 November 2024 (replaces 6 November 2023)
Applies for	The Bank and all Subsidiaries
Group Framework Owner	The Head of Group Brand, Communication & Sustainability
Information class	Public
Legal basis	N/A
Related Group Regulations	Sustainability Policy, Environmental Policy, Instruction – Position Statement on Arms and Defence
Supporting material	Internal Guidance on Position Statements 2024

1 Background

One of the greatest challenges of our time is climate change, and the Paris Agreement sets the stage to limit global warming to 1.5 °C. We are also facing a global decline in nature at unprecedented rates, with the Kunming-Montreal Global Biodiversity Framework (GBF) setting out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. Nature loss and climate change are interlinked, and integrating these topics, recognising their interdependencies, synergies, and trade-offs is essential for a sustainable transition.

A major transition of society is needed, and banks have an important role to play to manage global environmental challenges that affect us and future generations. Swedbank's vision is a financially sound and sustainable society where we empower the many people and businesses to create a better future. Given our history, purpose, and vision, in 2019 Swedbank became one of the 130 Founding Signatories to the UN's Principles for Responsible Banking (PRB). PRB is a shared commitment to align our business strategy to the Paris Agreement and contribute to the fulfilment of the Sustainable Development Goals (SDGs), guiding our work and impact towards 2030 and beyond.

2 Purpose

Swedbank's position statement outlines the Group's climate change and nature-related agenda. This includes expectations for Swedbank's own operations and when providing products and services and considers climate and nature-related impacts, risks and opportunities.

3 Scope

Swedbank's position statement applies to all jurisdictions where Swedbank Group operates or conducts business.

The position statement specifies certain restrictions on activities and companies for Swedbank's financing and investment services: financing, capital market financing assignments¹, and investments².

Swedbank implements the principles and restrictions according to the size, complexity and risk profile of different customers. In case of extraordinary circumstances financing could be allowed for companies outside the remit of restrictions, as per discussion and approval in the Swedbank's Sustainability Committee.

4 Position on Climate Change

4.1 Principles

As a continuation of the PRB commitment Swedbank has committed to the Net-Zero Banking Alliance (NZBA) which furthermore strengthens our climate change agenda. Swedbank has also committed to the greenhouse gas (GHG) target-setting framework Science-Based Targets initiative (SBTi). Swedbank has set climate targets aligned with scientific pathways that limit the global warming to 1.5°C.

Swedbank relies on the International Energy Agency's Net Zero by 2050 scenario, whereby there should be no new coal mines opened, nor should there be any expansion of existing coal mines from 2021. Neither should there be new oil and gas fields beyond what were approved for development by 31 December 2021.

4.1.1 Management of climate impacts, risks and opportunities

- Swedbank shall measure and disclose climate-related impacts and risks.
- Swedbank shall use intermediate science-based targets to reach net-zero emissions by 2050. Swedbank has adopted 2030 decarbonisation targets for the lending portfolio that are in line with the goal to limit global warming to 1.5°C.
- Swedbank shall perform scenario testing and integrate physical and transition risks within our risk management processes.
- Swedbank shall monitor the exposure to sectors with material climate-related risk exposures, using limits and key risk indicators for our loan book.
- Swedbank shall have GHG emission reduction as a key priority in our direct environmental management of operations which includes reduction of energy, electricity, water, waste, and business travels. Swedbank shall actively seek climate related information about our suppliers to reduce emissions in our supply chain.

4.1.2 Supporting sustainability transition

- Swedbank shall continuously work with our corporate customers and the companies we invest in to steer them towards the Paris Agreement. Swedbank shall advocate that companies adopt a 1.5°C - aligned climate strategy that includes the following:
 - Public long-term and intermediate climate goals. Preferably validated by the SBTi.
 - A credible transition plan with actions and milestones towards the climate goals.

¹ When Swedbank arranges bonds, commercial papers or carry out similar capital market financing assignments, including debt and equity.

² When Swedbank makes investment decisions for financial products, which excludes indirect investments such as funds managed by third parties or investment decisions based on a discretionary mandate.

- Yearly public progress reporting towards climate goals of all harmful emissions (direct or indirect) according to the GHG Protocol³.
- Swedbank shall continue to develop financial products, services and offerings to support our customers in making sustainable choices and to fulfil an increasing demand in the market for green investments.
- Swedbank shall support customers in understanding how investments can have an impact on climate and how climate has an impact on investments.
- Swedbank shall support our customers to take climate action through investment in energy efficiency improvements (e.g., Swedbank's energy transition initiative).
- Swedbank shall support new necessary technologies that enable a sustainable transition in society (e.g., electrification, hydrogen, bioenergy and carbon capture, utilisation, and storage).
- Swedbank shall support ongoing and new partnerships and collaborations, including policy makers, to ensure that our customers have access to the banking solutions that meet their financial and sustainability needs in their transformation journey.

4.2 Restrictions

4.2.1 Thermal coal and thermal peat

Extraction

- Swedbank shall not provide new financing or capital market financing assignments to companies that extract thermal coal or thermal peat.
- Swedbank shall not invest in companies that derive more than 5% of their revenues from the extraction of thermal coal or thermal peat.

For thermal peat, exemptions can be made if qualifying as Transition companies – see 4.2.3.

Energy production

- Swedbank shall not provide dedicated financing or capital market financing assignments to coal- or peat-fired power generation.
- Swedbank shall not invest in or provide new financing or capital market financing assignments to companies that derive more than 5% of their revenues from coal- or peat-fired power generation⁴. For peat, exemptions can be made if qualifying as Transition companies – see 4.2.3.
- Swedbank shall require companies within power generation⁵ that we finance or invest in to set a credible transition plan in line with the 1.5-degree scenario (see 4.1.2).

4.2.2 Oil and gas

Swedbank shall not provide new financing towards Exploration and Production (E&P) companies in the oil and gas industry. This is in line with Swedbank's overall commitment to the Paris Agreement and the IEA's Net Zero by 2050 scenario. The below restrictions apply.

Extraction

- Swedbank shall not provide new financing or capital market financing assignments to companies that:
 - Explore for new oil or gas fields.
 - Extract conventional and unconventional fossil fuels.⁶

³ Green House Gas Protocol (GHG Protocol) establishes comprehensive global standardised frameworks to measure and manage GHG emissions.

⁴ For peat, Swedbank could make exception to this restriction as part of transitional strategy if in certain instances in power-generation and heating some older boilers are built for partial peat combustion.

⁵ For financing it applies to large companies with more than 5% of the energy mix from peat or coal, with an annual turnover of more than 500 mSEK (50 mEUR) or assets of more than 1000 mSEK (100 mEUR), and an off-balance exposure of more than 8MSEK (800tEUR). For investments other thresholds may apply.

⁶ Unconventional fossil fuels include shale oil/gas, arctic oil/gas, oil sand, or ultra-deep water oil & gas

- Expand existing oil or gas fields.

Due to extraordinary circumstances financing of energy producers also active within oil and gas extraction can be accepted, such as national energy security reasons, but the companies are expected to set a credible transition plan in line with the 1.5-degree scenario (see 4.1.2).

- Swedbank shall not invest in companies that derive more than 5% of their revenues from the extraction of oil or gas. Exemptions can be made if qualifying as Transition companies – see 4.2.3.

Energy production, refineries and vessels

- Swedbank shall not provide dedicated financing or capital market financing assignments to:
 - New oil or gas power plants (restriction does not apply to biogas).
 - New crude refineries or expansion of crude refinery capacity for transportation fuel (unless primarily aimed at biofuel production).
 - New vessels designed with the sole purpose of and dedicated to the transportation of crude oil (crude oil tankers).
- Swedbank shall require companies within power generation⁷ that we finance or invest in to set a credible transition plan in line with the 1.5 degree scenario (see 4.1.2).

4.2.3 Transition companies – oil, gas and thermal peat

Swedbank is committed to support companies in meeting the Paris Agreement through an orderly transition. Exemptions from the restrictions may be made if a company is deemed to be a *Transition Company* within oil, gas or thermal peat, fulfilling all of the following criteria:

- Has a Paris-aligned climate strategy as outlined according to the guidance in 4.1.2.
- Has committed not to expand or open new oil or gas fields.
- Has committed not to explore for new oil or gas fields.
- Is not involved in the extraction of unconventional oil and gas.
- Has committed not to expand or open new thermal peat extraction.

5 Position on Nature

Nature is defined as all life on Earth, i.e. biodiversity, together with the geology, water, climate and all other inanimate components that comprise our planet. Our societies and economic activities are dependent on nature and its biodiversity and have an impact on it, either directly or indirectly through their value chains.

The finance industry has an important role to play in contributing to the objectives of the GBF, for example, by integrating nature-related risks in business decisions, product offering, or engaging with clients and awareness-raising. The relative immaturity of the topic in the financial sector, with a lack of science-based sectoral pathways, universal quantifiable metrics, and data availability, constitutes a challenge; collaborative action is needed to address nature and biodiversity loss.

5.1 Principles and Restrictions

5.1.1 Nature in strategy and internal processes

- Swedbank shall incorporate nature-related considerations in its strategy and is committed to work towards global ambitions related to nature action.

⁷ For financing it applies to large companies with more than 5% of the energy mix from oil or gas, with an annual turnover of more than 500 mSEK (50 mEUR) or assets of more than 1000 mSEK (100 mEUR), and an off-balance exposure of more than 8MSEK (800mEUR). For investments other thresholds may apply.

- Swedbank shall continue developing a good understanding of its portfolio exposure to nature-related impacts, dependencies, risks, and opportunities.
- Swedbank shall integrate nature-related risks within our risk management processes, where relevant.
- Swedbank shall adopt a progressive approach to target-setting on nature, starting with internally recognised and prioritised actions and practice targets.

5.1.2 Supporting sustainability transition

- Swedbank shall continue taking active part in collaboration efforts with various stakeholders and research projects focused on developing common knowledge and new approaches for integration of nature considerations into decision-making.
- Swedbank shall consider nature-related opportunities in the development of new financial products, services and offerings, to support our customers in making sustainable choices.
- Swedbank shall encourage corporate customers to assess their dependencies and impact on nature and their exposure to nature-related risks, and to incorporate nature-related considerations in strategies and decision-making.
- Swedbank acknowledges deforestation as a significant risk and advocates that its corporate customers with supply chains in high deforestation risk countries or with significant exposure to high-risk commodities (including beef, palm oil, pulp and paper, rubber, soy, and timber) to commit to no deforestation.
- Forests are fundamental in addressing nature loss and climate change crises and in enabling the further development of sustainable economies. The forestry sector plays an important role in the sustainability transition, as well as in maintaining the essential ecosystem services that healthy forests provide to benefit our society. Swedbank expects that its customers in the forestry sector engage in sustainable forest management and encourages them to develop action plans aimed at improving conditions for rich biodiversity.
- Swedbank expects that its customers in the agricultural sector ensure sustainable management of natural resources and apply relevant procedures for conservation of biodiversity.
- Swedbank expects its customers to refrain from activities with significant negative impact on areas of high biodiversity value, such as Ramsar Wetland areas, UNESCO World Heritage Sites, or areas designated for protection by the International Union for the Conservation of Nature or Natura 2000.
- Swedbank expects development projects, such as real estate or infrastructure development, to meet applicable standards related to environmental protection and to ensure a diligent evaluation and management of impacts on nature and biodiversity. Swedbank encourages project developers to apply mitigation hierarchy in order to limit negative impacts on biodiversity and to employ nature-based solutions to leverage climate and nature synergies.

5.1.3 Restricted activities

- Swedbank shall not provide dedicated finance to deep sea mining⁸, until its ecological impacts can be fully understood and addressed.

⁸ Deep sea mining is defined by the IUCN as the process of retrieving mineral deposits from the deep seabed – the ocean below 200m.

Appendix

Standards and references

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) – CITES is a multilateral treaty to protect endangered plants and animals from the threats of international trade.

International Energy Agency's "Net Zero by 2050 report" – The study outlines the policies, technologies, and behavioural changes needed to achieve a net zero energy system in just three decades, while ensuring stable and affordable energy supplies, providing universal energy access, and enabling robust economic growth.

International Union for the Conservation of Nature (IUCN) – IUCN is an international organization established in 1948, which provides public, private and non-governmental organisations with the knowledge, tools and projects in the field of nature conservation and sustainable use of natural resources.

Kunming-Montreal Global Biodiversity Framework (GBF) – GBF was adopted at the UN Biodiversity Conference (COP15) in December 2022. The framework sets a roadmap to reach the global vision of a world living in harmony with nature by 2050. It aims to address biodiversity loss, restore ecosystems and protect indigenous rights through concrete targets to halt and reverse nature loss by 2030 and long-term goals for 2050.

Net-Zero Banking Alliance (NZBA) – NZBA reinforces, accelerates, and supports the implementation of decarbonization strategies, providing an internationally coherent framework and guidelines in which to operate. It recognizes the vital role of banks in supporting the global transition of the real economy to net-zero emissions. It brings together banks, which are committed to align their financing and investment portfolios with net-zero emissions by 2050. The NZBA is a continuation of the PRB commitment.

Ramsar Convention on Wetlands – Is an intergovernmental treaty for the conservation and wise use of wetlands and their resources, signed in 1971.

Science Based Targets initiative (SBTi) – SBTi defines and promotes best practice in emissions reductions and net-zero targets in line with climate science. It provides methodologies, technical assistance, and validation of targets.

UNESCO World Heritage sites – Landmarks and areas recognized as having special cultural, historical, or scientific significance by the World Heritage Convention adopted by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

UN Principles for Responsible Banking (PRB) – PRB is a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the SDGs and the Paris Climate Agreement.