



**Sector Policy on Agriculture, Fishing, Aquaculture
and Animal Welfare
for
Skandinaviska Enskilda Banken AB**

adopted by the
Risk and Capital Committee of the Board of Directors of
Skandinaviska Enskilda Banken AB (publ)
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Sustainable Banking

Sector Policy on Agriculture, Aquacultures, Fishing and Animal Welfare

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1 Introduction

The Agricultural, Aquaculture and Fishing sectors are essential parts of many economies. The shift to sustainable agriculture, aquaculture and fishing practices is a necessity to secure global food supply, decrease carbon emissions and reduce negative impacts on the environment and societies.

SEB has exposure to the Agriculture, Aquaculture and Fishing sectors through lending and investments. This Sector Policy has been developed to ensure that lending and investment decisions contribute towards fulfilling SEB's overall sustainability ambitions, as expressed in SEB's Corporate Sustainability Policy.

This Sector Policy builds on the principles defined in the thematic Environmental Policy and the Human Rights Policy, which are part of the overall Sustainability policy framework in SEB. Sustainability related policies in SEB are reviewed annually.

2 Definitions

Agricultural Sector¹: Companies directly involved in the cultivation of plants and breeding of livestock

Aquaculture Sector: Farming and primary processing of finfish, shellfish and aquatic plants in the sea or inland waters².

Business Relationship: A commercial relationship where SEB provides Financial Services to a Client.

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

Companies: Legal corporate entities conducting business.

Exempt Activities: Activities listed in 4 below.

Financial Services: General banking and advisory services including services that result in credit exposure.

Fishing Sector: All companies directly involved in marine and freshwater fishing and primary processing.

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.

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

¹ Subsectors under the following SNI sector codes: 01 - Crop and animal production, hunting and related service activities; 03 – Fishing and aquaculture

² EU aquaculture (fish farming)

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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.

3 Purpose

The purpose of this Sector Policy is to clarify SEB's expectations, requirements and restrictions on providing Financial Services to and making Investments in Companies involved in agricultural, aquaculture and fishing activities as well as animal welfare.

4 Scope

This Sector 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 Sector Policy.

The Sector Policy covers Companies with a material share of revenues, i.e. more than 15% of Company turnover, combining any of the following activities:

- Agriculture;
- Fishing;
- Aquaculture.

The Risk and Capital Committee (RCC) mandates the Group Risk Committee (GRC) to make deviations from this Sector Policy. Any such decisions by GRC shall be reported back to the RCC.

Exempt Activities:

- 1) Intermediation services such as provision of investment opportunities and thereto related research activities;
- 2) Securities financing activities;
- 3) Funds managed outside SEB Group;
- 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.
- 6) In addition the application of the policy is further defined below based on type of implementation level.

Implementation level

SEB sector policies have different implementation levels:

Expectation: SEB expects Clients and Portfolio Companies to adhere to this Sector Policy. Non-adherence requires actions that over time will ensure adherence to the Sector Policy.

Require: SEB requires its Clients to comply with SEB's position and non-compliance requires active decisions on SEB's engagement.

Restrict: SEB restricts engagement with Clients that are non-compliant.

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The below table shows how the policy implementation levels are applied to different sizes of Clients and Companies.

Implementation levels	Company size		
	Retail ³	SME ⁴	Mid/Large corp.
SEB Expects	-	-	✓
SEB Requires	-	✓	✓
SEB Restricts	-	✓	✓

* ✓ Implementation level applicable

" - " Implementation level not applicable, but can be used as guidance

5 Governance model

Internal adherence and follow-up

This Sector Policy is implemented according to SEB's governance model for all sustainability related policies:

- The relevant first-line business divisions are responsible for ensuring adherence to the Sector Policy and identify, assess and manage the associated risks inherent in their business activities;
- The CRO Function is responsible for evaluating the efficiency of first line risk management;
- There will be a periodic review of the credit portfolios covered by this Sector Policy.

6 Agriculture

6.1 Key sector risks

Environmental

- Air emissions, including GHG⁵ and other pollutants⁶;
- Water quality and stress;
- Soil pollution through toxic and persistent materials and substances;
- Loss of soil productivity and increased erosion and landslide risks;
- Habitat modification and conversion with negative impacts on biodiversity and ecosystems;
- Energy consumption;
- Waste generation;
- Noise pollution negatively affecting species;
- Reduced genetic diversity through preferential customer selection;
- Animal welfare;

³ Companies with a turnover below EUR 0.5 million or where SEB's credit exposure is below EUR 1 million

⁴ Small and medium-sized enterprises (SMEs) as defined by the EU, meaning companies having staff of less than 250 employees and not exceeding annual turnover of EUR 50m or balance sheet value less than EUR 43m.

⁵ CO₂, CH₄, N₂O, SF₆, HFCs and PFCs

⁶ Fine or coarse particulate matter (PM_{2.5}, PM₁₀), volatile organic compounds (VOCs), NO_x, SO₂ or CO

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Social

- Occupational health and safety of workers;
- Public health such as risk for antibiotic resistance or zoonotic diseases;
- Food safety;
- Working conditions for guest workers and other temporary workers;
- Child labour in developing countries;
- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous people.

6.2 Restrictions

Sensitive environmental areas

SEB will avoid providing Financial Services to Clients, or make Investments in Portfolio Companies or projects with material negative impact, such as land conversion, on sensitive environmental areas such as⁷:

- UNESCO World Heritage sites;
- Wetlands covered by the Ramsar Convention;
- Land-based Natura 2000 areas;
- National parks and nature reserves;
- High conservation value forests (HCVF)⁸;
- International Union for the Conservation of Nature Red Listed Species.

Deforestation, pesticides and antibiotics

In addition, SEB will avoid providing Financial Services to, or make Investments in Companies or projects that are involved in any of the following:

- Illegal logging or trading activities;
- Illegal or uncontrolled fire activities for land clearance and preparation;
- Deforestation of primary⁹ tropical forests;
- Illegal usage of fertilizers or pesticides;
- Material negative impact on animal welfare (see section 11);
- Routine use of antibiotics as a preventive measure to groups of healthy animals¹⁰;
- Trade in endangered species (CITES) unless it is authorized through CITES licensing system.

⁷ 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.

⁸ 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.

⁹ The naturally regenerated forest of native tree species, where there are no clearly visible indications of human activities and the ecological processes are not significantly disturbed. (FAO – Global Forest Resources Assessment 2020. Terms and Definitions)

¹⁰ As per EU regulation (EU) 2019/6 of the EU Parliament and of the Council of 11 December 2018 on veterinary medicinal products

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Palm oil and soy

SEB will avoid providing Financial Services to, or make Investments in Companies involved in the production of palm oil and soy that:

- Do not have a policy or statement regarding no deforestation;
- Are not compliant or do not have a timebound plan for compliance with generally accepted production standard certifications^{11,12}.

6.3 Environmental expectations

In addition to applicable restrictions, SEB expects Clients and Portfolio Companies active in crop and livestock farming to apply any of the following actions, depending on the respective size and relevance to the entity, in order to reduce climate impact:

- Comply with applicable national and international regulations¹³ for genetical engineering;
- Have a sustainable feed system to decrease methane emissions from ruminants;
- Have a waste management system including animal sewage/sludge management to reduce leakage and optimize use of methane, nitrogen and phosphorus;
- Increase carbon storage through farming practices¹⁴;
- Switch from conventional/traditional farming methods to regenerative agriculture and sustainable intensification¹⁵;
- Switch from fossil fuel to renewable energies within operation and transportation activities;
- Implement production possibilities for renewable energy¹⁶ or increase already existing volumes.

Additional expectations on the production of certain agro commodities

SEB expects Clients and Portfolio Companies involved in the production of cotton, coffee, cocoa and sugar cane to:

- Have a policy or statement regarding no deforestation;
- Be either compliant with applicable sustainable production standard certifications or have a plan to increase the share of certified production volumes compliant with respective certification schemes¹⁷.

¹¹ RSPO (Roundtable on Sustainable Palm Oil) or equivalent certification such as: ISPO (Indonesia Sustainable Palm Oil) or MSPO (Malaysia Sustainable Palm Oil)

¹² RTRS (Roundtable on Responsible Soy) or equivalent certification

¹³ If within EU: Directive 2001/18/EC of the European Parliament and of the Council of 12 March 2001 on the deliberate release into the environment of genetically modified organisms and repealing Council Directive 90/220/EEC - Commission Declaration

If outside of EU: UN Convention on Biological Diversity, Bonn Guidelines, Nagoya Protocol, Cartagena Protocol

¹⁴ E.g. Cash crops, intermediate crops, agroforestry, energy forests or the cultivation of perennial crops such as grassland with potential to contribute to increasing coal storage

¹⁵ E.g. nutrient looping / composting, precision agriculture, farmland irrigation, grazing land management, manure management, cropland management, rice management / rice intensification

¹⁶ Such as bioenergy, wind power, solar power an etc.

¹⁷ E.g. : Cotton – Better Cotton Initiative (BCI) or equivalent; Coffee – 4C membership, UTZ or equivalent; Cocoa – UTZ, Fair Trade or equivalent; Sugar cane – Bonuscro certification or equivalent;

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7 Fishing

7.1 Key sector risks

- Air emissions such as GHG or SO_x;
- Coastal and marine habitat degradation and clearing with negative impacts on biodiversity and ecosystems;
- Overfishing and bycatch;
- Waste such as plastic or fishing gear;
- Health and safety of sea workers, e.g. onboard accommodation, working space, trainings;
- Working conditions e.g. working time (hours of work, rest periods, and work schedules), remuneration and -other contractual agreements;
- Human rights issues such as human trafficking and forced labour.

7.2 Restrictions

SEB will avoid providing Financial Services to, or make Investments in Companies that are involved in any of the following:

- Destructive fishing methods¹⁸;
- Operations in Marine Protected Areas or No-take zones;
- Operations in coastal areas of occupied territories;
- Commercial whaling and shark finning;
- Trade in endangered species (CITES).

7.3 Requirements

SEB shall avoid providing Financial Services to or invest in Companies unless the following requirements are met:

- Adherence to all applicable national laws and regulations applicable to the operation of fishing vessels;
- Operation in line with national, EU/EEA and international laws and regulations regarding total allowable catch quotas (TACs) for fish stocks and by-catch;
- Avoid bottom trawling in areas protected from bottom trawling.

7.4 Environmental expectations

In addition to applicable restrictions, SEB expects Clients and Portfolio Companies to:

- Participate or have a plan to participate in relevant certification programs¹⁹;
- Implement approaches for the following:
 - Fishing methods (including bait sourcing) and fishing gear to minimize the Impact on other species and ecosystems²⁰;
 -

¹⁸Cyanide fishing, blast fishing

¹⁹Marine Stewardship Council (MSC), Bird Exclusion Devices (BEDS), Turtle Exclusion Devices (TEDS),

²⁰ Methods and gear that has proven to show high selectivity and low impact on ecosystems

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- Waste management²¹, including lost and discarded gear and single use equipment.

8 Aquacultures (onshore and offshore)

Key sector risks

- Terrestrial, coastal and marine habitat degradation and clearing with negative impacts on biodiversity and ecosystems;
- Water quality and stress;
- Soil/water pollution through large quantities of nutrients;
- Natural gene modification due to impacts on biodiversity through e.g. escaped fish;
- Fish health and welfare;
- Sustainable sourcing of fish feed;
- Waste management;
- Health and safety of workers;
- Community resistance and indigenous peoples' rights.

8.1 Restrictions

SEB will avoid providing Financial Services to, or make Investments in Companies that are involved in any of the following:

- Fish feed input from illegal, unregulated and unreported (IUU) catches;
- Fish feed input from endangered species on the International Union for Conservation of Nature (IUCN) red list.

8.2 Environmental expectations

SEB expects Clients and Portfolio Companies to:

- Have targets with one or more of GSSI (Global Sustainable Seafood Initiative) recognized certification schemes²²;
- Introduce monitoring and data collection/reporting systems to improve fish welfare;
- Have a(n):
 - Feed systems based on sustainable feed²³ and seabed management;
 - Waste management strategy;
 - Disease management strategy including optimized survival rates and a zero target for antibiotics if usage is avoidable;
 - Escape management and control with a target of zero escapes;

²¹ Waste hierarchy:

²² Such as AKRFM (Alaska Responsible Fisheries Management Certification Program), IRFM (Iceland Responsible Fisheries Management Certification Programme), MSC (Marine Stewardship Council), BAP (Best Aquaculture Practices), GLOBALG.A.P., ASC (Aquaculture Stewardship Council), G.U.L.F. (Audubon Gulf United for Lasting Fisheries (G.U.L.F.)), CQA (BIM Certified Quality Aquaculture scheme), MEL Japan (Marine Eco-Label Japan V2 Scheme for Aquacultures and Fisheries)

²³ feed ingredients that are sourced in the way that is most respectful of ecosystems and biodiversity, e.g. ProTerra certification, FSC/ASC/MSC certification or similar

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- Policy on freshwater use and avoid production locations in areas with high risk of water stress, when relevant;
- Have a plan to:
 - Maximize the circularity of marine by-products;
 - Reduce GHG emissions from operation and transportation activities²⁴;

9 Social expectations

SEB expects its Clients and Portfolio Companies, in proportion to the size and risk exposure of the entity, to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of:

- Regular assessments of risks related to employees, guest workers and other stakeholders to the activity;
- Have a health & safety management system;
- Provide adequate working conditions including among others contract, housing and insurance for all workers including guest workers;

For operations in developing countries

- Have system to ensure no workers are under aged, i.e. child labour;
- Actions/policy against human trafficking when relevant;

When new areas are converted for agriculture

- Free, prior and informed consent (FPIC) principles to ensure the rights of indigenous people as well as transparent and culturally adapted communication;
- Appropriate compensation plans in order to acknowledge and respond to community priorities in cases of physical or economic resettlement²⁵;
- Actively engaging in constructive partnerships with affected stakeholders.

10 Governance expectations

SEB expects its clients to maintain high standards of accountability and integrity regarding their business including:

- Sustainability report (annually published) or similar comprising, at a minimum, disclosure of overall material sustainability impact;
- Disclose the use of hormones, antibiotics and pesticides/other relevant substances;
- Anti-corruption policy in proportion to the size and risk-exposure of entity;
- Tax reporting according to country-by-country principle, when relevant²⁶.

11 Animal welfare

Animal welfare relates to the physical and mental state of an animal in relation to the conditions in which it lives and dies. The positions below apply to activities that directly involve terrestrial animals irrespective of sector. Specific health and

²⁴ E.g. switch from fossil fuel to renewable energies and optimize logistics and transportation of products and staff

²⁵ E.g. according to ICMM's [Land acquisition and resettlement: lessons learned](#) document or the International Finance Corporation's Performance Standard [on Land Acquisition and Involuntary Resettlement](#).

²⁶ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting

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welfare issues regarding animals from aquacultures are stated above (8. Aquacultures).

Key concerns include the following:

- Animal health;
- Genetic modification / engineering;
- Housing methods / living and breeding conditions;
- Food and nutrition;
- Slaughtering methods;
- Transportation practices.

Restrictions

SEB will avoid providing Financial Services to, or make Investments in Companies that are involved in any of the following:

- Non-compliance with national or regional legislations regarding Animal Welfare including e.g. housing, killing and capture methods;
- Non-medical animal testing;
- Cultivation of animals solely for skin- and fur manufacturing²⁷;
- Entertainment activities with animals that are not in line with the Five Freedoms of animals;
- Any type of animal fights;
- Trade of endangered species and wildlife/wildlife products under CITES;
- Manufacturing and trade of angora wool not certified by Caregora²⁸.

Expectations

SEB expects Clients and Portfolio Companies to:

- Minimize transportation times for living animals and avoid animal transportations over 8hours (excluding the transportation of fish, shellfish and molluscs).

²⁷Fur Free Alliance (n.d.), "Fur Bans", online: www.furfreealliance.com/fur-bans/, viewed in December 2021.